

The background of the page is a close-up photograph of water ripples, with a blue and green color palette. The ripples are concentric circles of varying sizes, creating a textured, organic pattern.

# Quarterly Investment Report Q2 2024

London Borough of Enfield Pension  
Fund

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

Prepared by: Aon

1 October 2024

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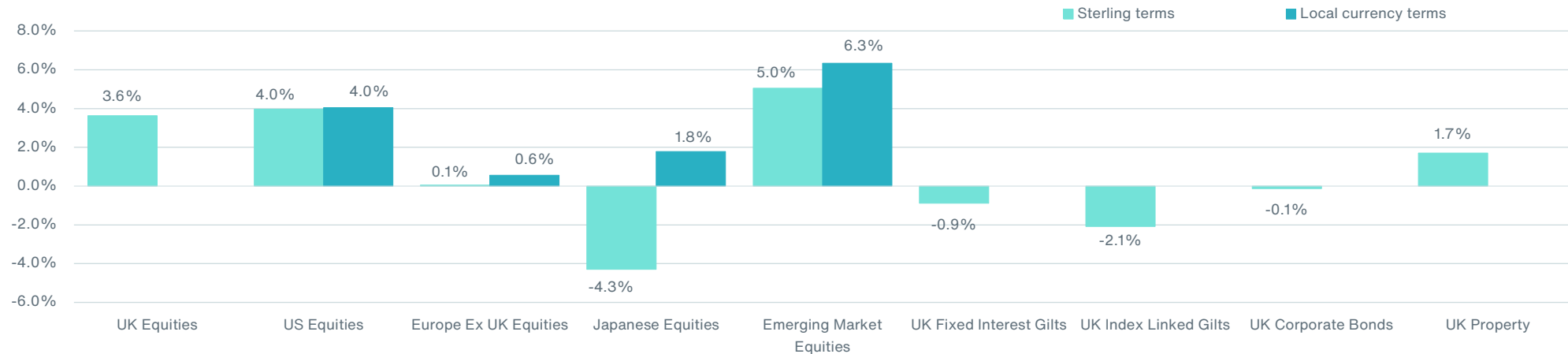
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At a glance

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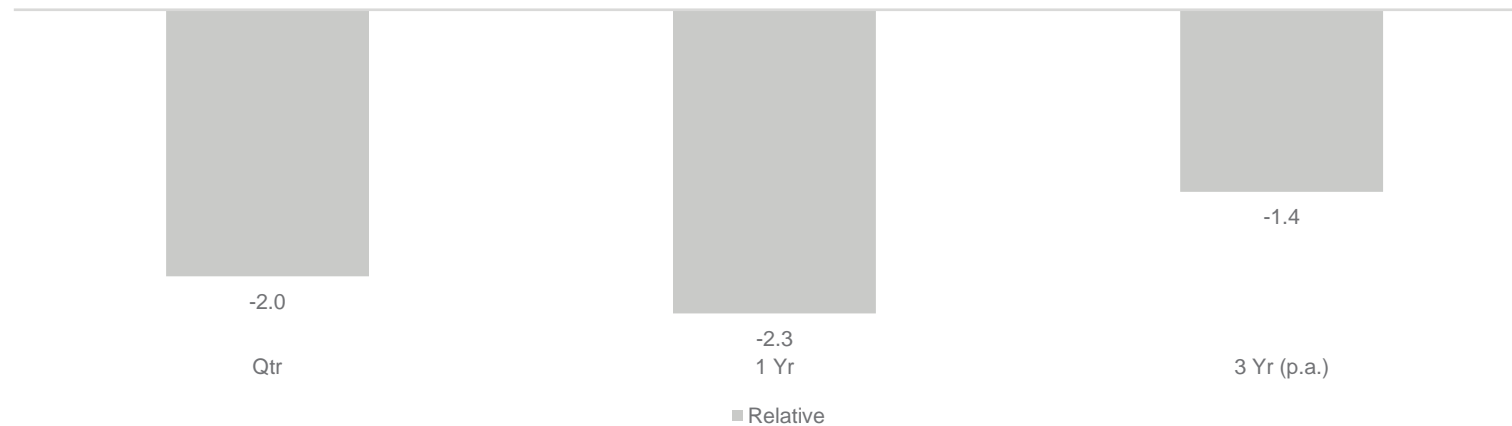
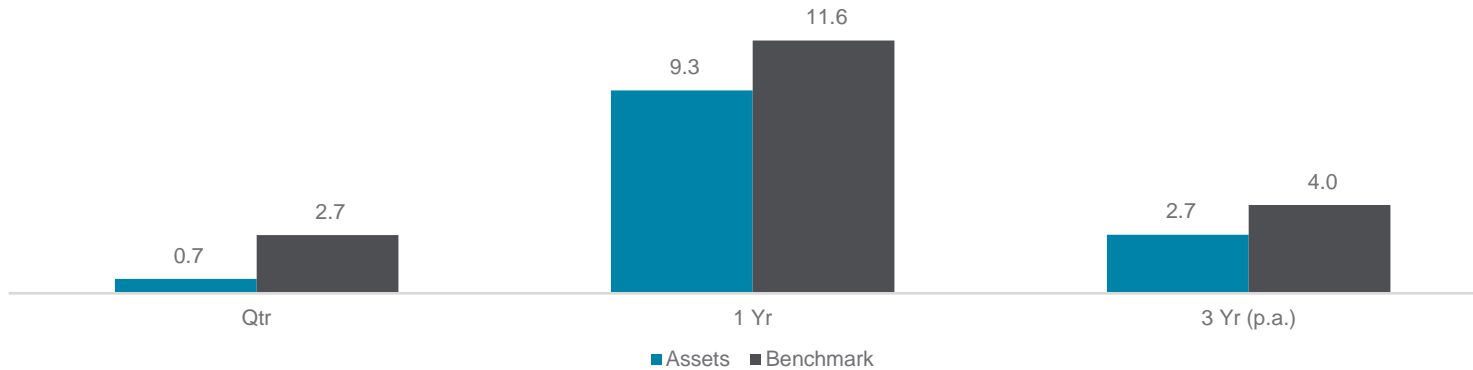
# Q2 2024 Index Returns



- In Q2 2024, global equity markets rose. Over the quarter, the MSCI ACWI rose 3.5% in local currency terms. However, sterling appreciation against the euro and yen pushed down returns in sterling terms to 2.9%.
- Global bond yields trended higher on a shift in expectations towards slower interest rate cuts by major central banks. The FTSE All Stocks Gilts Index and the FTSE All Stocks Index-Linked Gilts Index fell 0.9% and 2.1% respectively. Investment grade (corporate) bond credit spreads marginally widened over the quarter, causing the iBoxx Sterling Non-Gilts index to post a -0.1% return in Q2 2024, still outperformed government bond indices.
- The US Federal Reserve (Fed) kept its interest rate unchanged at 5.25%-5.5%. The Federal Open Market Committee (FOMC) stated that it does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2%. Post quarter end, on 18<sup>th</sup> September 2024, the Fed cut rates by 50bps (0.5%) to a range of 4.75%-5.50%. This was the first time the Fed has cut interest rates in more than four years.
- The Bank of England (BoE) kept its policy interest rate at 5.25%. The Monetary Policy Committee (MPC) voted 7-2 to maintain the current rate in June, with two members voting for a 25 basis point rate cut. BoE governor Andrew Bailey expressed optimism about recent encouraging inflation data, emphasising the need to ensure inflation remains low. Post quarter end, in August the BoE cut rates by 25bps to 5.00%, delivering its first cut in more than four years. In a meeting held on 19 September 2024, the MPC decided to keep rates unchanged, in line with market expectations. Yields rose across the curve post-meeting, with yields at the 10 year maturity period seeing the greatest jump.
- The UK Property Index returned 1.7% over the quarter. Property capital values appreciated, rising 0.2%, whilst Income return remained relatively stable at 1.5%. Overall, capitalisation rates have increased over the last year.
- UK property capital values continued to rise over the second quarter leading to a total return of 1.7%. Capital values rose by 0.2% and the income return was 1.5%. The Office sector was the worst performer, returning -0.2%, while the Retail sector was the best performer, returning 2.8%. The Industrial sector rose 1.9%.

# At a glance...

## Performance summary (%)



### Assets

£1586.0m



Assets increased by £6.3m over the quarter.

### Key performance drivers

It was a challenging quarter for traditional asset classes with the Fund's bond holdings broadly flat and the equity holdings underperforming the composite benchmark.

### Funding level

104.9%\*

\* Funding level based on liabilities as at 30 September 2023 (latest available at time of writing report)

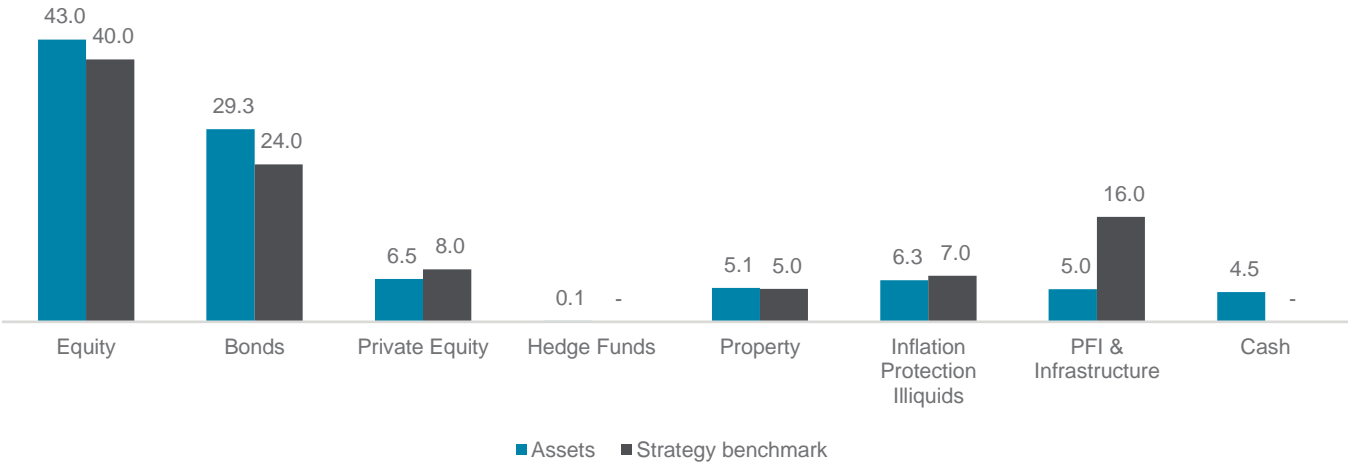
# Strategic allocation



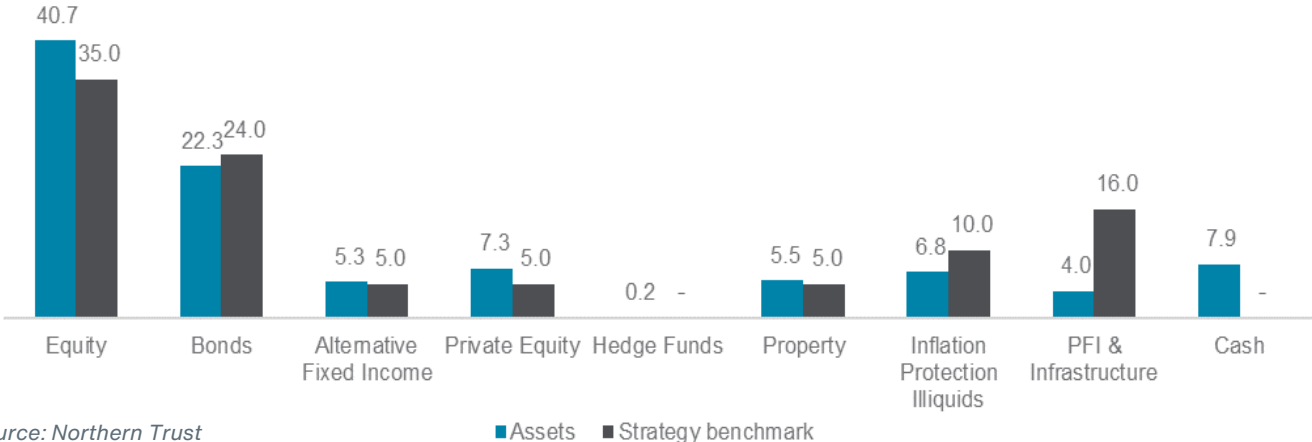
## Strategic allocation

The strategic allocations shown for the 30 June 2024 graph are those agreed in 2024 and for the 30 June 2023 graph are those agreed in 2021.

30 June 2024 strategic allocation & benchmark (%)



30 June 2023 strategic allocation & benchmark (%)



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

# Key developments

## MFS

In September 2024 it was announced that Matthew Scholder and David Falco, will become co-chief investment officers of the Equity investment team at MFS. They will join the current co-CIO of Equity, Jeanine Thomson, who has served since 2020.

At the time of writing, we are discussing the impact of these organisational changes with our internal manager research team and will provide an update at the PPIC Meeting.

## Antin

Following existing investors seeking additional liquidity, at the end of March, Antin decided to mandate Lazard to facilitate a coordinated process to offer a liquidity option to all Fund III and Fund IV investors who would like to consider it. As the Fund is a long-term investor and does not have any immediate liquidity requirements or reasons to sell, and pricing was not attractive, the Fund agreed to not partake in this exercise.

## Western Active Bonds

Post quarter end, Western Asset Management announced that Co-CIO Ken Leech was taking an immediate leave of absence to address the receipt of a Wells Notice from the Securities and Exchange Commission.

At present and based on the limited information provided due to the ongoing nature of the investigations, Aon's Operational Risk Solutions & Analytics (ORSA) team considers the situation fluid and continues to monitor the situation as there has not been any detailed information about the underlying securities involved, potential impact on Aon clients' exposure, or actionable items that warrant decision-making from an ORSA rating standpoint.

As we assess both the investment and organizational aspects of the news, our internal manager research team have moved all strategies that we cover to "In Review". It is important to note that the leave of absence of Leech will not impact all Western strategies equally. On that basis, we would not recommend taking any immediate action for the time being.



	Rating	%	ESG	Change
<b>Equities</b>		<b>43.0</b>		
BlackRock World Low Carbon	Buy	19.9	Integrated	-
MFS Global Unconstrained*	Qualified	5.4	Advanced	-
London CIV Baillie Gifford	Buy	7.6	Integrated	-
London CIV Longview Partners	Buy	8.1	Integrated	-
London CIV JP Morgan	Qualified	2.0	-	-
<b>Private Equity</b>		<b>6.5</b>		
Adams Street	Qualified	6.5	-	-
<b>UK Property</b>		<b>5.1</b>		
Blackrock	Buy	2.1	-	-
Legal & General	Buy	2.4	-	-
Brockton	Buy (closed)	0.7	-	-
<b>PFI &amp; Infrastructure</b>		<b>5.0</b>		
IPPL Listed PFI	Not rated	2.3	-	-
Antin	Buy (closed)	1.3	-	-
London CIV Renewable Infrastructure	Buy	0.5	-	-
Blackrock GBL INF	Buy	0.8	-	-
<b>Bonds</b>		<b>29.4</b>		
BlackRock Passive Gilts and ILGs	Buy	7.4	Integrated	-
Western Active Bonds	In Review	6.4	-	-
Insight Absolute Return Bonds	Buy	2.1	Integrated	-
London CIV Multi-Asset Credit	Qualified	3.8	-	-
AIL Diversified Liquid Credit	Not Rated	4.4	-	-
London CIV Global Bond Fund	Buy	5.2	Advanced	-
<b>Inflation Protection Illiquids</b>		<b>6.3</b>		
M&G Inflation Opportunities	Buy	4.1	-	-
CBRE	Buy	2.3	-	-

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 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.

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Performance

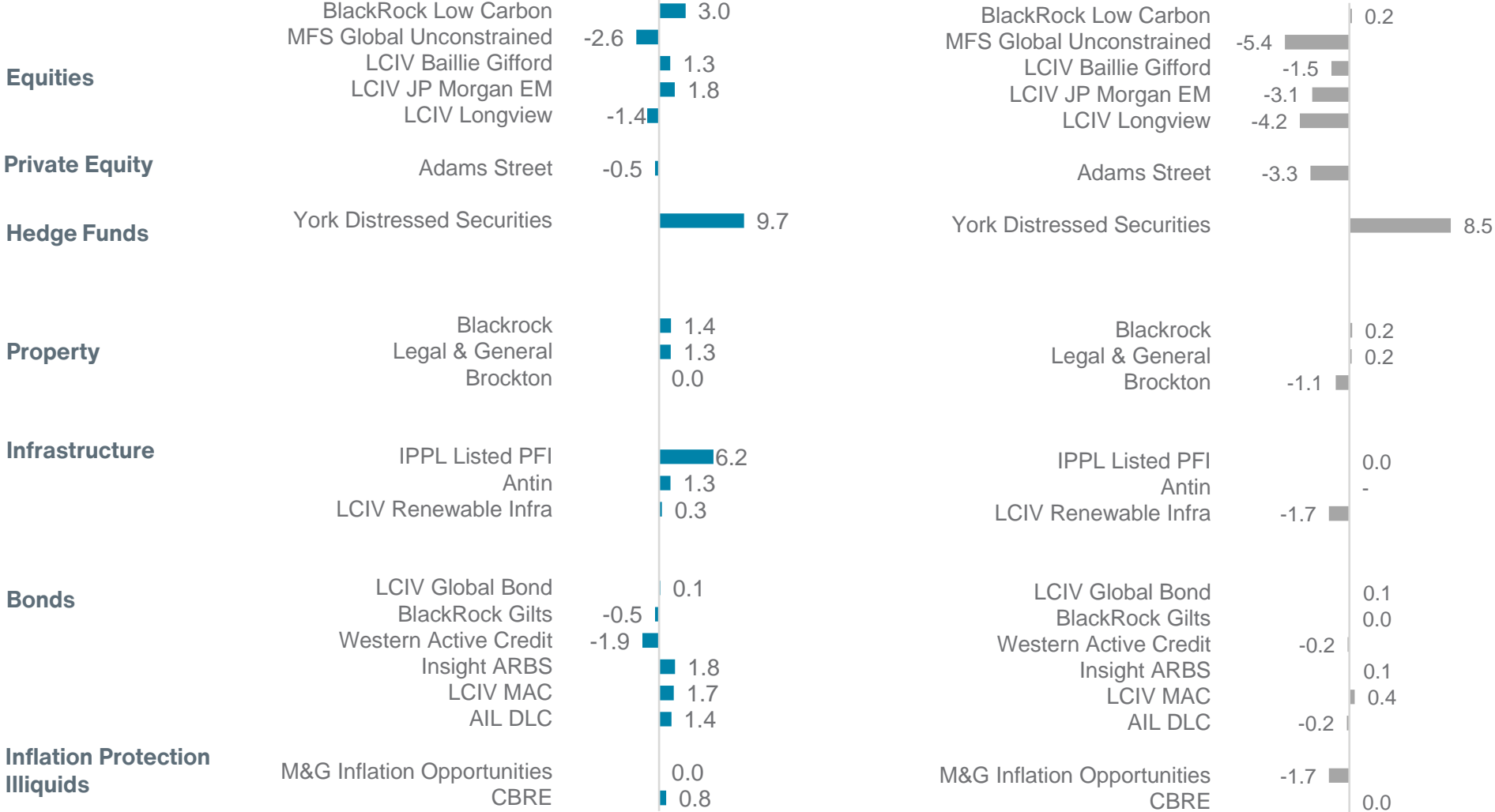
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# Managers – Quarterly performance

Q2 2024 absolute return (% pa)

Q2 2024 relative performance (% pa)



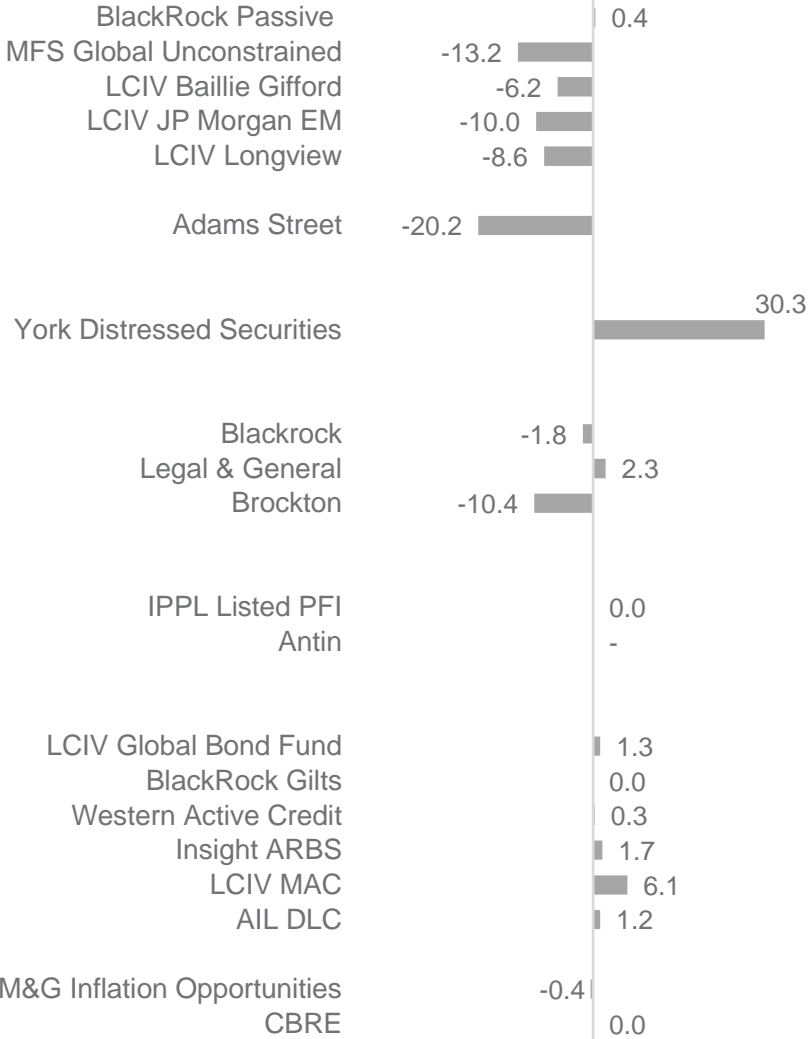
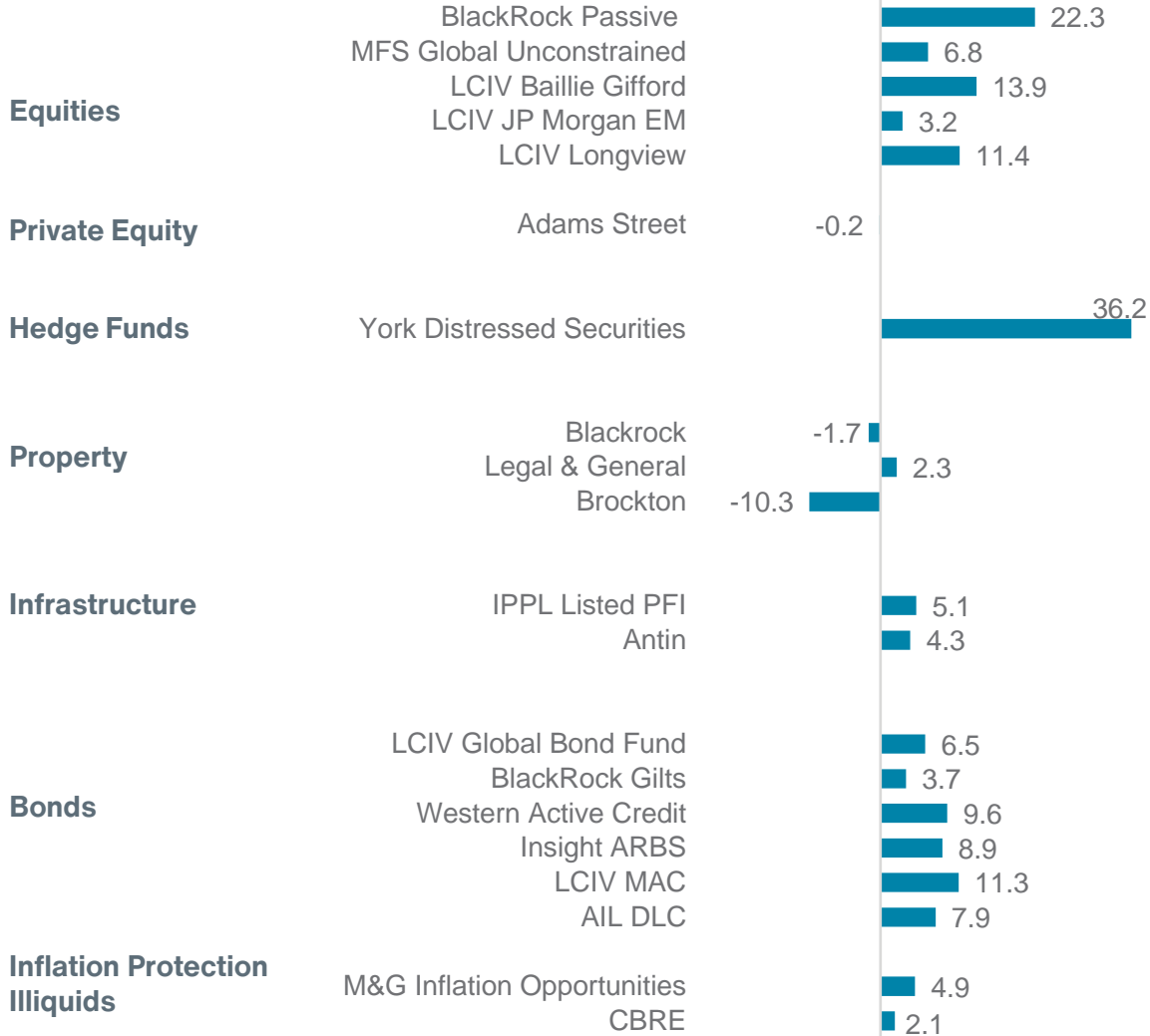
Source: Northern Trust. Performance is net of fees. Relative performance may be rounded.



# Managers – Annual performance

1 year absolute return (% pa)

1 year relative performance (% pa)



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## Appendix

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# 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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