London Borough of Havering Pension Fund

Q3 2024 Investment Monitoring Report

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The person responsible for this advice is Shaun Nicol. Members of the London Borough of Havering client team who contributed to the production of this paper but are not responsible for the advice are Meera Devlia and Jennifer Aitken.

HYMANS ROBERTSON

This section outlines the key points included in this report.

The tactical benchmark in the Fund Performance table represents the aggregate performance target of the Fund's assets and is a measure of relative outperformance / underperformance from the asset managers.

The strategic benchmark represents the expected rate at which the Fund's liabilities are growing (or falling) in value. The asset performance relative to the strategic benchmark performance gives an indication of whether the funding level has improved or weakened over a given period.

Key Takeaways

Equities continued to rise over the quarter.	• Equities continued to perform well over the quarter, with all the Fund's equity mandates providing positive absolute returns. • Most equity mandates were ahead of, or broadly in line with, their respective benchmarks.
Bonds performed positively and outperformed respective benchmarks.	• The LCIV Global Bond Fund also returned positively and outperformed over the quarter, benefitting from a fall in real gilt yields but also positive sector/stock selection. • The bond allocation within the Absolute Return Fund positively contributed to performance.
Real gilt yields fell, pushing up expected liability values.	• Real gilt yields fell over the quarter and as such, the Fund's RLAM ILG Fund slightly increased in value. • The value of the Fund's liabilities is expected to have increased due to this over the same period (as proxied by the Fund's strategic benchmark).
Overall Fund performance remained positive, but the Fund continued to underperform its tactical benchmark.	• The Fund's performance of 1.5% was marginally behind the tactical benchmark of 1.7%.
Currency movements over the quarter influenced private market/property returns.	• Due to limited reporting available for the Fund's private market funds as at quarter-end, performance figures predominantly account for cashflows/currency movements only over the period. • Sterling strengthened significantly against the US Dollar and Euro over the quarter, leading to negative performance of private market assets and CBRE in unhedged Sterling terms. • The currency overlay strategy performed positively and served to mitigate this impact. • Property capital values overall rose modestly over the quarter – particularly in the industrial sector, through continued to decline in the office sector.

Fund Performance

	Last 3 months (%)	Last 12 months (%)	Last 3 years (%)	Last 5 years (%)
Total Fund Performance	**1.5**	**10.7**	**2.0**	**5.1**
Tactical Benchmark	1.7	12.6	6.4	6.7
Strategic Benchmark	1.9	7.8	-10.0	-5.3

Fund Asset Valuation

	Fund value (£m)
Q2 2024	**983.7**
Q3 2024	**998.5**

The Fund's assets returned 1.5% over the quarter, marginally underperforming the benchmark return of 1.7%.

Global equities fell sharply at the beginning of August, on the back of disappointing US economic data and Japanese interest rate hikes. Despite this, global equities bounced back as interest rate cuts, and expectations of more to come, buoyed sentiment. However, some of the equity mandates were marginally behind their respective benchmarks over the quarter.

The LCIV Absolute Return Fund and LCIV Global Bond Fund posted positive returns – the former due its defensive positioning when equities declined, and the latter benefiting from a fall in real gilt yields.

Sub-investment grade credit spreads narrowed marginally, leading the RLAM MAC fund to deliver positive returns.

Real gilt yields fell over the quarter – as a result the RLAM ILG Fund delivered positive returns.

The Fund is in the process of disaggregating the MAC and ILG components within the RLAM mandate structure and updating the ILG component benchmark to the FTSE Actuaries UK Index-Linked Gilts All Stocks Index (from the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index).

Due to Q3 manager valuation/performance reporting not being available for private market funds at time of writing, the performance figures shown are sourced from Northern Trust which allow for cashflows/currency movements only over Q3 2024. Currency movements will have negatively impacted non GBP-denominated funds, given the strengthening of Sterling. The currency overlay strategy served to mitigate this impact.

Manager Performance

		Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Actual Proportion	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth	**52.6%**												
LGIM Global Equity	4.3%	0.5	0.8	**-0.2**	19.5	20.2	**-0.6**	8.5	8.8	**-0.2**	11.9	11.9	**-0.1**
LGIM Emerging Markets	4.2%	4.3	4.7	**-0.4**	15.8	16.8	**-0.9**	2.3	2.8	**-0.5**	5.7	6.0	**-0.3**
LGIM Future World Fund	11.0%	0.9	1.0	**-0.1**	14.3	14.6	**-0.2**	7.1	7.2	**-0.1**	5.7	5.9	**-0.1**
LCIV Global Alpha Growth Paris Aligned Fund	16.1%	0.7	0.2	**0.4**	19.8	20.5	**-0.6**	-1.2	9.3	**-9.6**	12.3	12.2	**0.1**
LCIV PEPPA Passive Equity	5.8%	0.3	0.3	**0.0**	24.1	23.9	**0.2**	-	-	**-**	7.5	6.5	**0.9**
LCIV Absolute Return Fund	11.2%	2.5	2.2	**0.3**	4.3	9.4	**-4.6**	1.3	7.4	**-5.7**	4.4	5.4	**-0.9**
Income	**38.8%**												
LCIV Global Bond Fund	4.9%	4.9	4.7	**0.1**	-	-	**-**	-	-	**-**	11.9	13.2	**-1.2**
UBS Property	5.0%	2.2	1.2	**0.9**	-0.2	1.7	**-1.9**	-0.1	-0.4	**0.3**	4.9	5.4	**-0.5**
CBRE	3.0%	-5.9	1.3	**-7.1**	-12.2	6.6	**-17.7**	0.5	11.1	**-9.5**	3.4	8.9	**-5.0**
JP Morgan	4.8%	-4.0	1.3	**-5.2**	-0.4	6.6	**-6.6**	8.2	11.1	**-2.6**	7.5	8.9	**-1.3**
Stafford Capital Global Infrastructure SISF II	4.4%	-2.7	1.3	**-4.0**	-0.9	6.6	**-7.0**	6.4	11.1	**-4.2**	6.4	8.8	**-2.2**
Stafford Capital Global Infrastructure SISF IV		0.1	1.3	**-1.1**	4.3	6.6	**-2.2**	4.8	11.1	**-5.7**	14.4	11.0	**3.1**
LCIV Renewable Energy Infrastructure Fund	1.6%	-0.8	1.3	**-2.0**	0.9	6.6	**-5.4**	10.2	11.1	**-0.8**	9.4	11.0	**-1.5**
RLAM Multi-Asset Credit	6.9%	3.3	3.1	**0.2**	11.4	11.8	**-0.4**	2.1	3.7	**-1.6**	3.6	6.7	**-2.9**
Churchill Senior Loan Fund II	3.0%	-3.4	2.2	**-5.5**	1.0	9.4	**-7.7**	8.2	7.4	**0.7**	5.7	6.0	**-0.3**
Churchill Senior Loan Fund IV		-3.3	2.2	**-5.4**	1.6	9.4	**-7.2**	-	-	**-**	8.0	7.7	**0.2**
Permira IV	5.2%	3.0	2.2	**0.8**	10.4	9.4	**0.9**	7.9	7.4	**0.4**	5.7	6.2	**-0.5**
Permira V		2.5	2.2	**0.2**	10.7	9.4	**1.2**	-	-	**-**	9.3	9.3	**0.0**
Protection*	**8.6%**												
RLAM Index-Linked Gilts	2.3%	2.3	1.5	**0.7**	7.9	6.4	**1.4**	-17.0	-14.3	**-3.2**	-9.9	-8.0	**-2.1**
Total Scheme		1.5	1.7	**-0.2**	10.7	12.6	**-1.6**	2.0	6.4	**-4.1**	7.7	-	**-**

Source: 3m, 12m and 3yr performance returns – Northern Trust and Investment Managers. Individual SI performance returns – Hymans calculated chain-linked. Performance figures for RLAM (including SI performance) and the 3m LGIM Emerging Markets Fund have been taken from the Investment Manager. Longer term performance for Baillie Gifford Global Equity and Ruffer Absolute Return funds is inclusive of performance prior to their transfer into the LCIV. Please note, Hymans are conducting a wider review of Northern Trust provided performance figures for the Fund's mandates against investment manager provided performance figures over the respective periods. LGIM Global Equity mandate was managed by SSGA prior to November 2017 and we have retained the performance history for these allocations.. 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 see separate slide for further detail on the Russell mandate, along with asset performance excluding the impact of currency fluctuations.

**Includes cash at bank and currency hedging*

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 target allocation to LCIV and life funds totals 61.0% of Fund assets. Other retained assets will be delivered through external managers, with the position reviewed periodically.

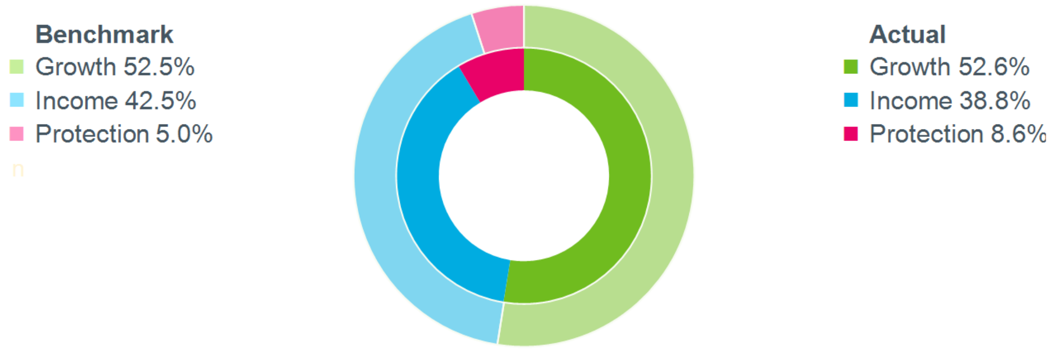
The chart below right illustrates the underlying asset allocation of the Fund, i.e. taking account of the underlying holdings in the multi-asset funds on a 'look through' basis.

The Fund's overall allocation to gilts increased over the quarter to c.6.1% (c.5.0% as at 30 June 2024) owing to the LCIV Absolute Return Fund's allocation to government bonds increasing over the period – from c.40.7% to 49.7%.

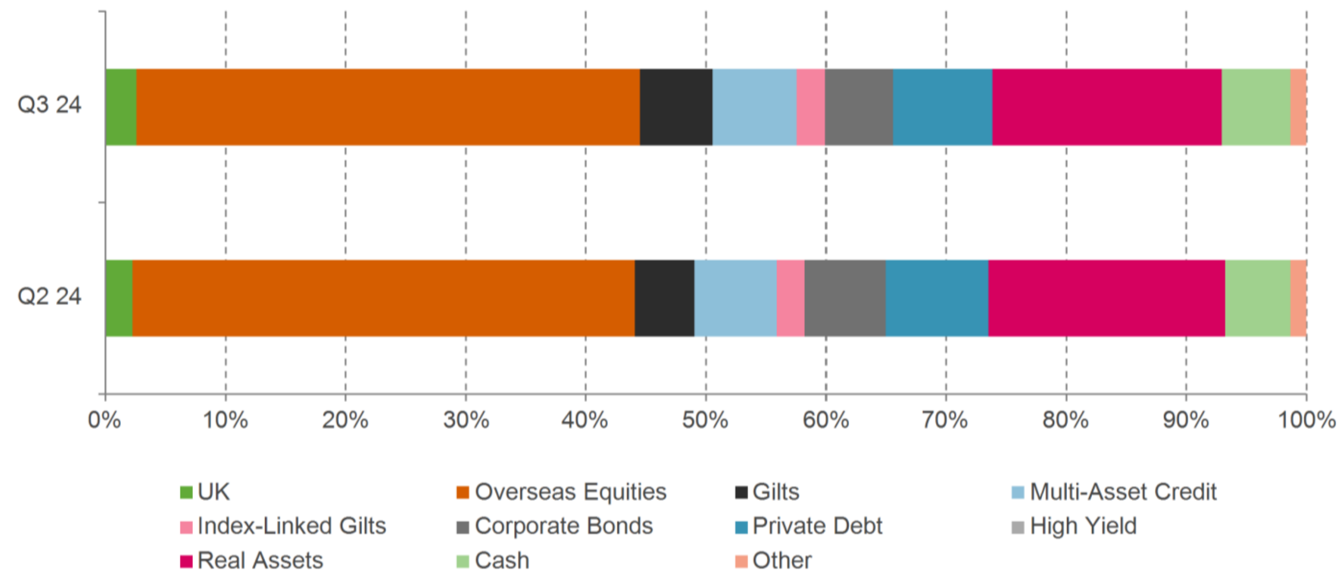
The Fund's allocation to corporate bonds decreased over the period to c.5.6% (c.6.8% as at 30 June 2024) with the LCIV Absolute Return Fund allocation to corporate bonds decreasing over the period – from c.21.5% to c.9.8%.

The Fund's allocations to equities, multi-asset credit, private debt, high yield and real assets remained broadly unchanged over the quarter.

Asset Allocation



Asset Class Exposures



The total value of the Fund's assets increased by £14.8m over the quarter to £998.5m as at 30 September 2024.

The increase in valuation is largely due to the Fund's equity allocations, followed by the Fund's credit allocations (i.e. the LCIV Global Bond Fund and RLAM MAC Fund) which all performed positively.

The Fund's allocation to 'Income' assets remains broadly unchanged and slightly below target allocation.

The Fund's 'Protection' assets increased over the quarter – primarily due to an increase in the cash held by the Fund over the period. The increase in cash held was primarily due to distribution payments made by the Fund's private market mandates over the period and the increase in value of the Russell currency hedging overlay.

Shortly before quarter-end, the Officers agreed to invest the Fund's 'surplus' cash balance between the RLAM ILG Fund and LCIV Absolute Return Fund to bring these allocation back in line with target.

The Fund paid the following capital calls during the quarter:

- c.£537k to the LCIV Renewables Fund.
- c.£95k to the Permira Credit V Senior Fund

Asset Allocation

		Valuation (£m)		Actual Proportion	Benchmark	Relative
		Q2 24	Q3 24			
Total Growth		**518.7**	**524.9**	**52.6%**	**52.5%**	**0.1%**
LGIM Global Equity	LCIV Aligned	42.9	43.1	4.3%	5.0%	-0.7%
LGIM Emerging Markets	LCIV Aligned	40.5	41.5	4.2%	5.0%	-0.8%
LGIM Future World Fund	LCIV Aligned	109.1	110.1	11.0%	10.0%	1.0%
LCIV Global Alpha Growth Paris Aligned Fund	LCIV	159.3	160.4	16.1%	15.0%	1.1%
LCIV PEPPA Passive Equity	LCIV	57.5	57.7	5.8%	5.0%	0.8%
LCIV Absolute Return Fund	LCIV	109.4	112.1	11.2%	12.5%	-1.3%
Total Income		**390.3**	**387.8**	**38.8%**	**42.5%**	**-3.7%**
LCIV Global Bond Fund	LCIV	46.9	48.7	4.9%	5.0%	-0.1%
UBS Property	Retained	49.3	50.0	5.0%	6.0%	-1.0%
CBRE	Retained	32.0	30.1	3.0%	4.0%	-1.0%
JP Morgan	Retained	50.7	48.1	4.8%	5.5%	-0.7%
Stafford Capital Global Infrastructure SISF	Retained	45.5	44.0	4.4%	3.5%	0.9%
LCIV Renewable Energy Infrastructure Fund	LCIV	15.7	16.1	1.6%	3.5%	-1.9%
RLAM Multi-Asset Credit	Retained	66.8	69.1	6.9%	7.5%	-0.6%
Churchill Senior Loan Funds	Retained	32.0	29.5	3.0%	3.0%	0.0%
Permira Credit	Retained	51.5	52.2	5.2%	4.5%	0.7%
Total Protection		**74.7**	**85.7**	**8.6%**	**5.0%**	**3.6%**
RLAM Index-Linked Gilts	Retained	22.9	23.3	2.3%	5.0%	-2.7%
Cash at Bank	Retained	47.3	50.3	5.0%	0.0%	5.0%
Currency Hedging P/L	Retained	4.5	12.1	1.2%	0.0%	1.2%
Total Scheme		**983.7**	**998.5**	**100.0%**	**100.0%**	

Source: Northern Trust and Investment Managers.
Valuation figures for RLAM have been taken from the Investment Manager.
Note: The target allocations were agreed in August 2023 as part of the last investment strategy review.

Pooling refers to whether the holding benefits from some form of collective bargaining. LCIV and LCIV aligned reflect mandates aligned with or managed by the LCIV. Other pooled indicates mandates where there are collective LGPS fee arrangements in place. Not pooled indicates mandates outside pooling arrangements.

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 with 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 c.4.6% to date when the impact of currency fluctuations is included and c.4.0% 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.

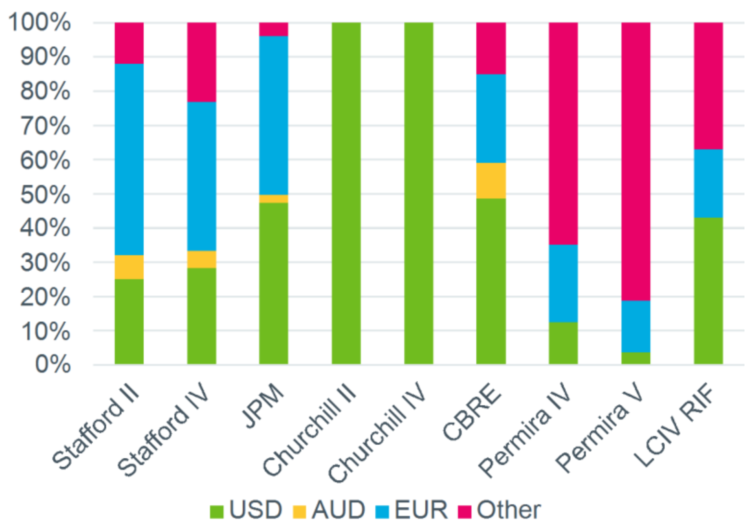
Q3 2024 Performance

	Asset return (inc. FX impact)	Currency return (via Russell mandate)	Asset return (ex. FX impact)	BM return	Relative return (ex. FX impact)
Stafford II	-2.7	2.9	0.1	1.3	-1.1
Stafford IV	0.1	2.6	2.8	1.3	1.5
JPM	-4.0	3.8	-0.2	1.3	-1.4
Churchill II	-3.4	5.8	2.4	2.2	0.2
Churchill IV	-3.3	5.8	2.5	2.2	0.3
CBRE	-5.9	3.6	-2.2	1.3	-3.5
Permira IV	3.0	2.0	5.0	2.2	2.7
Permira V	2.5	2.1	4.6	2.2	2.3
LCIV RIF	-0.8	2.6	1.8	1.3	0.5

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	6.6	0.5	7.1	8.8	-1.6
Stafford IV	14.5	0.0	14.5	11.0	3.1
JPM	8.2	0.4	8.7	8.9	-0.2
Churchill II	6.7	-0.5	6.2	6.0	0.2
Churchill IV	8.0	-0.8	7.2	7.7	-0.5
CBRE	3.1	0.3	3.4	8.9	-5.0
Permira IV	5.7	0.8	6.5	6.2	0.3
Permira V	7.8	0.2	8.1	9.3	-1.1
LCIV RIF	9.2	0.1	9.3	11.0	-1.5

Hedged Currency Exposure**



Sterling Performance vs. Foreign Currencies (Rebased to 100 at 30 June 2024)

Source: Northern Trust and Investment Managers.
*Since inception performance is since individual fund inception or inception of the currency hedging mandate, whichever is more recent. ** As at 30 June 2024 (latest available).

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 September 2024.

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 IV	Permira Credit Solutions IV Senior Fund	Permira Credit Solutions V Senior Fund
Commitment Date	25/04/2018	18/12/2020	30/06/2021	29/09/2021	12/2018	07/11/2022
Fund Currency	EUR	EUR	GBP	USD	EUR	EUR
Gross Commitment	€28.5m	€30m	£25m	$26.5m	£36.0m	£43.0m
Gross Commitment (GBP estimate)	£26.3m	£25.0m	-	£19.8m	-	-
Capital Called During Quarter (Payments Less Returned Capital)	-	-	£0.5m	-	-	£0.1m
Capital Drawn To Date	£26.3m	£19.5m	£13.3m	£17.8	£31.2m	£18.3m
Distributions/Returned Capital To Date (Includes Income and Other Gains)	£15.1m	£1.7m	-	£4.9m	£10.1m	£3.6
NAV at Quarter End	£18.4m	£25.7m	£16.0m	£15.0m	£27.6m	£24.6m
Net IRR Since Inception *	7.6% p.a.	12.2% p.a.	7-10% p.a. (Target)	9.1% p.a.**	7.4% p.a.	13.3% p.a.
Net Cash Yield Since Inception*	6.7% p.a.	3.8% p.a.	3-5% p.a. (Target)	-	-	-
Number of Holdings*	22 funds	22 funds	7 investments	141 investments	46 investments	26 investments

**as at 30 June 2024 (latest available) **Refers to IRR of realised assets in the portfolio*

Source: Investment Managers

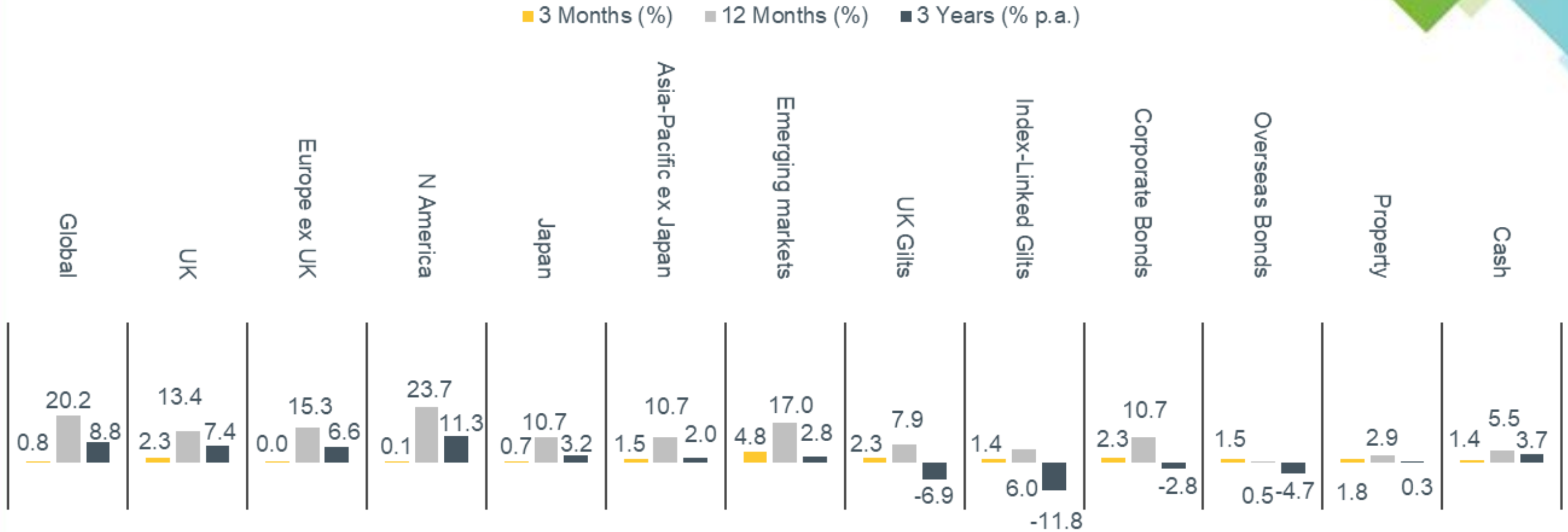
US GDP expanded at a faster-than-expected annualised quarterly pace of 3.0% in Q2, easing concerns of a major economic slowdown. The UK economy grew at a quarterly pace of 0.5% in Q2, while eurozone growth was revised down, to a quarterly pace of 0.2% due to its struggling manufacturing sector and lacklustre demand from China.

US headline CPI inflation slowed to 2.4% year-on-year in September, while it fell below target in the UK and eurozone for the first time in 3 years, to 1.7% and 1.8%, respectively. Core inflation is still higher, at 3.3%, 3.2%, and 2.7% in the US, UK, and eurozone.

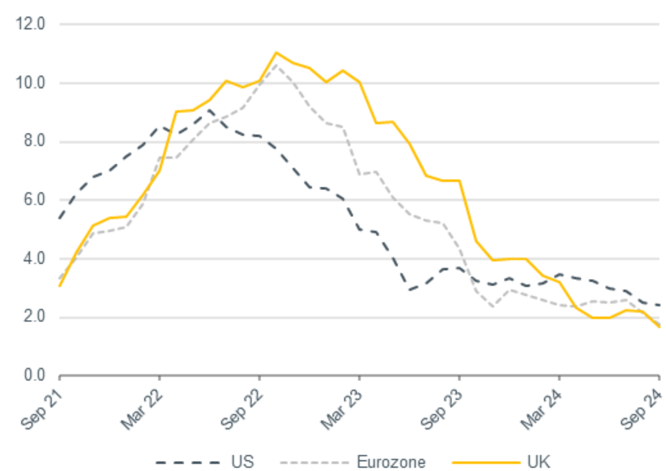
Progress against inflation encouraged major central banks to reduce interest rates in Q3. The ECB cut rates for the second time in Q3, taking rates to 3.5% pa, while the BoE lowered interest rates 0.25% pa, to 5.0% pa. The Fed opted for a bumper 0.5% pa reduction, with their first cut of the cycle taking the Fed funds target range to 4.75 – 5.0% pa. Implied interest rates fell sharply in Q3, with markets expecting more rate cuts by the end of this year.

In contrast, the Bank of Japan (BoJ) surprised markets with a 0.25% pa interest rate rise. This, along with unwinding of the yen carry trades, saw trade-weighted yen rise 8.7%. The equivalent US dollar measure fell 2.7% as interest rate-differentials between the US and other developed markets narrowed. Sterling gained close to 3%, due to a more gradual pace of rate cuts than elsewhere expected at the end of Q3. Oil prices fell 16.8% as a weak demand outlook outweighed rising tensions in the Middle East, while geopolitical tensions and rate cuts saw gold prices rise 13.2%.

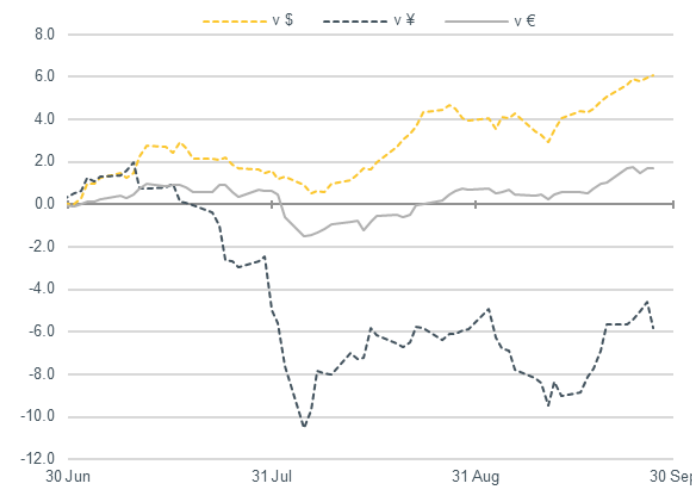
Historic returns for world markets [1]



Annual CPI Inflation (% year on year)



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

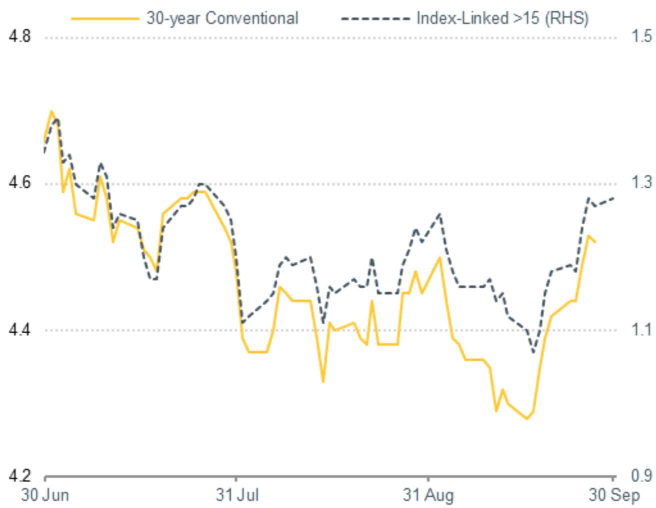
Easing inflation and interest-rate expectations and rate cuts have led sovereign bond yields lower in Q3. US 10-year yields declined by a significant 0.6% pa to 3.8% pa. Equivalent German yields fell by 0.4% pa to 2.1% pa as growth and inflation releases both came in lower than expected. Set against more stubborn wage and core inflation, UK 10-year gilt yields underperformed, declining by a 0.2% pa to 4.1% pa.

Credits spreads spiked higher in early August amid equity market volatility, but ultimately ended the quarter slightly tighter. Global investment grade credit spreads remained at a historically low level of 1.0% pa. Speculative grade credit spreads declined 0.2% pa to 3.3% pa, after rising as much as 0.6% pa above end-June levels in early August.

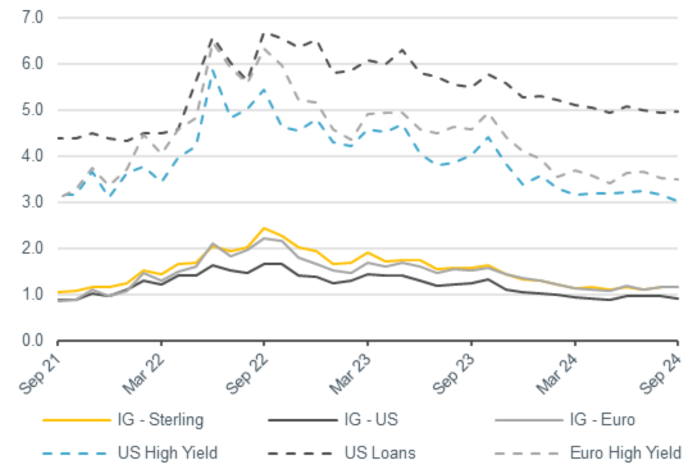
Global equities fell sharply in early August but rebounded, with the FTSE All World Total Return Index rising 5.1% in Q3. Rate cuts, easing inflation, and decent growth fuelled hopes of a soft landing. Q3 saw broader equity market leadership, with 'value' stocks and small caps outperforming as investors anticipated lower borrowing costs. Emerging markets rallied late in the quarter as China announced new policy support. Japan underperformed due to rapid yen appreciation, which impacted its export-heavy market.

The MSCI UK Property Total Return Index rose 1.8% in Q3 as income was supplemented with a modest rise in capital values. On an annual basis, aggregate capital values are down 2.8%, largely owing to a 10.5% decline in office values. However, capital value declines eased in recent months.

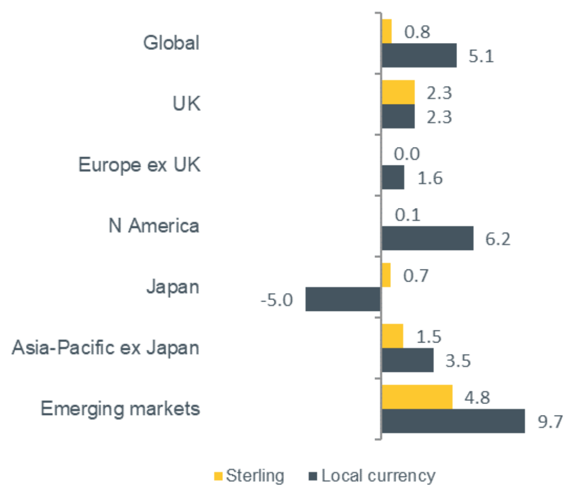
Gilt yields chart (% p.a.)



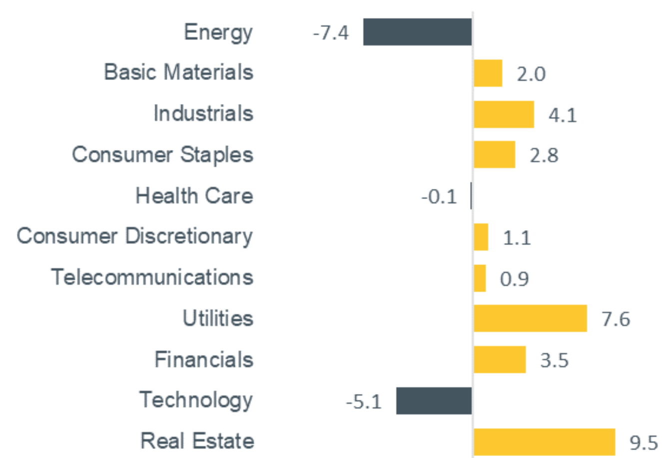
Investment and speculative grade credit spreads (% p.a.)



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.

Asset Class	Market Summary
Equities	The resilience of the US economy has largely offset the slowing in other regions, which has kept aggregated earnings expectations as they were last quarter - following flat, full-year earnings growth in 2023, analysts' earnings forecasts for global equities for 2024 and 2025 stand at 9.7% and 13.5%, respectively. The equity market rally so far in 2024 has been driven by multiple expansion and price-to-earnings ratios are now significantly elevated relative to long-term averages, weighing on the overall attractiveness of the asset class over the medium-term. However, while valuations, there is wide dispersion across regions, sectors, and factors.
Investment Grade Credit	Attractive yields and ongoing demand from institutional investors continue to draw strong demand for fixed income credit. However, while the dramatic rise in yields over the past few years might have enhanced the strategic role of investment-grade corporate credit, very tight spreads would still see us adopt an underweight position relative to strategic benchmark
Emerging Market Debt	High real policy rates leave room for interest rate cuts, which is supportive for local currency duration and, all else being equal, the beginning of US interest rate cutting cycle improves the outlook for EM FX. However, the potential for protectionist, dollar-positive, policy outcomes in the US election is potential headwind. Emerging market local currency sovereign bond yields have fallen, alongside their developed market counterparts, and now sit within our neutral band.
Liquid Sub-Investment Grade Debt	Debt affordability metrics are likely to come under further pressure, but both leverage and interest coverage are starting from relatively healthy levels. Put another way, high yield debt affordability metrics are weakening, slowly, but from a relatively strong position. However, very tight spreads already more than reflect the reasonable fundamental backdrop.
Private Lending	Affordability metrics in the floating-rate loan markets are much weaker, and defaults higher. As a result, spreads in the loan market, around long-term median levels, are less tight than those on similarly-rated high yield bonds. Having said that, loan market fundamentals, having instantly absorbed rate rises, will now be seeing some relief from interest rate cuts. Or, in contrast to high yield bond markets, loan affordability metrics will be improving, more quickly, from a relatively weak position
Core UK Property	We have seen continued improvement in several of the fundamental indicators we track for UK commercial property, as evidenced by the latest Royal Institute of Chartered Surveyors survey. Real rental growth remains positive amid strong nominal rental growth and falling inflation. However, vacancies have continued to rise in the office sector and, given shifts in working patterns and office space requirements, the rise in vacancies in the sector in recent years looks somewhat structural. The technical environment remains challenging, however, characterised by selling pressure on open-ended property funds, low transaction volumes and potentially large discounts to net asset value upon disposal.
Conventional Gilts	While quarterly growth is likely to slow from H1 2024's above-trend pace, we see trend-like average year-on-year growth over the forecast horizon, consistent with a neutral fundamental outlook. Nominal gilt yields have fallen over the quarter and, while there remains decent value in long-term yields, likely near-term interest rate cuts look priced in. Gilt demand has improved, and bid-offer spreads have normalised, but heavy issuance is likely to prevent long-term yields from falling too far, and the autumn budget poses further upside risks to gilt supply.
Index-Linked Gilts	Index-linked gilt yields also fell but are still broadly in-line with our neutral assessment. Given a larger fall in nominal than real yields, implied inflation has cheapened but still looks slightly expensive.

The table summarises our broad views on the outlook for markets.

Source: Hymans Robertson

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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.