



London Borough of Barnet Pension Fund

Q2 2022 Investment Monitoring Report

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Executive Summary

Fund assets totalled c.£1,408.6m at the end of Q2 2022, a decrease of c.£92m from the end of the previous quarter.

The Fund's assets returned -5.9% (net of fees) over the quarter, underperforming the benchmark by c.1.0%.

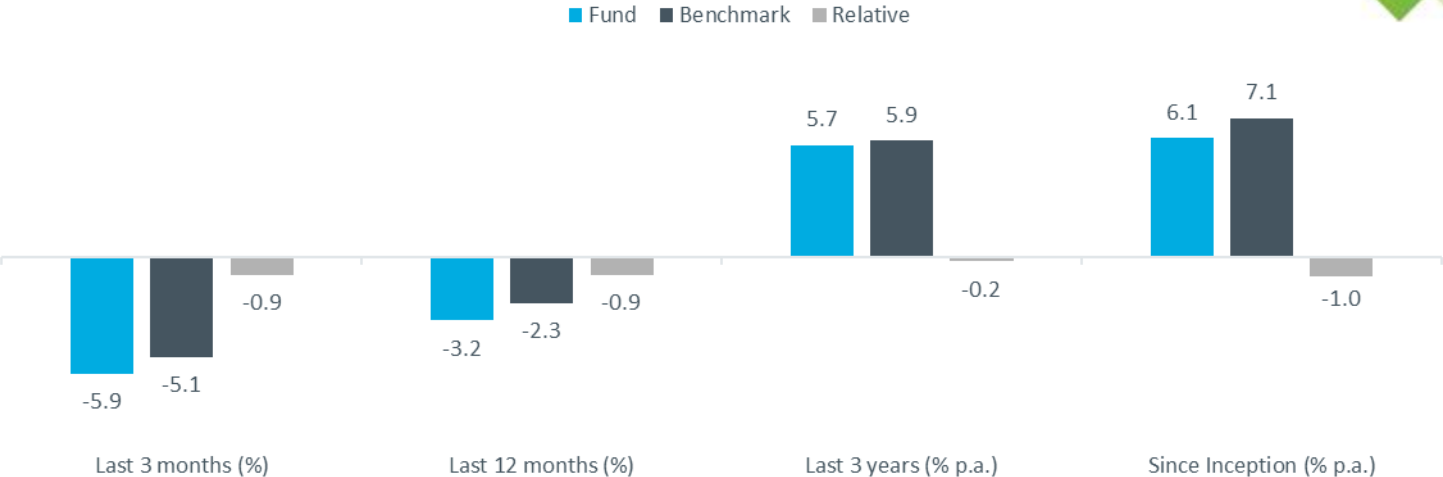
Key Actions

The following transitions took place over the quarter:

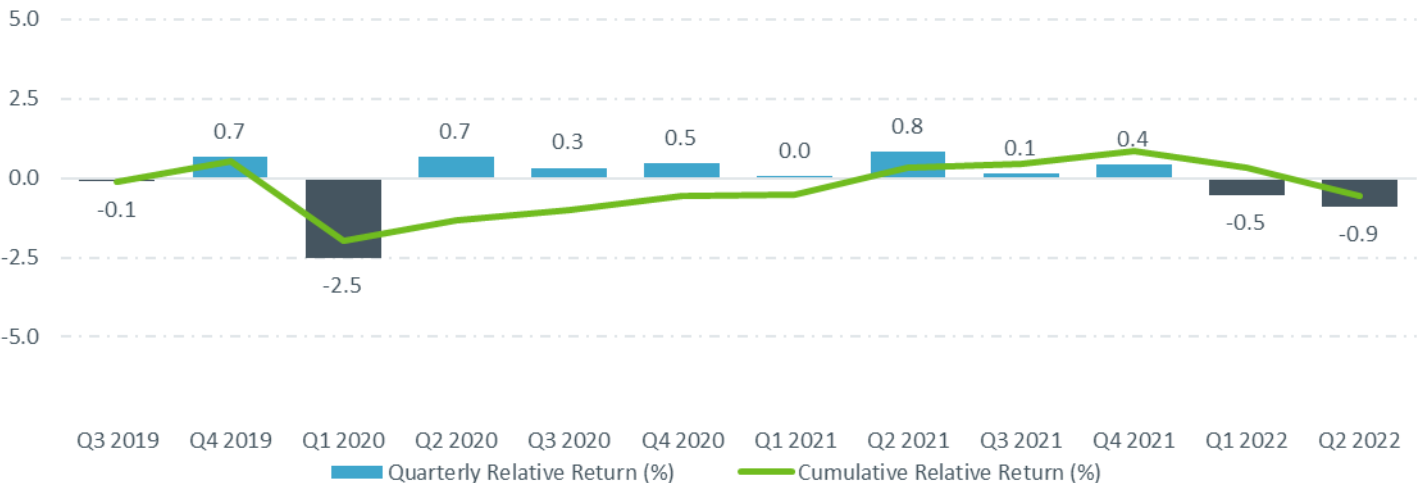
- Investment of c.£20m into the LGIM Future World Global Equity Index Fund – funded by an equal disinvestment from the LGIM RAFI Carbon Pathway Index Fund.

Over the quarter the following funds continued to call capital from the Fund's commitments: Adams Street Global 2019 Fund, Adams Street Global Secondaries Fund, LCIV Private Debt, LCIV Renewable Infrastructure, Barings Global Special Situations. The Fiera Real Estate Opportunity Fund V (FEOF) had its first capital call.

Historic quarterly performance (net of fees)



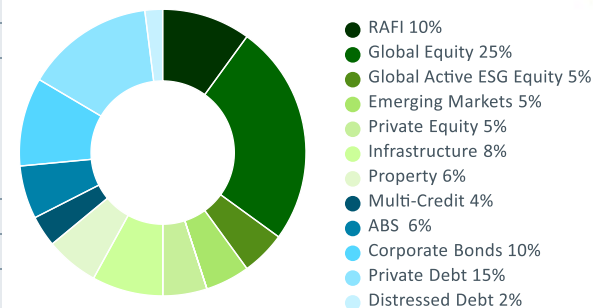
Relative quarterly and relative cumulative performance 3yr (net of fees)



Asset allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q1 2022	Q2 2022			
LGIM RAFI Carbon Pathway Index GBP Hdgd	239.2	196.6	14.0%	10.0%	4.0%
LGIM Future World Global Equity Index	68.4	84.1	6.0%	10.0%	-4.0%
LGIM Future World Global Equity Index GBP Hdgd	103.7	122.7	8.7%	15.0%	-6.3%
LCIV Sustainable Exclusion Global Equity	42.9	39.3	2.8%	5.0%	-2.2%
LGIM UK Equity Index	8.6	6.6	0.5%	0.0%	9.7%
LGIM World ex UK Dev Equity Index	92.4	68.0	4.8%		
LGIM World ex UK Dev Equity Index GBP Hdgd	79.4	53.4	3.8%		
LGIM Emerging Markets Equity Index	12.1	8.7	0.6%		
LCIV Emerging Markets Equity	68.1	63.2	4.5%	5.0%	-0.5%
Schroder Life Diversified Growth	148.3	140.3	10.0%	0.0%	10.0%
Adams Street 2019 Global	36.9	41.2	2.9%	5.0%	-1.5%
Adams Street Global Secondaries	3.4	7.7	0.5%		
Total Growth	903.5	831.8	59.0%	50.0%	9.0%
IFM Global Infrastructure	84.8	91.8	6.5%	5.0%	1.5%
LCIV Renewable Infrastructure	11.1	9.7	0.7%	3.0%	-2.3%
Standard Life Long Lease Property	34.2	35.0	2.5%	2.0%	0.5%
CBRE Global Alpha	30.7	30.7	2.2%	2.0%	0.2%
FREOF V	0.0	28.2	2.0%	2.0%	0.0%
Barings Multi-Credit	40.9	37.4	2.7%	3.5%	-0.8%
LCIV MAC	0.0	0.0	0.0%	3.5%	-3.5%
Insight Secured Finance	90.1	89.0	6.3%	6.0%	0.3%
Schroder All Maturities Corporate Bond	132.6	122.2	8.7%	10.0%	-1.3%
Alcentra Direct Lending	16.1	14.4	1.0%	1.5%	-0.5%
Partners Group MAC 2015	4.5	4.2	0.3%	0.0%	0.3%
Partners Group MAC 2017	15.6	13.9	1.0%	3.0%	-2.0%
Partners Group MAC V	29.4	29.1	2.1%	2.5%	-0.4%
LCIV Private Debt	24.4	27.9	2.0%	4.0%	-2.0%
Barings Global Special Situations Credit	19.8	27.1	1.9%	2.0%	-0.1%
Total Income	534.2	560.8	39.8%	50.0%	-10.2%
Cash	63.3	16.1	1.1%	0.0%	1.1%
Total Fund	1,500.9	1,408.6	100.0%	100.0%	-

Strategic allocation



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	-9.8	-9.9	0.1	-4.5	-4.9	0.4	6.7	6.6	0.1	7.5	7.5	0.0
LGIM Future World Global Equity Index	-8.4	-8.4	0.0	-4.5	-4.6	0.1	n/a	n/a	n/a	2.2	2.1	0.2
LGIM Future World Global Equity Index GBP Hdgd	-13.4	-13.4	0.0	-12.3	-12.3	0.1	n/a	n/a	n/a	-4.4	-4.5	0.1
LGIM World ex UK Dev Equity Index	-9.2	-9.2	0.0	-3.2	-3.2	0.0	9.3	9.3	0.0	11.2	11.2	0.0
LGIM World ex UK Dev Equity Index GBP Hdgd	-14.8	-14.8	0.0	-12.2	-12.2	0.0	7.0	7.1	-0.1	7.0	7.1	-0.1
LCIV Sustainable Exclusion Global Equity	-8.6	-9.1	0.6	-7.9	-2.6	-5.5	n/a	n/a	n/a	-3.8	0.0	-3.7
LGIM UK Equity Index	-5.0	-5.0	0.0	1.8	1.7	0.1	2.5	2.4	0.1	5.3	5.1	0.1
LGIM Emerging Markets Equity Index	-2.8	-2.7	-0.1	-10.8	-10.6	-0.2	3.3	3.4	-0.1	7.1	7.1	0.0
LCIV Emerging Markets Equity	-7.0	-4.0	-3.1	-19.3	-15.0	-5.0	n/a	n/a	n/a	3.9	3.3	0.5
Schroder Life Diversified Growth	-5.4	1.3	-6.6	-6.9	10.5	-15.8	3.4	8.0	-4.2	3.8	7.6	-3.5
Adams Street 2019 Global	1.9	-1.6	3.5	71.2	17.3	46.0	n/a	n/a	n/a	104.9	17.0	75.2
Adams Street Global Secondaries	3.1	3.6	-0.5	n/a	n/a	n/a	n/a	n/a	n/a	22.0	11.1	9.9
Income												
IFM Global Infrastructure	8.3	2.4	5.8	23.8	10.0	12.5	14.3	10.0	3.9	14.2	10.0	3.8
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	2.2	-6.9	9.7	13.8	-11.7	28.8	n/a	n/a	n/a	7.6	-1.3	8.9
CBRE Global Alpha	5.8	2.2	3.5	19.2	9.0	9.4	n/a	n/a	n/a	7.4	9.0	-1.5
FREOF V	2.3	3.2	-0.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Barings Multi-Credit	-8.6	1.3	-9.9	-10.0	5.2	-14.5	-0.5	5.4	-5.6	2.6	5.5	-2.7
Insight Secured Finance	-1.2	1.2	-2.4	0.3	4.4	-3.9	2.1	4.4	-2.2	2.8	4.5	-1.7
Schroder All Maturities Corporate Bond	-7.9	-6.7	-1.3	-14.0	-12.9	-1.3	-1.0	-1.9	0.9	4.5	4.0	0.4
Alcentra Direct Lending	0.9	2.3	-1.3	9.3	9.5	-0.2	5.2	9.5	-4.0	6.2	9.5	-3.1
Partners Group MAC 2015	-4.5	0.9	-5.4	-1.0	4.9	-5.7	2.7	5.3	-2.5	6.6	5.1	1.5
Partners Group MAC 2017	0.9	0.9	-0.1	4.5	4.9	-0.4	4.1	5.3	-1.2	4.6	5.1	-0.5
Partners Group MAC V	-1.1	0.9	-2.0	1.8	4.9	-2.9	2.9	5.0	-2.1	5.1	5.0	0.1
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	1.2	4.1	-2.8	n/a	n/a	n/a	n/a	n/a	n/a	17.2	12.9	3.8
Total	-5.9	-5.1	-0.9	-3.2	-2.3	-0.9	5.7	5.9	-0.2	6.1	7.1	-1.0

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

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

The Q2 22 performance for Alcentra Direct Lending and CBRE Global Alpha are as at Q1 22, due to a lag applied by the manager. Hymans Robertson estimate the performance numbers for the Partners Group, Alcentra Direct Lending, Adams Street Partners 2019 Global, Adams Street Partners Global Secondaries, LCIV Renewable Infrastructure, LCIV Private Debt, IFM Global Infrastructure and Barings Global Special Situations Credit mandates. As such these may differ to the managers' net IRR.

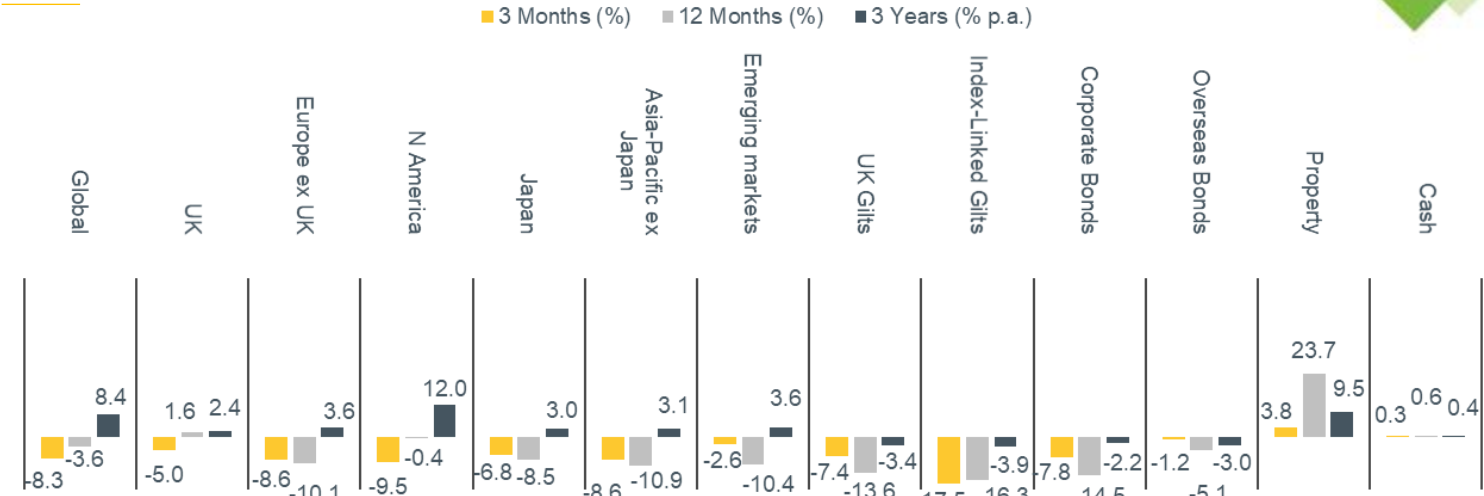
Soaring inflation and higher borrowing costs have continued to squeeze consumer's real incomes, with consumer confidence surveys plunging as a result. The persistence of these inflationary pressures, coupled with the prospect of tighter financial conditions, has given rise to fears of recession, and has resulted in revised consensus forecasts for global growth of 2.9% in 2022 and 2.8% in 2023 (down from 4.1% and 3.2%, respectively, at the start of the year.)

While headline inflation continues to rise across developed markets, year-on-year US and UK core inflation, which excludes volatile energy and food prices, eased slightly, but remained elevated, at 6.0% and 5.9%, respectively. While US and UK inflation pressures look more broad-based, a large proportion of eurozone inflation still owes to volatile energy and food prices, with Eurozone core CPI increasing to 3.8% year-on-year.

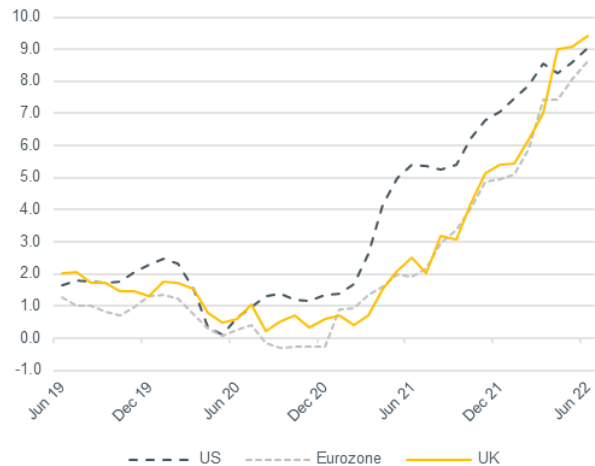
Despite severe supply side issues and risks to growth, central banks appear determined to bring down inflation. The Bank of England rose rates for the fifth consecutive time and the Fed delivered a bumper 0.75% p.a. increase, taking their base rates to 1.25% p.a. and 1.75% p.a., respectively. The European Central Bank have indicated a first rate hike is likely in July, and the end to negative rates by the end of Q3 2022.

Government bond yields rose as markets moved to price in significant further increases in interest rates, with UK 10-year gilt yields increasing 0.6% p.a. to 2.2% p.a. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell 0.8% p.a., from 4.4% p.a. to 3.6% p.a. as real yields rose more than their nominal counterparts.

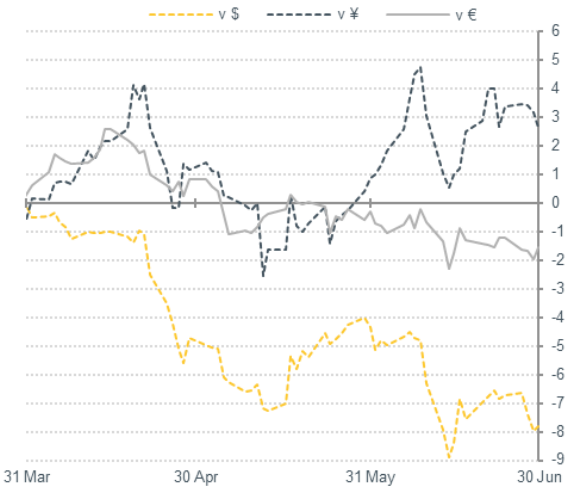
Historic returns for world markets ^[1]



Annual CPI Inflation (% p.a.)



Sterling trend chart (% change)



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, ICE BofA Global Government Index, MSCI UK Monthly Property; UK Interbank 7 Day

With both inflation and growth concerns weighing on credit markets, global investment-grade credit spreads rose 0.5% p.a., to 1.8% p.a.; while US and European speculative-grade spreads both rose 2.4% p.a., to 5.9% p.a. and 6.4% p.a., respectively.

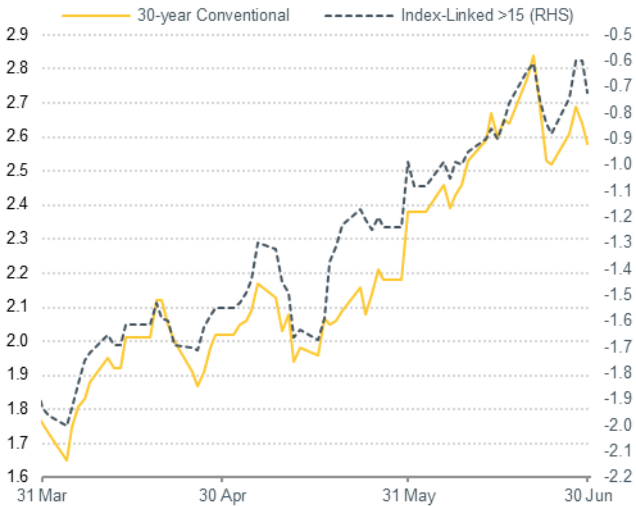
Commodity prices fell over the quarter, with expectations of lower demand leading to a fall in industrial metals prices as rising real yields weighed on precious metal prices.

Despite ongoing upwards revisions to consensus analyst earnings forecasts, global equities fell 8.3% over the quarter, as increases in expectations for the path of interest rates extended the recent decline in equity market valuations. The technology sector notably underperformed on the back of rising rates while returns within the consumer discretionary sector were impacted by a weakening consumer outlook. In contrast, consumer staples outperformed, as investors perhaps placed a premium on the sector's inherent pricing power.

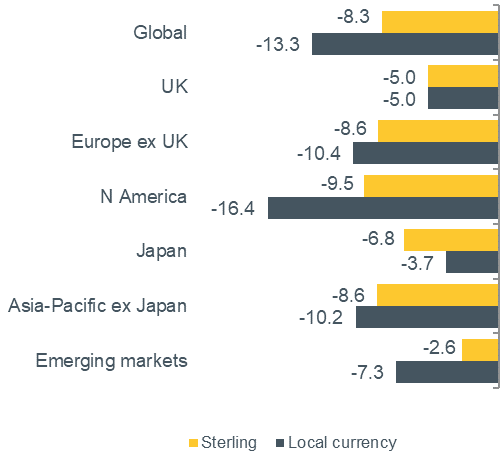
North America underperformed, owing to its large exposure to the technology sector. Meanwhile, above-average exposure to energy, metals, and miners, saw the UK continue its recent outperformance. The easing of lockdown restrictions in China provided some relative support to Emerging and Asian markets equities.

Property remained a relative bright spot, with the MSCI UK IPD total return index rising 9.6% year-to-date; largely owing to a 11.9% rise in industrial capital values. Return on the all-property index, including income, was 23.7% in the 12 months to end-June.

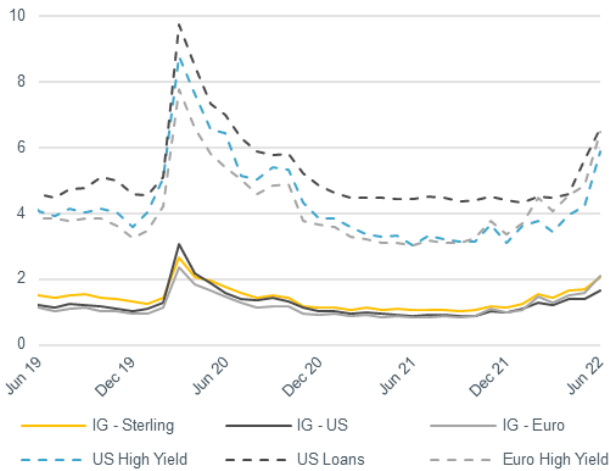
Gilt yields chart (% p.a.)



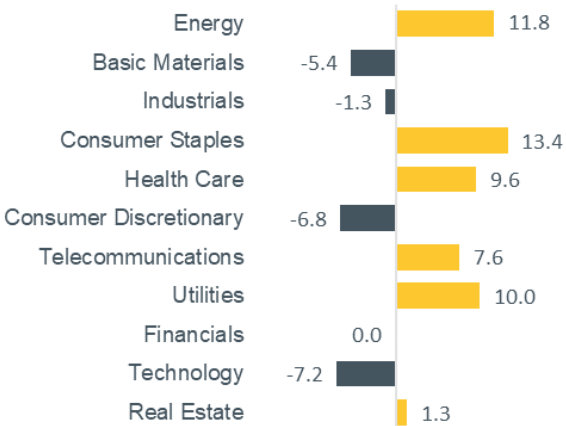
Regional equity returns ^[1]



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



Global equity sector returns (%) ^[2]



Source: DataStream, Barings, ICE ^[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.

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.

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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.