

LONDON BOROUGH OF CAMDEN	WARD: All
REPORT TITLE: Performance Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	DATE: 4 December 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 September 2023.	
<p>Local Government Act 1972 – Access to Information No documents required to be listed were used in the preparation of this report.</p> <p>Contact Officer: Nigel Mascarenhas Head of Treasury and Financial Services Finance Corporate Services Dennis Geffen Annexe Camley Street London. N1C 4DG</p> <p>Telephone: 0207 974 1904 Email: nigel.mascarenhas@camden.gov.uk</p>	
RECOMMENDATIONS: The Committee is requested to note the contents of this report.	
<p>Signed by</p> <p>Director of FinanceAgreed.....</p> <p>Date22/11/2023.....</p>	

1. INTRODUCTION

- 1.1. This report presents the performance of the Pension Fund investments up to 30 September 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 September 2023 is shown in Table 1 below, in percentages.

TABLE 1: FINANCIAL MARKET RETURNS Q3 2023

Market Returns		Quarter	Year	3 years (annualised)
EQUITIES	FTSE all world	0.9	11.1	9.5
	UK FTSE All Share	1.9	13.8	11.8
	Europe (ex UK)	-1.5	20.5	7.8
	North America	1.0	10.9	11.6
	Japan	3.1	15.0	5.1
	Asia (ex Japan)	-1.1	6.4	6.6
	Emerging Markets	2.6	1.6	2.0
UK gilts		-0.6	-0.6	-11.3
ILGs		-4.7	-3.3	-13.4
Corp bonds		2.5	2.2	-5.9
UK property		-0.2	-13.6	3.6
Commodities (approx.)		12.8	-0.3	20.3
Cash - 3m LIBOR		1.4	4.5	1.9
RPI (UK) Inflation		0.5	8.9	8.7
US CPI (Inflation)		5.4	-5.5	7.7

- 1.3. In Quarter 3, GDP growth has been stronger than expected in the United States, but China's economy began to show weakness in recent months with lower than expected GDP growth issues in its property sector. In the Eurozone, Germany lingered in recession as its economy stagnated in Q2 following two consecutive periods of contraction. Most central banks through the world continue to tighten monetary policy to combat inflation. Following events within the middle east, crude oil hit its highest price of the year as crude inventories fell and production cuts began to take effect.
- 1.4. In the UK GDP growth is flat and is unlikely to accelerate in the short term, as the impact of Bank of England monetary tightening policy will continue to dampen growth via both higher household and business borrowing costs.
- 1.5. Among the sectors detailed in Table 1, equities had a mixed quarter performance across the globe. US equities flat performance following strong performance in the previous quarter. Markets began to price in higher inflation and higher rates lasting longer and equities were pushed lower amid expectations of slower growth and tighter credit conditions. European equities fell and underperformed global equities, due in part to disappointing economic data especially within manufacturing. UK equities increased marginally as UK inflation continued to fall in the quarter. Rising energy prices were helpful to UK listed energy companies and a weaker pound supported exporters. In Japan equities saw an increase in the quarter as the Japanese yen fell against the dollar and euro.

- 1.6. UK gilts continues to face headwinds as the bank of England increased interests rates by 25 basis points in August, however global corporate debt yields rose over the quarter due in part to positive economic data in the US in retail sales and GDP growth. Commodity prices has seen a significant increase in the quarter with WTI crude increasing in price by 29% in quarter. UK property continues to experience worsening price trends especially in the UK housing market.
- 1.7. In the one year and three year periods most equity markets have shown very positive increases (>+10%).

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 £1.935bn at 30 September 2023, which represents a decrease of 0.6%, or £10.0m, over the quarter.

TABLE 2: PORTFOLIO SUMMARY

Manager	Mandate	Year Appointed	30/06/23 £m	30/09/23 £m	30/06/23 %	30/09/23 %
Baillie Gifford (LCIV)	Global equity	2016	230	220	12%	11%
Harris	Global equity	2015	180	184	9%	10%
L&G	Global equity	2011	415	418	21%	22%
L&G	Future World global equity	2021	290	290	15%	15%
CQS (LCIV)	Multi asset credit	2019	229	231	12%	12%
L&G	Index linked gilts	2009	63	60	3%	3%
Stepstone	Infrastructure	2019	83	85	4%	4%
Partners	Global property	2010	83	83	4%	4%
CBRE	UK property	2010	88	84	5%	4%
Aviva (LCIV)	UK property	2021	72	70	4%	4%
HarbourVest	Private equity	2016	50	55	3%	3%
Baillie Gifford (LCIV)	Diversified growth	2022	86	84	4%	4%
Cash & other			76	69	4%	4%
Fund			£1,945	£1,935	100%	100%

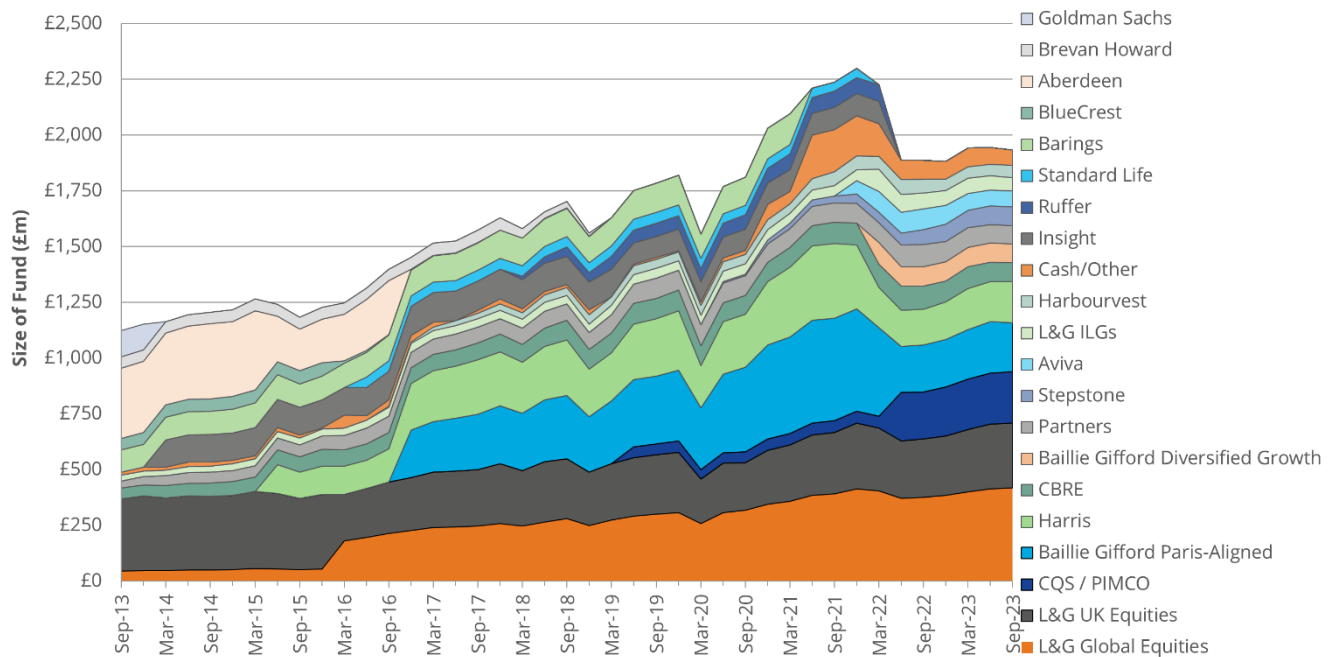
2.2. The current asset allocations compared to target weights are set out in Table 3 below.

TABLE 3: ASSET CLASS ALLOCATIONS

	Value £m	Current Weight	Target Weight
Baillie Gifford (LCIV)	£220	11%	
Harris	£184	10%	
L&G global passive	£419	22%	
L&G passive equities	£290	15%	
Equity	£1,113	58%	50%
CQS (LCIV)	£231	12%	
L&G Ind.Lkd Gilts	£60	3%	
Bonds	£291	15%	20%
CBRE	£85	4%	
Partners Group	£83	4%	
Aviva (LCIV)	£70	4%	
Property	£238	12%	15%
HarbourVest	£55	3%	
Private Equity	£55	3%	5%
Stepstone (LCIV)	£85	4%	
Infrastructure	£85	4%	5%
Baillie Gifford (LCIV)	£84	4%	
DGF	£84	4%	5%
Cash & other	£69	4%	0%
Fund	£1,935	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 made a capital call of £810k in Q3 2023, Partners Group Real Estate Secondary fund had no capital calls during Q3 2023. HarbourVest made a total distribution of \$6.0m during as at the end of Q2.

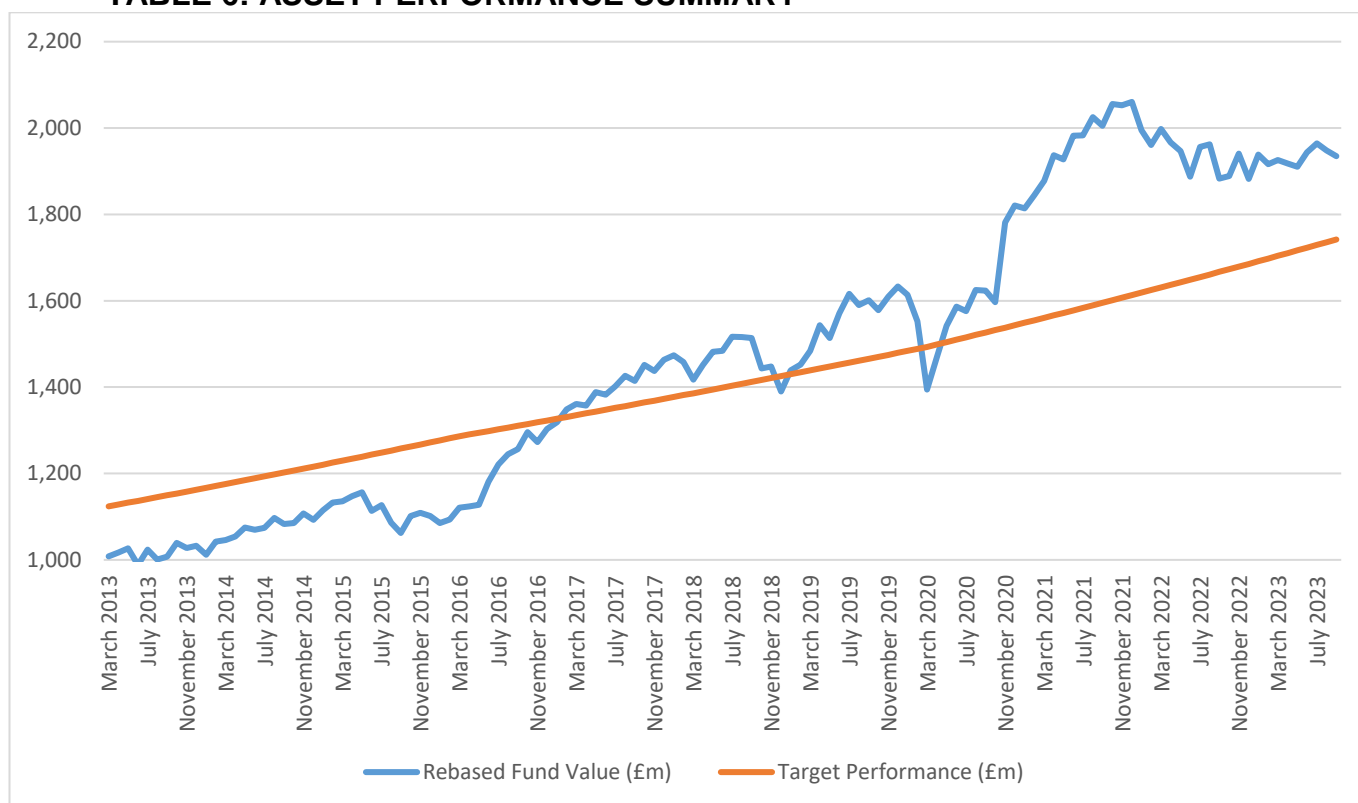
- 2.5. The Fund's active equity allocations are close to the strategic asset allocation levels. As Table 5 shows, the Fund remains above the target in active and passive equities and cash, but is now much closer for infrastructure, private equity, and fixed income, which has been largely driven by rebalancing 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	404	20.9%	20%
Passive equities (ESG focused)	708	36.6%	30%
Fixed Income/Multi Asset Credit	231	11.9%	12%
Passive Index linked gilts	60	3.1%	8%
Property	238	12.3%	15%
Private equity	55	2.8%	5%
Infrastructure	85	4.4%	5%
Diversified growth fund	84	4.4%	5%
Cash	69	3.6%	0%
Fund	1,935	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 September 2023 of 104% (£1.859bn 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 0.9% in the quarter. The Fund's returns were -0.1% for the quarter and so underperformed this benchmark.
- 4.2. Over 12 months the PIRC universe was 5.5% with the Camden Fund underperforming against the benchmark at 3.5%. Over three years the comparison with the PIRC universe is closely aligned with the Fund returning 5.5% and the PIRC universe 5.8%.
- 4.3. Examining the individual investment manager returns in Table 7, the Fund has underperformed its overall target by 1.8% in the quarter. The twelve-month relative performance is -6.6% with a target of +10.1%. Mandates that negatively impacted on the one year performance are in particular the Baillie Gifford equity funds, all Partners funds, HarbourVest, Baillie Gifford DGF and Aviva real estate funds. Since inception the Fund has returned an absolute +8.5%.

TABLE 7: MANAGER PERFORMANCE VS TARGET

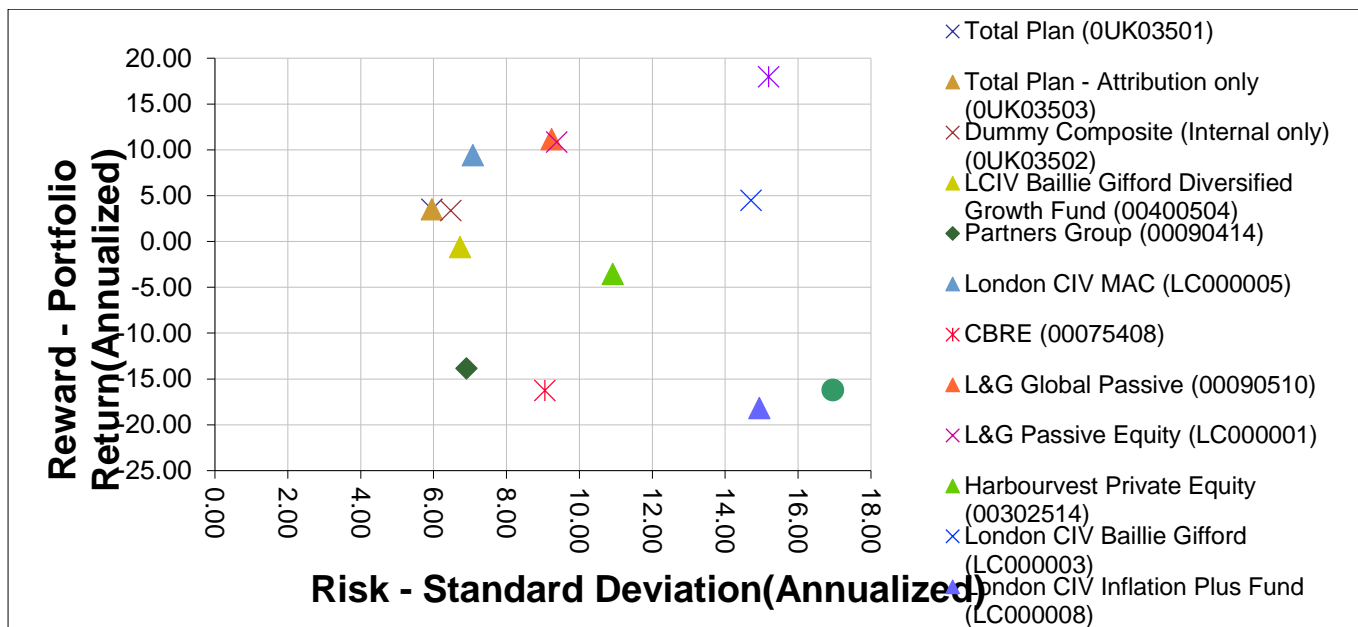
Investment Manager	Trailing 3 Months	Trailing 1 Year	Trailing 2 Years	Trailing 3 Years	Since Inception
Harris	1.5	18.0	4.5	15.2	10.2
Global Equities (Gross) + 2.5%	1.4	13.8	6.0	12.2	13.5
Excess Return	0.2	4.1	-1.5	3.0	-3.3
Baillie Gifford (London CIV)	-4.3	4.5	-9.5	-0.3	6.3
Global Equities (Gross) +2.5%	1.4	13.8	6.0	12.2	11.9
Excess Return	-5.7	-9.3	-15.5	-12.5	-5.5
L&G Future World global equity	0.1	10.8	-	-	
Solactive L&G ESG Global Markets	0.1	10.7	-	-	
Excess Return	-0.0	0.1	-	-	
L&G global equity	0.9	11.1	3.5	9.5	12.0
FTSE All-World + 0%	0.9	11.1	3.5	9.5	12.0
Excess Return	-0.0	0.0	-0.0	-0.0	-0.0
CQS & PIMCO (LCIV)	1.0	9.4	-1.2	2.7	1.7
3 Month SONIA +4.50%	2.5	9.1	7.3	6.4	6.0
Excess Return	-1.5	0.3	-8.5	-3.7	-4.3
L&G passive ILG	-6.4	-16.2	-23.6	-16.4	3.3
FTSE > 5yr Index Linked Gilts + 0%	-6.6	-16.7	-23.4	-16.3	3.1
Excess Return	0.2	0.5	-0.2	-0.0	0.2
CBRE	-0.0	-16.3	-1.4	2.5	6.0
All Balanced Property Funds + 1%	-0.2	-13.5	-0.5	4.2	6.8
Excess Return	0.2	-2.8	-0.9	-1.7	-0.8
Partners 2009 Euro fund	0.9	-6.9	7.8	1.8	6.4
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	-2.6	-21.9	-7.2	-13.2	-8.6
Partners 2013 USD fund	0.3	-18.1	3.7	1.0	9.9
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	-3.3	-33.1	-11.3	-14.0	-5.1
Partners 2017 USD fund	-0.1	-13.5	92.7	6.7	6.7
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	-3.6	-28.5	77.7	-8.3	-8.3
HarbourVest	10.9	-3.5	12.0	25.6	23.4
Absolute 8%	1.9	8.0	8.0	8.0	7.9
Excess Return	9.0	-11.5	4.0	17.6	15.5
Stepstone (London CIV)	-0.7	2.3	8.8	4.4	3.4
9% p.a net	2.2	9.0	9.0	9.0	8.8
Excess Return	-2.9	-6.7	-0.2	-4.6	-5.4
Aviva (London CIV)	-1.1	-18.2	-	-	-12.6
RPI + 1.75%	1.0	10.8	-	-	12.6
Excess Return	-2.1	-29.0	-	-	-25.2
Baillie Gifford Diversified Growth Fund (LCIV)	-2.2	-0.6	-	-	-7.6
SONIA +3.5%	2.1	7.6	-	-	6.7
Excess Return	-4.3	-8.3	-	-	-14.3
Total Fund	-0.1	3.5	-1.2	5.5	8.5
Total Fund Composite Target	1.7	10.1	5.5	9.3	10.5
Excess Return	-1.8	-6.6	-6.7	-3.9	-2.1

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 September 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 out-performed against target in this quarter by +0.2%, and the one year return has also out-performed against target (+4.1%). Harris remain behind target since inception by 3.3% but have turned around their recent poorer performance. Top performer within the portfolio in the quarter is Charter communication a telecommunications and mass media company and worst performer in the portfolio is Worldline – a payments and transactions service company.
- 4.7. **Baillie Gifford (CIV)** have underperformed the target over the quarter and the trailing year by -5.7% and -9.3% respectively, and since inception by -5.5%. The Baillie Gifford holdings now consist only of the **Global Alpha Growth Paris-Aligned Fund**. At the stock level the largest detractors impacting on the underperformance were Chewy – Pet food retailer, payments processing company Adyen and Luxury goods company Pernod Ricard and Richemont.

This quarter was a setback for the manager after stabilising performance in the first half of 2023. The manager believes the underperformance was due in part to macroeconomic uncertainty and “short termism” impacting on the behaviour of stock market participants that are struggling to assess the impact of inflation and the direction of interest rates. Despite this the sub fund maintains a growth orientated and long term investing outlook, which they believe will see improvements as market conditions change.

- 4.8. **Legal & General** equities have tracked their benchmarks in the quarter as expected, and seen slight 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. Top equity holdings for the UK (World) Equity index Fund are Shell and Astra Zeneca, with the highest concentrated sector holdings in financials. For the North America Equity Index Fund top

equity holdings are Apple and Microsoft with the highest concentrated sector holdings in Technology. For the Europe (ex UK) Equity index fund top equity holdings are in Nestle and Novo Nordisk B, within highest concentrated sector holding in financials. In the Japan Equity Index Fund, top equity holdings are in Toyota Motor and Sony Group with highest concentrated sector holdings in industrials. In the Asia Pacific (Ex Japan) Developed Equity Index Fund, top equity holdings are Samsung and BHP Group with the highest concentrated holdings in financials. Finally in the World Emerging Markets Equity Index Fund Top Equity holding is Taiwan Semiconductor Manufacturing company with the highest concentrated holdings in financials.

- 4.9. The **Multi-Asset Credit (CQS and PIMCO) Fund** underperformed against target for the quarter by -1.5% but has rallied to overperform against the one-year benchmark by +0.3%. Fund performance can be attributed to adverse shifts in the mark-to-market valuations of lower-rated debt and susceptibility to interest rate fluctuations during a period of increasing yields and substantial bond market volatility. Losses resulting from defaults have not significantly affected performance over the past 18 months, but the manager believes that caution is necessary in this unpredictable environment.
- 4.10. **CBRE** out-performed against the benchmark by +0.2% over the quarter and underperformed the target by -2.8% over one year. This quarter's performance has had minimal impact on long term results; they have now returned +6.0% per annum since inception, against a target of +6.8%. The top performer within the fund is the industrial Property Investment Fund and Airport industrial Property Unit Trust.
- 4.11. The main detractors during the quarter were Ardstone UK Regional Office Fund, Federated Hermes Property Unit Trust and Standard Life Long Lease property Fund. According to CBRE some office and retail areas are experiencing rising prime yields. Industrial yields are holding steady because of a significant price correction in 2022. However, the limited transactional data in office and retail sectors is causing a slower increase in yields.
- 4.12. **Partners Group** funds' performance deteriorated over Q2 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 -2.6% over Q2 2023, and is -8.6% below its ambitious target since inception. This fund is fully invested. Key takeaways as at the end of Q2 are the fund was in realization phase and continues to receive portfolio distributions. Over the 2nd quarter, the programme received proceeds totalling 3.7m Euros, deriving mainly from secondary sale of old vintage fund investments.
 - ii. The 2013 Dollar fund's performance has dropped in the Q2 2023 and now registers -18.1% over the past twelve months. Since inception, the fund has returned +9.9% per annum compared to its target of 15.0%. Key takeaways at the end of Q2 are the fund received proceeds from its underlying investment amounting to \$4.2m, bringing total distribution since inception to around \$1.6bn. The largest distribution was received from project Aquilla following the debt refinancing and successful IPO of Nexus Select Trust – the largest retail portfolio in India sponsored by Blackstone. The largest negative value driver was project Whetstone – US office portfolio, largely driven by the downward revaluation of a large business park located in Dallas Texas – due to reduced demand amid adverse market conditions.

- iii. The 2017 Dollar fund, the newest of the three funds, also suffered lower returns in the previous quarter, a fall of -0.1%, -3.6% below the target for the quarter. Since inception, it has achieved +6.7% growth against an ambitious 15% target. Key takeaways as are, during Q2, the programme received portfolio distribution totalling \$24.1m, to be reinvested to support ongoing asset-level value creation programmes. The program invested \$53.7m in a portfolio mainly to support in the acquisition of 39ksqm build to suit logistics project in Barcelona. Additional capital was also invested in US office portfolio (Colbolt) to refinance a class A office building in Atlanta, Georgia. The Program largest negative value driver was Portland office and mixed-use Portfolio (Hawthorne) due to failure to refinance the loan portfolio of five mixed use assets.

- 4.13. **HarbourVest** saw significant gain in value (10.9%) and overperformed its benchmark by +9% in Q3 2023, and however still underperformed by -11.5% over one year. The largest three underlying investments in this fund are Figma Inc and web application for interface design based in the US, Roland Foods – also based in the US and Solace systems manufacturer of message-oriented middleware appliances and software based in Canada.
- 4.14. **Stepstone (CIV)** fell in value (-0.7%) over the quarter, -2.9% behind the target, but these figures also lag by three months, as is typically the case with private market investments. The portfolio expansion is ongoing as the fund approaches the conclusion of its ramp-up phase, and most of the portfolio is now operational. Consequently, the manager believes that the Fund is well-positioned to start distributing income to investors once the ramp-up period concludes in Q4 2023. In line with the information above and in accordance with the trust deed, the Fund's performance isn't formally evaluated against its objective until four years after its inception (October 2023).
- 4.15. **Aviva (CIV)** received initial investment from the Fund in December 2021. Performance over the quarter saw a fall of -1.1%, heavily underperforming the target over twelve months by -29%. The quality of the Fund's income – rated BBB with an average term of 22.2 years and 98% inflation-linkage – remains strong. Its performance is not formally assessed until after the end of the four-year ramp up period which will be June 2024. However, the UK real estate markets remained flat across Q2, recent interest raised have squeezed risk may suggest that there could be further declines in fund valuation if interest remained as high as they are now.
- 4.16. When the Committee met Aviva in September they set out that the majority of return in this space comes from income and if the investor holds the property until duration there are no defaults. Aviva set out that performance attribution since inception (-8.7%) has been largely impacted by negative capital return being negative (-8.5%) and transaction costs (-4.3%). The Fund was modelling a projected return of 7.9%.
- 4.17. **Baillie Gifford Diversified Growth Fund (CIV)** returned results underperforming against the target for the quarter (-2.2% vs +2.1%.) This is the sixth full quarter of results for Camden's investment into this fund, following initial investment in March 2022, and performance since inception is -14.3% below target. The Investment manager increased its exposure to developed market government and corporate bonds this year in the expectation that the tightening of monetary policy would begin to alleviate. However, this segment of the sub-fund accounted for 60% of the losses that were reported in Q2. These losses were offset by gains on emergent market and hard currency bonds.
- 4.18. When Committee met BG about their DGF mandate in September the CIV had placed them on enhanced monitoring in December 2022. The CIV had concerns about delivery, tactical positioning, asset mix, dynamic levers and risk. A further review was undertaken

in June by the CIV. BG discussed recent improvements in their sub-fund in terms of more nimble decision making, linking macro-economic views in to the portfolio and increased risk resource.

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 September 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 last Committee report the fossil fuel proportion of all assets was reported as 2.11%. We have restated this figure to 1.94% due to an error in interpreting the data from one manager. This quarter the fossil fuel exposure is 2.2% as at 30 September 2023.

TABLE 9 TOTAL FUNDS INVESTED IN FOSSIL FUELS

Mandate		Total Fund £m	Fossil Fuel Holdings (£m)	Fossil Fuel Holding	
Legal & General	Global equity	418	19		
	Future World global equity	290	5		
	Index-linked gilts	60	0		
Harris		184	10		
Baillie Gifford	Global equity	220	0		
CBRE		84	0		
HarbourVest		55	1		
Partners Group		83	0		
Aviva		70	0		
Stepstone		85	0		
CQS		231	6		
BG DGF		84	1		
Cash - JPM		49	0		
Total (as at 30 September 2023)		1,935	43		2.20%

- 5.3. Investment managers were also asked what percentage of our portfolio was invested in the Carbon Underground 200 Index of companies at 30 September 2023. This is a more consistent definition of fossil fuel companies and the results are below. This has risen slightly from 1.50% to 1.67% this quarter.

TABLE 10: CARBON UNDERGROUND 200 COMPANIES

Investment manager and mandates	% invested
Legal and General Global equity	0.87%
Legal and General Future World Global equity	0.17%
Legal and General (Over 5y Index-Link Gilts)	0.00%
Harris Global equity	0.52%
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)	0.09%
Baillie Gifford DGF (LCIV)	0.00%
NAV invested as at 30 September 2023	1.67%

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 also demonstrates 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



Q3 2023 Portfolio Valuation Report

London Borough of Camden

30 September 2023

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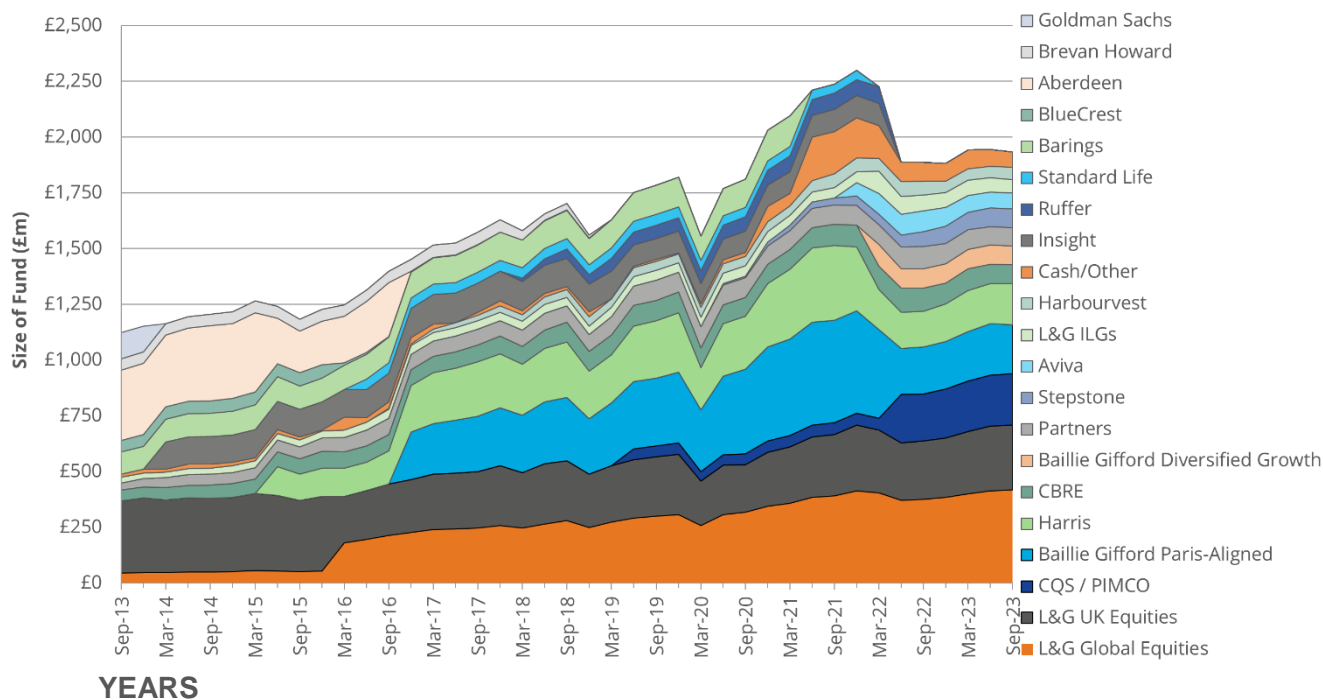
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Total Fund Valuation

- 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 10



Source: London Borough of Camden; Apex

2. Independent Advisor Market Review

The Global Economy

- Inflation has broadly continued to fall throughout Q3 and whilst the Fed, ECB and BoE all raised interest rates during the quarter, the rate of increase has slowed. With inflation decreasing across the board (with the exception of a slight rebound in the US), it is likely that rates will not increase much further. However, the slow pace of the decline in core inflation, as well as an uptick in the US over the quarter and the risk of renewed energy supply shortages as winter approaches, suggest that rates are likely to remain high for a longer period than previously thought: 10Y UK rates rose very slightly over Q3 to 4.5%, but US 10Y rates have risen nearly 1% to 4.6%. Labour markets remain robust, especially in the US (unemployment at 3.8% and job openings up 5.8% YoY in August), and GDP growth remains slow but largely positive.
- Q3 showed a reversal in the H1 trend for Equities. Global equities (MSCI World) fell -3.4% in local currency terms over the quarter, with Value (-2.5%) proving more resilient than Growth (-5.1%). Japanese and UK equities were notable exceptions to the downward trend, with Japanese equities returning 2.5% (TOPIX Index) in local currency and UK equities returning 1.8%. Performance in Japanese equities as a whole was largely down to the weakening yen which fell further against the dollar, however, large growth stocks were negatively affected by the rising interest rates and yields resulting in a -3.4% performance in the Nikkei 225 Total return. UK equities, due to their energy tilt, benefitted from the rising oil prices caused by Russia and Saudi Arabia's extension of voluntary output cuts. US equities (-3.3%) fell as expectations of

near term cuts in rates were disappointed. Bonds continued to face headwinds caused by rising interest rates, with all government bonds performing negatively over the quarter, and long dated index-linked down over 10%. Investment grade performed better, and spreads over government bond yields remained stable over Q3: European Investment grade indices rose marginally, while the US index fell 3.4%. Tightening spreads and higher carry (coupon) allowed high yield to outperform credit. Interest rate-sensitive alternatives (e.g. Real Estate, Infrastructure) also showed a modest decline.

TABLE 1: QUARTERLY GDP GROWTH RATE

	US GDP	UK GDP	Eurozone GDP	Japan GDP
Q3 2023*	0.5*	0.2*	0.1*	1.2*
Q2 2023	0.5%	0.1%	0.2%	1.2%
Q1 2023	0.5%	0.1%	0.0%	0.8%
Q4 2022	0.6%	0.1%	0.0%	0.1%

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: GDP CQOQ Index) de-annualised, Eurozone Real GDP (Ticker: EUGNEMUQ Index), Japan Real GDP (Ticker: JGDPQGDG)

- 2.3. Global equities fell in Q3, following the rally in the first half of the year. The VIX increased over the quarter from 14 to 18, back towards its 2022 level. The sell-off of global bonds has increased yields and put pressure on risk assets.
- 2.4. In the US, the S&P 500 fell by -3.3% and the NASDAQ composite also fell by -4%. Optimism over the end of policy tightening proved premature as inflation actually rebounded slightly this quarter and the Fed indicated median rates would remain higher than expected through 2024.
- 2.5. UK equities increased by 1.8%, outperforming global equities. Inflation fell noticeably from 8.7% in May to 6.7% in August. This is the second quarter of significant falls from the highs of around 11% experienced in 2022. Therefore, after the August hike to 5.25%, the BoE kept the rate unchanged during September. The rising oil price contributed strongly to outperformance given the UK's energy tilt.
- 2.6. The Euro Stoxx 50 fell by -4.8% in Q3. Inflation continued to move downwards, aided by the ECB's double hike during the quarter. The ECB began to loosen its hawkish rhetoric as a result. The composite PMI has remained in marginal territory at 48.7.
- 2.7. Japanese equities continued their strong run in Q3 (TOPIX returned 2.5%), but large growth companies underperformed, hence the Nikkei returned -3.4%. A weakening JPY has boosted exporters, as the BoJ maintains very accommodative monetary policy with core inflation remaining at 2.7%. The yen fell a further -3.4% vs the USD over the quarter. The extent of its weakening is beginning to cause some concern.
- 2.8. Emerging market equities fell by -2.9% as concerns over a more extended period of high US interest rates reduced risk appetites. Political uncertainty in Poland and falling lithium prices in Chile contributed to the negative performance, but the underwhelming Chinese recovery and resurfacing issues with its housing sector were more significant contributors. Turkey notably outperformed following two rate rises, indicative of a more orthodox policy by the central bank.
- 2.9. Medium- and longer-term bond yields rose over the quarter, as a result of predictions of more persistent high rates. This resulted in negative performance across the main government bond markets. The inversion of US yield curve, as measured by the 10 year–2 year yields, reduced,

ending the quarter at around -50bps, as mid and long term yields rose more than shorter bond yields. August saw Fitch downgrade the US's rating from AAA to AA+ leaving Moody's as the only major rating agency keeping US treasury debt at AAA. Fitch cited the increasing debt and deficit as well as 'erosion of governance' and political partisanship in the debt limiting process. In corporate bonds, high-yield credit outperformed as credit spreads tightened over the quarter.

- 2.10. The US 10-year Treasury yield rose in Q3, ending at 4.57% from 3.81%, while the 2-year yield rose from 4.90% to 5.05%. Fed policy rates rose by 25 basis points to 5.25-5.50% in July.
- 2.11. The UK 10-year Gilt yield rose from 4.39% to 4.44% while 2-year yields fell from 5.25% to 4.90% due to an increase in demand in shorter-dated Gilts. BoE policy rates rose from 5% to 5.25% in August.
- 2.12. European government bonds fell in Q3 as yields rose. Yields rose more in the medium to long term. German-Italian bond spreads widened as Italian bonds matured and were sold out, Italy's debt continues to grow a considerable amount and the Pandemic Emergency Purchase Program (PEPP) buyback scheme stopped buying new bonds.
- 2.13. US high-yield bonds outperformed investment grade, returning +2.2% and -3.4% respectively. European high-yield bonds returned +3.8%, outperforming the +0.7% for European investment grade and -1.0% for UK investment grade.
- 2.14. Energy prices rose during Q3, as gas prices continued to rebound this quarter, although still sharply down from the pre-winter figures. Oil prices were also a major driver as Russia and Saudi Arabia's extended their voluntary output cuts.
- 2.15. US gas prices rose 32% in Q3. Prices remain low compared to their 2021/ 2022 peaks.
- 2.16. Brent crude oil rose 19.5% over Q3, to \$95 per barrel. OPEC production cuts last quarter have now fed through into the price. The US started restocking its Strategic Petroleum Reserve, but slowly. However, it has as little as half of its pre-2022 inventory.
- 2.17. Gold and Copper fell -6.1% and -8.7% respectively over Q3. Precious metals prices generally fell, while industrial metals went up. Copper is a notable exception partly due to strong links to the Chinese markets. Gold fell given the high yields available on cash alternatives. Gold and Copper closed Q2 at 1,848 USD/toz and 374 USD/lb, respectively.
- 2.18. Global listed property continued to decline, with the FTSE EPRA Nareit Global Index falling -3.9% in Q3.
- 2.19. The Nationwide House Price Index in the UK has declined after its increase last quarter, with the price index down -4.7% for the quarter, but up +4.5% for the last 12 months.
- 2.20. 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 -1.4% this quarter and -11% over the past 12 months.
- 2.21. In currencies, US dollar strengthened generally throughout the quarter (DXY +3.6%), strengthening against sterling, the euro and the Japanese yen. UK inflation is now in its second quarter of significant decrease. Bitcoin and Ethereum saw strong losses as the US increased regulation, although Ethereum's proof of stake concept has worked well so far since its introduction.

Asset Allocation

- 2.22. The diversification benefits of having equity managers in both growth and value strategies has been evident through 2023 as Value and Growth Style Indices have seesawed. While inflation has fallen from the highs seen in 2022, it remained elevated in Q3, so the increased focus of the fund on inflation-linked assets will continue to provide a hedge against inflation-linked liabilities.

The strategy review undertaken by Isio continues to be rolled out which will result in some additional asset allocation changes.

3. Individual Manager Performance Review

London CIV – Baillie Gifford

- 3.1. The Independent Advisor comments that, the London CIV – Baillie Gifford sub-fund delivered a return of -4.33% in Q3, underperforming Harris by -5.85% for the quarter but ahead of the Growth Index which returned -5.1%. Over a 12-month period, the Baillie Gifford sub-fund underperformed Harris by -13.47%. The return was also behind the MSCI ACWI Index over the quarter, which delivered -2.50% in Q3. The manager is underperforming its performance target over 12 months, with an absolute return of +4.49% vs the target of +13.81%. The manager is also behind the target over 3 years by -12.54% per annum.
- 3.2. 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.
- 3.3. Alphabet, Facebook and Adevinta ASA were Baillie Gifford's best-performing positions in the Paris-Aligned fund during the quarter, contributing +0.7% to the quarterly return. Meanwhile, Adyen, Chewy and Cie Financiere Richemont-Reg were the largest detractors. The fund added three new positions to the portfolio in Q3: Yeti Holdings (US outdoor equipment), Comfort Systems USA (US industrial mechanical, electrical and plumbing contractors) and Nippon Paint (Japanese paint business). One sale was completed during the quarter: Deutsche Boerse. The beta on the Paris Aligned portfolio as at quarter end stood at 1.22. This means that if the market falls 10%, the portfolio is expected to fall by 12.2%.
- 3.4. Baillie Gifford's 12-month performance has produced weak returns on a relative basis, underperforming the performance target by -9.32%. The manager is also underperforming the performance target since inception by -5.52% per annum.
- 3.5. LCIV note that the fund underperformed the benchmark in Q3, offsetting the positive performance in the first half of the year. LCIV notes that this underperformance remains a watch point but maintained the overall monitoring status at 'Normal Monitoring'. While performance has been disappointing, LCIV notes that this quarter's underperformance was largely driven by unfavourable market dynamics which are still in flux and subject to reversal (which would leave the fund well-positioned).
- 3.6. LCIV's annual investment due diligence (IDD) was completed in late August. The impacts of the IDD on the scoring categories were as follows: 'Performance', 'Value for Money' and 'Risk Management' were all kept at amber as despite the lowered fees and new investment risk team, performance is still lacking and further progress and consistency is required to evidence the lessons learned regarding portfolio construction; 'Resourcing' moved to Green as Helen Xiong, a new team member, has progressed well in her role over the last two years; and 'Process', 'Business Risk' and 'Responsible Investing' all remained green.
- 3.7. A verbal update of any additional insights will be provided following the scheduled meeting between Baillie Gifford, members, officers and the independent advisor on 28th November.
- 3.8. The Paris Aligned fund held 90 companies at quarter end, across 19 different countries, and had an active risk of 5.31% (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,

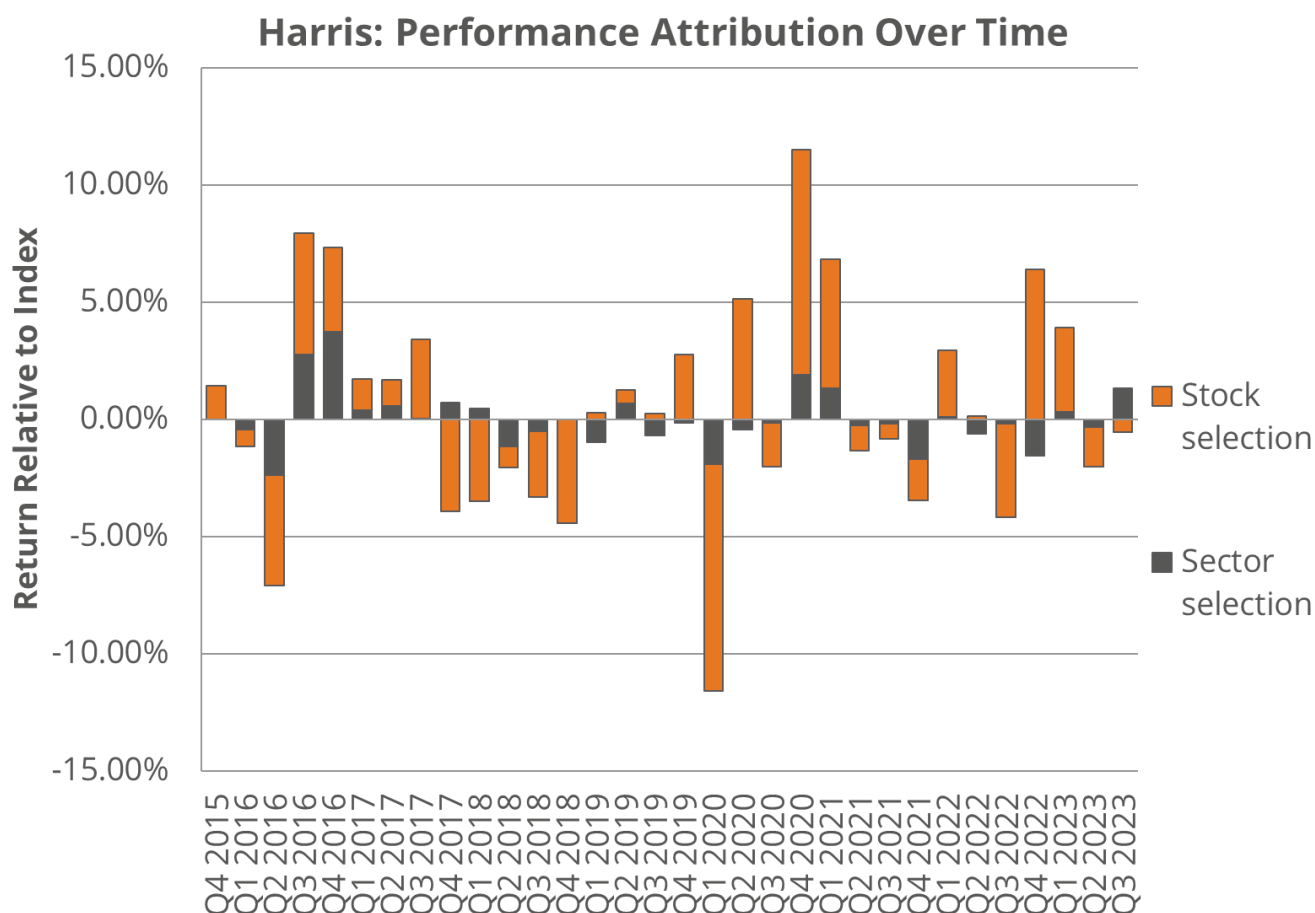
communication services, and cash and other net assets. It was underweighted in information technology, industrials and other investments.

- 3.9. 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 September 2023, the weighted average carbon intensity of this portfolio was roughly 56% 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).
- 3.10. In terms of assets under management, the LCIV Paris Aligned sub-fund stood at £2,047.2 million as at end September. London Borough of Camden’s investment represents 10.75% of the fund. LCIV negotiated a fee discount with the manager, which took effect from 1st April 2023.

Harris

- 3.11. Chart 2 shows the contribution to performance, relative to the index, from asset allocation and stock selection. Chart 2 shows that sector selection was a significant contributor to the relative return of the fund during Q3 2023, with +1.31% attributed to sector selection, while -0.55% was attributed to stock selection.

CHART 2: HARRIS PERFORMANCE ATTRIBUTION



Source: Harris; Apex

- 3.12. The Independent Advisor comments that, Value proved more resilient than Growth in Q3. The MSCI World Growth Index returned -5.06% whereas the MSCI World Value Index delivered -

2.46%. Harris has outperformed the Value Index by +3.98% and the full market capitalisation Index by +4.88%. Stock selection had a negative impact and decreased performance by -0.55%, whilst sector selection increased performance by +1.31% in Q3 2023. Positive contributions from sector selection came mainly from IT (+0.45%) and Financials (+0.37%) and Communication Services (+0.34%), while Energy (-0.18%) and Consumer Discretionary (-0.06%) as sectors contributed positively. Stock selection in Financials (-1.04%) and Consumer Discretionary (-0.63%) negatively contributed, while stock selection in Communication Services (+1.10%) positively contributed. Harris is outperforming the performance target for the past 12 months by +4.14% and outperforming the target by +2.98% over three years.

- 3.13. The top contributor during Q3 was Charter Communications which added +1.06% to the total return. Worldline was the worst performing stock, detracting -0.52% from the portfolio.
- 3.14. As at quarter end, the fund had a 46.12% allocation to Europe, 47.18% to the US, and the balance of 6.70% in Asia/Emerging markets.

Legal & General

- 3.15. 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	0.08%	0.31%	N/A
World – Market Capitalisation	-0.02%	0.08%	0.02%
Gilts	0.01%	0.00%	0.00%

Source: Legal & General; Apex

- 3.16. 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.
- 3.17. In Q3, the sustainable Solactive Index, against which the Future World global equity index fund is benchmarked, delivered a return of +0.1% compared with the full global equity market capitalisation index – MSCI World - which returned -3.36%.

CBRE

- 3.18. The CBRE report from which this is updated was not prepared on time for the print deadline and as such the commentary and data have been italicised to show they are as at Q2 2023.
- 3.19. *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.*
- 3.20. *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.*

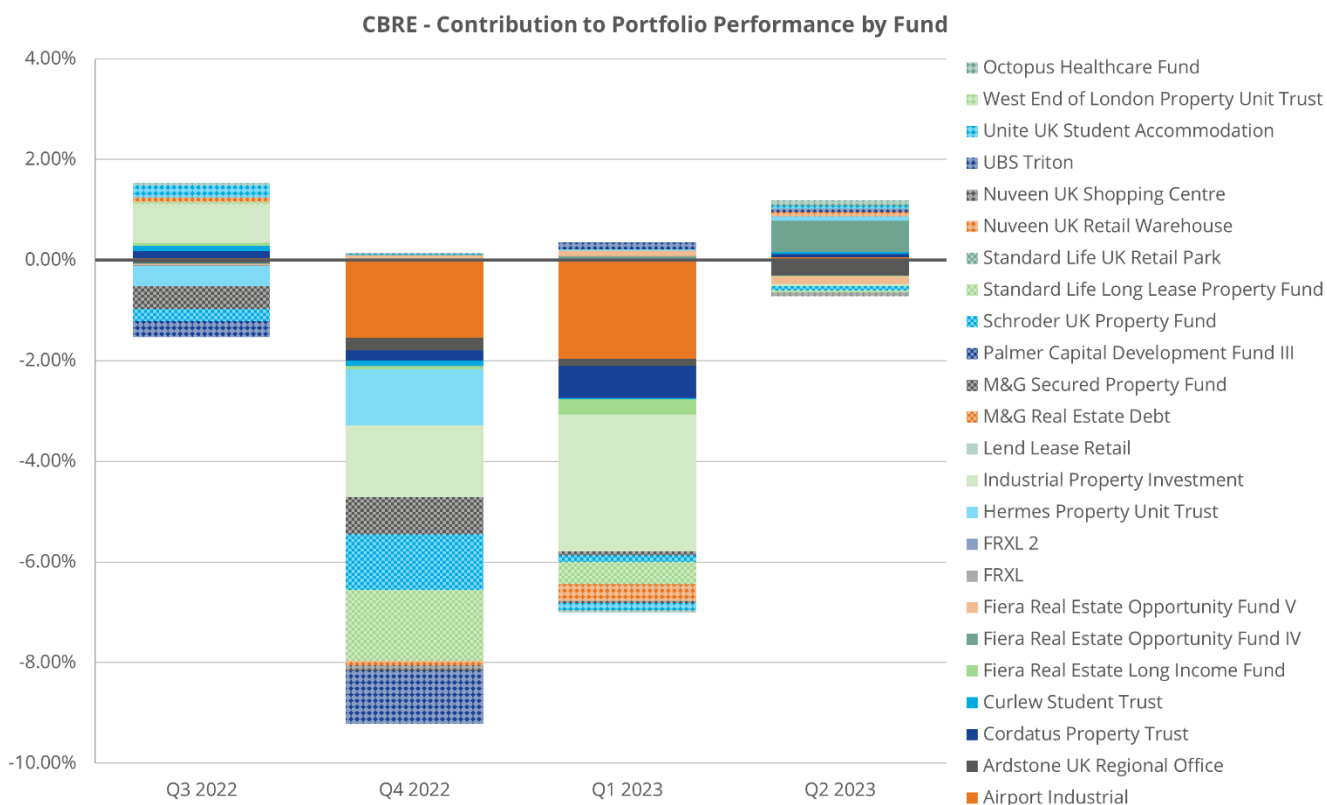
3.21. Fiera also saw valuation decreases although these were partly offset by the investment in Avonmouth where increased interest supported pricing.

3.22. 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.

3.23. 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

- 3.24. PG Real Estate Secondary 2009 (EUR) SICAR fund, to which Camden has committed capital, has invested in a total of 61 investments, with 59 investments having now been realised. This fund is fully invested and Partners Group have called down 95.3% of committed capital. The manager has distributed 131.5% of the invested money since inception and is continuing to "focus on exits and distributions as several investments in the portfolio are in the realisation phase of their lifespan". Of the 2 remaining assets, 1 is outperforming or above plan, and 1 is below plan. The portfolio's allocation is 100% Europe.
- 3.25. The pension fund has committed capital to PG Real Estate Secondary 2013 (USD). The Fund had made 42 investments, with 21 having been realised. The Fund was 72.0% contributed and has distributed 91.9% of the invested money since inception. Investment activity will be focused on the existing portfolio assets, while evaluating divestment opportunities for the mature assets. Of the 21 remaining assets, 7 are outperforming or above plan, 3 are performing in line with plan and 11 are below plan. The portfolio's allocation is split as follows: 60% Europe, 36% North America and 4% Asia-Pacific.
- 3.26. Of the 11 below plan, the manager has provided the following commentary:
- 3.27. **Project Camino (US retail & mixed use portfolio)** - Three assets (Richwood, The Wharf and Asbury Park), are remaining in the portfolio. The Richwood asset is being prepared for sale and target to be sold in 2025 after appropriate approvals have been received. The Wharf, which is the largest non-control asset in the portfolio is now stabilised and ready for sale, target to market the asset will be done as soon as real estate markets have normalised. Asbury Park is performing well, but an exit is not planned in the near term and will likely take place in 2025 or later.
- 3.28. **Sveafastigheter Fersen I** - The portfolio holds retail assets in Sweden and Estonia. There is limited value-creation outstanding for underlying assets, and assets are being marketed for exit. Partners anticipate that the portfolio will be fully exited by end of 2025. The performance has mainly been attributed to structural headwinds (e.g. low to negative rent growth and cap rate expansion) in a physical retail market in Sweden and Finland.
- 3.29. **Sveafastigheter Fersen II** - The portfolio consists of a mix of retail, hospitality and logistics assets primarily located in Sweden. There is currently limited value creation outstanding for underlying investments. The hospitality assets have performed very well over the summer and occupancy reached all-time-high, and Partners are targeting an exit during H1 2024. The complete portfolio is anticipated to be fully exited by December 2025. As for Fersen I, the investment has lagged for similar reasons, in addition the illiquidity in the regional Finnish office market made it challenging to exit the underlying Finnish office assets (now all exited).
- 3.30. **Project Whetstone (US Office Portfolio)** - The portfolio is partially realised with three investments remaining in the portfolio, Campus at Legacy, Trinity Centre and Flour Mill. The Campus at Legacy's existing loan was extended for two years in December 2022. Partners have recently received interest for a potential sale of the asset in a strategic buyer, at the same time they are considering a marketed sales process, anticipating an exit the investment in Q4 in 2024. Trinity Centre's 6-year lease extension was signed with the anchor tenant in Q1 2023. The asset is a value-add office type of property, given the current market conditions Partners have opted for discussing a loan modification with the existing lender rather than pursuing an exit at this point in the market. Flour Mill's existing loan is maturing in August 2024, given that the property is a value-add office type of building, a sale is not in favour at this point in time, therefore Partners have pursued discussions with the lender with the goal of modifying the loan.

- 3.31. **Project Rain** - The asset in the portfolio, DV4, is structured as an evergreen fund focused on long-term value creation in UK property. DV4's portfolio currently consists of nine investments across various property types in the UK, the largest of which is The Alpha Plus Education Group and the Here East office complex on the former Olympic Park in Stratford. DV4 has a liquidity mechanism under which investors in DV4 have the option to redeem their shares in the Fund on an annual basis. Despite submitting a redemption request for 100% of PG's remaining investment in 2022, the Fund was not able to honour any redemption requests due to liquidity constraints. A new redemption cycle is expected to begin in November 2023 at which time the next redemption price and quantum will be assessed.
- 3.32. The pension fund has also committed capital to PG Real Estate Secondary 2017 (USD). The Fund had drawn 61.0% of commitments and had 55 investments, with 5 having been realised. Of the 50 investments, 12 are outperforming or above plan, 28 are on plan or recently acquired, and 10 are below plan. The portfolio's allocation is split as follows: 54% North America, 24% Asia-Pacific and 22% Europe. At the end of the period, the 2017 Fund remained in its value creation stage.

Harbourvest

- 3.33. 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 30 Sep 2023. A total of \$72.4m has been distributed back to investors (1x capital paid in).
- 3.34. In terms of how investments are performing relative to expectations, 34.1% are tracking ahead of pace, 46.4% are on pace, and 19.5% are below expectations.
- 3.35. The investments that are currently below expectations are largely due to broad market movements. One particular detractor, Albany Molecular (in the direct portfolio), has its team focused on near-term pricing and initiatives to offset continued impacts from energy and input cost inflation. Out of the secondary portfolio, Project Ignite is tracking behind expectations as one of the holdings has been working through operating challenges. HarbourVest continues to be in active discussion with the GP and the management team to focus on optimising value.

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

- 3.36. The Independent Advisor comments that, London CIV's Multi-Asset Credit (MAC) sub fund returned +0.99% in Q3 2023, which was behind the performance target return of +2.46%. The one-year return for the fund is now ahead of the target by +0.30%. However, the three-year return was behind the target by -3.69%.
- 3.37. LCIV commented that sub-investment grade debt was a key detractor in the medium term due to negative changes in mark to market pricing, exposure to interest rate risk in a period of rising yields also detracted. However, losses from default have not yet had a material negative impact. High yield, loans and securitised debt were the largest contributors over the quarter while exposure to interest rate risk continued to have the biggest negative impact. Both Managers believe that with default rates expected to rise and recover rates expected to fall the focus should be on resilience, high quality borrowers and ensuring risk is diversified.
- 3.38. Both managers remain on 'normal monitoring' overall, with LCIV's review of CQS scheduled for November.
- 3.39. The value of the fund's investment in CQS and PIMCO stood at £231.1million as of end September 2023, which represents 16.41% of the London CIV sub-fund, the total value of which stood at £1,408.5 million.

- 3.40. The carbon intensity of the sub fund was less than 1% below that of the benchmark as at end-September.

London CIV – Infrastructure Fund - Stepstone

- 3.41. 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 June 2023 (report for September not available at the time of writing this report). The total fund value was £309.5 million, although in total there are commitments of £399 million. London Borough of Camden's valuation as of 30 June 2023 was £82.2 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).
- 3.42. 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.
- 3.43. The sub-fund had four capital calls to investors during the quarter, totalling £17 million. These together with distributions were used to cover underlying capital calls to the fund.
- 3.44. There have been no additions to the portfolio since Q3 2022.

London CIV – Real Estate Long Income Fund - Aviva

- 3.45. 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 June 2023 was £158.8 million, with total fund commitments of £213.0 million. London Borough of Camden's valuation as of 30 June 2023 was £70.0 million, representing 44.05% of the fund.
- 3.46. 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.
- 3.47. As of end of June 2023 (latest report available), the percentage deployed is 100%.
- 3.48. 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).
- 3.49. As at September 2023, the Fund underperformed its benchmark by 25% 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 22.2 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. During Q2 2023 it made another distribution of £2.0 million.
- 3.50. 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 and results were expected in September 2023.

London CIV – Diversified Growth Fund – Baillie Gifford

- 3.51. The Independent Advisor comments that, London CIV's Diversified Growth sub fund returned -2.16% in Q3 2023, which was behind the target of +2.14%. The London Borough of Camden invested £96.3 million into this fund on the 23 March 2022.
- 3.52. 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.
- 3.53. The fund invests across a broad array of asset classes, and derivatives are used to help dampen the volatility of the fund. As at September-end 2023, the fund had an allocation of 30.71% to Alternatives, 58.67% to Fixed Income, and 10.62% to Equities.
- The value of Camden's investment in Baillie Gifford Diversified Growth stood at £84.4 million as of end September 2023, which represents 12.35% of the London CIV sub-fund, the total value of which was £683.4 million at September-end.
- 3.54. 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 proposed a repeat review in December 2023.
- 3.55. As at end September 2023 the weighted average carbon intensity of the sub-fund was 129.1% of that of the MSCI All Country World Index, which is a noticeable increase from marginally under the Index in June 2023. The fund had a lower exposure to fossil fuel companies (c.9% compared with the benchmark, which had around 8.5% in fossil fuels) which is an increase on last quarter. The calculation of carbon footprint includes only listed equity and corporate fixed income instruments.
- 3.56. The top contributors to the Weighted Average Carbon Intensity (WACI) were NextEra Energy, Orsted and Cemex. Without these three holdings, the WACI would fall by around 25%.

Summary of Concerns

Date raised	Concern	Update
Q1 2022	LCIV – Global Alpha Paris Aligned (Baillie Gifford)	Improved performance relative to Growth Index in Q3, but still trailing targets. Manager met with officers, advisor and committee members this quarter – verbal update will be provided at the meeting. Continued ongoing monitoring recommended with the advisor meeting the manager quarterly.
Q3 2022	LCIV – Diversified Growth – Baillie Gifford	Performance has deteriorated again - LCIV still have the fund on enhanced monitoring. Manager met with officers, advisor and committee members this quarter – verbal update will be provided at the meeting. Continued ongoing monitoring recommended with the advisor meeting the manager quarterly.
Q3 2023	Partners – property	2013 fund has 11 assets below plan. Continued dialogue with the advisor recommended to monitor progress in these assets (detailed in this report).

Karen Shackleton
Senior Advisor, Apex
2nd November 2023

Appendix B

Manager	AUM (£m)	Number of investors	Camden's rank	Percentage of Fund or Strategy	Comment
Baillie Gifford Paris-Aligned	2,047	11	Not provided by London CIV	10.75%	£206m decrease in AUM. The number of investors and Camden's rank remain unchanged.
Harris*	6,804	18	12th	2.71%	£121m decrease in AUM. The number of investors and Camden's rank remain unchanged.
Legal & General - UK equity (World)**	18	1	1st	99.96%	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**	780	5	2nd	33.85%	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**	840	7	6th	6.17%	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**	609	8	7th	4.47%	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**	409	8	7th	4.35%	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**	0	1	1st	99.90%	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**	1,214	10	7th	3.17%	LGIM have changed the basis for these figures and as such this quarter's figures are not comparable to last quarter's. See note.
L&G ILGs**	1,797	11	7th	3.35%	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**	3,986	12	5th	7.28%	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	34	12th	2.81%	AUM, the number of investors and Camden's rank have all remain unchanged (as at Q2).
Partners 2009 fund*	244	53 (EUR SICAR sleeve)	3rd	6.14%	£61m increase in AUM (Annually updated, as at December 2022). As the fund is a closed-ended vehicle, neither the number of investors nor Camden's rank will change over time.
Partners 2013 fund*	661	39 (in the USD C LP sleeve)	5th	4.59%	£189m increase in AUM (Annually updated, as at December 2022). As the fund is a closed-ended vehicle, neither the number of investors nor Camden's rank will change over time.
Partners 2017 fund*	248	11 (in the USD D LP sleeve)	3rd	23.18%	£15m increase in AUM (Annually updated, as at December 2022). As the fund is a closed-ended vehicle, neither the number of investors nor Camden's rank will change over time.
Harbourvest	164	8	2nd	33.67%	As the fund is a closed-ended vehicle, neither the number of investors nor Camden's rank will change over time.
CQS / PIMCO	1,409	13	Not provided by London CIV	16.41%	£14m increase in AUM. The number of investors and Camden's rank remain unchanged.
Stepstone	310	6	Not provided by London CIV	26.97%	£15m increase in AUM. The number of investors and Camden's rank remain unchanged.
Aviva	159	3	Not provided by London CIV	44.05%	£4m decrease in AUM. The number of investors and Camden's rank remain unchanged.
Baillie Gifford Diversified Growth	683	7	Not provided by London CIV	12.35%	£42m decrease in AUM. The number of investors and Camden's rank have decreased by 1.
Cash/Other	N/A	N/A	N/A	N/A	N/A

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.

*AUM and Portfolio 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. New methodology below:

- The AUM is the mid-market value of all the assets in the OFC versions of each fund added together.
- The number of investors is measured across the OFC version of each 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.

***CBRE data is as at Q2 as Q3 data had not come in at the time of production.