London Borough of Brent Pension Fund

Q1 2021 Investment Monitoring Report

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Executive Summary

Performance Summary
The assets combined to return 1.5% over this period, outperforming the aggregate target return by 0.5%.

In markets, global equities rose 6.2% in the first quarter as the COVID recovery continued. Emerging Market equities underperformed other regions over the quarter.

The backdrop for fixed income markets was more challenging with rising yields creating headwinds. Despite this, high yield markets still performed well, outperforming investment grade.

Key Actions
In Q1 2020 Officers continued the implementation of the following agreed transitions:

- 3% from UK equities with 1.5% to Global equities and 1.5% to Ruffer.

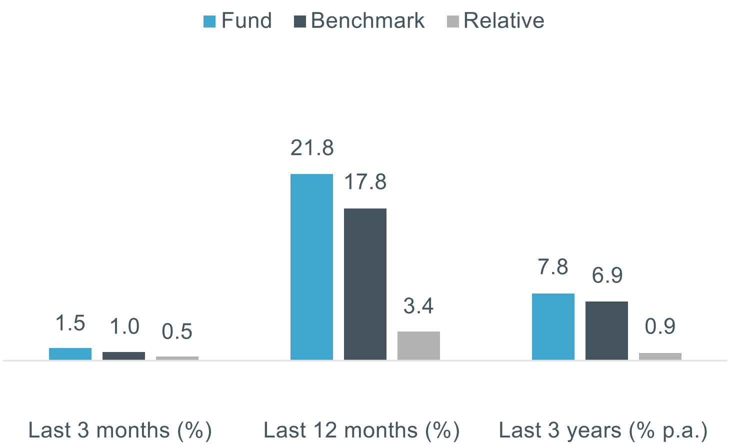
The on-boarding process for the investment in BlackRock Low Carbon Fund is expected to be completed in Q2 2021. This 3% investment will be funded from cash.

Over the quarter the fund committed £30m to the LCIV Private Debt fund.

Key points to note

- The Fund has posted positive returns over the past 3 months, ending the quarter with a valuation of £1,032.1m up from £1,010.4m at the end of Q4 2020.
- The Fund's Growth holdings were the main drivers of returns, along with the Ruffer fund which added notable performance. Within equities, the UK equity fund was the standout performer on an absolute basis.
- The Fund's gilt holdings detracted from returns following the sharp rise in yields over the quarter as inflation expectations rose.
- During Q1, £30m was sold from the UK Equity fund, with the proceeds split equally between global equities 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.

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	56.9%	58.0%	-1.1%
Income	25.7%	25.0%	0.7%
Protection	12.2%	15.0%	-2.8%
Cash	5.2%	2.0%	3.2%

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£54m in cash, £28m is due to be invested in the BlackRock Low Carbon fund in Q2 2021.

During Q1, £30m was sold from the UK Equity fund, with the proceeds split equally between the Global equities fund and the Ruffer Multi-asset fund.

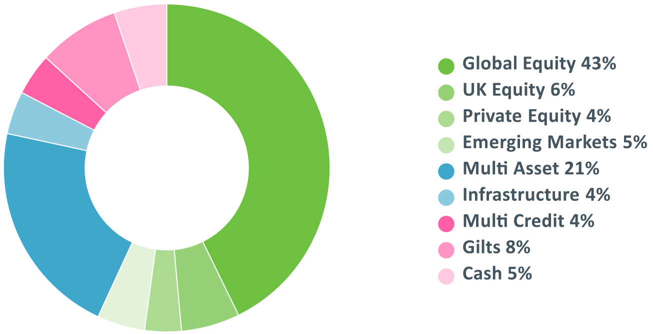
The LCIV infrastructure fund is still in its infancy with an expected 3 year ramp up phase. We therefore expect the Fund commitment of £50m to continue to be drawn down until end 2022

Asset Allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q4 2020	Q1 2021			
LGIM Global Equity	408.8	441.2	42.7%	43.0%	-0.3%
LGIM UK Equity	87.2	59.9	5.8%	5.0%	0.8%
Capital Dynamics Private Equity	40.1	37.5	3.6%	5.0%	-1.4%
LCIV JP Morgan Emerging Markets	48.9	48.8	4.7%	5.0%	-0.3%
Total Growth	**585.1**	**587.3**	**56.9%**	**58.0%**	**-1.1%**
LCIV Baillie Gifford Multi Asset	131.6	130.7	12.7%	10.0%	2.7%
LCIV Ruffer Multi Asset	69.6	90.8	8.8%	10.0%	-1.2%
Alinda Infrastructure	23.4	23.1	2.2%	0.0%	2.2%
Capital Dynamics Infrastructure	8.9	8.8	0.8%	0.0%	0.8%
Aviva Property	0.0	0.0	0.0%	0.0%	0.0%
LCIV Infrastructure	7.9	11.8	1.1%	5.0%	-3.9%
Total Income	**241.4**	**265.2**	**25.7%**	**25.0%**	**0.7%**
LCIV CQS MAC	41.9	42.8	4.1%	5.0%	-0.9%
BlackRock UK Gilts Over 15 yrs	94.8	83.0	8.0%	10.0%	-2.0%
Total Protection	**136.7**	**125.8**	**12.2%**	**15.0%**	**-2.8%**
Cash	47.2	53.8	5.2%	2.0%	3.2%
Total Scheme	**1010.4**	**1032.1**	**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 the quarter, on both an absolute and relative basis. Longer term performance is also comfortably ahead of target.

UK equities led global markets over the quarter, due to the higher weighting to Cyclicals. Over the year Emerging Markets lead the way, and the JPM fund has posted impressive outperformance relative to its benchmark, despite underperforming over the quarter.

The Ruffer Multi-asset fund posted strong performance over the quarter, driven by the preference for Cyclicals and UK equities. Despite their different approaches, the Baillie Gifford and Ruffer funds have returned broadly similar performance over 12 months.

The CQS mandate produced a return of 2.1% over the quarter, and is showing strong performance over the year in the bounce-back from the February/March falls.

Gilt yields rose sharply over the first quarter. The gilt portfolio, with its long duration, fell by 12.4% as a result.

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	4.0	4.1	**0.0**	40.3	40.3	**0.0**	14.5	14.5	**0.0**
LGIM UK Equity	5.1	5.2	**-0.1**	26.7	26.7	**0.0**	3.2	3.2	**0.0**
Capital Dynamics Private Equity	2.2	4.3	**-2.0**	-3.3	40.3	**-31.1**	8.1	10.7	**-2.4**
LCIV JP Morgan Emerging Markets	-0.2	1.3	**-1.5**	53.4	42.3	**7.8**			
Income									
LCIV Baillie Gifford Multi Asset	-0.7	0.5	**-1.2**	18.0	2.1	**15.6**	4.4	3.2	**1.2**
LCIV Ruffer Multi Asset	7.4	0.5	**6.8**	20.7	2.1	**18.2**	7.4	3.2	**4.1**
Alinda Infrastructure				-8.7	2.7	**-11.1**	-0.2	5.1	**-5.1**
Capital Dynamics Infrastructure				-10.6	2.7	**-13.0**	2.7	5.1	**-2.3**
LCIV Infrastructure				-6.9	2.7	**-9.3**			
Protection									
LCIV CQS MAC	2.1	0.5	**1.6**	25.3	2.4	**22.4**			
BlackRock UK Gilts Over 15 yrs	-12.4	-12.5	**0.0**	-10.3	-10.4	**0.1**			
Total	1.5	1.0	**0.5**	21.8	17.8	**3.4**	7.8	6.9	**0.9**

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.

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

Manager ratings

Manager/Mandate	Asset Class	Hymans Rating	RI Rating
LGIM	Global Equity	Preferred	Strong
LGIM	UK Equity	Preferred	Strong
LCIV JP Morgan	Emerging Markets	Suitable	Adequate
Capital Dynamics	Private Equity	Suitable	Not Rated
LCIV Baillie Gifford	Multi Asset	Preferred	Good
LCIV Ruffer	Multi Asset	Positive	Adequate
Alinda	Infrastructure	Not Rated	Not Rated
Capital Dynamics	Infrastructure	Not Rated	Not Rated
LCIV	Infrastructure	Not Rated	Not Rated
LCIV CQS	Multi Credit	Suitable	Not Rated
BlackRock	UK Gilts Over 15Yrs	Preferred	Not Rated

Ruffer business update

Ruffer announced their CFO, Myles Marmion, is retiring at the end of April 2021. He is being replaced by Michael Gower who joined in March 2021, from Vanguard where he was CFO for their European and International business. Michael will be a member of the Management Board and the Executive Committee.

Clemmie Vaughnan, CEO, started her maternity leave in March 2021; Chris Bacon and Miranda Best will be covering her role during this period.

Source: Investment Managers

LGIM Global Equity

The LGIM global equity mandate returned 4.0% over first quarter.

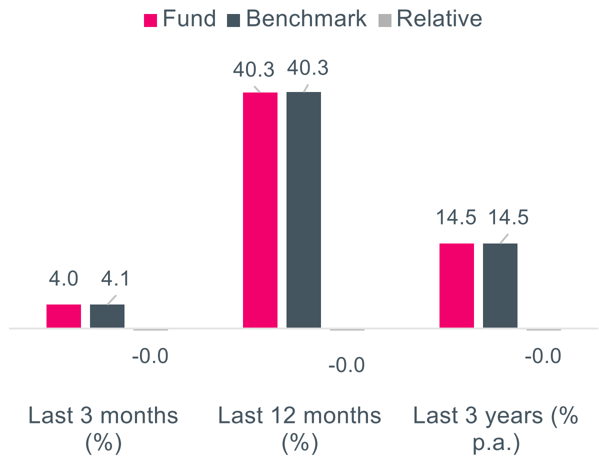
The fund is showing a strong return over 12 months following the sell-off in February and March of last year.

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

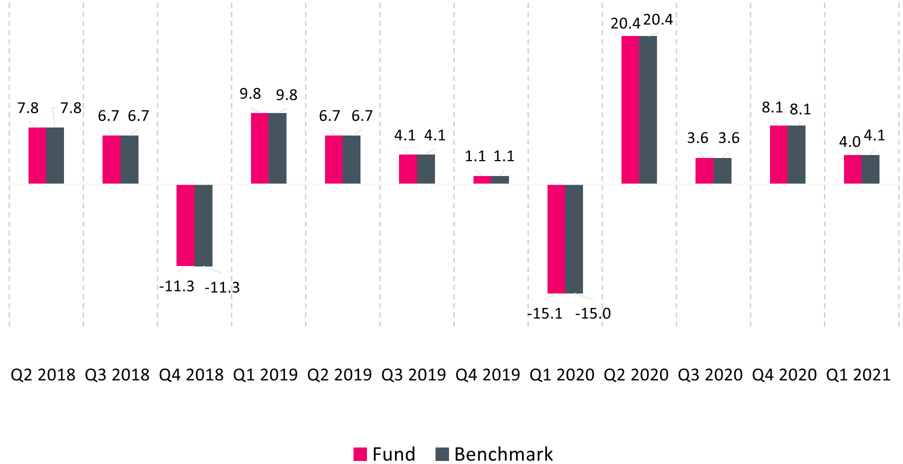
Global markets have seen a rotation out of growth stocks into cyclicals as the Covid recovery continues. Rising inflation expectations put a slight dampener on returns towards the end of the first quarter, as investors weigh the possibility of inflation increasing – transitory or otherwise.

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

Fund Performance vs benchmark



Historical Performance/Benchmark



Source: Investment Manager

LGIM UK Equity

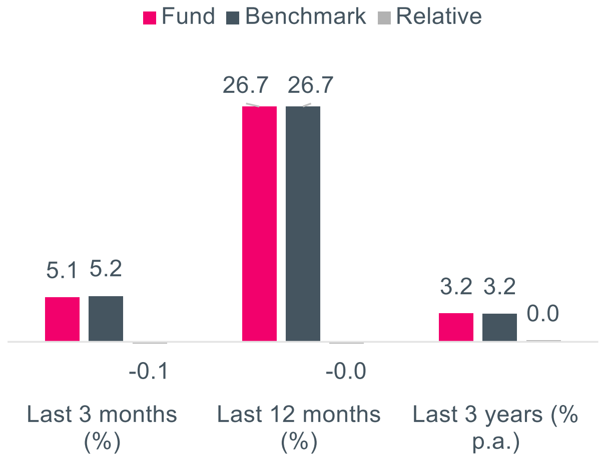
The LGIM UK equity mandate returned 5.1% over the first quarter. Performance over 12 months is strong, albeit not as strong as returns for global equities.

The UK market's higher weighting to cyclicals saw it outperform the global market, although the strength in Sterling caused some headwinds as many constituents in the UK market make the majority of their earnings overseas.

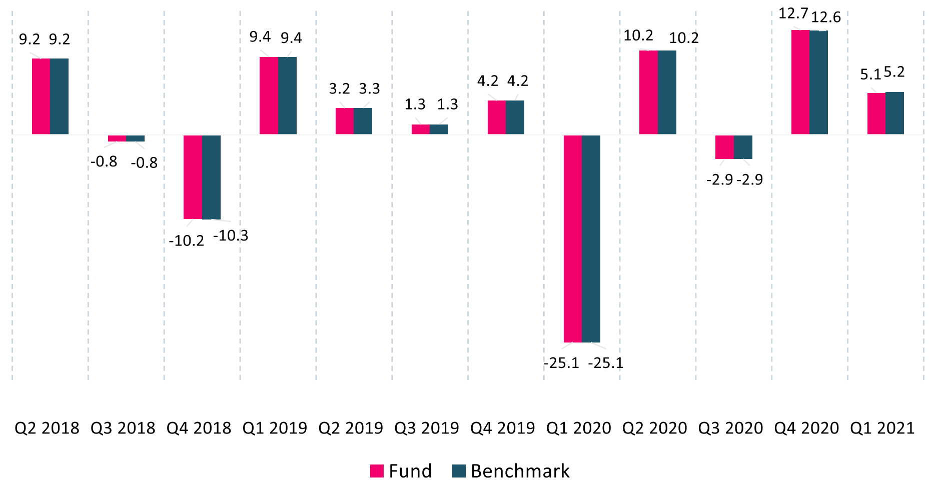
Over the quarter the fund has performed in line with its benchmark as we would expect for a passively managed portfolio.

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

Fund Performance vs benchmark



Historical Performance/Benchmark



Source: Investment Manager

LCIV JP Morgan Emerging Markets

The JP Morgan Emerging Markets fund returned -0.2% over the quarter, underperforming the benchmark by 1.5%. Over 12 months the fund has returned an impressive 53.4%, outperforming the benchmark by 7.8%.

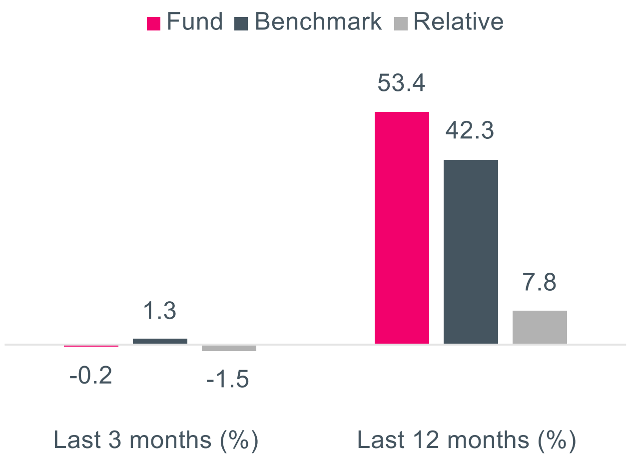
The fund underperformed in the quarter due to its preference for quality growth stocks, which underperformed as investors rotated from growth to cyclicals.

Stock selection, which has been a strength over the past 12 months, detracted over Q1. The fund's country allocation effect was neutral, with good returns from the China exposure balanced by weaker returns from India and Argentina.

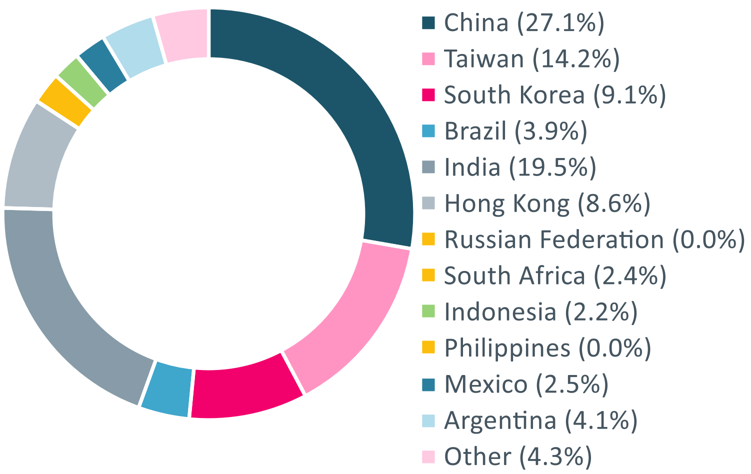
The manager expects the current concerns around rising inflation to reduce, leading to a resumption of more positive sentiment and a focus on individual stock performance which they expect to be beneficial for their high quality holdings.

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

Fund Performance versus benchmark



Fund Regional Allocation



Source: Investment Manager

Capital Dynamics Private Equity

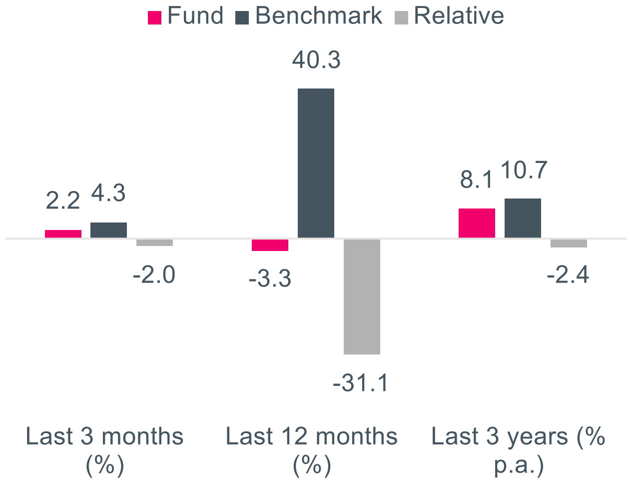
The Capital Dynamics Private Equity fund is invested across a range of sub-funds offering good diversification.

Based on information provided by Northern Trust, the fund returned 2.2% over the quarter. Over the more meaningful 3 year time period, the fund returned 8.1% 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 31 December 2020 the IRR was 9.7% with a TVPI of 1.67x.

Fund performance vs benchmark



Summary as at 31 December 2020

Total contributed:	c.91.5%
IRR:	9.7%
TVPI:	1.67x

Source: Investment Manager

LCIV Baillie Gifford Multi-asset

Over Q1 2021, the fund underperformed its target of 1.2%. returning -0.7% net of fees. However, performance over the preceding 12 months has been strong and significantly ahead of target.

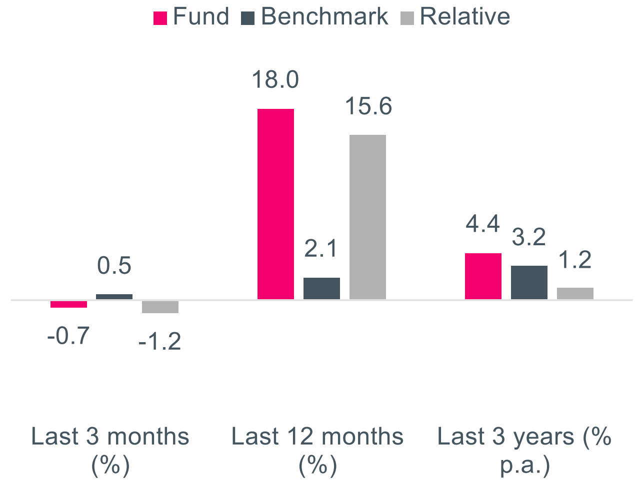
With the focus on cyclical recovery in the portfolio and the reopening of economies, listed equities were the key contributors to performance. The fund's exposure to structured finance and high yield credit also positively contributed.

Inflation concerns resulted in infrastructure holdings (c20% of the fund) detracting, however, it still remains the best performing asset in the portfolio over the longer term. Commodities were also key detractors as higher yields reduced the appeal of gold and nickel was hit by news of wrongful production. The manager has sold gold holdings and reduced the nickel allocation.

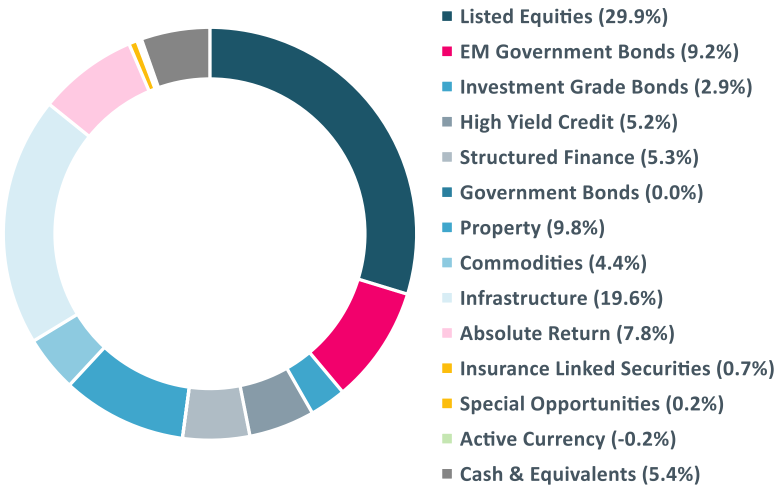
The manager rotated the portfolio over the quarter to position for a cyclical recovery. Allocations in equity and infrastructure have been added as well as holdings in companies expected to do well once economies re-open, such as leisure and travel.

The manager has also implemented hedging strategies due to further inflation concerns. This aims to minimise downside risk in the event of future volatility within bond markets.

Fund Performance versus benchmark



Fund Asset Allocation



Source: Investment Manager

LCIV Ruffer Multi-asset

The Ruffer Multi-Asset fund returned 7.4% over the quarter, outperforming the benchmark by 6.8%. Longer term performance is also favourable.

The defensive positioning of the fund, with a preference for cyclicals, was the main driver for strong returns over the quarter as investors rotated out of growth stocks into cyclicals.

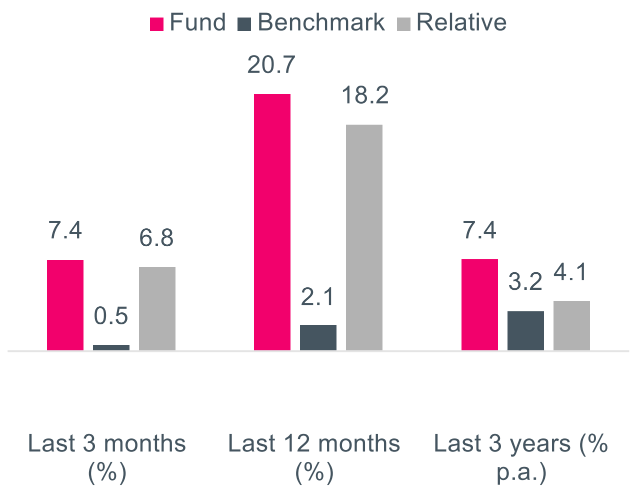
The large allocation to UK equities also added to returns, specifically the UK financial holdings which benefitted from the large rise in bond yields.

The much-discussed allocation to Bitcoin was reduced over the quarter, after the manager took profits following the sharp rise in value.

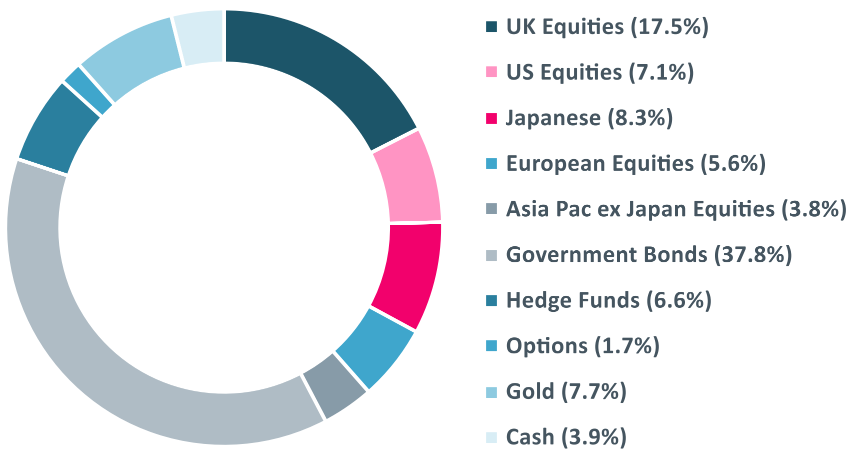
The manager also reduced the allocation to inflation-linked government bonds, along with gold miners.

In a tumultuous year for markets the fund has performed well, preserving capital in the initial falls and showing strong returns in the subsequent recovery.

Fund Performance versus benchmark



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.

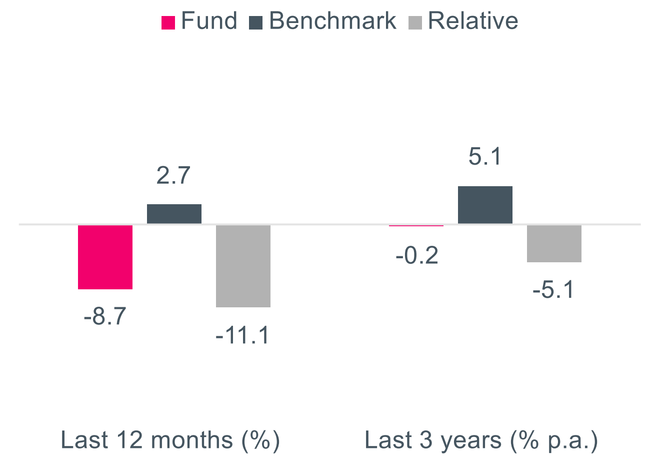
Remaining capital commitments as at 31 December 2020 are as follows:

Alinda II: $3,461,932
Alinda III: $7,430,559

The following net distributions (distributions less contributions) were made over Q4:

Alinda II: $714,890
Alinda III: -$1,796,914

Fund performance vs benchmark



Summary as at 31 December 2020

Alinda Fund II	
IRR (Gross)	5.9%
IRR (Net)	3.3%
Cash yield	6.9%
TVPI (Net)	1.2x

Alinda Fund III	
IRR (Gross)	20.4%
IRR (Net)	12.6%
Cash yield	10.1%
TVPI (Net)	1.3x

Source: Investment Manager

LCIV Infrastructure

Target: Absolute return of 8.0-10.0% p.a.

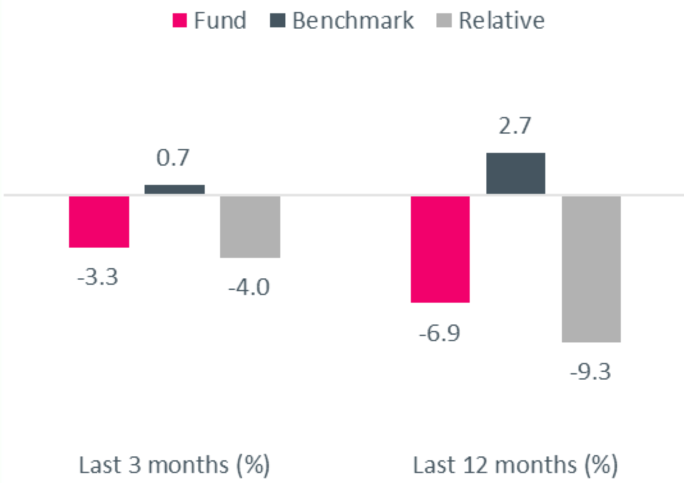
The LCIV Infrastructure fund is managed by Stepstone.

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 this stage of investment, 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. We will be able to provide TVPI figures in future reports.

The LCIV Infrastructure fund is in the ramp-up stage, with a further £4.3m drawn down over the quarter, bringing the NAV at quarter end to £11.8m.

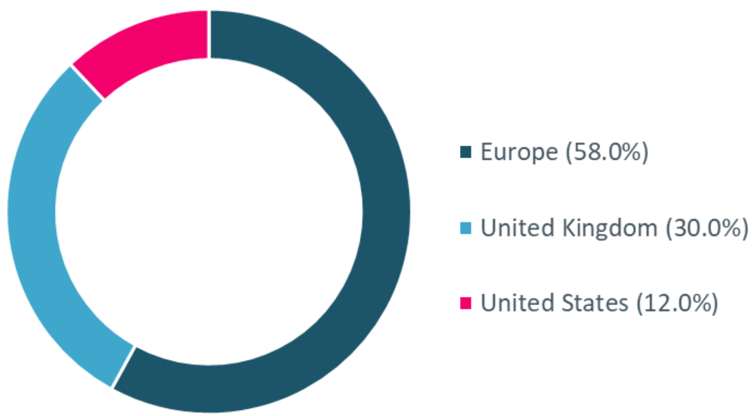
Fund performance vs benchmark



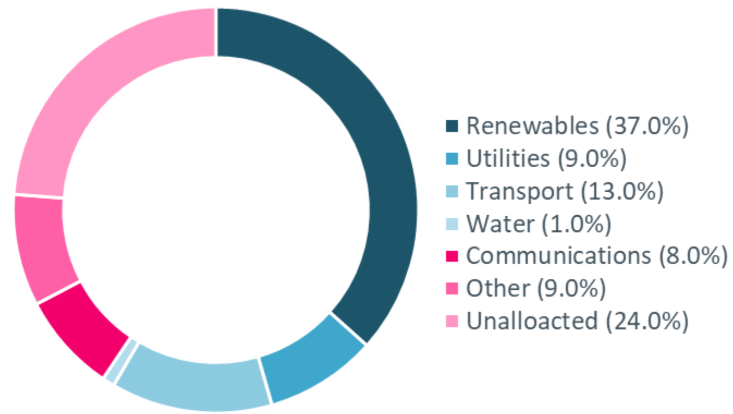
Fund Statistics as at 31 December 2020

Capital committed	£50.0
Total contributed	£8.1
Distributions	£0
Value created	£3.7
Net asset value	£11.8

Fund Geographical Allocation



Fund Sector Allocation



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.

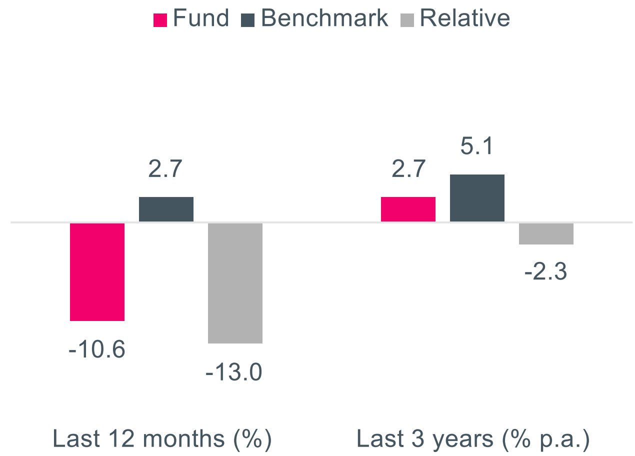
With the fund having deployed most of the capital commitment it is appropriate to assess performance on both measures.

Reporting on underlying commitments is as at 31 December 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.

This level of performance is primarily driven by challenges experienced by one project in particular, a Texas wind project, which the manager has previously acknowledged.

Fund performance vs benchmark



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

Capital committed	$15.0
Total contributed	$14.7
Distributions	$1.2
Value created	($1.3)
Net asset value	$13.4

Net IRR since inception	(0.89%)
Total value-to-paid-in-ratio (TVPI)	0.95x

Source: Investment Manager

LCIV CQS Multi Credit

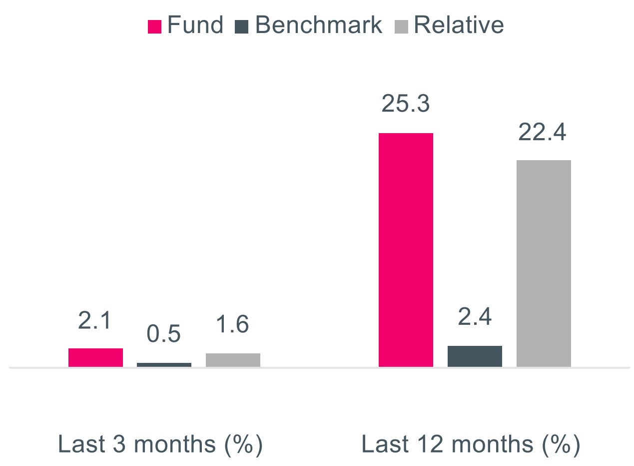
Over the first quarter of 2021 the LCIV's multi-asset credit strategy returned 2.1% against a benchmark of 0.5%. 12 month performance has been strong, with the fund returning 25.3%.

Performance over the quarter was driven by the fund's senior secured loan holdings. US high yield was also notably additive, in addition to the manager's preference for the European market.

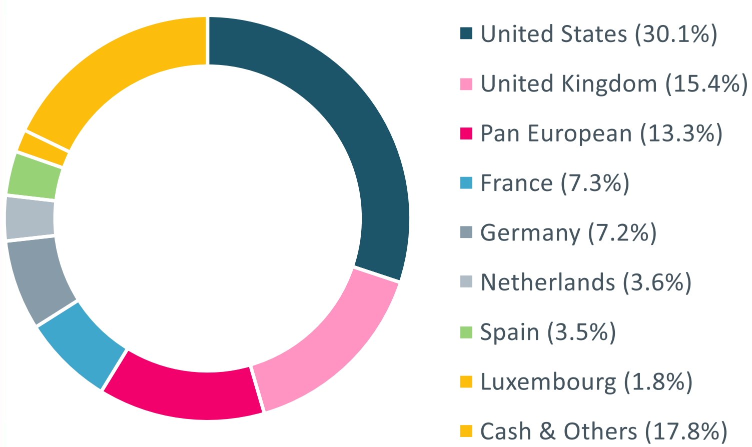
There were no significant changes to the fund's holdings over the quarter. The manager added to the portfolio with a number of European loans, which they still prefer over US loans.

The manager's outlook for markets has improved, and their default assumption has been lowered, bringing it more in line with the market consensus.

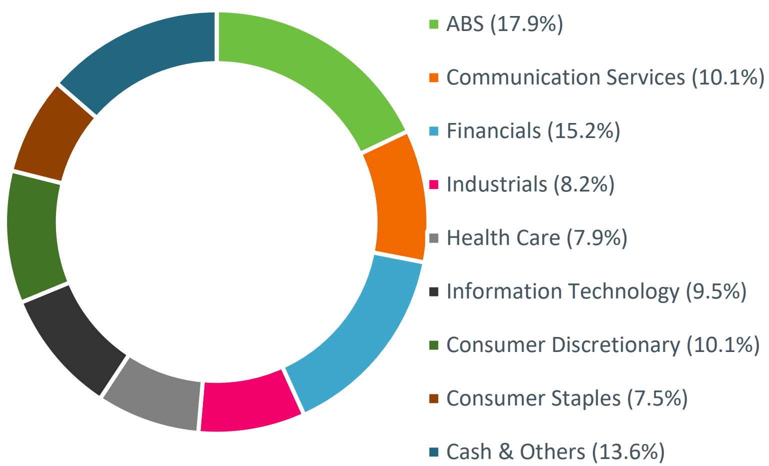
Fund performance vs benchmark



Country Weights



Sector Weights



Source: Investment Manager

BlackRock UK Gilts

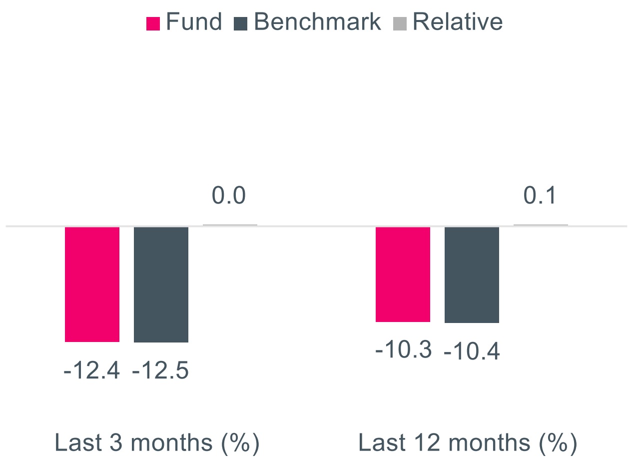
BlackRock were appointed in March 2019 to oversee the Fund's bond allocation.

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

Over the quarter the fund returned -12.4% as gilt yields rose sharply with inflation concerns causing a spike in yields globally. The mandate has a long duration and is therefore more sensitive to changes in yields.

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

Fund performance vs benchmark



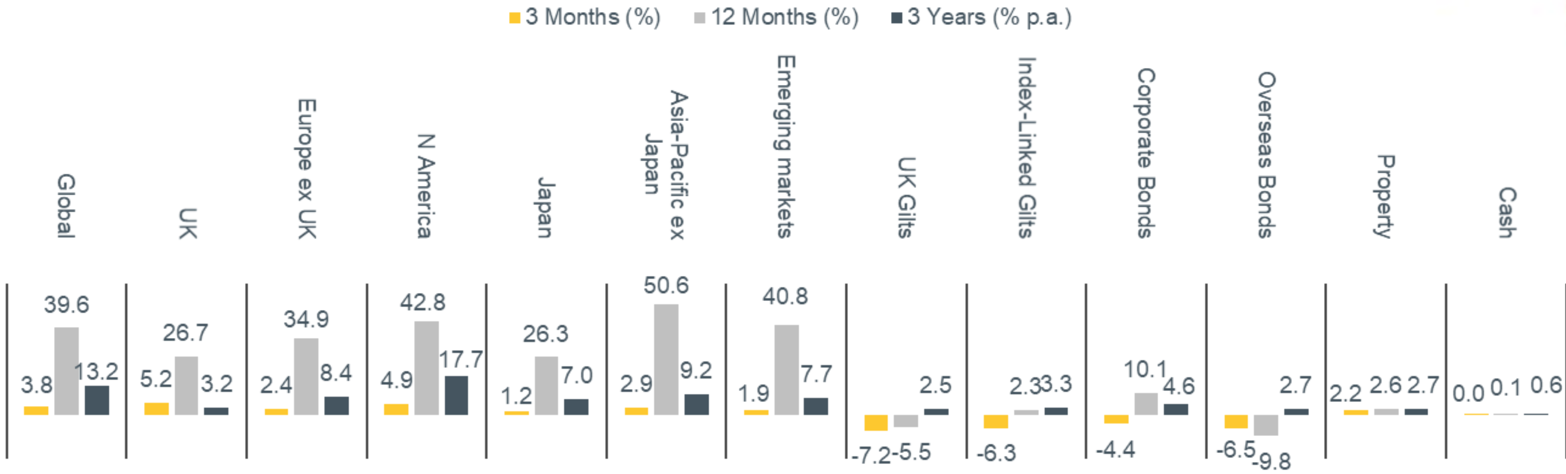
Source: Investment Manager

Consensus forecasts for global GDP growth have continued to improve, to 5.6% in 2021, following a 3.6% contraction in 2020. Recent data confirms that although the quarterly pace of global growth slowed in Q1 after a robust H2 2020, the hit to activity from tighter restrictions has been less than initially feared. Expectations of a re-acceleration of growth beyond Q2 seem well-founded amid significant progress in vaccine rollouts and massive fiscal support in the US. Indeed, March's global composite PMI rose to its highest level in over 6 years.

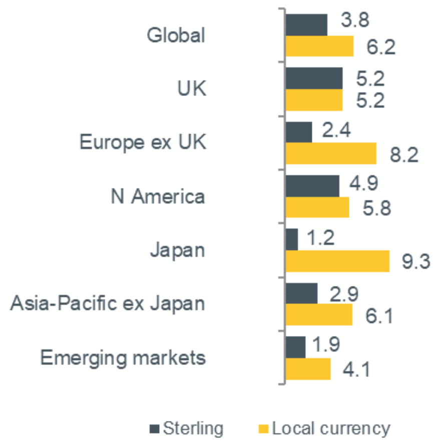
Global equity markets gained 6.2% during the quarter. The improving economic outlook was supportive for more cyclical sectors with energy, financials, basic materials, and industrials the top performing sectors year-to-date, in that order.

Sectoral performance helps explain regional equity performance: Japan and Europe ex-UK, with their above average exposures to industrials, lead the regional performance rankings year-to-date. Emerging markets underperformed markedly, weighed on by a stronger dollar and a Chinese equity market sell-off in February. Despite a higher than average exposure to oil & gas and financials, the UK market underperformed, perhaps weighed down by sterling strength given the high proportion of overseas earnings in the index.

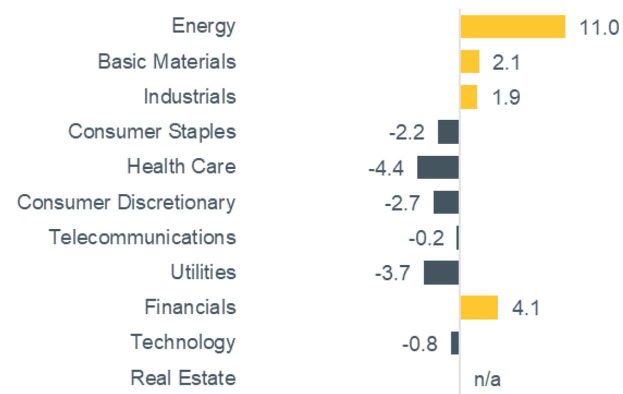
Historic returns for world markets [1]



Regional equity returns [2]



Global equity sector returns (%) [3]



Source: DataStream. [1] Returns shown in Sterling terms. Indices shown (from left to right) are: 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; UK Interbank 7 Day. [2] FTSE All World Indices. Commentary compares regional equity returns in local currency. [3] Returns shown relative to FTSE All World. FTSE indices migrated to a new ICB structure in Q1 2021 – returns for Real Estate will be included when there is a sufficient track record.

Market Background

While realised inflation has remained subdued, UK headline CPI inflation rose to 0.7% year-on-year in March, a resumption of activity and deferred consumption alongside rising oil prices are expected to lead to higher inflation in the short-term.

Reflecting the improvement in economic outlook, government bond yields rose significantly: UK 10-year government bond yields rose 0.7% p.a. to 0.8% p.a. Real yields rose less, with 10-year implied inflation, based on the difference in yield on conventional and index-linked gilts, rising 0.4% p.a. to 3.7% p.a.

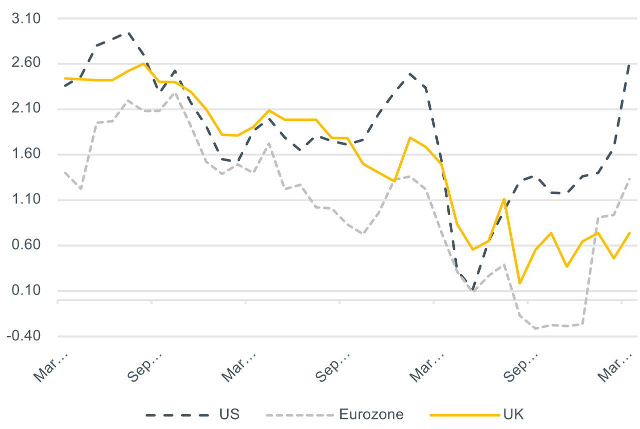
Rising sovereign bond yields weighed on total returns in fixed interest credit markets, which are negative year-to-date for investment-grade markets. Global investment-grade spreads fell 0.1% p.a. to 1.0% p.a. and speculative-grade spreads fell 0.4% p.a. to 3.7% p.a.

Sterling continued to move higher, rising 4.1% in trade-weighted terms. Relative improvement in the economic outlook and increased market-implied odds of rate rises saw the US dollar rise 2.5%, in trade-weighted terms, while the Euro and Japanese Yen fell 1.7% and 4.4%, respectively.

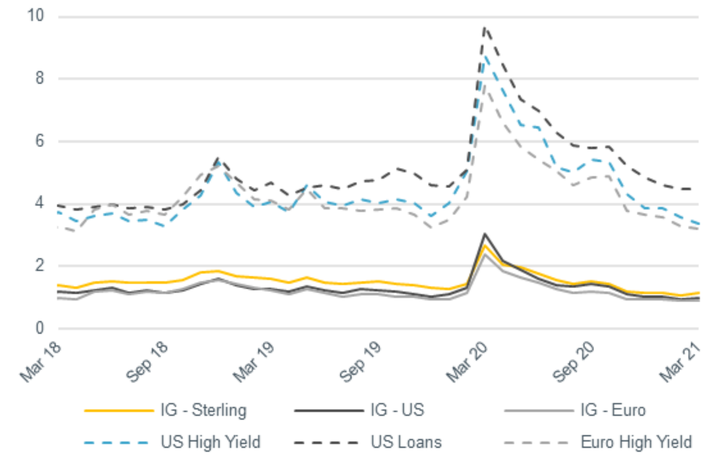
Despite slipping towards the end of the period, oil prices rose 22.4% in the first quarter to $64 per barrel, while the dollar spot price of gold slipped 10.2% as bond yields rose.

The rolling 12-month total return on the MSCI UK Monthly Property Index was 2.6% to the end of March. Capital values, in aggregate, fell 2.9% over the period (driven by a 12.4% decline in retail sector), however aggregate monthly capital value growth has been positive since November.

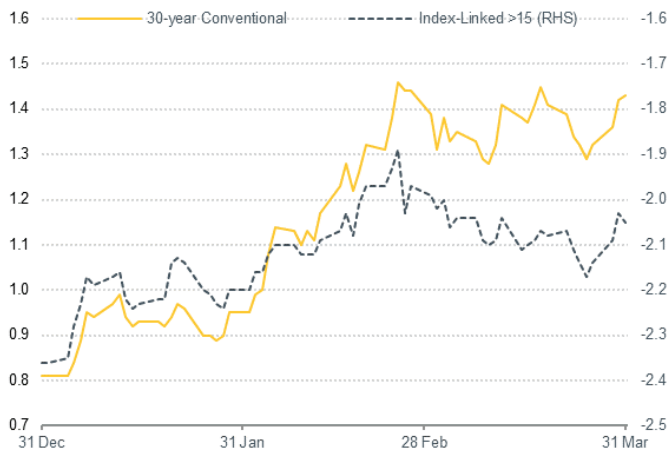
Annual CPI Inflation (% p.a.)



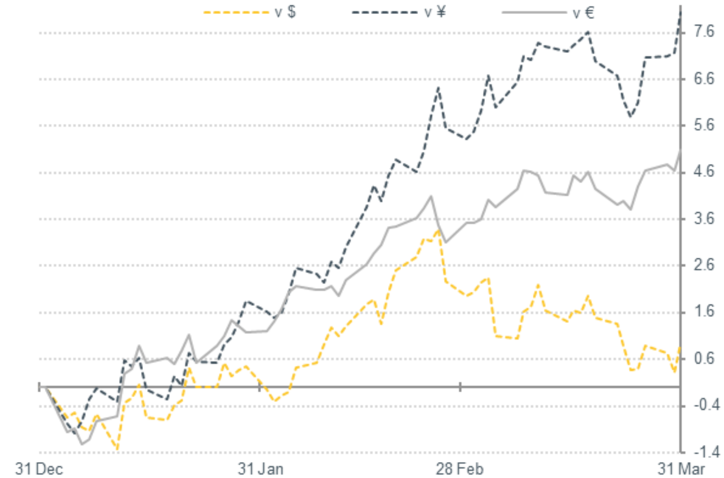
Investment and speculative grade credit spreads (% p.a.)



Gilt yields chart (% p.a.)



Sterling trend chart (% change)



Source: DataStream, Barings and ICE

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.