London Borough of Havering Pension Fund

Q2 2021 Investment Monitoring Report

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Market Background

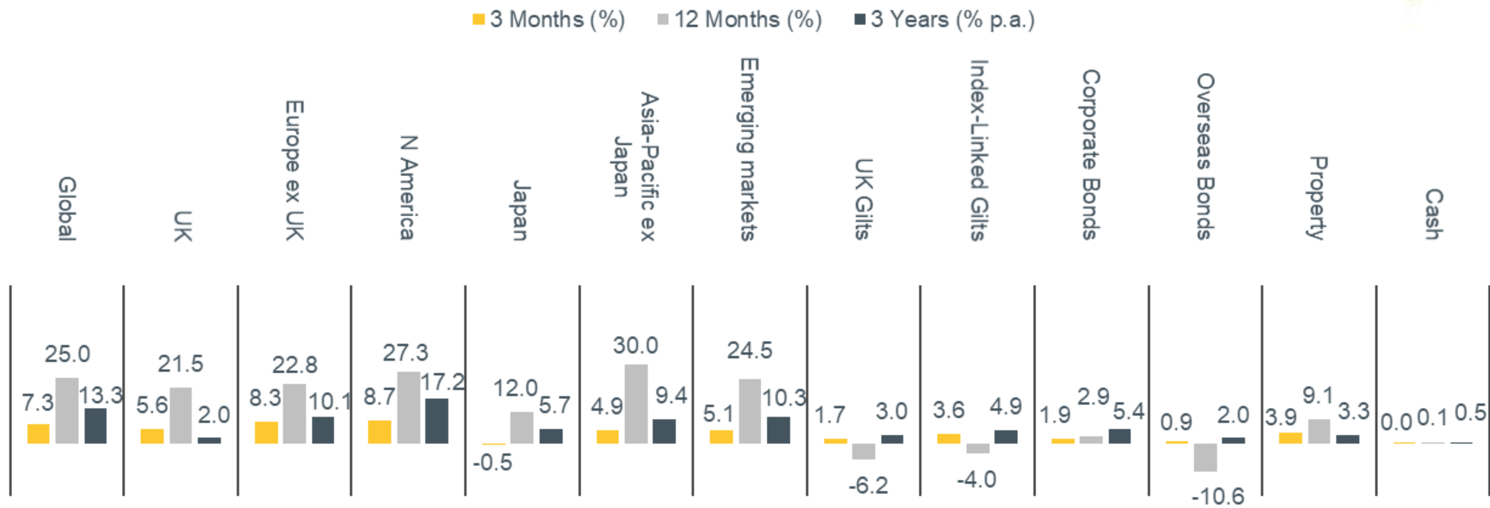
Amid accumulating evidence of the effectiveness of vaccines, the deployment of large US fiscal stimulus, and greater economic resilience to the latest waves of COVID-19, growth forecasts continued to see upwards revisions. A very sharp rebound in global GDP growth is expected to have been recorded in Q2 as restrictions eased in the major advanced economies. Leading indicators, such as PMI business surveys, have reached multi-year highs and suggest growth momentum remains strong.

Global equities have risen 7.1% (Local Currency) in Q2. Cyclical, shorter-duration sectors, such as financials, industrials and basic materials, and styles, such as value and small-cap, have underperformed, having outperformed significantly since the initial positive vaccine news in November last year. Conversely, technology, with its longer-duration growth characteristics, outperformed during Q2.

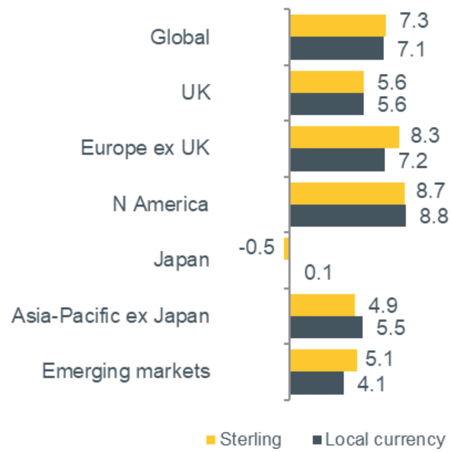
From a regional perspective, Japan has materially underperformed as a resurgence in new COVID-19 cases led to new restrictions. Outperformance by the technology sector helped North America to outperform.

Supply and demand imbalances, largely due to pandemic-induced shortages, and a weak base of comparison in 2020 suggest UK headline CPI will increase above May's 2.1% year-on-year rise. June's 5.0% year-on-year increase in US headline CPI exceeded expectations. However, most forecasters and central bankers expect the inflationary spike will prove temporary.

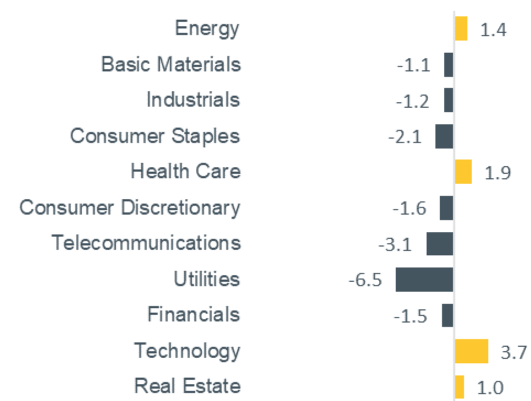
Historic returns for world markets [1]



Regional equity returns [2]



Global equity sector returns (%) [3]



Source: DataStream. [1] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property; UK Interbank 7 Day. [2] FTSE All World Indices. Commentary compares regional equity returns in local currency. [3] Returns shown in Sterling terms and relative to FTSE All World. FTSE indices migrated to a new ICB structure in Q1 2021.

HYMANS ROBERTSON

On news that the Fed expects to increase its policy rate twice in 2023, short-term yields rose, and longer-term yields fell. Despite upside inflation surprises, US 10-year treasury yields fell 0.3% p.a. to 1.5% p.a. and UK yields fell 0.1% p.a. to 0.7% p.a. UK 10-year Implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell from 3.7% p.a. to 3.5% p.a. as nominal yields fell relative to real yields.

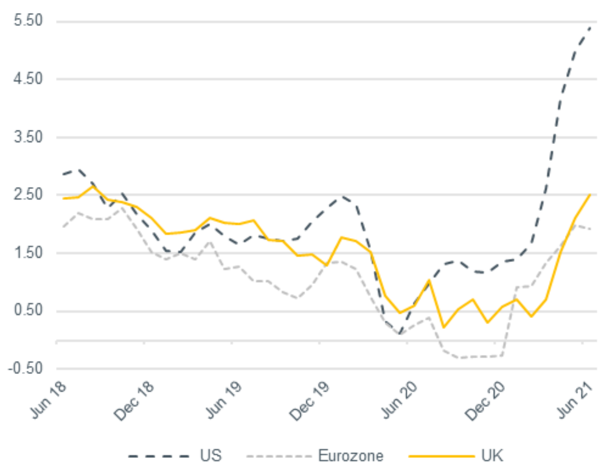
Despite rising 1.4% in June on the back higher near-term rate expectations, the trade-weighted dollar has weakened 1.6% since the end of March, as the global economic recovery became broader based. Sterling has weakened marginally in trade-weighted terms, down 0.5% since the end of March.

Despite slipping 7% in the wake of the Fed meeting in June, gold prices were still up 3.6% over the quarter while oil prices rose strongly .

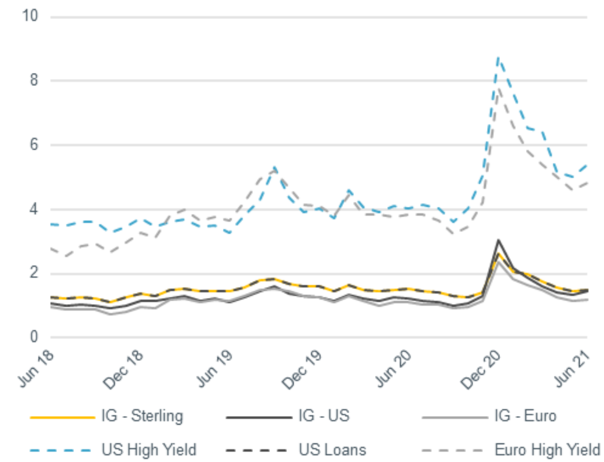
Global credit spreads continued to trend lower in-line with declining default rates and improving credit fundamentals.

Rolling 12-month UK Monthly Property Index metrics have improved as March 2020 values fell out of the comparison. The rolling 12-month total return on the index was 9.1% to end-June, with monthly returns positive since July 2020. Capital values, in aggregate, have risen 3.4% over the last 12 months, with values rising month-on-month since November 2020: Industrial capital values are responsible for the rise, having risen 17.9% over the last 12 months, while retail and office values have fallen, by 5.4% and 3.4%, respectively. The office sector has been experiencing the largest capital declines in recent months.

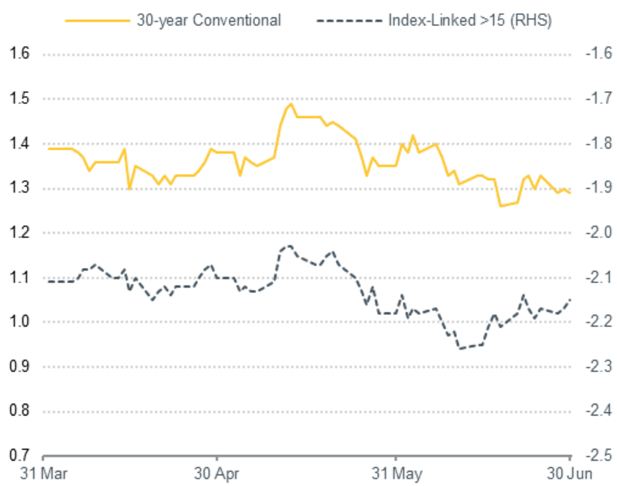
Annual CPI Inflation (% p.a.)



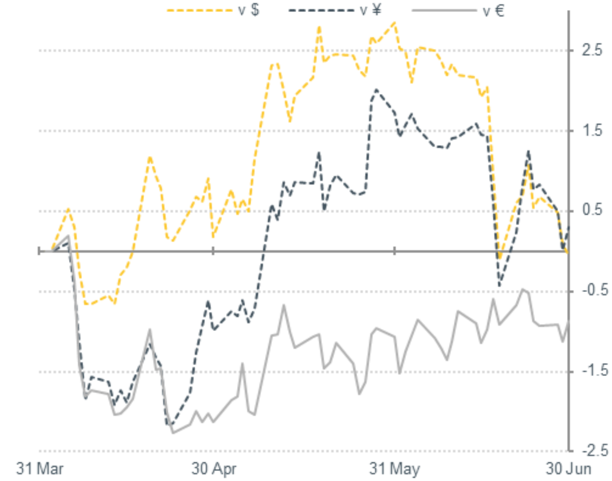
Investment and speculative grade credit spreads (% p.a.)



Gilt yields chart (% p.a.)



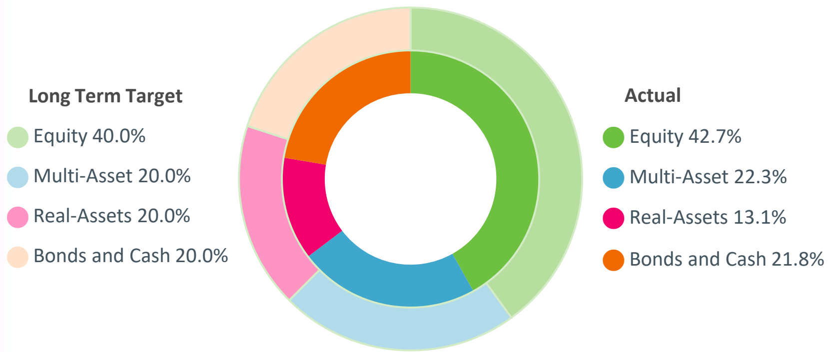
Sterling trend chart (% change)

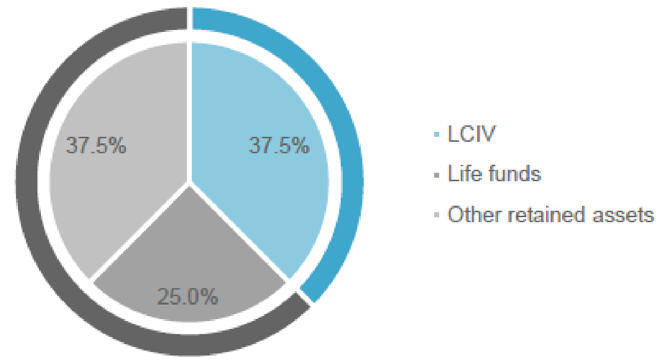


Source: DataStream, Barings and ICE

- The Fund's investment approach is implemented through the London Common Investment Vehicle ("LCIV"), and retained assets including life funds (with fee structures aligned with LCIV).
- The charts right summarise the approach agreed for the implementation of the Fund's longer-term strategy. We have indicated ongoing governance responsibilities in blue for LCIV and grey for the Committee.
- The drawdown in the first Stafford infrastructure fund and private debt mandates is expected to be completed in 2021.
- The target allocation to LCIV and life funds totals 62.5% of Fund assets. Other retained assets will be delivered through external managers, with the position reviewed periodically.
- A review of the Fund's investment strategy was carried out by the Committee in 2020. Agreed changes are currently being implemented.
- The Committee has also agreed to a 2.5% allocation to renewable energy infrastructure to be funded by a reduction in multi-asset mandates.

Asset Allocation





Long Term Strategic Target

Asset class	Long term target	LCIV		Life funds		Other retained assets	
		Manager(s)	%	Manager(s)	%	Manager(s)	%
Equity	40.0	Baillie Gifford	15.0	LGIM	25.0		
Multi-Asset	20.0	Baillie Gifford, Ruffer	20.0				
Property	10.0					UBS, CBRE	10.0
Infrastructure	10.0	BlackRock Stonepeak, Foresight, Quinbrook	2.5			JP Morgan, Stafford	7.5
Private Debt	7.5					Permira, Churchill	7.5
Other bonds	12.5					RLAM	12.5
Total	**100.0**	**-**	**37.5**	**-**	**25**	**-**	**37.5**

Current Investment Implementation

- The total value of the Fund's assets rose by c. £40.0m over the quarter to c. £914.2m as at 30 June 2021 as global equities continued to rise and credit spreads continued to trend lower over the quarter.
- The Baillie Gifford equity mandate remains overweight to support the implementation of changes to the Fund's strategy.
- **The UBS property allocation is currently underweight relative to target. UBS have offered an opportunity for existing investors to increase their investment at a heavily reduced cost as part of a capital raise. We recommend making an additional £10m investment in the UBS fund, to be funded from internally held cash, to bring the allocation back up towards target.**

The following capital calls were paid during the quarter:

- c.£0.4m to Churchill funded from existing cash.
- c.£1.4m to Stafford SISF II funded from the Russell currency hedging mandate.
- c.£1.2m, c.£0.1m, c.£1.1m and c.£0.6m to Stafford SISF IV funded from the RLAM corporate mandate.

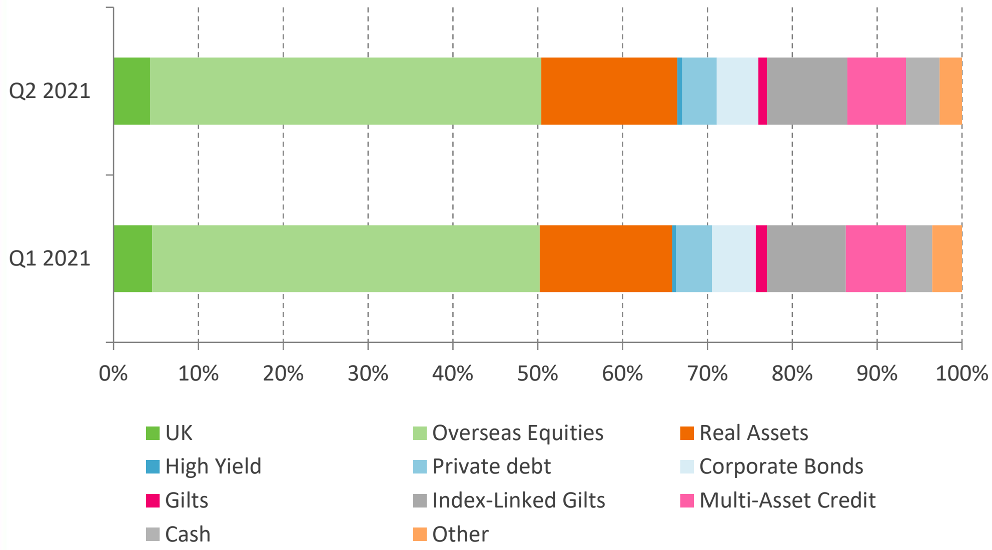
Asset Allocation

Manager		Valuation (£m) Q1 2021	Q2 2021	Actual Proportion	Benchmark	Relative
Equity		**366.1**	**390.4**	**42.7%**	**40.0%**	**2.7%**
LGIM Global Equity	LCIV aligned	71.6	76.7	8.4%	10.0%	-1.6%
LGIM Fundamental Equity	LCIV aligned	64.3	67.9	7.4%	10.0%	-2.6%
LGIM Emerging Markets	LCIV aligned	39.2	41.2	4.5%	5.0%	-0.5%
LCIV Global Alpha Growth Fund	LCIV	191.0	204.6	22.4%	15.0%	7.4%
Multi-Asset		**199.3**	**204.3**	**22.3%**	**20.0%**	**2.3%**
LCIV Absolute Return Fund	LCIV	111.3	112.0	12.3%	12.5%	-0.2%
LCIV Diverrsified Growth Fund	LCIV	88.0	92.3	10.1%	7.5%	2.6%
Real-Assets		**113.5**	**119.8**	**13.1%**	**20.0%**	**-6.9%**
UBS Property	Retained	41.2	42.6	4.7%	6.0%	-1.3%
CBRE	Retained	27.8	27.9	3.0%	4.0%	-1.0%
JP Morgan	Retained	23.9	23.8	2.6%	4.0%	-1.4%
Stafford Capital Global Infrastructure SISF II	Retained	19.1	21.2	2.8%	3.5%	-0.7%
Stafford Capital Global Infrastructure SISF IV	Retained	1.6	4.3			
LCIV Renewable Energy Infrastructure Fund	LCIV	0.0	0.0	0.0%	2.5%	-2.5%
Bonds and Cash		**195.3**	**199.7**	**21.8%**	**20.0%**	**1.8%**
RLAM Index Linked Gilts	Retained	38.7	40.3	4.4%	7.5%	-3.1%
RLAM Multi-Asset Credit	Retained	61.8	63.1	6.9%	5.0%	1.9%
RLAM Corporate Bonds	Retained	37.9	38.3	4.2%	0.0%	4.2%
Churchill	Retained	19.1	19.6	2.1%	3.0%	-0.9%
Permira	Retained	17.7	17.5	1.9%	4.5%	-2.6%
Cash at Bank	Retained	17.3	20.7	2.3%	0.0%	2.3%
Currency Hedging P/L	Retained	2.7	0.3	0.0%	0.0%	0.0%
Total Fund		**874.2**	**914.2**	**100.0%**	**100.0%**	

Source: Northern Trust, Investment Managers

- The chart right illustrates the underlying asset allocation of the Fund, i.e. taking account of the underlying holdings in the multi-asset funds on a 'look through' basis.
- The Fund's overall allocation to equities has continued to increase over the quarter to c.50.4% at 30 June 2021 (c.50.2% at 31 March 2021). Despite a reduction in the allocation to UK equities, the relative allocation to overseas equities further increased.
- The allocation to real assets increased back to c.16.0% of Fund assets as at 30 June 2021 (c.15.6% as at 31 March 2021).
- These movements were driven by the accumulating evidence of vaccine effectiveness in combination with the deployment of large US fiscal stimulus and greater economic resilience to the latest waves of COVID-19. As such, growth forecasts have continued to see upwards revisions.

Asset class exposures



Source: Investment Managers, Datastream

- The table sets out the performance of each mandate against their respective benchmarks.
- The LGIM mandates continued to broadly track their respective benchmarks over the quarter, whilst mixed returns were observed across the other mandates.
- The best performing growth allocation was the Global Equity mandate as an overall sharp rebound in global GDP growth is expected to have been recorded in Q2 as restrictions eased in the major advanced economies.
- Please note that all asset performance is in GBP terms and does not make an allowance for currency fluctuations. The total Fund performance includes the impact of the Russell currency overlay mandate.
- Please note the separate slide for further detail on the Russell mandate, along with asset performance excluding the impact of currency fluctuations.

Manager performance

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth												
LGIM Global Equity	7.2	7.3	**-0.0**	24.9	25.0	**-0.1**	13.3	13.3	**0.0**	13.1	13.2	**-0.0**
LGIM Fundamental Equity	5.5	5.8	**-0.3**	31.1	31.7	**-0.4**	9.1	9.3	**-0.1**	12.0	12.1	**-0.1**
LGIM Emerging Markets	5.0	5.1	**-0.1**	24.3	24.5	**-0.1**	-	-	-	12.4	12.5	**-0.1**
Baillie Gifford Global Equity (CIV)	7.1	7.4	**-0.3**	30.8	25.1	**4.6**	18.8	13.2	**5.0**	17.5	13.7	**3.4**
Ruffer Absolute Return (CIV)	0.7	1.0	**-0.3**	14.3	4.2	**9.8**	6.8	4.6	**2.1**	5.5	4.8	**0.7**
Baillie Gifford DGF (CIV)	4.9	0.9	**4.0**	14.3	3.6	**10.3**	4.6	3.9	**0.7**	4.7	4.0	**0.6**
Income												
UBS Property	4.5	3.8	**0.6**	10.1	8.5	**1.4**	4.5	3.1	**1.3**	6.3	7.0	**-0.7**
CBRE	0.3	2.9	**-2.6**	-2.7	7.5	**-9.5**	-	-	-	4.5	6.3	**-1.7**
JP Morgan	-0.4	2.9	**-3.2**	0.8	7.5	**-6.3**	-	-	-	6.9	6.3	**0.5**
Stafford Capital Global Infrastructure SISF II	6.7	2.9	**3.7**	-0.6	7.5	**-7.6**	6.2	6.6	**-0.4**	6.2	6.6	**-0.4**
Stafford Capital Global Infrastructure SISF IV	11.9	3.0	**8.7**	-	-	-	-	-	-	11.9	3.0	**8.7**
Protection												
RLAM Index Linked Gilts	4.2	3.9	**0.3**	-4.3	-4.5	**0.2**	-	-	-	5.4	5.2	**0.2**
RLAM Multi-Asset Credit	1.9	0.4	**1.5**	7.0	5.2	**1.7**	-	-	-	8.6	7.8	**0.7**
RLAM Corporate Bonds	3.4	3.1	**0.3**	2.3	0.6	**1.7**	-	-	-	9.8	9.7	**0.2**
Churchill	1.6	1.0	**0.6**	-3.6	4.1	**-7.4**	-	-	-	1.8	4.6	**-2.7**
Permira	1.2	1.0	**0.2**	2.7	4.1	**-1.4**	-	-	-	2.0	4.5	**-2.4**
Total	4.3	3.7	**0.5**	16.9	11.4	**5.0**	9.1	7.6	**1.5**	8.3	-	-

Source: Northern Trust, investment managers. Please note that benchmark performance for Baillie Gifford DGF and Ruffer Absolute Return funds is inclusive of outperformance targets. In addition, longer term performance for Baillie Gifford Global Equity, Baillie Gifford DGF and Ruffer Absolute Return funds is inclusive of performance prior to their transfer in to the London CIV. LGIM Global and Fundamental Equity mandates were managed by SSGA prior to November 2017 and we have retained the performance history for these allocations. Performance figures for CBRE, Stafford ad JP Morgan has been taken from the managers rather than Northern Trust. The Fund performance figure includes the effect of the currency hedging mandate managed by Russell..

Manager Analysis

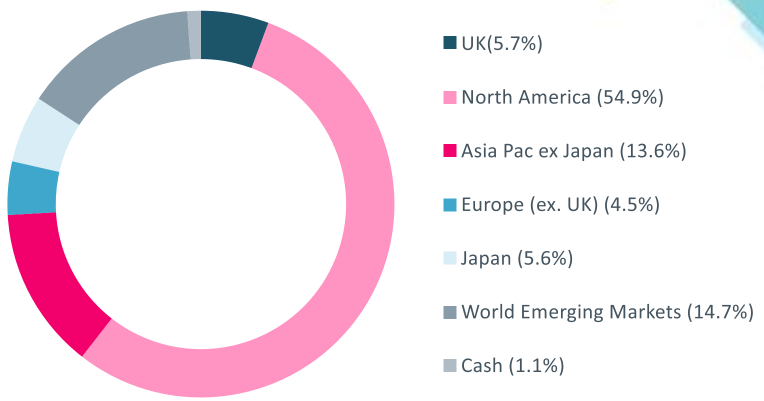
LCIV Global Alpha Fund

- The Fund accesses global equity and multi-asset sub-funds through LCIV.
- LCIV are responsible for the ongoing monitoring and governance of the underlying investment managers.
- The Global Alpha Growth sub-fund is managed by Baillie Gifford.
- The objective of the sub-fund is to exceed the rate of return of the MSCI All Country World Index by 2-3% per annum on a gross of fees basis over rolling five-year periods.
- Following exceptionally strong performance over 2020, the allocation to the Global Alpha Growth sub-fund remains significantly over target weight.
- The Committee have agreed to replace the existing Global Alpha Fund with the recently launched Paris-aligned variant. The transition to the Paris aligned variant is expected to take place during Q3 2021.

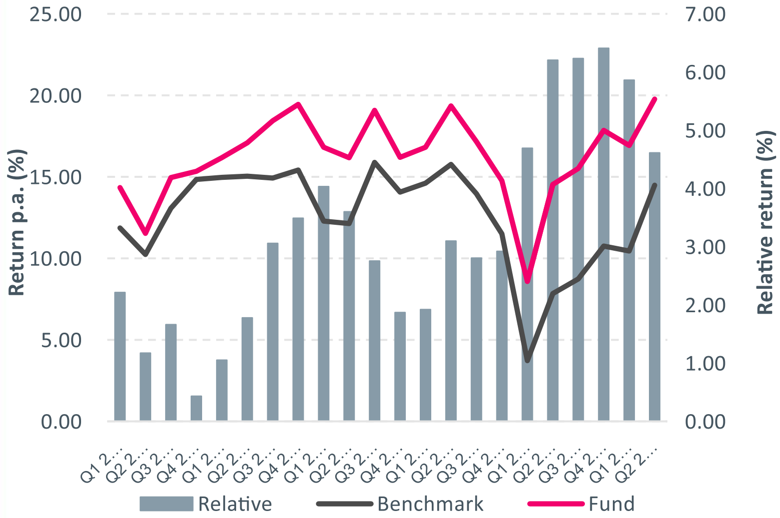
LCIV Global Alpha Growth

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Since Inception (% p.a.)
LCIV Global Alpha Growth	7.1	30.8	18.8	17.5
Benchmark	7.4	25.1	13.2	13.7
Relative	-0.3	4.6	5.0	3.4

Regional Allocation



Rolling 3 year return



Source: Investment Manager, LCIV, Northern Trust
Date of inception 25 April 2012

LGIM Global Equity Funds

- LGIM were appointed from November 2017 to manage the Fund's index tracking global equity portfolio, with the mandate being split equally between investment in a fund tracking a market cap weighted index and a fund tracking a fundamentally weighted index (RAFI).
- The objective of this mandate is to match the performance of the respective benchmark indices.
- Performance information reflects performance from LGIM from November 2017, and SSGA prior to this date.
- Over the quarter, the All World fund has outperformed the RAFI index by c.1.4%, however the RAFI fund has demonstrated stronger performance over the last year, being c.6.1% ahead of the global index over this period
- The Committee has agreed to migrate the current RAFI allocation to the LGIM Future World Fund.

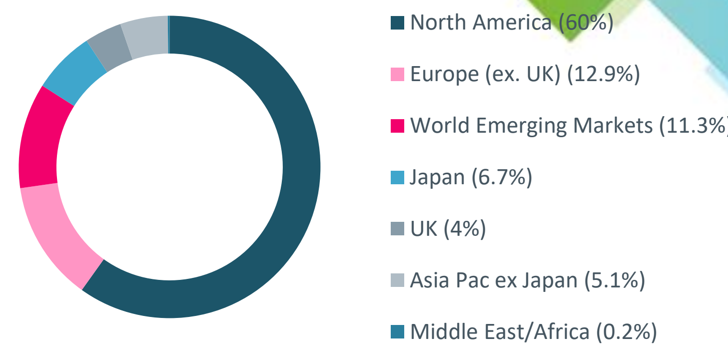
LGIM Emerging Markets

- The objective of this mandate is to match the performance of the FTSE Emerging indices.
- The Committee is planning to review the Fund's emerging market equity allocation in 2022.

All World Equity Index

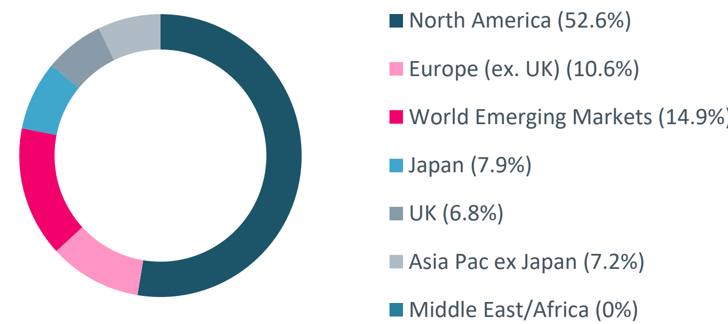
	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Since Inception (% p.a.)
LGIM Global Equity	7.2	24.9	13.3	13.1
Benchmark	7.3	25.0	13.3	13.2
Relative	-0.0	-0.1	-0.0	-0.0

Regional Allocation



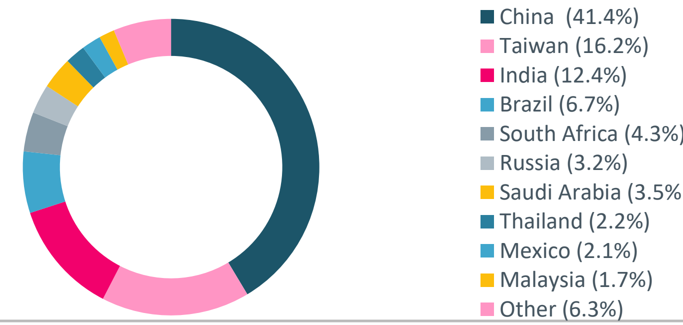
FTSE RAFI All World 3000 Equity Index

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Since Inception (% p.a.)
LGIM Fundamental Equity	5.5	31.1	9.1	12.0
Benchmark	5.8	31.7	9.3	12.1
Relative	-0.3	-0.4	-0.1	-0.1



World Emerging Markets Equity Index

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Since Inception (% p.a.)
LGIM Emerging Markets	5.0	24.3	-	12.4
Benchmark	5.1	24.5	-	12.5
Relative	-0.1	-0.1	-	-0.1



Source: Northern Trust, LGIM
All World Equity Index inception date: 23/02/2011
FTSE RAFI All World 3000 inception date: 19/08/2015

Sector Positioning

- The Fund has a significant overweight allocation to the consumer discretionary sector when compared with the MSCI All Country World Index.
- This is due to the bias within the Baillie Gifford Global Alpha fund towards this sector. Strong stock selection from Baillie Gifford within this sector has benefitted Fund performance in recent years.

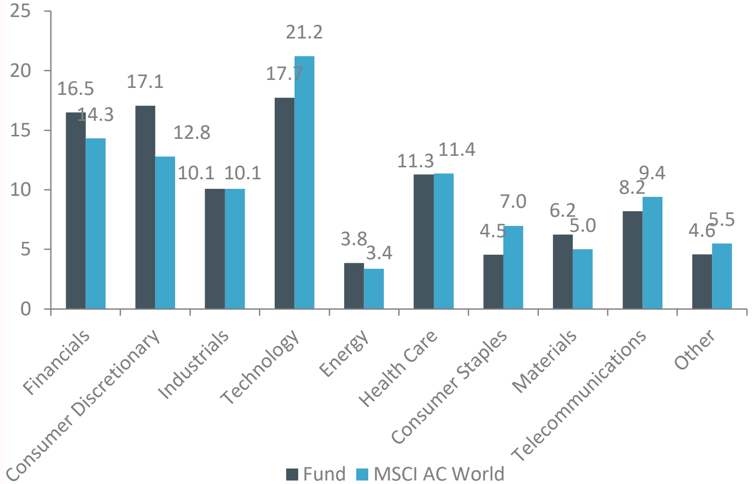
Regional Positioning

- Notable deviations from the global benchmark are the Fund's underweight position to North America and overweight position to Emerging Markets.
- Planned rebalancing and transitional activity in the near future will reduce these deviations. The Fund's Emerging Markets allocation is also due to be reviewed by the Committee in 2022.

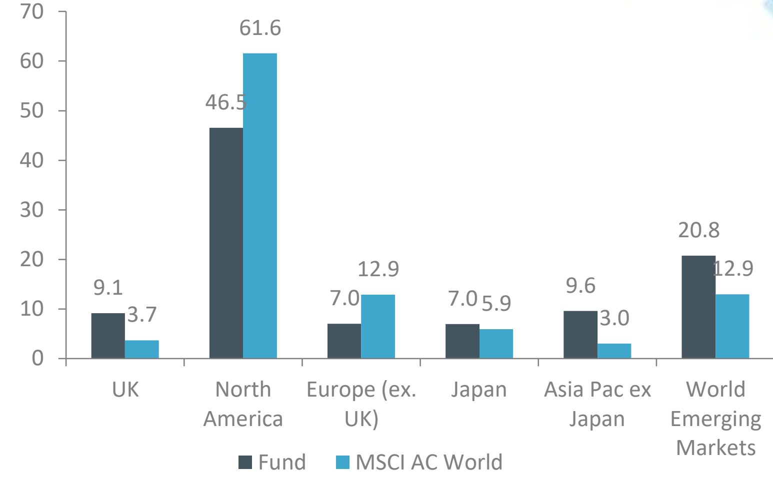
Style Positioning

- The chart right illustrates the Baillie Gifford Global Alpha fund's positioning relative to the MSCI ACWI on a number of metrics.
- These metrics can be grouped into different 'styles'.
- As would be expected, the Global Alpha fund has a bias towards the growth and momentum styles and strongly away from value.

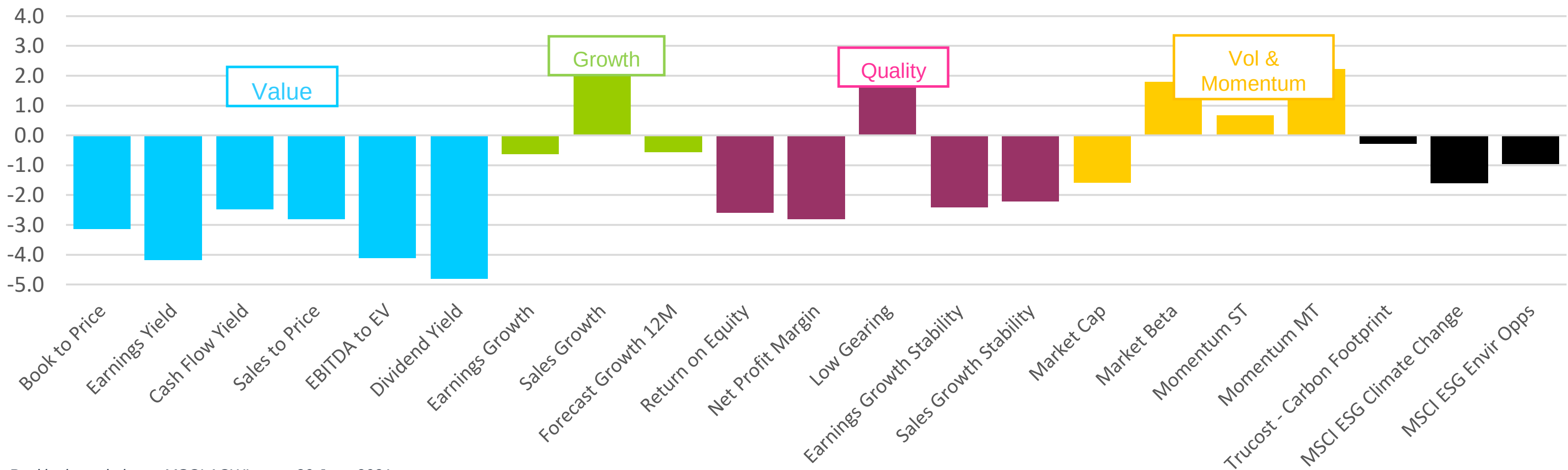
Combined Equity Sector Allocation



Combined Equity Regional Allocation



Active Equity Style Tilt



Positioning relative to MSCI ACWI, as at 30 June 2021

Source: Northern Trust, LGIM, LCIV
Inception date: 01/01/2019

Russell Currency Hedging

- Russell Investments have been appointed to manage the Fund's currency overlay mandate.
- The current policy is to hedge non-sterling exposures in the Fund's private markets mandates. Currency exposure in equity mandates is retained.
- At present, 100% of the exposure to USD, EUR and AUD from the private market investments is hedged within any residual currency exposure retained on a de-minimis basis.
- The volatility of returns (measured as the standard deviation of quarterly returns since inception) is 4.6% to date when the impact of currency fluctuations is included and only 4.2% when currency movements are stripped out by the Russell currency overlay mandate.

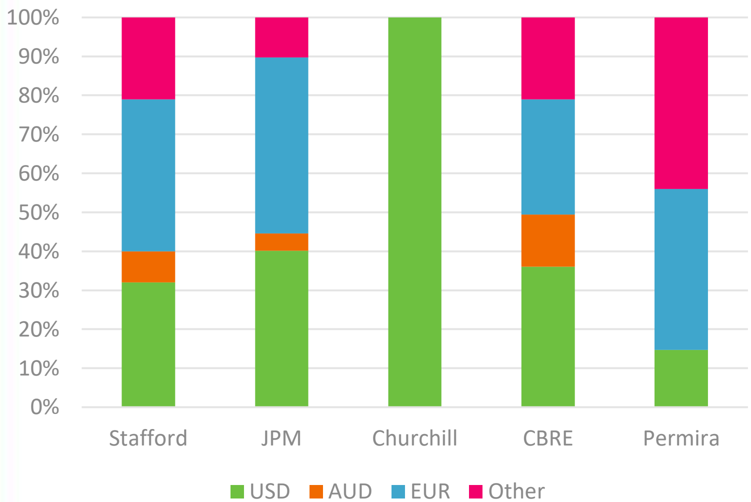
Q2 performance

	Asset return (inc. FX impact)	Currency return (via Russell mandate)	Asset return (ex. FX impact)	BM return	Relative return (ex. FX impact)
Stafford II	6.7	1.1	7.8	2.9	4.7
Stafford IV	11.9	1.3	13.2	3.0	10.0
JPM	-0.4	1.2	0.9	2.9	-2.0
Churchill	1.6	1.6	3.2	1.0	2.2
CBRE	0.3	1.1	1.4	2.9	-1.5
Permira	1.2	0.9	2.0	1.0	1.0

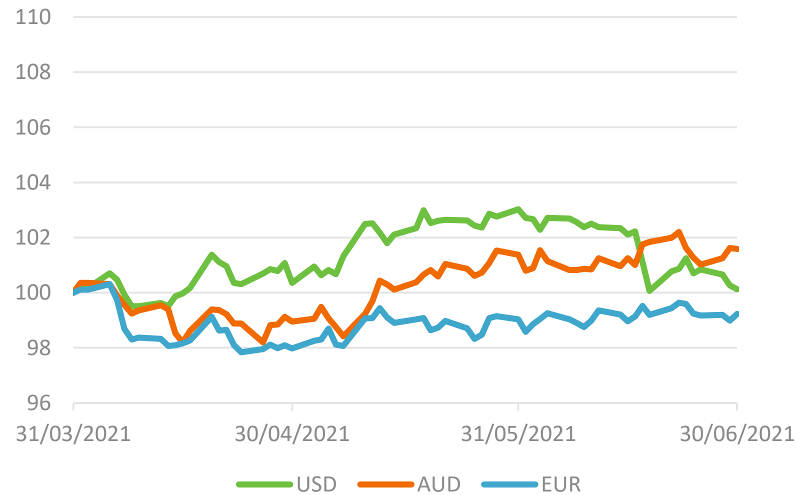
Performance since mandate inception*

	Asset return (inc. FX impact)	Currency return (via Russell mandate)	Asset return (ex. FX impact)	BM return	Relative return (ex. FX impact)
Stafford II	6.2	1.7	7.8	6.6	1.2
Stafford IV	11.9	1.1	13.0	3.0	9.7
JPM	6.9	0.9	7.8	6.3	1.3
Churchill	1.8	4.8	6.6	4.6	1.9
CBRE	4.5	1.1	5.6	6.3	-0.7
Permira	2.0	1.4	3.4	4.5	-1.1

Hedged currency exposure as at quarter end**



Sterling performance vs foreign currencies (rebased to 100 at 31 March 2021)



Source: Northern Trust, Investment managers
**Performance shown since 31 December 2019 which was the first month end after inception*
*** As at Q1 2021 and Permira is shown as at Q4 2020*

Private Markets Investments

- Since March 2018, the Fund has made commitments to seven private markets funds as outlined right. The table provides a summary of the commitments and drawdowns to 30 June 2021.
- The Fund made a commitment of 2.5% of Fund assets (£25m) to the LCIV renewable energy infrastructure fund during the quarter. The first capital call was paid in Q3 2021.
- The Committee agreed to increase the JP Morgan commitment by £12m to retain the allocation to infrastructure. This increase is expected to be finalised in Q3 2021.
- There are outstanding commitments of approximately £35m to the remaining funds which will be primarily funded from the RLAM corporate bond mandate.

Mandate	**Infrastructure**				**Global Property**	**Private Debt**	
Vehicle	**Stafford Infrastructure Secondaries Fund II**	**Stafford Infrastructure Secondaries Fund IV**	**JP Morgan Infrastructure Investments Fund**	**LCIV Renewable Energy Infrastructure Fund**	**CBRE Global Investment Partners Global Alpha Fund**	**Churchill Middle Market Senior Loan Fund II**	**Permira Credit Solutions IV Senior Fund**
Commitment Date	25/04/18	18/12/20	31/07/18	30/06/21	30/09/18	12/18	12/18
Fund currency	EUR	EUR	USD	GBP	USD	USD	EUR
Gross commitment	£26m	£18m	£26.1m	£25m	£26.1m	£23.8 m	£36 m
Net capital called during quarter (Payments less returned capital)	£1.4m	£3.1m	-	-	-	£0.4m	-
Net capital drawn to date*	£22.7m	-	£24.6m	-	£24.6m	£18.5m	c. £17.6m
Distributions/returned capital to date (includes income and other gains)*	£5.4m	-	£4.9m	-	£0.1m	£0.9m	£1.1m
NAV at quarter end*	£20.2m	£1.8m	£23.8m	-	£27.9m	£19.5m	£17.9m
Net IRR since inception (in fund currency)*	7.3% p.a. *(vs. 8-9% target)*	-	7.6%	-	9.6%	-	11.4%
Net cash yield since inception (in fund currency)*	5.0% p.a. *(vs. 5% target)*	-	10.5%	-	4.1%	5.7%	0.1%
Number of holdings*	30 funds, 306 underlying assets	3 investments	18 companies, 594 assets		51 investments, 2,851 properties	92 investments	23 investments

**as at 31/03/2021 (latest available) **refers to the IRR of realised investments in the portfolio*

Source: Investment Managers. All non-GBP figures have been converted into GBP.

Capital Markets Outlook

Asset Class	Market Summary
Equities	• Modest gains in equity markets year-to-date leave long-term valuation measures similarly stretched as last quarter. However, valuations look less expensive in the context of very low real yields and there remains significant disparity in valuations by region. Earnings momentum is moderately positive and the bounce in earnings now forecast in 2021 would leave full-year earnings in 2021 approximately 7% above end-2019 levels. Given high valuations and near-term economic uncertainty, we hold a neutral position, despite the fundamental improvement expected in 2021.
Investment Grade Credit	• Spreads remain well below long-term median levels, providing little cushion to guard against potential further rises in yields. While leverage remains elevated and interest coverage is low relative to even shorter-term averages, the earnings recovery forecast should be supportive of debt fundamentals going forward. • Equivalently rated European ABS spreads have lagged the recovery in corporate credit spreads since the peak of market disruption at the end of Q1 2020 and look compelling relative to similarly rated corporate credit. Materially lower forward-looking issuance forecasts remain a relative technical support for ABS markets.
Liquid Sub-Investment Grade Debt	• Defaults remain elevated and leverage and interest coverage are above and below average levels, respectively, but robust earnings growth forecasts could see metrics improve in 2021. While current spreads, which sit well below long-term median levels, suggest the market is already pricing the expected recovery, an environment of declining default rates may lend support to current valuations. Higher yielding, shorter-duration speculative-grade credit markets may have more scope to absorb any further potential rises in government bond yields amid the pro-growth backdrop.
Private Lending	• The fundamental backdrop deteriorated in 2020 due to the pandemic and direct lender's hospitality, retail and travel exposures have been particularly impacted. Transaction levels have returned to pre-COVID levels. Pricing has improved slightly although with higher leverage and loan documentation is now back to pre-COVID. The illiquidity premium to the loan market is positive. More affected outstanding debt in public and private markets may create opportunities for new stressed/distressed and special situations financing strategies.
Core UK Property	• The outlook for UK property market fundamentals has improved slightly, as the pace of rental declines has eased, though any tailwinds will likely require the UK's path out of lockdown and economic recovery to be smooth. Technical data is improving, with transaction activity strongly rebounding over recent months, although it remains to be seen whether such improvements will be sustained.
Long Lease Property	• On an absolute basis, valuations appear less attractive than wider property market but are supported by marginally stronger fundamentals and are less exposed to the most troubled sectors.
Conventional Gilts	• A sharp acceleration in growth and inflation is expected amid a more substantial easing of COVID restrictions in Q2 on the back of a rapid vaccine roll-out and falling case rates, following Q1 weakness. Yields have risen in the first quarter but may face further upwards pressure as economic recovery and reflation continue. Front-end nominal yields are more beginning to look more fairly valued but longer-term nominal yields are far less attractive.
Index-Linked Gilts	• Implied inflation looks very expensive at terms up to around 25 years and only slightly less so thereafter.

The table summarises our broad views on the outlook for markets. The ratings used are Positive, Attractive, Neutral, Cautious and Negative. The ratings are intended to give a guide to our views on the prospects for markets over a period of around three years; although they are updated quarterly, they are not intended as tactical calls. The ratings reflect our expectations of absolute returns and assume no constraints on investment discretion. In practice, they need to be interpreted in the context of the strategic framework within which individual schemes are managed.

Source: Hymans Robertson

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + Fund\ Performance)}{(1 + Benchmark\ Performance)} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance - Benchmark\ Performance$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.