

London Borough of Barnet Pension Fund

Q4 2022 Investment Monitoring Report

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Executive Summary

Fund assets totalled c.£1,432.4m at the end of Q4 2022, an increase of c.£39m from the end of the previous quarter.

The Fund's assets returned 3.1% (net of fees) over the quarter, underperforming the benchmark by c.0.6%.

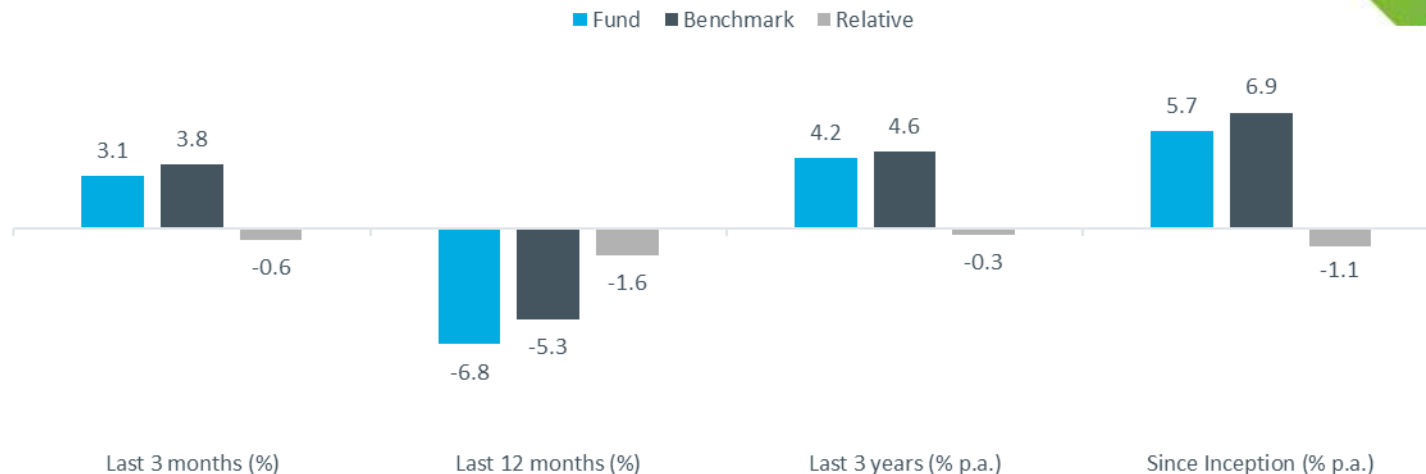
Key Actions

The following transitions took place over the quarter:

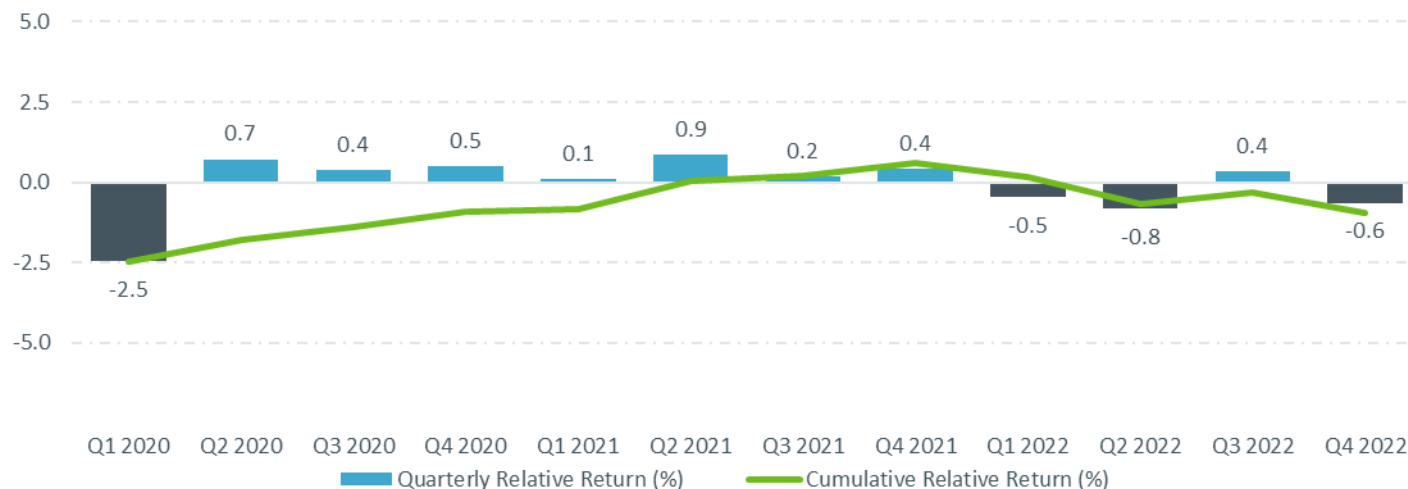
- An investment of c.£30m into the LCIV MAC fund.
- A divestment of c.£87m from the Schroders DGF fund.
- An Investment of c.£22m and c.£34m into the LGIM Future World Global Equity Index GBP Hedged and unhedged funds respectively – funded by an equal disinvestment from the LGIM RAFI Carbon Pathway Index fund and LGIM passive market-cap funds as part of the ongoing phased transition.

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

Historic quarterly performance (net of fees)



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

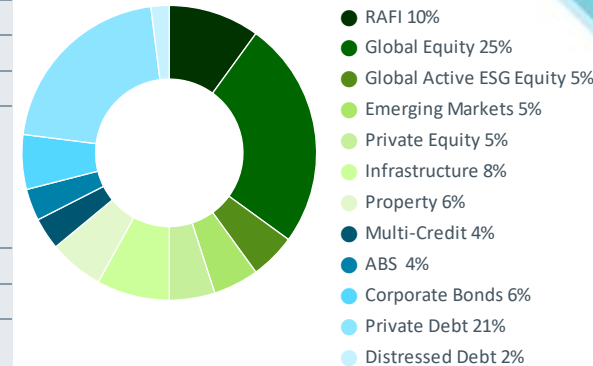


Asset allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q3 2022	Q4 2022			
LGIM RAFI Carbon Pathway Index GBP Hdgd	186.9	184.4	12.9%	10.0%	2.9%
LGIM Future World Global Equity Index	85.1	120.8	8.4%	10.0%	-1.6%
LGIM Future World Global Equity Index GBP Hdgd	116.7	147.5	10.3%	15.0%	-4.7%
LCIV Sustainable Exclusion Global Equity	40.1	39.8	2.8%	5.0%	-2.2%
LGIM UK Equity Index	6.3	5.2	0.4%	0.0%	7.2%
LGIM World ex UK Dev Equity Index	69.4	54.3	3.8%		
LGIM World ex UK Dev Equity Index GBP Hdgd	50.7	38.5	2.7%		
LGIM World Emerging Markets Equity Index	8.5	5.5	0.4%		
LCIV Emerging Markets Equity	64.0	65.4	4.6%	5.0%	-0.4%
Schroder Life Diversified Growth	86.2	0.0	0.0%	0.0%	0.0%
Adams Street 2019 Global	46.1	53.7	3.8%	5.0%	-0.6%
Adams Street Global Secondaries	7.0	9.9	0.7%		
Total Growth	767.1	725.2	50.6%	50.0%	0.6%
IFM Global Infrastructure	97.6	97.2	6.8%	5.0%	1.8%
LCIV Renewable Infrastructure	14.4	15.4	1.1%	3.0%	-1.9%
Standard Life Long Lease Property	34.1	28.4	2.0%	2.0%	0.0%
CBRE Global Alpha	35.1	32.9	2.3%	2.0%	0.3%
FREOF V	29.2	28.8	2.0%	2.0%	0.0%
Barings Multi-Credit	37.1	38.0	2.7%	3.5%	-0.8%
LCIV MAC	0.0	30.0	2.1%	3.5%	-1.4%
Insight Secured Finance	88.8	89.9	6.3%	6.0%	0.3%
Schroder All Maturities Corporate Bond	107.1	113.7	7.9%	10.0%	-2.1%
Alcentra Direct Lending	14.2	13.5	0.9%	1.5%	-0.6%
Partners Group MAC 2015	4.0	4.1	0.3%	0.0%	0.3%
Partners Group MAC 2017	13.6	13.5	0.9%	3.0%	-2.1%
Partners Group MAC V	28.9	29.7	2.1%	2.5%	-0.4%
LCIV Private Debt	34.4	40.1	2.8%	4.0%	-1.2%
Barings Global Special Situations Credit	33.0	33.0	2.3%	2.0%	0.3%
Total Income	571.7	608.2	42.5%	50.0%	-7.5%
Cash	54.8	99.0	6.9%	0.0%	6.9%
Total Fund	1,393.6	1,432.4	100.0%	100.0%	-

Strategic allocation

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The Q4 22 valuation for Alcentra Direct Lending, Adams Street and Barings Global Special Situations are as at Q3 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, in a phased manner. The allocations to those funds will therefore be underweight until the transition is complete (and overweight to the LGIM passive market-cap funds).

The Officers have developed a Cash management policy to address the high cash balance.

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

Manager performance (net of fees)

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

	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	10.3	10.2	0.1	-5.0	-5.4	0.5	5.8	5.7	0.1	7.6	7.6	0.0
LGIM World ex UK Dev Equity Index	2.0	2.0	0.0	-8.0	-8.0	0.0	8.9	8.9	0.0	11.0	11.0	0.0
LGIM World ex UK Dev Equity Index GBP Hdgd	7.0	7.1	0.0	-17.5	-17.4	-0.1	5.1	5.2	-0.1	6.5	6.6	-0.1
LGIM Future World Global Equity Index	1.8	1.8	0.1	-9.2	-9.3	0.1	n/a	n/a	n/a	3.3	3.1	0.2
LGIM Future World Global Equity Index GBP Hdgd	6.4	6.3	0.2	-17.1	-17.2	0.1	n/a	n/a	n/a	-2.5	-2.7	0.2
LCIV Emerging Markets Equity	2.3	1.8	0.5	-9.5	-10.0	0.6	3.0	0.5	2.5	4.4	2.2	2.2
LCIV Sustainable Exclusion Global Equity	-0.8	1.9	-2.6	-15.7	-7.8	-8.6	n/a	n/a	n/a	-2.0	2.2	-4.1
Schroder Life Diversified Growth	0.4	0.9	-0.4	-11.7	6.6	-17.1	0.8	7.7	-6.3	3.3	7.5	-3.9
Adams Street 2019 Global	4.4	2.5	1.9	19.3	0.2	19.1	84.1	12.0	64.4	84.1	12.0	64.4
Income												
IFM Global Infrastructure	-0.4	1.9	-2.3	19.6	8.0	10.7	11.9	8.0	3.6	14.0	8.0	5.5
LCIV Renewable Infrastructure	4.8	1.7	3.0	24.8	7.0	16.6	n/a	n/a	n/a	19.3	7.0	11.5
Standard Life Long Lease Property	-16.8	2.3	-18.7	-14.7	-21.8	9.1	-0.1	-5.8	6.1	0.8	-3.9	4.8
CBRE Global Alpha	-6.8	2.2	-8.8	9.7	9.0	0.7	5.7	9.0	-3.0	5.7	9.0	-3.0
FREOF V	0.0	2.9	-2.8	n/a	n/a	n/a	n/a	n/a	n/a	3.3	8.9	-5.1
Barings Multi-Credit	2.3	1.6	0.7	-10.5	5.8	-15.4	-0.8	5.5	-6.0	2.7	5.6	-2.7
Insight Secured Finance	1.1	1.7	-0.6	-0.5	5.4	-5.6	1.6	4.6	-2.9	2.7	4.7	-1.9
Schroder All Maturities Corporate Bond	6.4	6.2	0.2	-20.0	-17.8	-2.8	-4.6	-4.9	0.3	3.6	3.3	0.3
Alcentra Direct Lending	0.6	1.7	-1.1	5.1	7.0	-1.8	3.9	7.0	-2.9	5.7	7.0	-1.2
Partners Group MAC 2015	1.6	1.7	-0.1	-6.9	5.4	-11.7	1.0	5.3	-4.1	6.4	5.2	1.1
Partners Group MAC 2017	4.2	1.7	2.5	5.9	5.4	0.4	4.6	5.3	-0.7	4.6	5.2	-0.6
Partners Group MAC V	2.8	1.7	1.1	2.7	5.4	-2.6	3.7	5.3	-1.6	4.6	5.2	-0.6
LCIV Private Debt	4.2	1.5	2.7	11.7	6.0	5.4	n/a	n/a	n/a	12.5	6.0	6.2
LCIV MAC	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.2	1.4	-1.1
Barings Global Special Situations Credit	1.2	3.3	-2.1	1.1	13.8	-11.1	n/a	n/a	n/a	14.4	13.8	0.6
Total	3.1	3.8	-0.6	-6.8	-5.3	-1.6	4.2	4.6	-0.3	5.7	6.9	-1.1

The Q4 22 performance for Alcentra Direct Lending and ASP, are as at Q3 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. The Schroders DGF performance over the quarter uses partial performance due to the disinvestment.

Source: Fund performance provided by Investment Managers and is net of fees. Benchmark performance provided by Investment Managers and DataStream. Please note the Fund has a substantial amount of transitions activity over the quarter, which was a period of heightened market volatility. Reasonable endeavours have been made to ensure the performance data is accurate. However, there may be a lower level of accuracy in the performance data, as a result of this significant increase in transition activity.

Q4 growth outturns surprised to the upside as US labour and consumer demand remains resilient while the economic impact of potential European gas shortages abated more recently. Despite more recent upwards revisions for some economies, global growth forecasts for 2023 fell over the quarter, as high inflation and tighter monetary policy weigh on the outlook.

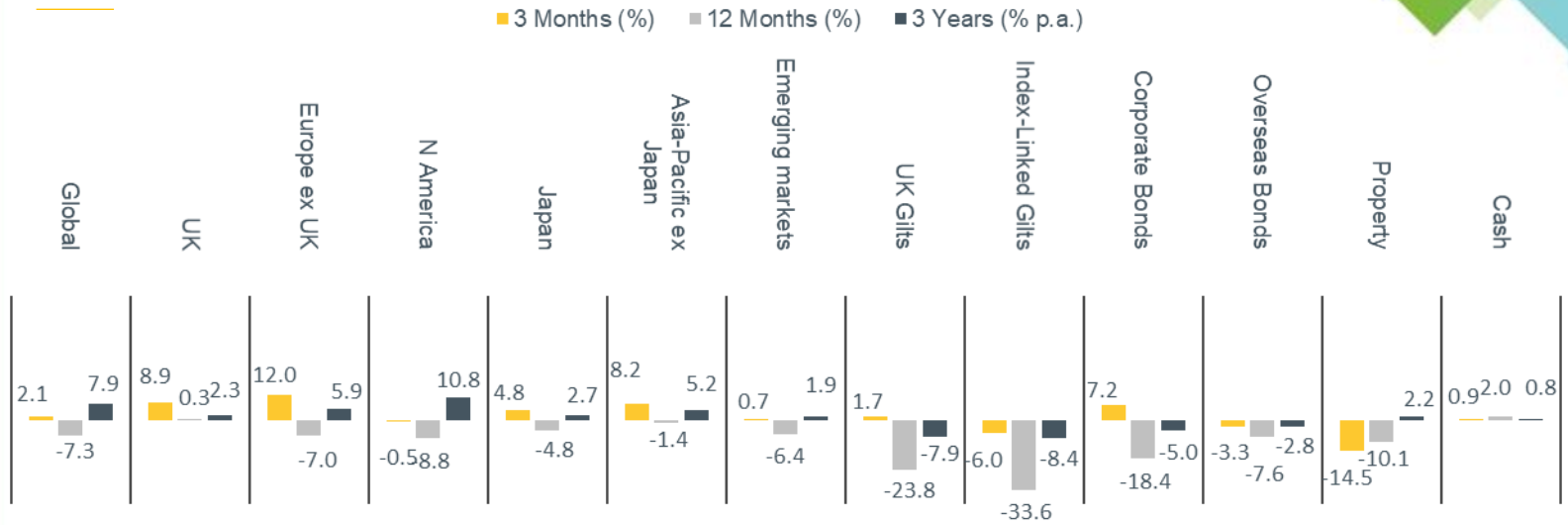
Downside CPI surprises, support the idea that inflation peaked in Europe and the US. Year-on-year headline CPI inflation fell to 7.1%, 10.7%, and 10.1% in the US, UK, and Eurozone, respectively, in November.

After a round of 0.75% p.a. interest rate rises, major central banks shifted down to smaller 0.5% p.a. increases in December. The 1.25% p.a. of rate rises delivered by each of the major central banks in Q4 takes policy rates in the US, UK, and Eurozone to 4.5% p.a., 3.5% p.a., and 2.0% p.a., respectively.

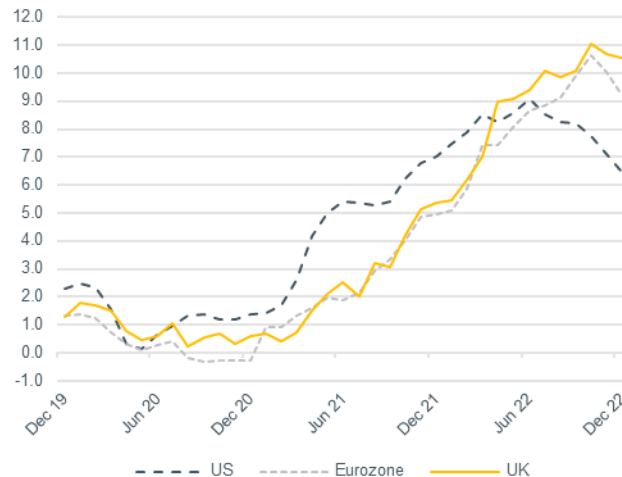
UK 10-year yields ended the period at 3.7% p.a., 0.5% p.a. below end-September levels. Equivalent US yields rose 0.1% p.a., to 3.9% p.a., and German yields rose 0.5% p.a., to 2.6% p.a., respectively. Japanese yields rose 0.2% p.a., to 0.4% p.a., as the Bank of Japan loosened the target range for 10-year yields under its yield curve control policy.

UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell 0.6% p.a. to 3.4% p.a. Equivalent US implied inflation rose 0.1% p.a., to 2.3% p.a.

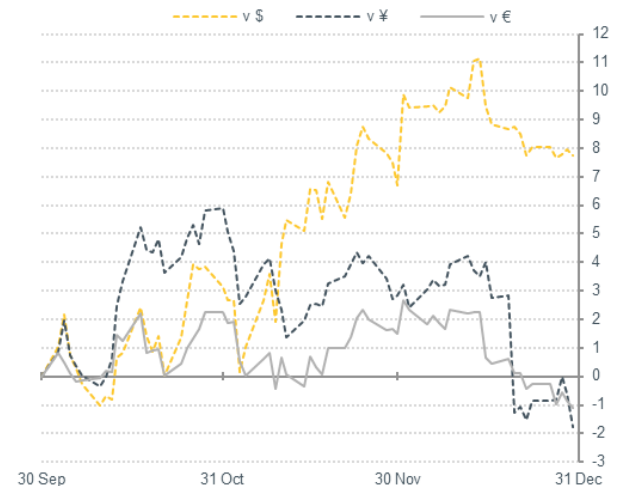
Historic returns for world markets ^[1]



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

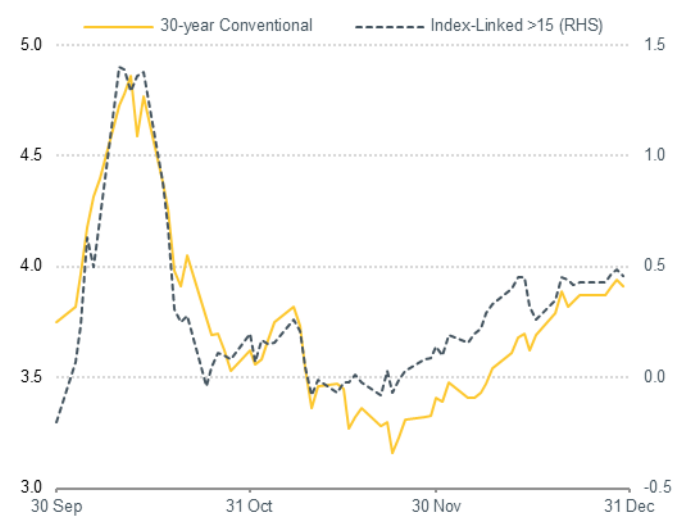
Global investment grade credit spreads fell 0.3% p.a., to 1.5% p.a., while speculative-grade spreads fell 1.0% p.a., to 5.1% p.a. Speculative-grade default rates have risen a little since the start of 2022 but remain below long-term average levels.

The FTSE All World Total Return Index rose 7.6% (local currency). The energy sector outperformed amid record earnings reports, as did Industrials and basic materials. Consumer discretionary and technology stocks underperformed as the cost-of-living squeeze intensified. Europe ex-UK outperformed the most while Japan notably underperformed on the back of yen strength and doubts over ongoing monetary support from the Bank of Japan.

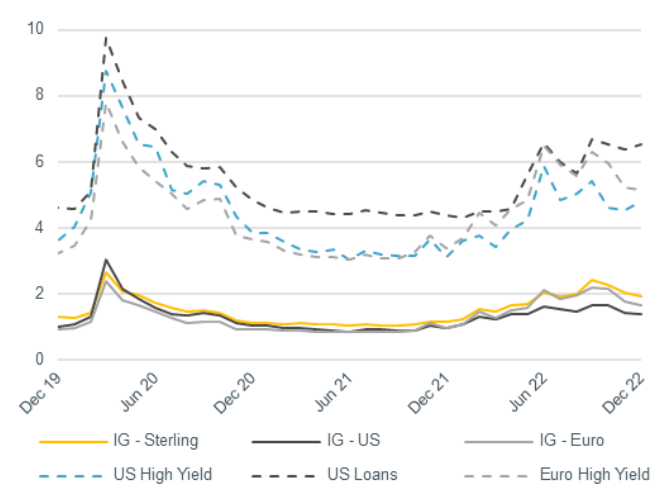
Easing inflation in the US saw the US dollar fall 4.8% in trade-weighted terms, reducing its year-to-date gains to 6.3%. Equivalent sterling, euro, and yen measures rose 1.9%, 4.4%, and 5.2%, respectively.

MSCI UK Monthly Property Index declines slowed from falling 0.5% in November to falling 0.03% in December. The extent of recent declines in capital values, which are now 20% below their June peak, has been the primary driver. Capital values have fallen across the 3 main commercial sectors but have been most notable in the industrial sector, where they have fallen 27% since the end of June.

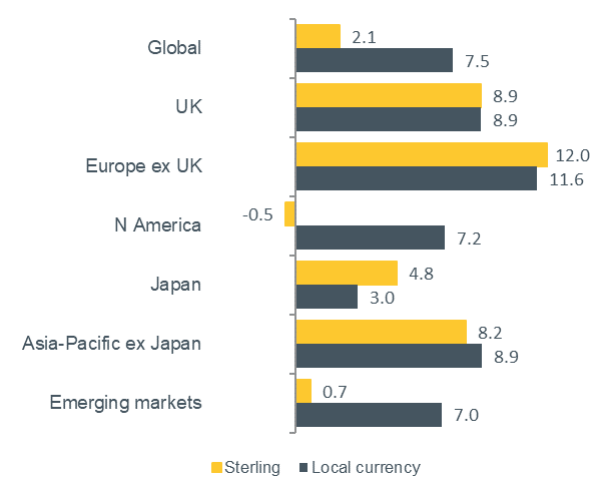
Gilt yields chart (% p.a.)



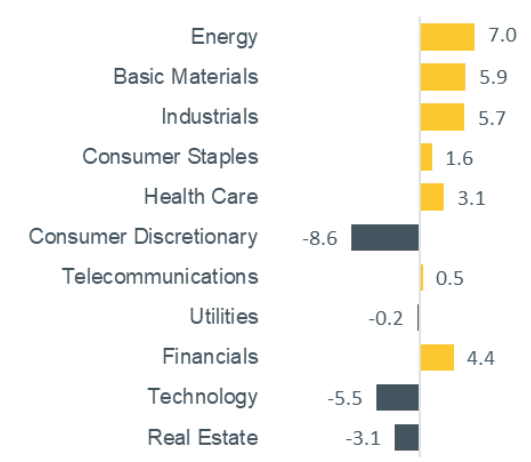
Investment and speculative grade credit spreads (% p.a.)



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.

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.

Hymans Rating

Preferred	Our highest rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
Positive	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
Suitable	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
Negative	The strategy is not suitable for continued or future investment and alternatives should be explored.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.

Responsible Investment

Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.