

Appendix A



# Q4 2024 Portfolio Review

London Borough of Camden

31 December 2024

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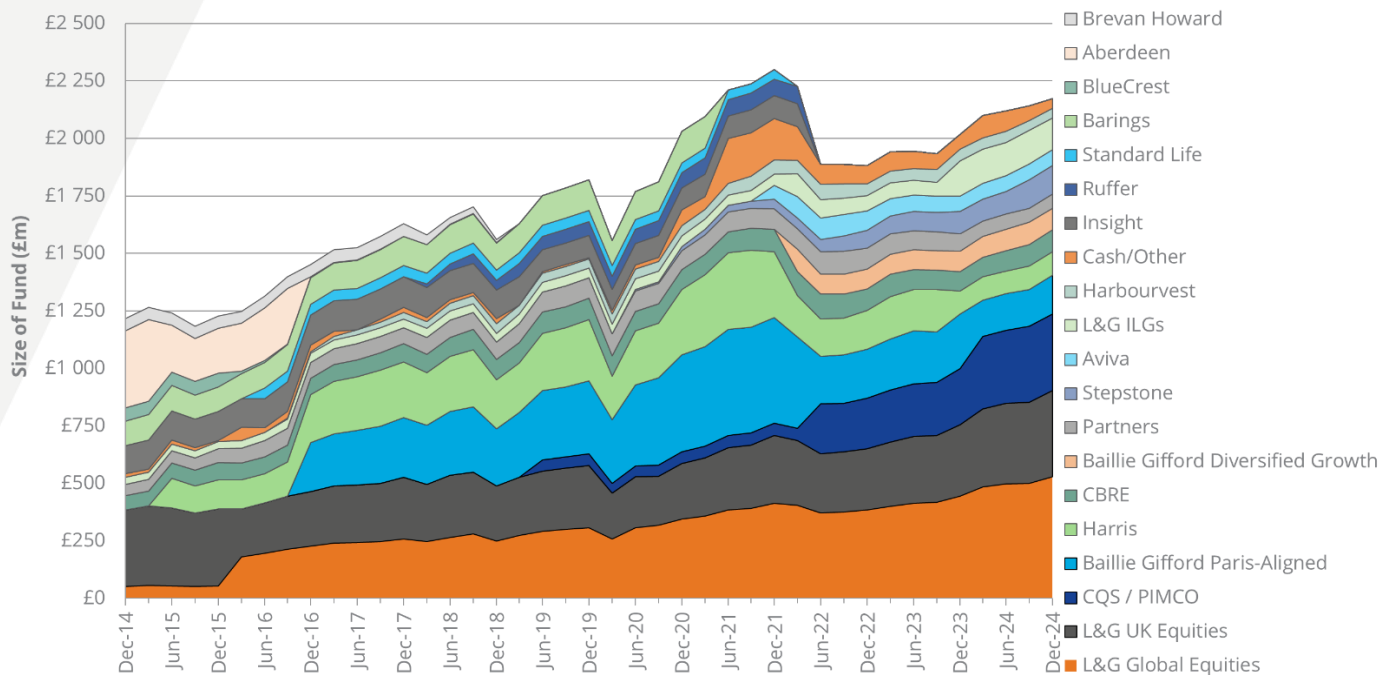
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## Total Fund Valuation

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

**CHART 1: VALUE OF LONDON BOROUGH OF CAMDEN PENSION FUND (£M) OVER 10 YEARS**



Source: London Borough of Camden; Apex

## Independent Advisor Market Review

### The Global Economy

In Q4 2024, Trump's clean sweep of the House and Senate sparked a US-led risk-on rally, driven by the Magnificent 7 and temporarily benefiting small/mid-caps amid expectations of stronger growth, lower taxes, and deregulation. Outside Japan, developed markets saw modest equity declines, while emerging markets dropped 8% due to rising tariffs, protectionism, and geopolitical risks. Despite this, YTD returns remained positive across major regions. Government bonds sold off despite interest rate cuts by the Fed, BoE, and ECB, with UK bonds hit hardest. Fed commentary signalled a slower pace of cuts in 2025, reflecting higher inflation expectations, while EU growth concerns led to diverging rate outlooks.

The dollar index rose 8% (+7% against the euro), while the pound gained modestly on the euro. Leading indicators were mixed—manufacturing PMIs remained below 50 across major economies, with Eurozone (45.43), UK (48.30), and US (49.20) all contracting. Meanwhile, US service PMIs improved to 56.8 in December from 55.2 in September. Inflation stayed above 2% in all major developed economies, while Q3 annual real GDP growth was led by the US (2.7%), compared to weaker expansions in the UK (0.9%), Eurozone (0.9%), and Japan (0.5%), with US growth bolstered by high fiscal spending.

Global markets deteriorated versus performance in the first 9 months of the year, although the S&P500 was up 2.4% (led by the Magnificent 7 and cyclical sectors), with the Nikkei also up (+5.4%) supported by a weaker yen. However, most asset classes finished 2024 up year-on-year, with a notable exception of Gilts. Equities were muted across other regions bar emerging markets which suffered declines over the quarter. All regions posted healthy full year returns, with the US a notable outperformer (+25%), driven by the Magnificent 7 (up on average by 67%, largely due to AI-related themes). We note concerns are rising over Magnificent 7 future capex requirements and concentration risk. Gilts declined c.3% in Q4 as concerns over stagnation rose alongside the longer duration of UK debt. US government bonds also fell by c.3% on inflation concerns accompanied by hawkish Fed commentary. By contrast the EU inflation outlook is more muted and bonds were supported by clearer central bank guidance from the ECB. Growth concerns and political instability nonetheless remain at the fore, ultimately leaving euro government bonds unchanged. Corporate debt was mixed and more muted, with the US underperforming Europe. Commodities generally rose during the quarter, with natural gas +24% and oil +4%, and agriculture, coffee and cocoa prices were significantly higher, while cotton and sugar prices were significantly lower. Copper fell by 12%, with gold unchanged. Bitcoin increased 47% in the quarter, reflecting excitement from the pro-crypto Trump administration and significant ETF inflows. Altcoins similarly benefitted.

**TABLE 1: QUARTERLY GDP GROWTH RATE**

	US GDP	UK GDP	Eurozone GDP	Japan GDP
Q4 2024*	N/A	N/A	N/A	N/A
Q3 2024	3.0%	0.7%	0.6%	-1.0%
Q2 2024	2.9%	0.3%	0.5%	-9.0%
Q1 2024	3.2%	-0.3%	-0.1%	0.9%

Source: Bloomberg. \*Forecast based on leading indicators. N/A not available at time of publication.

Notes: UK Real GDP (Ticker: UKGRABIQ Index), US Real GDP (Ticker: GDP CQOQ Index) de-annualised, Eurozone Real GDP (Ticker: EUGNEMUQ Index), Japan Real GDP (Ticker: JGDPQGDP)

In the US, the total return of the S&P500 was up 2.4%, capping off a strong year (+25%) dominated by the Magnificent 7 (which accounted for half of this growth) and notably outperformed in Q4 (+15%). Otherwise, equity gainers in the quarter were communication services, information technology and consumer discretionary sectors, the weakest sector was materials. The Fed made consecutive 25 basis point cuts in November and December, however hawkish 2025 commentary led to a stock market sell-off, particularly for small caps. Real annual CPI inflation increased from 2.4% in September to 2.7% in November. Government and investment grade bonds declined 3%, whereas high yield rose 0.2%, potentially on the improved growth outlook. Real GDP grew 2.7% year-on-year (YoY) in Q3. Dollar strength was notable, up 7% and against all major currencies, again driven by the implications of Trump 2.0. US services PMI remains expansionary, rising to 56.8 from 55.2 in September, by contrast manufacturing continues to contract (49.4).

The EuroStoxx 50 total return was -1.8% (YTD: +11.0%), with recession fears alongside political instability in France and Germany compounded by concerns over trade wars sparked by Trump tariffs. The weakest sectors for the quarter included materials, real estate and consumer staples. Sectors posting gains included industrials. The ECB cut rates by 25 basis points in both October and December, with ECB President Christine Lagarde saying the “directional of travel is very clear” regarding rate cuts and reflective of low growth and slowing inflation (averaging 2.2% in the quarter). Eurozone bonds held up well compared to other regions, led by high yield (+2.0%). Manufacturing PMIs remain a key concern (45.1, having been in contraction for over two and a half years) with services showing modest expansion (51.6). GDP growth remains sluggish (Q3 YoY: +0.9%).

The FTSE all-share index declined 0.4% (YTD: +9.5%) amid rising bond yields and concerns over the macroeconomic backdrop, with sentiment exacerbated by cost increases announced in the Budget alongside an increase in borrowing. The BoE cut interest rates by 25 basis points in November but held steady at 4.75% in December, citing persistent inflation concerns and economic uncertainties. Gilt yields rose significantly, with the 10yr increasing to 4.6% from 4.0% in Q3, increasing borrowing costs are raising concerns that spending cuts or tax rises may be necessary and would further weaken the economy. Services PMI remained positive (51.1) while manufacturing PMIs were below 50 in each month for the quarter (vs 52 on average in Q3). Real YoY GDP growth of 0.9% came against a backdrop of rising inflation (2.6% in November YoY vs 1.7% in September), raising concerns about stagnation.

The Nikkei 225 total return was 5.4% (YTD: +21.3%), driven by a weakening yen (which improved the outlook for large-cap exporters) and developments in the US. The implications of Trump 2.0 are less clear for the country than its international counterparts given its significance in US-China relations. During the quarter, most Japanese companies released their semi-annual earnings, with results mixed across sectors. Share buybacks continued to rise, and firms announcing additional

buybacks generally received positive market responses. The Bank of Japan maintained interest rates at its December meeting, taking a softer stance than in July, citing insufficient macroeconomic strength to boost domestic demand despite improving business sentiment. PMIs were tightly dispersed between 49-51, with services outperforming. GDP growth remains weak (+0.5% YoY).

Emerging markets equities declined 8.0% during the quarter (YTD: +7.5%) and were particularly affected by tariff threats from the US. Brazilian shares led EM declines on fiscal concerns, while South Korea fell amid political instability following two presidential impeachments. South Africa, India, and China also posted losses, with China impacted by uncertainty over stimulus measures and potential U.S. tariffs. Saudi Arabia declined but outperformed the emerging markets index, while only four EMs (Czech Republic, Kuwait, Taiwan, and the UAE) saw positive returns, with Taiwan boosted by AI demand.

In commodities, Brent crude increased 4% (YTD: -3.1%), natural gas increased 24.3% (YTD: +44.5%), gold increased 0.2% (YTD: +27.5%), copper decreased 11.6% (YTD: +3.5%). The Goldman Sachs Commodity Index increased 3.1% (YTD: +4.2%), within which energy and livestock were the strongest performers, while industrial and precious metals lagged.

Global listed property fell, with the FTSE EPRA Nareit Global Index declining by 3.2% (YTD: +2.6%).

The Nationwide House Price Index in the UK posted solid gains throughout the quarter, culminating in 4.7% growth in December, the fastest pace since Oct-22. House prices remain just below the record high in the summer of 2022. The VIX remained at 17, reflecting volatility before and after the 2024 US presidential election.

## Asset Allocation

Following Trump's election to power, it seems likely that trade wars could impact returns in global equities and are likely to lead to greater volatility. The fund's previous decision to de-risk from equities will help protect against this.

## Individual Manager Performance Review

### London CIV – Baillie Gifford

The Independent Advisor comments that, the London CIV – Baillie Gifford sub-fund delivered a return of +4.28% in Q4, outperforming Harris by +1.12% for the quarter but underperforming the Growth Index which returned +11.13%. Over a 12-month period, the Baillie Gifford sub-fund outperformed Harris by +9.54%. The return in Q4 was behind the MSCI ACWI Index (GBP), which delivered +6.01%. The manager is underperforming its performance target over 12 months, with an absolute return of +16.73% vs the target of +23.14%. The manager is also behind the target over 3 years by -10.32% per annum.

London Borough of Camden has been invested in the Global Alpha Paris-Aligned Fund since September 2021. This fund aligns more closely with the pension fund's investment beliefs around climate change. 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.

Amazon, Nvidia, and Shopify were Baillie Gifford's best-performing positions in the Paris-Aligned fund during the quarter, contributing +2.55% to the quarterly return. Elevance Health, Novo Nordisk, and ADR PDD Holdings were the largest detractors. The Fund added one new position to the portfolio during the quarter, Brookfield Asset Management. It continues to hold Ryanair: although an airline is not an obvious choice for a Paris-Aligned equity strategy, Baillie Gifford argues that this is a leader in the sector, with a Net Zero 2050 target and a willingness to lead on sustainability. Not holding Ryanair would reduce the Weighted Average Carbon Intensity (WACI) of the portfolio by 9.45%. CRH Plc remains the highest WACI holding contributing 28% of the portfolio's total WACI.

During the quarter, one sale was completed: Schibsted, a Scandinavian classifieds business, which has evolved from a print newspaper to a digital leader in online classifieds across the Nordics since 2012. The manager reported that future growth and efficiency levers were uncertain, and along with its share price doubling since 2022 and trading at a price to earnings ratio of 59x, the investment manager decided to reallocate capital to higher conviction opportunities.

The beta on the Paris Aligned portfolio as at the quarter end stood at 1.10. This means that if the market falls 10%, the portfolio is expected to fall by 11%.



Baillie Gifford's 12-month performance has produced weak returns on a relative basis, underperforming the performance target by -6.41%. The manager is also underperforming the performance target since inception by -3.43% per annum.

LCIV acknowledges that the strategy is not expected to outperform in the current market environment, and the Manager had previously provided a strong rationale for the Tesla divestment earlier in 2024. However, they recognize that this quarter's performance was a setback in an otherwise stable year for the Sub-fund.

The Paris Aligned fund held 83 companies at quarter end, across 18 different countries, and had an active risk of 4.66% (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 a 0.25% tracking error). About 53% of the active risk is stock specific. Most of the balance is attributed to style, 'growth' specifically, and sector factors. In terms of geographic exposure, as of the end of December 2024, the manager's largest exposure remained North America at 67.8%. At the sector level, the fund maintained its exposure to the consumer discretionary sector which stood at 24.8% at quarter end, remaining the largest exposure, followed by IT at 21.7% and communication services at 13.6%.

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 December 2024, the weighted average carbon intensity of this portfolio was roughly 82% of the intensity of the MSCI All Country World Index. The fund had a 0% exposure to fossil fuel companies (compared with the MSCI All Country World benchmark which had 3.25% in fossil fuels).

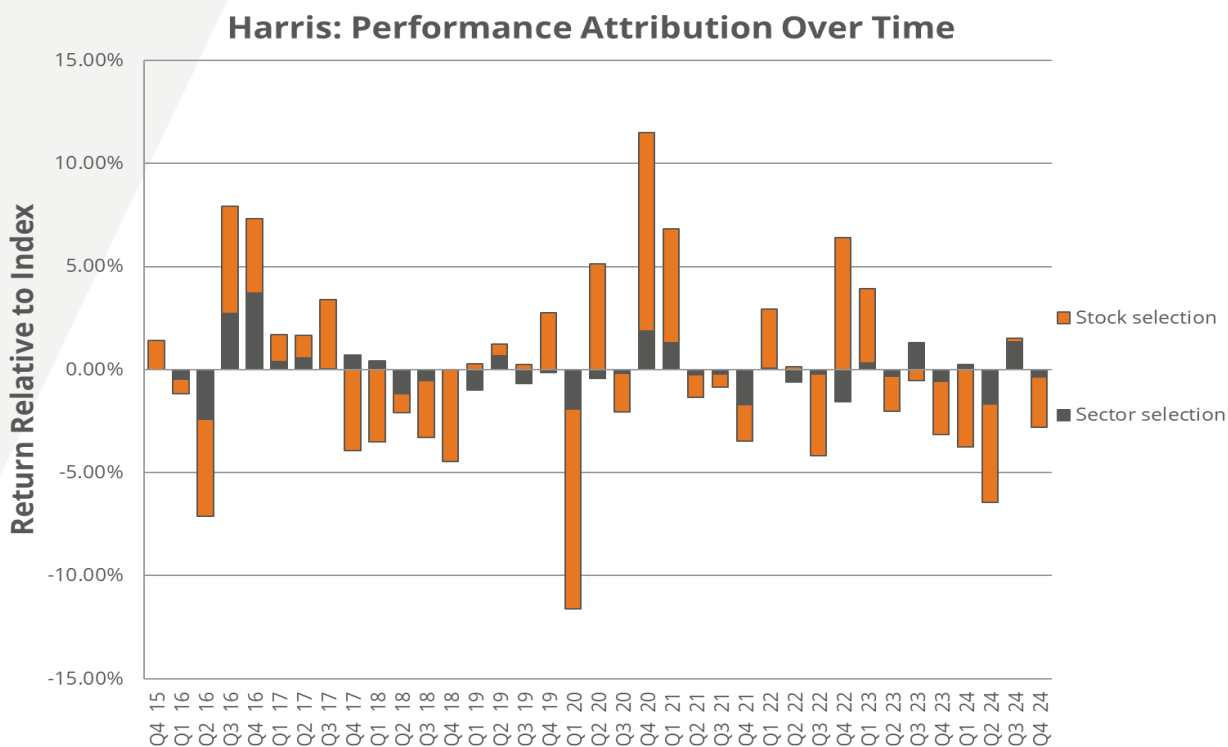
London CIV reported an additional senior team member joined the Global Alpha team. Michael Taylor previously headed the US Alpha team and will be one of four strategic decision makers going forward. He is rated highly by London CIV, so this is seen as a positive appointment. One of the Managing Partners, Andrew Telfer, is retiring and will be succeeded by Tim Campbell who will become the firm's CEO from 1 April 2025.

In terms of assets under management, the LCIV Paris Aligned sub-fund stood at £2.446 billion as at end December. London Borough of Camden's investment represents 6.85% of the fund.

## Harris

Chart 2 shows the contribution to performance, relative to the index, from asset allocation and stock selection. Chart 2 shows that stock selection was a more significant detractor to the relative return of the fund during Q4 2024, with -0.35% attributed to sector selection, while -2.43% was attributed to stock selection.

## CHART 2: HARRIS PERFORMANCE ATTRIBUTION



Source: Harris; Apex

The Independent Advisor comments that, Growth outperformed value in Q4. The MSCI World Growth Index (GBP) returned +11.13% whereas the MSCI World Value Index (GBP) delivered +2.55%. Harris has outperformed the Value Index by +0.71% but underperformed the MSCI World Index (GBP) by -2.9%. Positive contributions from sector selection came mainly from Financials (+0.49%), Consumer Discretionary (+0.36%) and Materials (+0.34%). Information Technology (-1.20%), Health Care (-0.81%), Industrials (-0.05%) and Consumer Staples (-0.07%) sectors were the main negative contributor. Stock selection in Healthcare (-2.12%), Consumer Discretionary (-2.10%) and Energy (-0.17%) negatively contributed, while stock selection in Financials (+0.77%), Industrials (+0.75%) and Consumer Staples (+0.70%) positively contributed. Harris is underperforming the performance target for the past 12 months by -15.9% and underperforming the target by -6.1% p.a. over three years.

In Q4, Capital One Financial was the top contributor, adding 0.86% to total returns, while Bayer was the weakest performer, reducing the portfolio's return by -1.62%. Despite Bayer's significant

decline (-36.58% in Q4), Harris remains optimistic that the appointment of a new CEO, along with restructuring and organizational changes, will drive improved performance.

At quarter-end, the fund's regional allocation stood at 58.50% in the US, 37.13% in Europe, and 4.37% in Asia/Emerging Markets.

## Legal & General

The Independent Advisor comments that, the observed tracking errors on the pooled index funds were within expected ranges during the quarter. LGIM reports that withholding tax, paid on dividends from Swiss and Belgian holdings, is no longer expected to be recoverable. As a result, they have taken the decision to make an adjustment to the fund value by removing the tax accruals in these markets and reducing others in relation to European countries where there is a significant risk to recovery in the near term. They note that this accounts for the higher deviation from the benchmark which may also feed into longer performance periods spanning this adjustment.

The tracking is shown in Table 2. Apart from the withholding tax issue, mentioned above, there are no concerns.

**TABLE 2: TRACKING ERROR**

	Three-Month Tracking	One-Year Tracking	Three-Year Tracking
World – Future World	0.08%	0.31%	0.27%
World – Market Capitalisation	0.04%	-0.42%	-0.09%
Gilts	0.00%	-0.01%	0.00%

*Source: Legal & General; Apex*

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 fund's investment beliefs.

In Q4, the sustainable Solactive Index, against which the Future World global equity index fund is benchmarked, delivered a return of +5.77% compared with the full global equity market capitalisation index – MSCI World (GBP) - which returned +6.88%.

## CBRE

Chart 3 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. The main detractors from performance in Q4 were Fiera Real Estate Long Opportunity Fund IV (total fund return -28.4%, detracting -0.4% from the portfolio return), Ardstone UK Regional Office (total fund return -4.40%, detracting -0.1%), Nuveen UK Shopping Centre Fund (total fund return -3.30%, marginally detracting at the portfolio level) and Curlew Property Trust (total fund return -1.40%, marginally detracting at the portfolio level).

Fiera Real Estate Long Opportunity Fund IV returned -28.4% for the quarter. The fund performed poorly due to disputes and exclusions at Bristol and Headley Court, but a £7.5m distribution offset the negative impact on NAV, resulting in a 1.5% total return.

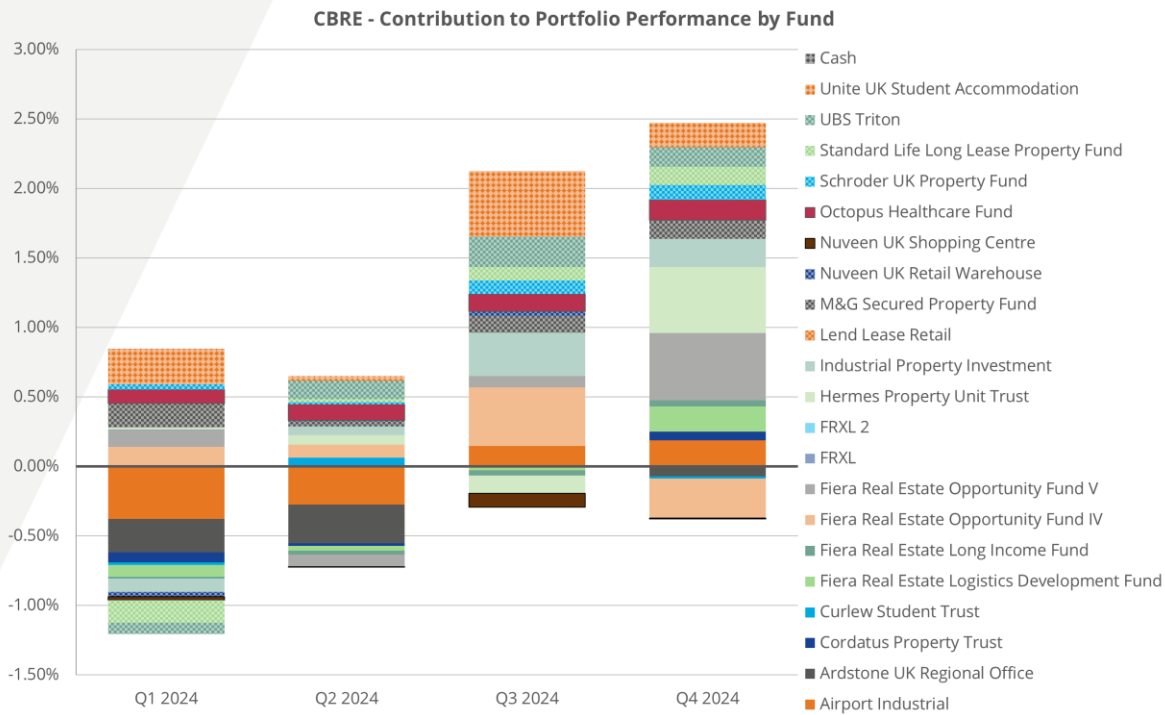
Ardstone UK Regional Office returned -4.4% (Q2-Q4 2024) due to negative revaluations. While St Andrew Square (+£4.7m) and Temple Back (+£2.5m) saw gains, Victoria Square House (-£5.3m), Sentinel (-£2.8m), and George House (-£1.6m) declined; asset disposals are planned over the next 18 months.

Curlew Student Trust returned -1.40% in the quarter due to a capital adjustment for fire safety remediation costs, with income distributions withheld. The portfolio is fully let for the current academic year and 66% let for 2025/26, currently achieving 7% rental growth.

Meanwhile, the top contributors to returns for the quarter came from the investments in Federated Hermes Property Unit Trust, Fiera Real Estate Opportunity Fund V, and Industrial Property Investment Fund which delivered returns of +5.6%, +12.1% and +1.9% respectively, contributing +1.2% to the fund's return in Q4.

For the 12 months to December 2024, Industrial Property Investment Fund, UNITE UK Student Accommodation Fund, and Octopus Healthcare Fund, were the strongest contributors to returns, contributing +0.62%, +0.83% and +0.62% respectively to the one-year portfolio return. Most other contributions were small or negative. Airport Industrial (the solid orange bar in chart 3) and Ardstone UK Regional Office were the biggest detractors over the last year with a negative contribution to the fund's annual return of -1.37% for both.

### CHART 3: CBRE PERFORMANCE ATTRIBUTION



Source: CBRE; Apex

As at quarter end the portfolio had 20 investments and leverage on the portfolio stood at 11.3%, a slight increase from last quarter at 11.1%.

## Partners

Camden has committed capital to the PG Real Estate Secondary 2009 (EUR) SICAR fund, which made 61 investments. By 31 December 2024, all remaining assets were transferred to a liquidating trust established in mid-2024. Partners Group is addressing contingent investment and tax liabilities, with liquidation set to conclude once all outstanding matters are resolved.

The pension fund has committed capital to PG Real Estate Secondary 2013 (USD), which made 42 investments, realizing 23. The fund is 72.0% contributed and has distributed 91.9% of invested capital since inception. Investment efforts focus on existing assets while evaluating divestments of mature holdings. Of the 19 remaining assets, 5 are outperforming, 3 are on plan, and 11 are underperforming. The portfolio is allocated 83% to Europe, 16% to North America, and 1% to Asia-Pacific.

The pension fund has committed capital to PG Real Estate Secondary 2017 (USD), which has drawn 62.0% of commitments and made 55 investments, realizing 5. Among the 50 remaining, 8 are outperforming, 24 are on track or recently acquired, and 18 are underperforming. The portfolio is allocated 48% to North America, 29% to Asia-Pacific, and 23% to Europe. As of the period's end, the fund remained in its value creation stage.

## Harbourvest

The Independent Advisor comments that, the London Borough of Camden pension fund committed \$86.3 million to HarbourVest's Global Fund 2016, with 85% drawn down as of 31 December 2024. A total of \$85.6 million has been distributed to investors, equating to 1.17x capital paid in.

As of 30 September 2024, 45% of the fund's investments exceeded expectations, 27% met expectations, and 28% underperformed, based on committed dollars for active investments (excluding realized ones). The underperformance is largely due to a few direct investments affected by the Covid-19 pandemic, though two have improved since last quarter.

Notably, 88% of the fund's remaining investments are in primary and secondary holdings, with 94% performing at or above expectations. Given this, HarbourVest Partners remains optimistic about the fund's outlook as investments progress through value creation, company optimization, and exit strategies.

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

The Independent Advisor comments that, London CIV's Multi-Asset Credit (MAC) sub fund returned +0.69% in Q4 2024, which was behind to the performance target return of +2.29%. The one-year return for the fund is behind of the target by -1.68%. However, the three-year return remained behind the target by -5.13% p.a.

The Sub-fund's progress, in closing its performance gap, slowed in Q4 2024, though no crystallised losses from credit events occurred. It continues to generate strong income, and London CIV expects performance to recover over the medium term through income generation, yield harvesting, and default avoidance. Both investment managers have solid track records in preventing defaults, and London CIV's monitoring status for these managers remains unchanged.

The CQS fund aims to achieve high returns through a focus on sub-investment grade credit and floating rate products. The strategy involves sector diversification and a bottom-up approach to minimise risk. The manager's outlook for credit markets is positive due to high levels of recurring income and a focus on avoiding defaults.

The PIMCO portfolio dynamically pivots between asset classes, focusing on high-quality companies in developed markets and securitised exposure. The team prefers higher-rated investment-grade names.

Investment grade credit was the primary detractor over the quarter. London CIV reported that this was largely caused by the duration exposure of US holdings in the portfolio. Senior secured loans performed well, as well as positions in emerging market debt.

The value of the fund's investment in CQS and PIMCO stood at £332.8 million as of end December 2024, which represents 16.04% of the London CIV sub-fund, the total value of which stood at £2,074.5 million.

The carbon intensity of the sub fund was 2% above that of the benchmark as at end-September (a deterioration in the relative WACI since last quarter, when the sub-fund had a carbon intensity c.6% lower than the benchmark – the Bloomberg Global Aggregate Corporate Total Return Index). This is something to monitor – whilst this is not a sustainable mandate, the portfolio is currently less aligned to the pension scheme's climate goals than a passive investment in a global corporate bond index.

## London CIV – Infrastructure Fund - Stepstone

The Independent Advisor comments that, the London Borough of Camden pension fund had committed £123 million of capital to London CIV's infrastructure fund, as at end September 2024 (report for December 2024 not available at the time of writing this report). The total fund value was £441.3 million. London Borough of Camden's valuation as of September 2024 was £123.9 million and represents 28.07% of the Fund. The Fund has invested in seven primary funds and two secondary fund (Meridiam Infrastructure North America Fund II and KKR Global Infrastructure Investors IV).

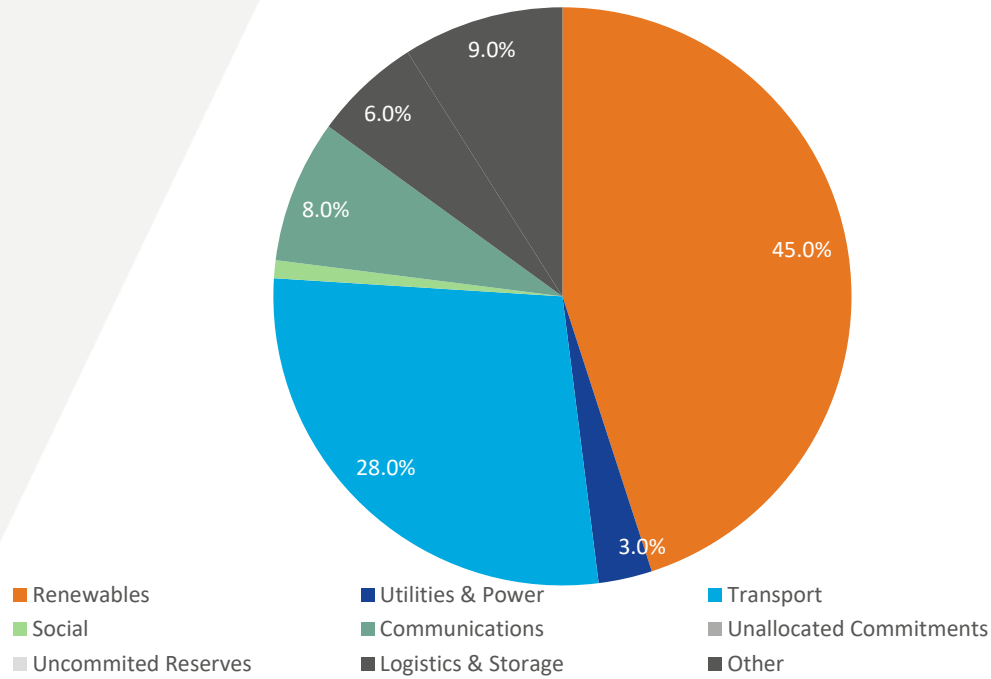
Long-term, the fund will aim to achieve a net return of 8% to 10% p.a. over rolling four-years, and a cash yield of 4% to 6% p.a.

The sub-fund made no capital calls to investors during the quarter (capital calls were met from cash reserves and distributions) and had total distributions of £3.2 million, of which Camden received £0.8 million.

The Fund closed on three new investments: NP UK, GIP Pegasus and KKR IV, and was completing due diligence on a new secondary opportunity, making it 87% committed by quarter end. Chart 4 shows the current split by sector of underlying allocations, including funds committed but not yet allocated to an underlying investment and uncommitted reserves.



**CHART 4: SECTOR ALLOCATION BY FUND COMMITMENTS**



Source: LCIV

London CIV continues to monitor deployment speed and reported that deployment continues to track in line with expectations.

**TABLE 3: INFRASTRUCTURE INFORMATION**

Underlying Fund	Current Net IRR	Target IRR	Comments
Macquarie GIG Renewable Energy Fund 2 (MGREF 2)	+6.0%	8.5%	90% committed across 9 investments.
Arcus European Infrastructure Fund 2 (AEIF 2)	+25.9%	13.5%	94% committed across 9 investments.
Equitix VI (EF VI)	+5.3%	8.5%	99% invested.
Basalt Infrastructure Partners III (BIP III)	+5.8%	11.5%	86% committed across 8 investments.
European Diversified Infrastructure Fund III (EDIF III)	+10.7%	8.5%	65% invested across 5 investments.
Capital Dynamics Clean Energy and Infrastructure VIII (CE VIII)	+7.1%	11.0%	94% drawn.
Brookfield Global Transition Fund (BGTF)	+2.1%	10.0%	86% committed and 54% invested.
NextPower UK (NP UK LP)	+0.2%	8.0%	51% committed across 10 investments.
GIP Pegasus Fund (GIP PF LP)	-1.7%	14.5%	Single asset investment.
Meridiam Infrastructure North America II (MINA II)	+1.4%	10.1%	13 investments.
KKR Global Infrastructure Investors IV (KKR)	+11.4%	14.0%	14 investments.

## London CIV – Real Estate Long Income Fund - Aviva

The Independent Advisor comments that, the London Borough of Camden pension fund committed £95 million of capital to London CIV's Real Estate Long Income Fund in August 2021. The total fund value as at end September 2024 was £156.8 million, with total fund commitments of £213 million. London Borough of Camden's valuation as of 30 September 2024 was £69.1 million, representing 44.1% of the fund.

Long-term, the fund aims 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 September 2024 (latest report available), the fund is fully deployed.

The Fund invests in properties with long leases and strong tenants, with returns driven by the focus on secure, long-term, contractual inflation-linked cashflows, which are reflected in the key fund terms: 20yr+ cashflows, minimum 80% inflation-linked, and minimum 80% investment grade. Currently, 98% of these leases have rents that are linked to inflation (66% CPI-indexed, 32% RPI-indexed, 2% open-market rents).

The net IRR since inception to end September stood at -6.8%, falling short of the 8.7% investment objective, largely due to a challenging macroeconomic environment and a sector-wide revaluation of real estate assets. However, the IRR for the quarter was +2.0% which outperformed the quarterly investment objective of 1%. Over one year it stood at +6% vs the target of 4%. The strong credit quality of tenants (with a weighted average rating of BBB+, an average lease term of 22.5 years, and 98% inflation linkage) reinforces London CIV's confidence in the manager's ability to sustain inflation-linked income payments, which remain crucial for achieving target returns.

The Fund made its first distribution to investors in March 2023 with the intention to make regular quarterly distributions yielding 3% per annum (currently well on track with a net income yield for the 12 months of 5% versus the target of 3%). During Q3 2024 it made a further quarterly distribution of £1.8 million of which Camden received £0.8 million.

## London CIV – UK Housing Fund

The Independent Advisor comments that, the London Borough of Camden pension fund committed £97 million of capital to London CIV's UK Housing Fund in January 2024. The total fund value as at end September 2024 was £73.2 million, with total fund commitments of £450 million.

The Funds objective is to achieve a net IRR of 5-7%, and a yield of 3-4% per annum, by investing in strategies that increase the supply of good quality, affordable housing in the UK.

The Fund has made £270m of commitments since launching in March 2023 in CBRE UK Affordable Housing Fund (£100 million), Octopus Affordable Housing Fund (£50 million), and Savills IM's Simply Affordable Homes Fund (£75 million). It has also committed an additional £44.8 million in a secondary purchase of CBRE's UK Affordable Housing Fund. Just after the end of the quarter, LCIV announced that a commitment of £100 million had been made to a fourth fund manager, Man Group's Community Housing Fund III and a fifth manager, Legal and General, had been approved.

The net IRR for the quarter, reported by London CIV, was +0.9%.

## London CIV – Diversified Growth Fund – Baillie Gifford

The Independent Advisor comments that, London CIV's Diversified Growth sub fund returned -2.42% in Q4 2024, which was behind of the target of +2.07%. The London Borough of Camden invested £96.3 million into this fund on the 23 March 2022.

The Sub-fund is managed by Baillie Gifford. 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% above 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 December-end 2024, the fund had an allocation of 58.74% to Alternatives, 21.41% to Fixed Income, and 19.85% to Equities.

The value of Camden's investment in Baillie Gifford Diversified Growth stood at £95.3 million as of end December 2024, which represents 35.39% of the London CIV sub-fund, the total value of which was £269.3 million at December-end.

London CIV had downgraded Baillie Gifford's monitoring status in December 2022 and they then reviewed the fund in June and again in December 2023. They completed another in-depth review of the Manager in December 2024 and have maintained their rating with concerns over skills and value.

As at end September 2024 (latest data available) the weighted average carbon intensity of the sub-fund was 218% of that of the MSCI All Country World Index (following a notable increase in the fund's WACI and a notable decrease in the benchmark's WACI over the last nine months). The fund had a higher exposure to fossil fuel companies than the benchmark (c.17% compared with the benchmark's c.8%). The calculation of carbon footprint includes only listed equity and corporate fixed income instruments within the fund. This is a concern because it means this fund is not aligned with the pension fund's climate goals.

The top contributors to the Weighted Average Carbon Intensity (WACI) were RWE Aktiengesellschaft NextEra Energy and WEC Energy Group. Without these three holdings, the WACI would fall by around 31.6%.

## Summary of Concerns

Date raised	Concern	Update
Q1 2022	LCIV – Global Alpha Paris Aligned (Baillie Gifford)	Some improvement in performance, but continued close monitoring recommended.
Q3 2022	LCIV – Diversified Growth – Baillie Gifford	Concern over poor performance as well as the WACI of the portfolio and the risk of the strategy. LCIV continue to monitor the manager closely with the next review in June 2025. Continued close monitoring recommended.
Q4 2024	Harris – global equities	After a period of improvement Harris' performance has slipped badly again, and close monitoring is recommended.

Karen Shackleton  
 Senior Advisor, Apex  
 18<sup>th</sup> February 2025

## Appendix B

Manager	AUM (£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	2,347	Fund	11	Not provided by London CIV	160.69	6.85%	£14m increase in AUM. The number of investors have not changed.
Harris*	6,263	Strategy	17	12th	100.78	1.61%	£245m decrease in AUM and number of investors has decreased by 2.
Legal & General - UK equity (World)**	18	Fund	1	1st	18.45	99.96%	AUM and number of investors have not changed.
Legal & General - North America**	388	Fund	3	2nd	325.57	83.82%	£73m decrease in AUM and number of investors has decreased by 2.
Legal & General - Europe**	558	Fund	5	3rd	56.67	10.16%	£23m decrease in AUM and number of investors has decreased by 2.
Legal & General - Japan**	522	Fund	6	3rd	30.05	5.76%	£6m decrease in AUM and number of investors has decreased by 2.
Legal & General - Asia Pacific**	297	Fund	6	4th	19.72	6.64%	£57m decrease in AUM and number of investors has decreased by 2.
Legal & General - Middle East**	0	Fund	1	1st	0.40	99.90%	AUM and number of investors have not changed.
Legal & General - World Emerging Markets**	490	Fund	8	5th	50.04	10.21%	£130m decrease in AUM and number of investors has decreased by 2.
L&G ILGs**	3,717	Fund	11	5th	147.63	3.97%	£727m increase in AUM and number of investors has increased by 1.
Legal & General - FW Global Equity Index**	4,906	Fund	12	5th	353.91	7.21%	£76m increase in AUM. The number of investors remains unchanged.
CBRE	3,000	UK separate accounts	31	11th	92.83	3.09%	£236m decrease in AUM and number of investors has decreased by 2.
Partners 2009 fund*	93	Fund NAV	53 (EUR SICAR sleeve)	3rd	7.21	7.75%	£36m decrease in AUM (Annually updated, as at December 2023). As the fund is a closed-ended vehicle, neither the number of investors nor Camden's rank will change over time.
Partners 2013 fund*	239	Fund NAV	39 (in the USD CLP sleeve)	5th	13.72	5.74%	£112m decrease in AUM (Annually updated, as at December 2023). As the fund is a closed-ended vehicle, neither the number of investors nor Camden's rank will change over time.
Partners 2017 fund*	262	Fund NAV	11 (in the USD DLP sleeve)	3rd	45.99	17.57%	£119m decrease in AUM (Annually updated, as at December 2023). As the fund is a closed-ended vehicle, neither the number of investors nor Camden's rank will change over time.
Harbourvest	126	Fund NAV	8	2nd	42.11	33.48%	As the fund is a closed-ended vehicle, neither the number of investors nor Camden's rank will change over time.
CQS / PIMCO	1,965	Fund	18	Not provided by London CIV	330.51	16.82%	£65m increase in AUM. The number of investors increased by 1.
Stepstone	377	Fund	6	Not provided by London CIV	123.61	32.79%	£6m increase in AUM. The number of investors remains unchanged.
Aviva	155	Fund	3	Not provided by London CIV	68.48	44.18%	£1m increase in AUM. The number of investors remains unchanged.
Baillie Gifford Diversified Growth	296	Fund	4	Not provided by London CIV	97.66	32.97%	£4m decrease in AUM. The number of investors remains the same.
Cash/Other	N/A	N/A	N/A	N/A	49.36	N/A	N/A

This appendix details Camden's exposure 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.

\*AUM and Portfolio figures given in local currency and converted using exchange rates at the date of the data.

\*\*LGIM changed how they report this data in Q3 2023, for details on methodology see the Q3 2023 report.