LONDON BOROUGH OF CAMDEN	WARD: All
REPORT TITLE: Performance Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	**DATE:** 17 July 2025

SUMMARY OF REPORT:

This report presents the performance of the Pension Fund investment portfolio and that of the individual investment managers for the quarter ended 31 March 2025.

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 ……………….**08/07/2025**……………………………………

1. **INTRODUCTION**

1.1. This report presents the performance of the Pension Fund investments up to 31 March 2025 and since manager inception. More detailed information on the financial markets and individual managers can be found in **Appendices A and B.**

FINANCIAL MARKET DATA

1.2. A summary of financial market returns to 31 March 2025 is shown in Table 1 below, in percentages.

TABLE 1: FINANCIAL MARKET RETURNS Q1 2025

Market Returns		**Quarter**	**1 Year**	**3 Years (annualised)**
EQUITIES	FTSE all world	-3.9	5.5	8.1
	UK FTSE All Share	4.5	10.5	7.2
	Europe (ex UK)	7.6	3.8	8.7
	North America	-6.9	6.3	9.5
	Japan	-2.0	-3.4	6.4
	Asia (ex-Japan)	-7.0	-3.1	0.5
	Emerging Markets	-0.8	10.1	4.0
UK gilts		-0.5	2.0	-4.7
ILGs		2.4	-3.8	-10.2
Corp bonds		-1.3	3.6	0.4
UK Property		2.0	8.5	-2.4
Commodities (approx.)		3.9		
Cash - 3m LIBOR		0.0	0.0	0.0
RPI (UK) Inflation		0.8	3.2	6.9
US CPI (Inflation)		-2.4	0.2	4.2

1.3. Global Economic Overview: In the first quarter of 2025, global economic momentum softened, with investor sentiment weighed down by geopolitical tensions, divergent monetary policy paths, and concerns over slowing growth in key regions. In the United States, economic activity moderated slightly from the strong pace seen in late 2024, as the effects of earlier monetary tightening began to materialise. Consumer spending remained resilient, but corporate investment slowed amid growing fiscal uncertainty following the U.S. budget negotiations. In the Eurozone, tentative signs of recovery emerged, particularly in peripheral economies, although core economies such as Germany and France continued to grapple with weak industrial production. Meanwhile, China's economy remained subdued, with persistent weakness in the property sector and dampened consumer sentiment despite modest fiscal support.

Central banks adopted a more cautious tone in early 2025. The Federal Reserve paused further rate cuts, citing sticky core inflation and a resilient labour market. The European Central Bank maintained its accommodative stance to support fragile growth, while the Bank of England held rates steady following its earlier cut, opting to observe the inflationary trend before taking further action.

1.4. UK Economic Conditions: The UK economy remained stagnant in Q1 2025, with no significant pick-up in Gross Domestic Product (GDP) growth. Business investment was subdued, and consumer confidence remained fragile amid ongoing speculation about tax increases in the government's forthcoming fiscal statement. While the Bank of England's prior rate cut offered some support to housing and credit markets, the broader economy showed limited reaction. Inflation, as measured by the Retail Price Index (RPI), rose by 0.8% over the quarter, bringing the annual rate to 3.2%. The continued inflationary pressure, though moderated from previous highs, remained a key constraint on real wage growth and household spending.

1.5. Equity Market Performance:

- Global Equities: The Financial Times Stock Exchange (FTSE) All-World Index fell by 3.9%, reflecting risk-off sentiment and a global equity pullback. Losses were driven by poor performance in the U.S. and Asia.
- UK Equities: UK markets outperformed most developed peers, with the FTSE All-Share rising by 4.5%—benefiting from its exposure to energy and value-oriented sectors.
- Europe (ex-UK): European equities posted a strong gain of 7.6%, boosted by signs of stabilisation in economic data and improved investor sentiment toward cyclical sectors.
- North America: U.S. equities fell by 6.9%, reversing previous quarter gains, as investors reassessed earnings expectations and interest rate assumptions.
- Japan: Japanese equities declined by 2.0%, as a stronger yen and profit-taking pressured export-heavy sectors.
- Asia (ex-Japan): The region experienced a sharp fall of 7.0%, reflecting continued weakness in Chinese markets and subdued regional trade dynamics.
- Emerging Markets: EM equities were relatively resilient, declining just 0.8%, supported by gains in Latin America and India, which offset broader weakness in Asia.

1.6. Fixed Income and Commodities

- UK Gilts: UK gilts posted a modest loss of 0.5%, as yields rose slightly amid inflation concerns and uncertain fiscal outlook.
- Index-Linked Gilts (ILGs): ILGs rebounded by 2.4%, reflecting an uptick in inflation expectations and demand for inflation protection.
- Corporate Bonds: Sterling corporate bonds fell by 1.3%, driven by modest spread widening and rising government bond yields.
- Commodities: The commodity complex saw a broad-based recovery, with a 3.9% gain in Q1, largely led by oil and industrial metals amid supply constraints and geopolitical risks.

1.7. Property and Inflation

- UK Property: The UK property market continued its recovery, recording a 2.0% increase over the quarter, supported by stabilising capital values and cautious optimism among institutional investors.
- Inflation: UK RPI inflation rose by 0.8% during the quarter, with the annual rate easing to 3.2%. In the U.S., CPI inflation was volatile, falling by 2.4% over the quarter, with the annual figure standing at just 0.2%—signalling significant base effects and energy price disinflation.

1.8. Cash and Liquidity

- Cash: The average return on cash, as proxied by SONIA, was approximately 1.1% over the quarter, with a 1-year return of 4.5%. Despite expectations of further monetary easing, overnight rates remained elevated, reflecting the Bank of England’s cautious approach.

FUND VALUATION & ASSET ALLOCATION

1.9. 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 £2.2bn as at 31 March 2025, which represents an decrease of 2.27%, or £50m, over the quarter.

TABLE 2: PORTFOLIO SUMMARY

Manager	Mandate	Target	Year Appointed	31/12/24 £m	31/03/25 £m	31/12/24 %	31/03/25 %
Baillie Gifford (LCIV)	Global equity	+2-3%	2016	168	156	8%	7%
Harris	Global equity	+2-3%	2015	103	105	5%	5%
L&G	Global equity	0.%	2011	530	509	24%	24%
L&G	Future World global equity	0%	2021	374	358	17%	17%
CQS (LCIV)	Multi asset credit	4-5%	2019	333	338	15%	16%
L&G	Index linked gilts	0%	2009	137	134	6%	6%
Stepstone	Infrastructure	8-10%	2019	124	124	6%	6%
Partners	Global property	15%	2010	62	55	3%	3%
CBRE	UK property	+1%	2010	94	95	4%	4%
Aviva (LCIV)	UK property	1.5-2%	2021	69	69	3%	3%
Affordable Housing (LCIV)	UK Property	5-7%	2024	29	42	1%	2%
HarbourVest	Private equity	+8%	2016	43	42	2%	2%
Baillie Gifford (LCIV)	Diversified growth	+3%	2022	95	97	4%	5%
Cash & other				41	28	2%	1%
Fund				**2,202**	**2,152**	**100%**	**100%**

TABLE 3: ASSET CLASS ALLOCATIONS

	Value (£m)	Current Weight	Target Weight
Baillie Gifford (LCIV)	£156m	7%	
Harris	£105m	5%	
Active Equities	***£261m***	***12%***	***10%***
L&G global passive	£509m	24%	
L&G passive equities	£358m	17%	
Passive Equities	***£867m***	***41%***	***35%***
Equity	**£1,128m**	**52%**	**45%**
CQS (LCIV)	£338m	16%	
Fixed Income/Multi Asset Credit	***£338m***	***16%***	***15%***
L&G Ind.Lkd Gilts	£134m	6%	
Passive Index Linked Gilts	***£134m***	***6%***	***8%***
Bonds	**£472m**	**22%**	**23%**
CBRE	£95m	4%	
Partners Group	£55m	3%	
Aviva (LCIV)	£69m	3%	
Property	**£219m**	**10%**	**11%**
HarbourVest	£42m	2%	
Private Equity	**£42m**	**2%**	**2%**
Stepstone (LCIV)	£124m	6%	
Infrastructure	**£124m**	**6%**	**9%**
Baillie Gifford (LCIV)	£97m	5%	
DGF	**£97m**	**5%**	**5%**
Affordable Housing	**£42m**	**2%**	**5%**
Cash & other	**£28m**	**1%**	**0%**
Fund	**£2,152m**	**100%**	**100%**

1.10. The Fund remains overweight to equities at 52% compared to the strategic allocation of 45%. This is slightly lower than the previous quarter (54%) but continues to reflect strong equity market allocations, particularly in the global passive mandates managed by Legal & General.

1.11. The Fund's **multi-asset credit** allocation, managed by CQS, stands at 16%, unchanged in proportion and slightly above the strategic benchmark. The overall bond allocation, which includes index-linked gilts, totals 22%, broadly in line with the 23% target.

1.12. **Infrastructure** now represents 6% of total assets, consistent with the prior quarter and still below the revised strategic target of 9%. As reported previously, a second infrastructure commitment of £76 million was approved at the March 2024 Committee. As this capital continues to be drawn down over the coming years, the allocation is expected to move closer to target.

1.13. The **Affordable Housing** allocation has increased to 2% from 1% last quarter, reflecting further drawdowns. The remaining undrawn commitment stands at £67.5 million. Although the proportion is still below the 5% target, the increase represents progress toward strategic alignment.

1.14. **Property** holdings across CBRE, Partners Group, and Aviva collectively account for 10% of the Fund, slightly below the 11% target but consistent with prior positioning. Private Equity, through HarbourVest, remains stable at 2%, in line with target.

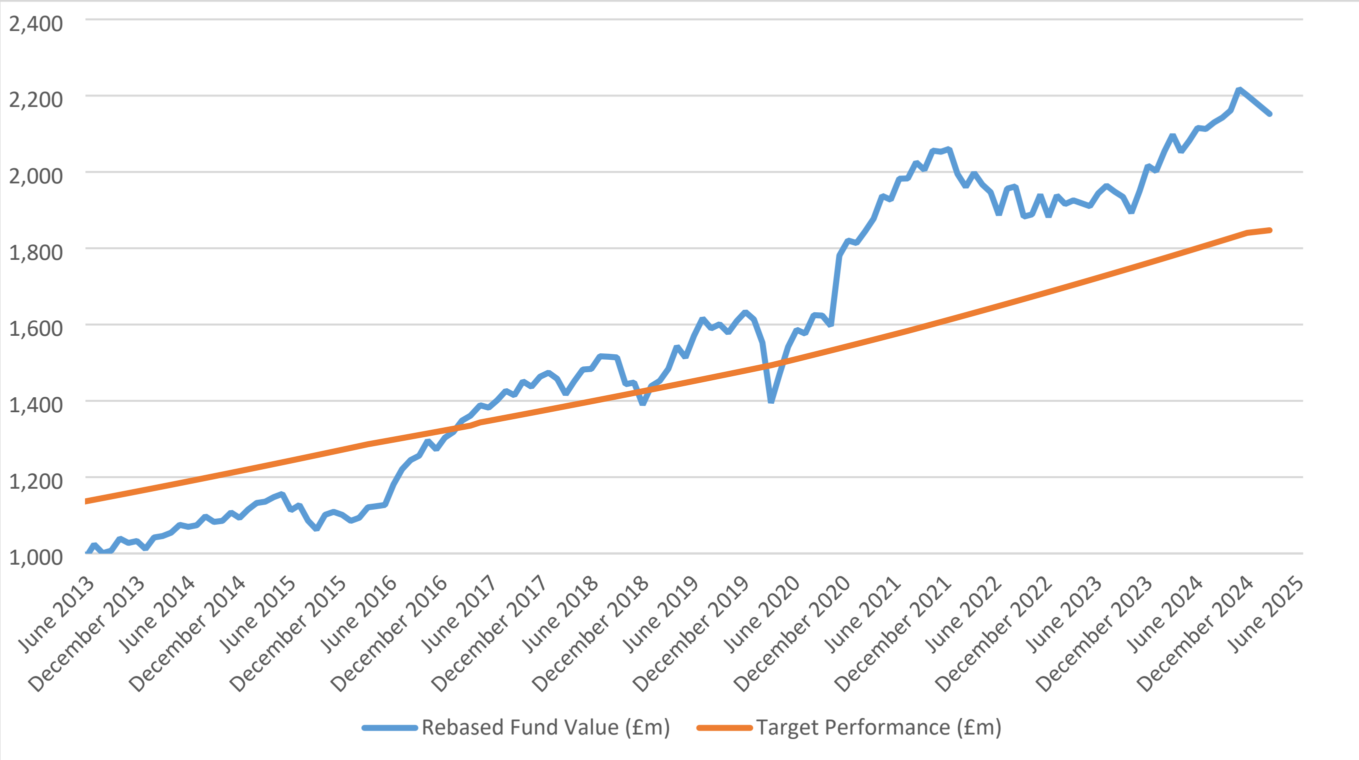
1.15. **Cash** and other balances account for 1% of Fund assets, slightly above the target of 0%. This cash buffer is required to meet near-term drawdowns and ongoing revenue commitments. The Fund received a distribution of approximately £5.75 million from HarbourVest during the quarter, although there were no new drawdowns.

1.16. As shown in Table 3, most asset classes remain close to their strategic targets. The Fund continues to be overweight in equities (both active and passive) and in multi-asset credit. Underweights persist in infrastructure, affordable housing, and to a lesser extent, index-linked gilts and property. Overall, the Fund's asset allocation remains broadly aligned with strategic intentions, with progress continuing in the illiquid asset categories.

2. ASSET PERFORMANCE

2.1. Long-term asset performance remains considerably above the actuary's historic expectations, as shown below in Table 4

TABLE 4: ASSET PERFORMANCE SUMMARY



2.2. Comparative benchmarking data from the Pensions Investment Research Consultants (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 -1.1% for the quarter ending March 2025. The Camden Fund achieved a return of -2.1% for the quarter, underperforming this benchmark.

2.3. Over the 12-month period, the PIRC universe delivered an average return of 3.7%, with the Camden Fund at 3.4%. For the three-year period, the PIRC universe average was below 3.7% per annum, while the Camden Fund returned 3.2%, underperforming the benchmark over this medium-term timeframe.

2.4. As of Q1 2025, the Fund underperformed its composite benchmark by -3.1% over the quarter and -5.6% over the year, marking a continued trend of short-term underperformance relative to target. While longer-term results remain positive in absolute terms, the Fund has now underperformed its benchmark over every time horizon shown—most notably by -5.0% over three years and -2.3% since inception.

2.5. The key contributors to underperformance over the year include:

- Partners Group private equity funds, with excess returns of -13.9% to -39.6%, remain the most significant detractors over all periods, particularly the 2013 and 2017 vintage USD funds.
- Harris and Baillie Gifford Global Alpha underperformed their respective equity targets by -4.9% and -9.0% over the year, reflecting continued challenges in active global equity strategies.

- CQS & PIMCO (MAC) lagged its absolute return target by -1.7%, while HarbourVest and Affordable Housing (LCIV) also contributed negatively with respective excess returns of -6.8% and -6.5%.
- CBRE, while positive in absolute terms over the year (+5.6%), underperformed its property benchmark by -1.8%.

2.6. On a more positive note, passive strategies generally fared better:

- L&G Future World equity posted a small outperformance of +0.3%, and L&G Index-Linked Gilts marginally exceeded its benchmark over all periods.
- Stepstone infrastructure delivered a solid +9.6% annual return and outperformed its benchmark by +0.6% over one year.
- The Baillie Gifford Diversified Growth Fund (DGF) returned +2.2% in the quarter and +7.0% over one year, modestly underperforming its target but showing encouraging relative recovery from prior quarters.

2.7. Over the two- and three-year periods, the Fund has underperformed its composite target by -4.3% and -5.0%, respectively. This persistent lag is driven primarily by negative performance in private markets (notably Partners Group funds), select active equity strategies, and alternative income assets. The ongoing underperformance of multi-asset credit and parts of the property portfolio suggest continued pressure on income-generating strategies in a higher-rate environment.

2.8. Despite recent challenges, the Fund has delivered a compound return of 8.4% since inception, comfortably ahead of the actuary's assumed rate of 4.5%. This underscores the longer-term strength of the strategy, though the growing dispersion in performance across managers and asset classes highlights the need for close monitoring. In particular, continued underperformance in legacy private equity funds and certain active strategies warrants attention, and may support further consideration of manager rotation, drawdown pacing, or rebalancing.

2.9. Looking forward, with markets adjusting to slower global growth, persistent inflation, and evolving monetary policy, the Fund may benefit from maintaining a diversified allocation and reviewing the balance between active and passive exposures—particularly in areas where active managers have consistently failed to add value net of fees.

TABLE 5: MANAGER PERFORMANCE VS TARGET

Investment Manager	Trailing 3 Months	Trailing 1 Year	Trailing 2 Years	Trailing 3 Years	Since Inception
Harris	1.4	3.1	7.0	5.4	9.7
Global Equities (Gross) + 2.5%	-3.6	8.0	15.8	10.8	14.0
Excess Return	5.0	-4.9	-8.8	-5.4	-4.3
Baillie Gifford GAG PAF (London CIV)	-6.9	-1.0	7.7	3.5	9.7
Global Equities (Gross) +2.5%	-3.6	8.0	15.8	10.8	13.5
Excess Return	-3.3	-9.0	-8.1	-7.3	-3.8
L&G Future World global equity	-4.6	5.3	13.1	8.2	9.5
Solactive L&G ESG Global Markets	-4.5	5.0	12.8	7.9	9.5
Excess Return	0.1	5.3	13.1	8.2	9.5
L&G global equity	-4.0	4.9	12.6	8.0	12.2
FTSE All-World + 0%	-3.9	5.5	13.0	8.1	12.2
Excess Return	-0.0	-0.6	-0.3	-0.2	-0.0
CQS & PIMCO (LCIV)	1.6	7.8	9.4	4.7	3.8
3 Month SONIA +4.50%	2.2	9.5	9.7	8.9	6.9
Excess Return	-0.6	-1.7	-0.3	-4.2	-3.1
L&G passive ILG	-2.0	-10.4	-9.0	-16.8	2.7
FTSE > 5yr Index Linked Gilts + 0%	-2.2	-11.1	-9.3	-17.1	2.5
Excess Return	0.2	0.6	0.3	0.3	0.2
CBRE	1.7	5.6	1.5	-3.5	5.5
All Balanced Property Funds + 1%	1.8	7.4	3.8	-2.4	6.6
Excess Return	-0.1	-1.8	-2.3	-1.1	-1.0
Partners 2009 Euro fund	0.2	1.1	-14.8	-8.1	4.1
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	-3.3	-13.9	-29.8	-23.1	-10.9
Partners 2013 USD fund	-13.7	-24.6	-27.2	-18.6	3.2
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	-17.2	-39.6	-42.2	-33.6	-11.8
Partners 2017 USD fund	-4.8	-13.6	-17.4	-9.6	0.4
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	-8.3	-28.6	-32.4	-24.6	-14.6
HarbourVest	-3.2	1.2	1.5	2.7	18.2
Absolute 8%	1.9	8.0	8.0	8.0	7.9
Excess Return	-5.1	-6.8	-6.5	-5.3	10.3
Stepstone (London CIV)	0.8	9.6	7.5	10.1	5.3
9% p.a net	2.2	9.0	9.0	9.0	8.9
Excess Return	-1.3	0.6	-1.5	1.1	-3.6
Aviva (London CIV)	0.6	5.9	0.5	-5.1	-5.6
RPI + 1.75%	1.3	5.0	5.6	8.8	9.0
Excess Return	-0.7	0.9	-5.0	-13.8	-14.6
Affordable Housing (London CIV)	0.0	-0.5	-	-	-1.1
RPI + 1.75%	1.5	6.0	-	-	6.0
Excess Return	-1.5	-6.5	-	-	-7.1
Baillie Gifford Diversified Growth Fund (LCIV)	2.2	7.0	5.1	0.8	0.8
SONIA +3.5%	2.0	8.6	8.6	7.7	7.7
Excess Return	0.2	-1.6	-3.5	-6.8	-6.8
Total Fund	-2.1	3.4	6.7	3.2	8.4
Total Fund Composite Target	1.0	9.0	11.0	8.2	10.7
Excess Return	-3.1	-5.6	-4.3	-5.0	-2.3

2.10. The **risk: reward ratio** of individual mandates over the preceding year is represented in Table 6 below. The graph plots absolute returns in the year to March 2025 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.

2.11. Table 6 shows that the best performing funds this quarter were CBRE, the Inflation Plus Fund, the Infrastructure Fund and Baillie Gifford's DGF. At the other end of the scale, some of the poorest performers in the portfolio are L&G's ILG and Partners Group funds (mainly due to increases in interest rates).

TABLE 6: RISK VS REWARD

Manager	Risk	Reward	Risk Reward Ratio	Rank
CBRE	1.5	5.6	3.8	1
LCIV Inflation plus	2.5	5.9	2.4	2
LCIV Infrastructure	5.0	9.6	1.9	3
LCIV Baillie Gifford DGF	5.0	7.0	1.4	4
LCIV MAC	8.0	7.8	1.0	5
L&G Future World Global Equity	10.9	5.3	0.5	6
L&G Global Passive	10.5	4.9	0.5	7
Harris	10.1	3.1	0.3	8
HarbourVest	7.4	1.2	0.2	9
LCIV Baillie Gifford GAGPA	15.0	-1.0	-0.1	10
LCIV UK Housing Fund	1.7	-0.5	-0.3	11
L&G Passive ILG	8.3	-10.4	-1.3	12
Partners	9.8	-14.2	-1.5	13
Total Fund			**0.5**	

3. FOSSIL FUEL EXPOSURE

3.1. All Investment managers were asked about the Fund’s exposure to fossil fuels in general. The results for all our investment managers, at 31 March 2025, are as shown in Table 9 below.

3.2. 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 March 2024 Committee the fossil fuel proportion of all assets was 2.09%. This has decreased to 0.62% as at March 2025.

Mandate		**Total Fund £m**	**Fossil Fuel Holdings (£m)**	
Legal & General	Global equity	£509	£0.40	
	Future World global equity	£358	£0.02	
	Index-linked gilts	£134	£0.00	
Harris		£105	£7.11	
Baillie Gifford	Global equity	£156	£0.00	
CBRE		£95	£0.18	**Fossil Fuel Holding**
HarbourVest		£42	£0.27	
Partners Group		£55	£0.00	
Aviva		£69	£0.00	
Affordable Housing		£42	£0.00	
Stepstone		£124	£0.00	
CQS		£338	£4.93	
BG DGF		£97	£0.38	
Cash - JPM		£28	£0.00	
Total (as at 31 December 2023)		**£2,152**	**£13**	**0.62%**

3.3. Investment managers were also asked what percentage of our portfolio was invested in the Carbon Underground 200 Index of companies at March 2025. This is a more consistent definition of fossil fuel companies, and the results are below.

TABLE 10: CARBON UNDERGROUND 200 COMPANIES

Investment manager and mandates	**% invested**
Legal and General Global equity	0.53%
Legal and General Future World Global equity	0.10%
Legal and General (Over 5y Index-Link Gilts)	0.00%
Harris Global equity	4.71%
Baillie Gifford - LCIV Global equity	0.00%
CBRE UK property	0.81%
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)	0.07%
Baillie Gifford DGF (LCIV)	0.05%
NAV invested as at 31 March 2025	**0.90%**

4. **RESPONSIBLE INVESTOR COMMENT**

4.1. 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.

5. **ENVIRONMENTAL IMPLICATIONS**

5.1. 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.

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

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

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

7.1. 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.

8. **APPENDICES**

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