LONDON BOROUGH OF CAMDEN	WARD: All
REPORT TITLE: Pension Committee Update Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Board	**DATE:** 29 January 2025

SUMMARY OF REPORT:

The Pension Board has responsibility for assisting the Pension Committee in ensuring compliance with the Scheme Regulations, other legislation relating to governance and administration, and the requirements of the Pension Regulator. The Pension Board must also ensure the effective and efficient governance and administration of the scheme. This report summarises the items presented, and decisions made at the Pension Committee meetings on 19 September 2024 and 02 December 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 Pension Board is requested to note the contents of this report.

Signed by

Director of Finance …………**Agreed**……………………………….
Date …………**20/01/2025**………………………

1. **INTRODUCTION**

1.1. The Pension Board has responsibility for assisting the Pension Committee (known as the 'Scheme Manager') to ensure the effective and efficient governance and administration of the scheme. The role is one of providing oversight of assurance in and governance of the scheme administration and not decision making.

1.2. This report aims to summarise the reports and decisions made at the preceding Pension Committee meetings. Individual reports and the web pages on which they are published can be accessed through the links included in this report.

PENSION COMMITTEE 19 SEPTEMBER 2024

2. **Performance Report**

2.10 This report presented the performance of the Pension Fund investments up to 30 June 2024. The portfolio had a market value of £2.120bn at 30 June as shown in Table 1. This was an increase from 31 March of 1.03% or £21.61m.

TABLE 1: 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%**

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

2.12 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.

2.13 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.

2.6 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.

2.7 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 2: 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%**

ASSET PERFORMANCE

2.8 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.

2.9 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%.

2.10 Examining the individual investment manager returns in Table 3, 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.

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

2.12 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.

2.13 Over 2 and 3 years, the Fund has underperformed its targets but by a margin of -4.3% & -5.5% in both periods.

2.14 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.

2.15 The performance of the Fund is set out below:

TABLE 3: 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**

2.16 **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.

2.17 **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.

2.18 **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.

2.19 **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

2.20 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.

2.21 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.

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

2.23 **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.

2.24 **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%).

2.25 **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'.

2.26 **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%.

2.27 **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.

3. FOSSIL FUEL EXPOSURE

3.1. All Investment managers were asked about the Fund's exposure to fossil fuels in general and a table was prepared for the Committee showing the results for all investment managers.

3.2. 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.

3.3. **MINUTES**

3.4. The Committee noted the performance of the Camden Pension Fund investment portfolio and the individual investment managers for the quarter ended 30 June 2024

3.5. The Committee noted the report.

4. **<u>Engagement Report</u>**

At the September 2024 Pension Committee meeting, the Engagement Report outlined activities undertaken by the Fund and through LAPFF to promote responsible investment and ESG considerations. Key updates included:

- Nature Stewardship: Engagements focused on biodiversity and natural capital through initiatives like Nature Action 100, targeting companies such as AbbVie, Merck & Co, and Novo Nordisk, aligning with the Kunming-Montreal Global Biodiversity Framework.
- Water Stewardship: Discussions with UK water companies, United Utilities, and Pennon Group, centred on reducing storm overflows and environmental sustainability by 2025.
- Climate Action in Banking: Engagements with HSBC and Canadian banks (e.g., Toronto Dominion, RBC) emphasised transitioning from fossil fuel financing to renewable energy.
- Corporate Governance and Human Rights: Companies like Nestlé, Chipotle, and TJX engaged on topics ranging from regenerative agriculture to deforestation policies and water stewardship.
- Mining and Human Rights: Engagements with Glencore and Grupo Mexico highlighted human rights risks in high-conflict regions, alongside discussions on artificial intelligence-related risks with SAP.
- Cement Industry Decarbonisation: Focused on emissions reduction through carbon capture and storage (CCS), with ongoing projects by companies like Heidelberg.

The report also highlighted LAPFF's broader engagement on Sustainable Development Goals (SDGs), voting activities across 906 meetings, and upcoming responsible investment events. The Committee reaffirmed its commitment to responsible investment, ensuring alignment with Camden's investment beliefs and ESG principles.

5. **<u>LCIV Report</u>**

The September 2024 Pension Committee meeting received a progress report on the London Collective Investment Vehicle (LCIV), highlighting developments in fund pooling and responsible investment. Key updates included:

- Fund Pooling Progress: As of June 2024, £32bn of client fund assets were pooled, including £15.7bn in public market funds, £14.5bn in passive equity funds, and £3.1bn in private market funds. Camden's pooled assets represent 82% of its portfolio.
- Fund Launches: Several new funds were launched or prepared, including:
    - Global Equity Value Fund: ESG-integrated, with a 30% lower carbon footprint target, managed by Wellington.
    - Nature-Based Solutions Fund: Launched in July 2024, focusing on carbon sequestration, sustainable forestry, and biodiversity.
    - Private Debt II Fund: Launched in June 2024, targeting 6-8% IRR through diversified lending in the US and Europe.
    - All Maturities Buy & Maintain Credit Fund: Launching in October 2024, with a 25% lower carbon intensity target.

    - Indirect Property Pooling: Expected by December 2024, managed by CBRE IM, to enhance cost-efficiency and performance in real estate investments.
- Governance and Leadership: LCIV continued refining its funding model and welcomed Sarah Nowell as Chief Risk Officer, with further leadership recruitment ongoing.
- Responsible Investment: LCIV remained committed to its Net Zero Action Plan and ESG integration, with updates to Global Bond and Multi-Asset Credit Funds anticipated by year-end. The Fund is also preparing for future integration of Task Force on Nature-Related Financial Disclosures (TNFD) requirements.
- Monitoring and Engagement: Six funds are under enhanced monitoring, including Baillie Gifford DGF, while others, like Baillie Gifford Global Alpha Growth Paris-Aligned Fund, remain under normal monitoring.

The report emphasised the importance of pooling in enhancing cost savings, governance, and responsible investment outcomes, aligning with the Government's pooling agenda and LGPS regulations.

6. **<u>Business Plan</u>**

The September 2024 Pension Committee meeting reviewed the updated Business Plan.

- Future Agenda Items: Key topics scheduled for discussion include:
    - December 2024: Carbon footprint and employer register updates.
    - March 2025: Cash flow and annual report, alongside recurring items like performance, engagement, and CIV progress reports.
- Training and Development:

Ongoing emphasis on training for committee and board members, aligned with best practices and the anticipated Good Governance Code, which highlights:

    - Knowledge and understanding requirements for members.
    - Conflicts of interest policies and fiduciary duty awareness.
    - Regular governance reviews, performance statements, and adequate resource assessments.
    - Members are enrolled in the Hymans LGPS Online Learning Academy (LOLA), covering modules on governance, funding, investments, and current events.
    - To date, three committee members have completed six LOLA modules.
    - Refreshed training modules with shorter, more digestible content were introduced.
- Responsible Investor Comments: The Committee agreed to include Responsible Investor (RI) comments in future reports to clarify ESG impacts and improve decision-making transparency.
- Governance Updates:
    - Incorporation of Task Force on Nature-Related Financial Disclosures (TNFD) requirements into the Fund's strategy.
    - Emphasis on member training to align with CIPFA Knowledge and Skills Framework and the Pensions Regulator's Code of Practice.

The Business Plan reinforced the importance of continuous training and governance enhancements to meet fiduciary responsibilities and support informed, ESG-aligned decision-making.

PENSION COMMITTEE 02 DECEMBER 2024

No minutes available at this point. They will be received and agreed at the March 2025 meeting.

7. Performance Report

This report presents the performance of the Pension Fund investments up to 30 September 2024 and since manager inception. As shown in Table 1, the portfolio had a market value of £2.0145bn at 30 September 2024, which represents an increase of 1.18%, or £25m, over the quarter.

TABLE 1: PORTFOLIO SUMMARY

Manager	Mandate	Target	Year Appointed	30/06/24 £m	30/09/24 £m	30/06/24 %	30/09/24 %
Baillie Gifford (LCIV)	Global equity	+2-3%	2016	160	161	8%	8%
Harris	Global equity	+2-3%	2015	98	101	5%	5%
L&G	Global equity	0.%	2011	497	500	23%	23%
L&G	Future World global equity	0%	2021	351	353	17%	16%
CQS (LCIV)	Multi asset credit	4-5%	2019	319	331	15%	15%
L&G	Index linked gilts	0%	2009	145	148	7%	7%
Stepstone	Infrastructure	8-10%	2019	99	124	5%	6%
Partners	Global property	15%	2010	66	61	3%	3%
CBRE	UK property	+1%	2010	88	93	4%	4%
Aviva (LCIV)	UK property	1.5-2%	2021	68	68	3%	3%
Affordable Housing (LCIV)	UK property	5-7%	2024	16	16	1%	1%
HarbourVest	Private equity	+8%	2016	48	42	2%	2%
Baillie Gifford (LCIV)	Diversified growth	+3%	2022	92	98	4%	5%
Cash & other				73	49	3%	2%
Fund				**2,120**	**2,145**	**100%**	**100%**

7.1 Global Economic Overview: In the third quarter of 2024, global economic activity exhibited mixed signals. The United States experienced stronger-than-anticipated Gross Domestic Product (GDP) growth, bolstered by resilient consumer spending and a robust labour market. Conversely, China's economy showed signs of deceleration, with GDP growth falling short of expectations, largely due to challenges in the property sector and subdued domestic demand. In the Eurozone, Germany's economy remained stagnant, with manufacturing output declining, contributing to a broader regional slowdown. Central banks worldwide continued to adjust monetary policies in response to evolving economic conditions. The Federal Reserve implemented a 50-basis point rate cut in September, aiming to support economic growth amid concerns of a potential slowdown. Similarly, the European Central Bank reduced rates by 25 basis points in September, responding to softening inflation and economic activity indicators. In the UK, the Bank of England enacted its first rate cut in four years in August, reflecting efforts to stimulate the economy amid flat GDP growth and persistent inflationary pressures.

7.2 UK Economic Conditions: The UK economy remained subdued in Q3 2024, with GDP growth stagnating. The Bank of England's monetary tightening policies, including the August rate cut, aimed to balance stimulating growth while controlling inflation. However, the new Prime Minister's warning of a "painful" autumn budget, indicating potential tax increases and spending cuts, added to economic uncertainties. Inflation ticked up slightly to 2.2% in September, surpassing the Bank's 2.0% target, prompting cautious optimism about future rate cuts.

7.3 Equity Market Performance:

- Global Equities: The FTSE All-World Index rose by 0.8% over the quarter, reflecting modest gains amid global economic uncertainties.
- UK Equities: The FTSE All-Share Index increased by 2.3%, supported by declining inflation and a weaker pound, which benefited exporters.
- Europe (ex-UK): European equities remained flat, with the MSCI EMU Index showing no change, as economic data, particularly in manufacturing, remained disappointing.
- North America: US equities saw a marginal increase of 0.1%, with sector performances mixed. Utilities and real estate sectors outperformed, while information technology posted only a small advance.
- Japan: Japanese equities rose by 0.7%, benefiting from a weaker yen, which supported exporters, despite domestic economic challenges.
- Asia (ex-Japan): Equities in this region gained 0.3%, with markets like China performing strongly due to announced stimulus measures, while South Korea lagged due to a sell-off in technology stocks.
- Emerging Markets: Emerging market equities advanced by 4.8%, outperforming developed markets, driven by monetary policy easing in the US and China, and strong performances in markets like Thailand and China.

7.4 Fixed Income and Commodities

- UK Gilts: Delivered solid quarterly gains as the Bank of England’s recent rate cut helped stabilize yields, although long-term returns remain under pressure.
- Index-Linked Gilts (ILGs): Posted modest growth this quarter, reflecting inflation adjustments, but long-term performance continues to face significant headwinds.
- Corporate Bonds: Held steady with moderate gains, supported by favourable yield movements amid central bank actions and global economic adjustments.
- Commodities: Continued to decline, driven primarily by falling oil prices due to global economic concerns and supply-side adjustments.

7.5 Property and Inflation

- UK Property: The UK property market showed resilience, with a 1.8% increase over the quarter, indicating a potential stabilization after previous declines.
- Inflation: UK inflation ticked upward, exceeding the Bank of England’s target, driven by persistent price pressures. Meanwhile, US inflation showed mixed signals, reflecting regional economic disparities.

In summary, Q3 2024 presented a complex economic landscape, with regional disparities in growth and market performance. Central banks' monetary policy adjustments played a crucial role in shaping financial markets, while geopolitical developments and domestic policies added layers of uncertainty. Investors remained cautious, balancing opportunities against potential risks in a dynamically evolving global economy.

7.6 The Fund continues to be overweight to equity at 52% against a 45% target. Multi-asset credit (CQS) remains at 15%, and the overall allocation to bonds, including index-linked gilts, continues to be at 22% against a 23% target.

TABLE 2: ASSET CLASS ALLOCATIONS

	Value as of 30 Sep 24 (£m)	**Current Weight %**	**Target Weight %**
Baillie Gifford (LCIV)	161	8%	
Harris	101	5%	
L&G global passive	500	23%	
L&G passive equities	353	16%	
Equity	**1,115**	**52%**	**45%**
CQS (LCIV)	331	15%	
L&G Index Linked Gilts	148	7%	
Bonds	**479**	**22%**	**23%**
CBRE	93	4%	
Partners Group	61	3%	
Aviva (LCIV)	68	3%	
Property	**222**	**10%**	**11%**
HarbourVest	42	2%	
Private Equity	**42**	**2%**	**2%**
Stepstone (LCIV)	124	6%	
Infrastructure	**124**	**6%**	**9%**
Baillie Gifford (LCIV)	98	5%	
DGF	**98**	**5%**	**5%**
Affordable Housing	**16**	**1%**	**5%**
Cash & other	**49**	**2%**	**0%**
Fund	**2,145**	**100%**	**100%**

ASSET PERFORMANCE

7.7 Comparative benchmarking data from the PIRC universe, which comprises 63 local authority pension funds valued at approximately £266 billion, indicates that the average Local Government Pension Scheme (LGPS) fund return was 1.4% for the quarter ending September 2024. The Camden Fund achieved a return of 1.3% for the quarter, slightly underperforming this benchmark.

7.8 Over the 12-month period, the PIRC universe delivered an average return of 11.2%, with the Camden Fund outperforming at 11.8%. For the three-year period, the PIRC universe average was below 4% per annum, while the Camden Fund returned 2.9%, underperforming the benchmark over this medium-term timeframe.

7.9 In reviewing Table 7, the Fund experienced a narrower underperformance of -0.7% against its quarterly target, reflecting more stable performance compared to prior periods. However, the Fund's performance over the 12-month period still trails the composite benchmark by -2.9%. The primary contributors to this underperformance over the year include Partners Group funds, with notable relative shortfalls from Partners 2013 (-53.0%), Partners 2017 (-41.1%), and Partners 2009 (-37.0%). Active managers such as Harris (-17.0%) and HarbourVest (-17.6%) also detracted substantially from overall Fund performance, pointing to a challenging environment for certain actively managed funds within the portfolio. Additionally, CBRE (-3.4%) and Aviva (-1.6%) contributed modestly to the underperformance, although these allocations are comparatively smaller.

7.10 Positive contributions came from CQS & PIMCO, which exceeded its target by 3.8%, and Baillie Gifford Diversified Growth Fund, outperforming by 6.8%. These managers' strategies align with the Fund's objectives for diversified growth and stability, underscoring the importance of maintaining exposure to a blend of defensive and growth-oriented strategies. The success of CQS & PIMCO may also encourage a further look at credit-focused strategies, particularly as global bond markets react to varying interest rate cuts across major economies.

7.11 Passive equity strategies, once again, have provided strong returns relative to active management. L&G's Future World and Global Equity funds posted respective returns of 21.8% and 19.6% over the year, while the active equity manager, Harris (6.5%) demonstrated more variable outcomes. This sustained outperformance from passive equity allocations supports the Fund's recent strategic move towards increased passive management, potentially reducing volatility and enhancing cost efficiency while balancing the performance drag experienced in actively managed segments.

7.12 Over two and three years, the Fund has underperformed its targets by -4.8% and -5.5%, respectively. These performance gaps may signal the need for continued monitoring of underperforming allocations, particularly in alternative and private market strategies, which are susceptible to prolonged performance lags. Given these results, a review of diversification and risk allocations across the Fund may be warranted to optimize returns without over-relying on underperforming segments.

7.13 Since inception, the Fund has achieved a return of 8.7%, well above the actuary's growth assumption of 4.5%. While the Fund's overall long-term performance remains robust, its recent challenges with specific active and alternative investments highlight the value of proactive portfolio adjustments to mitigate volatility. With shifts in market dynamics, such as rate cuts and sector rotations, reinforcing a diversified strategy with a balanced active-passive allocation could prove advantageous for sustaining returns aligned with funding objectives.

7.14 The performance of the Fund is set out below

TABLE 3: MANAGER PERFORMANCE VS TARGET

Investment Manager	Trailing 3 Months	Trailing 1 Year	Trailing 2 Years	Trailing 3 Years	Since Inception
Harris	1.8	6.5	12.1	5.2	9.8
Global Equities (Gross) + 2.5%	1.2	23.4	18.5	11.5	14.5
Excess Return	**0.6**	**-17.0**	**-6.5**	**-6.4**	**-4.7**
Baillie Gifford GAG PAF (London CIV)	0.7	21.0	12.4	-0.3	10.8
Global Equities (Gross) +2.5%	1.2	23.4	18.5	11.5	14.0
Excess Return	**-0.5**	**-2.5**	**-6.1**	**-11.8**	**-3.2**
L&G Future World global equity	0.7	21.8	16.2	8.7	9.8
Solactive L&G ESG Global Markets	0.7	21.6	15.9	8.4	10.4
Excess Return	**-0.0**	**0.3**	**0.3**	**0.2**	**-0.6**
L&G global equity	0.5	19.6	15.3	8.6	12.5
FTSE All-World + 0%	0.8	20.2	15.6	8.8	12.6
Excess Return	**-0.2**	**-0.7**	**-0.3**	**-0.2**	**-0.1**
CQS & PIMCO (LCIV)	3.7	13.7	11.5	3.6	3.8
3 Month SONIA +4.50%	2.4	9.9	9.5	8.2	6.7
Excess Return	**1.3**	**3.8**	**2.0**	**-4.6**	**-2.9**
L&G passive ILG	1.5	5.6	-5.9	-14.9	3.4
FTSE > 5yr Index Linked Gilts + 0%	1.3	5.7	-6.2	-14.7	3.3
Excess Return	**0.2**	**-0.1**	**0.3**	**-0.1**	**0.2**
CBRE	1.7	-0.7	-8.8	-1.2	5.5
All Balanced Property Funds + 1%	1.5	2.7	-5.7	0.5	6.5
Excess Return	**0.3**	**-3.4**	**-3.1**	**-1.7**	**-1.0**
Partners 2009 Euro fund	-0.6	-22.0	-14.8	-3.2	4.1
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-4.2**	**-37.0**	**-29.8**	**-18.2**	**-10.9**
Partners 2013 USD fund	-15.6	-38.0	-28.8	-12.7	4.2
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-19.1**	**-53.0**	**-43.8**	**-27.7**	**-10.8**
Partners 2017 USD fund	-8.4	-26.1	-20.1	-4.9	1.0
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-11.9**	**-41.1**	**-35.1**	**-19.9**	**-14.0**
HarbourVest	-4.2	-9.6	-6.6	4.3	18.9
Absolute 8%	1.9	8.0	8.0	8.0	7.9
Excess Return	**-6.1**	**-17.6**	**-14.6**	**-3.7**	**10.9**
Stepstone (London CIV)	4.1	13.8	7.9	10.5	5.4
9% p.a net	2.2	9.0	9.0	9.0	8.8
Excess Return	**1.9**	**4.8**	**-1.1**	**1.5**	**-3.4**
Aviva (London CIV)	1.9	2.9	-8.3	-	-7.4
RPI + 1.75%	0.8	4.5	7.6	-	9.7
Excess Return	**1.1**	**-1.6**	**-15.8**	**-**	**-17.1**
Affordable Housing (London CIV)	0.0	-	-	-	-0.7
RPI + 1.75%	1.5	-	-	-	4.0
Excess Return	**-1.5**	**-**	**-**	**-**	**-4.7**
Baillie Gifford Diversified Growth Fund (LCIV)	5.6	15.7	7.2	-	1.1
SONIA +3.5%	2.1	8.9	8.2	-	7.5
Excess Return	**3.5**	**6.8**	**-1.0**	**-**	**-6.4**
Total Fund	**1.3**	**11.8**	**7.6**	**2.9**	**8.7**
Total Fund Composite Target	**2.0**	**14.7**	**12.4**	**8.4**	**10.8**
Excess Return	**-0.7**	**-2.9**	**-4.8**	**-5.5**	**-2.1**

7.15 **Harris** slightly outperformed its target this quarter with a positive return of 1.8%, exceeding its quarterly benchmark by 0.6%. However, on a one-year basis, it continues to underperform, lagging the target by -17.0%. Top detractors included holdings in sectors facing cyclical headwinds, while top performers benefited from stabilisation in core holdings. Despite improvement this quarter, Harris remains below targets over longer periods, highlighting persistent challenges in capturing sector gains compared to benchmarks. Top contributors to this performance included Alibaba Group, whose stock rallied due to a stimulus package from the Chinese government, and Fresenius, bolstered by strong results in its healthcare services division. However, Kering detracted from returns following weak guidance for the remainder of 2024, while Mercedes-Benz saw a decline due to soft volumes and a challenging market in China

7.16 **Baillie Gifford (CIV) Global Alpha Growth Paris-Aligned Fund** posted a return of 0.7% for the quarter, underperforming its investment objective by -0.5%. Over the year, it returned 21%, underperforming the benchmark by -2.5%. Key contributors were CATL (Chinese lithium battery manufacturer) and DoorDash, benefiting from robust revenue growth. Detractors included Novo Nordisk and Moderna, with the latter impacted by declining vaccine revenues. This performance reflects a diversified strategy with a balanced exposure to both growth sectors and cyclicals

7.17 **L&G Future World Global Equity fund** aligned closely with its benchmark, delivering a return of 0.7% for the quarter and outperforming over one year at 21.8%, exceeding its benchmark by 0.3%. This sustainable passive fund holds substantial positions in financials and healthcare sectors. AstraZeneca remains a top holding, underpinning stability within the portfolio's sustainable investment strategy

7.18 **L&G Global Passive Equities** fund returned 0.5% for the quarter, underperforming its benchmark, the FTSE All-World Index, which returned 0.8%. Although US tech stocks like Apple and Microsoft contributed positively, the fund's overall return was impacted by modest underperformance in European equities and emerging markets, leading to a slight lag against the benchmark.

7.19 **The CQS and PIMCO Fund** delivered an absolute return of 3.7% for the quarter, outperforming its target by 1.3%. This credit-focused strategy benefitted from tightened spreads and strong income generation within credit markets. Following the acquisition of CQS by Manulife Financial (1 April 2024), the IDD in June confirms that integration continues to align with the fund's investment objectives and in fact led to an upgrade in business risk from amber to green, as no significant risks were identified, and the management stability is expected to improve under Manulife.

7.20 The **L&G passive Index Linked Gilts Fund** posted a return of 1.5% for the quarter, slightly outperforming its benchmark, which returned 1.3%. This performance reflects stability in UK gilts, with the fund benefitting from moderate inflation trends. The fund's exposure to inflation-linked securities continues to provide resilience against inflationary pressures, aligning well with its long-term objectives.

7.21 **CBRE** recorded a quarterly return of 1.7%, outperforming its benchmark by 0.3%. Performance was supported by its core real estate holdings, with stability seen across UK commercial properties. Although headwinds persist in the broader real estate sector, CBRE’s exposure to resilient assets like logistics and infrastructure provided positive gains.

7.22 **Partners Group*** funds have faced performance challenges due to several factors:

i. **The 2009 Euro fund** underperformed its target by 4.2% for the quarter, with a cumulative underperformance of 10.9% since inception. The underperformance is attributed to the fund's exposure to sectors adversely affected by rising interest rates and economic uncertainties.

ii. **The 2013 Dollar fund** experienced a significant quarterly loss of 15.6%, leading to a 53.0% underperformance over the past year. A major contributor was Project Whetstone, a U.S. office portfolio facing refinancing challenges amid tightening credit conditions and a softening commercial real estate market. The broader decline in U.S. office property valuations, influenced by increased remote work trends and higher vacancy rates, also impacted performance.

iii. **The 2017 Dollar fund** reported an 8.4% decline for the quarter, with a cumulative underperformance of 14.0% since inception. The downturn reflects ongoing pressures in commercial real estate, particularly in office and retail sectors, where valuations have been affected by changing work patterns and consumer behaviours.

7.23 **HarbourVest** posted a quarterly loss of 4.2%, underperforming its target by 6.1%. Its one-year relative performance is also negative, at -17.6%. Despite these recent setbacks, HarbourVest maintains a positive return since inception, driven by long-term growth in private equity allocations.

7.24 **Stepstone (CIV)** outperformed the quarter target by +1.9% and has returned 4.8% above the benchmark over one year. The portfolio build-out continues.

7.25 **Aviva (CIV) real estate long income fund** recorded a quarterly return of 1.9%, surpassing the target by 1.1%. However, on a one-year basis, it is behind by -1.6%. The fund’s focus on long-income real estate provides steady returns, although broader real estate market pressures may affect future stability.

7.26 **Baillie Gifford Diversified Growth Fund (CIV)** achieved a strong quarterly gain of 5.6%, outperforming its target by 3.5%. This fund benefitted from strategic allocations in infrastructure, specialist commercial property, and emerging markets debt. Exposure to alternative assets, including insurance-linked securities and commodities, further diversified returns. The fund’s low equity exposure allowed for downside protection, aligning with its goal of low risk growth.

7.27 **FOSSIL FUEL EXPOSURE**

7.28 All investment managers were asked about the Fund’s exposure to fossil fuels in general and a table was prepared for the Committee showing the results for all the Fund’s investment managers at 30 September 2024

7.29 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 and now stands at 1.88% as at September 2024

The Committee noted the performance of the Camden Pension Fund investment portfolio and the individual investment managers for the quarter ended 30 September 2024

7.30 The Committee noted the report

8. **Engagement Report**

The December 2024 Pension Committee reviewed the quarterly Engagement Report, highlighting the Fund's activities and those of LAPFF in promoting responsible investment. Key points included:

- Climate and Energy Transition:
    - Engagements with BP and Shell focused on their decarbonization strategies, including hydrogen and EV initiatives and the role of carbon capture and storage (CCS).
    - LAPFF challenged Drax's reliance on biomass and government subsidies while supporting low-carbon steel production efforts by SSAB and ThyssenKrupp.
- Water and Nature Stewardship:
    - Engaged with Constellation Brands on water management in resource-scarce regions.
    - Supported Novo Nordisk's biodiversity initiatives under the Nature Action 100 framework.
- Industry-Specific Sustainability:
    - Engaged Ryanair on sustainable aviation fuel targets and CRH on CCS for cement decarbonization.
    - Addressed plastic waste with tobacco companies like Philip Morris and Imperial Brands.
- Social Responsibility:
    - Focused on reducing zero-hour contracts with companies such as Compass Group and Hollywood Bowl.
    - Continued engagement with Severn Trent on storm overflow management.
- Governance and Shareholder Rights:
    - Coordinated a letter urging FTSE 100 companies to adopt "say on climate" votes.
    - Engaged on executive remuneration with companies like AstraZeneca and Synthomer.
- Voting Activity:
    - 3,021 resolutions were voted on across 221 meetings, with 64.2% supported, 34.5% opposed, and the remainder abstained or withheld.
- Political and Industry Engagement:
    - Hosted discussions at UK political conferences advocating sustainable investment and corporate governance.
    - Addressed governance and compliance in conflict-affected areas and high-risk regions.

The Committee emphasized the importance of ongoing engagement, voting transparency, and responsible investment to align with Camden's ESG principles and investment beliefs.

9. **Employer Register**

The December 2024 Pension Committee reviewed the updated Employer Register, which provides detailed information on the Fund's employers, their liabilities, and associated risks. Key points include:

- Admitted Body Liabilities:
  - Admitted bodies now represent 3.78% of the Fund's liabilities (£66m out of £1.75bn), down from 14% following the exit of the Improvement and Development Agency.
  - The stability of admitted bodies remains a risk, as the Fund assumes liabilities if an organisation fails.
- Employer Categories:
  - Scheme Employers: Automatically entitled to LGPS participation (e.g., councils and academies).
  - Community Admission Bodies (CABs): Not-for-profits admitted at the Council's discretion.
  - Transferee Admission Bodies (TABs): Contractors providing comparable pension rights for staff under TUPE.
- Updated Employer Register:
  - Includes refreshed data on membership, funding positions, financial accounts, and risk triggers.
  - Highlights employer covenant strength and risk mitigation strategies, such as bonds or guarantees for certain employers.
- Pensions Shared Service (PSS) Enhancements:
  - Introduced "i-connect," an online portal for accurate and consistent employer data submissions.
  - Implemented an Employer Relationship Module to enhance communication and data management.
- Governance Considerations:
  - Monitoring employer funding status and risks ensures the Fund's objectives are met without undue burden on other employers.
  - Strengthened employer oversight aligns with the Committee's role in risk management and achieving fully funded status.

  The report underscores the importance of maintaining robust oversight of employers to safeguard the Fund's financial health and ensure effective risk mitigation strategies.

10. **<u>London Collective Investment Vehicle Progress Report</u>**

At the December 2024 Pensions Committee meeting, the CIV Progress Report provided updates on developments at the London CIV, including fund launches, asset pooling progress, and responsible investment initiatives. Key points included:

- **Asset Pooling Progress**:
  - Total pooled assets reached £32.5 billion as of September 2024, with £17.7 billion managed directly by LCIV.
  - Camden has 78% of its assets pooled, with 31% through LCIV and 47% under pool management with LGIM.
- **Fund Launches**:
  - **Global Equity Value Fund** (October 2024): Targets MSCI ACWI +1.5% with strong ESG principles, aiming for Net Zero by 2050 and a 60% carbon intensity reduction by 2030.
  - **All Maturities Buy & Maintain Credit Fund** (October 2024): Offers diversified returns with a 25% lower carbon intensity than its benchmark.
  - **Nature-Based Solutions Fund**: Focuses on climate change, biodiversity, and sustainable forestry/agriculture, targeting 6-8% annual returns.

    - **Private Debt Fund II**: Provides diversified lending exposure, targeting a 6-8% IRR, with commitments open until March 2026.
- **Real Estate Pooling**:
    - London CIV launched an Indirect Real Estate Pooling Solution, managed by CBRE IM, enabling cost-efficient and flexible pooling of real estate investments. Camden is eligible for potential savings.
- **Fund Performance**:
    - Mixed performance in public funds, with strong results from the Global Bond and MAC Funds due to strategic credit and interest rate management.
- **Responsible Investment and ESG Integration**:
    - LCIV continued advancing its Net Zero Action Plan and integrating ESG across all funds.
    - A policy on managing human rights risks in conflict zones is under development, promoting engagement over divestment with flexibility for Partner Funds.
- **Engagement and Collaboration**:
    - LCIV strengthened investor consultations and strategic ESG alignment.
    - The Sustainability Working Group is drafting a human rights-focused addendum to the Stewardship Policy, informed by global standards.

The report emphasized Camden's role in leveraging pooling for cost efficiency, improved governance, and enhanced responsible investment outcomes. It highlighted the importance of integrating ESG and TNFD considerations into the Fund’s strategies.