LONDON BOROUGH OF CAMDEN	**WARD:** All
REPORT TITLE: Performance Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	**DATE:** 21 September 2022

SUMMARY OF REPORT:

This report presents the performance of the Pension Fund investment portfolio and that of the individual investment managers for the quarter ended 30 June 2022.

Local Government Act 1972 – Access to Information
No documents required to be listed were used in the preparation of this report.

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RECOMMENDATIONS:

The Committee is requested to note the contents of this report.

Signed by

Director of Finance ………………**Agreed**…………………………………...

Date ………………**12/092022**………………………….………

1. **INTRODUCTION**

1.1. This report presents the performance of the Pension Fund investments up to 30 June 2022 and since manager inception. More detailed information on the financial markets and individual managers can be found in **Appendices A and B.**

FINANCIAL MARKET DATA

1.2. A summary of financial market returns to 30 June 2022 is shown in Table 1 below, in percentages.

TABLE 1: FINANCIAL MARKET RETURNS Q2 2022

	Market Returns	**3 months**	**12 months**	**3 years (annualised)**
EQUITIES	FTSE all world	-8.3	-3.6	8.4
	UK FTSE All Share	-5.0	1.6	2.4
	Europe (ex UK)	-8.6	-12.4	2.6
	North America	-9.5	-0.4	12.0
	Japan	-6.8	-8.5	3.0
	Asia (ex Japan)	-9.3	-9.1	5.9
	Emerging Markets	-2.6	-10.4	3.6
	UK gilts	-7.4	-3.5	-3.4
	ILGs	-17.5	-4.0	-3.9
	Corp bonds	-7.8	-3.8	-2.2
	UK Property	3.8	23.7	9.5
	Commodities (approx.)	-2.1	32.3	18.6
	Cash - 3m LIBOR	0.3	0.6	0.4
	RPI (UK) Inflation	5.1	11.8	5.5
	US CPI (Inflation)	11.3	24.0	6.7

1.3. The second quarter of 2022 saw continued poor performance, impacted by worsening inflation, accelerating interest rate hikes, and rising fears of recession. Global equity and bond markets experienced substantial losses across the board, which made this a negative quarter for the Fund as a whole.

1.4. Among the sectors detailed in Table 1, only UK property saw any positive growth over the past quarter. North American equities suffered the biggest falls, but all equity markets have been negatively impacted by the ongoing War in Ukraine, continued lockdowns in China, supply chain disruptions and climbing rates of inflation – and with those, increasing interest rates. Corporate and government bond indices sharply declined following rate rises. The US dollar has strengthened in light of anticipated market risks, which will affect emerging markets further.

1.5. Gilts and bonds around the world declined, despite a slight rally at the end of the quarter on fears of falling economic growth. CPI in the UK is expected to reach 11%, which will in turn limit economic growth.

1.6. The most resilient assets in the quarter have once again been real ones – property and commodities. However, there are increasing expectations of a slowdown in British house prices, and in global commercial property. Commodity prices, especially for energy have fluctuated this quarter, and in many cases have declined from their first-quarter highs; however, the drivers behind high commodity prices, such as supply-side issues caused by war, and inflation, remain.

2. FUND VALUATION & ASSET ALLOCATION

2.1. Table 2 sets out the value of the assets held by each investment manager, the asset classes held, and the targets for each mandate. The portfolio had a market value of £1.89bn at 30 June 2022, which represents an decrease of 15.3% over the quarter. However, this does not take into account the transfer of £202m of assets (9% of assets) to Merseyside Pension Fund on behalf of the Improvement and Development Agency transfer which occurred in this quarter. Taking this transfer into account, the portfolio has fallen in value by 6.2% compared to the previous quarter.

Table 2: Portfolio Summary as at 30 June 2022

Manager	Mandate	Target	Date Appointed	Value 31/03/22 £m	Value 30/06/22 £m	% 31/03/22	% 30/06/22
Baillie Gifford (LCIV)	Global Equity	+2-3%	01/12/16	398.17	207.18	18%	11%
Harris	Global Equity	+2-3%	14/05/15	179.28	162.25	8%	9%
L&G	Global Equity	0%	10/08/11	404.52	370.90	18%	20%
L&G	Future World Global Equities	0%	01/02/21	282.47	258.69	13%	14%
Insight	Absolute Return Bonds	+4%	15/03/14	99.73	-	4%	0%
CQS + PIMCO Fund (LCIV)	Multi Asset Credit	4-5%	01/05/19	52.92	216.47	2%	11%
L&G	Index Linked Gilts	0%	17/03/09	100.32	80.41	5%	4%
Stepstone (LCIV)	Infrastructure	8-10%	31/10/19	45.32	54.32	2%	3%
Partners	Global Property	15%	04/06/10	90.38	96.82	4%	5%
CBRE	UK Property	+1%	26/07/10	104.02	107.02	5%	6%
Aviva (LCIV)	UK Property	1.5-2%	10/12/21	92.90	91.97	4%	5%
HarbourVest	Private equity	+8%	28/07/16	57.53	65.62	3%	3%
Baillie Gifford (LCIV)	Diversified Growth	+3%	23/03/22	96.28	87.83	4%	5%
Ruffer (LCIV)	Diversified Growth	+3%	14/03/18	76.02	-	3%	0%
Cash & other				147.50	87.84	7%	5%

	£2,227.35	**£1,887.32**	**100%**	**100%**

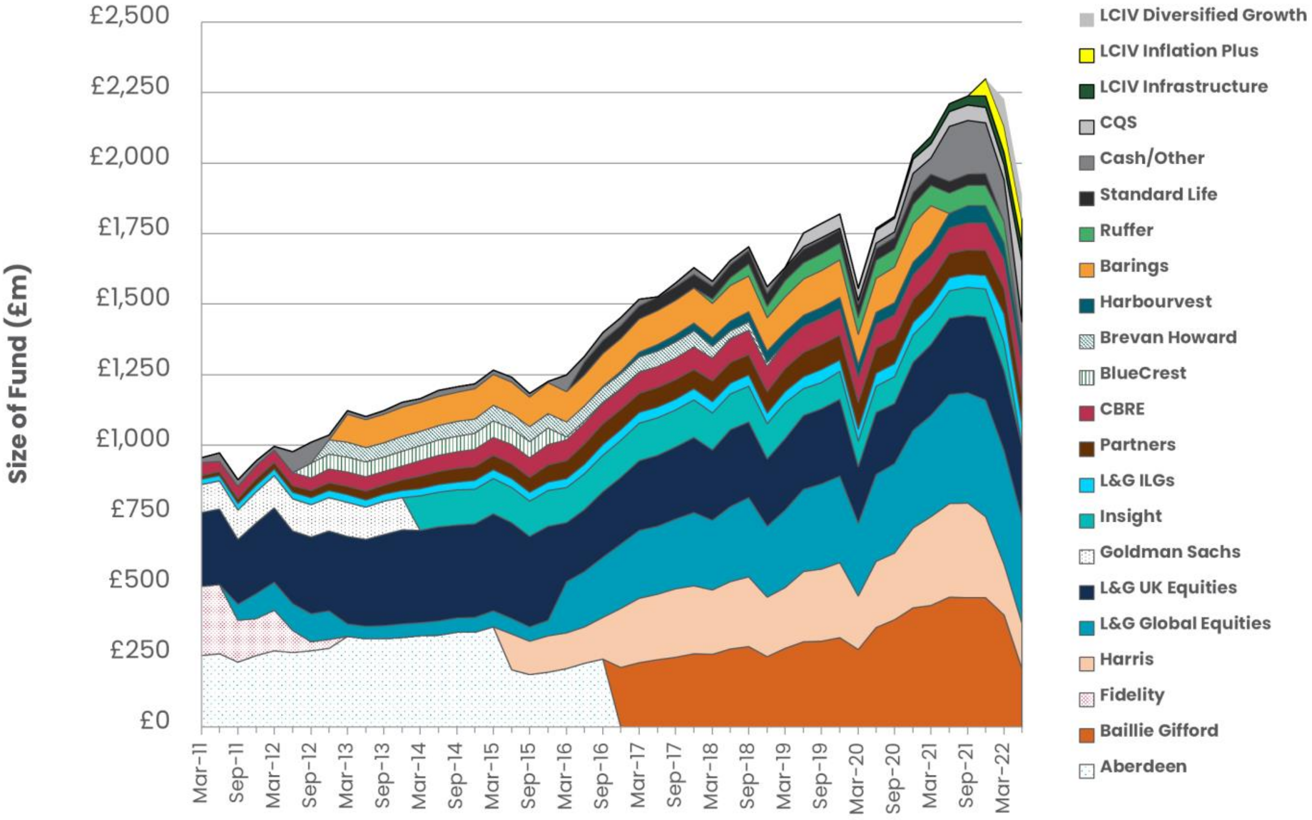
2.2. The current asset allocations compared to target weights are set out in Table 3 below.

Table 3: Asset class allocations

	Value as at 30 Jun 22 £m	Current Weight %	Target Weight %
Baillie Gifford (LCIV)	£207.18	11%	
Harris	£162.25	9%	
L&G Global passive	£370.90	20%	
L&G UK passive / Future World Global Equities	£258.69	14%	
Equity	**£999.03**	**53%**	**50%**
CQS (LCIV)	£216.47	11%	
L&G Ind.Lkd Gilts	£80.41	4%	
Bonds	**£296.87**	**16%**	**20%**
CBRE	£107.02	6%	
Partners	£96.82	5%	
Aviva (LCIV)	£91.97	5%	
Property	**£295.82**	**16%**	**15%**
HarbourVest	£65.62	3%	
Private Equity	**£65.62**	**3%**	**5%**
Stepstone (LCIV)	£54.32	3%	
Infrastructure	**£54.32**	**3%**	**5%**
Ruffer (LCIV)	£0.00	0%	
Baillie Gifford (LCIV)	£87.83	5%	
Standard Life	£0.00	0%	
DGF	**£87.83**	**5%**	**5%**
Cash & other	**£87.84**	**5%**	**0%**
	£1,887.32	**100%**	**100%**

2.3. Table 4 shows the total value of the Pension Fund over time. Each segment shows the value of the assets with each underlying investment manager. It should be noted that there have been a number of planned moving parts to the investment review in this quarter, and accordingly the quarter to June has seen the Substitution of Funds and subsequent reduction in Baillie Gifford funds, and the ending of the mandates with Insight and Ruffer, and the transfer of these funds to the new blended Multi Asset Credit fund with the London CIV (which includes both CQS and PIMCO).

TABLE 4: HISTORIC FUND MANAGER VALUATIONS



Source: London Borough of Camden; MJH Allenbridge

2.4. The LCIV Infrastructure Fund had a number of capital calls in Q2 2022 totalling £5.4m. This fund has made no new commitments in the quarter.

2.5. The capital calls in Q1 2022 came from Arcus European Infrastructure Fund II (“AEIF II”), Equitix VI (“EF VI”) and Macquarie GIG Renewable Energy Fund 2 (“MGREF2”). AEIF II had a call of £6.1m to repay the outstanding principal on the Goldman Sachs senior bridge facility, which was used to fund a number of acquisitions and follow-on investments, as well as the GP’s share and fund expenses. Equitix had a capital call of £11.4m. MGREF2 called £5.3m to fund their most recent investment, Apex Energies. Subsequent to the quarter end through to 14 June 2022, there were four additional capital calls from Basalt Infrastructure Partners III (“BIP III”), Capital Dynamics Clean Energy and Infrastructure VIII (“CE VIII”) and two from MGREF2. However, these calls were partially covered by a reinvested distribution from AEIF II which came from the underlying portfolio company Smart Meter Assets, that totalled €14.4m, and partially by the credit facility. This fund is now 84% committed.

2.6. HarbourVest made a net distribution of $2.84m during the quarter.

2.7. Following recent rebalancing. the Fund’s equity allocations are now much closer to the strategic asset allocation levels, although this will require ongoing monitoring. As Table 5 shows, the Fund remains outside the target ranges in passive equities, property and cash, but is now within the target ranges for DGFs, active equity and fixed income, which has been largely driven by recent rebalancing efforts in the last quarter. As a reminder, the ultimate position targeted is shown in the final column of Table 5.

TABLE 5: ASSET CLASS OPERATING RANGES

Asset Class Operating Ranges

Asset class	Value	Actual %	Range %	New Target
Active Equities	369.4	19.6%	22-28%	20%
Passive Equities (to be ESG focused)	629.59	33.4%	22-28%	30%
Fixed Income/Multi Asset Credit	216.5	11.5%	10-14%	12%
Passive Index Linked Gilts	80.4	4.3%	2.5-3.5%	8%
Property	295.8	15.7%	8-12%	15%
Private Equity	65.6	3.5%	2-8%	5%
Infrastructure	54.3	2.9%	2-8%	5%
Diversified Growth Fund	87.8	4.7%	8-12%	5%
Cash	87.7	4.6%	0%	0%
Other	0.2	0.0%	0%	0%
Total	1,887.3	100%		100%

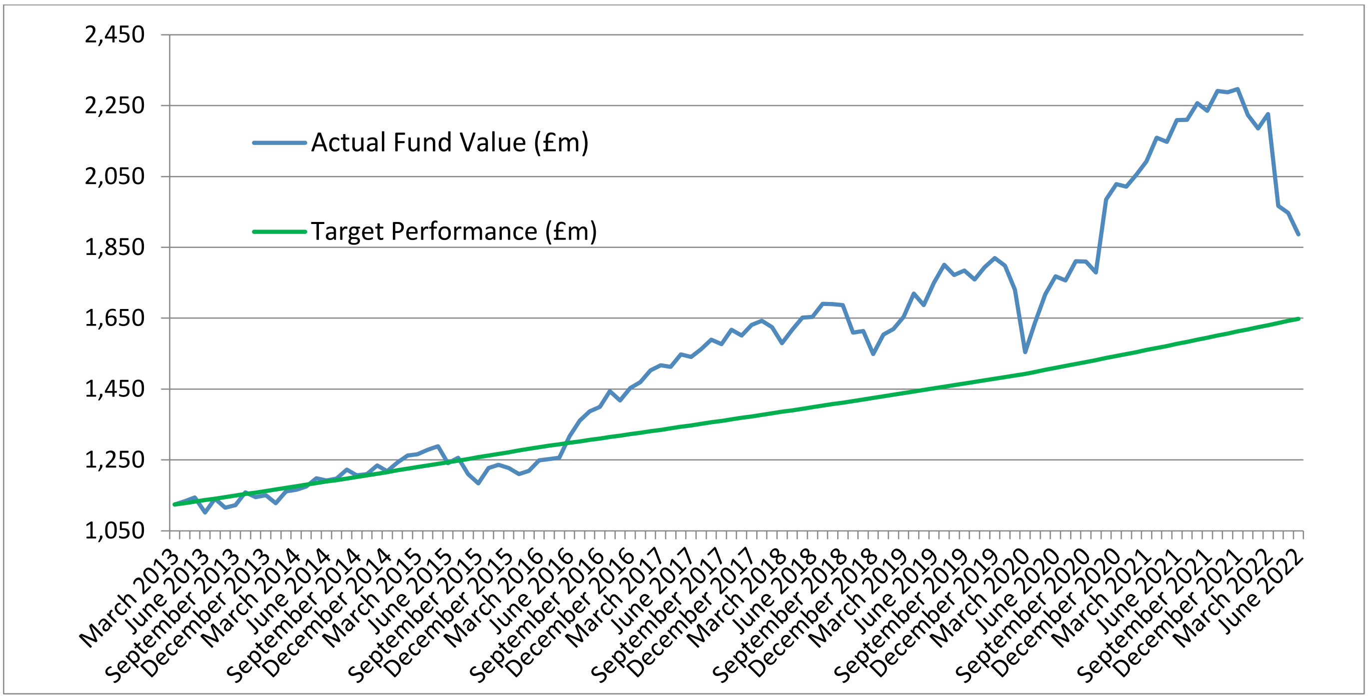
3. LIABILITY MONITORING

3.1. The actuary (Hymans Robertson) valued the liabilities at 31 March 2019 at £1.613bn. This figure was calculated by discounting future liabilities with a discount factor equal to the assumed average annual return on assets (4.5% per annum). This gave a funding ratio of 103% and is a different basis from the previous Triennial Valuation methodology in 2016 when the discount factor was linked to the return on gilts. This revised approach is more realistic and should result in more stable funding ratios over time. A report to the July 2022 Pension Committee estimated the interim funding ratio as 120.8%. The Triennial Valuation will be reported to this Committee as part of a separate item.

3.2. In order to be consistent with the approach taken by the actuaries, the valuation of these liabilities has been extrapolated by the assumed average quarterly return on assets (4.5%/4 = 1.125%), rather than using the movement in gilt yields as a means of extrapolating.

3.3. This gives a theoretical estimated funding ratio in March 2022 of 101.2% (£1.866m of liabilities) and is based on the investment strategy returning in-line with the actuary's estimations for the coming years and decades. This is only an approximation, however. Long-term asset performance remains considerably above the actuary's historic expectations, as shown below in Table 6.

TABLE 6: ASSET PERFORMANCE SUMMARY



4. ASSET PERFORMANCE

4.1. Comparative benchmarking data from a universe of 63 local authority pension funds (valued at £250bn) indicates that average Local Government Pension Scheme (LGPS) fund growth was -4.8% in the quarter to 30 June 2022. The Fund's returns of -5.9% for this quarter were below this benchmark return.

4.2. Over 12 months the universe of PIRC funds delivered -1.4% with the Camden Fund again under-performing this with a return of -4.6%. Over three years the comparison with the PIRC universe is positive with the Fund returning 5.6% and the PIRC universe 5.3%.

4.3. The Fund has not benefitted as much as some other funds have from the recent surge in equities prior to February 2022; however, this is likely to be because other pension funds have a greater proportion of their assets invested as equities, while this Fund is gradually reducing its exposure to high-return but high risk assets, and diversifying the portfolio as the funding level improves. This distinction becomes more marked over recent time periods.

4.4. The latest asset valuations, at 30 June 2022, are somewhat lower than their level last quarter, as shown above in Table 6. This can largely be ascribed to the Fund's exposure to equities, which have suffered large falls, but also to negative returns in other areas, such as bonds and diversified growth.

4.5. Examining the individual investment manager returns in Table 7, the Fund has underperformed its overall target by 2.5% in Q2. In particular this year has been very difficult for the Fund returning -4.6% against a target of +3.1% (a 7.7% underperformance). In particular mandates that negatively impacted on the one year performance are in particular the Baillie Gifford, CQS, Harris and CBRE. Since inception, the Fund has returned 9.0%.

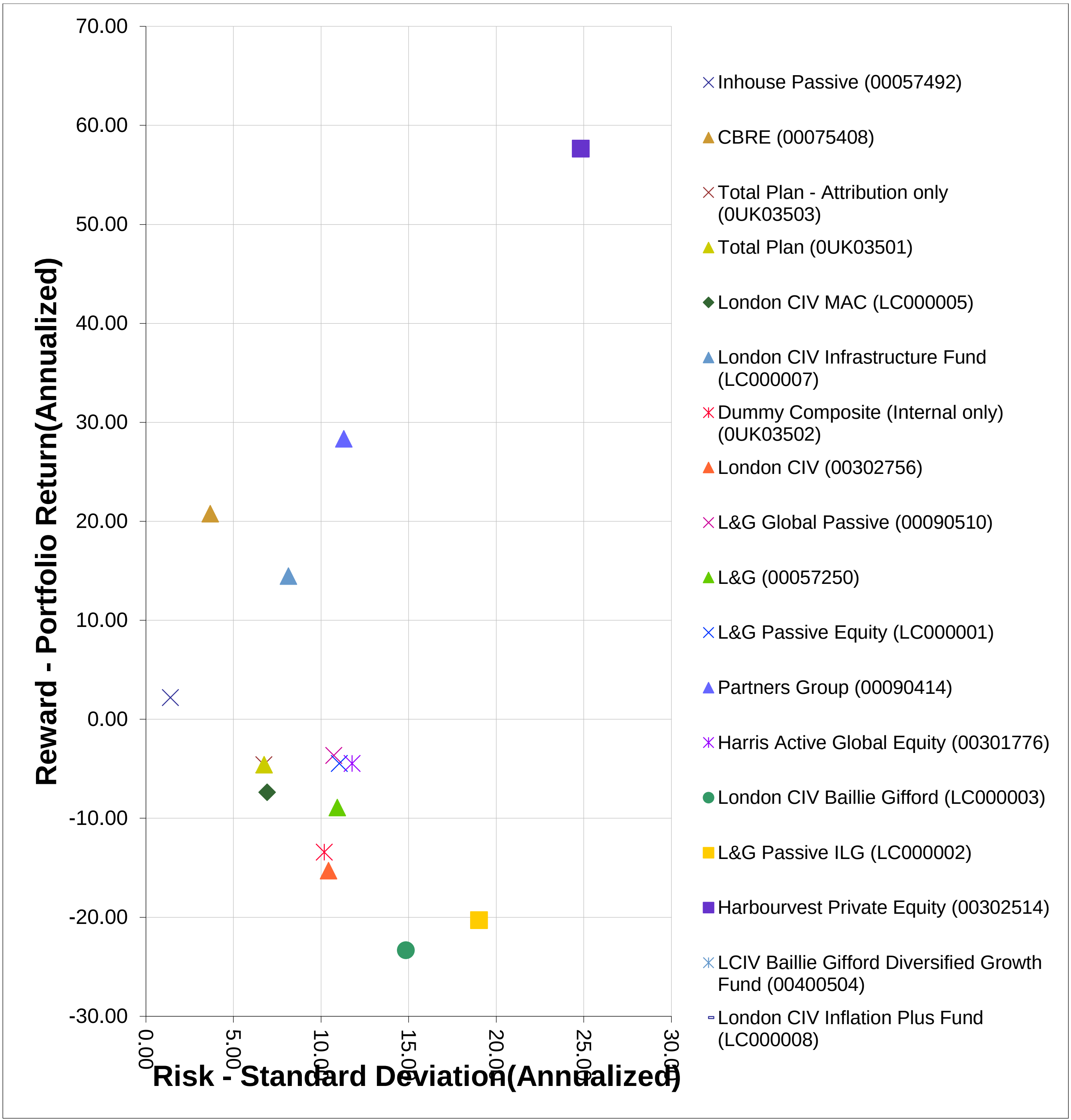
TABLE 7: MANAGER PERFORMANCE

Name	Trailing 3 Months	Trailing 1 Year	Trailing 2 Years	Trailing 3 Years	Since Inception
Harris	-8.6	-4.5	15.9	9.0	9.9
Custom Global Equities (Gross) + 2.5%	-7.9	-1.3	12.5	11.1	13.6
Excess Return	-0.7	-3.2	3.4	-2.1	-3.7
Baillie Gifford (LCIV)	-11.0	-23.3	0.2	5.6	6.8
Custom Global Equities (Gross) +2.5%	-7.9	-1.3	12.5	11.1	11.6
Excess Return	-3.1	-22.0	-12.3	-5.5	-4.8
Future World Global Equities (LCIV)	-8.4	-4.5	-	-	-
Solactive L&G ESG Global Markets	-8.4	-4.6	-	-	-
Excess Return	0.0	0.2	-	-	-
L&G Global Equity (LCIV)	-8.3	-3.7	9.7	8.4	12.2
FTSE All-World + 0%	-8.3	-3.6	9.8	8.4	12.2
Excess Return	-0.0	-0.1	-0.1	-0.1	-0.0
CQS + PIMCO (LCIV)	-7.5	-7.4	2.4	0.0	0.2
3 Month SONIA +4.50%	1.4	5.0	4.8	4.9	5.0
Excess Return	-8.9	-12.4	-2.4	-4.9	-4.7
L&G Passive ILG (LCIV)	-19.8	-20.3	-12.7	-5.2	5.9
FTSE Over 5yr Index Linked Gilts + 0%	-19.9	-19.4	-12.4	-5.1	5.8
Excess Return	0.1	-0.9	-0.3	-0.1	0.1
CBRE	4.4	20.8	13.2	7.3	8.2
All Balanced Property Funds + 1%	4.2	24.5	16.8	10.3	9.2
Excess Return	0.2	-3.7	-3.6	-3.0	-1.0
Partners Group 2009 Euro Fund	0.6	18.3	4.7	1.2	7.3
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	-2.9	3.3	-10.3	-13.8	-7.7
Partners Group 2013 USD Fund	7.2	25.4	7.3	3.4	13.0
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	3.6	10.4	-7.7	-11.6	-2.0
Partners Group 2017 USD Fund	11.6	32.5	17.0	12.3	10.6
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	8.0	17.5	2.0	-2.7	-4.4
HarbourVest	18.1	57.7	45.5	33.0	29.5
Absolute 8%	1.9	8.0	8.0	8.0	7.9
Excess Return	16.2	49.7	37.5	25.0	21.6
Stepstone (LCIV)	7.6	14.5	3.2	-	2.4
9% p.a Net	2.2	9.0	9.0	-	8.7
Excess Return	5.5	5.5	-5.8	-	-6.3
Aviva (LCIV)	-1.0	-	-	-	-4.4
RPI + 1.75%	5.5	-	-	-	9.3
Excess Return	-6.6	-	-	-	-13.7
Baillie Gifford Diversified Growth Fund (LCIV)	-7.6	-	-	-	-7.6
SONIA +3.5%	1.1	-	-	-	1.1
Excess Return	-8.6	-	-	-	-8.6
Total Fund	-5.9	-4.6	7.7	5.6	9.0
Total Fund Composite Target	-3.4	3.1	9.5	6.9	10.8
Excess Return	**-2.5**	**-7.7**	**-1.8**	**-1.4**	**-1.8**

4.6. The risk: reward ratio of individual mandates over the preceding year is represented in Table 8 below. The graph plots absolute returns in the year to June 2022 against the volatility (risk) of returns relative to the benchmark assessed in terms of annualised standard deviation. This approach measures the volatility in respect of the 12 end-of-month valuations for the entire portfolio; the maximum number made available by the custodian carrying out independent valuations. The greater the number of observations in the data set, the more comprehensive the measure of volatility.

4.7. Table 8 below shows the HarbourVest private equity portfolio as performing far better than any other manager in the period; however, HarbourVest returns were achieved with much higher risk. The next best performing fund, over one year, is Partners, followed closely by CBRE – both of these being property funds. The graph demonstrates that Partners achieves higher returns, albeit at a higher exposure to risk. Historically CBRE has always been the lower-risk of the two, although it has previously produced returns at a similar level to Partners. Baillie Gifford has the lowest performance of the equity funds, 23.3% below benchmark over the year – at comparatively higher risk.

4.8. **TABLE 8: RISK VS REWARD GRAPH**



4.9. **Harris** have slightly underperformed the benchmark, by -0.7% over Q2 2022, and they lag their target by 3.2% over 12 months. Harris remain behind target since inception by -3.7%. Quarterly performance was negatively impacted by sector-specific returns, especially in energy and consumer-discretionary. The top contributor in the quarter was Prosus for the second consecutive quarter.

4.10. **Baillie Gifford (CIV)** have underperformed the benchmark over the quarter and the trailing one year by -3.1% and -22.0% respectively, and over the long term by -4.8% since inception. The Baillie Gifford holdings as at 30 June now consist only of the **Global**

Alpha Growth Paris-Aligned Fund. The top performing holdings that contributed most towards this quarter's positive returns for this fund were Prosus, Li Auto, and Service Corporation. The overall negative performance is due to market preferences shifting away from growth stocks, such as comprises this fund, and towards value ones, partly driven by rising inflation and rates. The fund added three new positions to the portfolio: Albemarle (specialty chemicals), Hellofresh (delivery meal kits), and BHP Group (mining). Shortly after the purchase of BHP Group however, MSCI made an exceptional and significant change to their estimates of BHP's scope 3 emissions. The manager consequently decided to sell the holding in BHP, stating that they had limited options in order to maintain a portfolio weighted-average carbon intensity below the Paris-Aligned benchmark.

4.11. **Legal & General** equities have either matched or slightly underperformed their benchmark in Q2. The Future World global equity index fund is a sustainable passive fund which is more closely aligned to the Pension Fund's investment beliefs. The Future World fund is benchmarked against the Solactive index; the slight underperformance of the Future World fund can be attributed to the fund's lower exposure to energy and commodities firms, which have benefited from the recent rise in energy process.,

4.12. **Insight** This investment was redeemed in-line with the strategy in April 2022.

4.13. **CQS - PIMCO (CIV)** trailed the benchmark over Q2 2022, by 8.9%; this fund remains behind the target since inception, by -4.7%. The manager commented that spread widening and rising interest rates led to drawdowns from credit asset classes. This fund is the result of a move to a blended investment manager structure (of CQS and PIMCO) which began in February. This blended fund should have greater exposure to investment-grade credit and emerging market debt, improving the fund's diversification.

4.14. **CBRE** slightly outperformed the target by 0.2% over Q2 2022 but underperformed by 3.7% in one year. They have returned 8.2% per annum since inception, against a target of 9.2%. While performance is strong compared to many other asset classes, it is nevertheless behind the benchmark for similar investments. CBRE expects property performance to remain robust in 2022, as the market stabilises after the effects of global economic disruption. This has been slightly downgraded, for the second consecutive quarter, from an expectation of 5.3% growth to 4.8% over five years.

4.15. **Partners Group** funds' performance improved over Q1 2022, but it is important to bear in mind that these valuations lag by three months due to the nature of the fund of fund arrangement. Partners Group funds' performance is viewed individually for the three funds as follows:

i. The 2009 Euro fund has underperformed the target by -2.9% over Q2 2022, and remains -7.7% below its ambitious target since inception. The fund is fully invested. Their latest report to Q4 2021 stated the fund was in its realisation stage and continued to be in receipt of proceeds from its underlying investments. The continued appraisal of suitable exit strategies for the remaining assets will be the main focus for the programme.

ii. The 2013 Dollar fund's performance continues to improve over Q1 2021 and now registers 25.4% over the past twelve months. Since inception, the fund has returned 13.0% per annum which is more in line with its target. The fund continued to receive proceeds from its underlying investments.

iii. The 2017 Dollar fund, the youngest of the three funds, performed the best of the three during the fourth quarter of 2021, achieving 11.6% growth, 8.0% greater than the benchmark. Since inception, it has achieved 10.6% growth against an ambitious 15% target. This fund has now drawn 60% of its commitments, and it remains in its' "value-creation" stage.

4.16. **HarbourVest** outperformed their benchmark by 16.2% in Q1 2022, outperforming over all time periods including a remarkable 57.7% over the year. As a proportion of committed investments, 87% of HarbourVest's investments are meeting or exceeding expectations, whereas 13% of them are below expectations. Their valuations are also lagged by three months and so the full effects of the current macroeconomic situation are yet to be seen on HarbourVest's holdings. Around 77% of the fund has been drawn down as of June 2022.

4.17. **Ruffer (CIV)** This investment was redeemed in May 2022 in-line with the strategy.

4.18. **Stepstone (CIV)** had recorded 7.6% in its latest quarterly results, but these figures also lag by three months, as is typically the case with private market investments. The fund was only launched on 31 October 2019 and so it is too early to read into their performance figures. Looking to the future, infrastructure will be a key part of economic recovery plans.

4.19. **Aviva (CIV)** received initial investment from the Pension Fund in December, and so this is the second performance report in which it is included. Performance over the quarter was a fall of 1.0%. The Pension Fund is a significant investor in this LCIV fund, making up over 45% of the funds deployed.

4.20. **Baillie Gifford Diversified Growth Fund (CIV)** returned results significantly behind the target for the quarter, -7.6%. This is the first full quarter of results for Camden's investment into this fund, following initial investment in March 2022. Baillie Gifford have attributed this underperformance to the active equity portfolio (within the fund) which has underperformed the market.

ASSET ALLOCATION REBALANCING UPDATE

4.21. As noted in the previous quarter's performance report, the bulk transfer out of the Fund for the Improvement and Development Agency's assets from Camden occurred in the April 2022. The transfer value was £202m.

4.22. A number of other movements have occurred, and include the redemption of existing DGF holdings with the CIV (held through Ruffer), with a value of £75.9m, and of nearly £100m of bonds held with Insight. These have both been reinvested into the LCIV Multi-Asset Credit fund.

4.23. Following these movements there is now a much lower cash balance - £87m at 30 June compared to £147m as at 31 March.

5. FOSSIL FUEL EXPOSURE

5.1. All Investment managers were asked about the Fund's exposure to fossil fuels in general. The results for all our investment managers, at 30 June 2022, are as shown in Table 9 below.

5.2. It is important to remember that all companies have slightly different definitions of fossil fuel companies and so this is only an estimate. In 2012 the Fund had 7.2% of its equity assets invested in fossil fuels. In the report to the July 2022 Committee the fossil fuel proportion of all assets was 2.15% and is now 2.06%. In absolute terms it has decreased from £49m to £39m since December 2021. Much of this can be explained by the move to more carbon-neutral equity holdings such as the Baillie Gifford-managed Global Alpha Growth Paris Aligned Fund within the CIV.

5.3. **TABLE 9: PERCENTAGE OF TOTAL FUNDS INVESTED IN FOSSIL FUELS**

		Total Fund (£m)	**Fossil Fuel Holdings (£m)**	**Total Percentage of NAV in Fossil Fuels at 30 June 2022**
Legal & General	**Global Equities**	371	14.74	
	Future World Global Equities	259	3.25	
	Over 5y Index-Link Gilts	80	0	
Harris		162	8.43	
Baillie Gifford (LCIV)	**Global Alpha Growth Fund**	0	0	
	Global Alpha Growth Paris Aligned Fund	207	0	
CBRE		107	0.35	
HarbourVest		66	0.65	
Insight		0	0	
Standard Life		0	0	
Partners Group		97	0	
Aviva		92	0	
Stepstone		54	0	
CQS		216	6.76	
Ruffer		0	0	
BG DGF		88	4.60	
(Cash - JPM)		88		
Total		**1,887**	**38.79**	**2.06%**

5.4. Investment managers were also asked what percentage of our portfolio was invested in the Carbon Underground 200 Index of companies at 30 June 2022. This is a more consistent definition of fossil fuel companies and the results are below. This has risen slightly from 1.10% to 1.21% this quarter. This is chiefly due to the rising costs of energy, which has brought about higher asset prices in the energy sector.These assets are predominantly concentrated in the two L&G tracker funds.

TABLE 10: PERCENTAGE OF PORTFOLIO IN CU200 COMPANIES

Investment Manager	% NAV invested in Carbon Underground 200 Index of Companies at June 2022
Legal and General Global Equities	0.64%
Legal and General Future World Global Equities	0.15%
Legal and General (Over 5y Index-Link Gilts)	0.00%
Harris	0.20%
Baillie Gifford - LCIV Global Alpha Growth Fund	0.00%
Baillie Gifford - LCIV Global Alpha Growth Paris Aligned Fund	0.00%
CBRE	0.04%
HarbourVest	0.00%
Insight Investment	0.00%
Standard Life	0.00%
Aviva	0.00%
Partners Group	0.00%
Stepstone (London Collective Investment Vehicle)	0.00%
CQS (London Collective Investment Vehicle)	0.14%
Ruffer (London Collective Investment Vehicle)	0.00%
Baillie Gifford DGF	0.03%
Total Percentage of NAV invested in the Carbon Underground 200 Index of companies at June 2022	**1.21%**

6. **RESPONSIBLE INVESTOR COMMENT**

6.1. This report covers performance of several kinds, not only financial performance, but also the extent to which the Fund’s assets are moving away from highly-polluting or carbon dioxide-intense holdings over time. This report goes to show that good financial returns are not incompatible with responsible investment.

6.2. **ENVIRONMENTAL IMPLICATIONS**

6.3. There are numerous environmental implications to the performance of the fund; in terms of the carbon impact, these have been set out in tables 9 and 10.

7. **FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES**

7.1. The finance comments of the Executive Director Corporate Services are contained within the report.

8. **LEGAL COMMENTS OF THE BOROUGH SOLICITOR**

8.1. This report demonstrates that the Camden Pension Fund adheres to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Regulation 7 requires that the authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund. In doing so the Committee must take account the requirements for the investment strategy and in particular, the need for a suitably diversified portfolio of investments considering the advice of persons properly qualified on investment matters.

9. APPENDICES

APPENDIX A – Detailed Market and Manager Performance Review

APPENDIX B – Camden Client ranking by Manager

APPENDIX A

London Borough of Camden

Quarterly Report – Q2 2022

AUGUST 2022

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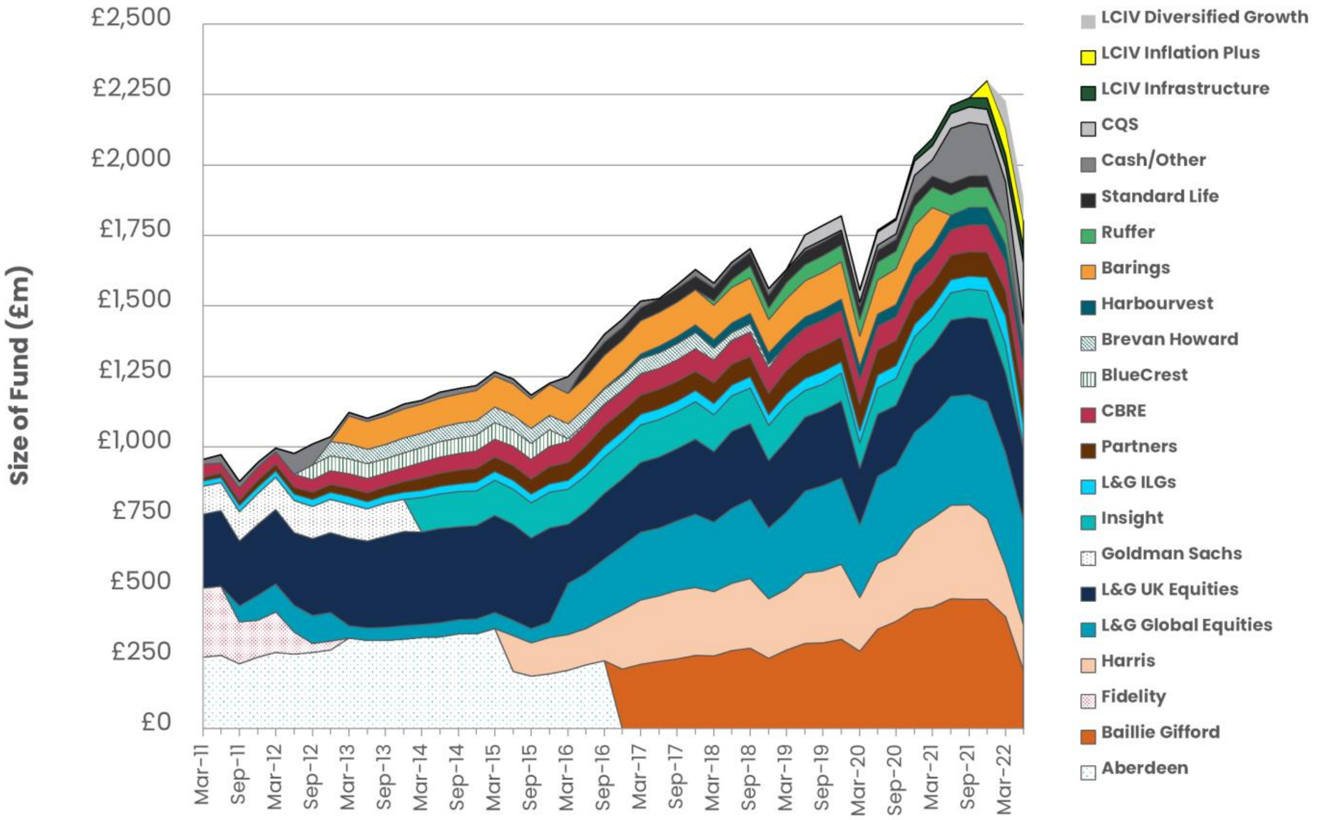
Total Fund Valuation

Table 1 shows the total value of the pension fund over time. Each segment shows the value of the assets with each underlying investment manager.

TABLE 1: VALUE OF LONDON BOROUGH OF CAMDEN PENSION FUND (£M) OVER TIME



Source: London Borough of Camden; MJH

Independent Advisor Market Review

Overview

The second quarter of 2022 saw continued poor performance, impacted by worsening inflation, accelerating interest rate hikes, and rising fears of recession. Global equity and bond markets experienced substantial losses across the board, which made this a negative quarter for the fund as a whole.

The Global Economy

Q2 was tough for most investors. Global markets continued to face the challenges of the ongoing war in Ukraine, lockdowns in China, continued supply chain disruptions, rising inflation, slowing economic growth and accelerated interest rate hikes. Inflation moved higher in many major economies over the quarter, with both equities and fixed income markets under pressure with the increased risk of recession. Global equity markets significantly declined, falling -16.1% over the quarter following the respective rate hikes across regions. US equities suffered the most (-16.1%); followed by Emerging Markets and European equities (-11.4% and -9.4% respectively); and UK equities registered a slightly negative return (-3.8%). Value-oriented stocks experienced a smaller decline than growth stocks (-12.2% for the MSCI World Value Index vs -21.4% for the MSCI World Growth Index). Corporate and government bond indices also sharply declined (for the UK indices, both by -7.4%), while the hard currency emerging market bond index fell -11.4%. Real assets such as commodities and real estate continued the volatility experienced last quarter, and the US dollar strengthened against most currencies, benefiting from broad risk aversion.

TABLE 2: QUARTERLY GDP GROWTH RATE

	US GDP	UK GDP	EUROZONE GDP	JAPAN GDP
Q2 2022*	N/A	0.1%*	0.0%*	N/A
Q1 2022	-1.6%	0.8%	0.6%	-0.1%
Q4 2021	1.7%	1.3%	0.3%	1.1%
Q3 2021	2.3%	1.1%	2.2%	-0.9%

Source: Bloomberg. *Forecast based on leading indicators.
Notes: UK Real GDP (Ticker: UKGRABIQ Index), US Real GDP (Ticker: EHGDUS Index), Eurozone Real GDP (Ticker: EUGNEMUQ Index), Japan Real GDP (Ticker: EHGDJP)

GDP growth: despite the ongoing recovery of the UK economy from the pandemic, the impact of the Russia/Ukraine war is expected to slow growth in the UK alongside other advanced economies. The UK is expected to hit an inflation peak of 11%, with the expected fall in real wages positioned at 2%. The war is expected to hinder growth through higher commodity prices and supply chain disruption. The US is forecast to post a GDP growth rate of 2.4% for 2022, following a 1.6% slump in Q1. China's growth has been disrupted by another COVID-19 wave. Real GDP growth is expected to slow sharply to 4.3% in 2022, largely reflecting the damage caused by the Omicron outbreak.

Global equities fell sharply in Q2. All tracked indexes suffered significant declines. In addition to the continued Ukraine war, the impacts from slowing economic growth, tightening monetary policy, rising interest rates, and high inflation have all significantly hit the market. Unsurprisingly, the VIX increased by 39.6% in Q2, from 20.6 to 28.7.

US equities, measured by the S&P 500, fell sharply over the quarter by -16.1% and the NASDAQ fell by 22.4% quarter on quarter in response to the more aggressive path of interest rate hikes, with the Fed raising rates by 0.5% in May and 0.75% in June, in an effort to slow inflation, and reached the target range between 1.50% and 1.75%. This is the greatest rate increase since 1994. Consumer discretionary slumped -26.3% quarter on quarter due to rising consumer concerns over the effect of inflation on households. All sectors experienced declines, although consumer staples and utilities were comparatively resilient.

UK equities continued to be impacted by the war in Ukraine, and the Bank of England raised the base rate to 1.00% in May, with a further rise to 1.25% in June - the highest level for 13 years. The UK market was more downbeat with both the FTSE 100 (-3.8%)

and FTSE All-Share (-5.1%) falling over the quarter. Large-cap companies held up relatively well as traditionally defensive areas of the market outperformed, including the telecoms, healthcare and consumer staples sectors. Small and mid-caps (SMIDs) suffered significant valuation declines as the growth companies in general have suffered against the backdrop of rising rates.

The Euro Stoxx 50 declined by 9.4% over the quarter. The ECB's President signalled the first rate hike was likely to come in July 2022, and will pave the way for the end of negative rates. Concerns over the higher cost of living and the possibility of recession saw the European Commission's consumer confidence reading fall to -23.6 in June, the lowest level since the early stages of the pandemic in April 2020.

Japanese equities registered a decline of 5.0% from the end of March. While the latest annual consumer inflation figure (for May) rose above the Bank of Japan's (BoJ) target of 2%, it remained very low by international standards. Japan's equity market in the quarter was primarily driven by news flow on monetary policy and currency markets, together with concerns over the growing possibility of a US recession. The yen weakened sharply against the US dollar, breaching the 130 level for the first time in 20 years.

Emerging market (EM) equities aligned with the global equities markets and delivered -11.4% over the quarter, with US dollar strength a key headwind.

Global bonds continued to sell off sharply in Q2 sending yields higher amid elevated inflation and rising interest rates. Global bonds rallied into quarter-end amid rising growth concerns, slightly curtailing the negative returns. Within corporate bonds, high-yield credit was hardest hit, with mounting concerns over the economic outlook. Emerging market bonds also suffered similar declines.

The US 10-year bond yield rose from 2.35% to 2.98% and the 2-year yield from 2.33% to 2.93%. Treasuries provided a total Q2 return of -3.8%. The unemployment rate also edged down, bolstering the case for the Fed to speed up the tightening of monetary policy in the fight against inflation. The Michigan Consumer Sentiment index declined to 50.0 in June, a record low in its 70-year history, going back to 1952.

The UK 10-year Gilt yield increased from 1.61% to 2.23% and 2-year yield rose from 1.36% to 1.88%. This occurred despite concerns around the UK economic outlook and particularly the cost-of-living pressures on households which is causing a significant purchasing power squeeze. Unemployment remained low in the UK, but consumer confidence has hit a record low with the negative real wage growth.

European government bonds had a total return of -7.3% in Q2. The selloff in European government bonds gathered momentum as traders priced in a more aggressive pace of tightening from the European Central Bank (ECB) amid mounting concerns over the deteriorating inflation outlook worldwide. Expectations are for the ECB to conclude its net asset purchases under its asset purchase program in Q3. Once complete, the ECB is expected to begin hiking interest rates, following the same path as the Bank of England and the Federal Reserve. The German 10-year yield increased from 0.55% to 1.37% with Italy's up from 2.04% to 3.39%, hitting as high as 4.27% in June.

US high-yield bonds aligned with the global bonds market, returning -9.8%, with -10.7% performance for European high-yield bonds. Investment-grade bonds returned -7.4% in the UK, -7.6% in Europe and -7.3% in the US.

Energy prices fluctuated in Q2 2022, with the continuation of the Russia-Ukraine conflict putting further pressure on the rising prices from Q1. Increases in price occurred via tight supply reflecting uncertainties about further sanctions related to Russia's invasion. Precious metals also surged, with investors seeking safe-haven assets – which saw gold prices rise.

US natural gas fell over the quarter influenced by rising domestic inventories. The recent explosion at one of the biggest US liquefied natural gas export terminals in Texas - Freeport LNG - is keeping an additional 2 billion cubic feet a day of natural gas in the US market despite soaring international demand. This is subsequently easing pressure from domestic prices. Freeport LNG said it does not expect the terminal to return to full operations until late 2022. Natural gas in Europe rose to the highest level in almost four months due to planned strikes in Norway threatening to further tighten a market, which is already suffering from Russia's supply cuts. Prices in Europe continued to rise to new highs (Dutch TTF Gas Futures +10% to above 160 euros a megawatt-hour) as Germany entered the alert phase of its emergency plan in response to reduced Russian flows and liquefied natural gas (LNG) imports. This follows the suspension of certification of the Nord Stream 2 pipeline. Nevertheless, the price has gained 45% for the year to date, through strong overseas demand, especially from Europe which is slowly eradicating Russia as a supplier.

Brent crude oil experienced increasing prices in Q2 (+6.4%). Fluctuations in price stemmed from the fear of a world recession. Oil, however, did come close to an all-time high of $130 in Q1 due to Russia's invasion of Ukraine exacerbating tight supplies following the recent recovery of demand shortly after the Covid pandemic. After reaching a 10-week high at more than $125/b in Q2, Brent crude futures have yielded to volatile trading as concerns over a global economic slowdown trumped the impact of Western sanctions on Russian oil supplies. Brent closed the quarter at $115 a barrel.

Gold and Copper prices fell 7.3% and 21.8% respectively in Q2, as fears of a global recession continued to hang over the market. The risk of recession in the US is growing as the Fed tightens monetary policy amid rising inflation and Europe's economic outlook darkens due to soaring gas prices. With the cost of holding Copper getting expensive through Fed tightening and gold imports from Russia being banned, we may see further fluctuation into Q3. The Generic 1st Gold index and Generic 1st Copper index closed Q2 at 1,807 USD/toz and 371 USD/lb, respectively.

Global listed property had a weak quarter, with the FTSE EPRA Nareit Global Index declining -9.8% in Q2.

Property prices declined for the first time in two years with the Green Street Commercial Property Price Index down by -1.2% in Q2. The all-property index is now down -1.0% since the start of the year.

The Nationwide House Price Index in the UK increased 10.7% year on year in Q2 2022 which was, however, below market forecasts of 10.8%. Expectations are pointing towards a slowdown, with the number of mortgages approved for house purchases falling back towards pre-pandemic. However, the housing market has retained momentum given the pressures of rising inflation.

In Q2, sterling weakened sharply against the euro (-2.0%) and against the US dollar (-7.3%) as recession fears, rising living costs, public sector strikes, and inflation uncertainty all undermined confidence in the UK's economic outlook and the strength of its currency. Overall, the US dollar (Dollar index +6.5%) had a strong Q2, as investors preferred the US over Europe amid uncertainty among ECB policy makers growth outlook. Notably it also strengthened against the Japanese yen by 11.6%, again reflecting the divergence in policy between the Fed and the Bank of Japan.

Asset Allocation

The IDeA substitution of funds to Merseyside pension fund in April provided an excellent opportunity to rebalance the asset allocation of the fund more closely to the strategic benchmark. The increased allocation towards inflation-linked asset classes (index-linked gilts and long lease property) will continue to provide some protection against the inflationary pressures mentioned above. The high level of diversification in the portfolio will continue to mitigate against any volatility in equity returns. This includes property, which has been one of the stronger performing asset classes over the past 12 months.

Individual Manager Performance Review

London CIV – Baillie Gifford

The Independent Advisor comments that, the London CIV – Baillie Gifford sub-fund delivered a return of -11.0% in Q2, underperforming Harris by -2.40% for the quarter and by -18.83% for the 12-month period. The return was however ahead of the MSCI World Growth Index, which delivered -21.4% in Q2. The manager is underperforming its performance target over 12 months, with an absolute return of -23.32% vs the target of -1.3%. The manager is also behind the target over 3 years by -5.5% per annum.

The London CIV offers two Global Alpha sub-funds: the Global Alpha Growth Fund and the Global Alpha Growth Paris-Aligned Fund. On 13 September 2021, £248.4 million of London Borough of Camden's investment in the Global Alpha Fund was transferred to the Paris-Aligned Fund. This was to align more closely with the pension fund's investment beliefs around climate change. The residual holding in the original fund was liquidated in April as part of the transfer to Merseyside in respect of IDeA.

The objective of the Paris Aligned 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. The sub-fund also aims to have a weighted average greenhouse gas intensity that is lower than that of the MSCI ACWI Climate Paris Aligned Index.

Prosus Nv, Li Auto and Service Corporation International were Baillie Gifford's best-performing positions in the Paris-Aligned fund during the quarter. Meanwhile, Tesla and Amazon were the largest detractors. The fund added three new positions to the portfolio: Albemarle (specialty chemicals), Hellofresh (delivery meal kits), and BHP Group (mining). Shortly after the purchase of BHP Group however, MSCI made an exceptional and significant change to their estimates of BHP's scope 3 emissions. The manager consequently decided to sell the holding in BHP, stating that they had limited options in order to maintain a portfolio weighted-average carbon intensity below the Paris-Aligned benchmark. Four other sales were completed during the quarter: Teladoc Health, Peloton, Tencent Music, and KE Holdings. The beta on the Paris Aligned portfolio as at quarter end stood at 1.06. This means that if the market falls 10%, the portfolio is expected to fall by 10.6%.

Baillie Gifford's 12-month performance has produced weak returns on a relative basis, underperforming the performance target by -22.0%. The manager is also underperforming the performance target since inception by -4.8% per annum, as well as underperforming over two and three years. This, however, should be put in the context of consistent outperformance over the previous decade.

The LCIV monitors this manager, noting that Q2 was "a challenging one for stock markets and more so for growth strategies", which includes the sub-fund. Investors took a negative stance on growth stocks, where uncertainty is high and cash flows are more heavily weighted to future years. The LCIV notes that performance since inception is now firmly into negative territory after a fifth consecutive quarter of negative relative returns. Following extended discussions with the manager, the LCIV has concluded that they have remained true to their process, although aspects of the sub-fund management could have been better. The LCIV states that going forward they want to see the manager stick to their process and remain fully focused on high-growth opportunities that will outperform when the market direction changes.

The team at Baillie Gifford argue that the underperformance has been in part due to the shocks seen in world markets. The Covid policy in China is restricting supply. There is the Russia/Ukraine oil crisis. Inflation is coming through, and interest rates are increasing. These are creating headwinds for growth investors. The manager defends the portfolio and asserts that they have not "panic-traded", nor chased short term returns. They have, however, spent time looking at the underlying operating metrics. In their opinion, these are still pointing in the right direction.

The Paris Aligned fund held 90 companies at quarter end, across 21 different countries, and had an active risk of 5.48% (active risk, or tracking error, is a measure of how much risk the manager is tracking away from the benchmark index. A passive manager would have 0.25% tracking error). The fund is overweight in financials, consumer discretionary, healthcare, communication services, and cash and other net assets. It was underweighted in information technology, industrials, consumer staples, materials, real estate, and other investments.

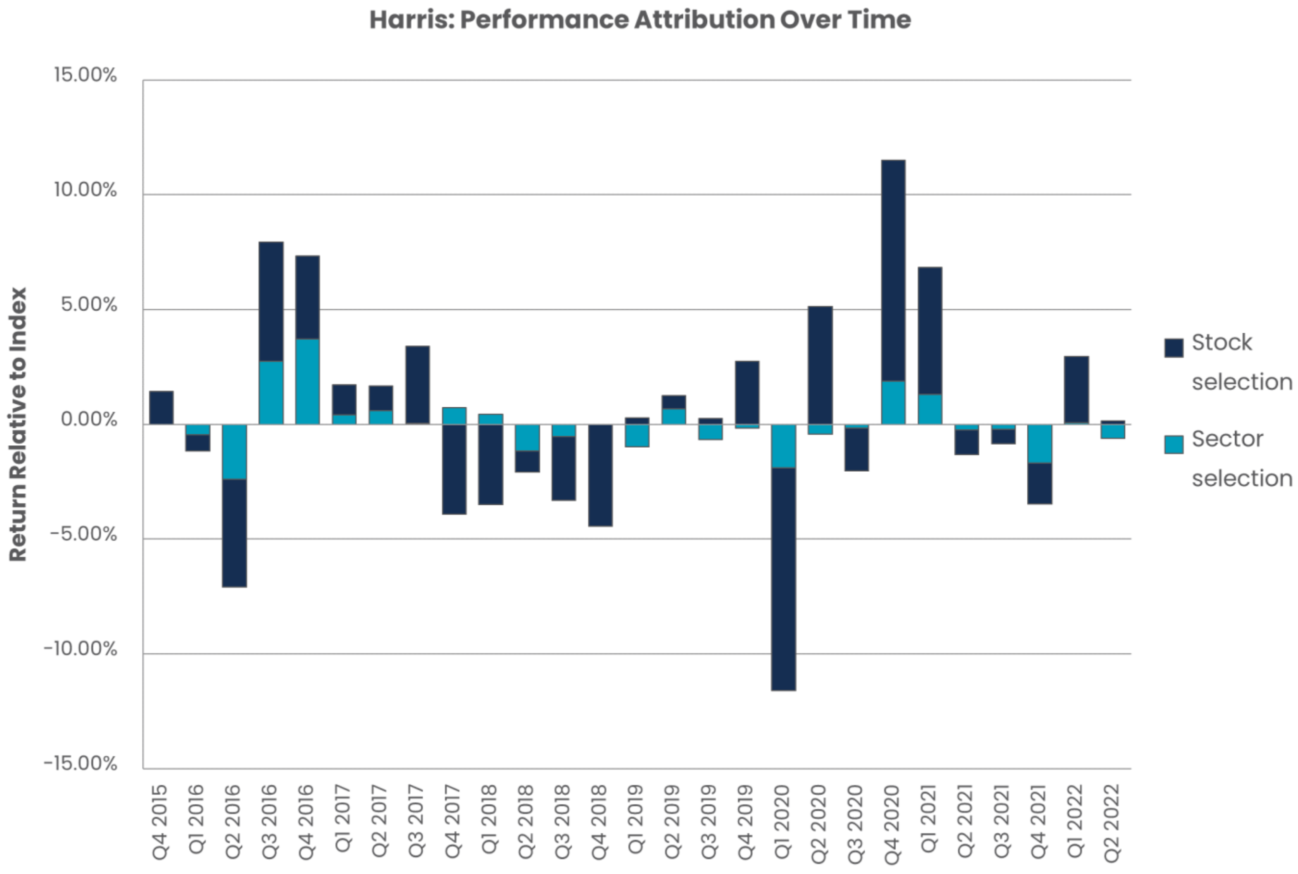
The London CIV is now reporting on carbon intensity for its sub funds. The Paris Aligned Baillie Gifford sub-fund aims to have a weighted average greenhouse gas intensity that is lower than that of the MSCI ACWI Climate Paris Aligned Index. However, London CIV compares the portfolio against the full market capitalisation index for carbon intensity purposes. As at end June 2022, the weighted average carbon intensity of this portfolio was less than half the intensity of the MSCI All Country World Index. The fund had a significantly lower exposure to fossil fuel companies (less than 1% compared with the benchmark which had over 8% in fossil fuels).

In terms of assets under management, the LCIV Paris Aligned sub-fund stood at £1,033.3 million as at end June. London Borough of Camden's investment represents 20.05% of the fund.

Harris

Table 3 shows the contribution to performance, relative to the index, from asset allocation and stock selection. Table 3 shows that sector selection was a significant contributor to the negative relative return of the fund during Q2 2022, with -0.62% attributed to sector selection. However, +0.14% was attributed to good stock selection.

TABLE 3 HARRIS PERFORMANCE ATTRIBUTION



Source: Harris; MJH

The Independent Advisor comments that, Value significantly outperformed Growth in Q2. The MSCI World Growth Index returned -21.4% whereas the World Value Index delivered -12.2%. Harris in turn outperformed the Value Index, despite delivering a quarterly return of -8.6%. Relative to the full market capitalisation Index, stock selection had a positive impact and increased performance by +0.14%, although sector selection decreased performance by -0.62% in Q2 2022. Most of the negative return from sector selection came from holdings in energy and consumer discretionary, which detracted -0.39% and -0.37% to the return respectively. Harris continues to underperform the performance target for the past 12 months, with underperformance of -3.2%.

The top contributor during Q2 was Prosus which added +1.18% to the total return. Amazon was the worst performing stock, detracting -1.09% from the portfolio.

As at quarter end, the fund had a 48.14% allocation to Europe, 45.01% to the US, and the balance of 6.85% in Asia/Emerging markets.

Engagement with the companies in which Harris invests is consider from a risk perspective and the materiality of that risk. Theirs is more of a reactive approach rather than proactively engaging with investee companies, and this is something to monitor.

Insight

The Independent Advisor comments that the position in Insight Absolute Return Bonds was exited during Q2 2022.

Legal & General

The Independent Advisor comments that, the observed tracking errors on the pooled index funds were within expected ranges during the quarter. The tracking is shown in Table 6. As the tracking is still in line with expectations, there are no concerns.

TABLE 6: TRACKING ERROR

	THREE-MONTH TRACKING	ONE-YEAR TRACKING	THREE-YEAR TRACKING
WORLD – FUTURE WORLD	0.03%	0.16%	-
WORLD – MARKET CAPITALISATION	0.00%	-0.01%	0.00%
GILTS	-0.01%	-0.01%	0.00%

Source: Legal & General; MJH

Legal & General aims to add modest value over the long term, through small benefits arising from opportunities in index changes, stock lending and corporate actions. In total, these activities should result in outperformance of around +0.1% for equities. Table 6 indicates that Legal & General are close to this target over a three-year period.

The manager no longer allocates to the UK Equity Index Fund, with the £65m investment being switched into the Future World global equity index fund. This is a sustainable passive fund which is more closely aligned to the pension scheme's investment beliefs.

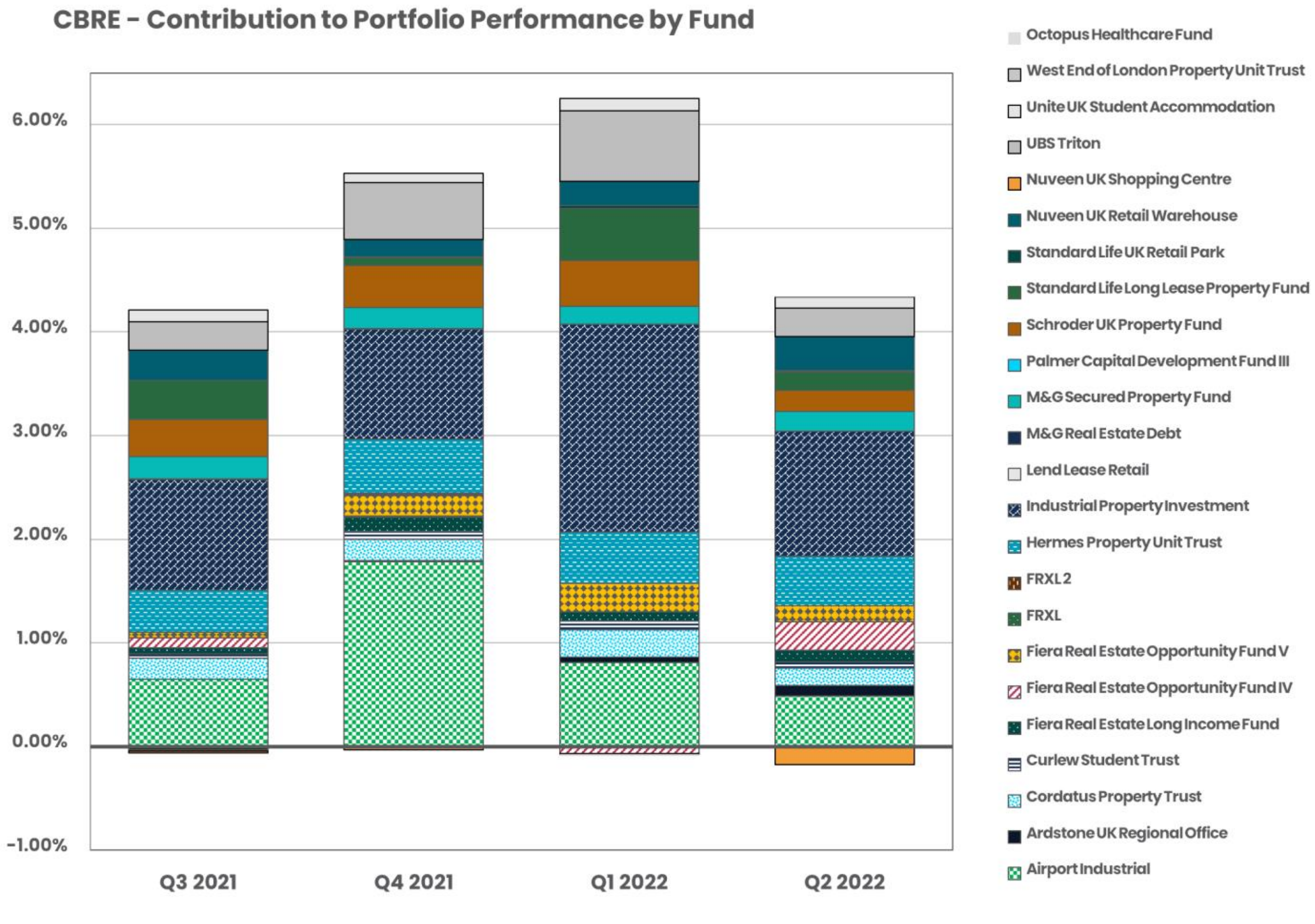
In Q2 the sustainable Solactive Index, against which the Future World global equity index fund is benchmarked, delivered a return of -8.44% compared with the full global equity market capitalisation index which returned -8.29%. The slight underperformance of the Future World Fund continues to reflect rising energy prices, as the Fund has less exposure to energy and commodities companies.

CBRE

Table 7 shows the contribution to performance from each of the underlying funds making up CBRE's portfolio over the past four quarters. This quarter shows a mixture of both positive and negative returns, although the majority were positive. Nuveen UK Shopping Centre Fund (-35.1%) was the only detractor to performance in Q2, although the contribution to the fund's return was only -0.3%. Meanwhile, the top contributors to returns for the quarter came from the investments in Industrial Property Investment Fund and Airport Industrial Property Unit Trust, which delivered returns of +8.3% and +4.5% respectively, contributing +1.7% to the fund's return in Q2.

For the 12 months to June 2022, Industrial Property Investment Fund and Airport Industrial Property Unit Trust were the strongest contributor to returns, contributing +5.44% and 3.77% respectively to the one-year portfolio return. These two holdings make up 25% of the portfolio by value. CBRE stated that this performance reflects the relative strength of the industrial sector, which continues to experience strong occupational and investment demand, as well as capital values which are reaching new highs. Airport Industrial Property Unit Trust is the light green bar in Table 7, and Industrial Property Investment Fund is shown in navy blue.

TABLE 7: CBRE PERFORMANCE ATTRIBUTION



Source: CBRE; MJH Allenbridge

During the quarter, the manager noted that rental growth was robust, with rents rising by 1.0% in Q2 across the All Property Index. Although this high growth is marginally behind last quarter's 1.5%, it remains high compared to historic levels. The industrial sector remains the key driver of this growth, with the fund experiencing mixed performance across other sectors.

CBRE have revised down their property forecasts following the rapidly changing economic backdrop, although performance still remains robust (forecasted return of 4.8% p.a. over the next five years, down from 5.3% p.a.). Earlier and larger interest rate rises, combined with an increased cost of debt and greater uncertainty, all indicate that property yields will increase by more than previously expected.

As at quarter end the portfolio had 23 investments and leverage on the portfolio stood at 9.8%, a slight decrease from last quarter at 10.7%.

Partners

The Independent Advisor comments that, the 2009 Fund has invested in a total of 61 investments, with 45 investments having now been realized. This Fund is fully invested and Partners have called down 95.3% of committed capital. The manager has distributed 123.9% of the invested money since inception and is continuing to "focus on exits and distributions as several investments in the portfolio move into the realization phase of their lifespan"

The 2013 Fund had made 42 investments as at 30 June 2022, with 16 having been realized. The Fund was 72.0% contributed and has distributed 85.2% (as a percentage of contributed capital) since inception. Investment activity will be focused on the existing portfolio assets, while evaluating divestment opportunities for the mature assets.

The portfolio's allocation is split as follows: 54% to Europe, 39% to North America, 3% to Asia-Pacific and 4% to the rest of the world.

The pension fund has committed capital to Partners Group's 2017 Fund. The Fund had drawn 60.0% of commitments as of quarter end and had 55 investments, with 2 having now been realized.

As at end June 2022, the portfolio's allocation was split: 54% to North America, 14% to Europe, 25% to Asia-Pacific, and 7% to the rest of the world. At the end of the period, the 2017 Fund remained in its value creation stage.

Aberdeen Standard Life

The Independent Advisor comments that the position in Standard Life GARS was exited during Q1 2022.This was part of the strategic allocation moves approved by the Pension Committee last quarter.

London CIV – Ruffer

The Independent Advisor comments that the position in London CIV’s Absolute Return Fund, managed by Ruffer, was exited during Q2 2022.

HarbourVest

The Independent Advisor comments that, the London Borough of Camden pension fund has committed $86.3 million to HarbourVest's Global Fund 2016. Around 77% had been drawn down as at 30th June 2022. A total of $56m has been distributed back to investors (0.84x capital paid in).

HarbourVest's goal is to have 35% in secondary investments, 15% in co-investments and the balance in primary funds. The fund will also have geographic diversification, with a target range of 60-70% allocated to the US.

In terms of how investments are performing relative to expectations, 55% of the remaining investments are above expectations, 32% are meeting expectations, and 13% are currently below expectations (as a % of commitment dollars). As a % of NAV, 64% of the remaining investments are above expectations, 25% are meeting expectations, and 11% are currently below expectations.

HarbourVest provided further information below on three of the investments representing those that are "behind" expectations, however they would note the positive momentum across all three, as well as the fact that since inception net performance for the fund as a whole remains strong, at 26.1% as of 31 March 2022, and achieving their goal of 3-5% above public market equivalents.

Marlin Equity V, L.P: performance "behind" as technology valuations lagged in Q1 22 and this portfolio is fully invested across the Technology industry. Marlin remains invested in this space as it looks to rebound. Marlin Heritage II, L.P: performance "behind" as technology valuations lagged in Q1 22 and this portfolio is fully invested across the Technology industry. Marlin remains invested in this space as it looks to rebound. CB Titan (Precision): performance "behind" expectations as there are continued uncertainties over the impact of COVID, hospital staffing shortages and internal operational constraints caused by attrition and ramp-up costs related to new employee training. With that being said, during Q1 2022, the Company's sales were above budget and 18% higher than the same time the prior year. This bodes well and is a good sign for the future.

London CIV – MAC fund (blended fund - CQS/Pimco)

The Independent Advisor comments that, London CIV’s Multi-Asset Credit (MAC) sub fund returned -7.53% in Q2 2022, which was below the performance target return of +1.41%. The one-year return for the fund was also behind the target by -12.64%. The three-year return lags the target by -4.89%.

During the second quarter of 2022, CQS posted negative returns and the sub fund underperformed the objective. The manager commented that rate increases and spread widening have led to further drawdowns across credit asset classes in Q2, further compounding the losses experienced in Q1. The transition of the sub-fund to a blended approach across two complementary managers (CQS and Pimco) has resulted in greater exposure to investment grade credit, which should help insulate the sub-fund from risks to borrowers, going forward, as well as adding exposure to emerging market debt, which improves the sub-funds diversification across key credit asset classes.

The value of the fund's investment in CQS stood at £216.5 million as of end June 2022, which represents 18.77% of the London CIV sub-fund, the total value of which stood at £1,153.3 million at end June. This follows additional investments by London Borough of Camden of £98 million in April, following the withdrawal from Insight, and £80 million in May.

The carbon intensity of the sub fund, as at end June, stood at 61% of the benchmark's carbon intensity. CQS is a signatory to the Net Zero Asset Managers' Initiative, with the manager in the process of setting interim targets to achieve net zero by 2050.

The LCIV has reported that the fund began its transition towards a dual investment manager structure on 28th February 2022, with the new investment manager (Pimco) seeded with £110m of cash. Amidst market volatility and challenging liquidity, the manager has deployed capital gradually. The portfolio is slowly moving closer to its structural allocation to investment grade, high-yield and emerging market debt, with an equal allocation across the two underlying managers. The final transition is expected to conclude in July.

London CIV – Infrastructure Fund - Stepstone

The Independent Advisor comments that, the London Borough of Camden pension fund had committed £106 million of capital to London CIV's infrastructure fund, as at end March 2022 (report for June not available at the time of writing this report). The total fund value was £183.9 million, although in total there are commitments of £399 million. London Borough of Camden's valuation as of 31 March 2021 was £48.9 million and represents 26.6% of the Fund.

Long-term, the fund will aim to achieve a net return of 8% to 10% p.a. over rolling four-years, and a cash yield of 4% to 6% p.a.

As at end of March 2022 (latest report available), the percentage deployed stood at approximately 42%. The sub-fund made no new commitments during the quarter.

London CIV – Inflation Plus Fund - Aviva

The Independent Advisor comments that, the London Borough of Camden pension fund committed £95 million of capital to London CIV's Inflation Plus fund in August 2021. The total fund value as at end March 2022 was £202.1 million, with total fund commitments of £213.0 million. London Borough of Camden's valuation as of 30 March 2022 was £92.0 million, representing 45.5% of the fund.

Long-term, the fund will aim to achieve a net return of RPI + 1.5 - 2% p.a. over a rolling five-year period. The expected yield is 3% p.a from the end of the four-year period after the first closing date.

As of end of March 2022 (latest report available), the percentage deployed stood at approximately 97%. This was largely due to a significant secondary portfolio purchase by the manager. Almost 100% of the portfolio is invested in inflation-linked assets.

London CIV – Diversified Growth Fund – Baillie Gifford

The Independent Advisor comments that, London CIV's Diversified Growth sub fund returned -7.55% in Q2 2022, which was significantly behind the target of +1.10% (source: London CIV). The London Borough of Camden made a new investment into this fund on the 23 March 2022, hence this is the first full quarter of performance to be reported.

The Sub-fund is managed by Baillie Gifford & Co. The objective is to achieve long term capital growth at lower risk than equity markets, targeting an annualised return over rolling 5-year periods that is at least 3.5% more than the UK base rate, whilst maintaining annualised volatility below 10% over the same period.

The fund invests across a broad array of asset classes, and derivatives are used to help dampen the volatility of the fund. As at June-end 2022, the fund had an allocation of 50.53% to Alternatives, 27.85% to Fixed Income, and 21.62% to Equities.

The value of Camden's investment in Baillie Gifford Diversified Growth stood at £87.8 million as of end June 2022, which represents 10.44% of the London CIV sub-fund, the total value of which was £840.9 million at June-end.

One concern is that the strategy is supposed to provide some protection in falling markets, yet this was not provided in Q2. Baillie Gifford have attributed this to the active equity portfolio which has underperformed the market. There has also been much closer correlation between the underlying asset classes which they usually rely on to provide protection when equities fall.

As at end June 2022, the weighted average carbon intensity of the sub-fund was over 40% higher than the intensity of the MSCI All Country World Index. The fund also had a higher exposure to fossil fuel companies (over 12% compared with the benchmark, which had around 9% in fossil fuels). The calculation of carbon footprint includes only listed equity and corporate fixed income instruments.

The top contributors to the Weighted Average Carbon Intensity (WACI) were RWE Aktiengesellschaft, China Longyuan Power Group Corporation Limited, and NextEra Energy, Inc. Without these three holdings, the WACI would fall by more than 40%.

Summary of concerns

Date raised	Concern	Update
Q3 2021	Ruffer – has increased exposure to energy companies.	The fund has now been redeemed. No longer a concern.
Q1 2022	LCIV – Global Alpha Paris Aligned (Baillie Gifford)	Poor performance. Quarterly meetings being held with the manager by the adviser. Ongoing monitoring recommended.
Q1 2022	LCIV – Multi Asset Credit – CQS/Pimco	Additional manager blending should be complete by the beginning of July – no longer a concern.
Q2 2022	LCIV – Diversified Growth – Baillie Gifford	Fund did not provide protection as expected. Ongoing monitoring recommended.

Karen Shackleton
Senior Advisor, MJ Hudson
26th August 2022

Appendix B

This appendix details Camden's exposure as clients to the overall fund or strategy managed by Investment Managers. Where Camden represents more than 5% of each fund and there is a material increase, due to client outflows, this will be reported to the Committee on an exceptions basis.

Manager	Assets under management (£m)	Fund or Strategy	Number of investors	Camden's rank	Size of Camden's portfolio (£m)	Percentage of Fund or Strategy	Comment
Baillie Gifford Paris-Aligned	1,033	Fund	6	Not provided by London CIV	207.18	20.06%	AUM has decreased by £142m. Number of investors has remained the same. As of Q2 2022, only includes Global Alpha Growth Paris-Aligned.
Harris	12,900	Strategy	19	14th	162.25	1.26%	£2600m decrease in AUM. Number of investors has remained the same. Camden's rank has changed from 12th to 14th.
L&G UK Equities	7,889	Fund	348	N/A	0.00	0.00%	Camden was switched out from the UK Equity Index and into the Future World Global Equity Index in July 2021.
Legal & General - UK equity (World)	24	Fund	9	1st	16.24	66.89%	£5m decrease in AUM. Two fewer investors. Camden's rank remains the same.
Legal & General - North America	2,633	Fund	155	5th	230.04	8.74%	£995m decrease in AUM. 12 fewer investors. Rank has changed from 8th to 5th.
Legal & General - Europe	2,169	Fund	161	12th	44.51	2.05%	£518m decrease in AUM. 12 fewer investors. Rank has changed from 16th to 12th.
Legal & General - Japan	1,446	Fund	157	12th	23.45	1.62%	£221m decrease in AUM. 11 fewer investors. Rank has changed from 14th to 12th.
Legal & General - Asia Pacific	982	Fund	152	11th	17.44	1.78%	£166m decrease in AUM. 11 fewer investors. Rank has changed from 14th to 11th.
Legal & General - Middle East	1	Fund	9	1st	0.39	36.79%	No material change to AUM. Two fewer investors. Rank has remained the same.
Legal & General - World Emerging Markets	3,653	Fund	232	18th	38.84	1.06%	£348m decrease in AUM. 14 fewer investors. Rank has changed from 21st to 18th.
L&G ILGs	6,255	Fund	231	13th	80.41	1.29%	£1560m decrease in AUM. 8 fewer investors. Rank has changed from 23rd to 13th.
Legal & General - FW Global Equity Index	5,545	Fund	84	8th	258.69	4.67%	£293m decrease in AUM. 7 more investors. Rank has changed from 5th to 8th.
Insight	N/A	Fund	N/A	N/A	0.00	N/A	Camden disinvested from this fund in Q2 2022.
CBRE	3,500	UK separate accounts	35	14th	107.02	3.06%	£27m increase in AUM. One more investor. Camden's rank has remained the same.
Partners 2009 fund	696	Fund NAV	53 (EUR SICAR sleeve)	3rd	45.00	6.47%	Annual update as at December 2021
Partners 2013 fund	1,255	Fund NAV	39 (in the USD C LP sleeve)	5th	52.70	4.20%	Annual update as at December 2021
Partners 2017 fund	606	Fund NAV	11 (in the USD D LP sleeve)	3rd	73.10	N/A	Annual update as at December 2021
Harbourvest	191	Fund NAV	8	2nd	65.62	34.35%	As the fund is a closed-ended vehicle and the figures are based on committed capital, the fund size and Camden's position in terms of investor size will not change over time.
Ruffer	N/A	Fund	N/A	N/A	0.00	N/A	Camden disinvested from this fund in Q2 2022.
CQS	1,153	Fund	12	Not provided by London CIV	216.47	18.77%	£145m increase in AUM. One more investor.
Stepstone	184	Fund	6	Not provided by London CIV	54.32	29.52%	£28m increase in AUM. Number of investors unchanged.
Aviva	202	Fund	3	Not provided by London CIV	91.97	45.53%	£38m increase in AUM. Number of investors unchanged.
Baillie Gifford Diversified Growth	841	Fund	9	Not provided by London CIV	87.83	10.44%	£111m decrease in AUM. Number of investors is unchanged.
Cash/Other	N/A	N/A	N/A	N/A	87.84	N/A	N/A