

<b>LONDON BOROUGH OF CAMDEN</b>	<b>Ward:</b> All
<b>REPORT TITLE:</b> Investment Strategy Review	
<b>REPORT OF:</b> Executive Director Corporate Services	
<b>FOR SUBMISSION TO:</b> Pension Committee	<b>DATE:</b> 2 December 2025
<b>SUMMARY OF REPORT:</b> <p>This report presents a new Investment Strategy Statement (ISS) for the Camden Pension Fund, prepared by the Fund's Investment Consultant, Isio. The new ISS reflects the outcomes of the 2025 Investment Strategy Review, updates to the Fund's investment beliefs, and incorporates recent regulatory and pooling developments.</p> <p>The ISS has been drafted in accordance with the statutory guidance issued by the Ministry of Housing, Communities and Local Government in July 2017, titled Guidance on Preparing and Maintaining an Investment Strategy Statement. The guidance can be accessed <a href="#">here</a>.</p>	
<b>Local Government Act 1972 – Access to Information</b> <p>No documents required to be listed were used in the preparation of this report.</p> <p><b>Contact Officer:</b>     Saul Omuco          Head of Finance Treasury &amp; Pensions          Finance          Corporate Services          5 Pancras Square          London N1C 4AG</p> <p><b>Telephone</b>             0207 974 7116</p> <p><b>Email</b>                    <a href="mailto:saul.omuco@camden.gov.uk">saul.omuco@camden.gov.uk</a></p>	
<b>RECOMMENDATIONS:</b> <p>The Committee is requested to note the contents of this report and agree:</p> <ol style="list-style-type: none"> <li>1. The revised Investment Beliefs as set out in Table 2 of this report for inclusion in the draft Investment Strategy Statement.</li> <li>2. To adopt the “Lower Risk &amp; Higher Impact” investment strategy proposed by the Fund's Investment Consultant, Isio (within Appendix A), and to approve the corresponding changes to the Fund's strategic asset allocation for inclusion in the draft Investment Strategy Statement, as summarised below (all percentages are proportions of overall Fund assets):             <ol style="list-style-type: none"> <li>a. Reducing the public equity allocation by 12% (from 45% to 33%) to lower portfolio volatility.</li> <li>b. Increasing the strategic asset allocation to index-linked gilts by 10% (to 18%) to strengthen inflation protection.</li> <li>c. Introducing a new renewable infrastructure allocation of 2.5% and a natural capital allocation of 5% to enhance sustainability impact.</li> <li>d. Increasing investment in long-lease property by 4% (to 9%) to provide stable, inflation-linked income.</li> <li>e. Maintaining investment in affordable housing at 5% to support place-based impact.</li> <li>f. Reducing exposure to UK and global commercial property by 2%.</li> <li>g. Retaining the existing multi-asset credit allocation at 15% to preserve diversified income.</li> </ol> </li> </ol>	

3. To note that the revised strategy is expected to deliver an 8.5% expected return per annum, improve inflation linkage to 44% of total assets, and reduce Value at Risk by approximately 19% relative to the current strategic target.
4. To approve the Draft Investment Strategy Statement attached as Appendix B.
5. To delegate authority to the Director of Finance (S151 Officer), after consultation with the Chair of the Pension Committee to take all steps to finalise the draft Investment Strategy Statement after having considered the results of the consultation (including making any amendments required to the Strategy as a result of the consultation).

**Signed by**

Director of Finance .....**Agreed**.....

Date .....**xx/11/2025**.....

## **1. INTRODUCTION AND BACKGROUND**

- 1.1 The Fund reviews its strategic asset allocation periodically (every 2-3 years). This work is ideally completed just after a triennial valuation which means that members have an up-to-date view of the liabilities and can understand how best to align the investment strategy to these.
- 1.2 The last asset allocation review was in July 2023 following the triennial valuation in 2022.
- 1.3 At the last review in 2023 the Pension Committee agreed to change the target asset allocation to the High Impact strategy by (all percentages are proportions of overall Fund assets):
  - reducing the equity allocation by 10% by decreasing assets with the active equity managers, Baillie Gifford and Harris,
  - increasing investment in multi-asset credit by 3%
  - increasing investment in index-linked gilts by 4%
  - reducing investment in commercial property by 4%
  - increasing investment in infrastructure by 5%
  - adding a new asset allocation in affordable housing of 5%
- 1.4 One of the most important decisions Members of the Pension Committee ever make is the Fund's asset allocation; and performance analysis consistently shows that asset allocation is the main driver of Fund performance. Individual managers within each asset allocation are important, but not as important as the overall strategy and asset allocation. Furthermore, the fit and nature of asset classes are important for Funds to ensure they are able to efficiently meet their objectives and also have liquid assets to finance spend on benefits as they fall due.
- 1.5 The Fund's Investment Consultant, Isio, has been commissioned to draft the new Investment Strategy Statement and Appendix A is their report. They will be attending Committee to present their work and field questions. Members of the Pension Committee have also had the opportunity to explore the proposals ahead of the Committee meeting. Isio will take members through their proposals at the Pensions Committee.
- 1.6 Appendix B sets out the proposed new Investment Strategy Statement (ISS), incorporating the recommended Strategic Asset Allocation and updated investment policies for Committee approval.
- 1.7 In accordance with Regulation 7(5) of the LGPS (Management and Investment of Funds) Regulations 2016, the authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy.

## 2. INVESTMENT BELIEF REVIEW

- 2.1 Integral to the Investment Strategy review and underpinning the Fund's values and framework for investing are the Fund's Investment Beliefs and Investment Belief Statement. These beliefs were originally introduced in November 2019 and subsequently refreshed in 2022 to align with the United Nations Sustainable Development Goals (SDGs)

**TABLE 1: PROGRESS ON 2022 SDGs:**

Category	Relevant SDGs	Actions Undertaken	Progress Since 2022
Environmental	SDG 13 – Climate Action	Improved carbon reporting; shifted some passive holdings to sustainable strategies (e.g. L&G Future World).	Reporting from managers (including LCIV) now more comprehensive. Sustainable strategy allocations increased.
	SDG 7 – Affordable & Clean Energy	Continue investment through LCIV Infrastructure Fund.	Around 48% of LCIV Infrastructure Fund assets now in renewables.
	SDGs 14 & 15 – Life Below Water / Life on Land (Biodiversity)	Support LAPFF engagement on biodiversity; explore natural capital allocation.	LAPFF active on biodiversity; initial scoping of LCIV Natural Capital Fund underway.
Social	SDG 11 – Sustainable Cities & Communities	Explore place-based and housing investments.	LCIV Housing Fund now deploying capital.
	SDG 3 – Good Health & Wellbeing	Engagement through LAPFF on modern slavery and labour standards.	Regular monitoring through LAPFF engagement reports.
	SDGs 4, 6, 8 & 12 – Quality Education, Clean Water, Decent Work, Responsible Consumption	Broaden awareness through LAPFF and manager engagement.	Ongoing collaborative engagements led by LAPFF.
Governance	SDG 10 – Reduced Inequalities	Promote fair access and affordability via housing and engagement.	LCIV Housing Fund addressing affordable housing needs; LAPFF continuing advocacy.
	SDG 5 – Gender Equality	Encourage transparency on pay gaps and diversity.	Gender pay and DEI data reported by most managers.
	SDG 17 – Partnership for the Goals	Maintain collaboration via LAPFF and LCIV networks.	Ongoing partnership work through LGPS forums and LAPFF.

- 2.2 A workshop for Members of the Pension Committee was held on 1 September 2025, facilitated by the Fund's Independent Investment Adviser, Karen Shackleton, supported by David Brown from Pensions for Purpose. The session reviewed

progress since the 2022 update and ensured that the Fund's Investment Beliefs continue to reflect global sustainability priorities and Camden's local investment objectives.

- 2.3 Members agreed that the beliefs should be reviewed biennially to maintain relevance to evolving ESG themes and regulation.
- 2.4 The Committee reaffirmed Climate Action as a continuing priority but now treated it as a broader cross-cutting theme encompassing clean energy, biodiversity and natural capital. Several prior Environmental goals—such as Affordable and Clean Energy and Life Below Water—are now operationalised through the Fund's infrastructure and natural capital allocations and have therefore been consolidated.
- 2.5 Within the Social pillar, SDGs such as Sustainable Cities and Good Health and Wellbeing were recognised as being delivered through the Fund's place-based housing investments (e.g. LCIV Housing Fund). Focus has been streamlined towards Decent Work and Economic Growth, supporting regeneration and employment.
- 2.6 For Governance, Members introduced SDG 16 – Peace, Justice and Strong Institutions as the primary goal, recognising the financial risks and opportunities linked to institutional integrity and conflict exposure. Gender Equality (SDG 5) and Reduced Inequalities (SDG 10) remain embedded as supporting beliefs.
- 2.7 The updated beliefs also reinforce the Fund's stewardship and engagement principles, including participation in the Asset Owner Diversity Charter, and align closely with emerging Natural Capital and Transition strategies.
- 2.8 These updated beliefs underpin the 2025 Investment Strategy Review and will inform all future investment, engagement, and policy decisions of the Fund.
- 2.9 The new Investment Beliefs therefore are:

**TABLE 2: INVESTMENT BELIEFS SEPTEMBER 2025**

<b><u>Environmental:</u></b>	<b><u>Social:</u></b>	<b><u>Governance:</u></b>
SDG 13 – Climate Action	SDG 8 – Decent Work and Economic Growth	SDG 16 – Peace, Justice and Strong Institutions
		
SDG 15 – Life on Land		SDG 5 – Gender Equality
		
		SDG 10 – Reduced Inequalities
		

**TABLE 3: SUMMARY OF CHANGES**

<b>Category</b>	<b>2023 Position</b>	<b>2025 Update</b>	<b>Rationale / Commentary</b>
Environmental	SDG 13 – Climate Action (primary) SDG 7 – Affordable & Clean Energy SDG 14 – Life Below Water	SDG 13 – Climate Action (retained as overarching theme) SDG 15 – Life on Land (emphasis through Natural Capital)	Climate Action reframed as a broader cross-cutting theme; clean energy and marine goals now captured within infrastructure and natural capital allocations.
Social	SDG 11 – Sustainable Cities and Communities SDG 3 – Good Health & Wellbeing SDG 12 – Responsible Consumption & Production SDG 4 – Quality Education	SDG 8 – Decent Work and Economic Growth (retained focus) Indirect delivery through housing and regeneration projects	Several prior SDGs now embedded in existing investments (e.g. LCIV Housing Fund); focus consolidated on employment and economic opportunity via place-based investment.
Governance	SDG 10 – Reduced Inequalities (primary) SDG 5 – Gender Equality	SDG 16 – Peace, Justice and Strong Institutions (new primary) SDG 5 – Gender Equality (retained secondary) SDG 10 – Reduced Inequalities (retained but not primary)	Elevation of SDG 16 reflects Committee emphasis on institutional strength, stewardship, and conflict-risk awareness; diversity and inequality remain embedded as supporting beliefs.

2.10 The Council continues to adopt the financial beliefs established in July 2023 which it uses to guide its approach to markets, asset allocation and investing in general. These are:

- The Fund is a long-term investor and invests predominantly with this time frame in mind – not to make short-term gains.
- Asset mix is important and drives performance over the long-term.
- The Fund will take appropriate professional advice to inform strategy and decision making.
- The Fund believes that there is a place for active and passive management.
- Investment costs are important and should be minimised where possible after taking net performance into account

### 3. ASSET ALLOCATION BENCHMARKING

- 3.1 In thinking about our investment strategy, it is useful to think about where other Local Government Pension Schemes (LGPS) have positioned their asset allocation. Whilst this provides a useful comparison of course our Fund has its own characteristics in terms of longevity of its members, maturity of the fund (whether we pay out more benefits than contributions each year and how that is changing over time) and the Fund's appetite for risk.
- 3.2 Our Performance adviser, PIRC, undertake annual analysis on their cohort of 62 LGPS funds with a value of £275bn. Table 4 below shows the 2024-25 results (as at 31 March 2025):

**Table 4: PIRC Universe average vs Fund asset allocation**

Asset class	PIRC average	Strategic Asset allocation	Actual asset allocation
<b>Equities (active &amp; passive)</b>	<b>50%</b>	<b>45%</b>	<b>52%</b>
UK	5%		
Overseas	45%		
<b>Bonds</b>	<b>21%</b>	<b>23%</b>	<b>22%</b>
UK	7%	8%	6%
Global	2%		
Absolute return	3%		
Multi Asset credit	5%	15%	16%
Private debt	4%		
<b>Cash</b>	<b>3%</b>	<b>0%</b>	<b>1%</b>
<b>Alternatives</b>	<b>16%</b>	<b>11%</b>	<b>8%</b>
Private Equity	6%	2%	2%
Infrastructure	8%	9%	6%
Other	2%		
<b>Diversified growth</b>	<b>2%</b>	<b>5%</b>	<b>5%</b>
<b>Affordable Housing</b>		<b>5%</b>	<b>2%</b>
<b>Property</b>	<b>8%</b>	<b>11%</b>	<b>10%</b>
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

- 3.3 The table compares the Fund's strategic and actual allocations to the PIRC Local Authority universe. The Fund's strategic equity target is slightly below the PIRC average (45% vs 50%). The actual equity allocation is 52%, a modest overweight driven by market movements and timing of cashflows relative to private markets and property deployment.
- 3.4 For bonds, the Fund's strategic allocation (23%) is slightly above the PIRC average (21%), but the actual allocation is 22%. This tilt reflects the Committee's desire to balance equity risk and secure diversified income.
- 3.5 Alternatives remain below peers: 8% actual vs 16% PIRC average and 11% strategic. Within this, Private Equity is 2% actual (lower than PIRC 6% and in line with the 2% strategic target), while Infrastructure is 6% actual against a 9% strategic target (and 8% in the PIRC universe). Lower aggregate Alternatives primarily reflect distributions from legacy commitments outpacing new capital calls. Affordable Housing stands at 2%

against a 5% strategic target, reflecting deployment timelines within the LCIV Housing Fund.

- 3.6 The Fund holds Property at 10% actual, above PIRC (8%) but slightly below the 11% strategic target. This reflects the role of property and long-income real estate in providing income resilience and partial inflation protection within the portfolio.
- 3.7 Diversified Growth stands at 5% actual compared to 2% in the PIRC universe. The current level provides a diversifying return stream and downside management while other private market allocations redeploy.
- 3.8 Cash remains low at 1%, consistent with operational liquidity needs.
- 3.9 Overall, the portfolio is broadly aligned to strategy: equities remain modestly overweight relative to peers, a slightly higher actual bonds exposure to steady returns, Alternatives below both target and peers due to net distributions, and Property above target to support income and diversification. The shape is consistent with the direction set through the 2025 ISS review, with scope to rebuild Alternatives selectively (especially infrastructure and PE) as capital is called.

#### **4. INVESTMENT STRATEGY REVIEW**

- 4.1 Appendix A sets out the detailed Investment Strategy Review undertaken by Isio to assess whether the Fund's existing strategy remains appropriate in light of the 2025 valuation, the improved funding level of c.136%, evolving market conditions and the Committee's investment beliefs. Using Isio's assumptions as at 31 March 2025, the Fund's current expected return of 8.8% p.a. materially exceeds the Actuary's required return of 3.8% p.a. to maintain full funding over the long term. This provides scope to reduce investment risk while retaining sufficient headroom above funding assumptions.
- 4.2 The analysis confirms that although the Fund's current allocation is broadly aligned with strategic targets, the portfolio remains materially overweight equities (by c. 7.5% at 31 March 2025) and underweight inflation-linked assets, particularly index-linked gilts and certain real assets. Isio therefore modelled alternative strategic allocations designed to lower overall portfolio risk, strengthen inflation protection, and enhance ESG impact, while maintaining adequate long-term returns.
- 4.3 Isio presented four alternative portfolio structures which were evaluated against expected returns, downside risk, inflation linkage and governance considerations:
  - More Efficient
  - Higher Impact
  - Lower Risk
  - Lower Risk & Higher Impact
- 4.4 All portfolios deliver broadly similar long-term return expectations (between 8.4% and 8.8% p.a.) but with differing levels of risk reduction and ESG alignment. The Fund's current 1-in-20, 3-year Value-at-Risk (VaR) is estimated at £816 million. Under the Lower Risk & Higher Impact option, this reduces significantly to £659 million, representing the lowest risk of all options and a meaningful improvement in downside resilience. The same option also increases inflation-linked exposure from approximately 21% to 36% of total assets.
- 4.5 A consistent feature across all scenarios is a reduction in public equity exposure, reflecting the Committee's desire to reduce reliance on market-driven volatility. Under the recommended option, public equities decrease from 45% to 33%, with capital reallocated toward assets offering inflation protection and impact-aligned characteristics, including:



- Index-Linked Gilts (+10%, from 8% to 18%)
- Affordable Housing (maintained at 5%, with further cashflow utilisation expected)
- Renewable Infrastructure (+2.5%)
- Natural Capital (+5%)

- 4.6 These allocations improve inflation resilience, provide more stable long-term income characteristics, and are consistent with the Fund's objective of maintaining a diversified portfolio that can withstand adverse market scenarios.
- 4.7 The Higher Impact and Lower Risk & Higher Impact options introduce new allocations to renewable infrastructure and natural capital, thereby enhancing alignment with the Fund's UN SDG priorities, particularly SDG 13 (Climate Action), SDG 15 (Life on Land), SDG 8 (Decent Work & Economic Growth) and SDG 16 (Peace, Justice & Strong Institutions). These allocations increase the Fund's ESG footprint without compromising expected returns materially or increasing governance complexity.
- 4.8 Following detailed discussions between officers, Isio and the Independent Investment Adviser, the "Lower Risk & Higher Impact" portfolio is recommended as the preferred long-term strategic direction. This option offers the strongest balance between maintaining robust expected returns, reducing downside volatility, improving inflation protection and enhancing responsible investment alignment.
- 4.9 The recommended strategy is fully consistent with the Fund's Investment Beliefs and the Responsible Investment Policy, embedding financially material ESG considerations and the Fund's updated SDG themes directly into the strategic framework.
- 4.10 Appendix A sets out the full modelling results and comparative metrics for each of the alternative strategies, including expected ESG impact, inflation sensitivity, governance implications, long-term cashflow considerations and indicative fee levels.
- 4.11 The Independent Investment Adviser has reviewed the proposed strategy and supports the adoption of the "Lower Risk & Higher Impact" allocation as a prudent and well-balanced evolution of the current structure.
- 4.12 The Fund Actuary, Hymans Robertson, has confirmed that the proposed strategy remains consistent with the funding assumptions and risk tolerances used in the 2025 valuation and does not create additional funding strain for employers.

## **5. RESPONSIBLE INVESTMENT COMMENTS**

- 5.1 The Fund's Investment Beliefs remain a cornerstone of its responsible investment framework. This refresh extends the Fund's focus beyond climate action to reflect current socio-economic realities, embedding human rights considerations and SDG 16 – Peace, Justice and Strong Institutions within the Beliefs. These updates strengthen the Fund's commitment to transparency, accountability and proactive engagement with investment managers on human-rights and governance risks through a stewardship-led approach. The revised beliefs also align closely with the Fund's Responsible Investment Policy, which provides the operational framework for delivering these principles in practice.

## **6. ENVIRONMENTAL IMPLICATIONS**

- 6.1 The Fund remains committed to supporting the Council's ambition to achieve net zero and continues to integrate climate considerations across its investment strategy. The updated Investment Strategy Statement and accompanying Responsible Investment Policy reinforce the fund's commitment to Climate Action as a core environmental belief and expanding investment focus to asset classes such as natural capital and

biodiversity. The report also highlights the Fund's increasing allocation to infrastructure and renewable energy, which directly support the transition to a low-carbon economy.

## **7. FINANCE COMMENTS OF THE DIRECTOR OF FINANCE**

- 7.1 The finance comments of the Executive Director Corporate Services are included in the report.

## **8. LEGAL COMMENTS OF THE BOROUGH SOLICITOR**

- 8.1 Regulation 7(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires an administering authority to formulate an investment strategy, after taking proper advice, which must be in accordance with guidance issued by the Secretary of State. The Investment Strategy Statement required by Regulation 7 must include:- a) A requirement to invest money in a wide variety of investments; b) The authority's assessment of the suitability of particular investments and types of investments; c) The authority's approach to risk, including the ways in which risks are to be measured and managed; d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services; e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and 4 f) The authority's policy on the exercise of rights (including voting rights) attaching to investments. The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment. Under Regulation 7(6) and (7), the statements must be published by 1st April 2017 and then kept under review and revised from time to time and at least every three years.

## **9. APPENDICES**

Appendix A - Investment Strategy Statement Review

Appendix B - Draft Investment Strategy Statement 2025