Performance LONDON BOROUGH OF CAMDEN	**WARD:** All
REPORT TITLE: Performance Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	**DATE:** 20 September 2023

SUMMARY OF REPORT:

This report presents the performance of the Pension Fund investment portfolio and that of the individual investment managers for the quarter ended 30 June 2023.

Local Government Act 1972 – Access to Information
No documents required to be listed were used in the preparation of this report.

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RECOMMENDATIONS:

The Committee is requested to note the contents of this report.

Signed by

Director of Finance ………………**Agreed**…………………………………...

Date ………………**11/09/2023**…………………….…………

1. **INTRODUCTION**

1.1. This report presents the performance of the Pension Fund investments up to 30 June 2023 and since manager inception. More detailed information on the financial markets and individual managers can be found in **Appendices A and B.**

FINANCIAL MARKET DATA

1.2. A summary of financial market returns to 30 June 2023 is shown in Table 1 below, in percentages.

TABLE 1: FINANCIAL MARKET RETURNS Q2 2023

	Market Returns	Quarter	Year	3 years (annualised)
EQUITIES	FTSE all world	3.4	11.7	10.4
EQUITIES	UK FTSE All Share	-0.5	7.9	10.0
EQUITIES	Europe (ex UK)	0.6	19.6	8.8
EQUITIES	North America	5.5	13.7	13.0
EQUITIES	Japan	3.0	12.6	4.9
EQUITIES	Asia (ex Japan)	-1.7	4.0	7.8
EQUITIES	Emerging Markets	-1.9	-3.2	2.6
	UK gilts	-5.4	-3.6	-11.5
	ILGs	-6.6	-4.4	-12.6
	Corp bonds	-3.3	-1.3	-6.2
	UK property	1.0	-16.9	3.9
	Commodities (approx.)	-5.9	-23.8	18.4
	Cash - 3m LIBOR	1.2	3.7	1.4
	RPI (UK) Inflation	2.5	10.7	8.7
	US CPI (Inflation)	-2.1	-2.0	4.6

1.3. In Quarter 2, global macroeconomic data remained robust overall. The banking crisis from the previous quarter has been contained and there has been a drop in headline inflation in the US and Europe while Japan's inflation remained stable. employment data showed resilience, and GDP growth, although below trend, was generally going in the right direction.

1.4. The UK was an exception with inflation at uncomfortably high levels. and concerns arose due to softening Chinese and European manufacturing data, casting doubt on China's post-COVID rebound.

1.5. Among the sectors detailed in Table 1, equities had a strong quarter primarily driven by a strong performance in the US and Japanese markets fuelled by growing enthusiasm for artificial intelligence related stocks and upward revision of US Q1 GDP data, suggesting the US economy might avoid a recession despite rising interest rates. The increase in Japanese equities partly due to a weaker yen boosting exports and a amore accommodating monetary policy. UK equities lagged behind peers, experiencing a slight decline in Q2 due to concerns over recession, negative employment data and persistently high inflation weighing on the UK market.

1.6. Medium and long term bonds faced headwinds as interest rates continued to rise, with central banks not signalling a shift away from their inflation-fighting stance. Commodity prices have also seen a fall as investors returned to risker assets and cash alternatives with higher yields.

1.7. Property valuations have also seen heavy falls c17% in the one year timeframe albeit in the last quarter the index has stabilised with a 1% increase. Offices, industrial and retail have all had significant falls.

2. FUND VALUATION & ASSET ALLOCATION

2.1. Table 2 sets out the value of the assets held by each investment manager, the asset classes held, and the targets for each mandate. The portfolio had a market value of £1.94bn at 30 June 2023, which represents an increase of 0.95%, or £18.3m, over the quarter.

TABLE 2: PORTFOLIO SUMMARY

Manager	Mandate	Year Appointed	31/03/23 £m	30/06/23 £m	31/03/23 %	30/06/23 %
Baillie Gifford (LCIV)	Global equity	2016	223	230	12%	12%
Harris	Global equity	2015	180	180	9%	9%
L&G	Global equity	2011	401	415	21%	21%
L&G	Future World global equity	2021	280	290	14%	15%
CQS (LCIV)	Multi asset credit	2019	225	229	12%	12%
L&G	Index linked gilts	2009	70	63	4%	3%
Stepstone	Infrastructure	2019	78	83	4%	4%
Partners	Global property	2010	88	83	5%	4%
CBRE	UK property	2010	86	88	4%	5%
Aviva (LCIV)	UK property	2021	75	72	4%	4%
HarbourVest	Private equity	2016	50	50	3%	3%
Baillie Gifford (LCIV)	Diversified growth	2022	88	86	5%	4%
Cash & other			83	76	4%	4%
Fund			**£1,926**	**£1,945**	**100%**	**100%**

2.2. The current asset allocations compared to target weights are set out in Table 3 below.

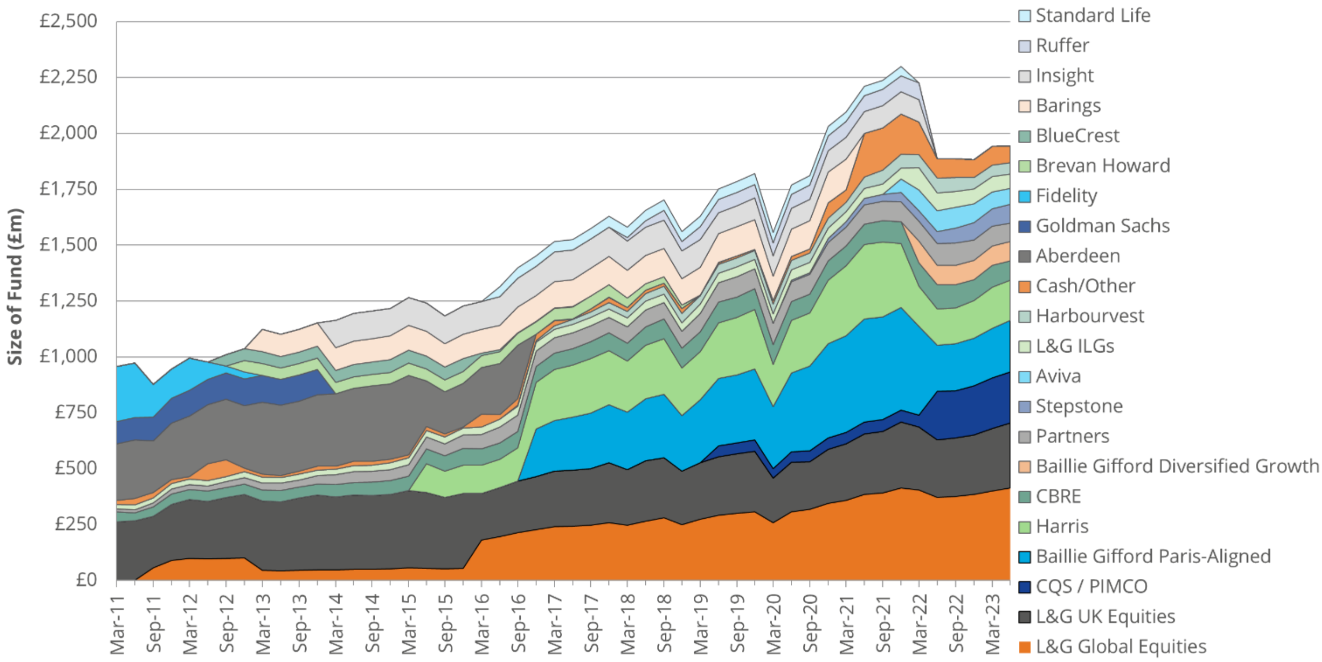
TABLE 3: ASSET CLASS ALLOCATIONS

	Value £m	Current Weight	Target Weight
Baillie Gifford (LCIV)	£230	12%	
Harris	£180	9%	
L&G global passive	£415	21%	
L&G passive equities	£290	15%	
Equity	**£1,114**	**57%**	**50%**
CQS (LCIV)	£229	12%	
L&G Ind.Lkd Gilts	£64	3%	
Bonds	**£293**	**15%**	**20%**
CBRE	£88	5%	
Partners Group	£83	4%	
Aviva (LCIV)	£72	4%	
Property	**£242**	**12%**	**15%**
HarbourVest	£50	3%	
Private Equity	**£50**	**3%**	**5%**
Stepstone (LCIV)	£83	4%	
Infrastructure	**£83**	**4%**	**5%**
Baillie Gifford (LCIV)	£86	4%	

DGF	**£86**	**4%**	**5%**
Cash & other	**£76**	**4%**	**0%**
Fund	**£1,945**	**100%**	**100%**

2.3. Table 4 shows the total value of the Pension Fund over time. Each segment shows the value of the assets with each underlying investment manager.

TABLE 4: HISTORIC FUND MANAGER VALUATIONS



Source: London Borough of Camden; Apex

2.4. The LCIV Infrastructure fund and Partners Group Real Estate Secondary fund had no capital calls during Q2 2023. HarbourVest made a total distribution of $6.0m during the prior quarter.

2.5. The Fund’s active equity allocations are close to the strategic asset allocation levels. As Table 5 shows, the Fund remains above the target in active and passive equities and cash, but is now much closer for infrastructure, private equity, and fixed income, which has been largely driven by rebalancing in 2022. As a reminder, the ultimate position targeted is shown in the final column of Table 5.

TABLE 5: ASSET CLASS OPERATING RANGES

Asset class	**Value £m**	**Actual %**	**Target %**
Active equities	410	21.1%	20%
Passive equities (ESG focused)	704	36.2%	30%
Fixed Income/Multi Asset Credit	229	11.8%	12%
Passive Index linked gilts	64	3.3%	8%
Property	242	12.5%	15%
Private equity	50	2.6%	5%
Infrastructure	83	4.3%	5%
Diversified growth fund	86	4.4%	5%
Cash	76	3.9%	0%
Fund	**1,945**	**100%**	**100%**

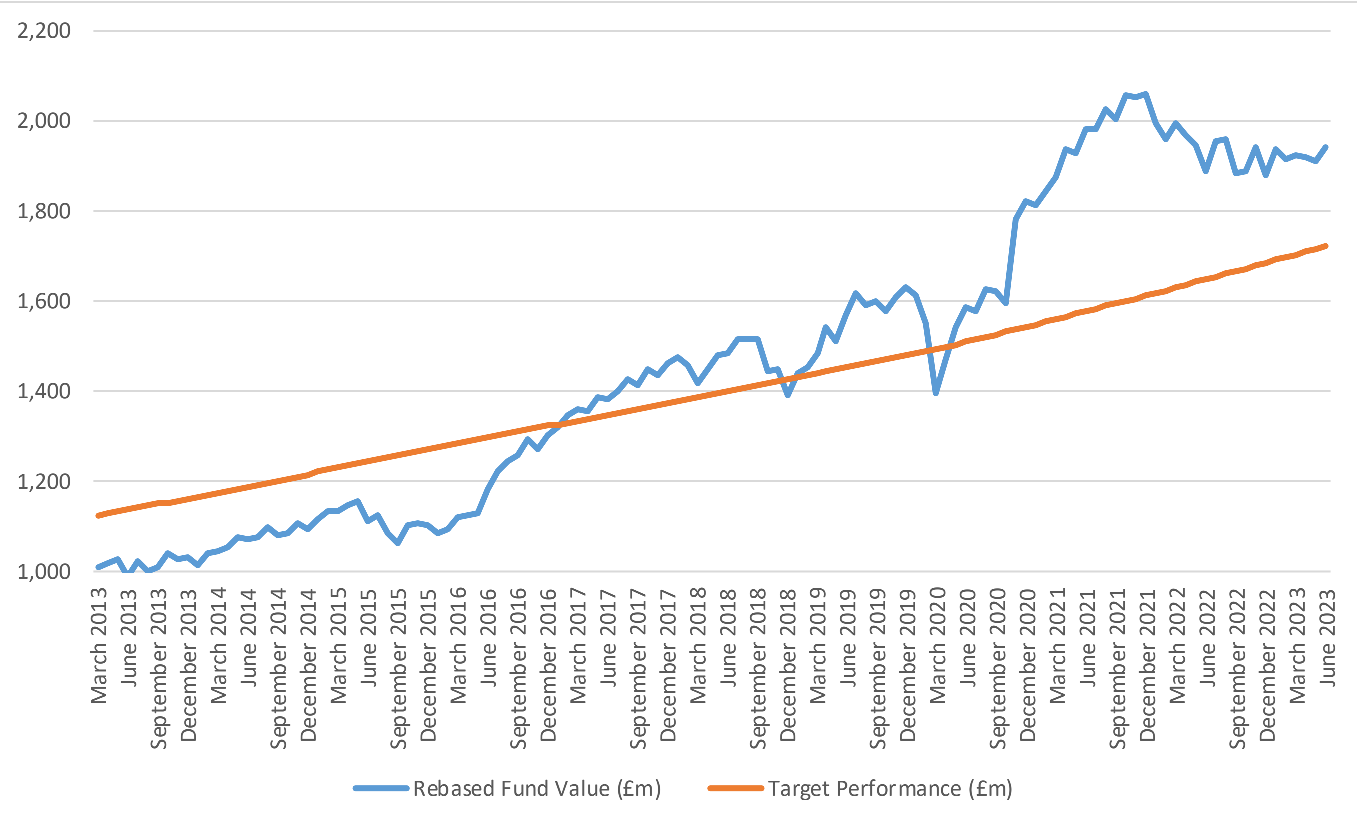
3. **LIABILITY MONITORING**

3.1. The actuary (Hymans Robertson) valued the liabilities at 31 March 2022 at £1.741bn, as part of the Triennial Valuation. This figure was calculated by discounting future liabilities with a discount factor equal to the assumed average annual return on assets (4.4% per annum). This gave a funding ratio of 113% at that date.

3.2. In order to be consistent with the approach taken by the actuaries, the valuation of these liabilities has been extrapolated by the assumed average quarterly return on assets (4.4%/4 = 1.1%), rather than using the movement in gilt yields as a means of extrapolating.

3.3. This gives a theoretical estimated funding ratio in June 2023 of 106% (£1.839bn of liabilities) and is based on the investment strategy returning in-line with the actuary's estimations for the coming years and decades. This is only a rough approximation, however. Long-term asset performance remains considerably above the actuary's historic expectations, as shown below in Table 6.

TABLE 6: ASSET PERFORMANCE SUMMARY



4. ASSET PERFORMANCE

4.1. Comparative benchmarking data from a universe of 63 local authority pension funds (valued at £243bn) indicates that average Local Government Pension Scheme (LGPS) fund return was 1.9% in the quarter. The Fund's returns were 1.2% for the quarter and so slightly underperformed this benchmark.

4.2. Over 12 months the PIRC universe was 5.1% with the Camden Fund underperforming against the benchmark at 3.8%. Over three years the comparison with the PIRC universe is closely aligned with the Fund returning 6.4% and the PIRC universe 6.6%.

4.3. Examining the individual investment manager returns in Table 7, the Fund has underperformed its overall target by 0.6% in the quarter. The twelve-month relative performance however is -4.5% decrease in value of the fund against a target increase of 8.4%. Mandates that negatively impacted on the one year performance are in particular the Harris and Baillie Gifford equity funds, all Partners funds, HabourVest, Baillie Gifford DGF and Aviva real estate funds. Since inception the Fund has returned 8.6%.

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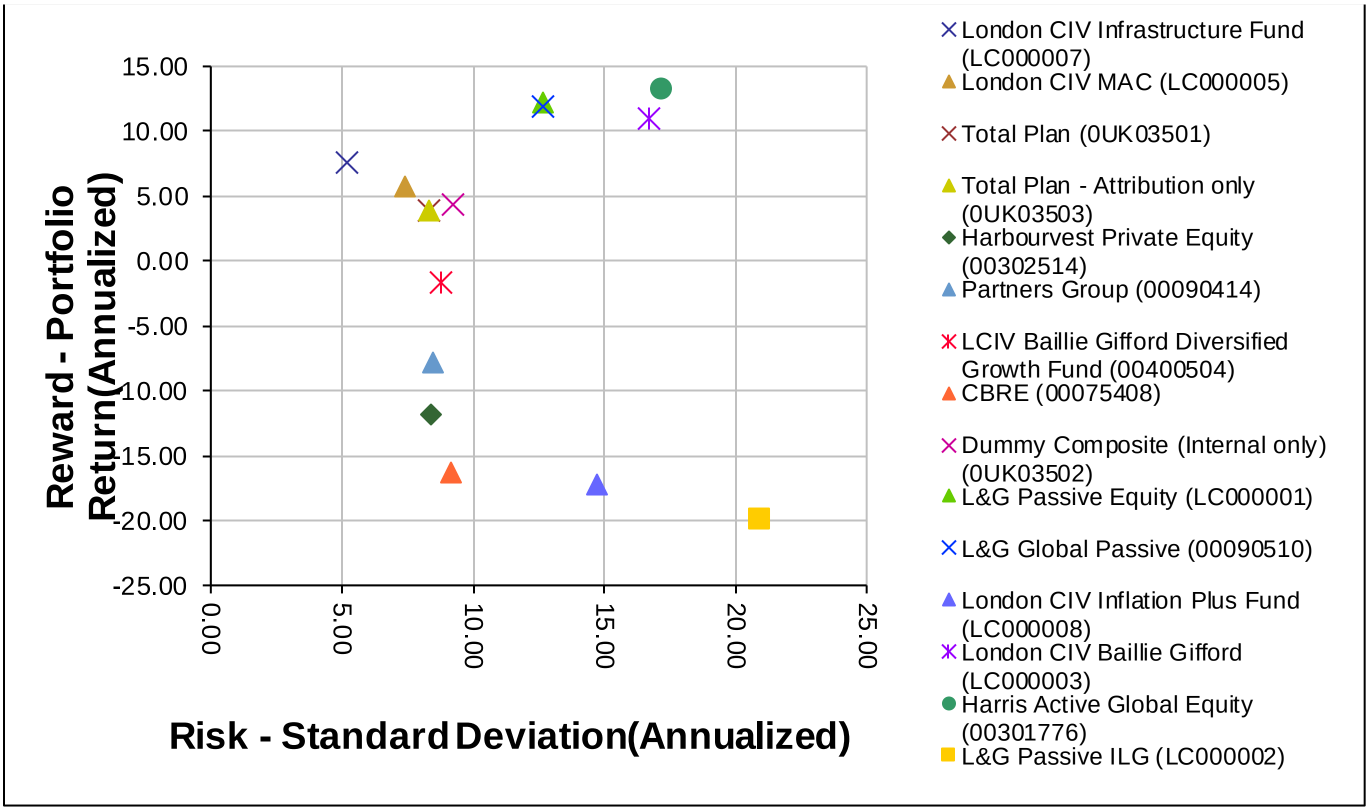
TABLE 7: MANAGER PERFORMANCE VS TARGET

Investment Manager	Trailing 3 Months	Trailing 1 Year	Trailing 2 Years	Trailing 3 Years	Since Inception
Harris	1.3	13.3	4.0	15.0	10.3
Global Equities (Gross) + 2.5%	4.1	14.7	6.4	13.2	13.7
Excess Return	**-2.8**	**-1.4**	**-2.4**	**1.8**	**-3.4**
Baillie Gifford (London CIV)	3.2	11.0	-7.8	3.6	7.5
Global Equities (Gross) +2.5%	4.1	14.7	6.4	13.2	12.2
Excess Return	**-0.9**	**-3.7**	**-14.1**	**-9.6**	**-4.6**
L&G Future World global passive equity	3.7	12.1	-	-	
Solactive L&G ESG Global Markets	3.7	10.6	-	-	
Excess Return	**0.0**	**1.5**	**-**	**-**	
L&G global passive equity	3.4	11.8	3.8	10.4	12.1
FTSE All-World + 0%	3.4	11.7	3.8	10.4	12.1
Excess Return	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**
CQS & PIMCO (LCIV)	1.9	5.7	-1.1	3.5	1.5
3 Month SONIA +4.50%	2.3	8.2	6.6	5.9	5.7
Excess Return	**-0.4**	**-2.5**	**-7.7**	**-2.4**	**-4.2**
L&G passive ILG	-7.8	-20.0	-20.1	-15.2	3.8
FTSE > 5yr Index Linked Gilts + 0%	-7.9	-20.4	-19.9	-15.2	3.7
Excess Return	**0.1**	**0.4**	**-0.2**	**-0.1**	**0.1**
CBRE	0.2	-16.3	0.5	2.4	6.1
All Balanced Property Funds + 1%	0.6	-16.6	1.9	4.4	6.9
Excess Return	**-0.5**	**0.3**	**-1.4**	**-2.0**	**-0.9**
Partners 2009 Euro fund	-9.1	-3.4	6.9	1.9	6.5
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-12.7**	**-18.4**	**-8.1**	**-13.1**	**-8.5**
Partners 2013 USD fund	-7.2	-11.8	5.2	0.5	10.1
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-10.8**	**-26.8**	**-9.8**	**-14.5**	**-4.9**
Partners 2017 USD fund	-4.4	-7.2	90.2	8.3	7.1
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-7.9**	**-22.2**	**75.2**	**-6.7**	**-7.9**
HarbourVest	-1.2	-11.9	17.8	23.1	22.5
Absolute 8%	1.9	8.0	8.0	8.0	7.9
Excess Return	**-3.1**	**-19.9**	**9.8**	**15.1**	**14.6**
Stepstone (London CIV)	0.3	7.6	11.0	4.7	3.8
9% p.a net	2.2	9.0	9.0	9.0	8.8
Excess Return	**-1.9**	**-1.4**	**2.0**	**-4.3**	**-5.0**
Aviva RELI (London CIV)	-3.3	-17.3	-	-	-13.8
RPI + 1.75%	2.9	12.6	-	-	14.0
Excess Return	**-6.2**	**-30.0**	**-**	**-**	**-27.8**
Baillie Gifford Diversified Growth Fund (LCIV)	-2.1	-1.8	-	-	-7.4
SONIA +3.5%	1.9	6.7	-	-	6.2
Excess Return	**-4.1**	**-8.5**	**-**	**-**	**-13.7**
Total Fund	**1.2**	**3.8**	**-0.5**	**6.4**	**8.6**
Total Fund Composite Target	**1.8**	**8.4**	**5.7**	**9.1**	**10.6**
Excess Return	**-0.6**	**-4.5**	**-6.1**	**-2.7**	**-2.0**

4.4. The risk: reward ratio of individual mandates over the preceding year is represented in Table 8 below. The graph plots absolute returns in the year to June 2023 against the volatility (risk) of returns relative to the benchmark assessed in terms of annualised standard deviation. This approach measures the volatility in respect of the 12 end-of-month valuations for the entire portfolio; the maximum number made available by the custodian carrying out independent valuations. The greater the number of observations in the data set, the more comprehensive the measure of volatility.

4.5. Table 8 below shows that the best performing fund was the Harris Active Global Equity Fund but is also the second most volatile. At the other end of the scale, some of the poorest performers in the portfolio are the LGIM index-linked gilts fund, the CIV Inflation plus Fund and CBRE fund (mainly due to increases in interest rates).

TABLE 8: RISK VS REWARD GRAPH



4.6. **Harris** has underperformed against target in this quarter by 2.8%, and their one year return has also underperformed against target (-1.4%). Harris remain behind target since inception by 3.4%. Harris, as a value manager, underperformed against other value stocks and quarterly performance was negatively impacted by stock selection.

4.7. **Baillie Gifford (CIV)** have underperformed the target over the quarter and the trailing year by -0.9% and -3.7% respectively, and since inception by -4.6%. The Baillie Gifford holdings now consist only of the **Global Alpha Growth Paris-Aligned Fund**. Baillie Gifford equities have performed against Harris's value stocks over the quarter, and over the year, by +1.9% and -2.3% respectively. The top performing holdings within the fund were Amazon, Microsoft and Facebook, while the largest detractors from returns came from Prosus Nv, Moderna and Royalty Pharma.

In Q2, the fund's performance matched the benchmark across the sector, indicating stability after portfolio adjustments by Baillie Gifford. LCIV maintains an overall status at 'Normal Monitoring' status but after a meeting in June and remains confident in the

Manager's ability to recover losses and views that the revamped portfolio may have started seeing benefits. During a meeting with Baillie Gifford and the adviser, the Manager reported improving performance despite market volatility. Q2 performance fell short of targets due to missed opportunity holdings, particularly in Apple and Nvidia, which performed well.

4.8. **Legal & General** equities have tracked their benchmarks in the quarter, and seen a small growth in value overall. The Future World global equity fund is a sustainable passive fund which is more closely aligned to the Pension Fund's investment beliefs. The Future World fund is benchmarked against the Solactive index and the underperformance can be attributed to the fund's lower exposure to energy and commodity firms, which have benefited from the recent rise in energy prices. This tracking error is within expected ranges**.**

4.9. **CQS & PIMCO (CIV)** tracked the benchmark over the quarter with an under performance (-2.5%) over the year and are behind target by -4.2% since inception. LCIV commented that sub-investment grade debt, was a key detractor in Q2 both due to negative changes in mark to market pricing and exposure to interest rate risk in a period of raising yields. However over the past 18 months, losses resulting from defaults have not significantly impacted the fund. Both investment managers have emphasised the importance of remaining vigilant in the future. This is a factor that warrants ongoing monitoring.

4.10. **CBRE** gained slightly in the quarter (0.2%) but underperformed the target by -0.5% over the quarter and outperformed the target by +0.3% over one year (despite strong property repricing -of 16.6%). This quarter's performance has had minimal impact on long term results; they have now returned +6.1% per annum since inception, against a target of +6.9%. Despite the slight rebound in Q2, CBRE continue to expect hybrid working and ESG compliance to remain the main detracting factors within the sector affecting mainly average quality, non-prime office space.

4.11. **Partners Group** funds' performance deteriorated over Q1 2023, but it is important to bear in mind that these valuations lag by three months due to the nature of the fund of fund arrangement. Partners Group funds' performance is viewed individually for the three funds as follows:

i. The 2009 Euro fund has underperformed the target by -12.7% over Q1 2023, and is -8.5% below its ambitious target since inception. This fund is fully invested. The fund is in its realisation stage and continued to be in receipt of proceeds from its underlying investments. The manager continues to "focus on exits and distributions as several investments in the portfolio move into the realization phase of their lifespan".

ii. The 2013 Dollar fund's performance has dropped in the Q1 2023 and now registers -11.8% over the past twelve months. Since inception, the fund has returned +10.1% per annum compared to its target of 15.0%. The fund will "focus on the existing portfolio of assets, while evaluating divestment opportunities for the mature assets".

iii. The 2017 Dollar fund, the newest of the three funds, also suffered lower returns in the previous quarter, a fall of -4.4%, -7.9% below the target for the quarter. Since inception, it has achieved +7.1% growth against an ambitious 15% target. This fund has now drawn 60% of its commitments, and it remains in its' "value-creation" stage.

4.12. **HarbourVest** also saw relatively small falls in value (-1.2%) and underperformed its benchmark by -3.1% in Q2 2023, and have underperformed by -19.9% over one year. This is following the expected slow-down trend in private equity, after several quarters of strong results. As a proportion of committed investments, 74% of HarbourVest's investments are meeting or exceeding expectations, whereas 26% of them are below expectations. This is an increase from 18% below expectations in the last quarter. Their valuations are also lagged by three months and so the full effects of the current macroeconomic situation are only just beginning to be seen on HarbourVest's holdings. Around 84% of the fund has been drawn down at the end of March 2023.

4.13. **Stepstone (CIV)** had remained relatively flat (0.3%) over the quarter, -1.9% behind the target, but these figures also lag by three months, as is typically the case with private market investments. The fund was launched on 31 October 2019 and performance since inception is +3.8% compared to a target of +8.8%. The current IRR (internal rate of return) on the Stepstone portfolio is ahead of expectations. Looking to the future, infrastructure will be a key part of economic recovery plans, in line with the Fund's investment beliefs.

4.14. **Aviva (CIV)** received initial investment from the Fund in December 2021. Performance over the quarter was a fall of -3.3%, heavily underperforming the target over twelve months by -30%. This Fund is a significant investor in this LCIV fund, making up over 44% of the funds deployed. This fund is now known as the Real Estate Long Income Fund, and invests in properties with long leases and strong tenants, with returns driven by the focus on secure, long-term, contractual inflation-linked cashflows. The manager has stated that there is a negative outlook for real estate owing to significant changes to the price of debt, and long income real estate assets have seen the most immediate consequences of this, given their correlation to the fixed income market.

4.15. **Baillie Gifford Diversified Growth Fund (CIV)** returned results underperforming against the target for the quarter (-2.1% vs +1.9%.) This is the fifth full quarter of results for Camden's investment into this fund, following initial investment in March 2022, and performance since inception is -13.7% below target. Baillie Gifford maintain a similar outlook to the last quarter attributing this performance to the active equity, bond and property portfolios within their product which have underperformed the market. Over the next 12-18 months, Baillie Gifford expects growth to be slower, also expecting inflation to fall towards central bank targets.

5. FOSSIL FUEL EXPOSURE

5.1. All Investment managers were asked about the Fund's exposure to fossil fuels in general. The results for all our investment managers, at 30 June 2023, are as shown in Table 9 below.

5.2. It is important to remember that all companies have slightly different definitions of fossil fuel companies and so this is only an estimate. In 2012 the Fund had 7.2% of its equity assets invested in fossil fuels. In the report to the July 2023 Committee the fossil fuel proportion of all assets was 2.37%, and has decreased slightly to 2.11% as at 30 June 2023.

TABLE 9 TOTAL FUNDS INVESTED IN FOSSIL FUELS

Mandate		Total Fund £m	Fossil Fuel Holdings (£m)	Fossil Fuel Holding
Legal & General	Global equity	415	17	
	Future World global equity	290	4	
	Index-linked gilts	64	0	
Harris		180	9	
Baillie Gifford	Global equity	230	0	
CBRE		88	0	
HarbourVest		50	1	
Partners Group		83	0	
Aviva		72	0	
Stepstone		83	0	
CQS		229	10	
BG DGF		86	0	
Cash - JPM		76	0	
Total (as at 30 June 2023)		**1,945**	**41**	**2.11%**

5.3. Investment managers were also asked what percentage of our portfolio was invested in the Carbon Underground 200 Index of companies at 30 June 2023. This is a more consistent definition of fossil fuel companies and the results are below. This has risen slightly from 1.40% to 1.50% this quarter.

TABLE 10: CARBON UNDERGROUND 200 COMPANIES

Investment manager and mandates	% invested
Legal and General Global equity	0.79%
Legal and General Future World Global equity	0.15%
Legal and General (Over 5y Index-Link Gilts)	0.00%
Harris Global equity	0.47%
Baillie Gifford - LCIV Global equity	0.00%
CBRE UK property	0.03%
HarbourVest private equity	0.00%
Aviva long lease property	0.00%
Partners global property	0.00%
Stepstone Infrastructure(LCIV)	0.00%
CQS & PIMCO multi-asset credit (LCIV)	0.07%

Baillie Gifford DGF (LCIV)	0.00%
NAV invested as at 30 June 2023	**1.50%**

6. **RESPONSIBLE INVESTOR COMMENT**

6.1. This report covers performance of several kinds, not only financial performance, but also the extent to which the Fund's assets are moving away from highly-polluting or carbon dioxide-intense holdings over time. This report goes to show that good financial returns are not incompatible with responsible investment.

7. **ENVIRONMENTAL IMPLICATIONS**

7.1. There are numerous environmental implications to the performance of the fund; in terms of the carbon impact, these have been set out in tables 9 and 10.

8. **FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES**

8.1. The finance comments of the Executive Director Corporate Services are contained within the report.

9. **LEGAL COMMENTS OF THE BOROUGH SOLICITOR**

9.1. This report demonstrates that the Camden Pension Fund adheres to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Regulation 7 requires that the authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund. In doing so the Committee must take account the requirements for the investment strategy and in particular, the need for a suitably diversified portfolio of investments considering the advice of persons properly qualified on investment matters.

10. **APPENDICES**

APPENDIX A – Detailed Market and Manager Performance Review
APPENDIX B – Camden Client ranking by Manager

Appendix A

Q2 2023 Portfolio Valuation Report

London Borough of Camden

30 June 2023

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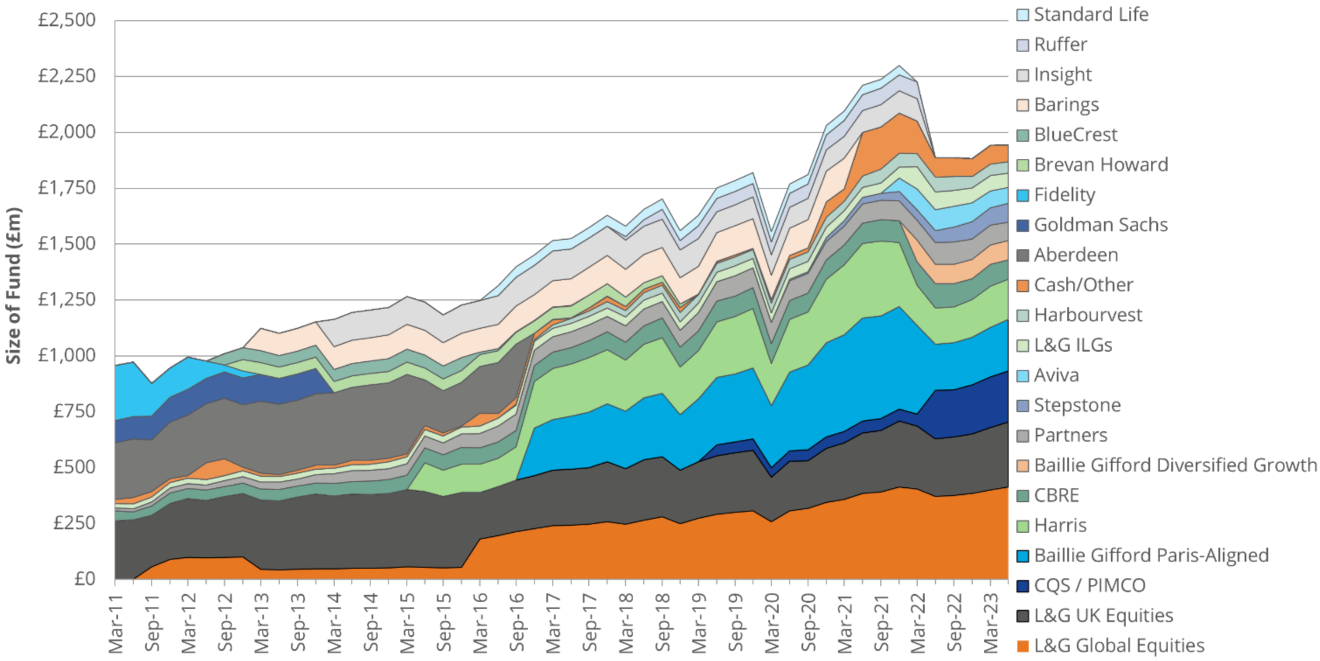
Total Fund Valuation

Chart 1 shows the total value of the pension fund over time. Each segment shows the value of the assets with each underlying investment manager.

CHART 1: VALUE OF LONDON BOROUGH OF CAMDEN PENSION FUND (£M) OVER TIME



Source: London Borough of Camden; Apex

Independent Advisor Market Review

The Global Economy

Macroeconomic data was generally resilient globally in the quarter, with headline inflation falling in the US and Europe, and remaining steady in Japan. Labour markets remained surprisingly robust and GDP growth remains below trend, but generally positive. Chinese and European manufacturing data has softened in recent months leading to some concern over the anticipated post-COVID rebound for China. The UK was an exception to the disinflation trend, with inflation at an uncomfortably high 8.7% in May. Despite falling inflation, the US Fed and ECB continued to hike rates and maintain a hawkish posture because of tight labour markets and stubborn core inflation data. The Q1 banking crisis appears to have been contained, but there are signs of consumer credit card defaults starting to tick up, and it is likely that the effects of the interest rate increases will take time to filter into real economies.

Q2 was another strong quarter for equities, with global equities (MSCI World) rising around +7% in local currency (+4% in GBP terms). Equity markets were led by growth-oriented stocks (+10.1% for growth, +2.2% for value) as investors jumped on board the new innovation of Artificial Intelligence (AI). Japanese equities performed particularly strongly (+18.5% in local currency, and up +5.9% in GBP terms), as the Bank of Japan has maintained a more accommodative policy than its peers. The Tokyo Stock Exchange has also urged listed companies to become more focused on value creation, such as using cash stockpiles to remedy the low book values to market capitalisations. The combination of the very weak JPY and potential corporate governance improvement has attracted investors to the region.

US equities returned just under +5%, though gains have been very concentrated in a few large tech stocks, leaving the rest of the index flat. UK equities, on the other hand, have lagged peers (slightly down in Q2) after a relatively strong 2022, and markets view more risk of recession and negative impacts to employment than for some other developed markets. Bonds, too, faced headwinds as interest rates continued to rise with central banks not yet ready to signal a shift in direction in the fight to reduce inflation. Global investment grade credit was flat over the quarter, but UK long index-linked gilts fell around -10% as yields jumped higher in light of stubborn inflation, and investors now expect UK rates to peak above 6%. Energy prices softened further (oil down -6%), while GBP has continued to strengthen against both JPY and USD, retracing a fair amount of its weakness during 2022.

TABLE 1: QUARTERLY GDP GROWTH RATE

	US GDP	UK GDP	Eurozone GDP	Japan GDP
Q2 2023*	0.6%*	0.2%*	0.3%*	1.1%*
Q1 2023	0.5%	0.1%	-0.1%	0.7%
Q4 2022	0.7%	0.1%	0.0%	0.0%
Q3 2022	0.7%	-0.3%	0.3%	-0.2%

*Source: Bloomberg. *Forecast based on leading indicators. N/A not available at time of publication.*
Notes: UK Real GDP (Ticker: UKGRABIQ Index), US Real GDP (Ticker: EHGDUS Index), Eurozone Real GDP (Ticker: EUGNEMUQ Index), Japan Real GDP (Ticker: EHGDJP)

Global equities rose sharply in Q2, led by US and Japanese equities for varying reasons. The VIX declined over the quarter from 19 to 14, well down on its average level of 21 for the 5 calendar years 2017 to 2022.

In the US, the S&P 500 rose by +8.7% and the NASDAQ soared by +15.2%. Markets rallied as enthusiasm for AI boosted a number of some stocks and an upward adjustment to the Q1 annualised GDP figure (from 1.3% to 2.0%) provided support to the view that the US economy may avoid a recession or ‘hard landing’ despite the sharp rise in interest rates.

UK equities fell -0.4% and underperformed global equities. Inflation has remained too high in the UK for the Bank of England, resulting in the base rate being raised to 5.0%, from 4.25% at the end of Q1. The BoE had slowed the pace of rate rises from 50bps to 25bps, but moved back to a 50bps rise in Q2. UK CPI was 8.7% in May, well above the 6.1% figure for the Eurozone.

The Euro Stoxx 50 rose by 4.2% in Q2. Economic data was better than expected with inflation continuing to move downwards, although the ECB has maintained a hawkish rhetoric. The composite PMI has however been declining in Q2 and in June fell just into contractionary territory at 49.9.

Japanese equities continued their strong run, rising by +18.5% in Q2. A weakening JPY has boosted exporters, as the BoJ maintains very accommodative monetary policy with core inflation currently at 3.2%, as well as the mentioned prospective corporate governance reform. The yen fell 8.6% vs the USD over the quarter.

Emerging market equities rose +1.0%, underperforming global equities as Chinese stocks fell. Investors had previously pinned hope on a rebound in Chinese stimulus and growth which had propelled Chinese equities in late 2022 and early 2023; however the country has not yet provided meaningful policy stimulus.

Medium- and longer-term bond yields rose over the quarter, generally rising with rate hikes from central banks resulting in negative performance for government bonds. The US yield curve inversion as measured by the 10 year–2 year ended the quarter at -106bps, as short and mid-term rates rose more than longer bond yields. In corporate bonds, high-yield credit outperformed as credit spreads tightened over the quarter. Emerging market bonds rose 2.7% in local currency, and 2.2% in hard currency.

The US 10-year Treasury yield rose in Q2, ending at 3.81% from 3.48%. US rates rose steadily through the quarter, with US GDP being revised upwards for Q1 and job openings (JOLTS) at a strong 9.8 million, compared to 7.2 million in January 2020. The Fed raised their policy rate by 0.25% just once in the quarter (to 5.0%-5.25%).

The UK 10-year Gilt yield rose sharply from 3.49% to 4.39% and 2-year from 3.44% to 5.27%. Over the quarter, the spread between UK and German 10 year bond yields widened, reflecting the increased stress viewed on the UK economy (UK approx. +200bps now vs +120bps in Q1, and close to the +228bps in September 2022 during the 'mini budget'). The Bank of England hiked rates by 25bps two times in the quarter.

European government bond returns were flat in Q2. Yield curves steepened further over Q2, as short end rates rose with rate hikes with the main refinancing rate now at 4.0% (up from 3.5%), while longer term bond yields were little changed. The German 10-year bund yield rose to 2.39% from 2.29%, while Italy's fell from 4.09% to 4.07%.

US high-yield bonds outperformed investment grade, returning +1.7% and -0.3% respectively. European high-yield bonds returned 1.8%, outperforming the 0.2% for European investment grade and -3.1% for UK investment grade.

Energy prices were mixed over Q2, as gas prices rebounded somewhat although still sharply down from the pre-winter figures. Oil prices have traded down driven by concerns over global growth and oil demand.

US gas prices rose 26% in Q2. Prices have fallen dramatically from their 2021/ 2022 peaks.

Brent crude oil fell -6.1% over Q2, to $75 per barrel. Falling prices since 2022 has triggered various OPEC+ announcements of production cuts which have thus far only resulted in small reactions from the market. The US released oil from its Strategic Petroleum Reserve in 2021/ 2022 to meet demand and address high prices, but has yet to restock the inventory.

Gold and Copper fell -2.0% and -8.6% respectively over Q2. Gold fell as investors returned to risk assets, and with high yields available on cash alternatives. Copper fell over the quarter from a high in April, with the growth outlook for China a headwind. Gold and Copper closed Q2 at 1,929 USD/toz and 374 USD/lb, respectively.

Global listed property continued to decline, with the FTSE EPRA Nareit Global Index falling -2.4% in Q2.

The Nationwide House Price Index in the UK has continued its decline, with the price index down -0.3% for the quarter, and down -3.5% on annual basis.

European commercial property has also continued to decline in the face of higher interest rates, with the Green Street Commercial Property Price Index down by -2.3% this quarter and -15.9% over the past 12 months.

In currencies, sterling strengthened against the US dollar (+3.0%) and the Euro (+2.3%) over the quarter, as the ongoing high and uncertain inflation in the UK is viewed as requiring a more lengthy period of tighter monetary policy. The US dollar rose modestly in Q2 (Dollar index +0.4%).

Asset Allocation

The strategic asset review by Isio is ongoing. Given an improved funding position, this will lead to a de-risking of the current strategy, with a continued emphasis on diversification which has worked well for the fund over the past three years. Some of the recommended changes will take time to roll out but it will ultimately mean that the fund is well placed to face the next three years and beyond.

Individual Manager Performance Review

London CIV – Baillie Gifford

The Independent Advisor comments that, the London CIV – Baillie Gifford sub-fund delivered a return of +3.17% in Q2, outperforming Harris by 1.91% for the quarter. Over a 12-month period, the Baillie Gifford sub-fund underperformed Harris by -2.30%. The return was also behind the MSCI ACWI Index over the quarter, which delivered +3.26% in Q2. The manager is underperforming its performance target over 12 months, with an absolute return of 10.98% vs the target of 14.68%. The manager is also behind the target over 3 years by -9.57% per annum.

London Borough of Camden has been invested in the Global Alpha Paris-Aligned Fund since September 2021. This fund aligns more closely with the pension fund's investment beliefs around climate change. The objective of the Paris Aligned sub-fund is to exceed the rate of return of the MSCI All Country World Index by 2-3% per annum on a gross fee basis over rolling five-year periods. The sub-fund also aims to have a weighted average greenhouse gas intensity that is lower than that of the MSCI ACWI Climate Paris Aligned Index.

Amazon, Microsoft and Facebook were Baillie Gifford's best-performing positions in the Paris-Aligned fund during the quarter, contributing +1.8% to the quarterly return. Meanwhile, Prosus Nv, Moderna and Royality Pharma were the largest detractors. The fund added five new positions to the portfolio in Q2: Nvidia, ASM International (semiconductors - wafer processing), Samsung Electronics, Sartorius Stedim Biotech (A French biopharmaceutical equipment supplier) and Advanced Micro Devices Inc (semiconductors - central processing). Three sales were completed during the quarter: Booking Holdings, Axon Enterprises and Meituan Dianping. The beta on the Paris Aligned portfolio as at quarter end stood at 1.24. This means that if the market falls 10%, the portfolio is expected to fall by 12.4%.

Baillie Gifford's 12-month performance has produced weak returns on a relative basis, underperforming the performance target by -3.70%. The manager is also underperforming the performance target since inception by -4.63% per annum.

LCIV note that the fund performed in line with the benchmark in Q2, further evidencing the stabilisation of the portfolio post the repositioning done by the Manager. LCIV has maintained the overall monitoring status at 'Normal Monitoring' but had met with the Manager in June. While performance has been disappointing, LCIV remains confident that the investment manager retains the ability to recover the losses and consider that the revamped portfolio may already have started to see benefits.

At a meeting with Baillie Gifford and the adviser, the manager reported that performance is picking up in absolute terms despite market volatility. Q2 performance was below target because of omissions in holdings, rather than the stocks actually held, specifically Apple and Nvidia which performed strongly. Baillie Gifford had been reviewing Nvidia for six months but wanted to be comfortable that the business would not be negatively impacted by any change in stance by the US towards China. Having reached a point of conclusion in their research, the manager purchased Nvidia towards the end of the quarter, but recognised that this meant they missed out on six months of positive returns.

The manager has been building exposure to semi-conductors over the past 18 months, and bought four companies in Q2 (including Nvidia). They believe that Artificial Intelligence (AI) will be transformational for businesses and the demand for data centres and chips will increase as a result. They consider that around 1/3rd of their holdings are favourably exposed to AI developments.

The Paris Aligned fund held 90 companies at quarter end, across 19 different countries, and had an active risk of 5.69% (active risk, or tracking error, is a measure of how much risk the manager is tracking away from the benchmark index. A passive manager would have 0.25% tracking error). LCIV have noted that the active risk is marginally lower than the median active risk in a group of peers. The fund is overweight in financials, consumer discretionary, healthcare, communication services, and cash and other net assets. It was underweighted in information technology, industrials and other investments.

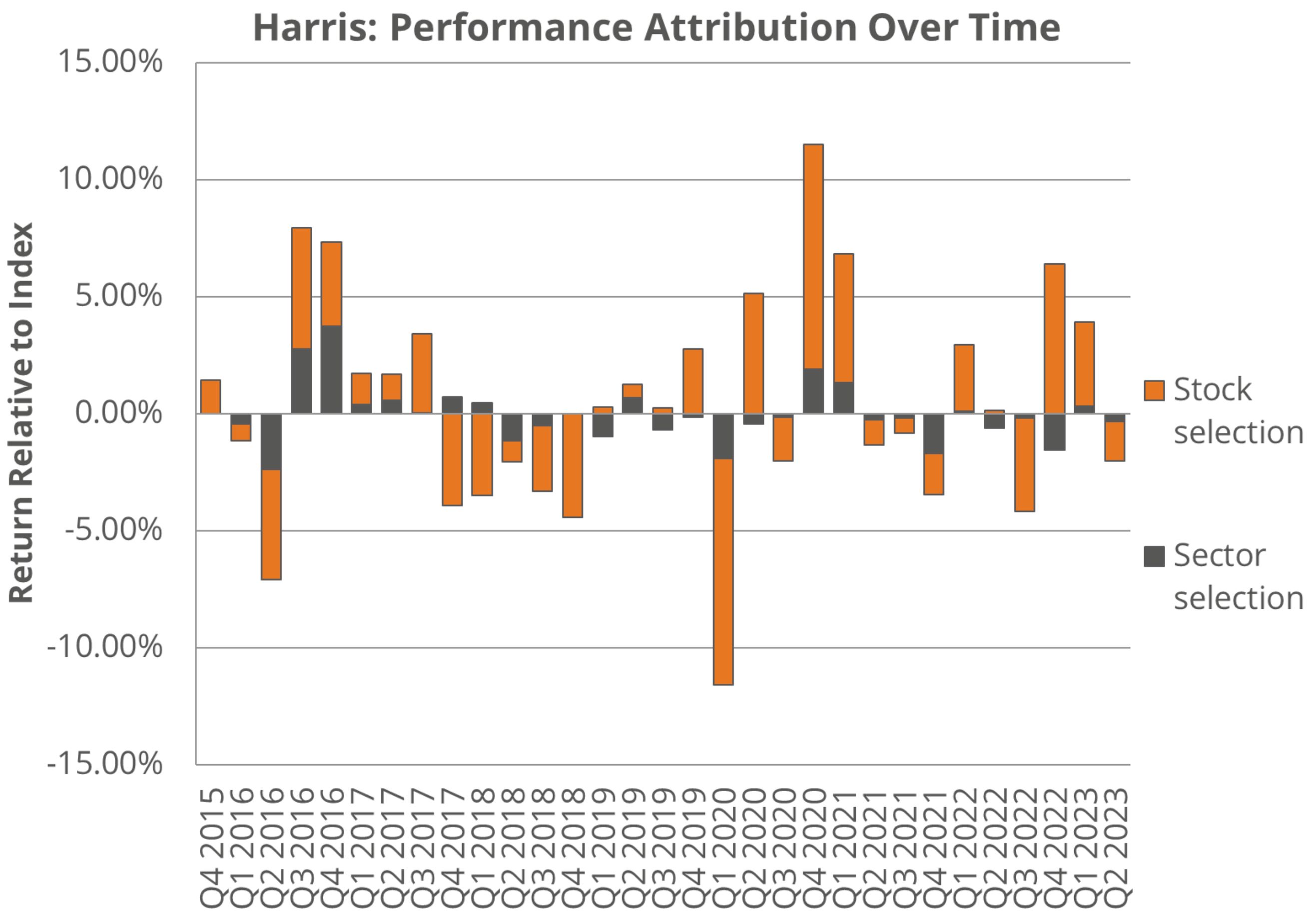
The Paris Aligned Baillie Gifford sub-fund aims to have a weighted average greenhouse gas intensity that is lower than that of the MSCI ACWI Climate Paris Aligned Index. However, London CIV compares the portfolio against the full market capitalisation index for carbon intensity purposes. As at end June 2023, the weighted average carbon intensity of this portfolio was roughly 55% of the intensity of the MSCI All Country World Index. The fund had no exposure to fossil fuel companies (compared with the MSCI All Country World benchmark which had over 8% in fossil fuels).

In terms of assets under management, the LCIV Paris Aligned sub-fund stood at £2,253.4 million as at end June. London Borough of Camden's investment represents 10.20% of the fund. LCIV are pleased to have negotiated a fee discount with the manager, with a saving of 6.1% from 1st April 2023.

Harris

Chart 2 shows the contribution to performance, relative to the index, from asset allocation and stock selection. Chart 2 shows that stock selection was a significant contributor to the negative relative return of the fund during Q2 2023, with -1.70% attributed to stock selection. A further -0.32% was attributed to sector selection.

CHART 2: HARRIS PERFORMANCE ATTRIBUTION



Source: Harris; Apex

<u>The Independent Advisor comments that,</u> Growth outperformed Value in Q2. The MSCI World Growth Index returned +10.13% whereas the MSCI World Value Index delivered +2.21%. Harris has underperformed the Value Index by -0.95% and the full market capitalisation Index by -2.00%. Stock selection had a negative impact and decreased performance by -1.70%, whilst sector selection decreased performance by -0.32% in Q2 2023. Negative contributions from sector selection came mainly from IT (-1.12%) and Finance (-0.18%), while Consumer Staples (+0.28%) and Utilities (+0.18%) as sectors contributed positively. Stock selection in Consumer Discretionary negatively contributed -1.10%, followed by Communication Services (-0.80%) and IT (-0.40%). Harris now underperforms the performance target for the past 12 months, with underperformance of -1.4%.

The top contributor during Q2 was Amazon which added +0.86% to the total return. Alibaba was the worst performing stock, detracting -0.64% from the portfolio.

As at quarter end, the fund had a 47.91% allocation to Europe, 44.82% to the US, and the balance of 7.27% in Asia/Emerging markets.

Engagement with the companies in which Harris invests is considered from a risk perspective and the materiality of that risk. During the quarter they provided examples of engagement with Holcim (energy transition pathway assumptions), Glencore (climate risk), and Fresenius Medical Care (governance).

Legal & General

The Independent Advisor comments that, the observed tracking errors on the pooled index funds were within expected ranges during the quarter. The tracking is shown in Table 2. As the tracking is still in line with expectations, there are no concerns.

TABLE 2: TRACKING ERROR

	Three-Month Tracking	One-Year Tracking	Three-Year Tracking
World – Future World	0.10%	0.31%	N/A
World – Market Capitalisation	0.03%	0.09%	0.02%
Gilts	-0.01%	0.02%	0.00%

Source: Legal & General; Apex

The manager no longer allocates to the UK Equity Index Fund, with the £65m investment being switched into the Future World global equity index fund. This is a sustainable passive fund which is more closely aligned to the pension scheme's investment beliefs.

In Q2 the sustainable Solactive Index, against which the Future World global equity index fund is benchmarked, delivered a return of +3.70% compared with the full global equity market capitalisation index which returned +3.36%.

CBRE

Chart 3 shows the contribution to performance from each of the underlying funds making up CBRE's portfolio over the past four quarters. This quarter shows a mixture of both positive and negative returns. The main detractors from performance in Q2 were Ardstone UK Regional Office (-11.1%), Fiera Real Estate Opportunity V (-4.1%) and Schroder UK Property Fund (-1.1%) contributing -0.6% between them.

Ardstone saw a valuation decrease. While some parts of the portfolio are holding up well (for example, Bristol and Edinburgh), in other regions the office sector continues to struggle. CBRE indicate that there may be further downward pressure on pricing.

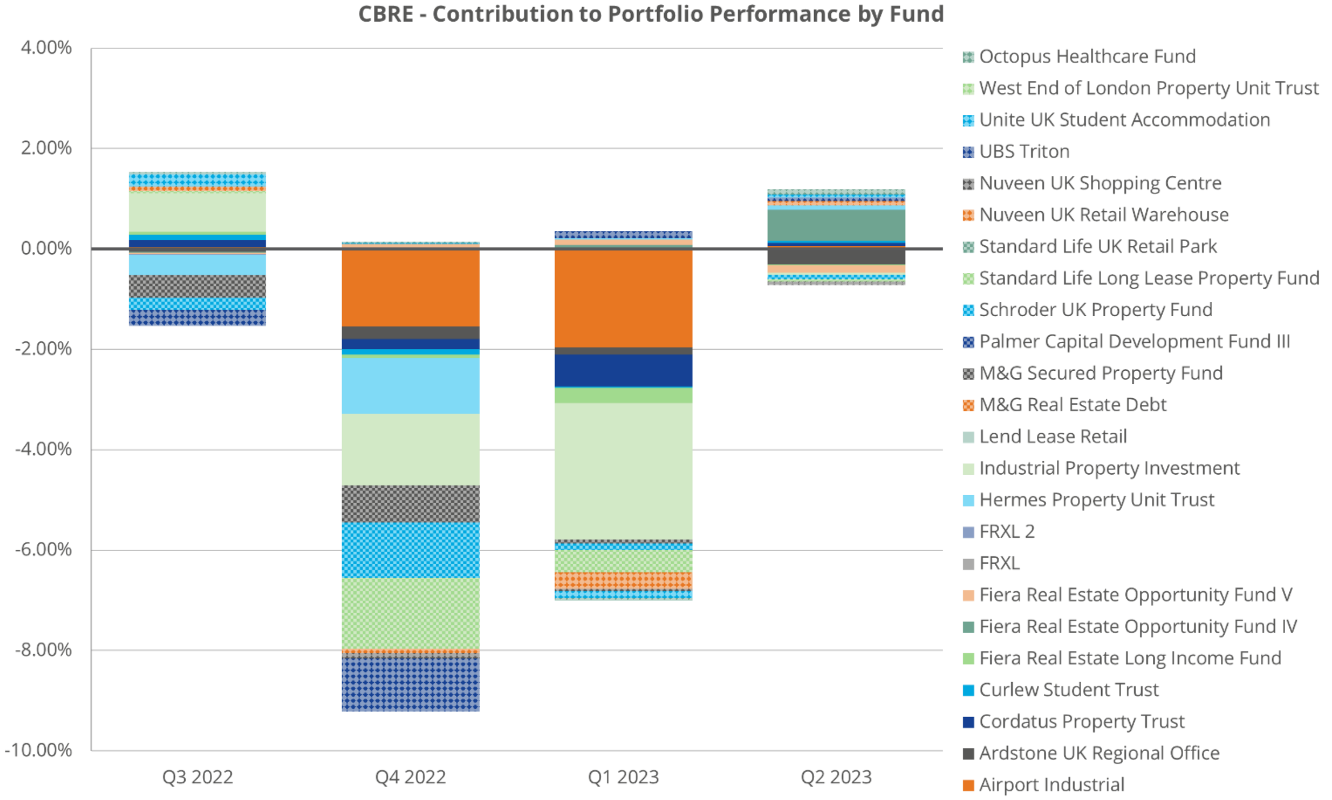
Fiera also saw valuation decreases although these were partly offset by the investment in Avonmouth where increased interest supported pricing.

Schroder was impacted by falling property yields off the back of UK bond yield rises and an increase in the cost of debt. As for Ardstone, office assets pulled the return down.

Meanwhile, the top contributors to returns for the quarter came from the investments in Fiera Real Estate Opportunity IV, Federated Hermes Property Unit Trust and Nuveen UK Retail Warehouse which delivered returns of +38.4%, +1.0% and +5.0% respectively, contributing +0.7% to the fund's return in Q2.

For the 12 months to June 2023, Fiera Real Estate Opportunity Fund IV, Unite UK Student Accommodation and Octopus Healthcare Fund were the strongest contributors to returns, contributing +0.76%,+0.18 and +0.13% respectively to the one-year portfolio return. Most other contributions were small or negative. Industrial Property Investments (the lightest green bar in Chart 3) and Airport Industrial Property Unit Trust (the darker orange bar in Chart 3) having previously been a strongly positive contributors on a 12-month basis before Q4, have now been strongly net negative contributors in the last three quarters.

CHART 3: CBRE PERFORMANCE ATTRIBUTION



Source: CBRE; Apex

Rental growth remained broadly positive in Q2 2023 across the different sectors within property. At the All-Property level, rents grew by 0.5%, driven by rental growth in industrial assets (1.3%). Despite a slight rebound in office rental from 0.3% to 0.5% in Q2, CBRE continue to expect hybrid working and ESG compliance to remain the main headwind for the sector, mainly affecting average quality, non-prime, office space.

As at quarter end the portfolio had 21 investments and leverage on the portfolio stood at 11.2%, a slight increase from last quarter at 10.9%.

Partners

The Independent Advisor comments that a verbal update will be given at the meeting. Unfortunately, the manager was unable to supply the necessary information by the report deadline.

Harbourvest

The Independent Advisor comments that, the London Borough of Camden pension fund has committed $86.3 million to HarbourVest's Global Fund 2016. Around 84% had been drawn down as at 31 March 2023. A total of $72.4m has been distributed back to investors (1.0x capital paid in).

HarbourVest's goal is to have 35% in secondary investments, 15% in co-investments and the balance in primary funds. The fund will also have geographic diversification, with a target range of 60-70% allocated to the US.

In terms of how investments are performing relative to expectations: 53% of the investments are above expectations, 21% are meeting expectations, and 26% are currently below expectations. For those that are behind expectations, all investments are still at or above 1.0x TVPI – the manager expects to see further upward movement for those that are behind expectations over time.

Chequers Capital XVII- Performance "behind" as in Q1 2023, the market conditions started to be impacted by a level of inflation more persistent than forecasted, and because of the consecutive monetary tightening. As of 31 March 2023, the Fund directly holds 10 companies, and the Italian Fund 2 companies (including MTA which was sold early May 2023). The Fund's remaining portfolio is valued 1.3x its investment cost, including nearly €260m (i.e. 23% of the Fund) invested since early 2022.

Emvia (Senior Living Invest) has been fully written off due to the liquidity risks resulting from a market wide crisis which has led several of the biggest German nursing homes groups to file for insolvency. This crisis results from the cumulation of low occupancy rate inherited from Covid, and high inflation of operational costs not matched by state payors tariffs increase. 2023 budgets are positively oriented but cautious, showing further investment to grow organically and by acquisitions and taking into account the lack of visibility on the economic environment. The environment provides many acquisition opportunities of small add-ons for their portfolio companies.

Marlin Heritage II, L.P.- Performance "behind" expectations as the Federal Reserve's interest rate hikes beginning in June 2022 caused a domino effect around the world, plummeting dealmaking, exits and fundraising efforts and marking the end of a 12 year up cycle. However, despite rising financing costs and a lack of committed acquisition financing, global technology M&A activity remained flat from 2021 levels, accounting for 20% of all global M&A activity. An increase in deal volumes in the technology sector is expected in 2023 with an emergence of creative deal structuring and bespoke transactions. Marlin's differentiated all weather strategy and experience of investing through almost two decades of various cycles positions the Firm well to capitalize on the opportunities that lie ahead.

London CIV – MAC fund (blended fund - CQS/Pimco)

The Independent Advisor comments that, London CIV's Multi-Asset Credit (MAC) sub fund returned +1.91% in Q2 2023, which was behind the performance target return of +2.26%. The one-year return for the fund was also behind the target by -2.53%. The three-year return was behind the target by -2.42%.

LCIV commented that sub-investment grade debt was a key detractor in Q2 both due to negative changes in mark to market pricing and exposure to interest rate risk in a period of rising yields. However, losses from default have not yet had a material negative impact in the past 18 months, so both investment managers have commented that vigilance is required going forward. This is something to monitor.

LCIV has brought forward a review of Pimco, following the departure of the lead manager. The portfolio is now managed by Sonali Pier, whom LCIV rates well. Nonetheless, they have an amber rating for resourcing for this manager. Furthermore CQS were given an amber for business risk last quarter following higher than expected levels of outflows, which is still in place this quarter. However, both managers remain on 'normal monitoring' overall.

The value of the fund's investment in CQS and PIMCO stood at £228.8 million as of end June 2023, which represents 16.41% of the London CIV sub-fund, the total value of which stood at £1,394.6 million.

The carbon intensity of the sub fund was 14% below that of the benchmark as at end-June.

London CIV – Infrastructure Fund - Stepstone

The Independent Advisor comments that, the London Borough of Camden pension fund had committed £106 million of capital to London CIV's infrastructure fund, as at end March 2023 (report for June not available at the time of writing this report). The total fund value was £294.7 million, although in total there are commitments of £399 million. London Borough of Camden's valuation as of 31 March 2023 was £78.3 million and represents 26.57% of the Fund. The Fund has invested in seven primary funds and one secondary fund (Meridiam Infrastructure North America Fund II).

Long-term, the fund will aim to achieve a net return of 8% to 10% p.a. over rolling four-years, and a cash yield of 4% to 6% p.a.

The sub-fund had no capital calls to investors during the quarter, cash in the fund and distributions were used to cover underlying capital calls to the fund.

There have been no additions to the portfolio since Q3 2022.

London CIV – Real Estate Long Income Fund - Aviva

The Independent Advisor comments that, the London Borough of Camden pension fund committed £95 million of capital to London CIV's Inflation Plus fund in August 2021. The total fund value as at end March 2023 was £163.1 million, with total fund commitments of £213.0 million. London Borough of Camden's valuation as of 31 March 2023 was £71.8 million, representing 44.05% of the fund.

Long-term, the fund will aim to achieve a net return of RPI + 1.5 - 2% p.a. over a rolling five-year period. The expected yield is 3% p.a from the end of the four-year period after the first closing date.

As of end of March 2023 (latest report available), the percentage deployed is 100%. This was due to a drawdown to complete a student housing debt transaction in July.

The Fund invests in properties with long leases and strong tenants, with returns driven by the focus on secure, long-term, contractual inflation-linked cashflows, which are reflected in the key fund terms: 20yr+ cashflows, minimum 80% inflation-linked, and minimum 80% investment grade. Currently, 98% of these leases have rents that are linked to inflation (58% CPI-indexed, 40% RPI-indexed, 2% open-market rents).

As at June 2023, the Fund underperformed its benchmark by 28% since inception. However, the portfolio of loans remains high quality, despite having to re-rate the portfolio in response to interest rates, with an average credit rating of BBB, an average term of 22.5 years and 98% inflation linkage. Its performance is not formally assessed until after the end of the four-year ramp up period which will be June 2024. The Fund made its first distribution of £7.6 million to investors in March 2023 with the intention to make regular quarterly distributions yielding 3% per annum.

The Fund is improving its environmental credentials. They are building an investment case to install solar photovoltaic panels at the Faringdon Retail Park Travelodge, increasing energy efficiency, environmental resilience and possibly valuations. In addition, the first GRESB submission has been made on behalf of the fund.

London CIV – Diversified Growth Fund – Ballie Gifford

The Independent Advisor comments that, London CIV's Diversified Growth sub fund returned -2.12% in Q2 2023, which was behind the target of +1.94%. The London Borough of Camden invested £96.3 million into this fund on the 23 March 2022.

The Sub-fund is managed by Baillie Gifford & Co. The objective is to achieve long term capital growth at lower risk than equity markets, targeting an annualised return over rolling 5-year periods that is at least 3.5% more than the UK base rate, whilst maintaining annualised volatility below 10% over the same period.

The fund invests across a broad array of asset classes, and derivatives are used to help dampen the volatility of the fund. As at June-end 2023, the fund had an allocation of 35.70% to Alternatives, 50.97% to Fixed Income, and 13.33% to Equities.

The value of Camden's investment in Baillie Gifford Diversified Growth stood at £86.3 million as of end June 2023, which represents 11.90% of the London CIV sub-fund, the total value of which was £724.9 million at June-end.

London CIV had downgraded Baillie Gifford's monitoring status to 'Enhanced Monitoring' in December 2022 and they agreed to review the fund again in June. As a result of this, in July, just after the quarter end, they decided to maintain 'Enhanced Monitoring' of this manager. They have been pleased with the manager's response to their concerns and enhancements to the investment process but they feel it is too early to conclude whether those enhancements have had a positive impact on performance. They propose a repeat review in December 2023 or January 2024.

At a quarterly meeting with the adviser, Baillie Gifford commented that markets were volatile in Q2 with opinions varying as to whether there would be a sharp recession or a soft landing. The manager considers that there are signs of economic growth coming through in data, such as business orders, but the timing of recovery could be different in different parts of the world. In Q2, disappointing economic growth in China impacted returns – the manager thought that the lifting of restrictions would boost demand but this has not yet materialised.

The broad aim of this strategy is to hold around 1/3rd of the portfolio in internal Baillie Gifford Funds, 1/3rd in external funds, and 1/3rd in direct holdings. Holdings in tech stocks have reduced as the fund switched its global equity exposure from Global Growth to Income funds.

This year, Baillie Gifford has increased exposure to developed market corporate and government bonds. This served them well in Q1, but accounted for c.60% of losses in Q2. Minor losses were also made across equities, property, infrastructure and commodities with high yield (mainly in Asia and strongly focused on Chinese property) detracting -0.8% from returns. These were partly countered by emerging market bonds, which contributed +0.9%, while further contributions came from structured finance (+0.6%).

The manager maintains a similar outlook to that of last report, with either a US soft landing or recession but both involving moderate inflation and the Fed reducing rates as well as reduced growth over the next 12-18 months. The manager is focusing more on specific asymmetries/ opportunities but maintains certain themes: it remains bullish on emerging markets and structured credit and views insurance linked securities (such as catastrophe bonds) as a potential opportunity, whilst cooling off on China.

As at end June 2023 the weighted average carbon intensity of the sub-fund was 97.6% of that of the MSCI All Country World Index, which is a decrease from marginally over the Index in March 2023. The fund had a lower exposure to fossil fuel companies (c.6% compared with the benchmark, which had around 8% in fossil fuels) which is an improvement on last quarter. The calculation of carbon footprint includes only listed equity and corporate fixed income instruments.

The top contributors to the Weighted Average Carbon Intensity (WACI) were China Longyuan Power Group Corporation Limited, Orsted and RWE Aktiengesellschaft. Without these three holdings, the WACI would fall by around 17%.

Summary of Concerns

Date raised	Concern	Update
Q1 2022	LCIV – Global Alpha Paris Aligned (Baillie Gifford)	Improving performance but still trailing targets. Quarterly meetings being held with the manager by the adviser. **Continued ongoing monitoring recommended with the adviser meeting the manager quarterly.**
Q3 2022	LCIV – Diversified Growth – Baillie Gifford	Improving performance but LCIV still have the fund on enhanced monitoring. **Ongoing monitoring recommended with the adviser meeting the manager quarterly until LCIV rating reverts to normal monitoring.**
Q2 2023	LCIV – Pimco/CQS - MAC	Both managers are warning that vigilance is needed as they expect defaults to increase. **Adviser to monitor defaults on the fund going forward.**

Karen Shackleton
Senior Advisor, Apex
18th August 2023

Appendix B

This appendix details Camden's exposure as clients to the overall fund or strategy managed by Investment Managers. Where Camden represents more than 5% of each fund and there is a material increase, due to client outflows, this will be reported to the Committee on an exceptions basis.

Manager	AUM (£m)	Fund or Strategy	Number of investors	Camden's rank	Size of Camden's portfolio (£m)	Percentage of Fund or Strategy	Comment
Baillie Gifford Paris-Aligned	2,253	Fund	11	Not provided by London CIV	229.94	10.20%	AUM has increased by £69m. Number of investors has remained the same. As of Q2 2022, only includes Global Alpha Growth Paris-Aligned.
Harris*	6,925	Strategy	18	12th	179.91	2.60%	£2,212m decrease in AUM. Number of investors has decreased bt 1. Camden's rank has increased by 1.
Legal & General - UK equity (World)**	990	Fund	6	1st	17.82	1.80%	LGIM have changed the basis for these figures and as such this quarter's figures are not comparable to last quarter's. See note.
Legal & General - North America**	23,568	Fund	89	2nd	261.59	1.11%	LGIM have changed the basis for these figures and as such this quarter's figures are not comparable to last quarter's. See note.
Legal & General - Europe**	883	Fund	95	6th	52.93	5.99%	LGIM have changed the basis for these figures and as such this quarter's figures are not comparable to last quarter's. See note.
Legal & General - Japan**	4,697	Fund	93	7th	26.40	0.56%	LGIM have changed the basis for these figures and as such this quarter's figures are not comparable to last quarter's. See note.
Legal & General - Asia Pacific**	854	Fund	89	7th	17.94	2.10%	LGIM have changed the basis for these figures and as such this quarter's figures are not comparable to last quarter's. See note.
Legal & General - Middle East**	105	Fund	8	1st	0.34	0.32%	LGIM have changed the basis for these figures and as such this quarter's figures are not comparable to last quarter's. See note.
Legal & General - World Emerging Markets**	5,960	Fund	138	8th	37.52	0.63%	LGIM have changed the basis for these figures and as such this quarter's figures are not comparable to last quarter's. See note.
Legal & General - FW Global Equity Index**	11,793	Fund	80	4th	289.92	2.46%	LGIM have changed the basis for these figures and as such this quarter's figures are not comparable to last quarter's. See note.
CBRE	3,000	UK separate accounts	34	12th	87.65	2.92%	AUM and number of investors are unchanged. Camden's rank is unchanged.
Partners 2009 fund*	244	Fund NAV	53 (EUR SICAR sleeve)	3rd	14.99	6.14%	£61m increase in AUM (Annually updated, as at December 2022). As the fund is a closed-ended vehicle, Camden's Rank and the number of investors will not change over time.
Partners 2013 fund*	661	Fund NAV	39 (in the USD C LP sleeve)	5th	30.33	4.59%	£189m increase in AUM (Annually updated, as at December 2022). As the fund is a closed-ended vehicle, Camden's Rank and the number of investors will not change over time.
Partners 2017 fund*	248	Fund NAV	11 (in the USD D LP sleeve)	3rd	57.51	23.18%	£15m increase in AUM (Annually updated, as at December 2022). As the fund is a closed-ended vehicle, Camden's Rank and the number of investors will not change over time.
Harbourvest	148	Fund NAV	8	2nd	49.68	33.65%	As the fund is a closed-ended vehicle, Camden's Rank and the number of investors will not change over time.
CQS / PIMCO	1,395	Fund	13	Not provided by London CIV	228.82	16.41%	£95m increase in AUM. Number of investors is unchanged.
Stepstone	295	Fund	6	Not provided by London CIV	82.81	28.10%	£3m decrease in AUM. Number of investors is unchanged.
Aviva	163	Fund	3	Not provided by London CIV	71.85	44.05%	£8m decrease in AUM. Number of investors is unchanged.
Baillie Gifford Diversified Growth	725	Fund	8	Not provided by London CIV	86.27	11.90%	£68m decrease in AUM. Number of investors has decreased by 1.
Cash/Other	N/A	N/A	N/A	N/A	76.36	N/A	N/A

**AUM and Porfolio figures given in local currency and converted using exchange rates at the date of the data.*
***LGIM have changed how they report this data and as such this quarter's data is not comparable to last quarter's:*

- *The AUM is the mid-market value of all the assets in all versions of the relevant fund added together.*
- *The number of investors is measured across all versions of the relevant fund (counting policy not sub-policy numbers).*
- *The rank given is Camden's AUM rank on a mid-market value basis (counting policy not sub-policy numbers) within the 'OFC' version of the relevant fund.*
- *The size given for Camden's portion is calculated using the bid valuations of Camden's units as at the quarter end.*