LONDON BOROUGH OF CAMDEN	**WARD:** All
REPORT TITLE: Performance Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	**DATE:** 22 October 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 30 June 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 ………………**10/10/2025**………………………………

1. **INTRODUCTION**

1.1. This report presents the performance of the Pension Fund investments up to 30 June 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 30 June 2025 is shown in Table 1 below, in percentages.

TABLE 1: FINANCIAL MARKET RETURNS Q2 2025

Market Returns		**Quarter**	**1 Year**	**3 Years (annualised)**
EQUITIES	FTSE all world	5.2	7.8	13.2
	UK FTSE All Share	4.4	11.2	10.7
	Europe (ex UK)	6.2	9.9	14.3
	North America	5.0	7.5	15.1
	Japan	4.9	6.3	10.7
	Asia (ex-Japan)	13.1	4.5	8.2
	Emerging Markets	3.4	7.7	6.1
UK gilts		1.9	1.6	-3.1
ILGs		0.9	-5.2	-7.8
Corp bonds		2.5	5.4	2.6
UK Property		1.7	8.6	-3.1
Commodities (approx.)		2.4	5.8	0.1
Cash - 3m LIBOR		0.0	0.0	0.0
RPI (UK) Inflation		2.3	4.4	6.0
US CPI (Inflation)		-5.3	-5.3	-1.3

1.3. Global & Regional Equities: Equity markets across regions delivered solid gains in Q2, led by a sharp rebound in Asia ex-Japan (+13.1%) and strong performance in European markets (+6.2%). The recovery was sparked by the suspension of tariff escalations and improved investor confidence—both closely noted by Schroders in their Q2 market review.

UK equities underperformed developed peers with a 4.4% gain, supported by attractive valuation levels. Fund managers continued to highlight the UK's relative cheapness and renewed investor interest.

1.4. Fixed Income: A broadly constructive environment for bonds continued in Q2. Corporate bonds rallied by approximately 2.5%, benefitting from stabilized growth and improving sentiment. In fact, Schroders upgraded their outlook on global corporate bonds from negative to neutral, citing rising consumer demand and contained recession risks.

UK Gilts also posted modest gains (1.9%) driven by a repricing of inflation and softening rate expectations. Inflation expectations, as captured by ILGs, were more modest (0.9% return), highlighting the still-constrained upside in real yield compensation.

1.5. Commodities & Real Assets: Commodities (GBP-hedged) produced a 2.4% return—buoyed primarily by industrial metals and energy, which rallied on easing geopolitical fears and supply tightening. UK Property rose modestly by 1.7%, supported by improving investor interest but tempered by ongoing financing concerns.

1.6. Inflation & Cash: RPI inflation rose by 2.3% over the quarter, signalling continuing price pressures year-on-year. In contrast, US CPI dropped by 5.3%, reflecting base-effects and sharp energy price declines in 2024. Cash remained flat, with 3-month LIBOR still yielding effectively zero.

1.7. Key Themes & Forward Outlook: Schroders emphasized that tariff uncertainty, which triggered volatility earlier in the year, calmed in Q2, restoring investor confidence and driving equity and credit rebounds. Their upgrade of corporate bond outlook reinforces the view of a more stable macro backdrop and contained recession risk.

Still, risks remain. Schroders' CIO cautioned that higher bond yields could increasingly pressure equity valuations—particularly in concentrated, mega-cap indices—and that this risk needs monitoring.

Market commentary draws on Schroders' Q2 2025 Quarterly Markets Review, alongside data from FTSE, MSCI, and Bloomberg indices.

FUND VALUATION & ASSET ALLOCATION

1.8. 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 30 June 2025, with a slight increase of 3%, or £67m, over the quarter.

TABLE 2: PORTFOLIO SUMMARY

Manager	Mandate	Target	Year Appointed	31/03/25 £m	30/06/25 £m	31/03/25 %	30/06/25 %
Baillie Gifford (LCIV)	Global equity	+2-3%	2016	156	171	7%	8%
Harris	Global equity	+2-3%	2015	105	105	5%	5%
L&G	Global equity	0.%	2011	509	535	24%	24%
L&G	Future World global equity	0%	2021	358	379	17%	17%
CQS (LCIV)	Multi asset credit	4-5%	2019	338	346	16%	16%
L&G	Index linked gilts	0%	2009	134	135	6%	6%
Stepstone	Infrastructure	8-10%	2019	124	133	6%	6%
Partners	Global property	15%	2010	55	46	3%	2%
CBRE	UK property	+1%	2010	95	95	4%	4%
Aviva (LCIV)	UK property	1.5-2%	2021	69	68	3%	3%
Affordable Housing (LCIV)	UK Property	5-7%	2024	42	42	2%	2%
HarbourVest	Private equity	+8%	2016	42	38	2%	2%
Baillie Gifford (LCIV)	Diversified growth	+3%	2022	97	100	5%	5%
Cash & other				28	26	1%	1%
Fund				**2,152**	**2,219**	**100%**	**100%**

TABLE 3: ASSET CLASS ALLOCATIONS

	Value (£m)	Current Weight	Target Weight
Baillie Gifford (LCIV)	£171m	8%	
Harris	£105m	5%	
Active Equities	*£276m*	*12%*	*10%*
L&G global passive	£535m	24%	
L&G passive equities	£379m	17%	
Passive Equities	*£914m*	*41%*	*35%*
Equity	**£1,190m**	**54%**	**45%**
CQS (LCIV)	£346m	16%	
Fixed Income/Multi Asset Credit	*£346m*	*16%*	*15%*
L&G Ind.Lkd Gilts	£135m	6%	
Passive Index Linked Gilts	*£135m*	*6%*	*8%*
Bonds	**£481m**	**22%**	**23%**
CBRE	£95m	4%	
Partners Group	£46m	2%	
Aviva (LCIV)	£68m	3%	
Property	**£209m**	**9%**	**11%**
HarbourVest	£38m	2%	
Private Equity	**£38m**	**2%**	**2%**
Stepstone (LCIV)	£133m	6%	
Infrastructure	**£133m**	**6%**	**9%**
Baillie Gifford (LCIV)	£100m	5%	
DGF	**£100m**	**5%**	**5%**
Affordable Housing	**£42m**	**2%**	**5%**
Cash & other	**£26m**	**1%**	**0%**
Fund	**£2,219m**	**100%**	**100%**

1.9. Asset allocation remained broadly stable in Q2.

1.10. Equities increased slightly to 54% (from 52% last quarter) and remain above the 45% strategic target, reflecting gains in both active and passive mandates.

1.11. Property holdings edged down to 9% of Fund assets, compared to the 11% target, while infrastructure stayed at 6% pending further drawdowns.

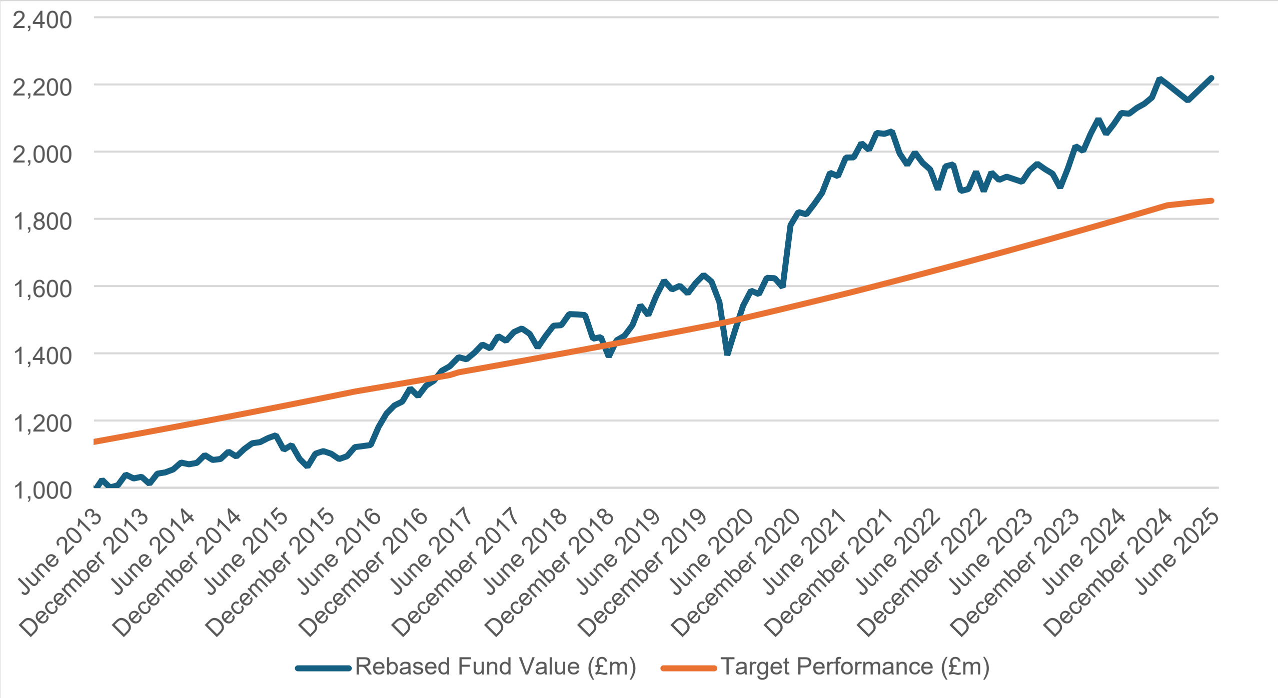
1.12. Affordable housing also remains below target at 2%, though commitments are expected to be drawn gradually.

1.13. Overall, the Fund remains broadly aligned to its strategic benchmark, with overweight positions in equities and multi-asset credit balanced against underweights in property, infrastructure and affordable housing.

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 (62 funds with combined value ~£275bn):

	Qtr	1-year	3-year
PIRC Universe	3.0%	5.4%	6.3%
Camden	3.3%	5.4%	6.4%

2.3. Looking at Table 5, as of Q2 2025, the Fund returned +3.3%, modestly underperforming its composite benchmark of +3.9% by –0.5%. Over the one-year period, the Fund gained +5.4%, falling short of the composite return of +10.0%. While absolute returns remain positive across all horizons, relative underperformance persists over the one-, two-, and three-year periods, and since inception.

2.4. On a weighted contribution basis, the main positive drivers for Q2 were:

- L&G Global Passive Equity, which tracked global markets closely and provided the single largest uplift to Fund returns.
- L&G Future World Equity, which delivered benchmark-beating returns (+5.9% in the quarter) and added further contribution to performance.
- LCIV Multi-Asset Credit (CQS & PIMCO), which gained +2.5% and outperformed its target, making a meaningful contribution to overall returns

TABLE 5: MANAGER PERFORMANCE VS TARGET

Investment Manager	Trailing 3 Months	Trailing 1 Year	Trailing 2 Years	Trailing 3 Years	Since Inception
Harris	0.1	6.7	6.4	8.7	9.5
Global Equities (Gross) + 2.5%	5.9	10.3	16.8	16.1	14.3
Excess Return	**-5.7**	**-3.6**	**-10.4**	**-7.4**	**-4.8**
Baillie Gifford GAG PAF (London CIV)	9.6	7.1	11.0	11.0	10.6
Global Equities (Gross) +2.5%	5.9	10.3	16.8	16.1	13.8
Excess Return	**3.8**	**-3.2**	**-5.8**	**-5.1**	**-3.2**
L&G Future World global equity	5.9	7.9	14.3	13.5	9.8
Solactive L&G ESG Global Markets	5.8	7.6	14.0	13.2	10.2
Excess Return	**0.1**	**0.3**	**0.3**	**0.3**	**-0.5**
L&G global equity	5.1	7.6	13.6	13.0	12.3
FTSE All-World + 0%	5.2	7.8	13.9	13.2	12.4
Excess Return	**-0.1**	**-0.3**	**-0.4**	**-0.2**	**-0.1**
CQS & PIMCO (LCIV)	2.5	8.7	9.7	8.3	4.1
3 Month SONIA +4.50%	2.1	9.3	9.6	9.2	7.0
Excess Return	**0.3**	**-0.6**	**0.0**	**-0.8**	**-2.9**
L&G passive ILG	0.7	-7.2	-4.9	-10.2	2.7
FTSE > 5yr Index Linked Gilts + 0%	0.5	-7.9	-5.3	-10.6	2.5
Excess Return	**0.2**	**0.7**	**0.3**	**0.4**	**0.2**
CBRE	1.4	6.9	2.2	-4.4	5.5
All Balanced Property Funds + 1%	1.7	7.8	4.4	-3.1	6.6
Excess Return	**-0.3**	**-0.9**	**-2.2**	**-1.3**	**-1.0**
Partners 2009 Euro fund	1.9	2.7	-9.8	-7.7	4.2
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-1.7**	**-12.3**	**-24.8**	**-22.7**	**-10.8**
Partners 2013 USD fund	-5.6	-26.8	-26.6	-22.0	2.6
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-9.2**	**-41.8**	**-41.6**	**-37.0**	**-12.4**
Partners 2017 USD fund	-9.7	-20.0	-19.7	-15.7	-0.9
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-13.2**	**-35.0**	**-34.7**	**-30.7**	**-15.9**
HarbourVest	-8.0	-8.5	-2.1	-5.5	16.6
Absolute 8%	1.9	8.0	8.0	8.0	7.9
Excess Return	**-10.0**	**-16.5**	**-10.1**	**-13.5**	**8.6**
Stepstone (London CIV)	2.9	9.1	8.8	8.4	5.6
9% p.a net	2.2	9.0	9.0	9.0	8.9
Excess Return	**0.7**	**0.1**	**-0.2**	**-0.6**	**-3.3**
Aviva (London CIV)	0.0	4.7	2.2	-4.8	-5.2
RPI + 1.75%	2.8	6.3	5.5	7.8	9.2
Excess Return	**-2.8**	**-1.5**	**-3.2**	**-12.6**	**-14.4**
Affordable Housing (London CIV)	0.1	-0.5	-	-	-0.8
RPI + 1.75%	1.5	6.0	-	-	6.0
Excess Return	**-1.4**	**-6.5**	**-**	**-**	**-6.8**
Baillie Gifford Diversified Growth Fund (LCIV)	2.3	7.7	7.4	4.3	1.5
SONIA +3.5%	1.9	8.3	8.6	8.0	7.7
Excess Return	**0.3**	**-0.7**	**-1.2**	**-3.7**	**-6.2**
Total Fund	**3.3**	**5.4**	**7.8**	**6.4**	**8.5**
Total Fund Composite Target	**3.9**	**10.0**	**12.1**	**10.8**	**10.8**
Excess Return	**-0.5**	**-4.6**	**-4.3**	**-4.4**	**-2.3**

2.5. 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 June 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.

2.6. 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, Harbourvest and Partners Group funds (mainly due to increases in interest rates).

TABLE 6: RISK VS REWARD

Manager	Risk	Reward	Risk Reward Ratio	Rank
CBRE	1.3	6.9	5.2	1
LCIV Infrastructure	4.3	9.1	2.1	2
LCIV Inflation plus	3.1	4.7	1.5	3
LCIV Baillie Gifford DGF	5.3	7.7	1.4	4
LCIV MAC	7.9	8.7	1.1	5
L&G Future World Global Equity	11.5	7.9	0.7	6
L&G Global Passive	11.3	7.6	0.7	7
Harris	11.3	6.7	0.6	8
LCIV Baillie Gifford GAGPA	17.1	7.7	0.4	9
LCIV UK Housing Fund	1.7	-0.5	-0.3	10
L&G Passive ILG	8.0	-7.2	-0.9	11
HarbourVest	8.3	-8.5	-1.0	12
Partners	9.4	-19.2	-2.0	13
Total Fund	**6.6**	**5.4**	0.8	

3. RESPONSIBLE INVESTOR COMMENT

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.

4. FINANCE COMMENTS OF THE DIRECTOR OF FINANCE

The finance comments of the Director of Finance are contained within the report.

5. LEGAL COMMENTS OF THE BOROUGH SOLICITOR

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.

6. APPENDICES

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