London Borough of Brent Pension Fund

Q2 2025 Investment Monitoring Report

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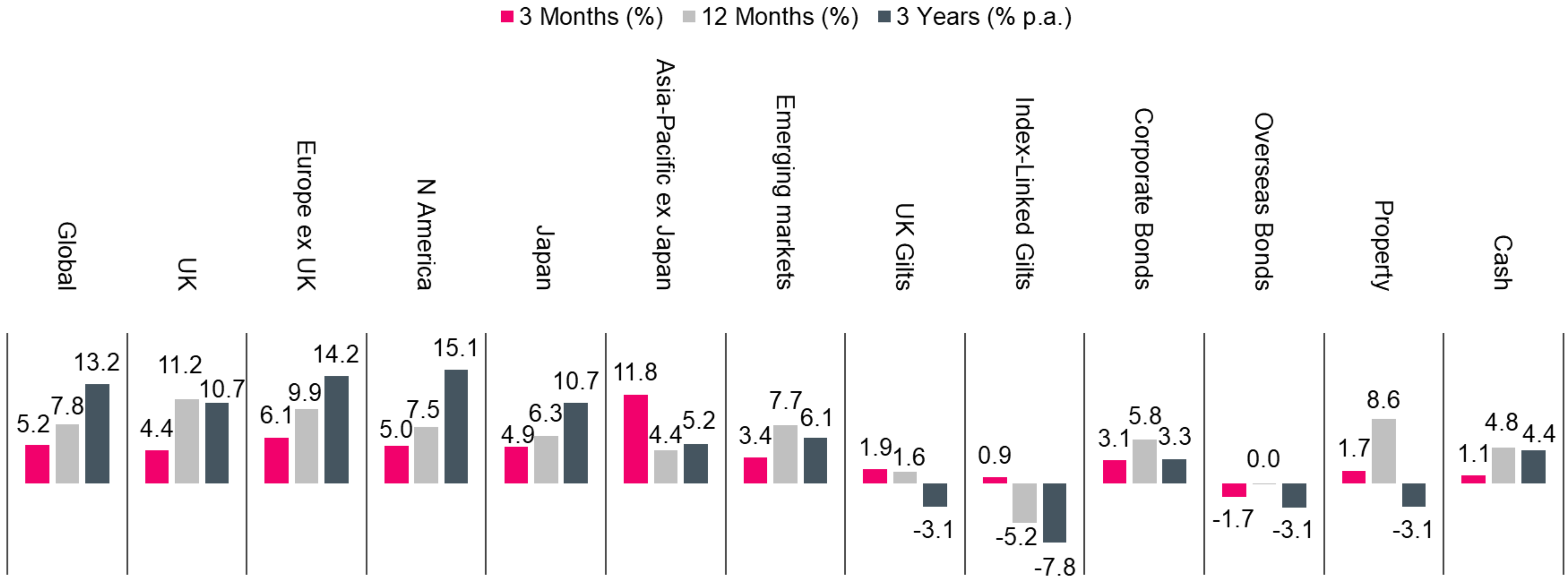
September 2025

Market Background

Historical returns for world markets



Data source: LSEG 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

US GDP contracted 0.5% in Q1 2025, down from 2.4% in Q4. However, this figure was distorted by surging imports before April's tariff announcement, with underlying domestic demand and investment still growing. US companies rushed to buy foreign goods, boosting Q1 GDP data for many economies.

UK annual CPI inflation rose to a greater-than-expected 3.4% in May, driven partly by Ofgem's energy-price-cap hike. US inflation held steady at 2.4%, while the eurozone's rate dipped below the European Central Bank's (ECB) 2% target. Core inflation remained higher at 3.5%, 2.8% and 2.3% in the UK, US and eurozone, respectively.

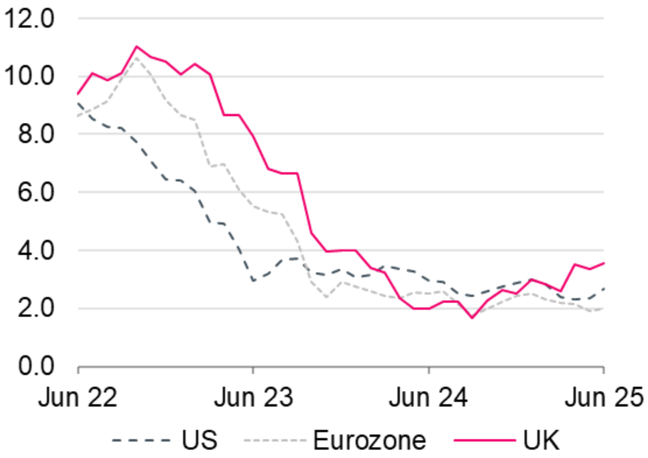
Given ongoing disinflation signs, the ECB cut rates twice more in Q2, to 2.0% pa. The Bank of England (BoE) lowered rates by 0.25% pa, to 4.25% pa, and appears to be looking past the energy-price-driven uptick in inflation. The US Federal Reserve (Fed) held rates at 4.5% pa amid robust employment and growth data. Markets expect a couple more 0.25% pa cuts from the BoE and Fed this year.

On 2 April, the US administration announced larger-than-expected reciprocal tariffs, triggering a drop in global equities and a surge in bond yields as US Treasuries were sold. In response, the US paused tariffs for 90 days and agreed a trade deal with China.

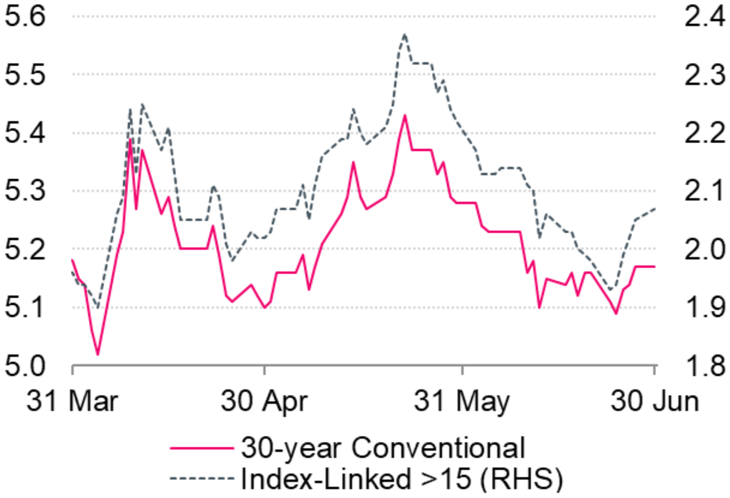
Global equities recovered their losses, rising 9.4% in local-currency terms. Renewed investor confidence and strong earnings supported mega-cap tech stocks. Growth outperformed value, but the former is behind over the year to date.

With its high technology exposure, the US outperformed the global benchmark. Asia Pacific ex Japan outperformed, benefiting from easing trade tensions and a falling US dollar. All other regions delivered positive returns but more markedly underperformed.

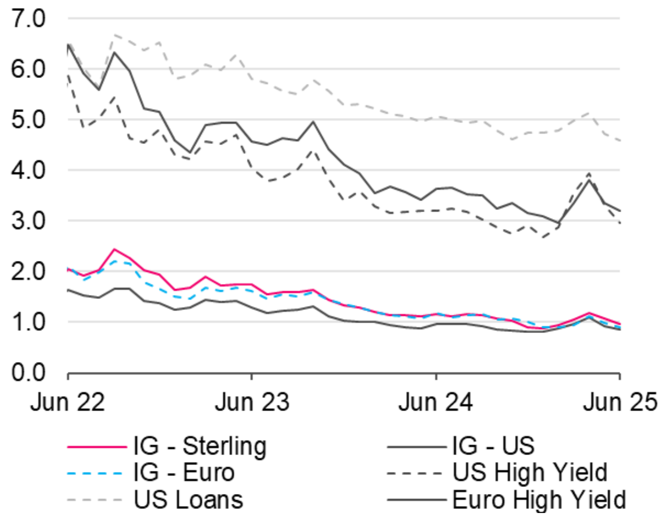
Annual CPI Inflation (% year on year)



Gilt yields chart (% p.a.)



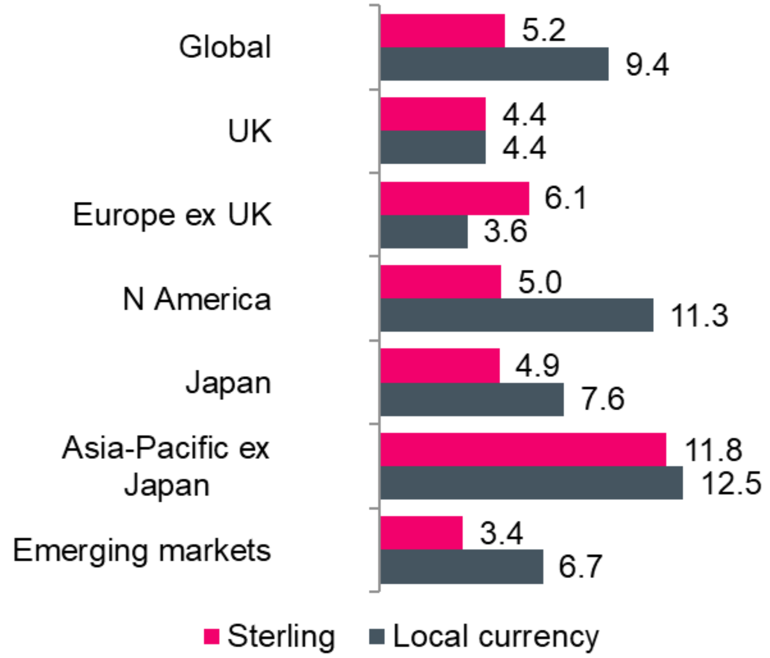
Investment and speculative grade credit spreads (% p.a.)



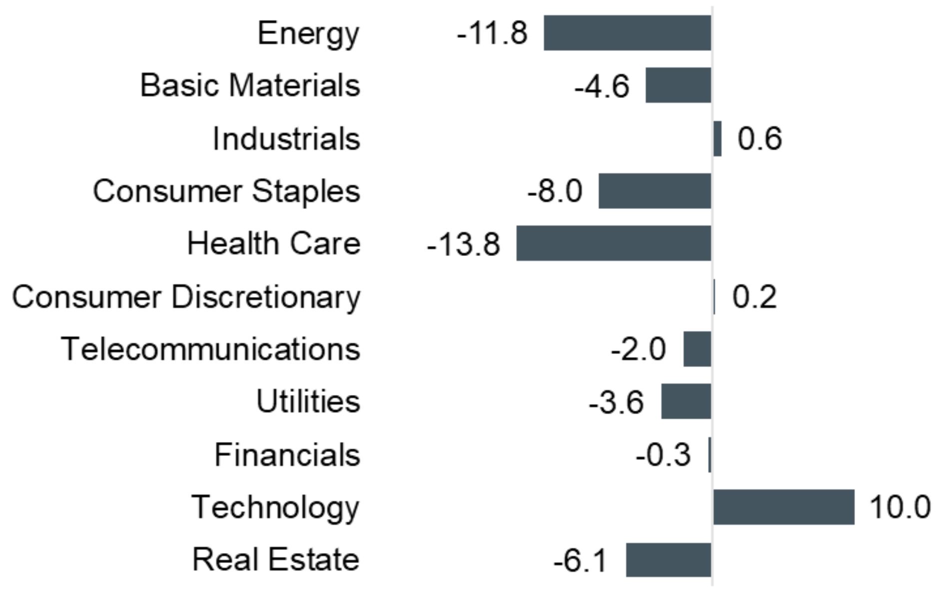
 Data source: LSEG DataStream, Barings, ICE

Market Background

Regional equity returns [1]



Global equity sector returns [2]



Market commentary

Ten-year gilts yields fell 0.2% pa amid downside economic surprises and interest-rate cuts. However, longer-dated gilt yields were little changed, due to concerns about rising bond issuance and waning institutional demand. Thirty-year US and Japanese yields rose 0.2% pa and 0.4% pa, respectively.

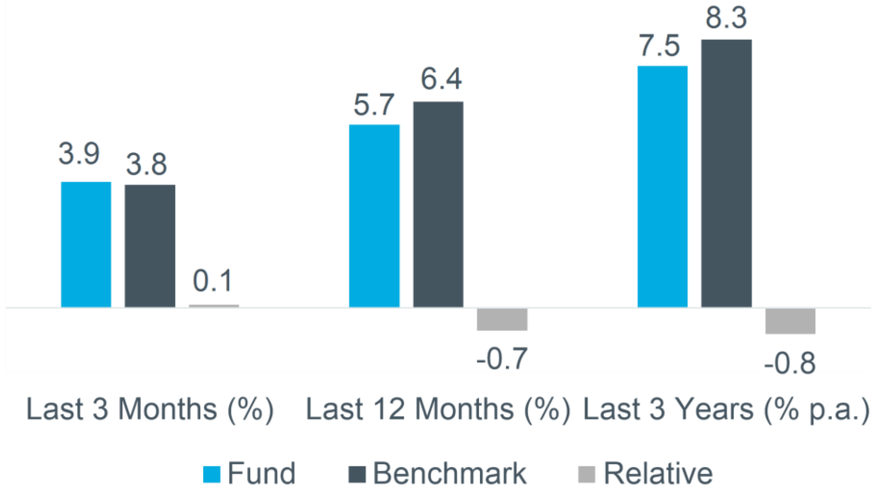
Despite trade ructions, sterling investment-grade spreads ended the quarter only marginally wider, while equivalent US and euro spreads ended lower. Highlighting improved sentiment, US and euro speculative-grade bond spreads ended 0.6% and 0.2% pa tighter, respectively.

The trade-weighted US dollar fell a further 5.0% in Q2 on trade and fiscal policy concerns, while equivalent euro and sterling measures rose 4.0% and 1.2%, respectively. Oil prices spiked amid conflict in the Middle East but fell when a ceasefire was agreed. Oil ended down 9.5% as demand forecasts were lowered and OPEC+ announced production increases. Gold prices rose further, up 5.1% in Q2, amid geopolitical uncertainty and the dollar's decline.

The MSCI UK Property Total Return Index rose 1.7% in Q2 and 8.6% over 12 months, supported by steady income and 2.6% capital growth. Industrial and retail capital values rose 5.3% and 3.0%, respectively, in the 12 months to June, while offices fell by 1.8%.

 Data source: LSEG 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	55.8%	58.0%	-2.2%
Income	27.7%	25.0%	2.7%
Protection	13.1%	15.0%	-1.9%
Cash	3.4%	2.0%	1.4%

Key points to note:

- The Fund has posted a positive return over the quarter, ending the period with a valuation of £1,360.6m, up from £1,320.1m at the end of Q1 2025.
- The Fund's passive global equity mandates were the main contributors to positive returns this quarter, reversing their position as the largest detractor in Q1. UK equities and emerging markets also added gains, while property and credit provided modest support. UK government bonds were broadly flat as long-dated gilt yields showed little movement.
- On a relative basis the Fund outperformed its benchmark by 0.1%. The Fund remains behind its composite benchmark over the past 12 months and over 3 years.
- The LCIV Private Debt II Fund was funded across April and May 2025, valued at £17.1m as of end of Q2 2025.
- The cash held by the Fund decreased over the period to £46.1m.

Source: Northern Trust.

**At the time of writing, the Fund's Q2 2025 funding position is not available. The Fund Actuary is currently carrying out the 2025 formal valuation of the Fund, which is based on updated data and assumptions. As a result, the provision of estimated funding data has been paused while this is underway. This will be resumed once the preliminary valuation results have been discussed with the committee in October.*

Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q1 25	Q2 25			
LGIM Global Equity	536.9	566.1	41.6%	40.0%	1.6%
LGIM UK Equity	83.7	87.3	6.4%	5.0%	1.4%
Capital Dynamics Private Equity	1.5	1.5	0.1%	5.0%	-4.9%
LCIV JP Morgan Emerging Markets	61.4	65.2	4.8%	5.0%	-0.2%
Blackrock Acs World Low Crbn	36.5	38.7	2.8%	3.0%	-0.2%
Total Growth	**720.0**	**758.8**	**55.8%**	**58.0%**	**-2.2%**
LCIV Baillie Gifford Multi Asset	101.8	104.1	7.7%	6.0%	1.7%
LCIV Ruffer Multi Asset	96.0	97.5	7.2%	6.0%	1.2%
Alinda Infrastructure	15.9	15.4	1.1%	0.0%	1.1%
Capital Dynamics Infrastructure	2.1	2.1	0.2%	0.0%	0.2%
LCIV Infrastructure	54.2	57.2	4.2%	5.0%	-0.8%

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

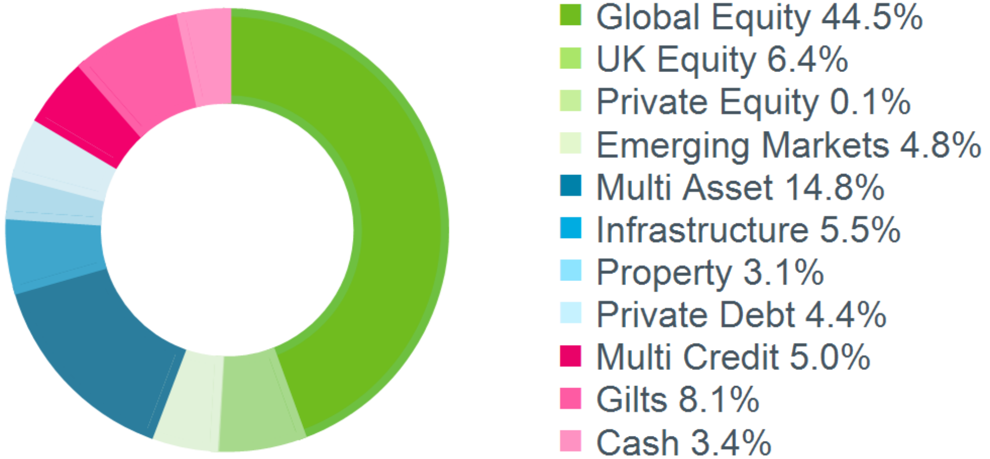
Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q1 25	Q2 25			
Fidelity UK Real Estate	14.9	15.0	1.1%	1.5%	-0.4%
UBS Triton Property	11.3	11.3	0.8%	1.5%	-0.7%
LCIV UK Housing Fund	15.2	15.2	1.1%	0.0%	1.1%
LCIV Private Debt	40.2	42.6	3.1%	5.0%	-0.6%
LCIV Private Debt II	0.0	17.1	1.3%		
Total Income	**351.6**	**377.5**	**27.7%**	**25.0%**	**2.7%**
LCIV CQS MAC	66.6	68.3	5.0%	5.0%	0.0%
BlackRock UK Gilts Over 15 yrs	108.3	109.8	8.1%	10.0%	-1.9%
Total Protection	**175.0**	**178.1**	**13.1%**	**15.0%**	**-1.9%**
Cash	63.6	46.1	3.4%	2.0%	1.4%
Total Scheme	**1,310.1**	**1,360.6**	**100.0%**	**100.0%**	

The target allocations were agreed in June 2023 as part of the last investment strategy review. The benchmark currently shown reflects the interim target allocation, representing the first step in the journey toward the long-term target. As the Fund's allocations and commitments to private markets increase over time, we will gradually transition to comparing against the long-term target.

 Source: Northern Trust.

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 investment period for LCIV Private Debt fund I ended in March 2025. The fund is now expected to move into its distribution phase.
- The first capital call for LCIV Private Debt Fund II was met on 30 April, and the holding was valued at £17.1 million as at 30 June. This forms part of the £45 million commitment made in February 2025, which will continue to be drawn down gradually as further calls are made.

Source: Northern Trust.
**Total may not round to 100% due to rounding.*

Manager performance

	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
LGIM Global Equity	5.5	5.5	**0.0**	7.6	7.7	**-0.1**	13.9	14.1	**-0.2**
LGIM UK Equity	4.4	4.4	**0.0**	11.1	11.2	**0.0**	10.7	10.7	**0.0**
LCIV JP Morgan Emerging Markets	6.2	5.5	**0.7**	6.0	6.3	**-0.3**	4.3	5.4	**-1.0**
Blackrock Acs World Low Crbn	6.1	5.0	**1.1**	7.5	7.2	**0.2**	14.1	13.6	**0.4**
Growth									
LCIV Baillie Gifford Multi Asset	2.3	1.6	**0.7**	8.0	6.7	**1.2**	4.4	6.4	**-1.9**
LCIV Ruffer Multi Asset	1.6	1.6	**0.0**	4.1	6.7	**-2.4**	1.3	6.4	**-4.8**
Alinda Infrastructure	-4.4	2.2	**-6.5**	9.7	5.6	**4.0**	11.2	6.5	**4.5**
Capital Dynamics Infrastructure	-1.1	2.2	**-3.2**	-12.8	5.6	**-17.4**	-7.1	6.5	**-12.8**
LCIV Infrastructure	2.9	2.2	**0.6**	9.2	5.6	**3.4**	7.9	6.5	**1.3**

 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 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
Fidelity UK Real Estate	1.1	1.5	**-0.3**	13.0	6.8	**5.8**	-3.3	-4.1	**0.8**
UBS Triton Property	0.5	1.5	**-1.0**	3.3	6.8	**-3.2**	-	-	**-**
LCIV UK Housing Fund	0.1	1.5	**-1.4**	-0.5	6.0	**-6.1**	-	-	**-**
LCIV Private Debt	10.0	1.5	**8.4**	11.0	6.0	**4.7**	10.7	6.0	**4.4**
LCIV Private Debt II	-	-	**-**	-	-	**-**	-	-	**-**
Income									
LCIV CQS MAC	2.5	1.6	**0.9**	8.7	6.9	**1.7**	8.5	6.5	**1.9**
BlackRock UK Gilts Over 15 yrs	1.4	1.4	**0.0**	-4.2	-4.3	**0.1**	-10.1	-10.1	**0.0**
Protection									
Total Scheme	3.9	3.8	**0.1**	5.7	6.4	**-0.7**	7.5	8.3	**-0.8**

Note: Performance from Capital Dynamics' private equity allocation is not shown and has been excluded from the total performance calculations. The LCIV Private Debt II Fund was initially funded on 30/04/2025

 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 Fund delivered a return of 3.9% in Q2 2025, outperforming the benchmark by 0.1%.

Global equities rebounded in Q2, led by large US technology companies, with Asia (ex-Japan) also performing well. Emerging markets posted positive returns, helped by easing trade tensions and a weaker US dollar, which supported investor confidence. All equity allocations performed well in this environment, including the LGIM Global Equity and LGIM UK Equity allocations, with the LCIV JP Morgan emerging markets allocation the strongest performer this quarter.

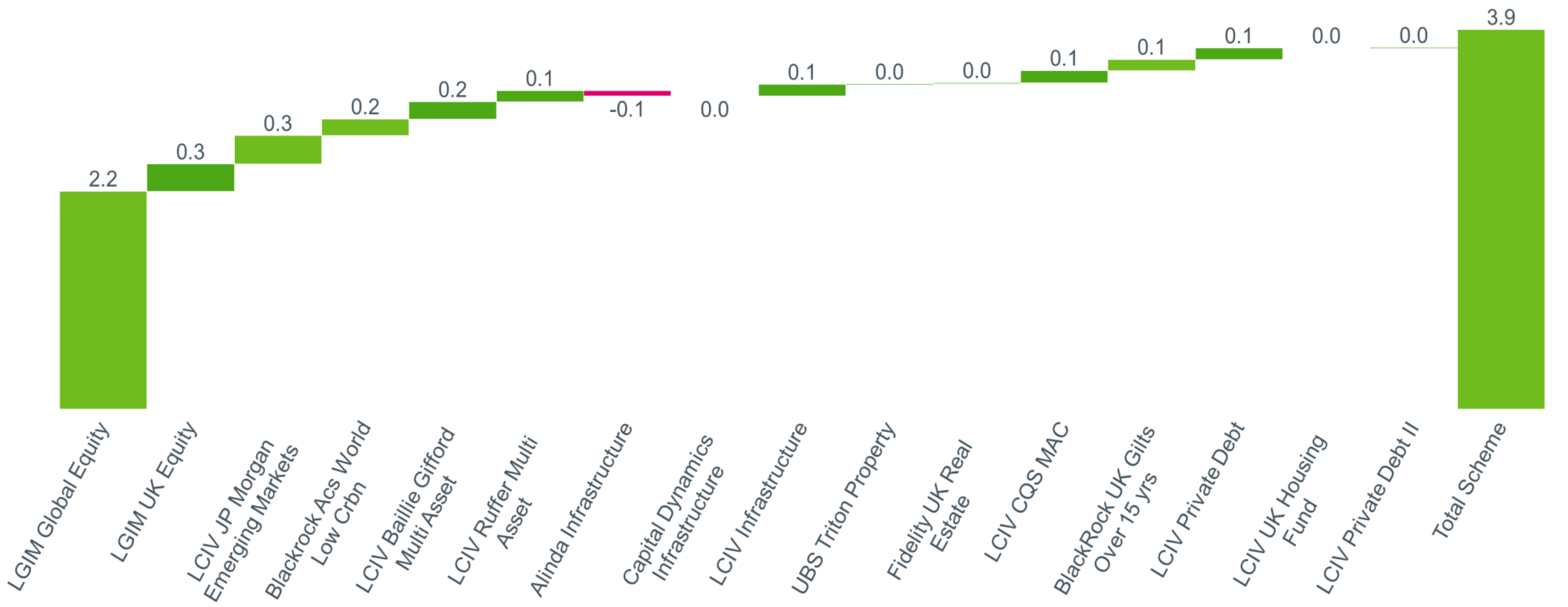
Government borrowing costs for medium-term UK gilts fell slightly, which lifted bond prices and provided a small gain for the BlackRock Gilts mandate. Very long-term yields were broadly unchanged, leaving long-dated gilts close to flat overall.

Credit markets were calmer, with risk premiums narrowing in the US and euro areas while sterling investment-grade spreads were broadly steady. This supported the LCIV Multi-Asset Credit fund.

Within real assets, UK property delivered another modest positive return, with industrial and retail sectors ahead of offices. This supported the property allocation. The Capital Dynamics infrastructure exposure remains small and in run-off, so its effect on overall results was limited.

The combination of rising equities and steadier bond markets during the quarter was also supportive for the LCIV Baillie Gifford and Ruffer multi-asset allocations.

Fund performance by manager



The chart above illustrates the contribution of each mandate to the Fund's absolute performance over the second quarter of 2025, based on their respective allocations.

Positive contributions came from the LGIM Global Equity fund, which was the largest driver of returns this quarter after being the main detractor in Q1. Additional gains came from the LGIM UK Equity fund, the LCIV JP Morgan Emerging Markets fund, and the LCIV Baillie Gifford and Ruffer Multi-Asset funds, alongside steady contributions from property and credit allocations.

The only notable detractor was the Alinda Infrastructure fund, although its impact was minimal given its small weighting.

 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 – August 2025 edition

The summer holidays don't mean a rest for national level changes which will likely affect LGPS funds. And there's no rest for those involved with the valuation or accounting exercises!

Access and fairness consultation – our response

We have published our draft response ahead of the closure of MHCLG's 'Access and fairness' consultation on 7 August. This sets out our thoughts on the proposals and highlights some of the practical issues which we believe will need to be considered. As many of the amendments would require retrospective changes, we believe clear and practical implementation expectations would need to be set out by the government so that LGPS funds can deliver the changes in an efficient and effective way. Our prior Briefing Note, providing a detailed overview of the proposals, can be read here.

A tool to tackle English devolution

The deadlines for councils in the priority devolution areas to submit final proposals to the government will soon be here, with submissions due by 26 September. For those not in priority areas, it will soon be your turn, with submissions due by 28 November. To help funds navigate through this significant exercise, we're developing a Devolution Toolkit. As well as identifying all the activities you'll need to keep an eye on, it will help to structure workloads and pick out times when your fund's resources may become stretched. Our dedicated Project Manager team can help you through the changes, no matter what form devolution takes in your local area. Please speak to your usual Hymans contact for further details.

Inheritance tax on pensions

In some rare welcome news for busy LGPS administrators, the government has announced a new approach to the inheritance tax (IHT) charge on death benefits that is due to take effect from 6 April 2027. It has decided to switch tack and make personal representatives (not scheme administrators) liable for reporting and paying any IHT due. Our blog provides an overview of the key changes that were contained in the announcement.

Current issues in LGPS – August 2025 edition

LGPS benchmarking salary survey

We have recently launched our salary and benefits benchmarking survey. Our aim is to build a comprehensive and LGPS-specific data set to ensure that LGPS funds have the evidence and data they need when undertaking workforce planning. Alongside salaries for around 20 roles across the breadth of LGPS pensions teams, we will also be asking for information relating to other benefits offered (e.g. cycle to work scheme), training or additional qualifications and working from home policy. All funds who take part will receive a free summary report, detailing Current issues in LGPS 2 salary benchmarks for a few of the roles. There will also be the opportunity to receive a more detailed report which covers all of the roles and additional information collected in the survey. The survey will remain open until the end of August. Funds can sign up now, by registering an interest here.

Pensions adequacy: the Gender Pensions Gap in the LGPS

Awareness and discussion of the Gender Pensions Gap (GPG) in the LGPS space has been picking up at pace. With the Access and Fairness Consultation being followed by the UK Government announcing a new Pensions Commission to improve future pension outcomes, GPG and pensions adequacy are now rightly receiving the attention they deserve. Our first briefing note in our Pensions Adequacy series explores the results from analysis we have carried out into the GPG for a number of LGPS funds.

Spotlight on Responsible Investment:

CTAP-ping into the desire for climate resilience

The UK government is consulting on making 'Climate Transition Plans' mandatory for UK financial firms, including providers/asset managers and pension funds. The idea is to improve the availability of decision-useful information to help asset owners and companies decarbonise and improve climate resilience. There are no timescales outlined in this first consultation phase, but if you'd like to take action, you might consider developing your own climate transition action plan (CTAP) ahead of the regulatory requirement. Our recent webinar has some practical guidance. And of course, you can engage with asset managers on their climate risk plans.

What does effective engagement look like?

In a landscape where asset manager activity is changing, it's vital to ensure investors' expectations and longterm interests are met – and now is an important time to refocus those efforts. Investor resource is finite, so engagement should be focused to best fulfil responsibilities. We encourage investors to focus on building and implementing an effective stewardship framework. What does that framework look like? Some ideas are here.

Current issues in LGPS – August 2025 edition

Fuelling the debate on fossil fuels

Investment in fossil-fuel companies is an issue that often attracts ire from activists, and funds are under pressure to respond. Many want to see capital withdrawn from fossil-fuel companies and redirected to more sustainable investments. To get a better handle on this issue, we recently undertook a project with an LGPS fund to explore the implications of creating exclusionary policies based on varying definitions of a fossil-fuel company. We started with different definitions of energy companies, including the type of reserves owned and exploited, and the nature of the underlying activity. The full case study is here.

Fiduciary duty and sustainability – what do you need to know?

When it comes to making decisions relating to climate change, local investment and sustainability, the question of fiduciary duty often comes up. We know that funds should take account of financial factors, but to what extent do ESG considerations count as such? To start with, many issues that initially seem non-financial are, on closer examination, in fact financial. There's also an emerging view that pension schemes can (but are not required to) take account of issues such as member standards of living, broader best interests and the impacts of firms in which schemes invest. We explore this issue in more depth here.

Spotlight on the actuarial valuations:

2025 valuations (England & Wales)

It's all systems go for English & Welsh valuations with funds submitting data throughout July. We have our first cab off the rank with initial fund results being issued and we expect many more to follow in the coming weeks. Current issues in LGPS 3 2025 promises to be an interesting valuation year and we will be discussing initial results, early insights and the big themes from our view across the LGPS in our upcoming webinar on 2nd September. Look out for the invites coming soon. Consulting on the updated Funding Strategy Statement (FSS) is an important part of the valuation exercise. As well as communicating this to employers in the fund, the recent LGPC bulletin reminded funds to consider whether the Department for Education (DfE), as guarantor for Academies and Further Education bodies, should be included in the consultation exercise. The DfE has set up a specific email address for this purpose: LGPS.WORKINGGROUP4@education.gov.uk.

2026 valuations (Scotland)

It's now only 8 months until the Scottish 2026 valuations officially kick off and preparations are ramping up. As funds finalise year end processes, now is the perfect time to turn attention to the upcoming valuation to get all your ducks in a row. We will be working closely with our funds to cleanse data and put plans together for a successful valuation. Look out for more information coming soon or speak to your Hymans contact for further information on what to expect and when.

Current issues in LGPS – August 2025 edition

Accounting surpluses on the horizon

Having just passed the 31 July FRS102 reporting date for colleges and universities, early indications suggest that net asset (surplus) positions will be even more common at 2025 than 2024. The biggest driver of this is the increase in the corporate bond yield, which is used to determine the discount rate for financial reporting. This higher discount rate means that obligations (liabilities) at this year-end will likely be lower than last year. However, the overall net position will depend on individual pension fund (and individual investment strategy) performance over the year. To speak to our accounting experts about dealing with net asset (surplus) positions, please reach out to LGPSCentralAccountingTeam@hymans.co.uk.

And now for something completely different…Design Thinking

In the next blog in his series about Design Thinking, our LGPS digital expert Chris shows how defining the right problem to solve is the most critical – but often most overlooked – step in the design process. Moving beyond empathy, he explores the ‘Define’ stage, and how we can turn user insights into clear, actionable problem statements that align teams, focus decisions, and prevent wasted effort.

Events, webinars & training

Reset Connect, London Climate Action Week 2025

As London Climate Action Week got underway, we joined the Reset Connect conference, which brought together sustainability leaders, innovators and decision-makers to address climate change and drive impactful transformation. We have collated some of the key highlights we took from the day. Our Biodiversity Lead, André Ranchin, also contributed his views in two insightful talks on issues impacting the ocean and marine biodiversity.

Manager benchmarks and performance targets

Mandate	Date appointed	Benchmark description
LGIM Global Equity	31/10/2010	FTSE All World Developed ex UK
LGIM UK Equity	12/06/2012	FTSE All Share
LCIV JP Morgan Emerging Markets	30/11/2018	MSCI Emerging Markets
Blackrock Acs World Low Crbn	03/09/2021	MSCI World
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.
Alinda Infrastructure	31/08/2009	UK CPI +2% p.a.
Capital Dynamics Infrastructure	31/10/2012	UK CPI +2% p.a.
LCIV Infrastructure	31/10/2012	UK CPI +2% p.a.
Capital Dynamics Private Equity	31/12/2003	MSCI All World +1% p.a
LCIV Private Debt	22/06/2021	Absolute BM 6%
LCIV Private Debt II	30/04/2025	Absolute BM 6%
LCIV UK Housing Fund	31/03/2024	Absolute BM 6%
Fidelity UK Real Estate	22/12/2021	MSCI/AREF UK All Balanced Property
UBS Triton Property	31/08/2022	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	FTA UK Gilts Over 15 yrs

 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 provided to the Pension Fund Investment Panel of the London Borough of Brent Pension Fund in our capacity as your investment adviser. Its purpose is to assist the Committee with their monitoring of the Fund's investments. The report shows how the assets have performed over various time periods, on an absolute basis and relative to the agreed benchmarks, in the context of general market movements. It also shows how the asset allocation compares with the Fund's strategic target allocation. The report may contain fund and fund manager specific research ratings and comments based on the views of our investment research team. Please speak to your investment adviser before taking any investment decisions or actions. They will advise whether formal investment advice is necessary, including a risk assessment and investment suitability information where appropriate. No investment decisions should be taken based solely on the contents of this report.

The report 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.

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.