

London Borough of Brent Pension Fund

Q2 2026 Investment Monitoring Report - Public

Kenneth Taylor, Senior Investment Consultant

Hymans Robertson LLP is a limited liability partnership registered in England and Wales with registered number OC310282. A list of members of Hymans Robertson LLP is available for inspection at One London Wall, London EC2Y 5EA, the firm's registered office. Authorised and regulated by the Financial Conduct Authority and licenced by the institute and Faculty of Actuaries for a range of investment business activities. Hymans Robertson is a registered trademark of Hymans Robertson LLP.



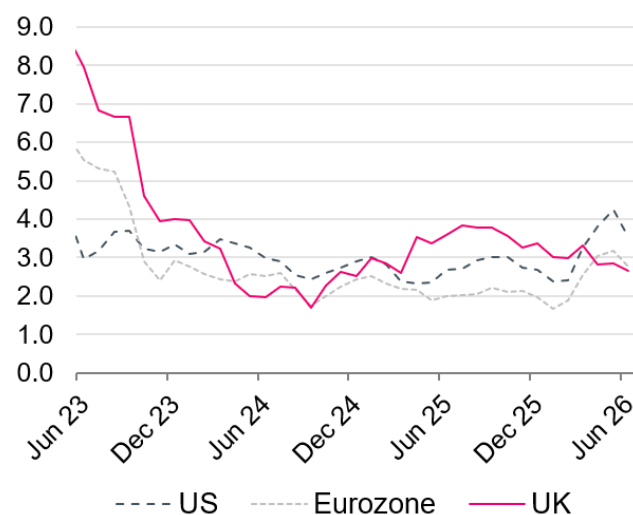
Market Background

Market update

Q1 GDP data showed some resilience across major economies. Over Q2, the US expanded at 2.1% annualised, supported by strong Artificial Intelligence-related (AI) investment. UK GDP rose 0.6% quarter on quarter (q/q), potentially reflecting seasonal distortions. Japan expanded 0.5% q/q following growth in consumption and exports. The eurozone marked its first quarterly contraction (0.2%) since end-2022.

The US-Iran ceasefire helped cool energy- and fuel-price rises in June. US headline inflation fell to 3.5% year on year (y/y); UK and eurozone measures eased to 2.6% and 2.8%, respectively. Core inflation declined to 2.6% in the US and UK, and 2.4% in the eurozone, suggesting relatively contained underlying price pressures.

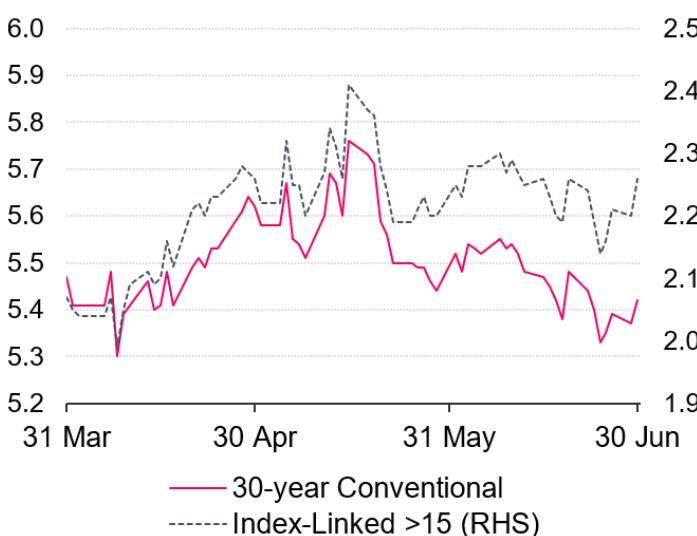
Annual CPI Inflation (% year on year)



The European Central Bank hiked rates to 2.25% pa, its first increase since 2023. Despite subdued inflation, the Bank of Japan (BoJ) increased borrowing costs to 1.0% pa. The Federal Reserve and the Bank of England held rates at 3.50–3.75% pa and 3.75% pa, respectively. Markets expect one or two rate hikes in the US and one in the UK by year-end.

European sovereign bonds outperformed, as energy-driven concerns eased and the growth outlook weakened. Ten-year gilt yields fell 0.2% pa, to 4.8% pa. Gilt markets were largely unmoved following Prime Minister Starmer's resignation, given indication of Andy Burnham's commitment to the previous government's fiscal rules. German 10-year yields eased 0.1% pa, to 2.9% pa.

Gilt yields chart (% p.a.)

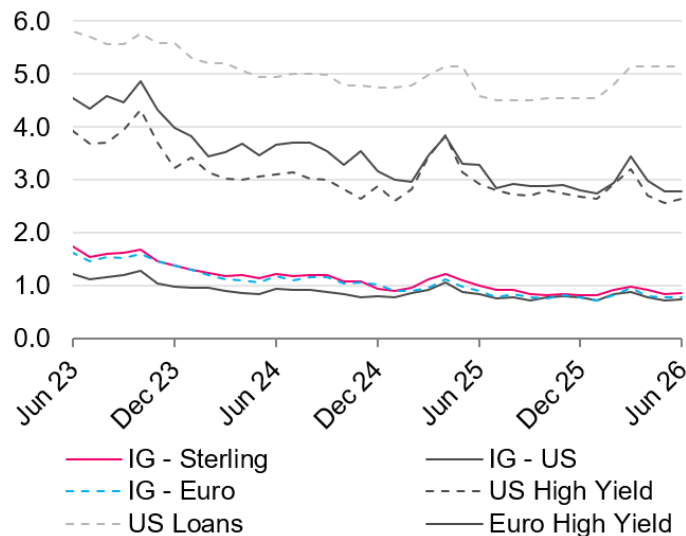


US 10-year yields rose 0.2% pa, to 4.5% pa, as previously hotter inflation and a resilient labour and growth backdrop spurred rate-hike bets. Japanese 10-year yields rose 0.3% pa, to 2.7% pa, amid expectations of further BoJ rate increases.

The Nominal Broad US Dollar Index fell 0.1%. The Dollar fell 0.6% against sterling but rose 2.2% versus the yen, reflecting the gap in real interest rates between the US and Japan.

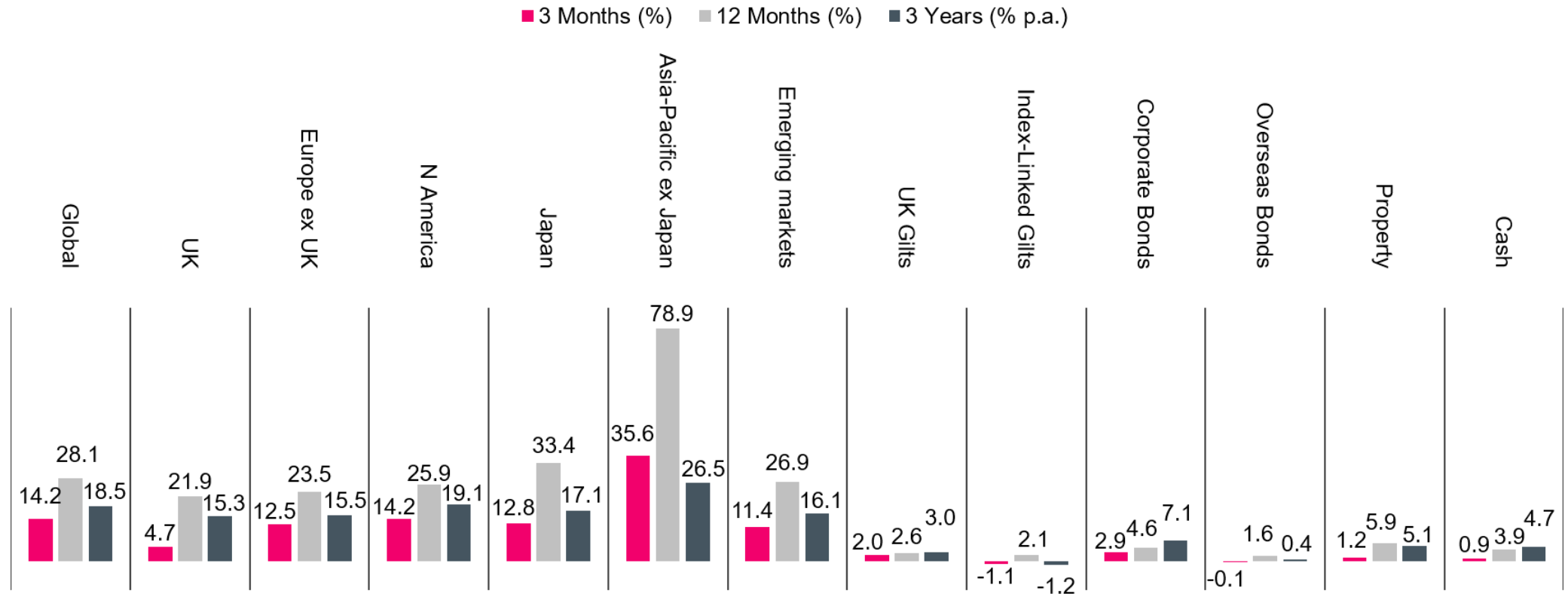
Credit spreads narrowed further over Q2 following robust earnings and easing geopolitical tensions. They're now below the tight levels at the turn of the year across ratings and geographies.

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



Market Background

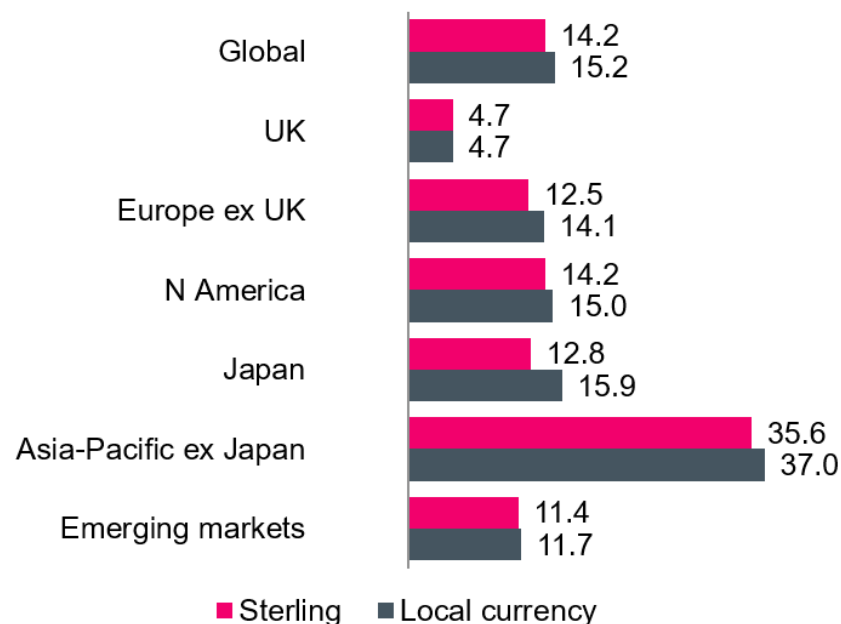
Historical returns for world markets



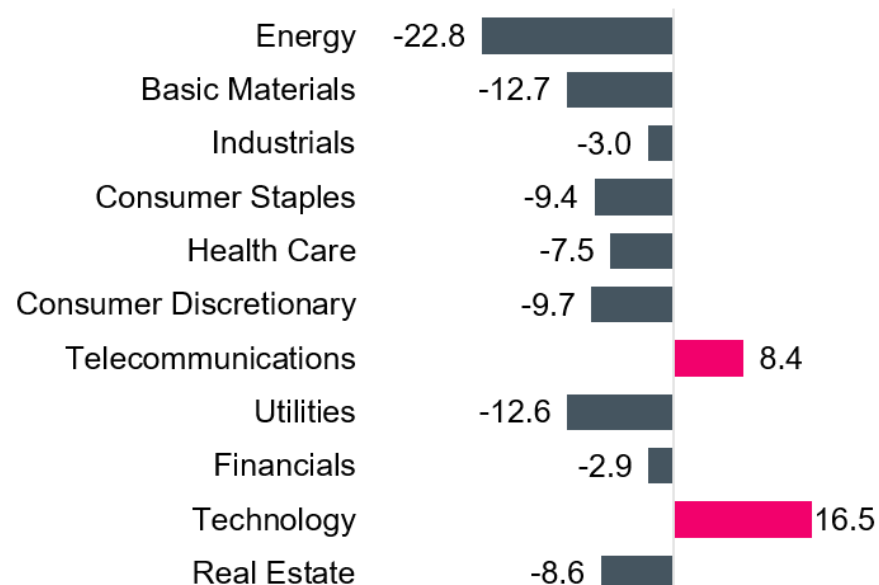
Data source: LSEG DataStream. Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked 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 returned 15.2% in Q2, supported by strong earnings growth, increased AI-related investment and easing geopolitical tensions. The Technology sector led performance, causing growth to outperform value. All sectors had positive returns, except energy, which fell 11.9% amid oil-price declines.

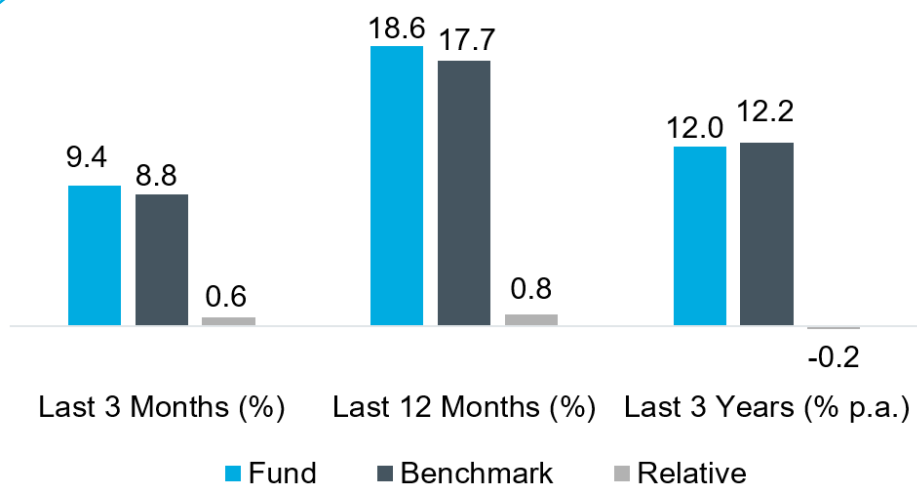
Exposure to AI drove regional performance, particularly in Developed Asia Pacific ex Japan. The region returned 37%, led by Korean memory-chip manufacturers. Accordingly, emerging-market indices that include Korea returned 24%, while those excluding it gained 12%. US equities underperformed, reflecting some sector rotation. US Technology stocks trailed their peers, as investors want proof of AI investment generating higher future earnings. Europe lagged on lower tech exposure, while energy-sector underperformance impacted the UK.

Brent crude oil fell 38.4% to pre-conflict levels of \$72 per barrel. Gold declined 12.7%, as some investors sold it to manage liquidity. Much of gold's decline occurred in June, as US economic data reinforced a 'higher-for-longer' environment, reducing non-yielding assets' appeal.

The MSCI UK Property Total Return Index rose 1.2%. It was supported by income alone, as quarterly capital growth was negative for the first time in two years due to industrial-sector declines.

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	60.8%	47.5%	13.3%
Income	17.6%	32.5%	-14.9%
Protection	18.4%	20.0%	-1.6%
Cash	3.2%	0.0%	3.2%

Key points to note:

- The Fund delivered a positive return in Q2 2026, with assets increasing from £1,483.2m to £1,621.4m over the quarter.
- Global equities were the main driver of returns over the quarter. The L&G Future World Global Equity Index Fund made the largest contribution to performance, while the LCIV Emerging Markets fund delivered the strongest returns. Infrastructure, property and private debt also generated modest positive returns, while the LCIV Ruffer Multi Asset fund was the only notable detractor.
- On a relative basis, the Fund outperformed its benchmark by 0.6% over the quarter, outperformed by 0.8% over 12 months, and underperformed by 0.2% p.a. over three years.
- The long-term strategic targets reflect the outcome of the latest strategy review, including new allocations to natural capital and private equity.
- The Fund continued to implement the agreed strategy during the quarter, with further details provided on page 8.

Source: Northern Trust. *At the time of writing, the Fund's Q2 2026 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	Long-Term Target	+ / -
	Q1 26	Q2 26			
L&G Global Equity	180.8	207.8	12.8%	37.0%	10.5%
L&G Future World Global Equity Index Fund	446.7	514.2	31.7%		
Blackrock Acs World Low Crbn	41.5	47.9	3.0%		
L&G UK Equity	101.7	106.4	6.6%	5.0%	1.6%
LCIV Emerging Markets	83.6	108.3	6.7%	3.0%	3.7%
Capital Dynamics Private Equity	1.2	1.2	0.1%	2.5%	-2.4%
Private Equity (New Allocation)	0.0	0.0	0.0%		
Total Growth	855.5	985.8	60.8%	47.50%	13.3%
LCIV Baillie Gifford Multi Asset	2.2	0.0	0.0%	5.0%	1.3%
LCIV Ruffer Multi Asset	103.5	102.1	6.3%		
Alinda Infrastructure	15.0	14.5	0.9%	10.0%	-5.3%
Capital Dynamics Infrastructure	0.6	0.5	0.0%		
LCIV Infrastructure	60.7	61.8	3.8%		

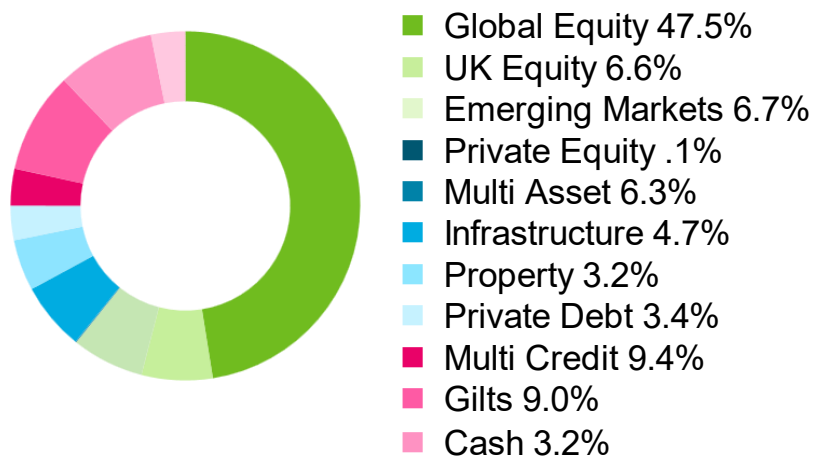
Note: The long-term target allocations reflect the 2025/26 investment strategy review and include new allocations to natural capital and private equity. It is expected that these new allocations will be built up through investments with the London CIV.

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	+ / -
	Q1 26	Q2 26			
Fidelity UK Real Estate	14.8	14.8	0.9%	10.0%	-6.8%
UBS Triton Property	11.4	11.4	0.7%		
LCIV UK Housing Fund	21.3	25.5	1.6%		
LCIV Private Debt	44.7	44.6	2.7%	5.0%	-1.6%
LCIV Private Debt II	11.1	10.7	0.7%		
Natural Capital (New Allocation)	0.0	0.0	0.0%	2.5%	-2.5%
Total Income	285.3	285.9	17.6%	32.5%	-14.9%
LCIV MAC	144.2	151.9	9.4%	10.0%	-0.6%
BlackRock UK Gilts Over 15 yrs	143.3	146.6	9.0%	10.0%	-1.0%
Total Protection	287.6	298.5	18.4%	20.0%	-1.6%
Cash	54.8	51.2	3.2%	0.0%	3.2%
Total Scheme	1,483.2	1,621.4	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 2.5% allocations to natural capital and private equity.

The remaining Baillie Gifford multi-asset holding was redeemed during the quarter and cash holdings reduced significantly. The Fund also made a further investment in the LCIV UK Housing Fund as implementation of the agreed strategy continued.

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	14.9	15.0	0.0	28.3	28.4	-0.1	18.6	18.9	-0.2
L&G Future World Global Equity Index Fund	15.1	15.0	0.1	-	-	-	-	-	-
Blackrock Acs World Low Crbn	15.4	15.9	-0.4	23.7	23.3	0.3	17.6	17.2	0.4
L&G UK Equity	4.7	4.7	0.0	21.9	21.9	0.0	15.3	15.3	0.0
LCIV Emerging Markets	29.6	23.3	5.2	66.1	48.2	12.1	22.0	21.3	0.6

Growth

LCIV Ruffer Multi Asset	-1.3	1.4	-2.7	4.7	5.9	-1.1	3.3	6.6	-3.1
Alinda Infrastructure	-3.1	1.6	-4.6	2.0	4.6	-2.4	8.2	4.7	3.4
Capital Dynamics Infrastructure	-9.0	1.6	-10.4	-8.2	4.6	-12.3	-6.7	4.7	-10.9
LCIV Infrastructure	2.2	1.6	0.6	6.0	4.6	1.3	7.3	4.7	2.5

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	0.5	0.5	0.0	-1.3	3.3	-4.5	2.5	3.3	-0.8
UBS Triton Property	0.6	0.5	0.1	3.6	3.3	0.3	2.6	3.3	-0.7
LCIV UK Housing Fund	1.2	1.5	-0.2	1.9	6.0	-3.9	-	-	-
LCIV Private Debt	1.4	1.5	0.0	4.8	6.0	-1.1	8.4	6.0	2.3
LCIV Private Debt II	0.0	1.5	-1.4	0.0	6.0	-5.7	-	-	-

Income

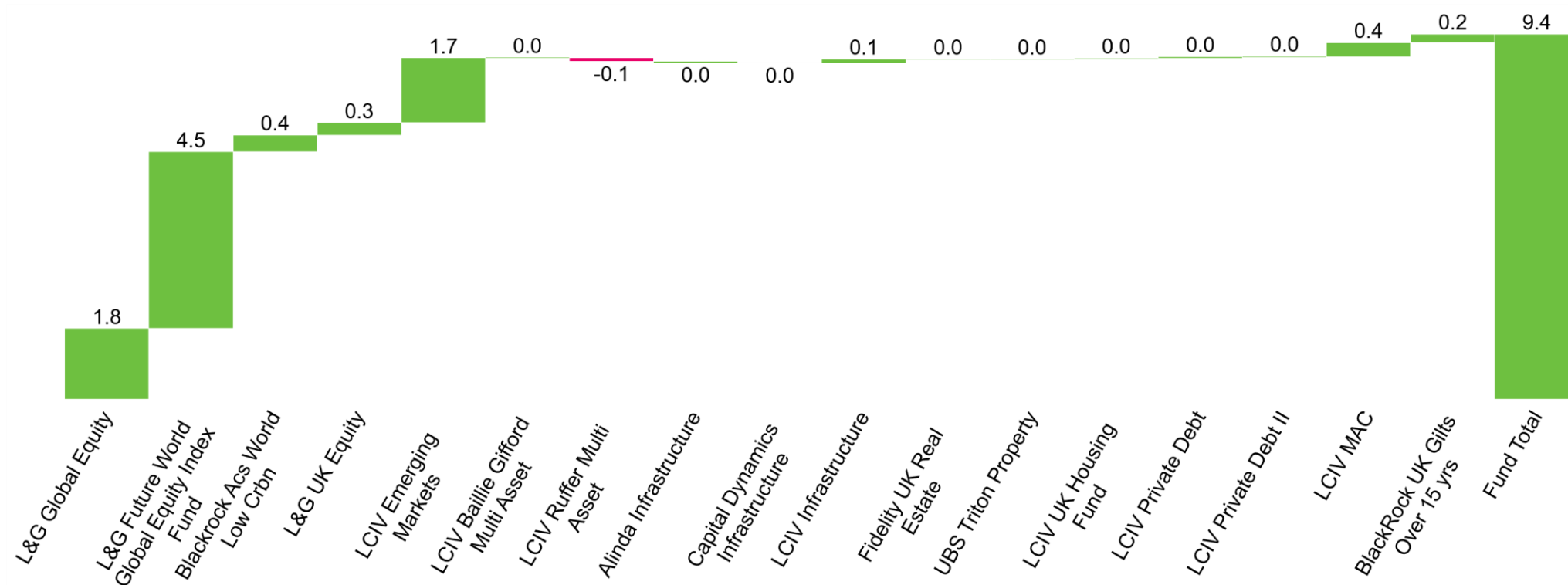
LCIV MAC	3.7	1.4	2.3	7.2	6.0	1.1	9.0	6.8	2.1
BlackRock UK Gilts Over 15 yrs	2.3	2.3	0.0	1.0	1.3	-0.3	-0.8	-0.6	-0.1

Protection

Total Scheme	9.4	8.8	0.6	18.6	17.7	0.8	12.0	12.2	-0.2
---------------------	-----	-----	-----	------	------	-----	------	------	------

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

Fund performance by manager



Strong returns from the Fund's equity investments were the main driver of performance over the quarter. The L&G Future World Global Equity Index Fund made the largest contribution, with further support from the LCIV Emerging Markets fund and the Fund's other equity holdings.

Elsewhere, returns from infrastructure, property and private debt were broadly positive, while the LCIV Ruffer Multi Asset fund was the only notable detractor.

Overall, gains across most asset classes resulted in a total scheme return of 9.4% over the three-month period.

Current issues in LGPS – July 2026 edition

The long-awaited appearance of the Fit for the Future guidance dominated LGPS headlines late last month. On wider issues, we discuss the impact of AI and how to close the gender pensions gap. Plus, a briefing about the lesser-known SCAPE rate!

Please see excerpts below from our latest edition or [download](#) the full publication.

Guiding us into a fitter future - With the Fit for the Future reforms embedded within the Pension Schemes Act 2026, the government has now published statutory guidance to support implementation by LGPS funds in England and Wales.

Spotlight on valuations - Fresh valuation results have been published for the Teachers', Civil Service and NHS pension schemes, while Scottish LGPS funds are stepping up preparations for the 2026 valuation cycle.

No escape from the scape rate! - On 19 May 2026, HM Treasury announced a change in the SCAPE discount rate to CPI + 2.0% pa (an increase from CPI + 1.7% pa). Whilst the SCAPE rate is primarily used to carry out the valuations of unfunded public service pension schemes, it also affects the administration factors used by LGPS funds. The SCAPE rate also feeds into the LGPS cost control mechanisms.

Addressing the gender pensions gap - Closing the gender pensions gap in the LGPS requires action well before retirement with actions such as improving engagement and increasing financial confidence being critical. Our blog recommends reframing pensions within wider financial wellbeing, using data to identify at-risk groups, targeting key life events, tailoring communications by life stage and getting employers on board to help with communication. The result? Practical, personalised support to help improve decisions and reduce long-term inequality.

Spotlight on investments:

- 1. AI – three areas to focus on** - The march of AI is daily news, with its potential to do good frequently weighed against concerns about the future. For asset owners, there are three contexts in which AI is relevant. The first is investment decision-making, the second is responsible investing and the last is longevity. Our latest thought piece explores each of these angles.
- 2. Capital markets update** - Global markets fared well in the second quarter, buoyed by strong earnings growth, particularly among major technology companies. The FTSE All World Index rose 15.2%, and credit spreads tightened too. Our latest update reviews the big themes driving markets over Q2 and sets out our views for each asset class.
- 3. SpaceX: to infinity and beyond control** - Our latest Sustainability Snippets delves into SpaceX's IPO. Listed on the Nasdaq stock exchange with a dual-class share structure, there are two headlines for investors: shareholder influence is limited, and it'll be entering the benchmark for some passive funds. We also explore The Pension Regulator's AI guidance and consider 'social risk'.

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

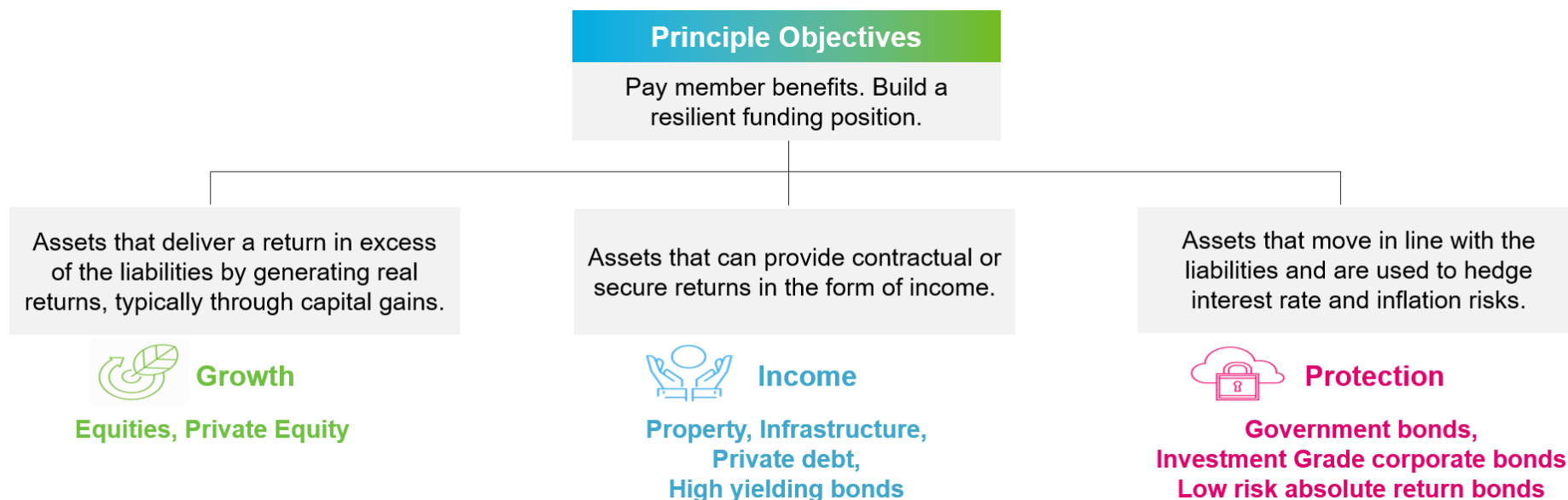
‘Style’ refers to the type of stocks a manager will typically research and select for portfolios. It is important to diversify these ‘styles’ in order to manage concentration risks.

- **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 an 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 of risk based on 'ups and downs' of stock/portfolio over a period of time.

Growth, Income and Protection



Geometric vs arithmetic performance

Hymans Robertson is among the investment professionals that calculate relative performance using a geometric approach, as outlined below:

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

Some industry practitioners use the simpler arithmetic approach, calculated as follows:

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

The geometric return is generally considered a better measure of investment performance when compared to the arithmetic return as it accounts for the impact of compounding and the volatility of returns over time.

The difference between the arithmetic mean return and the geometric mean return widens 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.

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.

Hymans Robertson LLP has relied upon third party sources and all copyright and other rights are reserved by such third-party sources as follows: LSEG DataStream data: © LSEG DataStream; Fund Manager data: Fund Manager; Morgan Stanley Capital International data: © and database right Morgan Stanley Capital International and its licensors 2026. All rights reserved. MSCI has no liability to any person for any losses, damages, costs or expenses suffered as a result of any use or reliance on any of the information which may be attributed to it; Hymans Robertson data: © Hymans Robertson. Whilst every effort has been made to ensure the accuracy of such estimates or data - including third party data - we cannot accept responsibility for any loss arising from their use. © Hymans Robertson LLP 2026.