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**PENSION POLICY & INVESTMENT COMMITTEE**
Wednesday, 27 July 2022 at 9.30 am
Conference Room, Civic Centre, Silver Street, Enfield, EN1 3XA

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# PENSION POLICY & INVESTMENT COMMITTEE

**Wednesday, 27th July, 2022 at 9.30 am in the Conference Room, Civic Centre, Silver Street, Enfield, EN1 3XA**

**Membership:**

Councillors: Doug Taylor, Tim Leaver (Cabinet Member for Finance and Procurement), Gina Needs (Cabinet Member for Community Safety and Cohesion), Sabri Ozaydin (Chief Whip), David Skelton and Edward Smith

## AGENDA – PART 1

1. **WELCOME AND APOLOGIES**

2. **APPOINTMENT OF VICE CHAIR**

3. **DECLARATIONS OF INTEREST**

   Members are asked to declare any disclosable pecuniary, other pecuniary or non-pecuniary interests relating to items on the agenda.

4. **MINUTES OF PREVIOUS MEETING** (Pages 1 - 4)

   To agree the minutes of the previous meeting held on 14 April 2022.

5. **GOVERNANCE POLICY & COMPLIANCE STATEMENT REVIEW** (Pages 5 - 26)

   The Pension Policy and Investments Committee are recommended to note the Enfield Pension Fund Governance Policy and Compliance Statement, attached as Appendix 1.

**6. QUARTERLY INVESTMENT PERFORMANCE MONITORING REPORT MARCH 2022** (Pages 27 - 120)

The Pension Policy and Investments Committee are recommended to note the contents of this report.

**7. AON - INVESTMENTS & ASSET MANAGERS UPDATE MARCH 2022** (Pages 121 - 130)

The Pension Policy and Investments Committee are recommended to note the contents of Aon's report set as Appendix 1 to this report.

**8. AON MARKET OUTLOOK AND KEY DEVELOPMENTS UPDATE JULY 2022** (Pages 131 - 148)

The Pension Policy and Investments Committee are recommended to note the contents of this report and the attached Appendix 1.

**9. ENFIELD PF RESPONSIBLE INVESTMENT POLICY** (Pages 149 - 178)

The Pension Policy and Investment Committee are recommended to note, review and comment on the current Responsible Investment Policy attached as Appendix 1.

**10. FOSSIL FUEL EXPOSURE REPORT AS OF 31ST MARCH 2022** (Pages 179 - 188)

The Pension Policy and Investments Committee are recommended to note the contents of this report and the attached Appendix 1.

**11. DATES OF FUTURE MEETINGS**

To note the dates of future meetings:

- Wednesday 05 October 2022
- Wednesday 23 November 2022
- Wednesday 18 January 2023
- Wednesday 29 March 2023

# MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT COMMITTEE HELD ON THURSDAY, 14 APRIL 2022

**COUNCILLORS**

| | |
|---|---|
| **PRESENT** | Tim Leaver, Doug Taylor, Edward Smith and Terence Neville OBE JP |
| **ABSENT** | Claire Stewart |
| **OFFICERS:** | Bola Tobun (Finance Manager (Pensions and Treasury), Fay Hammond (Executive Director- Resources) |
| **Also Attending:** | Carolan Dobson (Independent Advisor), Max Meikle(Aon) , Kara Robinson (Aon), Robyn Mclintock (Governance Officer) |

## 1
## WELCOME & APOLOGIES

Councillor Tim Leaver (Chair) welcomed everyone to the meeting.

## 2
## DECLARATION OF INTERESTS

There were no declarations of interest.

## 3
## MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 27 January 2022 were agreed as complete and accurate.

## 4
## PENSION BOARD VERBAL UPDATE

There is no update from the Local Pension Board.

**ACTION:** Circulate the last Local Pension Board meeting minutes.

## 5
## ENFIELD PF RESPONSIBLE INVESTMENT POLICY AND NET ZERO ENGAGEMENT FRAMEWORK

Aon prepared the Net Zero Engagement Framework based on the workshop which was held in February.

Members suggested this item should be noted at the new committee in the new municipal year and to review the framework in September/October.

**AGREED:** To adopt the net zero engagement framework strategy.

## 6
## INVESTMENT STRATEGY IMPLEMENTATION UPDATE

Bola Tobun presented this item. Aon remain comfortable with a 5% allocation to the global bond fund.

Concerns were raised over alternative options and the portfolio being over 10% in equity. The report from Aon touches on other strategies and can provide a formal recommendation. Bola is working on a rebalancing report which can be brought to the next meeting.

Members noted that we should not be investing in any new fund that has assets in Russia.

An informal meeting will be held in May to consider what Aon will be proposing at the formal meeting.

**ACTION:** Aon to seek confirmation that PIMCO will not make future investments

## 7
## ENFIELD PENSION FUND FOSSIL FUEL EXPOSURE REPORT AS AT 31 DECEMBER 2021

Max Meikle from Aon presented this item.

The committee noted this report and suggested the review subcommittee should include this on the agenda.

## 8
## QUARTERLY INVESTMENT PERFORMANCE MONITORING REPORT

Bola Tobun presented this item and advised by the end of February the fund was at £1.485billion. Our position in Russia showed there is around £850m exposed to Ukraine and Russia.

Members noted the report and the generally good performance and would like Aon to look into what we are doing with the spare cash.

## 9
## MARKET UPDATE AND OUTLOOK

Max Meikle from Aon, presented this item with key issues being the current conflict in Ukraine/Russia and its impact on geo politics and the potential recession in the next 8-24 months.

The next committee will receive a further update.

Members noted the report and suggested going forward to look at longer term, 10-15 years.

**10**
**KEY DEVELOPMENTS ON INVESTMENTS & ASSET MANAGERS UPDATE**

Memebers noted the update from Aon and that the Bailey Gifford fund has slightly differed but it is not material.

**11**
**ENFIELD PENSION FUND DRAFT ANNUAL REPORT & ACCOUNTS 2020-21**

Bola Tobun presented this item.

The account is yet to be audited. The equity position is below the average at 7-8%. By the end of March the fund was at 107% and £85m in surplus.

Members agreed to approve the proposed report and accounts.

**12**
**GAD SECTION 13 VALUATION RESULTS**

Members noted the GAD report with interest. Our actuarial assumptions are not in prudent and have confidence in our actuaries activities.

A draft result will come to the committee in September to be finalised in November.

**13**
**REVIEW OF CMA STRATEGIC OBJECTIVES FOR INVESTMENT CONSULTANT (PART 2)**

The committee received a restricted report from Aon which was noted and were happy with the responses.

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Agenda Item 5

ENFIELD Council

**London Borough of Enfield**

**PENSION POLICY AND INVESTMENT COMMITTEE**

**Meeting Date: 27 July 2022**

| | |
|---|---|
| **Subject:** | **Governance Policy & Compliance Statement Review** |
| **Cabinet Member:** | **Cllr Leaver** |
| **Executive Director:** | **Fay Hammond** |
| **Key Decision:** | **[ ]** |

**Purpose of Report**

1. This report introduces the Enfield Pension Fund Governance Policy and Compliance Statement.

2. The Enfield Pension Fund Governance Policy and Compliance Statement has been prepared in accordance with the Local Government Pension Scheme Regulations.

3. It sets out the governance procedures for the Fund and indicates where it is compliant with best practice as laid down in statutory guidance issued by the Secretary of State.

4. One of the functions of the Committee is to meet the Councils duties in respect of the efficient management of the pension fund. The Committee's consideration of this information contributes towards the achievement of the Council's statutory duties.

**Proposal(s)**

5. Pension Policy and Investments Committee are recommended to note the Enfield Pension Fund Governance Policy and Compliance Statement, attached as Appendix 1.

**Reason for Proposal(s)**

6. For effective and efficient management of the Fund.

7. There is a requirement for the Committee to be kept up to date with current issues and legislative developments to support and effect the effective discharge of their role.

8. Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Enfield Council, as the administering authority for the Enfield Pension

Fund, to prepare a written statement setting out details of the authority's delegation of functions under the LGPS Regulations.

9. The statement sets out the governance procedures for the Fund and indicates where it is compliant with best practice as laid down in statutory guidance issued by the Secretary of State. This document presents an update to the existing statement as part of the review programme set out in the Pension Fund Business Plan.

10. **Relevance to the Council's Corporate Plan**

11. Good homes in well-connected neighbourhoods.

12. Build our Economy to create a thriving place.

13. Sustain Strong and healthy Communities.

**Background**

14. Since 1st April 2006, administering authorities have been required to publish and maintain a pension fund governance statement setting out the governance arrangements for their Fund including details of membership, how often they meet and the decision-making process. This requirement has been maintained in the LGPS Regulations 2013, with Regulation 55 requiring funds to prepare and maintain a governance compliance statement.

15. Regulation 55 requires that:

(1) An administering authority must prepare a written statement setting out:

(a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, subcommittee or an officer of the authority;

(b) if the authority does so-

(i) the terms, structure and operational procedures of the delegation,

(ii) the frequency of any committee or sub-committee meetings,

(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and

(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards establishment).

(2) An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

(3) Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

(4) An administering authority must publish its statement under this regulation, and any revised statement.

16. The Governance and Compliance Statement must be kept under review and updated following material change. The Fund must consult persons it considers appropriate and publish the statement.

17. As a result of the Good Governance review which concluded in 2020 there have been changes to the last approved statement in February 2020.

18. The revised policy was discussed at Pension Board on 8 September 2021, where a member of the democratic team confirmed the PPIC composition has been approved by the full Council in March 2021.

19. The Council decides the composition and makes appointments to the Pension Policy & Investment Committee. Currently the membership of the Committee is a minimum of 5 elected Members from Enfield Council on a politically proportionate basis and the Leader of the Council will appoint a Chair and the Pension Policy & Investment Committee will elect a Vice Chair.

20. All Enfield Council elected Members have voting rights on the Committee and three voting members of the Committee are required to be able to deem the meeting quorate.

21. In addition, there will be two co-opted non-voting members representing employer and Scheme member interests. Although the co-opted representatives do not have voting rights they are treated as equal members of the Committee, they have access to all Committee Advisers, officers, meetings and training as if they were Council Members and have the opportunity to contribute to the decision making process.

22. Voting rights are restricted to elected Members as they are deemed to be fulfilling the role of Trustees as the Pension Fund with all the legal responsibilities that this entails, it was not felt appropriate to apply the same legal definition to the lay members of the Committee and hence their role as non-voting members.

23. The above changes to the PPIC composition was approved as this was tabled by the monitoring officer at the Council meeting held in March 2021.

**Safeguarding Implications**

24. None.

**Public Health Implications**

25. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

**Equalities Impact of the Proposal**

26. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

**Environmental and Climate Change Considerations**

27. There are no environmental and climate change considerations arising from this report.

**Risks that may arise if the proposed decision and related work is not taken**

28. This is a noting report.

**Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

29. Risks arising from poor administration and management tend to be reputational but can include additional expenditure. This and future reports are designed to provide the Committee with assurance that pension risks are being adequately managed.

**Financial Implications**

30. The S151 Officer is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed and that there are no direct financial implications arising as a consequence of the revised Policy and Statement. The cost of compliance with the necessary regulations with regards to governance is minimal in comparison to the value of the fund, and the risks arising through failure to do so.

31. The effective and efficient management of Fund assets and achievement of performance targets are key to the achievement of the funding strategy objectives and this is a good decision which can result in greater cost savings to the fund.

**Workforce Implications**

32. The employer’s contribution is a significant element of the Council’s budget and consequently any improvement in investment performance will allow the

Council to meet this obligation easily and could also make resources available for other corporate priorities.

**Property Implications**

33. None

**Other Implications**

34. None

**Options Considered**

35. This is a legislative requirement so there is no alternative option to consider.

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Date of report 13th July 2022

**Appendices**
Appendix 1 – The Governance Policy and Statement of Compliance

**Background Papers**

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ENFIELD Council

# Appendix 1

# London Borough of Enfield Pension Fund Governance and Compliance Statement July 2022

The London Borough of Enfield is the Administering Authority of the London Borough of Enfield Pension Fund and administers the Local Government Pension Scheme on behalf of participating employers

**Resources Department**
Enfield Council
Civic Centre, Silver Street
Enfield EN1 3XY

**www.enfield.gov.uk**

Pension Policy and Investment Committee

# Governance and Compliance Statement

The London Borough of Enfield is the Administering Authority of the London Borough of Enfield Pension Fund and administers the Local Government Pension Scheme on behalf of participating employers.

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to publish Governance Policy and Compliance Statements setting out information relating to how the Administering Authority delegates its functions under those regulations and whether it complies with guidance given by the Secretary of State for Communities and Local Government. It also requires the Authority to keep the statement under to review and to make revisions as appropriate and where such revisions are made to publish a revised statement.

**Aims and Objectives**

Enfield Council recognises the significance of its role as Administering Authority to the London Borough of Enfield Pension Fund on behalf of its stakeholders which include:

- Over 25,500 current and former members of the Fund, and their dependants
- around 53 employers within the Enfield Council area or with close links to Enfield Council
- the local taxpayers within the London Borough of Enfield.

In relation to the governance of the Fund, our objectives are to ensure that:

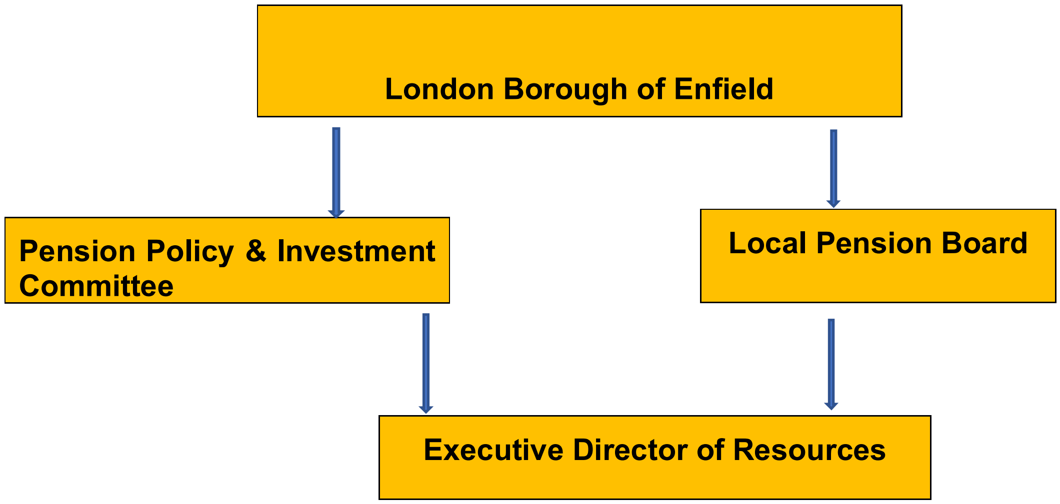
- all staff and Pension Policy & Investment Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund aims to be at the forefront of best practice for LGPS funds
- the Fund manages Conflicts of Interest appropriately

**Structure**

The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that those who made the decisions are accountable to local people.

The Council delegates its responsibility for administering the Fund to the Pension Policy & Investment Committee. The terms of this delegation are as set out in the Council Constitution and provide that the Committee is responsible for consideration of all pension matters and discharging the obligations and duties of the Council under the Superannuation Act 1972 and various statutory matters relating to investment issues.

The Constitution sets out the framework under which the Pension Fund is to be administered as depicted in the diagram below.




**Terms of Reference for the Pension Policy & Investment Committee**

The Constitution allows for the appointment of a Pension Policy & Investment Committee which has responsibility for the discharge of all non-executive functions assigned to it.

The following are the terms of reference for the Pension Policy & Investment Committee:

a) To act as 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 pensions' legislation.

b) To make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, actuaries, advisers, investment managers and custodians and periodically to review those arrangements.

c) To formulate and publish an Investment Strategy Statement.

d) 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.

e) To determine the strategic asset allocation policy, the mandates to be given to the investment managers and the performance measures to be set for them.

f) To make arrangements for the triennial actuarial valuation, to monitor liabilities and to undertake any asset/liability and other relevant studies as required.

g) To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles.

h) To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.

i) To receive and approve an Annual Report on the activities of the Fund prior to publication.

j) To make arrangements to keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.

k) To keep the terms of reference under review.

l) To determine all matters relating to admission body issues.

m) To focus on strategic and investment related matters at two Pension Policy & Investment Committee meetings.

n) To review the Pension Fund’s policy and strategy documents on a regular basis and review performance against the Fund’s objectives within the business plan

o) To maintain an overview of pensions training for Members.

## Membership of the Pension Policy & Investment Committee

The Council decides the composition and makes appointments to the Pension Policy & Investment Committee. Currently the membership of the Committee is a minimum of 5 elected Members from Enfield Council on a politically proportionate basis and the Pension Policy & Investment Committee will elect a Chair and Vice Chair. All Enfield Council elected Members have voting rights on the Committee and three voting members of the Committee are required to be able to deem the meeting quorate.

In addition there will be two co-opted non-voting members representing employer and Scheme member interests. Although the co-opted representatives do not have voting rights they are treated as equal members of the Committee, they have access to all Committee Advisers, officers, meetings and training as if they were Council Members and have the opportunity to contribute to the decision making process.

Voting rights are restricted to elected Members as they are deemed to be fulfilling the role of Trustees as the Pension Fund with all the legal responsibilities that this entails, it was not felt appropriate to apply the same legal definition to the lay members of the Committee and hence their role as non-voting members.

Members of the Pension Policy & Investment Committee, including co-opted members, are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties; meetings are open to members of the public who are welcome to attend. However, there may be occasions when members of the public are excluded from meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

### Meetings

The Pension Policy & Investment Committee shall meet at least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. Work for the year will be agreed with the Committee to include dedicated training sessions for Committee members.

Agendas for meetings will be agreed with the Chair and will be circulated with supporting papers to all members of the Committee, Officers of the Council as appropriate and the Fund’s Investment Advisor.

The Council will give at least five clear working days’ notice of any meeting by posting details of the meeting at the Enfield Civic Centre and on the Council’s website. The Council will make copies of the agenda and reports open to the public available for inspection at least five clear working days before the meeting. If an item is added to the agenda later, the revised agenda will be open to inspection from the time the item was added to the agenda. The reason for lateness will be specified in the report.

There may on occasions be items which may be exempt from the agenda, reports and minutes of the meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed. Items which are most likely to be excluded are issues where to disclose information would contravene an individual's privacy or where there are financial interests which may be compromised as a result of disclosure for example discussions surrounding contracts.

The Council will make available copies of the minutes of the meeting and records of decisions taken for six years after a meeting. Minutes of meetings and records of decisions are available for inspection on the Council's website:

http://governance.enfield.gov.uk/ieListMeetings.aspx?CommitteeId=664

## Other Delegations of Powers

The Pension Policy & Investment Committee act as quasi trustees and oversee the management of the Pension Fund. As quasi trustees the Committee has a clear fiduciary duty in the performance of their functions, they must ensure that the Fund is managed in accordance with the regulations and to do so prudently and impartially and to ensure the best possible outcomes for the Pension Fund, its participating employers, local taxpayers and Scheme members. Whilst trustees can delegate some of their powers, they cannot delegate their responsibilities as trustees. Appendix A outlines the areas that the Pension Policy & Investment Committee has currently delegated though these may be added to from time to time.

Under the Council's Constitution delegated powers have been given to the Executive Director of Resources in relation to all other pension fund matters, in addition to his role as Chief Financial Officer (often called S151 Officer). As Chief Financial Officer he is responsible for the preparation of the Pension Fund Annual Report & Accounts and ensuring the proper financial administration of the Fund. As appropriate the Executive Director of Resources will delegate aspects of the role to other officers of the Council including the Pensions & Treasury Manager and to professional advisors within the scope of the LGPS Regulations.

## Pension Board

With effect from 1 April 2015, each Administering Authority is required to establish a local Pension Board to assist them with:

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension Fund

Such Pension Boards are not local authority committees; as such the Constitution of Enfield Council does not apply to the Pension Board unless it is expressly referred to in the Board's terms of reference. The Enfield Pension Board established by Enfield Council and the full terms of reference of the Board can be found within the Council's Constitution. The key points are summarised below.

**Role of the Pension Board**

The Council has charged the Pension Board with providing oversight of the matters outlined above. The Pension Board, however, is not a decision making body in relation to the management of the Pension Fund and the Pension Fund's management powers and responsibilities which have been delegated by the Council to the Pension Policy & Investment Committee or otherwise remain solely the powers and responsibilities of them, including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers.

**Membership of the Pension Board**

The Pension Board consists of 6 members as follows:

- Three Employer Representatives
- Three Scheme Member Representatives

Pension Board members, (excluding any Independent Member), have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.

A meeting of the Pension Board is only quorate when two of the six Employer and Scheme Member Representatives are present, and where the Board has an Independent Member they must also be present.

The members of the Board are appointed by an Appointments Panel which consists of:

- the Cabinet Member for Resources
- the Executive Director of Resources
- the Director of Finance
- the Executive Director of Legal & Governance

Members of the Pension Board are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

**Meetings**

The Pension Board meets at least twice a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. The Pension Board will be treated in the same way as a Committee of Enfield Council and, as such, members of the public may attend and papers will be made public in the same way as described above for the Pension Policy & Investment Committee.

**Policy Documents**

In addition to the foregoing, there are a number of other documents which are relevant to the Governance and management of the Pension Fund. Brief details of these are listed below and the full copies of all documents can be found on the Pension Fund Website:
http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664

***Funding Strategy Statement***

The Funding Strategy Statement forms part of the framework for the funding and management of the Pension Fund. It sets out how the Fund will approach its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The

Funding Strategy Statement (FSS) is drawn up by the Administering Authority in collaboration with the Fund's actuary and after consultation with the Fund's employers. The FSS forms part of a broader framework which covers the Pension Fund and applies to all employers participating in the Fund. The FSS represents a summary of the Fund's approach to funding the liabilities of the Pension Fund.

***Investment Strategy Statement***
The Investment Strategy Statement (ISS) replaced the Statement of Investment Principles from 1st April 2016. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.
This ISS is designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused.
This document will be reviewed following the completion of the Fund investment strategy review and updated revised version will be tabled at the November Pension Policy & Investment Committee meeting for approval.

***Governance Policy Compliance Statement***
This sets out the Pension Fund's compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. This is attached as Appendix B and shows where the Fund is compliant or not compliant with best practice and the reasons why it may not be compliant.

***Training Policy***
Enfield Council has a Training Policy which has been put in place to assist the Fund in achieving its governance objectives and all Pension Policy & Investment Committee members, Pension Board members and senior officers are expected to continually demonstrate their own personal commitment to training and to ensuring that the governance objectives are met.
To assist in achieving these objectives, the London Borough of Enfield Pension Fund aims to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and
- the Pensions Regulator's (TPR) Code of Practice for Public Service Schemes.

As well as any other LGPS specific guidance relating to the knowledge and skills of Pension Policy & Investment Committee members, Pension Board members or pension fund officers which may be issued from time to time.

Members of the Pension Policy & Investment Committee, Pension Board and officers involved in the management of the Fund will receive training to ensure that they meet the aims of the Training Policy with training schedules drawn up and reviewed on at least on annual basis.

***Annual Report and Accounts***
As part of the financial standing orders it is the duty of the Chief Financial Officer to ensure that record keeping and accounts are maintained by the Pension Fund. The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - Statement of Recommended Practice. The financial statements summarise

the transactions of the Scheme and deal with the net assets of the Scheme. The statement of accounts is reviewed by both the Pension Policy & Investment Committee and the Audit Committee and incorporated in the Statement of Accounts for the Council. Full copies of the Report and Accounts are distributed to employers in the Fund and other interested parties and a copy placed on the websites:
http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664

***Communication Policy***
This document sets out the communications policy of the administering authority and sets out the strategy for ensuring that all interested parties are kept informed of developments in the Pension Fund. This helps to ensure transparency and an effective communication process for all interested parties. A copy of the policy can be found on the Pensions website:
http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664

***Discretions Policies***
Under the Local Government Pension Scheme regulations, the Administering Authority has a level of discretion in relation to a number of areas. The Administering Authority reviews these policies as appropriate and will notify interested parties of any significant changes. Employing Authorities are also required to set out their discretions policies in respect of areas under the Regulations where they have a discretionary power. Copies of both the Administering Authority and the London Borough of Enfield' Employing Authority Discretions can be found on the website: http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664

***Pension Administration Strategy and Employer Guide***
In order to assist with the management and efficient running of the Pension Fund, the Pension Administration Strategy and Employer Guide encompassing administrative procedures and responsibilities for the Pension Fund for both the Administering Authority and Employing Authorities has been distributed to employers within the Fund following consultation and can be found on the website: http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664

This represents part of the process for ensuring the ongoing efficient management of the Fund and maintenance of accurate data and forms part of the overall governance procedures for the Fund.

**Approval, Review and Consultation**
This Governance Policy and Statement was approved by the London Borough of Enfield Pension Policy & Investment Committee following consultation with all the participating employers in the Fund and other interested parties. It will be formally reviewed and updated at least every year or sooner if the governance arrangements or other matters included within it merit reconsideration. This document to be review and approve by the Pension Policy & Investment Committee at its meeting of 30th September 2021.

Contact Information
Further information on the London Borough of Enfield Pension Fund can be found as shown below:

Email: pensions@enfield.gov.uk
Website: http://governance.enfield.gov.uk/mgCommitteeDetails.aspx?ID=664

**Appendix A**

**Delegation of Functions to Officers by Enfield Pension Policy & Investment Committee**

**Key:**
PPIC – Pension Policy & Investment Committee
EDR – Executive Director of Resources & Officers
IC – Investment Consultant
PTM – Pensions & Treasury Manager
DF - Director of Finance
OAP-Officers & Advisers Panel
IA – Independent Adviser
FA – Fund Actuary

| **Function delegated to PPIC** | **Delegation to Officer(s)** | **Delegated Officer(s)** | **Communication and Monitoring of Use of Delegation** |
|---|---|---|---|
| Rebalancing and cash management | Implementation of strategic allocation including use of ranges | EDR, DF & PTM (having regard to ongoing advice of the IC, IA, FA and OAP) | High level monitoring at PPIC with more detailed monitoring by OAP and or PTM |
| Investment strategy - approving the Fund's investment strategy, Investment Strategy Statement and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite | To formally review the Scheme's asset allocation at least every three year's taking account of any changes in the profile of Scheme liabilities and will assess any guidance regarding tolerance of risk. It will recommend changes in asset allocation to the Pension Policy & Investment Committee | EDR, DF & PTM (having regard to ongoing advice of the IC, IA, FA and OAP) | High level monitoring at PPIC with more detailed monitoring by OAP and or PTM |
| Monitoring the implementation of these policies and strategies on an ongoing basis. | New mandates / emerging opportunities<br>To consider the Scheme's approach to social, ethical and environmental issues of investment, corporate governance and shareholder activism and recommend revisions to the | EDR, DF & PTM (having regard to ongoing advice of the IC, IA, FA and OAP) | High level monitoring at PPIC with more detailed monitoring by OAP and or PTM |

| | | | |
|---|---|---|---|
| | Pension Policy & Investment Committee. | | |
| Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers. | Ongoing monitoring of Fund Managers and Pool Operator<br><br>To evaluate the credentials of potential managers and make recommendations to the Pension Policy & Investment Committee<br><br>To review the Scheme's AVC arrangements annually. If it considers a change is appropriate, it will make recommendations to the Pension Policy & Investment Committee. | EDR, DF and PTM (having regard to ongoing advice of the IA & IC) and subject to ratification by PPIC | High level monitoring at PPIC with more detailed monitoring by OAP & PTM<br>Notified PPIC via ratification process. |
| Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders. | Agreeing the Administering Authority responses where the consultation timescale does not provide sufficient time for a draft response to be approved by PPIC. | EDR, DF and PTM, subject to agreement with Chairman and Vice Chairman (or either, if only one available in timescale) | PPIC advised of consultation via e-mail (if not already raised previously at PPIC) to provide opportunity for other views to be fed in.<br>Copy of consultation response provided at following PPIC for noting. |
| Agreeing the Fund's Knowledge and Skills Policy for all Pension Policy & Investment Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing | Implementation of the requirements of the CIPFA Code of Practice | EDR, DF and PTM | Regular reports provided to PPIC and included in Annual Report and Accounts. |

| | | | |
|---|---|---|---|
| training plans and monitoring compliance with the policy. | | | |
| The Committee may delegate a limited range of its functions to one or more officers of the Council. The Pension Policy & Investment Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Policy & Investment Committee. | Other urgent matters as they arise | EDR, DF and PTM subject to agreement with Chairman and Vice Chairman (or either, if only one is available in timescale) | PPIC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PPIC. |
| | Other non-urgent matters as they arise | Decided on a case by case basis | As agreed at PPIC and subject to monitoring agreed at that time. |

## Appendix B

| PRINCIPLE | REQUIREMENT | COMPLIANCE | COMMENT |
|---|---|---|---|
| STRUCTURE | The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council | Compliant | The Council's Constitution states that the Pension Policy & Investment Committee is responsible for the management of the Pension Fund |
| | That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee. | Compliant | Trade union representatives and representatives of admitted bodies do not currently sit on the Pension Policy & Investment Committee. |
| | That where a secondary committee or panel has been established, the structure ensures effective communication across both levels. | Compliant | A report of the sub-committee will be presented at the following Pension Policy & Investment Committee. All key recommendations of the Sub-Committee will be considered and approve by the Pension Policy & Investment Committee. |
| | That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel. | Compliant | All members of the Pension Policy & Investment Committee are also members of the Pension Policy & Investment Committee. |
| REPRESENTATION | That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: -<br>▪ employing authorities (including non-scheme employers, e.g. admitted bodies),<br>▪ scheme members (including deferred and pensioner scheme members), | Compliant | Trade unions and admitted bodies are represented on the Pension Board but currently not on the Pension Policy & Investment Committee. |

| PRINCIPLE | REQUIREMENT | COMPLIANCE | COMMENT |
|---|---|---|---|
| | ▪ independent professional observers,<br>▪ expert advisors (on an ad-hoc basis). | | |
| | That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights. | Compliant | Papers for Pension Board and the Pension Policy & Investment Committee are made available to all members of both bodies at the same time and are published well in advance of the meetings in line with the council's committee agenda publication framework. |
| **SELECTION & ROLE OF LAY MEMBERS** | That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. | Compliant | Members of the Pension Policy & Investment Committee and Pension Board have access to the terms of reference of each body and are aware of their roles and responsibilities as members of these bodies. |
| **VOTING** | The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. | Compliant | Members of the Pension Policy & Investment Committee does not currently confer voting rights on non-Councillors in line with common practice across the local government sector. |
| **TRAINING/FACILITY TIME/EXPENSES** | That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. | Compliant | Regular training is arranged for members of the Pension Policy & Investment Committee and Pension Board. In addition, members are encouraged to attend external training courses. The cost of any such courses attended will be met by the Fund. |

| PRINCIPLE | REQUIREMENT | COMPLIANCE | COMMENT |
|---|---|---|---|
| | That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum. | Compliant | The rule on training provision is applied equally across all members of the Pension Board and Pension Policy & Investment Committee. |
| **MEETINGS (FREQUENCY/ QUORUM)** | That an administering authority's main committee or committees meet at least quarterly. | Compliant | Meetings of the Pension Board and Pension Policy & Investment Committee are arranged to take place quarterly. |
| | That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. | Compliant | Meetings of the Pension Board and Pension Policy & Investment Committee are arranged to take place a week from each other. |
| | That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented. | Compliant | Other stakeholders of the Fund are able to make representations at the Annual General Meeting of the Pension Fund and also Employers Forum. |
| **ACCESS** | Subject to any rules in the Council's Constitution, all members of the main and secondary committees or panels have equal access to committee papers, documents and advice that fails to be considered at meetings of the main committee. | Compliant | Committee meeting papers are circulated at the same time to all members of the Pension Policy & Investment Committee and the Pension Board. |
| **SCOPE** | That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. | Compliant | Pension Policy & Investment Committee considers range of issues at its meetings and therefore has taken steps to bring |

| PRINCIPLE | REQUIREMENT | COMPLIANCE | COMMENT |
|---|---|---|---|
| | | | wider scheme issues within the scope of the governance arrangements. |
| **PUBLICITY** | That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements. | Compliant | This Governance Compliance Statement is a public document that is attached as an appendix to the annual pension fund report. |

**London Borough of Enfield**

**PENSION POLICY AND INVESTMENT COMMITTEE**

**Meeting Date: 27 July 2022**

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**Subject:** Quarterly Investment Performance Monitoring Report for March 2022

**Cabinet Member:** Cllr Leaver

**Executive Director:** Fay Hammond

**Key Decision:** [ ]

This report informs Members of the performance of the Pension Fund and its investment managers for the second quarter of 2021/22.

| | |
|---|---|
| **Over the quarter to 31 March 2022 the Fund posted a negative return of c.1.60%** | Global equities fell in response to heightened geopolitical tensions and continued inflationary pressure. The Fund underperformed its benchmark by 0.83%. Fund valuation at the end of this reporting quarter was £1.528bn, a decrease of £23m over the quarter. |
| **For the quarter nine mandates matched/achieved benchmark return** | For this quarter, twelve out of twenty-one mandates delivered returns matching or achieving returns above the benchmark set. The eight mandates lagging their set benchmark for this quarter are: LCIV BG Global Alpha, LCIV JP Morgan, MFS Global Equity, Aon Liquid Credits, LCIV CQS MAC, M&G Inflation, L&G Property and Brockton. |
| **The Fund's investments outperformed its benchmark over the 12-month period** | Over the twelve-month period to 31 March 2022, the Fund outperformed its benchmark by 0.20%. For the year to 31 March 2022, eleven out of twenty-one mandates delivered returns matching or achieving returns above the set benchmark. |
| **Longer-term performance, the Fund outperformed its benchmark return** | Looking at the longer-term performance, the three-year return for the Fund was 0.70% per annum above its benchmark return and for over five years, the Fund posted a return of 6.99% outperforming the benchmark return of 6.27% by 0.72% per annum. |
| **Fund is broadly in line with benchmark weightings** | The distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight, albeit there is a need to rebalance the assets and equities is mildly overweight. The overweight position in equities has helped the fund's performance in recent months. |

## Purpose of Report

1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.

2. Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to explain further to the Pension Policy & Investment Committee.

## Proposal(s)

3. Pension Policy and Investments Committee are recommended to note the contents of this report.

## Reason for Proposal(s)

4. The report informs the Pension Policy and investment Committee of the performance of pension fund managers and the overall performance of the Enfield Pension Fund.

5. **Relevance to the Council's Corporate Plan**

6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.

8. Sustain Strong and healthy Communities.

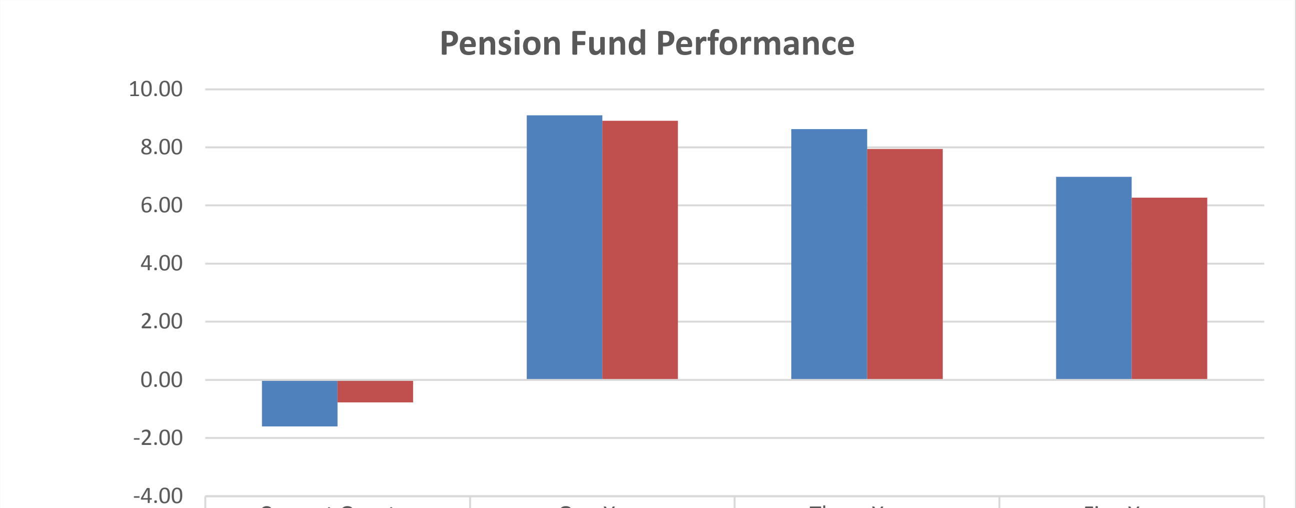
### Background

### INVESTMENT PERFORMANCE

9. The overall value of the Fund on 31 March 2022 stood at £1,528m, a decrease of £23m from £1,551m December 2021 quarter end value.

10. The Fund underperformed the benchmark this reporting quarter by posting a return of -1.60% against benchmark return of 0.78%. The twelve-month period sees the fund ahead its benchmark by 0.20%.

11. Looking at the longer-term performance, the three years return for the Fund was 8.63%, which was 0.69% per annum ahead its benchmark return. For over five years period, the Fund posted a return of 6.99% outperforming the benchmark return of 6.27% by 0.72% per annum, as shown on the graph below.




| | Current Quarter | One Year | Three Years | Five Years |
|---|---|---|---|---|
| Fund | -1.60 | 9.10 | 8.63 | 6.99 |
| Benchmark | -0.78 | 8.91 | 7.94 | 6.27 |

12. For March quarter end, three out of the five Fund's active equity mandates underperformed their respective benchmarks. Twelve out of twenty one mandates delivered returns, matching or achieving returns above the set benchmark.

13. For the 12 months to March 2022, eleven out of twenty one mandates outperformed their respective benchmarks or targets. The mandates that delivered negative returns or underperformed their respective benchmark/target were LCIV BG Global Alpha, LCIV JP Morgan, MFS Global Equity, Blackrock IL Gilts, Insight, LCIV MAC, M&G Inflation, Brockton, Blackrock Property and L&G Property.

**INTERNAL CASH MANAGEMENT**

14. Cash is held by the managers at their discretion in accordance with limits set in their investment guidelines, and internally by Enfield Council to meet working cashflow requirements, although transfers can be made to Fund managers to top up or rebalance the Fund.

15. Any excess cash from the Fund's bank accounts is invested in accordance with the Council's Treasury Management Strategy, prepared in accordance with the CIPFA Prudential Code and CIPFA Treasury Management Code of Practice. The Treasury Management Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk for the Fund's exposure. In addition, excess cash held with the custodian is swept into a liquidity fund to provide further diversification.

16. The Pension Fund cash balance is invested in accordance with the Council's Treasury Management strategy agreed by Full Council in February 2021and currently March 2022, which is delegated to the Executive Director of Resources to manage on a day to day basis within the agreed parameters. Officers monitor the credit risk of the Fund by keeping under review the credit rating and financial positions of the custodian and banks the Fund uses.

17. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The market value of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

18. The Pension Fund reviews its exposure to credit and counterparty risk through its external Investment Managers by reviewing the Managers' annual internal control reports. This ensures that Managers exercise reasonable care and due diligence in their activities for the Pension Fund, such as in the selection and use of brokers, clearing houses, counterparties and other appointees with whom transactions on behalf of the Fund take place.

19. A counterparty rating is one measure of credit risk. The carrying amounts of investment assets best represent the maximum credit risk exposure at the Net Asset Statement date.

20. A majority of the assets of the Fund are held by the Fund's custodian, Northern Trust Company. Bankruptcy or insolvency of the custodian may cause the Fund's rights with respect to securities held by the custodian to be delayed or limited. Cash not forming part of the investment assets is held in the Fund's current accounts with HSBC Bank.

21. The cash balance as of 31 March 2022, was £71.2m in short term deposits and money market funds. £34.1m with Goldman Sachs and £37.1m with Northern Trust.

**ASSET ALLOCATION**

22. The current strategic weight of asset distribution and the Fund's assets position as of 31 March 2022 are set out below:

| Asset Class | Strategic asset allocation as at June 2021 (%) | Fund Position as at 31 Mar. 2022 (%) | Difference as at 31 Mar. 2022 (%) | Difference as at 31 Mar. 2022 (£m) |
|---|---|---|---|---|
| Equities | 35.0 | 43.0 | 8.0 | 122.1 |
| Private Equities | 5.0 | 7.7 | 2.7 | 41.9 |
| **Total Equities** | **40.0** | **50.7** | **10.7** | **164.0** |
| Hedge Funds | 0.0 | 4.4 | 4.4 | 66.8 |
| Property | 5.0 | 6.2 | 1.2 | 17.6 |
| Infrastructure | 16.0 | 4.8 | (11.2) | (171.0) |
| Alternative Fixed Income | 5.0 | 0.0 | (5.0) | (76.4) |
| Bonds | 24.0 | 21.3 | (2.7) | (41.1) |
| Inflation protection illiquid | 10.0 | 8.0 | (2.0) | (30.9) |
| Cash | 0.0 | 4.7 | 4.7 | 71.2 |
| **Total** | **100.0** | **100.0** | | |

23. The Fund has 11.2% underweighted position to Infrastructure, 2.7% underweighted position to Bonds and Indexed linked gilts, 2% underweight in Inflation Protection. And the Fund has 4.7% overweighted position to cash, 10.7% overweighted position to total equities and 1.2% overweight position in Property.

24. 39% of the Equity portfolio which is 16.8% of the total Fund assets is being managed passively by BlackRock. The remainder is being managed on an active basis, with the largest share of 10.1% with MFS, followed by 7.1% with LCIV Baillie Gifford, 6.9% with LCIV Longview and 2.1% in LCIV Emerging Markets.

25. As of 31 March 2022, the MSCI All Country World Index had a 11.1% exposure to Emerging Markets and in aggregate, the Fund's public equity portfolio was £656.9m and £42.1m was invested in Emerging market.

26. At the reporting quarter end, c.2.8% of the Fund’s total assets were invested in Emerging Markets which equates to 6.4% of the Fund’s public equity portfolio as shown in the table below.

| **Asset Manager** | **Valuation of Assets as of March 2022 (£m)** | **Emerging Market Allocation (%)** | **Emerging Market Allocation (£m)** |
|---|---|---|---|
| BlackRock | 256.2 | 0.0 | 0.0 |
| MFS | 154.3 | 1.1 | 1.7 |
| Baillie Gifford | 108.5 | 12.7 | 13.7 |
| JP Morgan | 32.3 | 82.7 | 26.7 |
| Longview | 104.8 | 0.0 | 0.0 |
| **Total Public Equities** | **656.1** | **6.4** | **42.1** |

27. Asset allocation is determined by several factors including: -

    i) The risk profile - there is a trade off between the returns that can be obtained on investments and the level of risk. Equities have higher potential returns, but this is achieved with higher volatility. However, the Fund remains open to new members and able to tolerate the volatility, allowing it to target higher returns, which in turn reduces the deficit quicker and should eventually lead to lower contribution rates by employers.

    ii) The age profile of the Fund - the younger the members of the Fund, the longer the period before pensions become payable and investments must be realised for this purpose. This enables the Fund to invest in more volatile asset classes because it has the capacity to ride out adverse movements in the investment cycle.

    iii) The deficit recovery term / the surplus amortisation period - Most LGPS funds are fully Funded or almost 100% funded because of great investment returns but being tampered mildly by increasing life expectancy. The actuary determines the period over which the deficit is to be recovered and considers the need to stabilise the employer’s contribution rate. For 2019 valuation, the actuary used 16 years as the target of reducing the funding ratio, to illustrate the surplus amortisation.

28. Individual managers have discretion within defined limits to vary the asset distribution. The overweight position in equities has helped the fund's performance in recent months.

**Safeguarding Implications**

29. The report provides clear evidence of sound financial management, efficient use of resources, promotion of income generation and adherence to Best Value and good performance management.

**Public Health Implications**

30. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

**Equalities Impact of the Proposal**

31. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

**Environmental and Climate Change Considerations**

32. There are no environmental and climate change considerations arising from this report.

**Risks that may arise if the proposed decision and related work is not taken**

33. Any form of investment inevitably involves a degree of risk.

34. To minimise risk the Pension Policy and Investment Committee attempts to achieve a diversification portfolio. Diversification relates to asset classes and management styles.

35. The monitoring arrangement for the Pension Fund and the work of the Pension Policy & Investment Committee should ensure that the Fund optimises the use of its resources in achieving the best returns for the Council and members of the Fund.

**Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

36. Not noting the report recommendations and not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

**Financial Implications**

37. This is a noting report which fulfils the requirement to report quarterly performance of the Pension Fund investments portfolio to the Pension Policy and Investment Committee. There are no direct financial implications arising from this report, however the long-term performance of the pension fund will impact upon pension contribution rates set by this Committee.

**Legal Implications**

38. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 govern the way in which administering authorities should manage and make investments for the fund. There are no longer explicit limits on specified types of investment and instead administering authorities should determine the appropriate mix of investments for their funds. However, administering authorities must now adhere to official guidance; broad powers allow the Government to intervene if they do not. Under regulation 8, the Secretary of State can direct the administering authority to make changes to its investment strategy; invest its assets in a particular way; that the investment functions of the authority are exercised by the Secretary of State and that the authority complies with any instructions issued by the Secretary of State or their nominee.

39. The Council must take proper advice at reasonable intervals about its investments and must consider such advice when taking any steps in relation to its investments.

40. The Council does not have to invest the fund money itself and may appoint one or more investment managers. Where the Council appoints an investment manager, it must keep the manager's performance under review. At least once every three months the Council must review the investments that the manager has made and, periodically, the Council must consider whether or not to retain that manager.

41. One of the functions of the Pension Policy & Investment Committee is to meet the Council's duties in respect of investment matters. It is appropriate, having regard to these matters, for the Committee to receive information about asset allocation and the performance of appointed investment managers. The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.

42. When reviewing the Pension Fund Investment Performance, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty). The Committee may take the view that good, sound investment of the Pension Fund monies will support compliance with the Council's statutory duties in respect of proper management of the Pension Fund.

**Workforce Implications**

43. The employer’s contribution is a significant element of the Council’s budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

**Property Implications**

44. None

**Other Implications**

45. None

**Options Considered**

46. There are no alternative options.

**Conclusions**

47. The overall value of the Fund on 31 March 2022 stood at £1,528m, a reduction of £23m from its value of £1,551m at December 2021 quarter end.

48. The fund underperformed the benchmark this reporting quarter by posting a return of -1.60% against benchmark return of -0.78%. The twelve-month period sees the fund ahead its benchmark by 0.20%.

49. Looking at the longer-term performance, the three years return for the Fund was 8.63%, which was 0.69% per annum ahead its benchmark return. For over five years period, the Fund posted a return of 6.99% outperforming the benchmark return of 6.27% by 0.72% per annum.

50. For March quarter end, three out of the five Fund’s active equity mandates underperformed their respective benchmarks. Twelve out of twenty one mandates delivered returns, matching or achieving returns above the set benchmark.

51. For the 12 months to March 2022, eleven out of twenty one mandates outperformed their respective benchmarks or targets. The mandates that delivered negative returns or underperformed their respective benchmark/target were LCIV BG Global Alpha, LCIV JP Morgan, MFS Global Equity, Blackrock IL Gilts, Insight, LCIV MAC, M&G Inflation, Brockton, Blackrock Property and L&G Property.39% of the Equity portfolio which is 16.8% of the total Fund assets is being managed passively by BlackRock. The remainder is being managed on an active basis, with the largest share of 10.1% with MFS, followed by 7.1% with LCIV Baillie Gifford, 6.9% with LCIV Longview and 2.1% in LCIV Emerging Markets.

52. As of 31 March 2022, the MSCI All Country World Index had a 11.1% exposure to Emerging Markets and in aggregate, the Fund's equity portfolio was £656.1m with £42.1m invested in Emerging market. At this reporting quarter end, c.2.8% of the Fund’s total assets are invested in Emerging Markets which equates to 6.4% of the Fund’s public equity portfolio.

53. The distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight, albeit there is a need to rebalance the assets and equities is mildly overweight. The overweight position in equities has helped the fund's performance in recent months.

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Date of report 11th July 2022

**Appendices**

Appendix 1 – Northern Trust Report for Enfield PF Asset Class Performance Mar 2022
Appendix 2 – London CIV Sub-Funds Quarterly Report

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SECTION 1

# London Borough of Enfield

## Investment Risk & Analytical Services

March 31, 2022

# Investment Hierarchy

| Account/Group | Ending Market Value GBP | Ending Weight | % Rate of Return: One Month | Three Months | Year to Date | One Year | Three Years | Five Years | Inception to Date | Inception Date |
|---|---|---|---|---|---|---|---|---|---|---|
| **London Borough of Enfield** | **1,528,233,256** | **100.00** | **3.10** | **-1.60** | **-1.60** | **9.10** | **8.63** | **6.99** | **8.51** | **31/03/1987** |
| *Enfield Strategic BM* | | | *2.89* | *-0.78* | *-0.78* | *8.91* | *7.94* | *6.27* | *-* | *31/03/1987* |
| *Excess Return* | | | *0.21* | *-0.83* | *-0.83* | *0.20* | *0.69* | *0.72* | *-* | *31/03/1987* |
| **Total Equities** | **656,949,338** | **42.99** | **4.46** | **-4.47** | **-4.47** | **8.45** | **12.63** | **10.38** | **9.61** | **31/03/1987** |
| *Enfield Equities BM* | | | *5.08* | *-2.62* | *-2.62* | *12.67* | *13.40* | *10.62* | *-* | *31/03/1987* |
| *Excess Return* | | | *-0.63* | *-1.86* | *-1.86* | *-4.22* | *-0.77* | *-0.24* | *-* | *31/03/1987* |
| **Blackrock Low Carbon** | **256,177,946** | **16.76** | **7.11** | **-2.54** | **-2.54** | **16.05** | **15.52** | **11.87** | **14.11** | **31/03/2009** |
| *LEFD02 Blackrock Blended BM* | | | *7.11* | *-2.54* | *-2.54* | *16.05* | *15.17* | *11.43* | *13.26* | *31/03/2009* |
| *Excess Return* | | | *0.00* | *-0.00* | *-0.00* | *0.00* | *0.35* | *0.44* | *0.85* | *31/03/2009* |
| **LCIV - JP Morgan (EM)** | **32,252,179** | **2.11** | **1.59** | **-6.09** | **-6.09** | **-10.23** | **4.63** | **-** | **5.99** | **24/10/2018** |
| *LEFD05018 MSCI EM Mrkts ND* | | | *-0.40* | *-4.30* | *-4.30* | *-7.12* | *4.58* | *-* | *7.12* | *24/10/2018* |
| *Excess Return* | | | *1.98* | *-1.79* | *-1.79* | *-3.11* | *0.06* | *-* | *-1.13* | *24/10/2018* |
| **LCIV - Longview (FOCUS GE)** | **104,834,309** | **6.86** | **2.80** | **0.63** | **0.63** | **14.77** | **10.86** | **-** | **11.43** | **24/10/2018** |
| *LEFD05019 MSCI ACWI ND* | | | *4.11* | *-2.64* | *-2.64* | *12.42* | *13.36* | *-* | *13.62* | *24/10/2018* |
| *Excess Return* | | | *-1.32* | *3.27* | *3.27* | *2.35* | *-2.50* | *-* | *-2.19* | *24/10/2018* |
| **LCIV-Baillie Gifford(ALPHA GE)** | **108,523,134** | **7.10** | **2.09** | **-12.40** | **-12.40** | **-6.63** | **12.94** | **12.06** | **13.16** | **30/09/2016** |
| *LEFD05016 MSCI ACWI ND* | | | *4.11* | *-2.64* | *-2.64* | *12.42* | *13.36* | *10.50* | *11.85* | *30/09/2016* |
| *Excess Return* | | | *-2.02* | *-9.75* | *-9.75* | *-19.05* | *-0.42* | *1.56* | *1.31* | *30/09/2016* |
| **MFS Global Equity** | **154,337,634** | **10.10** | **3.66** | **-4.51** | **-4.51** | **9.75** | **11.74** | **9.91** | **13.34** | **31/07/2010** |
| *LEFD05005 MSCI ACWI ND* | | | *4.11* | *-2.64* | *-2.64* | *12.42* | *13.36* | *10.50* | *11.79* | *31/07/2010* |
| *Excess Return* | | | *-0.46* | *-1.86* | *-1.86* | *-2.67* | *-1.62* | *-0.58* | *1.54* | *31/07/2010* |
| **Transition Account For Enfield** | **14,792** | **0.00** | **1.72** | **1.99** | **1.99** | **-19.55** | **-** | **-** | **-15.81** | **05/03/2021** |
| **Trilogy** | **809,345** | **0.05** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **30/09/2007** |
| *LEFD04 MSCI ACWI ND* | | | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *30/09/2007* |
| *Excess Return* | | | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *30/09/2007* |
| **Total Bonds and Index Linked** | **325,707,594** | **21.31** | **-1.11** | **-5.05** | **-5.05** | **-1.68** | **1.88** | **2.03** | **5.36** | **30/06/2005** |
| *Enfield Bonds & IL BM* | | | *-0.65* | *-3.80* | *-3.80* | *-0.89* | *1.88* | *2.38* | *-* | *30/06/2005* |
| *Excess Return* | | | *-0.46* | *-1.25* | *-1.25* | *-0.80* | *0.00* | *-0.35* | *-* | *30/06/2005* |
| **AON Diversified Liquid Credit** | **48,675,265** | **3.19** | **-2.22** | **-2.22** | **-2.22** | **-** | **-** | **-** | **-2.22** | **06/12/2021** |
| *LEFD07003 1 month SONIA + 1.5%* | | | *0.18* | *0.49* | *0.49* | *-* | *-* | *-* | *0.60* | *06/12/2021* |
| *Excess Return* | | | *-2.40* | *-2.71* | *-2.71* | *-* | *-* | *-* | *-2.82* | *06/12/2021* |
| **Blackrock IL Gilts** | **92,404,886** | **6.05** | **-1.47** | **-3.05** | **-3.05** | **0.71** | **1.23** | **1.31** | **4.79** | **30/09/2005** |
| *LEFD01 Blended Benchmark* | | | *-1.47* | *-3.06* | *-3.06* | *0.81* | *1.20* | *1.27* | *6.68* | *30/09/2005* |
| *Excess Return* | | | *0.01* | *0.02* | *0.02* | *-0.09* | *0.02* | *0.04* | *-1.89* | *30/09/2005* |



Category: **Total Fund Gross of Fees**

| Account/Group | Ending Market Value GBP | Ending Weight | % Rate of Return One Month | Three Months | Year to Date | One Year | Three Years | Five Years | Inception to Date | Inception Date |
|---|---|---|---|---|---|---|---|---|---|---|
| **Insight Bonds** | **32,395,720** | **2.12** | **-0.21** | **1.52** | **1.52** | **1.70** | **1.58** | **-0.16** | **0.85** | **31/12/2013** |
| *LEFD05006 SONIA 3 Month GBP+4%* | | | *0.40* | *1.15* | *1.15* | *4.24* | *4.51* | *4.60* | *3.37* | *31/12/2013* |
| *Excess Return* | | | *-0.61* | *0.38* | *0.38* | *-2.55* | *-2.94* | *-4.76* | *-2.52* | *31/12/2013* |
| **LCIV - CQS (MAC)** | **55,873,801** | **3.66** | **-0.10** | **-5.33** | **-5.33** | **-1.32** | **2.02** | **-** | **2.24** | **30/11/2018** |
| *LEFD05020 3 Month GBP SONIA* | | | *0.07* | *0.16* | *0.16* | *0.24* | *0.52* | *-* | *0.58* | *30/11/2018* |
| *Excess Return* | | | *-0.17* | *-5.50* | *-5.50* | *-1.56* | *1.50* | *-* | *1.65* | *30/11/2018* |
| **Western** | **96,357,922** | **6.31** | **-1.10** | **-9.99** | **-9.99** | **-6.93** | **1.80** | **2.45** | **5.76** | **31/03/2003** |
| *LEFD03 ML Stg Non-Gilts 10+* | | | *-1.06* | *-10.01* | *-10.01* | *-7.19* | *1.33* | *2.17* | *-* | *31/03/2003* |
| *Excess Return* | | | *-0.03* | *0.02* | *0.02* | *0.26* | *0.47* | *0.28* | *-* | *31/03/2003* |
| **Inflation Protection Illiquids** | **121,964,401** | **7.98** | **0.47** | **0.30** | **0.30** | **7.27** | **4.60** | **-** | **5.17** | **30/11/2018** |
| *Enfield Inflation Iliquids BM* | | | *2.20* | *3.31* | *3.31* | *10.94* | *5.96* | *-* | *5.65* | *30/11/2018* |
| *Excess Return* | | | *-1.73* | *-3.01* | *-3.01* | *-3.68* | *-1.36* | *-* | *-0.49* | *30/11/2018* |
| **CBRE Long Income Fund** | **38,439,600** | **2.52** | **4.44** | **5.28** | **5.28** | **9.35** | **2.64** | **-** | **2.41** | **17/12/2018** |
| *LEFD06007 BMK* | | | *4.44* | *5.28* | *5.28* | *9.35* | *2.64* | *-* | *2.41* | *17/12/2018* |
| *Excess Return* | | | *0.00* | *0.00* | *0.00* | *0.00* | *-0.00* | *-* | *-0.00* | *17/12/2018* |
| **M&G Inflation Opportunities Fd** | **83,524,801** | **5.47** | **-1.26** | **-1.83** | **-1.83** | **6.21** | **4.90** | **5.60** | **6.47** | **30/04/2013** |
| *LEFD05010 UK RPI +2.5%* | | | *1.23* | *2.44* | *2.44* | *11.48* | *6.82* | *6.24* | *5.46* | *30/04/2013* |
| *Excess Return* | | | *-2.49* | *-4.28* | *-4.28* | *-5.27* | *-1.91* | *-0.64* | *1.01* | *30/04/2013* |
| **Total Hedge Funds** | **66,711,298** | **4.37** | **4.16** | **6.42** | **6.42** | **9.63** | **-0.45** | **-1.20** | **4.01** | **31/07/2007** |
| *Enfield Hedge Funds BM* | | | *1.09* | *1.68* | *1.68* | *2.77* | *0.47* | *0.30* | *-* | *31/07/2007* |
| *Excess Return* | | | *3.08* | *4.75* | *4.75* | *6.86* | *-0.91* | *-1.49* | *-* | *31/07/2007* |
| **CFM Stratus** | **31,272,125** | **2.05** | **4.14** | **8.23** | **8.23** | **9.91** | **7.20** | **3.81** | **1.42** | **31/12/2015** |
| *LEFD06004 SONIA 3 Month GBP* | | | *0.07* | *0.16* | *0.16* | *0.24* | *0.52* | *0.60* | *0.60* | *31/12/2015* |
| *Excess Return* | | | *4.07* | *8.07* | *8.07* | *9.68* | *6.69* | *3.21* | *0.82* | *31/12/2015* |
| **Davidson Kemper** | **32,461,654** | **2.12** | **1.69** | **3.20** | **3.20** | **7.66** | **5.48** | **4.01** | **5.17** | **30/11/2014** |
| *LEFD05004 Libor 3 Month USD* | | | *1.98* | *3.00* | *3.00* | *5.11* | *0.84* | *0.56* | *1.51* | *30/11/2014* |
| *Excess Return* | | | *-0.29* | *0.19* | *0.19* | *2.55* | *4.64* | *3.45* | *3.66* | *30/11/2014* |
| **York Capital** | **2,977,519** | **0.19** | **42.09** | **27.88** | **27.88** | **33.27** | **-12.90** | **-7.75** | **0.35** | **31/12/2009** |
| *LEFD05011 Libor 3 Mnth USD* | | | *1.98* | *3.00* | *3.00* | *5.11* | *0.84* | *0.56* | *2.13* | *31/12/2009* |
| *Excess Return* | | | *40.11* | *24.87* | *24.87* | *28.17* | *-13.74* | *-8.31* | *-1.78* | *31/12/2009* |
| **Private Equity** | **118,261,729** | **7.74** | **8.94** | **9.97** | **9.97** | **54.44** | **32.51** | **23.48** | **15.45** | **31/03/2007** |
| *Enfield PE BM* | | | *4.11* | *-2.64* | *-2.64* | *12.42* | *13.36* | *10.50* | *-* | *31/03/2007* |
| *Excess Return* | | | *4.83* | *12.62* | *12.62* | *42.02* | *19.15* | *12.98* | *-* | *31/03/2007* |
| **Adams Street** | **118,261,729** | **7.74** | **8.94** | **9.97** | **9.97** | **54.44** | **32.51** | **23.48** | **13.87** | **31/12/2004** |
| *LEFD06005 MSCI ACWI ND* | | | *4.11* | *-2.64* | *-2.64* | *12.42* | *13.36* | *10.50* | *8.10* | *31/12/2004* |
| *Excess Return* | | | *4.83* | *12.62* | *12.62* | *42.02* | *19.15* | *12.98* | *5.77* | *31/12/2004* |



Category: **Total Fund Gross of Fees**

| Account/Group | Ending Market Value GBP | Ending Weight | % Rate of Return: One Month | Three Months | Year to Date | One Year | Three Years | Five Years | Inception to Date | Inception Date |
|---|---|---|---|---|---|---|---|---|---|---|
| **Infrastructure** | **73,451,821** | **4.81** | **7.76** | **3.79** | **3.79** | **9.89** | **11.06** | **7.33** | **5.35** | **30/06/2016** |
| *Enfield Infrastructure BM* | | | *7.32* | *1.76* | *1.76* | *7.42* | *8.81* | *6.30* | *5.80* | *30/06/2016* |
| *Excess Return* | | | *0.44* | *2.03* | *2.03* | *2.47* | *2.25* | *1.02* | *-0.45* | *30/06/2016* |
| **Antin Infrastructure** | **23,467,172** | **1.54** | **8.71** | **8.39** | **8.39** | **15.35** | **16.45** | **-** | **10.82** | **31/12/2017** |
| **INPP** | **49,984,650** | **3.27** | **7.32** | **1.76** | **1.76** | **7.42** | **8.81** | **6.30** | **8.38** | **31/12/2008** |
| *LEFD05015 Fund returns* | | | *7.32* | *1.76* | *1.76* | *7.42* | *8.81* | *6.30* | *4.22* | *31/12/2008* |
| *Excess Return* | | | *0.00* | *0.00* | *0.00* | *0.00* | *-0.00* | *0.00* | *4.16* | *31/12/2008* |
| **Property** | **93,994,711** | **6.15** | **2.82** | **4.70** | **4.70** | **19.28** | **7.64** | **6.91** | **9.07** | **31/03/1987** |
| *Enfield Property BM* | | | *2.97* | *5.60* | *5.60* | *23.14* | *8.05* | *7.81* | *-* | *31/03/1987* |
| *Excess Return* | | | *-0.16* | *-0.90* | *-0.90* | *-3.86* | *-0.41* | *-0.89* | *-* | *31/03/1987* |
| **Blackrock UK FD** | **42,197,058** | **2.76** | **4.38** | **6.78** | **6.78** | **21.11** | **7.64** | **6.66** | **4.21** | **31/07/2002** |
| *LEFD05012 IPD All Balncd Prpty* | | | *2.97* | *5.60* | *5.60* | *23.14* | *8.05* | *7.81* | *6.96* | *31/07/2002* |
| *Excess Return* | | | *1.41* | *1.18* | *1.18* | *-2.03* | *-0.42* | *-1.14* | *-2.75* | *31/07/2002* |
| **Brockton Capital Fund** | **9,410,679** | **0.62** | **0.44** | **-2.85** | **-2.85** | **-1.65** | **5.58** | **7.86** | **5.93** | **30/11/2014** |
| *LEFD06001 IPD All Balncd Prpty* | | | *2.97* | *5.60* | *5.60* | *23.14* | *8.05* | *7.81* | *5.77* | *30/11/2014* |
| *Excess Return* | | | *-2.54* | *-8.45* | *-8.45* | *-24.79* | *-2.48* | *0.06* | *0.17* | *30/11/2014* |
| **Legal & General Property** | **42,386,974** | **2.77** | **1.83** | **4.47** | **4.47** | **22.86** | **8.26** | **7.31** | **7.55** | **31/01/2010** |
| *LEFD05013 IPD All Balncd Prpty* | | | *2.97* | *5.60* | *5.60* | *23.14* | *8.05* | *7.81* | *8.02* | *31/01/2010* |
| *Excess Return* | | | *-1.14* | *-1.13* | *-1.13* | *-0.27* | *0.21* | *-0.49* | *-0.48* | *31/01/2010* |
| **Cash** | **71,192,364** | **4.66** | **1.01** | **1.52** | **1.52** | **2.47** | **0.38** | **0.99** | **1.11** | **30/06/2016** |
| **Cash & Other Assets** | **221,428** | **0.01** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **-3.16** | **-7.23** | **30/06/2016** |
| **Cash & Other Transition Assets** | **209** | **0.00** | **-3.32** | **-2.42** | **-2.42** | **-4.64** | **-15.75** | **-** | **-8.44** | **30/11/2018** |
| **Goldman Sachs Funds** | **34,099,351** | **2.23** | **1.10** | **1.65** | **1.65** | **2.76** | **0.34** | **0.96** | **1.07** | **30/06/2016** |
| *LEFD07001 SONIA 7 Day* | | | *0.04* | *0.09* | *0.09* | *-* | *-* | *-* | *-* | *30/06/2016* |
| *Excess Return* | | | *1.05* | *1.56* | *1.56* | *-* | *-* | *-* | *-* | *30/06/2016* |
| **PE Cash & Other Assets** | **22,267,982** | **1.46** | **1.40** | **2.13** | **2.13** | **3.87** | **-0.64** | **-0.29** | **-0.01** | **30/06/2016** |
| *LEFD06002 SONIA 7 Day* | | | *0.04* | *0.09* | *0.09* | *0.03* | *0.17* | *0.25* | *0.24* | *30/06/2016* |
| *Excess Return* | | | *1.36* | *2.04* | *2.04* | *3.84* | *-0.81* | *-0.54* | *-0.25* | *30/06/2016* |
| **UT Cash & Other Assets** | **14,603,395** | **0.96** | **0.26** | **0.38** | **0.38** | **0.97** | **0.93** | **6.24** | **6.20** | **30/06/2016** |
| *LEFD05002 SONIA 7 Day* | | | *0.04* | *0.09* | *0.09* | *0.03* | *0.17* | *0.25* | *0.24* | *30/06/2016* |
| *Excess Return* | | | *0.22* | *0.29* | *0.29* | *0.94* | *0.76* | *5.99* | *5.97* | *30/06/2016* |



Category: **Total Fund Gross of Fees**

# Market Value Summary - One Month

| Account/Group | 28/02/2022 Market Value | Net Contribution* | Income | Fees | Appreciation | 31/03/2022 Market Value |
|---|---|---|---|---|---|---|
| **London Borough of Enfield** | **1,482,400,630** | **-128,498** | **437,968** | **-71,502** | **45,523,155** | **1,528,233,256** |
| **Total Equities** | **628,857,966** | **71,502** | **-669** | **0** | **28,020,540** | **656,949,338** |
| Blackrock Low Carbon | 239,173,870 | 0 | 6 | 0 | 17,004,070 | 256,177,946 |
| LCIV - JP Morgan (EM) | 31,748,339 | 0 | 0 | 0 | 503,840 | 32,252,179 |
| LCIV - Longview (FOCUS GE) | 101,982,148 | 0 | 0 | 0 | 2,852,161 | 104,834,309 |
| LCIV-Baillie Gifford(ALPHA GE) | 106,302,591 | 0 | 0 | 0 | 2,220,543 | 108,523,134 |
| MFS Global Equity | 148,825,072 | 71,502 | 0 | 0 | 5,441,060 | 154,337,634 |
| Transition Account For Enfield | 14,541 | -0 | 251 | 0 | 0 | 14,792 |
| Trilogy | 811,404 | -0 | -925 | 0 | -1,134 | 809,345 |
| **Total Bonds and Index Linked** | **329,597,798** | **-221,428** | **276,972** | **0** | **-3,945,748** | **325,707,594** |
| AON Diversified Liquid Credit | 50,000,000 | -221,428 | 0 | 0 | -1,103,307 | 48,675,265 |
| Blackrock IL Gilts | 93,781,608 | 0 | 0 | 0 | -1,376,722 | 92,404,886 |
| Insight Bonds | 32,462,567 | 0 | 0 | 0 | -66,847 | 32,395,720 |
| LCIV - CQS (MAC) | 55,927,166 | 0 | 0 | 0 | -53,366 | 55,873,801 |
| Western | 97,426,457 | 0 | 276,972 | 0 | -1,345,507 | 96,357,922 |
| **Inflation Protection Illiquids** | **121,392,175** | **0** | **0** | **0** | **572,225** | **121,964,401** |
| CBRE Long Income Fund | 36,804,603 | 0 | 0 | 0 | 1,634,996 | 38,439,600 |
| M&G Inflation Opportunities Fd | 84,587,572 | 0 | 0 | 0 | -1,062,771 | 83,524,801 |
| **Total Hedge Funds** | **64,046,109** | **0** | **0** | **0** | **2,665,189** | **66,711,298** |
| CFM Stratus | 30,027,760 | 0 | 0 | 0 | 1,244,366 | 31,272,125 |
| Davidson Kemper | 31,922,840 | 0 | 0 | 0 | 538,814 | 32,461,654 |
| York Capital | 2,095,510 | 0 | 0 | 0 | 882,009 | 2,977,519 |
| **Private Equity** | **110,606,396** | **-2,147,584** | **0** | **0** | **9,802,917** | **118,261,729** |
| Adams Street | 110,606,396 | -2,147,584 | 0 | 0 | 9,802,917 | 118,261,729 |
| **Infrastructure** | **68,162,423** | **0** | **0** | **0** | **5,289,398** | **73,451,821** |
| Antin Infrastructure | 21,587,131 | 0 | 0 | 0 | 1,880,040 | 23,467,172 |
| INPP | 46,575,292 | 0 | 0 | 0 | 3,409,358 | 49,984,650 |
| **Property** | **91,566,056** | **-148,959** | **154,323** | **0** | **2,423,292** | **93,994,711** |
| Blackrock UK FD | 40,570,908 | -148,959 | 154,323 | 0 | 1,620,786 | 42,197,058 |
| Brockton Capital Fund | 9,369,771 | 0 | 0 | 0 | 40,908 | 9,410,679 |
| Legal & General Property | 41,625,377 | 0 | 0 | 0 | 761,597 | 42,386,974 |
| **Cash** | **68,171,707** | **2,317,971** | **7,343** | **-71,502** | **695,343** | **71,192,364** |
| Cash & Other Assets | 0 | 221,428 | 0 | 0 | 0 | 221,428 |
| Cash & Other Transition Assets | 216 | 0 | -7 | 0 | -0 | 209 |
| Goldman Sachs Funds | 33,926,700 | -200,000 | 7,365 | 0 | 365,286 | 34,099,351 |



Category: **Total Fund Gross of Fees** • Currency: **GBP**

# Market Value Summary - One Month

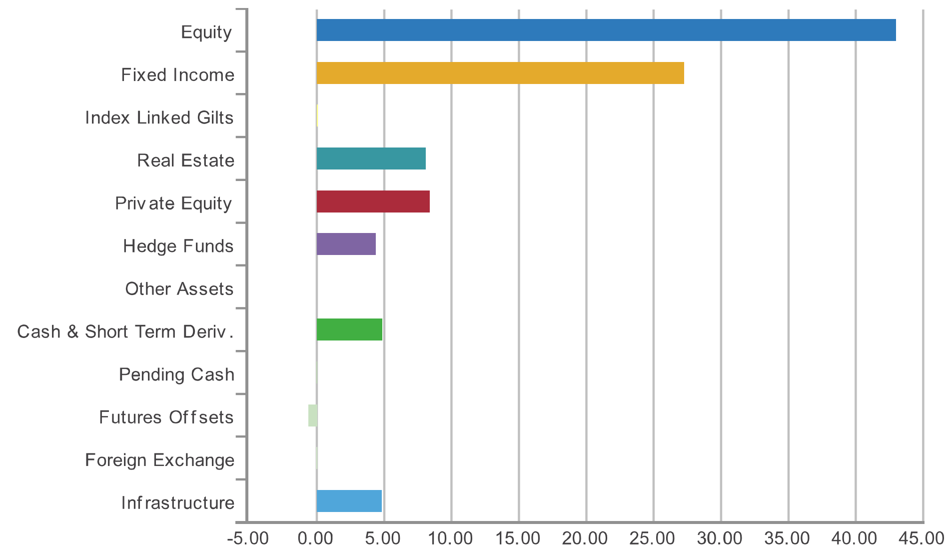
| Account/Group | 28/02/2022 Market Value | Net Contribution* | Income | Fees | Appreciation | 31/03/2022 Market Value |
|---|---|---|---|---|---|---|
| PE Cash & Other Assets | 19,828,501 | 2,147,584 | -8 | 0 | 291,905 | 22,267,982 |
| UT Cash & Other Assets | 14,416,291 | 148,959 | -7 | -71,502 | 38,152 | 14,603,395 |

**Net Contributions include Cash Contributions/Distributions, Security Deliveries/Receipts, Fees/Fee Rebates, Inter Account transfers for Consolidations & Benefits Payments.*
*Copied History or Backloaded Data may not display the correct Contributions/Withdrawals creating misrepresentation.*

Category: **Total Fund Gross of Fees** • Currency: **GBP**

# Asset Class Performance

## ASSET CLASS ENDING WEIGHTS




## MARKET VALUE SUMMARY OVER TIME

| | 1 Mo |
|---|---|
| Beginning Market Value | 1,482,401 |
| Net Contribution | -128 |
| Income | 438 |
| Fees | -72 |
| Appreciation | 45,523 |
| Ending Market Value | 1,528,233 |

**Market Values are in 000s.*



| Asset Class | End MV | End Wt | 1 Mo | 3 Mos | YTD | 1 Yr | 3 Yrs | 5 Yrs | ITD |
|---|---|---|---|---|---|---|---|---|---|
| **Equity** | **656,463,595** | **42.96** | **4.46** | **-4.48** | **-4.48** | **8.46** | **12.64** | **10.41** | |
| Common Stock | 656,463,595 | 42.96 | 4.46 | -4.48 | -4.48 | 8.46 | 12.64 | 10.46 | |
| **Fixed Income** | **416,037,614** | **27.22** | **-1.10** | **-4.31** | **-4.31** | **0.05** | **2.51** | **2.37** | |
| Marketable Bonds | 149,601,703 | 9.79 | -0.61 | -8.26 | -8.26 | -4.95 | 1.95 | 1.96 | |
| Inflation Linked Bonds | 83,524,801 | 5.47 | -1.26 | -1.83 | -1.83 | 6.21 | 4.90 | 5.60 | |
| Other Fixed Income | 173,475,870 | 11.35 | -1.45 | -1.99 | -1.99 | 1.33 | 1.44 | 0.99 | |
| Fixed Derivatives | 9,435,240 | 0.62 | -1.16 | -3.66 | -3.66 | 0.80 | 1.19 | 1.07 | |
| **Index Linked Gilts** | **938,160** | **0.06** | **-3.68** | **-13.20** | **-13.20** | | | | |
| **Real Estate** | **123,023,631** | **8.05** | **3.51** | **5.51** | **5.51** | **17.84** | **6.37** | **6.02** | |
| **Private Equity** | **127,672,408** | **8.35** | **8.27** | **8.93** | **8.93** | **49.10** | **30.28** | **22.30** | |
| **Hedge Funds** | **66,711,298** | **4.37** | **4.16** | **6.42** | **6.42** | **9.63** | **-0.45** | **-1.20** | |
| **Other Assets** | **0** | **0.00** | **0.00** | **0.00** | **0.00** | | | | |
| **Cash & Short Term Deriv.** | **73,635,601** | **4.82** | **1.00** | **1.47** | **1.47** | **2.34** | **0.41** | **1.31** | |
| **Pending Cash** | **-135,053** | **-0.01** | - | - | - | - | - | - | - |
| **Futures Offsets** | **-9,483,461** | **-0.62** | - | - | - | - | - | - | - |
| **Foreign Exchange** | **-82,359** | **-0.01** | - | - | - | - | - | - | - |
| **Infrastructure** | **73,451,821** | **4.81** | **7.76** | **3.79** | **3.79** | **9.89** | **11.06** | **7.33** | |
| **Total Fund Gross of Fees** | **1,528,233,256** | **100.00** | **3.10** | **-1.60** | **-1.60** | **9.10** | **8.63** | **6.99** | **8.51** |

| Asset Class | End MV | End Wt | 1 Mo | 3 Mos | YTD | 1 Yr | 3 Yrs | 5 Yrs | ITD |
|---|---|---|---|---|---|---|---|---|---|
| Enfield Strategic BM | | | 2.89 | -0.78 | -0.78 | 8.91 | 7.94 | 6.27 | |
| *Excess Return* | | | *0.21* | *-0.83* | *-0.83* | *0.20* | *0.69* | *0.72* | |

*Excess is calculated using arithmetic methodology*

ENFIELD Council

London CIV

# London CIV Quarterly ACS Investment Report

31 March 2022

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## Funds



## Appendices



**Enfield**



## Introduction



We are pleased to present the London CIV Quarterly Investment Report for the London Borough of Enfield Pension Fund for the quarter to 31 March 2022.

The Report provides an Investment Summary with valuation and performance data of your Pension Fund's holdings. It includes an update on activities at London CIV, a market update and Fund commentary from the London CIV Investment Team as well as key portfolio data and a summary of ESG activity during the quarter.

# Investment Summary

The table below shows the Sub-funds held by the London Borough of Enfield Pension Fund by asset class as at 31 March 2022 and how these have changed during the quarter.

| ACS | 31 December 2021 | Net Subscriptions / (Redemptions) | Cash Distributions Paid | Net Market Move | 31 March 2022 |
|---|---|---|---|---|---|
| **Active Investments** | £ | £ | £ | £ | £ |
| **Global Equities** | | | | | |
| LCIV Global Alpha Growth Fund | 123,877,953 | - | - | (15,354,819) | 108,523,134 |
| LCIV Global Equity Focus Fund | 104,180,891 | - | - | 653,418 | 104,834,309 |
| LCIV Emerging Market Equity Fund | 34,343,525 | - | - | (2,091,346) | 32,252,179 |
| **Fixed Income** | | | | | |
| LCIV MAC Fund | 57,026,867 | - | - | (992,970) | 56,033,897 |
| **Total** | **319,429,236** | **-** | **-** | **(17,785,717)** | **301,643,519** |



The table below outlines the valuation of investments held per passive manager at the beginning and end of the quarter. A listing of the individual funds held can be found at the end of the Funds section of this report.

| | 31 December 2021 | 31 March 2022 |
|---|---|---|
| **Passive Investments** † | £ | £ |
| Blackrock | 358,061,278 | 348,552,686 |

*† Passive investments are managed in investment funds for which London CIV has no management or advisory responsibility and are shown for information purposes only.*

# Performance Summary

Please see below the performance for ACS Sub-funds in which you, the Client Fund (CF), are invested. Performance since inception is annualised where period since inception is over 12 months.

| Net Performance | Current Quarter % | 1 Year % | 3 Years p.a. % | 5 Years p.a. % | Since CF Inception p.a. % | CF Inception Date |
|---|---|---|---|---|---|---|
| **LCIV Global Alpha Growth Fund** | **(12.41)** | **(6.66)** | **12.96** | **12.17** | **13.29** | **30/09/2016** |
| *Investment Objective: MSCI All Country World Gross Index (in GBP)+2%* | *(1.93)* | *15.42* | *16.15* | *13.39* | *14.67* | |
| **Relative to Investment Objective** | **(10.48)** | **(22.08)** | **(3.19)** | **(1.22)** | **(1.38)** | |
| *Benchmark: MSCI All Country World Gross Index (in GBP)* | *(2.40)* | *13.15* | *13.87* | *11.16* | *12.42* | |
| **Relative to Benchmark** | **(10.01)** | **(19.81)** | **(0.91)** | **1.01** | **0.87** | |
| **LCIV Global Equity Focus Fund** | **0.65** | **14.88** | **10.94** | **n/a** | **11.50** | **24/10/2018** |
| *Target: MSCI World (GBP)(TRNet)+2.5%* | *(1.83)* | *18.28* | *17.45* | *n/a* | *17.39* | |
| **Relative to Target** | **2.48** | **(3.40)** | **(6.51)** | **n/a** | **(5.89)** | |
| *Benchmark: MSCI World (GBP)(TRNet)* | *(2.43)* | *15.39* | *14.58* | *n/a* | *14.53* | |
| **Relative to Benchmark** | **3.08** | **(0.51)** | **(3.64)** | **n/a** | **(3.03)** | |
| **LCIV Emerging Market Equity Fund** | **(6.12)** | **(10.37)** | **4.47** | **n/a** | **5.87** | **24/10/2018** |
| *Investment Objective: MSCI Emerging Market Index (TR) Net+2.5%* | *(3.72)* | *(4.80)* | *7.19* | *n/a* | *9.81* | |
| **Relative to Investment Objective** | **(2.40)** | **(5.57)** | **(2.72)** | **n/a** | **(3.94)** | |
| *Benchmark: MSCI Emerging Market Index (TR) Net* | *(4.30)* | *(7.12)* | *4.58* | *n/a* | *7.13* | |
| **Relative to Benchmark** | **(1.82)** | **(3.25)** | **(0.11)** | **n/a** | **(1.26)** | |
| **LCIV MAC Fund** | **(1.75)** | **2.38** | **3.38** | **n/a** | **3.41** | **30/11/2018** |
| *Investment Objective: SONIA (30 day compounded) +4.5% (from 1 January* | *1.14* | *4.63* | *4.85* | *n/a* | *4.90* | |
| **Relative to Investment Objective** | **(2.89)** | **(2.25)** | **(1.47)** | **n/a** | **(1.49)** | |

# Quarterly Update - Client Relations Team Report

Welcome to the London CIV Quarterly Investment Report. This edition contains the performance and commentary on all the funds that you hold with the London CIV. In this section we will cover media highlights, fund activity, climate impact analysis, fund performance, fund Monitoring, market update and London CIV people.

## Highlights in the media – Q1 2022

Asset TV interviewed our CEO, Mike O'Donnell. He reflected on our progress and outlined our priorities for 2022. It was pleasing to hear Mike acknowledge how our relationship with Client Funds has improved in the last couple of years and how we are keeping the regular channels of communication open with all our stakeholders. As the lockdown restrictions ended, we are very much looking forward to establishing a hybrid approach to working. We will continue in improving our various communications and to maintain the positive momentum. This includes providing frequent group engagement via Teams, such as the monthly Business Update, the quarterly Meet The Manager events and Seed Investor Groups (SIGs) whilst also offering in-person meetings, which we are seeing much more of since the relaxing of Covid-19 restrictions.


Mike also mentioned that having the right products at the right time for our investors is key to our success, and he highlighted that our priorities for 2022 are to launch a UK residential property fund, begin to tackle the complexities of 'lifting and shifting' legacy commercial property investments, and plan for other solutions in private markets including private equity. When answering questions around stewardship and climate aware solutions, Mike recognised that a combination of our Client Funds' decisions on asset allocation and further engagement with existing investment managers to progress our agenda on climate risk mitigation and Paris Alignment will inform how our product range will align with our net zero ambitions. Finally, he noted that we will continue to build out our team to secure the confidence and respect of our Client Funds.

Mona Dohle of Portfolio Institutional interviewed our CIO, Jason Fletcher. He mentioned our progress on pooling, which had increased by 3% in Q4 2021 to 58%. Jason also noted that there has been a significant reversal between growth and value styles of equity investing of late. We do not have a specific equity value product currently available and, while we do not have a strict minimum threshold for investor commitments, Jason wishes to see at least two or three Client Funds invested in a fund and, to get the economies of scale seed investment, commitments need to be at least £250 million to £300 million. In addition, Jason would need to have the confidence that funds will see increasing investments in the future as it is costly to set up and close funds over time.

## Current Position

On 31 March 2022, the total assets deemed pooled by our Client Funds stood at £26.67 billion, of which £13.98 billion are in funds managed by the London CIV, being the ACS plus amounts committed to private market fund. Assets under management in our ACS stood at £13.21 billion and assets in private market funds stood at £771 million. Over the first quarter, we had £182 million of additional commitments from three investors to the LCIV Renewable Infrastructure Fund and one investor to the LCIV Inflation Plus Fund, bringing total commitments raised by our private market funds as of 31 March 2022 to £2.2 billion. The value of 'pooled' passive assets was £12.70 billion, with £9.47 billion managed by Legal and General Investment Management and £3.22 billion managed by BlackRock.

## Fund Activity

### Public Market Funds

During Q1 2022 we had net flows of £232 million into the London CIV's ACS funds. The most notable transaction was the launch of the LCIV Alternative Credit Fund on 31 January 2022 with a total seeded investment of £386 million from three Client Funds.

The re-alignment of the LCIV MAC Fund to introduce PIMCO's diversified income strategy and create a two-manager structure, began as planned on 28 February 2022 with a contribution of £110 million to the LCIV MAC Fund from a new investor. The re-alignment will take place over five months to mitigate transaction costs and achieve a steady progression to the targeted equal split between CQS and PIMCO strategies. We expect further contributions from existing and new investors into the LCIV MAC Fund during Q2 2021.

Three Client Funds have recently decided to move their investments in the LCIV Global Alpha Growth Fund to the LCIV Global Alpha Growth Paris Aligned Fund, which in aggregate represents c.£820 million. We will be supporting these Client Funds with their transitions in the coming months.

### Private Market Funds

We've had the following capital calls for our private market funds over the quarter: LCIV Private Debt Fund (£47.8 million), LCIV Inflation Plus Fund (£38 million), LCIV Infrastructure Fund (£14 million), and LCIV Renewable Infrastructure Fund (£10.4 million).

We have now extended the close of the LCIV Private Debt Fund and the LCIV Renewable Infrastructure Fund to 28 September 2022. These extensions will accommodate new investors, and we had confirmation that a Client Fund has decided to commit £40m to the LCIV Private Debt Fund in the next close. As a result, we will be refreshing our list of private debt managers alongside Pemberton and Churchill with a view of adding other funds to keep the 50:50 regional split between Europe and the U.S.

The LCIV Renewable Infrastructure Fund had its third close at the end of March'22. This Fund ended the quarter with thirteen investors and a total commitment of £853.5 million, of which 22%, or £188.8 million, had been funded by 31 March 2022. Looking ahead, our investment team will be looking to add new managers to allocate this new capital. The fundraising landscape for renewable infrastructure is moving away from traditional generation, transmission, and distribution assets to energy efficient assets aiming at reducing Green House Gas emissions from carbon intensive businesses. This type of asset is proving to be a compelling investment opportunity that backs the transition to a low carbon economy; therefore, we are closely monitoring this evolution and considering new categories for this Fund.


We have progressed with the agreed purchase of a portfolio of real estate long income assets for the LCIV Inflation Plus Fund that we reported in the previous quarter. This Fund has three investors, it raised £213m and invested £206m, or 97% of its total commitment. The acquisition of the twelve assets across a diversified range of sectors including hotels, student accommodation and supermarkets is mostly complete. Once it is entirely completed, these assets will utilise all the current committed capital and require the Fund to employ a small revolving credit facility for the balance until further equity is raised. This will ensure that we deploy investor capital in the most efficient and timely manner, and any new investor will be able to draw down part, or all, of its commitment very quickly. These acquisitions will create a diverse c.£220m portfolio of assets across 6 sectors and with an average investment grade credit rating of BBB+. The portfolio will also be almost 100% inflation linked providing strong inflation protection.



As of 31 March 2022, 42% of the total commitments in the LCIV Infrastructure Fund have been invested. The pace on drawdowns is slightly lagging its target, which is primarily due to the Macquarie GIG Renewable Energy Fund 2 (MGREF2) lagging its peers in deployment of capital. However, in Q4 2021 MGREF2 Fund made a €190m commitment to a French solar platform. The investment team at MGREF2 has decided to shift their focus away from offshore wind farms. We view this slight adjustment in strategic thinking in a positive light and expect this General Partner to deploy at a faster rate whilst continuing to maintain good price discipline. Elsewhere, Stepstone made a new primary commitment of $50m in December 2021 to Brookfield Global Transition Fund, a new fund with a global mandate, focused on being at the forefront of the energy transition, so the LCIV Infrastructure Fund is now c.87% committed. In our discussions with Stepstone, we have been actively exploring other areas for committing the remaining capital in the Fund with both a combination of primary and secondary opportunities. The pipeline looks healthy, and Stepstone continues to diligence attractive opportunities on behalf of our investors.

## Engagement

We have hosted eleven group meetings and fifty-four specific meetings/calls with individual Client Funds over the first quarter. The table below shows the type of meetings held:

| Group Meeting Types | Quantity | Specific Meeting Types | Quantity |
|---|---|---|---|
| Seed Investment Group (SIG) | 4 | Catch-up calls | 17 |
| Business Update (BU) | 3 | Specific Opportunity | 12 |
| Investment Consultant Update | 1 | Preparation Meeting | 12 |
| Independent Advisors Update | 1 | Pension Committee | 7 |
| Meet the Manager (MTM) | 1 | Introduction | 4 |
| Shareholder Meeting | 1 | Relationship Building | 2 |

We had a productive discussion with the SIG on Sterling Credit on 1 February 2022. The results of our initial phase of research were encouraging and we will continue to assess the potential to launch a Sterling Credit Fund. This will be an actively managed strategy focused on the sterling investment grade credit market. Our goal is to offer a fund which demonstrates both best practice in sustainable investment and active ownership, and the benefits of economies of scale in terms of achieving lower management fees. We have engaged with five investment management firms to assess their investment capabilities and ESG credentials, reviewed indicative fee proposals and refined the possible investment parameters of the fund.

We have hosted a Property Workshop on 31 January 2022 and a SIG discussion on UK Affordable Housing on 22 March 2022. We are proposing an open-ended structure and multi-manager strategy that will contribute to solutions that address the UK housing challenges aiming at delivering an internal rate of return, net of fees, of 5% to 7% and targeting a yield of 3% to 4%. This product will focus on strategies that fall into three categories: 1) housing for people who cannot afford to rent or buy on the open market; 2) housing for people with specific long term care requirements; and 3) housing for people with vulnerability or in crisis. We will be looking to select investment managers who can demonstrate that they: 1) can raise capital at scale, 2) generate competitive risk-adjusted returns, 3) deepen affordability, 4) deliver local community impact, 5) have a credible track-record, and 5) align to net zero commitments.

**What does The London Fund invest in?**

| Real Estate | Infrastructure | Growth Capital |
|---|---|---|
| Private Rented Sector (PRS) | Digital infrastructure | Growth capital for small and medium businesses |
| Affordable Housing | Solar energy | Venture investment in life science businesses |
| Regeneration Schemes | Waste to energy | |
| Co-living spaces | Electric vehicles | |
| Senior living | Rail networks | |

Our Q1 2022 Meet the Manager webinar focused on The London Fund. Chris Rule, CEO of LPPI, talked about the origins of the Fund and reminded that it aims to create a double bottom line by targeting sustainable long-term risk-adjusted returns for pension scheme members and generate positive social and environmental outcomes for Londoners. Jonathan Ord, Investment Director at LPPI, provided an overview of the second investment in the Fund, a co-investment into Project Thomas, a 260,000 square feet office development with leading ESG credentials adjacent to London Bridge Station. Completion is targeted for mid-April 2022. Jonathan also touched on the pipeline of future investments, which includes the construction of a new build 70 Gigawatt solar farm that would generate green electricity within London.

We then heard from Ailish Christian West, Executive Director at Get Living, who presented the first investment in The London Fund, Delancey Oxford Residential, more commonly referred to as DOOR. Get Living is the asset manager and operator for the DOOR transaction. Finally, we heard from Lloyd Lee, Managing Partner at YOO Capital. We have successfully completed a due diligence on YOO Capital's second real estate fund and The London Fund will be committing to this product. Lloyd explained how YOO Capital targets and unlocks hidden gems within London that are underinvested, forgotten or mismanaged and engages with communities to create unique places and impact that delivers for councils, communities, tenants, and investors. YOO focus on working collaboratively to create inclusive and authentic communities that form the basis for generating investment returns.

Our Monthly Business Update and Quarterly Meet the Manager webinars continue to attract good participation. We record these virtual events and make them available to you in our Portal. If you do not have access to them and are interested in one of our recordings, please contact your designated Client Relations Manager at clientservice@londonciv.og.uk and we will be delighted to provide you with a link to these recordings.

## London CIV Climate Analytics Service

We recognise that there will be gaps between what LGPS will be mandated to report on climate-related financial disclosures and what our Service will offer in its inaugural year because we are yet to have sight of the long-awaited DLUHC Consultation expected later this year.

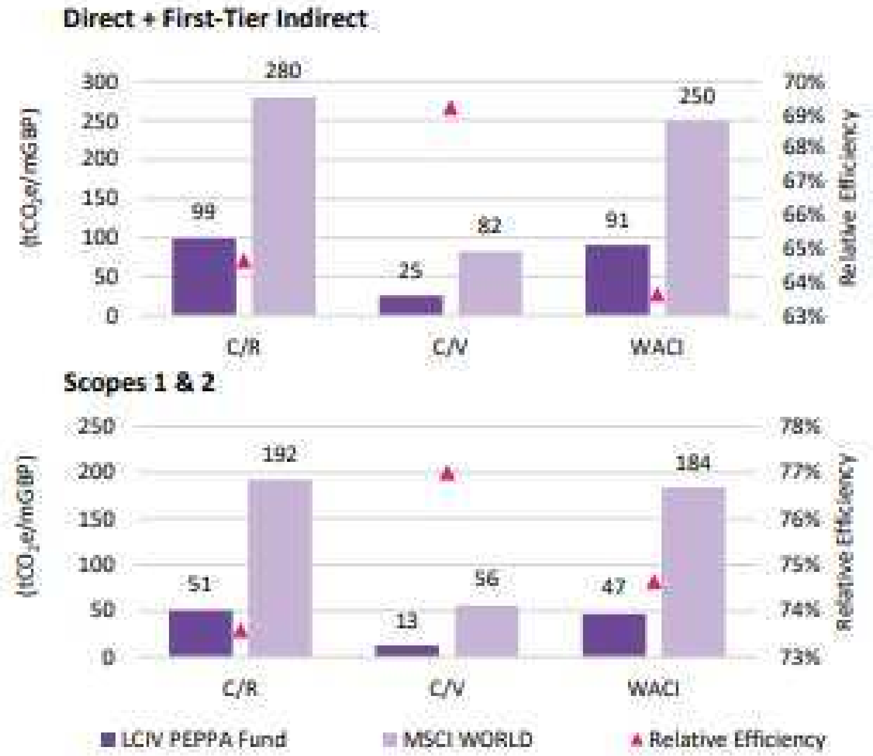
Consulting with Client Funds we concluded that there is a desire to benefit from carbon footprint metrics against emissions scopes in aggregate and at fund-level to support their process in setting a road map to achieve net zero targets. We believe the fund-level data is key to better inform the development of a decarbonisation strategy and it is different from getting aggregated metrics directly providing the targets.

Because our Service is not supported by the annual service charges nor investment management fees, the fee schedule has been developed to favour those Client Funds who have pooled more assets and ensure that those Client Funds with lower pooling ratios are not being subsidised by those who have pooled the most to date.

The London CIV will provide reports both on assets deemed Pooled as well as those assets that currently reside off-pool. The report does not currently cover Private Market funds nor Government securities but in time we aim to provide a report that will cover all assets. For a quotation for this service please contact your dedicated Client Relationship Manager who will be happy to assist.

### Carbon Intensity (tCO2e/mGBP)

The charts below provide an indication of the carbon intensity using the three main methodologies, carbon-to-revenue (C/R), carbon-to-value (C/V) and weighted-average carbon intensity (WACI). The analysis was completed for two sets of emission scopes.



Please see below a summary of the London CIV Sub-funds, including both those in which you are invested, and those you are not. All performance is reported Net of fees and charges with distributions reinvested. For performance periods of more than a year performance is annualised.

| ACS | Size | Current Quarter % | 1 Year % | 3 Years p.a. % | 5 Years p.a. % | Since Inception p.a. % | Inception Date | No. of Investors |
|---|---|---|---|---|---|---|---|---|
| **Global Equities** | | | | | | | | |
| **LCIV Global Alpha Growth Fund** | **£2,314m** | **(12.41)** | **(6.66)** | **12.96** | **12.17** | **15.73** | **11/04/2016** | **10** |
| Investment Objective: MSCI All Country World Gross Index (in GBP)+2% | | (1.93) | 15.42 | 16.15 | 13.39 | 16.85 | | |
| **Performance Against Investment Objective** | | **(10.48)** | **(22.08)** | **(3.19)** | **(1.22)** | **(1.12)** | | |
| Benchmark: MSCI All Country World Gross Index (in GBP) | | (2.40) | 13.15 | 13.87 | 11.16 | 14.56 | | |
| **Performance Against Benchmark** | | **(10.01)** | **(19.81)** | **(0.91)** | **1.01** | **1.17** | | |
| **LCIV Global Alpha Growth Paris Aligned Fund** | **£1,175m** | **(13.71)** | **n/a** | **n/a** | **n/a** | **(12.67)** | **13/04/2021** | **6** |
| Investment Objective: MSCI All Country World Gross Index (in GBP)+2% | | (1.93) | n/a | n/a | n/a | 11.00 | | |
| **Performance Against Investment Objective** | | **(11.78)** | **n/a** | **n/a** | **n/a** | **(23.67)** | | |
| Benchmark: MSCI All Country World Gross Index (in GBP) | | (2.40) | n/a | n/a | n/a | 8.90 | | |
| **Performance Against Benchmark** | | **(11.31)** | **n/a** | **n/a** | **n/a** | **(21.57)** | | |
| **LCIV Global Equity Fund** | **£747m** | **(4.44)** | **10.46** | **13.89** | **n/a** | **11.52** | **22/05/2017** | **3** |
| Investment Objective: MSCI All Country World Index Total Return (Gross)+1.5% | | (2.18) | 14.59 | 15.61 | n/a | 13.19 | | |
| **Performance Against Investment Objective** | | **(2.26)** | **(4.13)** | **(1.72)** | **n/a** | **(1.67)** | | |
| Benchmark: MSCI All Country World Index Total Return (Gross) | | (2.54) | 12.89 | 13.90 | n/a | 11.52 | | |
| **Performance Against Benchmark** | | **(1.90)** | **(2.43)** | **(0.01)** | **n/a** | **n/a** | | |
| **LCIV Global Equity Core Fund** | **£563m** | **(6.27)** | **11.03** | **n/a** | **n/a** | **8.88** | **21/08/2020** | **2** |
| Benchmark: MSCI All Country World Index (with net dividends reinvested) | | (2.51) | 12.68 | n/a | n/a | 16.03 | | |
| **Performance Against Benchmark** | | **(3.76)** | **(1.65)** | **n/a** | **n/a** | **(7.15)** | | |
| **LCIV Global Equity Focus Fund** | **£893m** | **0.65** | **14.88** | **10.94** | **n/a** | **10.37** | **17/07/2017** | **5** |
| Target: MSCI World (GBP)(TRNet)+2.5% | | (1.83) | 18.28 | 17.45 | n/a | 14.52 | | |
| **Performance Against Target** | | **2.48** | **(3.40)** | **(6.51)** | **n/a** | **(4.15)** | | |
| Benchmark: MSCI World (GBP)(TRNet) | | (2.43) | 15.39 | 14.58 | n/a | 11.73 | | |
| **Performance Against Benchmark** | | **3.08** | **(0.51)** | **(3.64)** | **n/a** | **(1.36)** | | |
| **LCIV Emerging Market Equity Fund** | **£523m** | **(6.12)** | **(10.37)** | **4.47** | **n/a** | **1.07** | **11/01/2018** | **7** |
| Investment Objective: MSCI Emerging Market Index (TR) Net+2.5% | | (3.72) | (4.80) | 7.19 | n/a | 4.37 | | |
| **Performance Against Investment Objective** | | **(2.40)** | **(5.57)** | **(2.72)** | **n/a** | **(3.30)** | | |
| Benchmark: MSCI Emerging Market Index (TR) Net | | (4.30) | (7.12) | 4.58 | n/a | 1.83 | | |
| **Performance Against Benchmark** | | **(1.82)** | **(3.25)** | **(0.11)** | **n/a** | **(0.76)** | | |

| ACS | Size | Current Quarter % | 1 Year % | 3 Years p.a. % | 5 Years p.a. % | Since Inception p.a. % | Inception Date | No. of Investors |
|---|---|---|---|---|---|---|---|---|
| **Global Equities** | | | | | | | | |
| **LCIV Sustainable Equity Fund** | **£1,344m** | **(8.48)** | **9.04** | **15.11** | **n/a** | **14.68** | **18/04/2018** | **8** |
| Investment Objective: MSCI World Index Total Return (Net) in GBP+2% | | (1.95) | 17.70 | 16.87 | n/a | 15.99 | | |
| **Performance Against Investment Objective** | | **(6.53)** | **(8.66)** | **(1.76)** | **n/a** | **(1.31)** | | |
| Benchmark: MSCI World (GBP)(TRNet) | | (2.43) | 15.39 | 14.58 | n/a | 13.72 | | |
| **Performance Against Benchmark** | | **(6.05)** | **(6.35)** | **0.53** | **n/a** | **0.96** | | |
| **LCIV Sustainable Equity Exclusion Fund** | **£437m** | **(9.06)** | **10.08** | **n/a** | **n/a** | **30.76** | **11/03/2020** | **3** |
| Investment Objective: MSCI World Index Total Return (Net) in GBP+2% | | (1.95) | 17.70 | n/a | n/a | 26.77 | | |
| **Performance Against Investment Objective** | | **(7.11)** | **(7.62)** | **n/a** | **n/a** | **3.99** | | |
| Benchmark: MSCI World (GBP)(TRNet) | | (2.43) | 15.39 | n/a | n/a | 24.28 | | |
| **Performance Against Benchmark** | | **(6.63)** | **(5.31)** | **n/a** | **n/a** | **6.48** | | |
| **LCIV Passive Equity Progressive Paris Aligned Fund** | **£504m** | **(5.65)** | **n/a** | **n/a** | **n/a** | **(2.98)** | **01/12/2021** | **2** |
| Index: S&P Developed Ex-Korea LargeMidCap Net Zero 2050 Paris-Aligned ESG Index (GBP) | | (5.76) | n/a | n/a | n/a | (3.07) | | |
| **Performance Against Index** | | **0.11** | **n/a** | **n/a** | **n/a** | **0.09** | | |
| **Multi Asset** | | | | | | | | |
| **LCIV Global Total Return Fund** | **£228m** | **1.53** | **4.22** | **3.49** | **2.22** | **3.46** | **17/06/2016** | **3** |
| Target: RPI + 5% | | 3.11 | 13.24 | 9.15 | 8.70 | 8.70 | | |
| **Performance Against Target** | | **(1.58)** | **(9.02)** | **(5.66)** | **(6.48)** | **(5.24)** | | |
| **LCIV Diversified Growth Fund** | **£952m** | **(6.09)** | **3.42** | **3.59** | **3.17** | **4.88** | **15/02/2016** | **9** |
| Target: UK Base Rate +3.5% | | 0.96 | 3.69 | 3.84 | 3.91 | 3.90 | | |
| **Performance Against Target** | | **(7.05)** | **(0.27)** | **(0.25)** | **(0.74)** | **0.98** | | |
| **LCIV Absolute Return Fund** | **£1,308m** | **4.49** | **7.27** | **10.20** | **5.74** | **6.94** | **21/06/2016** | **11** |
| Target: SONIA (30 day compounded) +3% (from 1 January 2022, previously 1m LIBOR +3%) | | 0.78 | 3.10 | 3.29 | 3.38 | 3.37 | | |
| **Performance Against Target** | | **3.71** | **4.17** | **6.91** | **2.36** | **3.57** | | |
| **LCIV Real Return Fund** | **£179m** | **(4.32)** | **1.43** | **5.81** | **4.45** | **4.85** | **16/12/2016** | **2** |
| Investment Objective: SONIA (30 day compounded) + 3% (from 1 October 2021, previously 1m LIBOR +3%) | | 0.83 | 3.14 | 3.30 | 3.38 | 3.38 | | |
| **Performance Against Investment Objective** | | **(5.15)** | **(1.71)** | **2.51** | **1.07** | **1.47** | | |

| ACS | Size | Current Quarter % | 1 Year % | 3 Years p.a. % | 5 Years p.a. % | Since Inception p.a. % | Inception Date | No. of Investors |
|---|---|---|---|---|---|---|---|---|
| **Fixed Income** | | | | | | | | |
| **LCIV Global Bond Fund** | **£639m** | **(7.17)** | **(4.74)** | **1.46** | **n/a** | **2.88** | **30/11/2018** | **7** |
| Benchmark: Bloomberg Global Aggregate Credit Index – GBP Hedged | | (7.02) | (5.10) | 1.31 | n/a | 2.64 | | |
| **Performance Against Benchmark** | | **(0.15)** | **0.36** | **0.15** | **n/a** | **0.24** | | |
| **LCIV MAC Fund** | **£1,008m** | **(1.75)** | **2.38** | **3.38** | **n/a** | **3.16** | **31/05/2018** | **11** |
| Investment Objective: SONIA (30 day compounded) +4.5% (from 1 January 2022, previously 3m LIBOR +4.5%) | | 1.14 | 4.63 | 4.85 | n/a | 4.95 | | |
| **Performance Against Investment Objective** | | **(2.89)** | **(2.25)** | **(1.47)** | **n/a** | **(1.79)** | | |
| **LCIV Alternative Credit Fund** | **£391m** | **n/a** | **n/a** | **n/a** | **n/a** | **(1.22)** | **31/01/2022** | **3** |
| Investment Objective: SONIA (30 day compounded) +4.5% | | n/a | n/a | n/a | n/a | 0.75 | | |
| **Performance Against Investment Objective** | | **n/a** | **n/a** | **n/a** | **n/a** | **(1.97)** | | |
| **Total LCIV ACS Assets Under Management** | **£13,206m** | | | | | | | |

Please see below a summary of the London CIV Private Market Funds, including both those in which you are invested, and those you are not. The figures are as at 31 December 2021 as the valuations for private markets are calculated and released during the following quarter so are unavailable at the date this report is produced.

| Private Markets | 31 December 2021 Total Commitment | Called to Date | Undrawn Commitments | 31 December 2021 Fund Value | Inception Date | No. of Investors |
|---|---|---|---|---|---|---|
| **EUUT** | £'000 | £'000 | £'000 | £'000 | | |
| **LCIV Infrastructure Fund** | **399,000** | **153,578** | **245,422** | **155,890** | **31/10/2019** | **6** |
| **LCIV Inflation Plus Fund** | **202,000** | **168,262** | **33,738** | **164,350** | **11/06/2020** | **3** |
| **LCIV Renewable Infrastructure Fund** | **682,500** | **178,422** | **504,078** | **175,571** | **29/03/2021** | **10** |
| **LCIV Private Debt Fund** | **540,000** | **171,896** | **368,104** | **172,582** | **29/03/2021** | **7** |
| **SLP** | £'000 | £'000 | £'000 | £'000 | | |
| **The London Fund** | **195,000** | **24,156** | **170,844** | **23,729** | **15/12/2020** | **2** |
| | **2,018,500** | **696,314** | **1,322,186** | **692,122** | | |

*For details on remaining current capacity available for further investment please contact the Client Service Team at clientservice@londonciv.org.uk.

## London CIV Fund Performance Q1 2022

The first quarter of 2022 was marked by a sharp shift in expectations for interest rates which prompted a selloff in the bond and equity markets. Russia's invasion of the Ukraine then brought geo-political risks to the fore and magnified concerns about inflation and economic growth.

Markets experienced bursts of volatility and rapid changes in capital flows. The dispersion of outcomes across and within asset classes increased, as illustrated by the performance of the London CIV equity funds.

Funds focused on growth stocks, such as the LCIV Global Alpha Growth Fund and LCIV Sustainable Equity Fund, lagged benchmark indices by a big margin. Conversely, the LCIV Global Equity Focus Fund, which is tilted towards value stocks, outperformed by 3.1%. 'Quality' stocks did not provide much of a cushion, as evidenced by the underperformance of the LCIV Global Equity Core Fund and LCIV Emerging Markets Fund.

On a positive note, equity markets rallied, and credit spreads narrowed in March. The rally in stock and credit markets is at odds with the performance of bonds. Interest rates have continued to rise in response to heightened inflation risk. Most of the increase has been seen at the short end of yield curves, suggesting that bond investors are concerned about the risk of recession.

Against this difficult backdrop, the LCIV Global Bond Fund fell 7.2% in the first three months of the year. There is very little duration (interest rate sensitivity) risk in the LCIV MAC Fund, so the decline in the value of the Sub-fund in Q1 was caused mainly by mark to market adjustments to the value of loans, bonds and asset-backed securities.

The spread of returns in the Multi Asset segment of the London CIV range was wide. The LCIV Absolute Return Fund benefitted from holdings in inflation-linked debt, gold and protective derivatives strategies and generated a very attractive return of 4.5% in the first quarter. The LCIV Global Total Return Fund remains defensively positioned in the bond and equity markets and saw a total return of 1.5%.

The Sub-funds which tend to hold more unhedged exposure to equity markets lost money in the first quarter. The LCIV Diversified Growth Fund was down 6.1%, and the LCIV Real Return Fund lost 4.3%.

*Fund Monitoring*

We upgraded the monitoring status of the LCIV MAC Fund from 'Enhanced Monitoring' to 'Normal Monitoring' in January 2022 based on improvements in CQS' responsible investment and engagement practices and reduced turnover of personnel.

All of the ACS funds are now on 'normal' monitoring with the exception of the LCIV Global Equity Focus Fund with Longview which remains on our 'watch list'. We are close to completing an in-depth review of Longview. We will share our findings in the second quarter of 2022.

The investment managers of the ACS funds are investing in line with our expectations. The risk profiles of Sub-funds are within expected parameters, and we have not observed anomalies in the composition of portfolios or trading activity.

We will carry out 'deep dive' reviews of the LCIV Sustainable Equity, Sustainable Equity Exclusion, Global Total Return and Absolute Return Funds in Q2.

Exposure to securities issued by Russian entities was low across the range of ACS Sub-funds when Russia invaded the Ukraine. We have communicated with Client Funds about the sources of exposure and actions taken by investment managers to reduce positions. We will continue to monitor remaining positions and all investment managers have been asked not to make any further investment in Russian entities until further notice.

As of 28 March 2022, exposure to Russian debt stood at 0.40% of the LCIV Global Bond Fund. All Russian cash bonds held in the LCIV Global Bond Fund are external bonds (i.e.: traded in either U.S. dollars or Euros). We continue to monitor these holdings to track changes in prices, liquidity, restrictions on trading and controls on capital flows which could affect the ability of foreign investors to receive interest and principal payments.

We continue to follow government guidance and ensure that investment managers have appropriate controls in place to remain compliant with sanctions and new regulations. Northern Trust also tracks sanctions, provides London CIV with regular updates, and brings issues to our attention.

*Responsible Investment*

Progress in integrating Responsible Investment has stepped up in the last 3 months on TCFD reporting (Haringey pilot report), setting of Net Zero roadmaps and targets, modification of existing funds (LCIV Global Bond Fund) and the launch of the Peppa Fund. A meeting will be arranged in May to discuss the Net Zero plan and the results of our analysis of the climate metrics of London CIV funds.

On Stewardship we have aggregated voting and engagement across London CIV segregated equity funds working with our partner Hermes EOS. We have just published our stewardship outcomes report and have reviewed the voting guidelines working with the Responsible Investment Reference Group.

*Economies and Markets*

Russia's invasion of the Ukraine marked a step change in risk aversion in the capital markets. Inflationary pressure had already come into focus and the immediate surge in energy prices and futures contracts linked to agricultural staples, combined with heightened risks to supply chains, reverberated through the markets.

Government bonds, credit and stocks all lost money in the first quarter of 2022. With nominal yields at very low levels, bonds could not fulfil their traditional role as 'shock absorbers' when inflation accelerated. The Bloomberg Global Aggregate Index (GBP hedged) lost more than 5% in Q1, and the Credit segment was down more than 7%.

What is perhaps most striking is that equity markets held up as well as they did in the face of mounting risks, although they needed a rally of more than 8% between the 8th of March and the end of the quarter to recover from a drawdown which peaked at more than 11% in Sterling terms based on the MSCI World Net index.

*Chart 1: Performance of Equities, Bonds and Investment Grade Credit*


*Source: Bloomberg 31/3/21*

Central banks are in a difficult spot. Inflation warrants tighter monetary policy but risks to growth have increased, in part because Covid-19 continues to be disruptive, especially in China and the rest of Asia. Having implemented fiscal support measures to help cushion the impact of lockdowns, governments have limited room to provide further support.

*Chart 2: G8 economic forecasts*

| Indicator | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022e | 2023e | 2024e |
|---|---|---|---|---|---|---|---|---|---|---|
| Economic Activity | | | | | | | | | | |
| Real GDP (YoY%) | 2 | 1.5 | 2.2 | 2.2 | 1.7 | -4.7 | 5 | 2.6 | 2 | 1.8 |
| CPI (YoY%) | 0.9 | 1 | 1.8 | 2.1 | 1.6 | 0.9 | 3.6 | 6.4 | 2.8 | 2.1 |
| Unemployment (%) | 5.9 | 5.6 | 5.1 | 4.7 | 4.4 | 7 | 5.5 | 4.4 | 4.2 | 4.2 |
| External Balance | | | | | | | | | | |
| Curr. Acct. (% of GDP) | -0.3 | -0.1 | 0.1 | 0.1 | 0 | | -0.7 | -1.1 | -1 | -1.2 |
| Fiscal Balance | | | | | | | | | | |
| Budget (% of GDP) | -2.5 | -2.7 | -2.6 | -2.6 | -3 | -11.8 | -9.4 | -4.7 | -3.7 | -3.2 |
| Interest Rates | | | | | | | | | | |
| Central Bank Rate (%) | 0.84 | 0.88 | 1.32 | 1.94 | 1.47 | 0.35 | 0.54 | 2.06 | 2.15 | |
| 3-Month Rate (%) | 0.37 | 0.49 | 0.89 | 1.53 | 1.04 | 0 | 0 | 1.2 | 1.64 | |
| 2-Year Note (%) | 0.57 | 0.5 | 0.97 | 1.36 | 0.84 | -0.09 | 0.36 | 1.76 | 1.89 | |
| 10-Year Note (%) | 1.66 | 1.61 | 1.65 | 1.82 | 1.23 | 0.49 | 1.02 | 1.98 | 2.09 | |

*Source Bloomberg 13/4/22, forecasts in yellow*

The jury is still out on how aggressively Central Banks will combat inflation. Bond investors are concerned, as evidenced by higher yields on Government debt and flatter yield curves. Equity and credit investors appear to be confident that growth will remain solid, and that inflation will have only a limited impact on profit margins.

Even relatively highly valued growth stocks participated in the recovery in stock markets in March, although they still have a lot of ground to make up against value stocks.

*Chart 3: Global Sector relative returns (MSCI World Index)*


*Source Bloomberg 13/4/21*

The FTSE 100 index has been resilient this year, helped by exposure to oil and mining groups and banks in a period of rising rates. Conversely, the FTSE 250 index of stocks which are more highly exposed to the U.K. economy declined by more than 10% in Q1, in line with the fall in the value of NASDAQ-100 Index (In U.S. Dollar terms), which is relatively highly exposed to technology companies.

Based on the MSCI World classifications, technology and consumer discretionary stocks (both down about -9% in U.S. Dollars) were the worst performing industries in Q1. At the other end of the spectrum, energy and materials companies gained 37% and 8% respectively.

Commodities prices increased sharply during the quarter led by goods which are sourced in relatively large proportions from Russia and the Ukraine. In addition to oil and gas, this includes metals, wheat and fertiliser, raising the spectre of interruption in the supply of food.

The functioning of commodities markets has also come into focus. Surging volatility has prompted increased margin requirements which have caused pressure across the markets and added to the risks of disruption in the flow of commodities which could have important knock-on effects.

*Summary and Outlook*

We are pleased to welcome Sahil Arora and Zakariya Mansha to the London CIV Investment team. Sahil and Zakariya are helping us monitor our funds and deliver the roadmap of products and services we have discussed with you.

Sentiment is finely balanced as we come into the second quarter. The impact of Russia's aggression on the people of the Ukraine is stark, but the broader ramifications are unclear. Economic activity and employment indicators are still robust, but the cost of living has accelerated, sentiment has weakened and risks to supply chains are elevated.

We think volatility will remain high in the coming months as investors respond to developments in the Ukraine, the trajectory of Covid-19 cases in China, new economic data and corporate earnings reports. We expect our investment managers to look through short-term squalls to focus on long-term drivers of return and risk, but we also expect them to be alert to opportunities which arise in periods of transition in market leadership.

It will be a challenging environment, but one which the multi asset funds on the London CIV platform should be well placed to navigate. They have a broad spread of asset classes and instruments at their disposal, and they benefit from the capacity to adjust positioning quickly as the environment changes.

# LCIV Global Alpha Growth Fund

**Quarterly Summary as at 31 March 2022**

## Total Fund Value:

## £2,314.3m

| | |
|---|---|
| Inception date: | 11/04/2016 |
| Price: | 229.70p |
| Distribution frequency: | Quarterly |
| Next XD date: | 01/04/2022 |
| Pay date: | 31/05/2022 |
| Dealing frequency: | Daily |

**Investment Objective**

The objective of the Sub-fund is to exceed the rate of return of the MSCI All Country World Index by 2-3% per annum on a gross fee basis over rolling five year periods.

This is a segregated Sub-fund of the London CIV ACS administered by Northern Trust. The delegated investment manager has been Baillie Gifford & Co since the Sub-fund's inception date.

## Enfield Valuation:

## £108.5m

Enfield investment date: 30/09/2016

**This is equivalent to 4.69% of the Fund**

Distribution option: Reinvest

Est. distribution to be reinvested: £275,666



| Net Performance | Current Quarter % | 1 Year % | 3 Years p.a. % | 5 Years p.a. % | Since Fund Inception p.a. %† | Since CF Inception p.a. %† |
|---|---|---|---|---|---|---|
| Fund | (12.41) | (6.66) | 12.96 | 12.17 | 15.73 | n/a |
| Investment Objective* | (1.93) | 15.42 | 16.15 | 13.39 | 16.85 | n/a |
| Relative to Investment Objective | (10.48) | (22.08) | (3.19) | (1.22) | (1.12) | n/a |
| Benchmark** | (2.40) | 13.15 | 13.87 | 11.16 | 14.56 | n/a |
| Relative to Benchmark | (10.01) | (19.81) | (0.91) | 1.01 | 1.17 | n/a |
| | | | | | | n/a |

** Investment Objective: MSCI All Country World Gross Index (in GBP)+2%*
*** Benchmark: MSCI All Country World Gross Index (in GBP)*

*† The investment objective is compounded daily therefore the benchmark return plus the outperformance target may not equal the investment objective.*

# LCIV Global Alpha Growth Fund

**Quarterly Commentary**

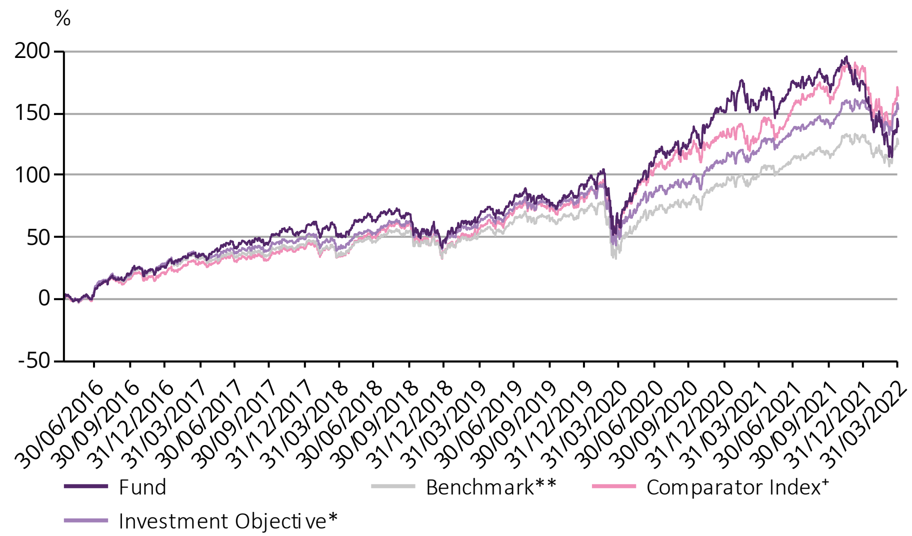
### Performance

The first quarter of the year was painful for investment strategies with a growth orientation, including the LCIV Global Alpha Growth Fund. Absolute and relative performance were both poor, with the Sub-fund returning -12.4% in Q1 2022 and underperforming the benchmark by a whopping 10% over the period. Consecutive poor quarters are now taking a toll on longer term performance. Over the 12-month period to end March 2022 the Sub-fund returned -6.7%, 19.8% less than the MSCI All Country World benchmark index. The Sub-fund has generated 15.7% on an annualised basis since inception, outperforming the benchmark by 1.2%.

At a high level, there were broadly two themes that affected performance. The first was China, where the government's zero Covid-19 policy has disrupted supply chains and negatively affected sentiment. Additionally, regulatory pressure on Chinese internet companies to align their interests with those of the broader society (as defined by the ruling Communist party) continued to mount. These pressures resulted in an extension of the previous quarter's losses for most of the Chinese companies with significant online presence held in the Sub-fund.

The second theme was a continuation of the trend which can be described as a 'pivot-to-value'. As interest rates have increased, investors have taken a more cautious, and in some cases, negative stance, on high growth stocks. As higher interest rates are incorporated into valuation models, assets with longer duration and larger projected cashflows, like the high growth companies that dominate the portfolio, are disproportionately affected. Additionally, there are growing concerns over the sustainability of high rates of growth in the face of a stream of bad news for the consumer and a less favourable macroeconomic environment.

**Performance since LCIV inception**




Source: Fund prices calculated based on published prices. Benchmarks obtained from Bloomberg. All performance reported net of fees and charges with distributions reinvested.

** Investment Objective: MSCI All Country World Gross Index (in GBP)+2%*

*** Benchmark: MSCI All Country World Gross Index (in GBP)*

*⁺ The Comparator Index MSCI Growth Index Net Total Return is not the stated fund objective, but has been selected as an appropriate index given the style of the Sub-fund. For further details, please refer to the Glossary.*

At the stock level the largest detractors were Prosus, SEA Limited and Shopify. Prosus is a large shareholder in Tencent and is held in the portfolio mainly as a good proxy for the Chinese internet giant. Over the quarter the ongoing overhang of a tougher regulatory environment for Tencent continued to put downward pressure on the stock price of Prosus. Specifically, a clamp down on approvals for new games had a significantly negative effect as this was an important season for the release of new online games.

SEA, the online content, e-commerce and payments company, had a bad quarter as, following a decision to exit India, concerns escalated about its future prospects in key Asian markets. Investors also questioned the growth

# LCIV Global Alpha Growth Fund

trajectory of its online retail unit Shopee. Despite these worries the investment manager remains confident in SEA's ability to execute its ambitious growth plans. Lastly, the stock price of the e-commerce platform Shopify dropped sharply, despite beating earnings expectations, after the company's management warned that revenues will face a headwind in 2022. This is indicative of how sensitive investors have become to even the slightest hint of negative news. The investment manager remains confident in the prospects of the company and believes that its growth rate will remain high.

The largest positive contributors were BHP Group, Rio Tinto and Anthem. BHP and Rio Tinto rode a wave of positive sentiment towards the materials sector as they are perceived by the markets as large beneficiaries of higher commodity prices. In February, both companies reported hefty earnings and announced record dividend pay-outs. Anthem is a U.S. based provider of health insurance and the Sub-fund's largest holding. Over the quarter, it benefitted from positive sentiment towards companies with defensive characteristics and from better-than-expected quarterly results.

**Market Views**

The opening quarter of 2022 was almost a perfect storm for growth investors. Concerns about the effects of rising inflation and tangled supply chains, which came to the fore last year, have been amplified by Russia's invasion of Ukraine. The result has been a surge in volatility and a shift in sentiment characterised by a swing away from growth and towards more value-oriented parts of the market.

According to the investment manager, a key characteristic of the preceding few months was a breakdown of the relationship between a company's rate of earning growth and share price returns. Such periods bring with them significant behavioural challenges. The investment manager's response is to remain disciplined with regards to their process, ensure that they continue to stretch out their time horizons and focus on whether anything has fundamentally changed with regards to outlook for the portfolio companies.

In terms of outlook, and despite the headlines of noise and fear in markets, the Sub-fund investment manager argues that across the portfolio there is a significant acceleration in revenue growth, with sales forecast to grow at 15% over the next year. This is more than twice the market rate (6.9%) and compares to an average rate of 8.6% over the previous five years. This pattern of acceleration is broadly evident across the different parts of the portfolio and while there are, as always, a few exceptions, the recent weak performance does not appear to be related to widespread deterioration in the operating performance of portfolio companies.

In terms of how the portfolio may fare in an environment of persistently higher inflation, the Sub-fund's investment manager is attempting to get beyond to what they believe is a simplistic narrative that higher levels of inflation, and the accompanying potential for rising interest rates, are bad for growth companies. In their view, after incorporating various aspects of pricing power, including the frequency of purchases and the degree of value-add, margin structures, the speed of the business cycle and capital intensity they conclude that for the most part companies held in the Sub-fund are likely to possess the flexibility and resilience to be able to adapt to a more inflationary environment.

**Positioning**

As at end of March 2022, the Sub-fund maintained a significant regional allocation to North American equities at c. 58.3% followed by an exposure of 19.3% to European equities. At the sector level, the largest exposure was to consumer discretionary with 18.7% followed by information technology at 17.3% and financials at 15.1%. The largest positions at the stock level were Anthem at 3.5%, Microsoft at 3.1% and Alphabet at 3.0%.

# LCIV Global Alpha Growth Fund

Rolling 1 year turnover has modestly decreased to 12%. The two notable new purchases over the quarter were Adobe (software for the creation and production of digital content) and Analog Devices (a company that specialises in analogue semiconductors). The investment manager considers both companies to be high-quality enablers of the ongoing digital revolution.

In terms of complete sales during the quarter the investment manager decided to fully exit the position in Zillow mainly due to the company's retreat from its iBuying experiment last year. The investment manager has also sold the positions in both Stericycle and Lyft, continuing the recent trend of moving on from more marginal investment cases and a modest concentration in the number of holdings.

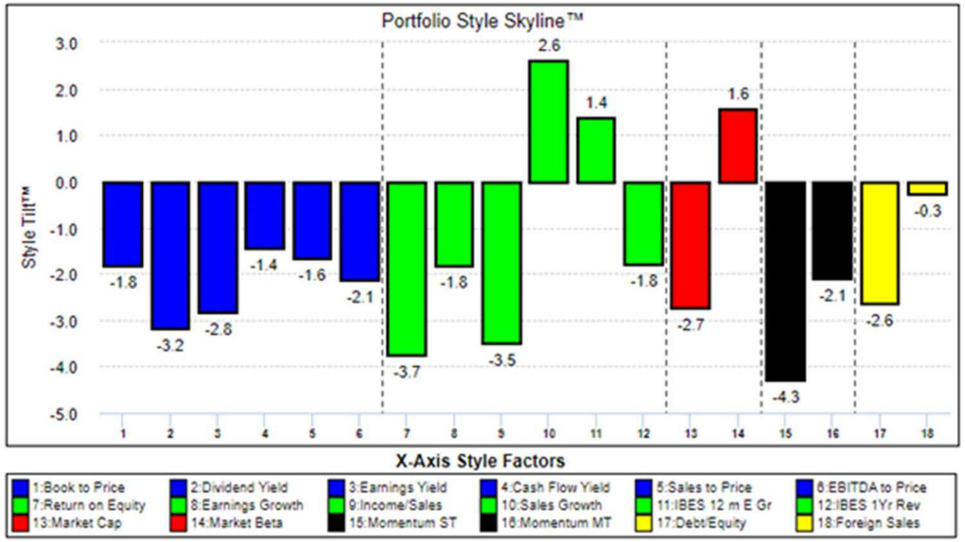
**Fund Monitoring**

The Sub-fund holds depositary receipts linked to shares in the Russian companies Sberbank and VK Company Ltd. These depositary receipts are listed on the London Stock Exchange (LSE). During the first quarter of 2022, the investment manager reduced these positions until trading in the securities was suspended. Residual positions in both securities are still held and are valued at zero on a fair valuation basis. No further investment will be made in Russian or Belarusian by the Sub-fund until further notice.

We are working with the Sub-fund's investment manager and the depositary to put the necessary infrastructure in place to allow for the divestment of the remaining holdings when trading resumes on either the LSE or in the local market if that market is open for foreign investors.

**Style Analysis**

The style of the Sub-fund remains consistent and is tilted away from all value factors and some growth (return on equity, income/sales) with a strong positive tilt towards sales growth. The sub-fund is also biased towards small cap stocks with a high market beta. The exposure to momentum has declined significantly over the quarter.



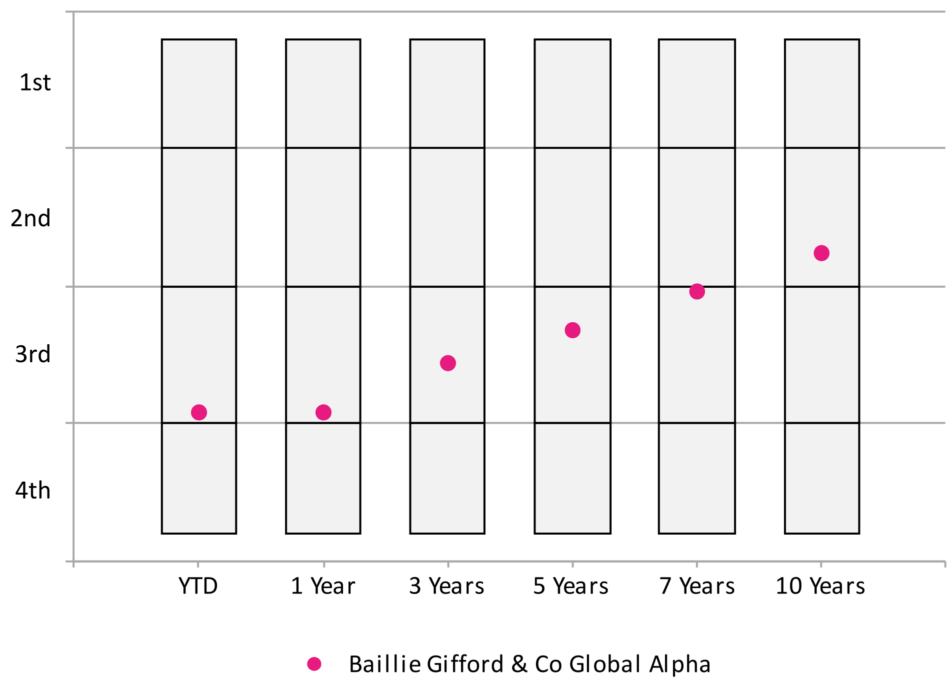

*Source: eVestment as at 31st December 2021*

# LCIV Global Alpha Growth Fund

**Peer Analysis**

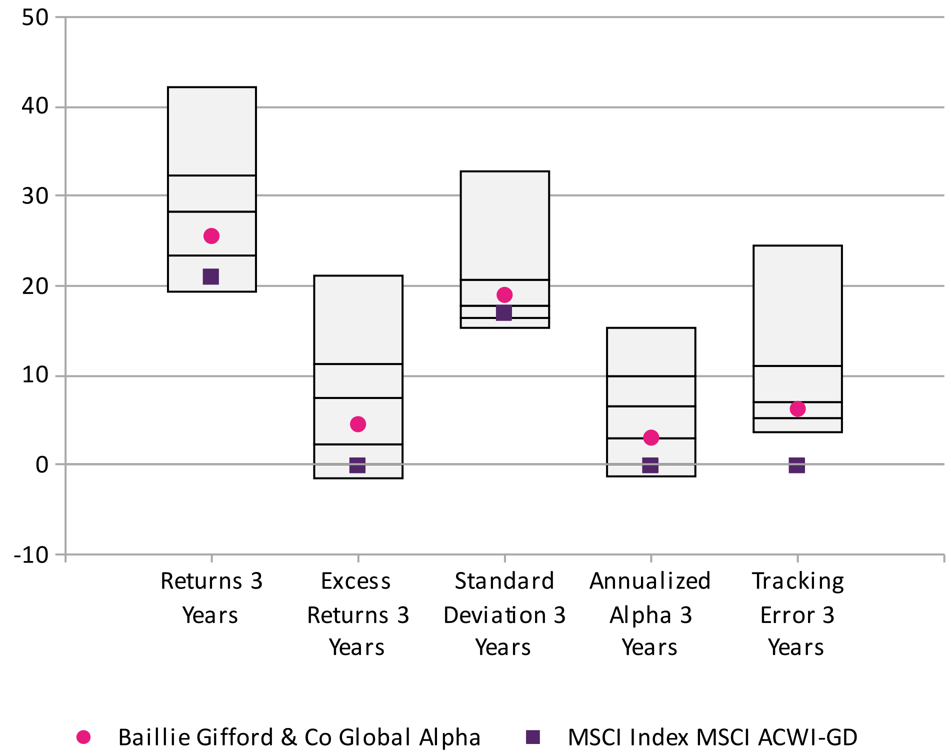
The peer group is the Global All Cap Growth Equity. Over the shorter term (up to 5 years to end December 2021), the Sub-fund has not performed as well as it has historically and is in the bottom 2 quartiles of its peer group. Over the longer term (10 years), the performance remains in the top 2 quarterlies and has outperformed the MSCI ACWI index over the 3 year period. This is coupled with low risk (tracking error) compared to other funds in the global all cap growth equity peer group.

**Returns**




*Source: eVestment as at 31 December 2021*

**Key Risk Statistics**




*Source: eVestment as at 31 December 2021*

# LCIV Global Alpha Growth Fund

**Conclusion**

The first quarter of 2022 saw many of the trends of previous quarters accelerate and intensify. The pivot from growth to value, increased market volatility, and the often indiscriminate selling of high growth stocks fuelled by macroeconomic worries and geopolitical uncertainty have created an unfavourable environment for most growth strategies. This was reflected in the poor performance of the Sub-fund in both absolute and relative terms.

The investment manager's response to these challenges is to be disciplined with regards to their process, ensure that they continue to stretch out their time horizons and focus on whether anything has fundamentally changed with regards to the potential for portfolio companies to achieve superior rates of growth in earnings over the long term.

As we mentioned last quarter, volatility may extend well into 2022 and we will pay close attention to the investment manager's ability to remain focused and disciplined in their strategy.

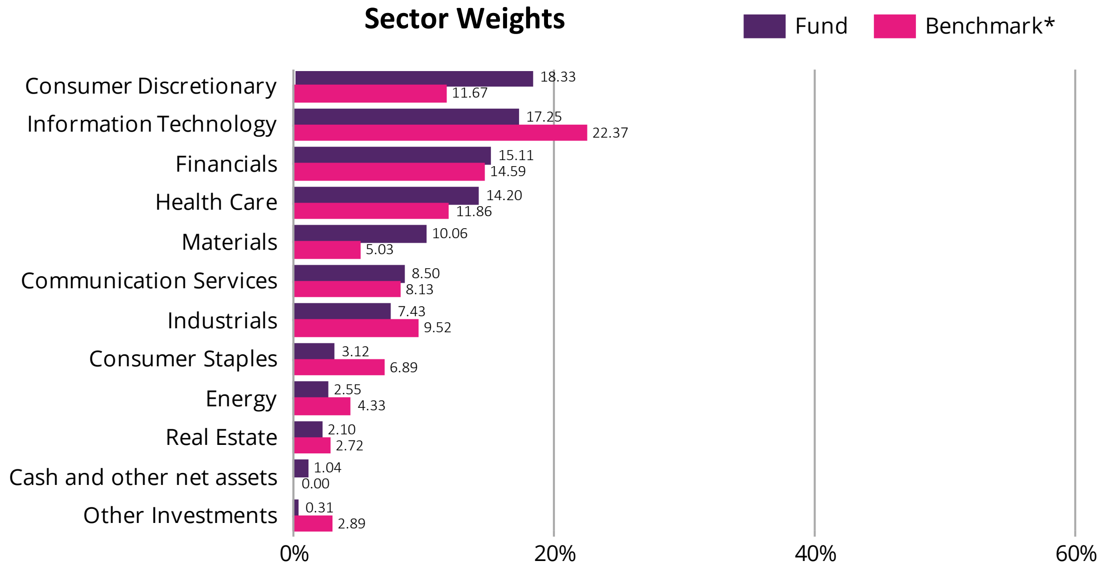
# LCIV Global Alpha Growth Fund: Portfolio Characteristics

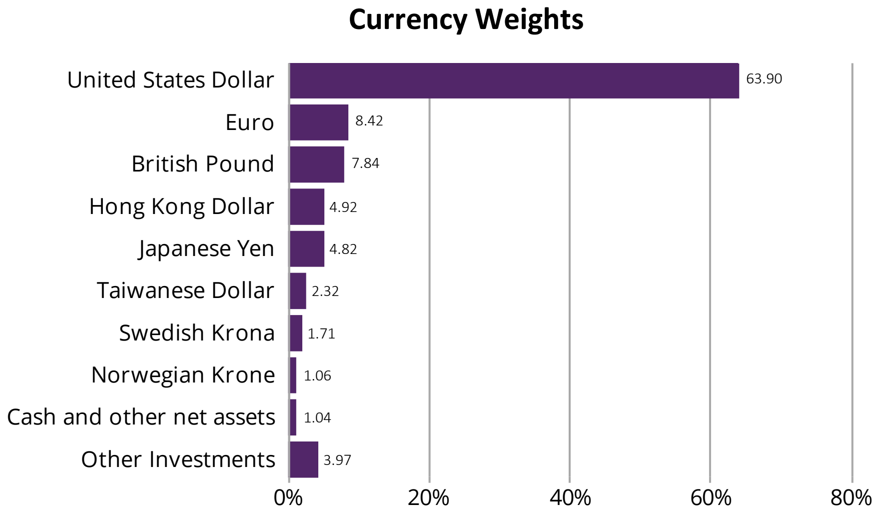
| **Key Statistics** | |
|---|---|
| Number of Holdings | 98 |
| Number of Countries | 24 |
| Number of Sectors | 10 |
| Number of Industries | 35 |
| Yield % | 1.16 |

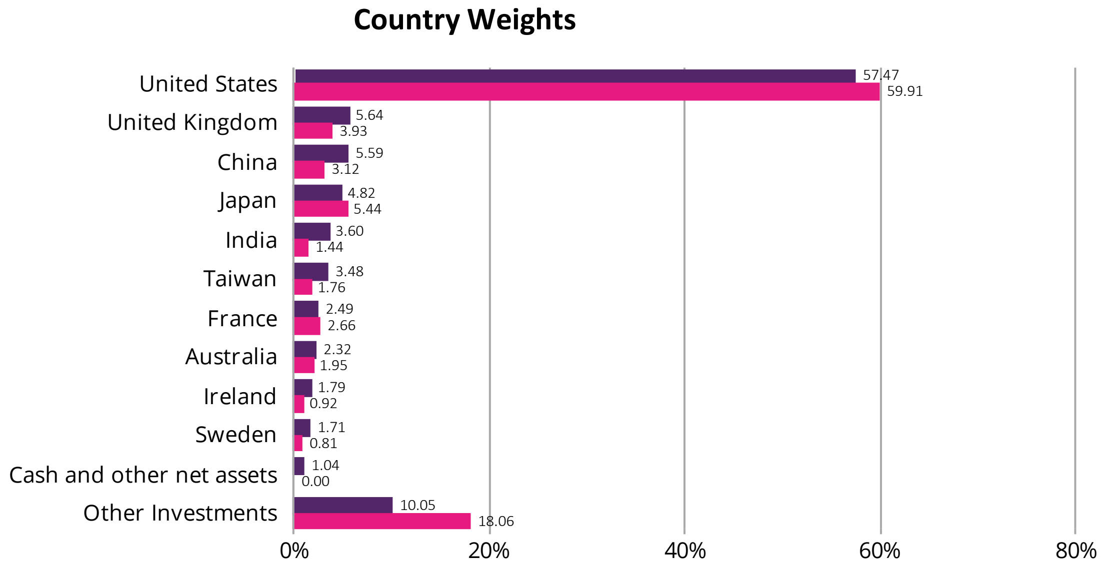
Source: London CIV data as at 31 March 2022

| **Risk Statistics** | |
|---|---|
| Tracking Error (%) | 4.60 |
| Beta to Benchmark | 1.06 |

Source: London CIV




Source: London CIV data as at 31 March 2022
**MSCI All Country World Gross Index (in GBP)+2%*

# LCIV Global Alpha Growth Fund: Portfolio Characteristics

**Top Ten Equity Holdings**

| Security Name | % of NAV |
|---|---|
| Anthem Com | 3.49 |
| Microsoft | 3.08 |
| Alphabet Inc Class C | 3.01 |
| Moody's | 2.86 |
| Martin Marietta Materials | 2.75 |
| Reliance Industries | 2.55 |
| Bhp Grp. | 2.32 |
| Taiwan Semiconductor Manufacturing | 2.32 |
| Prosus Nv | 2.28 |
| Amazon.com | 2.26 |

**Top Ten Contributors**

| Security Name | % Contribution |
|---|---|
| Bhp Billiton Ltd Cdi Npv | +0.62 |
| Rio Tinto Ord Gbp0.10 | +0.39 |
| Anthem Com | +0.31 |
| Reliance Industries | +0.25 |
| B3 Brasil Bolsa Balcao | +0.24 |
| Markel | +0.18 |
| Arthur J Gallagher | +0.14 |
| Oscar Health Inc | +0.09 |
| AIA Group | +0.08 |
| Deutsche Boerse | +0.07 |

**Top Ten Detractors**

| Security Name | % Detraction |
|---|---|
| Prosus Nv | (1.34) |
| Shopify | (0.88) |
| SEA | (0.83) |
| Sysmex Corporation | (0.57) |
| Sberbank Of Russia | (0.57) |
| Farfetch Ltd | (0.51) |
| Meituan Dianping | (0.45) |
| Moderna | (0.42) |
| Facebook | (0.42) |
| Siteone Landscape Supply | (0.37) |



**New Positions During Quarter**

| Security Name |
|---|
| Adobe Systems Inc |
| Analog Devices Inc |
| Royalty Pharma |

**Completed Sales During Quarter**

| Security Name |
|---|
| Zillow Group C |
| LYFT |
| Stericyclesteel Dynamics |

Source: London CIV data as at 31 March 2022

# LCIV Global Alpha Growth Fund: ESG Summary

**Summary of ESG Activity for the Quarter**

Baillie Gifford increased its headcount to 40 in the first quarter. This includes six new ESG analysts and an impact analyst. A research assistant was added to the climate change team and in their clients team, an ESG specialist is added.

Baillie Gifford states that the portfolio has very limited underlying geo-revenue exposure to Russia and Ukraine – less than 1%. None of their holdings has material operations in that region. The investment manager states that as they are bottom-up stock pickers, risk is managed principally at a company level rather than through this prism of geopolitics or sovereign risk.

Baillie Gifford spoke to Moderna's General Counsel in January to discuss the company's global vaccine access momentum. The investment manager discussed the feasibility of the recommendations of the vaccine roadmap published by the World Health Organisation (WHO). The investment manager states that they are confident that Moderna is meeting the recommendations and spirit of the WHO's roadmap in most areas. Baillie Gifford further requested more details about Moderna's manufacturing ambitions in Africa and encouraged further ambition in its Global Public Health strategy. Baillie Gifford sees positive developments which will improve access to mRNA vaccines and therapeutics over the long term. However, the investment manager believes there are areas in the WHO's roadmap that the firm does not believe it can meet in full, such as the rapid transfer of know-how and technology.

The second engagement was with Axon Enterprise, where the key focus of engagement was on the executive compensation policy. Similar to Tesla, Axon follows an incentive scheme based on operational and share price goals over a 10-year period. The firm reported that over the past few years most of the targets have now been achieved and the company is now considering a follow-up plan. The investment manager supports this long-term structure of the existing plan and is encouraged by the company's intention to repeat this. The company also reported its intention future-proof the new plan so new employees and existing employees receive equitable incentives, including a service provision to promote retention. Baillie Gifford recommends the firm review the new operational goals and includes a returns-based target.

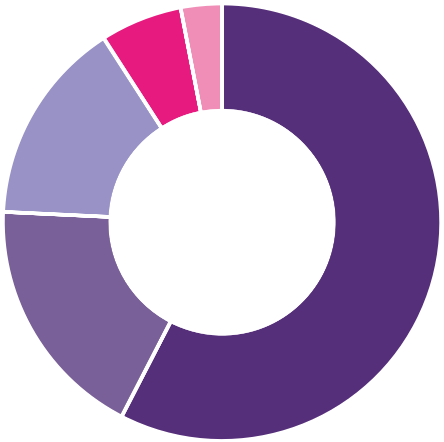
Lastly, the investment manager met with Ubisoft as part of its pre-AGM roadshow. The primary focus of the discussion was on executive remuneration. Baillie Gifford notes that the company's ESG targets are evolving and stretching positively. However, the investment manager is concerned about the proposed reduction in the vesting period for the performance share awards available to the Executive Committee.

# LCIV Global Alpha Growth Fund: ESG Summary

## Voting Summary

As stewards of capital, exercising voting rights is an important part of our responsibility towards our Client Funds' ESG objectives. We believe that voting on shareholder resolutions is a powerful part of our stewardship strategy as it helps communicate our views to companies. Being transparent about disclosing our voting records further supports this aim. London CIV's investment managers are expected to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. London CIV monitors voting records on a quarterly basis and expects managers to be able to provide a rationale for all voting activity on a "comply or explain" basis. The following charts give an overview of voting activity for this quarter (1 January 2022 - 31 March 2022).

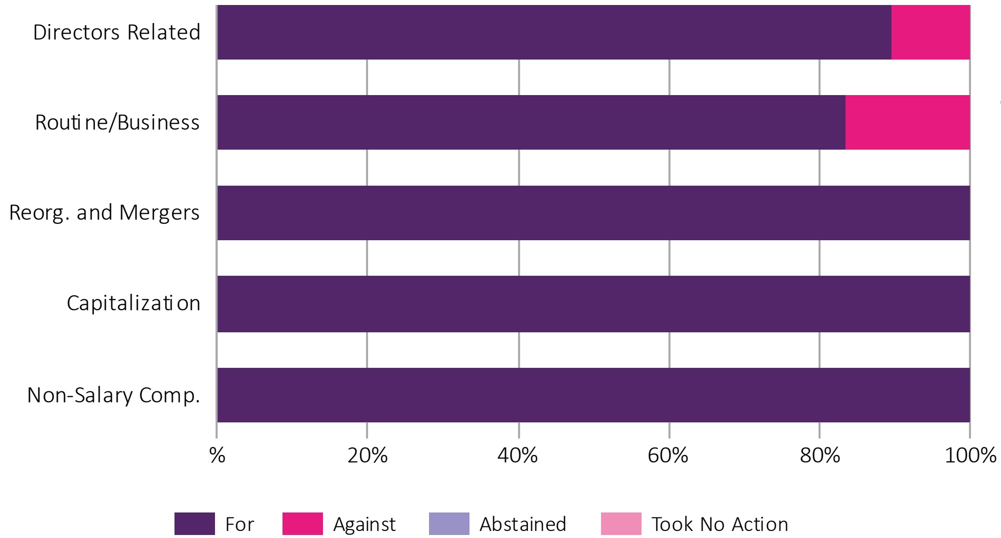
**Proposals Breakdown**



| | |
|---|---|
| Directors Related | 19 |
| Routine/Business | 6 |
| Reorg. and Mergers | 5 |
| Capitalization | 2 |
| Non-Salary Comp. | 1 |

*Source: London CIV data as at 31 March 2022*

**Voting Instruction Breakdown**




*Source: London CIV data as at 31 March 2022*

### Link to Underlying Manager's Voting Report for the Quarter

https://londonciv.org.uk/portal/email/download/10809

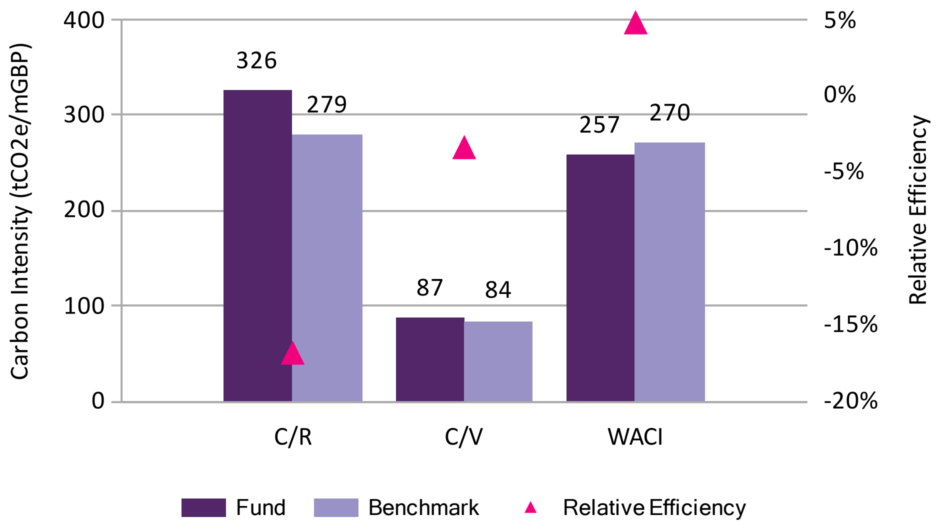
# LCIV Global Alpha Growth Fund: ESG Summary

## Climate Risk Exposure

To enhance the understanding of climate risks and identify specific areas of exposure, London CIV periodically measures and reports the carbon footprint and fossil fuel exposure of listed equity and corporate fixed income instruments. The following charts produced using data from Trucost provide climate impact and risk exposure metrics that may be used to support climate related disclosures in line with TCFD recommendations and inform internal processes for risk management and strategy development.

### Carbon Performance

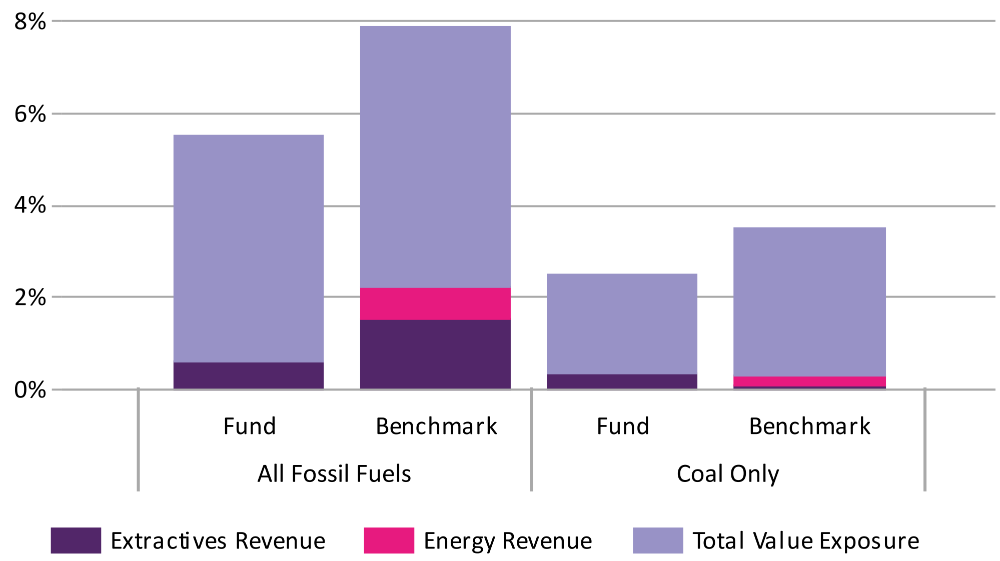
The chart shows the carbon intensity using the three main methodologies, carbon-to-revenue (C/R), carbon-to-value (C/V) and weighted-average carbon intensity (WACI). The scopes used were Direct and First Tier Indirect emissions. For more information, please consult the Appendix.




Source: London CIV based on Trucost data as at 31 March 2022

### Fossil Fuel Exposure

The chart provides an indication of exposure to companies engaged in any fossil fuel activities (left-hand side), as well as coal only (right-hand side). For more information on the methodology please consult the Appendix.




Source: London CIV based on Trucost data as at 31 March 2022

The benchmark used in the above is MSCI World

# LCIV Global Alpha Growth Fund: ESG Summary

## Climate Risk Exposure

### Top Contributors - Weighted Average Carbon Intensity

The largest contributors to the portfolio's carbon intensity are shown below. The 'WACI Intensity Contribution' is the percentage change in the portfolio's intensity that would be caused by excluding the holding referenced. For more information, please consult the Appendix.

| Name | Carbon Intensity (tCO2e/mGBP) | WACI Contribution | Climate 100+ |
|---|---|---|---|
| Taiwan Semiconductor Manufacturing Company Limited | 373.62 | -0.13% | No |
| LG Chem, Ltd. | 676.58 | -0.05% | No |
| Budweiser Brewing Company APAC Limited | 364.25 | -0.05% | No |
| Yum China Holdings, Inc. | 586.51 | -0.05% | No |
| ITC Limited | 668.57 | -0.04% | Yes |
| Samsung Electronics Co., Ltd. | 191.30 | -0.04% | No |
| Kweichow Moutai Co., Ltd. | 387.89 | -0.03% | No |
| Sands China Ltd. | 398.03 | -0.03% | No |
| Ambev S.A. | 350.50 | -0.02% | No |
| Foshan Haitian Flavouring and Food Company Ltd. | 339.54 | -0.02% | No |

# LCIV Global Equity Focus Fund

**Quarterly Summary as at 31 March 2022**

## Total Fund Value:

## £892.6m

| | |
|---|---|
| Inception date: | 17/07/2017 |
| Price: | 150.70p |
| Distribution frequency: | Quarterly |
| Next XD date: | 01/04/2022 |
| Pay date: | 31/05/2022 |
| Dealing frequency: | Daily |

| Net Performance | Current Quarter % | 1 Year % | 3 Years p.a. % | 5 Years p.a. % | Since Fund Inception p.a. %† | Since CF Inception p.a. %† |
|---|---|---|---|---|---|---|
| Fund | 0.65 | 14.88 | 10.94 | n/a | 10.37 | n/a |
| Target* | (1.83) | 18.28 | 17.45 | n/a | 14.52 | n/a |
| Relative to Target | 2.48 | (3.40) | (6.51) | n/a | (4.15) | n/a |
| Benchmark** | (2.43) | 15.39 | 14.58 | n/a | 11.73 | n/a |
| Relative to Benchmark | 3.08 | (0.51) | (3.64) | n/a | (1.36) | n/a |
| | | | | | | n/a |
| | | | | | | n/a |
| | | | | | | n/a |
| | | | | | | n/a |
| | | | | | | n/a |

# LCIV Global Equity Focus Fund

**Quarterly Summary as at 31 March 2022**

**Investment Objective**

The Sub-fund's long term objective is to achieve capital growth.

This is a segregated Sub-fund of the London CIV ACS administered by Northern Trust. The delegated investment manager has been Longview Partners (Guernsey) Limited since the Sub-fund's inception date.

## Enfield Valuation:

## £104.8m

Enfield investment date: 24/10/2018

**This is equivalent to 11.74% of the Fund**

Distribution option: Reinvest

Est. distribution to be reinvested: £186,213



| Since CF Inception p.a. %† |
|---|
| n/a |
| n/a |

** The Target MSCI World (GBP)(TRNet)+2.5% is an absolute level of return which is deemed as the appropriate return which investors can expect for the level of risk taken within the Sub-fund. For further details, please refer to the Glossary.*
*** Benchmark: MSCI World (GBP)(TRNet)*

*† The target has been selected as it in a outperformance target set in the agreement with the investment manager it is not explicitly stated in the investment objective of the Sub-fund. The target return outperformance is compounded daily therefore the benchmark return plus the outperformance may not equal the objective target.*

# LCIV Global Equity Focus Fund

**Quarterly Commentary**

## Performance

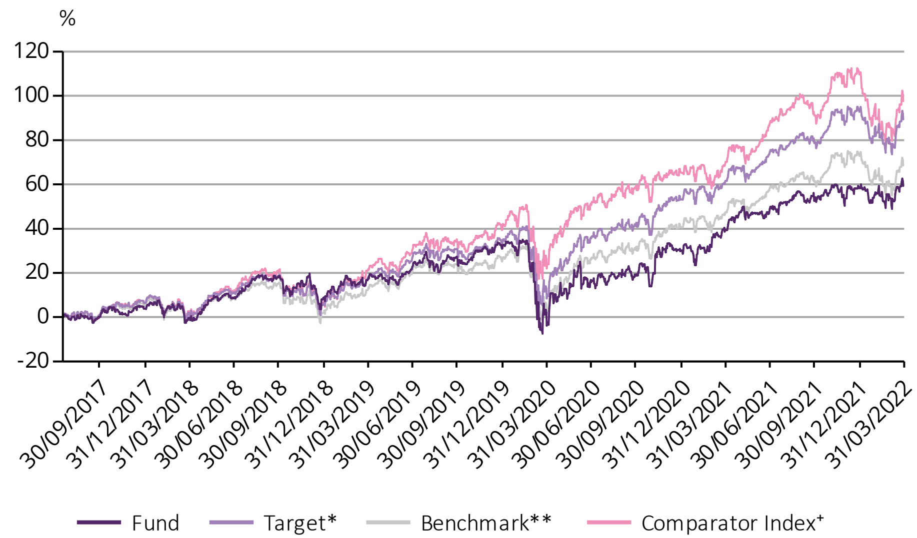
In the first quarter of 2022 the Sub-fund returned 0.7%, outperforming the MSCI World benchmark index return of -2.4% by 3.1%. In the 12-month period to end March 2022 the Sub-fund returned 14.9% against a benchmark index return of 15.4% thus posting a relative performance of -0.5%. Since inception, the Sub-fund has returned 10.4% since inception against 11.7% for the benchmark and is now lagging by 1.4% p.a. in relative terms.

This was a good quarter for the Sub-fund which was well positioned for the prevailing market environment. The portfolio currently maintains a value tilt which proved beneficial as the equity markets, particularly in the first two months of the quarter, favoured stocks with lower valuations. The defensive characteristics of the portfolio, due to its focus on high earnings visibility and robust business models, also proved helpful primarily via relatively defensive holdings in the healthcare and industrials sectors.

Also important from a performance perspective, was the impact of what is not held in the portfolio. The lack of exposure to high multiple growth stocks was particularly helpful as these segments of the market dropped sharply in January and February. The portfolio did not have any direct exposure to either Russia or Ukraine and portfolio companies had very limited exposure to the region. Interestingly, the Sub-fund's good performance was achieved despite the nil weight in the energy and materials sectors which performed particularly well as commodity prices spiked in response to events in Ukraine.

At the stock level, contributors outnumbered detractors in a ratio of two to one as better-than expected operational performance at several companies was complemented by the defensive characteristics of the companies held. The three largest contributors were L3Harris, American Express and Henry Schein.

**Performance since LCIV inception**




Source: Fund prices calculated based on published prices. Benchmarks obtained from Bloomberg. All performance reported net of fees and charges with distributions reinvested.

** Target: MSCI World (GBP)(TRNet)+2.5%*

*** Benchmark: MSCI World (GBP)(TRNet)*

*⁺ The Comparator Index MSCI World Quality Price Index Net Total Return is not the stated fund objective, but has been selected as an appropriate index given the style of the Sub-fund. For further details, please refer to the Glossary.*

L3Harris (L3) is a U.S. manufacturer of communications equipment for the defence industry. Consistent with other defence stocks L3 performed strongly following Russia's invasion of Ukraine in the expectation that the industry will benefit from the increased defence spending by governments, particularly in Europe. American Express (Amex), the credit card service company, outperformed following the release of its quarterly results in January. Results were better than expected, notably for the 'Goods & Services' total billed business which was up by 24%, and the company continues to recover well from the impact of the pandemic. Henry Schein, who produces and distributes medical and health care products, also

# LCIV Global Equity Focus Fund

released a strong set of results for the fourth quarter of 2021 that surpassed both market estimates and company's own expectations. Additionally, the management offered improved guidance for future revenues. As a result, shares outperformed strongly during the first quarter of 2022, more than recouping the underperformance registered in the last quarter of 2021.

The three largest detractors were IQVIA, TJX and Charter Communications. IQVIA, the U.S. health information technology and clinical research company, was one of last quarter's top performers but lost ground in Q1. This was mainly due to concerns about an important segment of their customer base (early-stage biotech start-ups) facing a weaker funding environment. The discount retailer TJX underperformed in the first quarter of the year on the back of reporting disappointing quarterly sales growth and gross margins. This was due to weak sales in January caused by rising Omicron variant cases and social distancing restrictions outside of the U.S. Charter Communications (Charter), a large cable operator in the U.S. that provides high-speed broadband, telephony and television products, underperformed again this quarter. Fourth quarter 2021 results, released in January, showed broadband net additional subscriptions roughly in line with recent results but lower than the high levels seen during the lockdowns. The company also guided to higher levels of capital spending to support the roll out of broadband in rural areas. Charter is amongst the most indebted companies in the portfolio and the investment manager is wary of the potential impact of a higher rate environment on the company. Given that only a quarter of the company's debt matures within the next five years they are not overly concerned.

**Market Views**

Russia's invasion of Ukraine triggered swift and wide-ranging sanctions against Russia by Western governments. The conflict and the sanctions that followed have caused higher oil and gas prices and exacerbated existing inflationary pressures. For many companies, these inflationary pressures were already being felt and, although the war may have changed their magnitudes, inflation and other fundamental issues impacting companies remain largely the same as three months ago.

The Sub-fund's investment manager has been concerned that inflation would not prove transitory. The ability of a company to succeed in an extended and more entrenched inflationary environment has been a key consideration for the research team when reviewing portfolio companies and considering new ideas. In periods of elevated inflation, high quality companies such as those they seek to invest in have tended to be resilient because higher margins and pricing power act as a strong defence against the impact of cost inflation on cash flow generation. The investment manager continues to focus on finding those companies that can navigate this uncertain environment successfully and may even have an opportunity to strengthen their position if the economy takes a turn for the worse.

Central banks have responded to higher inflation by raising short-term interest rates. The U.S. Federal Reserve increased rates by 25 basis points in March and the Bank of England raised their base rate in December, February, and March. In what is potentially the end of the quantitative easing era for markets the Federal Reserve also suggested that quantitative tightening (QT) will start in May. A period of tighter monetary conditions may well dissipate some of the excess that we have observed in parts of the market over recent years. In the investment manager's view this can be particularly painful for stocks with high multiples, usually attributed to growth companies, which are vulnerable if results disappoint, or interest rate expectations rise. The investment manager's strict valuation discipline has kept them away from those areas of excess.

Over the last eighteen months many companies have benefitted from the largesse of consumers that have been flush with cash from government stimulus during the pandemic. As the effects of this stimulus wane,

# LCIV Global Equity Focus Fund

consumers are being hit by significant increases in fuel costs for both transport and household utilities as well as more general inflation. The investment manager is watchful of the potential for this to squeeze consumer spending and push the economy into recession.

The investment manager believes that volatility in markets seems set to continue and this can be challenging, it can also be the stock picker's friend and such an environment should offer a fertile hunting ground for new ideas.

**Positioning**

The Sub-fund maintained a significant regional allocation to North American equities at c. 83% followed by an exposure of 17% to European equities. At the sector level the largest exposure was to health care at 29.3% followed by financials at 20.3%. The largest positions at the stock level at the end of March 2022 were UnitedHealth at 4.8%, WW Grainger at 4.4% and L3Harris at 4.2%.

Over the first quarter the investment manager initiated a position in CDW (originally Computer Discount Warehouse) which is a US-focused reseller of IT hardware, software, and services. The company acts as an intermediary in the value chain, aggregating and procuring products from multiple vendors and selling these on to customers. The investment manager believes CDW has many of the features of a high-quality company: it earns high returns, is predictable, has identifiable opportunities to grow, allocates capital well and scores well on environmental, social and governance factors and receives a 'negligible risk' ESG risk rating from Sustainalytics. Nevertheless, it is cyclical due to its exposure to the IT investment cycle.

Over the quarter, the investment manager fully exited from the position in the Japanese brewery Asahi. The investment manager believes that Asahi's competitive position has deteriorated following modest but consistent market share losses and a decline in operating margin. In June 2020, Asahi acquired Carlton and United Breweries from Anheuser-Busch InBev at what the investment manager believes was a high price. In their view this was a questionable use of capital, and it has eroded their confidence in future capital allocation decisions. As a result of the apparent deterioration in competitive positioning in Japan and their concerns over future capital allocation they decided to sell the position.

**Fund Monitoring**

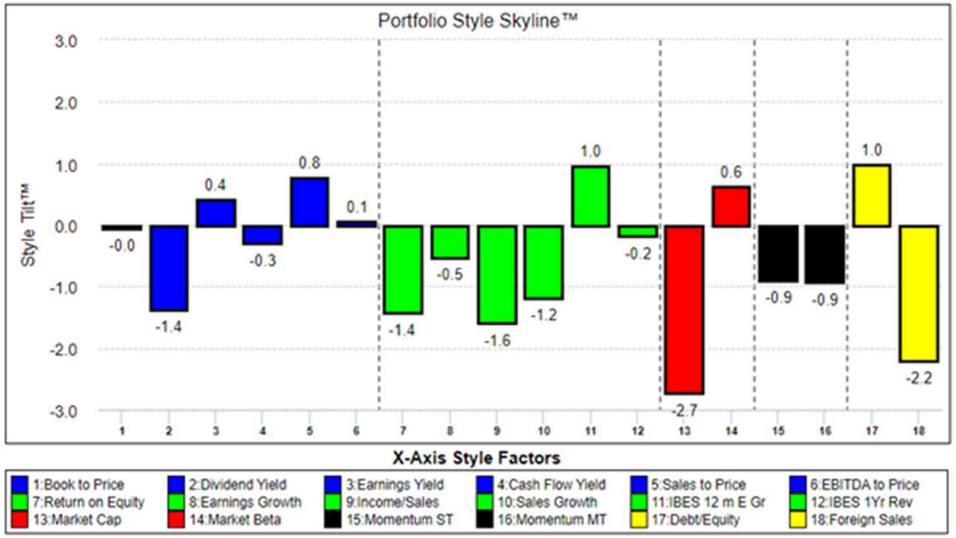
The investment manager remains on watch since October 2020 due to concerns regarding their investment approach, high personnel turnover, including the departure of the CIO Alistair Graham, and weak performance.

The investment team at LCIV have conducted a peer group comparative analysis via a soft market test and an extended investment due diligence on the investment manager using our RAG scoring framework. We note the progress the investment manager has made in certain areas such as performance, personnel and ESG integration while we retain concerns over other areas such as 'value for money' and investment approach. An update on the investment manager's monitoring status will be shared with investors in May.

# LCIV Global Equity Focus Fund

## Style Analysis

In terms of style, during the last quarter (Q4 2021) the Sub-fund remains titled away from dividend yield and most growth factors (green bars) with a bias towards smaller cap stocks and those with low foreign sales.



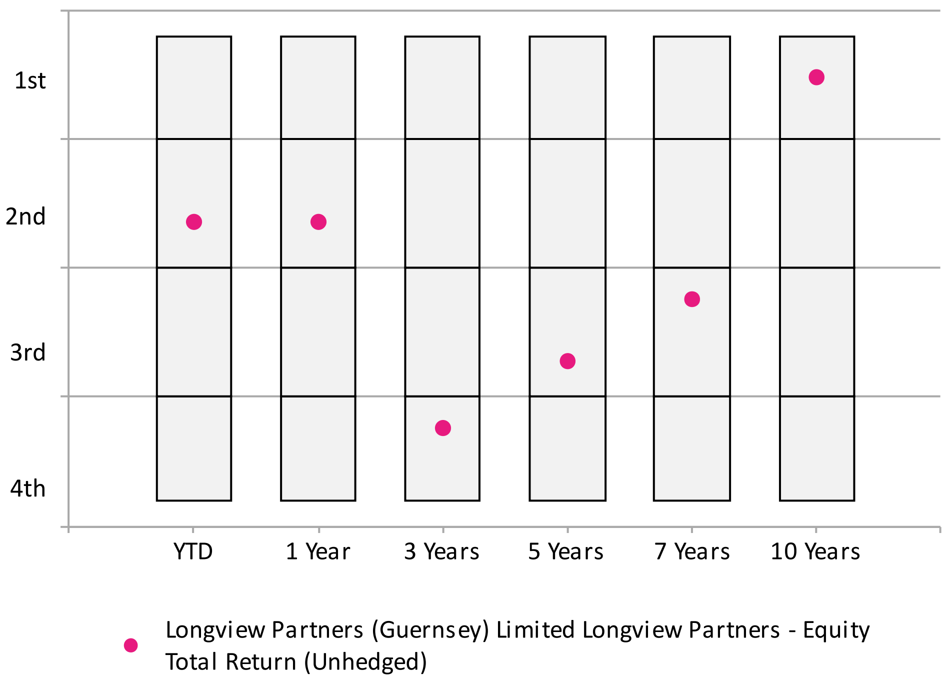

*Source: eVestment as at 31st December 2021*

# LCIV Global Equity Focus Fund

**Peer Analysis**

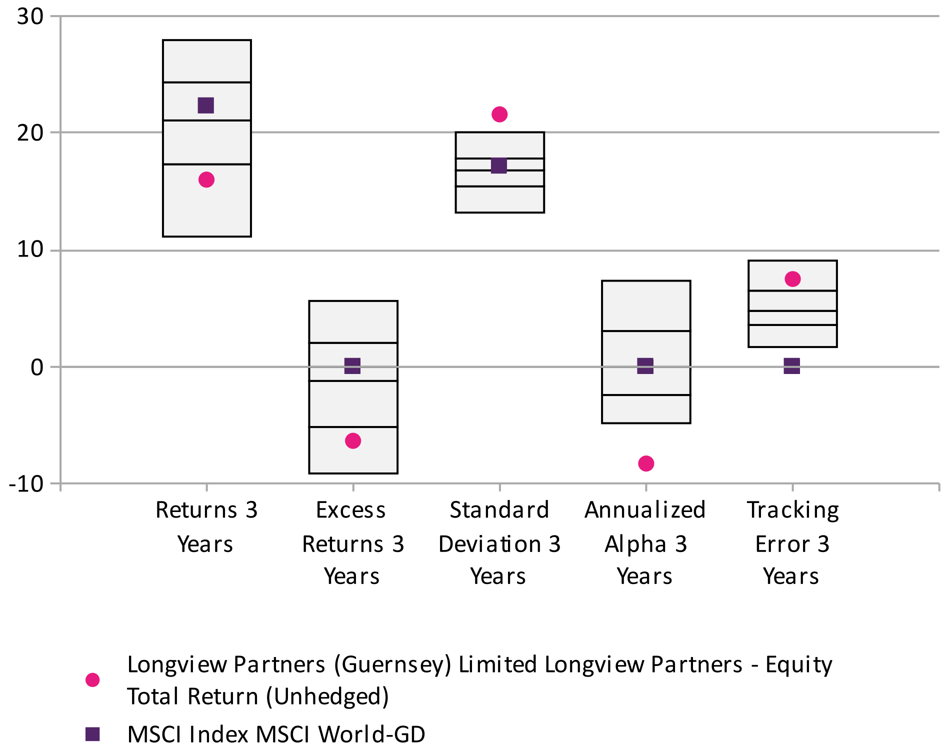
The peer group is the Global Large Cap Core Equity. During the last year and over the longer term (10 years), relative to its peers the Sub-fund has witnessed returns in the top two quartiles and has been particularly strong over the longer time period. However, the Sub-fund has under-performed the MSCI World benchmark over 3 years and has taken a relatively high amount of risk.

**Returns**




*Source: eVestment as at 31 December 2021*

**Key Risk Statistics**




*Source: eVestment as at 31 December 2021*

# LCIV Global Equity Focus Fund

**Conclusion**

This was a good quarter for the Sub-fund which was well positioned for the prevailing market environment. Relative return for the quarter was 3.1% which helped to trim the since inception underperformance from -2.2% at the end of 2021 to -1.4% p.a. this quarter.

The portfolio currently maintains a value tilt which proved beneficial as the market, particularly in the first two months of the quarter, favoured stocks with lower valuations. The defensive characteristics of the portfolio due to its focus on high earnings visibility and robust business models also proved helpful primarily via holdings in the traditionally defensive healthcare and industrials sectors.

As we are concluding our peer group and extended due diligence exercise on the investment manager, we are retaining a 'watch status' and will update investors in May.

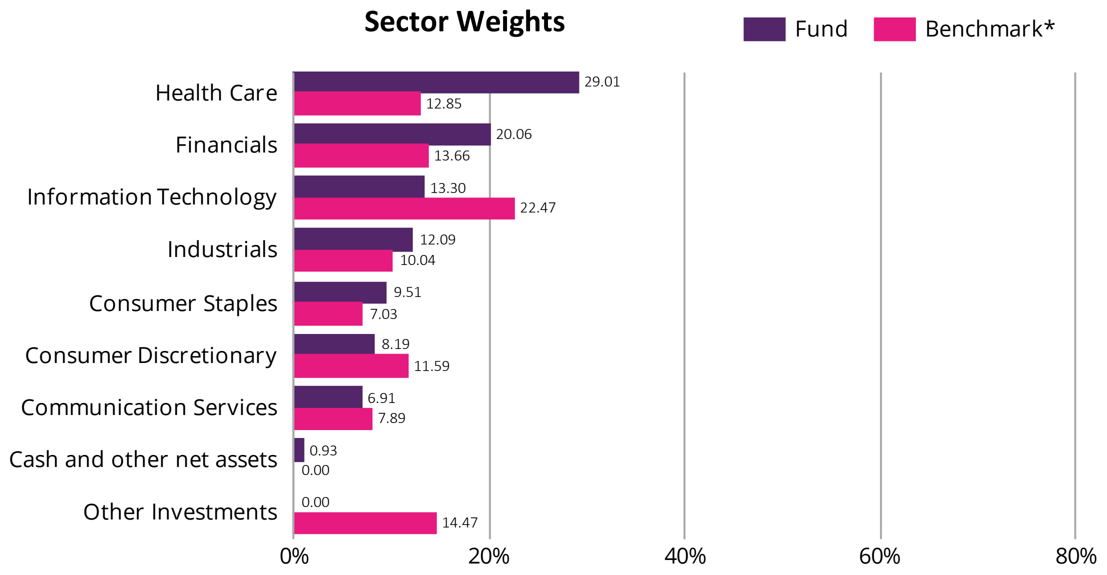
# LCIV Global Equity Focus Fund: Portfolio Characteristics

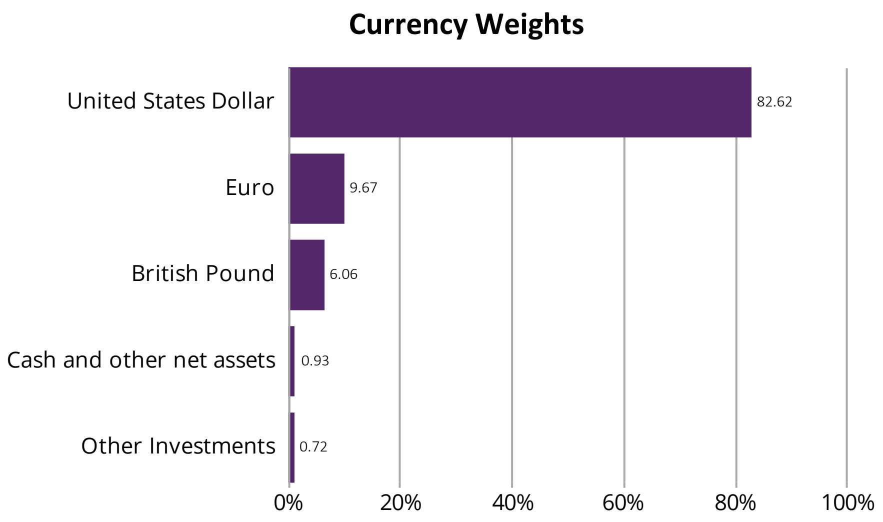
| Key Statistics | |
|---|---|
| Number of Holdings | 33 |
| Number of Countries | 5 |
| Number of Sectors | 7 |
| Number of Industries | 21 |
| Yield % | 1.21 |

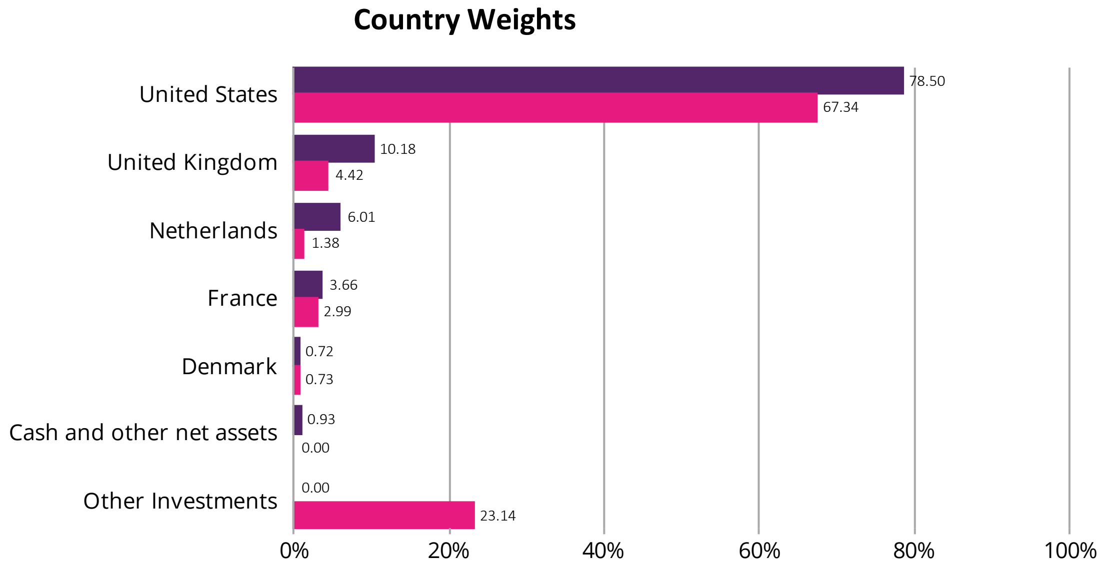
Source: London CIV data as at 31 March 2022

| Risk Statistics | |
|---|---|
| Tracking Error (%) | 4.76 |
| Beta to Benchmark | 1.00 |

Source: London CIV




Source: London CIV data as at 31 March 2022
**MSCI World (GBP)(TRNet)+2.5%*

# LCIV Global Equity Focus Fund: Portfolio Characteristics

**Top Ten Equity Holdings**

| Security Name | % of NAV |
|---|---|
| Unitedhealth Group | 4.81 |
| Ww Grainger | 4.38 |
| L3harris Technologies | 4.21 |
| HCA Healthcare Inc | 4.13 |
| Aon | 4.11 |
| State Street | 4.02 |
| Marsh & Mclennan Co's | 4.01 |
| Alphabet Inc Class A | 3.95 |
| Henry Schein | 3.94 |
| Becton Dickinson | 3.90 |

**Top Ten Contributors**

| Security Name | % Contribution |
|---|---|
| L3harris Technologies | +0.74 |
| American Express | +0.68 |
| Henry Schein | +0.55 |
| Aon | +0.45 |
| Becton Dickinson | +0.33 |
| Medtronic | +0.31 |
| Sysco | +0.27 |
| Unitedhealth Group | +0.23 |
| Sanofi | +0.20 |
| Us Foods Holding | +0.18 |

**Top Ten Detractors**

| Security Name | % Detraction |
|---|---|
| IQIVA Holdings | (0.74) |
| Tjx Cos | (0.63) |
| Bank of New York Mellon | (0.51) |
| Charter Communications | (0.48) |
| Heineken Nv | (0.46) |
| State Street | (0.15) |
| Fidelity National Infomation Services | (0.13) |
| United States Dollars - Pending | (0.12) |
| Arrow Electronics | (0.11) |
| CDW Corp | (0.09) |



**New Positions During Quarter**

| Security Name |
|---|
| Moody's |

**Completed Sales During Quarter**

| Security Name |
|---|
| Henkel Vorzug Prf |
| Asahi Group Holdings |

Source: London CIV data as at 31 March 2022

# LCIV Global Equity Focus Fund: ESG Summary

### Summary of ESG Activity for the Quarter

There is no direct exposure to any Russian or Ukrainian companies. Longview has not identified any material risks, either directly or indirectly associated with the portfolio companies, nor have the Sustainalytics risk profiles of the companies changed materially after the outbreak of the crisis.

This quarter, the investment manager undertook an audit of portfolio company climate commitments to ascertain the current position in relation to the greenhouse gas emission reduction targets which have been set to meet the goals of the Paris Agreement. From this initial exercise, Longview intends to identify and prioritise companies to engage with on this matter; either seeking more clarity, or pushing for firmer commitments for action. They found that 75% of Longview portfolio companies have set a carbon emissions reduction target, compared to 43% of the Russell 1000. Whilst Longview is encouraged by existing commitments, they believe there is a need for engagement with some companies, to obtain greater clarity or to push for further action.

Longview engaged with Henry Schein, an American healthcare distributor regarding its recent climate commitments made. The company had signed the Business Ambition for 1.5°C warming Science Based Targets Initiative (SBTi), committing them to set a long-term, science-based emissions reduction target to reach net zero global emissions by 2050. The pledge and the intention were clear, but the announcement did not provide much detail on the targets. Due to this, Longview requested clarity on the plan. Henry Schein confirmed that they were currently calculating the "baseline" emissions for parts of the business, and once completed would set appropriate reduction targets. The company confirmed they expected this to be completed by year end. Longview will monitor the company to check that these pledges are met.

Longview engaged with Zimmer Biomet (Zimmer) to discuss its rating from Sustainalytics, which deemed the company to be high risk from an ESG perspective. It was noted that Zimmer's ESG Risk Rating had been lowered to medium risk. Zimmer had improved on its quality and safety standards in its 2020. Sustainability Report and this was reflected in the re-rating. Sustainalytics now recognises that Zimmer has in place the necessary quality and safety measures, in line with industry best practice.

# LCIV Global Equity Focus Fund: ESG Summary

## Voting Summary

As stewards of capital, exercising voting rights is an important part of our responsibility towards our Client Funds' ESG objectives. We believe that voting on shareholder resolutions is a powerful part of our stewardship strategy as it helps communicate our views to companies. Being transparent about disclosing our voting records further supports this aim. London CIV's investment managers are expected to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. London CIV monitors voting records on a quarterly basis and expects managers to be able to provide a rationale for all voting activity on a "comply or explain" basis. The following charts give an overview of voting activity for this quarter (1 January 2022 - 31 March 2022).

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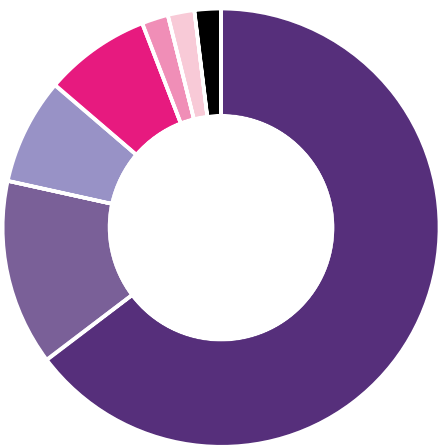
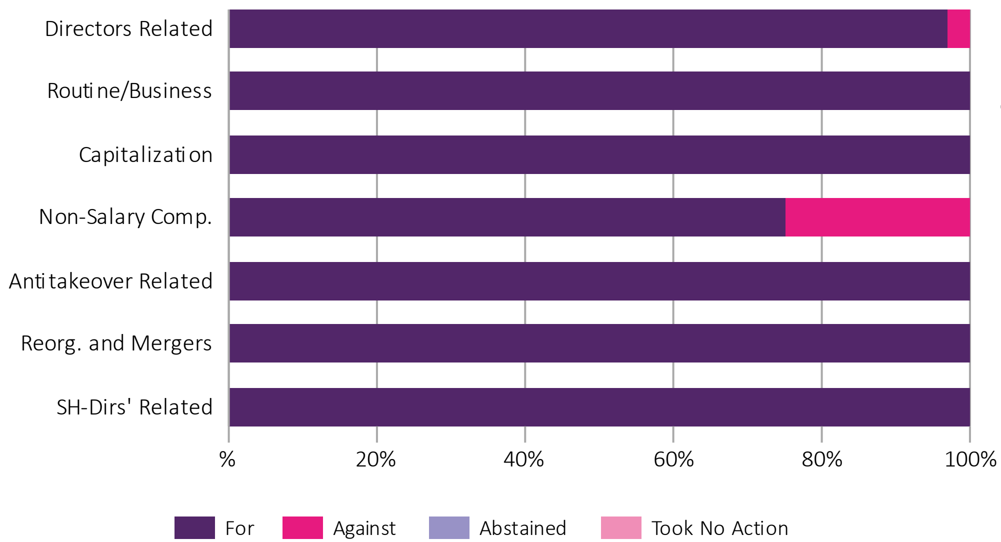


| | | |
|---|---|---|
| | Directors Related | 33 |
| | Routine/Business | 7 |
| | Capitalization | 4 |
| | Non-Salary Comp. | 4 |
| | Antitakeover Related | 1 |
| | Reorg. and Mergers | 1 |
| | SH-Dirs' Related | 1 |

*Source: London CIV data as at 31 March 2022*

### Voting Instruction Breakdown




*Source: London CIV data as at 31 March 2022*

### Link to Underlying Manager's Voting Report for the Quarter

https://londonciv.org.uk/portal/email/download/10811

# LCIV Global Equity Focus Fund: ESG Summary

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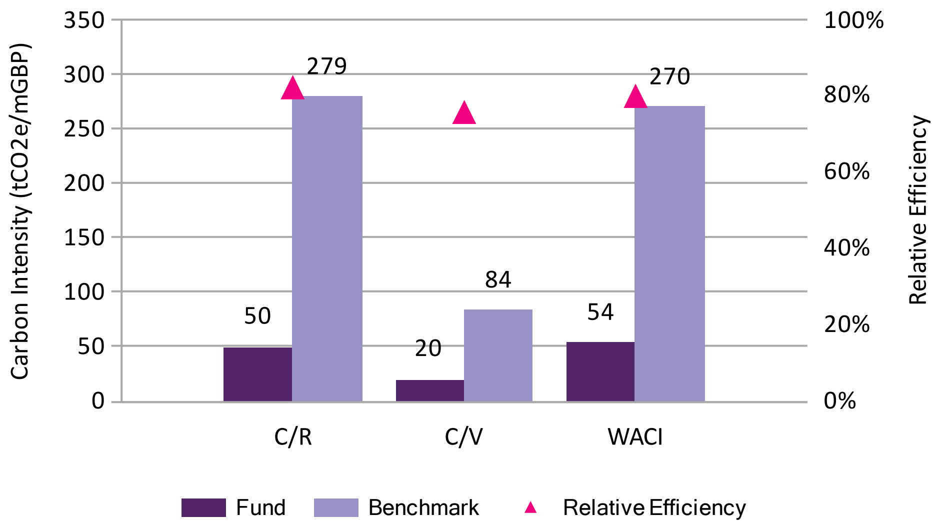
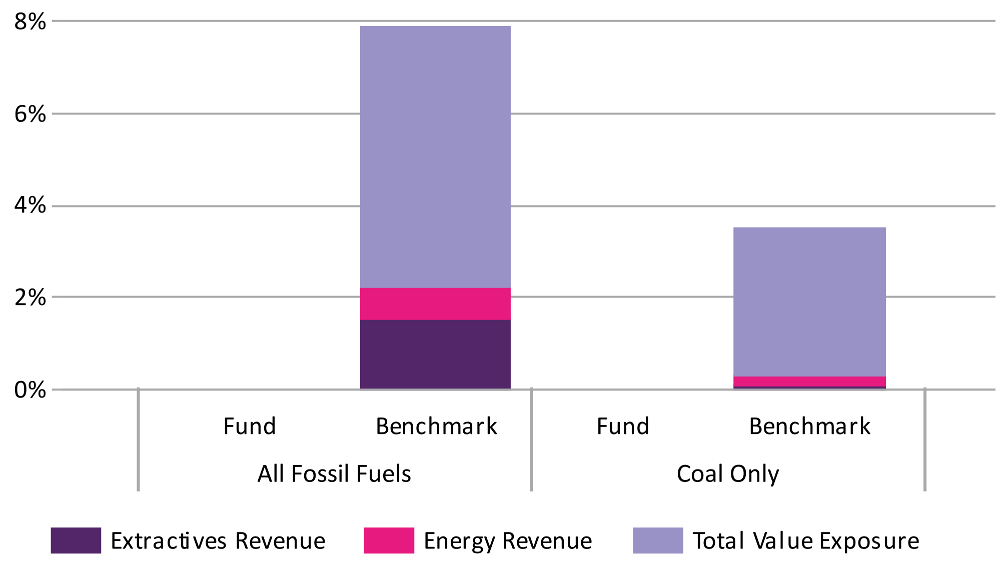



Source: London CIV based on Trucost data as at 31 March 2022

### Fossil Fuel Exposure

The chart provides an indication of exposure to companies engaged in any fossil fuel activities (left-hand side), as well as coal only (right-hand side). For more information on the methodology please consult the Appendix.




Source: London CIV based on Trucost data as at 31 March 2022

The benchmark used in the above is MSCI World

# LCIV Global Equity Focus Fund: ESG Summary

## Climate Risk Exposure

### Top Contributors - Weighted Average Carbon Intensity

The largest contributors to the portfolio's carbon intensity are shown below. The 'WACI Intensity Contribution' is the percentage change in the portfolio's intensity that would be caused by excluding the holding referenced. For more information, please consult the Appendix.

| Name | Carbon Intensity (tCO2e/mGBP) | WACI Contribution | Climate 100+ |
|---|---|---|---|
| Taiwan Semiconductor Manufacturing Company Limited | 373.62 | -0.10% | No |
| Abbott Laboratories | 283.34 | -0.10% | No |
| Stanley Black & Decker, Inc. | 290.76 | -0.07% | No |
| Texas Instruments Incorporated | 265.86 | -0.03% | No |
| The Procter & Gamble Company | 176.82 | -0.03% | Yes |
| Baxter International Inc. | 127.76 | -0.03% | No |
| Amphenol Corporation | 147.65 | -0.01% | No |
| The Coca-Cola Company | 160.33 | -0.01% | Yes |
| Atlas Copco AB | 136.09 | -0.01% | No |
| Reckitt Benckiser Group PLC | 90.78 | -0.01% | No |

# LCIV Emerging Market Equity Fund

**Quarterly Summary as at 31 March 2022**

## Total Fund Value:

## £522.6m

| | |
|---|---|
| Inception date: | 11/01/2018 |
| Price: | 100.50p |
| Distribution frequency: | Quarterly |
| Next XD date: | 01/04/2022 |
| Pay date: | 31/05/2022 |
| Dealing frequency: | Daily |

| Net Performance | Current Quarter % | 1 Year % | 3 Years p.a. % | 5 Years p.a. % | Since Fund Inception p.a. %† | Since CF Inception p.a. %† |
|---|---|---|---|---|---|---|
| Fund | (6.12) | (10.37) | 4.47 | n/a | 1.07 | n/a |
| Investment Objective* | (3.72) | (4.80) | 7.19 | n/a | 4.37 | n/a |
| Relative to Investment Objective | (2.40) | (5.57) | (2.72) | n/a | (3.30) | n/a |
| Benchmark** | (4.30) | (7.12) | 4.58 | n/a | 1.83 | n/a |
| Relative to Benchmark | (1.82) | (3.25) | (0.11) | n/a | (0.76) | n/a |
| | | | | | | n/a |
| | | | | | | n/a |
| | | | | | | n/a |
| | | | | | | n/a |
| | | | | | | n/a |

# LCIV Emerging Market Equity Fund

**Quarterly Summary as at 31 March 2022**

**Investment Objective**

The Sub-fund's objective is to achieve long-term capital growth by outperforming the MSCI Emerging Market Index (Total Return) Net by 2.5% per annum net of fees annualised over rolling three year periods.

This is a segregated Sub-fund of the London CIV ACS administered by Northern Trust. The delegated investment manager has been JPMorgan Asset Management (UK) Limited since 11 October 2019. Prior to this the fund was managed by Henderson Global Investors.

## Enfield Valuation:

## £32.3m

Enfield investment date: 24/10/2018

**This is equivalent to 6.17% of the Fund**

Distribution option: Reinvest

Est. distribution to be reinvested: £31,824



| Since CF Inception p.a. %† |
|---|
| n/a |
| n/a |

** Investment Objective: MSCI Emerging Market Index (TR) Net+2.5%*
*** Benchmark: MSCI Emerging Market Index (TR) Net*

*† The investment objective is compounded daily therefore the benchmark return plus the outperformance target may not equal the investment objective.*

# LCIV Emerging Market Equity Fund

**Quarterly Commentary**

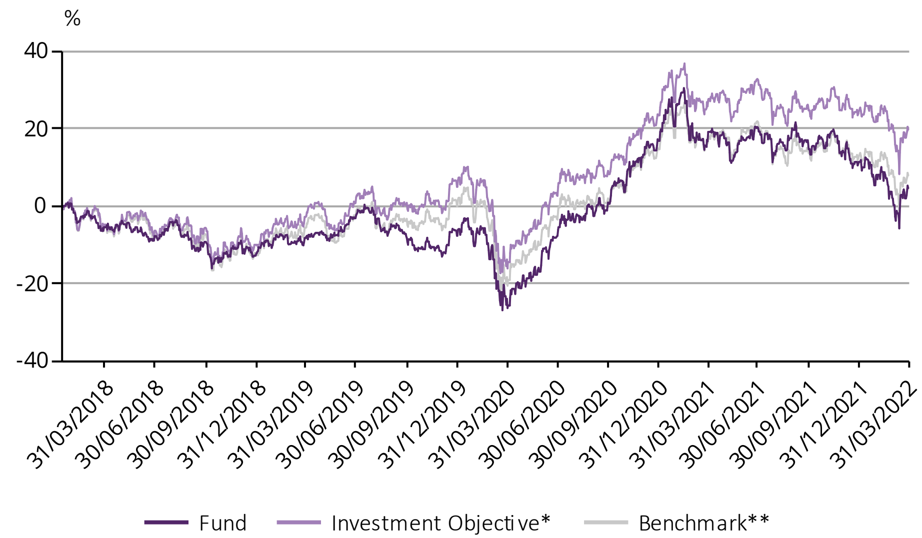
## Performance

In a challenging first quarter, the Sub-fund's value decreased by 6.1%, while the benchmark, MSCI Emerging Market Index, dropped by 4.3% over the same period, resulting in -1.8% underperformance for the Sub-fund. One-year relative return of -3.3% is indicative of weak medium-term performance, with the Sub-fund returning -10.4%, against -7.1% returns for the benchmark. Longer term performance, especially considering the underperformance of the legacy investment manager, is more muted – three year returns for the Sub-fund stand at 4.5%, a relative underperformance of -0.1%.

Continuing the 2021 trend, emerging markets equities have lagged developed markets equities in the first quarter. While performance was affected by Chinese regulatory pressures and increasing inflation expectations previously, more recently it was Russia's invasion of Ukraine that further compounded the woes of emerging markets. Russia's aggression and its impact on world supply chains was the prevalent theme across all geographies; however, the impact was understandably more severe in emerging markets. Characteristically, the maximum drawdown in emerging markets equities was roughly 18%, versus just over 10% for the developed markets equities.

A key factor in the Sub-fund's underperformance over the last year has been the style rotation from growth to value across global equity markets. Given the portfolio's inherent 'quality growth' bias, the Sub-fund is expected to underperform in late market cycles when cheap cyclical stocks tend to outperform the wider market. This style rotation started much earlier in the emerging markets but is now evident in developed markets too. The portfolio does have some cyclicality, albeit not necessarily through traditional value-oriented sectors (i.e., materials, energy or industrials).

**Performance since LCIV inception**




Source: Fund prices calculated based on published prices. Benchmarks obtained from Bloomberg. All performance reported net of fees and charges with distributions reinvested.

** Investment Objective: MSCI Emerging Market Index (TR) Net+2.5%*
*** Benchmark: MSCI Emerging Market Index (TR) Net*

The investment manager's weak stock selection and over allocation to an underperforming communication services sector over the first quarter was the main headwind for the portfolio. Within the sector and across the portfolio, the largest detractor, Sea ltd continued its decline from the prior quarter on the back of weak guidance. The stock was one of the best performing positions for the first few quarters since its purchase; however, it is now trading close to the levels at which it was initially bought.

Energy sector led the headlines as Russian stocks were by far the largest detractors, while Middle Eastern oil companies were some of the best performers - the portfolio does not hold any energy stocks.

# LCIV Emerging Market Equity Fund

Stock selection in financials was adversely impacted by Sberbank, a Russian bank heavily affected by recent sanctions against Russia. Currently, London CIV is working towards exiting this position, and in the meanwhile, the stock has been written down to zero by London CIV's Valuation Committee. Within financials, not owning Gulf banks was also a headwind; however, their revenues' cyclical dependency on commodities makes them an unsuitable investment for the investment manager.

Against the backdrop of rising commodity prices, B3, a Brazilian stock exchange was understandably the largest performance contributor due to the surge in increased inflows and positive sentiment across Brazilian equities.

## Market Views

Russian invasion of Ukraine was undoubtedly the driving factor across global markets over the first quarter. The investment manager has had long standing views on Russia and has only occasionally invested in Russian companies, if perceived to be 'quality' or 'premium'. However, they now believe that the country is not investible. Political risk is usually priced in when investing in emerging market economies, but in the investment manager's opinion, the geopolitical risk associated with Russia makes any investment untenable now.

Recent geopolitical events have risen fears of a spill over into Chinese equities and investors are reassessing the risks associated with economies where state intervention remains pervasive. The investment manager is aware of the political risk in investing in such geographies, but in their view the investment premise, in the case of China, still holds strong. The investment manager believes that the domestic focus of current holdings makes them relatively immune from any regulatory headwinds. However, this view can be challenged given the exposure to technology and e-commerce names, such as Tencent and AliBaba. Overall, the investment manager's views are in line with the broader market which appears to be pointing to an undervaluation for Chinese equities. Also, there are further tailwinds expected from Chinese authorities' strong will to deliver the targeted 5-6% annual growth and an accommodative monetary policy.

Regional dispersions have surfaced across equity markets due to the impact of recent events on commodities. This has resulted in countries such as Brazil, Peru and South Africa outperforming the broader index. Oil based economies, in particular Middle Eastern states, have also benefited from positive investor sentiment, due to the shift in global supply dynamics.

## Positioning

The Sub-fund has maintained its structural underweight to cyclical sectors such as materials, energy and real estate, attributing to most of the portfolio's relative underperformance since the early part of last year when investors started gravitating towards value stocks. While the portfolio maintains exposure to some cyclicality, it is mostly through consumer discretionary, and only marginally through materials.

China still presents the largest opportunity set within emerging markets and remains the Sub-fund's largest geographical exposure, albeit on a relative basis the portfolio is slightly underweight against the benchmark. With a new wave of lockdowns, Chinese equities could extend their recent losses.

Across sectors, financials retain the largest overweight and a significant part of that exposure is within India. The investment manager expects an increase in domestic economic activity to have a positive impact on these positions. The largest positions within financials are the longstanding holdings, HDFC bank and HDFC ltd. With the news of a merger of these two separate entities,

# LCIV Emerging Market Equity Fund

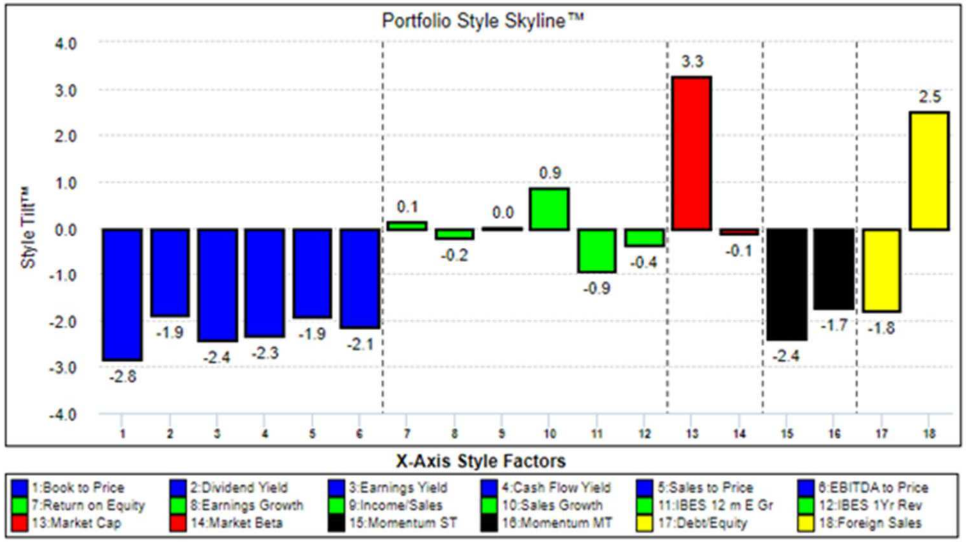
the investment manager is currently evaluating if the company will become an oversized conglomerate.

There has been one addition to the portfolio over the quarter, LG Chem, a South Korean company with a key focus on EV batteries and life sciences.

Overall, the portfolio maintained its ‘quality growth’ bias and is expected to perform well in more benign market conditions. However, if current inflation concerns persist, then the portfolio’s under allocation to commodity related names could be a headwind for the near term.

**Style Analysis**

The Style analysis shows that the Sub-fund has maintained its exposure to expensive stocks (negative value). The bias towards companies with a larger market cap than the benchmark and higher quality remains consistent. There has been a move over Q4 towards stocks with negative momentum.



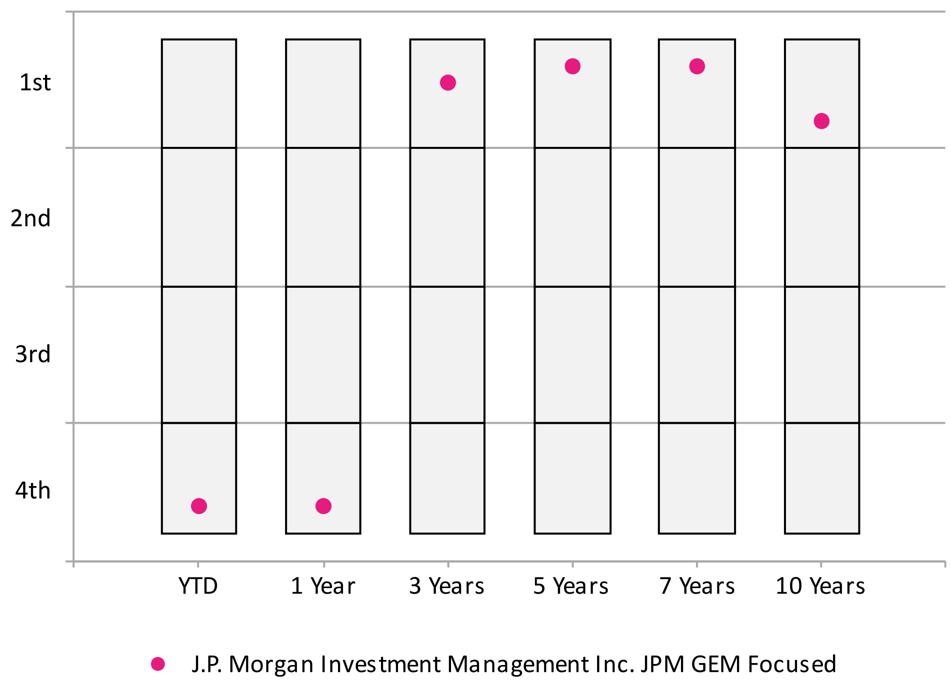

*Source: eVestment as at 31st December 2021*

# LCIV Emerging Market Equity Fund

**Peer Analysis**

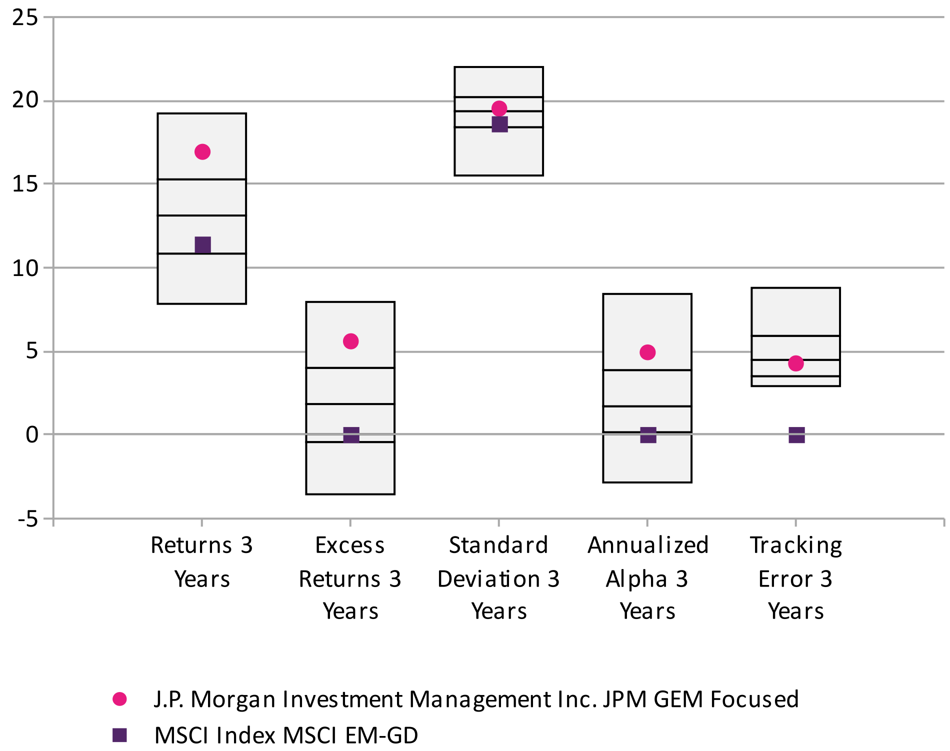
The peer group is the Global Emerging Markets All Cap Core Equity. Peer relative return has highlighted the investment manager to be a top performer with returns in the top quartile over the medium to longer term (3 years plus), although 2021 performance has seen it move to the bottom quartile. Over the 3 year period, the Sub-fund has out-performed the benchmark, with a level of risk at the mid range compared to its peers.

**Returns**




*Source: eVestment as at 31 December 2021*

**Key Risk Statistics**




*Source: eVestment as at 31 December 2021*

# LCIV Emerging Market Equity Fund

**Conclusion**

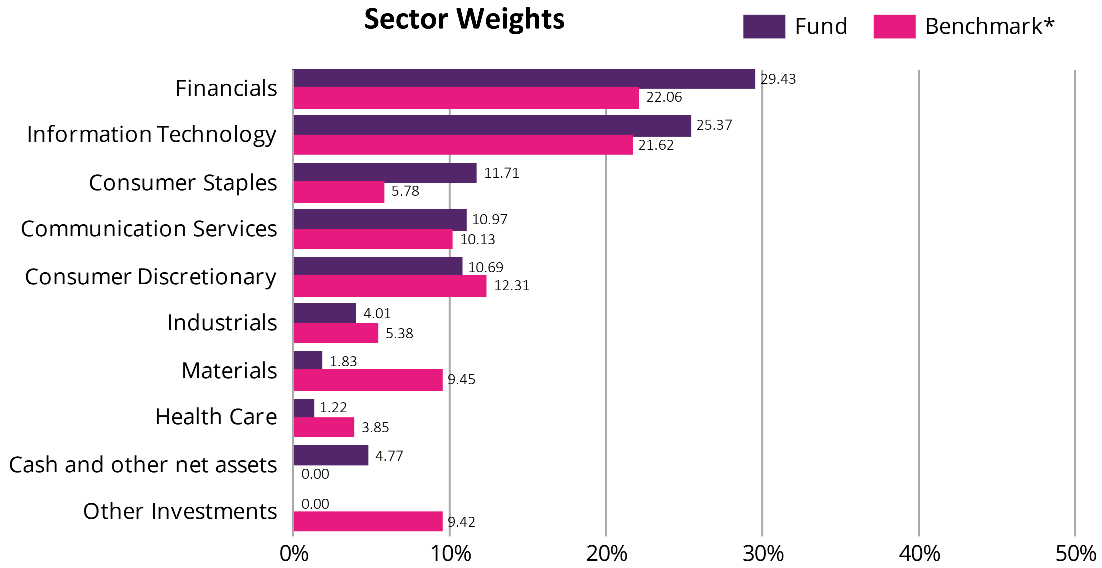
The Sub-fund lagged its benchmark in the first quarter of the year thus extending its underperformance from the latter part of 2021. While the market style rotation from growth to value has been the key headwind for the portfolio over 2021, in Q1 2022 it was geopolitical events that took their toll on a portfolio that is expected to thrive in benign market conditions.

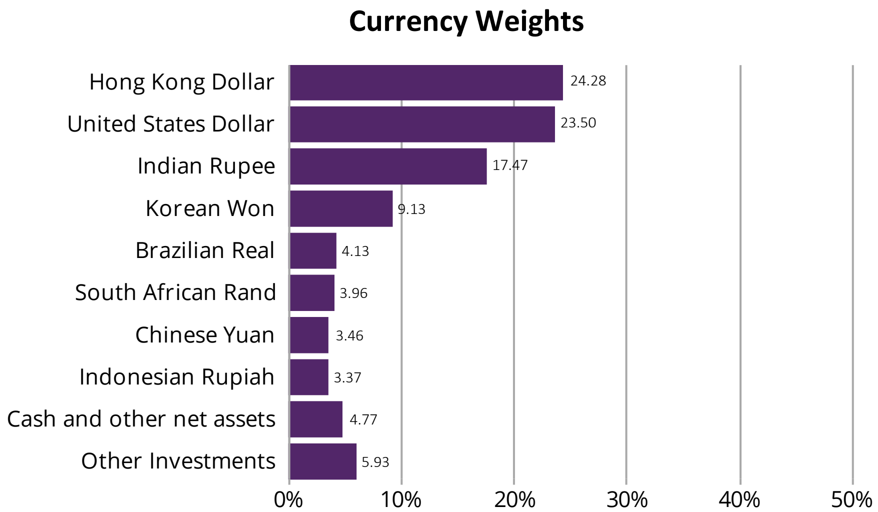
Overall, the investment manager remains focused on quality stocks where company specific factors are the main driver of returns. The investment manager invests in companies with 'sustainable' earnings growth, which in effect excludes a large part of cyclical and commodity related stocks. This could result in inflation posing medium term challenges for the portfolio. However, the style rotation across equity markets, along with the extended underperformance of Chinese stocks, has now created attractive opportunities for the investment manager and the portfolio is still expected to outperform on the back of robust earnings growth in the long run.

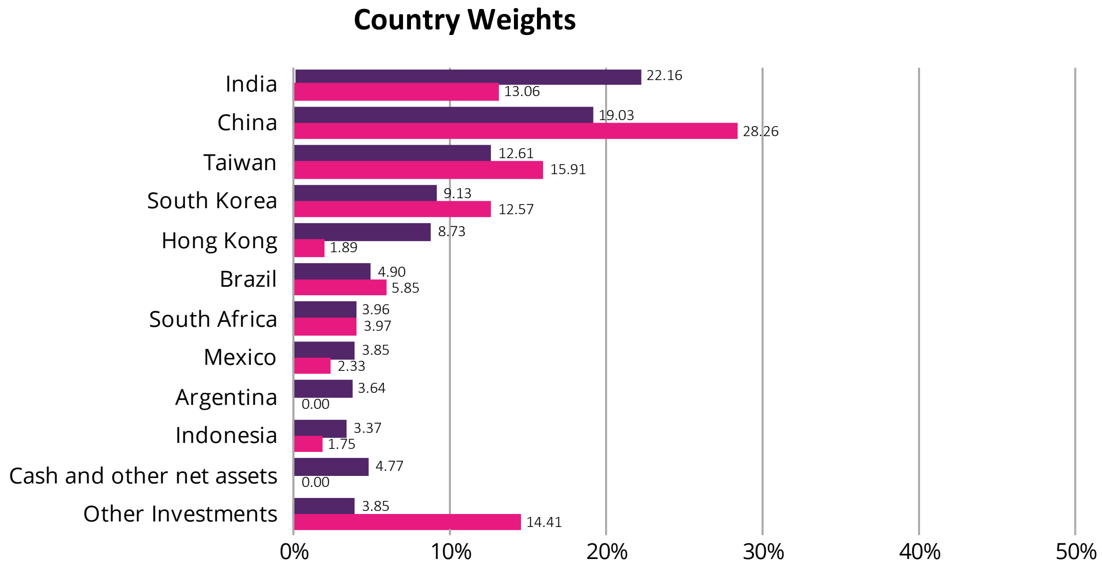
# LCIV Emerging Market Equity Fund: Portfolio Characteristics

| Key Statistics | |
|---|---|
| Number of Holdings | 52 |
| Number of Countries | 15 |
| Number of Sectors | 8 |
| Number of Industries | 24 |

Source: London CIV data as at 31 March 2022




Source: London CIV data as at 31 March 2022
**MSCI Emerging Market Index (TR) Net+2.5%*

# LCIV Emerging Market Equity Fund: Portfolio Characteristics

**Top Ten Equity Holdings**

| Security Name | % of NAV |
|---|---|
| Taiwan Semiconductor Manufactor ADR | 7.99 |
| Tencent Holdings | 6.06 |
| Samsung Electronics | 6.06 |
| HDFC Bank ADR | 4.68 |
| Infosys | 4.58 |
| Housing Development Finance | 4.47 |
| AIA Group | 4.39 |
| Tata Consultancy Services | 4.09 |
| Mercadolibre | 3.64 |
| Capitec Bank Holdings | 2.10 |

**Top Ten Contributors**

| Security Name | % Contribution |
|---|---|
| Capitec Bank Holdings | +0.47 |
| Itau Unibanco Holding | +0.38 |
| B3 Brasil Bolsa Balcao | +0.36 |
| Bank Rakyat Indonesia Persero | +0.31 |
| Credicorp | +0.26 |
| AIA Group | +0.26 |
| Weg | +0.22 |
| Grupo Financiero Banorte | +0.21 |
| Wal-Mart De Mexico | +0.19 |
| Bank Central Asia | +0.18 |

**Top Ten Detractors**

| Security Name | % Detraction |
|---|---|
| SEA | (1.53) |
| Epam Systems Inc | (1.34) |
| Tencent Holdings | (0.95) |
| Sberbank Of Russia | (0.74) |
| Taiwan Semiconductor Manufactor ADR | (0.73) |
| Samsung Electronics | (0.61) |
| Wuxi Biologics | (0.45) |
| Techtronic Industries | (0.35) |
| Sberbank Of Russia | (0.34) |
| Hong Kong Exchanges & Clearing | (0.32) |



**New Positions During Quarter**

| Security Name |
|---|
| Lg Chem |

**Completed Sales During Quarter**

| Security Name |
|---|
| not applicable, no completed sales during the quarter |

Source: London CIV data as at 31 March 2022

# LCIV Emerging Market Equity Fund: ESG Summary

### Summary of ESG Activity for the Quarter

The investment manager stated they do not believe Russian equities are suitable investments in an emerging market-focused portfolio in terms of their investment philosophy, process and risk management. Specifically, they see material risks to equity ownership and the ability to receive and repatriate dividends due to both international and Russian sanctions and policies.

JPM identified that EPAM Systems is at higher risks associated with the invasion of Ukraine and have spoken to the company twice since the end of January, as well as attending broader earnings updates. EPAM has confirmed they will exit their Russia operations. The company also expects to retain a substantial portion through relocations. Most of the firm's employees in Ukraine are in safe areas and at productivity consistent with 2021.

JPM also highlighted supply chain disruption as a result of Covid-19. They are to track every part of the supply chain by utilising fundamental bottom-up research, as well as extensive engagement with company management, suppliers and authorities. They believe that companies need to maintain high ESG standards as they deal with disruptions – taking governments, investors and consumers into consideration.

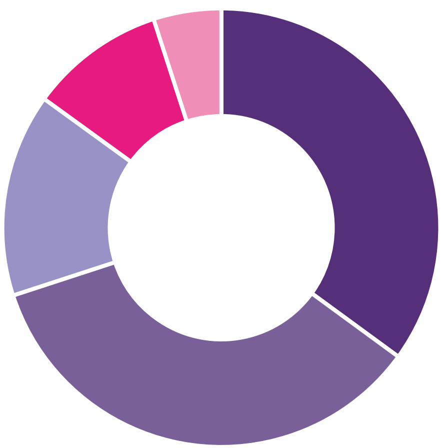
JPM provided an engagement example for Alibaba this quarter. The investment manager met with the new ESG director for Alibaba, during the engagement JPM raised concerns over social issues, especially on diversity and equal opportunity. JPM also proposed to the company to disclose more quantitative and qualitative employee engagement results in these areas. JPM raised its concerns by stating that Alibaba failed to take appropriate measures promptly when an employee was sexually assaulted during her business trip by her manager, which illustrates a lack of safe and direct channels to escalate this type of issue to senior management. In addition, it has negatively affected Alibaba's corporate reputation and employee morale. Due to this, JPM has reflected this in their ESG checklist and materiality score for the company. Regarding climate, Alibaba announced new climate neutrality targets and a low carbon transition roadmap. JPM was encouraged by the details of the report and how it responded to the Carbon Disclosure Project (CDP) climate change survey and embed science in its targets.

# LCIV Emerging Market Equity Fund: ESG Summary

## Voting Summary

As stewards of capital, exercising voting rights is an important part of our responsibility towards our Client Funds' ESG objectives. We believe that voting on shareholder resolutions is a powerful part of our stewardship strategy as it helps communicate our views to companies. Being transparent about disclosing our voting records further supports this aim. London CIV's investment managers are expected to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. London CIV monitors voting records on a quarterly basis and expects managers to be able to provide a rationale for all voting activity on a "comply or explain" basis. The following charts give an overview of voting activity for this quarter (1 January 2022 - 31 March 2022).

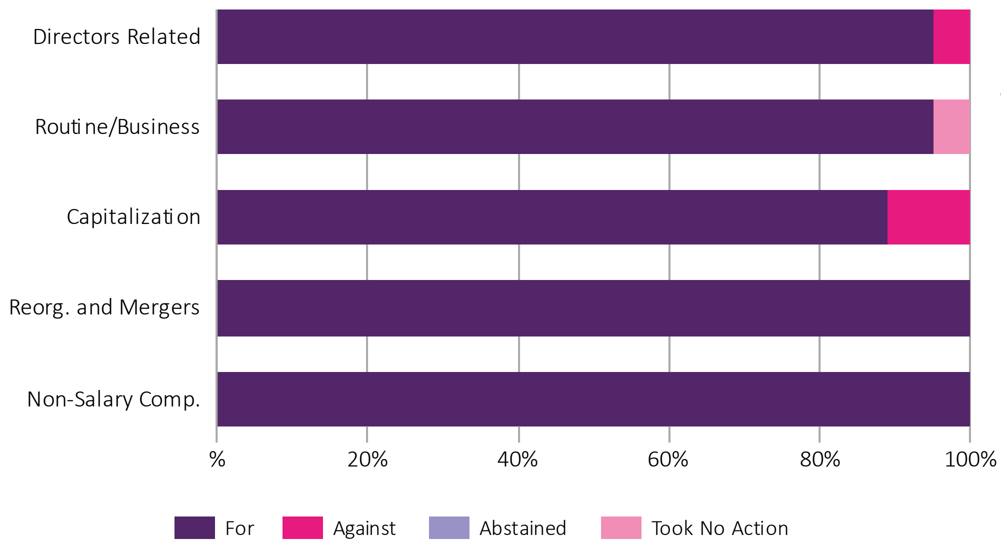
**Proposals Breakdown**



| | |
|---|---|
| Directors Related | 21 |
| Routine/Business | 21 |
| Capitalization | 9 |
| Reorg. and Mergers | 6 |
| Non-Salary Comp. | 3 |

*Source: London CIV data as at 31 March 2022*

**Voting Instruction Breakdown**




*Source: London CIV data as at 31 March 2022*

### Link to Underlying Manager's Voting Report for the Quarter

https://londonciv.org.uk/portal/email/download/10808

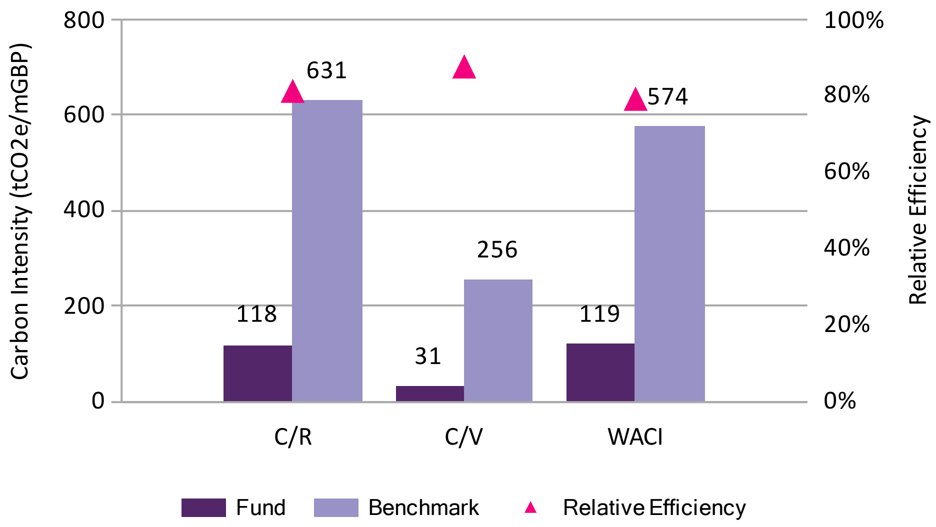
# LCIV Emerging Market Equity Fund: ESG Summary

## Climate Risk Exposure

To enhance the understanding of climate risks and identify specific areas of exposure, London CIV periodically measures and reports the carbon footprint and fossil fuel exposure of listed equity and corporate fixed income instruments. The following charts produced using data from Trucost provide climate impact and risk exposure metrics that may be used to support climate related disclosures in line with TCFD recommendations and inform internal processes for risk management and strategy development.

### Carbon Performance

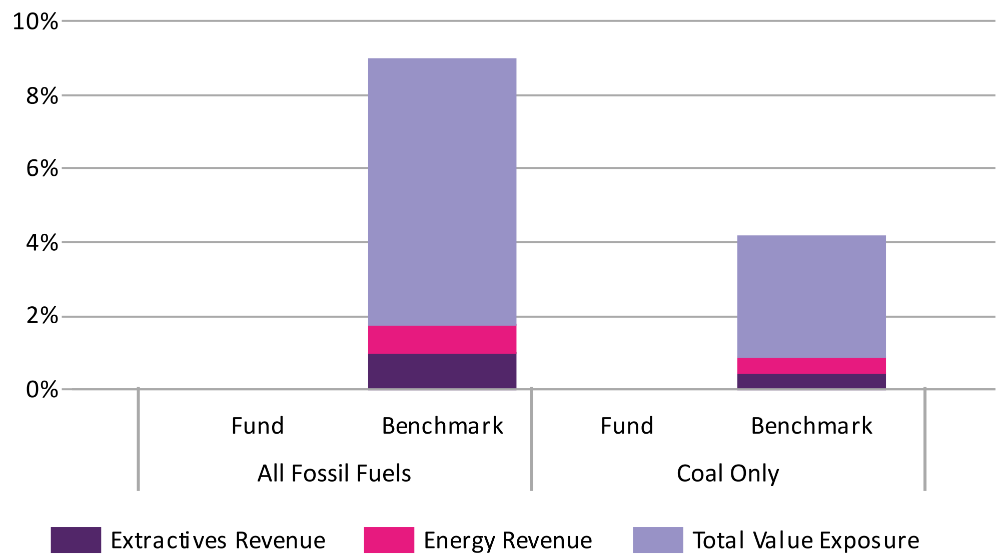
The chart shows the carbon intensity using the three main methodologies, carbon-to-revenue (C/R), carbon-to-value (C/V) and weighted-average carbon intensity (WACI). The scopes used were Direct and First Tier Indirect emissions. For more information, please consult the Appendix.




Source: London CIV based on Trucost data as at 31 March 2022

### Fossil Fuel Exposure

The chart provides an indication of exposure to companies engaged in any fossil fuel activities (left-hand side), as well as coal only (right-hand side). For more information on the methodology please consult the Appendix.




Source: London CIV based on Trucost data as at 31 March 2022

The benchmark used in the above is MSCI Emerging Markets

# LCIV Emerging Market Equity Fund: ESG Summary

## Climate Risk Exposure

### Top Contributors - Weighted Average Carbon Intensity

The largest contributors to the portfolio's carbon intensity are shown below. The 'WACI Intensity Contribution' is the percentage change in the portfolio's intensity that would be caused by excluding the holding referenced. For more information, please consult the Appendix.

| Name | Carbon Intensity (tCO2e/mGBP) | WACI Contribution | Climate 100+ |
|---|---|---|---|
| RWE Aktiengesellschaft | 9,016.07 | -0.20% | Yes |
| China Longyuan Power Group Corporation Limited | 3,146.70 | -0.12% | No |
| NextEra Energy, Inc. | 3,753.29 | -0.10% | Yes |
| Orsted | 1,041.08 | -0.04% | No |
| Xinyi Solar Holdings Limited | 2,223.94 | -0.03% | No |
| Martin Marietta Materials, Inc. | 2,008.95 | -0.02% | Yes |
| CRH Plc | 2,088.43 | -0.02% | Yes |
| Iberdrola, S.A. | 609.98 | -0.01% | Yes |
| Italgas S.p.A. | 758.19 | -0.01% | No |
| Rio Tinto Group | 1,005.81 | -0.01% | No |

# LCIV MAC Fund

**Quarterly Summary as at 31 March 2022**

## Total Fund Value:

## £1,007.8m

| | |
|---|---|
| Inception date: | 31/05/2018 |
| Price: | 105.00p |
| Distribution frequency: | Annually |
| Next XD date: | 03/01/2023 |
| Pay date: | 28/02/2023 |
| Dealing frequency: | Monthly |

### Investment Objective

The Sub-fund's objective is to seek to achieve a return of SONIA (30 day compounded) +4.5%, with a net asset value volatility of less than 8%, on an annualised basis over a rolling 4 year period, net of fees.

The ACS Manager currently intends to invest the Sub-fund through: i) a delegated arrangement with an investment manager, PIMCO Europe Ltd; and ii) one collective scheme, the CQS Credit Multi-Asset Fund a sub-fund of CQS Global Funds (Ireland) p.l.c, an alternative investment fund, authorised by the Central Bank of Ireland. The portfolio is expected to be realigned within three to six months following 28 February 2022.

## Enfield Valuation:

## £56.0m

Enfield investment date: 30/11/2018

**This is equivalent to 5.56% of the Fund**

Distribution option: Reinvest



| Net Performance | Current Quarter % | 1 Year % | 3 Years p.a. % | 5 Years p.a. % | Since Fund Inception p.a. %† | Since CF Inception p.a. %† |
|---|---|---|---|---|---|---|
| Fund | (1.75) | 2.38 | 3.38 | n/a | 3.16 | n/a |
| Investment Objective* | 1.14 | 4.63 | 4.85 | n/a | 4.95 | n/a |
| Relative to Investment Objective | (2.89) | (2.25) | (1.47) | n/a | (1.79) | n/a |
| | | | | | | n/a |
| | | | | | | n/a |
| | | | | | | n/a |
| | | | | | | n/a |
| | | | | | | n/a |

** Investment Objective: SONIA (30 day compounded) +4.5% (from 1 January 2022, previously 3m LIBOR +4.5%)*

*† Please note the benchmark changed from the London Interbank Offered Rate (LIBOR ) to the Sterling Overnight Index Average (SONIA) with an effective date 1 January 2022 all benchmark past performance prior to this date continues to be calculated against LIBOR.*

# LCIV MAC Fund

### Quarterly Commentary

### Performance

The Sub-fund returned -1.75% over the first quarter of 2022, underperforming its target benchmark of SONIA (30 day compounded) + 4.5%, by 2.9%. Over the one-year period, the Sub-fund has returned 2.4%, against target return of 4.6%, an underperformance of -2.2%. In the period since inception, the Sub-fund returned 3.2% on an annualised basis, against a target return of 5%.

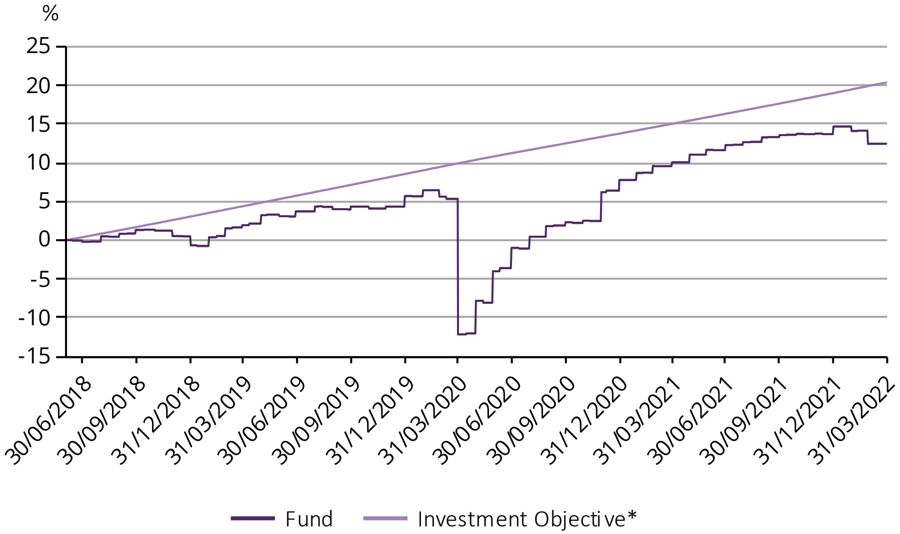
Global markets entered February facing the triple threat of inflation, hawkish tone from central banks and fears of further escalation of tensions between Russia and Ukraine. Ahead of the Russian invasion on 24th February, markets had already observed a significant sell off in rates that continued for another three weeks post invasion. Overall, credit markets were rocked by both rising yields and spread widening.

Against this backdrop, the portfolio performed well relative to credit indices, due to its asset class exposure. The Sub-fund's large allocation to floating rate loans helped cushion the portfolio from the impact of the sharp increase in yields.

In rising interest rates environment, floating rate loans offer safety relative to fixed coupon bonds, although loans also suffered from repricing due to growth concerns - only a fraction of loans were trading above par in March 2022 when compared to January 2022. Most of the repricing took place in February, when all parts of the portfolio were prone to broader drawdowns in the credit markets. This was followed by the slight recovery towards the end of the quarter as sentiment stabilised.

Financials were the largest detractor over this period, experiencing their worst quarter since the start of Covid-19 pandemic. High yield bonds were the second largest detractor as spreads widened to levels previously seen in December 2020. European high yield underperformed U.S. high yield due to

**Performance since LCIV inception**




Source: Fund prices calculated based on published prices. All performance reported Net of fees and charges with distributions reinvested.

** Investment Objective: SONIA (30 day compounded) +4.5% (from 1 January 2022, previously 3m LIBOR +4.5%)*

the perceived direct impact of the war on European economies. The Sub-fund suffered as a result, due to its European high yield overweight.

Asset backed securities (ABS) were also heavily impacted by negative sentiment, in particular the aircraft leasing sector because of concerns over the impact of sanctions. Convertible bonds performed poorly in absolute terms, but this is a small segment of the Sub-fund.

# LCIV MAC Fund

**Market Views**

In a sobering quarter, when all asset classes were punished by the prevailing negative macro environment, the investment managers remain focused on fundamentals. Inflation and the hawkish pivot from central banks were the overriding concerns for the market ahead of the Ukrainian crisis. From a bottom-up perspective, this will have a twofold impact through pressure on gross margins in an inflationary environment and increased cost of debt for corporates. Although the portfolio has very low duration, the investment managers are stress testing the impact of a sharp increase in current interest cost on key financial ratios, starting with U.S. holdings.

At current interest rate levels, and with inflation surging, major central banks are still behind the curve and are expected to play catch up quite aggressively. There are fears that these rushed actions could result in a market recession first, followed by an economic recession. With that in mind, default rates should be a key concern for any sub-investment grade portfolio. To that end, the investment managers believe that default rates have been artificially kept low through monetary and fiscal stimulus. Whilst a systemic default crisis is not expected, businesses in certain sectors face continued cash burn. This could result in default rates rising in the current year and beyond. On the positive side, performance in some industries has been stronger than initially anticipated by rating agencies as evidenced by the swift rerating of many companies. While at a broad level, default risk could creep up, there are still select sectors where loss risk is compensated with attractive yields.

Overall, the recent bout of volatility has resulted in spreads trading wider than their recent lows and the investment managers have been able to buy into some higher yielding opportunities. However, the capacity to rotate the portfolio has been limited by the tight liquidity over the last quarter.

From a technical perspective, supply has been quite limited within sub-investment grade credit whereas demand has been quite resilient. The investment managers expect this tailwind to persist in the near term.

**Positioning**

The realignment of the Sub-fund to a dual investment manager structure started on 28 February. This process will take place over months to mitigate transaction costs and achieve a steady progression to the targeted equal split between the investment managers. five

The commentary in this section is based on the composition of the CQS Credit Multi Asset Fund (CMA), the original component of the Sub-fund. Beginning in Q2 2022, we will report on the structure of the Sub-fund as a composite of CMA and the delegated account managed by PIMCO.

The Sub-fund maintained its bias towards floating rate securities, including senior secured loans and CLOs. Within loans, the investment manager took advantage of mark-to-market volatility. Exposure to loans was marginally increased in the early part of Q1, but the investment manager took profits in March. The loans book remains tilted towards Europe, but this is expected to change over the near term as the investment manager looks to shift up in credit quality – U.S. loans market tend to have higher average rating. The Sub-fund's exposure to floating rate securities is above 50% currently which should be beneficial from an interest rate risk perspective.

Within ABS, CLOs have benefitted from strong demand and the investment manager has been able to take profits from few positions, mainly BB-rated securities. Cash proceeds from CLOs have been rotated into CMBS and European Regulatory Capital, as part of broader shift towards low beta and high-income assets.

# LCIV MAC Fund

Given the lack of spread tightening in European high yield, exposure to this segment was marginally increased initially, particularly in high conviction B rated bonds, before taking profits on a few positions towards quarter end. Europe remains an overweight within high yield, as well as across the remaining portfolio.

On the back of rising inflation and growth uncertainty, European financials significantly detracted from performance, but the investment manager remains constructive on the outlook of this particular asset class. Exposure to this asset class has increased over the quarter with the manager adding to select low beta holdings.

Overall, the portfolio has maintained its structural weights across key asset classes, with slight rotation to benefit from mark-to market volatility. Mostly, the investment manager has shifted towards low beta income generating securities with low duration risk.

The portfolio does not have any exposure to Russian securities.

**Fund monitoring**

The Sub-fund began its transition towards a dual investment manager structure on 28th February 2022. The newly added investment manager was seeded with £110m of cash through new client investment. Amidst heightened market volatility, liquidity was challenging over the last month of the quarter, and hence, the investment manager has deployed capital carefully and gradually. While in its infancy, the portfolio is slowly moving closer to its structural allocation to three key asset classes: investment grade, high yield and emerging market debt.

# LCIV MAC Fund

**Peer Analysis**

The peer group is Multi Asset Credit Fixed Income. Data for the peer group is available with a lag of one quarter. We will resume reporting on performance relative to the peer group beginning in the second quarter of 2022. This will be based on data to 31 March 2022, when approximately 11% of the value of Sub-fund had been transitioned to the second investment manager. The proportion of capital allocated to the second investment manager will increase gradually until the realignment is complete in July 2022.

# LCIV MAC Fund

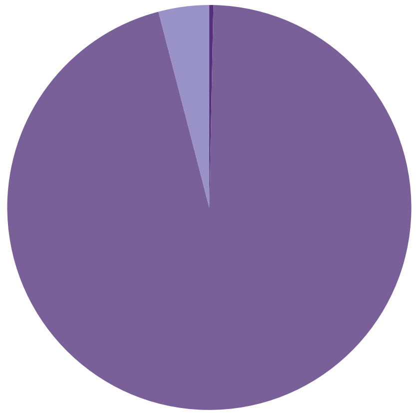
**Conclusion**

In a turbulent quarter for fixed income assets, the portfolio performed in line with expectations. Benefitting from its low structural duration, the Sub-fund's drawdown was muted compared to broader credit markets. The portfolio's tilt towards Europe has continued due to relative value, but it is expected to shift slightly in the near term to benefit from higher credit quality of the U.S. market. Looking ahead, if recessionary concerns persist in Europe, then portfolio's relative European bias could be a headwind for the portfolio. However, if persistent inflation leads to demand destruction, lower growth and higher interest rates, then the portfolio's recent shift towards high yielding low beta securities, along with structurally low duration, can be supportive.

# LCIV MAC Fund: CQS Credit Multi Asset Fund Portfolio Characteristics

| Risk Highlights | |
|---|---|
| | |
| Weighted Average rating | B+ |
| % Long BEE with Public Rating | 86.59% |
| % of Investment with Public Rating | 87.14% |
| Yield to Expected Maturity GBP | 7.13% |
| Spread Duration | 3.5 |
| Interest Rate Duration | 1.13 |

## Liquidity Management






**Stress Test**

| Asset Class | Equities -10% | Equities +10% | Credit -25% | Credit +25% | IR -100bps | IR +100bps | ABS -10% | ABS +10% |
|---|---|---|---|---|---|---|---|---|
| ABS | | | 0.04% | (0.03)% | 0.00% | | (1.62)% | 1.62% |
| Convertibles | (0.19)% | 0.21% | 0.02% | (0.02)% | 0.05% | (0.05)% | | |
| Corporate Credit | | | | | | | | |
| Financials | | | 0.60% | (0.54)% | 0.42% | (0.40)% | | |
| High Yield | | | 0.95% | (0.88)% | 0.70% | (0.66)% | | |
| Loans | (0.08)% | 0.08% | 2.28% | (2.12)% | | | | |
| Total | (0.27)% | 0.29% | 3.88% | (3.60)% | 1.18% | (1.11)% | (1.62)% | 1.62% |

*Scenarios in the table above are independent market shocks and therefore do not incorporate other correlated market shocks. For example, the equity shock does not imply a movement in credit spreads, interest rates or other risk factors.*

*Source: CQS for definitions of Risk Highlights please see the Glossary*

# LCIV MAC Fund: Portfolio Characteristics

**Asset Classification**

| Classification | Nominal Exposure % | Contribution to Return % |
|---|---|---|
| Loans | 41.60 | 0.00 |
| HY Corporate Bonds | 21.08 | (0.59) |
| ABS | 16.85 | (0.22) |
| Financial Bonds | 11.31 | (0.53) |
| Convertibles | 3.88 | (0.22) |
| IG Corporate Bonds | 0.00 | (0.00) |

**Top Contributors to Performance**

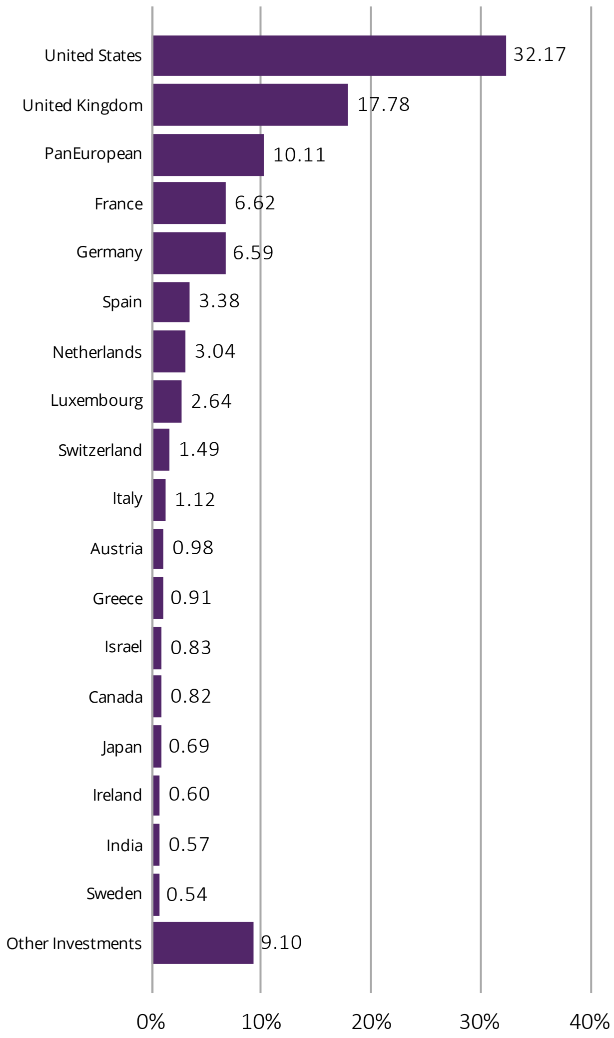
| Security Name | Nominal Exposure % | Contribution to Return % |
|---|---|---|
| AVSC Holding C-2020 B-1 Term :3699_P | 0.57 | 0.02 |
| Telfer Investm-Term B Loan:3564_P | 0.51 | 0.02 |
| SALIS 2016-1 A | 0.35 | 0.01 |
| Pioneer Nat Res 0.25% 15May25 | 0.18 | 0.04 |
| Frans Bonhomme-Frans FRN 6.5%:3164_P | 0.17 | 0.01 |

**Bottom Contributors to Performance**

| Security Name | Nominal Exposure % | Contribution to Return % |
|---|---|---|
| Teradyne Inc CB 1.25% 15Dec23 | 0.09 | (0.03) |
| Sika CB 0.15% 5 June 25 | 0.16 | (0.04) |
| Ambac Assurance (ABK) 5.1% 07JUN20 | 0.20 | (0.03) |
| Standard Chartered Plc 1.72438% PERP | 0.40 | (0.03) |
| CAS 2020-R02 2B1 | 0.44 | (0.03) |

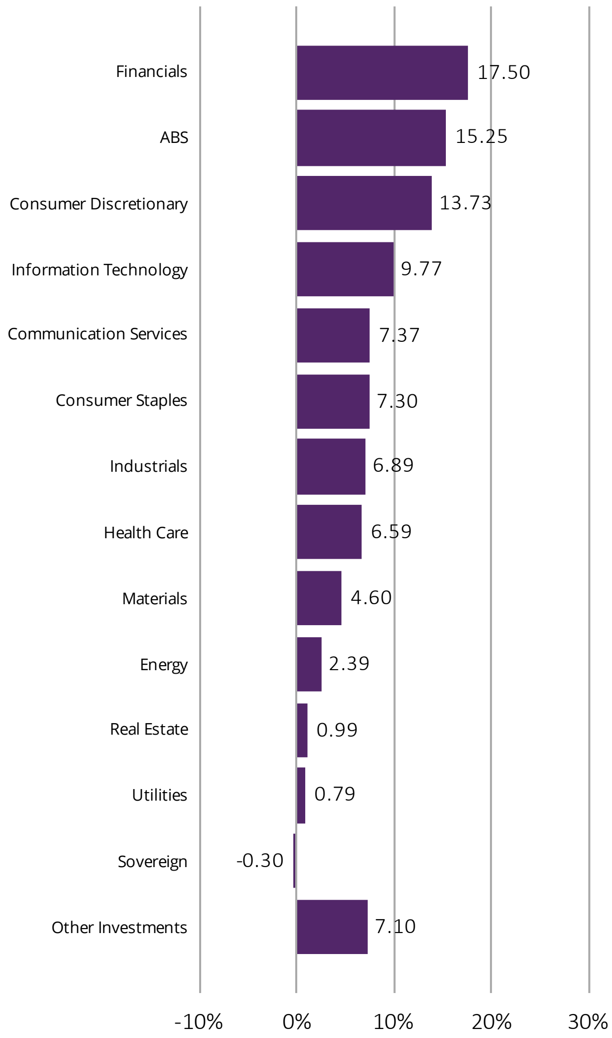
**Country Weights**

**NAV %**




**Sector Weights**

**NAV %**




*Source: CQS*

# LCIV MAC Fund: ESG Summary

### Summary of ESG Activity for the Quarter

Operationally, in late Q4 2021 CQS fully integrated the climate audit data into their internal systems, making this information available to all Research Analysts and Portfolio Managers. This quarter, they focused on improving the data coverage – the MAC fund now has c. 90% climate data coverage (excluding asset backed securities).

CQS have an in-house Geopolitical Analyst, Neil Brown, who disseminates geopolitical and sovereign risk information regularly. CQS's investment professionals interact regularly with Neil and use his insights for top-down and bottom-up fundamental credit risk analysis. For example, Neil has repeatedly highlighted the risks of a new divide between China and the U.S. and, where possible, the investment manager has sought to invest in businesses with limited revenue or supply chain dependency on China.

Regarding the Ukraine and Russia crisis, CQS stated that there is currently no material exposure in the Sub-fund. Although a small number of corporates and financials have indirect exposure to revenue streams or supply chains in the affected regions, CQS stated that they are not material to cash flow generation and are not expected to influence the probability of default. One example is a regional European Bank which has indirect exposure to Russia and Ukraine. CQS called the company management and reviewed their ESG approach and observed that all subsidiaries have strict ESG principles, with a greater focus on social areas. CQS will continue to engage with the Bank as they seek to understand consequences of the current geopolitical environment.

CQS also engaged with First Quantum, which is in their targeted engagement programme due to their high usage of coal at the Cobre Panama operation and their lack of formal decarbonisation targets. After a number of prior engagements since 2020, in January the firm finally published a formal absolute emissions reduction target of 30% by 2025 and 50% by 2030. They plan to achieve this by moving to renewable sources of energy and other initiatives within mining operations, such as trolley assistance to reduce fuel usage. CQS seeks to continue to encourage the integration of these targets into the KPIs for executive remuneration.

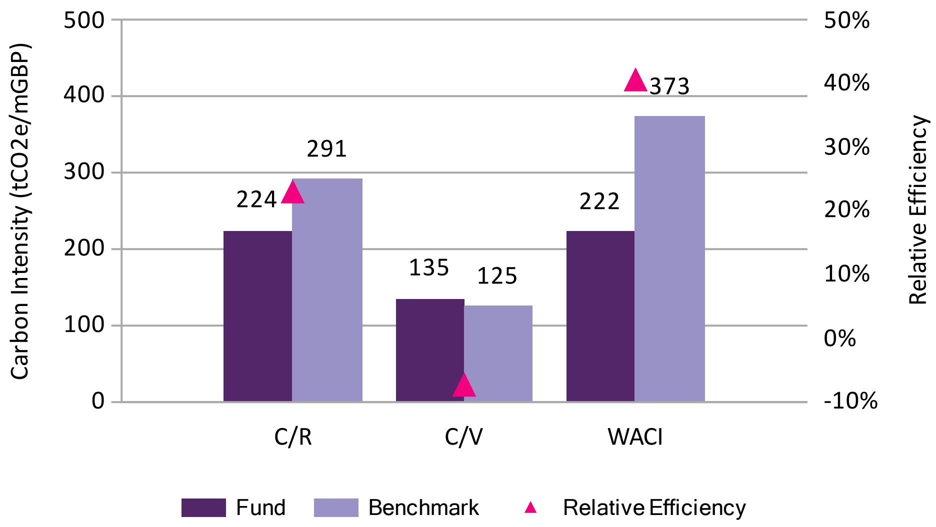
# LCIV MAC Fund: ESG Summary

## Climate Risk Exposure

To enhance the understanding of climate risks and identify specific areas of exposure, London CIV periodically measures and reports the carbon footprint and fossil fuel exposure of listed equity and corporate fixed income instruments. The following charts produced using data from Trucost provide climate impact and risk exposure metrics that may be used to support climate related disclosures in line with TCFD recommendations and inform internal processes for risk management and strategy development.

### Carbon Performance

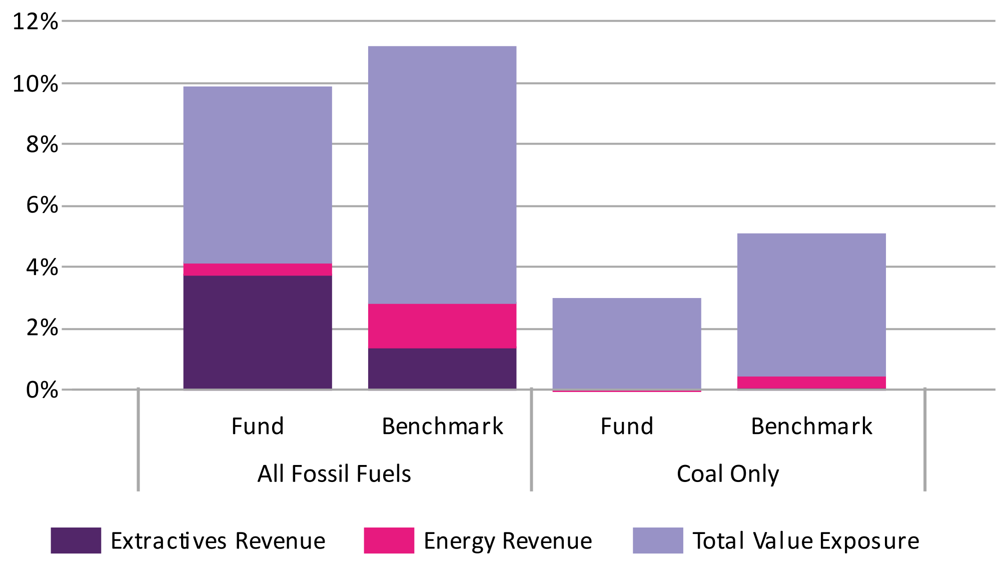
The chart shows the carbon intensity using the three main methodologies, carbon-to-revenue (C/R), carbon-to-value (C/V) and weighted-average carbon intensity (WACI). The scopes used were Direct and First Tier Indirect emissions. For more information, please consult the Appendix.




Source: London CIV based on Trucost data as at 31 March 2022

### Fossil Fuel Exposure

The chart provides an indication of exposure to companies engaged in any fossil fuel activities (left-hand side), as well as coal only (right-hand side). For more information on the methodology please consult the Appendix.




Source: London CIV based on Trucost data as at 31 March 2022

The benchmark used in the above is Bloomberg Global Aggregate Corporate Total Return Index

# LCIV MAC Fund: ESG Summary

## Climate Risk Exposure

### Top Contributors - Weighted Average Carbon Intensity

The largest contributors to the portfolio's carbon intensity are shown below. The 'WACI Intensity Contribution' is the percentage change in the portfolio's intensity that would be caused by excluding the holding referenced. For more information, please consult the Appendix.

| Name | Carbon Intensity (tCO2e/mGBP) | WACI Contribution | Climate 100+ |
|---|---|---|---|
| Woodside Petroleum Ltd | 2,444.76 | -0.13% | Yes |
| Imperial Oil Limited | 2,336.17 | -0.12% | Yes |
| L'Air Liquide S.A. | 1,718.56 | -0.08% | Yes |
| National Grid PLC | 537.15 | -0.05% | Yes |
| BP p.l.c. | 745.61 | -0.04% | Yes |
| Canadian National Railway Company | 771.58 | -0.03% | No |
| Saputo Inc. | 1,300.21 | -0.02% | No |
| Nestle SA | 589.73 | -0.02% | Yes |
| ComfortDelGro Corporation Limited | 550.69 | -0.02% | No |
| Fuchs Petrolub SE | 495.73 | -0.01% | No |

# Passive Investment Summary

The table below outlines the valuation of investments held per passive manager at the beginning and end of the quarter. For details on the performance of these funds please contact the passive managers directly.

| | 31 December 2021 | 31 March 2022 |
|---|---|---|
| **Blackrock** | **£** | **£** |
| ACS WORLD LOW CARBON EQ TKR FD X2 | 262,807,427 | 256,147,801 |
| AQ LIFE UP TO 5YR UK GILT IDX S1 | 56,000,221 | 55,216,330 |
| AQUILA LIFE ALL STK UK ILG IDX S1 | 39,253,631 | 37,188,555 |
| **Total** | **358,061,278** | **348,552,686** |

*Source: Passive Investment Manager Blackrock*

# Glossary of Terms

- **Annualised Alpha** The incremental return of an investment manager when the market is stationary. In other words, it is the extra return due to the non-market factors. The risk-adjusted factor takes into account both the performance of the market as a whole and the volatility of the investment manager. A positive alpha indicates that an investment manager has produced returns above the expected level at that risk level and vice versa for a negative alpha.
- **Bear Duration** An investment portfolio's effective duration after a 50 bp rise in rates. The extent to which a portfolio's bear market duration exceeds its duration is a gauge of extension risk.
- **Beta** The beta is the sensitivity of the investment portfolio to the stated benchmark.
- **Bull Duration** An investment portfolio's effective duration after a 50 bp decline in rates. The extent to which a portfolio's duration exceeds its bull market duration is a gauge of contraction risk.
- **Capacity** Please refer to the prospectus, Sub-funds may be limited by subscriptions into the Sub-fund or by the total Sub-fund valuation size. For queries on remaining capacity as at a relevant date, please contact the Client Service Team at clientservice@londonciv.org.uk.
- **Carbon Intensity:** Carbon emissions should be 'normalized' by a financial indicator (either annual revenues or value invested) to provide a measure of carbon intensity. The three most common approaches to normalization are:
    - Carbon to Revenue (C/R): Dividing the apportioned CO2e by the apportioned annual revenues
    - Carbon to Value Invested (C/V): Dividing the apportioned CO2e by the value invested.
    - Weighted Average Carbon Intensity (WACI): Summing the product of each holding's weight in the portfolio with the company level C/R intensity (no apportioning).

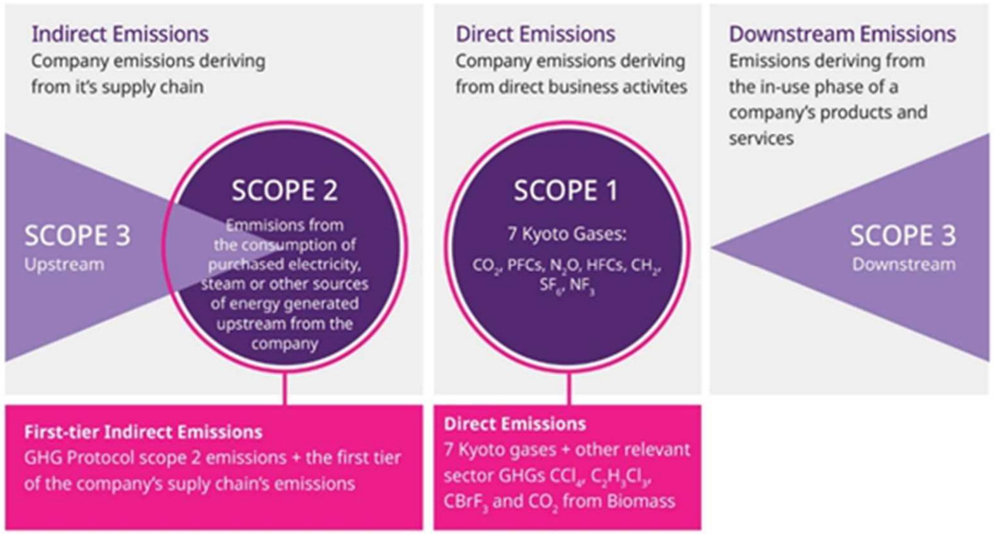
  C/R gives an indication of carbon efficiency with respect to output (as revenues are closely linked to productivity). C/V gives an indication of efficiency with respect to shareholder value creation. The WACI approach circumvents the need for apportioning ownership of carbon or revenues to individual holdings. Whilst the first two methods act as indicators of an investor's contribution to climate change, the weighted average method seeks only to show an investor's exposure to carbon intensive companies, i.e. is not an additive in terms of carbon budgets.

- **ClimateAction100+** is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. These include 100 'systemically important emitters', alongside more than 60 others with significant opportunity to drive the clean energy transition. For more information see http://www.climateaction100.org.
- **Comparator Benchmarks** are indices which represent a style-appropriate reference index to compare the underlying funds. These have been selected following back-testing and holdings-based analysis to ensure that they are relevant to the Sub-fund.
- **Completed Sales** For delegated portfolios any holdings held at the last quarter end which have been sold out of and are no longer held as at the reporting date shown as completed sales. If there are more than ten it is limited to the largest ten as at the end of last quarter. This is not necessarily the largest ten sales for the quarter. Note if a position was bought and sold within the quarter this will not appear.
- **Country Characteristics** The number of holdings in different countries is counted based on the classification to countries of risk of all individual

# Glossary of Terms

portfolio holdings within the Northern Trust fund accounting system. Note: the percentage of the portfolio calculations excludes the impact of any cash held within the Sub-fund. For the equity funds holdings have been reflected as the country in which that company is headquartered.

- **Duration** An investment portfolio's price sensitivity to changes in interest rates. An accurate predictor of price changes only for small, parallel shifts of the yield curve. For every 1 basis point fall/ (rise) in interest rates, a portfolio with duration of 1 year will rise /(fall) in price by 1 bp.
- **Emissions Scopes:**




  - Direct (Scope 1) = CO2e emissions based on the Kyoto Protocol greenhouse gases generated by direct company operations.
  - Direct (Other) = Additional direct emissions, including those from CCl4, C2H3Cl3, CBrF3, and CO2 from Biomass.
  - Purchased Electricity (Scope 2) = CO2e emissions generated by purchased electricity, heat or steam.
  - Non-Electricity First Tier Supply Chain (Scope 3) = CO2e emissions generated by companies providing goods and services in the first tier of the supply chain.
  - Other Supply Chain (Scope 3) = CO2e emissions generated by companies providing goods and services in the second to final tier of the supply chain.
  - Downstream (Scope 3) = CO2e emissions generated by the distribution, processing and use of the goods and services provided by a company
- **ESG** This stands for Environmental, Social and Governance and refers to the three main areas of concern that have developed as central factors in measuring the sustainability and ethical impact of an investment in a company or business.
- **Fossil Fuel Exposure:** London CIV assesses Fossil Fuel exposure by calculating the combined value of holdings with business activities in either fossil fuel extraction or fossil fuel energy generation industries. Company level exposure represents the combined weight in the portfolio or benchmark of companies deriving any revenues from fossil fuel related activities, while the Extractives Revenue and Energy revenue segments indicate the weighted average exposure to the revenues themselves.
- **Interest Rate Duration** It is the price sensitivity of the investment portfolio to changes in interest rates.
- **Net Market Move** Change in valuation of the holding due to movement in the market rather than cash flows into or out of the Sub-fund.
- **New Positions** For delegated investment portfolios any new holdings entered into during the quarter that were not held at the last quarter end have been reflected as new positions. If there are more than ten it is limited to the largest ten as at the end of the quarter. This is not necessarily the same as the largest ten purchases for the quarter if pre-

# Glossary of Terms

existing holdings have been topped up. Note if a position was bought and has since been sold this will not appear.

- **MRQ** Most Recent Quarter
- **Pay Date** The date on which the distribution amount will be paid in cash. If a reinvestment option is taken this will be reinvested on pay date –2 Business Days
- **Peer Analysis** The peer analysis graphs are taken from eVestment and are dated the most recent available quarter end. When asset managers add their funds on eVestment, eVestment assigns them to a universe based off the information the asset manager provides. The peer analysis graphs use the eVestment primary universe, which comprises funds with the most homogenous attributes in terms of investment objectives, investment characteristics, and risk profiles. This allows for relevant "apples-to-apples" comparisons among investment strategies. London CIV does not choose the asset managers, or the funds used in this peer group analysis. The fund analysed by eVestment is not the LCIV Sub-fund but the mirror fund ran under the same strategy by the investment manager.
- **Performance Attribution** For delegated portfolios the top ten contributors and detractors to performance are shown. This is to show how the structure of the investment portfolio contributed to the total performance.
- **Performance Calculation Basis** Sub-fund performance is calculated net of all fees and expenses. Where a Sub-fund has been open for less than a month the performance will show as "n/a" unless otherwise specified. Since 1 January 2020 the investment performance calculations use a time weighted rather than money weighted basis. The time-weighted rate of return ("TWR") is a measure of the compound rate of growth in a portfolio. The TWR measure eliminates the distorting effects on growth rates created by inflows and outflows of money.
- **Reporting Date** All data and content within this report is as per the date noted on the front cover, unless otherwise noted. Where the reporting end date falls on a weekend or Bank holiday, data from the previous business day will be used.
- **Securities Financing Transaction "SFT"** A transaction where securities are used to borrow or lend cash. They include repurchase agreements (repos), securities lending activities, and sell/buy-back transactions.
- **Sectors and Industry Characteristics** The number of holdings in different sectors and industries is counted based on the classification to Global Industry Classification Standards ("GICS") categories of all individual portfolio holdings within the Northern Trust fund accounting system.
- **Set up of the Sub–funds** The London LGPS CIV Ltd ("London CIV") is the Alternative Investment Fund Manager for the London LGPS CIV Authorised Contractual Scheme and manages the Sub-funds on either a delegated or pooled basis.
    - Delegated: The Sub-fund is structured as a delegated mandate with an appointed investment manager selecting individual securities overseen by the London CIV. The Sub-funds directly own the assets which are held by the custodian. This is the case for the global equity and global bond Sub-funds.
    - Pooled: The Sub-fund holds units in collective investment schemes managed by other investment managers rather than directly holding the individual securities. This is the case for the multi-asset Sub-funds.
- **Since Inception Performance** For Sub-funds / Client Funds that have been live for a period exceeding 12 months, figures are annualised taking into account the period the fund has been open.
- **Spread Duration** This represents the price sensitivity of the investment portfolio to changes in spreads between different credit quality bonds.

# Glossary of Terms

Spread duration constitutes an investment portfolio's sensitivity to changes in Option-Adjusted Spread ("OAS"), which affects the value of bonds that trade at a yield spread to treasuries. Corporate, mortgage, and emerging markets spread duration represents the contribution of each sector to the overall portfolio spread duration. For every 1 year of spread duration, portfolio value should rise (fall) by 1 basis point with every 1 basis point of OAS tightening (widening). Negative spread duration indicates the portfolio will benefit from widening spreads relative to treasuries.

- **Standard Deviation** A common risk metric. It measures the average deviations of a return series from its mean. A high standard deviation implies that the data is highly dispersed and there have been large swings or volatility in the manager's return series. A low standard deviation tells us the fund return stream is stable and less volatile.
- **Target Benchmark** is not the Sub-fund objective but has been selected on the basis of the risk taken within the underlying fund. This has been defined using historical analysis and in conjunction with the underlying market participants to triangulate the most appropriate target level.
- **Top Ten Holdings** Largest ten holdings within the investment portfolio as at the reporting date. Note this excludes the impact of any cash held within the Sub-fund.
- **Tracking error** A measure of the risk in an investment portfolio that is due to active management decisions made by the investment manager; it indicates how closely a portfolio follows the benchmark. This is shown in percentage terms.
- **UK Stewardship Code** A code which aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. Asset managers who sign up are given a tier rating of one or two. Details of all signatories, with links to the statements on their websites are available on the Financial Reporting Council website https://www.frc.org.uk/investors/uk-stewardship-code
- List of **Underlying Investment Managers** for Delegated ACS Sub-funds:
  - Baillie Gifford & Co for LCIV Global Alpha Growth Fund and LCIV Global Alpha Growth Paris Aligned Fund
  - JPMorgan Asset Management (UK) Limited for LCIV Emerging Market Equity Fund
  - Longview Partners (Guernsey) Limited for LCIV Global Equity Focus Fund
  - Morgan Stanley for LCIV Global Equity Core Fund
  - PIMCO Europe Limited for LCIV Global Bond Fund
  - RBC Global Asset Management (UK) Limited for LCIV Sustainable Equity Fund and the LCIV Sustainable Equity Exclusion Fund
  - Newton Investment Management Ltd for LCIV Global Equity Fund
  - State Street Global Advisors Limited for LCIV Passive Equity Progressive Paris Aligned Fund
- List of Pooled ACS Sub-funds **current Underlying Investment Managers**:
  - Baillie Gifford & Co for LCIV Diversified Growth Fund
  - Newton Investment Management Ltd for LCIV Real Return Fund
  - Pyrford International Limited for LCIV Global Total Return Fund
  - Ruffer LLP for LCIV Absolute Return Fund
  - CQS (UK) LLP for LCIV Alternative Credit Fund
- List of ACS Sub-funds multi strategy **current Underlying Investment Managers**:
  - CQS (UK) LLP and PIMCO Europe Limited for LCIV MAC Fund
- **Volatility Risk** A measure of the total risk in an investment portfolio. This is shown in percentage terms.

# Glossary of Terms

- **Weighted Average Rating** This is the weighted average credit rating of all the bonds in the fund which gives an idea of the credit quality and riskiness of the portfolio.
- **XD Date** The date on which the distribution amount will be determined. Units purchased in the Sub-fund on its ex-dividend date or after, will not receive the next payment. Any units held in the Sub-fund before the ex-dividend date, receive the distribution.
- **Yield to Expected Maturity** It is the total return expected on the bond if it is held until it matures.
- **Yield to Maturity** The rate of annual income return on an investment expressed as a percentage. Current yield is obtained by dividing the coupon rate of interest by the market price. Estimated yield to maturity is obtained by applying discounts and premiums from par to the income return. Bond yields move inversely to market prices. As market prices rise, yields on existing securities fall, and vice versa.
- **Yield %** as displayed in the Key Statistics table of the London CIV Equity Sub-funds is the dividend yield as calculated by Northern Trust. It represents an estimate of the dividend-only return on your investment.
- **% Long Bond Equivalent Exposure with Public Rating** This represents the percentage market value of all debt instruments that the fund has bought and have a rating issued by a credit agency.
- **% of Investment with Public Rating** This represents the percentage market value of all debt instruments that the fund is long or short and have a rating issued by a credit agency.

# Disclaimer

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Compliance code: 2022140

**London Borough of Enfield**

**PENSION POLICY AND INVESTMENT COMMITTEE (PPIC)**

**Meeting Date: 27 July 2022**

---

| | |
|---|---|
| **Subject:** | Investments & Asset Managers Update for March 2022 |
| **Cabinet Member:** | Cllr Leaver |
| **Executive Director:** | Fay Hammond |
| **Key Decision:** | **[ ]** |

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This report introduces Aon report on Investments & Asset Managers Update to Members and it is attached to this report as Appendix 1.

**Purpose of Report**

1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.

2. Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to explain further to the Pension Policy & Investment Committee.

**Proposal(s)**

3. Pension Policy and Investments Committee are recommended to note the contents of Aon's report set as Appendix 1 to this report.

**Reason for Proposal(s)**

4. The report informs the Pension Policy and investment Committee of the key developments and the performance of asset managers and how it affects the overall performance of the Enfield Pension Fund.

5. **Relevance to the Council's Corporate Plan**

6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.

8. Sustain Strong and healthy Communities.

**Workforce Implications**

9. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

**Property Implications**

10. None

**Other Implications**

11. None

**Options Considered**

12. There are no alternative options.

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Date of report 14th July 2022

**Appendices**
Appendix 1 – AON Quarterly Investment Report **(Confidential – Exempt Report)**

**Background Papers**
None

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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ENFIELD Council

**London Borough of Enfield**

**PENSION POLICY AND INVESTMENT COMMITTEE**

**Meeting Date: 27 July 2022**

| | |
|---|---|
| **Subject:** | Market Outlook and Key Developments Update |
| **Cabinet Member:** | Cllr Leaver |
| **Executive Director:** | Fay Hammond |
| **Key Decision:** | **[ ]** |

This report introduces Aon report on Market Outlook and Key Developments Update attached to this report as Appendix 1.

**Purpose of Report**

1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.

2. Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to explain further to the Pension Policy & Investment Committee.

**Proposal(s)**

3. Pension Policy and Investments Committee are recommended to note the content of Aon's report set as Appendix 1 to this report.

**Reason for Proposal(s)**

4. The report informs the Pension Policy and investment Committee of the latest macro market outlook and its overall effects on the Enfield Pension Fund.

5. **Relevance to the Council's Corporate Plan**

6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.

8. Sustain Strong and healthy Communities.

### Workforce Implications

9. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

### Property Implications

10. None

### Other Implications

11. None

### Options Considered

12. There are no alternative options.

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Date of report 14th July 2022

**Appendices**
Appendix 1 – AON Market and Investment Outlook **(Confidential – Exempt Report)**

**Background Papers**
None

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 27 July 2022

| | |
|---|---|
| **Subject:** | **Enfield Pension Fund Responsible Investment Policy** |
| **Cabinet Member:** | **Cllr Leaver** |
| **Executive Director:** | **Fay Hammond** |
| **Key Decision:** | **[ ]** |

### Purpose of Report

1. This report presents Enfield Pension Fund Responsible Investment Policy to remind and introduce to the new members of the Committee of decisions made and the work done in establishing the Fund's ESG approach to date.

2. The Committee must maintain its focus on the achievement of the investment returns required to meet its liabilities when they fall due. And to create an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.

### Proposal(s)

3. Members are recommended to note, review and comment on the current Responsible Investment Policy attached as Appendix 1.

### Reason for Proposal(s)

4. The Pension Policy and Investments Committee act in the role of quasi trustees for the Pension Fund and are therefore responsible for the management of £1.53 billion worth of assets and for ensuring the effective and efficient running of the Pension Fund. The management of the Fund's investment portfolio and the investment returns that the Fund is able to deliver have significant financial implications, not just for the Fund itself but also on the Fund's employers in terms of the level of contributions they are required to make to meet the Fund's statutory pension obligations.

5. The Fund recognises that investment in fossil fuels and the associated exposure to potential 'stranded assets' scenarios may pose material financial risks. These risks apply not only to the Fund's investment portfolio but also long term global economic growth.

6. The costs involved will very much depend on investment strategy decisions. Climate change risk will be integrated into the forthcoming new Investment Strategy Statement to ensure that it is considered as part of the Committee's asset allocation decisions, rather than in isolation.

**Relevance to the Council's Corporate Plan**

7. Good homes in well-connected neighbourhoods.

8. Build our Economy to create a thriving place.

9. Sustain Strong and healthy Communities.

**Background**

10. Responsible Investment (RI) is an approach that takes into account ESG factors and considers how the risks posed by the non-sustainability of companies invested in can impact the financial wellbeing of the Fund. Therefore, responsible investment is driven more by how sustainable factors can have financial consequences rather than ethical or moral implications which can be very subjective.

11. The Fund has a longstanding policy of supporting good corporate governance in the companies in which it invests. The Fund will also challenge companies who do not meet either the standards set by their peers or reasonable expectations as measured by best practice. The Fund's approach is part of its overall investment management arrangements and its active responsible investment framework. There are three main pillars to the framework: selection (of assets), stewardship (of assets), and transparency & disclosure.

12. The Committee committed and set a goal of making its investment portfolios net zero in terms of carbon emissions by 2030. This is a very aggressive time scale for action of this sort. The BT Pension Scheme which is considerably larger than Enfield Pension Fund has committed to a 2035 goal and other schemes are looking at or have committed to 2040 or 2050, in line with the Paris agreement.

13. Thus, Enfield Pension Fund is looking to move further and faster than its peers to net zero and must do so within the context of the pooling process which to some extent, particularly when looked at together with key elements of our investment beliefs, limits our flexibility.

14. Achieving Net Zero is a journey and the Committee's view in setting the 2030 goal was clearly that the journey needed to begin and be undertaken at pace. Accordingly, we will need to do a number of things at the same time rather than wait for the completion of one piece of work before beginning the next. This is will be reflected in the Action Plan that will be brought to the next Committee meeting.

15. The road to Net Zero is not going to be a straight line, and while more precise targets will be developed when better data is available it is clear that progress is likely to be lumpy, with key strategic changes having a significant impact

while the actions of investee companies contribute a steadier underlying positive trend in emissions. Therefore, it will be important to maintain focus on the end goal and the direction of travel rather than individual way points.

**ESG obligations of LGPS administering authorities and Fiduciary Responsibility**

16. LGPS regulations issued by DCLG in September 2016, requires Investment Strategies of LGPS funds to outline their policy on how ESG considerations are taken into account within investment decision making. This marked a shift in the LGPS as a whole.

- **Regulation 7(2)(e)** requires funds to follow pertinent advice and act prudently when making investment decisions, *"…a prudent approach to investment can be described as a duty to discharge statutory responsibilities with care, skill, prudence and diligence".* They must consider any factors that are financially material to the performance of their investments, including **ESG factors** contemplating the time horizon of the liabilities along with their approach to social investments.

- **Regulation 7(2)(f)**, emphasises that *"administering authorities are encouraged to consider the best way to engage with companies to promote their long-term success, either directly, in partnership with other investors or through their investment managers, and explain their **policy on stewardship** with reference to the Stewardship Code. "*

- *Administering authorities are strongly encouraged to either vote their shares directly or ask their fund managers to vote in line with their policy under the Regulation 7(2)(f) and to publish a report of **voting activities** as part of their pension fund annual report under Regulation 57 of the 2013 Regulations.*

17. The role of the Council as administering authority for the LBE is to maintain, administer and invest the funds and to this end powers have been delegated to the to the Pension Policy and Investment Committee (PPIC). The regulations do not impose any legal obligation on the Committee to take ESG considerations into account. The PPIC acting in a quasi-trustee capacity have to act in a fiduciary manner meaning that they have to act in the best financial interest of the und.

18. According to legal advice obtained by the LGPS Scheme Advisory Board (SAB) and summarised on the SAB website, funds can take ESG factors into consideration provided that pension fund members do not suffer significant financial loss.

19. London Borough of Enfield (LBE) Pension Fund (the Pension Fund) is committed to be a responsible investor and a long-term steward of the assets in which it invests. The Fund has a fiduciary duty to act in the best interests of its beneficiaries and this extends to making a positive contribution to the long-term sustainability of the global environment.

20. The Fund maintains a policy of non-interference with the day-to-day decision making of the investment managers. The Committee believes that this is the most efficient approach whilst ensuring the implementation of policy by each manager is consistent with current best practice and the appropriate disclosure and reporting of actions.

21. There are a wide range of ESG issues, with none greater currently than climate change and carbon reduction. The Pension Fund recognises climate change as the biggest threat to global sustainability alongside its administering authority employer, Enfield Council, which has committed itself to achieving carbon neutrality by 2030.

22. Members of the Pension Fund place their trust in the Pension Fund Committee who hold a fiduciary duty to act in the members' best interests and ensure that their pension benefits are fully honoured in retirement. For this reason, as well as targeting investment returns that match the pension liabilities, the Committee is committed to managing the investment risks: the risks that pose a substantial threat to LGPS members' long-term future.

**Engagement**

23. The Fund's strategy is to engage with its investee companies and other key stakeholders through partnerships and on its own. The Fund aims to protect and increase shareholder value by engaging on a range of financially material ESG investment factors.

24. A significant part of the Fund's engagement programme is implemented through partnerships including the Principles for Responsible Investment (PRI), the Local Authority Pension Fund Forum (LAPFF), the Institutional Investors Group on Climate Change (IIGCC) and through working with the Fund's investment pool operator (London CIV).

**Voting**

25. Equity share ownership in the majority of companies gives investors the right to vote and the LBEPF can use their vote to influence company behaviour. LBEPF has delegated voting to asset managers. The managers the Fund has appointed engage with companies on ESG issues and have detailed voting policies which set out how they will vote. The Fund can also override this by issuing voting direction on advice from the LAPFF.

26. Some funds appoint stewardship firms who assist in formulating a voting policy for the Fund and vote the shares on behalf of the Fund in accordance with the policy. These additional services are likely to be a cost to the fund.

**Data**

27. Reliable ESG data is important to investors if they are to measure risk and reward of best practice in ESG by investee companies. The key to reliable data is that it should be independent, objective and publicly-sourced.

28. The Companies the Fund invested in usually have ESG scores which is an expression of all its ESG stance and other key factors. These scores can then be aggregated to establish a portfolio score. Numerous underlying factors are obtained from a range of data points. Data vendors are able to acquire and validate underlying ESG company data. ESG scores are one of the metrics used by fund managers to assess the sustainability of investee companies.

29. Data Vendors who provide this information for asset managers can also provide information for underlying Investors who want to acquire and ESG score across their whole portfolio. Obtaining an ESG score across all investments from all asset managers can allow investor to better understand their ESG risk by comparing the Fund's portfolio score to standard market ESG benchmarks.

30. Members are asked to consider whether this is a service they wish to subscribe to or explore further by receiving a presentation at a future meeting.

**Climate Change and Fossil Fuel Divestment**

31. Some of LAPFF's engagement includes meeting with Rio Tinto to discuss their climate change report in response to a shareholder issued resolutions they were involved in filing. They have also engaged with Shell and welcomed Shell's move to divest oil sands assets and continue to put pressure on Shell and other oil companies to migrate towards the lower carbon future that is fast approaching.

32. LGPS funds have continued to come under criticism for investing in controversial stocks such as oil, tobacco, alcohol producers, gambling firms, and payday lenders. Some local authority including Enfield Pension Fund, the London Boroughs of Islington, Haringey, Southwark and the Environment Agency have committed to reducing their exposure to carbon and some have gone on to state when they expect to be fully divested.

33. However, some LGPS funds have opted to retain their investments in companies with significant carbon footprints on the basis that being invested enables them to continue to lobby the companies to reduce their CO2 emissions. The LAPFF working with a group of other investors successfully lobbied Shell to concede to a number of demands on climate change by lodging a shareholder resolution. The cost of immediate divestment will be substantial based on the returns on some of the companies alleged to be ESG offenders.

34. The Pensions Regulator specifically references climate risk in its Defined Benefit investment guidance, stating that 'Most investments in pension schemes are long term and are therefore exposed to long-term financial risks. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. Despite the long-term nature of investments, these risks could be financially significant, both over the short and longer term'

**<u>Update on Moving Towards Low Carbon Investments and a Reduced Exposure Fossil Fuels</u>**

35. Members of the Pension Policy and Investment Committee began its in depth consideration of carbon exposure towards the end of 2019. Between October 2019 and February 2020, the Committee members held several strategy meetings to consider in detail the Fund's approach to investment in fossil fuels and management of the financial risks posed by climate change.

36. The recommendations approved at its September 2019 and February 2020 meetings are set out below:

    a) *Consider and approve moving all the Fund's passive equity exposure to track a Low Carbon Index Strategy;*

    b) *Consider options for an initial active investment of approximately 5% of the Fund total assets in a sustainable or fossil fuel free global equity mandate and another 5% of the Fund total assets to be consider for a renewable energy/clean energy fund(s), given the right risk/return profile. Investment in such a fund would demonstrate the Fund's commitment to transition into low carbon economy;*

    c) *Maintain the Fund's current engagement activities which the Local Authority Pension Fund Forum (LAPFF) carry out on behalf of the Fund;*

    d) *Consider initiating a programme where the Fund could engage with investee companies (through its managers, the London CIV or possibly directly) on ESG issues;*

    e) *Following the result of the carbon risk audit carried out by Trucost using the Fund valuation position as at 30th September 2019, to consider setting 2 year and 5 year targets to reduce the carbon footprint of the Fund; and*

    f) *Agree to monitor carbon risk annually by using a specialist contractor to conduct and assess the progress being made against the Fund's target to reduce the exposure to future CO2 emissions.*

37. The Committee invested 15% passive equity portfolios into a Morgan Stanley Composite Index (MSCI) Low Carbon index-tracking target strategy which aims to reduce the carbon exposure of the allocation by some 70%, relative to the broad market index, whilst still expecting to perform broadly in line with the wider market over the long term. This work was completed March 2021.

38. The Fund undertook its first carbon risk audit towards the end of 2019, following the recommendation made at the November 2019 meeting to commission a carbon footprint report for the Fund. This analysis was carried out by Trucost, using the end of September 2019 assets data and this audit assessed not only the carbon footprint of the Fund's equity portfolio, but also its exposure to future emissions through fossil fuel reserves.

39. After careful consideration of how carbon risk could best be reduced within the investment management framework in which LGPS funds operate, an appropriate way forward was deemed to be to set a quantifiable, time-bound target for a reduction in the Fund's exposure to future fossil fuel emissions.

40. At Committee meeting in March 2021 the Committee were asked to include within the Fund's Responsible Investment Policy Framework a commitment to making its investment portfolios net zero in terms of carbon emissions by 2030. In doing the Committee agreed to work on a plan (Net Zero Action Plan) for achieving this goal, this plan will be presented for their consideration at their November meeting.

41. Aon the Fund Investment Consultant has been asked to develop an action plan and a high level Net Zero framework d using the Institutional Investors' Group on Climate Change (IIGCC) Net Zero Investment Framework. As this recognises that there can be no "one size fits all" route to net zero, investors like LBEPF need to focus on maximising efforts that achieve decarbonisation in the real economy. This requires a comprehensive investment strategy led approach supported by concrete targets (at portfolio and asset class level) combined with smart capital allocation and engagement and advocacy activity. Such a strategy led approach must not just deliver emissions reductions, but also increase investment in the climate solutions which we need to achieve net zero. This approach will reduce the exposure of Enfield Pension Fund's investment portfolios to climate risk while increasing their exposure to climate opportunity, thus providing greater long term protection for our scheme members' savings.

42. All of this does, of course, need to be seen in the context of the Fund participation as one of 32 funds within the London CIV pool that will need to work with and gain the co-operation of the other partners and the operating company in order to achieve our goal.

43. The Fund will embrace and report in line with the requirements of the Task Force on Climate Related Financial Disclosure. The Fund will also consider presenting, the progress in achieving net zero in the Annual report.

44. The Net Zero Action Plan will start with the Fund's beliefs, it will provide the framework within which the Fund will develop objectives which will lead to us taking actions, which will lead to outcomes and consequently which we will then review to see whether we have achieved the Fund's objectives, and so the cycle goes on.

45. In making any decisions in relation to any of the stages of this cycle it is important to remember that the Committee is required by the LGPS Investment Regulations to ensure that it has taken proper advice. In most cases this will be provided by a combination of officers, Investment Consultant and the independent investment adviser, but in this area, there is likely to be a requirement at various points for additional specialist advice. Given the requirement to pool which is placed on LGPS funds there is also a need to ensure that London CIV are engaged with the Committee on this journey.

46. Before putting in place a strategy to achieve the goal of net zero it is important to understand what the Committee meant by it and importantly how it will be measured. For example, what the Committee/Fund is seeking to achieve, is that the net level of carbon emissions from the holdings in the Fund's investment portfolio equals zero. This seems simple. However, there are several ways of defining carbon emissions and it is important that the Committee do have a clear understanding and which of the known elements/definitions we are using so that we can pull the right levers in order to achieve our goal.

47. The accepted standard for defining (and measuring) carbon emissions has "3 scopes" as follows:

    i. **Scope 1** - Emissions are direct emissions from company-owned and controlled resources. In other words, emissions released to the atmosphere as a direct result of a set of activities, at a firm level.

    ii. **Scope 2** - Emissions are indirect emissions from the generation of purchased energy, from a utility provider. In other words, all GHG emissions released in the atmosphere, from the consumption of purchased electricity, steam, heat and cooling.

    iii. **Scope 3** - Emissions are all indirect emissions – not included in scope 2 – that occur in the value chain of the reporting company, including both upstream and downstream emissions. In other words, emissions that are linked to the company's operations.

48. Companies reporting in line with the requirements of the Task Force on Climate Related Financial Disclosure Standard (TCFD) must report on Scope 1 and 2 whereas reporting on Scope 3 is voluntary and as will be clear from the definition incredibly hard to measure with the significant risk of double counting as between direct producer and indirect consumer organisations.

49. The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

50. The data being reported by fund managers to Funds makes no distinction as to these different types of emission, and while a restricted definition might make a 2030 goal easier this is not practical and would leave the Enfield Pension Fund open to the accusation of avoiding the key issues in emissions reduction.

51. For the purpose of delivering the Authority's Net Zero Goal the following definition will be used:

    ***"The Enfield Pension Fund's goal is for the net carbon emissions from the totality of its investment portfolio to be zero by 2030."***

52. While concentrating on scope 1 and 2 emissions allows the Fund to set targets which are comprehensible and where data is likely to be available, this position will need to be kept under review as more data becomes available and the investment impacts of using specific measures becomes clear. Measurement and regulation are continually developing in this area and to a significant degree we are going to be trying to hit a moving target, particularly in the next few years when the pace of change in these areas is likely to be greatest.

53. It is also the case that the measures identified within these definitions are of necessity backward looking and so thought will need to be given to adding a more forward looking element to the definition to ensure that investment opportunity is not lost in too great a focus on backward looking data.

**Setting Targets Objectives and Reporting**

54. Measurement and reporting will be central to how we drive forward the changes that are required in order to achieve the net zero commitment. The detail of these will flow from some of the strategic work that Aon is currently being carried out and will be set out in the Net Zero Action Plan. Whereby a comprehensive baseline position will be established which enables us to understand how far we have to travel to achieve net zero.

55. In simple terms what we are seeking to do is to establish a set of steps to reduce carbon in each element of the portfolio over a given time. How this will be achieved for individual asset class is difficult. However, we need to be in a place to do that so that they can feed into the reviews of individual mandates and investment products as well as the overall review of the investment strategy.

56. The other key consideration here is that we are not the only investor in the products in which we are invested and while in terms of the London CIV we can seek to influence we cannot dictate. Nor are we able to simply switch into a carbon neutral fund because the pool does not offer one, and to do so would require a fundamental change in the Fund's longstanding investment approach (either in terms of active v passive management).

57. Setting targets alone is not enough. We need to be held accountable for our progress towards those targets, which means we need to report publicly on our progress towards the net zero goal and also on the specific steps we have taken towards that objective.

**Asset Class Implementation**

58. The products in which the Fund invests are all made up of very different sorts of asset which have different characteristics, therefore it is highly unlikely that one approach to implementing net zero will be applicable across such a wide range of assets ranging from infrastructure to private equity investments in tech start-ups, through traditional instruments such as shares and bonds.

59. The Net Zero Action Plan will look at each major asset class in turn and identifies an initial approach which will reflects the need to focus on the real economy and the practical issues associated with operating within the context of pooling, where the Fund is not wholly in charge of its own destiny. All of this also needs to be set within the context of the Fund's broader beliefs about how to do investment.

60. Specifically, the Fund believes in:

- Being an active investor – This means picking the best stocks to invest in using the skill of individual managers. However, our moderate risk appetite means that while we believe in active investment we invest in active products that maintain broad portfolios within a particular asset class and select the best companies in particular sectors as opposed to highly active products which would select both companies and sectors, and thus generate much more concentrated portfolios.

- Being a global investor – This means that we will be exposed to investment in emerging economies such as China and India where the stage of development means that economic growth is sometimes being driven by companies in industries such as cement which are high emitters.

- Engagement over divestment or exclusion – The Fund has long operated on the basis that it seeks to influence companies through engagement, this is part of being rooted in the real economy. However, this is a position that is likely to be challenged in some areas by the setting of such an aggressive timescale for achieving net zero.

61. As we progress along the road to net zero (and further along the pooling journey more generally) these beliefs about how to do investment are all likely to be challenged in different ways and the Fund will need to at some point to consider whether it continues to support each of these propositions or whether it needs to take a different approach. However, in doing so it will need to consider not just the achievement of the net zero objective but its primary responsibility which is to ensure that the pension fund is able to meet its liabilities.

62. The other contextual factor to be considered before looking at the approach in each asset class is the fact that the Fund (like all other LGPS Administering Authorities) is part of a pool and needs to secure the co-operation of the other shareholder funds within the London CIV in order to make progress where changes are required to investment products. While there is a broad consensus within the shareholder funds about the significance of climate risk there is, as yet, not a consensus over the means of addressing it, although there does appear to be movement towards the idea of targets. Clearly this will significantly influence the pace at which the Enfield Fund can move.

63. **Listed equities** are the single largest asset class in which the Pension Fund is invested and in order to achieve LBEPF's proposed goal, on a straight line basis it will be necessary to reduce the contribution to aggregate emissions from these portfolios by at least 50% by 2025. This could be achieved in a

number of ways depending on the outcomes of the review of the investment strategy, and on the views of other investors in the funds. For example, investing in Paris Aligned Funds with London CIV.

64. An important feature of investment in listed equities is the voting rights which are conferred on asset owners. The way in which the Fund, through the external managers and London CIV, chooses to exercise these voting rights has the potential to accelerate progress by companies towards net zero. For example, if the Fund worked with external managers and London CIV to adopt a voting guideline that says votes will be cast against the reappointment of board members where companies are not making progress towards net zero as assessed by the Transition Pathway Initiative (TPI). Once this position is established, it will be appropriate to review its impact and consider whether a further strengthening of the voting position would be helpful in achieving the net zero goal.

65. **Fixed Income** portfolio are managed by a mixture of external managers and London CIV just like equity portfolio, using a variety of performance targets against a benchmark index. The favoured investment styles within these products tend towards relatively low turnover approaches which seek the best credits to buy with little reference to the composition of the index.

66. Emissions data is less available within fixed income than in equity investment, although for corporate credits there is the ability to use the same underlying data for both types of investment. However, many of the credits included in these portfolios are from sovereigns or multi-lateral institutions (such as the European Investment Bank) where the calculation of emissions data is much more difficult. While it is possible to engage with corporate bond issuers in the same way as for equities this is not possible for sovereigns and multi-lateral institutions so the ability to influence behaviour is not present in the same way.

67. So the proposition id for Fund managers in this space do seek to engage with corporates in order to have an increasing issuance of “green bonds” both by corporates and governments which will begin to form part of portfolios where they meet the wider investment criteria, although currently the scale of issuance means that the supply of such bonds is currently not always great enough to be investable while yields are slightly lower than the market as a whole making them less attractive as an investment. These are issues which will be resolved through market forces over time.

68. However, at this stage until data is available we are to a great degree “flying blind” therefore the immediate actions alongside encouraging managers to both engage more actively and consider “green bonds” where they are genuinely investable, are to gather relevant data so the baseline can be established which will allow a move to setting of targets although this will require the agreement of the other investors in the Blackrock and London CIV products.

69. Alternatives - While there are three asset classes within alternatives (Private Equity, Inflation protection and Infrastructure) these will, at this stage, be considered together.

70. The key initial issue here is the lack of data, which will need to address, to some extent. However, we cannot manufacture data where it does not exist and to some extent, we will be dependent on movement in market expectations driving fund managers to provide the data needed, including the implementation of some new legislation during 2021.

71. Regardless of the data issue, this asset class are the area where Net Zero provides the greatest opportunity. The Fund is currently considering allocations of 5% - 10% investments in renewables and other investments which support the transition (such as electric trains replacing more polluting diesels), and the low carbon transition is a clear investment theme within these portfolios. This will over time result in a build-up of assets with positive characteristics.

72. **The property portfolio** provides a number of opportunities in terms of the movement to Net Zero. Again, there is a lack of comprehensive data, and there are some challenges in undertaking alterations such as the addition of solar panels where the cost needs to be recovered through service charges, particularly in the current economic climate.

73. We can review options for switching some of the existing property mandate into a low carbon property fund.

**Accurate Assessment of Exposure to Fossil Fuels**

74. Divest Enfield did a press release using inaccurate data from a third party and their estimate of Enfield Pensions Fund’s exposure to fossil fuels was overstated.

75. Divest’s estimation of the Enfield Pension Fund’s exposure to fossil fuels is incorrect and overstated and also ignores significant action taken by the Fund over the past year to reduce the exposure.

76. The value of exposure to fossil fuels used by Divest Enfield in their press release of 15 July originates from a third party (Carbon Underground 200) which was based on their own analysis of the world’s largest 100 coal and oil and gas producers in the public global benchmark equity and bond indices, and assumed that Enfield Pension Fund has an identical exposure to these companies as the public benchmark (e.g. MSCI ACWI at 3.9%; Bloomberg Barclays Sterling Corporate Bond Index at 2.8%).

77. In other words, each of the Fund's mandates/portfolio has been assumed to have identical allocation to coal, oil and gas, based on public equity or bond market index exposure.

78. The true picture of the Fund's exposure is significantly lower and varies considerably at a mandate/portfolio level.

79. An investigation was performed by the Fund Investment consultant as at 31 December 2020, asking each of the managers to provide:

- ❖ A full breakdown of the Fund's exposure to oil, gas and coal, as the Enfield Pension Policy and Investment Committee was looking to establish the extent to which the Fund is invested in debt or equity of firms which produces, extracts or explores for oil, gas or coal as a material part of its business model;
- ❖ The weights to specific companies making up this aggregate exposure, along with the names of the companies themselves; and
- ❖ The geographic breakdown of this exposure.

80. Notably, each of the Fund's managers showed awareness of the importance of these issues to the Fund, and to UK pension funds in general. Each manager was open and transparent in their data provision.

81. As expected, a number of mandates/portfolios hold zero exposure (three of the Fund's equity mandates; and a number of illiquid mandates). Within the equity space, notably, all of the Fund's active managers with exposure to fossil fuels hold lower than MSCI ACWI weightings.

82. The Fund's exposure to fossil fuels, as measured by investment in physical or synthetic debt or equity of a firm which produces, extracts, or explores for oil, gas, or coal as a material part of its business model was 1.1% of Fund value, or £15.1m as at 31 December 2021. This compares to the Divest Enfield press release figure as at 31 December 2020 of 2.6%, or £30.0m.

83. The same exercise was therefore repeated as at 31 March 2021, the Fund's exposure to Fossil fuels is lower than the exposure as at 31 December 2020. 0.9%, or £13.1m in sterling terms. The reduction is largely driven by the Fund's transition of £220m to a passive low-carbon equity approach with BlackRock in early 2021, which successfully reduced the Fund's fossil fuel exposure by £4.2m.

84. The Fund has put a quarterly reporting regime in place with the next report going to PPIC on 31 March 2022 for 31 December 2021 quarter end position.

**Safeguarding Implications**

85. The report provides clear evidence of sound financial management, efficient use of resources, promotion of income generation and adherence to Best Value and good performance management.

**Public Health Implications**

86. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the Borough.

**Equalities Impact of the Proposal**

87. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

**Environmental and Climate Change Considerations**

88. Environmental and climate change considerations are all over this report.

**Risks that may arise if the proposed decision and related work is not taken**

89. Climate change is a key financially material environmental risk. The Committee believe that, over the expected lifetime of Enfield Pension Fund, climate-related risks and opportunities will be financially material to the performance of the investment portfolio. As such, the Committee will consider climate change issues across Enfield Pension Fund and specifically in areas such as Strategic Asset Allocation, Investment Strategy and Risk Management with the aim of minimising adverse financial impacts and maximising the opportunities for long-term economic returns on Enfield Pension Fund’s assets.

**Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

90. Not considering and approving the report recommendations and not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

**Financial Implications**

91. Spending time developing the responsible investment policy helps to ensure that the Committee are fulfilling their responsibilities as quasi Trustees of the Fund and that the Fund’s investment objectives and policies are clearly set out in line with the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016.

92. The development of a robust responsible investment policy helps the Fund to take an ordered and prudent approach to the management of its assets, helping to manage the long term costs associated with the Pension Fund.

93. There are no direct financial implications arising from this report. The Draft Action Plan highlights the need to use a number of processes, such as the investment strategy review, which are already budgeted to facilitate delivery of the Net Zero goal.

**Legal Implications**

94. The Committee has legal responsibilities for the prudent and effective stewardship of the Pension Fund and a clear fiduciary duty in the performance of its functions. The LGPS (Management and Investment of Funds)

Regulations 2016 require Administering Authorities to state the extent to which they comply with the Guidance given by the Secretary of State. In accordance with regulation 7(2)(e) the authority must set out in its Investment Strategy Statement, its policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

95. As indicated in the body of the report, the Committee must ensure that it continues to demonstrate a focus on its duty to meet the obligation to pay pensions when due while at the same time positively addressing climate change. The two need not be incompatible, but there is a tension of which the Committee must remain aware and stay on the right side of.

**Workforce Implications**

96. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

**Property Implications**

97. None

**Other Implications**

98. None

**Options Considered**

99. The Committee could decide not to set a target date to achieve Net Zero Carbon Emission goal for the Fund. Having this target in place as a long-term investor, will assist at all stages of the investment decision-making process and also to gain the trust and pride of members in the governance process and the way in which in the Fund is invested on their behalf. It is therefore important for the Pension Fund to be completely transparent and accountable to members and stakeholders.

**Conclusions**

100. The Pension Fund will continue to assess investment opportunities that have a positive impact on society as whole. These include but are not limited to, investments in fixed income (green bonds), property, low carbon assets, renewables and social impact opportunities.

101. The Pension Fund views engagement with companies as an essential activity and encourages companies to take position action towards reversing climate change. The Enfield Pension Fund is a responsible owner of companies and cannot exert that positive influence if it has completely divested from carbon intensive producing companies. The Pension Fund will continue to encourage positive change whilst officers will continue to engage with the investment

managers on an ongoing basis to monitor overall investment performance, including carbon and other ESG considerations.

102. The Fund expects the pool and the asset managers to integrate ESG factors into investment analysis and decision making. Monitoring these effectively can assist with resolving issues at early stages through effective engagement with companies and board members. The Fund expects asset managers where possible to engage and collaborate with other institutional investors, as permitted by relevant legal codes to ensure the greatest impact.

103. The Pension Fund will continue to work closely with its investment managers to measure the carbon impact of its investments. This will involve developing internal metrics and agreed targets which will be reviewed on a regular basis. A detailed Net Zero Action Plan will be brought to the Board in 6 months.

104. There is Increasingly, growing interest in the investment community to develop investment strategies that focus on sustainable investments in different asset class. Enfield Pension Fund will encourage, support and contribute to the work being carried out by the London CIV in the development of sustainable investments in the private markets and other asset class.

105. The Pension Fund set a goal of making its investment portfolios to be net zero carbon emissions by 2030. The initial stages in this approach will be twofold:

  i. Firstly, an increase in exposure to investments which support the low carbon transition, by allocating and investing 10% of total funds into renewable energy.

  ii. Secondly a restructuring of the various equity mandates. This restructuring will result in a reduction in the carbon emissions and intensity of these portfolios, through changing the universe of shares that can be invested in. At this stage this does not involve ruling out whole classes of company, but it may (based on an investment case) involve divestment from specific companies.

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Date of report 14th July 2022

**Appendices**
Appendix 1 – Responsible Investment Policy

# Appendix 1

# London Borough of Enfield Pension Fund Responsible Investment Policy

July 2021

The London Borough of Enfield is the Administering Authority of the London Borough of Enfield Pension Fund and administers the Local Government Pension Scheme on behalf of

Pension Policy and Investment Committee

Resources Department
Enfield Council
Civic Centre, Silver Street
Enfield EN1 3XY
www.enfield.gov.uk

participating employers

# RESPONSIBLE INVESTMENT POLICY

## 1. Introduction

1.1 Responsible Investment is defined by the United Nation's 'Principles for Responsible Investment' document as an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long term returns. The Pension Fund's approach to responsible investment is aligned with the Fund's investment beliefs and recognises ESG factors as central themes in measuring the sustainability and impact of its investments.

1.2 Failure to appropriately manage ESG factors is considered to be a key risk for the Pension Fund as this can have an adverse impact on the Fund's overall investment performance, which ultimately affects the scheme members, employers and local council taxpayers.

1.3 The United Nations has established 17 Sustainable Development Goals (SDGs) as a blueprint to achieving a better and more sustainable future for all. These goals aim to address the challenges of tackling climate change, supporting industry, innovation and infrastructure, and investing in companies that are focused on playing a key role in building that sustainable future.

1.4 The Pension Fund acknowledges that these goals form a vital part of acting as a responsible investor alongside its administering authority, Enfield Council, with the Council having recently committed itself to achieving carbon neutrality by the year 2030.

1.5 The Pension Fund maintains a policy of engagement with all its stakeholders, including those operating in the investment industry. It is broadly recognised that, in the foreseeable future, the global economy will transition from its reliance on fossil fuels to the widespread adoption of renewable energy as its main source. The impact of this transition on the sustainability of investment returns will be continually assessed by officers, advisors and investment managers.

1.6 The Pension Policy & Investments Committee is committed to playing an active role in the transition to a sustainable economic and societal environment. To that extent, the Pension Fund will continue to seek investments that match its pensions liability profile, whilst having a positive impact on overall society. Greater impact can be achieved through active ownership and lobbying for global companies to change and utilise their resources sustainably.

1.7 With these noble objectives at the forefront, it is important to note that the Pension Policy & Investments Committee has a vital, fiduciary duty to act in the best interests of the LGPS beneficiaries to ensure that their pension benefits are honoured in retirement.

**Policy Implementation: Selection Process**

1.8 The Pension Policy & Investments Committee delegates the individual investment selection decisions to its investment managers. To that extent, the Pension Fund maintains a policy of non-interference with the day-to-day decision-making processes of the investment managers. However, as part of its investment manager appointment process, the Pension Policy & Investments Committee assesses the investment managers' abilities to integrate ESG factors into their investment selection processes.

1.9 This includes, but is not limited to:

a) evidence of the existence of a Responsible Investment policy;

b) evidence of ESG integration in the investment process;

c) evidence of sign-up to the relevant responsible investment frameworks such as the United Nations Principles for Responsible Investment (PRI);

d) evidence of compliance with the Stewardship Code as published by the Financial Reporting Council (FRC);

e) a track record of actively engaging with global companies and stakeholders to influence best practice;

f) an ability to appropriately disclose, measure and report on the overall impact of ESG decisions made.

1.10 As part of its investment selection process, the Pension Policy & Investments Committee will obtain proper advice from the Fund's internal and external advisors with the requisite knowledge and skills. The investment advisor will assess ESG considerations as part of its due diligence process and assess investment managers against the following criteria:

a) for active managers, the advisor will assess how ESG issues are integrated into investment selection, divestment and retention decisions;
b) for passive managers, the investment advisor is aware of the nature of the index construction in the investment selection process places and the proximity of ESG issues in comparison with an active portfolio, but still hold ESG issues in its responsible investment policy as the passive manager actively engages with global companies and stakeholders where appropriate;
c) consideration of whether managers are making most effective use of voting rights and if votes are exercised in a manner consistent with ESG considerations specified by the manager;
d) how significantly managers value ESG issues and whether any specialist teams and resources are dedicated to this area; and
e) how ESG risk assessment is integrated into the portfolio investment selection process and the value and effectiveness of these assessments.

1.11 Investment managers are expected to follow best practice and use their influence as major institutional investors and long-term stewards of capital to promote best practice in the companies/projects in which they invest. Investee companies will be expected to comply with all applicable laws and regulations in their respective markets as a minimum.

**Policy Implementation: Ongoing Engagement and Voting**

1.12 Whilst it is still quite difficult to quantify the impact of the less tangible nonfinancial factors on the economic performance of an organisation, this is an area that continues to see significant improvement in the measurement of benchmarking and organisational progress. Several benchmarks and disclosure frameworks exist to measure the different aspects of available ESG data which include carbon emissions, diversity on company boards and social impact. It is apparent that poor scoring on these ESG factors can have an adverse impact on an organisation’s financial performance. It is therefore important for the appointed investment managers to effectively assess the impact such factors may have on the underlying investment performance.

1.13 The Pension Fund views active engagement as an essential activity in ensuring long-term value and encourages investment managers to consider assessing a range of factors, such as the company’s historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental, governance and social issues.

1.14 Pension Fund officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including ESG considerations. This can be implemented in several forms which include, but are not limited to:

a) Regular meetings with investment managers to assess investment performance and the progress made towards achieving ESG targets;

b) reviewing reports issued by investment managers and challenging performance where appropriate;

c) working with investment managers to establish appropriate ESG reporting and disclosures in line with the Pension Fund’s objectives;

d) contributing to various working groups that seek to positively influence the reporting of industry standards on ESG metrics;

e) actively contributing to the efforts of engagement groups such as the Local Authority Pension Fund Forum (LAPFF), of which the fund is a member (currently 83 LGPS member funds).

1.15 The Pension Fund holds units in pooled equity funds, where our asset managers will have the opportunity to vote at company meetings on our behalf. Engagement with companies can have a direct impact on voting choices and fund manager voting and engagement reports are reviewed on a regular basis.

1.16 The Fund will continue to collaborate with the London CIV on maintaining a shared voting policy for the equity managers on the London CIV platform and actively seek to align these policies with manager insights. Lobbying with other London CIV clients will give the Pension Fund greater control and impact over our voting choices and a centralised process will ensure our voting remains consistent and has the greatest impact.

1.17 The Pension Fund's officers will work closely with the London CIV pool, through which the Pension Fund will increasingly invest, in developing and monitoring its internal frameworks and policies on all ESG issues which could present a material financial risk to the long-term performance of the fund. This will include the London CIV's ESG frameworks and policies for investment analysis, decision making and responsible investment.

1.18 In preparing and reviewing its Investment Strategy Statement, the Pension Fund will consult with interested stakeholders including, but not limited to:

a) Pension Fund employers;

b) Local Pension Board;

c) advisors/consultants to the fund;

d) investment managers.

**Policy Implementation: Training**

1.19 The Pension Policy & Investments Committee and the Fund's officers will receive regular training on ESG issues and responsible investment. A review of training requirements and needs will be carried out at least once on annual basis. Training is intended to cover the latest updates in legislation and regulations, as well as best practice with regards to ESG integration into the pension fund's investment process.

**FOSSIL FUEL DIVESTMENT PRINCIPLES**

1.20 This section will specifically address the Fund's principles for the divestment over time of fossil fuel investments: The four key principles for divestment are set out below:

a) Fossil fuel risk will be incorporated into the overall asset allocation strategy

b) The commitment to reduction in fossil fuel investment is more than a long term risk mitigation strategy.

c) Divestment is not risk free.

d) Engagement and LCIV

1.21 **Principle 1: Incorporation into asset allocation strategy**

i) The primary purpose of the Fund is to meet the pension benefits for the members of the Fund. Every three years the Fund undergoes an actuarial valuation, which estimates the value of pensions due to be paid to members. The result of which allows the Fund to review the asset and investment strategy in order to establish the most appropriate mix of assets to best achieve the required level of net of fees investment return on an appropriate risk adjusted basis, whilst ensuring diversity of assets, sufficient liquidity and appropriate governance of the investments.

ii) The Fund will seek to fully integrate fossil fuel risk into the investment strategy review process, from overarching asset allocation to individual investment choices. All investments will be considered through the lens of fossil fuel risk, but that any investment cannot be separated from the overall investment objectives for the Fund and must be subject to a full business case in consideration of the overall portfolio as well as fees and transition costs.

1.22 **Principle 2: More than a long-term risk mitigation strategy**

i) The Fund has a fiduciary duty to all the employers within the Fund and for the scheme members and as such must manage the investments assets effectively with an investment time horizon in line with the liabilities for the Fund and have due regard to the investment risk inherent within the portfolio

ii) The Fund recognises the risk that fossil fuel investment places upon the Fund for future investment and as such, this document largely involves the desire to mitigate risk.

iii) However, purely focussing upon those investments that are negatively exposed to the decline in profitability and viability of fossil fuel extraction and usage excludes a key consideration for the Fund; identifying those investments that are positioned to gain from such a transition.

iv) The Fund therefore will proactively seek to identify suitable investments that fit within the overall asset allocation strategy and will be the beneficiaries from a low carbon regulatory and investment environment. The Fund will target both a downside risk mitigation strategy and a desire to invest in positive ‘green’ focussed assets.

1.23 **Principle 3: Divestment is not risk free – Potential for negative implications**

i) The Fund has sought to operate an uncomplicated and stable investment structure, resisting short term investment decision making. This approach has proved successful for the Fund with strong investment performance over the previous long term. The implementation of a fossil fuel risk mitigation commitment has the potential to complicate investment decision making.

ii) It is therefore imperative that, as set out in Principle 2, the Fund must seek to incorporate fossil fuel implications into the overarching investment strategy rather than seeking to separately implement fossil fuel risk mitigation approaches.

iii) The Fund has long held a large portion of equity investments as passive (investments that are held in the same proportion as that of the market as a whole) with a current target allocation of 40%. (15% out of this 40% have been invested in Reduced Fossil Fuel Passive Global Equity mandate). This approach acknowledges the challenges and typically higher costs involved in seeking to predict future investment winners and losers. The inclusion of a fossil fuel risk mitigation strategy within this leads to a risk that in the short term the Fund may be negatively exposed to overall market returns if fossil fuel based investments outperform the wider market. Global usage of fossil fuels is still predicted to comprise a significant portion of global energy usage in years to come and as such the Fund must be cognisant of the potential investment returns forgone should fossil fuel usage decline at a rate slower than the market has priced in.

iv) There are likely to be additional management expenses within equity investment mandates that have some element of fossil fuel exclusion. As such the Fund must be confident that the additional risk from holding a portion of the Fund that is exposed to fossil fuels must be considered to be greater than the additional burden of higher management fees and any associated costs of transitioning assets from one mandate to another. It is therefore important for the Fund to collaborate with other local authority partners to work to reduce the costs for such reduced fossil fuel investments.

v) The measurement and assessment of which investments are most exposed to fossil fuels is not straightforward. Some companies may hold fossil fuel reserves or operations which are more damaging to the environment as a result of greater $CO_2$ output but that might be paradoxically less exposed to changing regulatory environment due to lower extraction costs. Companies not directly involved in the production or extraction of fossil fuel may derive significant portions of their revenue from fossil fuel companies. The Fund must ensure that any assessment of exposure to fossil fuels risk is sophisticated and investments are not distorted by inaccurate data.

1.24 **Principle 4: Engagement and Local Authority partnerships – LCIV**

i) There is growing appreciation of the growing risks and opportunities that Pension Funds face from the transition away from traditional fossil fuel usage, including among Local Government Pension Funds. It is important that the Fund works with other Local Authority partners to share knowledge and best practice as well as utilising collective assets to push for the most effective and efficient implementation of reduced fossil fuel strategies.

ii) The Fund will work with local authority partners, such as the London Borough of Hackney, Islington, Haringey as well as the LCIV, the pooled investment vehicle of which the Fund is a shareholder and active supporter, in the application of this commitment. The Fund will also seek to be an active voice in the investment community for the advancement of investment outside of fossil fuels.

iii) The carbon footprint assessment of a portfolio is most commonly applied to listed equities as significant numbers of listed companies publicly report their estimated greenhouse gas emissions using the greenhouse gas protocol standard template for measurement. This allows for greater consistency in comparison between companies and sectors and allows an investor to better understand which elements of the portfolio are the most exposed to fossil fuel risk.

iv) A key element for this document is to not just focus upon the risk to the Fund from fossil fuels but also to invest in assets that are best positioned to benefit from a low fossil fuel environment. Two companies involved in electricity generation may have a very similar current carbon output; but one has focussed capital spend and research on renewable energy and other ‘green’ activities. As part of a portfolio assessment, a data provider can analyse the extent to which income for the portfolio is derived from low fossil fuel sources.

v) This assessment is easier to perform for listed equities, due to the wider availability of company specific data, but can be extended to analyse other assets classes within the portfolio. The Fund commissioned a full assessment of the greenhouse gas exposure within the Fund equity portfolios on a current output and potential output basis. The results of which will allow the Fund to monitor progress in the reduction of exposure as well as to set meaningful targets for this reduction.

1.25 **Timeline:**

1.26 The Fund’s implementation period for fossil fuel reduction is split into three main time horizons, encompassing short medium and long-term objectives.

i) The short term: one-five years (2020-2024)

ii) The medium term: five-ten years (2024–2030)

iii) The long term: beyond ten years (2030+)

1.27 Given the difficulty in predicting the global investment and technological environment in addition to Fund specific liability and investment requirements, longer term periods will likely be subject to significant variability and uncertainty.

**Short Term – From 2020 to 2024**

1.28 Triennial Actuarial Valuation and Investment Strategy Review

The Fund published the most recent actuarial valuation in March 2020, the results are the foundation of the current asset strategy review to be completed June 2021. The asset allocation review aims to ensure that the current investment allocation is appropriate to meet the required investment return to fund future pensions within a suitable risk profile. Where investment underperformance is identified or risk profile changes, either across an asset class or manager specific, any subsequent reallocation will be considered with regard to overall fossil fuel exposure.

1.29 Local Authority Collaboration and Pooling

i) It is important that the Fund works together with other likeminded local authority partners, e.g. London Borough of Hackney, in order to develop suitable fossil fuel reduction opportunities. Collaboration will also seek to mitigate some of the fee and transition cost implications of changing investment allocation.

ii) The Fund will engage with the LCIV through representation by officers and members on key LCIV governance panels to push for the availability of reduced fossil fuel investment and Paris Aligned mandates within the LCIV.

1.30 Fund Managers

i) Committee to appoint a Paris Aligned Active Equity manager/mandate (to further reduce fossil fuels exposure of the two active Global Equity portfolios with LCIV which currently stood just about 15% of the total fund.

ii) Committee to appoint a Renewable Infrastructure manager/mandate or longterm investments in sustainable technology and alternative energy sources with 10% of total fund assets allocated to this strategy.

iii) All Hedge Funds to be redeemed.

iv) The Fund will continue dialogue with MFS Investment Management to ensure that fossil fuel risk is considered as part of stock decision making and that those with significant $CO_2$ output be treated with caution.

1.31 General

i) The Fund commissioned a carbon footprint assessment for the equity portfolios to analyse the overall exposure across each asset classes to identify the most effective methods to reduce the risk from fossil fuels. This analysis demonstrated the proportion of the Fund, which is positively exposed to low carbon or 'green' revenue. Quantifying exposure will allow the Fund to develop meaningful targets for the reduction in fossil fuel exposure over the long term, whilst also identifying the areas of greatest risk within the portfolio.

ii) The Fund will continue to support the work of the Local Authority Pension Fund Forum (LAPFF) as representing 90 local authority pension funds in their engagement with companies to promote best practice climate aware business activities.

iii) Any changes to investment allocations will need to be communicated with key advisors, such as the Fund actuary, as well as the Fund's external auditors.

iv) Committee is monitoring PIRC Engagements with Companies on their ESG considerations and Responsible Investment Policies to ensure the engagement is adequate and in line with the Fund's Investment beliefs.

v) Committee continue to review quarterly reports provided by managers to understand their approaches and actions taken in areas such as engagement and voting and how managers are reporting on relevant RI metrics to their investors.

vi) Committee members are meeting with Asset Managers every month for clarification and better understanding of each fund manager Responsible Investment (RI) Policy and how to work effectively with the Fund going forward.

vii) Work to be carried out stating Fund Managers RI Policy and alignment with Enfield PF.

viii) Committee to review current investment beliefs, climate policy and SDG aspirations.

ix) Committee to consider Fund approach to Stewardship and TCFD reporting.

**Medium Term – From 2024 to 2030**

1.32 Triennial Actuarial Valuation and Investment Strategy Review

i) The medium term will incorporate the results of the triennial valuation in 2025 and 2028 and will constitute key points for major review of assets and investments to ensure that these are best placed to meet the payment of benefits to members of the scheme. Fossil fuel risks and opportunities incorporated in the consideration for any amendments to the asset allocation strategy.

ii) The carbon footprint and risk analysis will be re-calculated at each triennial asset allocation review and incorporated into the overall portfolio risk assessment.

1.33 Local Authority Collaboration and Pooling

The Fund is committed to working with the LCIV and will seek to comply with the Government requirements for pooled investments. Over the course of this period the proportion of assets under the control of the LCIV will increase significantly, which may limit the availability of reduced fossil fuel investment mandates. Therefore, the Fund will continue to seek to exert influence over the strategic direction of the available investments within the LCIV, alongside other local authority partners, to ensure that these are appropriate for the sustainable strategy that the Fund wishes to implement. The opportunity for reduced fossil fuel or sustainable investment in multi asset mandates will likely develop as part of continued engagement between the Fund and other likeminded members of the LCIV.

1.34 Fund Managers

Continued engagement with fund managers to ensure that fossil fuel risks and opportunities are consistently and appropriately taken into consideration throughout the decision making process.

1.35 General

i) The Fund will continue a policy of engaging with companies through membership of the LAPFF and the LCIV to encourage companies to adopt the highest of standards with regard to fossil fuels and energy efficiency.
ii) The Fund will be able to measure progress made against targets for the proportion of investments exposed to low carbon or green revenues and the overall carbon exposure of the Fund. In the event that elements of the portfolio should be changed then subject to business case and appropriate due diligence, any change in portfolio must be considered in light of the overall investment strategy with regard to fossil fuels.

**Long Term: 2030 onwards**

1.36 Triennial Actuarial Valuation and Investment Strategy Review

The Fund will continue to assess the overall investment strategy as required to meet the pension benefits for members based upon the calculations within the triennial actuarial valuations. As and when asset and manager allocations require amending, the risk of fossil fuel exposure will be incorporated into any due diligence regarding risk and reward decision making.

1.37 Local Authority Collaboration and Pooling

In the long term, the vast majority of assets will be invested through the LCIV so ensuring the availability of suitable opportunities within the LCIV will be key for the continued reduction in fossil fuel investments as well as positioning the Fund to benefit from clean technology and low carbon industries. This will allow the Fund to invest across a variety of disparate asset classes without compromising the ambition to be a long-term sustainable investor.

1.38 Fund Managers

Most of this engagement will be exercised through the LCIV pooled investment vehicle

1.39 General

The Fund will fully incorporated fossil fuel risk, through regular and sophisticated monitoring and portfolio analysis into the investment decision making process. Carbon reduction targets as part of the overall portfolio will play a key role in the increasing percentage of investment assets within sustainable or low carbon income sources.

# London Borough of Enfield – Investment Beliefs (Final - Approved 27/02/2020)

## The Pension Policy and Investment Committee of London Borough of Enfield believes that: -

1. Responsible investment is supportive of long-term risk-adjusted returns, across all asset classes. As a long-term investor, the Fund should invest in assets with sustainable business models in fulfilling its fiduciary duty to the scheme members.
2. Investee companies and asset managers with robust governance structures are better positioned to handle shocks and stresses. They capture opportunities by investing in companies which have weak but improving governance of financially material Environmental, Social and Governance (ESG) issues. [An opportunity is defined by its potential and intention to become aligned with the Fund's objectives and strategy].
3. The Fund Investment managers should include the Fund ESG considerations in their investment processes.
4. It is important to consider a range of ESG risks and opportunities. Investible priorities should be based on the United Nations Sustainable Development Goals (UN SDGs).
5. Climate change (SDG 13, Climate Action) represents a long term material financial risk for the Fund, and will impact our members, employers and our portfolio holdings, and is therefore one of these priorities.
6. It must prioritise the following SDGs in its investment strategy:

a. SDG 7 – Affordable and Clean Energy

b. SDG 9 – Industry, Innovation and Infrastructure

c. SDG 11 - Sustainable Cities and Communities

d. SDG 12 – Responsible Consumption and Production

e. SDG 13 - Climate Action

7. The Fund's appointed Investment Managers are accountable for implementing appropriate responsible Investment policies, tailored to these priorities. The Investment managers should report back on these priorities.
8. Divestment mitigates ESG-related risk, when collaborative engagement with companies by investors and investment managers

fails to produce positive responses, which meet its ESG-related priorities.

9. The exercise of voting rights is consistent with an asset owner's fiduciary duty: The Committee expects its managers to exercise this right fully and reserves the right to direct votes.

Supporting evidence

Investment Theses behind the chosen SDGs (G applies to all)

- SDG7 - Affordable and Clean Energy. Governmental pressure to meet carbon emission goals presents a serious risk to the profitability and assets of traditional energy companies. At the same time, climate-related investment opportunities are available in areas such as energy efficiency and renewable energy sources. (E)
- SDG9 - Industry, Innovation and Infrastructure. Industrial and Infrastructure development represent a long term source of investment and social opportunity as well as a risk of increased emissions / social stress. It also supports goals of social inclusion and gender equality. (E, S)
- SDG11 - Sustainable Cities and Communities. Increasing urbanisation represents a long term source of investment and social opportunity as well as a risk of increased emissions / social stress (E, S)
- SDG12 - Responsible Consumption and Production. Companies running energy efficient and socially responsible operations and supply chains are less exposed to risk and are likely to be favoured by customers and regulators. (E, S)
- SDG13 - Climate change. Climate change and the response of policy makers has the potential to have a serious impact on financial markets. (E)

**London Borough of Enfield**

**PENSION POLICY AND INVESTMENT COMMITTEE**

**Meeting Date: 27 July 2022**

| | |
|---|---|
| **Subject:** | Fossil Fuel Exposure Report as of 31st March 2022 |
| **Cabinet Member:** | Cllr Leaver |
| **Executive Director:** | Fay Hammond |
| **Key Decision:** | **[ ]** |

**Purpose of Report**

1. This report informs Members, the Pension Fund exposure to fossil fuel as of 31 March 2022 comparing this outcome to the 31 March 2021 fossil fuel exposure analysis carried out by the Fund Investment Consultant (Aon).

2. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.

**Proposal(s)**

3. Pension Policy and Investments Committee are recommended to note the contents of this report and the attached Appendix 1.

**Reason for Proposal(s)**

4. The report informs the Pension Policy and investment Committee of the overall fossil fuel exposure of the Enfield Pension Fund as at 31st March 2022.

5. **Relevance to the Council's Corporate Plan**

6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.

8. Sustain Strong and healthy Communities.

**Background**

9. Aon was commissioned to analyse the exposure to fossil fuels (in % and £ terms) at mandate and aggregate level. It is understandable that there might be some mandates, who would have zero exposure as a function of their

investment process and philosophy, whilst other mandates may have greater-than-benchmark exposure.

10. To do this work, Aon liaise with the Fund's managers to provide them with the relevant data (intention being to have a comparable and consistent basis). The information was then reviewed for comparability and any gaps, providing this to the Committee with a reasonable summary in aggregate.

11. Aon will further discuss the process, findings of this work with the Committee at this meeting.

**Workforce Implications**

12. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

**Property Implications**

13. None

**Other Implications**

14. None

**Options Considered**

15. There are no alternative options.

**Conclusion**

16. The Fund's exposure to fossil fuels – as measured by investment in physical or synthetic debt or equity of a firm which produces, extracts, or explores for oil, gas, or coal as a material part of its business model – was c.1.2% of Fund value, or c.£17.9m as at 31 March 2022.

17. This is slightly higher in money terms than the exposure of 0.9%, or £13.1m in sterling terms, as at 31 March.

18. As expected, a number of the Fund's managers have zero exposure.

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Date of report 14th July 2022

**Appendices**
Appendix 1 – Enfield Pension Fund Exposure to fossil fuels as of 31 March 2022

# Review of fossil fuel exposure

## Quantifying the Fund's holdings

As agreed, we have engaged with each of the Fund's managers to establish the extent of their investment in oil, gas, and coal firms. The aggregate exposure, as expected, remains materially lower than the figures shared by Divest Enfield.

### At a glance…

- The Fund's exposure to fossil fuels – as measured by investment in physical or synthetic debt or equity of a firm which produces, extracts, or explores for oil, gas, or coal as a material part of its business model – is **c.1.2% of Fund value**, or **c.£17.9m** as at 31 March 2022.
  - This compares to the Divest Enfield press release figure as at 31 December 2020 of 2.6%, or £30.0m. A summary of the methodology used by Divest Enfield to arrive at this figure is given in this report.
  - This is higher than the exposure as at 31 December 2021 of 0.9%, or £13.7m in sterling terms. The increase was largely driven by a 3.2% average increase in fossil fuel exposure from the hedge fund holdings over the quarter, amounting to an increase of c.£2.3m in sterling terms.
- A number of the Fund's managers have zero exposure.

### Divest Enfield/Friends of the Earth methodology

As discussed with you previously, due to the lack of visibility which the report's authors have into the assets of the Fund (and indeed every other LGPS assessed), the methodology used to derive the fossil fuel exposure statistics has been proxied using other sources.

In particular, the authors have used the exposure to fossil fuels – measured by a third party (Carbon Underground 200) based on their own analysis of the world's largest 100 coal and oil & gas producers – in public global benchmark equity and bond indices, and assumed that the exposure of each fund has identical exposure to this area as the public benchmark.

### Why bring you this note?

To provide you with a complete picture of the Fund's exposure to coal, oil, and gas.

### Next steps

- **Now:** Discuss summary data shown in this report;
- **Longer-term:** Consider how this aligns with forward looking approach to Responsible Investment, climate change, and monitoring of the Fund's position.

Prepared for: London Borough of Enfield Pension Fund ("the Fund")
Prepared by: Aon
Date: 31 March 2022

Signatory of: UK STEWARDSHIP CODE | 2021

In other words, each of the Fund's mandates has been assumed to have identical exposure – in allocation terms, and in constituent terms – to coal, oil and gas, based on public equity or bond market index exposure.

The true picture of the Fund's exposure is significantly lower, and varies considerably at mandate level.

## Assessing the Fund's exposure

**What did we ask?**

We requested data as at 31 March 2022. We asked each of the managers to provide:

- A full breakdown of the Fund’s exposure to oil, gas and coal, noting that we were looking to establish the extent to which the Fund is invested in debt or equity of a firm which produces, extracts or explores for oil, gas or coal as a material part of its business model; or, where the fund has any synthetic exposure to the same;
- The weights to specific companies making up this aggregate exposure, along with the names of the companies themselves; and
- The geographic breakdown of this exposure.

Notably, each of the Fund's managers showed awareness of the importance of these issues to the Fund, and to UK pension funds in general. Each manager was open and transparent in their data provision.

**Were there any limitations?**

Adams Street, the Fund's private equity manager, provided the requested data but could not disclose individual company names due to confidentiality restrictions. Adams Street were also not able to provide data as at 31 March 2022 as this information was not yet available at time of writing. We have therefore used lagged information as at 31 December 2021 for this mandate.

For the Diversified Liquid Credit fund (“DLC”) we have used data on the Short Dated Credit (“SDC”) managers, with underlying holdings in Asset Backed Securities (“ABS”) managers Janus Henderson and Schroders sector attribution is not available and therefore omitted from this report. We will work with the managers over time to improve the availability of data. Due to the relatively small position sizes of the unclassified holdings this will have a negligible impact on exposure of the DLC.

| Q1 2022 | Market Value (£m) | Percentage (%) | Fossil fuel exposure (%) | Fossil fuel exposure (£m) |
|---|---|---|---|---|
| **Equities** | **656.9** | **43.0** | **1.0** | **6.7** |
| BlackRock Global Passive | 256.2 | 16.8 | 0.5 | 1.4 |
| Trilogy Global Unconstrained* | 0.8 | 0.1 | N/A | N/A |
| MFS Global Unconstrained | 154.3 | 10.1 | 0.0 | 0.0 |
| London CIV Baillie Gifford | 108.5 | 7.1 | 4.9 | 5.3 |
| London CIV JP Morgan | 32.3 | 2.1 | 0.0 | 0.0 |
| London CIV Longview Partners | 104.8 | 6.9 | 0.0 | 0.0 |
| **Private Equity** | **118.3** | **7.7** | **2.5** | **2.9** |
| Adams Street** | 118.3 | 7.7 | 2.5 | 2.9 |
| **Hedge Funds** | **66.7** | **4.4** | **8.6** | **5.7** |
| York Distressed Securities | 3.0 | 0.2 | 49.6 | 1.5 |
| Davidson Kempner International*** | 32.5 | 2.1 | 4.1 | 1.3 |
| CFM Stratus*** | 31.3 | 2.0 | 9.4 | 2.9 |
| **UK Property** | **94.0** | **6.2** | | |
| Blackrock | 42.2 | 2.8 | 0.0 | 0.0 |
| Legal & General | 42.4 | 2.8 | 0.0 | 0.0 |
| Brockton | 9.4 | 0.6 | 0.0 | 0.0 |
| **PFI & Infrastructure** | **73.5** | **4.8** | | |
| IPPL Listed PFI**** | 50.0 | 3.3 | 0.0 | 0.0 |
| Antin | 23.5 | 1.5 | 0.0 | 0.0 |
| **Bonds** | **325.7** | **21.3** | **0.8** | **2.5** |
| BlackRock Passive Fixed and Index-Linked Gilts | 92.4 | 6.0 | 0.0 | 0.0 |
| Western Active Bonds | 96.4 | 6.3 | 0.4 | 0.4 |
| Insight Absolute Return Bonds | 32.4 | 2.1 | 0.9 | 0.3 |
| London CIV Multi-Asset Credit | 55.9 | 3.7 | 2.4 | 1.4 |
| Diversified Liquid Credit | 48.7 | 3.2 | 1.1 | 0.5 |
| **Inflation protecting illiquids** | **122.0** | **8.0** | | |
| M&G Inflation Opportunities | 83.5 | 5.5 | 0.0 | 0.0 |
| CBRE | 38.4 | 2.5 | 0.0 | 0.0 |
| **Cash** | **71.2** | **4.7** | | |
| Enfield Cash | 71.2 | 4.7 | 0.0 | 0.0 |
| **Total Assets** | **1528.2** | **100.0** | **1.2%** | **17.9** |

*Given immaterial holding amount, assumed to be zero.
**Data as at 31 December 2021, as 31 March 2022 data not available at time of writing.
***Figures only consider long positions within funds; these funds also have short positions.
****At time of writing we have not received information from these managers.

**Summary of data**

The table on the page prior illustrates the Fund's exposure at mandate and aggregate level. The appendix breaks down the exposure by geography and company.

A number of mandates hold zero exposure (three of the Fund's equity mandates; and a number of illiquid mandates).

The fossil fuel exposure of the hedge fund managers increased from 5.4% to 8.6% over the quarter or from £3.4m to £5.7m in sterling terms. The main contributor to this increase was CFM Stratus which increased exposure from 6.4% to 9.4% over the quarter and being responsible for £1.1m of the total increase in fossil fuel exposure. This increase was caused by a general increase in the quantity of positions held with direct exposure to fossil fuels. Due to its ongoing liquidation, York Credit's exposure appears significant at 49.5%, however this is a function of the reducing size of the mandate and in Sterling terms equates to c.£1.5m.

The fossil fuel exposure of all other asset classes remained broadly similar to the previous quarter although both the Insight and Western bond funds reported reductions in exposure of 0.7% and 0.3% respectively since 31 December 2021.

## Next steps

As illustrated in this paper, the Fund's holdings in oil, gas and coal are lower than the public press release, as a function of the methodology used to derive the press release figures.

The Pension Policy & Investment Committee ("PPIC") requested that Aon also provide a version of this report that can be published. Therefore, we will also provide alongside this report a high-level summary report with manager-specific data removed that can be shared publicly.

In addition, and as previously noted, the PPIC will have the ability to identify opportunities and integrate ESG views within a range of areas including fixed income and infrastructure (e.g. renewables) as part of implementing the revised investment strategy.

# Further detail – geographic exposure

The table below summarises the geographic breakdown of the Fund's holdings in oil, gas and coal.

| Q1 2022 | Market Value (£m) | Percentage (%) | Fossil Fuel exposure % | North America | UK | Europe (ex. UK) | Other |
|---|---|---|---|---|---|---|---|
| **Equities** | **656.9** | **43.0%** | | | | | |
| BlackRock Global Passive | 256.2 | 16.8% | **0.5%** | 0.4% | 0.0% | 0.2% | 0.0% |
| Trilogy Global Unconstrained* | 0.8 | 0.1% | **N/A** | | | | |
| MFS Global Unconstrained | 154.3 | 10.1% | **0.0%** | | | | |
| London CIV Baillie Gifford | 108.5 | 7.1% | **4.9%** | | | | 4.9% |
| London CIV JP Morgan | 32.3 | 2.1% | **0.0%** | | | | |
| London CIV Longview Partners | 104.8 | 6.9% | **0.0%** | | | | |
| **Private Equity** | **118.3** | **7.7%** | | | | | |
| Adams Street** | 118.3 | 7.7% | **2.5%** | 1.7% | 0.1% | 0.6% | 0.0% |
| **Hedge Funds** | **66.7** | **4.4%** | | | | | |
| York Distressed Securities | 3.0 | 0.2% | **49.5%** | 48.4% | | 1.1% | |
| Davidson Kempner International*** | 32.5 | 2.1% | **4.1%** | 1.6% | 0.6% | 1.3% | 0.6% |
| CFM Stratus*** | 31.3 | 2.0% | **9.4%** | 5.4% | 1.6% | 2.1% | 0.3% |
| **UK Property** | **94.0** | **6.2%** | | | | | |
| Blackrock | 42.2 | 2.8% | **0.0%** | | | | |
| Legal & General | 42.4 | 2.8% | **0.0%** | | | | |
| Brockton | 9.4 | 0.6% | **0.0%** | | | | |
| **PFI & Infrastructure** | **73.5** | **4.8%** | | | | | |
| IPPL Listed PFI**** | 50.0 | 3.3% | **0.0%** | | | | |
| Antin | 23.5 | 1.5% | **0.0%** | | | | |
| **Bonds** | **325.7** | **21.3%** | | | | | |
| BlackRock Passive Fixed and Index-Linked Gilts | 92.4 | 6.0% | **0.0%** | | | | |
| Western Active Bonds | 96.4 | 6.3% | **0.4%** | | | 0.4% | |
| Insight Absolute Return Bonds | 32.4 | 2.1% | **0.9%** | | 0.5% | 0.4% | |
| London CIV Multi-Asset Credit | 55.9 | 3.7% | **2.4%** | 1.6% | 0.7% | 0.1% | 0.0% |
| Diversified Liquid Credit | 48.7 | 3.2% | **1.1%** | 1.0% | | | 0.1% |
| **Inflation protecting illiquids** | **122.0** | **8.0%** | | | | | |
| M&G Inflation Opportunities | 83.5 | 5.5% | **0.0%** | | | | |
| CBRE | 38.4 | 2.5% | **0.0%** | | | | |
| **Cash** | **71.2** | **4.7%** | | | | | |
| Enfield Cash | 71.2 | 4.7% | **0.0%** | | | | |
| **Total Assets** | **1528.2** | **100.0** | **1.2%** | | | | |

*Given immaterial holding amount, assumed to be zero.
**Data as at 31 December 2021, as 31 March 2022 data not available at time of writing.
***Figures only consider long positions within funds; these funds also have short positions
****At time of writing we have not received information from the manager.
Underlying geographic split has been estimated using currency where appropriate.
Numbers may not sum due to rounding

# Further detail – company breakdown

The table below summarises the stock-level % exposure provided by the relevant managers, where this was disclosed, as at 31 March 2022.

| BlackRock Global Passive* | | London CIV Baillie Gifford | | York Distressed Securities | | DK Internat. | | CFM Stratus* | | Western Active Bonds | | Insight Absolute Return Bonds | | London CIV Multi-Asset Credit* | | AIL DLC* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PEMBINA PIPELINE CORP | 0.08 | BHP Group | 2.32 | Next Decade LLC | 48.30 | Shell | 0.60 | BP PLC | 1.42 | Total Capital Intl | 0.38 | Ithaca Energy | 0.49 | Ithaca Energy | 0.39 | Enterprise Products Operating LLC | 0.20 |
| NESTE | 0.18 | Reliance Industries Ltd | 2.55 | Cecon ASA | 1.10 | NOT DISCLOSED | 0.50 | Marathon Petroleum Corp | 0.81 | | | Wintershell Dea | 0.42 | PRAIRIE ECI AC-Term Loan | 0.32 | EnLink Midstream Partners LP | 0.13 |
| CAMECO CORP | 0.25 | | | MILLENNIAL ENERGY VENTURES, llc | 0.10 | Forsight | 0.30 | Neste Oyj | 0.71 | | | | | Summit Midstream Hold | 0.24 | Petroleos Mexicanos | 0.11 |
| | | | | | | Temex | 0.30 | Valero Energy Corp | 0.68 | | | | | Technip Fmc Plc | 0.21 | Energy Transfer LP | 0.10 |
| | | | | | | Citgo | 0.20 | Phillips 66 | 0.64 | | | | | Pioneer Nat Res | 0.18 | Occidental Petroleum Corp | 0.10 |
| | | | | | | NOT DISCLOSED | 0.20 | Exxon Mobil Corp | 0.63 | | | | | Tallgrass Energy Partne | 0.17 | EQT Corp | 0.10 |
| | | | | | | NOT DISCLOSED | 0.20 | Marathon Oil Corp | 0.28 | | | | | Chesapeake Energy | 0.16 | Plains All American Pipeline LP / PAA Finance Corp | 0.08 |
| | | | | | | NOT DISCLOSED | 0.20 | TotalEnergies SE | 0.26 | | | | | Tervita Corp | 0.14 | Ovintiv Exploration Inc | 0.05 |
| | | | | | | NOT DISCLOSED | 0.20 | Equinor ASA | 0.25 | | | | | Buckeye Partners Lp | 0.07 | 5.125 CHENIERE CORP CHRISTI HD 30-JUN-2027 | 0.05 |
| | | | | | | NOT DISCLOSED | 0.10 | Koninklijke Vopak NV | 0.21 | | | | | Cgg Sa 7.75% 01Apr27 REGS | 0.07 | 5.875 CHENIERE CORP CHRISTI HD 31-MAR-2025 | 0.04 |
| | | | | | | NOT DISCLOSED | 0.10 | PBF Energy Inc | 0.19 | | | | | Cgg Sa 8.75% 01Apr27 144a | 0.07 | 6.950 OCCIDENTAL PETROLEUM CORP 01-JUL-2024 | 0.04 |
| | | | | | | NOT DISCLOSED | 0.10 | OMV AG | 0.19 | | | | | Nabors Industries I | 0.05 | 7.000 CHENIERE CORP CHRISTI HD 30-JUN-2024 | 0.03 |
| | | | | | | NOT DISCLOSED | 0.10 | Antero Resources Corp | 0.19 | | | | | Neptune Energy Bond | 0.04 | Plains All American Pipeline LP / PAA Finance Corp | 0.03 |
| | | | | | | NOT DISCLOSED | 0.10 | Subsea 7 SA | 0.16 | | | | | Tullow Oil Plc | 0.03 | EQM Midstream Partners LP | 0.02 |
| | | | | | | | | HF Sinclair Corp | 0.14 | | | | | BP Capital Markets | 0.02 | Energy Transfer LP | 0.02 |
| | | | | | | | | Hess Corp | 0.13 | | | | | Occidental Petroleum Cor | 0.02 | | |
| | | | | | | | | Repsol SA | 0.12 | | | | | Occidental Petroleum Corp | 0.02 | | |
| | | | | | | | | Chevron Corp | 0.12 | | | | | | | | |
| | | | | | | | | Imperial Oil Ltd | 0.11 | | | | | | | | |
| | | | | | | | | Enbridge Inc | 0.11 | | | | | | | | |
| | | | | | | | | Tenaris SA | 0.10 | | | | | | | | |
| | | | | | | | | Suncor Energy Inc | 0.10 | | | | | | | | |
| | | | | | | | | Halliburton Co | 0.10 | | | | | | | | |
| | | | | | | | | SPDR S&P Oil & Gas Exploration & | 0.09 | | | | | | | | |

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Production ETF | | | | | | | | | |
| | | | | | | | | Aker Solutions ASA | 0.09 | | | | | | | | |
| | | | | | | | | Ultrapar Participacoes SA | 0.09 | | | | | | | | |
| | | | | | | | | Clean Energy Fuels Corp | 0.08 | | | | | | | | |
| | | | | | | | | Cheniere Energy Inc | 0.08 | | | | | | | | |
| | | | | | | | | MEG Energy Corp | 0.07 | | | | | | | | |
| | | | | | | | | International Petroleum Corp/Sweden | 0.07 | | | | | | | | |
| | | | | | | | | Denbury Inc | 0.07 | | | | | | | | |
| | | | | | | | | Parkland Corp | 0.07 | | | | | | | | |
| | | | | | | | | APA Corp | 0.06 | | | | | | | | |
| | | | | | | | | Canadian Natural Resources Ltd | 0.06 | | | | | | | | |
| | | | | | | | | Green Plains Inc | 0.06 | | | | | | | | |
| | | | | | | | | Oneok Inc | 0.06 | | | | | | | | |
| | | | | | | | | Saras SpA | 0.06 | | | | | | | | |
| | | | | | | | | EOG Resources Inc | 0.05 | | | | | | | | |
| | | | | | | | | Inpex Corp | 0.05 | | | | | | | | |
| | | | | | | | | Delek US Holdings Inc | 0.05 | | | | | | | | |
| | | | | | | | | Peabody Energy Corp | 0.04 | | | | | | | | |
| | | | | | | | | Murphy Oil Corp | 0.04 | | | | | | | | |
| | | | | | | | | Targa Resources Corp | 0.04 | | | | | | | | |
| | | | | | | | | ConocoPhillips | 0.04 | | | | | | | | |
| | | | | | | | | Diversified Energy Co PLC | 0.03 | | | | | | | | |
| | | | | | | | | PetroChina Co Ltd | 0.03 | | | | | | | | |
| | | | | | | | | John Wood Group PLC | 0.03 | | | | | | | | |
| | | | | | | | | ChampionX Corp | 0.03 | | | | | | | | |
| | | | | | | | | Centennial Resource Development Inc/DE | 0.02 | | | | | | | | |
| | | | | | | | | Kinder Morgan Inc | 0.02 | | | | | | | | |

*Due to large number of holdings, we have only included the most significant holdings and have excluded those that are less than 0.02% (for BlackRock, London CIV Multi-Asset Credit, CFM and AIL). We are happy to share the full data if required.

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