London Borough of Havering Pension Fund

Q2 2022 Investment Monitoring Report

Simon Jones – Partner
Mark Tighe – Associate Investment Consultant
Meera Devlia – Investment Analyst

HYMANS ROBERTSON

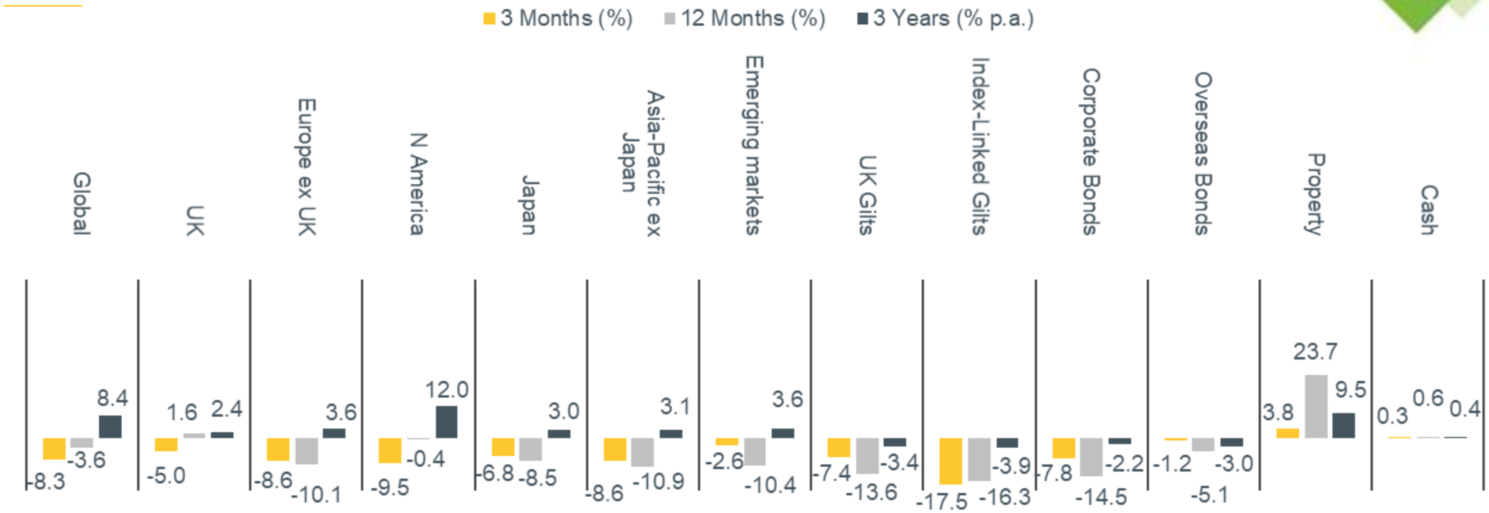
Soaring inflation and higher borrowing costs have continued to squeeze consumer's real incomes, with consumer confidence surveys plunging as a result. The persistence of these inflationary pressures, coupled with the prospect of tighter financial conditions, has given rise to fears of recession, and has resulted in revised consensus forecasts for global growth of 2.9% in 2022 and 2.8% in 2023 (down from 4.1% and 3.2%, respectively, at the start of the year.)

While headline inflation continues to rise across developed markets, year-on-year US and UK core inflation, which excludes volatile energy and food prices, eased slightly, but remained elevated, at 6.0% and 5.9%, respectively. While US and UK inflation pressures look more broad-based, a large proportion of eurozone inflation still owes to volatile energy and food prices, with Eurozone core CPI increasing to 3.8% year-on-year.

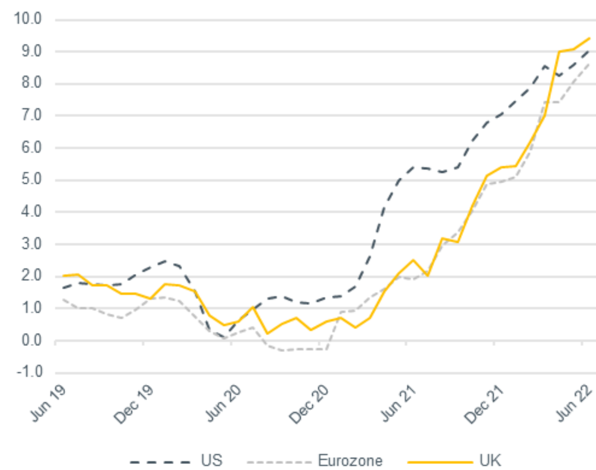
Despite severe supply side issues and risks to growth, central banks appear determined to bring down inflation. The Bank of England rose rates for the fifth consecutive time and the Fed delivered a bumper 0.75% p.a. increase, taking their base rates to 1.25% p.a. and 1.75% p.a., respectively. The European Central Bank have indicated a first rate hike is likely in July, and the end to negative rates by the end of Q3 2022.

Government bond yields rose as markets moved to price in significant further increases in interest rates, with UK 10-year gilt yields increasing 0.6% p.a. to 2.2% p.a. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell 0.8% p.a., from 4.4% p.a. to 3.6% p.a. as real yields rose more than their nominal counterparts.

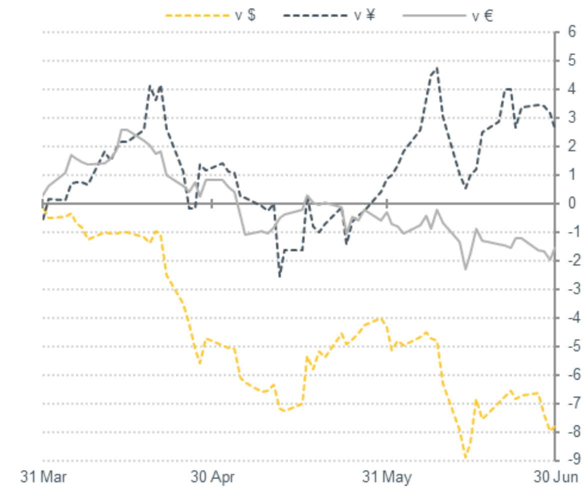
Historic returns for world markets [1]



Annual CPI Inflation (% p.a.)



Sterling trend chart (% change)



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, ICE BofA Global Government Index, MSCI UK Monthly Property; UK Interbank 7 Day

Market Background

With both inflation and growth concerns weighing on credit markets, global investment-grade credit spreads rose 0.5% p.a., to 1.8% p.a.; while US and European speculative-grade spreads both rose 2.4% p.a., to 5.9% p.a. and 6.4% p.a., respectively.

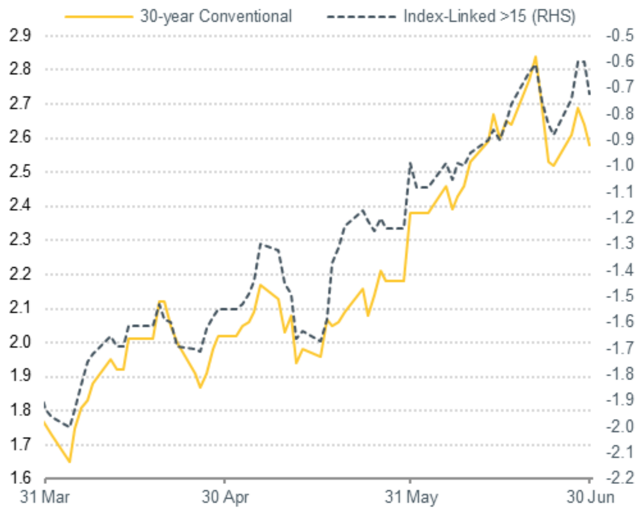
Commodity prices fell over the quarter, with expectations of lower demand leading to a fall in industrial metals prices as rising real yields weighed on precious metal prices.

Despite ongoing upwards revisions to consensus analyst earnings forecasts, global equities fell 8.3% over the quarter, as increases in expectations for the path of interest rates extended the recent decline in equity market valuations. The technology sector notably underperformed on the back of rising rates while returns within the consumer discretionary sector were impacted by a weakening consumer outlook. In contrast, consumer staples outperformed, as investors perhaps placed a premium on the sector's inherent pricing power.

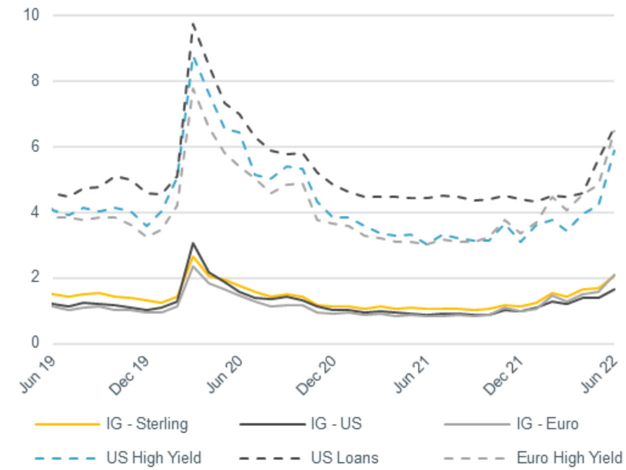
North America underperformed, owing to its large exposure to the technology sector. Meanwhile, above-average exposure to energy, metals, and miners, saw the UK continue its recent outperformance. The easing of lockdown restrictions in China provided some relative support to Emerging and Asian markets equities.

Property remained a relative bright spot, with the MSCI UK IPD total return index rising 9.6% year-to-date; largely owing to a 11.9% rise in industrial capital values. Return on the all-property index, including income, was 23.7% in the 12 months to end-June.

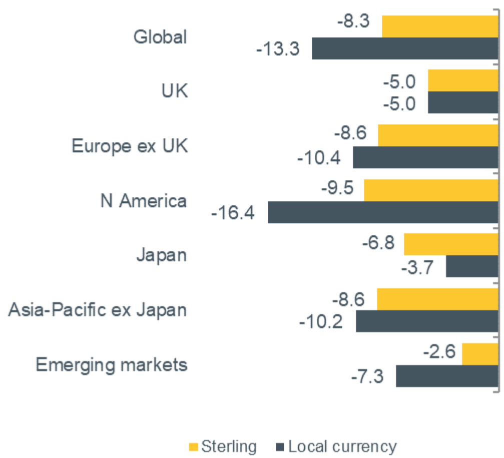
Gilt yields chart (% p.a.)



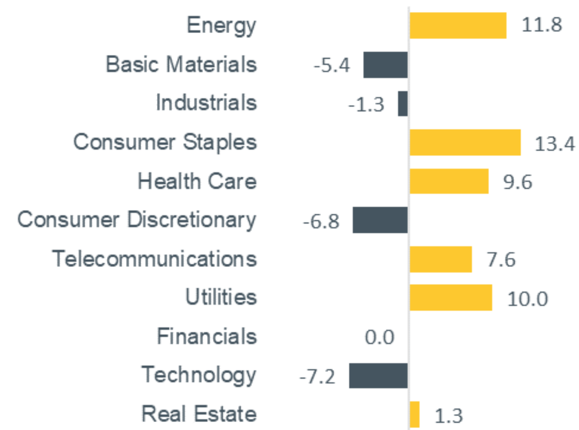
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns [1]



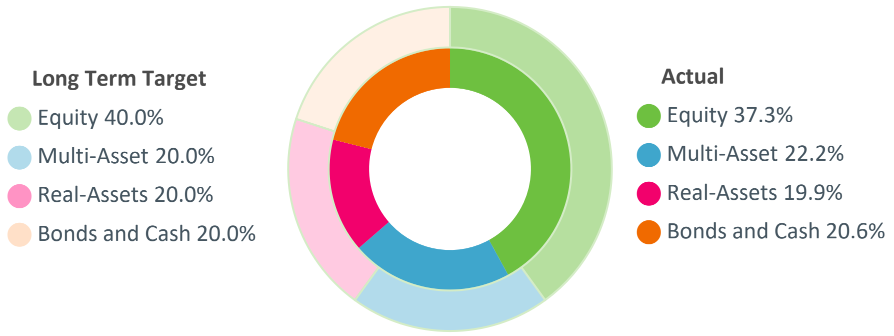
Global equity sector returns (%) [2]

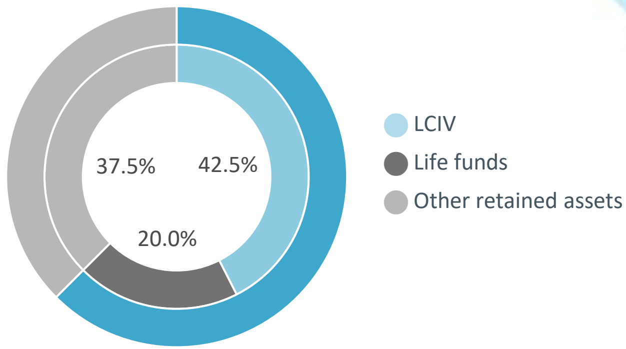


Source: DataStream, Barings, ICE [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World.

- The Fund's investment strategy is implemented through the London Collective 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 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.
- Further commitments were made to infrastructure and private debt in 2021 in order to retain exposure to these asset classes as the existing investments mature and begin repaying capital to investors. The new commitments will continue 'ramping up' in 2022.

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, SSGA	20.0	LGIM	20.0		
Multi-Asset	20.0	Baillie Gifford, Ruffer	20.0				
Property	10.0					UBS, CBRE	10.0
Infrastructure	10.0	Various	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**	**-**	**42.5**	**-**	**20.0**	**-**	**37.5**

Current Investment Implementation

The total value of the Fund's assets fell by £54.8m over the quarter to £864.8m as at 30 June 2022.

This was once again driven by equity assets. In a quarter where global equity fell 8.3% and growth stocks continued to underperformed, so the LCIV equity funds struggled. The Future World and EM equity funds performed slightly better, although still delivered negative absolute returns.

The Fund's RLAM mandates also continued to fall in value due to persistent upwards inflationary pressures and rising interest rates (with the expectation of tighter financial conditions in future). Following significant increases in interest rates, yields continued to rise causing the value of Index-Linked Gilts to fall. Credit spreads also continued to widen over the quarter, impacting the RLAM MAC and Corporate bond mandates.

The Fund is now broadly in line with its strategic benchmark allocation to JP Morgan and infrastructure as the additional £12m committed to JP Morgan (funded from the LCIV Global Alpha Growth Paris Aligned fund) was drawn down over the quarter.

The Fund paid the following capital calls during the quarter:

- c.£12m to the JP Morgan Infrastructure Investments Fund
- c.£1.6m to the Permira Credit Solutions IV Fund
- c.£0.5m to the LCIV Renewable Energy Infrastructure Fund
- c.£1.2m to both the Churchill Senior Loan Fund IV and the Churchill Senior Loan Fund II
- c.£0.2 to the Permira Credit Solutions V Fund

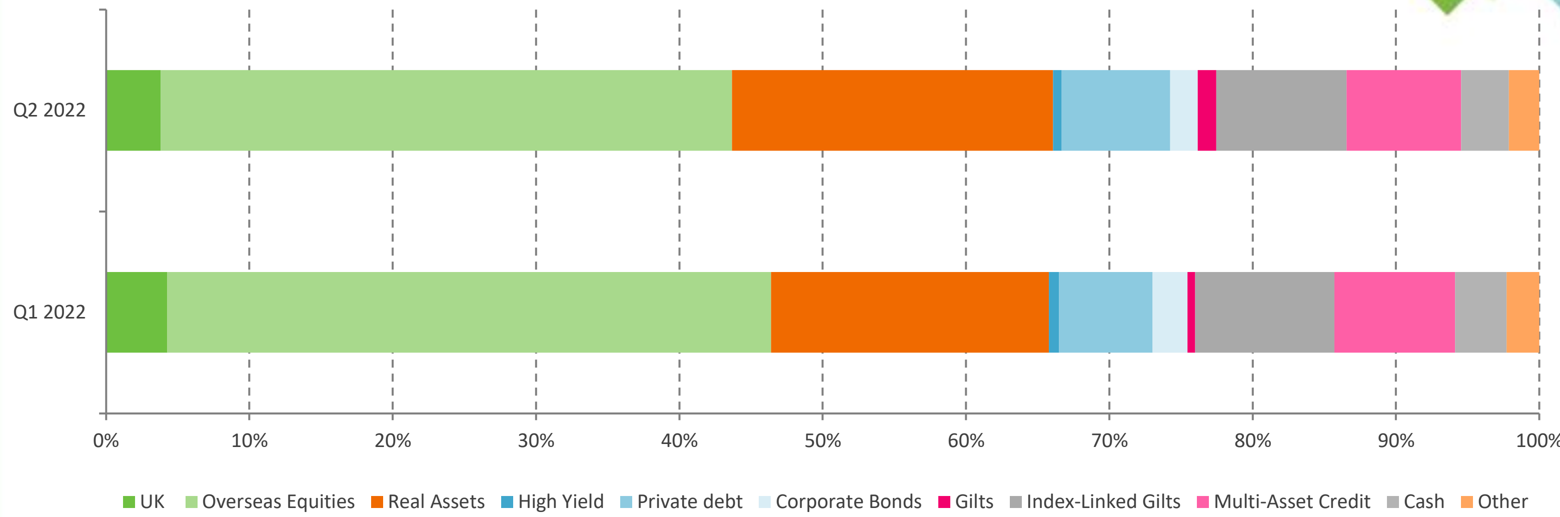
Asset Allocation

Manager		Valuation (£m) Q1 2022	Valuation (£m) Q2 2022	Actual Proportion	Benchmark	Relative
Equity		**366.2**	**322.1**	**37.3%**	**40.0%**	**-2.7%**
LGIM Global Equity	LCIV aligned	35.0	32.1	3.7%	5.0%	-1.3%
LGIM Emerging Markets	LCIV aligned	37.8	36.8	4.3%	5.0%	-0.7%
LGIM Future World Fund	LCIV aligned	93.4	87.0	10.1%	10.0%	0.1%
LCIV Global Alpha Growth Paris Aligned Fund	LCIV	155.3	126.1	14.6%	15.0%	-0.4%
LCIV PEPPA Passive Equity	LCIV	44.7	40.2	4.6%	5.0%	-0.4%
Multi-Asset		**204.8**	**192.2**	**22.2%**	**20.0%**	**2.2%**
LCIV Absolute Return Fund	LCIV	119.4	114.3	13.2%	12.5%	0.7%
LCIV Diversified Growth Fund	LCIV	85.4	77.9	9.0%	7.5%	1.5%
Real-Assets		**152.4**	**172.3**	**19.9%**	**20.0%**	**-0.1%**
UBS Property	Retained	62.1	63.8	7.4%	6.0%	1.4%
CBRE	Retained	32.3	36.0	4.2%	4.0%	0.2%
JP Morgan	Retained	23.3	38.3	4.4%	4.0%	0.4%
Stafford Capital Global Infrastructure SISF II	Retained	20.3	20.1	3.3%	3.5%	-0.2%
Stafford Capital Global Infrastructure SISF IV	Retained	7.5	8.1			
LCIV Renewable Energy Infrastructure Fund	LCIV	6.9	6.1	0.7%	2.5%	-1.8%
Bonds and Cash		**196.2**	**178.1**	**20.6%**	**20.0%**	**0.6%**
RLAM Index Linked Gilts	Retained	40.4	32.1	3.7%	5.0%	-1.3%
RLAM Multi-Asset Credit	Retained	63.3	57.2	6.6%	7.5%	-0.9%
RLAM Corporate Bonds	Retained	22.4	16.7	1.9%	0.0%	1.9%
Churchill Senior Loan Fund II	Retained	20.9	23.8	2.8%	3.0%	-0.2%
Churchill Senior Loan Fund IV	Retained	7.8	9.2	1.1%	0.0%	1.1%
Permira IV	Retained	26.5	28.0	3.3%	4.5%	-1.2%
Permira V	Retained	0.0	0.2			
Cash at Bank	Retained	16.5	14.5	1.7%	0.0%	1.7%
Currency Hedging P/L	Retained	-1.5	-3.6	-0.4%	0.0%	-0.4%
Total Fund		**919.6**	**864.8**	**100.0%**	**100.0%**	

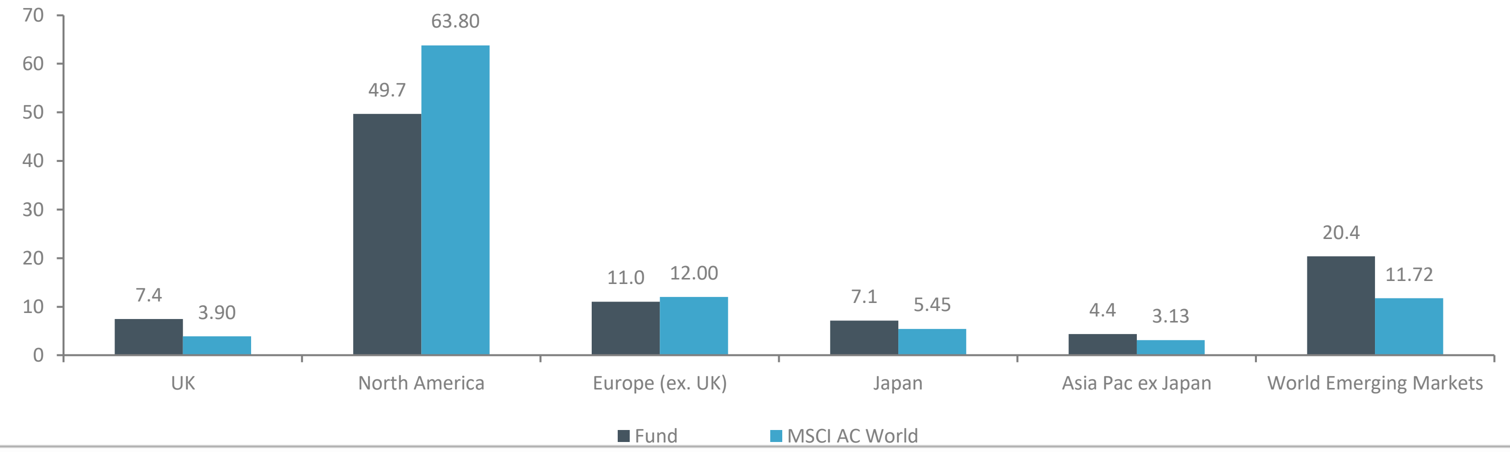
Source: Northern Trust, Investment Managers

- 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 decreased over the quarter to c.43.7% as at 30 June 2022 (c.46.4% at 31 March 2022) – this was primarily driven by the fall in equity values over the quarter.
- The allocation to private debt increased to c.7.6% as at 30 June 2022 (c.6.5% as at 31 March 2022) – this was due to the Fund's private debt assets performing positively over the quarter, coupled with the fall in value of other assets.
- The allocation to real assets increased to c.22.4% as at 30 June 2022 (c.19.4% as at 31 March 2022) – this was following the additional £12m commitment to JP Morgan (funded from the LCIV Global Alpha Growth Paris Aligned fund) drawn at the start of the quarter.

Asset Class Exposures



Regional Equity Allocation



Source: Investment Managers, Datastream

- Please note the early stage performance of the Fund's private market investments can be very volatile using this method of performance measurement. This is to be expected and should not provide cause for concern.
- The LGIM mandates continued to broadly track their respective benchmarks over the quarter.
- The LCIV Global Alpha Growth Paris Aligned Fund underperformed its benchmark. As inflationary pressures rose, the cost of living squeeze negatively impacted discretionary spending. As such, the Fund's 19.1% allocation to the consumer discretionary sector was one of the largest detractors from overall Fund performance. Similarly, the 15.3% allocation to technology, in a quarter when technology noticeably underperformed remained the largest detractor to the Fund's performance.
- For similar reasons, the LCIV PEPPA mandate delivered negative absolute returns. Once again, the largest sectoral allocation to I.T. (c.22.2%) and the largest regional allocation to the US (c.65.8%), significantly dragged on overall mandate performance over the quarter.
- All the Fund's property and infrastructure mandates performed positively in absolute terms, driven by improved fundamentals and increased valuations.
- The RLAM mandates delivered negative absolute negative due to rising interest rates and yields and credit spreads widening over the quarter.
- 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
Equity												
LGIM Global Equity	-8.3	-8.3	**0.0**	-3.6	-3.6	**-0.1**	8.4	8.4	**-0.1**	11.4	11.4	**0.0**
LGIM Emerging Markets	-2.8	-2.6	**-0.2**	-10.7	-10.4	**-0.3**	3.3	3.5	**-0.2**	5.2	5.4	**-0.2**
LGIM Future World Fund	-6.8	-6.7	**0.0**	-6.3	-6.3	**-0.1**	-	-	**-**	-6.3	-6.3	**-0.1**
LCIV Global Alpha Growth Paris Aligned Fund	-12.0	-9.1	**-3.2**	-24.9	-3.5	**-22.2**	4.8	8.3	**-3.2**	12.2	11.6	**0.6**
LCIV PEPPA Passive Equity	-10.1	-10.2	**0.1**	-	-	**-**	-	-	**-**	-15.0	-15.4	**0.4**
Multi-Asset												
LCIV Absolute Return Fund	-4.2	1.2	**-5.4**	2.0	4.3	**-2.2**	8.0	4.5	**3.4**	5.2	4.7	**0.4**
LCIV Diversified Growth Fund	-8.8	1.1	**-9.8**	-10.1	3.9	**-13.5**	0.2	3.9	**-3.6**	2.8	4.0	**-1.1**
Real-Assets												
UBS Property	3.5	3.9	**-0.4**	24.6	23.3	**1.1**	10.7	9.2	**1.3**	7.9	8.4	**-0.5**
CBRE	11.5	5.2	**6.0**	29.2	14.5	**12.9**	12.0	9.0	**2.8**	11.1	8.6	**2.2**
JP Morgan	8.5	5.2	**3.1**	18.9	14.5	**3.8**	12.3	9.0	**3.1**	10.2	8.6	**1.4**
Stafford Capital Global Infrastructure SISF II	7.8	5.2	**2.5**	12.8	14.5	**-1.5**	7.9	9.0	**-1.0**	7.8	8.5	**-0.7**
Stafford Capital Global Infrastructure SISF IV	9.6	5.2	**4.2**	25.5	14.6	**9.5**	-	-	**-**	25.4	11.6	**12.3**
LCIV Renewable Energy Infrastructure Fund	0.7	5.2	**-4.3**	0.6	14.4	**-12.1**	-	-	**-**	0.6	14.4	**-12.1**
Bonds												
RLAM Index Linked Gilts	-20.7	-19.8	**-1.0**	-20.1	-19.1	**-1.2**	-	-	**-**	-6.8	-6.4	**-0.5**
RLAM Multi-Asset Credit	-9.6	-7.3	**-2.5**	-10.7	-9.0	**-1.9**	1.6	1.6	**0.1**	6.5	6.0	**0.5**
RLAM Corporate Bonds	-13.0	-13.2	**0.2**	-21.0	-22.2	**1.6**	-	-	**-**	-5.1	-5.8	**0.8**
Churchill Senior Loan Fund II	9.5	1.2	**8.2**	19.6	4.3	**14.6**	8.2	4.5	**3.6**	6.6	4.5	**2.0**
Churchill Senior Loan Fund IV	9.3	1.2	**8.0**	-	-	**-**	-	-	**-**	13.3	2.3	**10.8**
Permira IV	1.3	1.2	**0.1**	6.3	4.3	**1.9**	-	-	**-**	3.6	4.4	**-0.9**
Total	-5.9	-3.5	**-2.5**	-5.6	0.7	**-6.3**	5.3	5.5	**-0.2**	7.9	-	**-**

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.

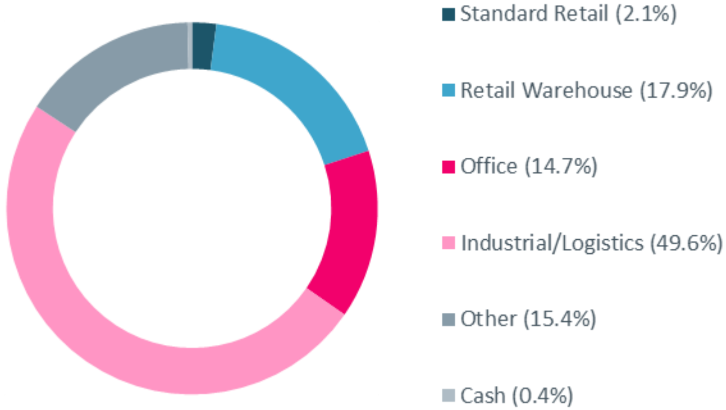
UBS Triton Property Fund

- The objective of the fund is to deliver returns broadly in line with a peer group of other UK property funds.
- During the quarter the fund returned 3.5%, slightly behind the peer group benchmark return of 3.9%. The fund remains comfortably ahead of benchmark over the 1 and 3 year periods, driven by taking an early underweight position to the traditional retail sector which has struggled over these periods.
- The fund invests directly in UK properties with returns generated through the collection of rental income and growth in both rental levels and capital values.
- Over the quarter, the Triton fund acquired two assets. Premier Farnell (a logistics development) in Leeds for an initial c.£7.8m and student accommodation in Bristol for an initial c.£18.5m.

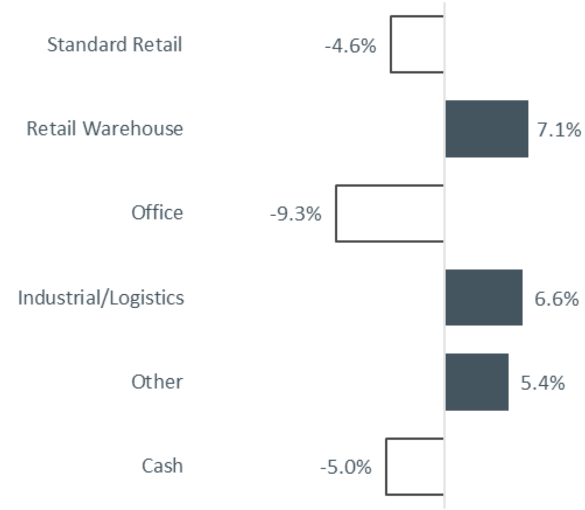
CBRE Global Alpha Fund

- The objective of the fund is to Outperform UK CPI inflation by 5% per annum (net of fees).
- The Global Alpha Fund is a global mandate and invests across a range of regions (as displayed in the chart, far right) rather than just the UK – as is the case with the UBS fund.

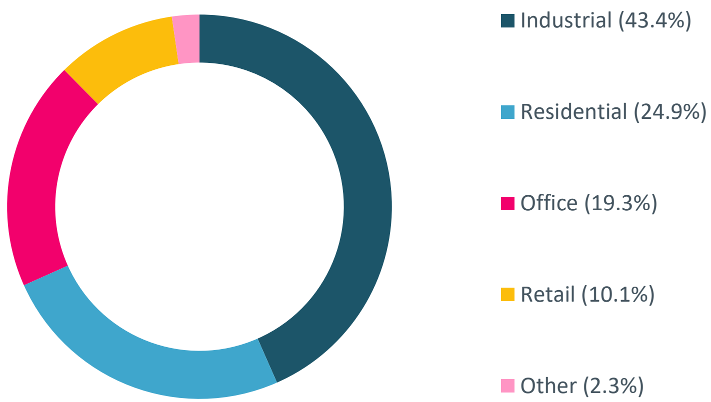
UBS Sector Allocation



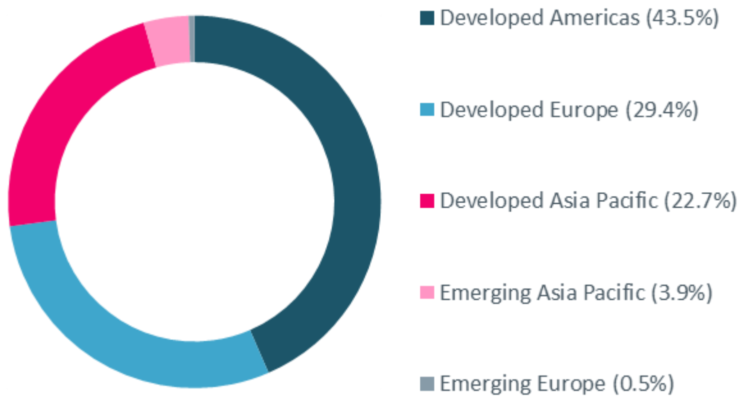
UBS Sector Allocation Relative to Benchmark



CBRE Sector Allocation*



CBRE Regional Allocation*



Source: Northern Trust, UBS, CBRE
**as at 31 March 2022 (latest available)*

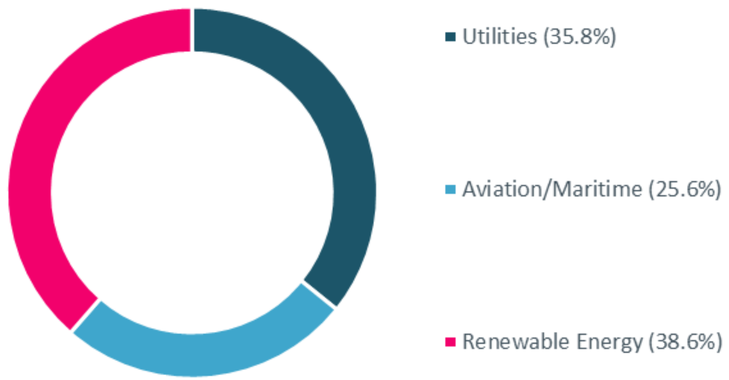
JP Morgan Infrastructure Fund

- The objective of the fund is to Outperform UK CPI inflation by 5% per annum (net of fees).
- At the start of the quarter, the additional £12m commitment to JP Morgan (funded from the LCIV Global Alpha Growth Paris Aligned fund) was drawn. The Fund is now broadly in line with its strategic benchmark allocation to JP Morgan and infrastructure.

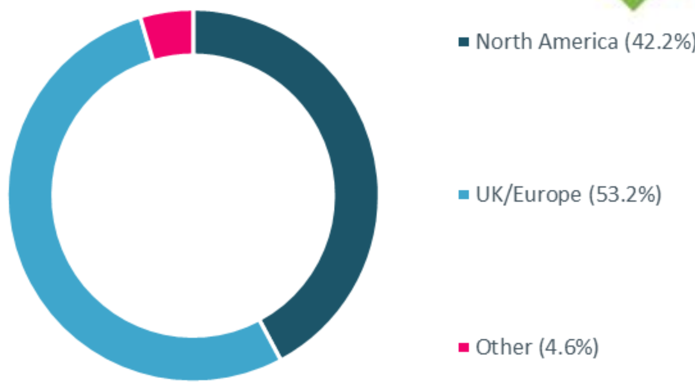
LCIV Renewable Energy Infrastructure Fund

- The objective of the fund is to Outperform UK CPI inflation by 5% per annum (net of fees).
- As a fund of funds, the table summarises the status of the LCIV Renewable Infrastructure Fund in terms of its commitments, their weights in the portfolio and their respective capital amounts called.

JP Morgan Sector Allocation



JP Morgan Regional Allocation



LCIV Renewable Infrastructure Fund Schedule of Investments*

Fund	Transaction Type	Weight	Local Currency	Commitment (£m)	31/12/2021 Fair Value (£m)	Capital Calls (£m)	Distributions (£m)	31/03/2022 Fair Value (£m)	Change in Unrealised Value
BlackRock Global Renewable Power III	Primary	12.5%	$	106.5	16.1	3.6	0.0	20.6	0.857
Quinbrook Renewable Impact Fund	Primary	11.7%	£	100.0	29.5	0.0	1.0	30.3	1.889
Stonepeak Global Renewables Fund	Primary	21.4%	$	182.6	8.8	2.8	0.0	14.3	2.661
Foresight European Infrastructure Partners	Primary	16.1%	€	137.3	21.4	6.5	0.0	28.7	0.833
BlackRock UK Renewable Income Fund	Secondary	12.7%	£	108.6	96.9	0.0	3.0	101.2	7.319
Total Investments		**74.4%**		**635.0**	**172.7**	**12.8**	**4.0**	**195.1**	**13.559**
Unallocated Commitments	-	**25.6%**	-	**218.5**	**2.9**	**-2.4**	-	**4.5**	-
Total		**100.0%**		**853.5**	**175.6**	**10.4**	-	**199.5**	-

Source: Northern Trust, JP Morgan, LCIV
**as at 31 March 2022 (latest available)*

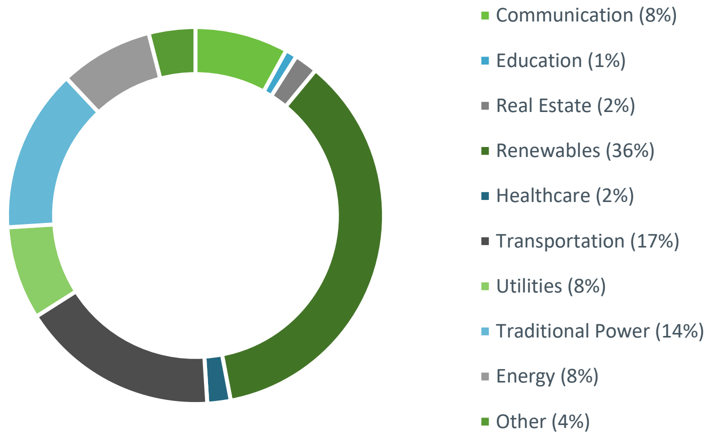
Stafford Capital Global Infrastructure SISF II

- The objective of the fund is to Outperform UK CPI inflation by 5% per annum (net of fees).
- The fund remains slightly behind its performance objective since inception, although this gap has closed in recent quarters as performance has been strong. As a reminder, we expect performance to be back loaded with the more attractive returns coming later in the funds life as the underlying investments mature.
- As at 31 March 2022, the fund is comprised of 22 funds, 14 co-investments and 329 underlying assets.
- As at 31 March 2022, the fund's top 10 assets accounted for 33.5% of the total portfolio.

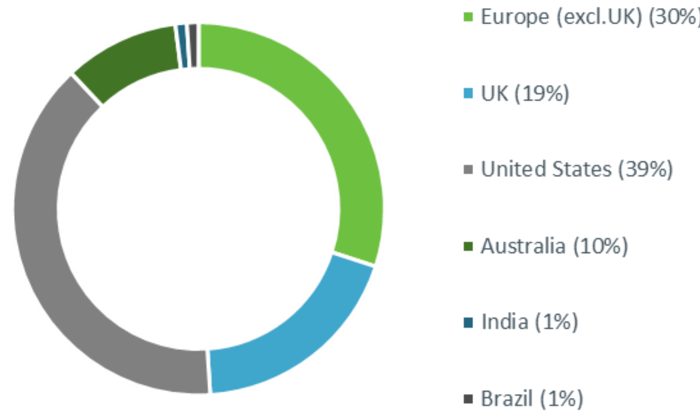
Stafford Capital Global Infrastructure SISF IV

- The objective of the fund is to Outperform UK CPI inflation by 5% per annum (net of fees).
- Over the quarter, the fund returned 9.6%, outperforming the performance benchmark of UK CPI + 5%. However, please note the early stage performance of the private market fund can be very volatile using the method utilised for performance measurement. This is to be expected and should not provide cause for concern.
- As at 31 March 2022, the fund is comprised of 8 funds, 1 co-investment and 150 underlying assets.
- As at 31 March 2022, the fund's top 10 assets accounted for 62.2% of the total portfolio.

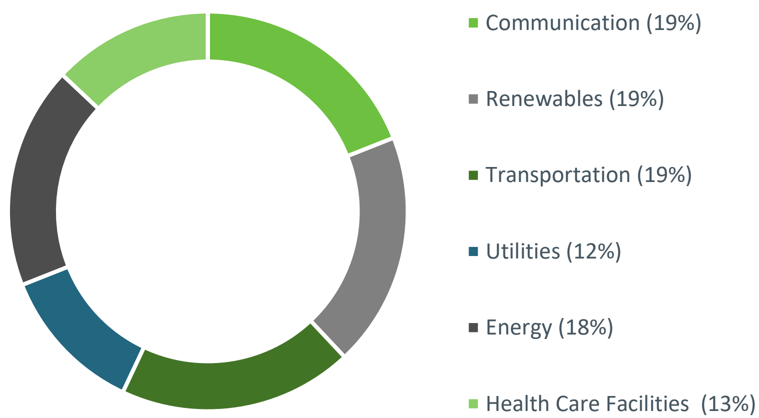
Stafford Capital Global Infrastructure SISF II Sector Allocation*



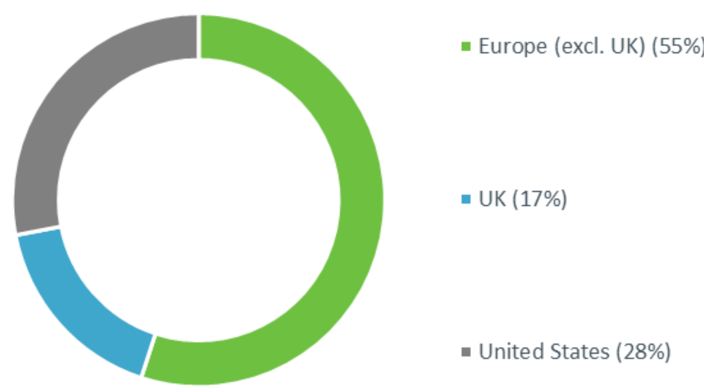
Stafford Capital Global Infrastructure SISF II Regional Allocation*



Stafford Capital Global Infrastructure SISF IV Sector Allocation*



Stafford Capital Global Infrastructure SISF IV Regional Allocation*



Source: Northern Trust, Stafford Capital
**as at 31 March 2022 (latest available)*

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 4.8% to date when the impact of currency fluctuations is included and only 3.8% when currency movements are stripped out by the Russell currency overlay mandate. This continues to indicate that the Russell mandate is reducing overall volatility and increasing the predictability of returns, as intended.

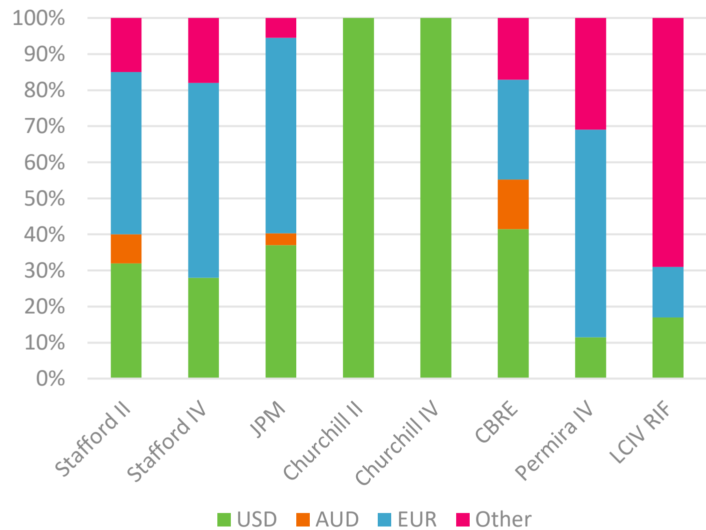
Q2 2022 Performance

	Asset Return (inc. FX impact)	Currency Return (via Russell mandate)	Asset Return (ex. FX impact)	BM Return	Relative Return (ex. FX impact)
Stafford II	7.8	-3.4	4.3	5.2	-0.8
Stafford IV	9.6	-3.7	5.9	5.2	0.7
JPM	8.5	-4.5	4.0	5.2	-1.1
Churchill II	9.5	-8.3	1.2	1.2	0.0
Churchill IV	9.3	-8.2	1.1	1.2	-0.1
CBRE	11.5	-3.9	7.6	5.2	2.3
Permira IV	1.3	-1.9	-0.6	1.2	-1.8
LCIV RIF	0.7	-3.6	-3.0	5.2	-7.8

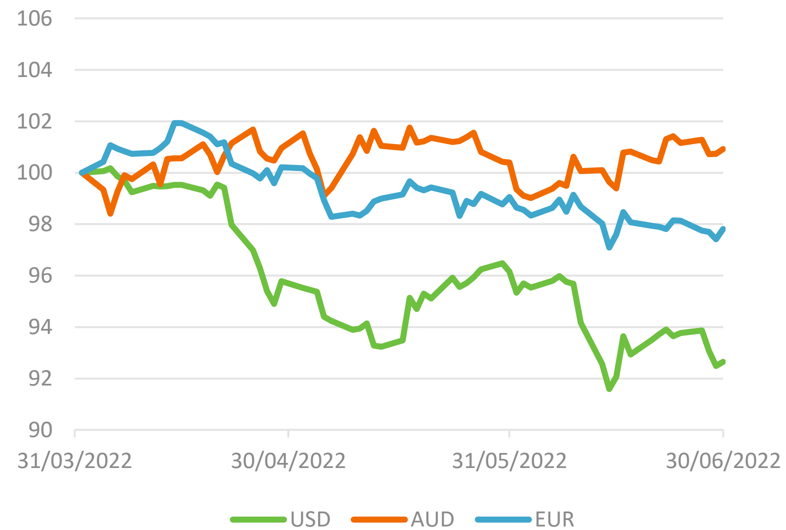
Performance Since Mandate Inception*

	Asset Return (inc. FX impact)	Currency Return (via Russell mandate)	Asset Return (ex. FX impact)	BM Return	Relative Return (ex. FX impact)
Stafford II	7.8	-3.6	4.1	8.5	-4.0
Stafford IV	25.4	-4.2	21.2	11.6	8.6
JPM	10.2	-5.5	4.6	8.6	-3.7
Churchill II	6.6	-9.4	-2.8	4.5	-7.0
Churchill IV	13.3	-8.6	4.7	2.3	2.4
CBRE	11.1	-5.2	5.9	8.6	-2.5
Permira IV	3.6	-1.1	2.5	4.4	-1.9
LCIV RIF	0.6	-3.7	-3.2	14.4	-15.3

Hedged Currency Exposure **



Sterling Performance vs. Foreign Currencies (Rebased to 100 at 31 March 2022)



Source: Northern Trust, Investment managers
** Performance shown since 31 December 2019 which was the first month end after inception.*
*** As at Q1 2022 (latest available).*

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 2022.
- The additional £12m allocated to JP Morgan (funded from the Baillie Gifford Global Alpha Growth Paris Aligned Fund) was drawn down at the start of the quarter.
- There are outstanding commitments of approximately £55m to the remaining funds which will be funded from the RLAM corporate bond mandate and the LCIV Diversified Growth Fund alongside capital being returned from other mandates.

Mandate	Infrastructure			Private Debt		
Vehicle	Stafford Infrastructure Secondaries Fund II	Stafford Infrastructure Secondaries Fund IV	LCIV Renewable Energy Infrastructure Fund	Churchill Middle Market Senior Loan Fund II	Churchill Middle Market Senior Loan Fund IV	Permira Credit Solutions IV Senior Fund
Commitment Date	25/04/2018	18/12/2020	30/06/2021	12/2018	29/09/2021	12/2018
Fund Currency	EUR	EUR	GBP	USD	USD	EUR
Gross Commitment	€28.5m	€30m	£25m	$31.0m	$26.5m	£36 m
Gross Commitment (GBP estimate)	£24.5m	£25.8m	-	£25.5m	£21.8m	-
Net Capital Called During Quarter (Payments Less Returned Capital)	-	-	£0.5m	£1.2m	£1.2m	£1.6m
Net Capital Drawn To Date	£18.8m	£11.5m	£7.4m	£20.5m	£7.6m	£28.2m
Distributions/Returned Capital To Date (Includes Income and Other Gains)	£10.7m	£0.4m	-	£3.8m	£0.5m	£3.1m
NAV at Quarter End	£20.3m	£7.5m	£6.9m	£20.9m	£7.8m	£26.5m
Net IRR Since Inception *	8.7% p.a. (v. 8-9% target)	-	-	7.25%**	-	9.3%
Net Cash Yield Since Inception*	4.5% p.a. (v. 5% target)	-	-	-	-	-
Number of Holdings*	22 funds	8 funds	-	95 investments	78 investments	92 investments

**as at 31/03/2022 (latest available) **Refers to IRR of realised assets in the portfolio*

Source: Investment Managers

Capital Markets Outlook

Asset Class	Market Summary
Equities	• Equity valuations have fallen significantly and, for the first time since the market recovery took hold, no longer look stretched versus longer-term averages. However, earnings forecasts look increasingly vulnerable to downwards revisions and valuations may not yet fully reflect growing downside risks.
Investment Grade Credit	• With high inflation and waning central bank support weighing on investor sentiment, global investment-grade credit spreads have widened materially. At current spread levels, investment-grade credit looks attractive relative to nominal gilts. Slowing corporate earnings growth and rising interest rates will weaken credit fundamentals, but corporate balance sheets are starting from a relatively strong position.
Emerging Market Debt	• While a backdrop of high inflation, a stronger US dollar, and higher US Treasury yields makes for a more challenging fundamental backdrop, the valuation and technical picture has improved. Local currency yields and hard currency spreads are near the top-end of their long-term range. A weakening of the US, and developed market, outlook may slow further rises in the US dollar and treasury yields, helping to stabilise EM sentiment.
Liquid Sub-Investment Grade Debt	• The economic outlook has weakened, but speculative-grade credit spreads are at levels which should provide compensation against a material increase in defaults from current very low levels. We are broadly neutral between high yield bonds and traded loans.
Private Lending	• Defaults remain low but, as in the public speculative-grade markets, are expected to increase modestly. Valuations, relative to the traded loan markets, are unattractive due to significant increases in margin spreads in the public market.
Core UK Property	• UK core property market fundamentals continue to improve and, while rents have not kept pace with inflation, demand for real assets remains a technical support. However, valuations look stretched in absolute terms and, increasingly, on a relative basis as bond and equity prices have fallen.
Long Lease Property	• Long lease properties will benefit from rental growth across the market and have good inflation protection characteristics. While absolute yields are low, the yield gap between core and long lease is improving.
Conventional Gilts	• Despite the risk of higher than anticipated rates, nominal yields have risen significantly and are at levels where bonds could provide some downside protection should recession risks materialise, provided inflation moderates. Nominal yields are at, or near, our assessment of longer-term fair value. Due to inflation risks and the shape of the forward curve, we retain a preference for the front-end of the curve.
Index-Linked Gilts	• A rise in real yields, and fall in implied inflation, has presented a more attractive entry point to index-linked gilts, offering both a hedge against inflation and a drop in real growth. This makes us more neutral between nominal and index-linked gilts.

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 vs. 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.