LONDON BOROUGH OF CAMDEN	**WARD:** All
REPORT TITLE: Performance Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	**DATE:** 19 September 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 30 June 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 ………………**29/08/2024**………………………………

1. **INTRODUCTION**

1.1. This report presents the performance of the Pension Fund investments up to 30 June 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 30 June 2024 is shown in Table 1 below, in percentages.

TABLE 1: FINANCIAL MARKET RETURNS Q2 2024

Market Returns		**Quarter**	**1 Year**	**3 Years (annualised)**
EQUITIES	FTSE all world	2.9	20.4	9.0
	UK FTSE All Share	3.7	13.0	7.4
	Europe (ex UK)	0.3	13.5	5.9
	North America	3.8	24.7	12.2
	Japan	-4.6	13.3	5.3
	Asia (ex-Japan)	4.9	16.5	3.3
	Emerging Markets	5.8	14.5	-0.2
UK gilts		-0.9	1.3	-8.2
ILGs		-2.1	0.02	-11.5
Corp bonds		-0.1	2.7	-3.8
UK Property		1.7	1.0	1.2
Commodities (approx.)		-0.7	7.0	2.6
Cash - SONIA+ 3.5%P.A 3m LIBOR was discontinued April 2nd		2.1	8.9	6.5
RPI (UK) Inflation		1.1	2.9	8.4
US CPI (Inflation)		0.2	3.6	8.0

1.3. Major global equity markets continued to perform well, driven by advancements in artificial intelligence (AI) and favourable economic data.

1.4. The Q2 UK GDP data release marked the fast quarterly pace of growth since 2021, largely driven by services growth. Inflation rates continued to decline due to the tax cuts and updated welfare benefits announced previously.

1.5. UK year-on-year headline Consumer Price Index (CPI) slowed meaningfully, returning to the Bank of England’s (BoE’s) 2% target for the first time in almost three years in May. However, the decline was still slightly smaller than expected and is largely due to declines in energy prices and their interaction with the Ofgem energy price cap. Core CPI, which strips out volatile components like energy and food prices, also slowed but, at 3.5% year on year, highlights stubborn underlying inflation pressures. This is further illustrated by services CPI which, though slowing, remained at 5.7% year on year.

1.6. US and UK 10-year bond yields both rose 0.2% pa over the quarter, to 4.4% pa and 4.2% pa respectively, amid robust economic activity and signs of stubborn underlying inflation pressures.

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 £2.120bn as at 30 June 2024, which represents an increase of 1.03%, or £21.61m, 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	31/03/24 £m	30/06/24 £m	31/03/24 %	30/06/24 %
Baillie Gifford (LCIV)	Global equity	+2-3%	2016	157	160	8%	8%
Harris	Global equity	+2-3%	2015	102	98	5%	5%
L&G	Global equity	0.%	2011	485	497	23%	23%
L&G	Future World global equity	0%	2021	340	351	16%	17%
CQS (LCIV)	Multi asset credit	4-5%	2019	313	319	15%	15%
L&G	Index linked gilts	0%	2009	150	145	7%	7%
Stepstone	Infrastructure	8-10%	2019	96	99	5%	5%
Partners	Global property	15%	2010	67	66	3%	3%
CBRE	UK property	+1%	2010	84	88	4%	4%
Aviva (LCIV)	UK property	1.5-2%	2021	68	68	3%	3%
Affordable Housing (LCIV)	UK Property	5-7%	2024	0	16	0%	1%
HarbourVest	Private equity	+8%	2016	48	48	2%	2%
Baillie Gifford (LCIV)	Diversified growth	+3%	2022	91	92	4%	4%
Cash & other				97	73	5%	3%
Fund				**2,098**	**2,120**	**100%**	**100%**

2.2. The Fund is currently overweight to equity at 53% against a 45% target. Multi-asset credit (CQS) remains at 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.

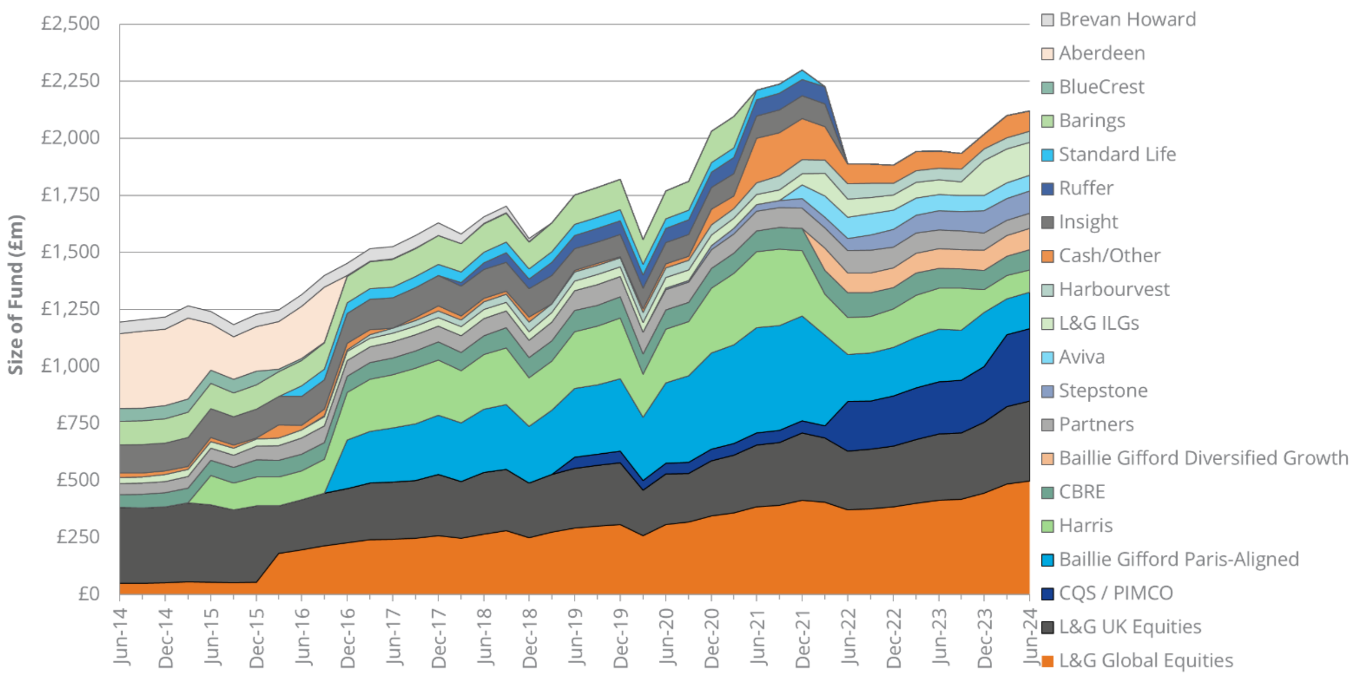
2.3. Infrastructure is 5% against a revised target of 9% (a second tranche of £76m was agreed to infrastructure at the March 2024 committee) and so once this new commitment draws capital over the coming years this asset class will also be on target. All other asset classes are close to target except for cash which is 3% of assets and is important to fund revenue expenditure.

TABLE 3: ASSET CLASS ALLOCATIONS

	Value £m	Current Weight	Target Weight
Baillie Gifford (LCIV)	160	8%	
Harris	98	5%	
L&G global passive	497	23%	
L&G passive equities	351	17%	
Equity	**1,106**	**53%**	**45%**
CQS (LCIV)	319	15%	
L&G Ind.Lkd Gilts	145	7%	
Bonds	**464**	**22%**	**23%**
CBRE	88	4%	
Partners Group	66	3%	
Aviva (LCIV)	68	3%	
Property	**222**	**10%**	**11%**
HarbourVest	48	2%	
Private Equity	**48**	**2%**	**2%**
Stepstone (LCIV)	99	5%	
Infrastructure	**99**	**5%**	**9%**
Baillie Gifford (LCIV)	92	4%	
DGF	**92**	**4%**	**5%**
Affordable Housing	**16**	**1%**	**5%**
Cash & other	**73**	**3%**	**0%**
Fund	**2,120**	**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 $734,914 at the end of Q2.

2.6. As Table 5 shows, the Fund's Fixed Income/Multi-Credit, Property, Private Equity and Diversified Growth allocations are close to the strategic asset allocation levels. The Fund remains above the target in active and passive equities and cash, but is below target for passive index linked, infrastructure, and affordable housing.

TABLE 5: ASSET CLASS OPERATING RANGES

Asset class	**Value £m**	**Actual %**	**Target %**
Active equities	258	12.2%	10%
Passive equities (ESG focused)	848	40.0%	35%
Fixed Income/Multi Asset Credit	319	15.0%	15%
Passive Index linked gilts	145	6.9%	8%
Property	222	10.5%	11%
Private equity	48	2.3%	2%
Infrastructure	99	4.7%	9%
Diversified growth fund	92	4.4%	5%
Affordable Housing	16	0.7%	5%
Cash	73	3.4%	0%
Fund	**2,120**	**100%**	**100%**

3. **LIABILITY MONITORING**

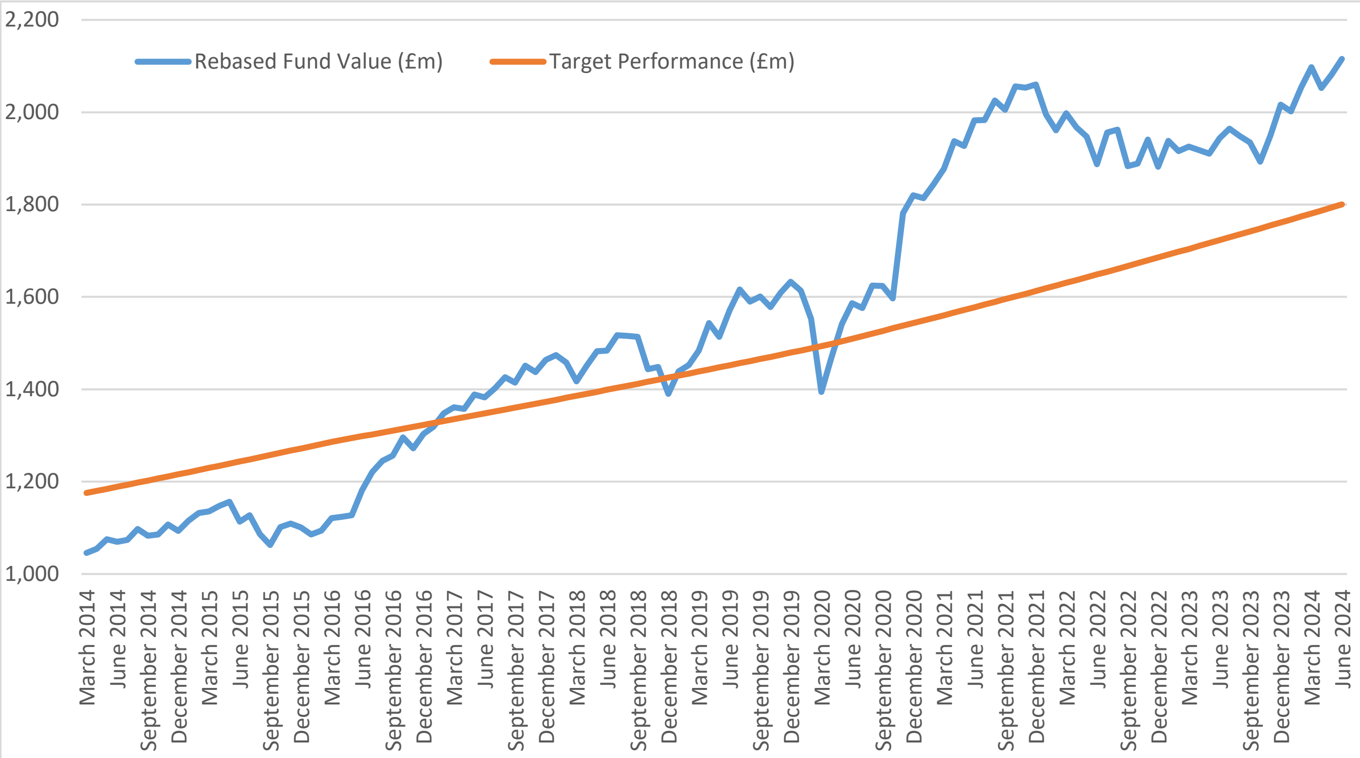
3.1. The actuary (Hymans Robertson) valued the liabilities at 31 March 2022 at £1.741bn, as part of the Triennial Valuation. This figure was calculated by discounting future liabilities with a discount factor equal to the assumed average annual return on assets (4.4% per annum). This gave a funding ratio 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 £266bn) indicates that average Local Government Pension Scheme (LGPS) fund return was 2.4% in the quarter. The Fund's returns were 1.4% for the quarter and so underperformed this benchmark.

4.2. Over 12 months the PIRC universe was 11.1% with the Camden Fund underperforming against the benchmark at 10.2%. Over three years the comparison with the PIRC universe is the Fund returning 3.0% with the PIRC universe averaging 4.4%.

4.3. Examining the individual investment manager returns in Table 7, this quarter the Fund has underperformed its target by -1.6% and has continued to have a difficult twelve months (-4.1% behind target). The contribution to the one-year underperformance has been driven largely by Harris (-17.5% relative performance), Baillie Gifford LCIV (-8.7% relative) and Partners 2017 (-34.4% relative). To a lesser extent, as they are smaller allocations, L&G Global Equity (-0.5%), CBRE (-3.4%), Partners 2009 & 2013 (-35.8% & -41.4% respectively) and Aviva (-4.9%) have also contributed to the overall Fund under-performance.

4.4. The one out-performing fund over one year was CQS & PIMCO (+0.7% ahead of target).

4.5. It is also interesting to note that both L&G funds (the Passive Global Equity and Future World funds) delivered c20% top line returns whereas active equity managers Harris and Baillie Gifford delivered 6.2% and 15% respectively. 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 -4.3% & -5.5% in both periods.

4.7. On an absolute basis (without reference to a target) the Fund has generated a return of 8.7% since inception. Compared to the actuary's assumption of 4.5% growth this is very positive.

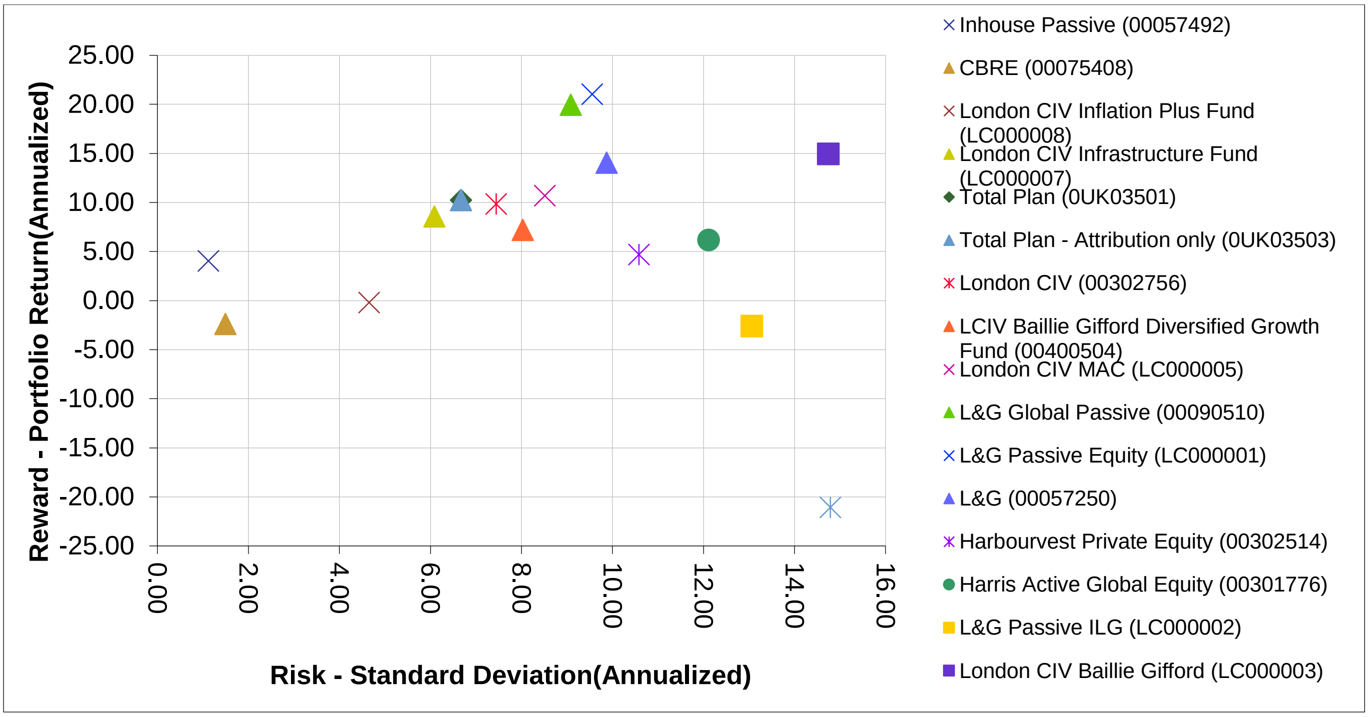
TABLE 7: MANAGER PERFORMANCE VS TARGET

Investment Manager	Trailing 3 Months	Trailing 1 Year	Trailing 2 Years	Trailing 3 Years	Since Inception
Harris	-3.2	6.2	9.7	4.7	9.8
Global Equities (Gross) + 2.5%	3.6	23.6	19.1	11.8	14.8
Excess Return	**-6.8**	**-17.5**	**-9.4**	**-7.1**	**-4.9**
Baillie Gifford GAG PAF (London CIV)	1.3	15.0	13.0	-0.7	11.1
Global Equities (Gross) +2.5%	3.6	23.6	19.1	11.8	14.3
Excess Return	**-2.3**	**-8.7**	**-6.1**	**-12.6**	**-3.2**
L&G Future World global equity	3.3	21.0	16.5	9.0	9.9
Solactive L&G ESG Global Markets	3.2	20.7	16.1	8.7	10.8
Excess Return	**-6.0**	**-0.0**	**7.1**	**-1.2**	**-0.7**
L&G global equity	2.5	19.9	15.8	8.9	12.7
FTSE All-World + 0%	2.9	20.4	16.0	9.0	12.8
Excess Return	**-0.4**	**-0.5**	**-0.2**	**-0.1**	**-0.0**
CQS & PIMCO (LCIV)	1.7	10.7	8.2	2.7	3.2
3 Month SONIA +4.50%	2.4	10.0	9.1	7.7	6.6
Excess Return	**-0.7**	**0.7**	**-0.9**	**-5.0**	**-3.3**
L&G passive ILG	-2.9	-2.6	-11.7	-14.7	3.4
FTSE > 5yr Index Linked Gilts + 0%	-3.0	-2.5	-11.9	-14.5	3.2
Excess Return	**0.1**	**-0.1**	**0.2**	**-0.2**	**0.1**
CBRE	0.2	-2.4	-9.6	-0.5	5.4
All Balanced Property Funds + 1%	1.4	1.0	-8.2	1.6	6.5
Excess Return	**-1.2**	**-3.4**	**-1.4**	**-2.1**	**-1.1**
Partners 2009 Euro fund	0.4	-20.8	-12.5	-3.3	4.3
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-3.2**	**-35.8**	**-27.5**	**-18.3**	**-10.7**
Partners 2013 USD fund	-2.8	-26.4	-19.4	-6.6	6.0
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-6.3**	**-41.4**	**-34.4**	**-21.6**	**-9.0**
Partners 2017 USD fund	-2.5	-19.4	-13.5	-0.3	2.4
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-6.0**	**-34.4**	**-28.5**	**-15.3**	**-12.6**
HarbourVest	1.7	4.7	-4.0	13.3	20.1
Absolute 8%	1.9	8.0	8.0	8.0	7.9
Excess Return	**-0.3**	**-3.3**	**-12.0**	**5.3**	**12.2**
Stepstone (London CIV)	3.4	8.6	8.1	10.2	4.8
9% p.a net	2.2	9.0	9.0	9.0	8.8
Excess Return	**1.2**	**-0.4**	**-0.9**	**1.2**	**-4.0**
Aviva (London CIV)	1.1	-0.2	-9.2	-	-8.8
RPI + 1.75%	1.6	4.7	8.6	-	10.3
Excess Return	**-0.4**	**-4.9**	**-17.8**	**-**	**-19.1**
Affordable Housing (London CIV)	0.0	-	-	-	-0.7
RPI + 1.75%	1.5	-	-	-	2.5
Excess Return	**-1.5**	**-**	**-**	**-**	**-3.2**
Baillie Gifford Diversified Growth Fund (LCIV)	1.6	7.2	2.6	-	-1.2
SONIA +3.5%	2.1	8.9	7.8	-	7.4
Excess Return	**-0.5**	**-1.7**	**-5.2**	**-**	**-8.6**
Total Fund	**1.4**	**10.2**	**7.0**	**3.0**	**8.7**
Total Fund Composite Target	**3.0**	**14.3**	**11.3**	**8.5**	**10.8**
Excess Return	**-1.6**	**-4.1**	**-4.3**	**-5.5**	**-2.1**

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 June 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 Global Passive & Passive Equity Funds. At the other end of the scale, some of the poorest performers in the portfolio are the CBRE and Partners Group funds (mainly due to increases in interest rates). The most volatile fund is the Partners Group fund.

TABLE 8: RISK VS REWARD GRAPH



4.10. **Harris** underperformed relative to its target, with a quarterly shortfall of -6.8% and a one-year underperformance of -17.5%. The primary detractor was CNH Industrial, which struggled due to weaker-than-expected earnings and ongoing supply chain disruptions that impacted production and delivery. In contrast, the top performer for the quarter was Alphabet, driven by robust advertising revenue growth and continued strength in its cloud computing segment, both of which exceeded market expectations and supported a rebound in its stock price.

4.11. **Baillie Gifford (CIV)** had a much better quarter underperforming against target for the quarter by just -2.3% but has starker underperformance against the one-year target by -8.7%. The 2- and 3-year periods – are -6.1% and -12.6% behind target respectively. The London CIV does not have this manager on enhanced monitoring. The manager is on 'normal' monitoring but has them on amber for performance and cost transparency. The fund's underperformance is primarily attributed to its challenge to keep pace with a narrow set of large-cap technology stocks (e.g., NVIDIA, Microsoft, Apple, Meta, Amazon), which drove index performance. Although the fund holds positions in some of these companies, it did not fully capitalize on their growth. The fund manager's focus on valuation discipline, preventing them from participating in what was described as "momentum trades," contributed to the relative underperformance. This cautious approach limited exposure to some of the top-performing stocks, notably NVIDIA, which became a market leader in Q2.

4.12. **L&G Future World Global Equity fund** outperformed its benchmark in the quarter by -0.1%. The one- and two-year periods are 0.4% and 0.3% above target respectively. The top sector holding is financial with 18.8% and top equity holding is AstraZeneca accounting for 8.8% of the fund. 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&G Global Passive Equities** fund has slightly underperformed its benchmark throughout all time periods. The top contributors are allocations to US tech stocks, such as Apple, Microsoft, and NVIDIA, continued to lead global gains, driven by robust corporate earnings and favourable market conditions. The top detractors are European equities, especially in sectors like industrials and consumer discretionary, which underperformed due to slowing economic activity and Emerging markets exposure, particularly in China, which faced economic challenges, adding drag to overall performance

4.14. The **CQS and PIMCO Fund** underperformed against target for the quarter by -0.7% but outperformed against the one-year target by +0.7%, 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.

4.15. The **L&G passive Index Linked Gilts Fund** has had periods of slight outperformance and subsequently slight underperformance. However, the long term (since inception) it has achieved 3.4% return. For the quarter, US and UK bond markets, where yields rose slightly, offered modest returns from index-linked bonds.

4.16. **CBRE** underperformed against the quarter and one year target by -1.2% and -3.4% respectively.

4.17. **Partners Group** funds' performance deteriorated over the quarter, 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 -3.2% over the quarter 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 the quarter and now registers -26.4% over the past twelve months. Since inception, the fund has returned 6.0% 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.

iii. The 2017 Dollar fund, the newest of the three funds, also suffered lower returns in the previous quarter, a fall of -2.5%, 6.0% below the target for the quarter. Since inception, it has achieved 2.4% growth against an ambitious 15% target. This poor performance reflects downward pressure on office properties in the portfolio as capital markets continue to present major headwinds.

4.18. **HarbourVest** investment fund slightly underperformed against target for the quarter by -0.3% and has also underperformed against target for one year by -3.3%. Since inception HV have delivered very positive results (+20.1%).

4.19. **Stepstone (CIV)** outperformed its quarterly target by +1.2% but fell short of the one-year benchmark of 9.0%, underperforming by -0.4%. As of 31 March 2024, the net internal rate of return (net of investment manager fees but gross of Fund-level fees/expenses) for each underlying investment remains in line with expectations. The Q2 2024 investment report, due on 30 September 2024, will provide further updates. To date, the Fund's net asset value continues to surpass the total contributed capital of £315.9 million since inception. LCIV's Monitoring Status for StepStone remains at 'Normal'.

4.20. **Aviva (CIV) real estate long income fund** received initial investment from the Fund in December 2021. Performance over the quarter saw an increase of 1.1% and underperformed the target over twelve months by -4.9%.

4.21. **Baillie Gifford Diversified Growth Fund (CIV)** under-performed against the target for the quarter and one-year targets by -0.5% and -1.7% 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 and as per their 22nd August 2024 Business Update, remains in this category. There have been redemptions from this Fund at the CIV.

5. FOSSIL FUEL EXPOSURE

5.1. All Investment managers were asked about the Fund's exposure to fossil fuels in general. The results for all our investment managers, at 30 June 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%. This decreased to 2.09% as at March 2024 and further to 1.99% as at June 2024.

TABLE 9 TOTAL FUNDS INVESTED IN FOSSIL FUELS

Mandate		Total Fund £m	Fossil Fuel Holdings (£m)	Fossil Fuel Holding
Legal & General	Global equity	£497m	£20m	
	Future World global equity	£351m	£5m	
	Index-linked gilts	£145m	£0m	
Harris		£98m	£4m	
Baillie Gifford	Global equity	£160m	£0m	
CBRE		£88m	£0m	
HarbourVest		£48m	£1m	
Partners Group		£66m	£0m	
Aviva		£68m	£0m	
Affordable Housing		£16m	£0m	
Stepstone		£99m	£0m	
CQS		£319m	£11m	
BG DGF		£92m	£3m	
Cash - JPM		£73m	£0m	
Total (as at 31 December 2023)		**£2,120m**	**£42m**	**1.99%**

5.3. Investment managers were also asked what percentage of our portfolio was invested in the Carbon Underground 200 Index of companies at June 2024. This is a more consistent definition of fossil fuel companies, and the results are below. This has reduced from 1.42% in Dec 23 to 1.09% in Mar 24 to 0.98% this quarter.

TABLE 10: CARBON UNDERGROUND 200 COMPANIES

Investment manager and mandates	% invested
Legal and General Global equity	0.59%
Legal and General Future World Global equity	0.12%
Legal and General (Over 5y Index-Link Gilts)	0.00%
Harris Global equity	0.17%
Baillie Gifford - LCIV Global equity	0.04%
CBRE UK property	0.02%
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)	0.04%
Baillie Gifford DGF (LCIV)	0.00%
NAV invested as at 30 June 2024	**0.98%**

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

Q2 2024 Portfolio Valuation Report

London Borough of Camden

30 June 2024

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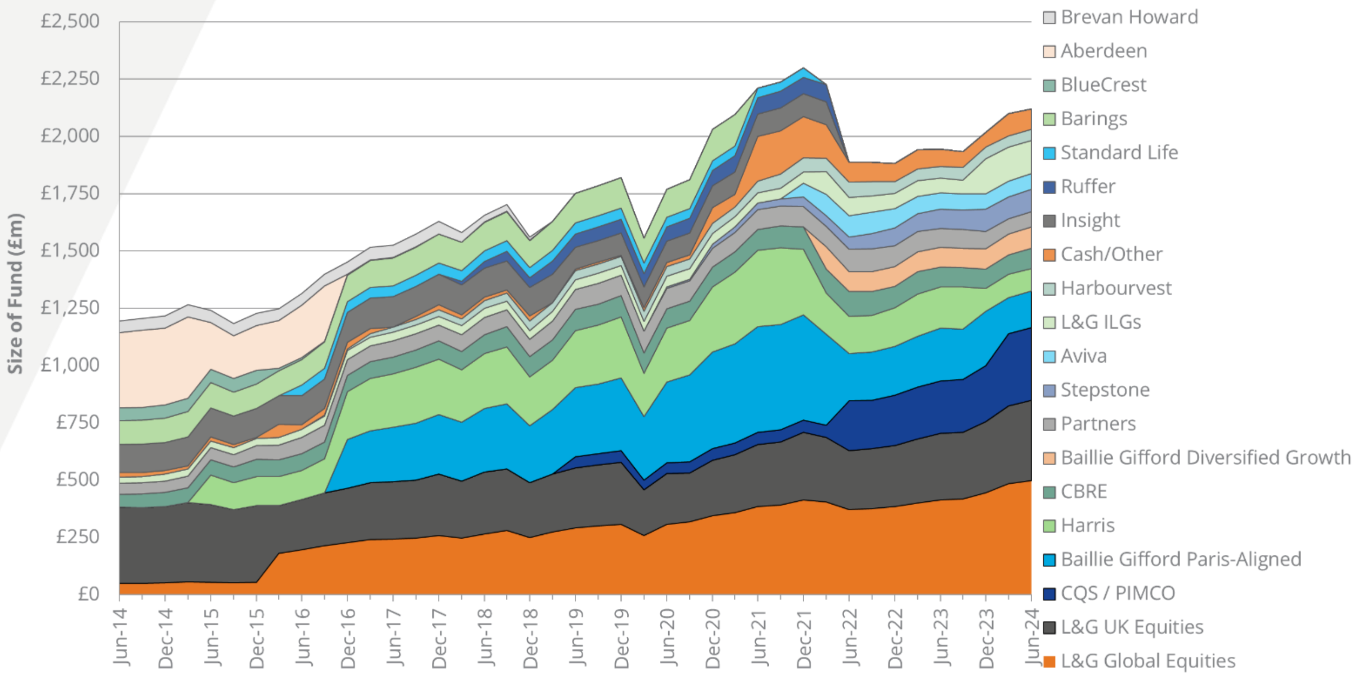
Total Fund Valuation

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 remained stubbornly high in Q2 2024, particularly in services, on the back of strong economic data which kept central banks cautious. The ECB cut rates by 25 basis points, while the Fed and BoE held rates steady. Markets now expect a 0.5% fall in US rates by the end of the year, while the Fed itself is slightly less positive, due to weakening economic data throughout the quarter, notably a soft US labour market and consumer data, although corporate earnings have continued to surprise positively in Q2. Treasury yields ended the quarter where they started. Similarly, the UK economy showed signs of slowing following a strong Q1 rebound, and markets have greeted the new Labour government with cautious optimism, their large majority driving hopes of a period of greater stability. In the UK, inflation hit 2%, however this was principally driven by a base effect, with annualised quarterly inflation rates still well-above the target rate. The scope for further rate cuts in Europe also looks limited due to sticky inflation. Economic indicators ultimately however remain positive, with GDP growth of 0.3%, 0.4% and

2.9% in the UK, Europe and US, respectively, the latter of which continues to be driven by high fiscal spending.

Q2 saw positive returns for most risk assets. Developed market equities gained 2.8%, driven by strong performance in larger companies and the technology sector, particularly those linked to AI. Emerging markets outperformed developed markets, with Asia ex-Japan equities delivering returns of 7.3%, boosted by policy support and supressed valuations in China alongside strong performance in Taiwan due to AI-exposure. Fixed income had mixed results, with US Treasuries delivering slight positive returns given the declining economic data through the quarter, while European and UK government bonds posted losses due to political uncertainty (notably from France), persistent inflation and cautious central bank guidance. Within corporate bond markets, high yield generally outperformed investment grade in the US and Europe, while UK corporate credit was marginally weaker. Commodities posted modest gains, driven by industrial and precious metals, while digital assets saw a slight pullback after a strong Q1. The US dollar was up 6.3% on the Japanese yen due to interest rate differentials, slightly up on the euro and yuan, and slightly down on the pound.

TABLE 1: QUARTERLY GDP GROWTH RATE

	US GDP	UK GDP	Eurozone GDP	Japan GDP
Q2 2024*	3.1%	N/A	0.6%	N/A
Q1 2024	2.9%	0.3%	0.5%	-0.7%
Q4 2023	0.8%	-0.3%	-0.1%	0.0%
Q3 2023	1.2%	-0.1%	-0.1%	-0.7%

*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 2.8% in Q2, resulting in +12% returns year-to-date largely on the back of continued momentum in AI-related stocks, and strong but moderating economic growth. The performance was relatively broad-based regionally; however we note value stocks outperformed growth in Europe, reflective of hawkish commentary from central banks which are now more aligned to the US alongside lower exposure to AI and the Magnificent 7. The VIX remains low, particularly for an election year, reverting to 12, bringing it in line with Q4 2023.

In the US, the S&P500 and NASDAQ rose +3.9% and +8.3% respectively, again driven by the Magnificent 7. Q1 quarterly real GDP growth was revised down to 1.3% from 1.6%, with the manufacturing PMI recovering strongly from a substantially weaker April of 50, to 51.6 in June. This metric ran counter to labour and consumer data, with unemployment rising from 3.9% to 4.1% through the quarter, and other data generally falling below consensus since May.

The MSCI Europe ex-UK rose by 0.6%, with value outperforming growth. Inflation was relatively unchanged, however forward-looking guidance turned slightly more hawkish with the ECB citing a data-driven approach against a backdrop of high underlying services inflation. The Manufacturing PMI remained at similar levels to Q1 (~46.2), however composite PMI saw sustained momentum at 51.6, reflective of strong services growth.

UK equities rose +3.7% with the FTSE 100 reaching all-time highs. Performance of SMID-cap companies was supported by strong bid activity. It was confirmed the UK economy rebounded from a technical recession in H2 2023, recording quarterly Q1 GDP growth of 0.7% (revised up from 0.6%). Although composite PMI remained above 50 (led by services), labour and consumer data weakened throughout the quarter, with unemployment rising to 4.4% from 3.8% in December 2023.

The Nikkei 225 returned -1.9%, however year-to-date gains are 19.3%, driven by the weakening yen. The Bank of Japan's actions, including raising Japanese government bond yields and reducing JGB purchases, failed to curb yen weakness. Despite weak real-term wage growth and stagnant consumer sentiment, record-high tourism bolstered spending. Earnings season showed strong results but was marred by conservative guidance. Increased share buybacks positively impacted stock prices.

Emerging markets equities rose 5.0% during the quarter, with Asia up strongly, led by Taiwan and its exposure to AI themes. Shares in China also experienced strong gains, with investors cautiously returning to markets against a backdrop of low valuations. Indian shares showed strong growth, although there were some concerns regarding valuations. Turkey performed strongly amid hopes it will continue to follow orthodox economic policies. Other European EMs also did well.

Yields varied by region over the quarter, with the ECB and BoE guiding to a higher for longer rate environment against a backdrop of underlying annualised quarterly inflation figures that remain well-above target rates. High yield outperformed investment grade, reflective of continued relatively strong economic performance by historical standards. The 2s – 10s yield curve (the difference between 10-year and 2-year US Treasuries) remained inverted and largely traded sideways, with a late flattening arguably attributable to expectations of higher long-term US fiscal spending.

The US 10-year treasury yield rose from 4.2% to 4.4%, while the 2-year traded sideways at ~4.6%. Fed policy remained hawkish, guiding to one rate cut in 2024 versus market expectations of two.

The European 10-year composite yield rose from 2.3% to 2.5%, with more hawkish commentary highlighting services inflation and a need for data-driven policy decisions alongside political uncertainty which caused a spike in French – German spreads.

The UK 10-year Gilt yield rose from 3.9% to 4.2%, again reflective of hawkish commentary and inflation prints which suggest an increase in inflation in H2 2024 to levels above the official target.

Corporate bonds outperformed government bonds, led by high yield, however all returns were relatively muted overall (European corporate high yield +1.4%, US high yield +1.1%, US investment grade -0.1%, UK investment grade -0.3%).

Energy prices varied, with US natural gas prices up +48% and Brent Crude -1.2%. The S&P GSCI (Goldman Sachs Commodity Index) achieved a modest gain, with industrial metals and precious metals the strongest components. Agriculture was the weakest component of the index.

US gas prices rose sharply and returned to Q4 2023 levels (posting 78% gains through mid-June before moderating to +48% by quarter-end). This reflects high demand from AI-related consumption, geopolitical tension in the Middle East, lower US production, supply disruptions in Norway, and due to its importance in the renewable energy transition.

Brent crude oil prices traded sideways on the back of a strong Q1 and modest OPEC supply cuts.

Industrials and precious metals performed well through the quarter, led by silver and zinc. Gold and copper posted more modest increases of +5.5% (+12.9% ytd) and +9.6% (+12.9% ytd) respectively.

Within agriculture, significant price gains for coffee failed to offset weaker prices for cotton, corn, cocoa and sugar.

Global listed property fell, with the FTSE EPRA Nareit Global Index falling by -2.1%.

The Nationwide House Price Index in the UK posted modest gains against a backdrop of relative stability.

European commercial property continued its recovery into Q2, with the Green Street Commercial Property Price Index increasing by 0.5%, led by the hotel sector (+2.0%). Meanwhile, residential, industrial, and data centre sectors also saw gains, whereas B/B+ quality office prices continued to decline by 1.0% due to negative sentiment among buyers and lenders.

In currencies, the dollar strengthened marginally (dollar index +1.3%), led by weakness of the Japanese yen (USD/JPY +6.3%) caused by interest rate differentials. The pound posted modest gains on the euro (+0.9%) and dollar (+0.2%). Bitcoin (-5.8%) and Ethereum (-12%) consolidated but remained up circa 50% year-to-date. Both saw continued momentum in the approval and launch of spot crypto ETFs by major financial institutions and progress in regulatory frameworks.

Asset Allocation

One potential area of concern is the US which has seen substantial growth in both GDP and equity valuations over the past year. Sentiment in the market seems to suggest that it is becoming overheated, and with an election looming there is added uncertainty. The market is also dominated by the tech sector. The fund’s exposure to the US is through global equity mandates, and as a result this is a question to put to the underlying investment managers to establish whether they plan to reduce their exposure to the US in the coming months. Globally, 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 +1.28% in Q2, outperforming Harris by +4.53% for the quarter but underperforming the Growth Index which returned +6.16%. Over a 12-month period, the Baillie Gifford sub-fund outperformed Harris by +8.78%. The return in Q2 was ahead of the MSCI ACWI Index (GBP), which delivered +3.58%. The manager is underperforming its performance target over 12 months, with an absolute return of +14.98% vs the target of +23.63%. The manager is also behind the target over 3 years by -12.58% 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.

Nvidia, Alnylam Pharmaceuticals and Alphabet were Baillie Gifford's best-performing positions in the Paris-Aligned fund during the quarter, contributing +1.8% to the quarterly return. Doordash, Block, and CRH were the largest detractors. The fund added three new positions to the portfolio in Q1 including: AutoZone Inc (US car parts retailer), Kweichow Moutai (Chinese alcohol producer) and Unitedhealth group (US healthcare company). Five sales were completed during the quarter: Adevinta, Alibaba Group, Prudential, Teradyne, and Tesla. The beta on the Paris Aligned portfolio as at the quarter end stood at 1.13. This means that if the market falls 10%, the portfolio is expected to fall by 11.3%.

Baillie Gifford's 12-month performance has produced weak returns on a relative basis, underperforming the performance target by -8.86%. The manager is also underperforming the performance target since inception by -3.22% per annum.

LCIV notes it is pleased to see the significant improvements in many aspects of the investment process, portfolio construction and investment risk management that have been made over the last 18 months. LCIV is confident in the longer-term positive effects of these improvements, but ongoing performance remains a watch point, although it is worth noting that LCIV have maintained the overall monitoring status at 'Normal Monitoring'.

The Paris Aligned fund held 90 companies at quarter end, across 19 different countries, and had an active risk of 4.30% (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 a 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 consumer discretionary, communication services, healthcare, materials and cash. It was underweighted in information technology, consumer staples, financials, industrials and other investments.

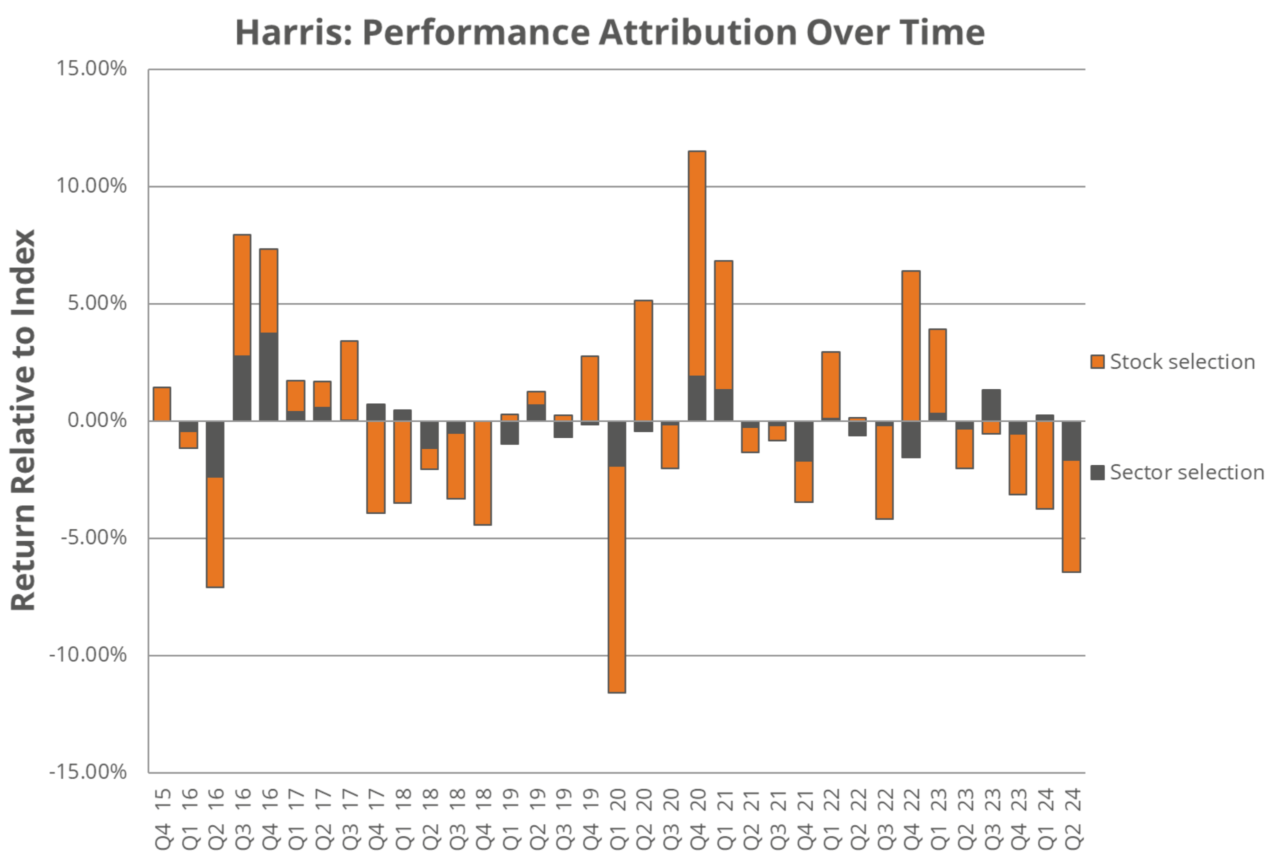
The Paris Aligned Baillie Gifford sub-fund aims to have a weighted average greenhouse gas intensity that is lower than that of the MSCI ACWI Climate Paris Aligned Index. However, London CIV compares the portfolio against the full market capitalisation index for carbon intensity purposes. As at end June 2024, the weighted average carbon intensity of this portfolio was roughly 75% of the intensity of the MSCI All Country World Index. The fund had a 0% exposure to fossil fuel companies (compared with the MSCI All Country World benchmark which had 4% in fossil fuels).

In terms of assets under management, the LCIV Paris Aligned sub-fund stood at £2,332.6 million as at end June. 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 Q2 2024, with -1.65% attributed to sector selection, while -4.80% was attributed to stock selection.

CHART 2: HARRIS PERFORMANCE ATTRIBUTION



Source: Harris; Apex

The Independent Advisor comments that, Growth outperformed Value in Q2. The MSCI World Growth Index (GBP) returned +6.16% whereas the MSCI World Value Index (GBP) delivered -1.38%. Harris has underperformed the Value Index by -1.87% and the MSCI World Index (GBP) by -1.87%, resulting in a poor quarter for the manager on a relative basis. Positive contributions from sector selection came mainly from Real Estate (+0.09%), with all other sectors detracting from return or neutral. Industrials (-1.14%) as a sector was the main negative contributor. Stock selection in Industrials (-1.01%) and Healthcare (-1.04%) negatively contributed, while stock selection in Materials (+0.18%), and Consumer Discretionary (+0.15%) positively contributed. Harris is underperforming the performance target for the past 12 months by -17.46% and underperforming the target by -7.11% p.a. over three years.

The top contributor during Q2 was Alphabet which added +0.77% to the total return. CNH Industrials was the worst performing stock, detracting -0.71% from the portfolio.

As at quarter end, the fund had a 40.2% allocation to Europe, 55.0% to the US, and the balance of 4.8% 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, with the exception of Europe (within the World – Market Capitalisation Fund). LGIM reports that withholding tax, paid on dividends from Swiss and Belgian holdings, is no longer expected to be recoverable. As a result, they have taken the decision to make an adjustment to the fund value by removing the tax accruals in these markets and reducing others in relation to European countries where there is a significant risk to recovery in the near term. They note that this accounts for the higher deviation from the benchmark for this quarter (a tracking error of -2.65%) which may also feed into longer performance periods spanning this adjustment. The tracking is shown in Table 2. Apart from the withholding tax issue, mentioned above, there are no concerns.

TABLE 2: TRACKING ERROR

	Three-Month Tracking	One-Year Tracking	Three-Year Tracking
World – Future World	-0.43%	-0.39%	-0.09%
World – Market Capitalisation	0.07%	0.36%	0.27%
Gilts	0.00%	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 fund's investment beliefs.

In Q1, the sustainable Solactive Index, against which the Future World global equity index fund is benchmarked, delivered a return of +3.25% compared with the full global equity market capitalisation index – MSCI World (GBP) - which returned +2.45%.

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 Ardstone UK Regional Office (-16.2%), Fiera Real Estate Opportunity Fund V (-2.5%), and FRXL 2 (-45.9%) contributing -0.4% between them.

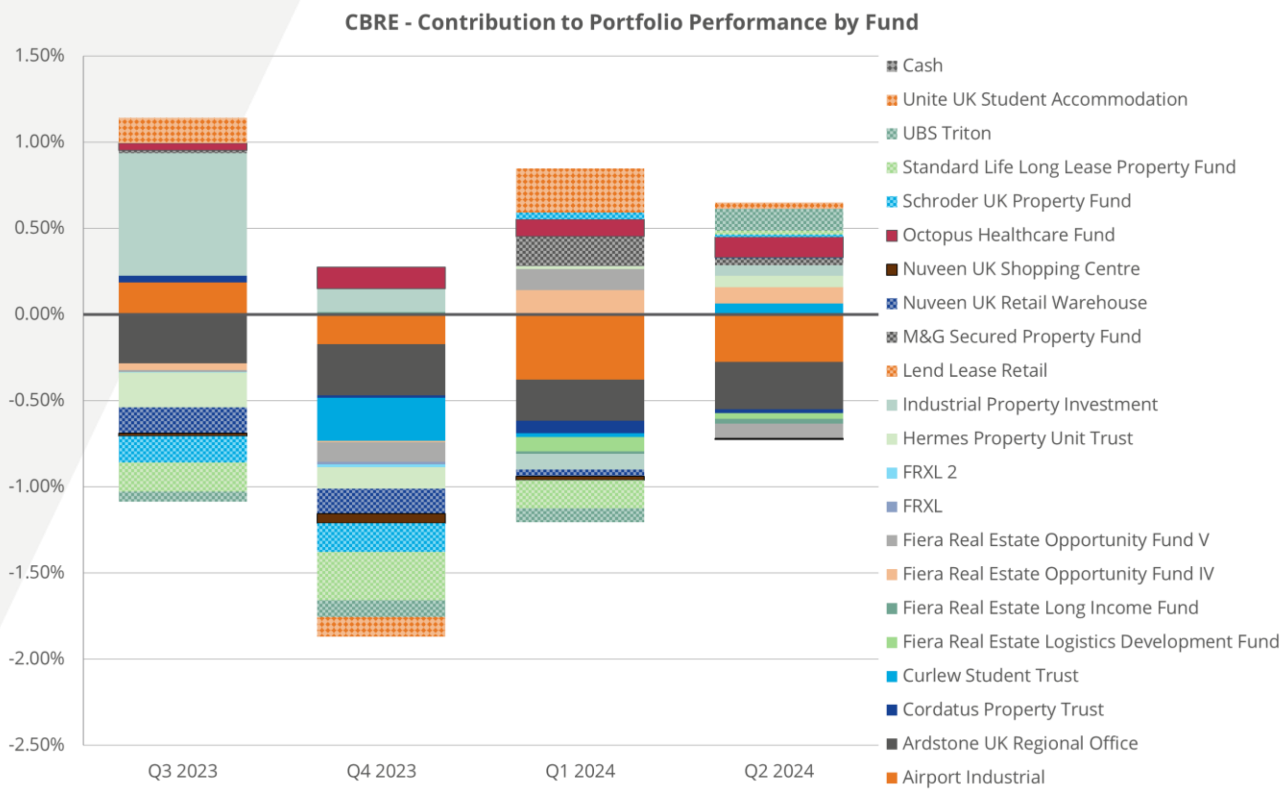
Ardstone saw a valuation decrease of -8% because of downward pressure from further yield reductions in the regional UK office sector.

Fiera Real Estate Opportunity Fund V returned -2.5% for the quarter. Poor performance was driven largely by the industrial development holding in Bishops Stortford, as the main contractor fell into administration.

Meanwhile, the top contributors to returns for the quarter came from the investments in Octopus Healthcare Fund, UBS Triton Property Unit Trust and Hermes Property Unit Trust which delivered returns of +1.6%, +1.3% and +1.1% respectively, contributing +0.3% to the fund's return in Q1.

For the 12 months to June 2024, Fiera Real Estate Opportunity Fund IV, Industrial Property Investment and Octopus Healthcare Fund were the strongest contributors to returns, contributing +0.80%, +0.78% and +0.50% respectively to the one-year portfolio return. Most other contributions were small or negative. Ardstone UK Regional Office (the solid dark grey bar in chart 3) and Standard Life Long Lease Property Fund (the checkered light green bar in chart 3) were the biggest detractors over the last year (-1.40% and -0.58% respectively).

CHART 3: CBRE PERFORMANCE ATTRIBUTION



Source: CBRE; Apex

As at quarter end the portfolio had 21 investments and leverage on the portfolio stood at 10.5%, a slight decrease from last quarter at 10.8%.

Partners

PG Real Estate Secondary 2009 (EUR) SICAR fund has invested in a total of 61 investments, with two unrealised investments remaining. Partners Group has established 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 realisation. 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 realised. 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. Of the Fund's remaining 19 assets, 8 are outperforming or above plan, and 11 are below plan. The portfolio's allocation is split as follows: 60% Europe, 37% 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, 10 are outperforming or above plan, 25 are on plan or recently acquired, and 15 are below plan. The portfolio's allocation is split as follows: 50% North America, 28% Asia-Pacific and 22% 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 85% had been drawn down as at 30 June 2024. A total of $78.5m has been distributed back to investors (1.07x capital paid in).

In terms of how investments are performing relative to expectations, as at 31 March 2024, 46% of investments were above expectations, 29% were in line with expectations, and around 25% are behind expectations (as a % of commitment dollars).

The investments which are below expectations are primarily attributed to a handful of underperforming direct investments that were particularly impacted by the Covid-19 pandemic and the consequent higher inflationary environment. 87% of Global Fund 2016 comprises of primary and secondary investments, of which approximately 75% are above or at expectations. Because of this, HarbourVest Partners remains optimistic towards the future trajectory of the Fund, especially as investments continue with value creation plans and company optimisation.

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

The Independent Advisor comments that, London CIV's Multi-Asset Credit (MAC) sub fund returned +1.70% in Q2 2024, which was behind the performance target return of +2.38%. The one-year return for the fund is ahead of the target by +0.68%. However, the three-year return was behind the target by -5.03% p.a.

LCIV commented that the performance gap of the sub-fund has narrowed over the last year but expects a large portion of future returns to be driven by contractual income. Therefore, LCIV expects the sub-fund to recover the performance shortfall over the medium term by harvesting this income and avoiding defaults, for which both Managers have strong track records.

Both managers remain on 'normal monitoring' overall. LCIV's review of CQS was completed in April 2024, and the results were presented to investors in June 2024. Overall, LCIV does not have any immediate concerns from the acquisition of CQS by Manulife but have noted a few items as "watch points". LCIV's review of PIMCO resulted in an upgrade to "green" for the score on resourcing, having been satisfied that the portfolio management team are fully equipped.

The CQS fund aims to achieve high returns through a focus on sub-investment grade credit and floating rate products. The strategy involves sector diversification and a bottom-up approach to minimise risk. The manager's outlook for credit markets is positive due to high levels of recurring income and a focus on avoiding defaults.

The PIMCO portfolio has been dynamically pivoting between asset classes, focusing on high-quality companies in developed markets and securitised exposure. The team has been cautious with emerging markets, preferring higher-rated investment-grade names.

The value of the fund's investment in CQS and PIMCO stood at £318.7 million as of end June 2024, which represents 16.77% of the London CIV sub-fund, the total value of which stood at £1,900 million.

The carbon intensity of the sub fund was 6% below that of the benchmark as at end-June (a deterioration in the relative WACI since last quarter, when the sub-fund had a carbon intensity c.23% lower than the benchmark – the Bloomberg Global Aggregate Corporate Total Return Index).

London CIV – Infrastructure Fund - Stepstone

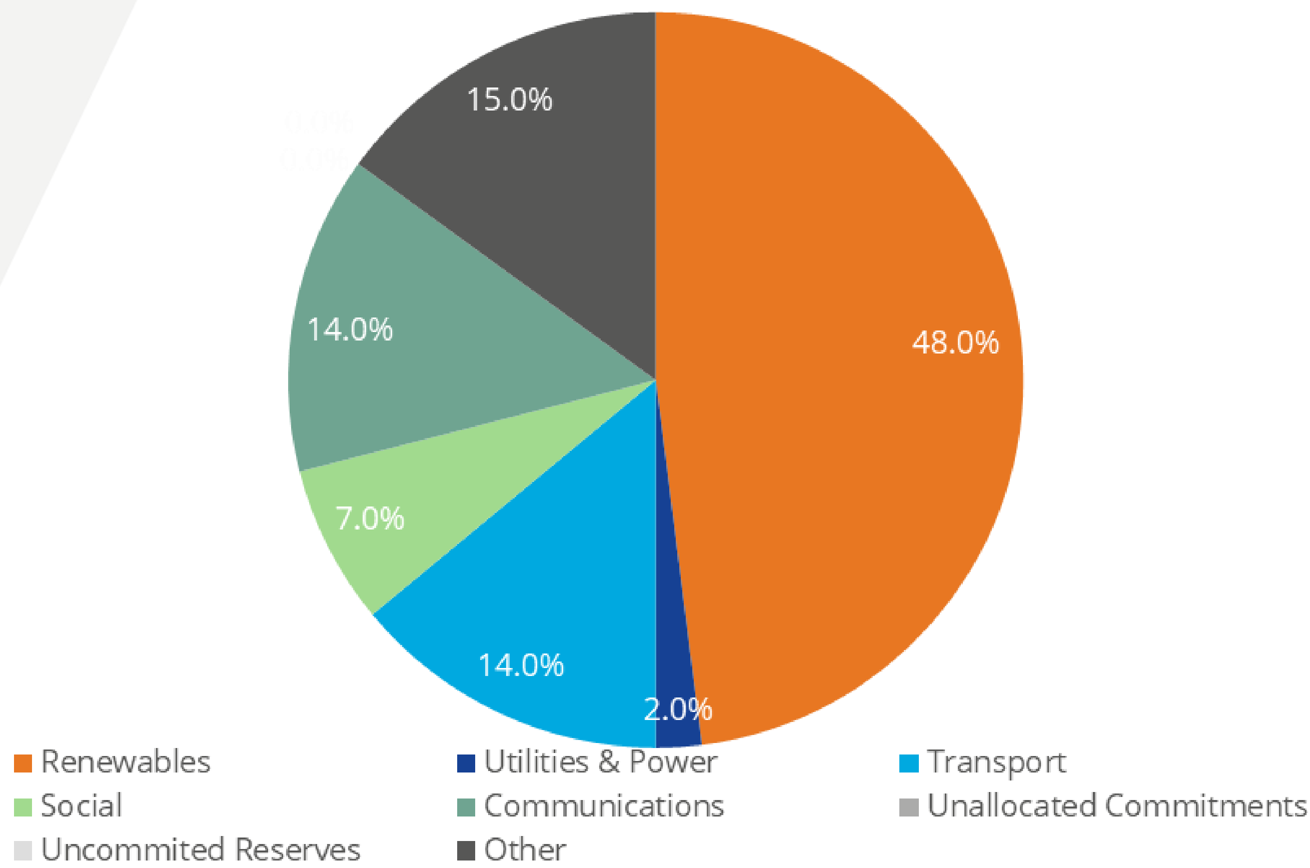
The Independent Advisor comments that, the London Borough of Camden pension fund had committed £182 million of capital to London CIV's infrastructure fund, as at end March 2024 (report for June not available at the time of writing this report). The total fund value was £371.4 million, although following its second close where an additional £76m was committed, the total commitments have now reached £475 million. London Borough of Camden's valuation as of 31 March 2024 was £98.7 million and represents 26.57% of the Fund. The Fund has invested in seven primary funds and one secondary fund (Meridiam Infrastructure North America Fund II).

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

The sub-fund had no capital calls to investors during the quarter and had total distributions to investors of £1.6 million.

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



Source: LCIV

London CIV continues to monitor deployment speed. The Manager reported that it is now seeking to deploy the new uncommitted capital raised within the quarter. The Manager also confirmed a third distribution, which is due to be paid to investors at the end of June.

At a recent meeting with the manager, there was an in-depth discussion on the valuation methodologies used by different funds within the portfolio. Each fund has its own approach to discount rates, which can lead to discrepancies in reported performance. The conversation highlighted concerns about the difficulty in comparing valuations across funds and the potential impact on perceived performance. This is something to monitor.

The discussion also covered the fund's significant allocation to renewable energy investments. While these assets are seen as attractive, Stepstone have concerns about market perception changes, especially under different political climates. There are potential risks of over-allocation to renewables, and this reinforces the need for more diversification.

TABLE 3: INFRASTRUCTURE INFORMATION

Underlying Fund	Current Net IRR	Comments
Macquarie GIG Renewable Energy Fund 2 (MGREF 2)	+7.2%	89% committed across 8 investments.
Arcus European Infrastructure Fund 2 (AEIF 2)	+24.7%	93% committed across 9 investments. Received annual GRESB assessment: 4-star rating – 91%.
Equitix VI (EF VI)	+4.5%	99% invested across 53 assets.
Basalt Infrastructure Partners III (BIP III)	+8.2%	93% committed (88% invested) across 8 investments.
European Diversified Infrastructure Fund III (EDIF III)	+12.7%	65% invested across 5 investments. Manager is still fundraising with a hard cap target of €5bn
Capital Dynamics Clean Energy and Infrastructure VIII (CE VIII)	+5.0%	81% invested. All operating assets are being impacted by lower than budgeted power prices
Brookfield Global Transition Fund (BGTF)	+8.4%	71% committed across 17 investments.
Meridiam Infrastructure North America II (MINA II)	+3.0%	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 March 2024 was £154.4 million, with total fund commitments of £213.0 million. London Borough of Camden's valuation as of 31 March 2024 was £68.0 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 March 2024 (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 21.7 years and 98% inflation linkage. Its performance is not formally assessed by the London CIV 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 Q1 2024 it made a further quarterly distribution of £1.8 million.

Despite interest rates having now peaked, inflationary pressures remain, with the 15-year gilt yield moving out 30bps as the market priced in delays to further interest rate cuts.

As the fund reaches the end of its four-year ramp up period in June, the fund is now within its Industry Sector limit (max 40%) but is still outside of its Single Creditor Limit (max 25%) and LCIV do not consider it practicable to remedy this through "forced" sales. Therefore, LCIV is proposing to extend 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 – UK Housing Fund

The Independent Advisor comments that, the London Borough of Camden pension fund committed £97 million of capital to London CIV's UK Housing Fund in January 2024. The total fund value as at end March 2024 was £1.4 million, with total fund commitments of £415 million. Post-quarter end, in April 2024 (reporting for the LCIV Private Market Funds are always one quarter behind), the fund held its fifth close totalling £35 million, bringing the Funds total commitments to £450 million.

The Funds objective is to achieve a net IRR of 5-7%, and a yield of 3-4% per annum, by investing in strategies that increase the supply of good quality, affordable housing in the UK.

The Fund has made £270m of commitments since launching in March 2023; CBRE UK Affordable Housing Fund (£100 million), Octopus Affordable Housing Fund (£50 million), and Savills IM's Simply Affordable Homes Fund (£75 million). It has also committed an additional £44.8 million in a secondary purchase of CBRE's UK Affordable Housing Fund.

London CIV – Diversified Growth Fund – Baillie Gifford

The Independent Advisor comments that, London CIV's Diversified Growth sub fund returned +1.63% in Q2 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. 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 53.68% to Alternatives, 31.61% to Fixed Income, and 14.71% to Equities. LCIV note that the portfolio is highly exposed to interest rate and credit risk, and has taken relatively high risk exposure within credit.

The value of Camden's investment in Baillie Gifford Diversified Growth stood at £92.5 million as of end June 2024, which represents 30.84% of the London CIV sub-fund, the total value of which was £299.9 million at June-end (after some large withdrawals from other investors: as at end December 2023 the total value was £674.8 million so the fund size has more than halved in six months).

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, during the quarter, 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, and plan to update investors once that is complete. However, it is worth noting that the fund is now at the bottom of its peer group over 3, 5 and 7 years for performance and is close to the top quartile for risk over three years.

As at end June 2024 the weighted average carbon intensity of the sub-fund was 207.3% of that of the MSCI All Country World Index (following a notable increase in the fund's WACI and a notable decrease in the benchmark's WACI over the last six months). The fund had a higher exposure to fossil fuel companies than the benchmark (c.17% compared with the benchmark's c.8%). 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 37.1%.

The managers projections have indicated potential for reduced returns in equities, where strong performance has pushed forecast returns down, and reduced returns to assets which are sensitive to changes in interest rates, where the increase in yields on benchmark government bonds in the period since the last review has pushed projected returns up. The Manager has increased its allocation to infrastructure, particularly in Western Europe and North America. The Manager is also finding non-traditional property assets more attractive, such as logistic centres, telecommunication towers, student accommodation and healthcare facilities.

There were no reported team changes during the quarter.

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. Concern over performance and risk, as well as climate impact. Continued close monitoring recommended.

Karen Shackleton

Senior Advisor, Apex

21st August 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	2,333	Fund	11	Not provided by London CIV	159.62	6.84%	£28m increase in AUM. The number of investors remain unchanged.
Harris*	6,508	Strategy	19	15th	97.91	1.50%	£501m decrease in AUM. The number of investors increased by 1. Camden'r rank remains unchanged
Legal & General - UK equity (World)**	18	Fund	1	1st	18.01	99.97%	£1 increase in AUM. The number of investors and Camden's rank remain unchanged.
Legal & General - North America**	461	Fund	5	2nd	325.17	70.49%	£346m decrease in AUM. The number of investors and Camden's rank remain unchanged.
Legal & General - Europe**	581	Fund	7	6th	56.51	9.73%	£223m decrease in AUM. The number of investors and Camden's rank remain unchanged.
Legal & General - Japan**	528	Fund	8	7th	29.85	5.66%	£92m decrease in AUM. The number of investors and Camden's rank remain unchanged.
Legal & General - Asia Pacific**	354	Fund	8	7th	19.38	5.48%	£48m decrease in AUM. The number of investors and Camden's rank remain unchanged.
Legal & General - Middle East**	0	Fund	1	1st	0.39	99.90%	<£1m deccrease in AUM. The number of investors and Camden's rank remain unchanged.
Legal & General - World Emerging Markets**	620	Fund	10	7th	47.91	7.73%	£613m decrease in AUM. The number of investors and Camden's rank remain unchanged.
L&G ILGs**	2,990	Fund	10	6th	145.40	4.86%	£911m increase in AUM. The number of investors and Camden's rank remain unchanged.
Legal & General - FW Global Equity Index**	4,830	Fund	12	4th	350.89	7.26%	£155 increase in AUM. The number of investors and Camden's rank remain unchanged.
CBRE	3,236	UK separate accounts	33	12th	88.08	2.72%	£31m decrease in AUM. The number of investors remains unchanged and Camdens rank has decreased 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 C LP 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 D LP 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	47.86	33.48%	As the fund is a closed-ended vehicle, neither the number of investors nor Camden's rank will change over time.
CQS/ PIMCO	1,900	Fund	17	Not provided by London CIV	318.71	16.77%	£132m increase in AUM. The number of investors has increased by 1.
Stepstone	371	Fund	6	Not provided by London CIV	98.66	26.59%	AUM remains unchanged. The number of investors remains unchanged.
Aviva	154	Fund	3	Not provided by London CIV	68.00	44.16%	£1m decrease in AUM. The number of investors remains unchanged.
Baillie Gifford Diversified Growth	300	Fund	4	Not provided by London CIV	92.48	30.83%	£20m decrease in AUM. The number of investors remains unchanged.
Cash/Other	N/A	N/A	N/A	N/A	88.99	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.*