

London Borough of Brent Pension Fund

Q1 2026 Investment Monitoring Report - Public

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Market Background

Market update

Global growth lost momentum in the fourth quarter (Q4) but fared well in 2025 (expanding 2.8%), amid higher US tariffs and policy uncertainty. AI-related investment, fiscal support and monetary easing reinforce a reasonable global growth backdrop in 2026. However, supply-side risks from the US-Iran conflict add uncertainty.

Headline inflation was easing in 2026, before rising oil and gas prices derailed progress. Higher energy costs pushed US (3.3%), UK (3.3%) and eurozone (2.6%) inflation up in March.

The closure of the Strait of Hormuz (a vital route for 20% of global energy trade) pushed Brent crude to \$118 per barrel, up 63.1% in March and 94.5% in first quarter (Q1). In Europe and Asia, gas prices jumped; UK spot prices are up 60% since the conflict began.

Energy-driven inflation concerns led US and UK markets to erase rate-cut expectations, instead pricing in possible near-term rate hikes. In the UK, two rate-cuts by end-February became two-rate hikes by end-March. In the eurozone, markets priced in a potential rate increase later this year.

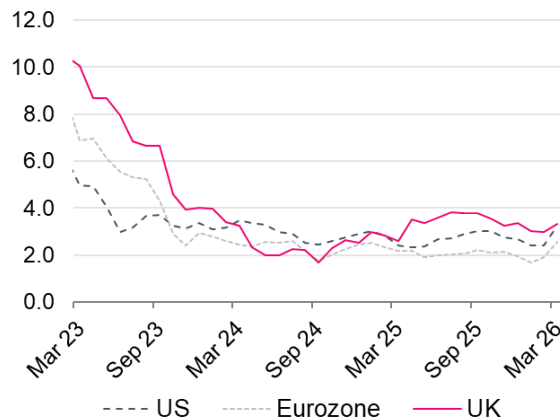
Sovereign bond prices fell and yields rose across major advanced markets. Shorter-term yields rose the most, as markets priced in rate hikes. Bonds failed to diversify portfolios amid equity market weakness and inflation concerns.

UK gilts underperformed major advanced sovereign bond markets in Q1. Ten-year nominal yields climbed to 0.7% pa (4.9% pa). Their real counterparts fell 0.3% pa, resulting in a 0.6% pa increase in 10-year implied inflation, to 3.6% pa. US 10-year Treasury yields rose 0.4% pa (4.3% pa); equivalent German and Japanese yields rose less.

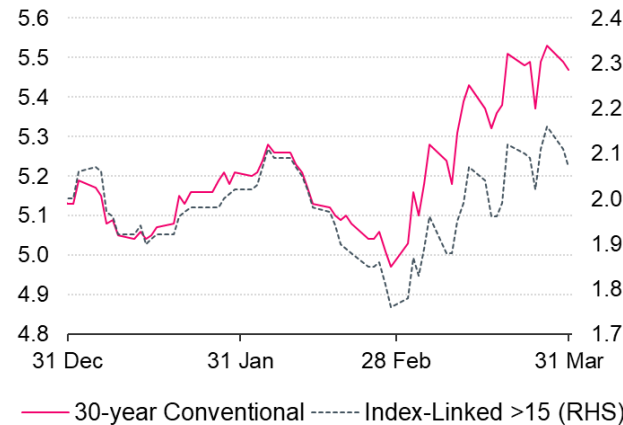
Global investment-grade credit spreads rose 0.1% pa (0.9% pa); speculative-grade spreads widened by 0.5% pa (3.4% pa). Both remain below long-term averages.

The US dollar, which has outperformed major peers since the conflict began, rose 1.1%. Yen (-1.1%), euro (-0.9%) and sterling (-0.7%) equivalents fell.

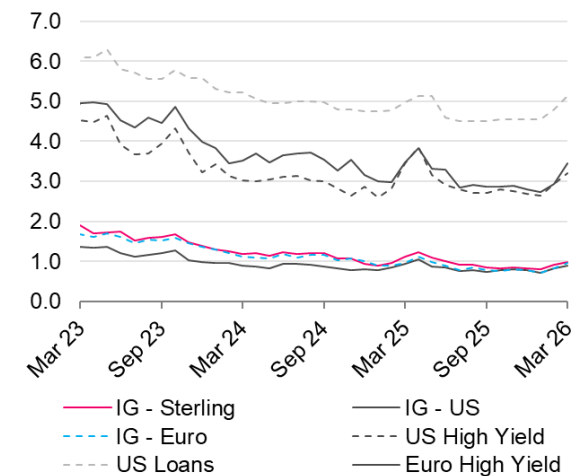
Annual CPI Inflation (% year on year)



Gilt yields chart (% p.a.)

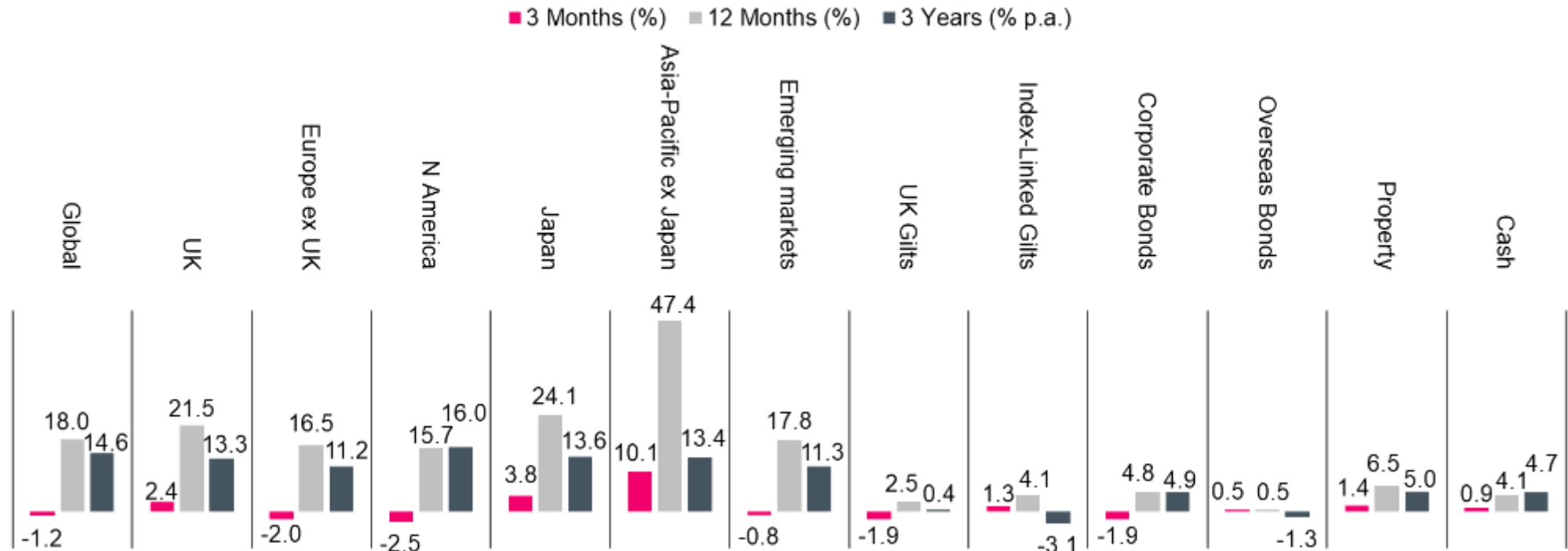


Investment and speculative grade credit spreads (% p.a.)



Market Background

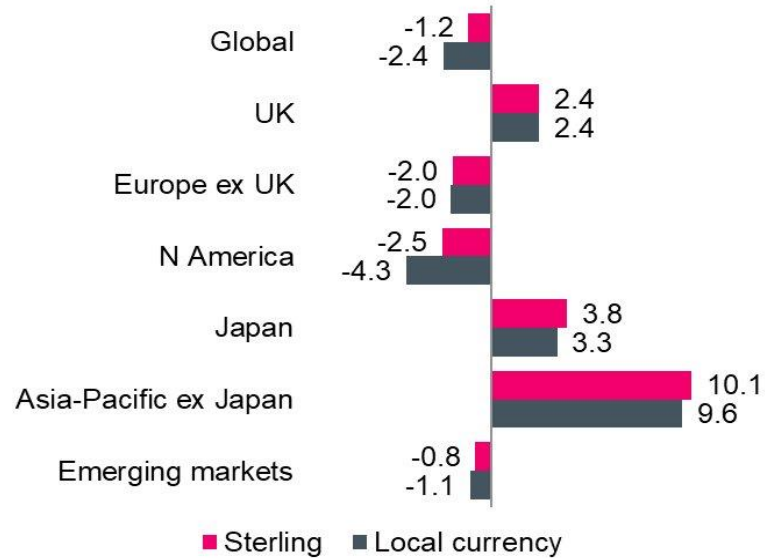
Historical returns for world markets



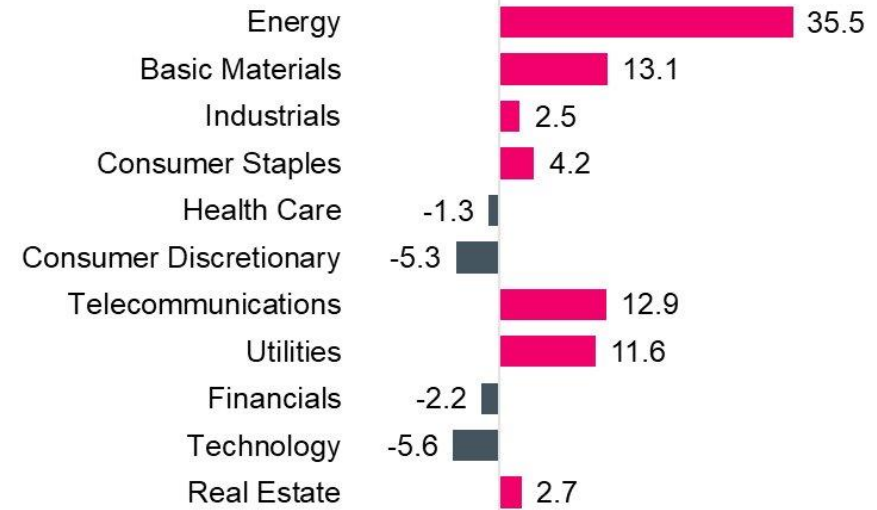
Data source: LSEG DataStream. Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked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

Market Background

Regional equity returns ^[1]



Global equity sector returns ^[2]



Market commentary

Global equities fell 2.4% in Q1, owing to March declines (-6.4%). Performance broadened beyond the US, and energy stocks (34.0%) outperformed. Investor preference for 'old economy' sectors led value (2.0%) to outpace growth (-7.0%). US markets fell 4.3% as mega-cap tech stocks declined due to earnings, AI capex and sector concerns.

Developed Asia Pacific ex Japan (9.6%) outperformed on increased AI capex; Japan (3.3%) rose on fiscal support hopes. The UK (2.4%) benefited from its above-average energy exposure. Emerging markets (-1.1%) and Europe ex UK (-2.0%) fell but outperformed the global index.

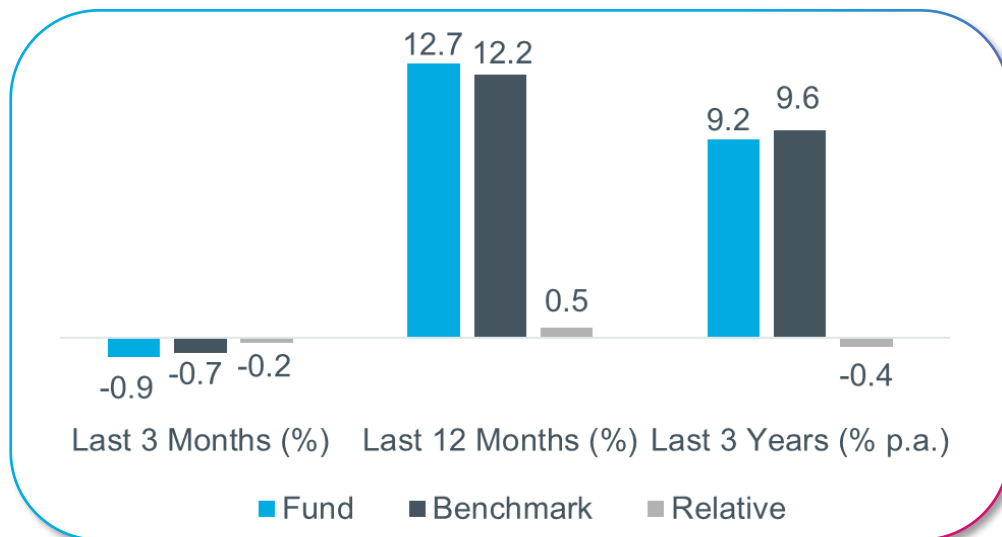
Since the conflict began, Asian, European and emerging markets (reliant on Middle Eastern energy imports) have declined the most. The US has fared better, thanks to its net-energy exporter status and geographic distance.

Gold gained 6.9% in Q1, despite declining 12% in March. This was attributed to selling pressure from investors seeking liquidity for rebalancing and collateral purposes, and the diminishing appeal of non-yielding assets.

The MSCI UK Property Total Return Index rose 1.4% in Q1, supported by steady income. Capital growth was marginally positive at an aggregate level: industrial and retail growth slowed to 0.3% in Q1, and offices (-0.6%) declined.

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

	Actual	Long-Term Target	Relative
Growth	57.7%	47.5%	10.2%
Income	19.2%	32.5%	-13.3%
Protection	19.4%	20.0%	-0.6%
Cash	3.7%	0.0%	3.7%

Key points to note:

- The Fund posted a negative return in Q1 2026, ending the period at £1,483.2m, down from £1,491.7m.
- Passive global equities detracted, partly offset by UK equities, while emerging markets delivered the strongest positive performance. Multi-asset funds were mixed overall, with multi-asset credit and gilts detracting.
- On a relative basis, the Fund underperformed its benchmark by 0.2% over the quarter, outperformed by 0.5% over 12 months, and underperformed by 0.4% over three years.
- The long-term strategic targets reflect the outcome of the last strategy review, including a new 2.5% allocation to natural capital.
- The reduction in the Baillie Gifford multi-asset allocation was largely implemented, with a near-full disinvestment. Proceeds were reallocated in line with the agreed strategy, with £35m invested in BlackRock and £74m allocated to CQS multi-asset credit, supporting the Fund’s increase in Protection assets.

Asset allocation

	Valuation (£m)		Actual Proportion	Long-Term Target	+ / -
	Q4 25	Q1 26			
L&G Global Equity	183.4	180.8	12.2%	37.0%	8.1%
L&G Future World Global Equity Index Fund	458.1	446.7	30.1%		
Blackrock Acs World Low Crbn	43.9	41.5	2.8%		
L&G UK Equity	99.3	101.7	6.9%	5.0%	1.9%
LCIV Emerging Markets	79.6	83.6	5.6%	3.0%	2.6%
Capital Dynamics	1.3	1.2	0.1%	2.5%	-2.4%
Private Equity (New Allocation)	0.0	0.0	0.0%		
Total Growth	865.5	855.5	57.7%	47.50%	10.2%
LCIV Baillie Gifford Multi Asset	110.4	2.2	0.2%	5.0%	2.1%
LCIV Ruffer Multi Asset	102.4	103.5	7.0%		
Alinda Infrastructure	15.0	15.0	1.0%	10.0%	-4.9%
Capital Dynamics Infrastructure	2.0	0.6	0.0%		
LCIV Infrastructure	60.7	60.7	4.1%		

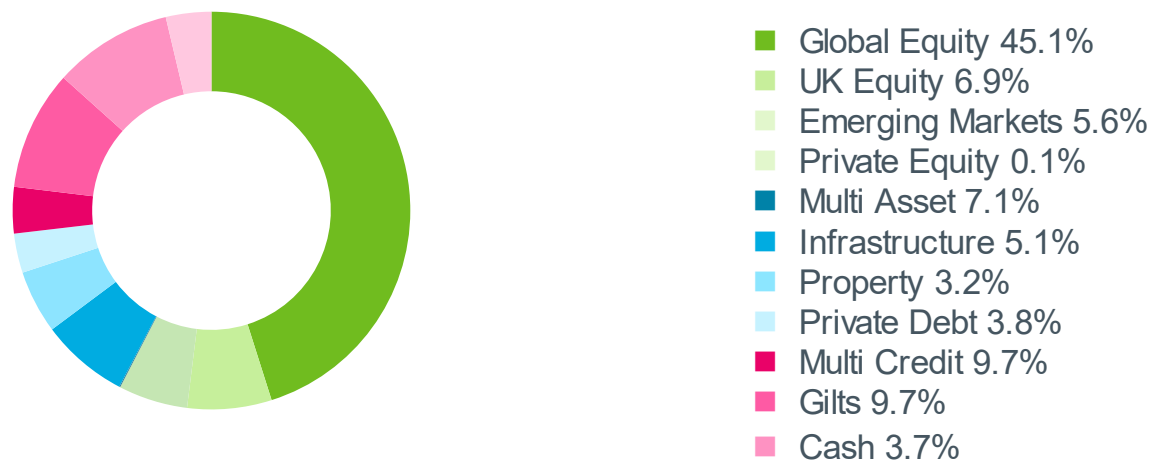
Note: The long-term target allocations reflect the 2025/26 investment strategy review and include new allocations to natural capital and private equity. It is expected that these new allocations will be built up through investments with the London CIV.

The current overweight to growth and cash, and underweight to income assets, reflects the temporary positioning of the blended fund earmarked for future investment in income assets while private market allocations are built up. This is expected to unwind over time as capital is deployed and the allocations move towards their longer-term targets.

Asset allocation

	Valuation (£m)		Actual Proportion	Long-Term Target	+ / -
	Q4 25	Q1 26			
Fidelity UK Real Estate	14.6	14.8	1.0%	10.0%	-6.8%
UBS Triton Property	11.4	11.4	0.8%		
LCIV UK Housing Fund	18.7	21.3	1.4%		
LCIV Private Debt	44.7	44.7	3.0%	5.0%	-1.2%
LCIV Private Debt II	13.4	11.1	0.8%		
Natural Capital (New Allocation)	0.0	0.0	0.0%		
Total Income	393.5	285.3	19.2%	32.5%	-13.3%
LCIV CQS MAC	71.5	144.2	9.7%	10.0%	-0.3%
BlackRock UK Gilts Over 15 yrs	113.4	143.3	9.7%	10.0%	-0.3%
Total Protection	184.9	287.6	19.4%	20.0%	-0.6%
Cash	47.9	54.8	3.7%	0.0%	3.7%
Total Scheme	1,491.7	1,483.2	100.0%	100.0%	-

Asset class exposures*



Asset allocation commentary

The Fund's current target allocations are as follows:

Long-term: Growth – 47.5%; Income/Diversifiers – 32.5%; Protection – 20%

Strategy Review

Strategic targets were updated following the strategy review to reflect agreed changes, including the introduction of a 2.5% allocation to natural capital.

The Fund also made progress on implementing these changes during the quarter, with the Baillie Gifford multi-asset allocation largely reduced. Proceeds were reinvested in line with the agreed strategy, including £35m to a BlackRock mandate and £74m to multi-asset credit, supporting the Fund's continued shift towards Protection assets.

Manager performance

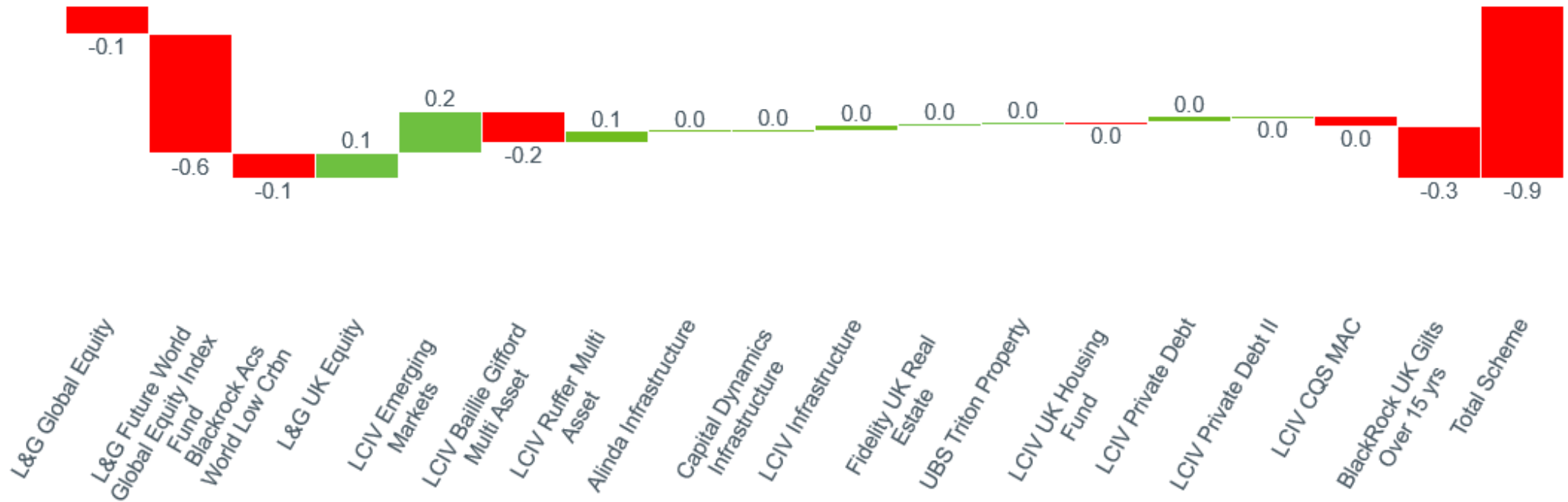
	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
L&G Global Equity	-1.4	-1.4	0.0	17.7	17.8	-0.1	14.8	15.0	-0.2
L&G Future World Global Equity Index Fund*	-2.5	-2.6	0.1	-	-	-	-	-	-
Blackrock Acs World Low Crbn	-5.5	-6.0	0.6	13.7	12.0	1.6	13.9	13.3	0.5
L&G UK Equity	2.4	2.4	0.0	21.5	21.5	0.0	13.3	13.3	0.0
LCV Emerging Markets	5.1	1.8	3.2	36.2	26.8	7.4	10.9	12.4	-1.3
Growth									
LCV Baillie Gifford Multi Asset	-2.7	1.4	-4.1	5.6	6.0	-0.4	5.4	6.7	-1.2
LCV Ruffer Multi Asset	1.0	1.4	-0.4	7.7	6.0	1.6	1.4	6.7	-5.0
Alinda Infrastructure	0.1	1.1	-1.0	0.6	5.3	-4.4	9.8	5.0	4.6
Capital Dynamics Infrastructure	3.0	1.1	1.8	-0.2	5.3	-5.3	-6.9	5.0	-11.3
LCV Infrastructure	0.8	1.1	-0.3	6.7	5.3	1.4	6.6	5.0	1.5

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	1.2	0.7	0.5	-0.7	4.3	-4.8	2.2	3.3	-1.1
UBS Triton Property	0.6	0.7	-0.1	4.1	4.3	-0.2	2.6	3.3	-0.7
LCIV UK Housing Fund	0.0	1.5	-1.4	0.7	6.0	-5.0	-	-	-
LCIV Private Debt	1.3	1.5	-0.2	13.7	6.0	7.2	7.5	6.0	1.4
LCIV Private Debt II	0.0	1.5	-1.4	-	-	-	-	-	-
Income									
LCIV CQS MAC	-1.2	1.4	-2.6	5.9	6.1	-0.2	8.3	6.8	1.4
BlackRock UK Gilts Over 15 yrs	-4.4	-4.1	-0.3	0.1	0.4	-0.3	-4.3	-4.2	-0.1
Protection									
Total Scheme	-0.9	-0.7	-0.2	12.7	12.2	0.5	9.2	9.6	-0.4

Note: Performance from Capital Dynamics' private equity allocation is not shown and has been excluded from the total performance calculations.

Fund performance by manager



Detractors were more evident over the quarter, led by the BlackRock UK Gilts (Over 15 Years) mandate, which was the largest negative contributor. The LCIV Baillie Gifford Multi-Asset fund and L&G Global Equity fund also detracted, alongside the BlackRock ACS World Low Carbon Equity fund.

Partially offsetting this, the LCIV Emerging Markets fund was the strongest positive contributor, with support from L&G UK Equity and a small gain from the LCIV Ruffer Multi-Asset fund.

Fixed income was weaker overall, with both gilts and the LCIV MAC mandate detracting, while private debt provided a modest positive offset. Real assets were broadly stable, with infrastructure flat and property delivering small gains.

Overall, negative contributions across equities, multi-asset and gilts resulted in a total scheme return of -0.86% over the three-month period.

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 quarterly performance shown on page 10 of this report.

Current issues in LGPS – March 2026 edition

Spotlight on the Middle East conflict: As events unfold, our immediate thoughts rest with those directly impacted by the conflict.

The impact on markets - In [our view](#), this conflict should be thought of as a structural geopolitical risk, rather than a short-term trading event. Energy and inflation risks are heightened: the Middle East is critical to global oil and liquefied natural gas supply, particularly via the Strait of Hormuz. Against this backdrop, we think it's sensible to prioritise resilience through diversification, stress testing and strong governance. And in the longer term, clear stewardship frameworks will be essential as the scrutiny of companies exposed to conflict-related activities intensifies.

The 2025 valuations - As noted above, global market volatility has increased, and there remains uncertainty over the full extent and impact of the conflict on economies. As a long-term investor, the LGPS is well equipped to ride out periods of volatility. 2025 funding strategies are resilient to such impacts (current volatility levels are within the range of expected outcomes modelled). We'll continue to monitor the situation and keep funds updated on the impact and any actions.

Governance implications - As with the situation in Ukraine, the US-Israel-Iran conflict raises governance aspects for funds to consider. Cyber security remains paramount. In addition, the political connections of public service schemes (including the LGPS) make them a target for bad actors. One UK council reported around 20,000 cyber-attacks per day in 2025 prior to the current conflict. Attempted fraud may increase – frontline staff should be well versed to spot the signs, whether it be a classic pension scam or the coercion of a vulnerable person. Decision makers should also be familiar with the regulations surrounding pension transfers so 'red' and 'amber' flags can be acted on promptly.

Spotlight on valuations:

On the home straight in England and Wales - Final reports and funding strategy statements are being rubber stamped across the LGPS. Reflecting on a busy and successful valuation, the LGPS remains in a strong position and has seen increased levels of stakeholder engagement throughout. Careful stewardship of long-term strategy against this backdrop has been a widespread theme. We'll be bringing more analysis of how funds have navigated the 2025 valuation once all the results are published – watch this space!

Current issues in LGPS – March 2026 edition

..... **whilst the starting gate opens in Scotland** - One valuation winds down and another one kicks into gear. We hosted a roundtable discussion with our Scottish LGPS funds last month to hear officer views on what to expect from the 2026 valuation and how the picture has changed since 2023. The continued strong funding position requires a considered approach. We're now working with funds to develop funding strategy and set up a successful 2026 valuation – whilst leaving plenty of time to properly engage with stakeholders on decisions and outcomes.

FSS – consultation, not confrontation - As part of the 2025 valuations, funds have delivered high-quality, collaborative consultations, with strong employer engagement through forums and one-to-one discussions. This helped employers understand funding strategies and raise any affordability concerns. Crucially, employer feedback influenced outcomes, with contribution rates discussed and refined to reflect employer-specific circumstances within agreed funding parameters. The result has been a clear win-win: employers are satisfied with the process, with funds confident that rates align with long-term funding strategies.

Longevity update:

Weight loss drugs - Club Vita hosted a webinar in its popular “The Risk of Living Longer” series on 4 March. The session considered weight loss drugs, which are gaining attention as many people struggle to improve weight and metabolic health through lifestyle changes alone. The panel discussed whether these drugs could help people live longer and how they may affect future mortality trends. A recording of the webinar is available [here](#).

‘Healthy’ life expectancy - The number of years people in the UK can expect to spend in ‘good’ health has fallen, according to the latest [figures](#) released by the Office for National Statistics (ONS). However, it has limits as a measure of people’s ability to work. It is based on self-reported health, which can be influenced by personal experience and expectations, as well as the wider social and economic landscape.

Manager benchmarks and performance targets

Mandate	Date appointed	Benchmark description
L&G Global Equity	31/10/2010	FTSE All World Developed ex UK
L&G UK Equity	12/06/2012	FTSE All Share
L&G 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

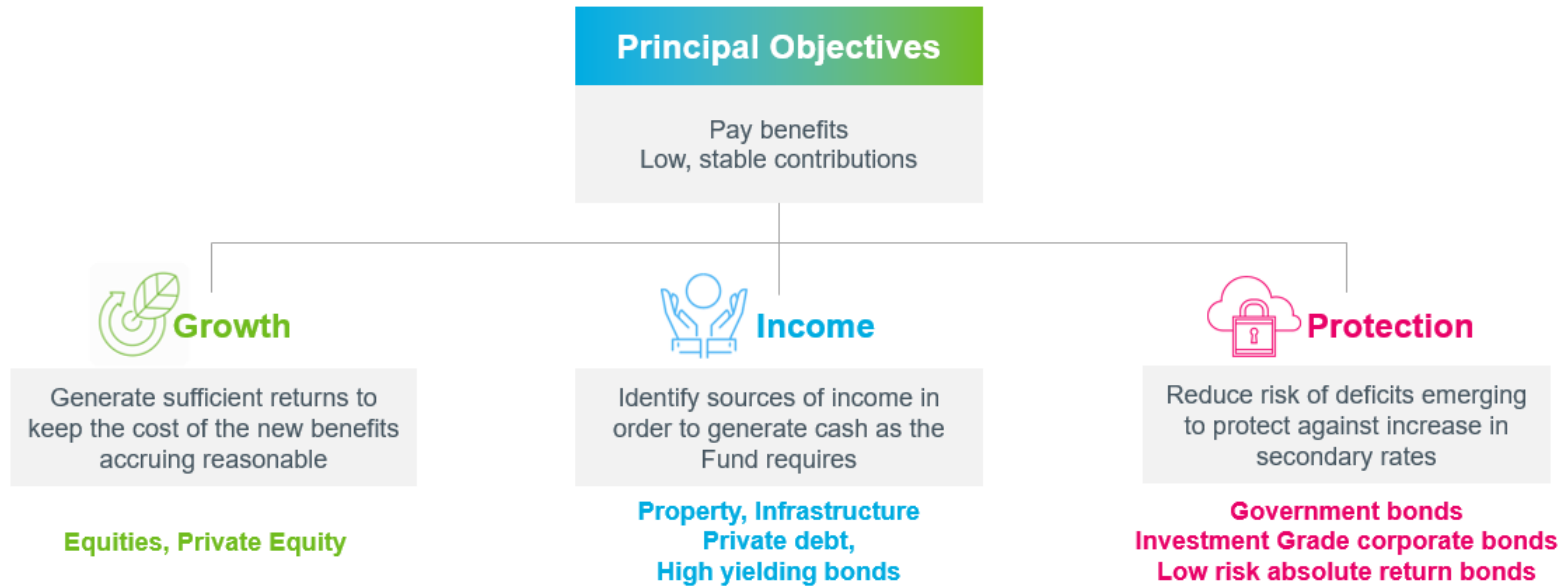
‘Style’ refers to the type of stocks a manager will typically research and select for portfolios. It is important to diversify these ‘styles’ in order to manage concentration risks.

- **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:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

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 Pensions Committee 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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