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| LONDON BOROUGH OF CAMDEN | | WARD: All |
| REPORT TITLE: Performance Report | | |
| REPORT OF: Executive Director Corporate Services | | |
| FOR SUBMISSION TO: Pension Committee | | DATE: 10 July 2024 |
| 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 31 March 2024. | | |
| 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 | | 27/06/2024 |

1. INTRODUCTION

- 1.1. This report presents the performance of the Pension Fund investments up to 31 March 2024 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 31 March 2024 is shown in Table 1 below, in percentages.

TABLE 1: FINANCIAL MARKET RETURNS Q1 2024

| Market Returns | | Quarter | Year | 3 years (annualised) |
|-----------------------|-------------------|---------|------|----------------------|
| EQUITIES | FTSE all world | 9.1 | 21.0 | 10.6 |
| | UK FTSE All Share | 3.6 | 8.4 | 8.0 |
| | Europe (ex UK) | 6.8 | 13.7 | 8.7 |
| | North America | 11.6 | 27.1 | 13.9 |
| | Japan | 11.1 | 21.7 | 6.8 |
| | Asia (ex-Japan) | 3.5 | 9.2 | 3.3 |
| | Emerging Markets | 3.4 | 6.2 | -0.4 |
| UK gilts | 8.1 | 3.7 | -7.4 | |
| ILGs | 8.7 | 0.9 | -9.9 | |
| Corp bonds | 8.2 | 9.7 | -3.1 | |
| UK property | 0.6 | 0.3 | 2.0 | |
| Commodities (approx.) | -12.1 | -12.2 | 9.4 | |
| Cash - 3m LIBOR | 1.3 | 5.3 | 2.8 | |
| RPI (UK) Inflation | 1.1 | 4.3 | 8.9 | |
| US CPI (Inflation) | 2.0 | 1.3 | 8.7 | |

- 1.3. Global markets generally showed strength this quarter. Major global equity markets showed strength throughout the first quarter of 2024. The U.S. and Europe were aided by excitement surrounding artificial intelligence, encouraging economic data and investor expectations for rate cuts from central banks this calendar year. Central banks across the globe chose to leave interest rates unchanged while they continue to monitor evolving economic data.
- 1.4. In the UK, the inflation reducing, tax cuts and updated welfare benefits announced in the Autumn 2023 statement started to make impacts. The economic outlook is cautiously optimistic with GDP growth expected to be slight improved in 2024.
- 1.5. Among the sectors detailed in Table 1, equities performed strongly in the quarter, boosted by U.S. equity markets reaching new highs and Japanese equities continued to rise, surpassing a record high from 34 years ago. While equities in China had been pressured throughout 2023, the first quarter of 2024 showed a recovery.
- 1.6. UK equities underperformed Global equities due to downbeat news on economic growth. Emerging markets equities also underperformed mainly due to China, where policy meetings offered pro-growth signals but lacked specific plans to achieve this. Japan equities overperformed in the quarter mainly due to the Bank of Japan's first rate hike since 2007 and its exit from the negative interest rate territory.
- 1.7. UK gilts yields quarterly and year remains stable since last quarter at 8.1% and 3.7% respectively.

1.8. In the one year and three-year periods most equity markets have shown very positive increases (with many markets greater than 20%).

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 £2.098bn as at 31 March 2024, which represents an increase of 4.1%, or £79.2m, over the quarter. The final changes to the asset allocation were made this quarter as a result of the investment strategy review agreed in July 2023 and implemented in Q4 2023 and Q1 2024.

TABLE 2: PORTFOLIO SUMMARY

| Manager | Mandate | Target | Year Appointed | 31/12/23 £m | 31/03/24 £m | 31/12/23 % | 31/03/24 % |
|---------------------------|----------------------------|--------|----------------|----------------|----------------|---------------|---------------|
| Baillie Gifford (LCIV) | Global equity | +2-3% | 2016 | 238 | 157 | 12% | 8% |
| Harris | Global equity | +2-3% | 2015 | 98 | 102 | 5% | 5% |
| L&G | Global equity | 0.0% | 2011 | 445 | 485 | 22% | 23% |
| L&G | Future World global equity | 0% | 2021 | 311 | 340 | 15% | 16% |
| CQS (LCIV) | Multi asset credit | 4-5% | 2019 | 245 | 313 | 12% | 15% |
| L&G | Index linked gilts | 0% | 2009 | 153 | 150 | 8% | 7% |
| Stepstone | Infrastructure | 8-10% | 2019 | 96 | 96 | 5% | 5% |
| Partners | Global property | 15% | 2010 | 75 | 67 | 4% | 3% |
| CBRE | UK property | +1% | 2010 | 85 | 84 | 4% | 4% |
| Aviva (LCIV) | UK property | 1.5-2% | 2021 | 68 | 68 | 3% | 3% |
| Affordable Housing (LCIV) | UK Property | 5-7% | 2024 | 0 | 0 | 0% | 0% |
| HarbourVest | Private equity | +8% | 2016 | 49 | 48 | 2% | 2% |
| Baillie Gifford (LCIV) | Diversified growth | +3% | 2022 | 90 | 91 | 5% | 4% |
| Cash & other | | | | 66 | 97 | 3% | 5% |
| Fund | | | | £2,019 | £2,098 | 100% | 100% |

2.2. The Fund is currently overweight to equity but has reduced this from c56% to 52% currently. Multi-asset credit has increased from 12% to 15%, and the overall allocation to bonds, including index-linked gilts, is currently 22% against a 23% target. This means the bond allocation is on target.

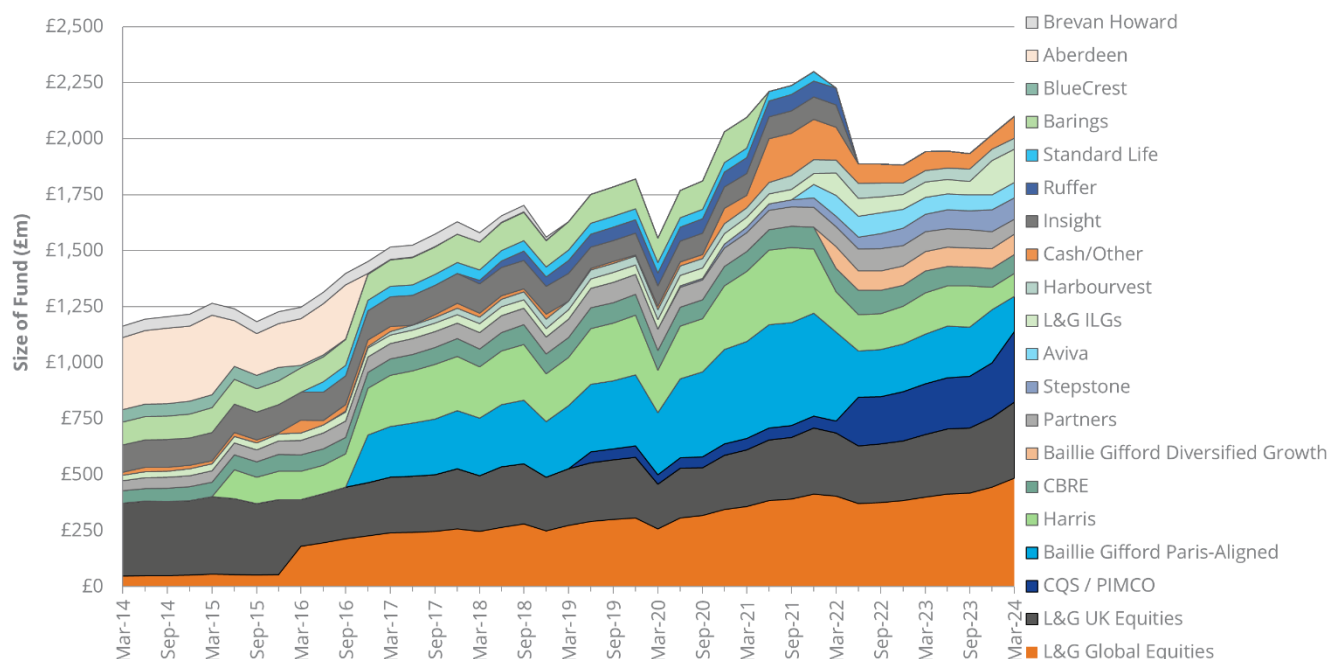
2.3. Infrastructure is 5% against a revised target of 9% (a second tranche of £76m was agreed to infrastructure at the March 2024 committee) and so once this new commitment draws capital over the coming years this asset class will also be on target. All other asset classes are close to target except for cash which is 5% of assets and is important to fund revenue expenditure.

TABLE 3: ASSET CLASS ALLOCATIONS

| | Value £m | Current Weight | Target Weight |
|---------------------------|----------------|----------------|------------------|
| Baillie Gifford (LCIV) | £157m | 8% | |
| Harris | £102m | 5% | |
| L&G global passive | £485m | 23% | |
| L&G passive equities | £340m | 16% | |
| Equity | £1,084m | 52% | 45% |
| CQS (LCIV) | £313m | 15% | |
| L&G Ind.Lkd Gilts | £150m | 7% | |
| Bonds | £463m | 22% | 23% |
| CBRE | £84m | 4% | |
| Partners Group | £67m | 3% | |
| Aviva (LCIV) | £68m | 3% | |
| Property | £219m | 10% | 11% |
| HarbourVest | £48m | 2% | |
| Private Equity | £48m | 2% | 2% |
| Stepstone (LCIV) | £96m | 5% | |
| Infrastructure | £96m | 5% | 9% |
| Baillie Gifford (LCIV) | £91 | 4% | |
| DGF | £91 | 4% | 5% |
| Affordable Housing | 0m | 0% | 5% |
| Cash & other | £97m | 5% | 0% |
| Fund | £2,098m | 100% | 100% |

2.4. 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

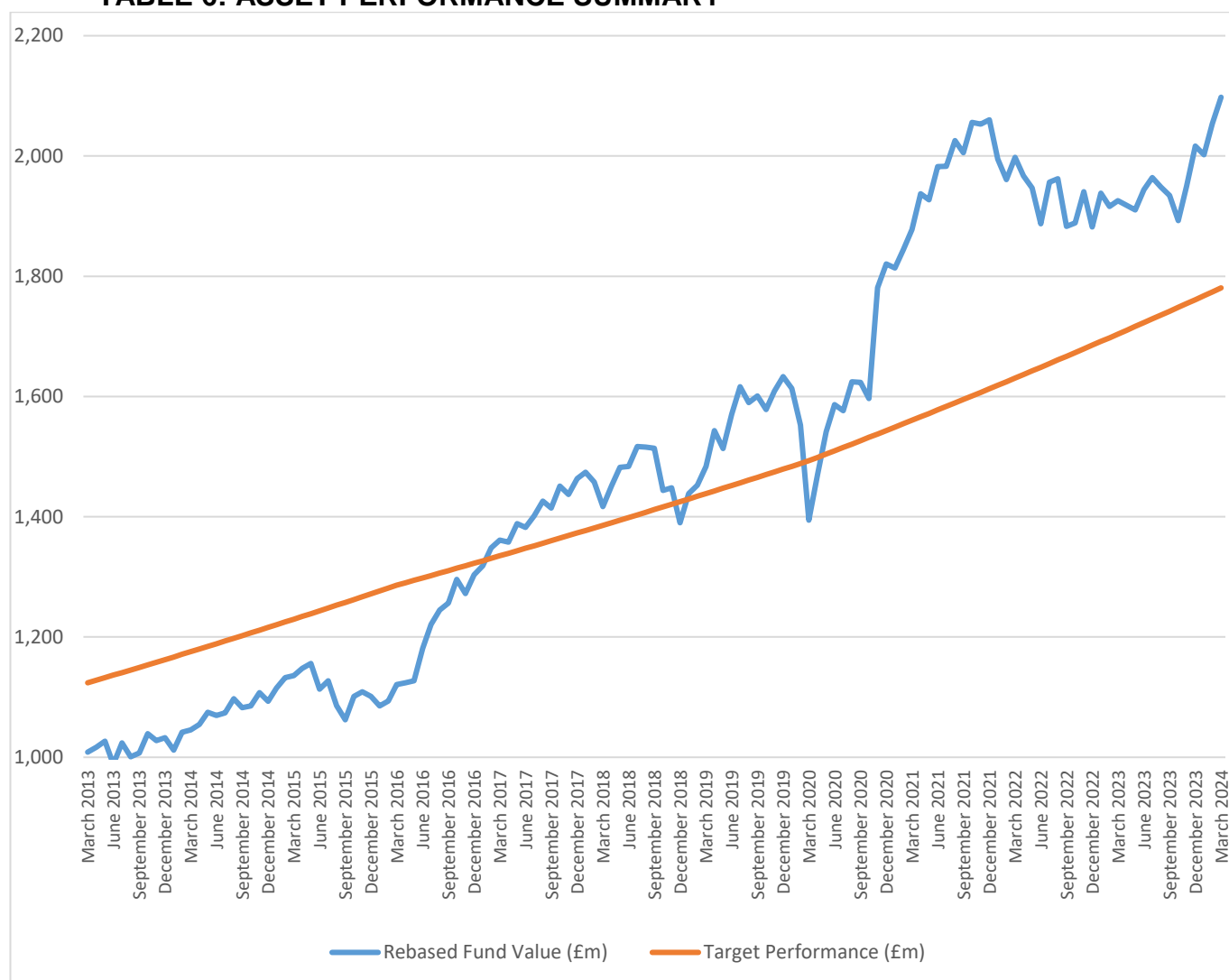
- 2.5. Infrastructure fund and Partners Group Real Estate Secondary fund had no capital calls during the quarter. HarbourVest made a total distribution of \$7.5m at the end of Q1.
- 2.6. The Fund's active equity allocations are close to the strategic asset allocation levels. As Table 5 shows, the Fund remains above the target in active and passive equities and cash, but is below target for fixed income, infrastructure, and affordable housing. 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 | 259 | 12.4% | 10% |
| Passive equities (ESG focused) | 825 | 39.3% | 35% |
| Fixed Income/Multi Asset Credit | 313 | 14.9% | 15% |
| Passive Index linked gilts | 150 | 7.1% | 8% |
| Property | 219 | 10.5% | 11% |
| Private equity | 48 | 2.3% | 2% |
| Infrastructure | 96 | 4.6% | 9% |
| Diversified growth fund | 91 | 4.3% | 5% |
| Affordable Housing | 0 | 0.0% | 5% |
| Cash | 97 | 4.7% | 0% |
| Fund | 2,098 | 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% (up from 103% funded in March 2019). The next valuation will be based on March 2025 data and the Pension Shared Service, officers and Hymans will be working towards preparing data approaching the second half of this financial year..
- 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 March 2024 of 111% (£1.900bn 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.
- 3.4. The Treasury confirmed in January that the annual revaluation of pensions from April 2024 will be 6.7% in line with the consumer price index for the year to September 2023.

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 5.6% in the quarter. The Fund's returns were 4.3% for the quarter and so underperformed this benchmark.
- 4.2. Over 12 months the PIRC universe was 9.2% with the Camden Fund out-performing against the benchmark at 10.0%. Over three years the comparison with the PIRC universe is the Fund returning 4.4% with the PIRC universe averaging 5.3%.
- 4.3. Examining the individual investment manager returns in Table 7, this quarter the Fund has slightly underperformed its target by -0.5% has had a difficult twelve months (-3.0% behind target). The one-year performance has been driven largely by the marked underperformance in Baillie Gifford (-7.1%) and Harris (-13.1%). To a lesser extent, as they are smaller allocations, CBRE (-2.7%), HarbourVest (-6.3%) and Partners (2009, 2013 and 2017) (-43.3%, -44.8% and -36.0% respectively) have also contributed to the overall Fund under-performance.
- 4.4. The one out-performing fund over one year was CQS & PIMCO (+1% ahead of target).
- 4.5. It is also interesting to note that both L&G funds (the global and Future World funds) both delivered c21% top line returns whereas active equity managers Harris and Baillie Gifford

delivered 11% and 17%. Passive equity has massively outperformed active equity. Given the moves to rebalance away from active managers to passive managers this should stabilise the Fund in future years.

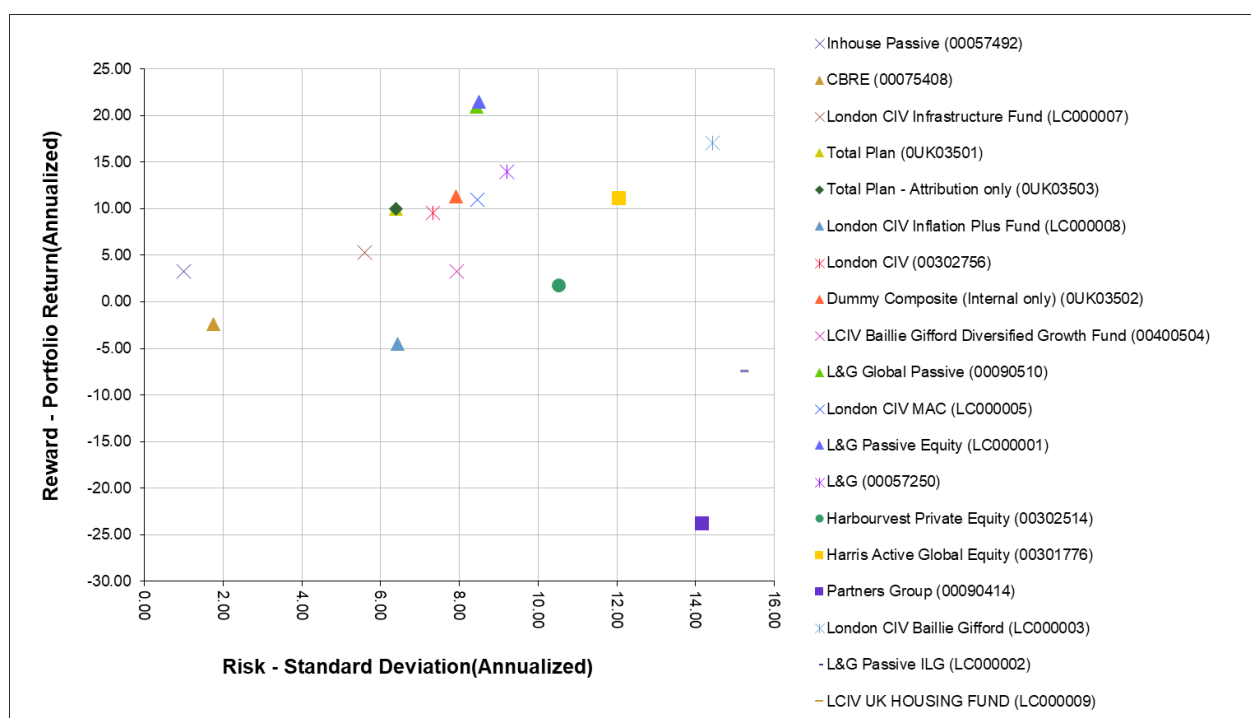
- 4.6. Over 2 and 3 years, the Fund has underperformed its targets but by a margin of -4.7%7% in both periods.
- 4.7. On an absolute basis (without reference to a target) the Fund has generated a return of 8.8% since inception. Compared to the actuary's assumption of 4.5% growth this is very positive.

TABLE 7: MANAGER PERFORMANCE VS TARGET

| Investment Manager | Trailing 3 Months | Trailing 1 Year | Trailing 2 Years | Trailing 3 Years | Since Inception |
|-------------------------------------------------------|-------------------|-----------------|------------------|------------------|-----------------|
| Harris | 5.5 | 11.1 | 6.6 | 7.9 | 10.5 |
| Global Equities (Gross) + 2.5% | 10.0 | 24.2 | 12.3 | 13.4 | 14.7 |
| Excess Return | -4.5 | -13.1 | -5.7 | -5.5 | -4.2 |
| Baillie Gifford (London CIV) | 9.8 | 17.1 | 5.9 | 1.1 | 11.3 |
| Global Equities (Gross) +2.5% | 10.0 | 24.2 | 12.3 | 13.4 | 14.2 |
| Excess Return | -0.2 | -7.1 | -6.4 | -12.3 | -3.0 |
| L&G Future World global equity | 9.3 | 21.4 | 9.6 | 10.5 | 9.8 |
| Solactive L&G ESG Global Markets | 9.3 | 21.1 | 9.3 | 10.2- | 10.6 |
| Excess Return | 0.0 | 0.4 | 0.3 | 0.2- | -0.8 |
| L&G global equity | 9.1 | 21.0 | 9.5 | 10.6 | 12.8 |
| FTSE All-World + 0% | 9.1 | 21.0 | 9.5 | 10.6 | 12.8 |
| Excess Return | 0.0 | 0.0 | 0.0 | -0.0 | -0.0 |
| CQS & PIMCO (LCIV) | 1.8 | 10.9 | 3.2 | 2.8 | 3.0 |
| 3 Month SONIA +4.50% | 2.4 | 9.9 | 8.6 | 7.3 | 6.4 |
| Excess Return | -0.6 | 1.0 | -5.5 | -4.5 | -3.3 |
| L&G passive ILG | -2.4 | -7.5 | -19.8 | -12.7 | 3.7 |
| FTSE > 5yr Index Linked Gilts + 0% | -2.6 | -7.4 | -20.0 | -12.5 | 3.5 |
| Excess Return | 0.2 | -0.1 | 0.2 | -0.2 | 0.1 |
| CBRE | -0.5 | -2.4 | -7.7 | 0.6 | 5.5 |
| All Balanced Property Funds + 1% | 0.8 | 0.3 | -6.9 | 2.5 | 6.5 |
| Excess Return | -1.3 | -2.7 | -0.8 | -1.9 | -1.0 |
| Partners 2009 Euro fund | -12.1 | -28.3 | -12.4 | -3.3 | 4.3 |
| Absolute 15% | 3.6 | 15.0 | 15.0 | 15.0 | 15.0 |
| Excess Return | -15.7 | -43.3 | -27.4 | -18.3 | -10.7 |
| Partners 2013 USD fund | -14.2 | -29.8 | -15.4 | -6.0 | 6.4 |
| Absolute 15% | 3.6 | 15.0 | 15.0 | 15.0 | 15.0 |
| Excess Return | -17.8 | -44.8 | -30.4 | -21.0 | -8.6 |
| Partners 2017 USD fund | -9.0 | -21.0 | -7.5 | 1.2 | 2.9 |
| Absolute 15% | 3.6 | 15.0 | 15.0 | 15.0 | 15.0 |
| Excess Return | -12.6 | -36.0 | -22.5 | -13.8 | -12.1 |
| HarbourVest | 0.7 | 1.7 | 3.5 | 20.9 | 20.6 |
| Absolute 8% | 1.9 | 8.0 | 8.0 | 8.0 | 7.9 |
| Excess Return | -1.3 | -6.3 | -4.5 | 12.9 | 12.7 |
| Stepstone (London CIV) | 0.5 | 5.3 | 10.3 | 8.9 | 4.3 |
| 9% p.a net | 2.2 | 9.0 | 9.0 | 9.0 | 8.8 |
| Excess Return | -1.7 | -3.7 | 1.3 | -0.1 | -4.5 |
| Aviva (London CIV) | 0.9 | -4.5 | -10.1 | - | -10.1 |
| RPI + 1.75% | 1.5 | 6.1 | 10.7 | - | 10.7 |
| Excess Return | -0.6 | -10.7 | -20.8 | - | -20.8 |
| Affordable Housing (London CIV) | - | - | - | - | -0.7 |
| RPI + 1.75% | - | - | - | - | 1.0 |
| Excess Return | - | - | - | - | -1.7 |
| Baillie Gifford Diversified Growth Fund (LCIV) | 0.8 | 3.2 | -2.1 | - | -2.1 |
| SONIA +3.5% | 2.1 | 8.7 | 7.2 | - | 7.2 |
| Excess Return | -1.3 | -5.4 | -9.4 | - | -9.4 |
| Total Fund | 4.3 | 10.0 | 3.1 | 4.4 | 8.8 |
| Total Fund Composite Target | 4.8 | 13.0 | 7.8 | 9.1 | 10.8 |
| Excess Return | -0.5 | -3.0 | -4.7 | -4.7 | -2.0 |

- 4.8. 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 March 2024 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.
- 4.9. Table 8 below shows that the best performing fund was the L&G Future World global Equity Fund. At the other end of the scale, some of the poorest performers in the portfolio are the partners group fund, the CIV Inflation plus Fund and CBRE fund (mainly due to increases in interest rates). The most volatile fund is the L&G Index linked Gilts fund.

TABLE 8: RISK VS REWARD GRAPH



- 4.10. **Harris** underperformed against target. For the quarter it has underperformed target by -4.5%, and their one-year return has also underperformed against target (-13.1%). The worst detractor was Charter Communications. In February, the U.S communication company's stock price fell when the company reported that broadband subscribers declined 0.2% sequentially. The top performer was Fiserv during the quarter. The U.S.-headquartered company is a leader in merchant acquiring, issuer processing services, and core banking software.
- 4.11. **Baillie Gifford (CIV)** had a much better quarter underperforming against target for the quarter by just 0.2% but has starker underperformance against the one-year target by -7.1%. The 2 and 3 year periods – are 6.4% and -12.3% behind target respectively. The London CIV does not have this manager on enhanced monitoring but have had on-site visits this quarter. The manager is on 'normal' monitoring but has them on amber for performance and cost transparency. The CIV conclude that BG's decision-making team is capable and benefits from a strong flow of ideas from colleagues. Process enhancements and fuller integration of risk specialists are positive developments which they think enhance the long-term potential of the Sub-fund. Positive performance drivers

were well diversified, with CRH, Meta and DoorDash all featuring as top contributors. Negative contributors were similarly dispersed. With NVIDIA costing the most as the investment manager retains an underweight to this strongly performing name. The Hong-Kong based insurer AIA was also a detractor as the company continued to face challenges and slow growth in its local market. Alnylam Pharmaceuticals despite its strong revenue growth, and the pet-related products online retailer Chewy, which continued to disappoint,

- 4.12. **Legal & General equities** have tracked their benchmarks in the quarter as expected. 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.
- 4.13. **L&Gs future world global fund** tracked its benchmarks in the quarter as expected. The one and two year periods are +0.4% and +0.3% slightly above target respectively. The top sector holding is financial with 18.1% and top equity holding is Shell accounting for 8.3% of the fund.
- 4.14. The **CQS and PIMCO Fund** underperformed against target for the quarter by -0.6% but outperformed against the one-year target by +1.0%. benefitting from high income as well as spread compression across credit markets. As a result, the performance gap of the Sub-fund in the period since inception has narrowed, although it remains wide. The acquisition of CQS by Manulife Financial Corporation was completed on 1 April 2024. London CIV's annual investment due diligence (IDD) has been moved forward by six months to May to assess the implications of this change and the outcome will be shared with all investors soon after. Based on the CIV's review the manager remains on normal monitoring status.
- 4.15. **CBRE** underperformed against the quarter and one year target by -1.3% and -2.7% respectively. Significant detractors this quarter were the Airport Industrial Property Unit Trust, Ardstone UK Regional Office Fund and Standard Life Long Lease Property Fund.
- 4.16. **Partners Group** funds' performance deteriorated over Q4 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 -15.7% over Q4 2023 and is -10.7% below its ambitious target since inception. This fund is fully invested.
 - ii. The 2013 Dollar fund's performance has dropped in Q4 2023 and now registers -29.8% over the past twelve months. Since inception, the fund has returned +6.4% per annum compared to its target of 15.0%. This performance was mainly due to the decrease in the valuation of project Whetstone – US office portfolio to reflect the uncertainty around securing a refinance on the two of the three remaining properties
- The 2017 Dollar fund, the newest of the three funds, also suffered lower returns in the previous quarter, a fall of -9.0%, -17.8% below the target for the quarter. Since inception, it has achieved +2.9% growth against an ambitious 15% target. This poor performance reflects downward pressure on office properties in the portfolio as capital markets present continue to present major headwinds
- 4.17. **HarbourVest** investment fund slightly underperformed against target for the quarter by -1.3% but and has also underperformed against target for one year by -6.3%. Since inception HV have delivered very positive results (+12.7%). 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 Odoo based in Belgium.

- 4.18. **Stepstone (CIV)** underperformed against the quarter target by 1.7% and against the one-year benchmark of -3.7%. The portfolio build-out continues and is in-line with the ramp-up period ending. The Fund has adhered to all fund design and fund level restrictions. From a performance perspective, each investment’s net Internal rate of return is in line with expectations.
- 4.19. **Aviva (CIV) real estate long income fund** received initial investment from the Fund in December 2021. Performance over the quarter saw an increase of 0.9%, and heavily underperformed the target over twelve months by -10.7%..
- 4.20. **Baillie Gifford Diversified Growth Fund (CIV)** under-performed against the target for the quarter and one-year targets by -1.3% and -5.4% respectively. There was no change to the status of LCIV Diversified Growth Fund which is on ‘enhanced’ monitoring. This was confirmed by the London CIV Executive Investment Committee (‘EIC’) in January 2024. It will be reviewed again in June 2024 against their peers in the multi-asset space where they have been 3rd or 4th quartile over 3 and 5 years. There have been redemptions from this Fund at the CIV. All four multi-asset funds at the CIV are struggling.

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 31 March 2024, 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 December 2023 Committee the fossil fuel proportion of all assets was 2.10%, and this has slightly decreased to 2.09% as at 31 March 2024.

TABLE 9 TOTAL FUNDS INVESTED IN FOSSIL FUELS

| Mandate | | Total Fund £m | Fossil Fuel Holdings (£m) | Fossil Fuel Holding |
|---------------------------------------|----------------------------|------------------|---------------------------------|---------------------------|
| Legal & General | Global equity | £485m | £20m | |
| | Future World global equity | £340m | £5m | |
| | Index-linked gilts | £150m | £0m | |
| Harris | | £102m | £4m | |
| Baillie Gifford | Global equity | £157m | £1m | |
| CBRE | | £85m | £1m | |
| HarbourVest | | £48m | £1m | |
| Partners Group | | £67m | £0m | |
| Aviva | | £68m | £0m | |
| Affordable Housing | | £0m | £0m | |
| Stepstone | | £96m | £0m | |
| CQS | | £313m | £11m | |
| BG DGF | | £91m | £4m | |
| Cash - JPM | | £97m | £0m | |
| Total (as at 31 December 2023) | | £2,098m | £45m | 2.13% |

- 5.3. Investment managers were also asked what percentage of our portfolio was invested in the Carbon Underground 200 Index of companies at 31 March 2024. This is a more consistent definition of fossil fuel companies, and the results are below. This has reduced from 1.42% to 1.09% this quarter.

TABLE 10: CARBON UNDERGROUND 200 COMPANIES

| Investment manager and mandates | % invested |
|----------------------------------------------|-------------------|
| Legal and General Global equity | 0.64% |
| Legal and General Future World Global equity | 0.13% |
| Legal and General (Over 5y Index-Link Gilts) | 0.00% |
| Harris Global equity | 0.19% |
| Baillie Gifford - LCIV Global equity | 0.04% |
| CBRE UK property | 0.03% |
| HarbourVest private equity | 0.00% |
| Aviva long lease property | 0.00% |
| Affordable Housing | 0.00% |
| Partners global property | 0.00% |
| Stepstone Infrastructure (LCIV) | 0.00% |
| CQS & PIMCO multi-asset credit (LCIV) | 0.06% |
| Baillie Gifford DGF (LCIV) | 0.00% |
| NAV invested as at 31 March 2024 | 1.09% |

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

Q1 2024 Portfolio Valuation Report

London Borough of Camden

31 March 2024

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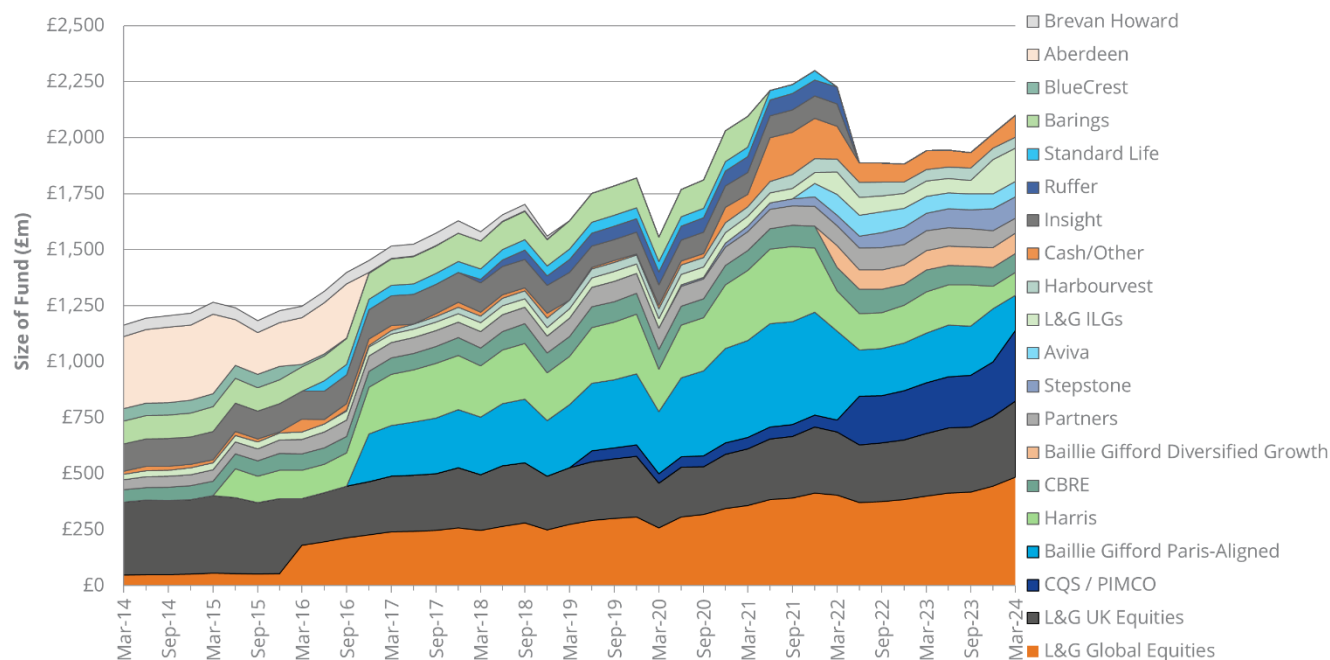
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Total Fund Valuation

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 YEARS



Source: London Borough of Camden; Apex

Independent Advisor Market Review

The Global Economy

Inflation (including core inflation) fell slightly in Q1, but less than expected, driven by persistent wage and services price rises, causing central banks to revise the more dovish stances they took in Q4 2023. All major Central Banks held their current rates in Q1, though the predicted direction is still downward, albeit at a slower pace. Generally, economic indicators proved more positive than expected, reducing some fears of stagnating growth and recessionary risk, but the UK and Europe are still showing declining GDP growth (with the UK entering a technical recession). China, whilst beginning to recover, is doing so slowly and is still struggling with its property crisis. The US once again led the way with a resilient domestic job market (unemployment at 3.8%) and a healthy consumer market leading to steady GDP growth.

Q1 was positive for most markets bar government bonds, in keeping with the largely positive trend in 2023. Global equities (MSCI World) rose sharply by 9.0% in local currency terms over the quarter, with Growth (+10.0%) rising more sharply than Value (+6.9%). Emerging Market and UK equities notably lagged behind other markets, with Emerging Markets returning 2.4% in local currency and UK equities returning 3.6%. Following a strong 2023, Japanese equities had a spectacular quarter (returning c.20%) as optimism over positive economic indicators and the BoJ's monetary overhaul signalling a departure from the negative rates that historically drove foreign investment.

UK equities suffered slightly from a value bias as well as the lack of rate cuts as the UK entered a technical recession. US equities performed strongly (+10.5%), as Q4 GDP growth was revised up and economic indicators improved. Bonds had weaker performance this quarter, as anticipated rate cuts failed to materialise across the major markets. Longer-dated Government bonds (and index-linked) showed the biggest fall, particularly in the UK. Shorter-dated credit did better, with credit spreads tightening, and investment grade credit underperformed high yield. Alternatives generally performed well, with private equity (+7.3% as measured by the S&P Listed Private Equity Index), showing the strong performance but real estate proving more mixed.

TABLE 1: QUARTERLY GDP GROWTH RATE

| | US GDP | UK GDP | Eurozone GDP | Japan GDP |
|----------|--------|--------|--------------|-----------|
| Q1 2024* | 0.3%* | 0.6%* | 0.3%* | -0.5%* |
| Q4 2023 | 0.8% | -0.3% | -0.1% | 0.0% |
| Q3 2023 | 1.2% | -0.1% | -0.1% | -0.7% |
| Q2 2023 | 0.5% | 0.0% | 0.1% | 0.9% |

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: JGDPQGDP)

Global equities rose in Q1 on the back of good corporate earnings, positive economic data (particularly in the US) and increasing enthusiasm over AI. The VIX increased slightly over the quarter from 12 to 13, having fallen over the course of last year from the previous highs. Growth continued to outperform Value.

In the US, the S&P 500 and NASDAQ rose by 10.6% and 8.7%, respectively. GDP growth for Q4 was revised up to 3.4%, above expectations, and Manufacturing PMI increased above 50 for the first time in over a year. Whilst this caused a positive reaction, the Fed holding rates for the quarter tempered market sentiment. However, the dot plot still predicts three cuts for the year.

UK equities increased by 3.6% but continued to underperform global equities. Inflation continued to fall slightly to 3.4% but the BoE held rates despite Britain entering a technical recession. Energy (excluding natural gas) and financial sectors, which the UK is biased to, performed well but the UK's value bias hindered performance.

The Euro Stoxx 50 rose by 12.9%, with the IT sector leading returns over AI enthusiasm. Inflation and core inflation continued to fall, now both under 3% but the ECB was more cautious in commentary around rate cuts as it wants to avoid a reversal. Composite PMI hit 50 again showing business levels are almost at stable levels (although Manufacturing PMI still lags significantly).

Japanese equities returned 20% in Q1 (Nikkei: 21.4%, TOPIX: 18.0%). Optimism over wage growth and positive economic indicators drove foreign investment with the Nikkei reaching 40,000 Yen for the first time. The BoJ's monetary overhaul (lifting negative rates, abandoning Yield Curve Control and the ETF and REIT purchase programme) led to further weakening of the yen.

Emerging market equities rose by 2.4% in Q1, with Asian Markets returns slightly better as China began to recover (although slowly), Indian manufacturing showed growth due

to relocations from China, whilst Taiwan benefitted from the AI boom. EMEA saw mixed results as Turkey's more orthodox rate policy instilled confidence, but South Africa and Egypt suffered from political tensions and 35% currency devaluation, respectively. Colombian and Peruvian markets saw positive monetary policy developments but generally Latam returns were low, in part due to sensitivity to US rates.

Yields generally rose over the quarter, dovish stances taken by central banks last quarter were tempered, resulting in mildly negative performance for most government bonds. Japan's central bank raised its policy rate for the first time in 17 years. The inversion of US yield curve (10-year minus 2-year yields) increased slightly but remained around -40bps. In corporate bonds, credit spreads tightened as default rates remain low and recessionary fears further reduced over the quarter.

The US 10-year Treasury yield rose from 3.88% to 4.20%, while the 2-year yield rose from 4.25% to 4.62%. Fed policy rates remained the same, but the Fed slightly reigned back dovish rhetoric and delayed rate cuts but still predicted three for 2024.

The UK 10-year Gilt yield rose from 3.53% to 3.93% while 2-year yields rose from 3.95% to 4.17%. The BoE held rates this quarter as despite its continued fall, the inflation rate (particularly core inflation) remains above its peers as does wage growth.

European government bonds also fell in Q1 as yields rose, the ECB was also cautious and tempered previous dovish rhetoric. Italian – German spreads continued to tighten causing Italian bonds to outperform German bonds.

Corporate bonds outperformed Government bonds, with high yield leading but all bond returns were muted. US and European high yield returned 1.5% and 1.8%, while US, UK and European investment grade credit returned -0.4%, 0.2% and 0.6% respectively.

Energy and livestock prices rose during Q1, with crude oil rising by 13.5% as supply and distribution difficulties met with an increased demand. Natural Gas was a notable exception falling almost 30%. Agriculture showed more modest returns, although West African supply shortages increased the cocoa price. Industrial metals showed mixed returns, but precious metals were broadly positive.

US gas prices fell even further in Q1 due to record production and abundant inventories with relatively mild winter temperatures.

OPEC+ supply cuts and geopolitical uncertainties limited supply (particularly Houthi attacks in the Red Sea redirecting shipping) causing the high Q1 demand to raise oil prices. Poor weather conditions also impacted supply from non-OPEC+ sources.

Gold and copper rose 7.0% and 3.0% respectively over Q1. Precious metals prices (particularly Gold) rose following concerns around geopolitical stability, while industrial metals were more mixed.

Global listed property fell slightly this quarter, with the FTSE EPRA Nareit Global Index falling by -0.4% in Q1.

The Nationwide House Price Index in the UK has increased again this quarter, with the seasonally adjusted price index up 1.1% for the quarter, and up 1.6% for the last 12 months.

European commercial property has finally bounced back slightly this quarter after a steady decline since early 2022, with the Green Street Pan European Commercial Property Price Index up by 1.4% this quarter versus -4.7% over the past 12 months.

In currencies, US dollar strengthened generally throughout the quarter (DXY 3.1%), slightly against sterling, more against the Euro and significantly against the Japanese yen. Bitcoin and Ethereum saw another quarter of very strong performance in Q1 (69% and 60% respectively) after the approval of the US spot bitcoin ETF by the SEC and subsequent successful launch of multiple ETFs.

Asset Allocation

The strategy review undertaken by Isio continues to be rolled out which is resulting in some additional asset allocation changes. Given continued geo-political risks, including several elections, maintaining a diversified approach is the best way to protect against any market spikes. Inflation seems to be trending down towards more sustainable levels for the time being but the allocations to inflation-linked assets has served the fund well during recent quarters of raised inflation levels. With Growth delivering stronger returns than Value in the quarter, this has favoured the allocation to the growth equity manager, Baillie Gifford.

Individual Manager Performance Review

London CIV – Baillie Gifford

The Independent Advisor comments that, the London CIV – Baillie Gifford sub-fund delivered a return of +9.79% in Q1, outperforming Harris by +4.30% for the quarter and underperforming the Growth Index which returned +11.49%. Over a 12-month period, the Baillie Gifford sub-fund outperformed Harris by +5.97%. The return in Q1 was ahead of the MSCI ACWI Index (GBP), which delivered +9.42%. The manager is underperforming its performance target over 12 months, with an absolute return of +17.10% vs the target of +24.22%. The manager is also behind the target over 3 years by -12.30% 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.

Facebook, Nvidia and Amazon were Baillie Gifford's best-performing positions in the Paris-Aligned fund during the quarter, contributing +3.1% to the quarterly return. AIA Group, Tesla and Alnylam Pharmaceuticals were the largest detractors. The fund added six new positions to the portfolio in Q1 including: Bellway, Mobileye Global (Self-driving cars), Nov Nordisk (Danish Pharmaceuticals), Rakuten Group, Stellar Jones and Walt Disney (Media Conglomerate). Twelve sales were completed during the quarter: Broadridge Financial Solutions, Charles Schwab, Estee Lauder, Prudential, Adidas, Exact Sciences Corp, Hellofresh, Howard Hughes, Novocure, Ping An Insurance, Snowflake Inc. and Wayfair Inc. The beta on the Paris Aligned portfolio as at quarter end stood at 1.18. This means that if the market falls 10%, the portfolio is expected to fall by 11.8%.

Baillie Gifford's 12-month performance has produced weak returns on a relative basis, underperforming the performance target by -7.12%. The manager is also underperforming the performance target since inception by -2.98% per annum.

LCIV note that in Q1 the fund gave back some of the gains made in the previous quarter (due to stock selection), including an underweight ownership of Nvidia, which has shown some very strong performance. LCIV is pleased to see stock selection remaining reasonably strong this quarter but ongoing performance remains a watch point, although it is worth noting that LCIV have maintained the overall monitoring status at 'Normal Monitoring'.

LCIV's annual investment due diligence (IDD) was completed this quarter, having been brought forward due to performance concerns. 'Performance', was kept at amber as - although performance has bounced back - it remains volatile, but 'Value for Money' and 'Risk Management' were both promoted to green due to process enhancements and consistent application, as well as a fee cut last year, all work to improve the outlook. LCIV noted that the manager has strengthened its network of experts feeding into the research used to discover new opportunities, and they see this as a positive.

The Paris Aligned fund held 90 companies at quarter end, across 19 different countries, and had an active risk of 4.83% (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). The manager has decreased the number of holdings in the portfolio because they have observed that the "tail" of smaller holdings is adding less value than previously. 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 consumer discretionary, communication services, healthcare, materials and cash and other net assets. It was underweighted in information technology, consumer staples, financials, industrials and other investments.

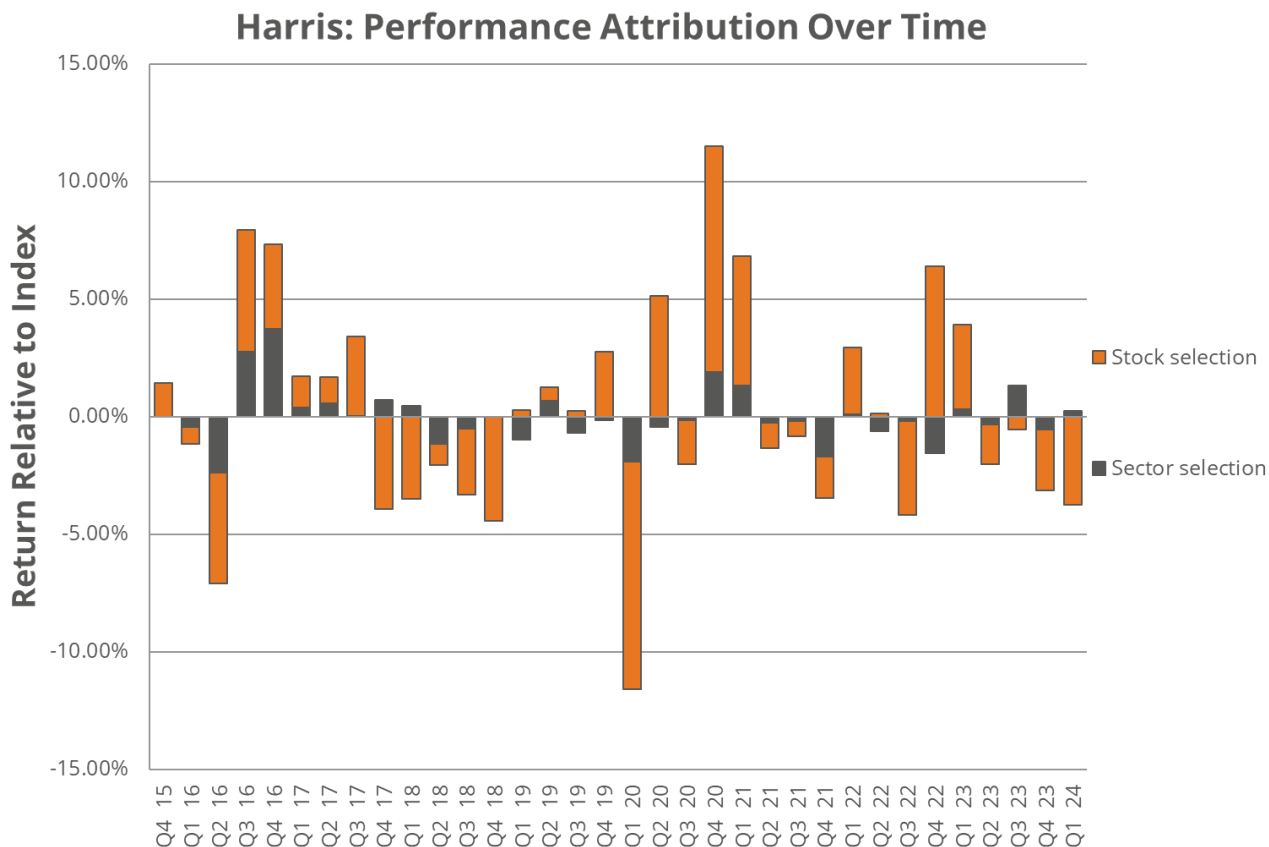
The Paris Aligned Baillie Gifford sub-fund aims to have a weighted average greenhouse gas intensity that is lower than that of the MSCI ACWI Climate Paris Aligned Index. However, London CIV compares the portfolio against the full market capitalisation index for carbon intensity purposes. As at end March 2024, the weighted average carbon intensity of this portfolio was roughly 70% of the intensity of the MSCI All Country World Index (the 20% increase this quarter is due to a large decrease in the benchmark not an increase in the fund which also decreased this quarter). The fund had a 0% exposure to fossil fuel companies (compared with the MSCI All Country World benchmark which had a 7% in fossil fuels).

In terms of assets under management, the LCIV Paris Aligned sub-fund stood at £2,304.5 million as at end March. London Borough of Camden's investment represents 6.84% of the fund.

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 detractor to the relative return of the fund during Q1 2024, with 0.25% attributed to sector selection, while -3.76% was attributed to stock selection.

CHART 2: HARRIS PERFORMANCE ATTRIBUTION



Source: Harris; Apex

The Independent Advisor comments that, Growth outperformed Value in Q1. The MSCI World Growth Index (GBP) returned +11.49% whereas the MSCI World Value Index (GBP) delivered +8.71%. Harris has underperformed the Value Index by -3.23% and the MSCI World Index (GBP) by -4.63%, resulting in a poor quarter for the manager on a relative basis. Positive contributions from sector selection came mainly from Real Estate (+0.20%), Communication Services (+0.20%) and Utilities (+0.18%), while IT (-0.58%) as a sector was the main negative contributor. Stock selection in Communication Services (-2.79) and Healthcare (-1.50%) negatively contributed, while stock selection in Consumer Staples (+0.27%), Consumer Discretionary (+0.26%) and Industrials (+0.25%) positively contributed. Harris is underperforming the performance target for the past 12 months by -13.09% and underperforming the target by -5.50% p.a. over three years.

The top contributor during Q1 was Fiserv which added +0.78% to the total return. Harris rate the Chief Executive of Fiserv and believe this remains an attractive investment. Charter Communications was the worst performing stock, detracting -1.02% from the portfolio. The stock price fell when the company reported that broadband subscribers declined 0.2%.

As at quarter end, the fund had a 39.9% allocation to Europe, 54.9% to the US, and the balance of 5.2% in Asia/Emerging markets.

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 | 0.04% | 0.39% | 0.27% |
| World – Market Capitalisation | 0.08% | 0.15% | 0.06% |
| Gilts | -0.01% | 0.00% | 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 Q1, the sustainable Solactive Index, against which the Future World global equity index fund is benchmarked, delivered a return of +9.28% compared with the full global equity market capitalisation index – MSCI World (GBP) - which returned +10.11%.

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 Q1 were Airport Industrial (-4.1%), Ardstone UK Regional Office (-12.0%) and Standard Life Long Lease Property Fund (-2.3%) contributing -0.8% between them.

Airport Industrial's return reflects the December 2023 valuation as the March valuation was not available. 75% of capital decline continued to come from lower yielding assets.

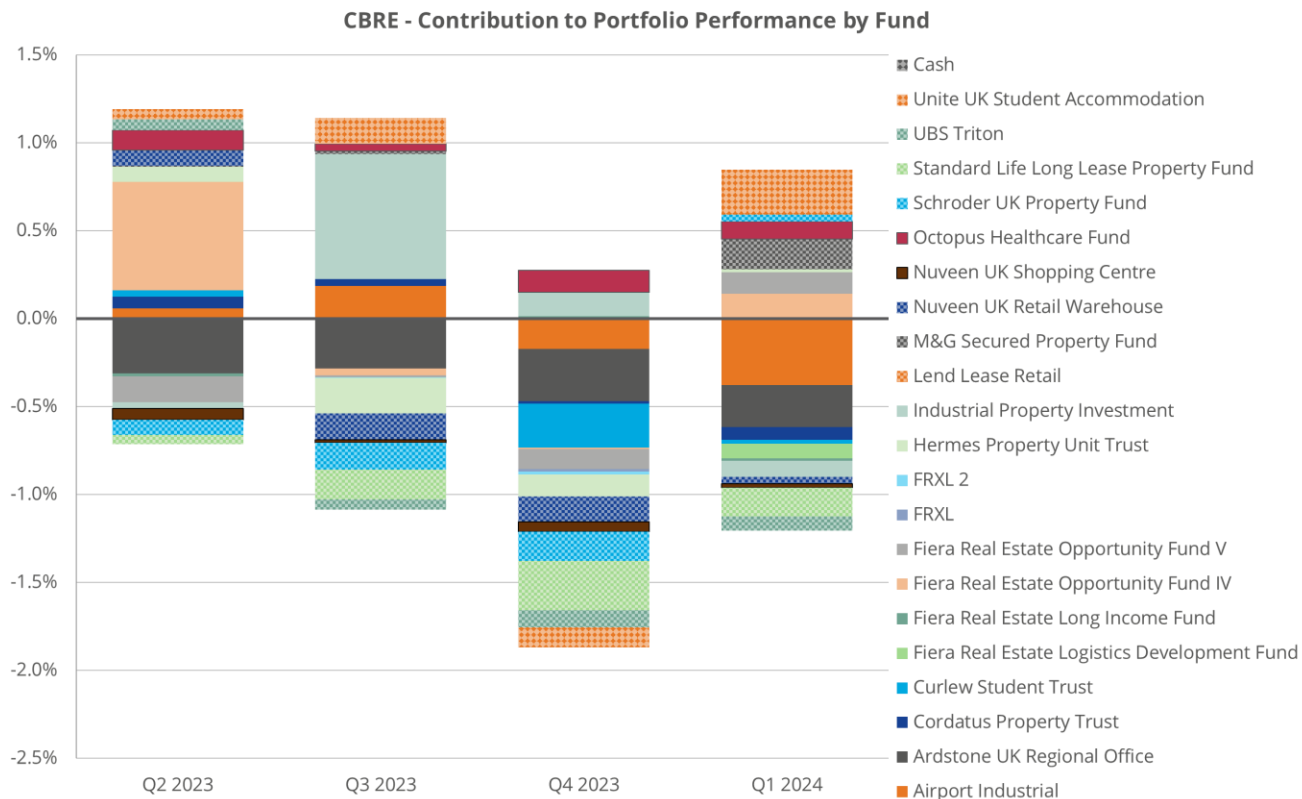
Ardstone saw a valuation decrease because of downward pressure from further yield reductions in the regional UK office sector.

Standard Long Lease Property Fund's poor performance was driven largely by the office assets and, to a lesser extent, the industrial portfolio, with ground rent holdings continuing to suffer from legislative changes.

Meanwhile, the top contributors to returns for the quarter came from the investments in Unite UK Student Accommodation, M&G Secured Property Fund and Fiera Real Estate Opportunity Fund IV which delivered returns of +3.7%, +2.2% and +11.8% respectively, contributing +0.6% to the fund's return in Q1.

For the 12 months to March 2024, Fiera Real Estate Opportunity Fund IV, Octopus Healthcare Fund and Unite UK Student Accommodation were the strongest contributors to returns, contributing +0.78%, +0.33% and +0.21% respectively to the one-year portfolio return. Most other contributions were small or negative. Airport Industrial Property Unit Trust (the darker orange bar in Chart 3) and Industrial Property Investments (the lightest green bar in Chart 3) remained the biggest detractors over the last year (-2.26% and -2.03% respectively).

CHART 3: CBRE PERFORMANCE ATTRIBUTION



Source: CBRE; Apex

Residential yields are showing signs of peaking with residential prime yields remaining steady over March. Annual rental growth in London has declined from 16.1% a year ago to 6.4% as at this quarter, which has brought it lower than the national average of 8.3% rental growth.

As at quarter end the portfolio had 21 investments and leverage on the portfolio stood at 10.8%, a slight increase from last quarter at 10.6%.

Partners

PG Real Estate Secondary 2009 (EUR) SICAR fund has invested in a total of 61 investments, with two unrealized investments remaining. Partners Group is establishing a liquidating trust for the Program to complete its dissolution. The trust will hold the remaining assets, with the main investors as beneficiaries until full realization. The liquidation is expected to conclude by the end of 2024 once the assets have been transferred to the trust and legal and tax matters are resolved

The pension fund has committed capital to PG Real Estate Secondary 2013 (USD). The Fund had made 42 investments, with 23 having been realized. The Fund is 72.0% drawn down and has distributed 91.9% of the invested money since inception. Investment activity is focused on enhancing the existing portfolio assets while evaluating divestment opportunities for the mature assets. The Fund's remaining 19 assets are all outperforming or above plan. The portfolio's allocation is split as follows: 61% Europe, 36% North America and 3% Asia-Pacific.

The pension fund has committed capital to PG Real Estate Secondary 2017 (USD). The Fund has drawn 61.0% of commitments and had 55 investments, with 5 having been realized. Of the 50 remaining investments, 11 are outperforming or above plan, 25 are on plan or recently acquired, and 14 are below plan. The portfolio's allocation is split as follows: 50% North America, 27% Asia-Pacific and 23% Europe. At the end of the period, the 2017 Fund remained in its value creation stage.

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 2024. A total of \$76.8m has been distributed back to investors (1.06x capital paid in).

In terms of how investments are performing relative to expectations at 31 December 2023, 51% of investments are above expectations, 25% are in line with expectations, and around 24% are behind expectations (as a % of commitment dollars).

For two examples of investments that are performing behind expectations please see below:

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 consequential monetary tightening. As of 31 March 2024, 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.

Marlin Heritage II, L.P.'s performance is "behind" expectations because 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 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 fund well to capitalize on the opportunities that lie ahead.

The manager has commented on some key macro drivers of return for 2024, including: liquidity continuing to drive the secondary market; venture capital opportunities in sectors such as artificial intelligence and climate tech; constrained capital availability driving the co-investment market.

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

The Independent Advisor comments that, London CIV's Multi-Asset Credit (MAC) sub fund returned +1.78% in Q1 2024, which was behind the performance target return of +2.39%. The one-year return for the fund is ahead of the target by +1.05%. However, the three-year return was behind the target by -4.49% p.a.

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. Losses from default have not had a material negative impact, however it is worth noting that during the quarter there were three defaults which detracted -0.1% from the quarterly return. Asset backed securities, particularly European CLOs and US Mortgage credit risk transfer securities were the largest contributors over the quarter. Spreads tightened increasing returns, while rising yields partially offset this. The return to a 'higher for longer' interest rate narrative had little effect.

Both managers remain on 'normal monitoring' overall, with LCIV's review of CQS scheduled for May 2024. This may be brought forward if their concerns over the acquisition of CQS by Manulife Financial Corporation materialise.

The value of the fund's investment in CQS and PIMCO stood at £313.4 million as of end March 2024, which represents 17.72% of the London CIV sub-fund, the total value of which stood at £1,768.3 million.

The carbon intensity of the sub fund was 23% below that of the benchmark as at end-March (a notable feat given the 25% drop in the carbon intensity of the benchmark – the Bloomberg Global Aggregate Corporate Total Return Index).

London CIV – Infrastructure Fund - Stepstone

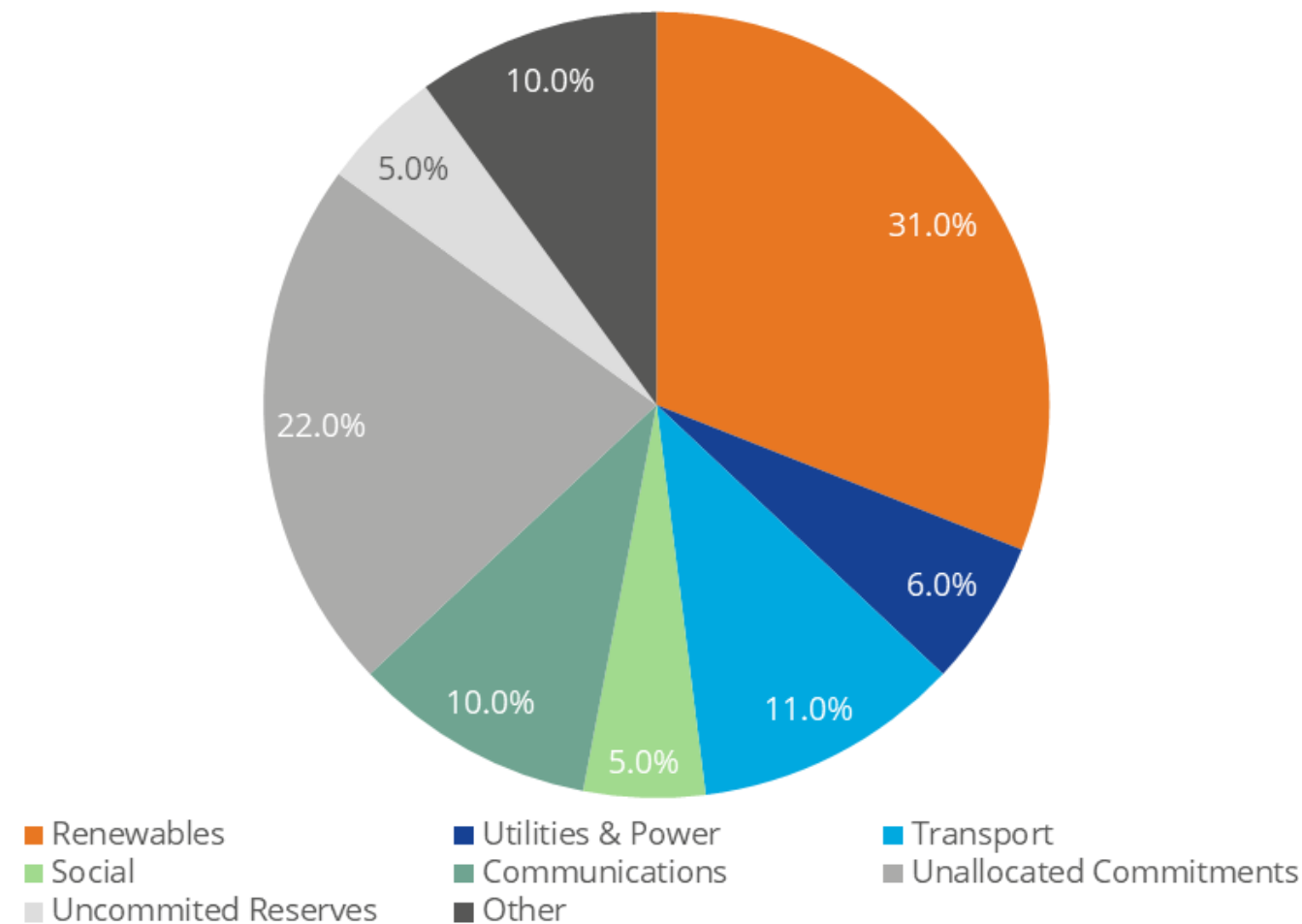
The Independent Advisor comments that, the London Borough of Camden pension fund had committed £106 million of capital to London CIV's infrastructure fund, as at end December 2023 (report for March not available at the time of writing this report). The total fund value was £371.0 million, although in total there are commitments of £399 million. London Borough of Camden's valuation as of 31 December 2023 was £98.6 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 three capital calls to investors during the quarter, totalling £27 million. These together with distributions were used to cover underlying capital calls to the fund.

There have been no additions to the portfolio since Q3 2022. Chart 4 shows the current split by sector of underlying allocations, including funds committed but not yet allocated to an underlying investment and uncommitted reserves.

CHART 4: SECTOR ALLOCATION BY FUND COMMITMENTS



London CIV continues to monitor deployment speed but reported that the deployment rate was ahead of expectations as at quarter end. They also reported that the Fund was still expected to meet its return targets over the long term, distributing their first income distribution this quarter and announcing their second for the following quarter.

TABLE 3: INFRASTRUCTURE INFORMATION

| Underlying Fund | Current Net IRR | Comments |
|-----------------------------------------------------------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Macquarie GIG Renewable Energy Fund 2 (MGREF 2) | +8.4% | 71% committed across 8 investments. |
| Arcus European Infrastructure Fund 2 (AEIF 2) | 26.2% | 93% committed across 9 investments. Received annual GRESB assessment - 4-star rating – 91%. |
| Equitix VI (EF VI) | +2.4% | 99% invested across 53 assets. |
| Basalt Infrastructure Partners III (BIP III) | +8.7% | 93% committed (88% invested) across 8 investments. |
| European Diversified Infrastructure Fund III (EDIF III) | +12.2% | 68% invested across 5 investments. Manager is still fundraising with a hard cap target of €5 billion The death of a contractor has led to a Health and Safety review at one of the enfinium plants. Plant operations unaffected. Igneo retain their 5* 100% UN PRI rating. |
| Capital Dynamics Clean Energy and Infrastructure VIII (CE VIII) | +5.1% | 80% invested. All operating assets are being impacted by lower than budgeted power prices Capital Dynamics won climate focused ESG fund in PE Wire ESG Euro AAA Awards 2023 |
| Brookfield Global Transition Fund (BGTF) | +8.3% | 74% committed across 17 investments. |
| Meridiam Infrastructure North America II (MINA II) | +4.6% | 13 investments. |

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 Real Estate Long Income Fund in August 2021. The total fund value as at end December 2023 was £154.6 million, with total fund commitments of £213.0 million. London Borough of Camden's valuation as of 31 December 2023 was £68.1 million, representing 44.1% of the fund.

Long-term, the fund aims 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 December 2023 (latest report available), the percentage deployed is 100%.

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 (55% CPI-indexed, 44% RPI-indexed, 2% open-market rents).

The portfolio of loans remains high quality, with an average credit rating of BBB, an average term of 21.9 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 to investors in March 2023 with the intention to make regular quarterly distributions yielding 3% per annum (currently well on track). During Q4 2023 it made a further quarterly distribution of £2.1 million.

Despite the Israel/Gaza conflict, which was a headwind for inflation falling, in the UK it fell from a high of 10.1% at the start of the year to 4% at the end of 2023. In terms of market outlook, the manager considers the property market to be at the bottom of the cycle.

As the fund reaches the end of its four year ramp up period in June, the fund is still outside its Industry Sector limit (max 40%) and Single Creditor Limit (max 25%) and LCIV do not consider it practicable to remedy this through "forced" sales. Therefore, LCIV have extended the period during which exposure limits do not apply by three years to June 2027. This should allow further investment to be used to diversify away from the current concentration and bring the fund naturally back in line with its limits.

London CIV – Diversified Growth Fund – Baillie Gifford

The Independent Advisor comments that, London CIV's Diversified Growth sub fund returned +0.83% in Q1 2024, 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.

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% above 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 March-end 2024, the fund had an allocation of 49.65% to Alternatives, 35.97% to Fixed Income, and 14.38% to Equities.

The value of Camden's investment in Baillie Gifford Diversified Growth stood at £91.0 million as of end March 2024, which represents 28.48% of the London CIV sub-fund, the total value of which was £319.5 million at March-end (after some large withdrawals from other investors).

London CIV had downgraded Baillie Gifford's monitoring status to 'Enhanced Monitoring' in December 2022 and they then reviewed the fund in June and again in December 2023. As a result of this, 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 sustained positive impact on performance. They will complete another in depth review no later than June 2024.

As at end March 2024 the weighted average carbon intensity of the sub-fund was 207.2% of that of the MSCI All Country World Index (following a notable increase in the fund's figure and a notable decrease in the benchmark). The fund had a higher exposure to fossil fuel companies than the benchmark (c.17% compared with the benchmark's c.7%) which is a large increase compared to last quarter. The calculation of carbon footprint includes only listed equity and corporate fixed income instruments within the fund.

The top contributors to the Weighted Average Carbon Intensity (WACI) were RWE Aktiengesellschaft NextEra Energy and WEC Energy Group. Without these three holdings, the WACI would fall by around 37.5%.

The manager's outlook is that inflation is on a downward path and policy rates have peaked in major Western economies. They did not discount the risk of investors being too bullish with rate cut expectations, hence a reduction in exposure to interest rate risk, but believe the probability of protracted recession has declined. They have cut the allocation to equities as they believe there are more attractive risk/return characteristics elsewhere, notably in infrastructure, which has seen a large increase.

They currently have reduced the allocation to emerging market debt, in local currency, in order to crystallise some of the recent returns, but remain bullish on equities in this region.

Ten members of the managers fixed income team left the manager at the end of Q1.

Summary of Concerns

| Date raised | Concern | Update |
|-------------|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Q1 2022 | LCIV – Global Alpha Paris Aligned (Baillie Gifford) | Some improvement in performance and LCIV reports confidence in changes to the process, but continued close monitoring recommended. |
| Q3 2022 | LCIV – Diversified Growth – Baillie Gifford | Still performing poorly and LCIV have the fund on enhanced monitoring. Close monitoring recommended. |
| Q4 2023 | London CIV MAC Fund – CQS | Acquisition of CQS by Manulife Financial Corporation – LCIV review scheduled for May 2024. |

Karen Shackleton
Senior Advisor, Apex
10th June 2024

Appendix B

| 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 | 2,305 | Fund | 11 | Not provided by London CIV | 157.60 | 6.84% | £94m increase in AUM. The number of investors remain unchanged. |
| Harris* | 7,010 | Strategy | 18 | 15th | 102.57 | 1.46% | £98 increase in AUM. The number of investors remains unchanged. Camden's rank decreased by 1. |
| Legal & General - UK equity (World)** | 17 | Fund | 1 | 1st | 17.49 | 99.96% | £1 decrease in AUM. The number of investors and Camden's rank remain unchanged. |
| Legal & General - North America** | 807 | Fund | 5 | 2nd | 313.24 | 38.80% | £65 increase in AUM. The number of investors and Camden's rank remain unchanged. |
| Legal & General - Europe** | 804 | Fund | 7 | 6th | 58.10 | 7.22% | £68 decrease in AUM. The number of investors and Camden's rank remain unchanged. |
| Legal & General - Japan** | 620 | Fund | 8 | 7th | 31.29 | 5.05% | £21 increase in AUM. The number of investors and Camden's rank remain unchanged. |
| Legal & General - Asia Pacific** | 402 | Fund | 8 | 7th | 19.22 | 4.79% | £30 decrease in AUM. The number of investors and Camden's rank remain unchanged. |
| Legal & General - Middle East** | 0 | Fund | 1 | 1st | 0.41 | 99.90% | <£1 increase in AUM. The number of investors and Camden's rank remain unchanged. |
| Legal & General - World Emerging Markets** | 1,233 | Fund | 10 | 7th | 45.51 | 3.69% | £18 increase in AUM. The number of investors and Camden's rank remain unchanged. |
| L&G ILCs** | 2,079 | Fund | 10 | 6th | 149.71 | 7.20% | The AUM remains unchanged. The number of investors and Camden's rank remain unchanged. |
| Legal & General - FW Global Equity Index** | 4,676 | Fund | 12 | 4th | 339.61 | 7.26% | £418 increase in AUM. The number of investors and Camden's rank remain unchanged. |
| CBRE | 3,267 | UK separate accounts | 33 | 11 | 84.18 | 2.58% | £26m increase in AUM. The number of investors has decreased by 2 and Camden's rank has increased by 1. |
| Partners 2009 fund* | 93 | Fund NAV | 53 (EUR SICAR sleeve) | 3rd | 7.21 | 7.75% | £36m decrease in AUM (Annually updated, as at December 2023). As the fund is a closed-ended vehicle, neither the number of investors nor Camden's rank will change over time. |
| Partners 2013 fund* | 239 | Fund NAV | 39 (in the USD CLP sleeve) | 5th | 13.72 | 5.74% | £112m decrease in AUM (Annually updated, as at December 2023). As the fund is a closed-ended vehicle, neither the number of investors nor Camden's rank will change over time. |
| Partners 2017 fund* | 262 | Fund NAV | 11 (in the USD DLP sleeve) | 3rd | 45.99 | 17.57% | £119m decrease in AUM (Annually updated, as at December 2023). As the fund is a closed-ended vehicle, neither the number of investors nor Camden's rank will change over time. |
| Harbourvest | 143 | Fund NAV | 8 | 2nd | 47.64 | 33.42% | As the fund is a closed-ended vehicle, neither the number of investors nor Camden's rank will change over time. |
| OQS/ PIMCO | 1,768 | Fund | 16 | Not provided by London CIV | 313.40 | 17.73% | £219m increase in AUM. The number of investors has increased by 2. |
| Stepstone | 371 | Fund | 6 | Not provided by London CIV | 95.82 | 25.83% | £38m increase in AUM. The number of investors remains unchanged. |
| Aviva | 155 | Fund | 3 | Not provided by London CIV | 68.10 | 44.05% | £1m decrease in AUM. The number of investors remains unchanged. |
| Baillie Gifford Diversified Growth | 320 | Fund | 4 | Not provided by London CIV | 91.00 | 28.44% | £355m decrease in AUM. The number of investors has decreased by 2. |
| Cash/Other | N/A | N/A | N/A | N/A | 97.67 | 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 changed how they report this data in Q3 2023, for details on methodology see the Q3 2023 report.