London Borough of Brent Pension Fund

H2 Q4 2024 Investment Monitoring Report – Public Section

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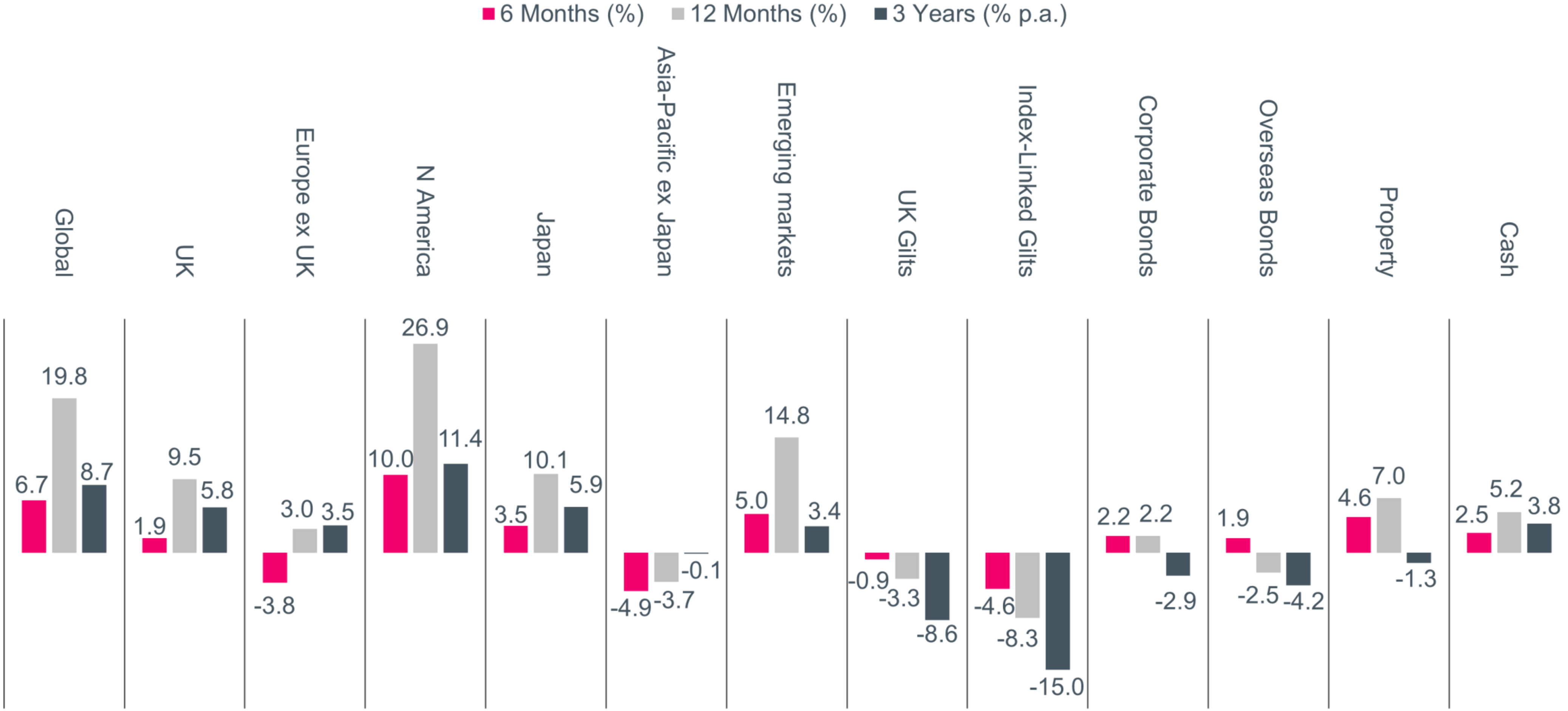
Market Background

Historical returns for world markets



Data source: DataStream. [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World. [3] 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, ICE BofA Global Government Index, MSCI UK Monthly Property; UK SONIA.

Market Background

Market update

The global economy expanded at a solid pace. However, strong service-led US growth contrasted with modest growth in Europe, where global manufacturing weakness weighed on activity. The UK economy slowed from above-trend H1 growth amid uncertainty about government spending and tax rises. In China, subdued domestic consumption undermined export-driven growth as property-market weakness affected consumer and business confidence.

UK annual CPI rose to 2.5% in December, from the Bank of England's (BoE) 2% target in June. This reduced drag also affected the US and eurozone, but year-on-year inflation eased for both – to 2.9% and 2.4%, respectively – over the same period. Core inflation fell to 3.2% in the US and UK and 2.7% in the eurozone, above headline rates in all three.

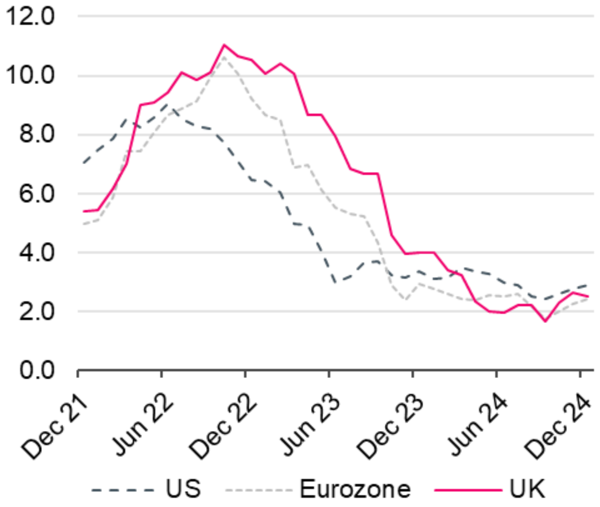
The US Federal Reserve (Fed) reduced rates by 1% pa, to 4.25–4.5% pa, while the European Central Bank (ECB), starting earlier, cut rates 0.75% pa, to 3% pa. The BoE lowered rates by a smaller 0.5% pa, to 4.75% pa. Despite this, implied interest rates rose in the US and UK, as markets expected fewer cuts. The Bank of Japan (BoJ) raised rates 0.15% pa, to 0.25% pa, as core inflation remained above target.

Anticipation of higher-for-longer US rates and tariffs pushed up the trade-weighted US dollar 3.5%, while sterling rose 1.3%. The trade-weighted yen rose 3.8%, after its sharp H1 decline, as the BoJ raised rates and abandoned yield-curve control. The trade-weighted euro fell 0.9%. Oil prices dropped 13.5%, while gold rose 12.9%.

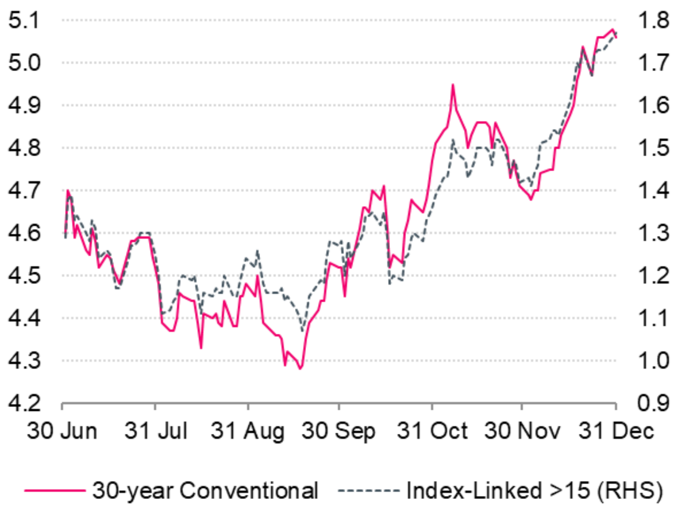
US 10-year bond yields rose 0.2% pa, to 4.6% pa, driven by growth, anticipation of inflationary policy and higher expected issuance to fund tax cuts. UK 10-year gilts increased 0.4% pa, to 4.6% pa, spiking after the Autumn Budget. German 10-year yields fell 0.1% pa, to 2.4% pa, given weaker eurozone growth and inflation prospects.

Global investment-grade credit spreads narrowed 0.2% to a near-historic low of 0.9% pa, while speculative-grade spreads fell 0.3% pa, to 3.1% pa.

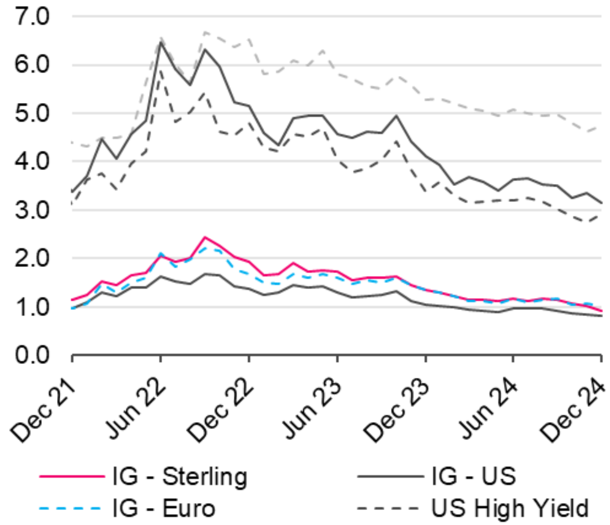
Annual CPI Inflation (% year on year)



Gilt yields chart (% p.a.)



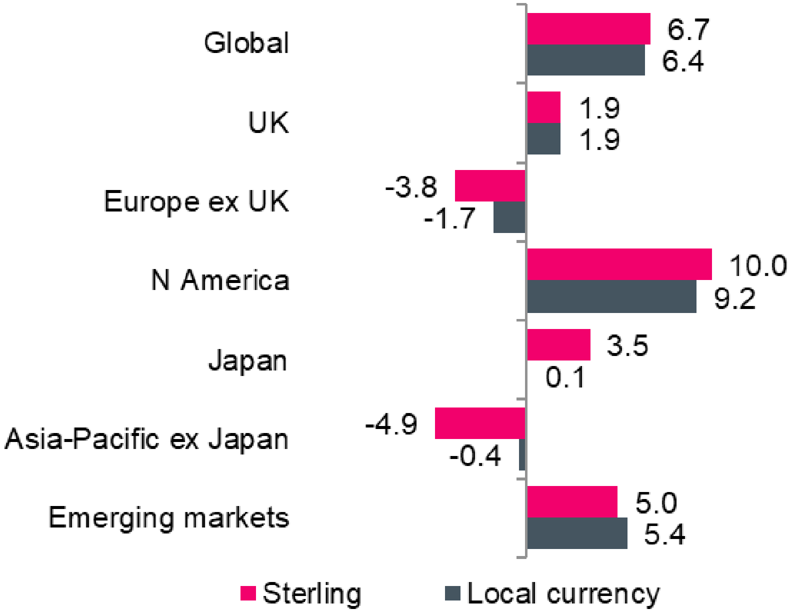
Investment and speculative grade credit spreads (% p.a.)



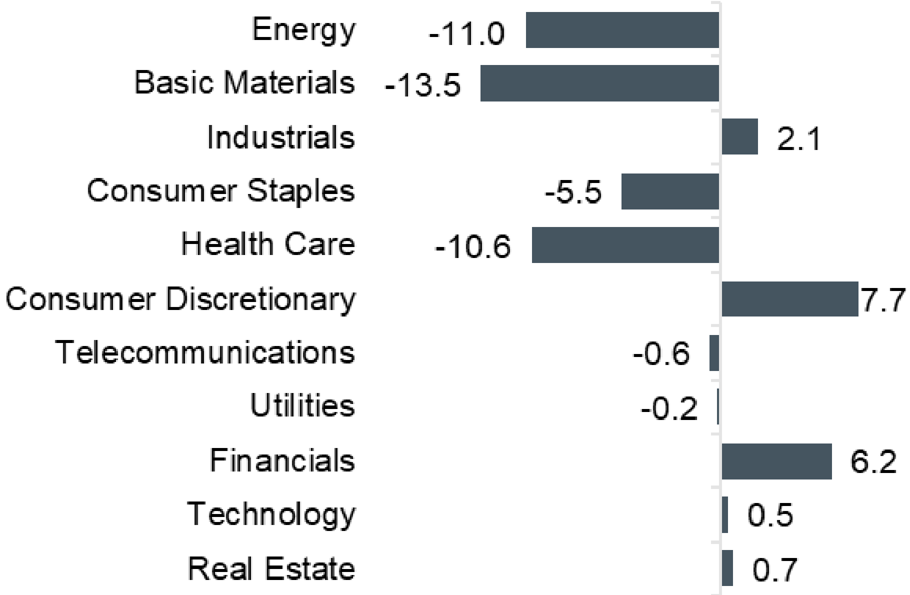
Data source: DataStream, Barings, ICE

Market Background

Regional equity returns [1]



Global equity sector returns [2]



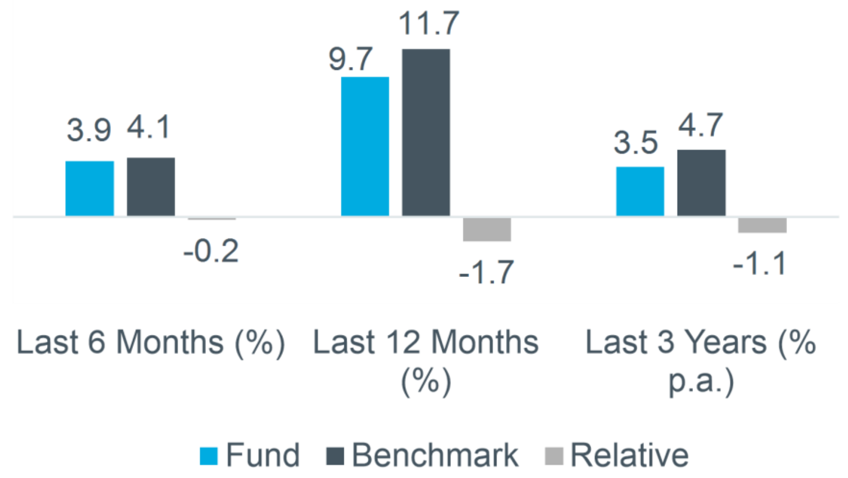
Market commentary

The FTSE All World Total Return Index rose 6.4% in local-currency terms. North American equities outperformed, fuelled by economic and earnings growth and optimism about tax cuts and deregulation. All other regions underperformed. Europe ex UK performed worst, declining 1.7%, due to concerns over US trade policy, weak manufacturing and Chinese competition. Trump's victory affected sectoral performance: consumer discretionary, financials and industrials outperformed, while healthcare fell. Basic materials and energy also underperformed notably, on manufacturing weakness and falling oil prices, respectively.

The MSCI UK Monthly Property Total Return Index rose 4.6% as rising capital values supplemented income. Over 12 months, the index rose 7.0%, as 12-month aggregate capital value growth turned positive in December for the first time in 26 months.

Data source: DataStream. [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World

Total fund performance



High-level asset allocation

GrIP	Actual	Benchmark	Relative
Growth	56.4%	58.0%	-1.6%
Income	25.6%	25.0%	0.6%
Protection	13.1%	15.0%	-1.9%
Cash	4.9%	2.0%	2.9%

Key points to note:

- The Fund has posted a positive return over H2, ending the period with a valuation of £1,335.8m, up from £1,279.2m at the end of Q2 and £1,304.4m at the end of Q3 2024.
- The Fund's passive global equity exposure was the main driver of positive return on an absolute basis, along with its exposure to UK and emerging market equities. Within the income assets, the Fund's private debt and property exposure contributed to performance on an absolute basis. The main detractor from performance was the Fund's government bond exposure, which fell in value as gilt yields rose over the period.
- On a relative basis the Fund underperformed its benchmark by 0.2%. The Fund is also behind its composite benchmark over the past 12 months and over 3 years.
- The cash held by the Fund increased over the period to £65.0m.

 Source: Northern Trust

Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q2 24	Q4 24			
LGIM Global Equity	526.1	563.3	42.2%	40.0%	2.2%
LGIM UK Equity	78.6	80.0	6.0%	5.0%	1.0%
Capital Dynamics Private Equity	16.2	9.3	0.7%	5.0%	-4.3%
LCIV JP Morgan Emerging Markets	61.5	62.4	4.7%	5.0%	-0.3%
Blackrock Acs World Low Crbn	36.0	39.0	2.9%	3.0%	-0.1%
Total Growth	**718.3**	**754.0**	**56.4%**	**58.0%**	**-1.6%**
LCIV Baillie Gifford Multi Asset	96.4	99.6	7.5%	6.0%	1.5%
LCIV Ruffer Multi Asset	93.1	92.4	6.9%	6.0%	0.9%
Alinda Infrastructure	16.3	17.2	1.3%	0.0%	1.3%
Capital Dynamics Infrastructure	2.4	2.1	0.2%	0.0%	0.2%
LCIV Infrastructure	46.5	54.2	4.1%	5.0%	-0.9%

Source: Northern Trust.
Note: The target allocations were agreed in in June 2023 as part of the last investment strategy review.

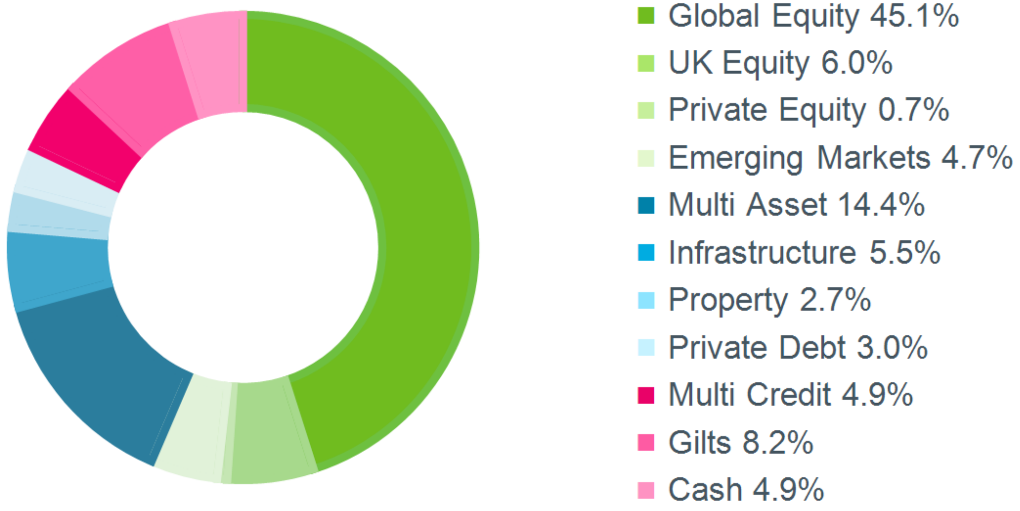
Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q2 24	Q4 24			
Fidelity UK Real Estate	13.3	14.6	1.1%	1.5%	-0.4%
UBS Triton Property	11.0	11.2	0.8%	1.5%	-0.7%
LCIV Private Debt	39.8	40.2	3.0%	5.0%	-2.0%
LCIV UK Housing Fund	5.7	10.3	0.8%	0.0%	0.8%
Total Income	**324.4**	**341.9**	**25.6%**	**25.0%**	**0.6%**
LCIV CQS MAC	62.9	65.6	4.9%	5.0%	-0.1%
BlackRock UK Gilts Over 15 yrs	114.6	109.2	8.2%	10.0%	-1.8%
Total Protection	**177.4**	**174.9**	**13.1%**	**15.0%**	**-1.9%**
Cash	59.0	65.0	4.9%	2.0%	2.9%
Total Scheme	**1,279.2**	**1,335.8**	**100.0%**	**100.0%**	

Source: Northern Trust.

Note: The target allocations were agreed in in June 2023 as part of the last investment strategy review. 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



Asset allocation commentary

The Fund's current target allocations are as follows:

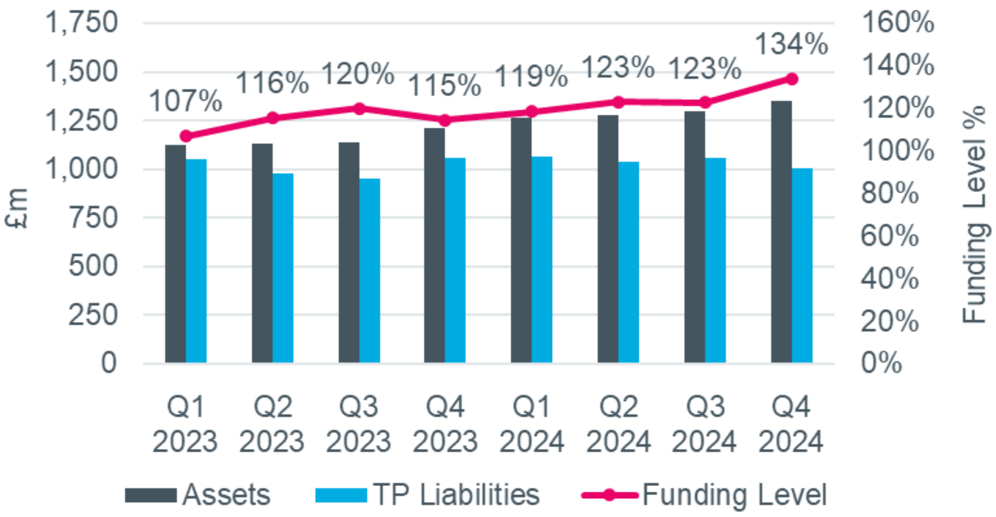
Interim Growth – 58%; Income/Diversifiers – 25%; Protection plus cash – 17%;

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

- The LCIV infrastructure fund continues its distribution phase, as income from distributions is returned to the Fund quarterly.
- Capital Dynamics explored liquidity options for the private equity mandate. This mandate is in run-off, hence in Q3, the Committee approved the recommendation to vote in favour of the transactions and opted for the cash election option. During Q4, cash proceeds returned to the fund totalled c£6.7m.
- During Q2, the first tranche of the Baillie Gifford rebalancing took place, with £18m reinvested in the LCIV JP Morgan Emerging Markets Fund and £15m held in cash. The cash transaction took place following the quarter end and hence is reflected in the asset valuations on the following pages.
- The LCIV private debt is coming to the end of its investment phase and expect distributions to begin after March 2025.

 Source: Northern Trust

Fund level progression



Latest funding level summary

	30-Jun-24	30-Sep-24	31-Dec-24
Assets	1,276	1,298	1,347
Liabilities	1,036	1,059	1,005
Surplus/(deficit)	240	239	342
Funding Level	123%	123%	134%

Funding position commentary

As at 31 December 2024, we estimate the funding level to be 134%.

The increase in funding level in the last quarter of 2024 can be attributed to the rise in the discount rate used to discount the liabilities. This results in a fall in the present value of the Fund’s liabilities, hence increasing the funding level.

Please note the asset value shown (for the funding level calculation) may differ from the actual asset value as it is an estimate based on estimated cashflows. However, the estimate is consistent with liabilities, therefore gives more reliable estimate of the funding position.

Source: Hymans Robertson funding update report as at 31 December 2024.Please see report for full details of approach used and reliances and limitations

Manager performance

	Last 6 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
LGIM Global Equity	7.1	7.1	**0.0**	20.2	20.8	**-0.4**	9.2	9.4	**-0.2**
LGIM UK Equity	1.9	1.9	**0.0**	9.5	9.5	**0.0**	5.9	5.8	**0.1**
Capital Dynamics Private Equity	0.9	7.8	**-6.4**	-1.8	22.3	**-19.7**	-1.1	10.7	**-10.6**
LCIV JP Morgan Emerging Markets	1.4	1.0	**0.4**	4.3	9.4	**-4.7**	-1.9	0.7	**-2.5**
Blackrock Acs World Low Crbn	8.4	7.2	**1.1**	22.1	20.8	**1.1**	9.1	9.2	**-0.1**
Growth									
LCIV Baillie Gifford Multi Asset	3.4	3.4	**0.0**	5.9	7.1	**-1.1**	-2.3	5.8	**-7.6**
LCIV Ruffer Multi Asset	-0.7	3.4	**-3.9**	-1.1	7.1	**-7.6**	-0.3	5.8	**-5.7**
Alinda Infrastructure	18.1	2.1	**15.7**	23.6	4.6	**18.2**	21.6	7.6	**13.0**
Capital Dynamics Infrastructure	-9.2	2.1	**-11.1**	-8.6	4.6	**-12.6**	-1.2	7.6	**-8.2**
LCIV Infrastructure	5.3	2.1	**3.1**	9.3	4.6	**4.5**	9.3	7.6	**1.6**

Source: Fund performance provided by Northern Trust and is net of fees. Benchmark performance provided by Northern Trust.
The above table shows the new performance target measures, implemented from 2020. Please note the 3-year return is on the old benchmark basis

Manager performance

	Last 6 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
Fidelity UK Real Estate	9.7	3.7	**5.8**	8.7	5.4	**3.2**	-0.9	0.8	**-1.7**
UBS Triton Property	2.0	3.7	**-1.6**	1.4	5.4	**-3.8**	-	-	**-**
LCIV Private Debt	1.0	3.0	**-1.9**	3.0	6.0	**-2.8**	7.3	6.0	**1.2**
LCIV UK Housing Fund	-0.5	3.0	**-3.4**	-	-	**-**	-	-	**-**
Income									
LCIV CQS MAC	4.4	3.5	**0.9**	8.7	7.3	**1.3**	2.4	5.8	**-3.3**
BlackRock UK Gilts Over 15 yrs	-4.7	-4.7	**0.0**	-10.6	-10.6	**0.1**	-18.4	-18.3	**0.0**
Protection									
Total Scheme	3.9	4.1	**-0.2**	9.7	11.7	**-1.7**	3.5	4.7	**-1.1**

Source: Fund performance provided by Northern Trust and is net of fees. Benchmark performance provided by Northern Trust.
The above table shows the new performance target measures, implemented from 2020. Please note the 3-year return is on the old benchmark basis

Manager performance commentary

The assets combined to return 3.9% over the second half of 2024 to 31 December, however lagged its benchmark by 0.2%. Performance over the past 12 month and 3-year periods remains strong on an absolute but similarly remain behind benchmark.

Global equities continued to provide positive returns, returning 7.1% over H2 2024, maintaining strong positive performance over the last 12 months and 3 years. This is mainly due to US stocks rallying following the US election, after expectations of tax cuts and reduced regulation.

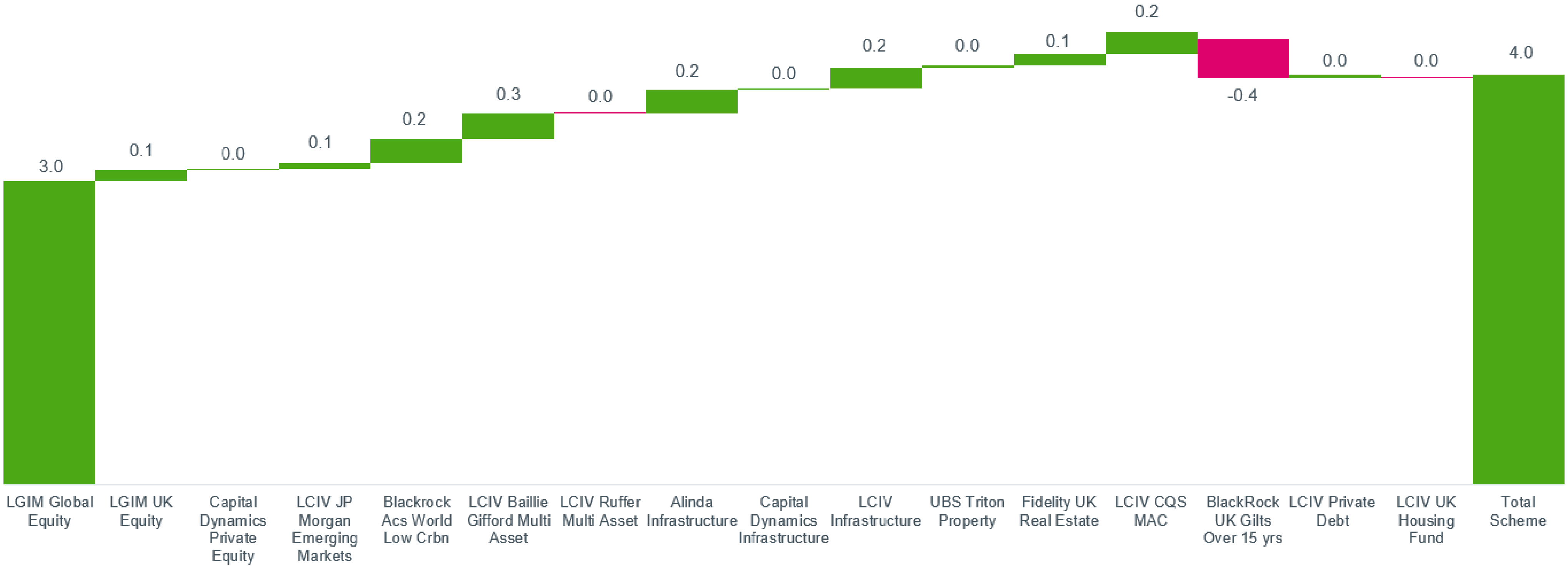
UK equities however underperformed the global market, returning only 1.9% over the period. The UK markets lagged mainly due to economic uncertainty around government spending and tax rates causing a slowdown in the growth outlook.

The property and infrastructure markets generally performed well on an absolute basis over the period. Capital Dynamics' infrastructure mandate posted negative returns over the period; however, this allocation is in run down and represents a small allocation within the Fund.

Credit markets continued to perform well resulting in positive performance from the LCIV MAC fund.

Over the period, the bond market saw a lot of volatility following the UK election and Autumn budget, resulting in gilt yields increasing over the period. This has resulted in the BlackRock gilts mandate falling in value, since gilts yields rose compared to end of Q2 levels.

Fund performance by manager



This chart highlights each mandate's contribution to the Fund's absolute performance over the second half of 2024, according to their allocation.

The largest contributor to performance over the period remains LGIM's Global Equity fund, given its positive performance and its allocation of c.40%. The Fund also saw positive contributions to performance from the LGIM UK Equity Fund, LCIV JP Morgan Emerging Markets Fund, BlackRock World Low Carbon Fund, and LCIV Baillie Gifford Multi-Asset, Infrastructure and MAC Funds.

The main detractor from performance was the BlackRock UK Gilts Fund, making up 8% of the Fund's total assets. Despite negative returns posted by the Capital Dynamics Infrastructure Fund, this mandate has a small allocation of <1%, hence did not detract materially from the Fund's overall performance.

Source: Fund performance provided by Northern Trust and is net of fees.
Please note that due to rounding, the total performance shown above may not add to the total quarterly performance shown on page 5 of this report.

Current issues in LGPS – December 2024 edition

In our last edition of 2024, we look back at the year's themes, alongside our usual round-up of current hot topics, such as the Mansion House consultation and the DfE guarantee for FE bodies. Current Issues will return in February but look out for our LGPS 2025 priorities next month. We'll predict the big ticket items across funding, administration, governance and investments that could affect funds in the coming months. Until then, we wish you and your family a very happy Christmas and New Year.

The most wonderful time of the year

2024 has been particularly busy for those involved in running the LGPS. This has been reflected across our communications, with a whopping seven 60-second summaries, 26 briefing notes or similar publications, and 12 webinars being run over the last 11 months. Our festive lookback provides a quick reminder of the key themes in 2024. And, if you need a challenge, we invite you to complete the LGPS wordsearch in under 5 minutes

LGPS consultation – fit for the future

Watch our webinar on-demand where our multi-discipline panel share their thoughts and key takeaways from Chancellor Rachel Reeves' first Budget, delivered on 30 October, and their immediate (within 12 hours!) thoughts on the Mansion House speech. The webinar also covered two items in the Budget of particular interest to LGPS funds – the consultation to bring unused pension benefits and death grants into scope for inheritance tax purposes, and the switch in the measure of public debt for its fiscal targets, which now includes the LGPS. Please click here and here respectively for further details

DfE guarantee

The UK Government, via the Department of Education (DfE), is now providing a LGPS guarantee to certain further education (FE) bodies in England. It doesn't extend to universities. The guarantee is structured in a similar way to the existing one that covers academy trusts and is subject to an annual limit. The wording encourages FE bodies to engage with LGPS funds about how the guarantee will affect their funding strategies, with the DfE expecting the lowest risk employer funding strategies to apply, on a par with academies and local authorities. Some funds are likely to be contacted by affected employers to seek 'inter-valuation' contribution rate reviews ahead of the 2025 valuation. That aside, and given the change in the covenant of these employers, funds themselves may want to be on the front foot and initiate a review of rates payable in 2025/26. Please agree a plan with your Fund Actuary.

Current issues in LGPS – December 2024 edition

How do we make productive finance a success?

In the second publication of our productive finance series, we take a deeper dive into the governmental and historical challenges faced in this area and consider the key success factors and actions that need to happen for it to be a force for good in the UK. The first publication in the series – available here - introduced the concept of productive finance.

COP29

The Conference of the Parties of the UNFCCC met at COP29 in Azerbaijan last month to negotiate global agreements for addressing climate change. The COP faced criticisms around lobbying and the absence of key decision-makers. However, agreements included $300bn per year in climate financing (albeit less than the target $1.3trn). Rules were also agreed to harmonise carbon-credit markets globally, but without the usual consultation, which raised concerns about their rigour. Nevertheless, these decisions will drive capital to climate solutions. The shortfall in scale of action (alongside diminishing US support) highlights the role of asset owners in driving change through capital allocation and stewardship.

A bundle of presents from our 2025 valuations team…

Just like Santa's elves, we've been busy producing lots of goodies for LGPS funds in the lead up to the festive period…

- Those of you who tuned in to (or watched on demand) our October webinar on Employer engagement through the 2025 LGPS valuation will have been eagerly anticipating some further insights on this topic. Two written pieces are now available – a briefing note explaining the importance of employer risk monitoring with sector-specific risks for LGPS funds to be aware of, and a 60 Second Summary outlining the crucial steps for bridging expectation gaps amongst employers and fostering effective collaboration among stakeholders.
- In November we held the third webinar in our 2025 valuation series, this time on Considering climate and longevity risks in your LGPS funding valuation. If you missed it, the recording is now available to watch on demand.
- Many LGPS funds have now begun exploring changes to actuarial assumptions ahead of the 2025 valuation with their actuaries. Setting assumptions is an important part of the process that you don't have to wait to do – speak to your actuary about reviewing them now if you want to get ahead!

Current issues in LGPS – December 2024 edition

Responsible Investment - news and views

Our latest quarterly newsletter considers if RI has kept pace with the rapid advancement of artificial intelligence, and how governance can play an important role to mitigate the environmental impact and control security risks. The update also shines a light on modern slavery and how active stewardship can help to address human rights violations, before finishing with some 'ESG snippets', including the recent launch of the Taskforce on Inequality and Social-related Financial Disclosures (TISFD).

New FSS guidance

On 27 November, the Scheme Advisory Board in England & Wales recommended that its new Funding Strategy Statement guidance, produced in conjunction with CIPFA, be approved by MHCLG. It looks like this guidance will be available prior to the 2025 valuation. The requirements of the new guidance largely reflect the changes we made to FSSs at the 2022 valuation, and so updating these documents at the 2025 valuation should be relatively straight forward. This will allow funds to concentrate on reviewing supplementary funding policies, such as those covering cessations or academies.

Club Vita's latest webinars

As well as providing pension funds with longevity analysis, Club Vita regularly host webinars to explore emerging trends in longevity risk. In its most recent episodes of the popular "The Risk of Living Longer" webinar series, the panellists explored the impact of behavioural change on longevity outcomes (click here) and the possibilities for preventing dementia (click here).

InflationWatch

Our latest quarterly update looks at key indicators that provide clues to the direction of travel on future inflation. It also considers other factors that may an impact, including the US election result, measures announced in the UK's Autumn Budget, interest rates cuts by the Bank of England and energy prices.

Manager benchmarks and performance targets

Mandate	Date appointed	Benchmark description
LGIM Global Equity	31/10/2010	FTSE AW Dev World ex UK Index
LGIM UK Equity	12/06/2012	FTSE All Share Index
Capital Dynamics Private Equity	31/12/2003	MSCI All World +1% p.a
LCIV Baillie Gifford Multi Asset	31/05/2012	BOE Base Rate + 2%p.a
LCIV Ruffer Multi Asset	15/03/2017	BOE Base Rate + 2% p.a
LCIV JP Morgan Emerging Markets	30/11/2018	MSCI Emerging Market Index
Blackrock Acs World Low Crbn	03/09/2021	MSCI World
LCIV Private Debt	22/06/2021	Absolute Return 6-8% p.a
Alinda Infrastructure	31/08/2009	UK CPI + 2% p.a
LCIV Infrastructure	31/10/2012	UK CPI + 2% p.a
Capital Dynamics Infrastructure	31/10/2012	UK CPI + 2% p.a
Fidelity UK Real Estate	22/12/2021	MSCI/AREF UK All Balanced Property
LCIV CQS MAC	30/11/2018	SONIA + 2% p.a
BlackRock UK Gilts Over 15 yrs	05/03/2019	FTSE UK Gilts Over 15 yrs
UBS Triton Property	31/08/2022	MSCI/AREF UK All Balanced Property
LCIV UK Housing Fund	31/03/2024	Absolute Return 6% p.a

 Source: Investment Managers

Glossary - equity manager styles

'Style' refers to the type of stocks a manager will typically research and select for portfolios. It is important to diversify these 'styles' in order to manage concentration risks.

- **Value** – this style tilt considers whether stocks held within the portfolio are discounted relative to their fundamentals, i.e. whether stocks have low market valuations versus current earnings or book value.
- **Growth** – this style tilt considers companies earning potential relative to its industry and the overall market. The key consideration within this factor is a company's potential for growth and therefore commonly used metrics include historical earnings growth and forward earnings growth.
- **Quality** – this style tilt considers companies financial stability. A company's quality can be evaluated using various metrics including: profitability, earnings quality, financial leverage and corporate governance.
- **Volatility** – this style tilt considers the systematic risk of the portfolio relative to the market.
- **Momentum** – this style tilt is based on the premise that stocks that have recently risen or fallen in price will continue to do so in the future.
- **Low volatility** – A low volatility equity manager will aim to construct a portfolio that exhibits significantly lower volatility than the benchmark index (low volatility is a relative, not absolute, term). A low volatility manager will generally target a volatility of around 15% p.a. versus a benchmark that exhibits a 20% p.a. volatility. A low volatility portfolio will generally be constructed through a quantitative assessment of past stock performance and correlation to select stocks that have historically exhibited low levels of volatility.
- **Neutral** - A neutral manager will aim to construct portfolios that have no significant sector or style biases relative to the benchmark index. This is more common in bottom up, in-depth research, managers (sometimes referred to as 'stock pickers') who aim to isolate stocks that are undervalued relative to their peers whilst avoiding taking a position on whether a country or industry itself will out or underperform. For example they might take an overweight position in BP if they believe the stock is fundamentally undervalued but remove their exposure to the more general oil market by compensating with an underweight **position in Shell.**

Glossary

- **Buy-out –** purchase of a more mature company usually as part of a private equity deal.
- **Capital structure** – how a company is financed through equity and debt.
- **Closed-ended -** When an investment fund has a finite lifecycle, money is invested and returned in full to the investor over a defined period (usually 5 – 8 years for private debt)
- **Commitment** – The investment amount initially made to a fund, this is then drawn by the manager over time and invested**.**
- **Dividend –** Annual income paid through holding an equity.
- **Duration** – A measure of the average expected life of an investment that indicates sensitivity to interest rate changes.
- **Indirect – Access and asset via other funds rather than directly.**
- **Information ratio** - This measures the risk-adjusted returns of a fund relative to its respective benchmarks. For active funds, a higher information ratio is better.
- **IRR** - a measure of performance taking into account cashflow.
- **Liquidity** – ability to sell a stock quickly at a known price.
- **MAC** – Multi Asset Credit, an investment fund made up of a mix of different types of debt/credit.
- **Mid-market** – focus on mid-sized companies.
- **Open (closed) ended investment** – Open ended investments have no end date and can be traded. Closed ended cannot usually be traded and have a finite life.
- **Senior secured** - Debt issued at a high level in a company's capital structure secured against company assets.
- **Sub-investment grade** – bond assets rated below investment grade (and therefore higher risk).
- **Tracking error** – This shows the difference in actual performance between a fund and its respective benchmark. This should be lower for passive funds tracking an index compared to active funds where the manager is trying to outperform a benchmark.
- **TVPI** - Total value (distributions plus residual values) divided by paid-in capital. An alternative measure of the return on investment for closed-end funds
- **Volatility** – a measure or risk based on ‘ups and downs’ of stock/portfolio over a period of time.

Growth, Income and Protection

Principal Objectives

Pay benefits
Low, stable contributions

Growth

Generate sufficient returns to keep the cost of the new benefits accruing reasonable

Equities, Private Equity

Income

Identify sources of income in order to generate cash as the Fund requires

Property, Infrastructure
Private debt,
High yielding bonds

Protection

Reduce risk of deficits emerging to protect against increase in secondary rates

Government bonds
Investment Grade corporate bonds
Low risk absolute return bonds

Geometric vs arithmetic performance

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

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

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

Risk warning

This report is addressed to the London Borough of Brent Pension Fund. It should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our prior written consent. We accept no liability where the report is used by, or released or otherwise disclosed to, a third party unless we have expressly accepted such liability in writing. Where this is permitted, the report may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

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