



London Borough of Barnet Pension Fund

Q3 2021 Investment Monitoring Report

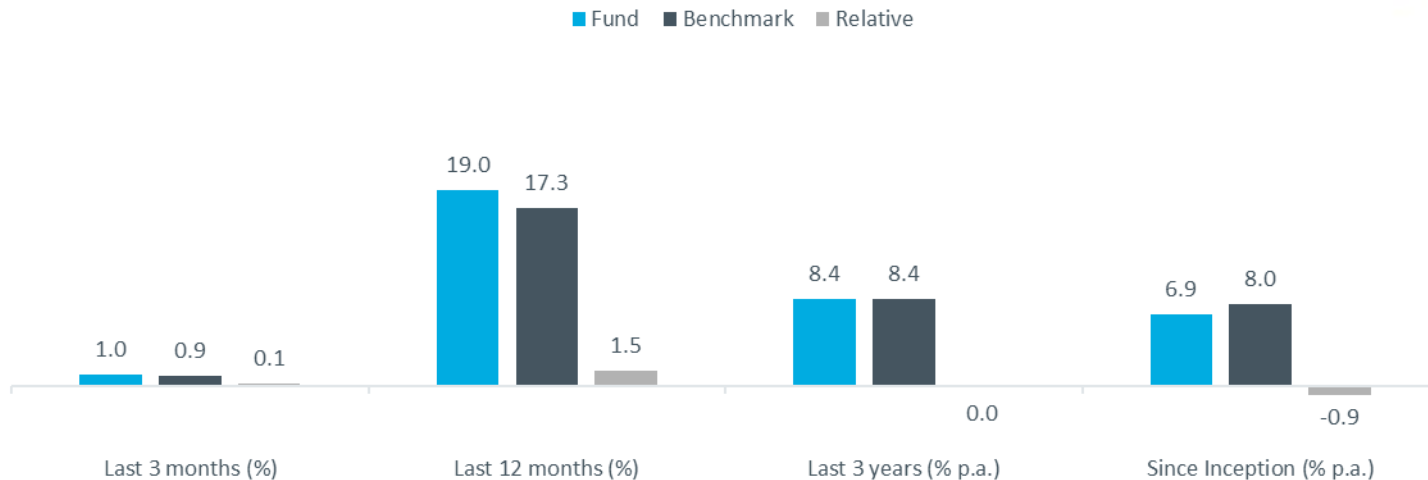
Nick Jellema – Senior Investment Consultant

Yoel Deal – Investment Consultant

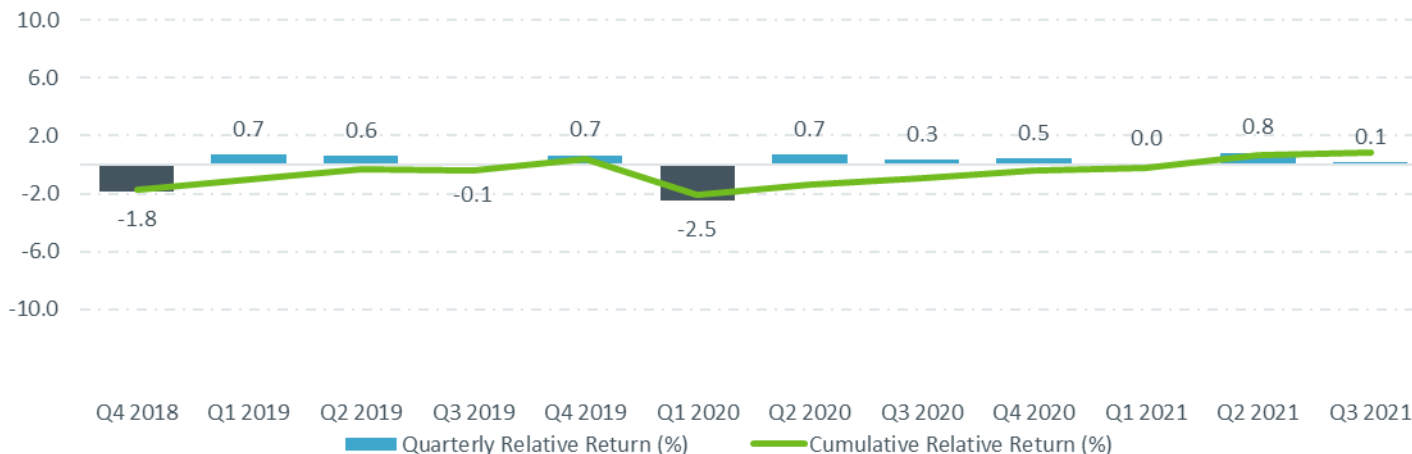
Kyle Langley – Investment Analyst

Tianna Patel – Investment Analyst

Historic quarterly performance (net of fees)



Relative quarterly and relative cumulative performance 3y (net of fees)



Executive Summary

Fund assets totalled c.£1,475m at the end of Q3 2021, an increase of c.£19m from the end of the previous quarter.

The Fund's assets returned 1.0% (net of fees) over the quarter, outperforming the benchmark by 0.1%.

Key Actions

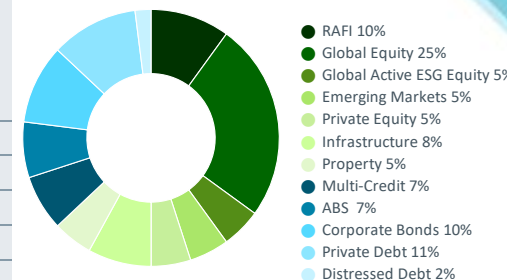
Over the quarter the Fund made the following transactions:

- The second of six £56m tranches was invested in LGIM Future World Global Equity
- c.£45.1m was disinvested from the LCIV Real Return Fund to fund the below investments
- Barings Special Situations Credit had its first capital call of c.£14.7m
- c.£3.0m was called for investment into LCIV Renewable Infrastructure
- c.£10.7m was called for investment into LCIV Private Debt
- c.£1.6m was called for investment into Adam Street (split broadly £1.2m to Global 2019 Program and £0.4m to the Global Secondary Fund)

Asset allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q2 2021	Q3 2021			
LGIM RAFI Carbon Pathway Index GBP Hdgd	265.0	245.0	16.6%	10.0%	6.6%
LGIM UK Equity	12.0	10.7	0.7%	0.0%	16.3%
LGIM World ex UK Dev Equity Index	127.0	113.2	7.7%		
LGIM World ex UK Dev Equity Index GBP Hdgd	114.4	100.0	6.8%		
LGIM World Emerging Markets Equity Index	21.1	17.3	1.2%		
LGIM Future World Global Equity Index GBP Hdgd	36.6	70.3	4.8%	15.0%	-10.2%
LGIM Future World Global Equity Index	23.7	46.2	3.1%	10.0%	-6.9%
LCIV Emerging Markets	78.3	75.8	5.1%	5.0%	0.1%
LCIV Sustainable Exclusion	22.7	23.6	1.6%	5.0%	-3.4%
BNY Mellon Real Return	44.4	0.0	0.0%	0.0%	0.0%
Schroder Life Diversified Growth	150.1	150.0	10.2%	0.0%	10.2%
Adams Street 2019 Global	18.6	24.2	1.6%	5.0%	-3.3%
Adams Street Global Secondary	0.0	0.4	0.0%		
Total Growth	914.1	876.8	59.4%	50.0%	9.4%
IFM Global Infrastructure	74.2	78.8	5.3%	5.0%	0.3%
LCIV Renewable Infrastructure	0.0	3.0	0.2%	3.0%	-2.8%
Standard Life Long Lease Property	30.8	32.1	2.2%	2.5%	-0.3%
CBRE Global Alpha	26.7	26.7	1.8%	2.5%	-0.7%
Alcentra Multi-Credit	38.6	39.2	2.7%	3.5%	-0.8%
Barings Multi-Credit	42.2	42.6	2.9%	3.5%	-0.6%
Insight Secured Finance	45.5	45.9	3.1%	4.0%	-0.9%
M&G ABS Alternative Credit	31.3	31.3	2.1%	3.0%	-0.9%
Schroder All Maturities Corporate Bond	141.9	140.9	9.6%	10.0%	-0.4%
Alcentra Direct Lending	18.9	18.1	1.2%	1.5%	-0.3%
Partners Group MAC 2015	11.3	5.1	0.3%	0.0%	0.3%
Partners Group MAC 2017	22.1	20.0	1.4%	3.0%	-1.6%
Partners Group MAC V	30.2	29.2	2.0%	2.5%	-0.5%
LCIV Private Debt	8.3	18.9	1.3%	4.0%	-2.7%
Barings Global Special Situations Credit	0.0	16.5	1.1%	2.0%	-0.9%
Total Income	522.1	548.4	37.2%	50.0%	-12.8%
Cash	20.1	49.9	3.4%	0.0%	3.4%
Total Fund	1,456.3	1,475.1	100.0%	100.0%	

Strategic allocation



The Q3 21 valuation for Alcentra Direct Lending, Adams Street partners and CBRE Global Alpha are as at Q2 21, due to a lag applied by the manager. Where applicable the valuations are adjusted for cash movements post quarter end.

The benchmark asset allocations for the equity portfolio have been updated to the newly-agreed targets. The assets are being transitioned to the new funds, LGIM Future World and LCIV Sustainable Exclusion, in a phased manner. The allocations to those funds will therefore be underweight until the transition is complete in 2022 (and overweight to the LGIM passive market-cap funds).

The target allocation to Schroders DGF has been reduced to allow for the new allocation to LCIV Renewable Infrastructure Fund and Barings Global Special Situations Credit Fund.

During the quarter, the Fund disinvested from the BNY Mellon Real Return Fund as part of the ongoing redemption from Diversified Growth.

The allocation chart shows a diverse range of assets invested across Growth and Income mandates.

Manager performance (gross of fees)

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth												
LGIM RAFI Carbon Pathway Index GBP Hdgd	0.0	0.1	-0.1	38.6	38.5	0.1	7.8	7.9	-0.1	9.3	9.4	0.0
LGIM UK Equity	2.3	2.2	0.0	28.0	27.9	0.1	3.2	3.1	0.1	6.1	6.0	0.1
LGIM World ex UK Dev Equity Index	2.2	2.2	0.0	23.7	23.7	0.0	12.8	12.8	0.0	14.1	14.1	0.0
LGIM World ex UK Dev Equity Index GBP Hdgd	0.3	0.3	0.0	28.9	29.0	0.0	n/a	n/a	n/a	16.2	16.2	0.0
LGIM World Emerging Markets Equity Index	-4.4	-4.4	0.0	13.8	13.8	0.0	8.2	8.3	0.0	9.6	9.6	0.0
LGIM Future World Global Equity Index GBP Hdgd	0.1	0.0	0.1	n/a	n/a	n/a	n/a	n/a	n/a	7.8	16.2	n/a
LGIM Future World Global Equity Index	1.7	1.7	0.1	n/a	n/a	n/a	n/a	n/a	n/a	9.5	9.4	n/a
LCIV Emerging Markets	-3.2	-5.8	2.8	17.3	13.3	3.5	n/a	n/a	n/a	15.8	10.1	5.2
LCIV Sustainable Exclusion	3.9	2.5	1.4	n/a	n/a	n/a	n/a	n/a	n/a	7.5	5.1	2.3
BNY Mellon Real Return	0.6	0.9	-0.3	10.4	4.0	6.2	7.8	4.4	3.3	4.7	4.5	0.2
Schroder Life Diversified Growth	-0.1	2.2	-2.3	14.6	8.2	5.9	6.6	6.9	-0.3	5.3	7.4	-1.9
Adams Street 2019 Global	27.0	8.4	17.2	209.6	29.8	138.5	n/a	n/a	n/a	149.3	19.6	108.5
Adams Street Global Secondary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Income												
IFM Global Infrastructure	6.5	2.4	4.0	15.8	10.0	5.3	13.1	10.0	n/a	13.1	10.0	2.8
LCIV Renewable Infrastructure	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Standard Life Long Lease Property	4.4	-1.3	5.7	10.2	-4.9	15.8	n/a	n/a	n/a	6.6	2.8	3.7
CBRE Global Alpha	3.9	2.2	1.7	1.1	9.0	n/a	n/a	n/a	n/a	3.4	9.0	-5.2
Alcentra Multi-Credit	1.6	1.0	0.6	14.3	4.1	9.8	4.0	4.5	-0.5	5.6	4.5	1.1
Barings Multi-Credit	1.1	1.3	-0.1	14.4	5.2	8.8	4.3	5.6	-1.2	5.7	5.6	0.2
Insight Secured Finance	1.0	1.0	0.0	7.9	4.1	3.7	3.4	4.5	-1.1	3.8	4.6	-0.7
M&G ABS Alternative Credit	0.6	0.5	0.2	3.9	1.8	2.0	2.3	2.2	0.1	2.7	2.2	0.5
Schroder All Maturities Corporate Bond	-0.7	-1.0	0.2	2.0	-0.3	2.3	6.5	4.5	1.9	6.4	5.6	0.8
Alcentra Direct Lending	2.8	2.3	0.5	11.4	9.5	1.7	5.9	9.5	-3.3	7.0	9.5	-2.3
Partners Group MAC 2015	1.3	1.3	0.0	11.6	5.2	6.1	6.2	5.6	n/a	5.8	5.1	0.7
Partners Group MAC 2017	1.8	1.3	0.5	6.8	5.2	1.5	5.4	5.6	n/a	5.0	5.1	-0.1
Partners Group MAC V	1.3	1.3	0.1	7.6	5.2	2.4	n/a	n/a	n/a	4.2	5.1	-0.8
LCIV Private Debt	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Barings Global Special Situations Credit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total	1.1	0.9	0.2	19.4	17.3	1.8	8.7	8.4	0.3	7.4	8.0	-0.5

The Q3 21 performance for Alcentra Direct Lending and CBRE Global Alpha are as at Q2 21, due to a lag applied by the manager. Hymans Robertson calculate the performance numbers for the Partners Group, Alcentra Direct Lending, Adams Street Partners Funds and IFM Global Infrastructure mandates, these may differ to the managers net IRR.

Source: Fund performance provided by Investment Managers and is gross of fees. Benchmark performance provided by Investment Managers and DataStream.

Manager performance (net of fees)

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth												
LGIM RAFI Carbon Pathway Index GBP Hdgd	0.0	0.1	-0.1	38.5	38.5	0.1	7.7	7.9	-0.2	9.3	9.4	-0.1
LGIM UK Equity	2.3	2.2	0.0	28.0	27.9	0.1	3.2	3.1	0.1	6.1	6.0	0.1
LGIM World ex UK Dev Equity Index	2.2	2.2	0.0	23.7	23.7	0.0	12.8	12.8	0.0	14.1	14.1	0.0
LGIM World ex UK Dev Equity Index GBP Hdgd	0.3	0.3	0.0	28.9	29.0	-0.1	n/a	n/a	n/a	16.1	16.2	-0.1
LGIM World Emerging Markets Equity Index	-4.4	-4.4	0.0	13.8	13.8	0.0	8.2	8.3	-0.1	9.5	9.6	0.0
LGIM Future World Global Equity Index GBP Hdgd	0.1	0.0	0.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LGIM Future World Global Equity Index	1.7	1.7	0.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LCIV Emerging Markets	-3.3	-5.8	2.7	16.7	13.3	3.0	n/a	n/a	n/a	15.3	10.1	4.7
LCIV Sustainable Exclusion	3.8	2.5	1.3	n/a	n/a	n/a	n/a	n/a	n/a	7.4	5.1	2.2
BNY Mellon Real Return	0.4	0.9	-0.5	9.8	4.0	5.6	7.2	4.4	2.7	4.1	4.5	-0.4
Schroder Life Diversified Growth	-0.2	2.2	-2.4	14.0	8.2	5.4	6.0	6.9	-0.8	4.7	7.4	-2.5
Adams Street 2019 Global	26.4	8.4	16.6	200.4	29.8	131.4	n/a	n/a	n/a	134.2	19.6	95.9
Adams Street Global Secondary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Income												
IFM Global Infrastructure	6.3	2.4	3.8	14.9	10.0	4.5	12.2	10.0	n/a	12.2	10.0	2.0
LCIV Renewable Infrastructure	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Standard Life Long Lease Property	4.2	-1.3	5.6	9.7	-4.9	15.3	n/a	n/a	n/a	6.2	2.8	3.2
CBRE Global Alpha	3.8	2.2	1.6	0.6	9.0	-7.7	n/a	n/a	n/a	2.9	9.0	-5.6
Alcentra Multi-Credit	1.5	1.0	0.5	13.7	4.1	9.3	3.5	4.5	-1.0	5.1	4.5	0.6
Barings Multi-Credit	1.0	1.3	-0.3	13.8	5.2	8.2	3.7	5.6	-1.8	5.2	5.6	-0.3
Insight Secured Finance	0.9	1.0	-0.1	7.6	4.1	3.4	3.0	4.5	-1.4	3.5	4.6	-1.1
M&G ABS Alternative Credit	0.5	0.5	0.1	3.5	1.8	1.7	2.0	2.2	-0.3	2.4	2.2	0.2
Schroder All Maturities Corporate Bond	-0.8	-1.0	0.2	1.8	-0.3	2.1	6.3	4.5	1.8	6.2	5.6	0.6
Alcentra Direct Lending	2.5	2.3	0.2	10.1	9.5	0.5	4.7	9.5	-4.5	5.7	9.5	-3.5
Partners Group MAC 2015	1.1	1.3	-0.2	10.8	5.2	5.4	5.5	5.6	n/a	5.1	5.1	-0.1
Partners Group MAC 2017	1.6	1.3	0.4	6.0	5.2	0.8	4.6	5.6	n/a	4.3	5.1	-0.8
Partners Group MAC V	1.1	1.3	-0.1	6.9	5.2	1.6	n/a	n/a	n/a	3.5	5.1	-1.5
LCIV Renewable Infrastructure	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Barings Global Special Situations Credit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total	1.0	0.9	0.1	19.0	17.3	1.5	8.4	8.4	0.0	6.9	8.0	-0.9

The table shows a summary of the Fund performance, net of investment management fees, over selected time periods.

The Q3 21 performance for Alcentra Direct Lending and CBRE Global Alpha are as at Q2 21, due to a lag applied by the manager. Hymans Robertson calculate the performance numbers for the Partners Group, Alcentra Direct Lending, Adams Street Partners 2019 Global Fund and IFM Global Infrastructure mandates, these may differ to the managers net IRR.

Source: Fund performance provided by Investment Managers and is net of fees. Benchmark performance provided by Investment Managers and DataStream

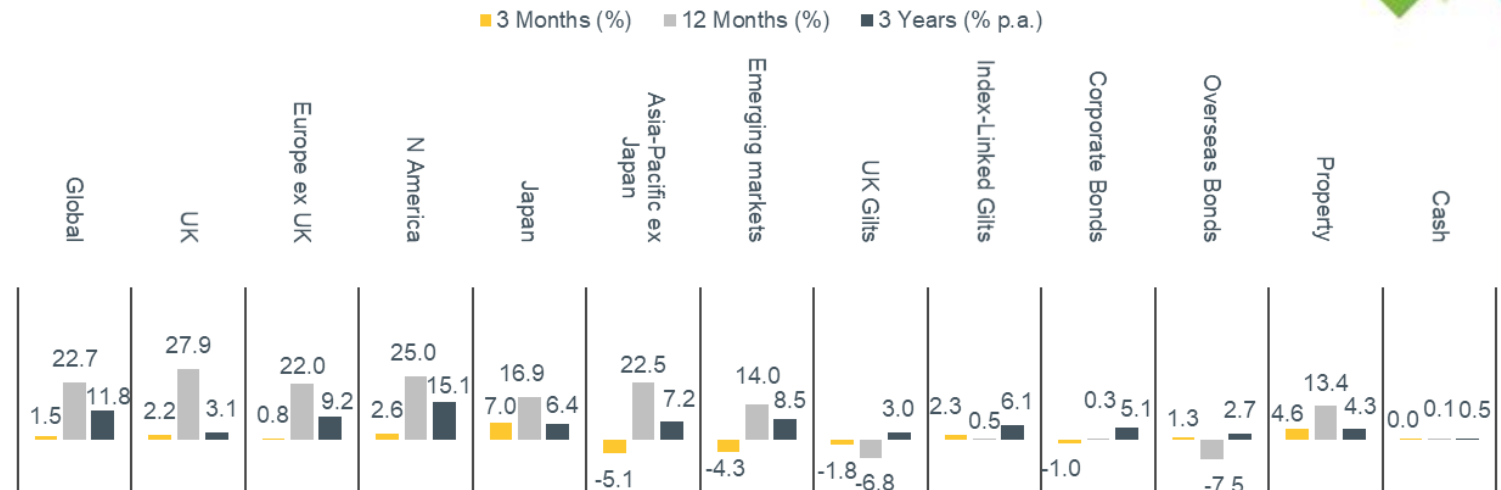
Growth momentum continued to ease as the initial impact of re-opening late last year fades. However, the pace of growth in the major advanced economies is forecast to remain strong over the next couple of years, with consensus forecasts global growth of 5.7% in 2021 and 4.4% in 2022.

Global equities gave up earlier gains as strong earnings growth was offset by easing economic momentum and the prospect of fading monetary support. Strong rises in energy prices lifted the energy sector, while the prospect of higher interest rates buoyed the financial sector. The defensive growth characteristics of the technology and healthcare sectors saw them outperform, while consumer discretionary, basic materials and industrials all underperformed in Q3.

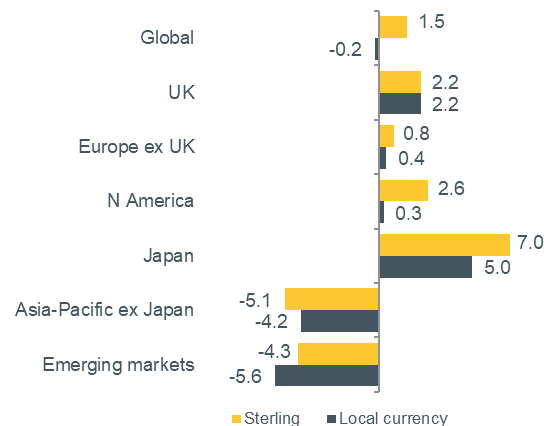
Japanese markets materially outperformed, rallying on expectations of further stimulus and economic reopening as COVID cases declined. UK markets also outperformed, driven primarily by their above average exposure to the energy sector, while emerging markets were pulled lower by weak performance from China, where announcements of tighter regulation have been compounded by a slowdown in the Chinese property and manufacturing sectors, and high energy prices

The total return on the MSCI Monthly Property index was 13.4% in the year to September, which includes a 5.5% income return. A 7.5% rise in capital values over the 12 months to end of September is attributable to buoyant industrial sector where capital values have risen 24%.

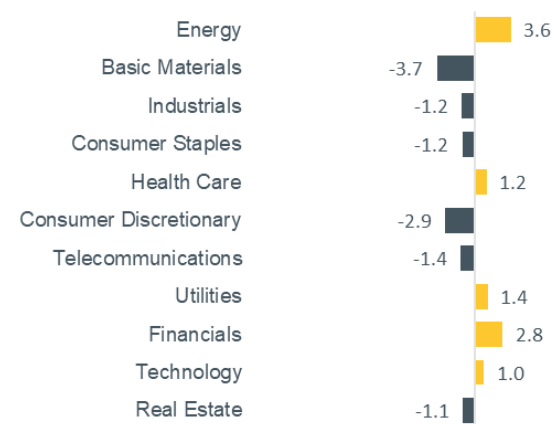
Historic returns for world markets ^[1]



Regional equity returns ^[2]



Global equity sector returns (%) ^[3]



Source: DataStream. ^[1]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, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property; UK Interbank 7 Day. ^[2]FTSE All World Indices. Commentary compares regional equity returns in local currency. ^[3]Returns shown in Sterling terms and relative to FTSE All World. FTSE indices migrated to a new ICB structure in Q1 2021.

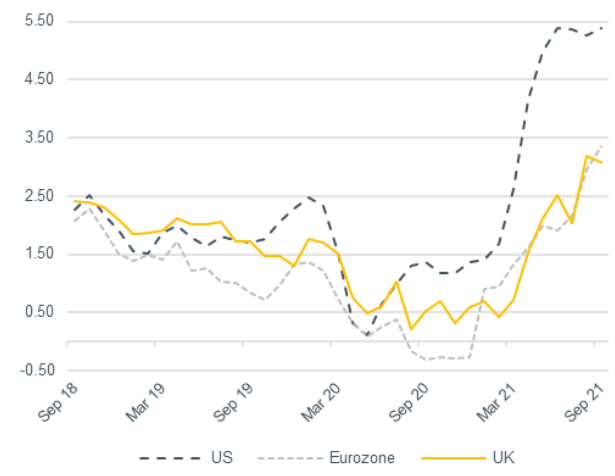
Global investment-grade spreads were little changed in Q3 and global developed market speculative-grade spreads rose 0.3% p.a. Defaults and leverage levels continue to fall, interest coverage is rising, and liquidity remains plentiful. Fears surrounding the potential default of Evergrande, a heavily indebted Chinese property developer, seem to have been contained within Chinese and Asian credit markets for now.

UK 10-year gilt yields rose 0.3% p.a., with steep rises coming in the wake of the Bank of England's September meeting. Having fallen earlier in the quarter, on the back of easing economic momentum, equivalent US and German yields rose back to end-June levels in September.

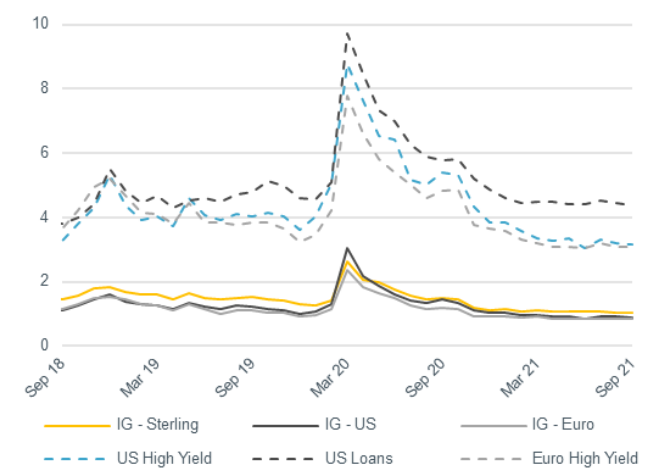
UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, rose from 3.5% p.a. to 3.9% p.a. as real yields fell and nominal yields rose. 10-year US implied inflation was little changed over Q3.

The trade-weighted dollar has risen around 1.5% while equivalent measures for the sterling and euro eased 0.9% and 0.4% respectively.

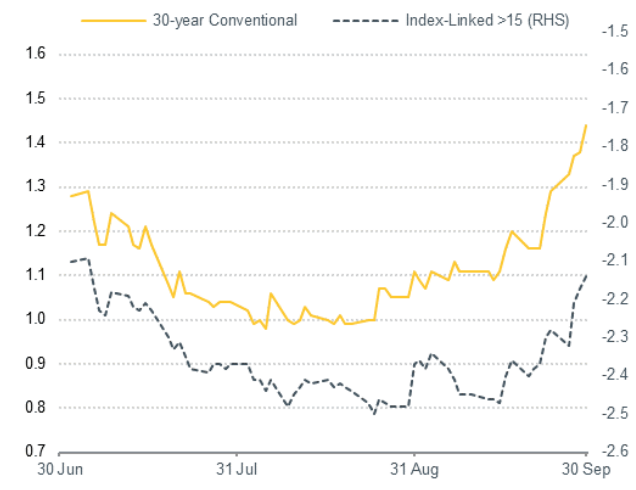
Annual CPI Inflation (% p.a.)



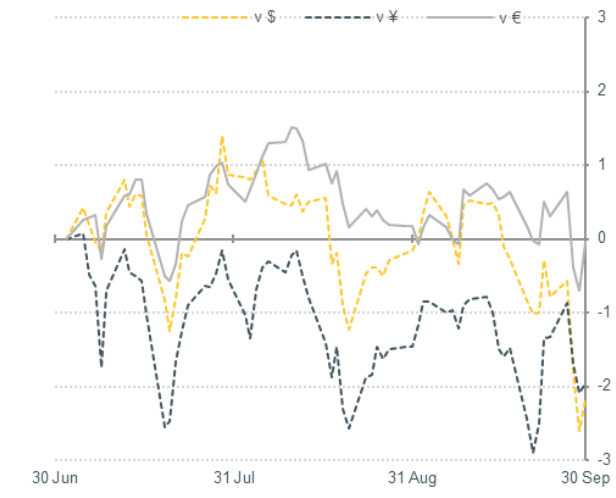
Investment and speculative grade credit spreads (% p.a.)



Gilt yields chart (% p.a.)



Sterling trend chart (% change)



Source: DataStream, Barings and ICE

Risk Warning

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.

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Geometric v 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.