London Borough of Brent Pension Fund

Q4 2019 Investment Monitoring Report

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HYMANS ROBERTSON

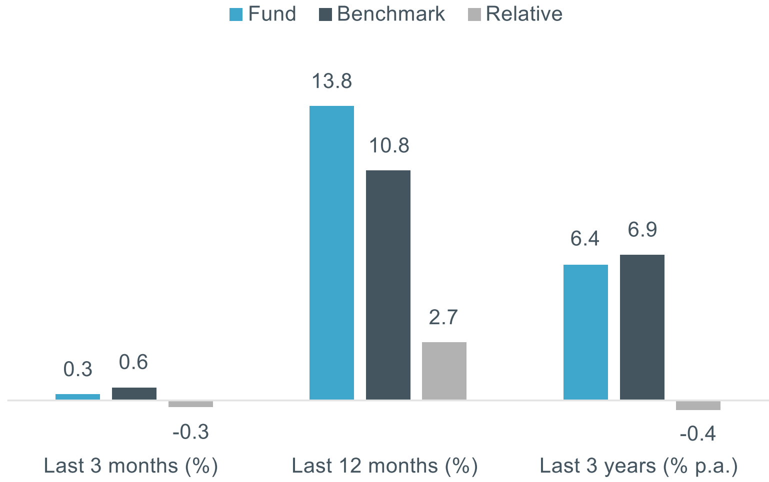
Executive Summary

The value of the Fund's assets rose by £7.3m over the quarter, from £927.5m to £934.8m.

The Fund returned 0.3% over the quarter, underperforming its benchmark by 0.3%. Performance over 2019 has been strong, with the Fund returning 13.8% outperforming its benchmark by 2.7%.

Over the quarter the Fund received its first capital call for the LCIV Infrastructure fund, and the LCIV Emerging Markets fund was transferred from Janus Henderson to JP Morgan.

Fund performance vs benchmark/target



High Level Asset Allocation

GrIP	Actual	Benchmark	Relative	Rebalancing Range***
Growth (Equity, DGF)	77.9%**	73.0%	4.9%	60.0% - 73.0%
Income Diversifiers (Property, Infrastructure)	3.6%	12.0%	-8.4%	15.0% - 19.0%
Protection (Bonds)	18.4%*	15.0%	3.4%	15.0% - 18.0%

*Includes 5.6% 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.
***Rebalancing is discussed further in the strategy review.

Fund Asset Allocation

The value of the Fund's assets rose by £7.3m over the quarter, from £927.5m to £934.8m.

Over the quarter, the LCIV Janus Henderson Emerging Markets fund transitioned to JP Morgan.

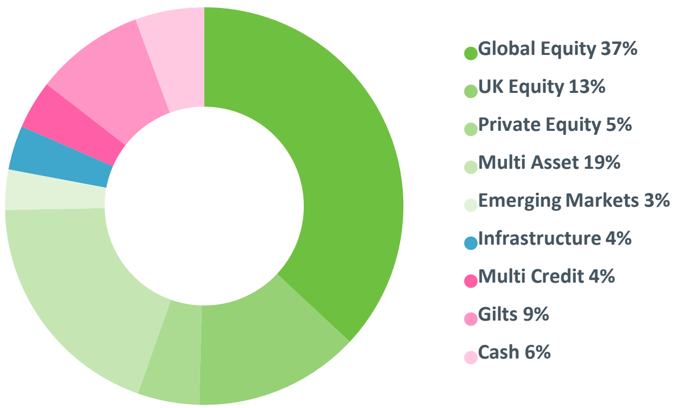
We note that the Baillie Gifford mandate remains overweight.

The Fund has a £50m commitment to the LCIV Infrastructure fund.

Asset Allocation

Manager	Valuation (£m) Q3 2019	Valuation (£m) Q4 2019	Actual Proportion	Benchmark	Relative
LGIM Global Equity	341.5	345.4	37.0%	30.0%	7.0%
LGIM UK Equity	120.6	125.6	13.4%	10.0%	3.4%
Capital Dynamics Private Equity	54.0	46.8	5.0%	5.0%	0.0%
Baillie Gifford Multi Asset	125.4	128.9	13.8%	11.5%	2.3%
Ruffer Multi Asset	50.8	51.3	5.5%	11.5%	-6.0%
JP Morgan Emerging Markets	30.5	30.6	3.3%	5.0%	-1.7%
Total Growth	**722.9**	**728.7**	**77.9%**	**73.0%**	**4.9%**
Alinda Infrastructure	25.0	23.0	2.5%	6.0%	-3.5%
Capital Dynamics Infrastructure	12.0	10.6	1.1%	6.0%	-4.9%
Aviva Property	0.2	0.1	0.0%	0.0%	0.0%
Total Income	**37.2**	**33.7**	**3.6%**	**12.0%**	**-8.4%**
CQS Multi Credit	36.3	36.8	3.9%	5.0%	-1.1%
BlackRock UK Gilts Over 15 yrs	89.1	83.2	8.9%	10.0%	-1.1%
Total Protection	**125.4**	**120.1**	**12.8%**	**15.0%**	**-2.2%**
Cash	42.0	52.3	5.6%	0.0%	5.6%
Total Scheme	**927.5**	**934.8**	**100.0%**	**100.0%**	

Asset class exposures



Source: Investment Managers

UK Equities were the strongest performer over Q4, as investors responded positively to the news of the Conservative majority in the December election.

Both Baillie Gifford and Ruffer outperformed their benchmarks over 3 months and over the year.

The performance shown for the JP Morgan Emerging Markets fund is predominately from the previous manager Henderson, and shows disappointing performance relative to benchmark. Over the quarter, returns were hampered by the cost of transitioning to JP Morgan.

The Infrastructure mandates have lagged behind their benchmark over all time periods although we note that some of these funds are predominantly still in ramp-up.

The CQS mandate has outperformed its benchmark, while the Fund's gilt holdings fell over the quarter as yields rose.

Manager 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	1.1	1.1	**0.0**	23.3	23.4	**0.0**	10.8	10.9	**0.0**
LGIM UK Equity	4.2	4.2	**0.0**	19.2	19.2	**0.0**	7.0	6.9	**0.2**
Capital Dynamics Private Equity	-4.4	1.3	**-5.6**	1.0	7.8	**-6.3**	11.2	7.9	**3.0**
Baillie Gifford Multi Asset	2.7	0.7	**2.1**	12.6	3.8	**8.5**	4.7	3.9	**0.8**
Ruffer Multi Asset	1.0	0.7	**0.3**	8.9	3.8	**5.0**			
JP Morgan Emerging Markets	0.2	4.0	**-3.7**	5.3	13.8	**-7.5**			
Income									
Alinda Infrastructure				-4.2	6.1	**-9.7**	-8.8	7.4	**-15.1**
Capital Dynamics Infrastructure				-9.0	6.1	**-14.2**	-2.1	7.4	**-8.8**
Protection									
CQS Multi Credit	1.3	0.7	**0.6**	6.5	4.7	**1.8**			
BlackRock UK Gilts Over 15 yrs	-6.6	-6.6	**0.0**						
Total	0.3	0.6	**-0.3**	13.8	10.8	**2.7**	6.4	6.9	**-0.4**

Source: Fund performance provided by Investment Managers and is net/gross of fees. Benchmark performance provided by Investment Managers and DataStream

Over the quarter, as discussed previously, the London CIV changed its active emerging markets manager from Janus Henderson to JP Morgan.

The JP Morgan fund is a pure bottom-up strategy, focussing on individual stock performance rather than placing an emphasis on broader macroeconomic conditions. We rate the management team and overall research platform at JP Morgan as strong and believe the fund to be highly credible.

Manager ratings

Mandate	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
JP Morgan	Emerging Markets (LCIV)	Suitable
CQS	Multi Credit (LCIV)	Suitable
Alinda	Infrastructure	Not Rated
Capital Dynamics	Infrastructure	Not Rated
BlackRock	BlackRock UK Gilts Over 15Yrs	Preferred

LGIM business update

LGIM has announced that Margaret Ammon will join as Chief Risk Officer in February. Ammon joins from M&G where she held a similar role and replaces Teresa Poy who has retired. In addition, Camille Blackburn has joined as Chief Compliance Officer and joins from Aviva investors.

Ruffer business update

Ruffer has announced that Jos North has been added as a named fund manager of the Absolute Return Fund, Ruffer's institutional pooled fund. North joined the firm in 2012 as a graduate and joins David Ballance and Steve Russell in managing the fund. This news is significant as it represents evidence of long-term succession planning, with more junior fund managers added to a number of Ruffer's pooled funds and some of the more experienced fund managers stepping back, although we do not expect any reduction in involvement from Ballance and Russell in the short to medium-term. We are therefore comfortable with this news.

Source: Investment Managers

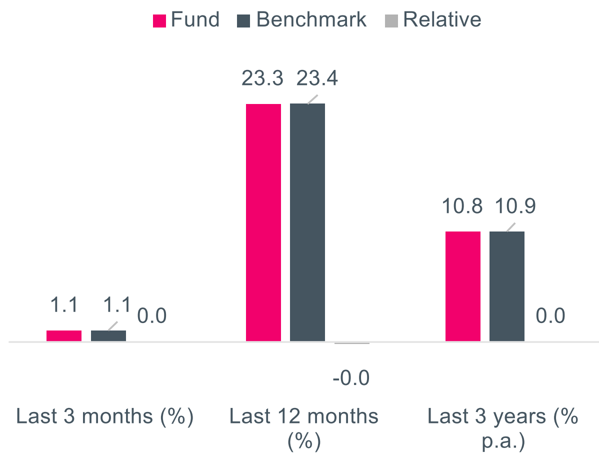
LGIM Global Equity

The fund retuned 1.1% over the quarter, matching its benchmark. It has matched its benchmark over all time periods.

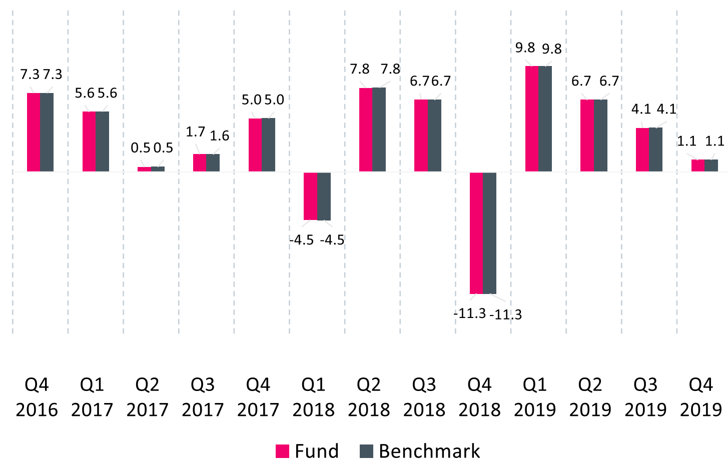
Returns over the fourth quarter were positive, capping off a strong year for global equities. The “Phase 1” trade deal agreed between the US and China and supportive monetary policy from Central Banks helped to increase investor optimism through the quarter.

We continue to rate LGIM’s passive equity capabilities as ‘Preferred’.

Fund Performance vs benchmark/target



Historical Performance/Benchmark



Source: Investment Manager

LGIM UK Equity

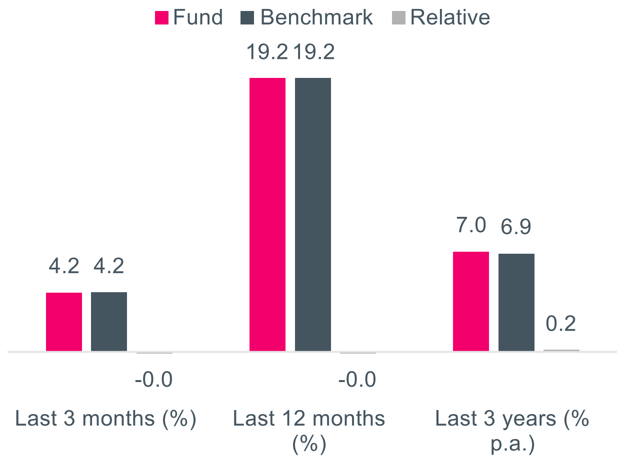
The fund retuned 4.2% over the quarter, as investors responded positively to the Conservative majority at the December election.

Returns over 2019 have been strong, albeit behind global equities as the uncertainty surrounding Brexit caused some hesitancy from investors over the year.

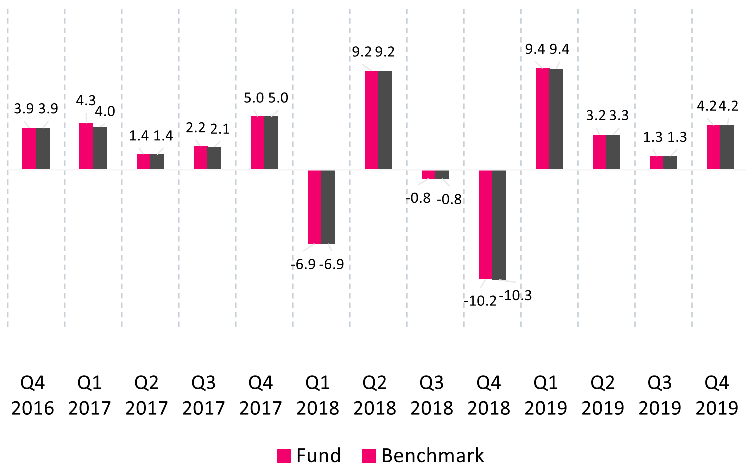
The fund has broadly matched its benchmark over all time periods.

We continue to rate LGIM's passive equity capabilities as 'Preferred'.

Fund Performance vs benchmark/target



Historical Performance/Benchmark



Source: Investment Manager

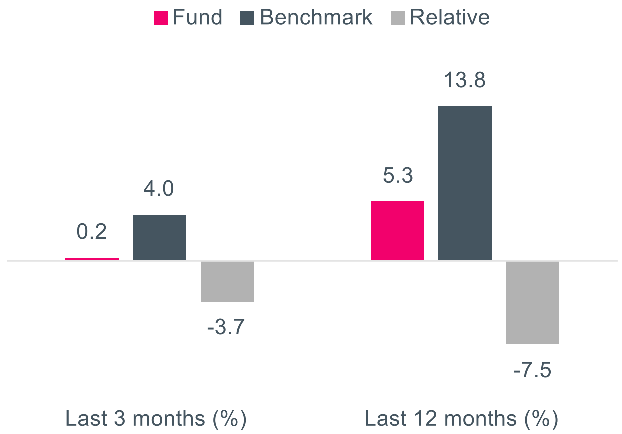
JP Morgan Emerging Markets

The fund retuned 0.2% over the quarter, underperforming its benchmark by 3.7%. Performance was impacted by the cost of transitioning the fund from Henderson to JP Morgan.

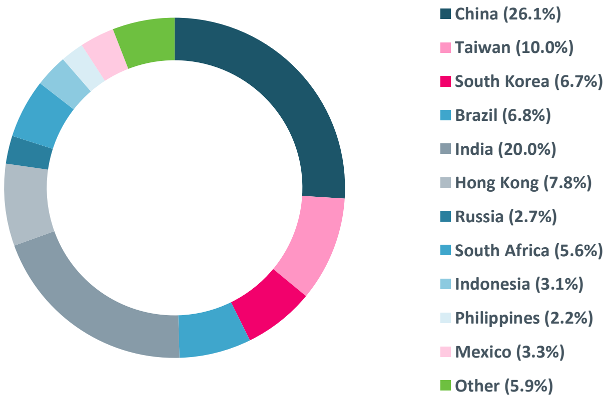
The bottom two charts show the difference in country allocation between the Henderson and JP Morgan EM equity funds. The most significant regional difference is the greater weighting to Indian equities. JP Morgan's strategy has a much larger size emphasis than Henderson's strategy.

We rate JP Morgan's Emerging Market equity fund as 'Suitable'.

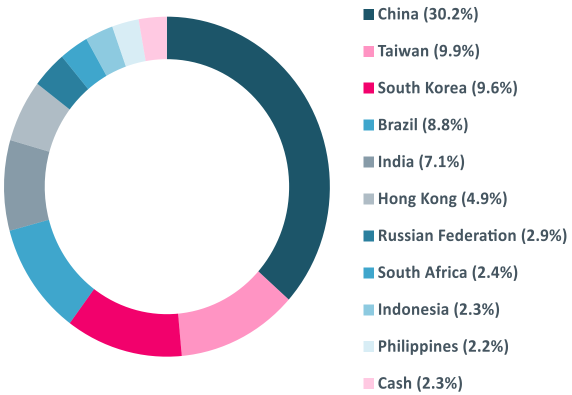
Fund performance vs benchmark/target



JP Morgan Country allocation



Henderson Country allocation



Source: Investment Manager

Fund Performance

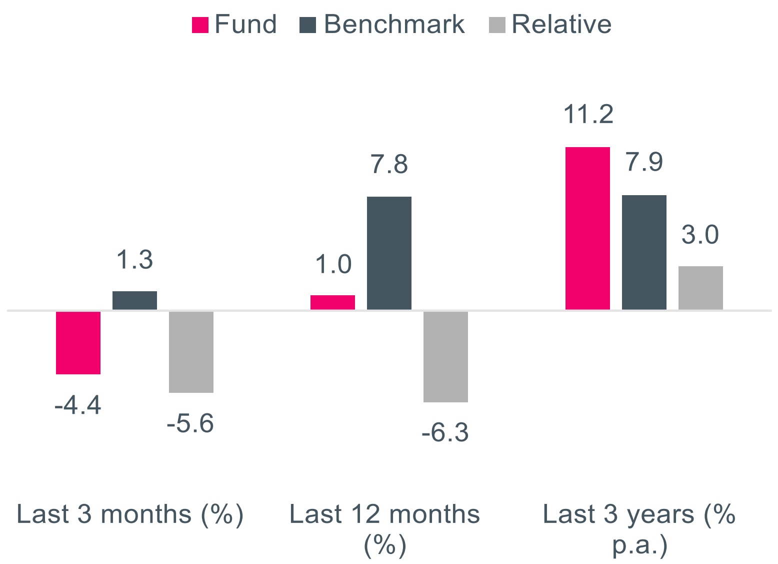
Capital Dynamics
Private Equity

The Capital Dynamics Private Equity fund has underperformed over the quarter and the year, although remains comfortably ahead of benchmark over 3 years.

At time of writing, fund activity over Q4 was unavailable.

Over Q3, the fund made one distribution of $2.7m representing 9.3% of committed capital.

Target: Absolute return of 8.0% p.a.



Source: Investment Manager

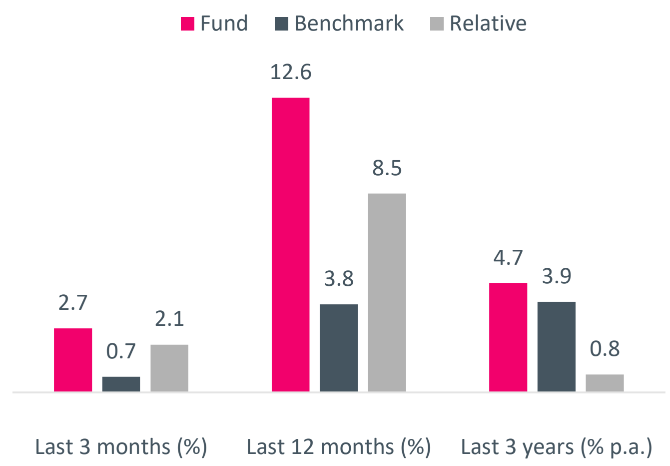
Baillie Gifford Multi-asset

The Baillie Gifford Multi-Asset fund has continued its impressive outperformance relative to benchmark over all time periods.

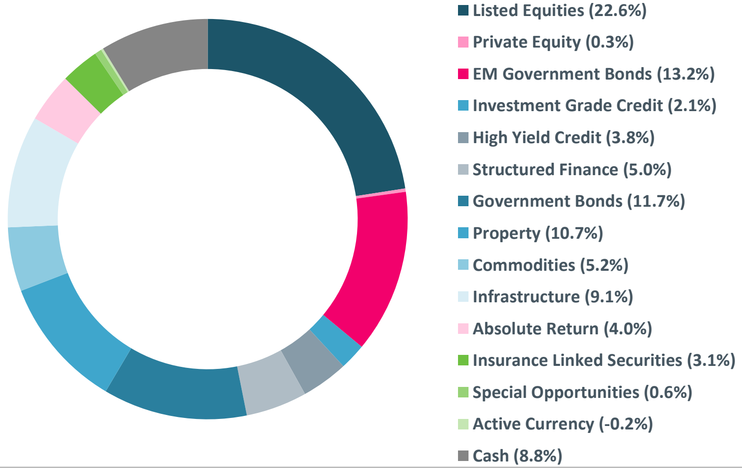
Positive performance was predominantly driven by listed equities, property and infrastructure.

The manager believes that they are suitably positioned to perform well in a period of moderate growth and inflation and have positioned the fund accordingly.

Fund Performance



Asset Allocation



Source: Investment Manager

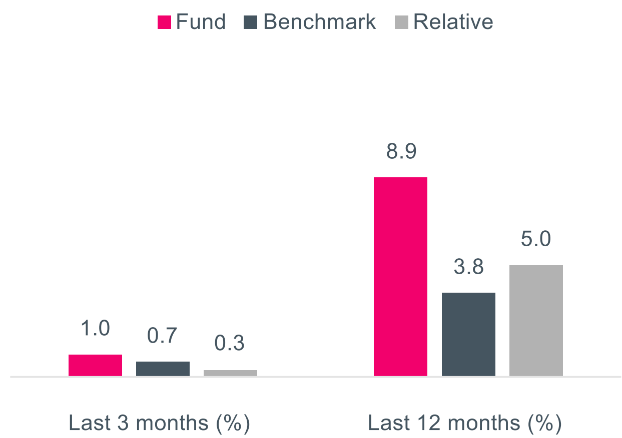
Ruffer Multi-asset

The Ruffer Multi-Asset fund outperformed its benchmark by 0.3% over the quarter, and returned a strong 8.9% over 2019, beating its benchmark by 5%.

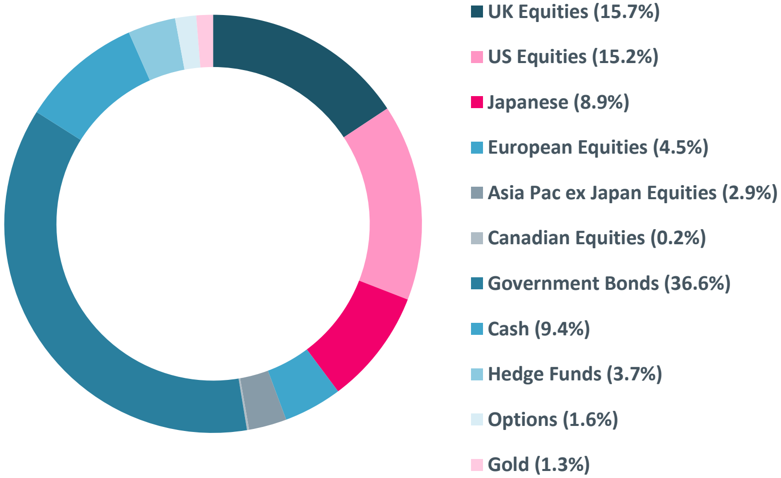
The strong performance over the past year has been pleasing, following the underperformance through 2018.

The manager continues to hold a large allocation to index-linked gilts, as part of its approach to protecting the portfolio from increasing inflation.

Fund Performance



Fund Asset Allocation



Source: Investment Manager

Alinda Infrastructure

The Alinda Infrastructure fund's poor performance relative to benchmark has occurred as the fund is in ramp-up stage, drawing down and deploying capital. It is expected to improve over the longer term.

At time of writing, fund information for Q4 was unavailable. The following information is as at Q3:

The remaining capital commitments are as follows:

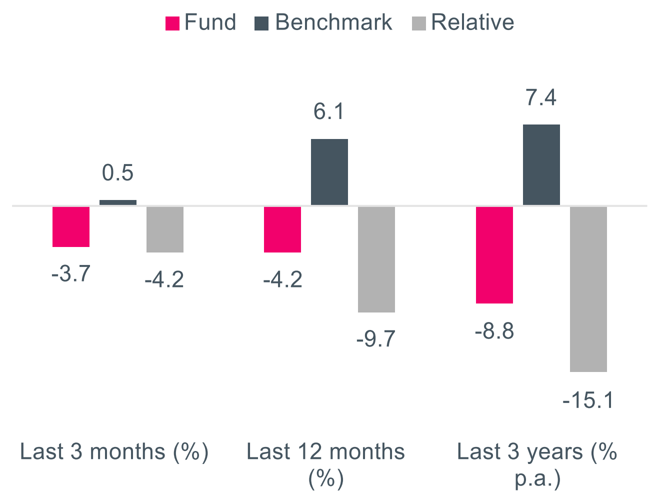
Alinda II: $3,816,363
Alinda III: $11,623,816

The following net distributions were made over the quarter:

Alinda II: $2,573,072
Alinda III: $737,785

Private markets should be calculated based on a long-term basis. There are a range of methodologies that can be applied when it comes to assessing private markets' performance.

Fund performance vs benchmark/target



Source: Investment Manager

Capital Dynamics Infrastructure

The Fund's holdings are currently solely held within the Capital Dynamics Clean Energy and Infrastructure fund.

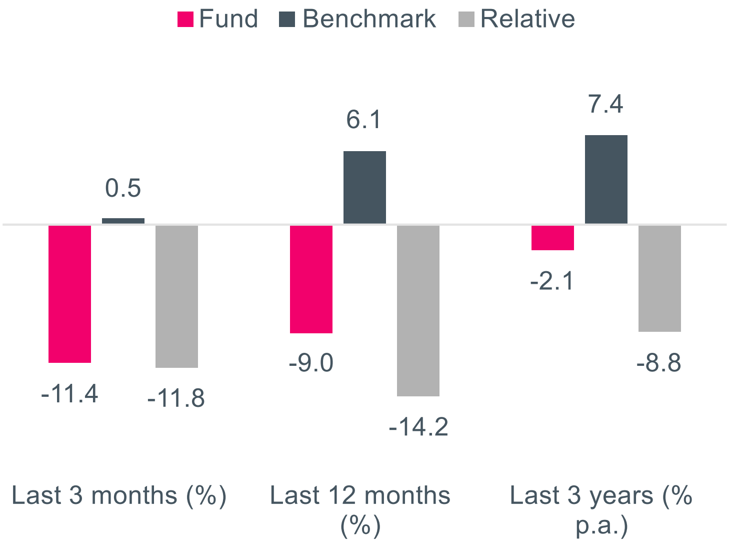
Target: Absolute return of 8.0% p.a.

The Capital Dynamics Infrastructure fund fell sharply over Q4, driving down returns across longer time periods.

We note that infrastructure is a long-term investment and therefore short-term deviation from benchmark can be expected, particularly when capital is drawn-down at the start of a programme.

Private markets should be calculated based on a long-term basis. There are a range of methodologies that can be applied when it comes to assessing private markets' performance.

Fund performance vs benchmark/target



Source: Investment Manager

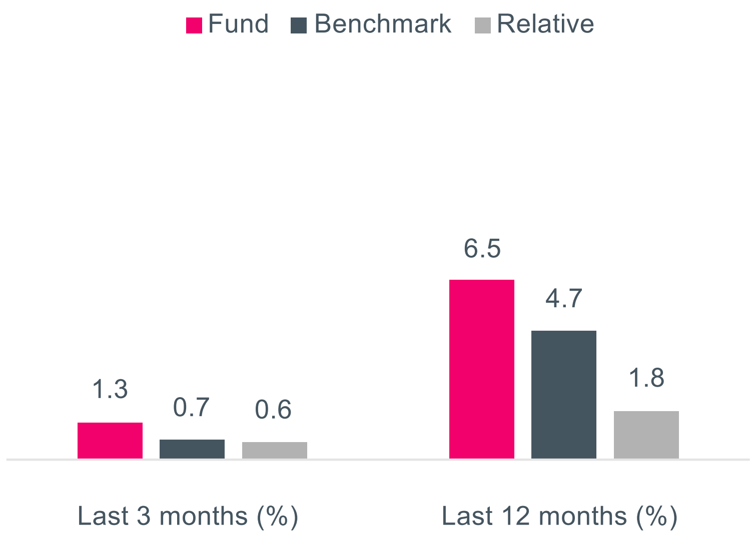
CQS Multi Credit

The CQS Multi-Credit protection assets outperformed their benchmark over the quarter returning 1.3%. The fund is also ahead of benchmark over 12 months, having returned 6.5%.

The manager has reduced its allocation to Loans, increasing its High Yield portfolio mainly through the US market.

Following the UK election, the manager sold positions in UK financials to capture the strong returns over Q4.

Fund performance vs benchmark/target



Source: Investment Manager

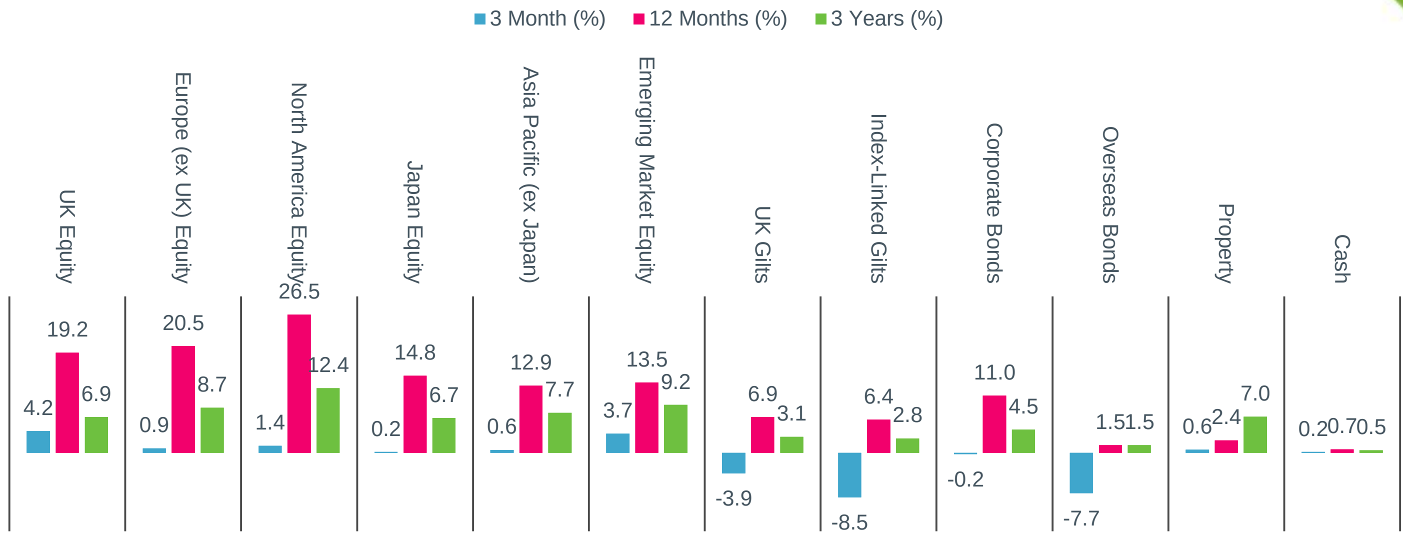
A "phase 1" trade deal, signed on January 15th, between the US and China, prevented a further increase in tariffs in December and reduced the level of some existing tariffs. US GDP growth continued to outperform developed market peers and Q3 expectations but has slowed on last year's robust pace. Eurozone growth also beat Q3 expectations as Germany narrowly avoided recession.

UK GDP growth achieved a modest recovery in Q3, following a contraction in Q2, however growth forecasts have slumped as slower global growth and Brexit uncertainty has weighed heavily on business investment. December's manufacturing Purchasing Managers Indices in the US, Eurozone, Japan and UK remained at a level consistent with a contraction in the manufacturing sector. However, service sector surveys in the US and Europe improved in the fourth quarter, and US jobs gains remained resilient.

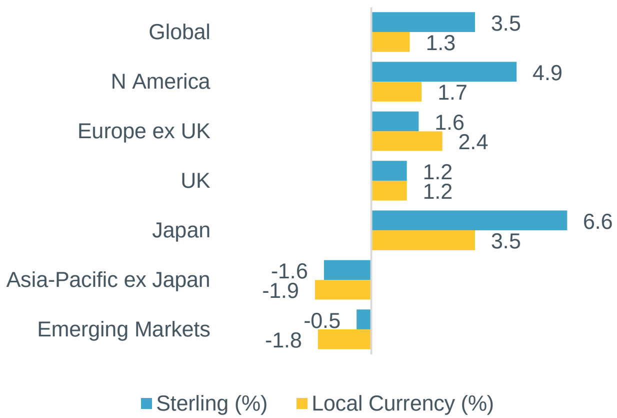
The Federal Reserve cut rates for the third time in three months in October, due to slowing global growth and weak inflation. The ECB cut rates to -0.5% and announced the restart of QE in November.

Sovereign bond yields rose across developed economies on trade progress and some improvements in economic data across various regions. In-line with Sterling strength, near-term UK implied inflation has fallen – UK 10-year spot gilt-implied inflation has fallen 0.21% p.a., as real yields rose more than nominal counterparts.

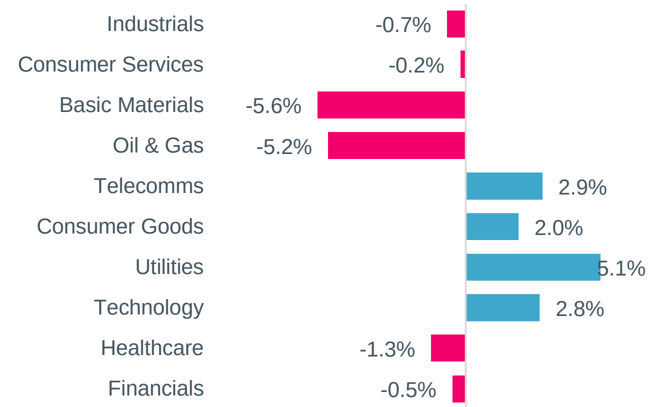
Historic returns for world markets [1]



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

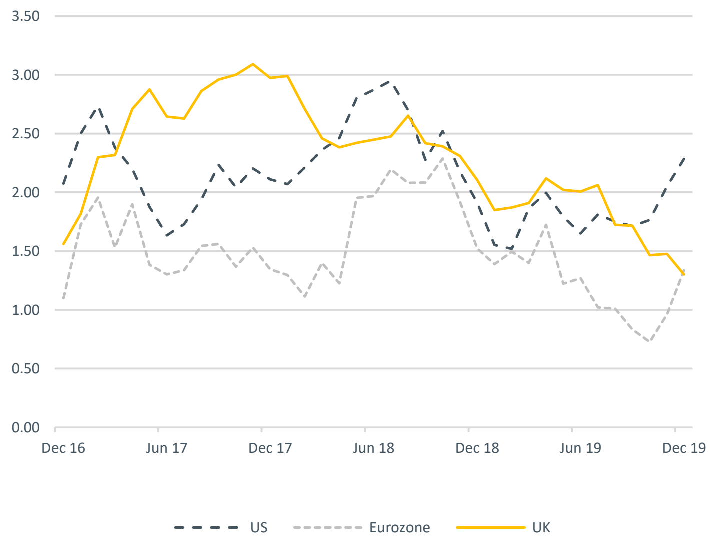
Investment-grade credit spreads tightened while rising underlying government bond yields weighed on returns in fixed rate markets. Speculative-grade markets outperformed investment-grade counterparts and high yield bonds outperformed leveraged loans, though loan spreads retraced some 2019's widening.

Global equity markets rose on the improved outlook and corporate earnings reports, which came in ahead of (albeit downgraded) consensus forecasts. A strong Q4 saw global equities deliver returns of 27% for 2019 in local currency term. Sterling strengthened against major currencies as a lower perceived chance of a no-deal Brexit and the Conservative election victory removed some Brexit uncertainty. The rebound in sterling negatively impacted unhedged overseas equity returns for sterling-based investors.

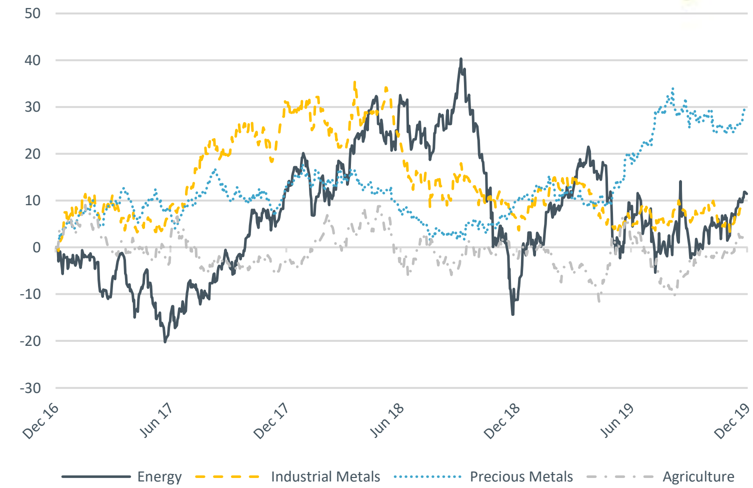
Emerging markets was the best performing region in Q4, given their greater sensitivity to the global trade environment. The UK was the laggard in local currency terms as the sharp rebound in Sterling weighed on the market's larger cap globally-exposed companies.

UK commercial property market returns continued to slow on a rolling annual basis, returning 2.1% in the 12 months to 31 December 2019, reflecting a sharp drop in comparison to recent years.

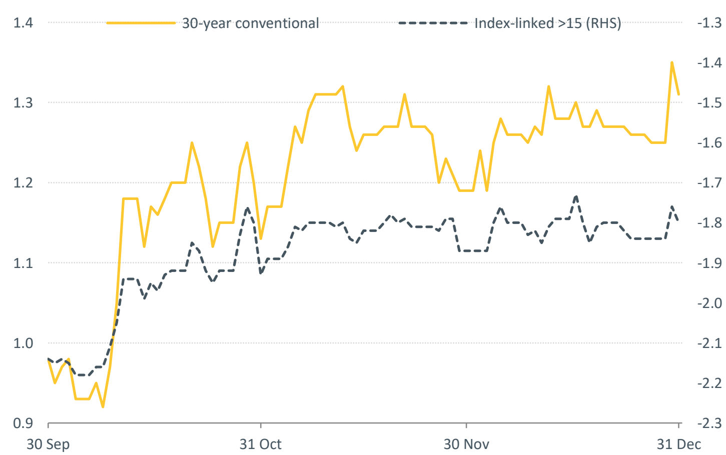
Annual CPI Inflation (% p.a.)



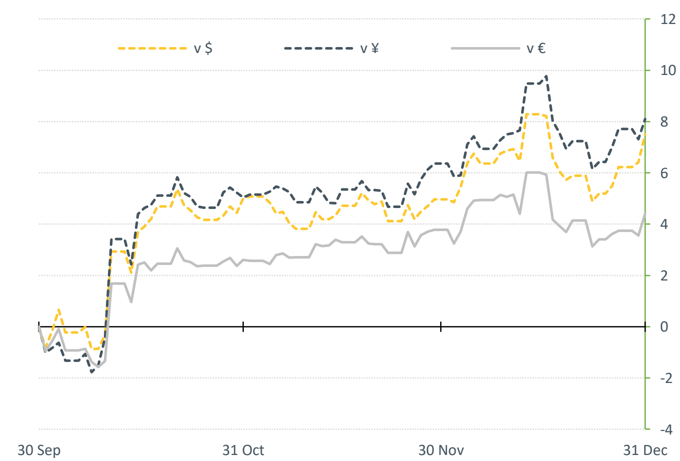
Commodity Prices



Gilt yields chart



Sterling trend chart (% change)



Source: Reuters

Hymans Rating

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 Investment

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.

Risk Warning

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.

Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + Fund\ Performance)}{(1 + Benchmark\ Performance)} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance - Benchmark\ Performance$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.