LONDON BOROUGH OF CAMDEN PENSION FUND

INVESTMENT STRATEGY STATEMENT

1. INTRODUCTION

1.1 This Investment Strategy Statement (ISS) is prepared in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. All administering authorities must publish an ISS and keep it under regular review.

1.2 The ISS sets out:

- the Fund's investment strategy
- the approach to risk, diversification, and asset allocation
- how money is invested in a wide variety of investments
- pooling arrangements
- the Fund's policy on responsible investment, ESG integration and stewardship

1.3 The ISS must be consistent with the Funding Strategy Statement (FSS). The FSS explains how employer liabilities are measured, how contributions are set, and how funding and investment risks interact. The two policies should be read together.

1.4 The ISS will be reviewed at least every three years, or sooner if there are material changes to investment policy, funding position or regulatory requirements.

1.5 This ISS addresses the requirements set out in Regulation 7(2) of the LGPS (Management and Investment of Funds) Regulations 2016, covering investment strategy, risk, diversification, pooling and stewardship

2. BACKGROUND

2.1 The Camden Pension Fund is a defined benefit scheme established under the Public Service Pensions Act 2013. Benefits are defined in statute and revalued annually in line with CPI.

2.2 The Council delegates investment decision-making to the Pension Committee. The Committee receives advice from the Executive Director of Corporate Services, the Fund Actuary, the Investment Consultant, and the Independent Investment Adviser.

2.3 Day-to-day management of the Fund is carried out by professional investment managers, either directly appointed or accessed through the London Collective Investment Vehicle (LCIV).

2.4 The Local Pension Board provides oversight and assurance on governance and compliance with the LGPS Regulations and The Pensions Regulator's requirements.

3. INVESTMENT OBJECTIVE

3.1 The primary objective is:

- to ensure the long-term solvency of the Fund
- to maintain stable and affordable employer contributions and
- to invest assets prudently to meet future benefit payments as they fall due

3.2 The long-term investment return requirement is informed by the actuarial assumptions set out in the Funding Strategy Statement.

4. DIVERSIFICATION

4.1 The Fund invests in a diversified range of asset classes to reduce overall portfolio volatility and improve the balance between risk and return. Diversification aims to ensure that underperformance in one asset class is offset by stronger performance elsewhere.

4.2 The 2025 Investment Strategy Review provided a comprehensive analysis of the Fund's liability profile, expected cashflows, risk tolerance and asset class characteristics. This analysis supported a shift toward a lower-risk, higher-impact strategy, reflecting the Fund's improved funding position.

4.3 The Fund is diversified across:

- global equities (active and passive)
- fixed interest bonds and index-linked gilts
- multi-asset credit
- UK and global property
- affordable housing
- infrastructure (including renewable infrastructure)
- natural capital
- private equity
- cash and short-term investments

4.4 Alternative assets, such as infrastructure, natural capital and private equity, provide valuable diversification due to their low correlation with traditional equities and bonds and offer inflation-linked or income-generating characteristics.

4.5 The introduction of a dedicated natural capital allocation in 2025 reflects the Fund's ability to target impact-aligned assets without compromising risk management.

5. SUITABILITY OF INVESTMENTS

5.1 The Fund invests in assets suitable for meeting its long-term liabilities. The suitability of investments is assessed through:

- expected risk-adjusted returns
- liquidity profile
- inflation sensitivity
- contribution to cashflow needs
- their role in achieving the strategic asset allocation

5.2 The Funding Strategy Statement provides the framework for balancing the aims of affordability, stability and prudence. These principles inform the investment strategy and ensure consistency between the FSS and ISS.

5.3 The Fund's maturity profile and projected benefit outflows were reviewed as part of the 2025 strategy review. While the Fund is expected to move gradually toward a cashflow-negative position over time, the current strategy ensures sufficient liquidity and income generation from:

- index-linked gilts
- long-lease property
- multi-asset credit
- affordable housing

- renewable infrastructure
- Illiquid Assets

5.4 The Fund holds illiquid assets where appropriate and in line with long-term objectives. The 2025 review assessed liquidity risk, redemption terms and the capacity to meet benefit payments. The Fund is satisfied that illiquidity risk is manageable and consistent with overall strategy.

5.5 The Fund recognises the distinct risk, return and inflation characteristics of each asset class, including:

- Equities – long-term capital growth with higher volatility
- Bonds – income generation and lower volatility
- Index-linked gilts – strong inflation linkage; useful for liability matching
- Property – inflation-linked rental income; lower liquidity
- Infrastructure & Natural Capital – long-term, often inflation-linked, income streams
- Cash – liquidity management

The Fund considers these characteristics when determining the suitability and role of each asset class within the strategic allocation.

6. STRATEGIC ASSET ALLOCATION

6.1 The Strategic Asset Allocation (SAA) is the primary determinant of long-term investment risk and return. Following the 2025 Investment Strategy Review, and in light of the Fund's materially improved funding position (c.136% at 31 March 2025), the Pension Committee agreed to adopt a lower-risk, higher-impact strategic allocation.

6.2 This updated strategy reduces exposure to public equities, increases allocations to inflation-linked assets, and introduces two new impact-focused real asset classes, Natural Capital and Renewable Infrastructure, while remaining fully compliant with the LGPS Investment Regulations and consistent with the Funding Strategy Statement.

6.3 The revised allocation strengthens inflation protection, diversifies income sources, and aligns with the Fund's core Responsible Investment priorities, including SDG themes identified through the Investor Beliefs review (2025). It also positions the Fund to transition efficiently into LCIV products ahead of the March 2026 pooling deadline.

6.4 The Committee will formally review the Strategic Asset Allocation at least every three years as part of the valuation cycle, and more frequently if market conditions, funding levels or cashflow patterns materially change.

Asset Class	**New Strategic Asset Allocation**
Public Equity	33%
Private Equity	2%
Diversified Growth Fund	0%
Multi-Asset Credit	15%
Index-Linked Gilts	18%
Long-Lease Property	9%
UK & Global Commercial Property	4%
Infrastructure Equity	6.5%
Renewable Infrastructure	2.5%
Affordable Housing	5%
Natural Capital	5%
Cash (operational)	0%

6.5 The expected long-term return of the strategy is 8.5% per annum, with a three-year (1-in-20) downside risk of £659m, representing the most favourable risk-return balance of the portfolios considered. Approximately 36% of the portfolio provides direct or implicit inflation linkage, significantly reducing liability risk.

6.6 The Strategic Asset Allocation will be implemented primarily via the London Collective Investment Vehicle (LCIV), in line with pooling requirements and to benefit from economies of scale and ESG stewardship frameworks.

7. RISK MANAGEMENT

7.1 The Fund recognises that taking investment risk is necessary to meet its long-term objectives. Key investment risks include:

- market and price risk
- inflation risk
- interest rate risk
- currency risk
- credit risk
- illiquidity risk
- concentration risk
- manager risk

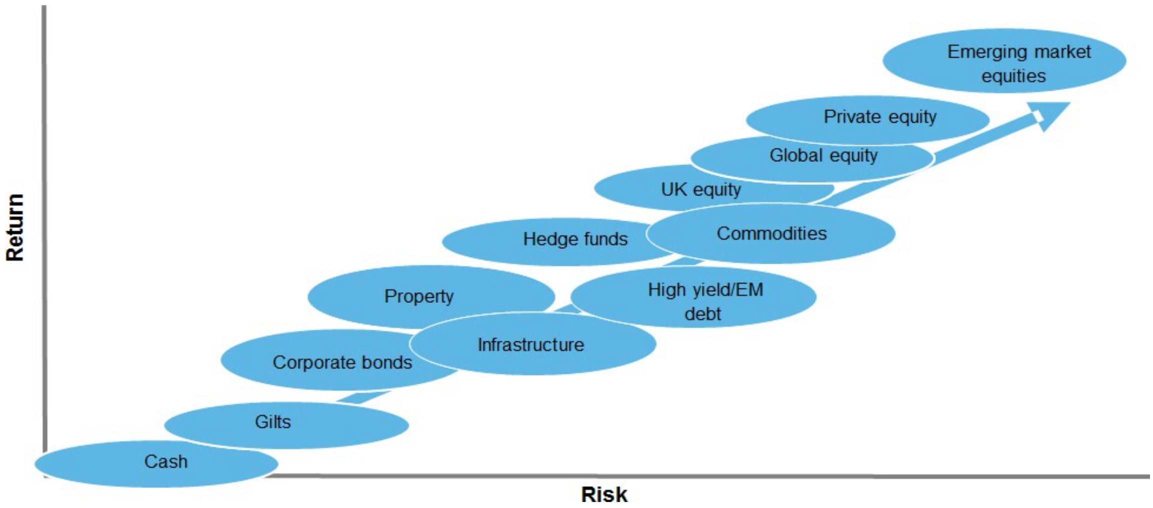
7.2 These risks are mitigated through:

- diversification across asset classes, regions and investment styles
- periodic asset liability modelling (ALM)
- regular monitoring of funding level progression
- prudent actuarial assumptions
- ongoing oversight of investment managers
- maintaining an appropriate liquidity profile

7.3 The Fund is mindful of the sensitivity of liabilities to inflation and interest rates. The 2025 strategy review included a significant increase to index-linked gilts to take advantage of favourable pricing and strengthen liability-matching characteristics.

7.4 The Fund maintains a separate Risk Register, reviewed annually by the Pension Committee (the most recent review being done in July 2025). The ISS reflects the risk considerations relevant to investment strategy; detailed operational and governance risks remain covered in other governance documents.

7.5 In itself, investment risk is not necessarily a bad thing, provided the Fund expects to be rewarded for taking it and can take a long-term view in order to look through short- and medium-term downturns in investment markets. The expected risk return characteristics of different asset classes are highlighted in the following chart.



7.6 The chart shows the expected risk return characteristics of different asset classes in ordinal format. We note that in order to achieve higher expected returns we are typically required to take on additional investment risk (usually in terms of price volatility, credit risk or illiquidity).

8. INVESTMENT LIMITS

8.1 The Fund does not impose investment limits beyond those required by its own internal risk framework and the principles set out in Regulation 7 of the LGPS (Management and Investment of Funds) Regulations 2016. The previous statutory limits contained in Schedule 1 to the 2009 Regulations are no longer applicable.

8.2 The Fund is not seeking any special authorisation under Regulation 7.

9. POOLING ARRANGEMENTS

9.1 The Camden Pension Fund is a participating authority in the London Collective Investment Vehicle (LCIV), established as part of the Government's pooling policy.

9.2 Where suitable LCIV funds exist, the Fund will transition assets into pooled vehicles. As at 2025, the Fund has already transitioned substantial assets and expects to complete pooling of remaining eligible mandates before the government's pooling deadline.

9.3 The Fund retains its passive equity and index-linked gilt mandates outside the pool in accordance with government guidance, but these are monitored by LCIV at pool level.

9.4 The Fund will engage with LCIV on updates to the ISS, consistent with anticipated requirements in MHCLG's Fit for the Future consultation proposal.

10. RESPONSIBLE INVESTMENT AND ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) POLICY

10.1 The Fund's fiduciary duty is to act in the best financial interests of its members. ESG factors are considered where they present financially material risks or opportunities.

10.2 The Fund's Responsible Investment Policy (2025) and Conflict Zone Exposure Policy articulate the Fund's expectations on stewardship, manager behaviour, engagement and escalation.

10.3 The Fund is a member of LAPFF and expects its investment managers, including those accessed via LCIV, to undertake active stewardship and engagement on ESG issues.

10.4 Managers are required to integrate material ESG considerations, monitor investee companies, and report stewardship activities regularly. Where collaborative engagement is likely to be more effective, the Fund supports joint initiatives consistent with legal and regulatory frameworks.

10.5 The Fund receives quarterly ESG and stewardship reporting from managers and from LCIV.

10.6 The Fund's Investment Beliefs, last reviewed in 2025, set out the Fund's conviction that ESG factors are financially material and that long-term value is best protected through active stewardship, engagement and collaboration. These beliefs also guide the Fund's thematic priorities, expressed through alignment to selected UN Sustainable Development Goals (SDGs):

<u>Environmental</u>:

SDG 13 – Climate Action

SDG 15 – Life on Land

<u>Social</u>:

SDG 8 – Decent Work and Economic Growth

<u>Governance</u>:

SDG 16 – Peace, Justice and Strong Institutions

SDG 5 – Gender Equality

SDG 10 – Reduced Inequalities

11. VOTING RIGHTS AND STEWARDSHIP

11.1 The Fund believes that active stewardship and the responsible use of voting rights support long-term investment returns.

11.2 Voting is exercised:

- by LCIV for pooled fund holdings, and
- by PIRC, following Camden's bespoke voting policy, for segregated mandates.

11.3 The Fund receives quarterly voting reports and reviews engagement outcomes to ensure alignment with its stewardship expectations.

12. COMPLIANCE AND CONSULTATION

12.1 This ISS complies with Regulation 7 of the LGPS (Management and Investment of Funds) Regulations 2016.

12.2 The Fund will consult with employers, LCIV, advisers and the Local Pension Board when updating the ISS.