



# London Borough of Barnet Pension Fund

Q3 2022 Investment Monitoring Report

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Executive Summary

Fund assets totalled c.£1,385.4m at the end of Q3 2022, a decrease of c.£26m from the end of the previous quarter.

The Fund's assets returned -2.1% (net of fees) over the quarter, outperforming the benchmark by c.0.3%.

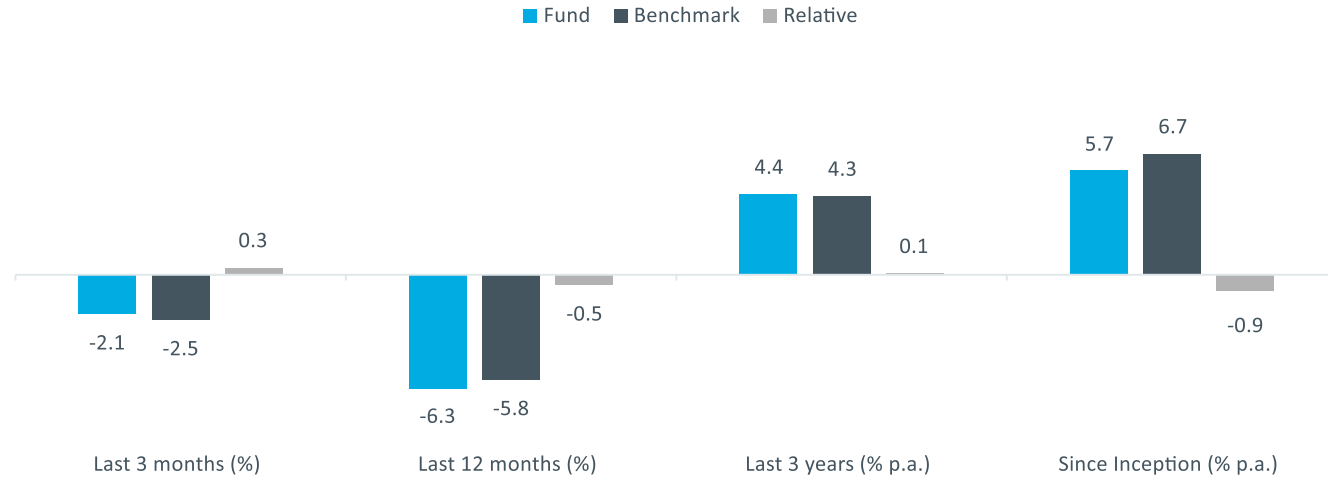
Key Actions

The following transitions took place over the quarter:

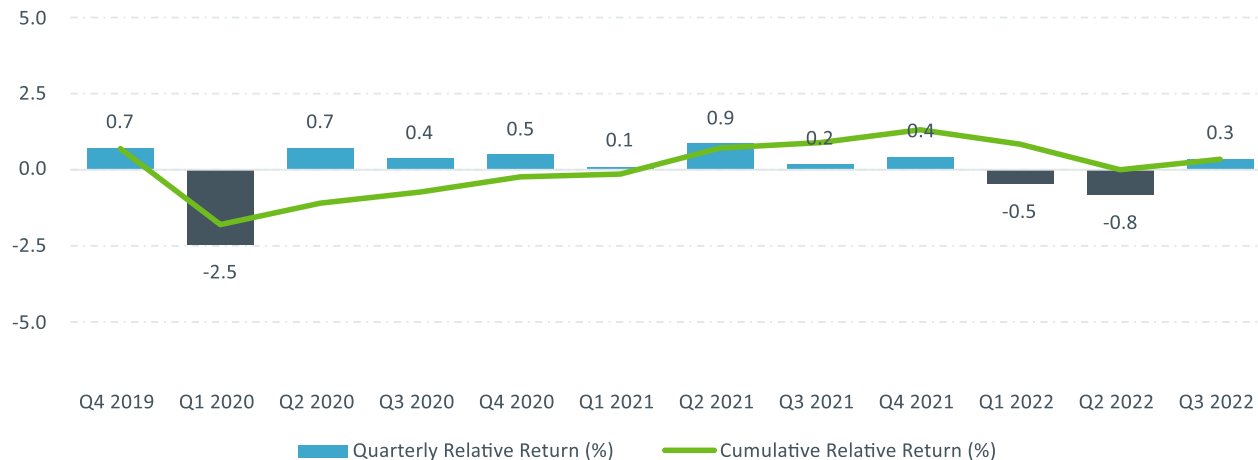
- A divestment of c.£50m from Schroders DGF. Officers fully divested from the DGF in early Q4.

Over the quarter the following funds continued to call capital from the Fund's commitments: Adams Street Global 2019 Fund, LCIV Private Debt and LCIV Renewable Infrastructure.

Historic quarterly performance (net of fees)



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

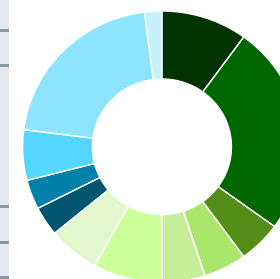


## Asset allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q2 2022	Q3 2022			
LGIM RAFI Carbon Pathway Index GBP Hdgd	196.6	186.9	13.5%	10.0%	3.5%
LGIM Future World Global Equity Index	84.1	85.1	6.1%	10.0%	-3.9%
LGIM Future World Global Equity Index GBP Hdgd	122.7	116.7	8.4%	15.0%	-6.6%
LCIV Sustainable Exclusion Global Equity	39.3	40.1	2.9%	5.0%	-2.1%
LGIM UK Equity Index	6.6	6.3	0.5%	0.0%	9.7%
LGIM World ex UK Dev Equity Index	68.0	69.4	5.0%		
LGIM World ex UK Dev Equity Index GBP Hdgd	53.4	50.7	3.7%		
LGIM World Emerging Markets Equity Index	8.7	8.5	0.6%		
LCIV Emerging Markets Equity	63.2	64.0	4.6%		
Schroder Life Diversified Growth	140.3	86.2	6.2%	0.0%	6.2%
Adams Street 2019 Global	41.2	46.1	3.3%	5.0%	-1.2%
Adams Street Global Secondaries	7.7	7.0	0.5%		
<b>Total Growth</b>	<b>831.8</b>	<b>767.1</b>	<b>55.4%</b>	<b>50.0%</b>	<b>5.4%</b>
IFM Global Infrastructure	91.8	97.6	7.0%	5.0%	2.0%
LCIV Renewable Infrastructure	9.7	14.4	1.0%	3.0%	-2.0%
Standard Life Long Lease Property	35.0	34.1	2.5%	2.0%	0.5%
CBRE Global Alpha	32.9	32.9	2.4%	2.0%	0.4%
FREOF V	28.2	29.2	2.1%	2.0%	0.1%
Barings Multi-Credit	37.4	37.1	2.7%	3.5%	-0.8%
LCIV MAC	0.0	0.0	0.0%	3.5%	-3.5%
Insight Secured Finance	89.0	88.8	6.4%	6.0%	0.4%
Schroder All Maturities Corporate Bond	122.2	107.1	7.7%	10.0%	-2.3%
Alcentra Direct Lending	14.4	14.2	1.0%	1.5%	-0.5%
Partners Group MAC 2015	4.2	4.0	0.3%	0.0%	0.3%
Partners Group MAC 2017	13.9	13.6	1.0%	3.0%	-2.0%
Partners Group MAC V	29.1	28.9	2.1%	2.5%	-0.4%
LCIV Private Debt	27.9	34.4	2.5%	4.0%	-1.5%
Barings Global Special Situations Credit	27.1	27.1	2.0%	2.0%	0.0%
<b>Total Income</b>	<b>563.0</b>	<b>563.5</b>	<b>40.7%</b>	<b>50.0%</b>	<b>-9.3%</b>
Cash	16.1	54.8	4.0%	0.0%	4.0%
<b>Total Fund</b>	<b>1,410.9</b>	<b>1,385.4</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>

## Strategic allocation

3



- RAFI 10%
- Global Equity 25%
- Global Active ESG Equity 5%
- Emerging Markets 5%
- Private Equity 5%
- Infrastructure 8%
- Property 6%
- Multi-Credit 4%
- ABS 4%
- Corporate Bonds 6%
- Private Debt 21%
- Distressed Debt 2%

The Q3 22 valuation for Alcentra Direct Lending, Adams Street Partners, Barings Global Special Situations and CBRE Global Alpha are as at Q2 22, due to a lag applied by the manager. Where applicable the valuations are adjusted for cash movements post quarter end.

The assets are being transitioned to the new funds, LGIM Future World and LCIV Sustainable Exclusion, and LCIV Renewable Infrastructure, in a phased manner. The allocations to those funds will therefore be underweight until the transition is complete in 2023 (and overweight to the LGIM passive market-cap funds). The Committee has also agreed to an investment in the LCIV MAC fund of 3.5% of Fund assets.

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

## 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
<b>Growth</b>												
LGIM RAFI Carbon Pathway Index GBP Hdgd	-5.0	-5.0	0.1	-9.2	-9.7	0.6	4.6	4.5	0.1	6.4	6.4	0.0
LGIM UK Equity Index	-3.4	-3.5	0.0	-3.9	-4.0	0.1	0.9	0.8	0.1	4.5	4.3	0.1
LGIM World ex UK Dev Equity Index	2.1	2.1	0.0	-3.3	-3.3	-0.0	8.6	8.6	-0.0	11.1	11.1	0.0
LGIM World ex UK Dev Equity Index GBP Hdgd	-5.0	-4.9	-0.1	-16.9	-16.8	-0.1	5.3	5.4	-0.1	4.8	4.8	-0.1
LGIM World Emerging Markets Equity Index	-2.3	-2.3	-0.0	-8.8	-8.7	-0.1	2.7	2.7	-0.1	6.4	6.4	-0.0
LGIM Future World Global Equity Index GBP Hdgd	-4.9	-4.9	0.0	-16.6	-16.6	0.1	n/a	n/a	n/a	-6.9	-6.9	0.1
LGIM Future World Global Equity Index	1.2	1.1	0.1	-5.0	-5.1	0.1	n/a	n/a	n/a	2.6	2.5	0.2
LCIV Emerging Markets Equity	1.4	-3.8	5.4	-15.4	-13.2	-2.5	n/a	n/a	n/a	4.0	1.7	2.3
LCIV Sustainable Exclusion Global Equity	2.2	2.1	0.1	-9.3	-2.9	-6.6	n/a	n/a	n/a	-1.7	1.3	-3.0
Schroder Life Diversified Growth	-4.4	1.3	-5.6	-10.8	9.5	-18.6	1.5	7.8	-5.9	3.3	7.6	-4.0
Adams Street 2019 Global	-0.6	-7.4	7.4	34.7	0.2	34.5	n/a	n/a	n/a	91.5	12.1	70.8
Adams Street Global Secondaries	-38.8	3.6	-40.9	n/a	n/a	n/a	n/a	n/a	n/a	54.4	13.0	36.6
<b>Income</b>												
IFM Global Infrastructure	6.3	1.9	4.3	23.7	8.0	14.6	15.2	8.0	6.7	15.0	8.0	6.5
LCIV Renewable Infrastructure	19.2	1.7	17.2	19.0	7.0	11.2	n/a	n/a	n/a	19.0	7.0	11.2
Standard Life Long Lease Property	-2.4	-12.1	11.1	6.5	-21.4	35.4	6.8	-7.6	15.6	6.3	-4.8	11.6
CBRE Global Alpha	7.0	2.2	4.7	22.9	9.0	12.8	9.2	9.0	0.2	9.2	9.0	0.2
FREOF V	-3.0	2.9	-5.7	n/a	n/a	n/a	n/a	n/a	n/a	3.4	5.8	-2.3
Barings Multi-Credit	-0.7	1.5	-2.1	-11.6	5.4	-16.1	-0.9	5.4	-6.0	2.4	5.5	-3.0
Insight Secured Finance	-0.4	1.4	-1.7	-0.9	4.8	-5.4	1.7	4.5	-2.7	2.6	4.6	-1.9
Schroder All Maturities Corporate Bond	-12.8	-11.6	-1.3	-24.4	-22.3	-2.8	-6.7	-7.0	0.4	3.2	2.9	0.3
Alcentra Direct Lending	-0.2	1.7	-1.9	6.4	7.0	-0.6	4.5	7.0	-2.4	5.9	7.0	-1.1
Partners Group MAC 2015	-4.7	1.4	-6.0	-6.8	5.0	-11.2	0.7	5.3	-4.3	6.5	5.1	1.3
Partners Group MAC 2017	-0.1	1.4	-1.5	2.7	5.0	-2.2	3.5	5.3	-1.7	4.4	5.1	-0.7
Partners Group MAC V	0.3	1.4	-1.1	1.0	5.0	-3.9	3.2	5.3	-1.9	4.1	5.1	-0.9
LCIV Private Debt	10.3	1.5	8.7	11.2	6.0	4.9	n/a	n/a	n/a	11.2	6.0	4.9
Barings Global Special Situations Credit	-1.1	3.3	-4.3	n/a	n/a	n/a	n/a	n/a	n/a	15.6	13.8	1.6
<b>Total</b>	<b>-2.1</b>	<b>-2.5</b>	<b>0.3</b>	<b>-6.3</b>	<b>-5.8</b>	<b>-0.5</b>	<b>4.4</b>	<b>4.3</b>	<b>0.1</b>	<b>5.7</b>	<b>6.7</b>	<b>-0.9</b>

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

The Q3 22 performance for Alcentra Direct Lending and CBRE Global Alpha are as at Q2 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 IRRs.

Source: Unless stated otherwise, fund performance provided by Investment Managers and is net of fees. Benchmark performance provided by Investment Managers and DataStream

## Mandate profiles

Mandate	Date Appointed	Benchmark/Target Description	Annual Fee (bps)
LGIM RAFI Carbon Pathway Index GBP Hdgd	08-Oct-15	RAFI Global Reduced Carbon Pathway 3.5% - GBP Hdgd	4.8
LGIM Future World Global Equity Index GBP Hdgd	31-Mar-21	Solactive L&G ESG Global Markets Net - GBP Hdgd	6
LGIM Future World Global Equity Index	31-Mar-21	Solactive L&G ESG Global Markets Net	3
LGIM UK Equity	15-Oct-15	FTSE All-Share	1
LGIM World ex UK Dev Equity Index	23-Oct-15	FTSE Dev ex UK Net	1
LGIM World Emerging Markets Equity Index	15-Oct-15	FTSE Emerging Net	4
LGIM World ex UK Dev Equity Index GBP Hdgd	23-Sep-19	FTSE Dev ex UK Net - GBP Hdgd	3
LCIV Emerging Markets	03-Dec-19	MSCI Emerging Markets Index (TR) Net	49.5
LCIV Sustainable Exclusion	16-Apr-21	MSCI World Index Net (Total Return)	38
IFM Global Infrastructure	01-Mar-18	8% - 12% p.a.	77
LCIV Renewable Infrastructure	30-Sep-21	Net IRR of 7 - 10% p.a.	103.5
Schroder Life Diversified Growth	31-Dec-10	ICE BofA Sterling 3-month Government Bill + 4.5% p.a.	43
Adams Street 2019 Global	17-Oct-19	MSCI ACWI TR Index + 4% p.a.	52
Adams Street Global Secondaries	23-Jun-21	Net IRR of 15% p.a.	100
Standard Life Long Lease Property	03-Jun-19	FT British Govt All Stocks Index Plus 2%	49
CBRE Global Alpha	01-Jul-19	9% - 11% p.a. over 3 year rolling period	45
FREOF V	09-Jun-22	12% - 15% p.a.	107
Barings Multi-Credit	10-Jun-16	3 month SOFR + 5% p.a. hedged to GBP	53
Insight Secured Finance	31-May-17	SONIA + 4% p.a.	36
Schroder All Maturities Corporate Bond	31-Dec-10	Merrill Lynch Sterling Non-Gilts Index	18
Alcentra Direct Lending	06-May-16	7% - 12% p.a. net IRR	125
Partners Group MAC 2015	03-May-16	SONIA + 4% - 6% p.a.	73
Partners Group MAC 2017	12-Oct-17	SONIA + 4% - 6% p.a.	73
Partners Group MAC V	13-Aug-19	SONIA + 4% - 6% p.a.	73
LCIV Private Debt	22-Jun-21	Net IRR of 6 - 8% p.a.	80
Barings Global Special Situations Credit	30-Sep-21	Gross return of 15 - 20% p.a.	125

Ratings definitions can be found in the Appendix. Adams Street Partners' Annual Fee is based on the annual projected fee over the lifetime of the fund as a proportion of the total commitment, all in USD.

Source: Investment Managers

This page includes benchmarks, mandate information and any relevant updates from the managers over the period.

### Mandate updates

- Adam Street Partners (ASP) – Kelly Meldrum, Head of Primary Investment has announced her retirement and Brijesh Jeevarathnam will succeed Meldrum as Global Head of Fund Investment and join ASP's Executive Committee.
- Aberdeen Standard – Long Lease Property – Richard Wilson, currently CEO of interactive investor and member of the Executive Leadership Team, will become the CEO of their personal wealth division assuming leadership of financial planning, discretionary and digital solutions businesses alongside.
- IFM continued to expand its infrastructure team during Q3. Luba Nikulina took on the responsibility as Chief Strategy Officer in September 2022.

We are comfortable with all individual updates as they do not have a direct day-to-day impact on the management of client mandates.

Higher current and forecast inflation, and subsequent expectations of tighter monetary policy, are weighing heavily on consumer and business sentiment, with growth forecasts continuing to see downwards revisions. Recessions are now forecasts in several key European economies and the US economy also expected to slow substantially, increasing global recession risks.

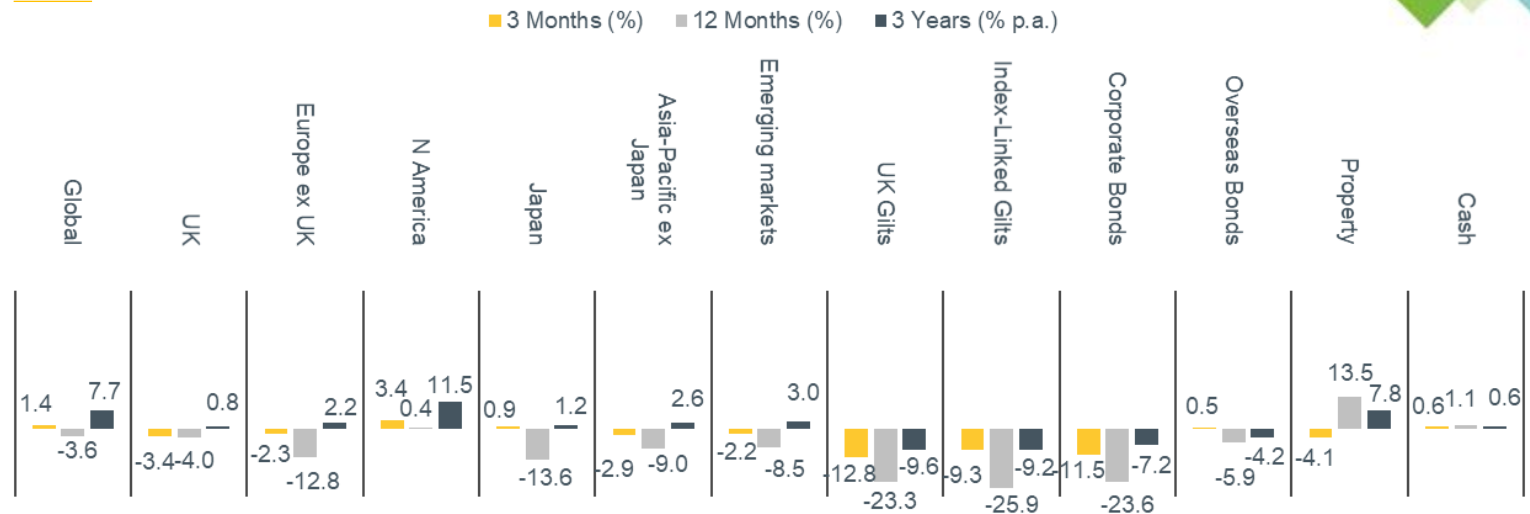
Year-on-year headline CPI inflation is running at 9.9%, 8.3%, and 9.1%, in the UK, eurozone, and US, respectively. Of more concern to central bankers, core inflation, which excludes food and energy prices, is also well above target, at 6.5%, 6.6%, and 4.8% in the UK, US, and eurozone, respectively.

Growing concerns about sustained high inflation were met with more aggressive messaging and action by central banks. The Fed raised interest rates by a cumulative 1.5% p.a. in Q3, while the Bank of England and the ECB raised rates by a total of 1% p.a. and 1.25% p.a., respectively.

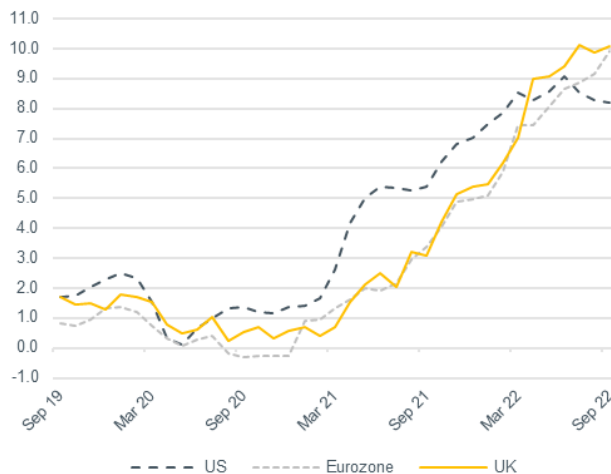
Against a global backdrop of high inflation and rising interest rate expectations, increases in UK government bond yields accelerated as the government unveiled a substantial unfunded fiscal package in late September. 10-year gilt yields ended the quarter at 4.1% p.a., 1.9% p.a. above end-June levels, while equivalent US and German yields both rose 0.8% p.a. over the same period, to 3.8% p.a. and 2.1% p.a., respectively.

UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, rose 0.4% p.a. to 4.0% p.a. Equivalent US implied inflation fell 0.2% p.a., to 2.2% p.a.

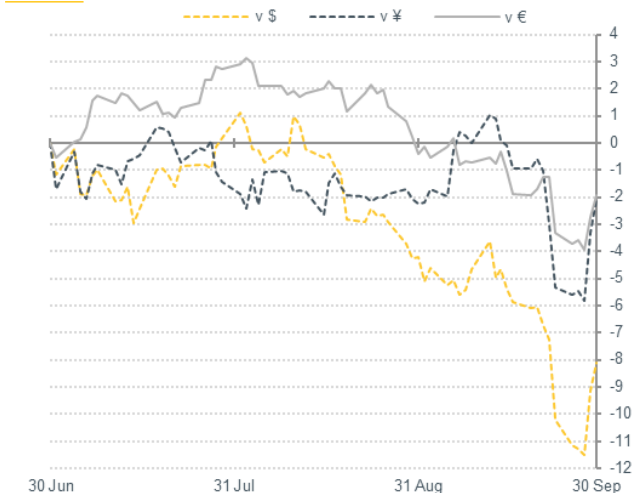
## Historic returns for world markets <sup>[1]</sup>



## Annual CPI Inflation (% p.a.)



## Sterling trend chart (% change)



Source: DataStream. <sup>[1]</sup>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

Global investment-grade spreads ended the quarter slightly wider, while UK investment-grade credit spreads rose 0.4% p.a., to 2.4% p.a., as rising government bond yields saw pension schemes liquidate liquid assets to meet collateral calls on their interest-rate hedging programmes. US and European speculative grade credit spreads ended the quarter 0.4% p.a. and 0.2% p.a. below end June levels, at 5.4% p.a. and 6.3% p.a., respectively.

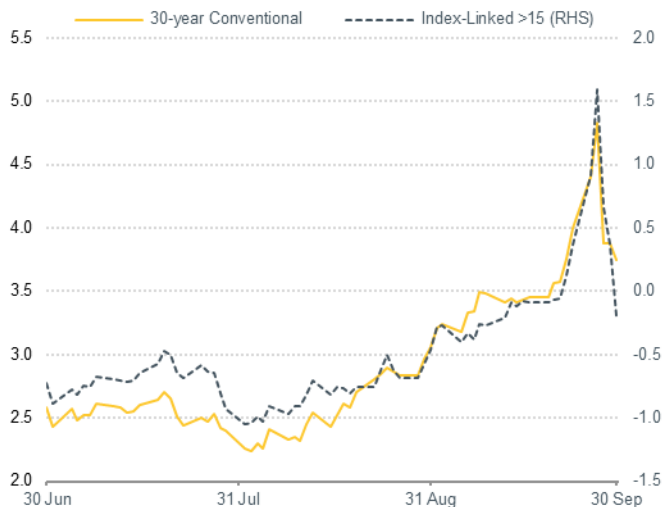
Despite a rally in July, global equities fell sharply in the second half of the quarter as high inflation, and subsequent higher interest rate expectations, weighed on both equity valuations and the fundamental outlook. The FTSE All World Index fell 4.8% (in local terms). Depreciation of sterling over the period resulted in a 1.4% return to unhedged UK investors. Performance was varied between cyclicals and defensives with telecoms, technology, and healthcare underperforming, while the energy and consumer discretionary sectors notably outperformed.

Regionally, Japanese and UK markets outperformed, both supported by currency weakness flattering the international earnings profile of their markets, and the UK also benefitting from an above-average exposure to the energy sector. Emerging and Asian markets once again underperformed.

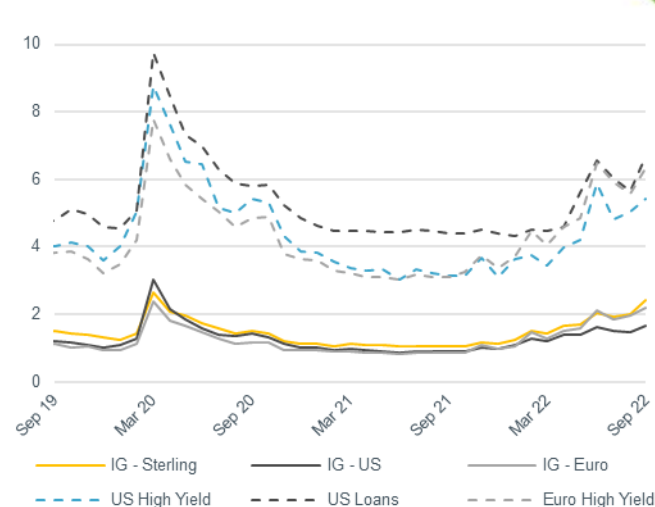
Global growth concerns were reflected in commodity markets, where energy and industrial metals prices led declines.

The MSCI UK Monthly Property Index has returned 13.5% in the 12 months to the end of September, although monthly returns entered negative territory in the third quarter. Capital value declines have been observed across the three main commercial sectors but have been more pronounced in the industrial sector.

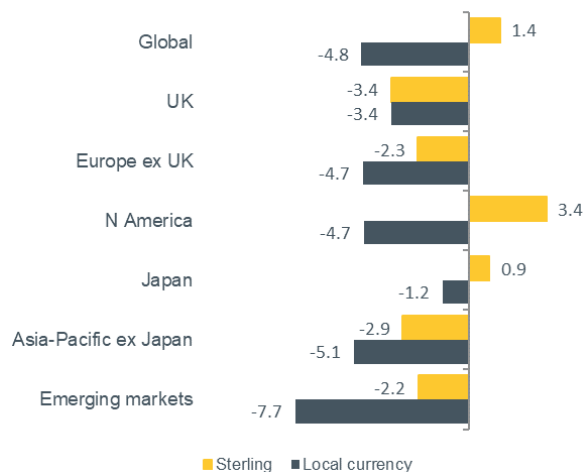
### Gilt yields chart (% p.a.)



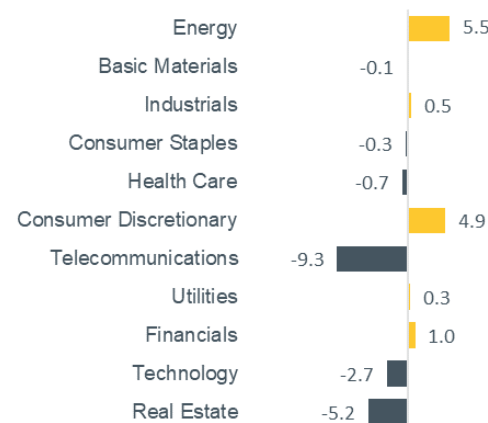
### Investment and speculative grade credit spreads (% p.a.)



### Regional equity returns [1]



### 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.