London Borough of Brent Pension Fund

H2 2020 Investment Monitoring Report

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Performance Summary
The assets combined to return 7.6% over this period, outperforming the aggregate target return over the second half of 2020.

Risk assets continued their recovery during the second half of 2020, albeit with continued volatility. Q4 saw renewed vigour after a more subdued Q3. This followed positive vaccine news and the removal of some political uncertainty with a Brexit deal struck and clarity over the US election result.

Performance was also strong within credit markets - high yield outperformed investment grade.

Conversely, UK government bonds returns were negative over the 6 months. The slight recovery in Q4 was not enough to offset losses in Q3 stemming from the weak economic outlook.

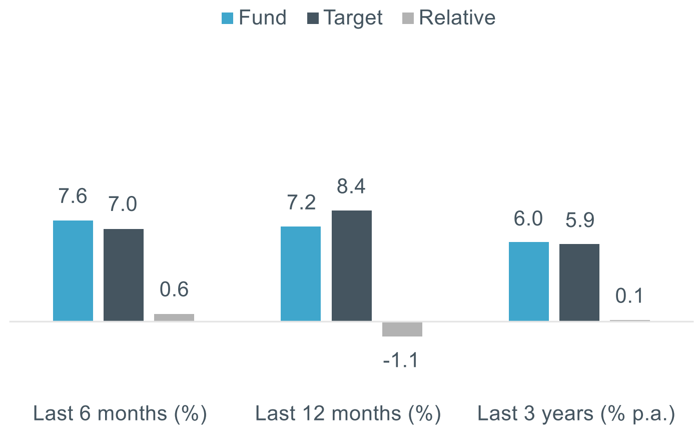
Key Actions
In Q4 2020 Officers began implementing the following agreed transitions:

- 3% from UK equities to Global equities
- 3% from UK equities to Ruffer
- 3% cash investment in BlackRock Low Carbon Fund

Key points to note

- The Fund has posted strong returns over the past 6 months, crossing the £1bn mark to end 2020 with a valuation of £1,010.5m (up from 934.9m at the end of Q2 2020).
- The Fund's Growth holdings were the main drivers of returns, while the Diversifiers also contributed. Within equities, the JP Morgan Emerging Market fund with the LCIV was the standout performer.
- The Fund's Protection assets proved useful earlier in the year, gaining while other areas struggled, thereby reducing volatility.
- During Q4, £13m was sold from the UK Equity fund, with the proceeds split equally between the Global Equity fund and the Ruffer Multi-asset fund.
- The Fund is currently holding more cash than usual. The Fund's upcoming investment in Low Carbon equities, and capital calls for the private markets mandates, will be funded from cash.
- The residual holding in the Aviva property fund was sold over the period.

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 re-categorised as 'Diversifiers' and included within the 'Income' bucket.

GrIP	Actual	Benchmark	Relative
Growth	57.9%	58.0%	-0.1%
Income	23.9%	25.0%	-1.1%
Protection	13.5%	15.0%	-1.5%
Cash	4.7%	2.0%	2.7%

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 a higher allocation to DGF's.

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 cash and underweight diversifiers.

Of the c£50 in cash, £28m is due to be invested in the BlackRock Low Carbon fund in Q1 2021.

During Q4, £13m was sold from the UK Equity fund, with the proceeds split equally between the Global Equity fund and the Ruffer Multi-asset fund.

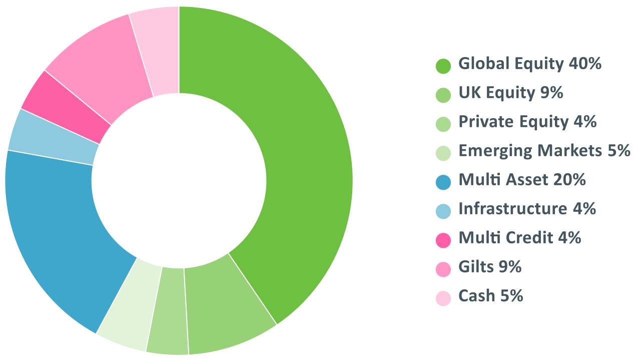
The LCIV infrastructure fund is still in its infancy with an expected 3 year ramp up phase. We therefore expect the Fund commitment of £50m to continue to be drawn down until end 2022.

Asset Allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q2 2020	Q4 2020			
LGIM Global Equity	353.3	408.8	40.5%	40.0%	0.5%
LGIM UK Equity	103.7	87.2	8.6%	5.0%	3.6%
Capital Dynamics Private Equity	50.3	40.1	4.0%	5.0%	-1.0%
JP Morgan Emerging Markets	38.6	48.9	4.8%	5.0%	-0.2%
Total Growth	**545.9**	**585.1**	**57.9%**	**55.0%**	**2.9%**
LCIV Baillie Gifford Multi Asset	120.1	131.6	13.0%	10.0%	3.0%
LCIV Ruffer Multi Asset	53.3	69.6	6.9%	10.0%	-3.1%
Alinda Infrastructure	22.8	23.4	2.3%	0.0%	2.3%
Capital Dynamics Infrastructure	10.1	8.9	0.9%	0.0%	0.9%
Aviva Property	0.1	0.0	0.0%	0.0%	0.0%
London LGPS CIV Infrastructure	3.4	7.9	0.8%	10.0%	-9.2%
Total Income	**209.7**	**241.4**	**23.9%**	**30.0%**	**-6.1%**
CQS Multi Credit	38.5	41.9	4.1%	5.0%	-0.9%
BlackRock UK Gilts Over 15 yrs	96.2	94.8	9.4%	10.0%	-0.6%
Total Protection	**134.6**	**136.7**	**13.5%**	**15.0%**	**-1.5%**
Cash	44.6	47.2	4.7%	0.0%	4.7%
Total Scheme	**934.9**	**1010.4**	**100.0%**	**100.0%**	

Figures may not add up due to rounding. The 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



Source: Investment Managers

The total Fund return was positive during H2 2020, on both an absolute and relative basis. Longer term performance is behind target.

Equity markets continued their recovery in H2 2020. Most regions posted positive performance over 2020.The notable exception was UK equities. Its sectoral composition (heavy Financials and Oil & Gas), coupled with lingering Brexit concerns meant it struggled. However, there was a rotation into cyclicals late in the year which provided a welcome boost to the UK market.

The Fund's DGF mandates continued to recover well, with the Baillie Gifford fund outperforming the more cautious Ruffer fund by 3.9% over 6 months. Over 2020 though, Ruffer's approach better navigated the volatility.

The economic stimulus provided by governments meant credit spreads ended the year lower than end-2019. The CQS mandate produced a return of 1.9% over the year, recovering well from the sharp falls in Q1.

Gilts showed strong performance over the year, functioning as intended and offering downside protection. Some gains were given up over the last 6 months but only marginally so.

Manager performance

	Last 6 months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	Target	Relative	Fund	Target	Relative	Fund	Benchmark	Relative
Growth									
LGIM Global Equity	12.0	12.0	**-0.0**	14.5	14.6	**-0.1**	11.3	11.3	**0.0**
LGIM UK Equity	9.4	9.3	**0.1**	-9.7	-9.8	**0.1**	-0.8	-0.9	**0.1**
Capital Dynamics Private Equity	-9.7	13.4	**-20.3**	1.2	16.9	**-13.4**	7.5	9.9	**-2.1**
JP Morgan Emerging Markets	26.7	19.8	**5.8**	26.6	17.2	**8.0**			
Income									
LCIV Baillie Gifford Multi Asset	9.6	1.8	**7.7**	2.1	3.7	**-1.5**	3.0	3.4	**-0.3**
LCIV Ruffer Multi Asset	5.7	1.8	**3.8**	9.8	3.7	**5.9**	4.0	3.4	**0.6**
Alinda Infrastructure				-1.8	6.6	**-7.9**	-4.7	5.5	**-9.7**
Capital Dynamics Infrastructure				-14.0	6.6	**-19.4**	2.1	5.5	**-3.3**
Protection									
CQS Multi Credit	8.9	2.0	**6.7**	1.9	4.6	**-2.6**			
BlackRock UK Gilts Over 15 yrs	-1.4	-1.4	**0.0**	14.0	13.9	**0.1**			
Total	7.6	7.0	**0.6**	7.2	8.4	**-1.1**	6.0	5.9	**0.1**

This table shows the new performance target measures, implemented for 2020. Please note the 3 year return is on the old benchmark basis.

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 performance of the Fund's investment in the London CIV's infrastructure sub-fund. Given initial draw downs only occurred during Q1 2020, it still remains too early to report appropriate performance at this stage. Like the Alinda III fund 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 period.

However, we would note the developments at the LCIV in relation to CQS. As previously mentioned, the manager has been under close monitoring by the LCIV. In the second half of 2020 the LCIV informed Boroughs of their intentions to review the structure of the mandate with a view to making it a 'multi-manager' sub-fund. Discussions are currently ongoing with more information due in Q1 2021.

Over the period we expanded our coverage of assets in respect to RI monitoring. Now included in the table on the right are our available ratings for the Fund's managers.

Information on the rating categories can be found in the appendix.

Manager ratings

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

Baillie Gifford business update

Four Partners retired at Baillie Gifford over Q3 2020 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.

Ruffer business update

Ruffer have announced that Jonathan Ruffer has formally stepped down from the business's Executive Committee, which is responsible for the day-to-day management of the firm. His investment responsibilities remain unchanged.

Source: Investment Managers

LGIM Global Equity

The LGIM global equity mandate returned 12.0% over the second half of the year.

Following the strong recovery after the March lows, the fund ended the year up 14.5%.

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

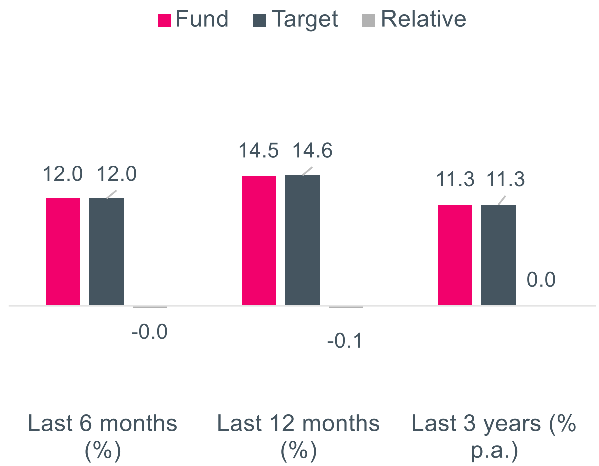
Global markets continued to fare better compared to the UK due to:

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

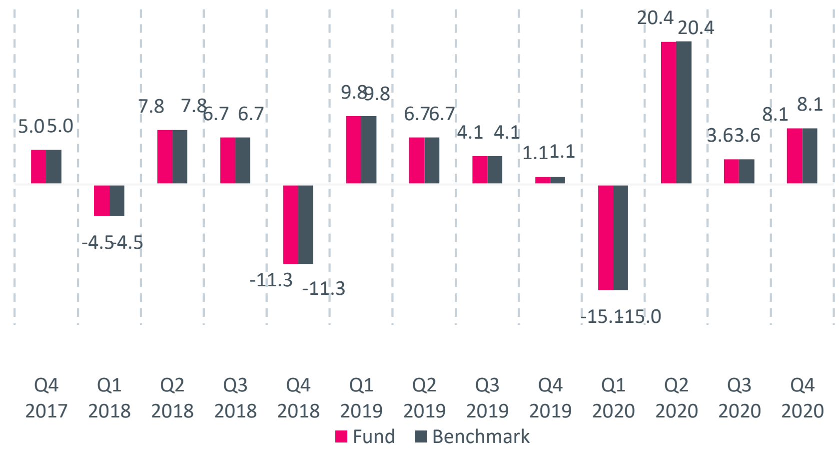
Strong performance from the US mega-cap tech stocks, including Amazon, Apple, Microsoft and Tesla, did the heavy lifting of the recovery for global equities.

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

Fund Performance vs benchmark/target



Historical Performance/Benchmark



LGIM UK Equity

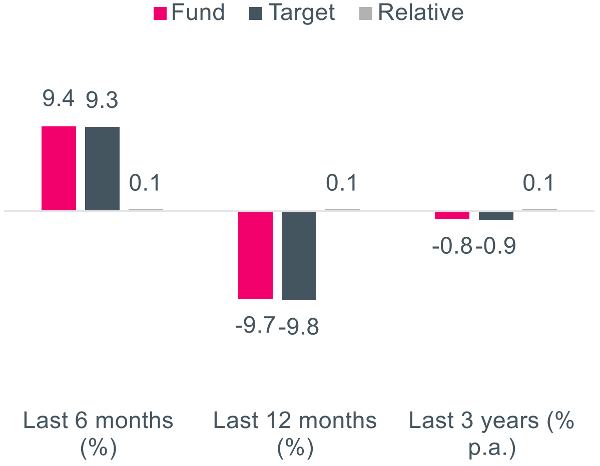
The LGIM UK equity mandate returned 9.4% over the second half of the year, clawing back some of the drawdown of Q1 2020. Performance over 12 months remains negative but this strong performance has helped moderate longer term returns.

Vaccine news and a Brexit deal contributed to the UK market experiencing this strong end to the year. A rotation into "value" stocks benefited the UK market as cyclical stocks outperformed.

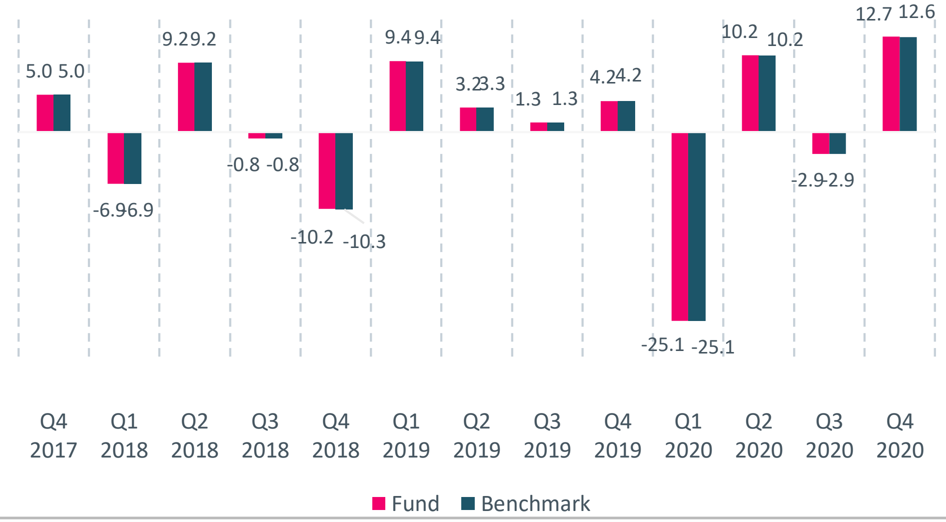
Over the term the fund has performed in line with its benchmark as we would expect for a passively managed portfolio.

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

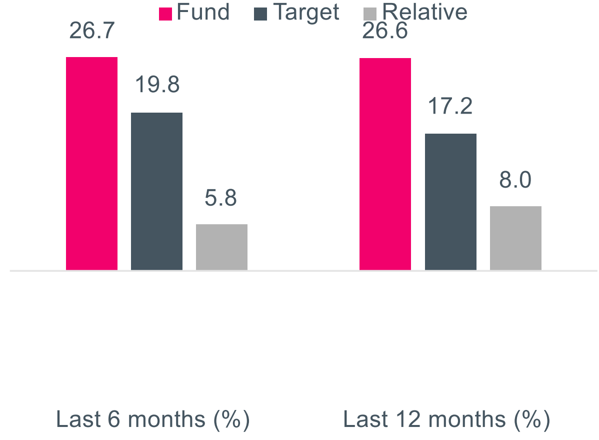
The JP Morgan Emerging Markets fund carried on the momentum from Q2, returning 26.7% over the second half of 2020, comfortably ahead of benchmark. The extent of this recovery has meant the mandate has posted strong absolute and relative performance over the last 12 months.

Emerging markets in general outperformed developed markets in Q4 2020 due to a falling dollar and the improved prospects for global trade with the roll out of vaccines.

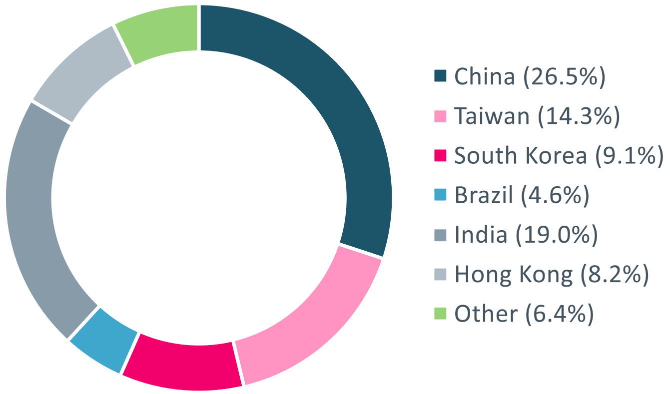
Outperformance within the JP Morgan mandate was driven by three factors: a geographical overweight to China and India, where both countries recovered well from the Covid-19 shock; a significant focus on e-commerce businesses which performed well as economies adjusted to different lifestyles during the pandemic; and excellent stock selection. Notable performers over recent periods have been the Taiwan Semiconductor Manufacturer and HDFC Bank in India.

We continue to 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

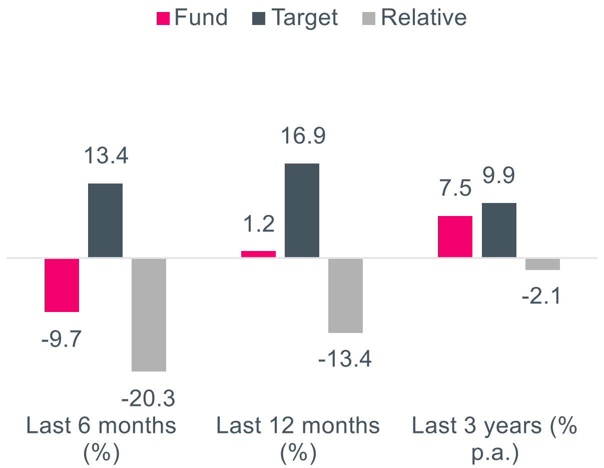
The Capital Dynamics Private Equity fund is invested across a range of sub-funds offering good diversification.

Based on information provided by Northern Trust, the fund returned -9.7% over the period. Over the more meaningful 3 year time period, the fund returned 7.5% per annum. Performance is behind the target return of MSCI All World +3% p.a.

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 30 September 2020 the IRR was 9.7% with a TVPI of 1.66x.

Fund Performance



Summary as at 30 September 2020

Total contributed:	c.90%
IRR:	9.7%
TVPI:	1.66x

Source: Investment Manager

Baillie Gifford Multi-asset

In the second half of 2020 the Baillie Gifford Multi-asset fund produced a return of 9.6%, outperforming its benchmark by 7.7%.

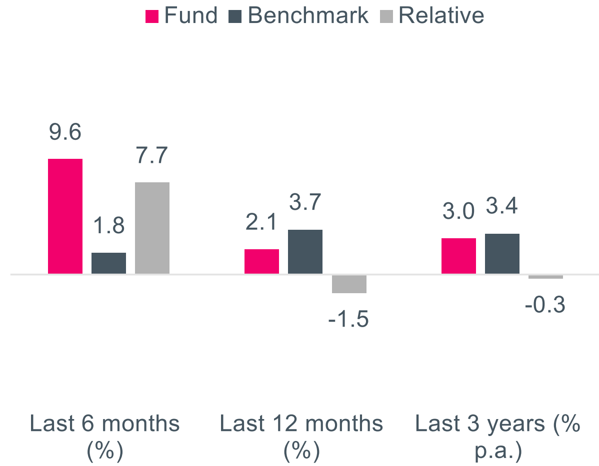
3-year performance is positive on an absolute basis and broadly in line with benchmark.

In a period of much improved market sentiment the majority of asset classes contributed positively to return. Providing much of the impetus was the continued recovery in equities and useful contribution from the Infrastructure allocation as de-carbonisation steps accelerated.

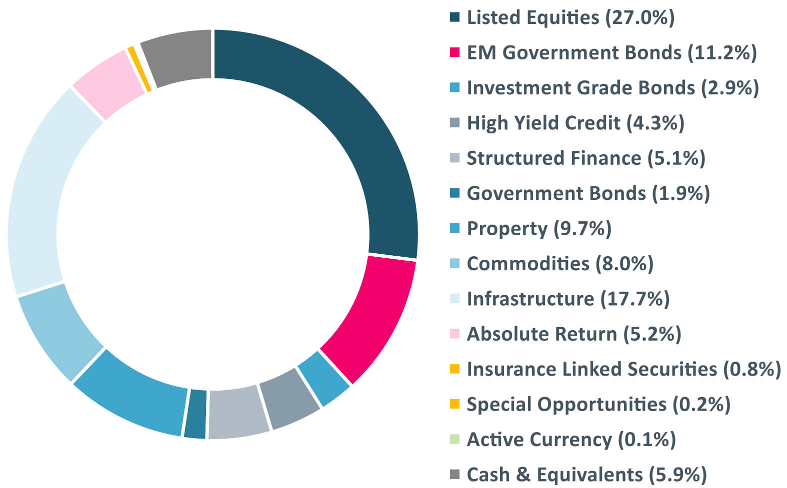
Allocations to absolute returns and active currency marginally detracted from performance.

The manager's market outlook is one of continued low inflation and accommodative monetary policy while the recovery in risk assets is expected to continue with the successful roll-out of vaccinations. Heightened volatility can still be expected in equities and the fund's hedges include factor-based low volatility and momentum strategies to help protect against risks.

Fund Performance



Fund Asset Allocation



Source: Investment Manager

Ruffer Multi-asset

The Ruffer Multi-Asset fund returned 5.7% over the second half of 2020, outperforming the benchmark by 3.8%.

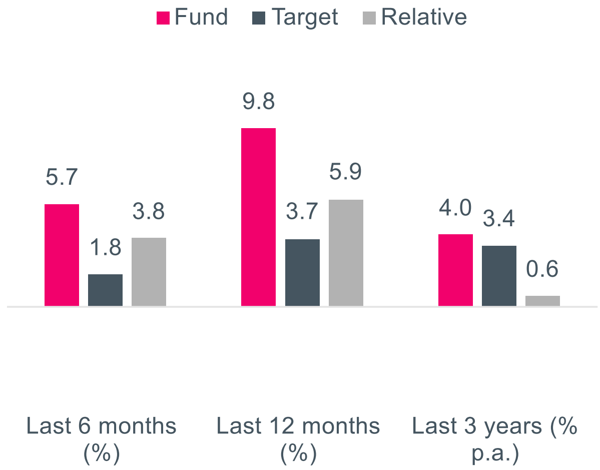
It is the more defensively positioned of the two multi-asset mandates held by the Fund within the LCIV.

Strong returns were driven by the fund's equity holdings, which saw a sharp rise following positive vaccine news, while the large holdings in Government bonds added useful protection over the 12 months.

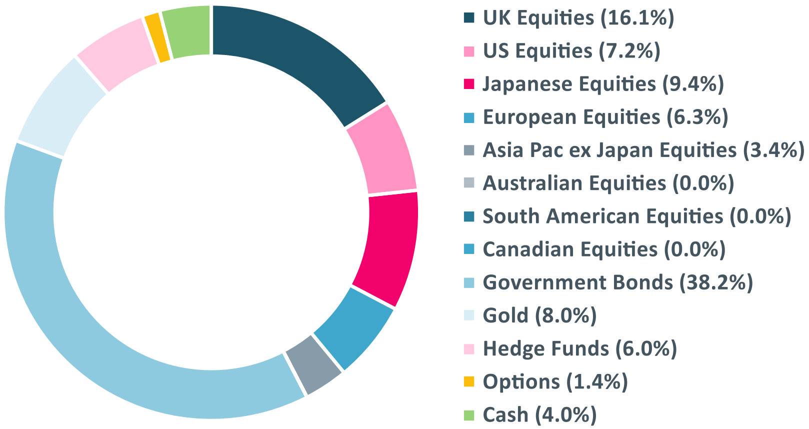
A notable addition to the fund this year has been a 2% allocation to Bitcoin, which has been added as an additional hedge against inflation. The manager also pointed to the increasing adoption of Bitcoin by institutional investors and corporations as a potential positive driver of returns.

We have a cautious view of Bitcoin from an ESG perspective; however we are comfortable with Ruffer's justification and sizing of this trade within the portfolio.

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.

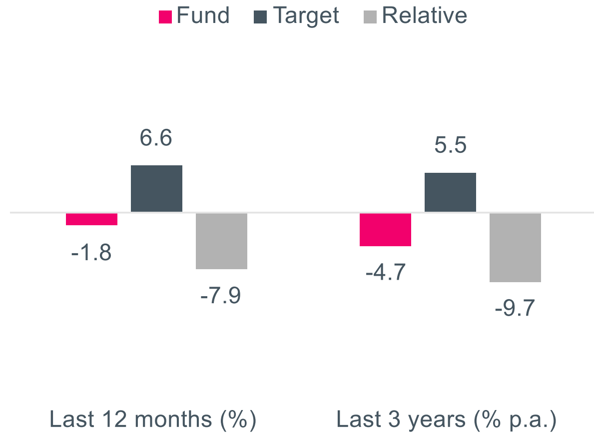
Remaining capital commitments as at 30 September 2020 are as follows:

Alinda II: $3,523,133
Alinda III: $11,229,782

The following net distributions (distributions less contributions) were made over Q3:

Alinda II: $406,286
Alinda III: $248,052

Fund performance vs benchmark/target



Summary as at 30 September 2020

Alinda Fund II	
IRR (Gross)	5.9%
IRR (Net)	3.3%
Cash yield	7.0%
TVPI (Net)	1.2x

Alinda Fund III	
IRR (Gross)	19.9%
IRR (Net)	11.7%
Cash yield	9.2%
TVPI (Net)	1.3x

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.

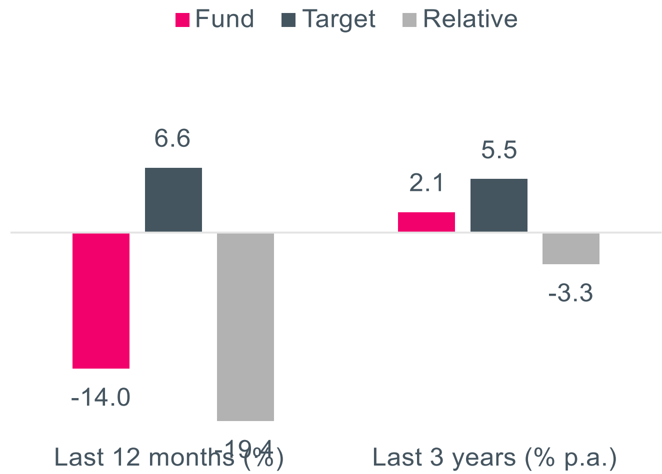
The two key metrics to assess performance for infrastructure investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

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 30 September 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.

Fund performance vs benchmark/target



Summary as at 30 September 2020 (figures in $m where applicable)

Capital committed	$15.0
Total contributed	$14.7
Distributions	$1.2
Value created	($0.2)
Net asset value	$13.3

Net IRR since inception	(1.1%)
Total value-to-paid-in-ratio (TVPI)	0.94x

Source: Investment Manager

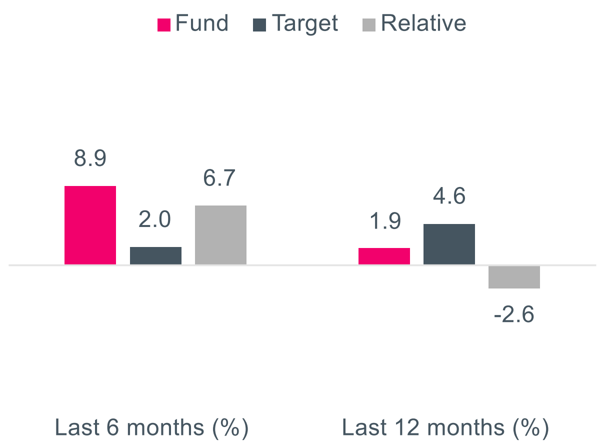
CQS Multi Credit

Over the second half of 2020 CQS's multi-asset credit strategy returned 8.9% against a benchmark of 2.0%. The 12 month performance picture looks more favourable as a result. Performance is positive but behind benchmark.

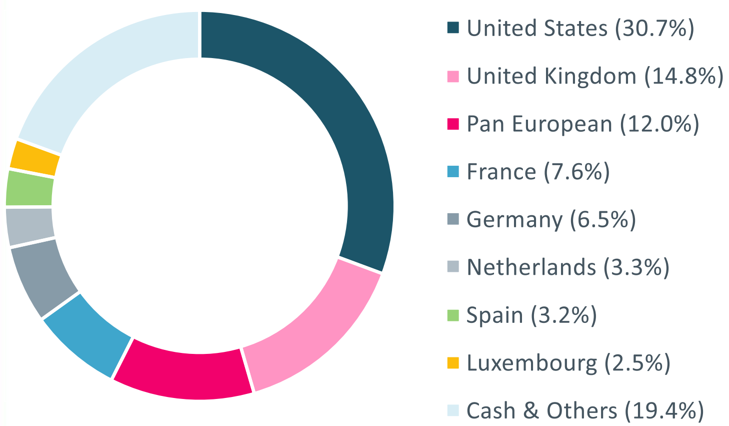
Performance over the past 6 months has been driven by the fund's Financial and Asset-Backed securities, both which recovered strongly in Q4 from their March lows. Performance is still weaker over 12 months due to the manager's preference for European debt over US. This preference is driven by the fund's more defensive positioning; the European market tends to have higher-rated issuers with improved fundamentals relative to their US peers.

The fund maintains a high allocation to loans, which the manager believes offer better return opportunities in the long run.

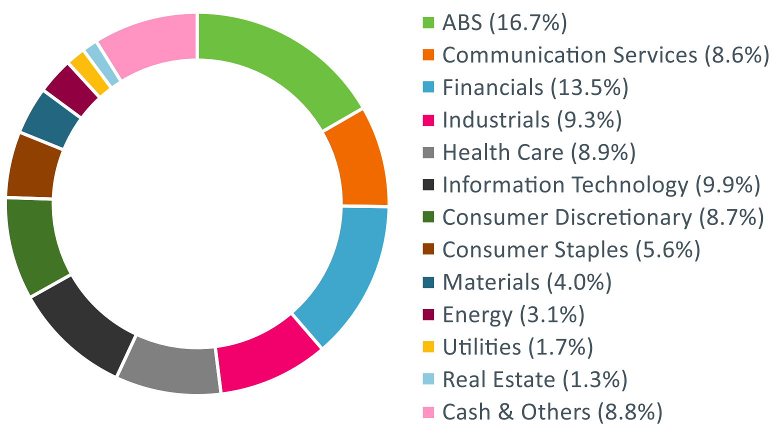
Fund performance vs benchmark/target



Country Weights



Sector Weights



Source: Investment Manager

BlackRock UK gilts

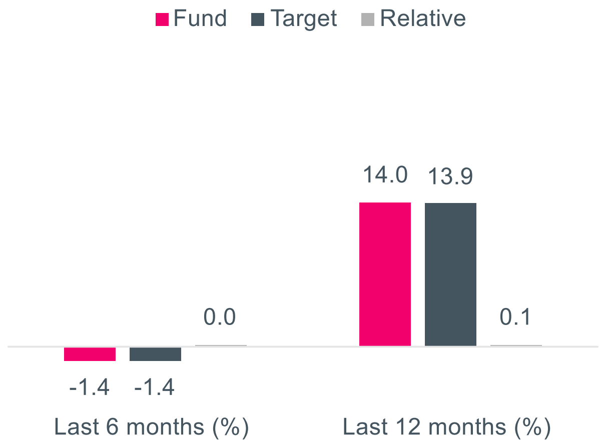
BlackRock were appointed in March 2019 to oversee the Fund’s bond allocation.

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

Over the second half of 2020 the fund returned -1.4% as gilt yields rose slightly due to the weak economic outlook. Looking at 2020 as a whole though, performance was strong with an absolute return of 14.0%.

In periods of volatility, gilts offer downside protection due to their ‘safe haven’ status.

Fund performance vs benchmark/target



Source: Investment Manager

Market Background

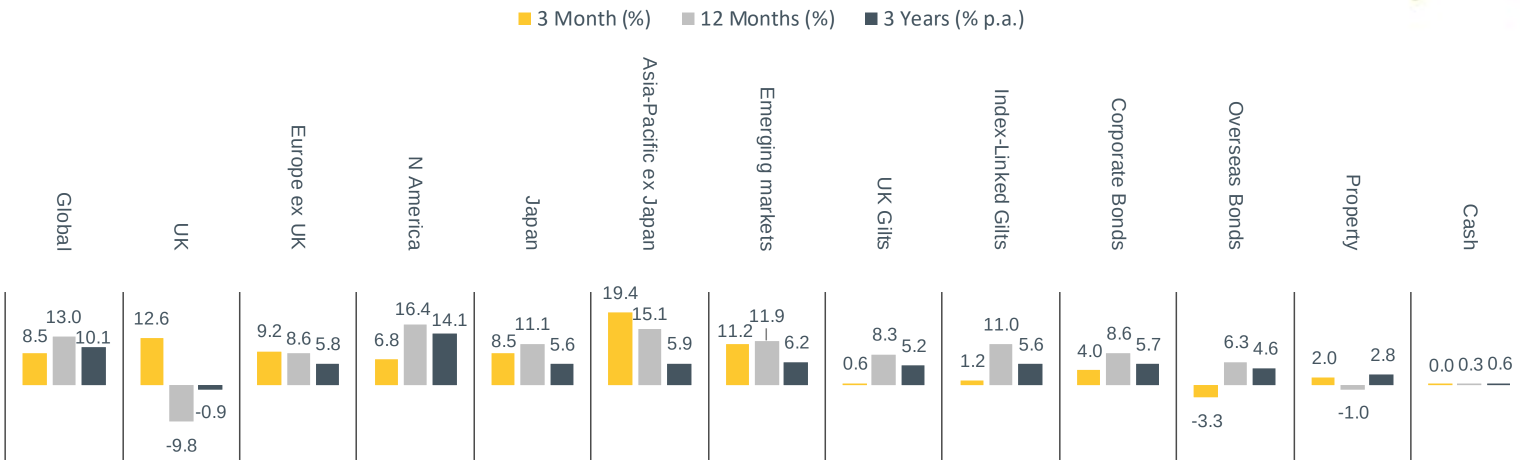
Q3 GDP releases show the initial rebound in activity was sharp as the major advanced economies emerged from lockdown but annualised falls in output have been significant. Composite PMIs suggest the UK and Eurozone economies ended 2020 on a weak note but the global equivalent remains at a level signalling expansion, supported by solid readings in the US, China and elsewhere. Though COVID-19 cases continue to rise at a global level, many advanced economies could potentially vaccinate a large proportion of their most vulnerable citizens in the first half of 2021.

UK headline inflation slowed more than expected falling from 0.7% in October to 0.3% year-on-year in November as restrictions to curb the spread of coronavirus were re-imposed.

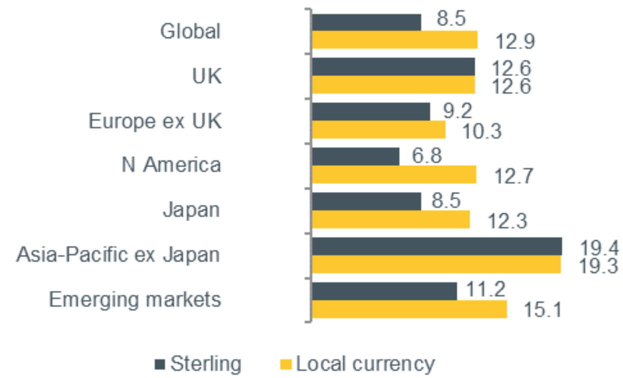
Despite hopes of economic recovery in 2021, government bond yields rose only modestly in the US and fell in the UK and Germany due to near-term economic weakness and central bank intervention. Implied inflation rose at longer terms despite the government's announcement that RPI will be aligned with CPIH from 2030. Global investment grade credit spreads fell from 1.4% p.a. to 1.0% p.a. and global speculative-grade spreads from 5.6% p.a. to 4.1% p.a., as lower rated credit outperformed higher quality.

Sterling was volatile as Brexit talks approached their conclusion, although it ended the period 1.9% higher in trade-weighted terms as the EU and UK reached a trade deal. In comparison, on a trade-weighted basis the US Dollar and Japanese Yen, both typically considered safe-haven currencies, fell 5.3% and 1.4% below end-September levels.

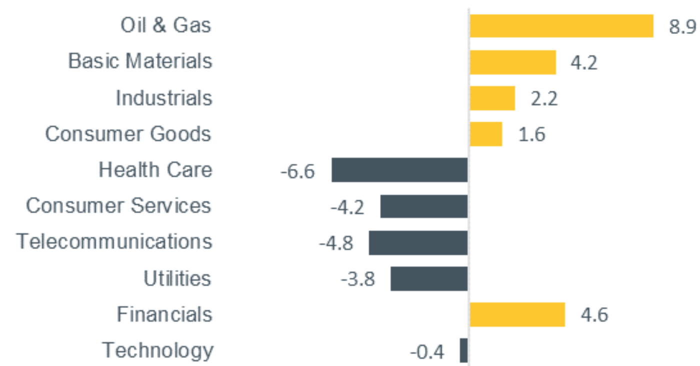
Historic returns for world markets [1]



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 World, 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.

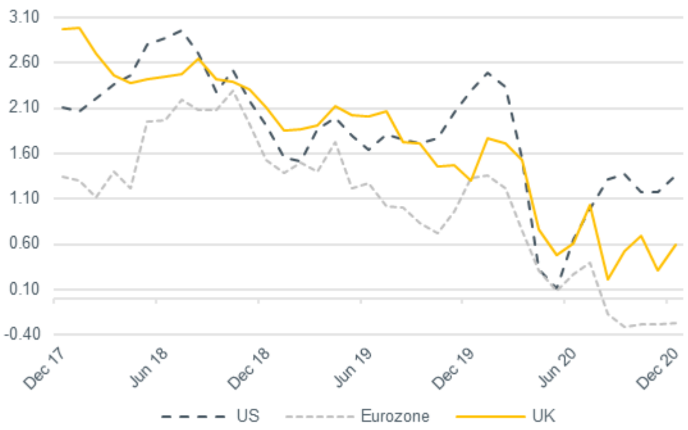
Market Background

After falling in October amid renewed restrictions to curb rapidly rising COVID-19 cases, positive vaccine news propelled equity markets higher, with the FTSE All World returning 12.9% in Q4. This news also caused some moderate rotation within global equities as areas of the market most impacted negatively by the pandemic outperformed. This was evident in the outperformance of cyclical sectors such as oil & gas, financials and materials and interconnectedly, styles such as value and smaller capitalisation stocks. Defensive areas such Healthcare, Utilities and Telecoms all underperformed.

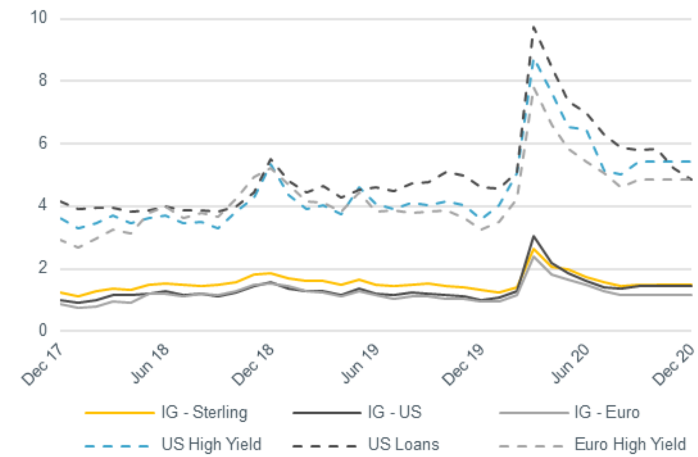
From a regional perspective, Emerging market and Asia ex-Japan equities outperformed, both benefiting from renewed hopes of a cyclical recovery, a falling dollar and increasing global trade activity.

The rolling 12-month total return on the MSCI UK Monthly Property index was -1.9% to the end of November, although monthly total returns have now been positive since July. Capital values, in aggregate, have fallen 7.1% in the year to November, predominantly due to a 17.9% fall in the retail sector, where capital values continue to decline sharply.

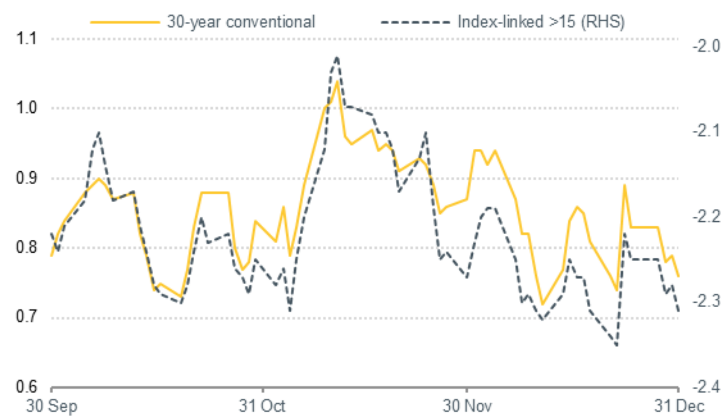
Annual CPI Inflation (% p.a.)



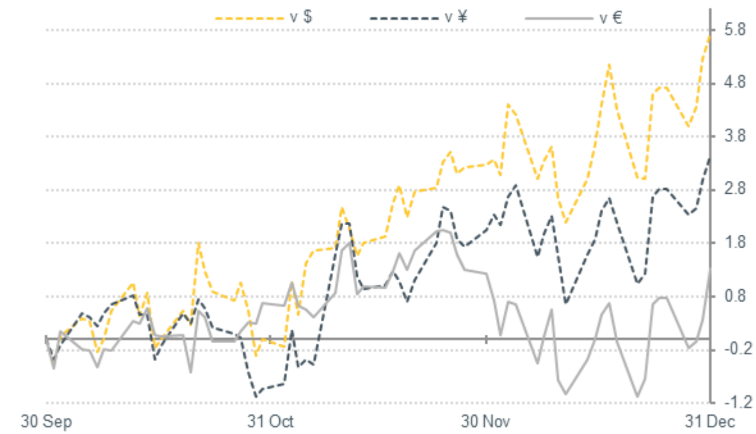
Investment and speculative grade credit spreads (% p.a.)



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.