

PENSIONS COMMITTEE

20 March 2024

Title: Pension Fund Quarterly Monitoring 2023/24 – 1 October to 31 December 2023	
Report of the Chief Operating Officer	
Open Report	For Information
Wards Affected: None	Key Decision: No
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Accountable Director: Jo Moore, Interim Strategic Director Finance and Investment (Section 151)	
Accountable Strategic Leadership Director: Fiona Taylor, Chief Executive	
Summary This report provides information for employers, members of London Borough of Barking and Dagenham Pension Fund (“the Fund”) and other interested parties on how the Fund has performed during the quarter 1 October to 31 December 2023. The report updates the Committee on the Fund’s investment strategy and its investment performance.	
Recommendation(s) The Pension Committee is recommended to note: (i) the progress on the strategy development within the Fund, (ii) the Fund’s assets and liabilities daily value movements outlined in the report, and (iii) the quarterly performance of the fund collectively and the performance of the fund managers individually.	

1. Introduction and Background

1.1 This report provides information for employers, members of the LBBB Pension Fund (“the Fund”) and other interested parties on how the Fund has performed during the quarter 1 October to 31 December 2023 (“Q4”). The report updates the Committee on the Fund’s investment strategy and performance. Appendix 1 provides a definition of terms used in this report. Appendix 2 sets out roles and responsibilities of the parties referred to in this report. A verbal update on the unaudited performance of the Fund for the period to 19 March 2024 will be provided to Members at the Pension Committee.

2. Independent Advisors Market Background (Q4 2023)

- 2.1 The October to December Quarter was clearly positive for both Equities and Bonds. After a negative October both November and December were strong months for Equities and Bonds. Losing 3% (in US \$ terms) in October the MSCI World Index then experienced a strong two-month rally resulting in the index gaining over 11% over the Quarter. Reducing and lower than anticipated levels of reported inflation in the US and Eurozone in November and December led to widespread financial market expectations that interest rates would not increase further and would clearly reduce in 2024. This, coupled with a more dovish stance by the US Federal Reserve (at its December meeting), clearly boosted Equity markets and Bond markets in November and December 2023. Those Equities, such as Information Technology, which are most sensitive to (anticipated) interest rate changes performed particularly well.
- 2.2 The Quarter started off negatively for Equities in the United States as elsewhere. The S&P 500 index declined by 2% during October with market expectations of high interest rates for longer (likely influenced by the statement by Chair Jay Powell at the conclusion of the Federal Open Markets Committee meeting on 20 September when he clearly did not rule out possible “additional policy firming” together with headline CPI for September (reported in October) remaining static at 3.7%), and also the conflict in the Middle East which broke out on 7 October 2023.
- 2.3 In contrast to October both November and December 2023 were positive for US Equities. In November and December US Equity markets were boosted by renewed expectations that interest rates had not only peaked but would fall in 2024. The reduction in headline CPI from 3.7% in September to 3.2% in October (which was reported on 14 November) led markets to anticipate that rates would likely fall. This view was supported by the further reduction in CPI to 3.1% in November (reported 12 December) and by the outcome of the meeting of the US Federal Reserve Federal Open Markets Committee (FOMC) which concluded on 13 December. Not only did the FOMC hold interest rates for the third consecutive meeting, but projections issued at the end of the meeting indicated that FOMC participants anticipated rate cuts totalling 0.75% during 2024. The S&P index gained 9% in November and over 4% in December. After allowing for the decline in October the S&P 500 index gained over 11% during the final Quarter of 2023.
- 2.4 At the meetings of the US Federal Reserve Federal Open Markets Committee held on 31 October/1 November and 12-13 December the Federal Funds Rate (the benchmark interest rate) was held at 5.25-5.5%. However, further evidence of cooling US inflation was provided by the Core PCE (Personal Consumption Expenditures Index) which is closely observed by the US Federal Reserve when determining monetary policy. Although the Index remained above the target of 2% it reduced from 3.6% in September, to 3.4% in October, to 3.2% in November and 2.9% in December 2023. The 3.2% November figure reported on 22 December was taken by market participants/commentators as a further indication of likely interest rate cuts in 2024.
- 2.5 While October was negative Eurozone Equities also experienced a clearly positive November and December 2023 with the MSCI EMU index gaining almost 8% (in Euro terms) over the Quarter. Inflation figures from the Eurozone (as well as the US) were lower than had been anticipated and were supportive of Equities and Bonds. The Harmonised Index of Consumer Prices (HICP) for October (which influenced markets in November) was 2.9% compared to 4.3% for the previous month. The November

HICP inflation reading fell further to 2.4%. In contrast to the decisions at its previous ten meetings (to increase rates) the Governing Council of the European Central Bank kept interest rates “unchanged” at its meeting held on 26 October 2023. At its meeting on 14 December the Governing Council again kept interest rates “unchanged”.

- 2.6 The October and December decisions of the ECB along with the statements issued/made to accompany these decisions reassured markets that the ECB has ended its long sequence of interest rate rises (which began in July 2022). Both the Press Releases and Press Conferences (led by ECB President Christine Lagarde) following the October and December meetings, however also, clearly indicated that the ECB will be cautious in respect of decisions to reduce interest rates. The Press Releases issued after the October and December meetings included the statement “The Governing Council is determined to ensure that inflation returns to its 2% medium-term target in a timely manner. Based on its current assessment, the Governing Council considers that the key ECB interest rates are at levels that, maintained for a sufficiently long duration, will make a substantial contribution to this goal. The Governing Council’s future decisions will ensure that its policy rates will be set at sufficiently restrictive levels for as long as necessary.”
- 2.7 United Kingdom CPI inflation which had been 6.7% in August remained at 6.7% in September (as reported by the Office for National Statistics (ONS) on 18 October 2023). However, the October data (released on 15 November) showed a significant decline to 4.6% which was lower than market/economists’ expectations. The November CPI data (released 20 December) recorded a further notable decline to 3.9% which again exceeded expectations. The Bank of England at its Monetary Policy Committee (MPC) meetings on both 2 November and 14 December retained Bank Rate at 5.25%. These represented the second and third successive meetings at which interest rates had been held rather than increased. However, like the European Central Bank, the Bank of England also indicated clear caution regarding actual interest rate cuts. The Monetary Policy Summary issued at the end of the December meeting included the statement “Monetary policy will need to be sufficiently restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term, in line with the Committee’s remit. As illustrated by the November Monetary Policy Report projections, the Committee continues to judge that monetary policy is likely to need to be restrictive for an extended period of time.”
- 2.8 The apparent ending of monetary policy tightening (interest rate rises) by the Bank of England together with clearly lower than anticipated inflation and a weak/weakening economy (as indicated by GDP data released by the ONS on 10 November and 13 December) were all indicators suggesting to markets/economists (notwithstanding cautionary statements by the Bank of England) that could indicate/result in forthcoming cuts to Base Rate. In this environment UK Equities also rose over the Quarter but, as a whole, by less than US or Eurozone stocks. The FTSE All Share advanced 4.5% over the Quarter.
- 2.9 Japanese Equities, although underperforming world markets as a whole, also experienced a positive Quarter with the Nikkei 225 advancing by 5% (in Yen terms). Japanese inflation which was 3.0% in September rose to 3.3% in October before falling back to 2.8% in November and 2.6% in December. Overall, however, this indicated continuing evidence that Japan has genuinely exited its prolonged period of extremely low inflation with price increases exceeding the Bank of Japan’s 2% target since April 2022. Indeed, the Bank of Japan expects inflation to continue to exceed 2% throughout

2024 with the “Statement on Monetary Policy” issued following the 18-19 December monetary policy meeting including the statement that “The year-on-year rate of increase in the CPI (all items less fresh food) is likely to be above 2 percent through fiscal 2024.”

- 2.9 The Bank of Japan continued to be the only major Central Bank to retain negative interest rates. At both its meeting held on 30-31 October and 18-19 December short term interest rates were maintained at -0.1%. However, at the October meeting there was (as at the July meeting) a further small softening of the monetary policy approach in that the Bank’s 10 Year Japanese Government Bond Yield target limit of 1% was changed from a solid limit to “a reference.” Therefore, the Bank changed its policy to allow yields on 10 Year Japanese Government Bonds to rise above 1%. Notably, however, at the press conference following the December policy meeting Kazuo Ueda the Governor of the Bank of Japan was clear that the Bank of Japan was not yet ready to determine its exit from its ultra loose monetary policy approach and that if it did interest rates would (only) rise slowly.
- 2.10 Asian Markets (excluding Japan) and Emerging Markets also clearly advanced during the Quarter. The MSCI Emerging Market Index gained 8% (in US \$ terms) while the MSCI Asia (excluding Japan) Index gained over 6%. While both Asian and Emerging Market Equities had, overall, a negative October (as did world Equities as a whole) they gained particularly in November and also advanced in December. Increased expectations of US interest rate reductions positively affected markets. Chinese Equities however again performed negatively over the Quarter in the light of continuing concerns regarding the Chinese economy including in respect of the property market and the (lack of) extent of government measures to stimulate the economy.
- 2.11 In contrast to the previous two Quarters the October to December Quarter was overall, very positive for the benchmark Government Bonds with yields clearly falling and prices therefore clearly rising. This is demonstrated by the notable reduction in the yields of all of the US, UK and German 2,10- and 30-year Bond Yields. For example, the yield on the 10 Year US Treasury fell from 4.57% to 3.88% while that on the 10 Year Gilt fell from 4.44% to 3.54%. Corporate Bonds also had a very successful Quarter. Market expectations of interest rate reductions sooner rather than later (influenced heavily by falling and indeed lower than expected inflation) were doubtlessly a major factor in this.

3. Overall Fund Performance

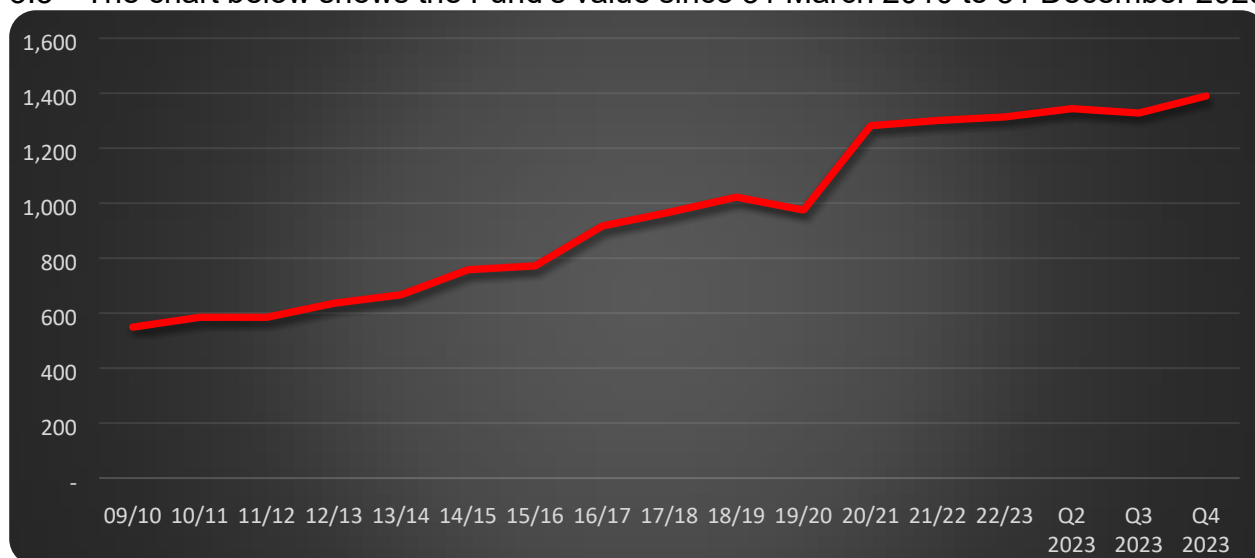
- 3.1 The Fund’s closed Q4 valued at £1,390.20m, an increase of £61.7m from its value of £1,328.46 at 30 September 2023. Cash held by the Fund was £0.6m giving a total Fund value of £1,391.40. The gross value includes a short-term loan to the council of £14.5m. Adjusting for this increases the Q4 value to £1,405.30m, an increase of £70.7m from the 30 September 2023 figure of £1,334.57m
- 3.2 For Q4 the Fund returned 5.1%, net of fees, outperforming its benchmark of 4.5% by 0.6%. Over one year the Fund underperformed its benchmark by 1.7%, returning 9.7% and underperformed the benchmark by 2.7% over three years, returning 4.7%. The Fund has also underperformed its benchmark over five years by 1.5%, returning 7.5%. Compared to the LGPS universe of Funds, represented below by the PIRC Universe, the Fund has outperformed by 1.7% over one year and underperformed over two years by 0.3%. The Fund’s returns are below:

Table1:

Year	2023				2022				One Yr	Two Yrs	Three Yrs	Five Yrs	Ten Yrs
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1					
Actual Return	5.1	(0.5)	2.0	3.1	2.9	(1.2)	(6.3)	(2.8)	9.7	1.2	4.7	7.5	7.5
Benchmark	4.5	0.6	2.9	3.5	1.6	0.1	(4.0)	(0.6)	11.4	4.3	7.4	9.0	8.6
Difference to Benchmark	0.6	(1.1)	(0.9)	(0.4)	1.3	(1.3)	(2.3)	(2.2)	(1.7)	(3.1)	(2.7)	(1.5)	(1.1)
PIRC Universe	4.6	0.9	1.9	2.9	1.0	(0.3)	(4.8)	(3.2)	8.0	1.5	4.8	7.0	7.4
Difference to PIRC	0.5	(1.4)	0.1	0.2	1.9	(0.9)	(1.5)	0.4	1.7	(0.3)	(0.1)	0.5	0.1

Fund's Quarterly and Yearly Returns

3.3 The chart below shows the Fund's value since 31 March 2010 to 31 December 2023.

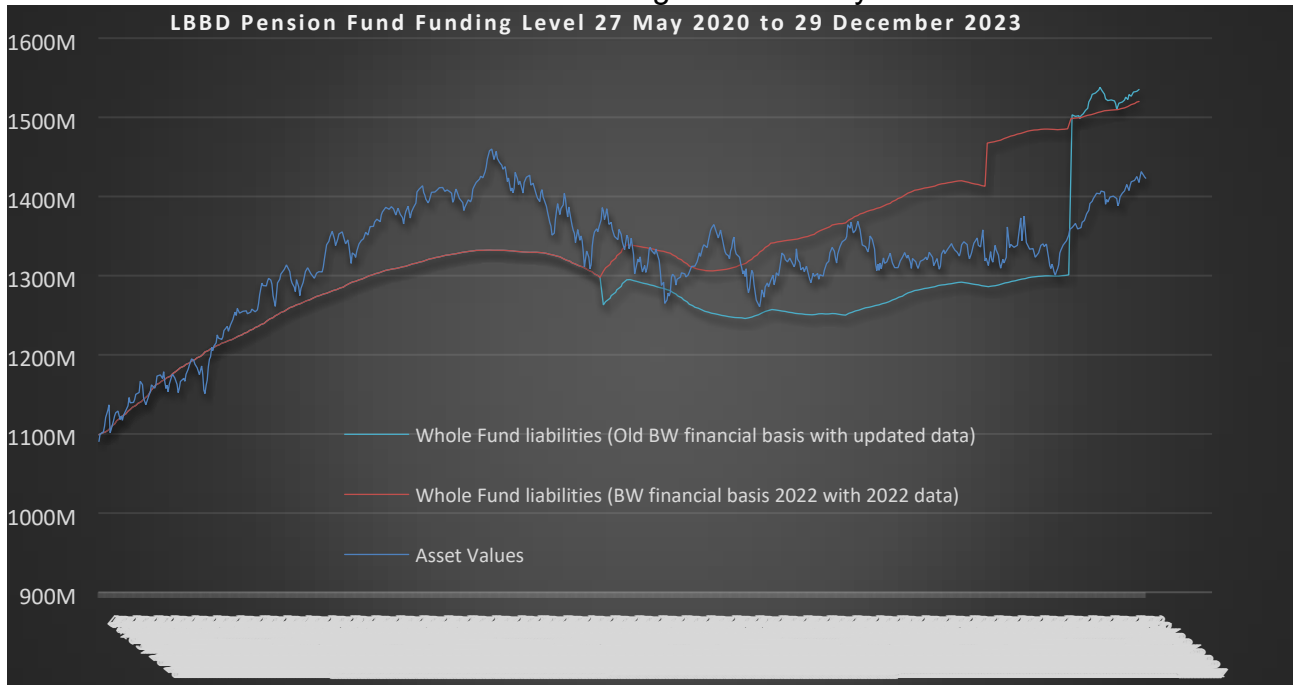


3.4 The fund manager's performance has been scored using a quantitative analysis compared to the benchmark returns, defined below:

■	RED- Fund underperformed by more than 3% against the benchmark
△	AMBER- Fund underperformed by less than 3% against the benchmark
○	GREEN- Fund is achieving the benchmark return or better

3.5 The chart below illustrates changes in the market value, the liability value, the Fund's deficit and the funding level from 31 March 2013 to 29 December 2023. The Fund's strategy has been set up to be able to positively respond to increasing yields and therefore the current economic environment supports the strategy, even if the return has been negative. The triennial results will likely change the assumptions used in producing the funding level, although there is the potential for this to improve the position further.

3.6 The chart below shows the Funds funding Level 27 May 2020 to 29 December 2023



3.7 Funding Level between 27 May 2020 to 29 December 2023



3.8 Currently, given the high interest rates, there has been a reduction in funding level from 100.8% as of 31 March 2022 to 93.3% as at 14 February 2024.

3.9 Inflation is currently running higher than anticipated and asset returns since the last valuation are lower than anticipated, both of which have served to reduce general funding levels within the LGPS, all else being equal. Models that are linked to gilt yields will have projected an increase in LGPS funding levels because of a significant increase in gilt yields since the last valuation date, an increase in the real discount rate and a decrease in liabilities. The Fund valuation model is linked to the actual long-term investment strategy of the Fund and changes in gilt yields have not affected the value of the liabilities materially.

3.10 Table 2 – Fund Manager Q4 2023 Performance

Fund Manager	Actual	Benchmark	Variance	Ranking
	Returns (%)	Returns (%)	(%)	
Abrdn	(0.8)	2.7	(3.5)	
Baillie Gifford	8.1	6.4	1.6	O
BlackRock	(2.4)	(1.2)	(1.3)	Δ
Hermes GPE	(0.1)	1.4	(1.5)	Δ
Kempen	3.8	6.7	(2.9)	Δ
Newton	5.2	2.0	3.2	O
Pyrford	4.5	1.3	3.2	O
Pimco	7.5	7.0	0.5	O
Insight	7.6	1.0	6.6	O
UBS Bonds	8.1	8.1	0.0	O
UBS Equities	8.9	8.9	0.0	O

Table 2 highlights the Q4 2023 returns with a number of greens, indicating a number of positive returns. Insight performed well in the quarter returning 7.6% outperforming the benchmark by 6.6%, reflecting the index linked bond performance. Newton and Pyrford had positive returns of 5.2% and 4.5% respectively outperforming the benchmark by 3.2%. This investment is meant to provide protection in the current market conditions. Kempen the funds equity manager returned 3.8% underperforming the benchmark by 2.9%. BlackRock's performance was negative returning -2.4% over the quarter underperforming its benchmark by 1.3%.

3.11 Table 3 – Fund Manager Performance Over One Year

Fund Manager	Actual	Benchmark	Variance	Ranking
	Returns (%)	Returns (%)	(%)	
Abrdn	6.1	10.4	(4.3)	
Baillie Gifford	11.5	15.1	(3.6)	
BlackRock	(3.5)	(1.4)	(2.1)	Δ
Hermes GPE	0.4	5.8	(5.4)	
Kempen	9.2	15.9	(6.7)	
Newton	2.5	7.6	(5.1)	
Pyrford	5.6	9.8	(4.2)	
Insight	14.1	4.0	10.1	O
UBS Bonds	4.2	4.1	0.1	O
UBS Equities	20.2	20.2	0.0	O

Over one-year there are even greater variations between managers but more red returns indicating a number of negative returns, with Blackrock providing a negative return of 3.5% and underperforming its benchmark by 2.1%, while Insight provided a positive return of 14.1% outperforming the benchmark by 10.1%. Kempen returned 9.2% underperforming its benchmark of 15.9% by 6.7%.

3.12 Table 4 – Fund manager performance over three years

Fund Manager	Actual	Benchmark	Variance	Ranking
	Returns (%)	Returns (%)	(%)	
Abrdn	9.8	7.4	2.4	○
Baillie Gifford	(1.5)	8.8	(10.3)	○
BlackRock	0.4	2.1	(1.6)	△
Hermes GPE	7.2	5.9	1.3	○
Kempen	11.3	9.8	1.5	○
Newton	0.7	5.4	(4.7)	○
Pyrford	3.6	13.7	(10.1)	○
Insight	3.7	4.0	(0.4)	△
UBS Bonds	(9.2)	(9.2)	0.0	○
UBS Equities	8.7	8.7	0.0	○

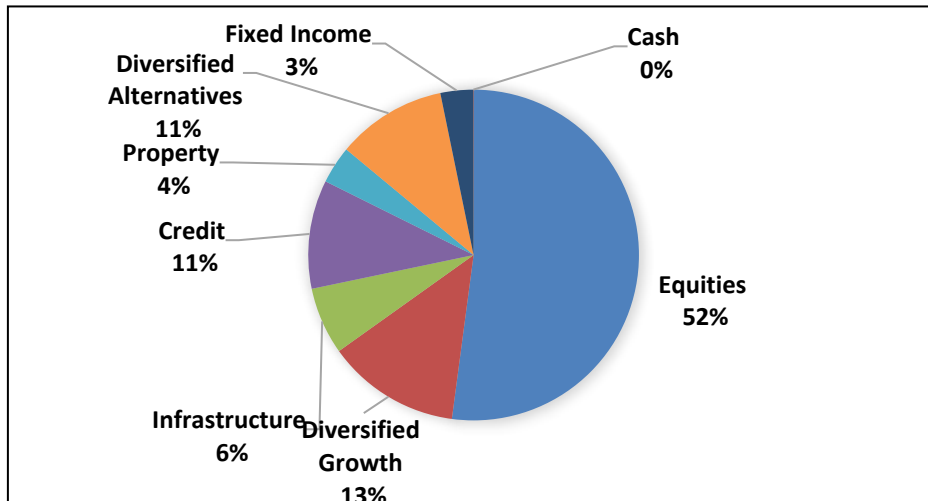
Over three years, returns ranged from (9.2%) for UBS bonds to 11.3% for Kempen. UBS Equities and Abrdn have provided solid returns, with UBS providing a return of 8.7% and Abrdn providing 9.8% over three years.

4. Asset Allocations and Benchmark: Table 5 outlines the Fund's asset allocation, asset value & benchmark at 31 December 2023.

4.1 Table 5: Fund Asset Allocation and Benchmarks at 31 December 2023

Fund Manager	Asset (%)	Market Values (£Ms)	Benchmark
Aberdeen Standard	10.8%	149.52	3 Mth LIBOR + 4% per annum
Baillie Gifford	15.2%	211.58	MSCI AC World Index
BlackRock	3.7%	51.08	AREF/ IPD All Balanced
Hermes GPE	6.6%	91.59	Target yield 5.9% per annum
Kempen	15.5%	215.06	MSCI World NDR Index
Newton	5.9%	81.49	One-month LIBOR +4% per annum
Pimco	5.3%	73.87	Bloomberg Global Aggregate Credit
Pyrford	7.2%	99.80	UK RPI +5% per annum
Mellon Corporation	5.3%	73.88	3 Mth LIBOR + 4% per annum
UBS Bonds	3.2%	44.29	FTSE UK Gilts All Stocks
UBS Equities	21.4%	297.90	FTSE AW Developed Tracker
LCIV	0.0%	0.15	None
Cash	0.0%	0.60	One-month LIBOR
Fund Value	100.0%	1,390.80	
ST Loan		14.5	
Net Fund Value		1,405.30	

4.2 The percentage split by asset class is graphically shown in the pie chart below.



4.3 The strategy is slightly overweight equities and almost nearer the higher of the range at 52.1%. Cash excludes the pre-payment and short-term borrowing from the council and shows that the Fund is fully invested. The Fund is below the exposure to infrastructure, but this will be reviewed.

The current position, compared to the strategic allocation, is in table 6 below:

Table 6: Strategic Asset Allocation

Asset Class	Current Position	Strategic Allocation Target	Variance	Range
Equities	52.1%	50%	2.1%	48-53
Diversified Growth	13.0%	13%	0.0%	11-15
Infrastructure	6.6%	8%	-1.4%	6-8
Credit	10.6%	9%	1.6%	6-9
Property	3.7%	4%	-0.3%	3-5
Diversified Alternatives	10.8%	11%	-0.2%	10-12
Fixed Income	3.2%	5%	-1.8%	4-5
Cash	0.0%	0%	0.0%	0-1

5. Fund Manager Performance

5.1 Kempen

Kempen	2023				2022				One Year	Three Years	Since Start 6/2/13
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£215.06m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	3.8	1.9	1.8	1.7	10.0	(1.6)	(3.1)	0.1	9.2	11.3	8.5
Benchmark	6.7	0.6	3.9	4.8	1.9	2.1	(9.1)	(2.4)	15.9	9.8	11.9
Difference	(2.9)	1.3	(2.1)	(3.1)	8.1	(3.7)	6.0	2.5	(6.7)	1.5	(3.4)

Reason for appointment

Kempen were appointed as one of the Fund's global equity managers, specialising in investing in less risky, high dividend paying companies which will provide the Fund with significant income. Kempen holds approximately 100 stocks of roughly equal weighting, with the portfolio rebalanced on a quarterly basis. During market rallies Kempen are likely to lag the benchmark.

Performance Review

The strategy underperformed its benchmark by 2.9% for Q4 and has underperformed over one-year by 6.7% and outperformed over three years by 1.5%. Kempen has underperformed its benchmark since inception by 3.4% but providing an annualised return of 8.5%. Overall the strategy has provide solid returns over a number of quarters, with a strong outperformance against its benchmark.

Strategy Drivers

INFLATION: Increasing demand and disrupted supply is pushing price levels up and price inflation is proving persistent and above expectation across the board. Shortage in basic resources is having an impact throughout the supply chain, with the Ukraine conflict creating additional shortages in energy and food supply that has a global impact on prices. Rising prices for consumption goods are putting pressure on the purchasing power of consumers. Strong labour markets give workers bargaining power for higher wages. Companies are mentioning a negative impact on their margins due to rising input costs and wages.

MONETARY TIGHTENING: Central banks across the world are moving forward their projected path of monetary tightening. Strong labour markets mean central banks can be aggressive with monetary tightening. Interest rates have increased sharply on the back of tighter monetary policy and elevated inflation. Real interest rates remain low due to the high level of inflation. Higher rates are putting pressure on valuation multiples and companies with high leverage.

RECESSION: Eroding purchasing power of consumers and higher interest rates are slowing down the economy. A wage-price spiral is difficult for central banks to break. Concerns are mounting there may be a recession needed to cool down inflation. If wages manage to keep up with inflation consumer spending should stabilize. Higher input costs and rising wages are a risk to corporate profits. Financial markets appear to already price in a mild recession.

5.2 Baillie Gifford

Baillie Gifford	2023				2022				One Year	Three Years	Since Start 6/2/13
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£211.58m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	8.1	(4.4)	3.2	4.6	1.2	1.0	(12.1)	(12.4)	11.5	(1.5)	11.8
Benchmark	6.4	0.7	3.4	4.5	2.0	1.5	(8.4)	(2.5)	15.1	8.8	11.6
Difference	1.7	(5.1)	(0.2)	0.1	(0.8)	(0.5)	(3.6)	(9.9)	(3.6)	(10.3)	0.2

Reason for appointment

Baillie Gifford (BG) is a bottom-up, active investor, seeking to invest in companies that will enjoy sustainable competitive advantages in their industries and will grow earnings faster than the market average. BG's investment process aims to produce above average long-term performance by picking the best growth global stocks available by combining the specialised knowledge of BG's investment teams with the experience of their most senior investors. BG holds approx. 90-105 stocks.

In July 2022 the Fund transferred from BG's Global Alpha strategy to the BG Paris Aligned Global Alpha fund (BGPA). The transition was completed between 11 and 14 July. The BGPA Fund aims to outperform the MSCI ACWI Index (in Sterling), by at least 2% per annum over rolling five-year periods. In addition, the Fund commits to having a weighted average greenhouse gas intensity lower than that of the MSCI ACWI EU Paris Aligned Requirements Index. BGPA is consistent with the objectives of the Paris Agreement. The portfolio is a variant of the core Global Alpha strategy. It is managed by the same team and with the same investment philosophy and performance objective. However, there is an additional process to screen out carbon intensive companies that do not or will not play a major role in our energy transition.

Performance Review

For Q4 BG returned 8.1%, outperforming its benchmark by 1.7%. BG's one-year return was 11.5%, underperforming its benchmark by 3.6%. Since initial funding, the strategy has returned 11.8% p.a. outperforming its benchmark by 0.2%. In stark contrast to Q3 2023, the Sub-fund performed strongly in the fourth quarter on the back of a market environment that favoured growth stocks once again. Evidence of this more supportive environment can be seen in the forward earnings estimates for the strategy which have increased significantly over the last year. According to the investment manager, at the end of December 2022, the aggregate three-year forward consensus earnings forecast for the Global Alpha strategy was barely ahead of the market at 5.4% vs 5.2% (in USD). This was misaligned to the investment manager's view on the outlook for these companies. Since then, the same metric to the end of November 2023 had nearly tripled, to 15%. In contrast, the figure for the broad market, at 6%, had barely moved.

The other performance driver for the portfolio was better execution. Under the market scrutiny that the high interest environment and weak stock performance caused, several portfolio companies were forced to focus operations, cut costs, and improve efficiencies. One notable example was Shopify which has recovered its mojo and was the second largest stock relative performance contributor in Q4 and over the 12-month period, shedding its experiment with logistics to refocus on its vision of making e-commerce easier for everyone. A leaner, more focused Shopify is already being rewarded with projected revenue growth in the mid-20% and a dramatic increase in profitability.

Reason for appointment

UBS are the Fund's passive equity manager, helping reduce risk from underperforming equity managers and providing a cost-effective way of accessing the full range of developed market equity growth.

Performance

The fund returned 8.9% for Q4 and 20.2% over one year. Since funding in August 2012, the strategy has provided an annualised return of 12.6%.

Equities

Following the FTSE quarterly review in December, two stocks were added to and seven stocks were deleted from the index, along with various changes in the shares in issue of the index constituents. Two-way turnover totalled 0.75%. Also, during the quarter but outside of the review, Veralto Corporation was added to the index following spin-off from Danaher Corp. Sandoz Group was added to the index following spin-off from Novartis. Horizon Therapeutics, Activision Blizzard and Seagen Inc were deleted from the index following acquisition for cash. VMware was deleted from the index following acquisition by Broadcom for cash and shares. As a result, Broadcom's weight in the index increased.

Signs that cooling inflation would allow central banks to begin lowering interest rates in 2024 without deterioration in economic growth fuelled another month of strong gains in financial markets during December. The vast majority of regional equity indexes rose over the course of the month.

5.4 UBS Bonds

UBS Bonds	2023				2022				One Year	Three Years	Since Start 5/7/2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£44.29m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	8.1	(0.6)	(5.4)	2.1	1.7	(12.9)	(7.4)	(7.2)	4.2	(9.2)	1.0
Benchmark	8.1	(0.6)	(5.4)	2.1	1.7	(12.9)	(7.4)	(7.2)	4.1	(9.2)	1.0
Difference	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0

Reason for appointment

UBS were appointed as the Fund's passive bond manager to allow the Fund to hold a small allocation (4%) of UK fixed income government bonds. There is a link between the bond price and the Fund's liabilities and therefore the reduction in returns will have helped to reduce the Fund's liabilities.

Performance

The fund returned 8.1% for Q4, 4.2% for one year and -9.2% for three-year return. Since inception the strategy has returned 1.0%.

Review

The All-Stock Gilt index returned 8.11% in sterling terms over the quarter. In yield terms, 2-year nominal yields fell by 0.90% to 4.08% and 10 year nominal yields fell by 0.89% to 3.68%. The modified duration of the index is 8.90 years. The Bank of

England's Monetary Policy Committee increased the policy rate to 5.25%. The UK Debt Management Office held 13 nominal bond auctions during the quarter across a range of maturities.

The US economy remained resilient as inflation continued to cool in November. Labor market conditions remain solid, with initial jobless claims ending the month at 218,000 and the economy adding 199,000 jobs in November. The unemployment rate moderated to 3.7 percent from 3.9 percent in October despite the labor force participation rate ticking higher. Consumer spending, the backbone of the economy, continues apace, with the retail sales control group up 0.4 percent month-on-month in November. The November CPI report was largely in line with expectations; a lower-than-anticipated reading of the producer price index, where the core number was flat month-on-month, put downside pressure on estimates for core PCE inflation the Federal Reserve's preferred gauge of inflationary pressures. Core PCE ultimately rose 0.1 percent month-on-month in November, below expectations; six-month annualized core PCE inflation is now running at 1.9 percent.

The Federal Reserve held rates unchanged at 5.375 percent at its December meeting, as expected. The statement contained a modest tightening bias, but the central bank's "dot plot" implied that policy rates would be 75 basis points lower at the end of 2024 if economic conditions evolved in line with their outlook. Fed Chair Jerome Powell indicated that rate cuts were discussed at the meeting and did not push back against any of the easing of financial conditions (higher stock and bond prices) that had occurred since the November meeting.

5.5 Pimco

Pimco	2023				2022				One Year	Three Years	Since Start 18/07/2023
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£73.87	%	%	%	%	%	%	%	%	%	%	%
Actual Return	7.5	(2.1)							5.4		4.9
Benchmark	7.0	(2.0)							5.0		4.5
Difference	0.5	(0.1)							0.4		0.4

Reason for appointment

Pimco were appointed as the increase in bond yields over the past year significantly increased the attractiveness of fixed income assets, including investment grade credit. Although slowing earnings growth may weigh on company debt affordability going forward, high interest coverage levels and lower leverage mean that the funds advisor doesn't anticipate a very high level of defaults and downgrades. The investment was completed in 3 tranches of £20m in July 2023, £25m in August 2023 and £25m in September 2023.

Performance and Investment Update

Pimco returned 7.5% for Q4 against a benchmark of 7.0% and returned 4.9% since inception. Credit markets faced a challenging environment at the start of the quarter as headwinds from Q3 remained prevalent in October, particularly due to the 'higher for longer' interest rates narrative. Against that backdrop, the investment manager increased the Sub-fund's duration by 0.4 years with a view that duration had been

oversold heading into the quarter, a thesis which contributed positively to overall performance after significant declines in yields across the interest rate curve. The investment manager also shifted the key rate duration exposure tactically, expecting normalisation of the yield curve, which proved to be another performance tailwind over the quarter.

Leading into the quarter, the investment manager also increased the portfolio's exposure to generic credit risk. However, mindful of weaker growth prospects ahead, credit beta was added in high quality issues within non-cyclical sectors, and the performance outcome was marginally positive.

The primary driver for the outperformance over the last quarter was security selection, which was positive across all credit sectors. Non-financials led the way, particularly within the information technology sector. Sector allocation also contributed positively, mainly due to an overweight to financials and emerging markets debt. Additionally, the Sub-fund's small allocation to high yield was also a positive contributor due to the relatively strong performance of the asset class.

Leading into the fourth quarter, the Sub-fund was rightly positioned by the investment manager to reap the benefits of a decline in yields and a narrowing of spreads on credit assets. The yield to maturity of the Sub-fund, because of the moves in the credit markets, dropped from 6% to 5% over the quarter. Additionally, the portfolio's rating has dropped one notch to A and is now in line with the benchmark. This was the result of profit taking, a decrease in high quality short-term notes, and a slight increase in high yield exposure.

5.6 BlackRock

BlackRock	2023				2022				One Year	Three Years	Since Start 1/1/2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£51.08m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(2.4)	(0.7)	(0.4)	0.0	(14.4)	(4.4)	2.9	6.8	(3.5)	0.4	0.5
Benchmark	(1.2)	(0.4)	0.4	(0.2)	(14.1)	(4.0)	3.9	5.6	(1.4)	2.1	3.4
Difference	(1.2)	(0.3)	(0.8)	0.2	(0.3)	(0.4)	(1.0)	1.2	(2.1)	(1.6)	(2.9)

Reason for appointment: In December 2012, a sizable portion of the Fund's holdings with Rreef were transferred to BlackRock (BR). The transfer to BR provides the Fund with access to a greater, more diversified range of property holdings within the UK. In 2021 the allocation to BlackRock was increased following the closure of the Schroders SIRE fund.

Q4 2023 Performance and Investment Update

BR returned -2.4% for Q4 against a benchmark of -1.2%, returned -3.5% over one year against a benchmark of -1.4%. The Fund's valuers have a highlighted increased volatility and uncertainty in their valuations. This is not a 'material uncertainty clause' as was seen during COVID, however the valuers are relying more on sentiment than transaction evidence. The LDI crisis and associated bond market crash had several impacts on the UK property market.

Market Conditions

Amidst this backdrop, the Fund's ability to defer paying out all redemptions under such circumstances is designed to protect all investors from the Fund being a 'forced seller'. The Fund's philosophy, whilst not forced, is to be a 'committed seller' and the team has worked tirelessly to generate liquidity for those redeeming investors looking to divest from the market at this sub-optimal point in the cycle. Over the course of 2023, the manager has sold over £540 million of real estate (40% of this in Q4), returning over £360million to redeeming investors. Additionally, they have paid down £80 million of debt in 2023, following £40m that was repaid in Q3 2022. In Q4, a full (£60m) repayment of the utilised amount of the Fund's revolving credit facility with Lloyds was made in an effort to eliminate the performance drag associated elevated borrowing costs.

Due to the volume of redemption requests received in 2022, compounded with reduced liquidity in the real estate market, the Fund has been deferring and partially repaying redemptions in quarterly tranches to manage liquidity effectively and continue to consistently return capital to redeeming investors on a quarter-by-quarter basis. This strategy of providing measured and consistent liquidity ensures all investor are treated fairly, protects the interests of remaining investors, and ensure the Fund may continue to execute its long-term business plan of upweighting allocations towards sectors driven by structural mega trends and reduce exposure to stagnant sectors such as offices.

Transactions: By the close of the fourth quarter, the Fund had unconditionally exchanged or completed on £227 million of sales across seven transactions.

5.7 Hermes

Hermes	2023				2022				One Year	Three Years	Since Start 9/11/2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£91.59m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(0.1)	0.0	0.5	(0.1)	0.8	10.5	(1.0)	10.5	0.4	7.2	7.8
Benchmark	1.4	1.4	1.4	1.5	1.4	1.4	1.4	1.5	5.8	5.9	5.9
fference	(1.5)	(1.4)	(0.9)	(1.6)	(0.6)	9.1	(2.4)	9.0	(5.4)	1.3	1.9

Reason for appointment

Hermes were appointed as the Fund's infrastructure manager to diversify the Fund away from index linked fixed income. The investment is in the Hermes Infrastructure Fund I (HIF I) and has a five-year investment period which ended on 30th April 2020 and a base term of 18 years. In March 2015 Members agreed to increase the Fund's allocation to Hermes to 10%.

Performance

Hermes returned -0.1% in Q4 underperforming the benchmark by 1.5%. Over one year the strategy reported a one-year return of 0.4%, underperforming its benchmark by 5.4%. Since inception the strategy has provided a good, annualised return of 7.8%, outperforming its benchmark by 1.9%.

The remaining interests in HIF I are A Shade Greener I and II ("ASG"), the Innisfree funds and Southern Water. The managers intention is to wind up the Fund through

disposal of the remaining assets. The sale of HIF I's interest in ASG completed in October 2023 with the proceeds distributed to investors on 10 November. The divestment realised £35.9m cash proceeds equating to an equity IRR of 12.5%

The remaining HIF I Core assets after the completion of the ASG sale are the Innisfree M&G PPP 'B' commitments and the Innisfree PFI Continuation fund. The funds distributed twice in 2023 and are forecast to continue to yield in the coming years, more than covering fund expenses. The remaining asset in HIF I Value Added is Southern Water. Southern Water remains a stressed business with no near-term prospect for realisation. HIF I will continue to warehouse the investment until the opportunity for sale arises.

HIF I Core Net Asset Value ("NAV") decreased by 41% in the six months to 31 December to £53.7m. This was primarily a result of the realisation of ASG. HIF I Value Added NAV decreased by 12% in the six months to 31 December owing to a further reduction in the valuation of Southern Water approved by the Independent Valuation Committee.

The FHDIF portfolio performed robustly over 2023, consistent with the design parameters set for the Fund. All portfolio companies traded on or around budget, with two generating record EBITDA, in a challenging macroeconomic climate.

Project Orion

Project Orion aims to combine the Limited Partnership interests of HIF I and two single investor managed accounts into one single diversified Core/Core+ strategy. Orion provides an opportunity to simplify some of the historic administrative complexities of HIF I, whilst leveraging off the proven track record of its asset pool (and that of two HGPE managed accounts) in order to raise additional capital, to further diversify the fund and increase returns for investors.

The completion of Project Orion occurred on Friday 14 April 2023 and the London Borough of Barking and Dagenham Pension Fund has been admitted as a limited partner in Federated Hermes Diversified Infrastructure Fund LP (the "Orion Partnership").

5.8 Abrdn Asset Management

Abrdn	2023				2022				One Year	Three Years	Since Start 15/9/2014
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£149.52	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(0.8)	1.7	1.6	3.7	(1.5)	(2.1)	(1.4)	3.7	6.1	9.8	6.7
Benchmark	2.7	2.7	2.5	2.4	2.1	1.8	1.6	1.6	10.4	7.4	5.5
Difference	(3.5)	(1.0)	(0.9)	1.3	(3.6)	(3.9)	(3.0)	2.1	(4.3)	2.4	1.2

Reason for appointment

As part of the Fund's diversification from equities, Members agreed to tender for a Diversified Alternatives Mandate. Abrdn Asset Management (ASAM) were appointed to build and maintain a portfolio of Hedge Funds (HF) and Private Equity (PE). All positions held within the portfolio are hedged back to Sterling. Since being appointed ASAM have built a portfolio of HFs and PEs, which offer a balanced return not dependent on traditional asset class returns. In the case of PE, the intention is to be able to extract an illiquidity premium over time. The allocation to PE, co-

investments, infrastructure, private debt, and real assets will be opportunistic and subject to being able to access opportunities on appropriate terms.

Performance summary

The Portfolio posted a loss over the three months to the end of December 2023 as gains from the private equity holdings were offset by losses from some of the hedge funds. There were notable contributions from two hedge fund holdings, Concordia G-10 Fixed Income Relative Value and Complus Asia Macro Fund, as well as profits from the private equity investments in NaviMed Capital Fund II, Archimed III and Med Platform II SLP. The main detractors were the hedge funds Frere Hall and AIS Crater Lake. Over one year the return of 6.1% underperforms the benchmark return of 10.4% by 4.3%. Since inception the strategy has returned 6.7%, outperforming the benchmark by 1.2%.

ASAM have built a portfolio of hedge funds, private equity funds and co-investments, which can offer a balanced return not wholly dependent on traditional asset class returns. In the case of private equity, the intention is to be able to extract an illiquidity premium over time.

The hedge funds selected for the Portfolio include a blend of:

- i) relative value strategies, intended to profit from price dislocations across fixed income and equity markets;
- ii) macro strategies, which are intended to benefit significantly from global trends, whether these trends are up or down, across asset classes and geographies; and
- iii) tail risk protection which is intended to offer significant returns at times of stress and more muted returns in normal market environments.

Outlook

The manager continues to see a broad opportunity set for discretionary macro managers, which in the near term will continue to be driven by inflation dynamics and tight monetary policy. Macro managers remain closely aligned in their views on the path for interest rates, yet the destination and timing differ. Some discretionary specialists, however, are particularly focused on idiosyncratic country-level opportunities, especially within EM as opposed to the bigger macro picture. Rates-focused managers continue to see pockets of value trading G3 rates as well as emerging markets, where some central banks have already started cutting, potentially starting a new multi-year trading opportunity.

The manager outlook for fixed income relative value strategies remains positive. The manager sees dispersion across fixed income instruments in developed markets, with G7 central banks having notably tightened monetary policy, persistent uncertainty on inflation and economic growth (and thus the future course of monetary policy), reduced liquidity and dealers' ability to warehouse risk, as well as on-going geopolitical tensions.

Abrdn Acquisition

On 20th July, Abrdn announced that it has entered into an agreement to transfer the management of approximately \$4 billion in assets under management and 30 employees to HighVista Strategies LLC. Abrdn concluded following a comprehensive business review of its private markets business that the US Private Equity and Venture Capital capabilities (from the acquisition of FLAG Capital Management) would be best developed under a different ownership and management structure. The sale is expected to complete later this year. Officers are in talks with Abrdn about the potential impact this would have on the funds investment and will keep the committee updated.

Abrdn recently announced that it has entered into an agreement to sell its European headquartered private equity business (“abrdn Private Equity”) to Patria Investments (“Patria”), a leading private markets asset management firm. Patria is a Nasdaq-listed, entrepreneurial global partnership with assets under management in excess of \$28 billion and over 30 years of experience in direct private equity, infrastructure, real estate and credit. The sale includes all of the European and Global private equity funds and mandates managed or advised by abrdn Private Equity, representing approximately £7.5 billion in total assets. Officers are currently in discussion with Abrdn and the fund’s investment advisor to establish the full impact of this acquisition on the fund and will keep members updated. It The Patria/abrdn transaction is not expected to formally close until March or April 2024.

5.9 Pyrford

Pyrford	2023				2022				One Year	Three Years	Since Start 28/9/2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£99.80m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	4.5	1.4	(1.7)	1.4	3.2	(2.4)	(0.8)	1.5	5.6	3.6	3.4
Benchmark	1.3	1.7	3.7	3.1	4.7	3.3	6.3	3.1	9.8	13.7	8.7
Difference	3.2	(0.3)	(5.4)	(1.7)	(1.5)	(5.7)	(7.1)	(1.6)	(4.2)	(10.1)	(5.3)

Reason for appointment

Pyrford were appointed as the Fund’s absolute return manager (AR) to diversify from equities. The manager’s benchmark is to RPI, which means that the manager is likely to outperform the benchmark during significant market rallies. AR managers can be compared to equities, which have a similar return target. When compared to equities, absolute return will underperform when markets increase rapidly and tend to outperform equities during periods when markets fall.

Performance

The value of the Sub-fund increased by 4.5% in the fourth quarter of 2023. Over one year, the Sub-fund has gained 5.6%, whereas the RPI plus 5% benchmark has increased by 16.9%. On an annualised basis, the Sub-fund has returned 3.4% since inception.

The investment manager increased the duration, or sensitivity to changes in interest rates, of the Sub-fund to five years from three years at the beginning of Q4. This was painful in October, but profitable over the last two months of Q4, when yields on government bonds fell sharply.

Gilts are the biggest block of assets in the Sub-fund (47.3% of NAV at the end of 2023). This segment contributed 3% of the gains (source: investment manager) in Q4. Holdings in government bonds issued by the U.S., Canada, and Australia (15.6% in aggregate) also performed well in absolute terms, adding 0.4% to the performance of the Sub-fund.

Equities contributed +0.9% to performance. The equity portfolio is biased to companies which are expected to deliver stable earnings and cash flows, and which are trading at discounts to headline market valuations. The UK and overseas portions of the stock portfolio lagged the FTSE All Share and FTSE All World ex-UK Indices respectively in Q4 and 2023 as a whole.

The shortfall was particularly large in the overseas segment because allocations to U.S. stocks are small, and the Sub-fund has no exposure to the American technology and technology-related companies which led global equity markets in 2023. Interest rate sensitive companies such as Legal & General, National Grid, and Power Assets Holdings (Hong Kong) performed well, but oil companies (BP and Woodside Petroleum) detracted from returns in Q4 as Brent crude futures dropped by 19%.

5.10 Newton

Newton	2023				2022				One Year	Three Years	Since Start 31/8/2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£81.49m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	5.2	0.3	(1.8)	(1.3)	3.7	(4.3)	(2.1)	(4.4)	2.5	0.7	3.4
Benchmark	2.0	2.0	1.8	1.7	1.4	1.1	0.9	0.8	7.6	5.4	4.7
Difference	3.2	(1.7)	(3.6)	(3.0)	2.3	(5.4)	(3.0)	(5.2)	(5.1)	(4.7)	(1.3)

Reason for appointment

Newton was appointed to act as a diversifier from equities. The manager has a fixed benchmark of one-month LIBOR plus 4%. AR managers have a similar return compared to equity but are likely to underperform equity when markets increase rapidly and outperform equity when markets suffer a sharp fall.

Performance

Newton generated a return of 5.2% in Q4, outperforming its benchmark by 3.2%. Over one year the strategy has returned 2.5%, underperforming its benchmark by 5.1%, although the return over three years is 0.7% against a benchmark of 5.5%. Newton's performance since inception is 3.4% per annum.

The main performance drivers in Q4 were the segments of the 'Return Seeking' layer of the portfolio with global equities adding 3.5%, followed by the allocation to EM Debt and Alternatives which added 0.7% and 0.6% respectively (source: investment manager). In total, the 'Return Seeking' assets added 5.2% with the remainder coming from the corporate bonds segment.

The global equities segment consists of a basket of stocks predominantly in the technology, financials, and consumer related sectors. Over the quarter performance was dominated by those companies closely associated with the excitement around artificial intelligence (AI), notably Microsoft, Amazon, Nvidia, and Lam Research.

Elsewhere within the return seeking layer, alternatives were a positive contributor, primarily owing to a recovery in the performance of renewable infrastructure assets and alternative risk premia positions.

The stabilising layer also aided performance, with indirect hedges helping returns. Government bonds benefited from a cooling in inflation while gold's performance reflected an easing in monetary conditions and weakness in the U.S. Dollar. Equity-market protection through out-of-the money put options represented a cost as markets rallied sharply. The total contribution from this layer came in at +0.7%.

The main performance drivers in Q4 were the segments of the 'Return Seeking' layer of the portfolio with global equities adding 3.5%, followed by the allocation to EM Debt and Alternatives which added 0.7% and 0.6% respectively (source: investment manager). In total, the 'Return Seeking' assets added 5.2% with the remainder coming from the corporate bonds segment.

5.11 Insight (Mellon Corporation / Standish)

Insight	2023				2022				One Year	Three Years	Since Start 20/8/2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£73.88m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	7.6	2.2	1.5	2.8	5.7	(1.3)	(3.8)	(2.6)	14.1	3.7	1.9
Benchmark	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	4.0	4.0	4.8
Difference	6.6	1.2	0.5	1.8	4.7	(2.3)	(4.8)	(3.6)	10.1	(0.3)	(2.9)

Reason for appointment

Insight were appointed to achieve a 6% total return from income and capital growth by investing in a globally diversified multi-sector portfolio of transferable fixed income securities including corporate bonds, agency and governments debt. The return target was later reduced to 4.4%.

Performance

Q4 saw the BNY Mellon Targeted Return Bond Fund outperform its reference benchmark by 6.6%, providing a positive return of 7.6%. Over one year the strategy has returned 14.1% and over three years it has returned 3.7%, with a return of 1.9% since inception.

During December the investment remained positioned with a small long risk position overall. Over the month the manager increased its exposure to Euro IG credit with the purchase of Deutsche Bahn, Illiad and Piraeus Bank. As the property sector enjoyed a nice outperformance run thanks to the market pricing in lower future interest rates, it reduced its overweight position selling some Hammerson, Logicor, and Realty. It had on a long physical bonds vs short in index CDS after the CDS market had strongly outperformed over the quarter (97th percentile historically). This was a small drag to performance in December but the manager has retained the position.

In emerging market sovereigns, the manager sold some exposure to South Africa and Mexico taking profits. Regarding interest rate risk, it moved from being 0.8 of a year short duration vs the benchmark to being 0.40 of a year short by the end of

December. It was positioned with a short duration position in Europe which the manager closed out as inflation data was improving and the market was likely to price in rate cuts. It closed out the short in Canada vs Australia at a small profit.

The fund's large overweight to corporate credit and other risk assets during the spread tightening environment made a large positive contribution to returns on the quarter, and almost offset the underperformance from duration. Specifically material positions in banking, communications, and non-cyclical consumer companies lead the outperformance in spread products. Active FX positioning was not a meaningful source of performance throughout the quarter.

5.12 Currency Hedging

No new currency hedging positions were placed in Q4 2023.

6. Consultation

- 6.1 Council's Fund monitoring arrangements involve continuous dialogue and consultation between finance staff, external fund managers and external advisers. The Chief Financial Officer and the Fund's Chair have been informed of the approach, data and commentary in this report.

7. Financial Implications

Implications completed by: David Dickinson, Investment Fund Manager

- 7.1 The Council's Fund is a statutory requirement to provide a defined benefit pension to scheme members. Investment decisions are taken based on a long-term investment strategy. The investment performance has a significant impact on the General Fund. Pensions and other benefits are statutorily calculated and are guaranteed. Any shortfall in the assets of the Fund compared to the potential benefits must be met by an employer's contribution.
- 7.2 This report updates the Committee on developments within the Investment Strategy and on scheme administration issues and provides an overview of the performance of the Fund during the period.

8. Legal Implications

Implications completed by: Dr. Paul Feild, Senior Governance Solicitor

- 8.1 The Council operates the Local Government Pension Scheme which provides death and retirement benefits for all eligible employees of the Council and organisations which have admitted body status. There is a legal duty fiduciary to administer such funds soundly according to best principles balancing return on investment against risk and creating risk to call on the general fund in the event of deficits. With the returns of investments in Government Stock (Gilts) being very low they cannot be the primary investment. Therefore, to ensure an ability to meet the liability to pay beneficiaries the Fund is actively managed to seek out the best investments. These investments are carried out by fund managers as set out in the report working with the Council's Officers and Members.

8.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 are the primary regulations that set out the investment framework for the Fund. These regulations are themselves amended from time to time. The Regulations are made under sections 1(1) and 3(1) to (4) of, and Schedule 3 to, the Public Service Pensions Act 2013. They set out the arrangements which apply to the management and investment of funds arising in relation to a Fund maintained under the Local Government Pension Scheme.

9. Other Implications

9.1 **Risk Management** - Investment decisions are taken based on a long-term investment strategy. Investments are diversified over several investment vehicles (equities – UK and overseas, bonds, property, infrastructure, global credit and cash) and Fund Managers to spread risk.

Performance is under constant review, with this focused on how the Fund has performed over the past three months, one year and three years.

Background Papers Used in the Preparation of the Report:

- Northern Trust Quarterly Q4 2023 Report; and
- Fund Manager Q4 2023 Reports.

List of appendices:

Appendix 1 - Definitions

Appendix 2 - Roles and Responsibilities