Brent	**Brent Pension Fund Sub-Committee** 18 February 2026
	Report from the Corporate Director, Finance and Resources

Investment Strategy Review

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Part Exempt – Appendix 2 is part exempt as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"
List of Appendices:	Two: Appendix 1: Investment Strategy Implementation Appendix 2: Investment Strategy Implementation – Private pack (Exempt)
Background Papers:	N/A
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1.0 Executive Summary

1.1 This report provides final details on the review undertaken by the Pension Fund's investment advisor, Hymans Robertson, of the current investment strategy, following on from the Fund's 2025 valuation. The purpose of the review was to evaluate the current investment strategy and analyse the ability of alternative strategies to meet the Fund's strategic objectives.

2.0 Recommendation(s)

That the Pensions Fund Sub-Committee:

2.1 Consider and agree the investment strategy review undertaken by the Fund's investment advisors, Hymans Robertson, available in Appendix 1.

2.2 Following on from the October 2025 meeting, a final version of the investment strategy has been prepared by Hymans Roberston providing further and in-depth analysis to the original report. High-level conclusions are as follows and should be taken into consideration:

- As agreed at the October meeting, the Committee has adopted a new long-term investment strategy, described in this report as Alternative 3, leading to the re-shaping of the Funds' investments (see appendix 1).

- The Fund to reduce its multi-asset fund allocation towards the new long-term strategic target, with the proceeds re-invested in the Protection portfolio, consisting of fixed interest gilts and multi-asset credit as set in paragraph 4.6 and in detail in the restricted investment strategy report (appendix 2)

- The Fund to engage with London CIV (LCIV) to understand its plans for building the Fund's allocations to the private market allocation within the timeframe proposed.

- To communicate between the Fund and the LCIV to implement the agreed long-term investment strategy providing the LCIV an interim target allocation reflecting the earmarked portfolio of equities, bonds and cash to ensure that LCIV can implement the strategy in line with the Committee's wishes.

- With the reduction in employer contributions, to determine the expected annual shortfall between contribution income and benefit payments with the LCIV to enable them to create a plan to deliver the investment income needed to bridge this gap.

- Looking ahead, the Committee to establish its local investment strategy.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

3.2 Background

3.2.1 The Fund's current strategic asset allocation was agreed in February 2023 following the 2022 valuation. In summary, a long-term target of 50% to equities, 35% to income (including diversified growth funds) and 15% to protection assets was agreed.

3.2.2 The Fund employs a phased approach to working towards the long-term target allocation; therefore, an interim allocation was also agreed. The table below shows the current interim and long-term allocation.

Asset Class	Interim Target (%)	Long-term Target (%)	Actual Fund asset allocation (Dec 2025) (%)
Equities	**52.5**	**50.0**	**58.0**
Global	40.0	40.0	45.9
UK	5.0	5.0	6.7
Emerging Markets	5.0	5.0	5.3
Private Equity	2.5	-	0.1
Income	**32.5**	**35.0**	**26.4**
Diversified Growth	20.0	5.0	14.3
Infrastructure	5.0	15.0	5.2
Property	2.5	10.0	3.0
Private Debt	5.0	5.0	3.9
Protection	**15.0**	**15.0**	**15.6**
Multi Credit	5.0	5.0	4.8
Gilts	10.0	10.0	7.6
Cash	-	-	3.2
TOTAL	**100.0**	**100.0**	**100.0**

3.2.3 Over the last 3 years, up to December 2025, the Fund has generated an actual return of 10.6% p.a., however relative performance against the Fund's benchmark was -0.4% p.a. Over the last year the actual return was 11.9% p.a. with relative performance 0.6% p.a above the benchmark.

3.2.4 The aim of the Fund's investment strategy is to maximise returns over the long term within specified risk tolerances to meet the wider strategic goals of the Fund and to close the gap between assets and liabilities. At the 2022 valuation, the Fund was estimated by the actuary to be 87% funded. Initial results showed the Fund was 113% funded as at 31 March 2025, which represented a 26% improvement on the previous 2022 valuation.

4.0 Strategy Proposals

4.1 The Fund's investment advisors, Hymans Robertson, have completed their Investment Strategy review. The review focused on the high-level investment strategy with the aim of determining the high-level allocation to Growth, Income and Protection assets. In previous periods, the setting and implementation of the investment strategy was carried out by the Fund, however from the 1st April 2026, the London CIV will be responsible for the implementation of the investment strategy. This review had included carrying out asset liability modelling to test the probability (and associated risks) of the Fund's current investment strategy achieving its long-term objectives. They also tested how the current strategy compares with other investment strategies.

4.2 The remainder of this report provides a short summary of the Investment Strategy Review, the full report is attached in Appendix 1.

4.3 The new investment strategy review process for the 2025 valuation was undertaken in conjunction with the actuarial valuation with our advisors Hymans Robertson, who provide both investment and actuarial advice. With the latest funding status as at end of March 2025 resulting in a healthy position standing at 113%, a significant improvement of 26% from the 2022 valuation; it was put forward that the fund should reduce the risk exposure of the fund going into the 2025 valuation point. A summary of the initial comments at the October 2025 meeting was as follows:

- The Fund should maintain a meaningful allocation to listed growth assets (>40%) to ensure the Fund retains access to liquid assets that can generate a positive real return.
- The Fund should increase the protection allocation from 15% to 20% to further diversify the strategy and take advantage of attractive yield levels currently available in the market.
- The Fund should consider implementing a 2.5% allocation to Natural Capital to support the Fund's overall climate objectives.
- The Fund should reduce its long-term target to Infrastructure from 15% to 10% enabling assets to be allocated elsewhere within the Fund.
- The Fund should assess the local investment guidance issued by the government once available to determine how to evolve the Fund's private markets portfolio.

4.4 The Fund employs a phased approach to working towards the long-term target allocation; therefore, an interim allocation was also agreed. The table below shows the proposed interim and long-term allocation, together with the permitted range. As it is recognised that it will take some time to build investments in private markets, the interim target shows a temporary allocation to be held in liquid assets across equities, bonds and cash.

Assets	Actual Fund Asset Allocation (31 Dec 2025)	Interim Target (%)	Long-term Target (%)	Tolerance Range (+/-)
Global Equities	45.9%	52.5%	37.0%	+/- 3.0%
UK Equities	6.7%		5.0%	
EM Equities	5.3%		3.0%	
PE Equities	0.1%	1.0%	2.5%	n/a
Total Growth	**58.0%**	**53.5%**	**47.5%**	
Multi Asset	14.3%	7.0%	5.0%	n/a
Infrastructure	5.2%	6.0%	10.0%	n/a
Real Estate	3.0%	6.0%	10.0%	+/- 3.0%
Private Debt	3.9%	5.0%	5.0%	n/a
Natural Capital	-		2.5%	n/a
Total Income	**26.4%**	**24.0%**	**32.5%**	
Fixed Interest Gilts	7.6%	11.0%	10.0%	+/- 3.0%
Multi Asset Credit	4.8%	10.0%	10.0%	+/- 3.0%
Cash	3.2%	1.5%	-	
Total Protection	**15.6%**	**22.5%**	**20.0%**	

4.5 **Growth**

Reduce the growth exposure down by 10.5% to 47.5% in the long term:

4.5.1 Global equities: Reduce from 45.9% to 37.0% (down 8.9%)

The current allocation to global equities is overweight relative to the long-term target. The strategy recommends the Fund quantifies the reduction in carbon emissions achieved following the restructuring of its global equity mandates and reviews its “Net Zero Roadmap” to develop an action plan for achieving a net zero position.

4.5.2 Private equity: Increase from 0.1% to 2.5% (up 2.4%)

This is driven by the requirement of the government’s Fit for Future proposals for Funds to allocate more assets to local investment. It is recommended to introduce a 2.5% target allocation to private equity. Final details on how this will be assigned is to be decided between partner funds and the pool, as there is no current offering by LCIV.

4.6 **Income**

Increase the income exposure to 32.5%, (up 6.1%)

4.6.1 Multi-asset funds: Reduce from 14.3% to 5.0% (down 9.3%)

The review strategy recommends the fund reduces its over exposure to the multi-asset funds by around 7% with around a third of the proceeds from the sale to top up Gilts, which will bring the allocation to Gilts to the new long-term target. The remaining balance from the sale will be invested in multi asset credit. However, this is expected to take place after 1 April, with Officers to engage with LCIV to clarify responsibilities for implementing these changes and the timing (refer to 4.7.1). Further details on this proposal and recommendations are included in restricted Appendix 2.

4.6.2 Infrastructure: Increase from 5.2% to 10.0% (up 4.8%)
The Fund currently holds three infrastructure investments, through Alinda, Capital Dynamics and LCIV and it is expected that the Alinda and Capital Dynamics investments will be allowed to run down with distributions received from these investments being reinvested in other mandates made through LCIV, either as an increase to the existing allocation (LCIV Infrastructure fund), or to the LCIV Renewable Infrastructure fund, or to a new LCIV fund.

4.6.3 Property: Increase from 3.0% to 10.0% (up 7.0%)
The existing holdings held with Fidelity and UBS plus the £35m commitment to the LCIV UK Housing Fund made in 2023 is still, in total, underweight the target allocation. It has been put forward by the review that the Fund works with the LCIV who have created a property vehicle with CBRE that operate a fund of funds mandate.

4.6.4 Natural capital: New allocation an increase of 2.5%
Natural Capital offers diversification benefits achieved away from traditional asset classes, together with attractive returns, an allocation to Natural Capital helps the pension scheme in achieving its net zero ambitions. With advent of Nature-Based Solutions offering by LCIV in July 2024, the review recommends the fund builds its knowledge of investing in this asset class, together with the investment aims, objectives, and risks.

4.7 **Protection**
Increase the allocation to the protection assets by 4.4% to 20%.

4.7.1 Multi-asset credit: Increase from 4.8% to 10% (up 5.2%)
The Fund is currently underweight in this asset class, with the view of increasing this allocation towards the 10% target from the proceeds from the reduction in the multi-asset fund allocation. The strategy review recommends implementing in dialogue with LCIV as from 1st April (refer to 4.6.1).

5.0 Stakeholder and ward member consultation and engagement

5.1 In view of the nature of the report, there has been no consultation or engagement with stakeholders or ward members to date.

6.0 Financial Considerations

6.1 These are discussed throughout the report and included in Appendix 1.

7.0 Legal Considerations

7.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the “Investment Regulations”) govern the management of the pension fund and the investment of fund money. According to Regulation 7 of the Investment Regulations an administering authority must formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State. It must publish a statement of its investment strategy and must review, and if necessary revise, its investment strategy at least every three years.

7.2 It is intended that the draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026) will implement the pooling and local investment proposals and replace the LGPS (Management and Investment of Funds) Regulations 2016. Further legal updates will be provided once the regulations come into effect.

8.0 Equity, Diversity & Inclusion (EDI) Considerations

8.1 Not applicable.

9.0 Climate Change and Environmental Considerations

9.1 Not applicable.

10.0 Human Resources/Property Considerations (if appropriate)

10.1 Not applicable.

11.0 Communication Considerations

11.1 Not applicable.

Report sign off:

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