

London Borough of Barnet Pension Fund

Q4 2022 Investment Monitoring Report

Nick Jellema – Senior Investment Consultant

Yoel Deal – Investment Consultant

Tianna Patel – Investment Analyst

Jiazhe Lee – Investment Analyst

Executive Summary

Fund assets totalled c.£1,432.4m at the end of Q4 2022, an increase of c.£39m from the end of the previous quarter.

The Fund's assets returned 3.1% (net of fees) over the quarter, underperforming the benchmark by c.0.6%.

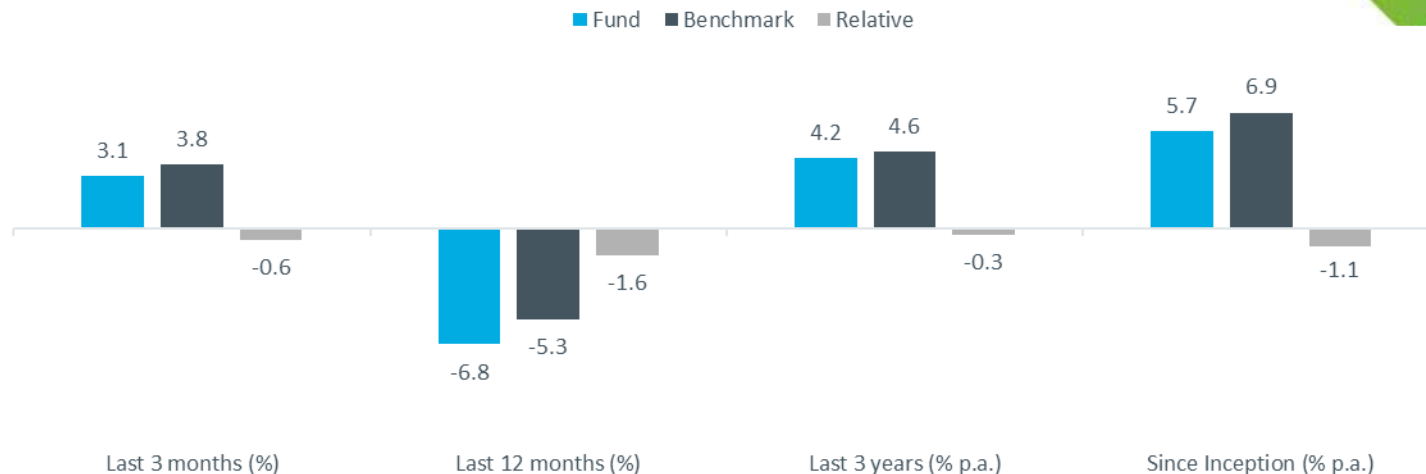
Key Actions

The following transitions took place over the quarter:

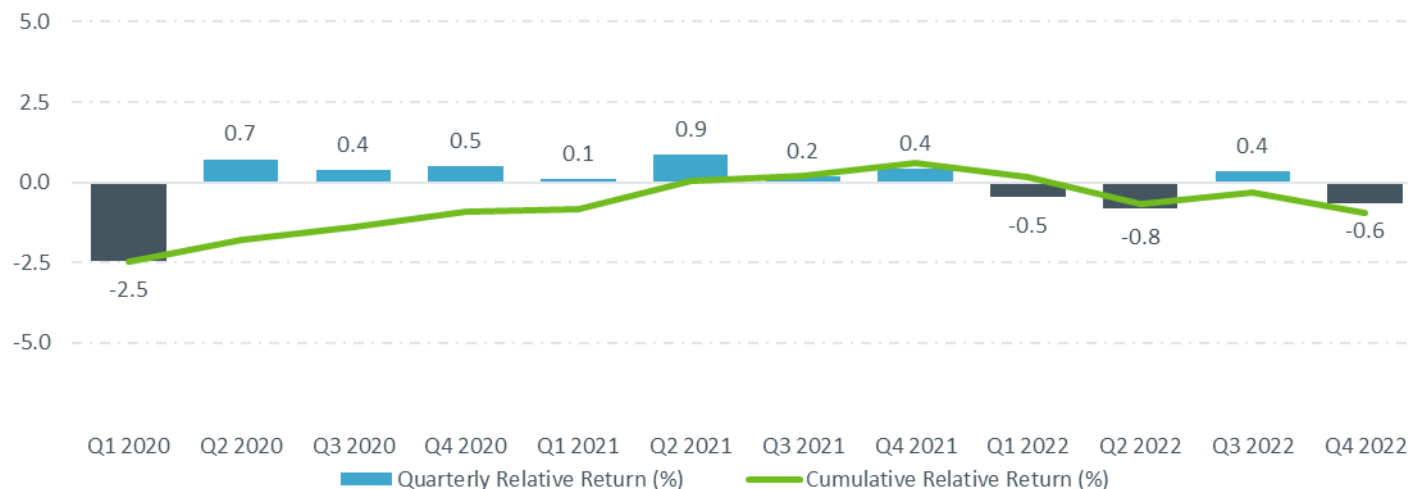
- An investment of c.£30m into the LCIV MAC fund.
- A divestment of c.£87m from the Schroders DGF fund.
- An Investment of c.£22m and c.£34m into the LGIM Future World Global Equity Index GBP Hedged and unhedged funds respectively – funded by an equal disinvestment from the LGIM RAFI Carbon Pathway Index fund and LGIM passive market-cap funds as part of the ongoing phased transition.

Over the quarter the following funds continued to call capital from the Fund's commitments: Adams Street Global 2019, Adams Street Global Secondaries, LCIV Private Debt, LCIV Renewable Infrastructure and Barings Global Special Situations Credit.

Historic quarterly performance (net of fees)



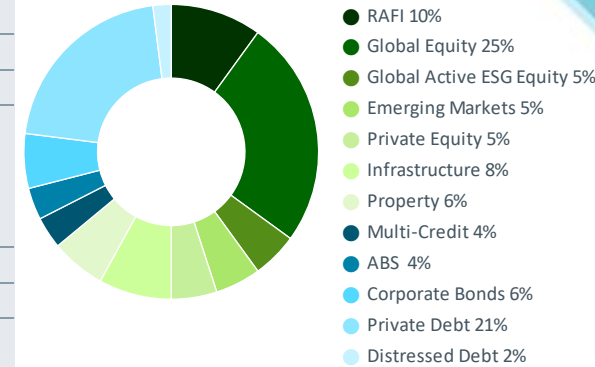
Relative quarterly and relative cumulative performance 3yr (net of fees)



Asset allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q3 2022	Q4 2022			
LGIM RAFI Carbon Pathway Index GBP Hdgd	186.9	184.4	12.9%	10.0%	2.9%
LGIM Future World Global Equity Index	85.1	120.8	8.4%	10.0%	-1.6%
LGIM Future World Global Equity Index GBP Hdgd	116.7	147.5	10.3%	15.0%	-4.7%
LCIV Sustainable Exclusion Global Equity	40.1	39.8	2.8%	5.0%	-2.2%
LGIM UK Equity Index	6.3	5.2	0.4%	0.0%	7.2%
LGIM World ex UK Dev Equity Index	69.4	54.3	3.8%		
LGIM World ex UK Dev Equity Index GBP Hdgd	50.7	38.5	2.7%		
LGIM World Emerging Markets Equity Index	8.5	5.5	0.4%		
LCIV Emerging Markets Equity	64.0	65.4	4.6%	5.0%	-0.4%
Schroder Life Diversified Growth	86.2	0.0	0.0%	0.0%	0.0%
Adams Street 2019 Global	46.1	53.7	3.8%	5.0%	-0.6%
Adams Street Global Secondaries	7.0	9.9	0.7%		
Total Growth	767.1	725.2	50.6%	50.0%	0.6%
IFM Global Infrastructure	97.6	97.2	6.8%	5.0%	1.8%
LCIV Renewable Infrastructure	14.4	15.4	1.1%	3.0%	-1.9%
Standard Life Long Lease Property	34.1	28.4	2.0%	2.0%	0.0%
CBRE Global Alpha	35.1	32.9	2.3%	2.0%	0.3%
FREOF V	29.2	28.8	2.0%	2.0%	0.0%
Barings Multi-Credit	37.1	38.0	2.7%	3.5%	-0.8%
LCIV MAC	0.0	30.0	2.1%	3.5%	-1.4%
Insight Secured Finance	88.8	89.9	6.3%	6.0%	0.3%
Schroder All Maturities Corporate Bond	107.1	113.7	7.9%	10.0%	-2.1%
Alcentra Direct Lending	14.2	13.5	0.9%	1.5%	-0.6%
Partners Group MAC 2015	4.0	4.1	0.3%	0.0%	0.3%
Partners Group MAC 2017	13.6	13.5	0.9%	3.0%	-2.1%
Partners Group MAC V	28.9	29.7	2.1%	2.5%	-0.4%
LCIV Private Debt	34.4	40.1	2.8%	4.0%	-1.2%
Barings Global Special Situations Credit	33.0	33.0	2.3%	2.0%	0.3%
Total Income	571.7	608.2	42.5%	50.0%	-7.5%
Cash	54.8	99.0	6.9%	0.0%	6.9%
Total Fund	1,393.6	1,432.4	100.0%	100.0%	-

Strategic allocation



The Q4 22 valuation for Alcentra Direct Lending, Adams Street and Barings Global Special Situations are as at Q3 22, due to a lag applied by the manager. Where applicable the valuations are adjusted for cash movements post quarter end.

The assets are being transitioned to the new funds, LGIM Future World and LCIV Sustainable Exclusion, in a phased manner. The allocations to those funds will therefore be underweight until the transition is complete (and overweight to the LGIM passive market-cap funds).

The Officers have developed a Cash management policy to address the high cash balance.

The allocation chart shows a diverse range of assets invested across Growth and Income mandates.

Manager performance (net of fees)

The table shows a summary of the Fund performance, net of investment management fees, over selected time periods.

'UNDER THE SPOTLIGHT':

To focus discussion, the contents of the remaining slides relate to a selection of funds whose performance is of particular interest this quarter:

LCIV Sustainable Exclusion	P6
Adams Street Secondaries	P7
IFM	P8
Aberdeen SLI LLP	P9
CBRE	P10
FREOF V	P11
Barings Global Special Sits	P12
Market Background	P13
Appendix	P15

The Q4 22 performance for Alcentra Direct Lending and ASP, are as at Q3 22, due to a lag applied by the manager. Hymans Robertson estimate the performance numbers for the Partners Group, Alcentra Direct Lending, Adams Street Partners 2019 Global, Adams Street Partners Global Secondaries, LCIV Renewable Infrastructure, LCIV Private Debt, IFM Global Infrastructure and Barings Global Special Situations Credit mandates. As such these may differ to the managers' net IRRs. The Schroders DGF performance over the quarter uses partial performance due to the disinvestment.

	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 RAFI Carbon Pathway Index GBP Hdgd	10.3	10.2	0.1	-5.0	-5.4	0.5	5.8	5.7	0.1	7.6	7.6	0.0
LGIM World ex UK Dev Equity Index	2.0	2.0	0.0	-8.0	-8.0	0.0	8.9	8.9	0.0	11.0	11.0	0.0
LGIM World ex UK Dev Equity Index GBP Hdgd	7.0	7.1	0.0	-17.5	-17.4	-0.1	5.1	5.2	-0.1	6.5	6.6	-0.1
LGIM Future World Global Equity Index	1.8	1.8	0.1	-9.2	-9.3	0.1	n/a	n/a	n/a	3.3	3.1	0.2
LGIM Future World Global Equity Index GBP Hdgd	6.4	6.3	0.2	-17.1	-17.2	0.1	n/a	n/a	n/a	-2.5	-2.7	0.2
LCIV Emerging Markets Equity	2.3	1.8	0.5	-9.5	-10.0	0.6	3.0	0.5	2.5	4.4	2.2	2.2
LCIV Sustainable Exclusion Global Equity	-0.8	1.9	-2.6	-15.7	-7.8	-8.6	n/a	n/a	n/a	-2.0	2.2	-4.1
Schroder Life Diversified Growth	0.4	0.9	-0.4	-11.7	6.6	-17.1	0.8	7.7	-6.3	3.3	7.5	-3.9
Adams Street 2019 Global	4.4	2.5	1.9	19.3	0.2	19.1	84.1	12.0	64.4	84.1	12.0	64.4
Income												
IFM Global Infrastructure	-0.4	1.9	-2.3	19.6	8.0	10.7	11.9	8.0	3.6	14.0	8.0	5.5
LCIV Renewable Infrastructure	4.8	1.7	3.0	24.8	7.0	16.6	n/a	n/a	n/a	19.3	7.0	11.5
Standard Life Long Lease Property	-16.8	2.3	-18.7	-14.7	-21.8	9.1	-0.1	-5.8	6.1	0.8	-3.9	4.8
CBRE Global Alpha	-6.8	2.2	-8.8	9.7	9.0	0.7	5.7	9.0	-3.0	5.7	9.0	-3.0
FREOF V	0.0	2.9	-2.8	n/a	n/a	n/a	n/a	n/a	n/a	3.3	8.9	-5.1
Barings Multi-Credit	2.3	1.6	0.7	-10.5	5.8	-15.4	-0.8	5.5	-6.0	2.7	5.6	-2.7
Insight Secured Finance	1.1	1.7	-0.6	-0.5	5.4	-5.6	1.6	4.6	-2.9	2.7	4.7	-1.9
Schroder All Maturities Corporate Bond	6.4	6.2	0.2	-20.0	-17.8	-2.8	-4.6	-4.9	0.3	3.6	3.3	0.3
Alcentra Direct Lending	0.6	1.7	-1.1	5.1	7.0	-1.8	3.9	7.0	-2.9	5.7	7.0	-1.2
Partners Group MAC 2015	1.6	1.7	-0.1	-6.9	5.4	-11.7	1.0	5.3	-4.1	6.4	5.2	1.1
Partners Group MAC 2017	4.2	1.7	2.5	5.9	5.4	0.4	4.6	5.3	-0.7	4.6	5.2	-0.6
Partners Group MAC V	2.8	1.7	1.1	2.7	5.4	-2.6	3.7	5.3	-1.6	4.6	5.2	-0.6
LCIV Private Debt	4.2	1.5	2.7	11.7	6.0	5.4	n/a	n/a	n/a	12.5	6.0	6.2
LCIV MAC	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.2	1.4	-1.1
Barings Global Special Situations Credit	1.2	3.3	-2.1	1.1	13.8	-11.1	n/a	n/a	n/a	14.4	13.8	0.6
Total	3.1	3.8	-0.6	-6.8	-5.3	-1.6	4.2	4.6	-0.3	5.7	6.9	-1.1

Source: Fund performance provided by Investment Managers and is net of fees. Benchmark performance provided by Investment Managers and DataStream. Please note the Fund has a substantial amount of transitions activity over the quarter, which was a period of heightened market volatility. Reasonable endeavours have been made to ensure the performance data is accurate. However, there may be a lower level of accuracy in the performance data, as a result of this significant increase in transition activity.

Mandate profiles

Mandate	Date Appointed	Benchmark/Target Description	Annual Fee (bps)	Hymans Rating	RI Rating
LGIM RAFI Carbon Pathway Index GBP Hdgd	08-Oct-15	RAFI Global Reduced Carbon Pathway 3.5% - GBP Hdgd	4.8	Preferred	Strong
LGIM Future World Global Equity Index	31-Mar-21	Solactive L&G ESG Global Markets Net	3	Preferred	Strong
LGIM Future World Global Equity Index GBP Hdgd	31-Mar-21	Solactive L&G ESG Global Markets Net - GBP Hdgd	6	Preferred	Strong
LGIM World ex UK Dev Equity Index	23-Oct-15	FTSE Dev ex UK Net	1	Preferred	Strong
LGIM World ex UK Dev Equity Index GBP Hdgd	23-Sep-19	FTSE Dev ex UK Net - GBP Hdgd	3	Preferred	Strong
LGIM UK Equity	15-Oct-15	FTSE All-Share	1	Preferred	Strong
LGIM World Emerging Markets Equity Index	15-Oct-15	FTSE Emerging Net	4	Preferred	Strong
LCIV Emerging Markets	03-Dec-19	MSCI Emerging Markets Index (TR) Net	49.5	Unrated	Unrated
LCIV Sustainable Exclusion	16-Apr-21	MSCI World Index Net (Total Return)	38	Unrated	Unrated
IFM Global Infrastructure	01-Mar-18	8% - 12% p.a.	77	Preferred	Good
LCIV Renewable Infrastructure	30-Sep-21	Net IRR of 7 - 10% p.a.	103.5	Unrated	Unrated
Schroder Life Diversified Growth	31-Dec-10	ICE BofA Sterling 3-month Government Bill + 4.5% p.a.	43	Suitable	Good
Adams Street 2019 Global	17-Oct-19	MSCI ACWI TR Index + 4% p.a.	52	Preferred	Unrated
Adams Street Global Secondaries	23-Jun-21	Net IRR of 15% p.a.	100	Positive	Unrated
Standard Life Long Lease Property	03-Jun-19	FT British Govt All Stocks Index Plus 2%	49	Preferred	Good
CBRE Global Alpha	01-Jul-19	9% - 11% p.a. over 3 year rolling period	45	Preferred	Strong
FREOF V	09-Jun-22	12% - 15% p.a.	107	Suitable	Unrated
Barings Multi-Credit	10-Jun-16	3 month SOFR + 5% p.a. hedged to GBP	53	Preferred	Good
Insight Secured Finance	31-May-17	SONIA + 4% p.a.	36	Preferred	Good
Schroder All Maturities Corporate Bond	31-Dec-10	Merrill Lynch Sterling Non-Gilts Index	18	Positive	Good
Alcentra Direct Lending	06-May-16	7% - 12% p.a. net IRR	125	Suitable - on watch	Good
Partners Group MAC 2015	03-May-16	SONIA + 4% - 6% p.a.	73	Positive	Good
Partners Group MAC 2017	12-Oct-17	SONIA + 4% - 6% p.a.	73	Positive	Good
Partners Group MAC V	13-Aug-19	SONIA + 4% - 6% p.a.	73	Positive	Good
LCIV Private Debt	22-Jun-21	Net IRR of 6 - 8% p.a.	80	Unrated	Unrated
LCIV MAC	30-Nov-22	Cash + 4 -5% p.a.	36	Unrated	Unrated
Barings Global Special Situations Credit	30-Sep-21	Gross return of 15 - 20% p.a.	125	Suitable	Adequate

Ratings definitions can be found in the Appendix. Adams Street Partners' Annual Fee is based on the annual projected fee over the lifetime of the fund as a proportion of the total commitment, all in USD.

Source: Investment Managers

This page includes manager ratings, benchmarks, mandate information and any relevant updates from the managers over the period.

Mandate updates

• CBRE Global Alpha

In November 2022, Chuck Leitner, CEO of CBRE IM has announced his retirement and will be succeeded by Danny Queenan, CEO of CBRE Real Estate. Queenan has deep expertise with the firm including serving as the COO to CBRE IM between 2015-2016, and then as President until 2018.

The Global Alpha fund approved a unitholder vote in November to increase the maximum restriction limit on investment in the Americas from 50% to 65%. CBRE amended its "Fund Documentation" accordingly and the changes took effect as at 12 December 2022.

• Insight Secured Finance

Whilst not a named portfolio manager on the fund, Insight announced that Pritesh Solanki, a portfolio manager within the secured finance team, left the firm during Q4. His portfolio management responsibilities will be assumed by existing team members. We have no serious concerns with the change.

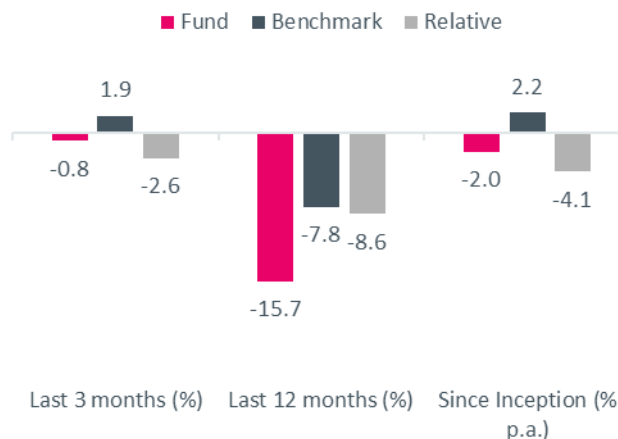
We have no concerns with these updates.

Growth – Sustainable Equity

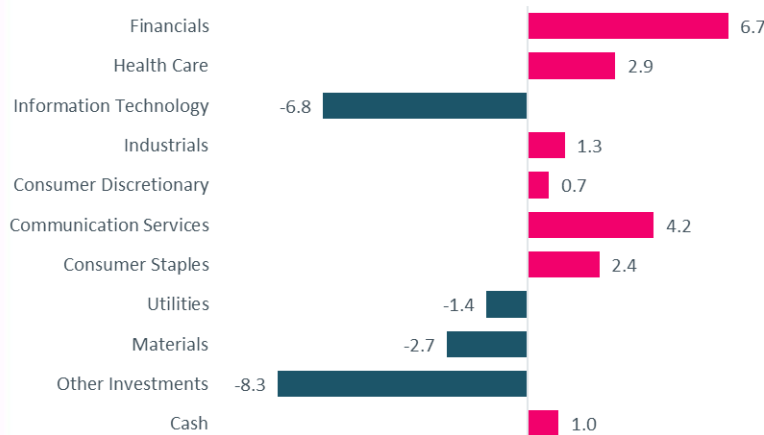
LCIV Sustainable Equity

- The LCIV Sustainable Equity Exclusion fund underperformed its benchmark over the quarter by 2.6%, net of fees, and lags significantly behind its benchmark over the longer term.
- Despite the stabilisation in global equity markets, mainly driven by a more positive outlook for interest rates and China, the fund did not benefit from the rebounding of markets. It mainly suffered from specific stock picks within the financial, consumer and healthcare sectors that remained vulnerable to downward revisions in earnings estimates and a weaker economic environment.
- The largest detractors from relative performance in Q4 was SVB Financial, the American bank for the innovation economy. Its stocks declined due to muted venture capital activity and funding rounds, leading to high cash-burn rates. The investment manager exited this position in Q4.
- Amazon and Alphabet also experienced share price weakness during the quarter, with the former affected by weakening consumer demand and the latter from slowed revenue growth. Despite this quarter's weakness, the investment manager maintained its confidence in both positions.
- The LCIV Sustainable Equity Exclusion fund is not formally rated by Hymans.

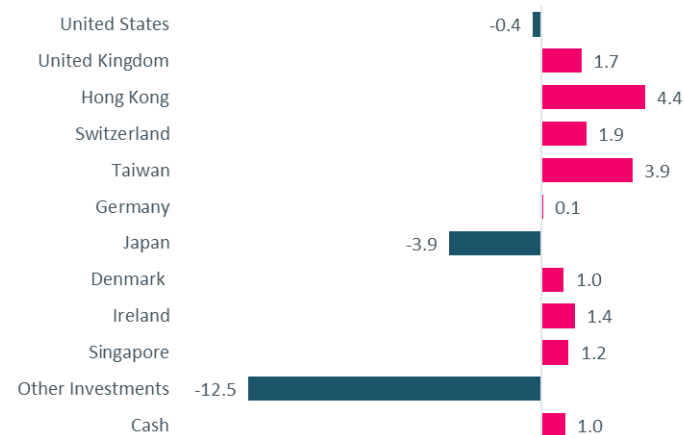
Historic quarterly performance (net of fees)



Sector relative allocation



Regional relative allocation



Growth – Private Equity

Adams Street – Global Secondary Fund 7

- The fund has a 3-year investment period.
- There are no changes to the strategy's investment philosophy and process.
- We maintain the rating at 'Positive'.
- The fund made a capital call of \$2.75m on 17 October 2022, which is reflected in the Fund summary table and has drawn total capital of \$8.25 million to the end of December, which is 15% of the Fund's commitment.
- As the portfolio has just started to invest, early performance indicators and return drivers hold limited relevance.
- The performance to date has been strong, with embedded gains of 1.5x net as at Q3 2022. The fund is c.50% committed across 29 closed (or pending closed) deals, with recently closed transactions demonstrating an ability to acquire high-quality assets at discounts of 10%-20%+.
- While Q2 experienced a slight slowdown in market activity due to volatility induced bid-ask spreads, Q3 and Q4 benefitted from a strong rebound in attractive and actionable deal flow across the secondary market.

Fund summary

	\$ USD	£ GBP
Capital contributed	\$8,250,000	£7,390,486
Total capital committed	\$55,000,000	£49,269,910
Net Asset Value	\$11,076,072	£9,922,128
Distributions	\$0	£0
Value Created	\$2,826,072	£2,531,642
Net Multiple	1.51	1.65
Net IRR (%)*	51.4	64.7

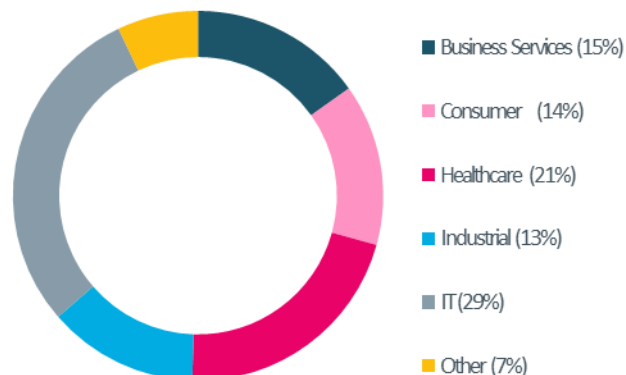
Net Asset Value – The value of an investor's holdings in the Program at any given time.

Value Created – The absolute monetary gain or loss created by the Program, net of all costs and fees. Value creation is calculated as net asset value + distributions - contributions.

Net Multiple – A performance indicator on the Program level that measures how much money has been returned to the fund from all underlying investments against how much money had been invested, in aggregate, across all portfolio holdings.

Net IRR – *Change in value divided by amount invested. Return generated on total capital employed, net of fees.

Sector allocation



Income – Infrastructure

IFM

- IFM Global Infrastructure fund
- We maintain the rating at 'Preferred'
- The fund delivered strong positive returns over the quarter in local currency. The marginally negative GBP returns this quarter are driven by currency movements, notably a depreciation in USD against portfolio currencies.

Fund summary

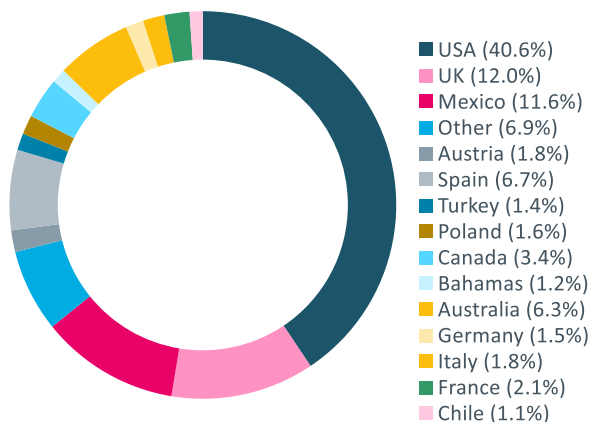
	\$ USD	£ GBP
Capital contributed	\$93,102,152	£68,978,348
Total capital committed	\$71,405,951	£52,492,494
Limited Partners Percentage Ownership (%)	6.9	-
Net Asset Value	\$116,955,148	£97,227,656
Distributions (reinvested)	\$21,307,377	£16,193,106
Quarterly Net Return (%)	7.4	-0.4
Net Return on Capital Since Inception (% p.a.)	11.3	14.0

Capital contributed includes reinvested distributions, whereas capital committed represents the initial and top-up capital committed by the fund only.

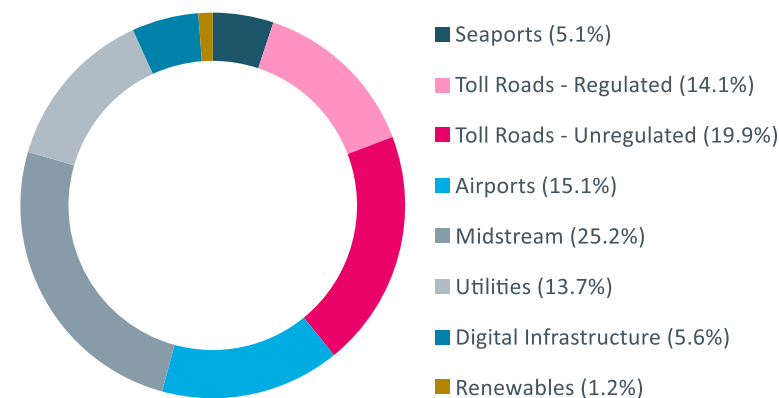
GBP figures are estimated using FX rates at the various investment/distribution/commitment dates. FX source: Datastream

Outstanding GBP capital committed is estimated.

Regional allocation



Sector allocation

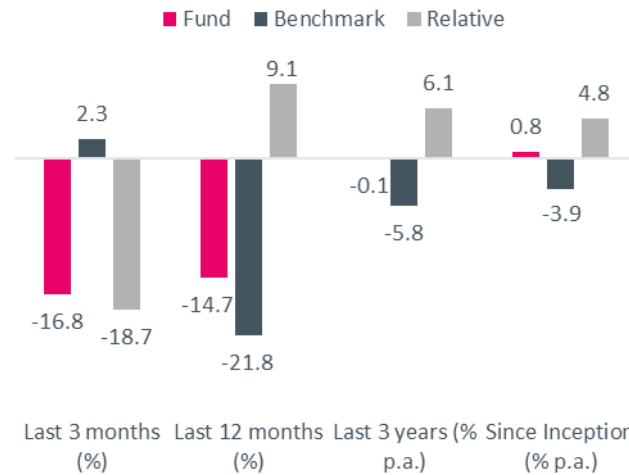


Growth – Property

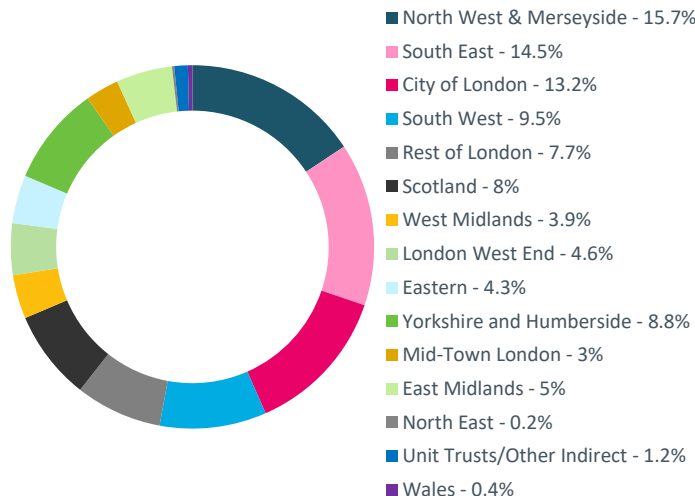
Standard Life Long Lease

- The fund returned -16.8% over the quarter, significantly underperforming its gilts + 2% p.a. benchmark by 18.7%, net of fees. However, over 12 months and since inception the fund has outperformed its benchmark strongly.
 - The gilts benchmark is not a fair comparison of the fund's short-term performance as the fund does not hold gilts. Rather, it should be treated as a long-term target than a short-term comparator.
 - The fund has been subject to capital decline across the portfolio, with the industrial sector seeing the largest declines overall. The medium to long term fundamentals for the sector remain favourable particularly with the assets held by the fund (i.e. single let assets with strong tenant covenants, located in key distribution locations in the south east and elsewhere in the UK).
- Manager update**
- The fund has not experienced any redemption deferral and has been able to pay out 6-7 requests received through September to October at the end of October 2022.
 - We maintain the rating at 'Preferred'.

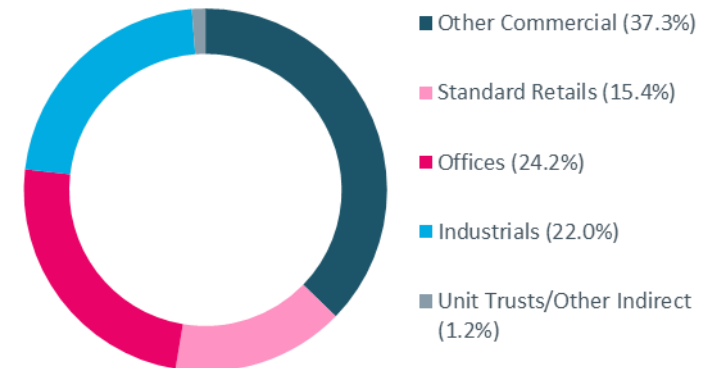
Historic quarterly performance (net of fees)



Regional allocation



Sector allocation



Average Lease Length 24.4 years. Other commercial includes various niche investments such as student accommodation, hotels and holiday parks.

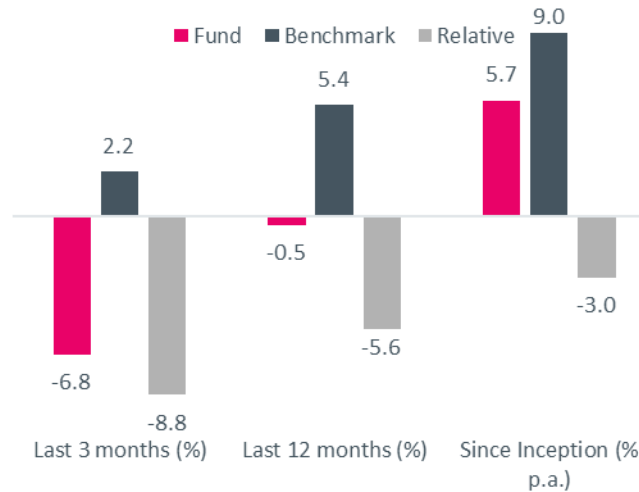
Source: Investment Manager

Growth – Property

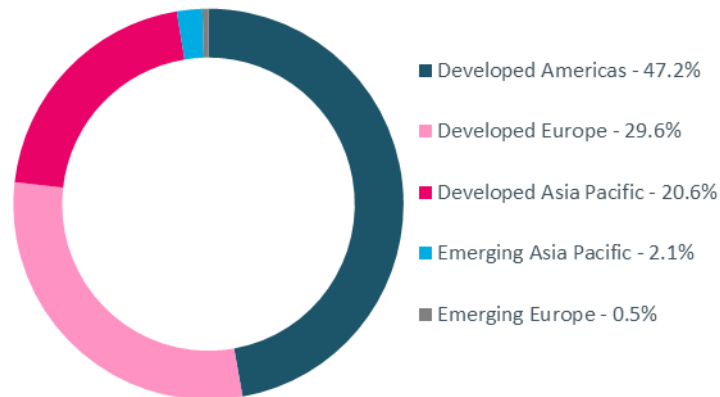
CBRE

- CBRE Global Alpha Fund underperformed its absolute benchmark of 2.2% p.a. by 8.8%, net of fees.
- In local currency terms, the fund's performance was -2.5% over Q4, but remains above the objective over longer periods. The high negative returns in GBP over the quarter was largely a result of the sterling strengthening relative to the dollar.
- The fund's investments in industrial, residential and healthcare related real estate, remain the largest contributors to performance. Large positions in these areas did see negative revaluations in Q4, as yields rose in response to the rising cost of capital. However, this is viewed as a temporary reset due to the higher cost of capital and not a permanent deterioration in outlook.
- We maintain the rating at 'Preferred'.

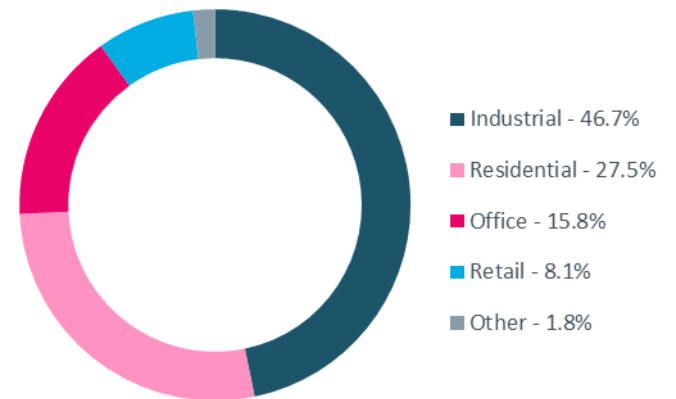
Historic quarterly performance (net of fees)



Geographic allocation



Sector allocation



Average Lease Length 24.4 years. Other commercial includes various niche investments such as student accommodation, hotels and holiday parks.

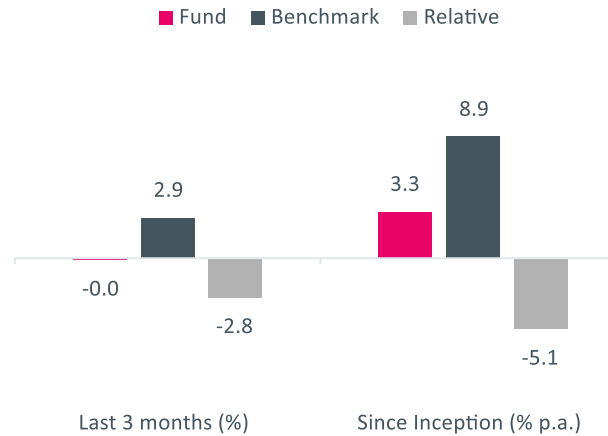
Source: Investment Manager

Growth – Property

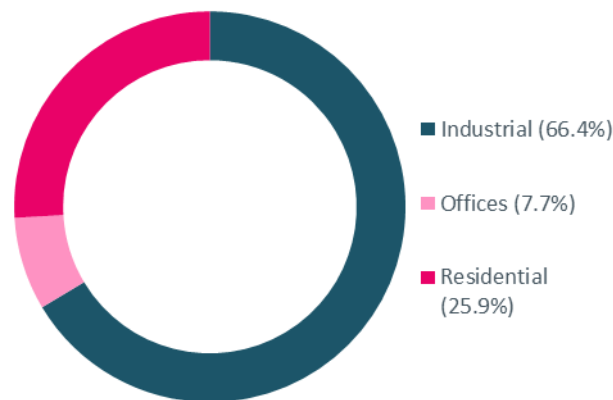
FREOF V

- The Fiera Real Estate Opportunities Fund V which was appointed earlier in June 2022 underperformed its absolute benchmark over the quarter by 2.8%, net of fees.
- FREOF V's marginal negative absolute performance over the quarter (-0.05%, net of fees) was driven by negative valuation movements across its industrial land assets. However, this was offset by positive movements on the residential land assets due to planning wins and increasing interests in purchasing one of its lands at higher valuations.
- The fund's current forecast performance is 14.3% p.a., which remains in line with its 12-15% target.
- We maintain the rating at 'Suitable'.

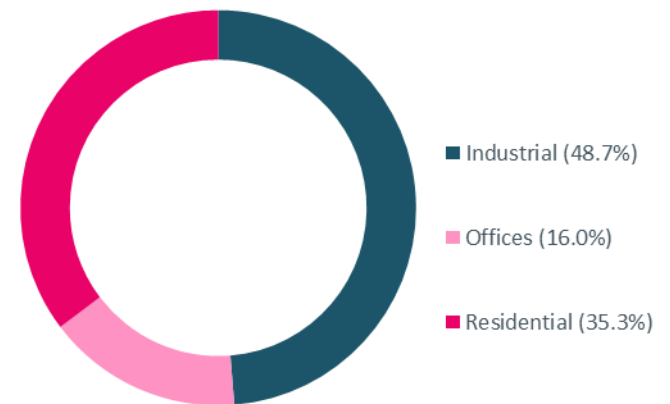
Historic quarterly performance (net of fees)



Full portfolio allocation



Current portfolio allocation



Income – Illiquid Credit

Barings Special Situations Fund 4

- Barings Global Special Situations Credit Fund 4 currently has 30 investments.
- One drawdown of c.£6.4m was made over Q3 2022.
- Over the past 12 months, the mandate has struggled as accelerating inflation, central banks' increased stance on monetary tightening and limited market liquidity resulted in widening credit spreads. Performance since inception (Sep 2021) is also behind the benchmark of 13.8% p.a.
- Positive contributors to the fund included Mannkind Corporation, Aspire Bakeries and Technicolor. The value of Mannkind's investment increased after the sales of the company's Afrezza product which triggered the first payment since the fund had acquired the rights. Afrezza continues to outperform the initial underwriting forecast and has been well invested and supported by Mannkind.
- Negative contributors included the equity holding in Carlson Travel and preferred equity position in Garrett Motion.

Fund summary

	€, EURO	£, GBP
Fund	Special Situations 4	Special Situations 4
Capital contributed	€35,221,763	£30,909,841
Total capital committed	€40,000,000	£35,103,115
LP percentage ownership	12.2%	-
Net Asset Value	€37,648,310	£33,039,324
Distributions	-	-
Value Created	€2,426,546	£2,129,484
Net Multiple	1.07	1.09
Net IRR (%)	n/a	n/a

Percentage of total programme – The percentage amount of the total fund that is made up by the investors contribution.

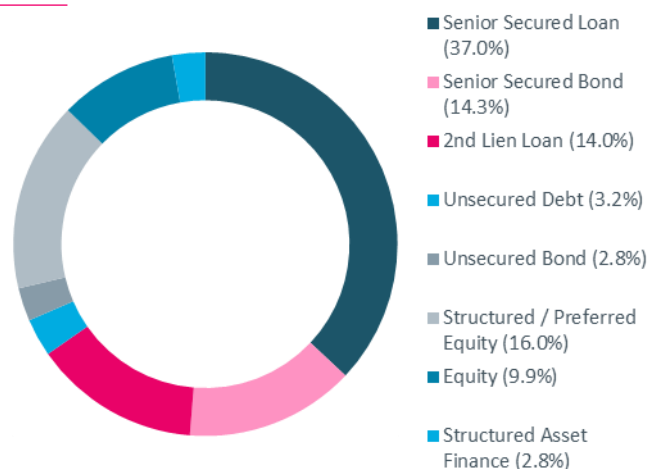
Net Asset Value – The value of an investor's holdings in the Program at any given time.

Value Created – The absolute monetary gain or loss created by the Program, net of all costs and fees. Value creation is calculated as net asset value + distributions - contributions.

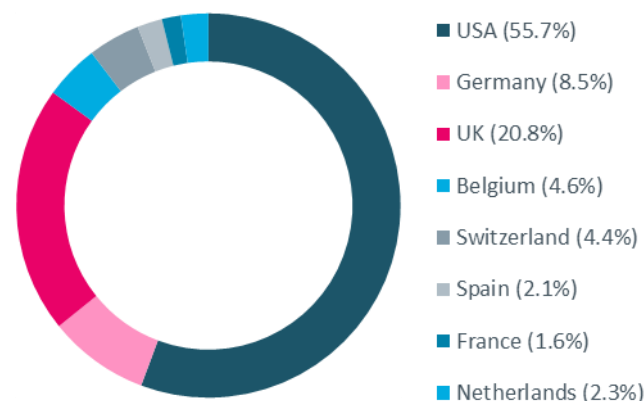
Net Multiple – A performance indicator on the Program level that measures how much money has been returned to the Fund from all underlying investments against how much money had been invested, in aggregate, across all portfolio holdings.

Net IRR – Return generated on total capital employed, net of fees from inception date September 2021

Asset allocation



Regional allocation



Data as at 30 September 2022

Source: Investment Manager, Hymans Robertson.

Q4 growth outturns surprised to the upside as US labour and consumer demand remains resilient while the economic impact of potential European gas shortages abated more recently. Despite more recent upwards revisions for some economies, global growth forecasts for 2023 fell over the quarter, as high inflation and tighter monetary policy weigh on the outlook.

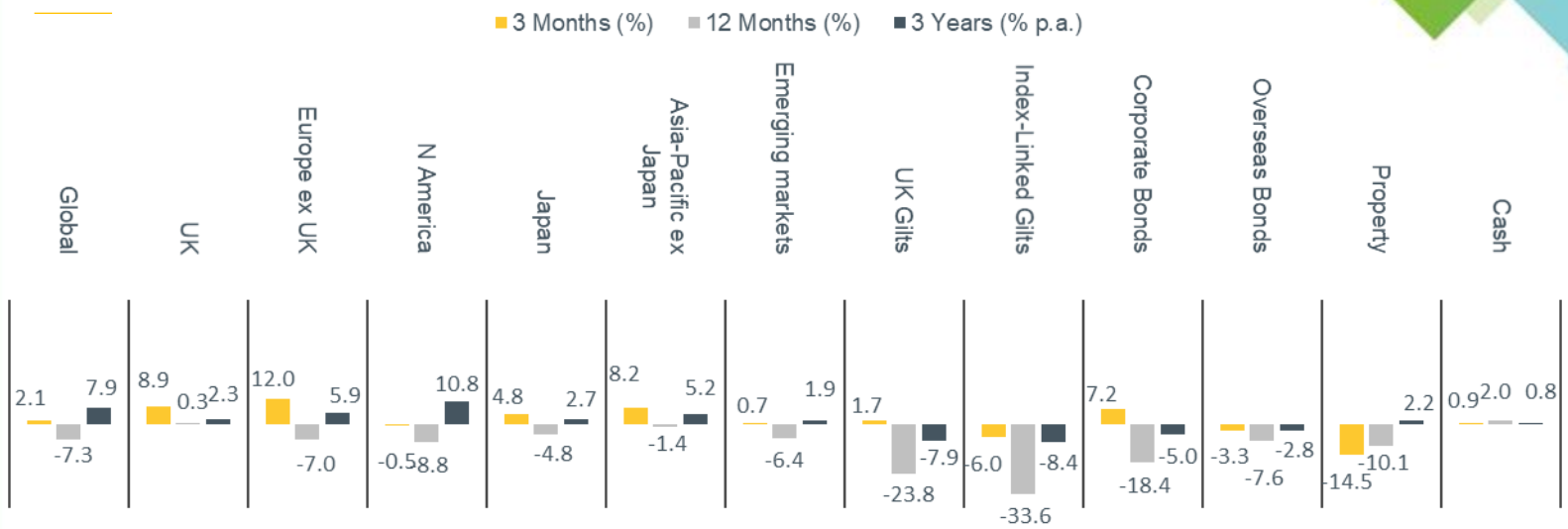
Downside CPI surprises, support the idea that inflation peaked in Europe and the US. Year-on-year headline CPI inflation fell to 7.1%, 10.7%, and 10.1% in the US, UK, and Eurozone, respectively, in November.

After a round of 0.75% p.a. interest rate rises, major central banks shifted down to smaller 0.5% p.a. increases in December. The 1.25% p.a. of rate rises delivered by each of the major central banks in Q4 takes policy rates in the US, UK, and Eurozone to 4.5% p.a., 3.5% p.a., and 2.0% p.a., respectively.

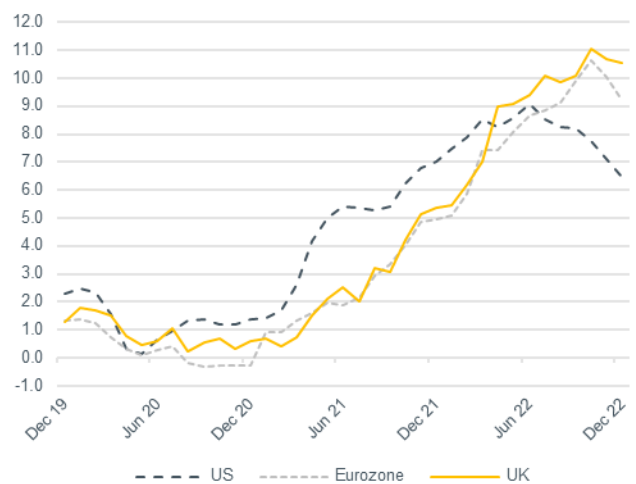
UK 10-year yields ended the period at 3.7% p.a., 0.5% p.a. below end-September levels. Equivalent US yields rose 0.1% p.a., to 3.9% p.a., and German yields rose 0.5% p.a., to 2.6% p.a., respectively. Japanese yields rose 0.2% p.a., to 0.4% p.a., as the Bank of Japan loosened the target range for 10-year yields under its yield curve control policy.

UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell 0.6% p.a. to 3.4% p.a. Equivalent US implied inflation rose 0.1% p.a., to 2.3% p.a.

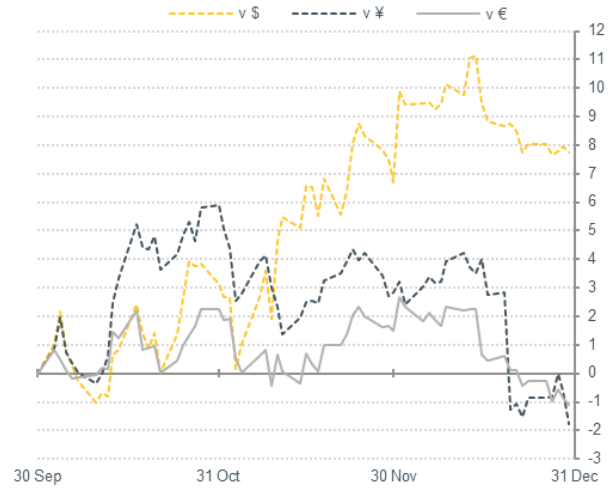
Historic returns for world markets ^[1]



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

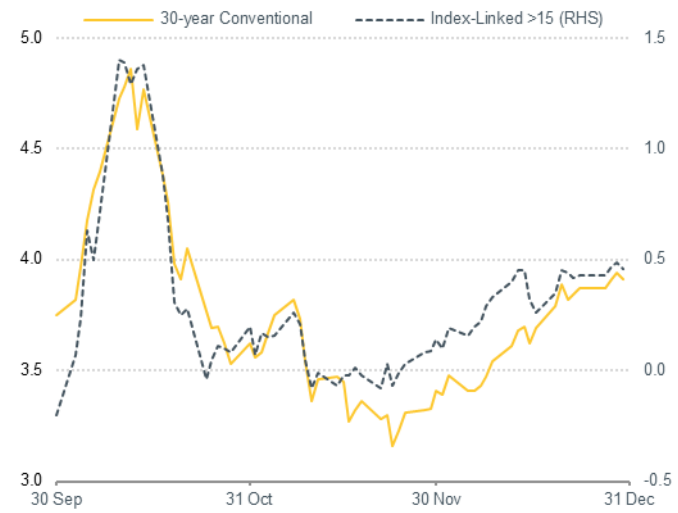
Global investment grade credit spreads fell 0.3% p.a., to 1.5% p.a., while speculative-grade spreads fell 1.0% p.a., to 5.1% p.a. Speculative-grade default rates have risen a little since the start of 2022 but remain below long-term average levels.

The FTSE All World Total Return Index rose 7.6% (local currency). The energy sector outperformed amid record earnings reports, as did Industrials and basic materials. Consumer discretionary and technology stocks underperformed as the cost-of-living squeeze intensified. Europe ex-UK outperformed the most while Japan notably underperformed on the back of yen strength and doubts over ongoing monetary support from the Bank of Japan.

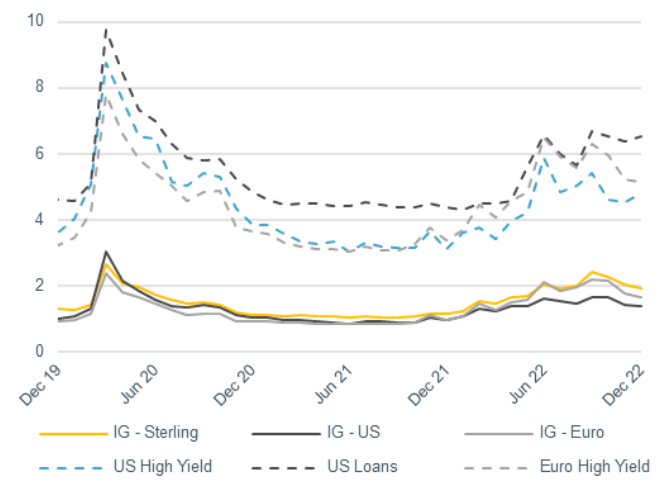
Easing inflation in the US saw the US dollar fall 4.8% in trade-weighted terms, reducing its year-to-date gains to 6.3%. Equivalent sterling, euro, and yen measures rose 1.9%, 4.4%, and 5.2%, respectively.

MSCI UK Monthly Property Index declines slowed from falling 0.5% in November to falling 0.03% in December. The extent of recent declines in capital values, which are now 20% below their June peak, has been the primary driver. Capital values have fallen across the 3 main commercial sectors but have been most notable in the industrial sector, where they have fallen 27% since the end of June.

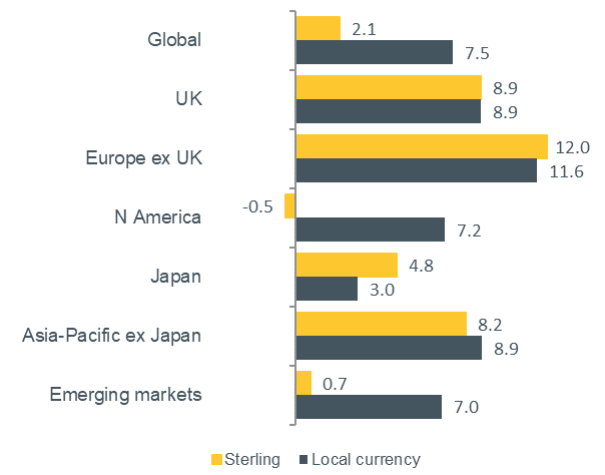
Gilt yields chart (% p.a.)



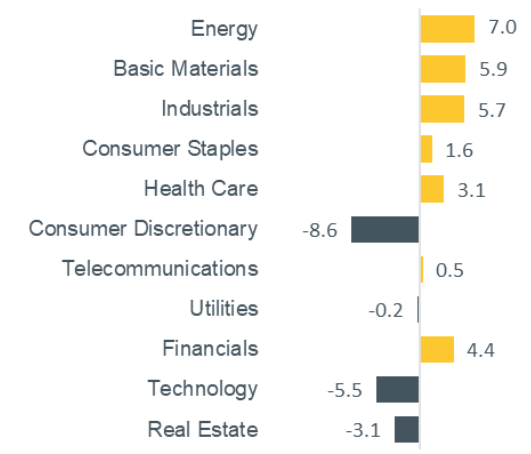
Investment and speculative grade credit spreads (% p.a.)



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.

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.

Hymans Robertson LLP has relied upon third party sources and all copyright and other rights are reserved by such third party sources as follows: DataStream data: © DataStream; Fund Manager data: Fund Manager; Morgan Stanley Capital International data: © and database right Morgan Stanley Capital International and its licensors 2022. All rights reserved. MSCI has no liability to any person for any losses, damages, costs or expenses suffered as a result of any use or reliance on any of the information which may be attributed to it; Hymans Robertson data: © Hymans Robertson. Whilst every effort has been made to ensure the accuracy of such estimates or data - including third party data - we cannot accept responsibility for any loss arising from their use. © Hymans Robertson LLP 2023.

Geometric v Arithmetic Performance

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

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

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

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.

Hymans Rating

Preferred	Our highest rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
Positive	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
Suitable	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
Negative	The strategy is not suitable for continued or future investment and alternatives should be explored.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.

Responsible Investment

Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.