

London Borough of Brent Pension Fund

H2 2025 Investment Monitoring Report - Public

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Market Background

Market update

Global growth signalled resilience in the third quarter (Q3), after a volatile first half of the year, with tariffs distorting some economies' GDP readings. Full-year global growth forecasts for 2025 were revised up, matching 2024's 2.7%.

Tariffs modestly lifted US inflation in Q3, but the annual CPI rate slowed to 2.7% in December, unchanged from June. UK inflation peaked in September and has slowed to 3.4%, as wage growth and service-sector price pressures moderated. Eurozone inflation is less pronounced, dipping below target in December (1.9%).

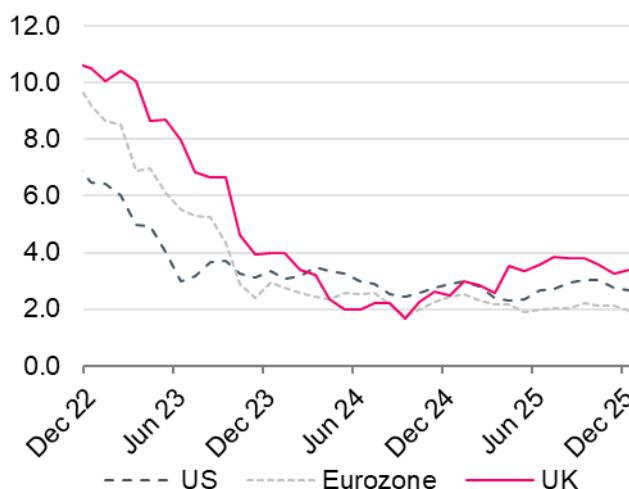
The US Federal Reserve (Fed) and the Bank of England lowered borrowing costs to 3.50–3.75% pa and 3.75% pa, respectively, amid labour market weakness. The European Central Bank held rates at 2.0% through the second half of the year (H2), as inflation neared target. The Bank of Japan raised rates to 0.75% pa in December (a 30-year high), addressing inflation and wage growth.

UK 10-year yields were little changed (4.5% pa), but 30-year yields fell 0.3% pa, to 5.2% pa, as the Autumn Budget boosted fiscal headroom. US 10-year yields eased 0.1% pa, to 4.2% pa. German (2.9% pa) and Japanese (2.1% pa) 10-year yields rose 0.3% pa and 0.6% pa, to 2.9% pa and 2.1% pa, on expectations of higher bond issuance.

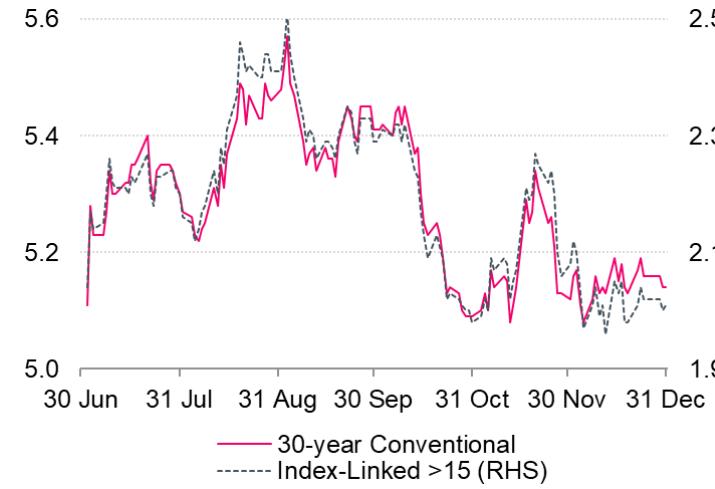
The trade-weighted US dollar and sterling declined 0.2% and 1.6%, respectively, as markets raised their rate-cut expectations. The yen fell 8.0%, as concerns over Japan's debt sustainability outweighed higher yields and tighter monetary policy. The euro rose 0.4% in H2, supported by asset flows and narrower interest-rate differentials.

Gold prices rose 31.7% on expectations of lower US interest rates, central-bank purchases and strong retail demand. Oil prices fell 10.1% amid indications of a growing surplus.

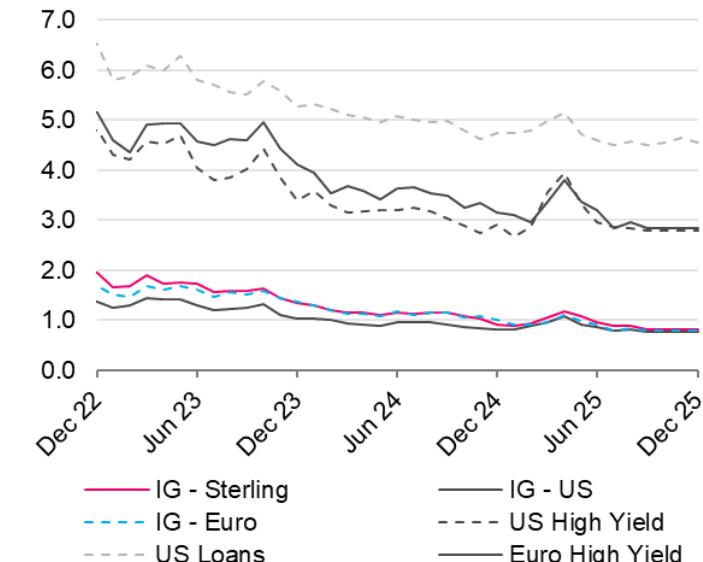
Annual CPI Inflation (% year on year)



Gilt yields chart (% p.a.)

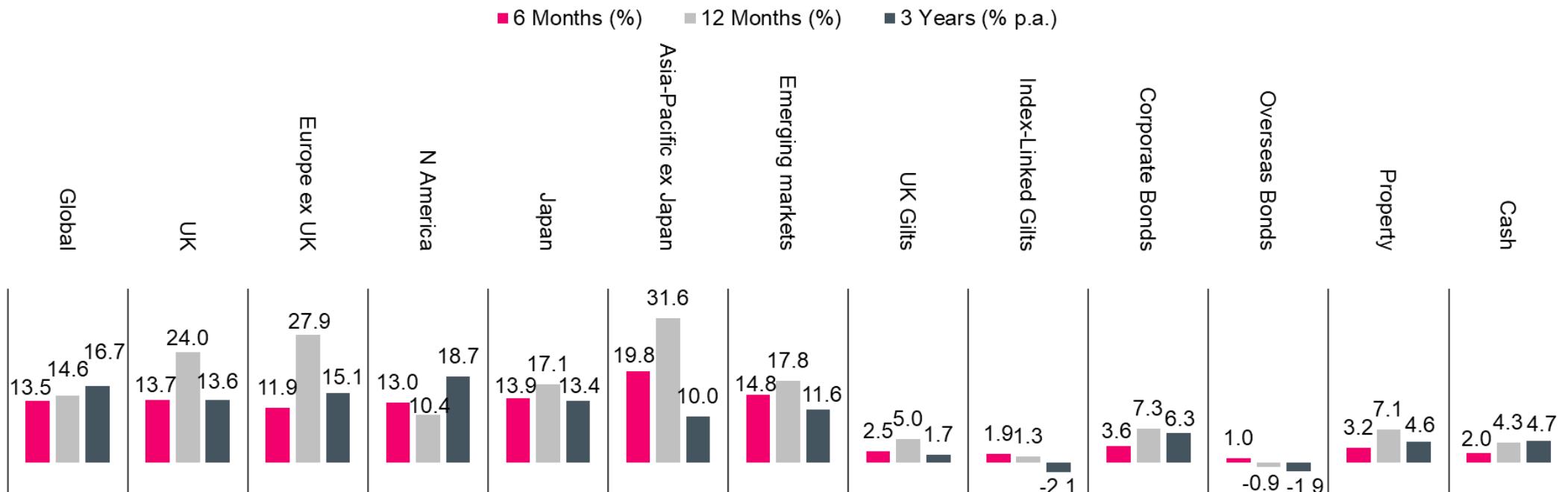


Investment and speculative grade credit spreads (% p.a.)



Market Background

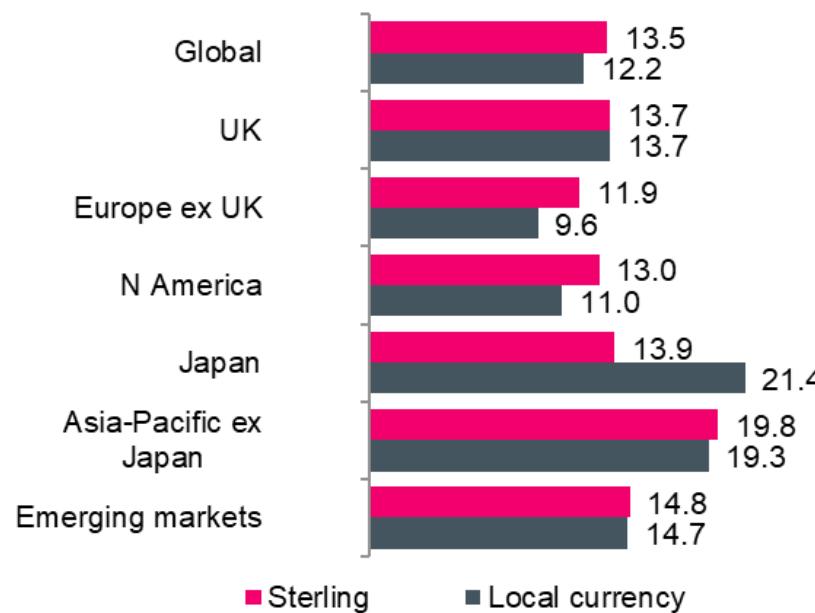
Historical returns for world markets



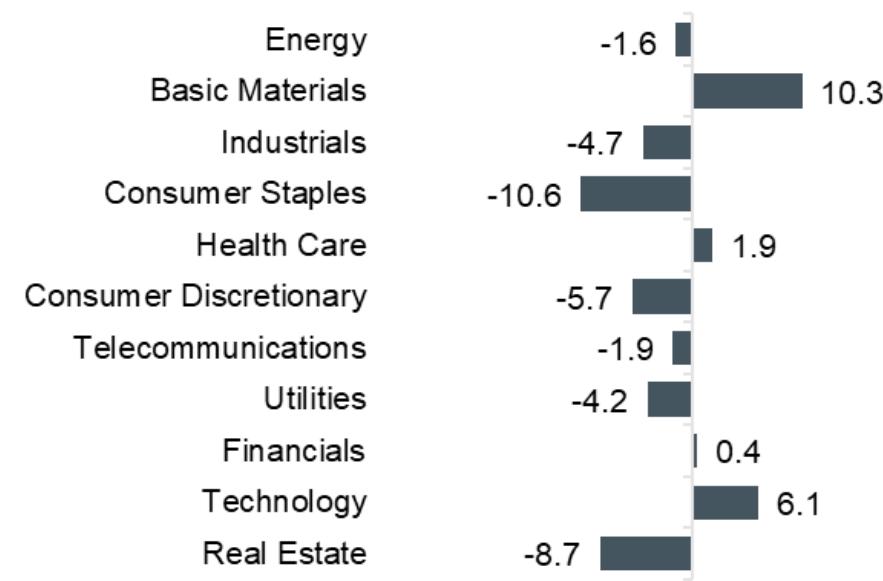
Data source: LSEG DataStream. Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, ICE BofA Global Government Index, MSCI UK Monthly Property; UK SONIA.

Market Background

Regional equity returns ^[1]



Global equity sector returns ^[2]



Market commentary

Global equities rose 12.2% in H2, as trade tensions subsided and as corporate earnings, AI investment, rate cuts and expected fiscal stimulus buoyed markets. Four of eleven sectors (basic materials, tech, healthcare and financials) outperformed.

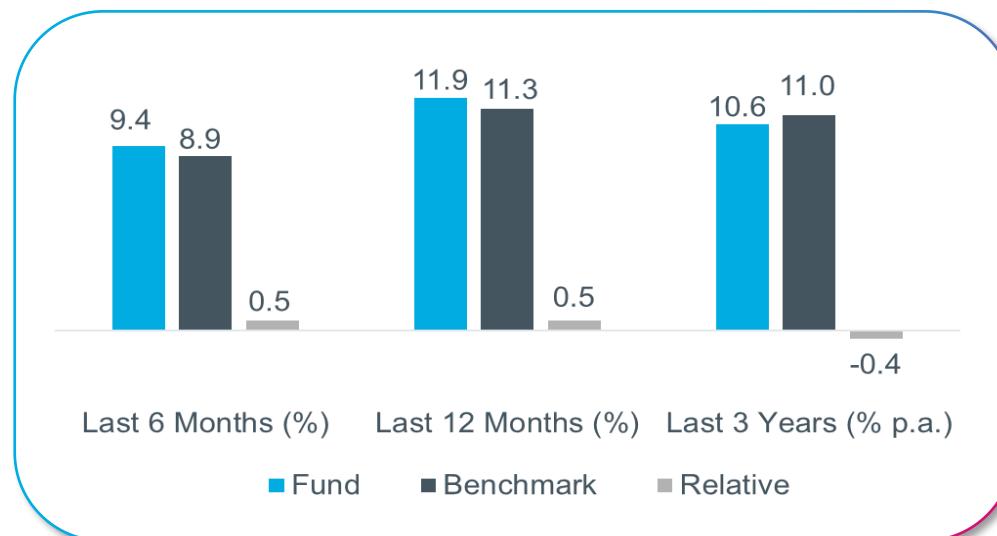
Developed Asia Pacific led gains, driven by its role in the semiconductor manufacturing chain and yen weakness, alongside hopes of Japanese fiscal stimulus. Easing trade tensions and falling US rates lifted emerging markets. UK equities outperformed; above-average exposure to outperforming sectors compensated for the limited tech weighting.

While growth (12.8%) outperformed value (11.0%) elsewhere, it underperformed in the US amid concerns over valuations and debt-funded capex. Consumer discretionary stocks were impacted, as companies absorbed tariff costs and weaker job growth hurt demand. Europe ex UK ranked bottom, given its below-average tech sector exposure and as euro strength, tariffs and increased Chinese competition weighed on manufacturing.

The MSCI UK Monthly Property Total Return Index rose 3.2% in H2, as income was supplemented by 0.4% gain in capital values. The sectoral trend continued: industrial (1.1%) and retail (0.9%) capital values grew, more slowly, while offices fell (1.7%).

⁴ 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	58.0%	58.0%	0.0%
Income	26.4%	25.0%	1.4%
Protection	12.4%	15.0%	-2.6%
Cash	3.2%	2.0%	1.2%

Key points to note:

- The Fund has posted a positive return over the second half of 2025, ending the period with a valuation of £1,491.7m, up from £1,360.6m at the end of Q2 2025.
- The Fund's passive global equity mandates were again the main contributors to the total return over the period, with UK equities also performing well. Emerging market equities provided very strong performance over the period. The multi-asset funds provided steady support, and the multi-asset credit and gilts funds delivered modest positive returns over the period.
- On a relative basis the Fund outperformed its benchmark by 0.5% over the period, but is slightly behind its composite benchmark over the past 3 years.
- The new allocation to the LGIM Future World Global Equity Index Fund was implemented in Q4 2025, funded by a reallocation from the LGIM Global Equity Fund. Investing in the LGIM Future World Global Equity Index Fund will lead to an immediate reduction in the Fund's carbon emissions with further reductions anticipated in future, supporting the Fund's net zero ambitions.
- The cash held by the Fund rose from £46.1m to £47.9m.

Source: Northern Trust.

5 *At the time of writing, the Fund's Q4 2025 funding position is not available. The Fund Actuary is currently finalising the 2025 actuarial valuation of the Fund, which is based on updated data and assumptions. The provision of estimated funding level data has been paused while this work is underway.

Asset allocation

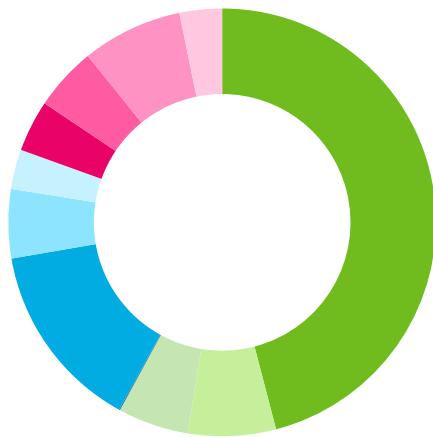
	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q2 25	Q4 25			
LGIM Global Equity	566.1	183.4	12.3%		
LGIM Future World Global Equity Index Fund	0.0	458.1	30.7%	40.0%	3.0%
Blackrock Acs World Low Crbn	38.7	43.9	2.9%	3.0%	-0.1%
LGIM UK Equity	87.3	99.3	6.7%	5.0%	1.7%
LCIV Emerging Markets	65.2	79.6	5.3%	5.0%	0.3%
Capital Dynamics Private Equity	1.5	1.3	0.1%	5.0%	-4.9%
Total Growth	758.8	865.5	58.0%	58.0%	0.0%
LCIV Baillie Gifford Multi Asset	104.1	110.4	7.4%		
LCIV Ruffer Multi Asset	97.5	102.4	6.9%	12.0%	2.3%
Alinda Infrastructure	15.4	15.0	1.0%		
Capital Dynamics Infrastructure	2.1	2.0	0.1%	5.0%	0.2%
LCIV Infrastructure	57.2	60.7	4.1%		

Asset allocation

	Valuation (£m)		Actual Proportion	Benchmark	+ / -
	Q2 25	Q4 25			
Fidelity UK Real Estate	15.0	14.6	1.0%		
UBS Triton Property	11.3	11.4	0.8%	3.0%	0.0%
LCIV UK Housing Fund	15.2	18.7	1.3%		
LCIV Private Debt	42.6	44.7	3.0%		
LCIV Private Debt II	17.1	13.4	0.9%	5.0%	-1.1%
Total Income	377.5	393.5	26.4%	25.0%	1.4%
LCIV MAC	68.3	71.5	4.8%	5.0%	-0.2%
BlackRock UK Gilts Over 15 yrs	109.8	113.4	7.6%	10.0%	-2.4%
Total Protection	178.1	184.9	12.4%	15.0%	-2.6%
Cash	46.1	47.9	3.2%	2.0%	1.2%
Total Scheme	1,360.6	1,491.7	100.0%	100.0%	

Note: 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. These will be updated once the new Investment Strategy Statement is in place, on completion of the 2025/26 investment strategy review.

Asset class exposures*



- Global Equity 45.9%
- UK Equity 6.7%
- Emerging Markets 5.3%
- Private Equity .1%
- Multi Asset 14.3%
- Infrastructure 5.2%
- Property 3.0%
- Private Debt 3.9%
- Multi Credit 4.8%
- Gilts 7.6%
- Cash 3.2%

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%

LGIM Future World Global Equity Index fund

The Fund has shown a desire to develop its climate ambitions through development of its Net Zero roadmap. During 2024, the Committee considered options for replacing the Fund's global equity mandates to assist the Fund in meeting its net zero ambitions. The Committee selected the LGIM Future World Global Equity Index Fund and the LCIV PEPPA fund (short for Passive Equity Progressive Paris-Aligned). These investments, once complete, will lead to an immediate reduction in the Fund's carbon emissions with further reductions expected in future. The replacement funds selected also provide improved alignment with the Fund's Responsible Investment priorities. The investment in the LGIM Future World Global Equity Index Fund was completed during the final quarter of 2025, and the investment in the LCIV PEPPA fund is expected to be completed in early 2026.

8 Source: Northern Trust.

*Total may not round to 100% due to rounding.

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	13.2	13.3	-0.1	13.8	13.9	-0.1	17.2	17.4	-0.2
LGIM Future World Global Equity Index Fund*	-0.4	-0.4	0.0	-	-	-	-	-	-
Blackrock Acs World Low Crbn	13.3	12.7	0.6	12.5	12.8	-0.3	17.2	16.7	0.4
LGIM UK Equity	13.7	13.7	0.0	24.0	24.0	0.0	13.6	13.6	0.0
LCIV Emerging Markets	22.0	18.0	3.4	27.6	24.4	2.6	10.1	12.1	-1.8

Growth

LCIV Baillie Gifford Multi Asset	6.1	2.9	3.1	10.9	6.2	4.4	7.1	6.7	0.4
LCIV Ruffer Multi Asset	5.0	2.9	2.0	10.1	6.2	3.6	0.7	6.7	-5.6
Alinda Infrastructure	5.2	1.8	3.3	-2.3	5.3	-7.2	10.6	5.3	5.0
Capital Dynamics Infrastructure	-2.1	1.8	-3.8	-6.0	5.3	-10.7	-2.1	5.3	-7.0
LCIV Infrastructure	2.9	1.8	1.0	6.7	5.3	1.3	6.4	5.3	1.0

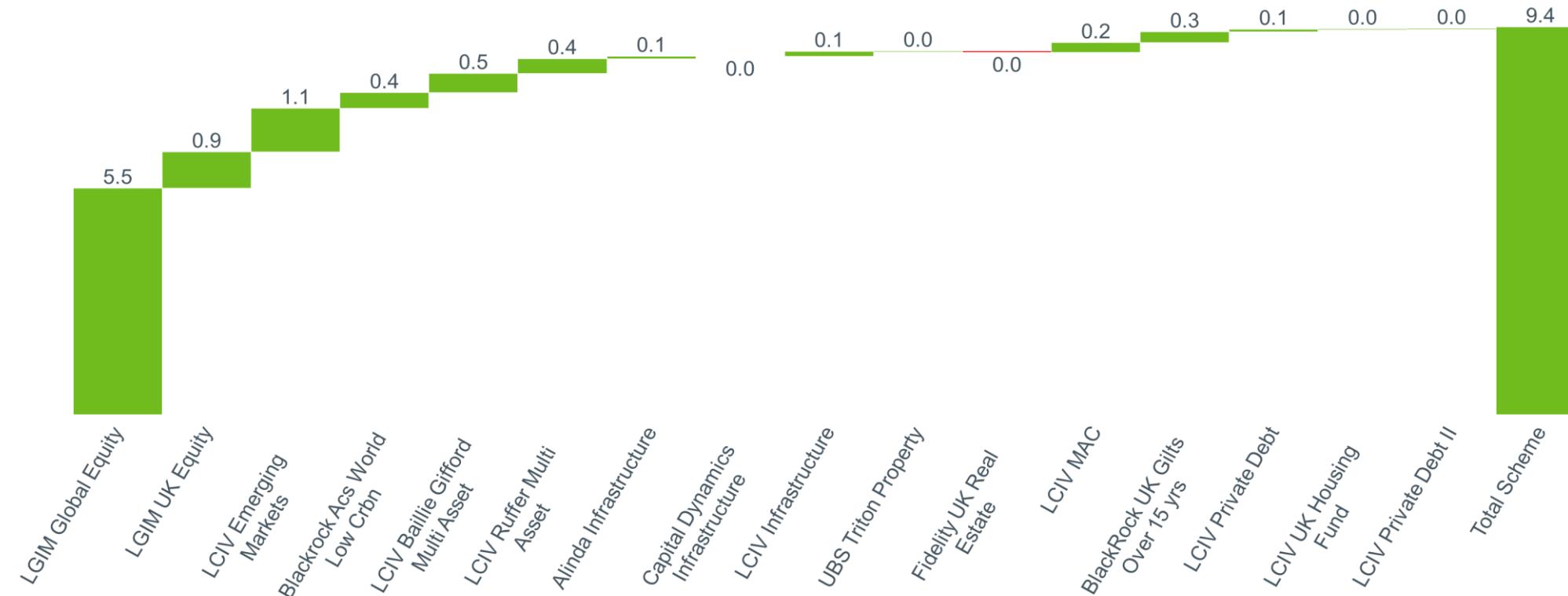
*LGIM Future World Fund funded in December 2025, showing since inception performance figures, as 6-month performance not yet available. Due to the unavailability of fund returns, the benchmark return has been used as a proxy (Solactive L&G ESG Global Markets Index).

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	-2.8	2.0	-4.7	0.1	5.1	-4.7	0.5	3.0	-2.4
UBS Triton Property	2.4	2.0	0.4	4.9	5.1	-0.2	3.0	3.0	0.0
LCIV UK Housing Fund	0.7	3.0	-2.2	0.7	6.0	-5.0	-	-	-
LCIV Private Debt	2.1	3.0	-0.9	12.2	6.0	5.9	6.2	6.0	0.2
LCIV Private Debt II	-	-	-	-	-	-	-	-	-
Income									
LCIV CQS MAC	4.6	3.0	1.6	8.9	6.4	2.4	9.5	6.8	2.5
BlackRock UK Gilts Over 15 yrs	3.3	3.2	0.0	3.8	3.7	0.1	-2.0	-2.0	0.0
Protection									
Total Scheme	9.4	8.9	0.5	11.9	11.3	0.5	10.6	11.0	-0.4

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

Fund performance by manager



Positive contributions were broad-based in H2 2025, with no material detractors across the portfolio. The LGIM Global Equity fund was again the largest driver of returns, delivering a strong 5.5% gain for the Fund over the period. Additional uplift came from the LGIM UK Equity fund, the LCIV Emerging Markets fund, and the BlackRock ACS World Low Carbon Equity fund, all of which performed well.

Multi-asset allocations also contributed positively, with both the LCIV Baillie Gifford and Ruffer Multi-Asset funds adding steady gains. Within fixed income, the MAC mandate and UK Gilts fund delivered solid positive returns, supported by the rally in credit and rates markets over H2 2025. Property and infrastructure allocations were broadly flat to modestly positive overall.

Overall, the diversified blend of equity, multi-asset, and fixed income exposures resulted in a total scheme return of 9.4% over the six-month period to 31 December 2025.

11 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 half-year performance shown on page 10 of this report.

Current issues in LGPS – December 2025 edition

Spotlight on legislation & consultations - A round-up of the Pension Schemes Bill, the Fit for the future – technical consultation and draft statutory guidance, the LGPS (England and Wales) scheme improvements consultation, and the LGPS (Scotland) benefits consultation.

Autumn Budget 2025 - The main pensions talking point from the Chancellor's Budget on 26 November was around salary-sacrifice arrangements. From 6 April 2029, any employee pension contributions above an annual amount of £2,000 will no longer be exempt from National Insurance Contributions (NICs).

Our 60-second summary covering Budget 2025 can be found [here](#).

English and Welsh 2025 valuations - A big thank you to the circa 70 LGPS officers who joined our client-only webinar on 4 December to discuss stakeholder engagement. The session was Chatham House only and was not recorded. However, we plan to follow up shortly with a communication that shares some of the analysis, such as peer comparisons, and insights from the polls that were run throughout the webinar.

Liquidity management - LGPS funds must now manage cash flows more carefully, with economic and demographic factors leading to many funds having negative cash flows. The reduced contribution rates arising from the 2025 actuarial valuations will intensify this challenge, especially as LGPS pensions are expected to rise by 3.8% in 2026.

Our 60-second summary on managing cashflows in the LGPS can be found [here](#).

New Year, New Accounting - As we approach the New Year, the last LGPS employers of 2025, with a financial year-end at 31 December, will hear soon from their LGPS contact about the options available for their FRS102 accounting.

Our webinar, 2024/25 LGPS accounting disclosures: understanding your results, can be seen [here](#).

Design Thinking in practice: testing - In the final [blog](#) in his series, our digital guru Chris Varley considers testing and how this can be applied within the LGPS. Traditionally, testing is seen as the final hurdle to be overcome prior to “going live”. But it’s worth considering its role more broadly - as an ongoing opportunity to learn, adapt, and improve solutions based on feedback. He concludes that early and honest feedback ultimately drives better outcomes.

Spotlight on Responsible Investment - A round-up of our latest insights of all things RI-related.

Current issues in LGPS – December 2025 edition

Dashboards - making use of valuation data checks - With all the change affecting the LGPS it would be easy to lose sight of Pension Dashboards coming over the hill. For funds in England and Wales (and Scotland next year), the outputs from the triennial valuation process can help officers to direct and prioritise work in readiness for the public to search for lost or forgotten pension pots. Our [blog](#) explains more.

LOLA 3.0 - future proofing your training - With changes in legislation comes changes in training needs. We've listened to your feedback, carried out horizon scanning and delved ever deeper into the world of best practice. From this, the latest evolution of the LGPS Online Learning Academy is emerging. We are committed to providing the best possible training services to the LGPS and are looking forward to releasing the latest version in the new financial year. For more information about what we've been up to, check out our [blog](#).

Capital Markets update - Global growth has proven resilient, despite rising US tariffs and uncertainty. We've seen high global equity valuations, largely driven by the tech-heavy US market. While strong tech earnings justify some premium, valuations assume sustained growth and leave the US exposed to AI disappointment.

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
LGIM Future World Global Equity Index Fund	30/11/2025	Fund Return
LCIV 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 MAC	30/11/2018	SONIA + 2% p.a.
BlackRock UK Gilts Over 15 yrs	05/03/2019	FTA UK Gilts Over 15 yrs

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



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.

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