

# London Borough of Barnet Pension Fund

Q4 2023 Investment Monitoring Report

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Executive Summary

Fund assets totalled c.£1,588.8m at the end of Q4 2023, an increase of c.£85.6m from the end of the previous quarter.

The Fund's assets recorded a positive return of 5.3% (net of fees) and outperformed its benchmark by 0.3%.

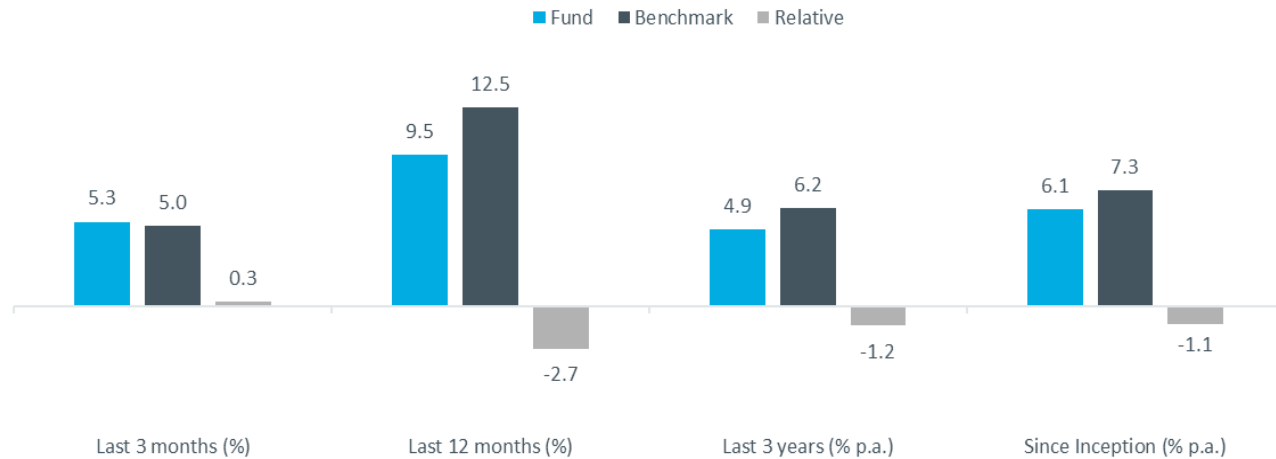
Key Actions

The following transitions took place over the quarter:

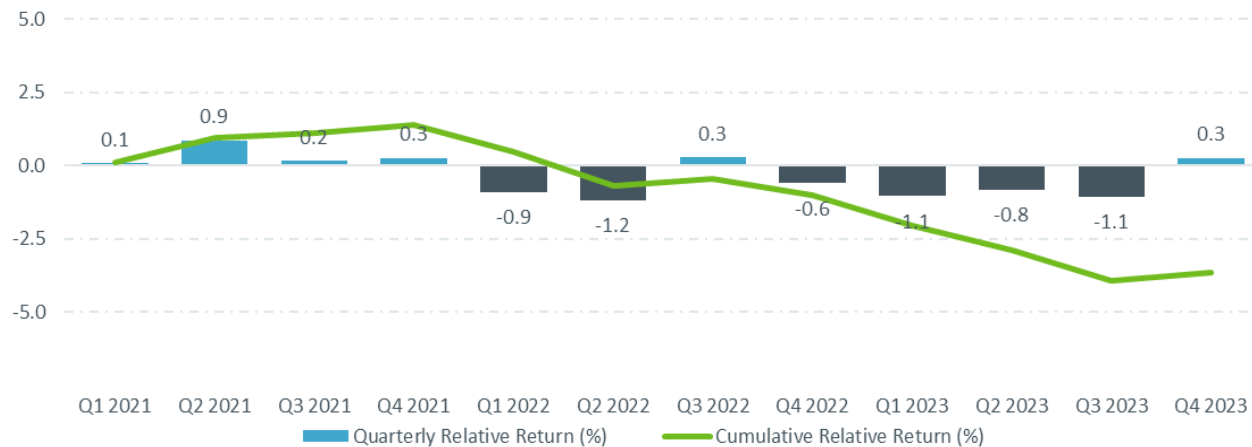
- An investment of £75m into the LCIV Long Duration Buy & Maintain Credit fund – funded by two equal disinvestment from the Schroder All Maturities Corporate Bond fund.

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

Historic quarterly performance (net of fees)



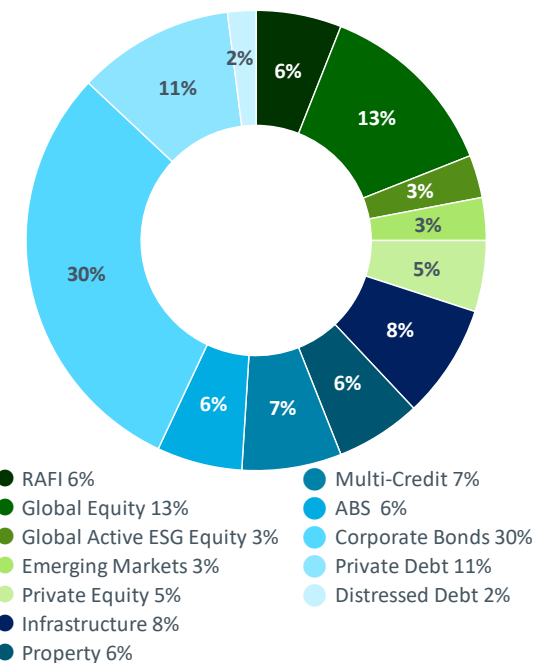
Relative quarterly and relative cumulative performance 3yr (net of fees)



## Asset allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q3 2023	Q4 2023			
LGIM RAFI Carbon Pathway Index GBP Hdgd	93.5	100.7	6.3%	6.0%	0.3%
LGIM Future World Global Equity Index	79.7	85.3	5.4%	5.2%	0.2%
LGIM Future World Global Equity Index GBP Hdgd	117.0	128.4	8.1%	7.8%	0.3%
LCIV Sustainable Exclusion Global Equity	38.9	41.7	2.6%	3.0%	-0.4%
LCIV Emerging Markets Equity	43.7	44.6	2.8%	3.0%	-0.2%
Adams Street 2019 Global	54.6	57.5	3.6%	5.0%	0.0%
Adams Street Global Secondaries	15.5	21.3	1.3%		
<b>Total Growth</b>	<b>443.0</b>	<b>479.4</b>	<b>30.2%</b>	<b>30.0%</b>	<b>0.2%</b>
IFM Global Infrastructure	102.5	102.8	6.5%	5.0%	1.5%
LCIV Renewable Infrastructure	20.1	21.3	1.3%	3.0%	-1.7%
Standard Life Long Lease Property	25.9	24.9	1.6%	2.0%	-0.4%
CBRE Global Alpha	30.4	31.1	2.0%	2.0%	0.0%
FREOF V	25.9	26.7	1.7%	2.0%	-0.3%
Barings Multi-Credit	40.5	42.3	2.7%	3.5%	-0.8%
LCIV MAC	62.0	65.6	4.1%	3.5%	0.6%
Insight Secured Finance	95.5	97.9	6.2%	6.0%	0.2%
LCIV Long Duration Buy & Maintain Credit	0.0	78.8	5.0%	15.0%	-10.0%
LCIV Global ESG Bond	219.8	236.3	14.9%	15.0%	-0.1%
Schroder All Maturities Corporate Bond	227.1	167.3	10.5%	0.0%	10.5%
Alcentra Direct Lending	11.3	11.2	0.7%	1.5%	-0.8%
Partners Group MAC 2015	2.7	2.7	0.2%	0.0%	0.2%
Partners Group MAC 2017	9.4	8.2	0.5%	1.0%	-0.5%
Partners Group MAC V	28.2	26.8	1.7%	4.5%	-2.8%
LCIV Private Debt	44.5	46.9	3.0%	4.0%	-1.0%
Barings Global Special Situations Credit	34.7	35.6	2.2%	2.0%	0.2%
<b>Total Income</b>	<b>980.6</b>	<b>1026.5</b>	<b>64.6%</b>	<b>70.0%</b>	<b>-5.4%</b>
Allianz Trade Finance	26.5	27.1	1.7%	0.0%	1.7%
Pemberton Trade Finance	26.6	27.1	1.7%	0.0%	1.7%
Cash	26.5	28.7	1.8%	0.0%	1.8%
<b>Total Fund</b>	<b>1,503.2</b>	<b>1,588.8</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

## Strategic allocation



The Q4 23 valuation for Alcentra Direct Lending, Adams Street, CBRE Global Alpha and Barings Global Special Situations are as at Q3 23, due to a lag applied by the manager. Where applicable the valuations are adjusted for cash movements post quarter end.

Officers began implementing the agreed transition of assets from the Schroders Corporate Bond fund to the LCIV Long Duration Buy & Maintain Credit fund. The first of three main tranches for the transition took place in Q4, with the remainder planned for Q1. The benchmark target allocations have been updated in the asset allocation table to reflect the strategy following the completion of the transition.

The Officers have invested the high cash balance in line with the agreed Cash management policy.

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

## Mandates

Mandate	Hymans Rating	RI	Performance	Manager Developments
LGIM RAFI Carbon Pathway Index GBP Hdgd	Preferred	Strong	●	●
LGIM Future World Global Equity Index	Preferred	Strong	●	●
LCIV Sustainable Exclusion Global Equity	Unrated	Unrated	●	●
LCIV Emerging Markets Equity	Unrated	Unrated	●	●
Adams Street 2019 Global	Preferred	Good	●	●
Adams Street Global Secondaries	Positive	Good	●	●
IFM Global Infrastructure	Preferred	Good	●	●
LCIV Renewable Infrastructure	Unrated	Unrated	●	●
Standard Life Long Lease Property	Preferred	Good	●	●
CBRE Global Alpha	Preferred	Strong	●	●
FREOF V	Suitable	Unrated	●	●
Barings Multi-Credit	Preferred	Good	●	●
LCIV MAC	Unrated	Unrated	●	●
Insight Secured Finance	Preferred	Good	●	●
LCIV Long Duration Buy & Maintain Credit	Unrated	Unrated	●	●
LCIV Global ESG Bond	Unrated	Unrated	●	●
Schroder All Maturities Corporate Bond	Positive	Good	●	●
Alcentra Direct Lending	Suitable - on watch	Good	●	●
Partners Group MAC 2015	Positive	Good	●	●
Partners Group MAC 2017	Positive	Good	●	●
Partners Group MAC V	Positive	Good	●	●
LCIV Private Debt	Unrated	Unrated	●	●
Barings Global Special Situations Credit	Suitable	Adequate	●	●
Allianz Trade Finance	Suitable	Unrated	●	●
Pemberton Trade Finance	Suitable	Unrated	●	●

### Performance RAG key

- Green – broadly in line with/ahead of Hymans' expectations
- Amber – slightly behind expectations over an appropriate time horizon
- Red – significantly behind expectations over an appropriate time horizon

### Manager Developments RAG key

- Green – no ongoing concerns to raise to the Committee
- Amber – moderate concerns over recent developments with further investigation required
- Red – material concern where action (client discussion) required

On this page we show our manager and responsible investment ratings for your managers where available.

There were no performance 'RAG' changes this quarter.

### Mandate updates

- **Adams Street Partners**  
ASP announced that Michael Kurlander will assume the role of partner and CFO, effective from 3 January 2024.
- **Insight Secured Finance**  
Insight announced that it has reopened the Secured Finance funds only to existing investors for any further reinvestments.

We have no concerns with these updates.

Ratings definitions, manager benchmarks and mandate inception dates can be found in the Appendix.

Source: Investment Managers

## 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
LCIV Emerging Markets	P7
Standard Life Long Lease	P8
CBRE	P9
Fiera FROEF V	P10
Barings Special Sit's Credit	P11
Market Background	P12
Appendix	P14

The Q4 23 performance for ASP, Alcentra Direct Lending, CBRE, Barings Global Special Situations are as at Q3 23, due to a lag applied by the manager. Hymans Robertson estimates the performance for Alcentra, LCIV Renewable Infrastructure, LCIV Private Debt, IFM and Barings Global Special Situations Credit mandates. As such these may differ to the managers' net IRRs.

The shorter-term performance of funds in wind-up has been omitted, as immaterial short-term volatility can be an unnecessary governance distraction.

		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	◆	7.7	7.6	0.1	18.4	18.0	0.3	11.9	11.7	0.3	8.9	8.8	0.1
LGIM Future World Global Equity Index	◆	7.1	7.0	0.1	16.5	16.2	0.3	-	-	-	7.9	7.7	0.2
LGIM Future World Global Equity Index GBP Hdgd	◆	9.7	9.6	0.1	21.5	21.3	0.2	-	-	-	5.6	5.4	0.2
LCIV Sustainable Exclusion Global Equity	◆	7.2	6.7	0.5	4.8	16.8	-10.3	-	-	-	0.5	7.3	-6.4
LCIV Emerging Markets Equity	◆	2.1	3.3	-1.2	0.4	3.6	-3.1	-4.7	-2.8	-1.9	3.5	2.5	0.9
Adams Street 2019 Global	◆	-	-	-	-	-	-	15.4	13.8	1.5	30.1	12.8	15.4
<b>Income</b>													
IFM Global Infrastructure	■	0.3	1.9	-1.6	5.7	8.0	-2.1	14.0	8.0	5.6	12.4	8.0	4.0
LCIV Renewable Infrastructure	■	1.7	1.7	0.0	4.0	7.0	-2.8	-	-	-	12.2	7.0	4.9
Standard Life Long Lease Property	◆	-4.0	8.5	-11.5	-12.4	5.7	-17.1	-5.6	-7.2	1.7	-2.2	-1.9	-0.2
CBRE Global Alpha	■	2.1	2.2	-0.1	-11.4	9.0	-18.7	6.3	9.0	-2.5	6.0	9.0	-2.7
FROEF V	■	3.5	2.9	0.6	0.6	12.0	-10.2	-	-	-	2.0	12.0	-9.0
Barings Multi-Credit	■	4.5	2.5	2.0	11.5	9.6	1.7	2.1	6.8	-4.4	3.6	6.1	-2.4
LCIV MAC	■	5.8	2.4	3.4	11.3	9.3	1.8	-	-	-	9.1	8.0	1.0
Insight Secured Finance	■	2.5	2.3	0.2	8.9	8.8	0.1	4.8	6.1	-1.2	3.9	5.3	-1.3
LCIV Long Duration Buy & Maintain Credit	◆	-	-	-	-	-	-	-	-	-	5.0	5.1	-0.1
LCIV Global ESG Bond	◆	7.5	7.0	0.5	-	-	-	-	-	-	4.8	4.2	0.5
Schroder All Maturities Corporate Bond	◆	8.2	7.4	0.8	9.3	8.6	0.6	-5.0	-4.7	-0.3	4.1	3.7	0.3
Alcentra Direct Lending	■	Fund is winding up			Fund is winding up			Fund is winding up			4.9	7.0	-2.0
Partners Group MAC 2015	■	Fund is winding up			Fund is winding up			Fund is winding up			6.1	5.9	0.2
Partners Group MAC 2017	■	Fund is winding up			Fund is winding up			Fund is winding up			4.6	5.9	-1.2
Partners Group MAC V	■	2.6	2.3	0.3	10.8	8.8	1.8	6.2	6.5	-0.2	6.0	6.0	0.0
LCIV Private Debt	■	5.3	1.5	3.8	3.6	6.0	-2.2	-	-	-	8.5	6.0	2.4
Barings Global Special Situations Credit	■	2.6	3.3	-0.6	4.3	13.8	-8.4	-	-	-	9.8	13.8	-3.5
Allianz Trade Finance	■	1.9	1.8	0.1	-	-	-	-	-	-	4.9	5.2	-0.3
Pemberton Trade Finance	■	1.8	2.0	-0.2	-	-	-	-	-	-	5.3	5.6	-0.3
<b>Total</b>		<b>5.3</b>	<b>5.0</b>	<b>0.3</b>	<b>9.5</b>	<b>12.5</b>	<b>-2.7</b>	<b>4.9</b>	<b>6.2</b>	<b>-1.2</b>	<b>6.1</b>	<b>7.3</b>	<b>-1.1</b>

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 Q3 and Q4 2022, 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.

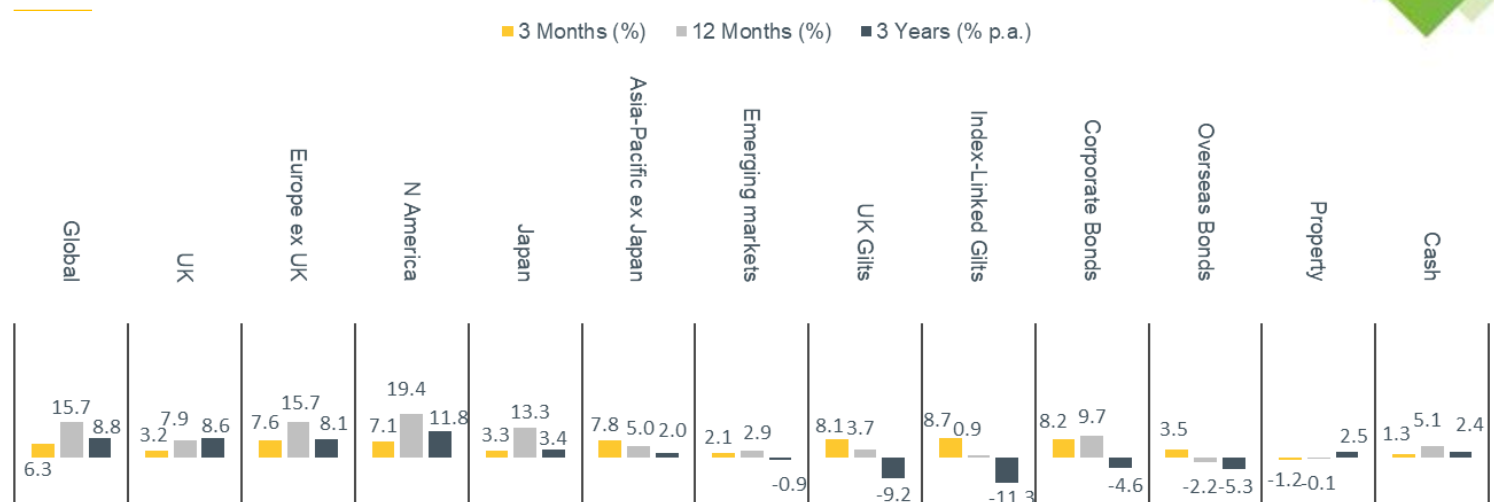
US GDP forecasts for 2023 and 2024 were again revised higher in Q4, given unexpectedly strong growth driven by consumer spending. Despite this, global growth is expected to ease to its slowest pace since the Global Financial Crisis (excluding 2020). However, it isn't expected to collapse.

Year-on-year CPI inflation in the major advanced economies fell more than expected over Q4, easing to 3.9%, 3.1%, and 2.4% in the UK, US, and eurozone in November, respectively. The main drivers were a decline in energy prices and a moderation in food prices. However, core inflation, which excludes both, also fell more than expected. The respective core measures are 5.1%, 4.0%, and 3.6% in the UK, US and eurozone.

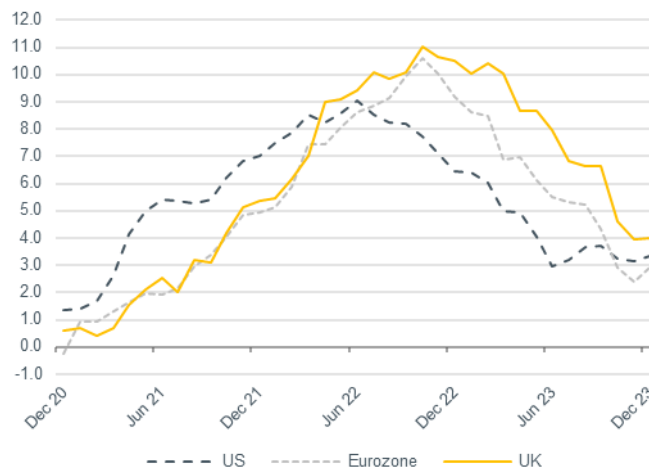
As expected, the major central banks left interest rates unchanged in Q4. Larger-than-expected falls in inflation prompted markets to price in earlier and larger rate cuts in 2024, reinforced by the Federal Reserve's mid-December revised policy projections. Despite the ECB and Bank of England reiterating a more cautious approach, markets expect a similar scale and timing of rate cuts in Europe and the UK.

Rate cut expectations and lower real yields contributed to a 3.1% fall in the trade-weighted US dollar. Equivalent sterling and euro measures rose 1.3% and 1.0%, respectively, while the equivalent yen measure strengthened 2.6% as expected interest-rate differentials with major economies narrowed.

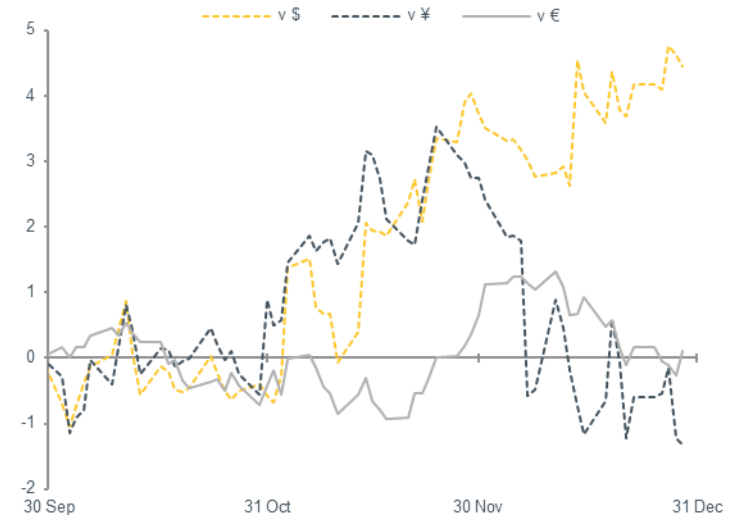
## Historic returns for world markets <sup>[1]</sup>



## 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



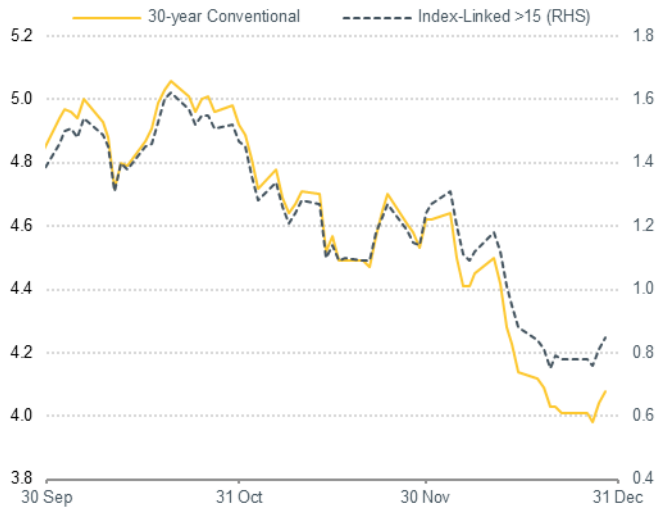
Amid expectations of larger – and sooner – rate cuts in 2024, bond prices rose and yields fell sharply. US 10-year treasury yields declined 0.7% pa over Q4 to 3.9% pa, while equivalent UK gilt yields fell 0.9% pa, to 3.5% pa. German bund yields fell 0.8% pa, to 2.0% pa. Japanese government bond yields fell less, by 0.2% pa to 0.6% pa, given potential divergence in monetary policy between Japan and the other major advanced economies.

Global investment-grade credit spreads declined 0.2% pa to 1.2% pa over Q4, while global speculative credit spreads declined by 0.6% pa to 3.8% pa. Despite a larger decline in speculative-grade credit spreads, the longer-duration investment grade market outperformed.

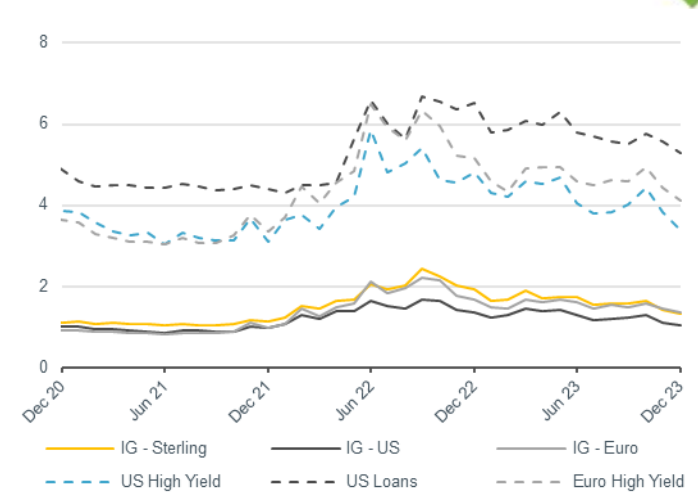
The FTSE All World Total Return Index returned 9.3% over Q4 in local-currency terms, as markets anticipated the positive impact on economic activity of rate cuts. Meanwhile, lower yields lent support to valuations. North American equity markets outperformed, given their exposure to the technology sector. All other regions underperformed, while still producing positive returns. Japan and the UK notably underperformed, given yen and sterling strength, which weighed on the high proportion of overseas earnings in both markets. UK stocks were also impacted by above-average exposure to the energy sector.

The MSCI UK Monthly Property Index fell 1.2% as income was offset by capital value declines. Values fell most sharply in the office and retail sectors, which are down 16.6% and 5.6%, respectively, over 12 months. Industrial values also declined 0.7% in Q4 following seven months of capital growth, resulting in flat growth over 12 months.

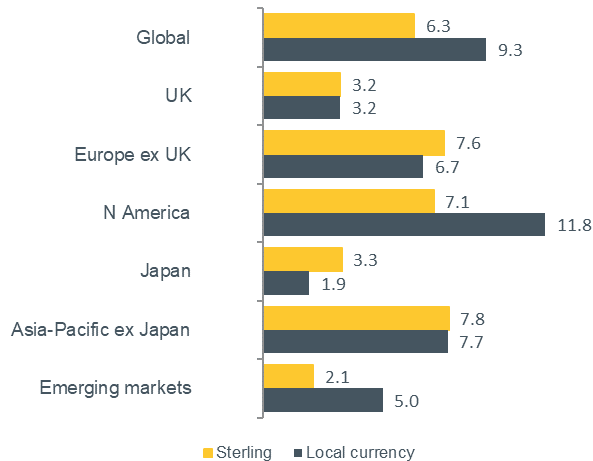
## Gilt yields chart (% p.a.)



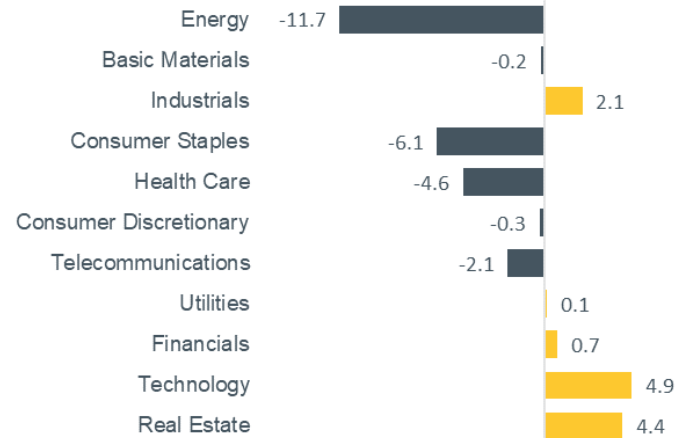
## Investment and speculative grade credit spreads (% p.a.)



## 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.