

Title of Report	Quarterly Investment Performance, Strategy and Stewardship Update
For Consideration By	Pensions Committee
Meeting Date	24 June 2026
Classification	Open
<u>Ward(s) Affected</u>	All
<u>Group Director</u>	Naeem Ahmed, Group Director, Finance & Corporate Resources
<u>Report Author</u>	Miriam Adams, Assistant Director Pension Investments and Administration miriam.adams@hackney.gov.uk

1. **Introduction**

- 1.1. This report is an update on quarterly investment performance, responsible investment and investment strategy update across the following key areas since the last reported quarter:
- Economic Environment, Investment, Manager and Pool update
 - Update from LCIV Client Relations Team
 - LAPFF Quarterly Engagement Update
 - Fund Annual Responsible Investment Newsletter

2. **Recommendations**

2.1. **The Pensions Committee is recommended to:**

- **Note the Economic Environment, Investment Managers and Pool Investment Performance at 31 March 2026 (Appendix 1)**
- **Note the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Update (Appendix 2)**
- **Note the Fund Annual Responsible Investment Newsletter (Appendix 3)**

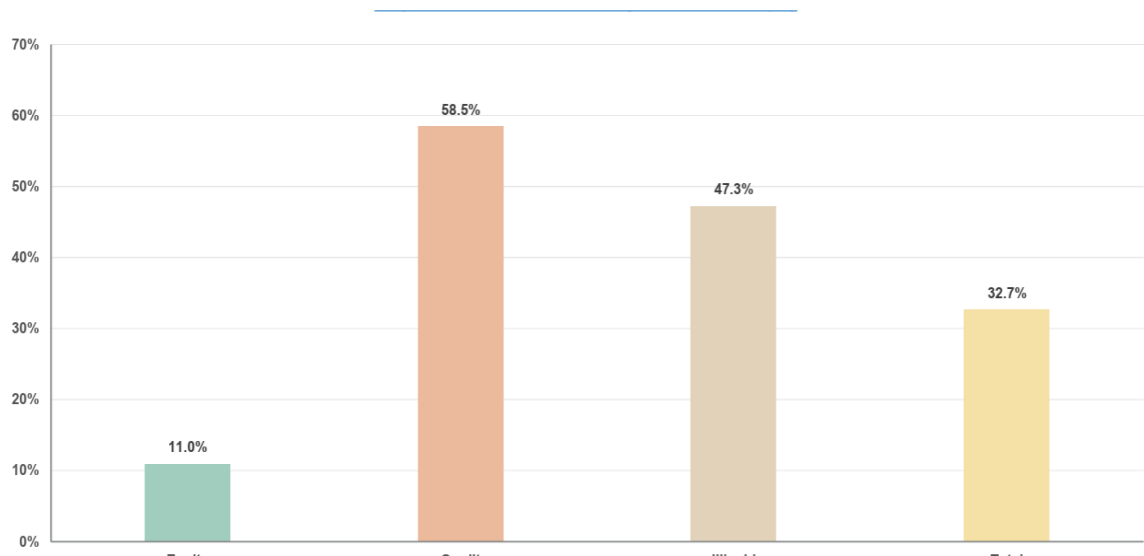
3. **Related Decisions**

- 3.1. 30 March 2026 Pensions Committee - Quarterly Investment, Funding Strategy Update
- 3.2. 25 November 2025 Pensions Committee - Quarterly Investment, Funding, Strategy Update
- 3.3. 23 September 2025 Pensions Committee - Quarterly Investment, Funding, Strategy Update
- 3.4. 11 June 2025 Pensions Committee - Quarterly Investment, Funding, Strategy and TCFD Update.

4. **Exposure to UK Assets**

- 4.1 As at 31 March 2026, the Fund's exposure to UK assets was 32.7% representing c.£738.1m of the portfolio. Within the core asset classes, the Fund's equity investments had 11.0% exposure to UK assets, credit investments had 58.5%, and illiquid investments 47.3% respectively. The increase in UK equity investments was due to the allocation to the L&G Future World UK Equity Index Fund.

Exposure to UK assets by asset class at 31 March 2026 (%)



source: Gallagher March 2026 report. Data used for private market funds in this calculation is quarter lagged. Source data from Northern Trust quarterly performance report

5. **Investment and Manager Performance**

Market Summary

- 5.1 Financial markets entered 2026 strongly, with risk assets rallying through late February. The rally was led by non-US equities – particularly emerging

markets – which benefited from improving growth sentiment and easing financial conditions. That momentum stalled in late February as geopolitical tensions crystallised in Iran, with escalation driving renewed volatility across equities, commodities and currencies.

- 5.2 Equity markets fell, with the quarter's early leaders suffering most, while energy markets also tightened in response to the conflict. Crude oil prices jumped above \$100/barrel, which in turn drove G4 government bond yields higher as markets moved to price in a new bout of energy-price-driven inflation. UK gilts were the weakest of the major bond markets, reflecting the UK's status as an energy importer, as markets priced out rate cuts and even moved to anticipate 2026 rate hikes.

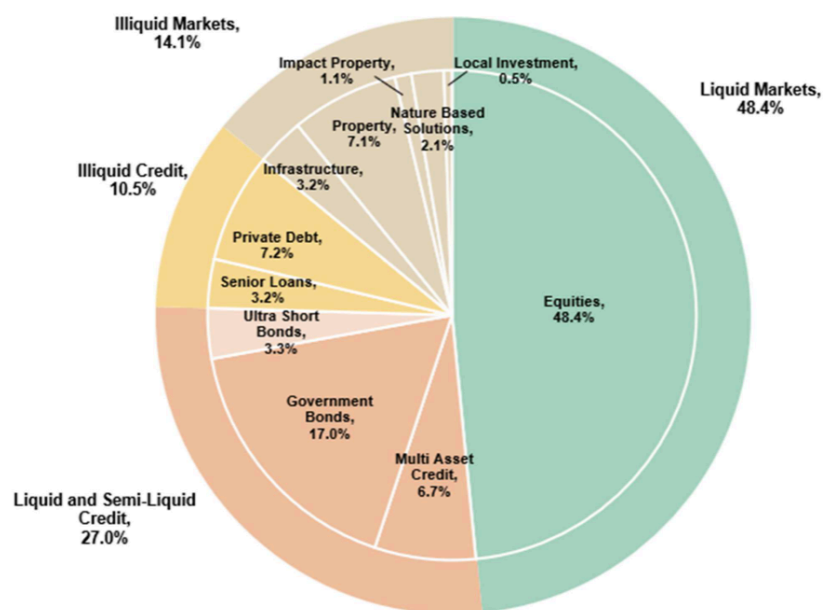
World Sustainable Investment Update

- 5.3 Climate policy signals were mixed in Q1. The US formally exited the Paris Agreement again and rolled back federal climate regulation, whilst Europe implemented its carbon border levy and reaffirmed its 2040 emissions-reduction target. Global energy transition investments rose 8% year on year to a record \$2.3trn, but temperatures continued to rise, with the World Meteorological Organization estimating that average temperatures in 2025 were 1.44°C above pre-industrial levels.
- 5.4 Energy security and the strategic role of renewables was brought into focus amid the Iran conflict, with Brent crude oil spiking above \$100 a barrel. The Net Zero Asset Managers initiative was relaunched with softened commitments, and the Investment Consultants Sustainability Working Group released new manager stewardship oversight tools.

Investment performance update

- 5.5 Appendix 1 to this report provides a manager performance update from the Fund's Investment consultant, Gallagher, for the quarter to 31 March 2026. The Fund's return of 2.20% under-performed benchmark return by -1.76%, while one year performance of 9.39% underperformed benchmark by 0.11%. On a 3 year to date (annualised) basis, the fund's performance of 6.93% underperformed against benchmark by -1.08%. The Fund also underperformed against benchmark on a 5 year (annualised) basis by -1.45%. The biggest detractors during the quarter were LCIV Global Alpha Growth Paris Aligned fund underperforming by -5.79%, LCIV Sustainable Equity Fund underperforming by -2.38% and LCIV Multi Asset Credit fund underperforming benchmark by -3.25%..

The table below shows the actual asset allocation at 31 March 2026.



5.6 At the beginning of the quarter, the London Borough of Hackney Pension Fund had a value of £2,313m. The Fund value decreased by £59m ending at £2,254m at 31 March 2026. The Fund received a number of private market capital call requests during the quarter.

LCIV Pooling Position at 31 December 2026

5.7 Pooled assets stood at £38.7billion, of which £21.1billion are in funds managed by London CIV. Assets under management via the London CIV Authorised Contractual Scheme (“ACS”) stood at £18.5 billion, and assets invested in LCIV private market funds stood at £2.6 billion, with £4.1 billion in total commitments.

The aggregate value of ‘pooled’ passive assets held by Legal and General Investment Management (“LGIM”) and Blackrock was £17.6 billion, with £11.9 billion managed by LGIM and £5.7 billion managed by BlackRock.

5.8 Report from the LCIV Client Relations Team at 31 March 2026

- Fit for the Future Update: The Pension Schemes Bill has now completed its passage through Parliament. For the LGPS, this confirms the established trajectory of the Fit for the Future programme, including the continued direction of travel on pooling and governance. Within this context, London CIV remains focused on delivery in line with Government direction. We continue to engage closely with Partner Funds and will ensure they are kept informed of relevant developments, guidance and milestones as Fit for the Future reforms are taken forward.

- Asset transition, advice and strategy delivery: London CIV's priority remains focused on delivering a smooth and well managed transition that supports Partner Funds through a complex period of change. Engagement in recent weeks has therefore focused on progressing the agreement of Investment Management Agreements (IMAs), completing the necessary documentation, and working with Partner Funds to ensure readiness for different transition pathways as implementation plans continue to develop. As has been the case throughout the Fit for the Future programme, a considered and steady approach is being taken as they move forward. During the quarter, London CIV also successfully delivered investment strategy advice for the first time, completing the pilot programme. The full service has been available to all partner funds from 1 April. In addition to this, London CIV representatives met with Pensions Minister Torsten Bell at the Pensions UK Investment Conference. Discussions focused on the practical delivery of LGPS reforms, the importance of collaboration between pools, Partner Funds and government, and the need for implementation to remain firmly grounded in fiduciary duty.
- Looking ahead: Going forward, key milestones for 2026 include finalising the IMAs, developing implementation plans, as well as formally agreeing local investment strategies. Recent engagement has identified common themes and priority asset classes. These will be explored further through planned workshops to assist Partner Funds to progress this work within their individual fiduciary frameworks.

6. **LAPFF Quarterly Engagement Update (Appendix 2)**

- 6.1. Hackney Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF) alongside the majority of LGPS funds and Asset Pools. LAPFF promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds.
- 6.2. For LAPFF and its members, corporate responsibility and long-term shareholder value are two sides of the same coin. By acting together, the Forum proudly leads the way on issues such as executive pay, reliable accounting and a just transition to a net zero economy. And is prouder still to realise significant and tangible improvements in the practices of some of the world's biggest corporations.
- 6.3. LAPFF does not outsource engagements, rather engagement with companies is done by LAPFF as fund trustees and asset owners thereby representing asset owners directly in companies and stakeholder engagement.
- 6.4. The Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement report (March 2026) is attached as (Appendix 2) to this report. The report sets out LAPFF's engagement activity over the Quarter in relation to environmental, social and governance issues.
- 6.5. Key engagement and stewardship activity during the quarter were:

- **Climate change adaptation**, with a focus on food, protein and agricultural supply chains and company preparedness for physical climate risks
- **Aviation and climate transition**, including engagement with major European airlines on decarbonisation pathways, sustainable air fuel (SAF), and governance
- **Water utilities**, covering pollution, PFAS (“forever chemicals”), and evolving UK regulatory reform
- **Zero-hours contracts & the Employment Rights Act (ERA)**, with engagement insights on how companies are preparing for forthcoming labour reforms, including guaranteed hours, agency labour, and wider workforce protections
- **Conflict-Affected and High-Risk Areas (CAHRAs)**, including targeted outreach to companies and follow-up engagement on heightened human rights due diligence
- **Electric vehicles and supply chains**, focusing on human rights risks and due diligence in critical mineral sourcing.

6.6. The LAPFF Business meeting was held on 15 April. The meeting focused on climate transition plans. The session opened with a fireside chat on The Transition Plan Reset, exploring where climate transition planning goes next and how momentum can be maintained in an increasingly challenging geopolitical landscape.

6.7. This was followed by a panel discussion examining the core features of strong climate transition plans. Panellists emphasised the importance of transparency alongside ambition, including clear targets underpinned by data. The final panel explored strengthening company-investor dialogue in practice. Panellists underscored the value of collaborative engagement to extend investor influence and the importance of engaging the right company decision-makers on specific issues. Practical examples demonstrated how targeted engagement can drive tangible progress on climate transition plans.

7. **Responsible Investment Annual News Letter (Appendix 3)**

7.1. The annual responsible investment newsletter provides a summary of key responsible investment activities and highlights for the year.

8. **Conference Dates**

- LAPF Strategic Investment Forum 29 - 30 June 2026
Register here
- LCIV Training for Councillors - 13 July 2026

9. **Financial implications**

- 9.1. The Pensions Committee has delegated responsibility for management of the Pension Fund. Whilst there are no direct financial impacts from the information contained in this report, quarterly monitoring of key aspects of the Pension Fund helps to provide assurance to the Committee of the overall financial performance of the Fund and enables the Committee to make informed decisions about the management of the Fund.
- 9.2. The report includes monitoring the performance of the Fund's investment managers which is essential to ensure that managers are achieving performance against set benchmarks and targets.

Financial Implications prepared on behalf of the Group Director Finance & Corporate Resources by: Deidre Worrel, Director Financial Management
Email: deidre.worrell@hackney.gov.uk
Date: 15 June 2026

10. **Legal implications**

- 10.1. The Council's Constitution gives the Pensions Committee responsibility for various specified functions relating to management of the Council's Pension Fund, as reflected in the Committee's Terms of Reference. The Committee has delegated responsibility:
- To act as quasi Trustees of the Council's Pension Fund, consider pension matters and meet the obligations and duties of the Council under the Superannuation Act 1972, the Public Service Pensions Act 2013, and the various pension legislation.
 - To act as Scheme Manager for the Pension Fund.
 - To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and to develop a medium term plan to deliver the objectives.
- 10.2. Given these responsibilities, it is appropriate for the Committee to consider a regular quarterly update covering funding, investment matters, scheme administration, communication and governance.

Legal implications prepared on behalf of the Director of Legal, Democratic & Electoral Services by: Georgia Lazari , Team Leader-Places
Email: georgia.lazari@hackney.gov.uk
Date: 15 June 2026

Appendices

Appendix 1 - Investment Performance Report - Gallagher

Appendix 2 - LAPFF Quarterly Engagement Report

Appendix 3 - Annual Responsible Investment Newsletter

Background documents

None