Appendix 2

London Borough of Hackney Pension Fund

Q1 2019 Investment Monitoring Report

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HYMANS ROBERTSON

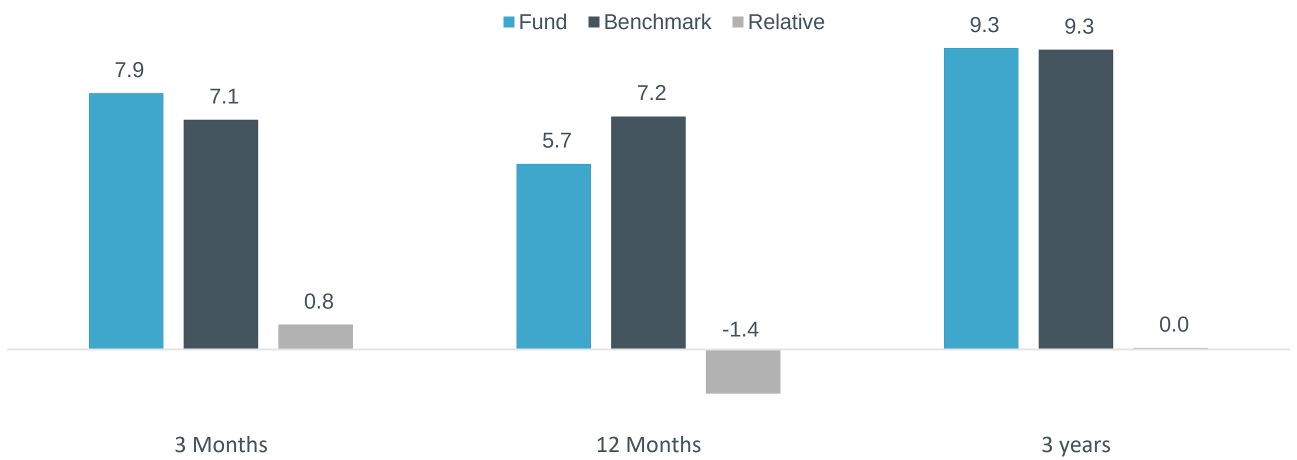
Executive Summary

The objective of this page is to set out some key metrics on the Fund.

Over the quarter the fund has outperformed the benchmark.

The high level asset allocation is broadly on target.

Performance



GrIP Allocation

GrIP	Actual	Benchmark	Relative
Growth	68.0%	67.7%	0.3%
Income	10.8%	10.6%	0.2%
Protection	21.2%	21.7%	-0.5%

This section sets out the Scheme’s high level asset valuation and strategic allocation.

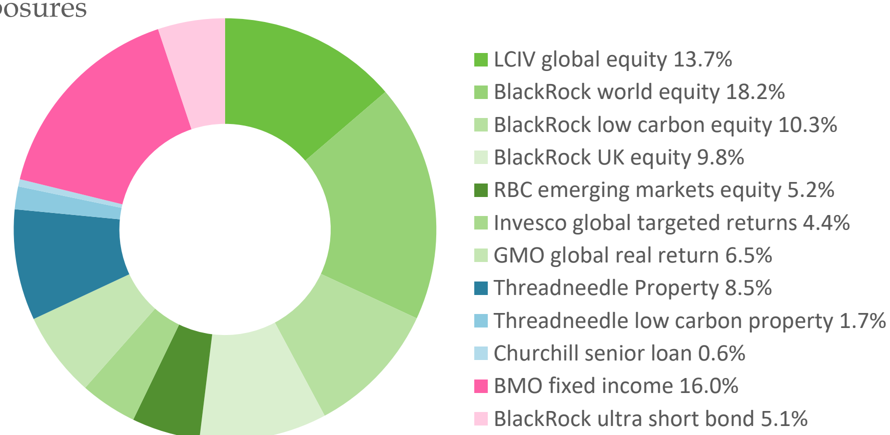
This page includes;

- End quarter mandate valuations.
- Asset allocation breakdown relative to benchmark for rebalancing purposes.
- Asset allocation breakdown pie chart.

Asset Allocation

Manager	Mandate	Valuation (£m) Q4 2018	Valuation (£m) Q1 2019	Actual Proportion	Benchmark	Relative
LCIV	World Equity	183.2	207.7	13.7%	13.0%	0.7%
BlackRock	World Equity	314.9	275.7	18.2%	17.7%	0.5%
BlackRock	Low Carbon	142.2	155.6	10.3%	10.0%	0.3%
BlackRock	UK Equity	135.1	147.8	9.8%	10.0%	-0.2%
RBC	Emerging Markets	74.2	79.1	5.2%	4.5%	0.7%
Invesco	DGF	64.7	66.0	4.4%	5.0%	-0.6%
GMO	DGF	94.4	98.7	6.5%	7.5%	-1.0%
Total Growth		**1008.5**	**1030.6**	**68.0%**	**67.7%**	**0.3%**
Columbia Threadneedle	Property	128.1	128.7	8.5%	10.0%	0.2%
Columbia Threadneedle	Low Carbon Property	26.7	26.4	1.7%		
Churchill	Senior Loans	0.0	8.4	0.6%	0.6%	0.0%
Total Income		**154.9**	**163.5**	**10.8%**	**10.6%**	**0.2%**
BMO	Bonds	232.2	243.0	16.0%	17.0%	-1.0%
BlackRock	Bonds	0.0	77.8	5.1%	4.7%	0.4%
Total Protection		**232.2**	**320.8**	**21.2%**	**21.7%**	**-1.0%**
Total Scheme		**1,395.6**	**1,514.9**	**100.0%**	**100.0%**	

Asset class exposures



Source: Investment Managers

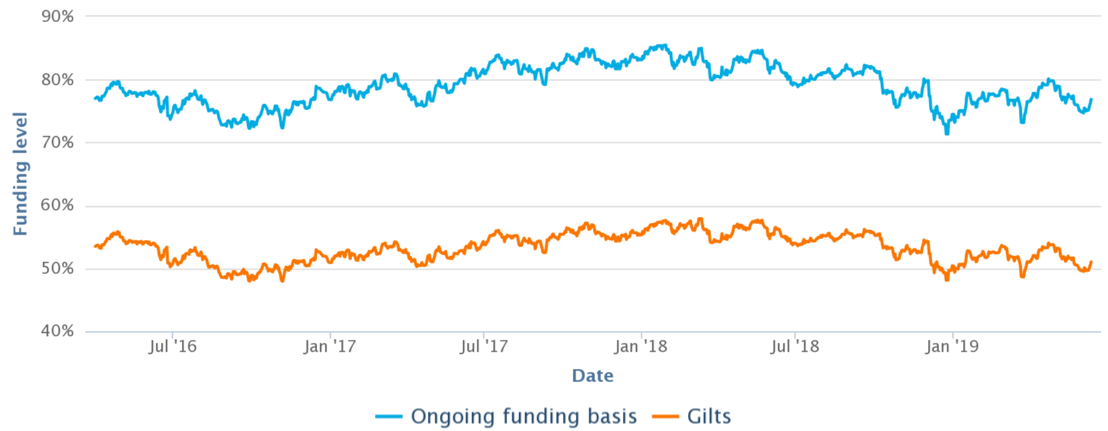
Funding

This page is used to show funding information, both historic and projected.

This page includes;

- Funding level progressions on different bases.
- Analysis of Surplus table.

Funding level progression



Funding level reconciliation

Quarter

Surplus/(deficit)	£m
Surplus/(deficit) as at 31 December 2018	(478.7)
Contributions (less benefits accruing)	3.2
Interest on surplus/(deficit)	(3.6)
Excess return on assets	101.0
Impact of change in yields & inflation	(88.0)
Surplus/(deficit) as at 31 March 2019	(466.2)

Since previous valuation

Surplus/(deficit)	£m
Surplus/(deficit) as at 31 March 2016	(350.2)
Contributions (less benefits accruing)	50.3
Interest on surplus/(deficit)	(38.8)
Excess return on assets	126.4
Impact of change in yields & inflation	(253.9)
Surplus/(deficit) as at 31 March 2019	(466.2)

Manager Performance

- This section is a landing page for the Scheme's manager performance.
- The table shows a summary of the full Scheme performance over different time periods.

Manager performance

Manager	Mandate	3 months (%) Fund	3 months (%) B'mark	3 months (%) Relative	12 months (%) Fund	12 months (%) B'mark	12 months (%) Relative	Last 3 years (% p.a.) Fund	Last 3 years (% p.a.) B'mark	Last 3 years (% p.a.) Relative
Growth										
LCIV	World Equity	13.4	9.9	**3.1**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
BlackRock	World Equity	12.2	12.0	**0.2**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
BlackRock	Low Carbon	9.5	9.8	**-0.3**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
BlackRock	UK Equity	9.4	9.4	**0.0**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
RBC	Emerging Markets	6.6	7.4	**-0.8**	1.2	-0.3	**1.5**	13.6	14.3	**-0.6**
Invesco	DGF	1.9	0.2	**1.6**	-1.9	0.8	**-2.7**	1.1	0.6	**0.5**
GMO	DGF	4.7	0.3	**4.3**	-3.1	1.1	**-4.1**	3.1	1.7	**1.4**
Income										
Columbia Threadneedle	Property	0.4	0.3	**0.1**	4.5	4.9	**-0.4**	5.9	6.2	**-0.3**
Columbia Threadneedle	Low Carbon Property	-0.1	0.3	**-0.4**	6.6	4.9	**1.6**	n/a	n/a	**n/a**
Churchill	Senior Loans	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
Protection										
BMO	Bonds	4.7	4.4	**0.2**	4.2	4.3	**-0.1**	6.1	5.5	**0.6**
BlackRock	Bonds	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
Total		7.9	7.1	**0.8**	5.7	7.2	**-1.4**	9.3	9.3	**0.0**

Source: Fund performance provided by Investment Managers and is net of fees except for the BlackRock and BMO funds and the Low Carbon Property fund which are gross of fees. Benchmark performance provided by Investment Managers and DataStream.

Long term returns are calculated by rolling up historic quarterly returns and include the contribution of all current and historical mandates over the period.

Global GDP growth continued to slow in the fourth quarter with consensus forecasts being revised downwards for 2019.

Despite a slowdown in US GDP growth, the US has proved more resilient compared to Europe where the German economy has stalled, and Italy has fallen into a recession for the first time since early 2013.

In the UK, Brexit risk continued to hamper business investment with GDP growth decelerating to 0.2% in Q4 from 0.7% in Q3 2018.

Despite signs of global growth slowing, the new year has brought a more optimistic tone across equity markets. Following their worst quarterly decline since 2011 in Q4 18, stock markets have rebounded strongly with global equities up 12.3% in local currency terms.

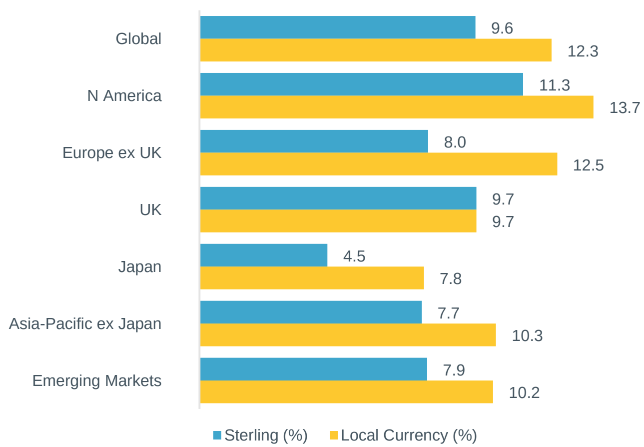
North America was the best performing region, whilst Japanese equities lagged as the market's high exposure to global trade continued to weigh on sentiment.

The FTSE All Share returned 9.4% over the quarter despite the strength of sterling being a headwind for the globally exposed larger cap names in the index.

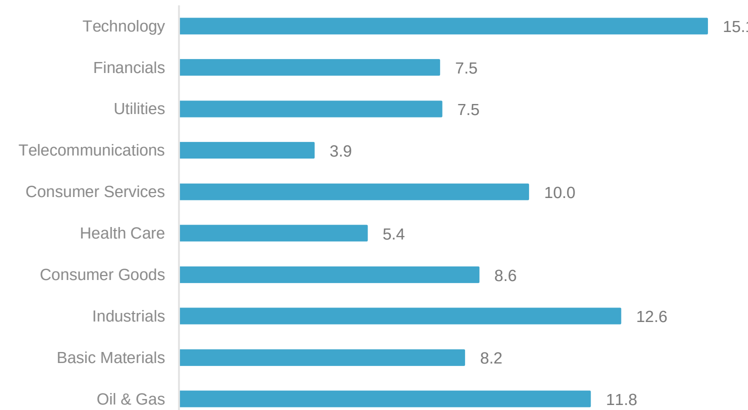
At a sector level, the bounce back in risk assets reversed the trend seen in Q4 as cyclical stocks outperformed more defensive sectors.

Historic returns for world markets [1]

Regional equity returns [2]



Global equity sector returns (%)



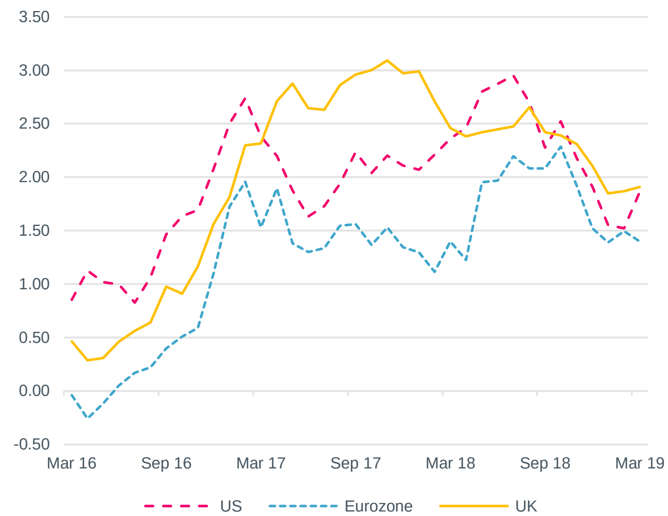
[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, S&P/IFCI Composite, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property Index; UK Interbank 7 Day. [2] FTSE All World Indices.

The beginning of 2019 has seen rental growth remain flat, across all sectors, in the UK property market. Property rents increased marginally in February following two months of small declines. The growth in industrial capital values, which is now slowing, remains insufficient to offset the falling capital values in the retail and office markets. Brent crude stabilised at around $67 towards the end of the quarter, compared to $53 at the end-2018, but its sharp decline in the fourth quarter of 2018 has weighed on inflation expectations – consumer price inflation expectations for 2019 have been revised lower in most major developed economies except Japan.

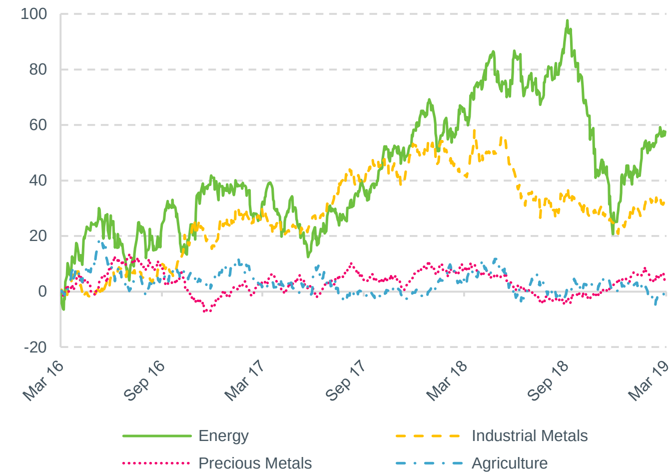
The slowdown in global growth and continued absence of inflationary pressures has seen central banks adopt a more dovish stance with the Federal Reserve suggesting that no further rate hikes will take place this year and the ECB indicating no interest rate hikes until 2020. Conventional and index-linked gilt yields fell over the quarter with UK real yields hitting record lows.

Credit markets rebounded strongly from the sharp declines at the end of last year, perhaps an indication that investors are more relieved by the perceived end to monetary tightening than they are concerned by the slowdown in global economic growth. Sub investment grade credit markets outperformed investment grade markets as they benefited from signs of positive developments in the US-China trade talks, some stabilisation in oil-prices, and negative net issuance.

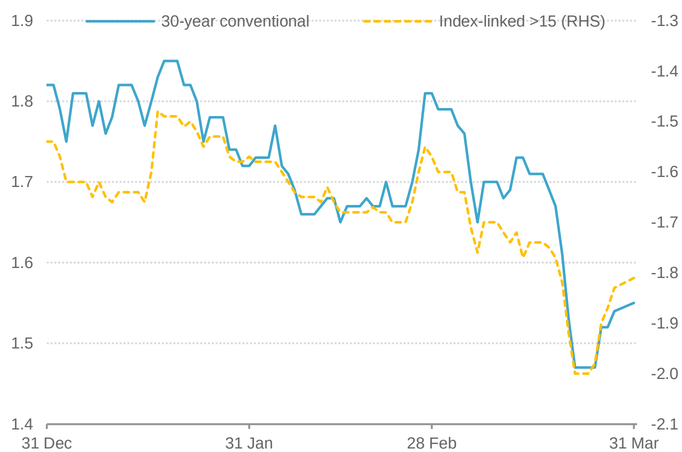
Annual CPI Inflation (% p.a.)



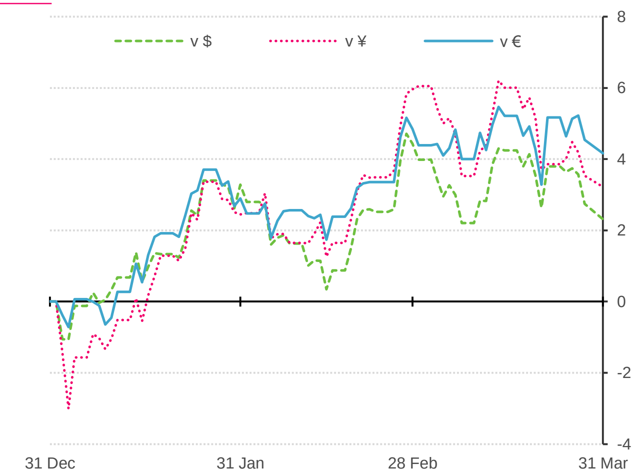
Commodity Prices



Gilt yields chart



Sterling trend chart (% change)



Source: Reuters

Risk Warning

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

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

Geometric v Arithmetic Performance

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

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

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance\ - Benchmark\ Performance$$

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

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