London Borough of Brent Pension Fund

Q2 2019 Investment Monitoring Report

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Dashboard

Executive Summary

The Fund returned ahead of benchmark in the Q2 2019, continuing the strong start to 2019.

Over the quarter the fund grew from just over £856m to almost £896m.

In general the Q2 2019 was another positive quarter. Both risk seeking and defensive assets delivered positive returns:

- The US equity market reached another all-time high
- Credit-spreads narrowed further

There were 3 key contributors to overall relative outperformance:

- Janus Henderson's EM fund
- Ruffer's multi-asset investment
- Capital Dynamics' Private Equity

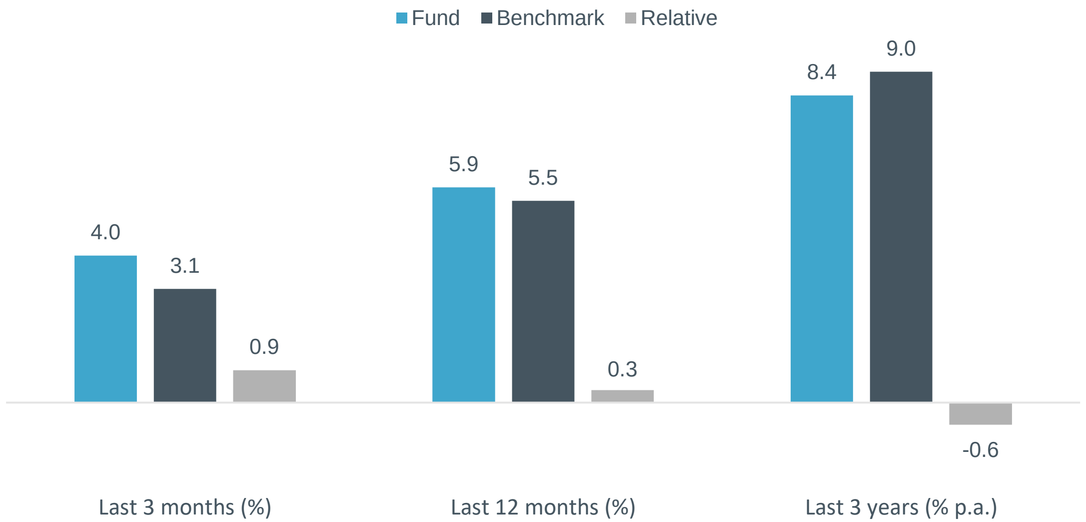
Capital Dynamics infrastructure holdings marginally underperformed but impact at total fund level was negligible.

Key Actions

Delays in the LCIV's property offering may lead Officers and the Committee to consider alternative solutions in the interim period.

Currently the funds are held within Baillie Gifford's diversified growth allocation but discussions are scheduled for Q4 2019 as to whether there are other more appropriate alternatives.

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)	78.9%**	68.0%	60.0%
Income (Property, Infrastructure)	4.2%	17.0%	25.0%
Protection (Bonds)	16.9%*	15.0%	15.0%

*Includes 4.0% 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.

Following the completion of certain strategic changes in the investment strategy within Q1 2019, there were no further changes implemented over the second quarter of the year.

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, it is anticipated that the Fund will seek to increase its allocation to infrastructure via the London CIV's offering in Q4 2019, subject to the fund receiving the necessary FCA approval.

With delays in the London CIV's property offering, the Fund may seek to explore alternative solutions in the interim period.

These developments in the Fund's planned infrastructure and property exposure are due to be discussed at the Committee meeting scheduled in Q4 2019.

Asset Allocation

Manager	Valuation (£m)		Actual Proportion
	Q1 2019	Q2 2019	
LGIM Global Equity	307.5	328.1	36.6%
LGIM UK Equity	115.4	119.1	13.3%
Capital Dynamics Private Equity	58.0	55.7	6.2%
Baillie Gifford Multi Asset	121.5	122.8	13.7%
Ruffer Multi Asset	48.6	49.3	5.5%
Henderson Emerging Markets	30.3	32.0	3.6%
Total Growth	**681.2**	**707.1**	**78.8%**
Alinda Infrastructure	25.6	26.1	2.9%
Capital Dynamics Infrastructure	11.4	11.6	1.3%
Aviva Property	0.2	0.2	0.0%
Total Income	**37.3**	**37.9**	**4.2%**
CQS Multi Credit	35.5	36.1	4.0%
BlackRock UK Gilts Over 15 yrs	78.7	80.2	8.9%
Total Protection	**114.2**	**116.4**	**13.0%**
Cash	23.5	36.1	4.0%
Total Scheme	856.2	897.5	100.0%

Fund Performance

Total Fund return was ahead of Northern Trust's current benchmark/target for Q2 2019 by 0.9% as investments combined to deliver an absolute return of 4.0%.

Equity markets continued the momentum of Q1 with all 3 listed equity holdings posting strong positive quarterly returns.

LGIM's passive global equity fund lead the way in terms of absolute returns, thanks largely to US market performance.

Emerging market equities (Henderson) saw a turn around from Q1 with outperformance of 2.8% against benchmark, the strongest of the Funds holdings.

Ruffer was the better performing of the two multi-asset holdings, marginally outperforming its target of Base Rate + 3.5% p.a. by 0.5%. Baillie Gifford's portfolio returned in line with target.

The only mandate to underperform over the quarter, albeit only marginally, was Capital Dynamics infrastructure holdings. However, at just over 1% of total fund assets, the 0.2% underperformance had minimal impact on overall performance.

The Fund's transition to BlackRock's over 15 yr UK Gilt fund was completed in March 2019. Performance over the quarter has been positive at 2%, in line with benchmark, as we would expect from a passive mandate.

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	6.7	6.7	**0.0**	11.0	10.9	**0.1**	14.6	14.6	**0.0**
LGIM UK Equity	3.2	3.3	**0.0**	0.7	0.6	**0.1**	9.2	9.0	**0.2**
Capital Dynamics Private Equity	4.4	1.9	**2.4**	16.5	8.0	**7.9**	15.5	8.0	**6.9**
Baillie Gifford Multi Asset	1.0	1.1	**0.0**	2.6	4.2	**-1.6**	5.3	4.0	**1.3**
Ruffer Multi Asset	1.6	1.1	**0.5**	-1.2	4.2	**-5.3**			
Henderson Emerging Markets	5.9	3.0	**2.8**						
Income									
Alinda Infrastructure				0.5	8.0	**-6.9**	-7.1	8.0	**-14.0**
Capital Dynamics Infrastructure				11.0	8.0	**2.8**	2.9	8.0	**-4.7**
Protection									
CQS Multi Credit	1.8	1.2	**0.6**						
BlackRock UK Gilts Over 15 yrs	2.0	2.0	**0.0**						
Total	**4.0**	**3.1**	**0.9**	5.9	5.5	**0.3**	8.4	9.0	**-0.6**

Manager Ratings

Hymans Robertson Ratings
There have been two key updates over the quarter:

Baillie Gifford
We still rate their multi-asset strategy as ‘Positive’, however we have placed the mandate ‘on watch’ due to upcoming personnel changes (see note to right of chart).

Ruffer
We downgraded our manager rating for Ruffer’s multi-asset fund from ‘Preferred’ to ‘Positive’ as a result of refinements in our criteria used to assess ‘preferred’ managers (see note below chart).

All our other manager ratings remain consistent with last quarter.

LCIV Update
Over the period we were also made aware of an update from the LCIV in respect of the multi-asset credit (MAC) Fund.

The underlying manager, CQS, has been placed on watch with the following reasons cited:

- Material staff changes (including the CEO and CFO)
- Concerns over the strategy being adopted (e.g. leverage levels and positioning in response to macroeconomic stimuli.)

LCIV have stressed no immediate action has been triggered by this move, they will simply seek to more closely monitor CQS.

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 - On-watch
Ruffer	Multi Asset (LCIV)	Positive
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
BlackRock	BlackRock UK Gilts Over 15Yrs	Preferred

Ruffer business update

The rating for the strategy was downgraded from ‘Preferred’ to ‘Positive’ in July. The rationale for this downgrade was reclassification of the characteristics we look for from our ‘preferred’ multi-asset strategies. In particular, we believe that the strategy’s high fees are not commensurate to its underlying investments, making it the one of the most expensive multi-asset strategies in the peer group. In addition, while it follows a high conviction approach, we have been disappointed with the delivered returns over recent quarters, particularly through its increased use of protection strategies that have failed to add value. Despite this slight downgrade, we retain conviction in Ruffer’s investment approach and believe it remains a good defensive multi-asset strategy.

Baillie Gifford business update

We rate Baillie Gifford Multi-Asset Growth at 'Positive' but 'on-watch.

Baillie Gifford has announced that Patrick Edwardson, its Head of Multi-Asset, will retire from the firm in April 2020. Edwardson has been at Baillie Gifford since 1998, initially within its equity and bond businesses before founding its multi-asset business alongside Mike Brooks in 2007.

James Squires, a senior member of the multi-asset team has been named as Edwardson's successor as Head of Multi-Asset once Edwardson retires. Baillie Gifford has also announced that Nicoleta Dumitru, a member of the multi-asset team has been promoted to fund manager. No other hires are expected.

We view this as a negative development given Edwardson was the most experienced member of the team and his retirement will result in a material loss of experience across asset classes within the team. We will look to meet with Baillie Gifford to get an update on these developments within the next few weeks and have decided to place the rating 'on watch' in the meantime.

LGIM Global Equity

As noted, global equity markets again performed strongly in the second quarter of 2019.

Consistent with expectations, LGIM's Global Equity mandate matched its benchmark over the quarter, delivering a positive absolute return of 6.7%.

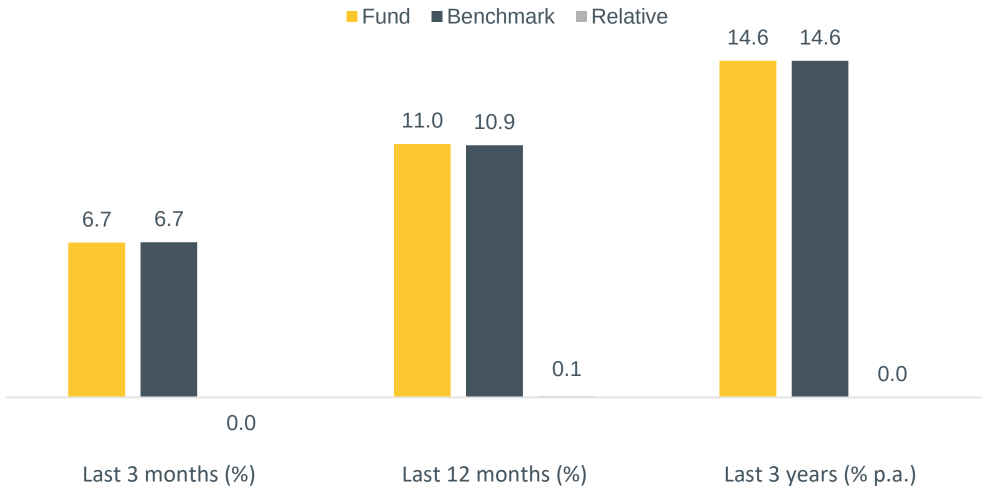
Quarter two saw an increase in volatility within markets. However, a fall in May was more than offset by the gains in April and particularly June as markets reflected the increased dovish stance by central banks, pricing in the possibility of a US interest rate cut in the relatively near future. Global markets were also supported in June by optimism that US-China trade tensions may be easing.

The funds sizeable allocation to the technology sector (15.9%) had a positive bearing on performance, helping to offset sluggish performance in the financial sector where once again the outlook of possible interest rate cuts weighed negatively on returns.

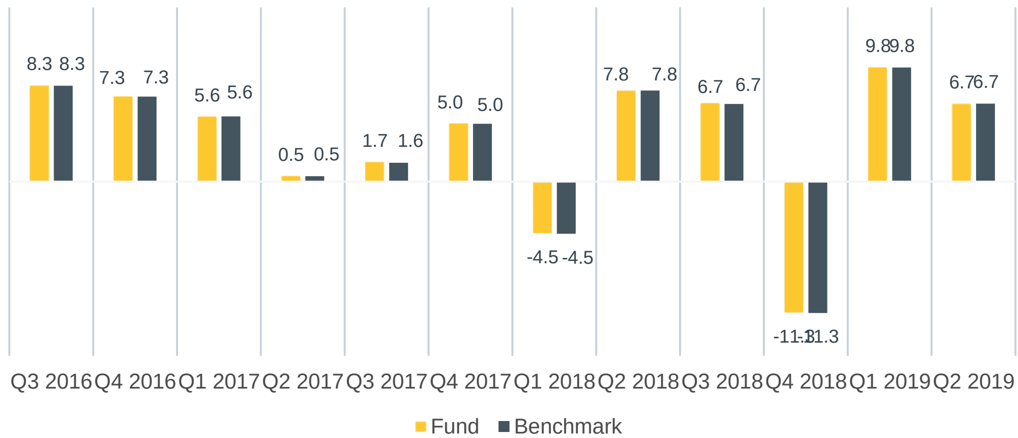
Within the technology sector, Microsoft and online payment providers experienced solid growth in Q2.

We continue to rate LGIM as "preferred".

Fund performance vs benchmark/target



Historical Performance/Benchmark



LGIM UK Equity

The LGIM UK equity fund returned just under benchmark over the quarter delivering an absolute return of 3.2% versus a benchmark return of 3.3%.

Despite ongoing uncertainty and political upheaval, the possibility of a shift back to monetary easing served to buoy the UK market over the quarter.

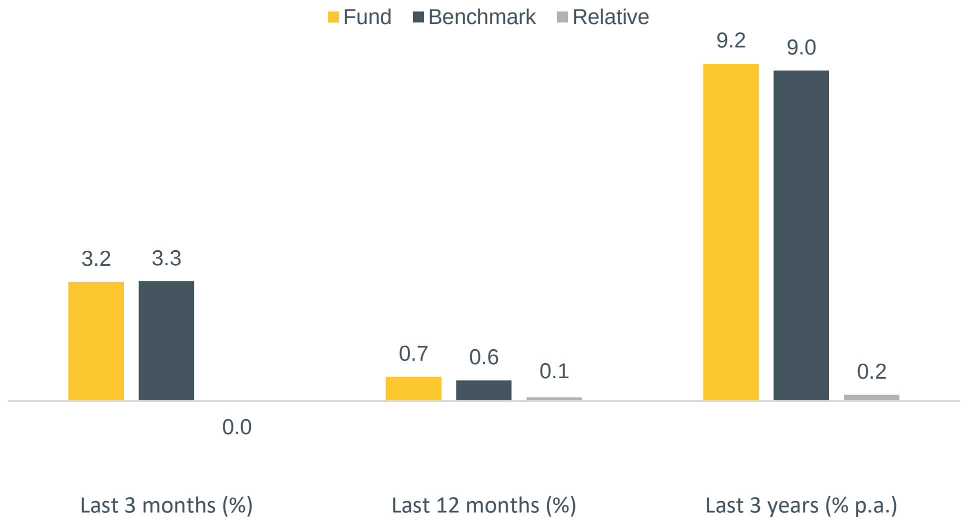
However, in contrast to other central banks, notably the US Fed, the Bank of England has been relatively more coy on the outlook of interest rates within the UK. This more equivocal stance can in part explain the more subdued performance in UK equity markets versus its global counterparts.

In a reversal from quarter 1, the Pound Sterling weakened in Q2 which would have served to boost returns for the internationally biased FTSE index.

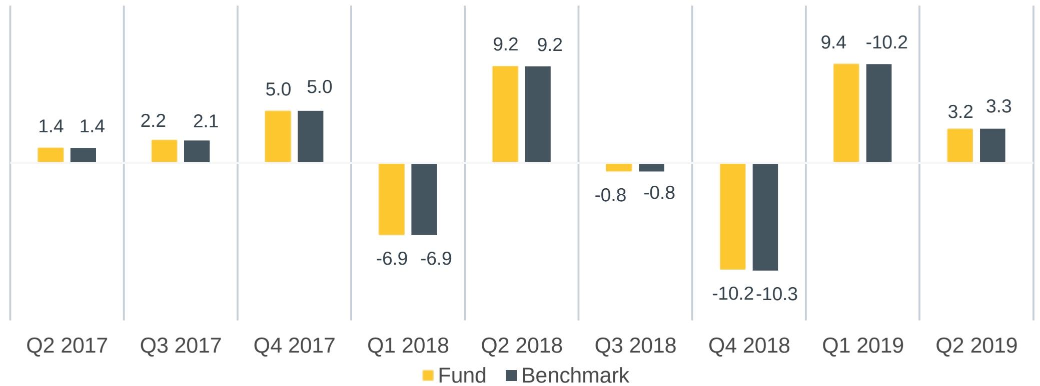
Contributing to positive performance in the index was the financial and the mining sector, specifically holdings in HSBC and Rio Tinto.

We continue to rate LGIM as "preferred".

Fund performance vs benchmark/target



Historical Performance/Benchmark



Henderson Emerging Markets

The funds target is to outperform the MSCI emerging market index by 2.5% p.a.

Henderson's Emerging Markets fund produced a positive absolute return of 5.9% comfortably ahead of the benchmark of 3.0% in Q2 2019. Relative to a target of c3.6%, outperformance was 1.2%.

Given the London on Borough of Brent only introduced this mandate to their portfolio in November 2018, performance attribution over longer periods is not yet available.

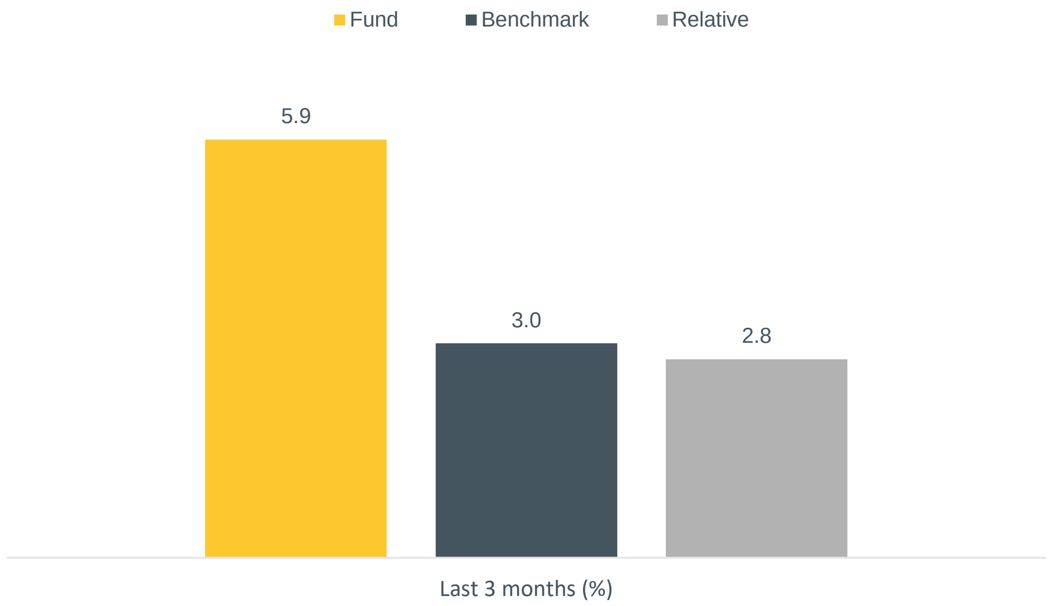
The main contributor over the quarter to outperformance was the holdings in Newcrest Mining, the Australian mining company who make up just over 4% of the portfolio. Gold increased by almost 10% over the period serving to boost revenues for the company.

The Fund's overweight position to the Indian market also helped drive outperformance, in particular its holdings in Tata Consultancy Services who benefited from the increase in demand for its digital services.

We continue to hold a negative view of the fund since the announcement that Glen Finegan resigned from the firm.

Furthermore, we understand, the LCIV is considering appointing a new underlying manager to this sub-fund to replace Janus Henderson in the wake of this news and other strategic concerns.

Fund performance vs benchmark/target



Capital Dynamics Private Equity

Capital Dynamics invests Brent's commitment in a well diversified (by geography and style) portfolio of funds.

Target: 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 absolute 4.4% over the second quarter of 2019. This is a reversal in the short-term evaluated underperformance from quarter 1; 3 month performance was 2.4% ahead of its 8.0% p.a. target (1.9% per quarter).

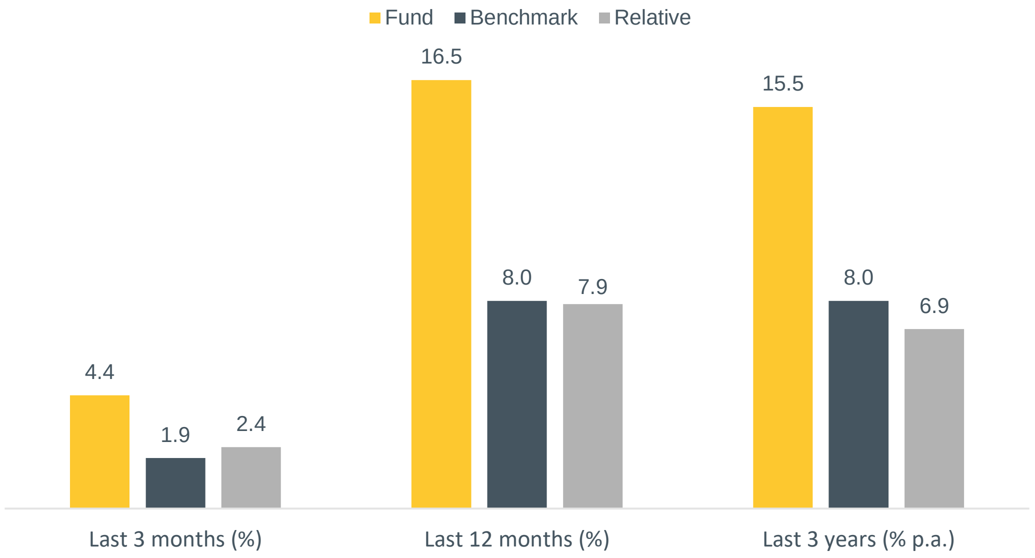
Over a 3 year timeframe annualised return remains strong and ahead of target. Over 1 and 3 year timeframes, fund return has been 16.5% and 15.5% respectively versus its 8% p.a. target.

Six distributions were made over Q2 2019 for the following amounts:

USD 648,000
USD 968,000
USD 1,204,000
EUR 607,500
EUR 784,000
EUR 1,002,000

To date we are aware of 4 distributions since quarter end. These will be detailed in the Q3 report.

Fund performance vs benchmark/target



Baillie Gifford Multi-Asset

Target: Base Rate + 3.5% p.a.

Baillie Gifford's multi-asset growth fund returned 1.0% in Q2 2019, broadly in line with target.

Although not as strong a performance as Q1, this represented a second consecutive quarter of positive return and helping to keep longer term performance ahead of target.

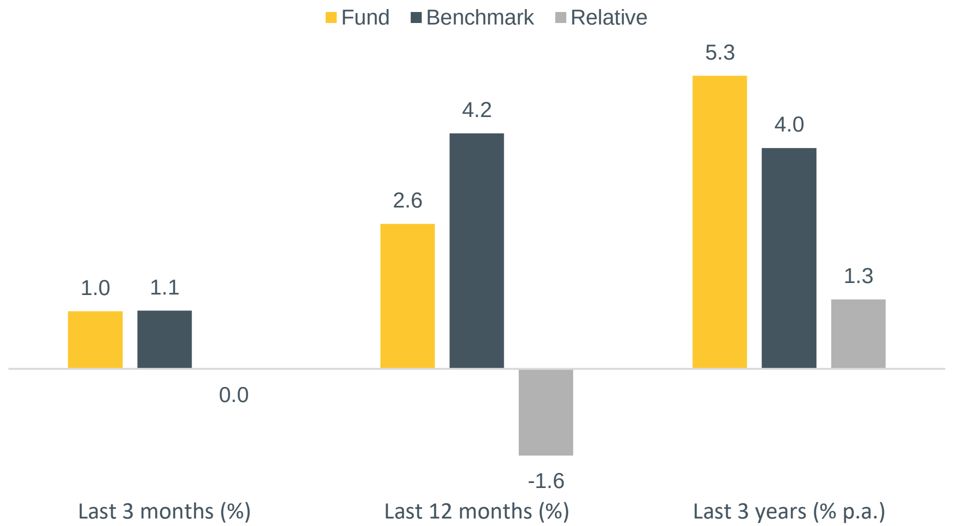
Over a 3 year period, annualised returns are 5.3% versus a current target of 4.0%.

The defensive changes implemented last quarter were the main reason for the more subdued performance. In a quarter that saw increased volatility, the defensive nature did help curb losses when markets fell in May. However, this meant the fund did not fully partake in the subsequent rebound in June.

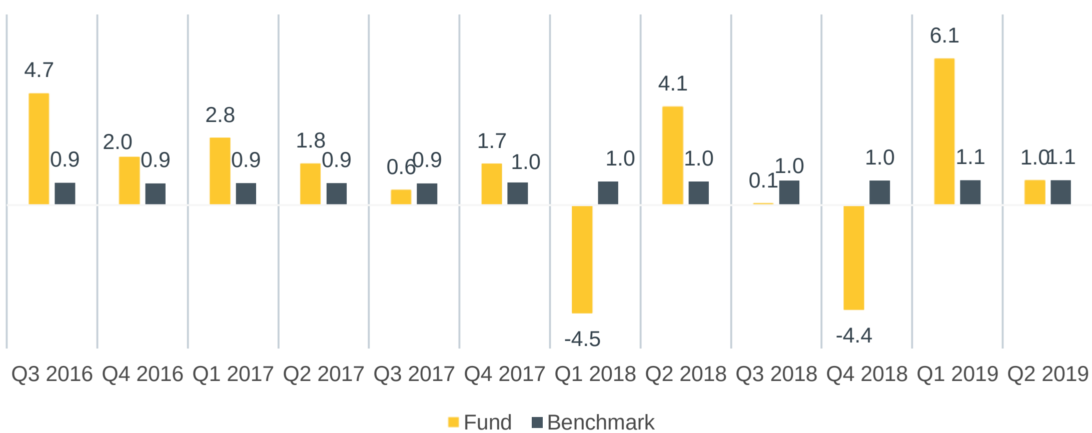
The manager continues to believe they are well positioned to perform well in a period of moderate growth and inflation and has positioned the fund accordingly.

We continue to rate Baillie Gifford as 'Positive' but have placed the fund 'On Watch'. See update on 'Manager Ratings' page for more details.

Fund performance vs benchmark/target



Historical Performance/Benchmark



Manager Performance

Ruffer Multi-Asset

Target: Base Rate + 3.5% p.a

In the second quarter of 2019, the Ruffer Multi-asset fund generated an absolute return of 1.6%, ahead of its base rate + 3.5% p.a. target which equated to 1.1% for the quarter.

12 month performance remains negative and substantially behind the funds target.

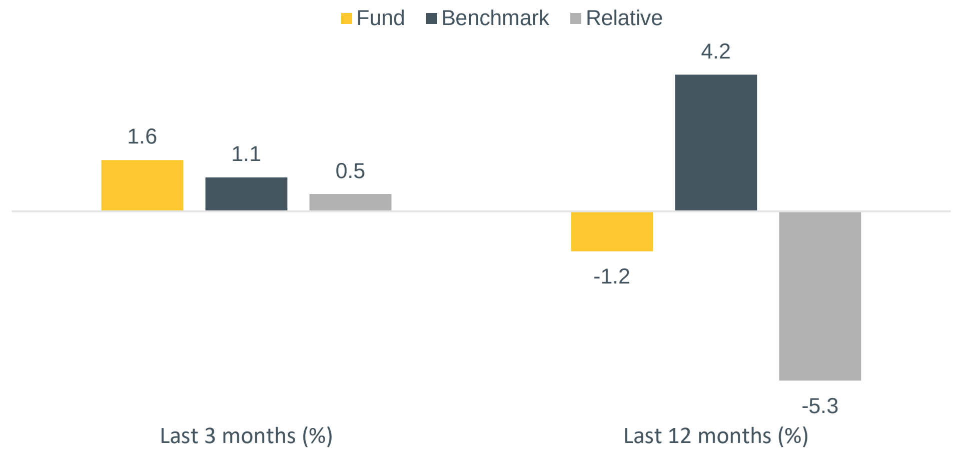
The Ruffer multi-asset strategy is defensive in nature and the manager has high conviction in its protection strategies.

These protection strategies are implemented through the use of credit default swaps, Japanese equities and S&P puts at present. To date, such strategies have failed to yield the necessary results, highlighted by the Q4 2018 performance.

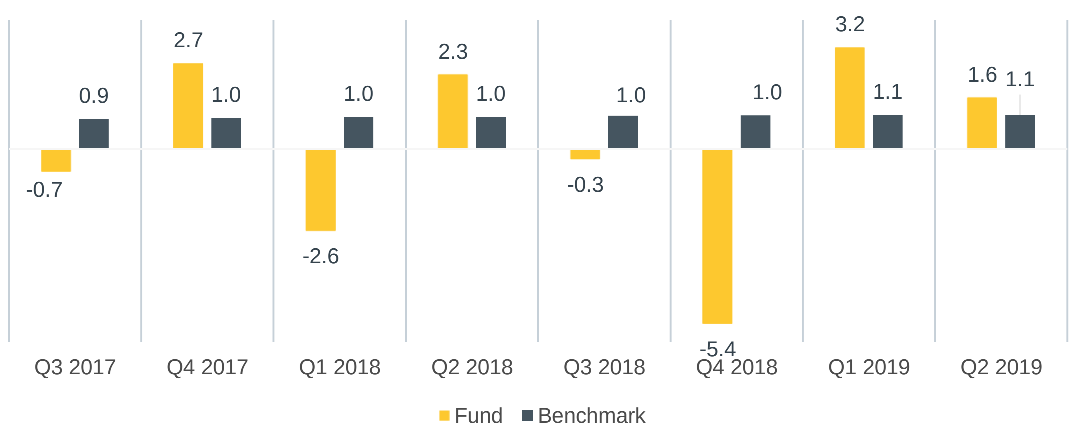
The manager moved to reduce its allocation to economically sensitive stocks over the quarter, hinting at a view of moderate future growth.

In holding this allocation, the Fund aims to benefit from a more certain risk/return profile. Recent performance has improved and we remain positive about Ruffer's investment approach, albeit we have downgraded our rating over the period. See 'Manager Ratings' page for more detail.

Fund performance vs benchmark/target



Historical Performance/Benchmark



Alinda Infrastructure

The Fund is invested in two fund with Alinda, Alinda II and Alinda III. Target absolute return is 8.0% p.a.

Following the completion of its 7th acquisition for the Alinda III fund in quarter one there were no new investments over Q2 2019 in either fund. Commitment level in Alinda III remains at around 75%.

The remaining capital commitments are as follows:
Alinda II: USD 3,759,741
Alinda III: USD 13,871,251

Following discussions with the manager, we anticipate one call for the Alinda III fund in Q3, likely by the end of September 2019. The funds share of this call would in in the region of USD 2.8 million. This call relates to the Maurepas Pipeline LLC investment by the manager.

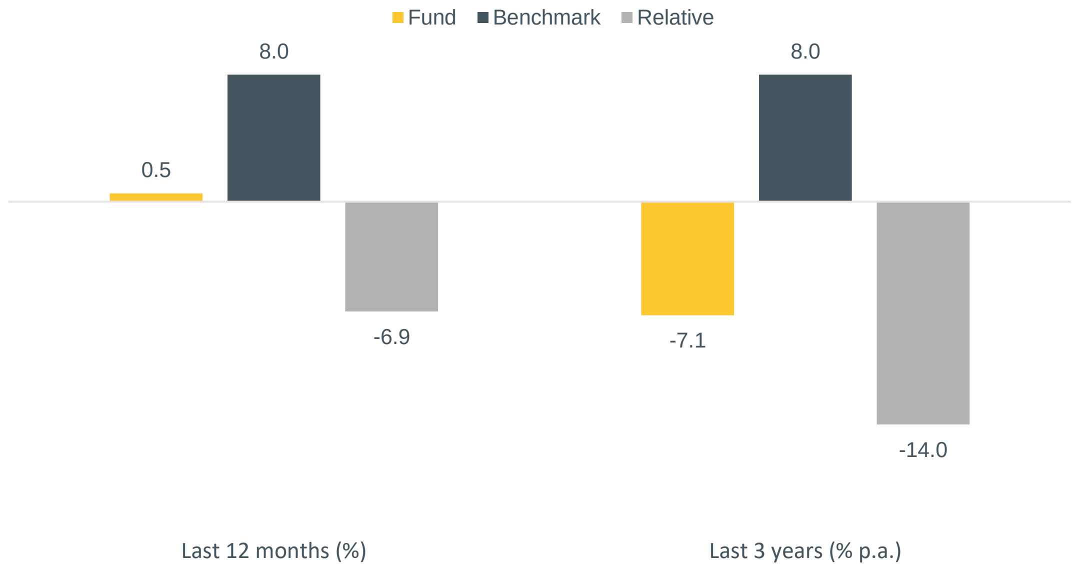
The following net distributions were made over the quarter:

Alinda II: USD 205,291
Alinda III: USD 345,632

The manager continues to expect 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.

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.

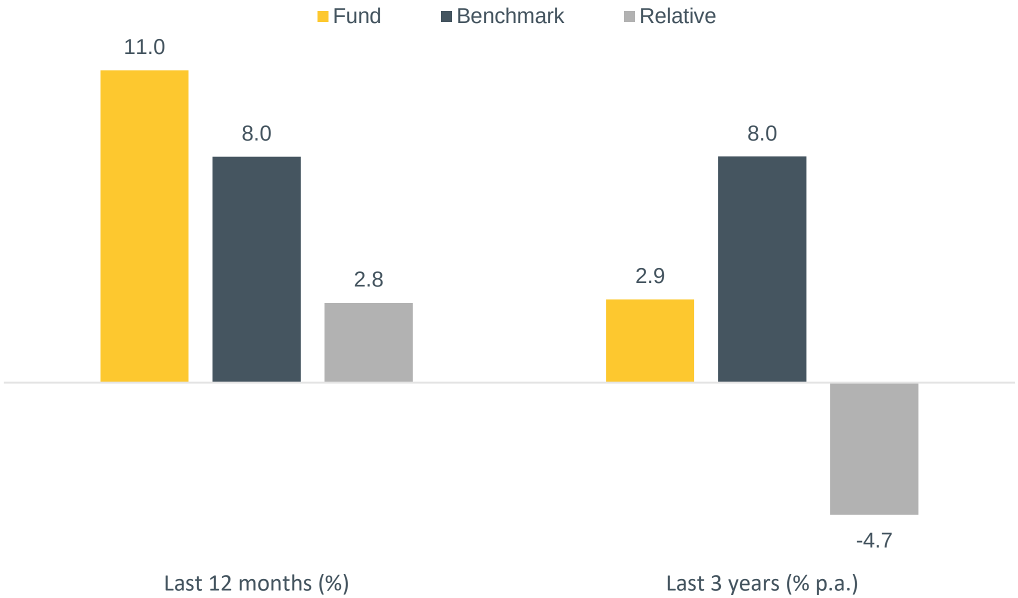
We are not aware of any expected commitment calls over the next quarter.

There were no distributions over the period.

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.

Assessing short and medium term performance of private markets can be a challenge. The return figures are based on numbers available to us.

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.

This mandate has manoeuvred the Fund towards its long term strategic allocation. Its defensive based multi-asset credit strategy offers diversification and downside protection in periods of market volatility.

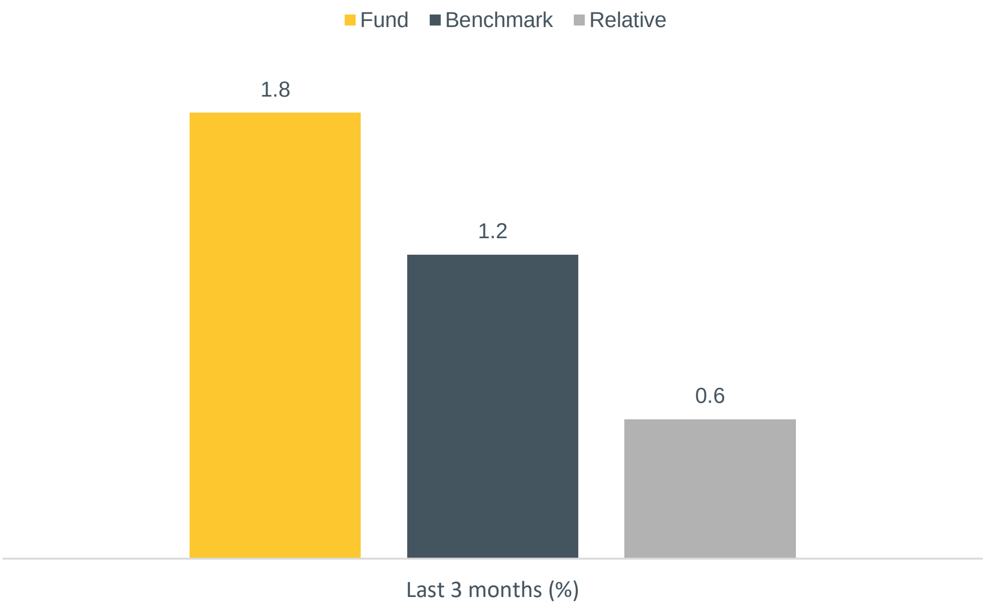
In Q2 2019, the fund returned1.8%, ahead of target. Relative performance has been measured against the lower bound of LIBOR + 4% p.a.

The funds allocation is dominated by loans (c50%). As such, this was the key contributor as both the US and European loan markets performed well. In particular, the European market posted its sixth consecutive positive month.

High Yield debt delivered the highest absolute return and with an increased weighting of 18% by quarter end (previously around 13%), was the second highest contributor to overall performance.

We continue to rate the manager as 'Suitable'. However, we are aware that the London CIV has placed the manager 'On Watch'. See 'Manager Ratings' page for more detail.

Fund performance vs benchmark/target



BlackRock UK Gilts Over 15Yrs

BlackRock's UK Gilts Over 15 Yrs fund is a new mandate within the Fund, having been introduced in March 2019 following the sale of its holdings in Henderson Total Return Bonds fund.

This forms part of the Funds protection allocation within the overall strategy.

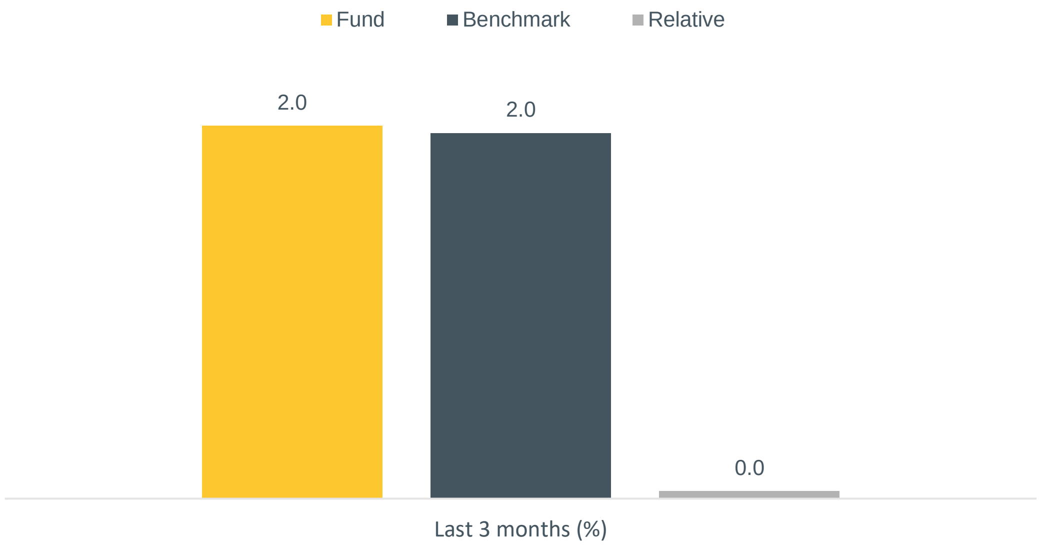
It is a passively managed mandate aimed at matching the FTSE UK Gilts Over 15 Yrs index.

In its first full quarter as part of the portfolio, the fund performed well returning 2.0%,, matching benchmark expectations.

Quarter 2 2019 saw a continuation of the fall in government bond yields witnessed in Q1, albeit at more moderate levels.

As a manager within the protection universe we rate BlackRock as ‘Preferred’.

Fund performance vs benchmark/target

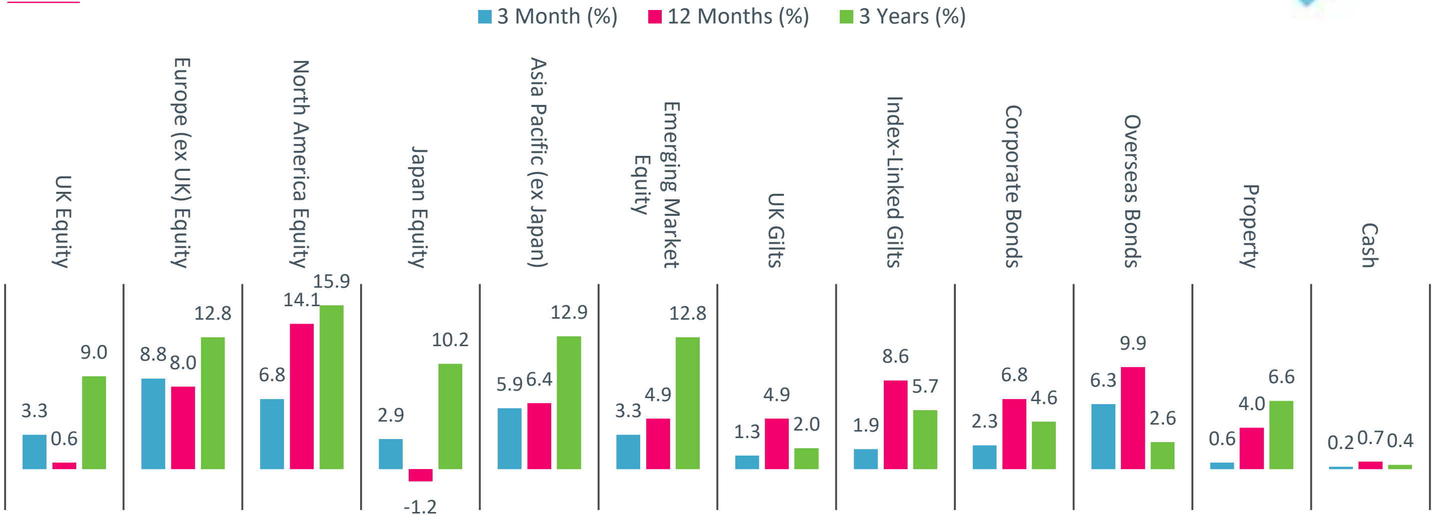


While US GDP growth remained resilient in Q1, Q2 data suggests a large share of this growth was spurred by inventory building amid trade uncertainty. Indications in the UK also suggest that the economy might stagnate or even contract in the second quarter as stockpiling provided a temporary boost to Q1 figures. Weaker external demand has impacted the large export and manufacturing oriented portions of the Eurozone and Japanese economies. Amidst the heightened UK political uncertainty, Sterling has depreciated against the major developed currencies over the quarter, weakening by around 3.5% in trade weighted terms.

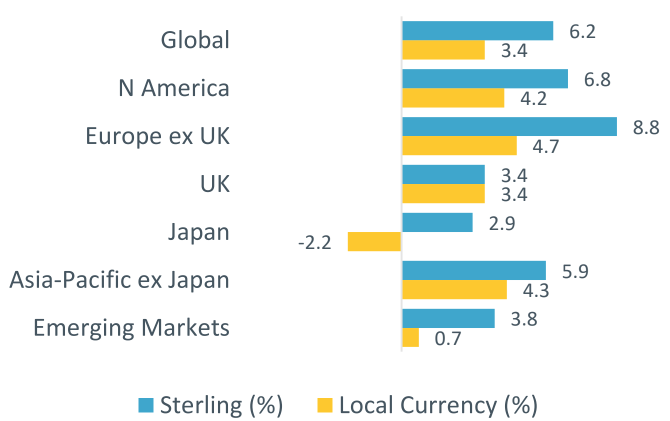
A shift in the messaging from global central banks towards looser monetary policy to support their economies, if required, has been well established. The Bank of England has been more equivocal, reluctant to commit to tightening or easing amidst the Brexit uncertainty. In the US, markets continue to price in a greater extent of interest rate cuts than the most recent Fed rate-setter's voting intentions suggest.

It was a positive quarter for financial markets with both risk seeking assets and government bonds delivering a positive return to investors. Yields on UK conventional gilts and index-linked gilts continued to fall over the quarter with the later touching new record lows in early June.

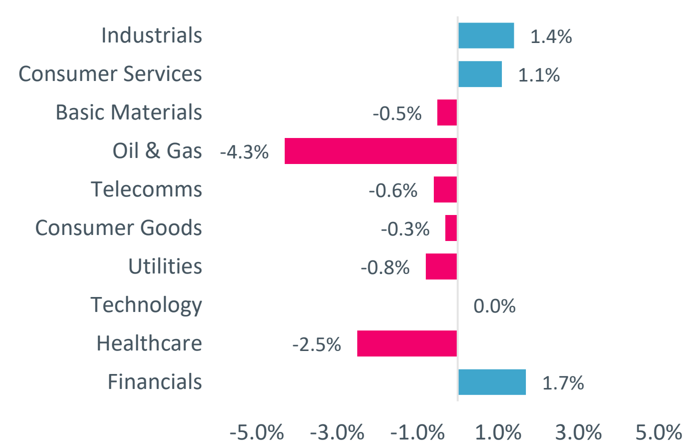
Historic returns for world markets [1]



Regional equity returns [2]



Global equity sector returns (%) [3]



[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 Indices.

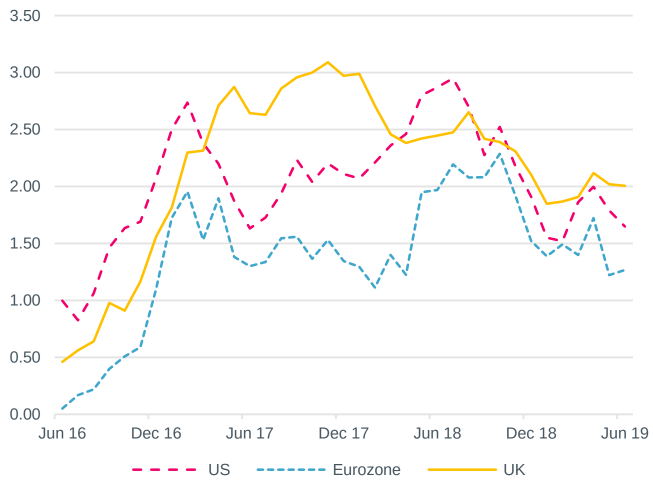
Market Background

Global credit markets largely ignored the escalation in US-China trade tensions and the potential negative implications for growth as spreads continued to narrow over the quarter. The picture was more mixed across sub investment grade credit markets with European high yield experiencing the greatest tightening in spreads across corporate credit markets.

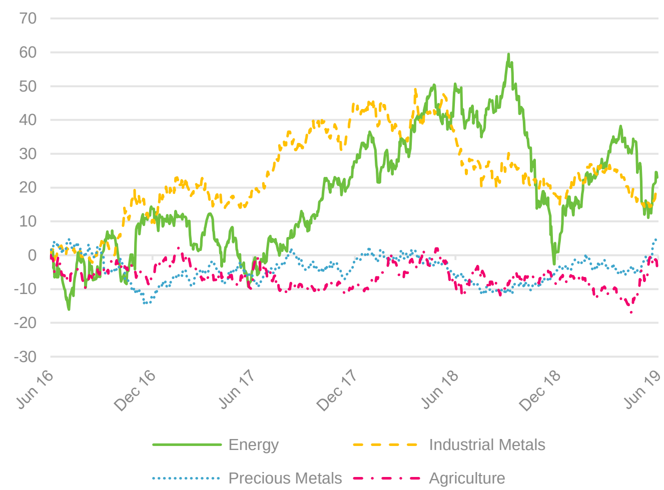
The equity market momentum of the first quarter of 2019 continued in Q2. After a brief pull-back in May, equity markets recovered in June and the US market reached another all-time high. The equity rally was broad-based, with most major equity regions producing strong returns. European (ex UK) equities were the best performing region in local currency terms as financials posted strong returns, while Japanese and Emerging Market equities lagged global indices. Japanese equities have been hindered by the strength of the yen, while Emerging Market equities suffered from their exposure to global trade.

In the two months to the end of May, UK property produced total returns of 0.5%, with the return from income more than offsetting a fall of 0.4% in the capital growth index. Rental growth has been flat over the period.

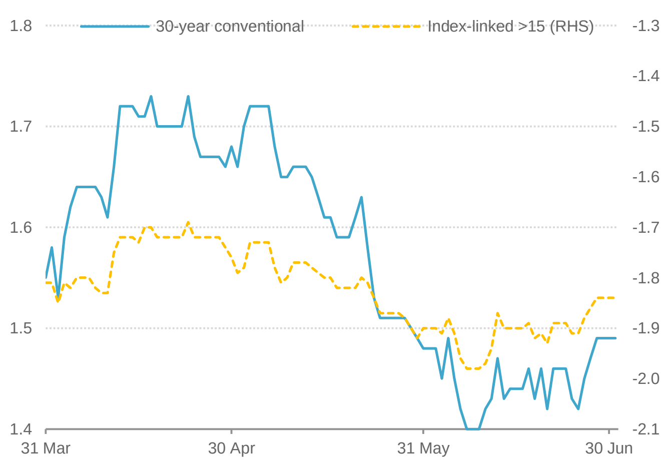
Annual CPI Inflation (% p.a.)



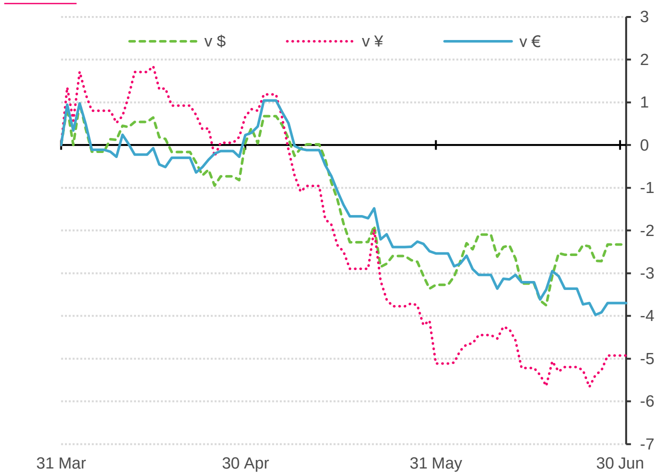
Commodity Prices



Gilt yields chart (% p.a.)



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.