

Quarterly Investment Report

London Borough of Enfield Pension Fund



Prepared for: The London Borough of Enfield Pension Policy & Investment Committee

Prepared by: Colin Cartwright

Date: 31 December 2023

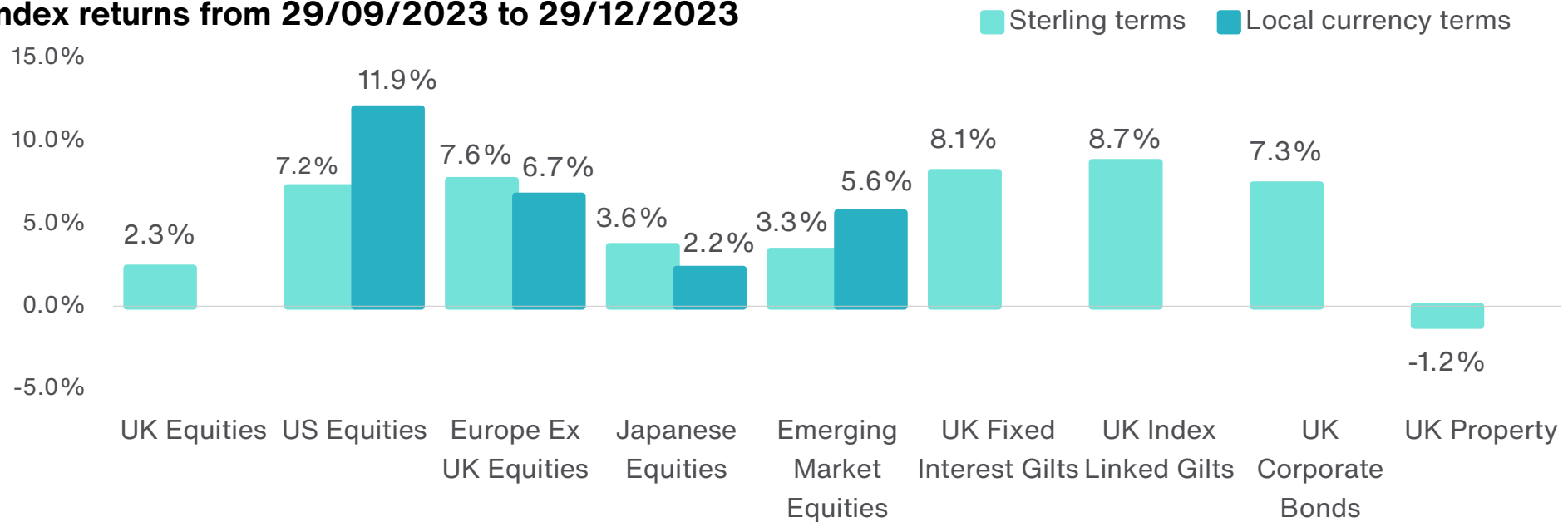


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Q4 2023 Index Returns

Index returns from 29/09/2023 to 29/12/2023

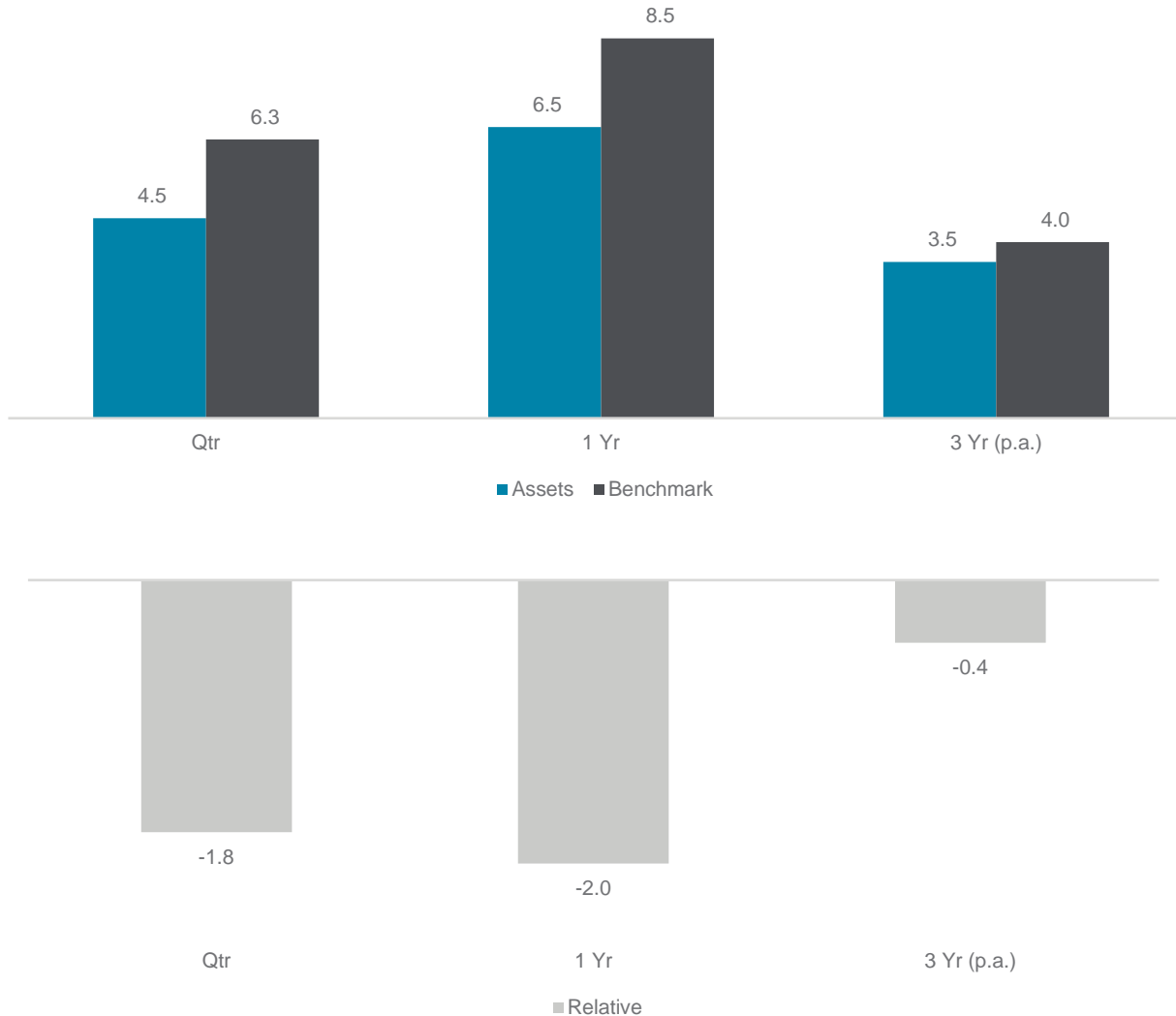


Source: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Credit).

- In Q4 2023, global equity markets rose due to a strong rally in November and December as market participants expected a greater chance of interest rate cuts in 2024. The MSCI AC World index rose 9.5% in local currency terms. However, sterling appreciation against the US dollar pushed down returns in sterling terms to 6.4%.
- Global bond yields moved lower as major central banks around the world kept their interest rates unchanged. The FTSE All Stocks Gilts Index and the FTSE All Stocks Index-Linked Gilts Index rose 8.1% and 8.7% respectively. Investment grade (corporate) bond credit spreads narrowed over the quarter
- The US Federal Reserve (Fed) kept its benchmark policy rate over Q4 at 5.25%-5.5% for the third consecutive meeting. Fed chair Jerome Powell commented that the interest rate is now “likely at or near its peak for this tightening cycle”.
- The Bank of England (BoE) also kept the bank rate unchanged at 5.25% for the third consecutive meeting. The MPC indicated that interest rates would likely need to be kept high for an “extended period of time” and kept the option open for further rate rises “if there were evidence of more persistent inflationary pressures”.

At a glance...

Performance summary (%)




Assets

£1521.3m 

Assets increased by £67.6m over the quarter.

Key performance drivers

It was a strong quarter for traditional asset classes with the Fund's equity and fixed income holdings up 7.0% and 6.8% respectively. Adams Street (-6.6%) was the largest detractor from performance. 

Funding level

104.9%

Funding level as at 30 September 2023.

Source: Aon.



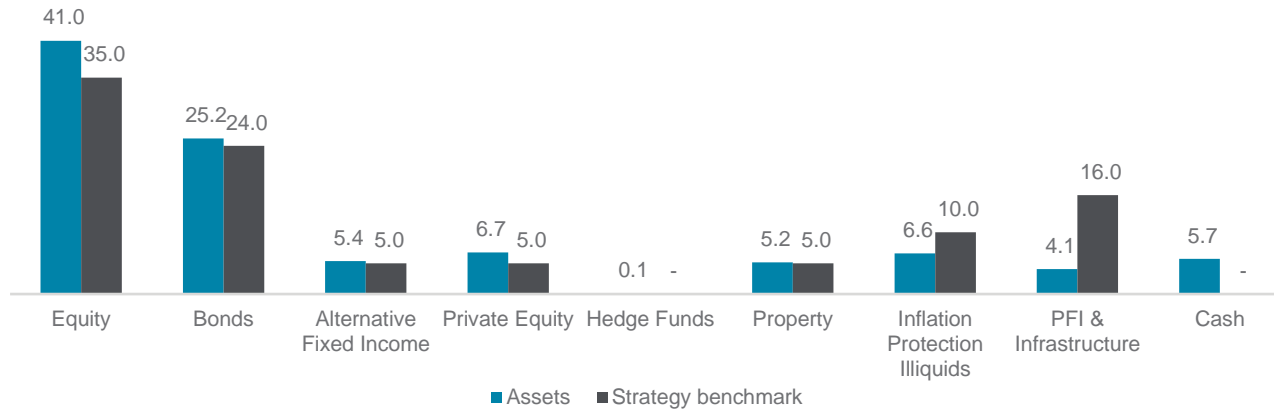
Strategic allocation



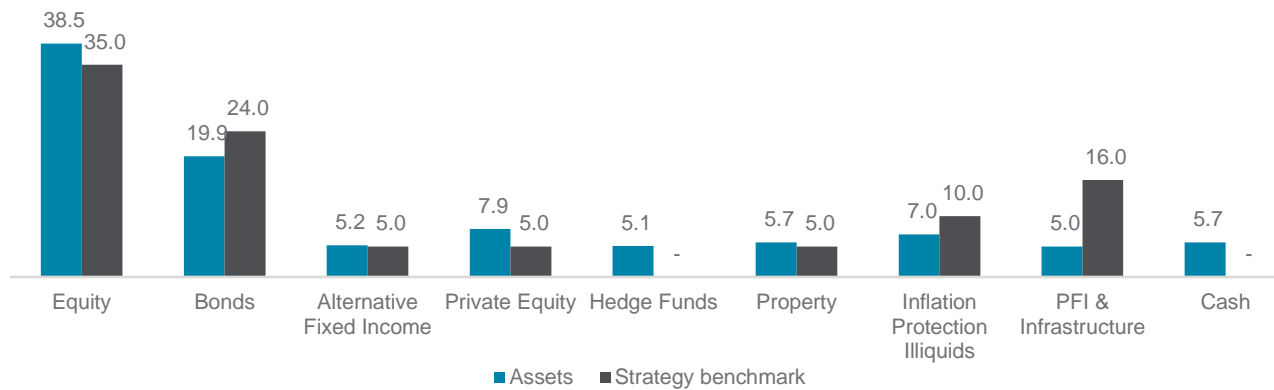
Strategic allocation

The strategic allocations shown are those agreed in 2021.

31 December 2023 strategic allocation & benchmark (%)



31 December 2022 strategic allocation & benchmark (%)



Source: Northern Trust
 Note: Totals may not sum due to rounding.

Key developments



LGIM Property Fund

The LGIM Managed Property Fund’s rating has been changed from Qualified to Buy.

The LGIM Managed Fund is a UK balanced commercial property fund and this rating change will provide our DC clients with an alternative to TPEN, which has been for some time the only Buy rated UK balanced fund capable of accepting DC investors. The fund can accept both DC and DB investors, however we note in the report that given its bias to DC investors (now 78% of the fund by value), there are several structural points that mean that other property funds are likely to be more suitable for DB investors undergoing a new manager search and they should be considered instead.

These issues include the requirement to maintain a higher cash holding and a pressure to invest large DC inflows (which is over £300mn per year now) regardless of the prevailing market conditions.

This situation also has its benefits, that includes removing the risk from redeeming DB investors destabilising the fund. The cash balance has been a positive contributor to performance in the short term given higher cash returns and falling real estate values.

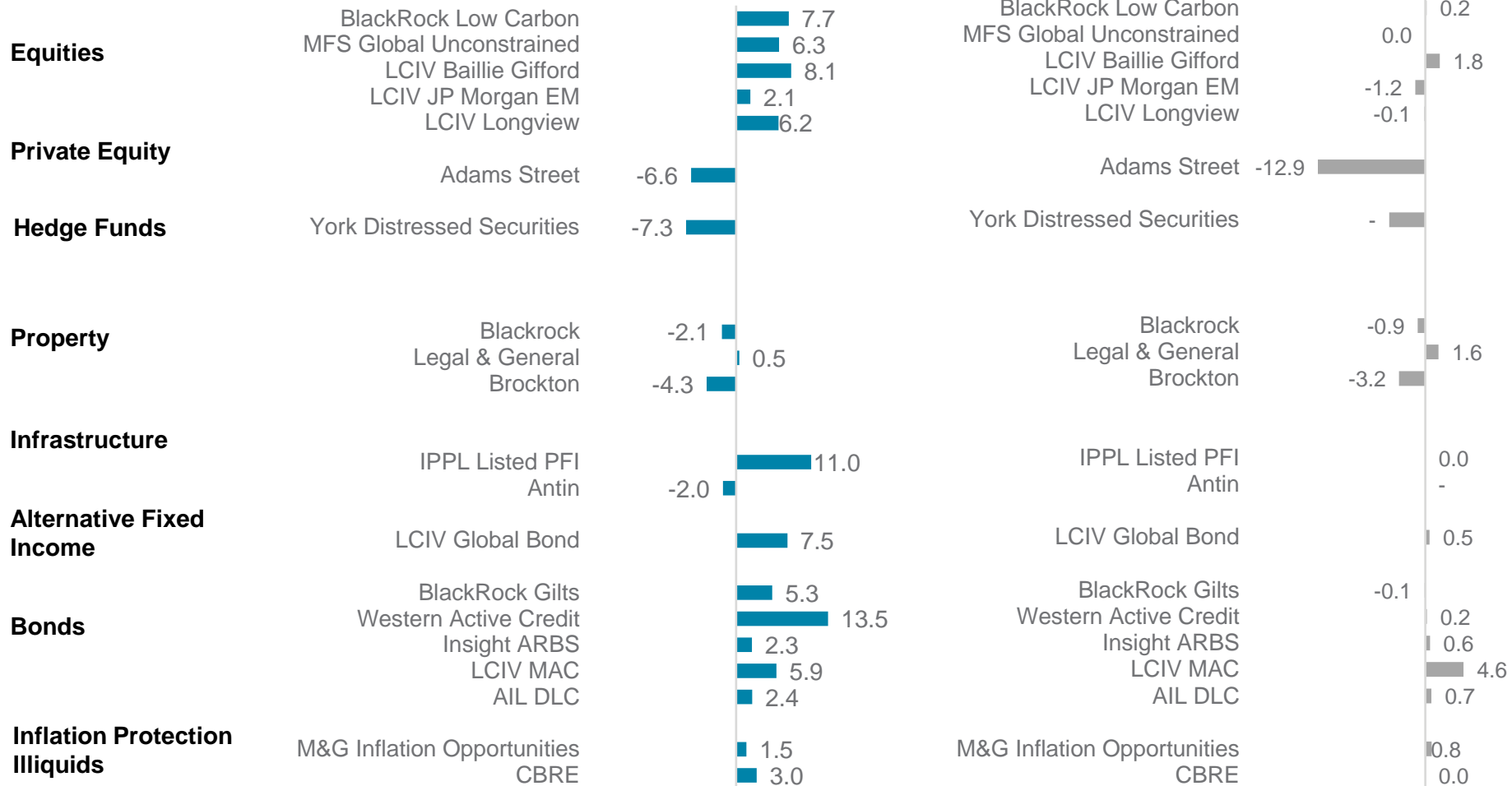
	Rating	%	ESG	Change
Equities		40.1		
BlackRock World Low Carbon	Buy	18.6	Integrated	-
MFS Global Unconstrained*	Qualified	5.4	Advanced	-
London CIV Baillie Gifford	Buy	7.2	Integrated	-
London CIV Longview Partners	Buy	7.9	Integrated	-
London CIV JP Morgan	Qualified	2.1	-	-
Private Equity		6.7		
Adams Street	Qualified	6.7	-	-
UK Property		5.5		
Blackrock	Buy	2.3	-	-
Legal & General	Buy	2.5	-	Yes
Brockton	Buy (closed)	0.6	-	-
PFI & Infrastructure		4.1		
IPPL Listed PFI	Not rated	2.6	-	-
Antin	Buy (closed)	1.3	-	-
London CIV Renewable Infrastructure	Buy	0.1	-	-
Bonds		25.2		
BlackRock Passive Gilts and ILGs	Buy	7.7	Integrated	-
Western Active Bonds	Not Rated	6.9	-	-
Insight Absolute Return Bonds	Buy	2.1	Integrated	-
London CIV Multi-Asset Credit	Qualified	3.8	-	-
AIL Diversified Liquid Credit	Not Rated	4.6	-	-
Alternative Fixed Income		5.4		
London CIV Global Bond Fund	Buy	5.4	Advanced	-
Inflation Protection Illiquids		6.6		
M&G Inflation Opportunities	Buy	4.1	-	-
CBRE	Buy	2.5	-	-

1. Aon does not rate the London CIV. Ratings are shown for underlying managers where appropriate.
2. Aon’s process for reviewing property, private equity & infrastructure strategies has changed. Therefore, from 31 March 2019 onwards Aon’s manager research specialists will not include sub-ratings for property, private equity & infrastructure strategies.
3. Ratings shown for BlackRock equity are for BlackRock’s passive equity capabilities and not specific to the Low Carbon Index in which the Fund is now invested, which is yet to be approved by our research team.
4. We have omitted the legacy Trilogy and York holdings due to the small allocations that are being redeemed over time. Total sum does not add to 100% due to omission of Trilogy, York and cash holdings.
5. Ratings for LCIV MAC are based on CQS as an underlying manager. Please see London CIV Global Bond Fund ratings for the other underlying manager PIMCO.

Managers – Quarterly performance

Q4 2023 absolute performance (% pa)

Q4 2023 relative performance (% pa)

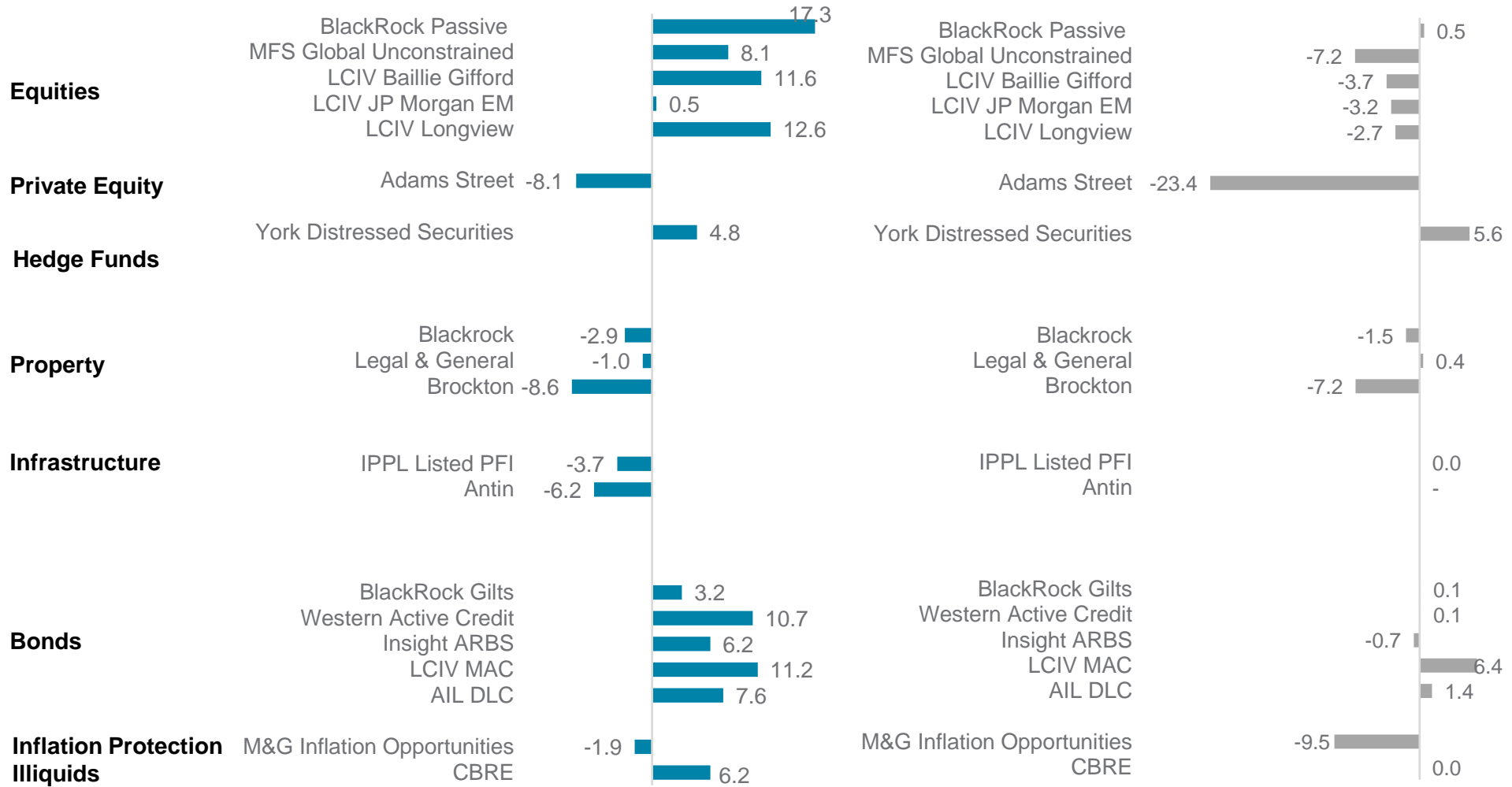


Source: Northern Trust. Performance is net of fees. Relative performance may be rounded.

Managers – Annual performance

1 year absolute performance (% pa)

1 year relative performance (% pa)



Source: Northern Trust. Performance is net of fees. Relative performance may be rounded.



Appendix

Additional comments on performance data

IPPL is measured against the UK Retail Price Inflation (RPI) index.

Adams Street and Brockton are close ended funds and traditional time weighted returns are not reflective of true performance. Adam Street numbers are IRR figures. Returns are lagged by a quarter due to the nature of the asset class.

The Adams Street and York returns will partly reflect currency movements.

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