

London Borough of Barnet Pension Fund

Q1 2023 Investment Monitoring Report

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Executive Summary

Fund assets totalled c.£1,472m at the end of Q1 2023, an increase of c.£39m from the end of the previous quarter.

The Fund's assets returned 2.3% (net of fees) over the quarter, underperforming the benchmark by c.1.2%.

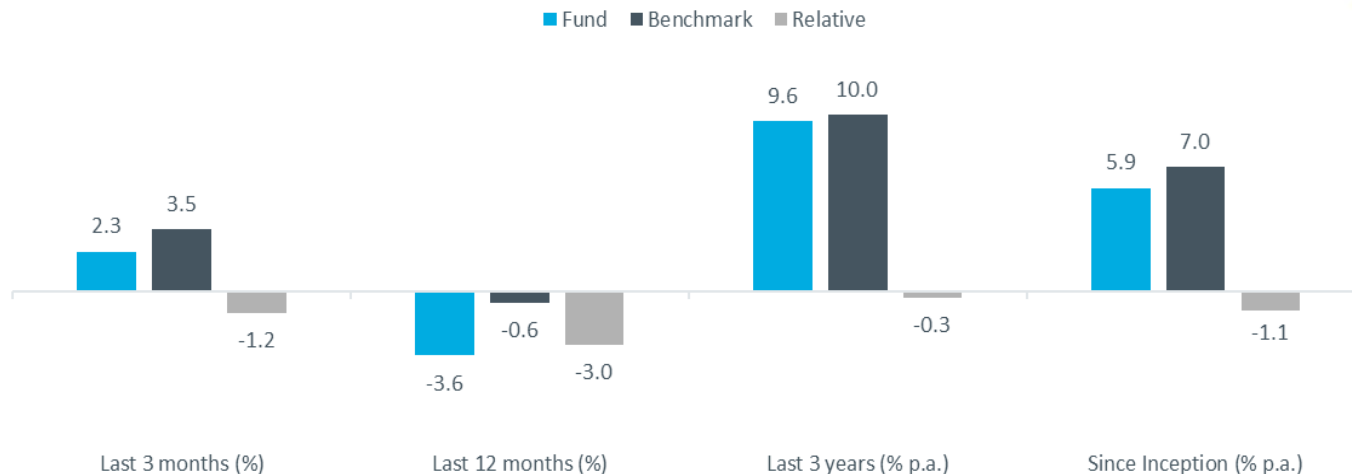
Key Actions

The following transitions took place over the quarter:

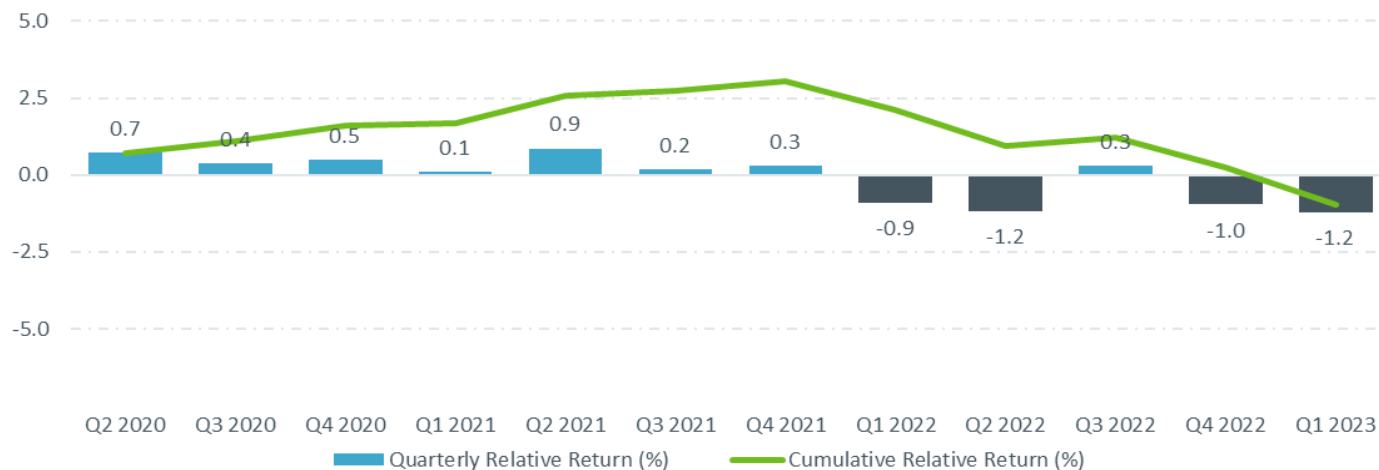
- An investment of c.£18.5m into the Allianz Trade Finance fund; and
- An investment of c.£22m and c.£34m into the LGIM Future World Global Equity Index GBP Hedged and Unhedged funds respectively – funded by an equal disinvestment from the LGIM RAFI Carbon Pathway Index fund and LGIM passive market-cap 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, LCIV MAC and Barings Global Special Situations Credit.

Historic quarterly performance (net of fees)



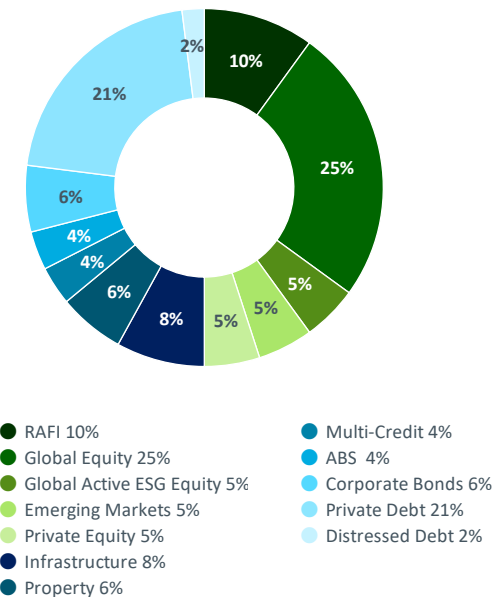
Relative quarterly and relative cumulative performance 3yr (net of fees)



Asset allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q4 2022	Q1 2023			
LGIM RAFI Carbon Pathway Index GBP Hdgd	184.4	193.2	13.1%	10.0%	3.1%
LGIM Future World Global Equity Index	120.8	170.1	11.6%	10.0%	1.6%
LGIM Future World Global Equity Index GBP Hdgd	147.5	224.7	15.3%	15.0%	0.3%
LCIV Sustainable Exclusion Global Equity	39.8	39.7	2.7%	5.0%	-2.3%
LGIM UK Equity Index	5.2	0.0	0.0%	0.0%	0.0%
LGIM World ex UK Dev Equity Index	54.3	0.0	0.0%		
LGIM World ex UK Dev Equity Index GBP Hdgd	38.5	0.0	0.0%		
LGIM World Emerging Markets Equity Index	5.5	0.0	0.0%		
LCIV Emerging Markets Equity	65.4	67.3	4.6%	5.0%	-0.4%
Adams Street 2019 Global	53.7	53.1	3.6%	5.0%	-0.6%
Adams Street Global Secondaries	9.9	11.6	0.8%		
Total Growth	725.2	759.6	51.6%	50.0%	1.6%
IFM Global Infrastructure	97.2	98.2	6.7%	5.0%	1.7%
LCIV Renewable Infrastructure	15.4	17.9	1.2%	3.0%	-1.8%
Standard Life Long Lease Property	28.4	26.8	1.8%	2.0%	-0.2%
CBRE Global Alpha	32.9	32.9	2.2%	2.0%	0.2%
FREOF V	28.8	27.6	1.9%	2.0%	-0.1%
Barings Multi-Credit	38.0	39.0	2.6%	3.5%	-0.9%
LCIV MAC	30.0	60.2	4.1%	3.5%	0.6%
Insight Secured Finance	89.9	91.8	6.2%	6.0%	0.2%
Schroder All Maturities Corporate Bond	113.7	117.1	8.0%	10.0%	-2.0%
Alcentra Direct Lending	13.5	13.0	0.9%	1.5%	-0.6%
Partners Group MAC 2015	4.1	4.1	0.3%	0.0%	0.3%
Partners Group MAC 2017	13.5	13.1	0.9%	3.0%	-2.1%
Partners Group MAC V	29.7	29.3	2.0%	2.5%	-0.5%
LCIV Private Debt	40.1	41.8	2.8%	4.0%	-1.2%
Barings Global Special Situations Credit	33.2	34.8	2.4%	2.0%	0.4%
Total Income	608.4	647.6	44.0%	50.0%	-6.0%
Allianz Trade Finance	0.0	18.5	1.3%	0.0%	1.3%
Pemberton Trade Finance	0.0	0.0	0.0%	0.0%	0.0%
Cash	99.0	46.2	3.1%	0.0%	3.1%
Total Fund	1,432.6	1,471.9	100.0%	100.0%	0.0%

Strategic allocation



The Q1 23 valuation for Alcentra Direct Lending, Adams Street, CBRE Global Alpha and Barings Global Special Situations are as at Q4 22, due to a lag applied by the manager. Where applicable the valuations are adjusted for cash movements post quarter end.

With the final tranche of transitions conducted on 7 March 2023, all of the disinvestment proceeds from the LGIM passive market-cap funds have been fully transitioned to the new funds: LGIM Future World and LCIV Sustainable Exclusion. The allocations to the LGIM passive funds are now in line with the strategic allocation at 0%. A final transition remains, from LGIM RAFI Carbon Pathway Index fund to LCIV Sustainable Exclusion to bring that allocation up to the desired 5% target.

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.

Benchmark Indicator

- ◆ Market-based
- Cash-based / Absolute return

Details of the managers' benchmarks can be found in the Appendix.

'UNDER THE SPOTLIGHT':

To focus discussion, the contents of the remaining slides relate to a selection of funds whose performance is of particular interest this quarter:

LCIV Sustainable Exclusion	P6
Adams Street	P7
Standard Life LL	P8
CBRE	P9
Fiera FROEF V	P10
Barings Global Special Sits	P11
Market Background	P12
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The Q1 23 performance for Alcentra Direct Lending, CBRE and ASP, are as at Q4 22, due to a lag applied by the manager. Hymans Robertson estimate the performance numbers for 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.

		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	◆	4.7	4.6	0.1	-1.0	-1.4	0.4	19.2	19.0	0.2	8.0	8.0	0.0
LGIM Future World Global Equity Index	◆	4.9	4.9	0.0	-1.1	-1.2	0.2	n/a	n/a	n/a	5.4	5.2	0.2
LGIM Future World Global Equity Index GBP Hdgd	◆	7.1	7.1	0.0	-6.1	-6.2	0.1	n/a	n/a	n/a	1.2	1.1	0.1
LCIV Emerging Markets Equity	◆	2.8	1.1	1.7	-1.1	-4.9	4.0	10.9	7.9	2.7	4.9	2.3	2.5
LCIV Sustainable Exclusion Global Equity	◆	-0.4	4.8	-5.0	-7.7	-1.0	-6.8	n/a	n/a	n/a	-1.9	4.4	-6.0
Adams Street 2019 Global	◆	-12.4	3.0	-14.9	-34.8	-3.9	-32.2	31.5	12.1	17.3	42.7	12.0	27.4
Income													
IFM Global Infrastructure	■	1.0	1.9	-1.0	15.8	8.0	7.2	13.2	8.0	4.8	13.4	8.0	5.0
LCIV Renewable Infrastructure	■	7.6	1.7	5.8	34.3	7.0	25.5	n/a	n/a	n/a	21.6	7.0	13.7
Standard Life Long Lease Property	◆	-5.9	2.5	-8.2	-21.9	-14.1	-9.0	-2.6	-7.1	4.9	-0.8	-3.0	2.3
CBRE Global Alpha	■	-6.8	2.2	-8.8	9.7	9.0	0.7	5.7	9.0	-3.0	6.1	9.0	-2.6
FROEF V	■	0.5	2.9	-2.3	0.2	12.0	-10.5	n/a	n/a	n/a	3.1	12.0	-8.0
Barings Multi-Credit	■	2.6	2.0	0.6	-4.8	6.6	-10.7	7.1	5.7	1.3	3.0	5.7	-2.6
Insight Secured Finance	■	2.1	1.9	0.1	1.6	6.3	-4.5	5.0	4.9	0.1	2.9	4.8	-1.8
Schroder All Maturities Corporate Bond	◆	2.8	2.4	0.4	-12.1	-10.3	-2.1	-3.0	-3.1	0.0	3.8	3.5	0.3
Alcentra Direct Lending	■	-0.2	1.7	-1.9	1.2	7.0	-5.5	3.4	7.0	-3.4	5.4	7.0	-1.5
Partners Group MAC 2015	■	1.2	1.9	-0.7	-6.5	6.3	-12.1	2.1	5.5	-3.2	6.4	5.3	1.0
Partners Group MAC 2017	■	0.9	1.9	-1.0	6.0	6.3	-0.3	6.1	5.5	0.6	4.6	5.3	-0.7
Partners Group MAC V	■	1.5	1.9	-0.4	3.5	6.3	-2.7	7.0	5.5	1.5	4.7	5.4	-0.7
LCIV Private Debt	■	-2.3	1.5	-3.7	12.3	6.0	5.9	n/a	n/a	n/a	8.6	6.0	2.5
LCIV MAC	■	2.1	2.0	0.0	n/a	n/a	n/a	n/a	n/a	n/a	2.2	2.7	-0.5
Barings Global Special Situations Credit	■	0.4	3.3	-2.7	2.3	13.8	-10.1	n/a	n/a	n/a	12.2	13.8	-1.4
Total		2.3	3.5	-1.2	-3.6	-0.6	-3.0	9.6	10.0	-0.3	5.9	7.0	-1.1

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.

Global growth has surprised positively in Q1 with resilient labour market and falling energy prices, improving the outlook for consumers and businesses. Forecasted 2023 GDP growth was revised higher in most developed economies, while recession in the UK is now forecasted to be shorter and shallower than previously expected.

The European Central Bank (ECB), Bank of England (BoE) and Federal Reserve (the Fed) continued to announce rate hikes. The BoE and the Fed both raised policy rates by 0.25% p.a., to 4.25% p.a. and 5.0% p.a. respectively. The ECB raised rates by a larger 0.50% p.a., to 3.50% p.a.

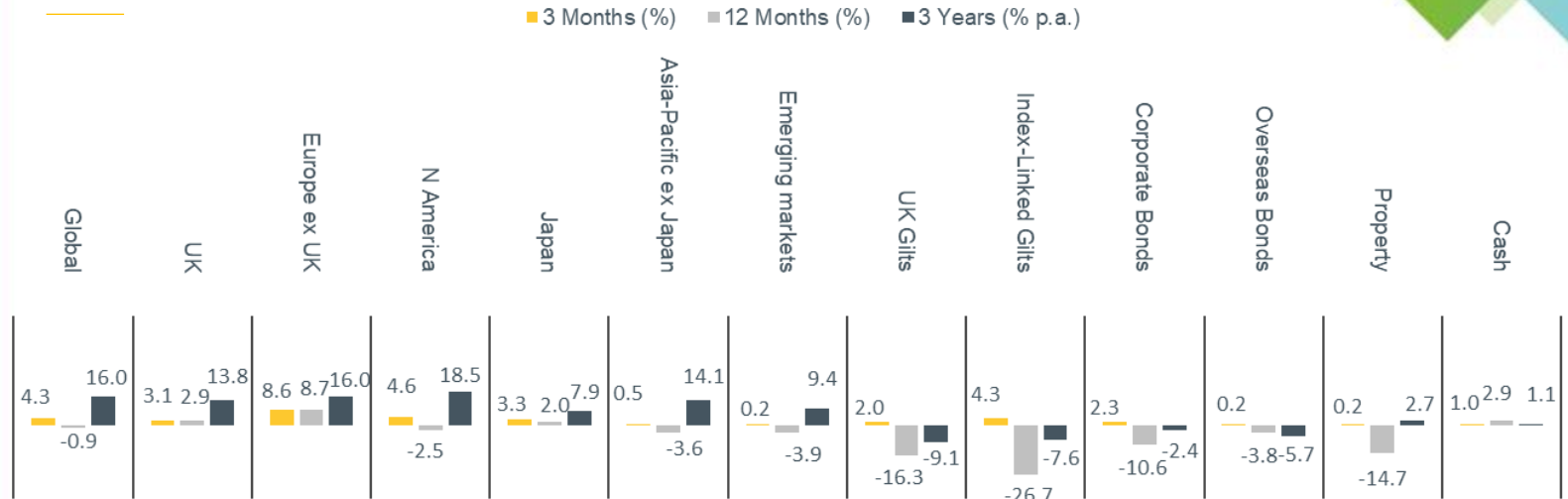
Year-on-year headline CPI inflation in the US and Eurozone fell to 6.0%, and 8.5%, respectively, as the UK measure rose to 10.4%. The equivalent core measures fell to 5.5% in the US as the UK and Eurozone measures rose to 6.2% and 5.6% respectively.

UK 10-year implied inflation is 3.8% p.a., 0.2% above end-December levels.

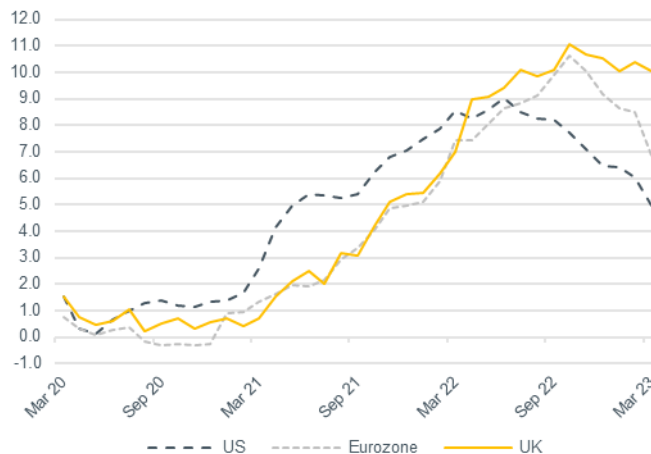
The US dollar gave back some of its February gains, falling 0.9% in trade-weighted terms over the quarter. Equivalent sterling, euro and yen measures rose 1.8%, 0.6% and 0.1%, respectively.

The MSCI UK Monthly Property Total Return Index ended consecutive falls and returned to positive territory in March, despite still declining -14.7% year-on-year. Capital values have also fallen 19% over the last 12 months, with the most pronounced declines being in the industrial sector.

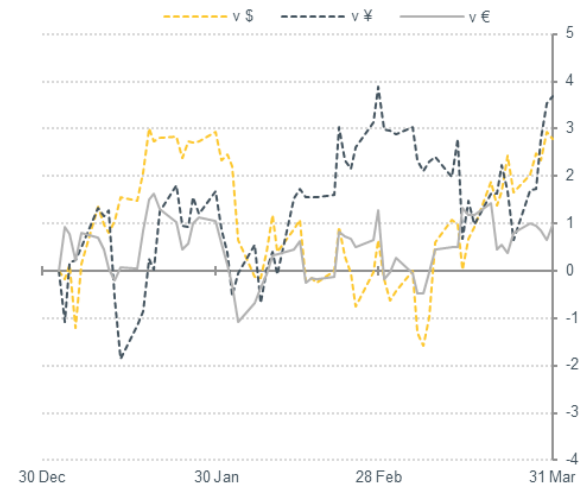
Historic returns for world markets [1]



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

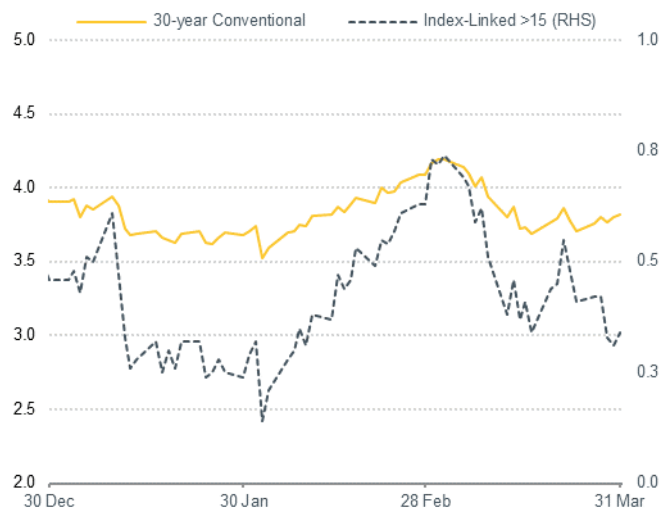
The S&P GSCI Commodity Spot Price Index ended March 5.9% below end-December levels, primarily driven by a decline in energy prices.

Bonds have been volatile over the quarter, rallying in January, posting losses in February and rallying again in March after investor flight to safety due to stresses in the banking sector. As a result, UK 10-year gilt yields ended the period at 3.5% p.a., 0.2% p.a. below end-December levels. Equivalent US yields fell 0.4% p.a., to 3.5% p.a., and Germans yields fell 0.3% p.a. to 2.3% p.a.

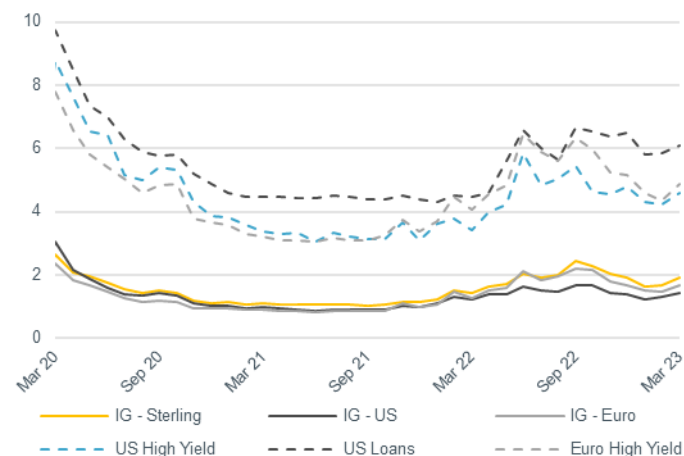
Credit had positive returns due to falling sovereign bond yields. Global investment-grade credit spreads widened 0.1% p.a. to 1.5% p.a. while speculative-grade credit spreads narrowed 0.1% p.a. to 5.0% p.a.

The FTSE All World Total Return Index rose 7.0%, buoyed by the support lent to stocks from resilient economic data which, together with high core inflation, led to investors reassessing interest rate expectations in higher for longer. The improvement in consumer and business sentiment in Europe, on the back of lower gas prices, led European equities to outperform. Growth stocks outperformed value stocks over the quarter, as falling bond yields supported the former while the latter were weighed down by stresses in the banking sector. By sector, energy, healthcare and financials were the worst underperformers.

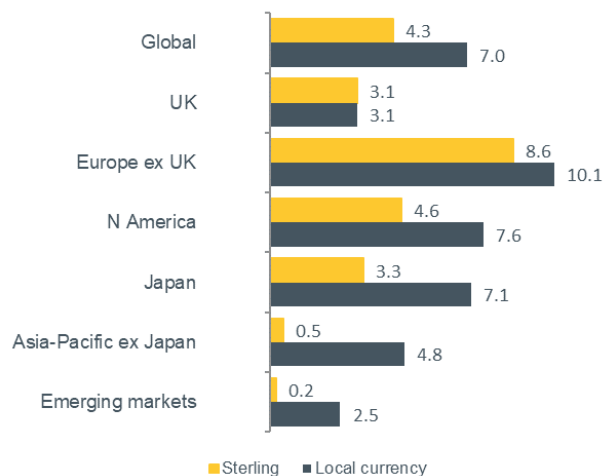
Gilt yields chart (% p.a.)



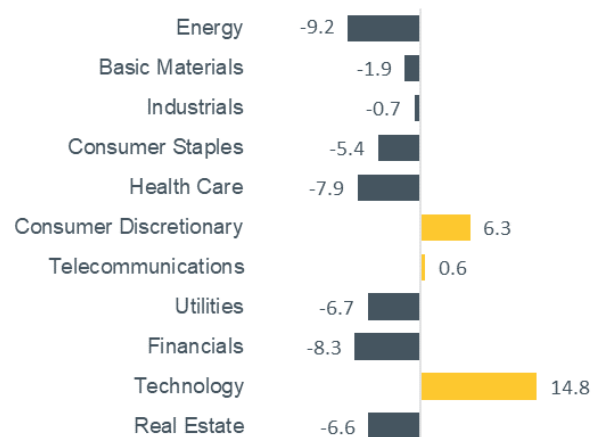
Investment and speculative grade credit spreads (% p.a.)



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.