London Borough of Brent Pension Fund

Q1 2019 Investment Monitoring Report

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Executive Summary

- Total Fund return ahead of benchmark in the first quarter of 2019
- Over the quarter the fund grew from just under £839m to just over £856m.
- In general the Q1 2019 was a supportive environment for assets:

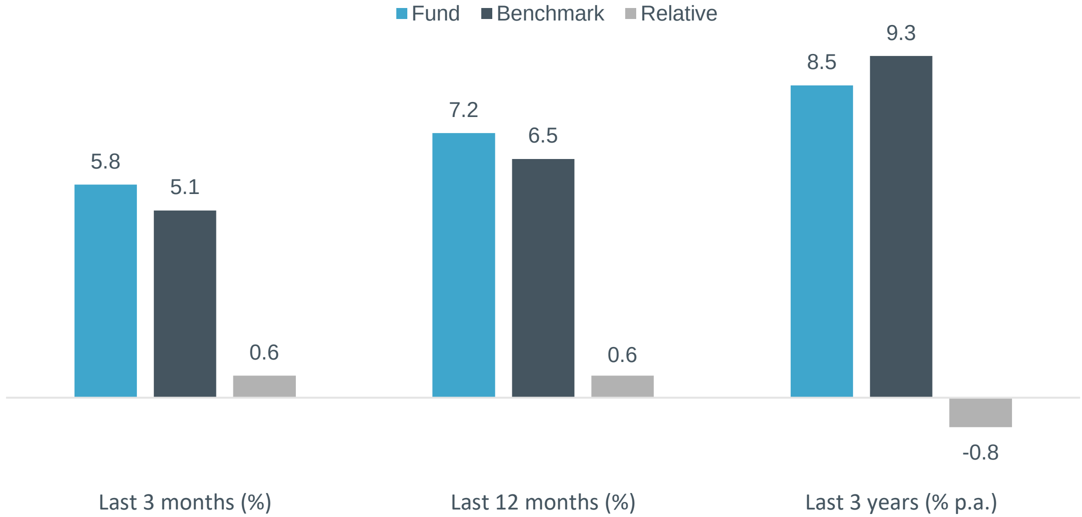
- Equity markets returned c10%
- Credit-spreads rebounded
- Oil prices stabilised higher

- Key contributors to drive the overall relative outperformance experienced were the two multi-asset growth funds and the reasonably new holding in CQS's multi-asset credit fund.
- Marginally detracting from relative performance were the funds investments in Henderson Emerging Markets and the two infrastructure funds.

Key Actions

- The Fund and Committee continue to monitor the infrastructure offering from the LCIV as a means to increasing their allocation in this asset class.
- As a secondary option, the fund may wish to consider additional commitments to existing managers to build up exposure in the interim.

Performance



Manager Rating Changes

There were no changes to any manager ratings over the quarter.

High Level Asset Allocation

"GrIP"	Current (actual)	Interim Target	Long Term Target
Growth (Equity, DGF)	79.6%**	68.0%	60.0%
Income (Property, Infrastructure)	4.4%	17.0%	25.0%
Protection (Bonds)	16.0%*	15.0%	15.0%

*Includes 2.7% currently held in cash. **Whilst on the journey to its interim and long term targets, its has been agreed that the Fund will hold the excess assets within the growth portfolio, most notably the Baillie Gifford diversified growth allocation.

Asset Allocation

- Over the first quarter of 2019 further key strategic changes were implemented as the Fund journeys towards the agreed interim target:

- Full divestment from Henderson's Total Return Bonds
- Secondary allocation of c£15m to Henderson's EM equity fund
- Secondary allocation to the LCIV MAC Fund (CQS)
- Full allocation to BlackRock's long term UK Gilts fund

- Interim Target:
  - Growth: 68%
  - Income: 17%
  - Protection: 15%

- Long-term Target:
  - Growth: 60%
  - Income: 25%
  - Protection: 15%

Key Actions

With the numerous changes to the strategic allocations in recent months there are no expected divestments or new investments in the next quarter.

However, over the next few quarters the Fund expects to (preferably via the LCIV offerings depending on timescales):

- Increase its allocation to infrastructure

- Increase its exposure to property

Asset Allocation

Manager	Valuation (£m)		Actual Proportion
	Q4 2018	Q1 2019	
LGIM Global Equity	280.1	307.5	35.9%
LGIM UK Equity	105.4	115.4	13.5%
Capital Dynamics Private Equity	60.5	58.0	6.8%
Baillie Gifford Multi Asset	114.4	121.5	14.2%
Ruffer Multi Asset	47.1	48.6	5.7%
Henderson Emerging Markets	14.5	30.3	3.5%
Total Growth	**622.0**	**681.2**	**79.6%**
Alinda Infrastructure	27.8	25.6	3.0%
Capital Dynamics Infrastructure	11.7	11.4	1.3%
Aviva Property	0.3	0.2	0.0%
Total Income	**39.7**	**37.3**	**4.4%**
Henderson Total Return Bonds	91.6	0.0	0.0%
CQS Multi Credit	17.8	35.5	4.1%
BlackRock UK Gilts Over 15 yrs	0.0	78.7	9.2%
Total Protection	**109.4**	**114.2**	**13.3%**
Cash	67.5	23.5	2.7%
Total Scheme	838.7	856.2	100.0%

Fund Performance

- Total Fund return was marginally ahead of benchmark/target for Q1 2019 by 0.7% as investments combined to deliver an absolute return of 5.8%.
- A rebound in equity markets saw strong positive returns in line with benchmark from LGIM's two equity mandates.
- Emerging market equities (Henderson) returned positively at 4.2% over the quarter but lagged behind benchmark and target due to its more defensive position.
- The Funds new holding in CQS's multi-asset credit provided a positive start with absolute performance of 2.7%.
- Despite, underperformance over the quarter from the Fund's infrastructure holdings, their relatively low proportion of the Fund's holdings resulted in minimal impact on overall performance.
- No performance is reported for Henderson's Total Return Bonds fund due to its complete sale in the quarter.
- No performance is also reported for the Fund's new allocation to BlackRock's over 15 yr UK Gilt fund due to the transition only being completed in March 2019. Performance figures will however be reported next quarter.

Fund performance

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth									
LGIM Global Equity	9.8	9.8	**0.0**	12.1	12.1	**0.0**	15.3	15.3	**0.0**
LGIM UK Equity	9.4	9.4	**0.0**	6.5	6.4	**0.1**	9.7	9.5	**0.2**
Capital Dynamics Private Equity	0.0	1.9	**-2.0**	20.8	8.0	**11.9**	16.4	8.0	**7.7**
Baillie Gifford Multi Asset	6.1	1.1	**5.0**	5.8	4.2	**1.5**	5.1	4.0	**1.1**
Ruffer Multi Asset	3.2	1.1	**2.1**	-0.6	4.2	**-4.6**			
Henderson Emerging Markets	4.2	7.4	**-3.0**						
Income									
Alinda Infrastructure				-3.6	8.0	**-10.7**	-5.5	8.0	**-12.5**
Capital Dynamics Infrastructure				36.5	8.0	**26.4**	6.6	8.0	**-1.3**
Protection									
CQS Multi Credit	2.7	2.5	**0.2**						
Total	**5.8**	**5.1**	**0.6**	7.2	6.5	**0.6**	8.5	9.3	**-0.8**

- Over the quarter we undertook a suitability study of CQS, the LCIV's multi-asset credit manager. As a result, we have updated their rating to 'Suitable' as shown by the chart on this page.
- Over the quarter we downgraded our manager rating for Janus Henderson's Emerging Market fund from 'Positive' to 'Negative' (see note below chart).
- All other manager ratings remain consistent with last quarter.

Manager ratings

Manager	Mandate	Hymans Rating
LGIM	Global Equity	Preferred
LGIM	UK Equity	Preferred
Capital Dynamics	Private Equity	Suitable
Baillie Gifford	Multi Asset (LCIV)	Preferred
Ruffer	Multi Asset (LCIV)	Preferred
Janus Henderson	Emerging Markets (LCIV)	Negative
CQS	Multi Credit (LCIV)	Suitable
Alinda	Infrastructure	Not Rated
Capital Dynamics	Infrastructure	Not Rated
Aviva	Property	Suitable
Janus Henderson	Total Return Bonds	Positive

Janus Henderson business update

Over the quarter Janus Henderson announced that its Head of Emerging Market Equities, Glen Finegan, had resigned from the firm. He has been placed on gardening leave and will leave the firm in mid-October. In addition, the remaining emerging markets team will leave the firm at the end of November. Janus Henderson is currently recruiting for a new team.

As a result of these changes, we have downgraded our research rating for Janus Henderson's Emerging Market fund from 'Positive' to 'Negative'.

LGIM business update

LGIM has announced the appointment of Michelle Scrimgeour as its new CEO, succeeding Mark Zinkula when he retires later this year. This appointment is subject to regulatory approval. Scrimgeour is currently CEO for EMEA at Columbia Threadneedle Investments and has 30 years' experience at major asset-management firms. Prior to joining Columbia Threadneedle in 2017, she was Chief Risk Officer ("CRO") at M&G Investments. Scrimgeour joined M&G in 2012 from BlackRock and was a member of the Executive Committee at BlackRock, overseeing the integration of BlackRock and Barclays Global Investors in London.

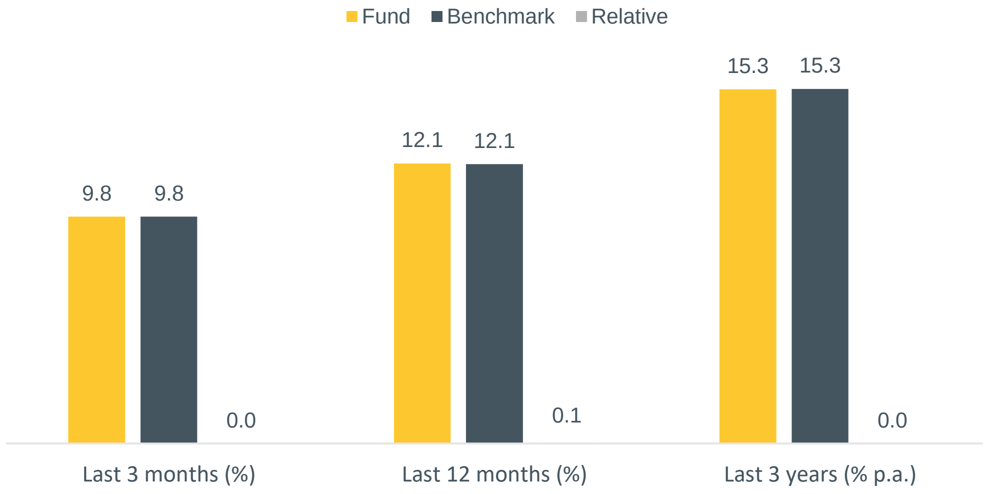
Our initial view is that given LGIM's predominantly passive business, Scrimgeour's previous roles seem relevant to the more operational aspects of investment management, so could be a good fit with LGIM's passive heritage. Nonetheless the appointment is a sizeable step up in terms of scale of the business and breadth of responsibility (in under three years, she will have progressed from CRO to CEO).

In addition, LGIM has announced that its CRO, Simon Pistell, is to take up another risk role within the wider Legal & General Group. LGIM will wait for Scrimgeour to join later in the year before undertaking a process to hire Pistell's replacement, with Claire Wallace acting as Interim CRO in the meantime.

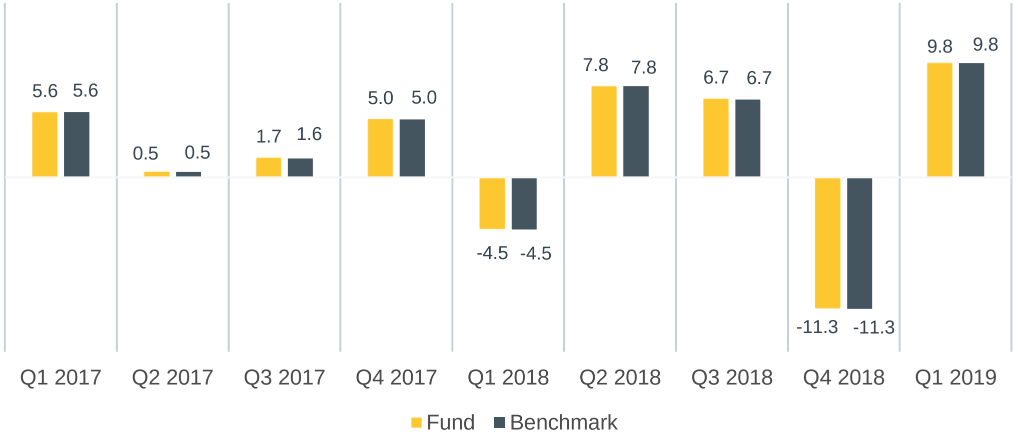
LGIM Global Equity

- Global equity markets performed strongly in the first quarter of 2019 rebounding from the fall experienced at the end of 2018.
- Consistent with expectations, LGIM's Global Equity mandate matched its benchmark over the quarter, delivering a positive absolute return of 9.8%.
- Despite signs of slowing global growth, the new year brought a more optimistic tone across equity markets as global central banks, led by the US Fed, adopted looser monetary policy stances at the start of 2019.
- There was a reversal in fortune for the funds top two technology holdings (Microsoft Corporation and Apple Inc) with returns of 16% and 20% respectively.
- The funds proportion of financial stocks (c20%) however would have detracted from overall return. This sector typically reacts negatively to a lower interest rate outlook.
- We continue to rate LGIM as "preferred".

Fund performance vs benchmark/target



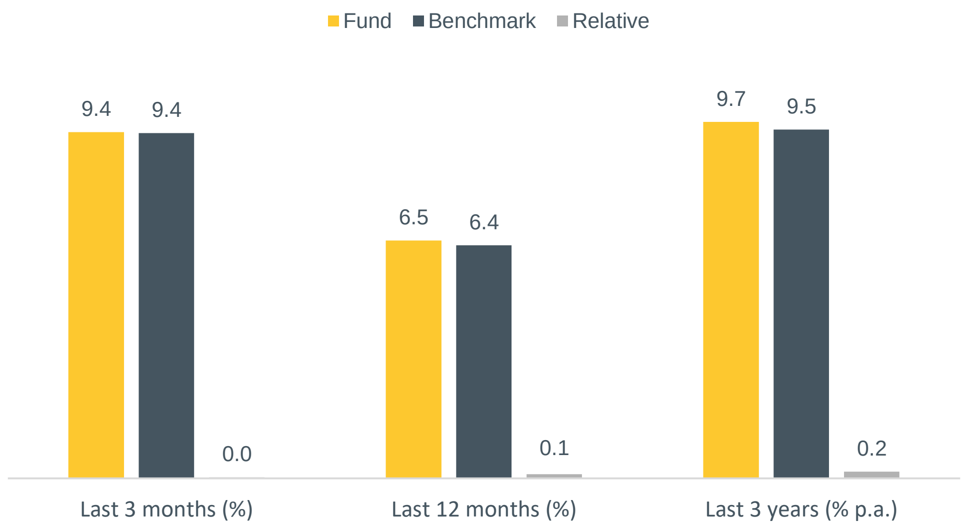
Historical Performance/Benchmark



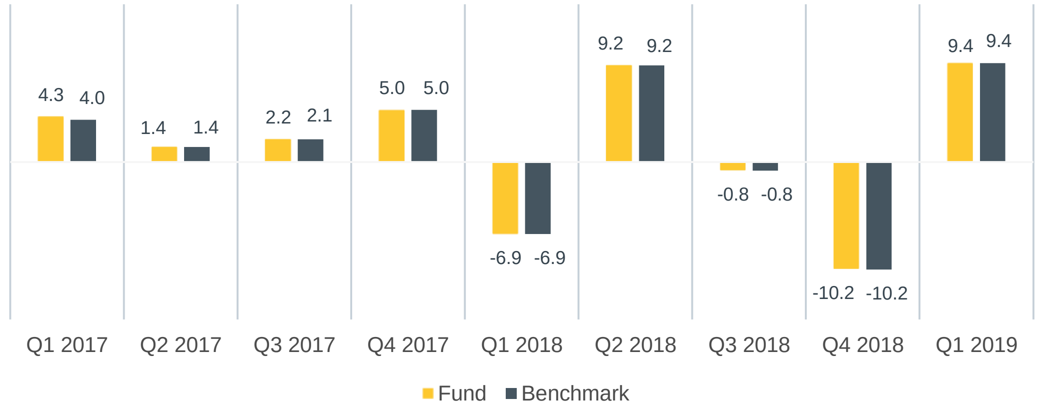
LGIM UK Equity

- The LGIM UK equity fund returned in line with benchmark over the quarter delivering an absolute return of 9.4%.
- Investor sentiment seemed to be buoyed over the quarter as a vote to reject a "no deal" Brexit and an extension of Article 50 were perceived to reduce the risk of a hard Brexit.
- This return was in spite of the above providing a headwind in the form of a stronger Pound Sterling which would have served to dampen returns for the internationally biased FTSE index.
- Contributing to positive performance in the index was the Oil and Gas sector, specifically holdings in BP and Royal Dutch Shell whose share price was supported by an increase in oil price in the quarter.
- We continue to rate LGIM as "preferred".

Fund performance vs benchmark/target



Historical Performance/Benchmark

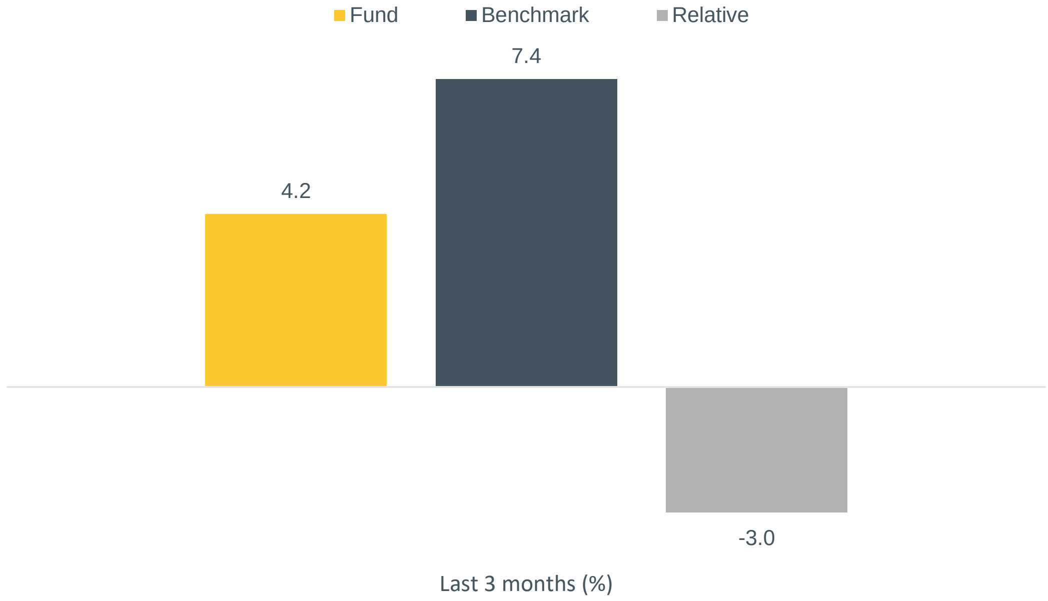


Manager Performance

Henderson Emerging Markets

- This is the first full quarter performance information available since the London Borough of Brent allocated to this fund in November 2018.
- The funds objective is to outperform the MSCI emerging market index by 2.5% p.a.
- Henderson's Emerging Markets fund produced a positive absolute return of 4.2% however this was behind benchmark of 7.4%. In addition, short term performance lags behind target, although relative performance is best assessed over the longer term. One quarter is too short a period to provide valuable insight.
- One of the key detractors from relative performance was the underweight position (zero weight) in technology companies such as Alibaba and Tencent which performed well over the quarter.
- In addition, its underweight position in China hurt relative returns, as the market rallied on US-China trade talks and some stabilisation in oil prices.
- Since 31 March 2019 US-China trade tensions have heightened so such a underweight position may benefit the fund in future.
- We have downgraded the rating for this fund to 'Negative'. Please see 'Manager Ratings' section for a further update.

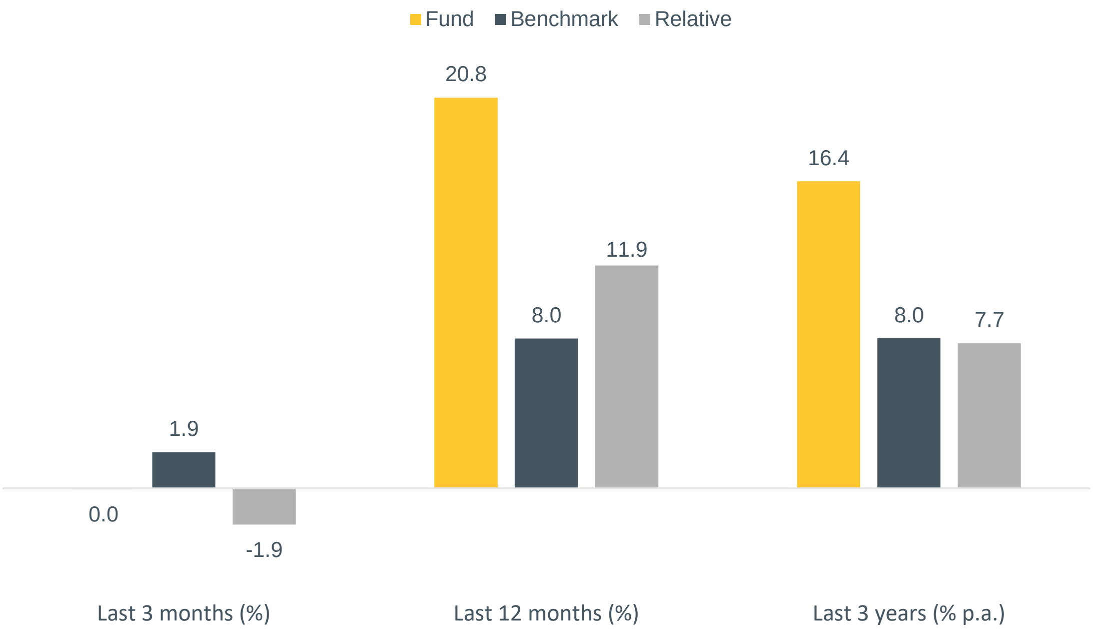
Fund performance vs benchmark/target



Capital Dynamics Private Equity

- Capital Dynamics invests Brent commitment across a number of different funds providing a well diversified portfolio by geography and style.
- Target: Deliver absolute return of 8.0% p.a.
- Assessing short and medium term performance of private markets can be a challenge. The comments below are based on numbers available to us.
- Capital Dynamics PE fund returned flat over the first quarter of 2019. This was significantly lower than its target of 1.9%.
- However, over a 3 year timeframe annualised return remains strong and ahead of target. Fund return has been 16.4% versus its 8% p.a. target.
- Six distributions were made over Q1 2019 for the following amounts:
  USD 525,000
  USD 1,034,000
  USD 1,204,000
  EUR 225,000
  EUR 1,002,000
  EUR 1,540,000

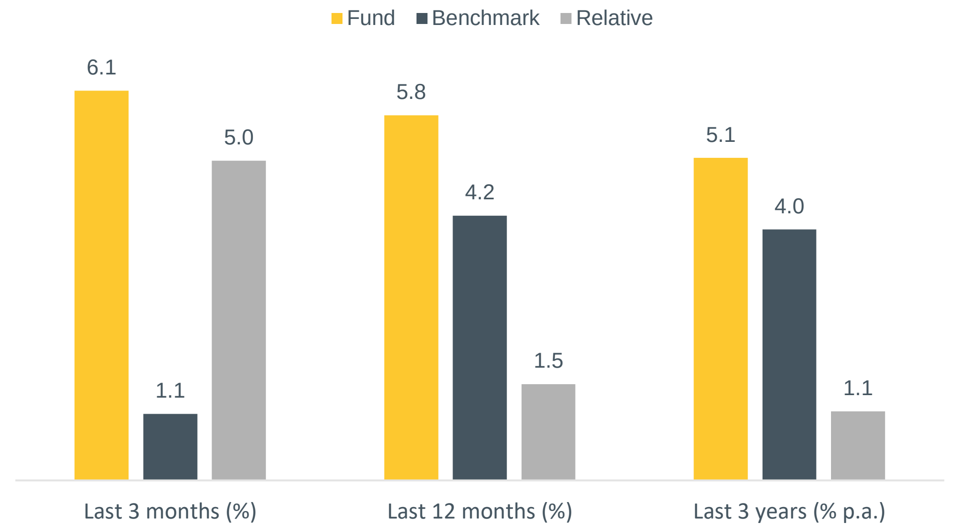
Fund performance vs benchmark/target



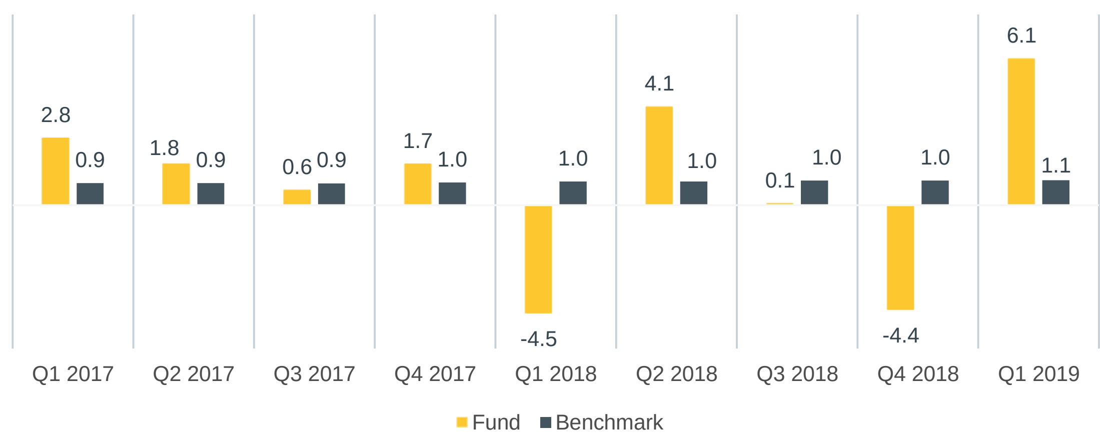
Baillie Gifford Multi-Asset

- Target: Base Rate + 3.5% p.a.
- Baillie Gifford's multi-asset growth fund returned 6.1% in Q1 2019.
- This strong quarter has boosted longer term performance which is now ahead of target. Over a 3 year period, annualised returns are 5.1% versus a current target of 4.0%.
- The fund benefited from certain manager actions taken over the quarter:
  - An increased allocation to emerging markets companies, in particular Chinese companies. China rallied in the first quarter as trade tensions with the US eased.
  - An increase in exposure to European high yield credit which performed well over the quarter as spreads tightened.
- In holding this allocation, the Fund benefited from a quarter where almost all asset classes benefits from a supportive environment.
- Baillie Gifford believe they are well positioned to perform well in a period of moderate growth and inflation.
- We continue to rate Baillie Gifford as 'Preferred'.

Fund performance vs benchmark/target



Historical Performance/Benchmark

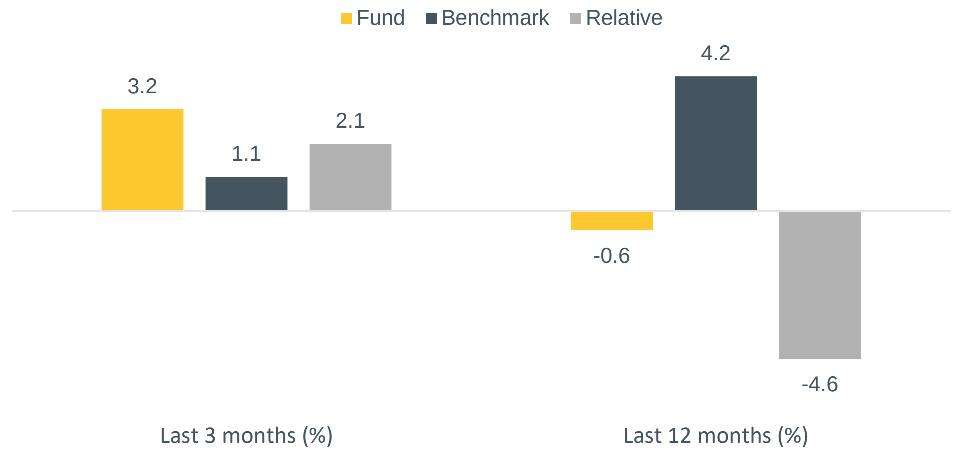


Manager Performance

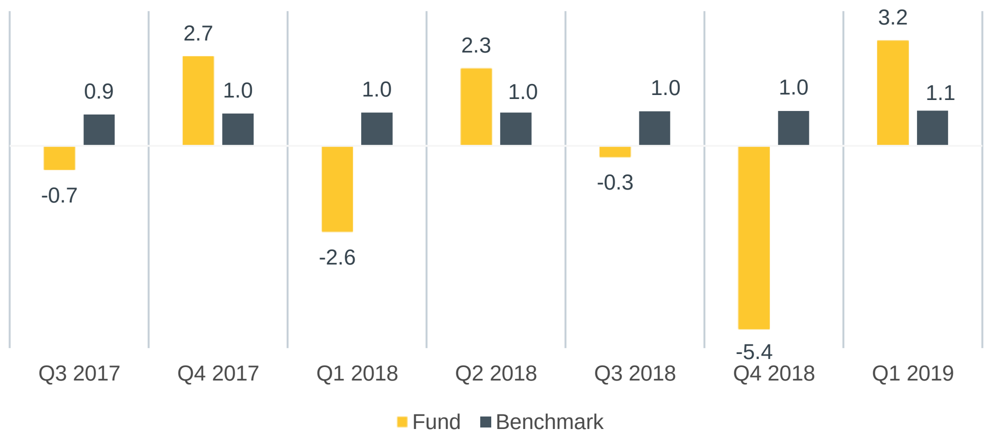
Ruffer Multi-Asset

- Target: Base Rate + 3.5% p.a
- In the first quarter of 2019, the Ruffer Multi-asset fund generated an absolute return of 3.2%, comfortably ahead of its base rate + 3.5% p.a. of 1.1%.
- In holding this allocation, the Fund benefited from a quarter where almost all asset classes benefits from a supportive environment.
- The funds c40% holdings in fixed income over the period was one of the key contributors to its positive performance as yields fell over the quarter. In particular, US index-linked bonds returned significantly due to increased inflationary expectations following the Feds dovish monetary policy stance.
- Over the quarter the manager made a strategic allocation change by increasing exposure to European equity based on the view that its US counterparts valuations appear stretched.
- The key detractor from overall performance was the funds equity protection strategy which is in place to provide downside protection from an equity market fall. In a quarter where equity market rallied, such a holding serves to place a drag on performance.
- We continue to rate Ruffer as 'Preferred'

Fund performance vs benchmark/target



Historical Performance/Benchmark

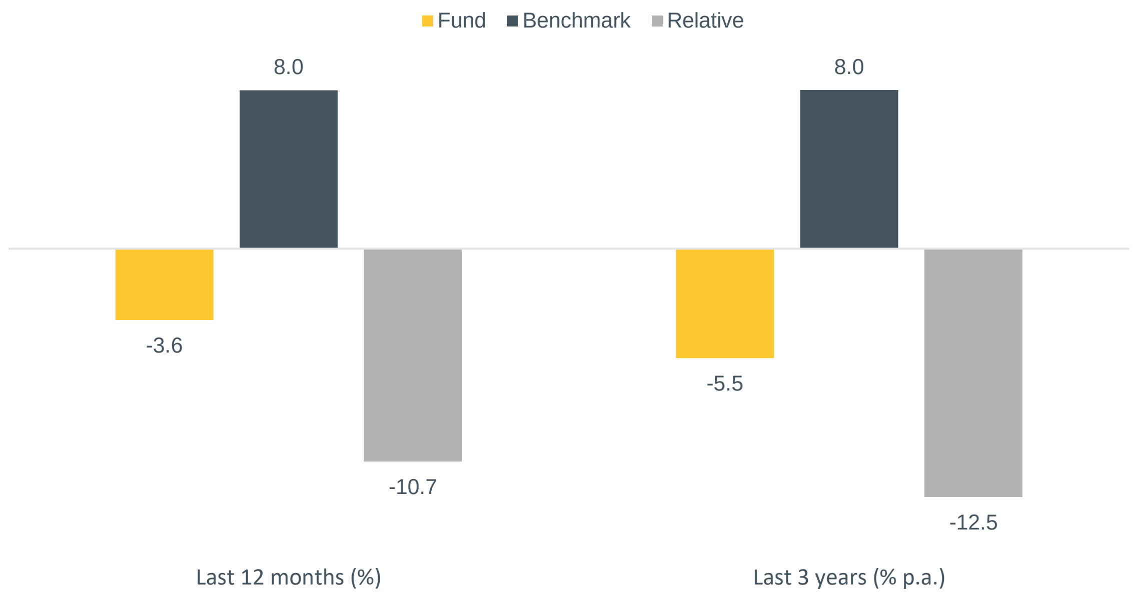


Manager Performance

Alinda Infrastructure

- The Fund is invested in two fund with Alinda, Alinda II and Alinda III. Target absolute return is 8.0% p.a.
- Over the quarter, there were no new investments made in the Alinda II fund. Remaining capital commitment still to be drawn is just under $4m.
- The Alinda III fund increased its commitment level over the quarter to 75%. It completed its 7th acquisition of the fund in the form of a telecom venture in Missouri, United States. Following this commitment, we anticipate there remains around $10m still to be drawn.
- Following discussions with the manager, we are not aware of any capital calls being made in the next quarter.
- The manager expects the Alinda III fund to deliver 12.2% cash yield per annum for the next 5 years.
- Assessing short and medium term performance of private markets can be a challenge. The return figures are based on numbers available to us.
- Most recent distributions:
  Alinda II: £6,212,201
  Alinda III: £1,333,442

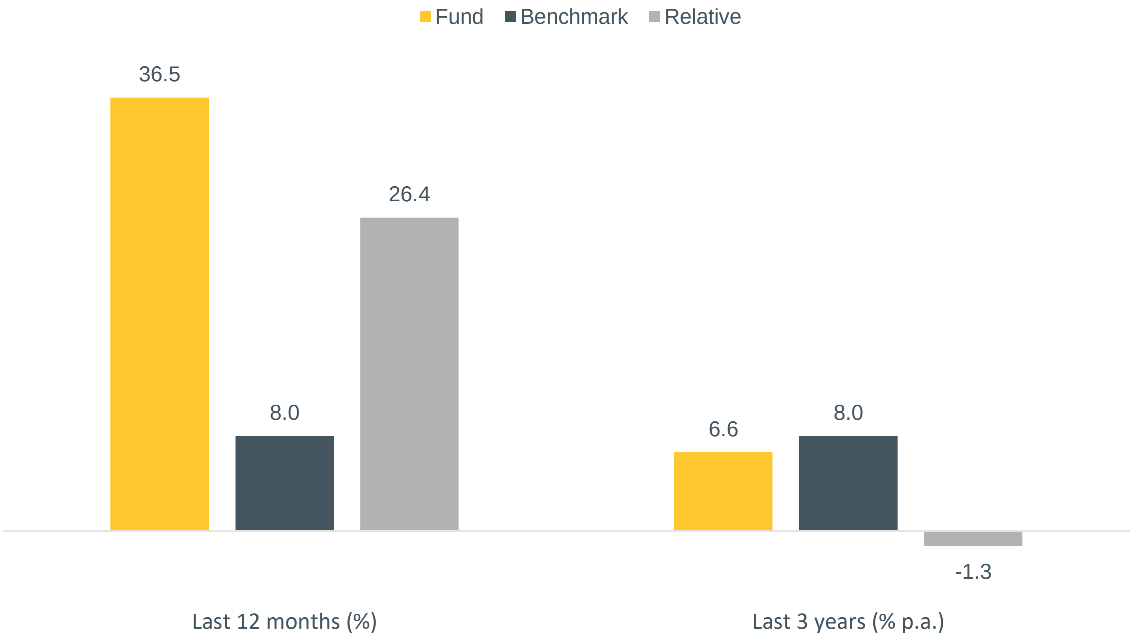
Fund performance vs benchmark/target



Capital Dynamics Infrastructure

- The Fund's holdings are currently solely held within Capital Dynamics Clean Energy and Infrastructure Fund.
- Target: Absolute return of 8.0% p.a.
- No investments were made over the quarter . Of the original capital commitment of $15m, $14.67m has been committed.
- We are not aware of any expected commitments over the next quarter.
- Note, infrastructure is a long term investment and short term volatility is to be expected as funds are gradually drawn down. Over the longer term however, we should expect more stable, predictable returns.

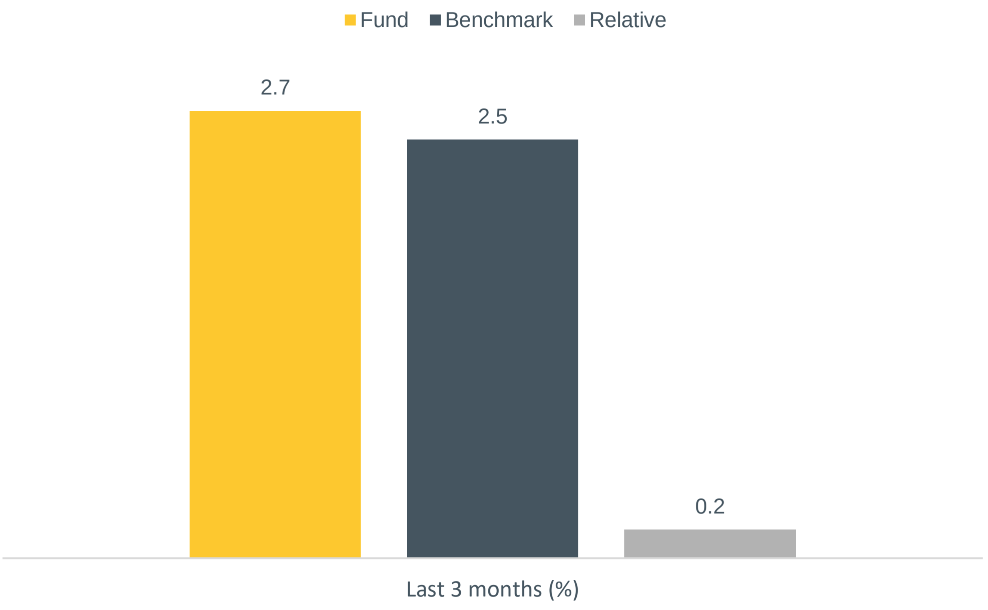
Fund performance vs benchmark/target



CQS Multi Credit

- CQS forms part of the London CIV's multi asset credit offering
- CQS's objective is to return LIBOR + 4.5% p.a. over a rolling 4 year period.
- As part of its strategic allocation journey to a more diversified portfolio, the Fund increased its allocation to the CQS multi-asset credit fund over the quarter.
- Over the period the fund outperformed delivering a absolute return of 2.7% against a target of 2.5%
- One of the key drivers of performance over the quarter was the mangers weighting in loans (over 50%), in particular the US loan market. The US loan market achieved its highest quarterly return since the first quarter of 2010.
- We undertook a suitability study of CQS over the quarter resulting in a manager rating of CQS of 'Suitable'.

Fund performance vs benchmark/target



Market Background

Global GDP growth continued to slow in the fourth quarter with consensus forecasts being revised downwards for 2019.

Despite a slowdown in US GDP growth, the US has proved more resilient compared to Europe where the German economy has stalled, and Italy has fallen into a recession for the first time since early 2013.

In the UK, Brexit risk continued to hamper business investment with GDP growth decelerating to 0.2% in Q4 from 0.7% in Q3 2018. However, in Q1 2019 this was estimated to have increased by 0.5%.

Despite signs of global growth slowing, the new year has brought a more optimistic tone across equity markets. Following their worst quarterly decline since 2011 in Q4 18, stock markets have rebounded strongly with global equities up 12.3% in local currency terms.

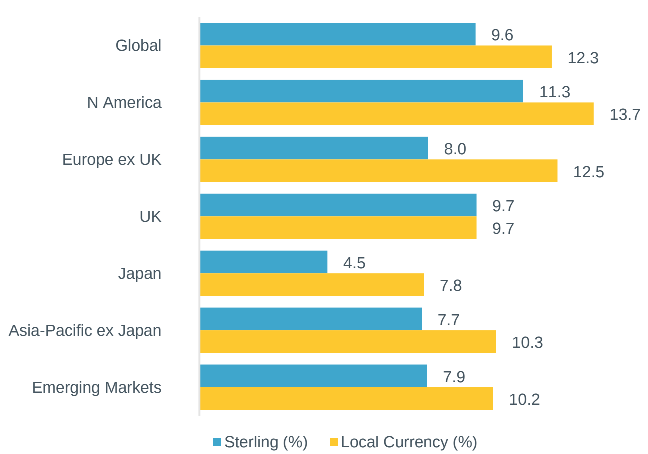
North America was the best performing region, whilst Japanese equities lagged as the market's high exposure to global trade continued to weigh on sentiment.

The FTSE All Share returned 9.4% over the quarter despite the strength of sterling being a headwind for the globally exposed larger cap names in the index.

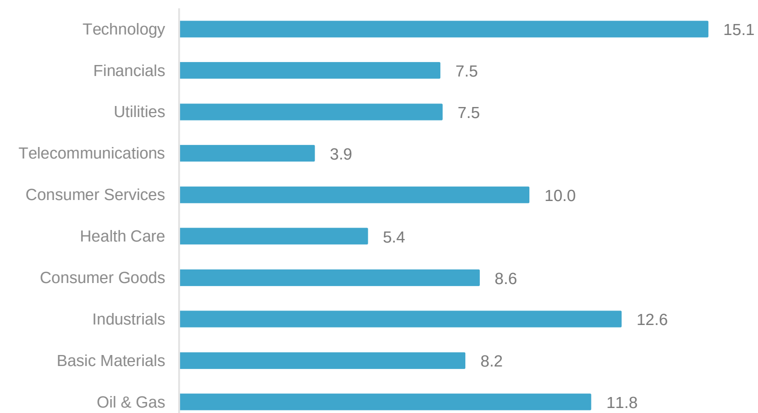
At a sector level, the bounce back in risk assets reversed the trend seen in Q4 as cyclical stocks outperformed more defensive sectors.

Historic returns for world markets

Regional equity returns



Global sector performance



[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, S&P/IFCI Composite, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property Index; UK Interbank 7 Day. [2] FTSE All World Indices. [3] Relative to FTSE All-World Index.

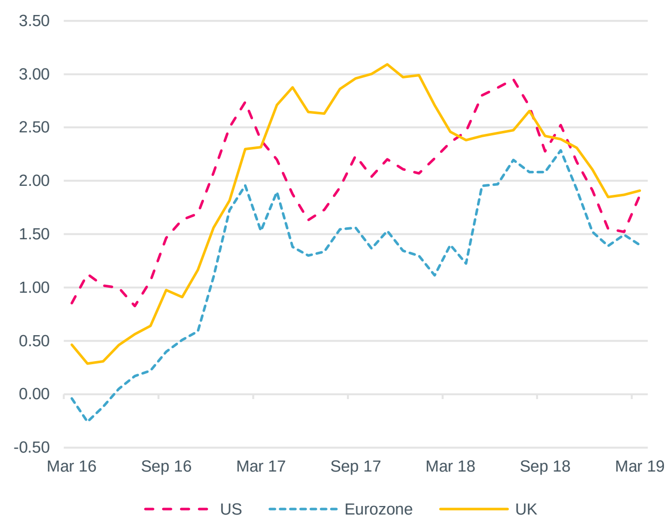
Market Background

The beginning of 2019 has seen rental growth remain flat, across all sectors, in the UK property market. Property rents increased marginally in February following two months of small declines. The growth in industrial capital values, which is now slowing, remains insufficient to offset the falling capital values in the retail and office markets. Brent crude stabilised at around $67 towards the end of the quarter, compared to $53 at the end-2018, but its sharp decline in the fourth quarter of 2018 has weighed on inflation expectations – consumer price inflation expectations for 2019 have been revised lower in most major developed economies except Japan.

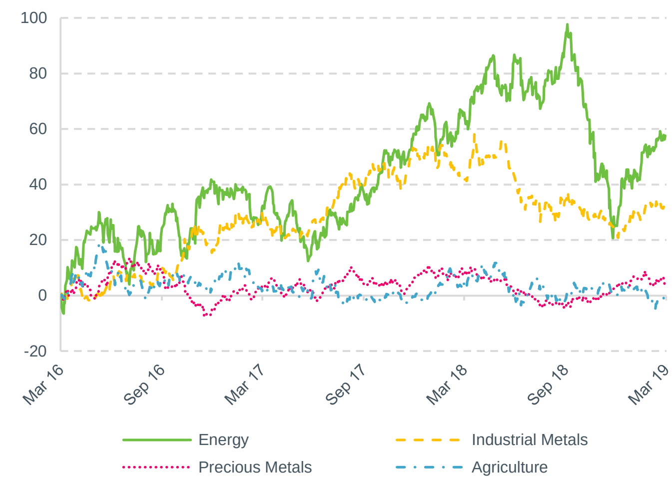
The slowdown in global growth and continued absence of inflationary pressures has seen central banks adopt a more dovish stance with the Federal Reserve suggesting that no further rate hikes will take place this year and the ECB indicating no interest rate hikes until 2020. Conventional and index-linked gilt yields fell over the quarter with UK real yields hitting record lows.

Credit markets rebounded strongly from the sharp declines at the end of last year, perhaps an indication that investors are more relieved by the perceived end to monetary tightening than they are concerned by the slowdown in global economic growth. Sub investment grade credit markets outperformed investment grade markets as they benefited from signs of positive developments in the US-China trade talks, some stabilisation in oil-prices, and negative net issuance.

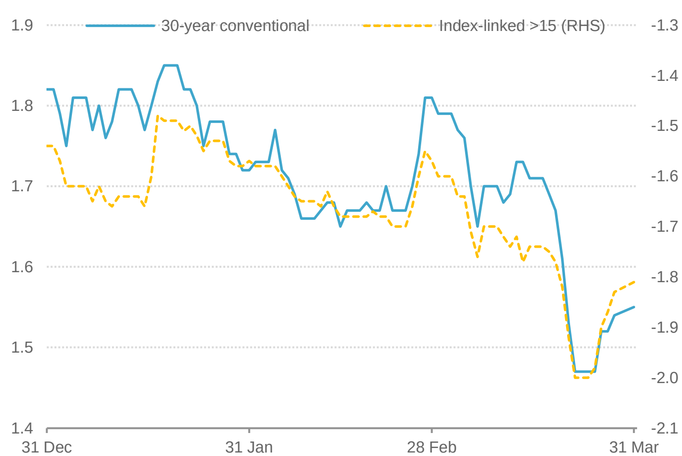
Annual CPI Inflation (% p.a.)



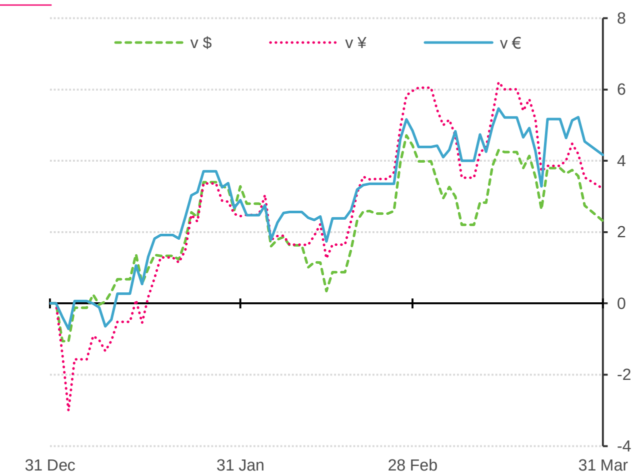
Commodity Prices



Gilt yields chart



Sterling trend chart (% change)



Source: Reuters

Appendix

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

Hymans Rating System	
Preferred	Our highest rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
Positive	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
Suitable	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
Negative	The strategy is not suitable for continued or future investment and alternatives should be explored.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.

Responsible Rating System	
Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.