London Borough of Brent Pension Fund

Q2 2020 Investment Monitoring Report

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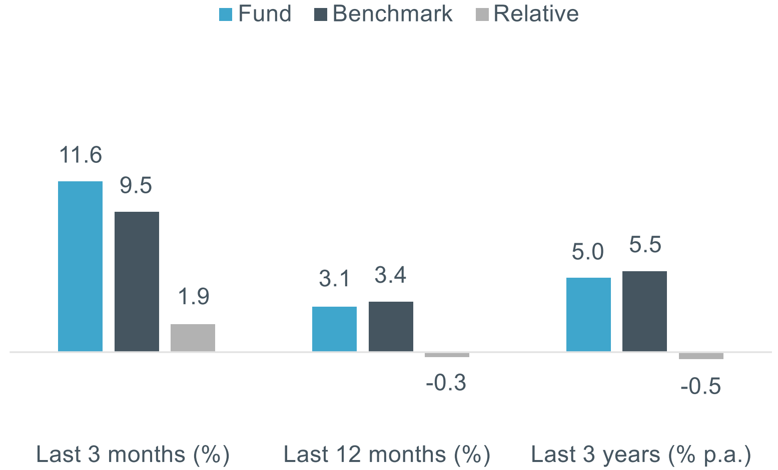
Asset classes recovered strongly during the second quarter of 2020 from the steep declines suffered in the first quarter.

Enormous amounts of stimulus provided by global central banks and reopening economies after lockdown have been the key positive drivers.

The Fund's assets produced a return of 11.6% and outperformed against the aggregate benchmark over the second quarter of 2020.

The value of the Fund's assets increased over the quarter, from £835.3m to £926.9m, recovering almost all of the ground lost during the first quarter.

Fund performance vs benchmark/target



High Level Asset Allocation

As part of the investment strategy review carried out in Q2 2020, the Fund's DGF mandates were recategorised as 'Diversifiers' and included within the 'Income' bucket.

GrIP	Actual	Benchmark	Relative
Growth	58.4%	55.0%	3.4%
Income	22.4%	30.0%	-7.6%
Protection	14.4%	15.0%	-0.6%
Cash	4.8%	0.0%	4.8%

Whilst on the journey to its interim and long term targets for Property, Infrastructure and Private Debt, the current agreement is that the Fund will hold the excess assets within the DGF's, most notably the Baillie Gifford diversified growth allocation.

Following the results of the Q1 2020 investment strategy review, the following target allocations were agreed:

Interim
Growth – 55%
Income/Diversifiers – 30%
Protection – 15%

Long-term
Growth – 50%
Income/Diversifiers – 35%
Protection – 15%

The Fund is currently overweight growth assets and underweight diversifiers.

It is also overweight cash although c£28m of cash (c3% of assets) will be invested in a low carbon passive equity fund. As agreed at the June meeting, the interim target allocations will be updated to reflect this increase in growth assets and this will be reflected in future reports.

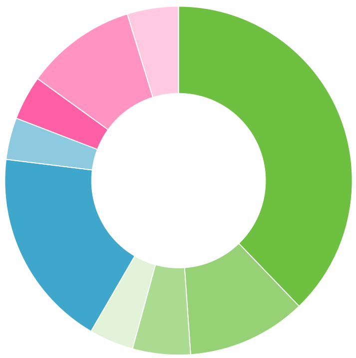
Over the quarter, £8m has been invested in emerging market equities, and £4m has been invested in the CQS multi-asset credit fund. Both investments have taken the respective allocations closer to their interim targets.

Asset Allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q1 2020	Q2 2020			
LGIM Global Equity	293.4	353.3	37.8%	40.0%	-2.2%
LGIM UK Equity	94.1	103.7	11.1%	5.0%	6.1%
Capital Dynamics Private Equity	49.1	50.3	5.4%	5.0%	0.4%
JP Morgan Emerging Markets	25.2	38.6	4.1%	5.0%	-0.9%
Total Growth	**461.9**	**545.9**	**58.4%**	**55.0%**	**3.4%**
LCIV Baillie Gifford Multi Asset	110.8	120.1	12.8%	10.0%	2.8%
LCIV Ruffer Multi Asset	50.1	53.3	5.7%	10.0%	-4.3%
Alinda Infrastructure	24.6	22.8	2.4%	0.0%	2.4%
Capital Dynamics Infrastructure	10.1	10.1	1.1%	0.0%	1.1%
Aviva Property	0.1	0.1	0.0%	0.0%	0.0%
London LGPS CIV Infrastructure	0.5	3.4	0.4%	10.0%	-9.6%
Total Income	**196.3**	**209.7**	**22.4%**	**30.0%**	**-7.6%**
CQS Multi Credit	30.6	38.5	4.1%	5.0%	-0.9%
BlackRock UK Gilts Over 15 yrs	92.6	96.2	10.3%	10.0%	0.3%
Total Protection	**123.2**	**134.6**	**14.4%**	**15.0%**	**-0.6%**
Cash	53.9	44.6	4.8%	0.0%	4.8%
Total Scheme	**835.3**	**934.9**	**100.0%**	**100.0%**	

Benchmark currently shown as the interim-target allocation as the first step in the journey towards the long-term target. As the Fund's allocations and commitments to private markets increase over time, we will move towards comparison against the long-term target.

Asset class exposures



Global Equity 38%
UK Equity 11%
Private Equity 5%
Emerging Markets 4%
Multi Asset 19%
Infrastructure 4%
Multi Credit 4%
Gilts 10%
Cash 5%

Source: Investment Managers

The total Fund return was positive during Q2 2020, on both an absolute and relative basis. Absolute 12-month performance has returned to positive territory.

Equity markets led the recovery, with global equities performing particularly strongly. This can be seen in the performance of LGIM's mandates: global returned 20.4% and UK 10.2%.

The Fund's DGF mandates produced strong positive returns over the quarter, with Baillie Gifford returning 8.4% and Ruffer 6.4%.

The economic stimulus provided by governments also boosted credit markets with spreads narrowing. The CQS mandate produced a return of 12.7% over the quarter recovering some of the ground lost during Q1. Performance over 12 months remains negative.

Gilts again delivered positive returns over the quarter and are now the strongest performing of the Fund's assets over the last 12 months.

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	20.4	20.4	**-0.0**	7.7	7.7	**-0.1**	9.5	9.5	**0.0**
LGIM UK Equity	10.2	10.2	**0.1**	-12.9	-13.0	**0.1**	-1.5	-1.6	**0.1**
Capital Dynamics Private Equity	4.7	20.2	**-12.9**	8.5	5.6	**2.7**	14.6	7.2	**6.9**
JP Morgan Emerging Markets	21.2	18.5	**2.3**	-4.5	-0.5	**-4.0**			
Income									
LCIV Baillie Gifford Multi Asset	8.4	0.5	**7.8**	-2.2	2.8	**-4.8**	0.7	3.6	**-2.8**
LCIV Ruffer Multi Asset	6.4	0.5	**5.8**	8.1	2.8	**5.1**	2.7	3.7	**-0.9**
Alinda Infrastructure				5.6	3.2	**2.4**	-5.3	6.4	**-11.0**
Capital Dynamics Infrastructure				-10.3	3.2	**-13.1**	5.2	6.4	**-1.1**
Protection									
CQS Multi Credit	12.7	0.8	**11.9**	-4.6	3.4	**-7.7**			
BlackRock UK Gilts Over 15 yrs	3.9	3.9	**0.0**	19.8	19.7	**0.1**			
Total	11.6	9.5	**1.9**	3.1	3.4	**-0.3**	5.0	5.5	**-0.5**

Performance from Alinda and Capital Dynamics Infrastructure is based on information provided by Northern Trust. For such investments, there are more appropriate measures to assess performance. Furthermore, performance in respect of Alinda is skewed by the Alinda III fund which is in the relatively early stages. It is therefore difficult to judge performance from this mandate at this stage on a purely percentage basis. However, as the Fund's commitments continue to be drawn, and the size of investments increase, it will become more appropriate to consider return measures in percentage terms. More detail on relevant measures of assessment for infrastructure funds is provided in the individual manager pages. This is also the case for Private Equity as an asset class.

The table above also excludes the opening quarters performance of the Fund's investment in the London CIV's infrastructure sub-fund. Given initial draw downs only occurred during Q1 2020, it remains too early to report appropriate performance at this stage. Like the Alinda above, as the Fund's commitments continue to be drawn under this mandate, and the size of investments increase, it will become more appropriate to report and consider return measures in percentage terms. At this stage, we have also not included a separate manager page.

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

There were no manager rating changes to existing managers over the quarter.

Manager ratings

Manager	Mandate	Hymans Rating
LGIM	Global Equity	Preferred
LGIM	UK Equity	Preferred
JP Morgan Emerging Markets	Emerging Markets (LCIV)	Suitable
Capital Dynamics	Private Equity	Suitable
LCIV Baillie Gifford	Multi Asset (LCIV)	Preferred - On-watch
LCIV Ruffer	Multi Asset (LCIV)	Positive
Alinda	Infrastructure	Not Rated
Capital Dynamics	Infrastructure	Not Rated
London LGPS CIV	Infrastructure	Not Rated
CQS	Multi Credit (LCIV)	Suitable
BlackRock	UK Gilts Over 15Yrs	Preferred

Baillie Gifford business update

Four Partners retired at Baillie Gifford over the quarter and seven new partners were appointed over the period. In addition, it was announced more recently that Charles Plowden, Baillie Gifford's Joint Managing Partner, will retire next year on 30 April 2021. Malcolm MacColl will replace Plowden as Joint Managing Partner on 1 May 2021. In relation to the Multi Asset Team, over the quarter, James Squires also formally became of the head of the team following Patrick Edwardson's retirement.

Source: Investment Managers

LGIM Global Equity

The LGIM global equity mandate returned 20.4% over the quarter.

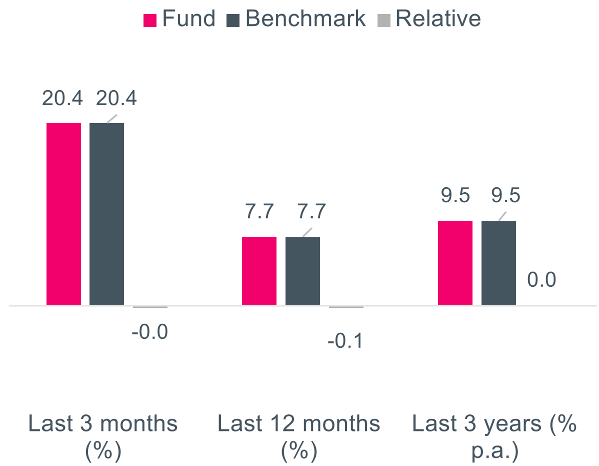
As a passively managed fund, it has matched its benchmark over all periods.

Global markets have fared better compared to the UK due to:

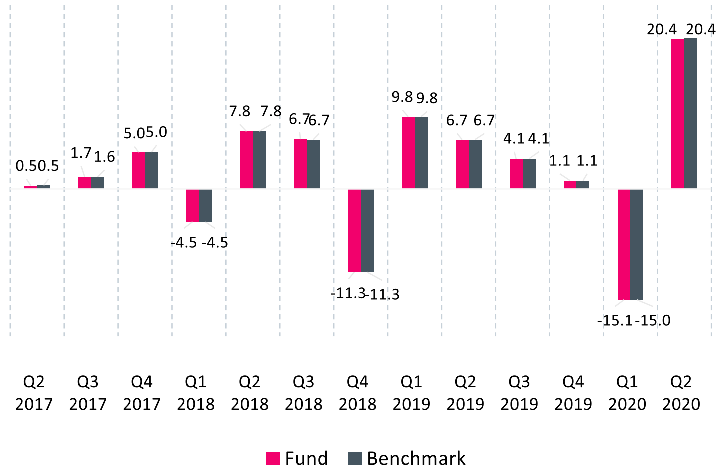
- Lower weighting to oil & gas and industrials
- Higher weightings to technology
- The continuing weakening of the Pound

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

UK equity markets also responded to the unprecedented package of monetary and fiscal measures to stabilise the economy.

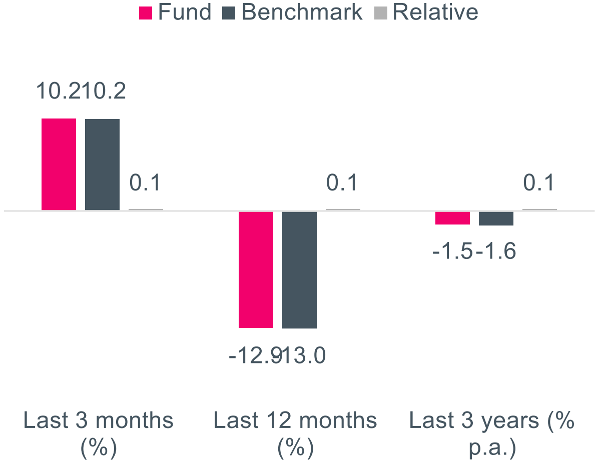
The LGIM UK equity mandate returned 10.2% in Q2 2020.

This was in line with its benchmark as we would expect for a passively managed portfolio.

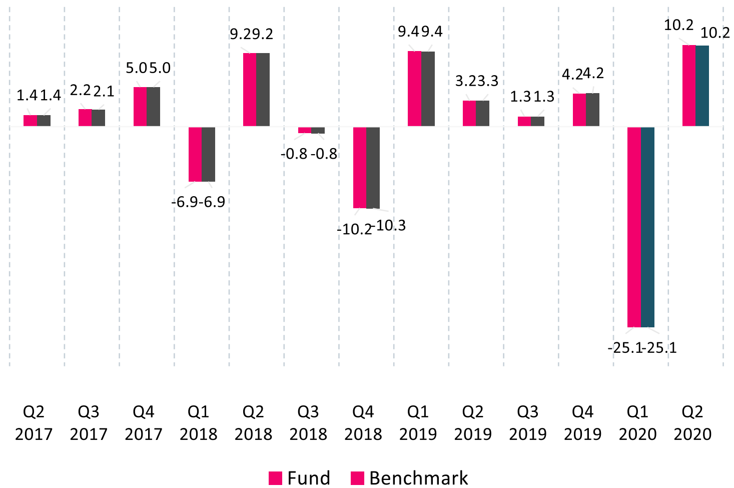
Despite this rebound, 12 month and 3 year performance remain in negative territory.

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

In Q4 2019 the LCIV emerging markets fund transitioned from Janus Henderson to JP Morgan.

In its second full quarter under JP Morgan, the fund returned 21.2%, representing a significant rebound on the return of -17.5% during Q1.

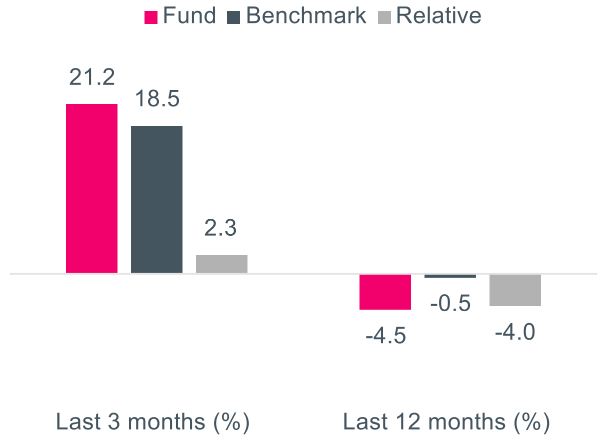
JP Morgan outperformed its MSCI Emerging Market benchmark over Q2.

Longer term underperformance is dominated by the previous LCIV manager for emerging markets, Janus Henderson.

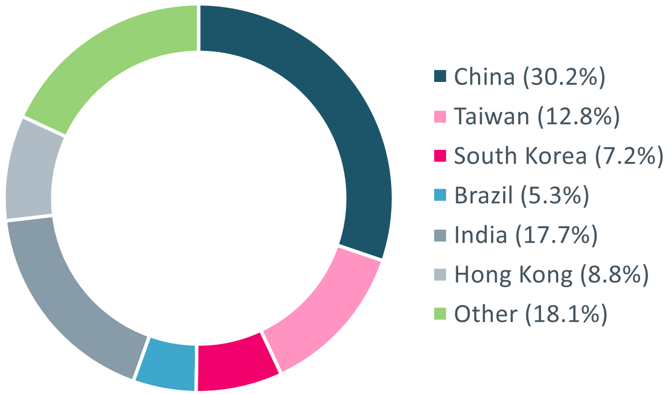
Over the quarter, the Fund utilised excess cash holdings to invest a further £8m into the JP Morgan mandate. This was part of a rebalancing review and served to take the actual allocation closer to the interim target of 5%.

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

Fund performance vs benchmark/target



Fund Regional Allocation



Source: Investment Manager

Capital Dynamics Private Equity

The Capital Dynamics Private Equity fund is invested across a range of sub-funds offering good diversification.

Based on information provided by Northern Trust, the fund delivered a positive return over the quarter although it lagged its benchmark return. 3-year returns are ahead of benchmark.

In practice, there are two key metrics to assess performance for private equity investments; Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

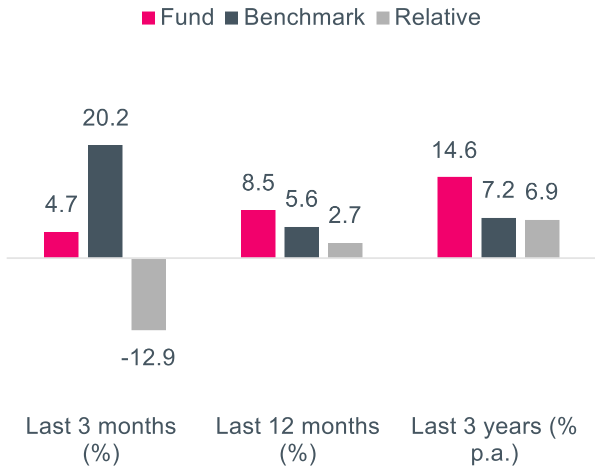
The investment is at a mature stage meaning assessing the IRR (a percentage value) alongside the TVPI carries greater weight. As at 31 March 2020 the IRR was approximately 10.9% with a TVPI of 1.53. This represents a healthy return to date for the Fund.

The following distributions occurred over Q2:

6 May 2020 – EUR 675,000
24 June 2020 – $91,384

There were no capital calls during Q2.

Fund Performance



Summary as at 31 March 2020

Capital committed	£124.5m
Total contributed	c91.4%
IRR (approx.)	10.9%
TVPI	1.53x

Source: Investment Manager

Baillie Gifford Multi-asset

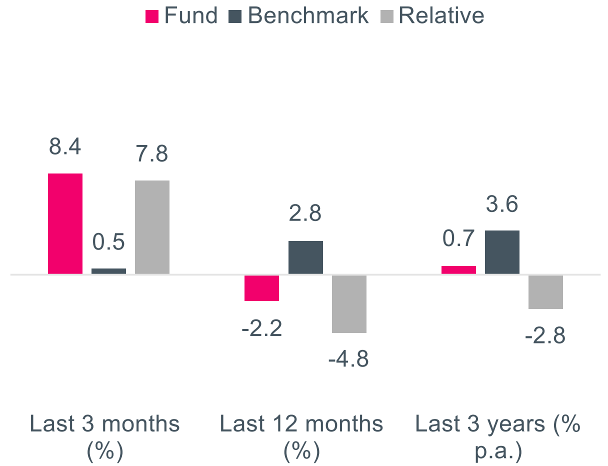
In Q2 2020 the Baillie Gifford multi-asset fund produced a return of 8.4%, well ahead of its benchmark return.

3-year performance is positive on an absolute basis although negative relative to benchmark.

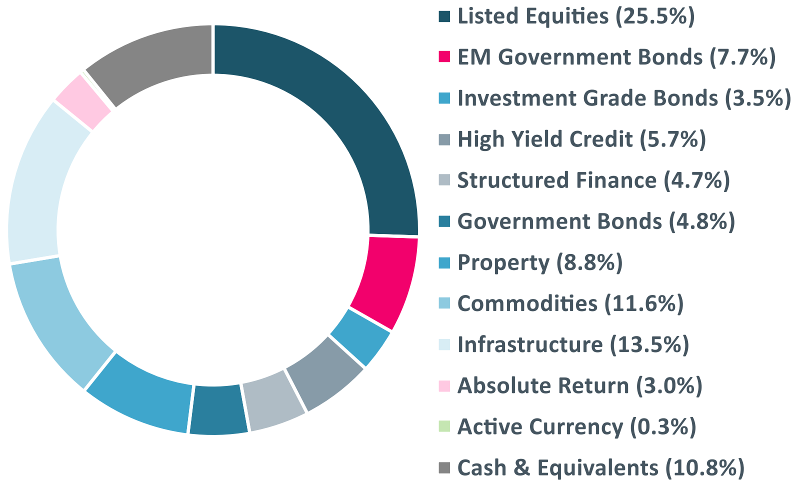
The general recovery in asset prices has benefitted most of the asset classes in which the fund is invested.

As confidence returned to markets, Baillie Gifford invested a significant proportion of the cash held at the end of Q1, leading to increased allocations to listed equities, credit and infrastructure.

Fund Performance



Fund Asset Allocation



Source: Investment Manager

Ruffer Multi-asset

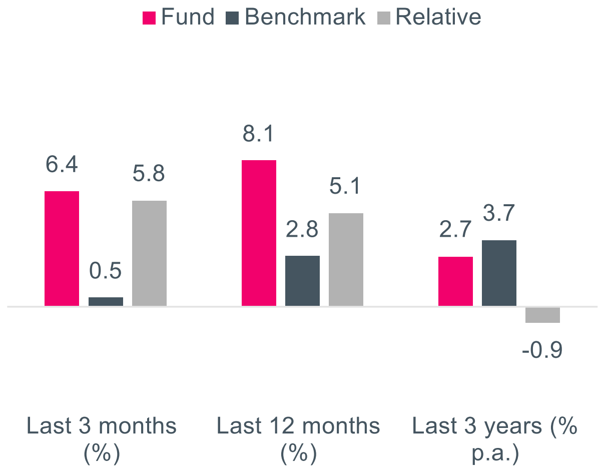
The Ruffer Multi-Asset fund returned 6.4% in absolute terms over the quarter, ahead of its benchmark.

It is the more defensively positioned of the two multi-asset mandates held by the Fund within the LCIV.

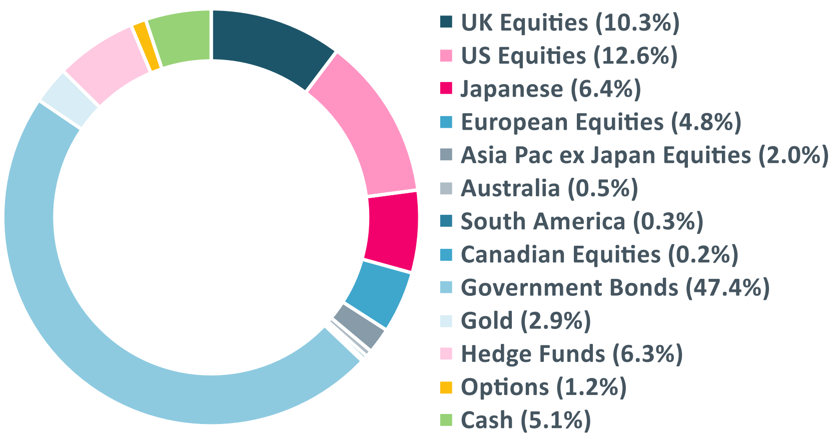
Ruffer maintained this more defensive position during Q2 by continuing its higher weighting to longer duration government bonds (c47%). Government bonds delivered positive performance during the quarter.

Ruffer also marginally increased its exposure to equities over Q2 and this provided a positive contribution to performance.

Fund Performance



Fund Asset Allocation



Source: Investment Manager

Alinda Infrastructure

Target: Absolute return of 8.0% p.a.

The two key metrics to assess performance for infrastructure investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

At the beginning it is too early to assess performance on a purely percentage basis. TVPI is more informative. This essentially seeks to outline what the Fund has achieved (its return) so far as a multiple of the deployed capital to date.

The Alinda III Infrastructure fund is in the ramp-up stage, drawing down and deploying capital which is skewing and adding volatility to the combined percentage return.

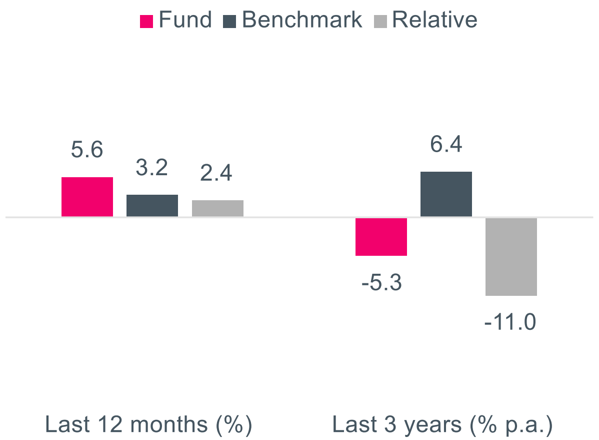
Remaining capital commitments as at 30 June 2020 are as follows:

Alinda II: $3,646,739
Alinda III: $13,527,095

The following net distributions (distributions less contributions) were made over Q2:

Alinda II: $nil
Alinda III: $1,431,653

Fund performance vs benchmark/target



Summary as at 30 June 2020

Alinda Fund II	
IRR (Gross)	5.8%
IRR (Net)	3.2%
Cash yield	7.0%
DPI	1.1x
TVPI (Net)	1.2x

Alinda Fund III	
IRR (Gross)	19.4%
IRR (Net)	11.0%
Cash yield	9.2%
DPI	0.5x
TVPI (Net)	1.2x

Source: Investment Manager

Capital Dynamics Infrastructure

Target: Absolute return of 8.0% p.a.

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

The two key metrics to assess performance for infrastructure investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

With the fund having deployed most of the capital commitment it is appropriate to assess performance on both measures.

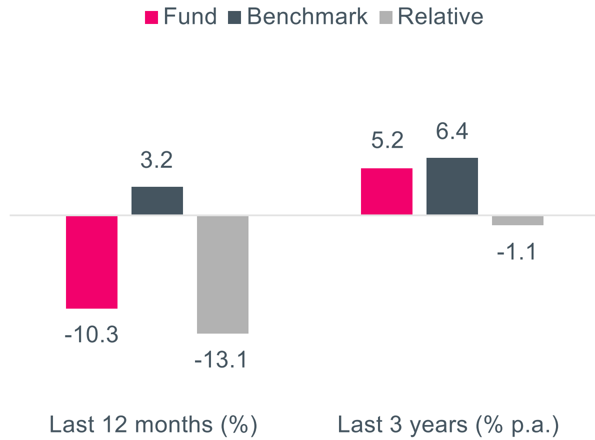
Reporting on underlying commitments is as at 31 March 2020 due to the lag in reporting from the manager, which is typical for funds of this nature.

As can be seen by both the IRR and TVPI, performance has been lower than expected to date.

In terms of activity over Q1 2020:

Distributions = $0m
Capital calls = $0m

Fund performance vs benchmark/target



Summary as at 31 March 2020 (figures in $m where applicable)

Capital committed	$15.0
Total contributed	$14.7
Distributions	$0.2
Value created	($0.8)
Net asset value	$13.7

Net IRR since inception	(1.2%)
Total value-to-paid-in-ratio (TVPI)	0.93x

CQS Multi Credit

Over the second quarter of 2020 CQS's multi-asset credit strategy returned 12.7%.

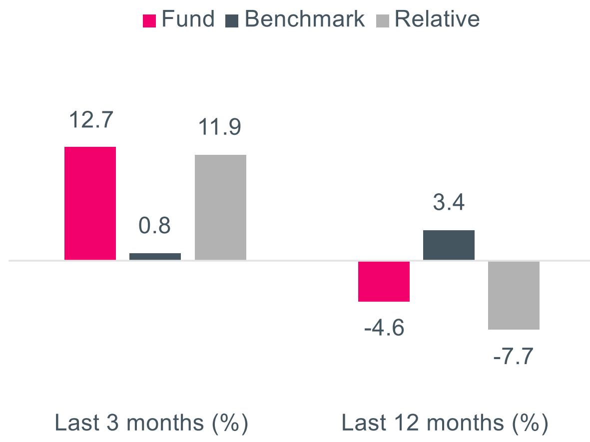
This was not enough to offset the return of -17% for Q1 and the 12 month performance continues to be behind benchmark.

During Q1, CQS adjusted the portfolio in response to the changing landscape. Leisure and travel related exposure was sold down in favour of more defensive industries like utilities and consumer non-discretionary goods, to reduce the likelihood of defaults within the portfolio. CQS also took the opportunity to invest in higher quality companies to offer better protection should the crisis be more prolonged and hard felt.

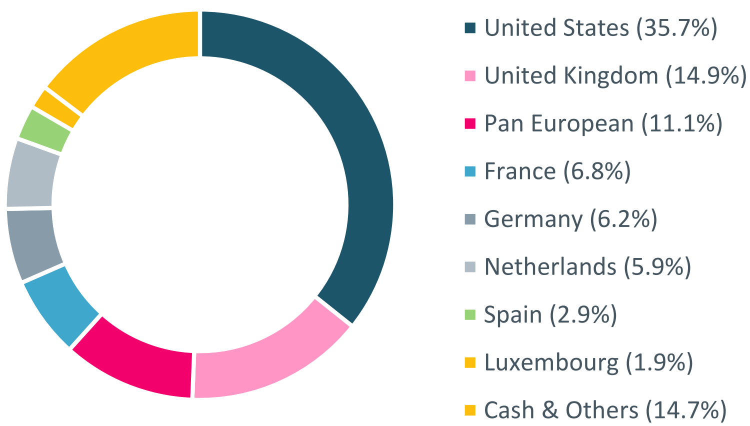
The economic stimulus provided by governments, including bond purchase programmes, resulted in a narrowing of credit spreads during Q2, boosting valuations and resulting in the positive performance seen during Q2.

Over the quarter, the Fund utilised excess cash holdings to invest a further £4m into the LCIV MAC mandate. This was part of a rebalancing review and served to take the actual allocation closer to the interim target of 5%.

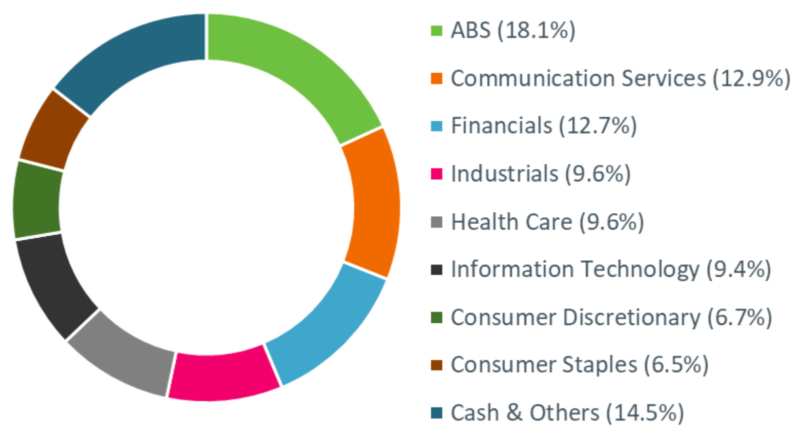
Fund performance vs benchmark/target



Country Weights



Sector Weights



Source: Investment Manager

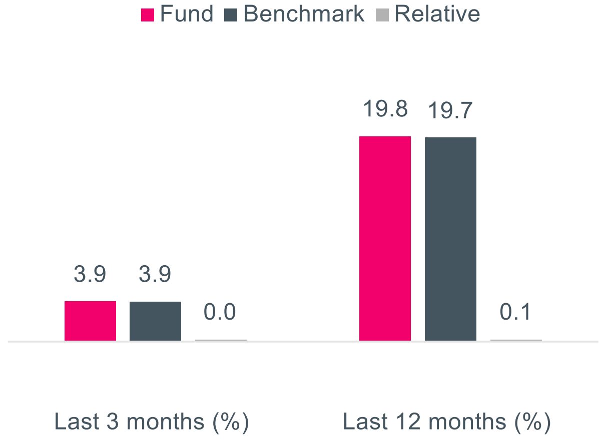
BlackRock UK gilts

BlackRock were appointed in March 2019 to oversee the Fund's bond allocation.

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

Over the second quarter of 2020 the fund returned 3.9%.

Fund performance vs benchmark/target



Source: Investment Manager

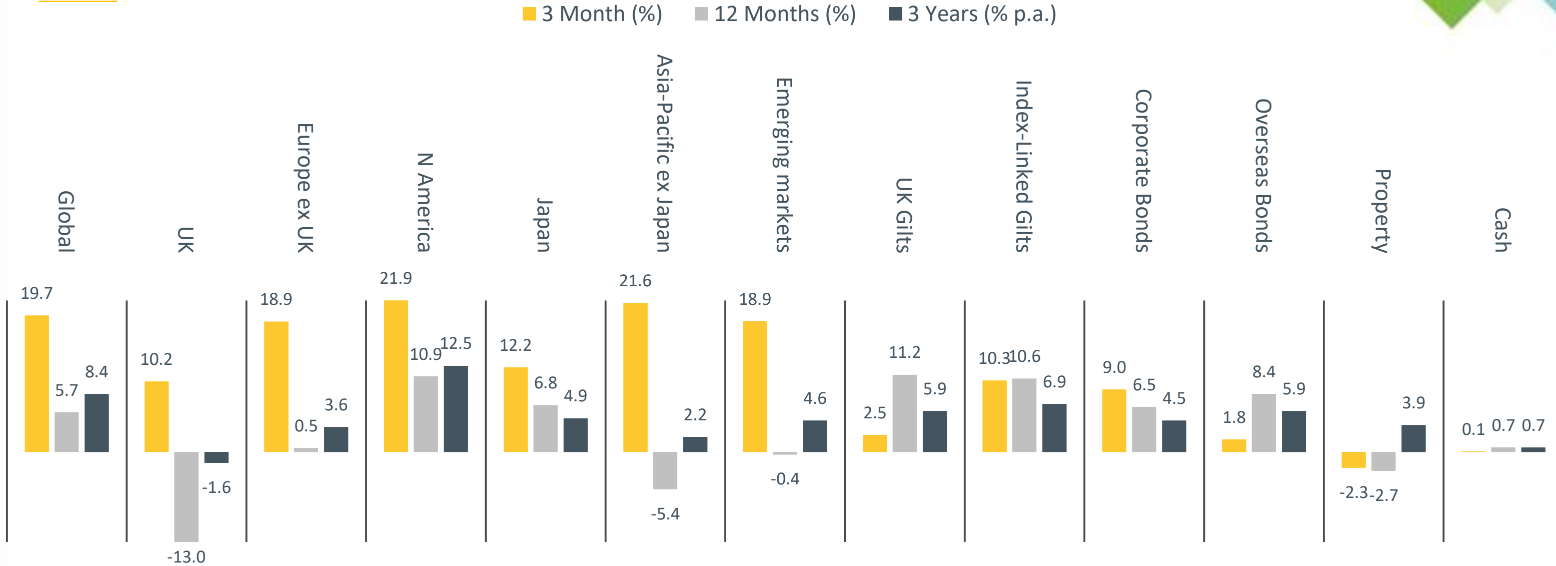
Market Background

Q1 figures confirmed GDP had fallen across the world since the end of 2019. As many of the developed economies went into lockdown during March, falls in second-quarter GDP are likely to be even greater. Purchasing Managers' Indices for both services and manufacturing in the major western economies plunged to record lows in April but, after rebounding in May, saw record rises in June. Though remaining at a level consistent with further economic contraction since May, most commentators suggested the sharp rise from May's numbers provided a better guide to the likely growth in output over the month.

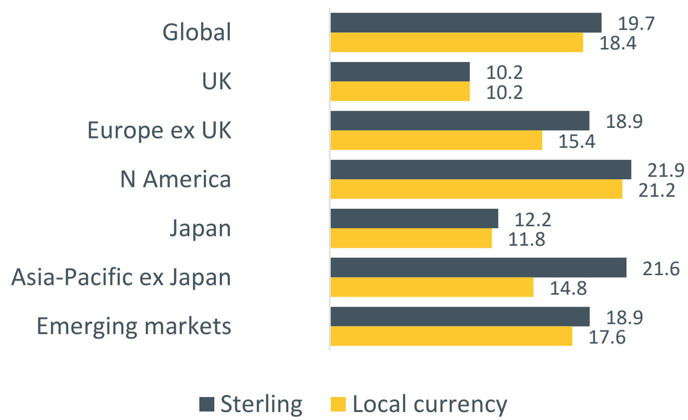
Forecasts for global GDP growth in 2020 as a whole have fallen significantly since the end of the first quarter. However, there has been some moderation in the pace of downgrades to global 2020 GDP data, with some country-level exceptions. UK CPI inflation fell from 1.5% in March to 0.5% in May. Lower energy prices made a big contribution to the fall but core inflation (excluding food and energy) has also fallen from 1.6% to 1.2%, as low as it has been since 2016.

In April, the Fed significantly expanded the corporate credit purchase programmes it had announced in March to include, for the first time, speculative-grade debt. In June, the European Central Bank announced a further €600bn of QE and the Bank of England raised its QE programme from £645bn to £745bn. Sterling consolidated the rebound from its late-March depths in April, but subsequently weakened. In trade-weighted terms, it has fallen more than 2% since the end of March.

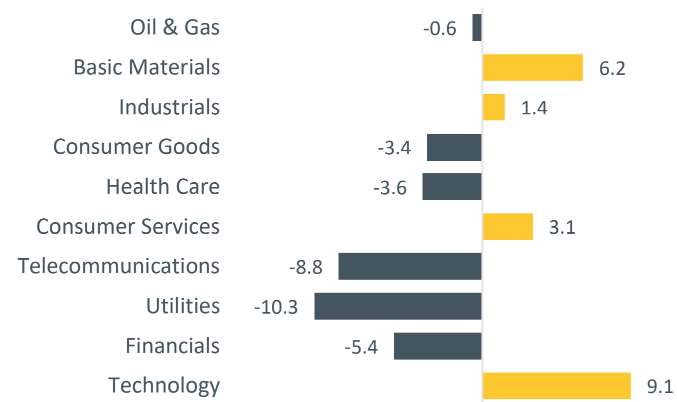
Historic returns for world markets [1]



Regional equity returns [2]



Global equity sector returns (%) [3]



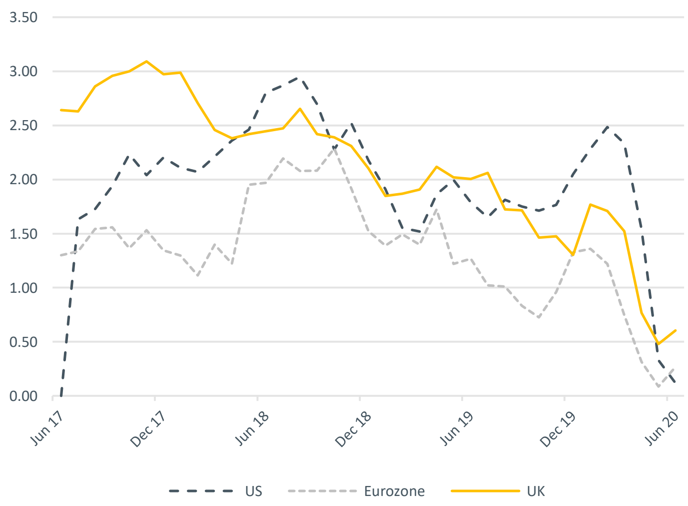
[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx 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.

Sovereign bond yields changed little in the US and Germany, but UK 10-year gilts have fallen a further 0.2%. Index-linked gilt yields have fallen further than conventional gilt yields, resulting in a slight rise in implied inflation. Reflecting the expansion of central bank support, global investment-grade spreads fell from 2.8% p.a. to 1.6% p.a. Global speculative-grade credit spreads fell from 9.2% p.a. to 6.4% p.a., further supported by the specific details of the Fed's purchases and a rise in oil prices from $22 to $41 per barrel. Energy companies comprise c.10% of the US high yield market.

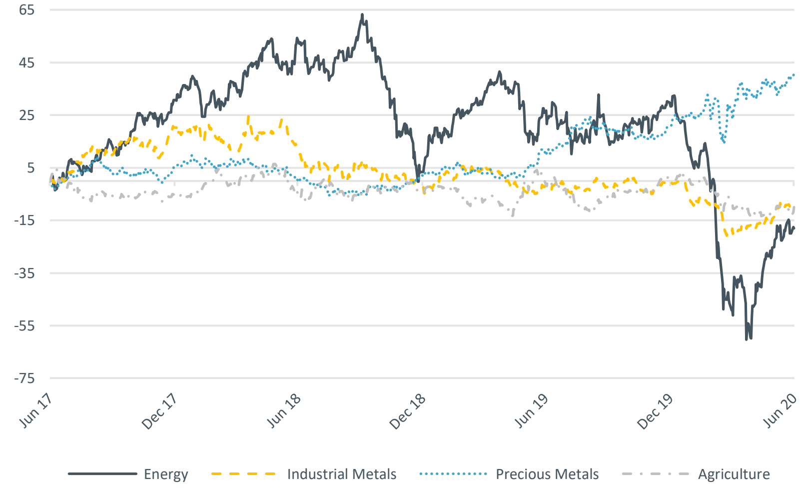
Global equity indices rose 18.4% in local currency terms. Sector composition helps to explain why the US (heavy in technology) leads the regional ranking tables for both this quarter and the year to date and why the UK (hardly any technology and heavy in financials) brings up the rear over both periods. After a poor first quarter, cyclical sectors have fared better in the second: basic materials, industrials and consumer services have outperformed the market; oil & gas has been broadly in line. But financials have fallen further behind. Technology is again at the head of the global performance rankings and, after a relatively resilient first quarter, defensive sectors, such as utilities, telecoms and healthcare, have lagged.

UK commercial property values continue to fall, although there is little or no transaction activity to guide valuations. As measured by the MSCI UK Monthly Property Index, capital values in May were almost 6% below end-2019 levels. Initial evidence suggests commercial tenants withheld rents at the June quarter collection day in England & Wales to a greater extent than in March.

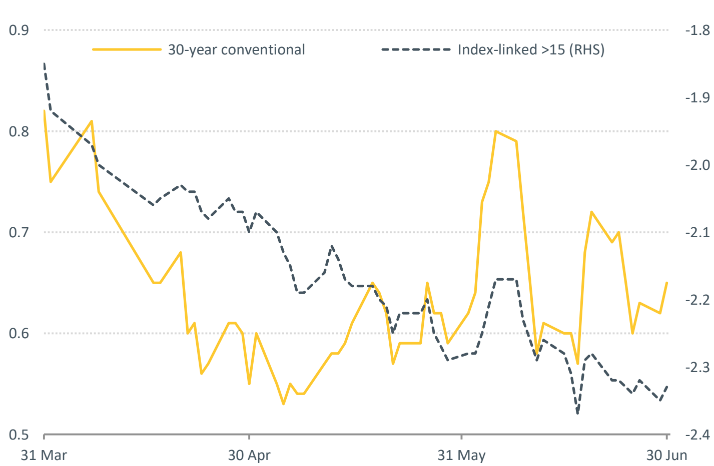
Annual CPI Inflation (% p.a.)



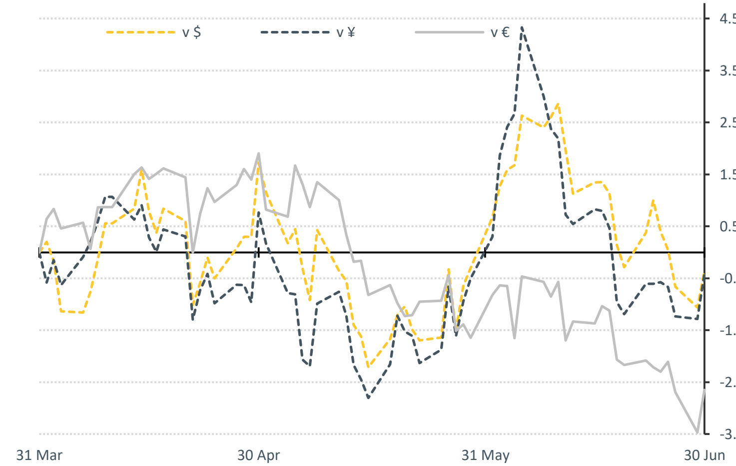
Commodity Prices (% change)



Gilt yields chart (% p.a.)



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.