Appendix 2

London Borough of Hackney Pension Fund

Q4 2020 Investment Monitoring Report

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HYMANS ROBERTSON

Dashboard

Executive Summary

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

The Fund performed strongly over the quarter as risk assets rallied following strong return in equities (particularly in emerging markets), and a reduction in yields and credit spreads. Over the quarter the Fund has outperformed the benchmark.

The high level asset allocation is broadly in line with target.

Definitions

Growth

Growth assets are designed to provide return in the form of capital growth. They may include investments in company shares, alternative investments and property. Growth assets tend to carry higher levels of risk compared to other assets yet have the potential to deliver higher returns over the long-term.

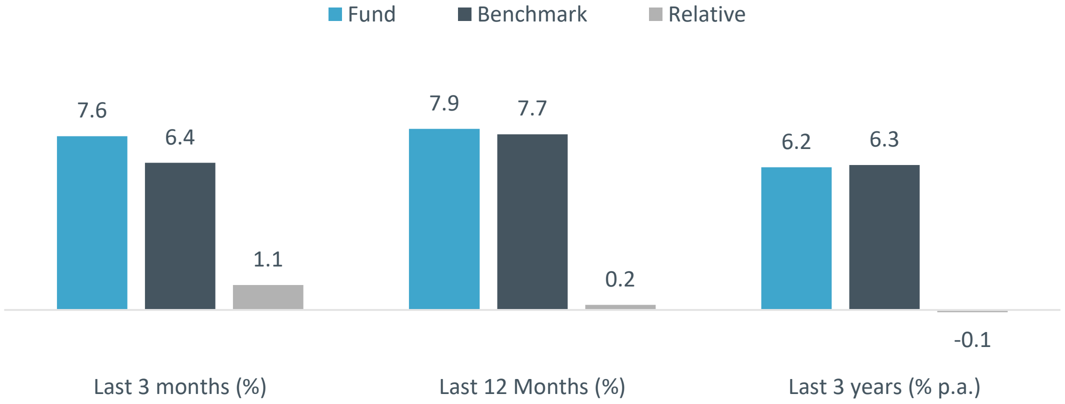
Income

Income producing assets are investments which produce recurring revenue. They may include investments in interest paying bonds, property leases and dividend paying stocks. The income generated may be fixed or variable.

Protection

Protection assets aim to secure your investment and typically take less risk compared to other asset types. As a result the growth generated tends to be lower over the long term. Protection assets may include investment grade fixed income and cash. Derivative strategies may also be used to hedge unexpected investment losses.

Performance



Growth, Income & Protection Allocation

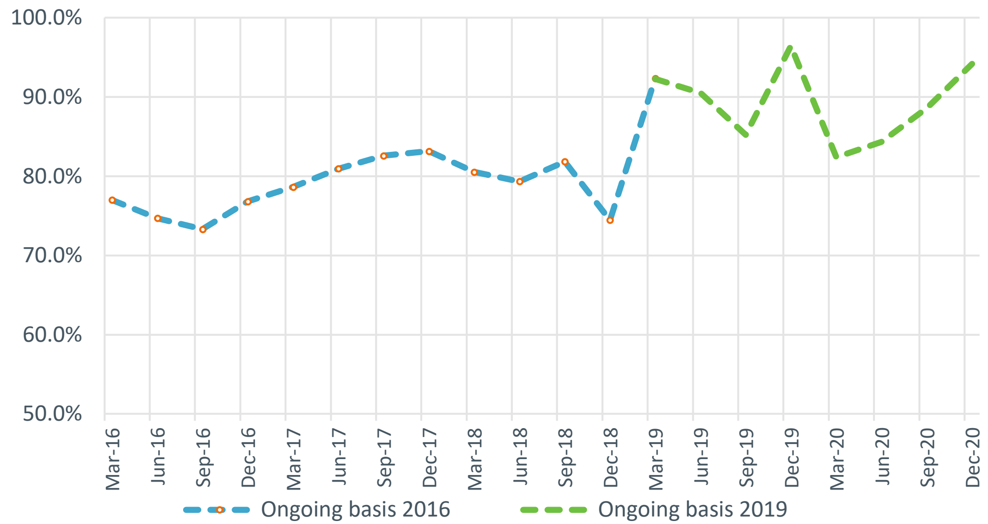
Growth, Income & Protection	Actual	Benchmark	Relative
Growth	**68.5%**	**66.1%**	**2.4%**
Income	**13.2%**	**14.7%**	**-1.5%**
Protection	**18.3%**	**19.2%**	**-0.9%**

This page is used to show funding information. The figures shown represent the current quarter's position based on the Q1 2019 valuation basis as signed off by the Pensions Committee.

This page includes;

- Funding level progressions on the ongoing basis.
- Analysis of Surplus table.
- Over the quarter the deficit has decreased by £121m.
- The current objective is to reach a fully funded position on the ongoing basis by 2039.

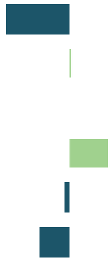
Funding level progression



Funding level reconciliation

Quarter

Surplus	(£m)
Surplus/(deficit) as at 30 September 20	(224.6)
Contributions (less benefits accruing)	1.5
Interest on surplus/(deficit)	0.0
Excess return on assets	137.6
Impact of change in yields & inflation	(18.2)
Surplus/(deficit) as at 31 December 20	(103.7)



Since previous valuation

Surplus	(£m)
Surplus/(deficit) as at 31 March 2019	(130.6)
Contributions (less benefits accruing)	21.0
Interest on surplus/(deficit)	(1.5)
Excess return on assets	183.1
Impact of change in yields & inflation	(175.8)
Surplus/(deficit) as at 31 December 20	(103.7)

Source: Investment Managers

This section sets out the Fund's high level asset valuation and strategic allocation.

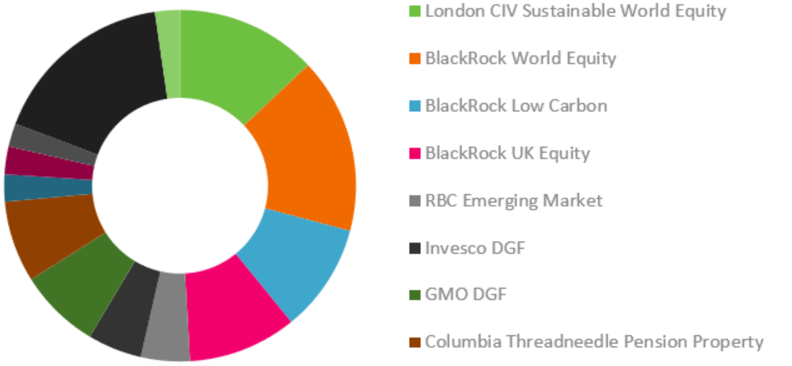
This page includes;

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

Asset Allocation

Mandate	Active/Passive	Valuation (£m) Q3 2020	Valuation (£m) Q4 2020	Actual Proportion	Benchmark	Relative
London CIV Sustainable World Equity	Active	£258.9	£289.9	16.0%	13.0%	3.0%
BlackRock World Equity	Passive	£308.3	£344.8	19.0%	16.1%	2.9%
BlackRock Low Carbon	Passive	£186.3	£200.8	11.1%	10.0%	1.1%
BlackRock UK Equity	Passive	£129.0	£145.2	8.0%	10.0%	-2.0%
RBC Emerging Market	Active	£80.9	£93.4	5.2%	4.5%	0.7%
Invesco DGF	Active	£66.2	£67.2	3.7%	5.0%	-1.3%
GMO DGF	Active	£94.9	£99.8	5.5%	7.5%	-2.0%
Total Growth		**£1,124.6**	**£1,241.0**	**68.5%**	**66.1%**	**2.4%**
Columbia Threadneedle Pension Property	Active	£125.9	£128.3	7.1%	7.5%	-0.4%
Columbia Threadneedle Low Carbon Property	Active	£25.5	£25.3	1.4%	2.5%	-1.1%
Churchill Senior Loans*	Active	£43.9	£46.4	2.6%	2.6%	0.0%
Permira Senior Loans	Active	£33.6	£38.9	2.1%	2.1%	0.0%
Total Income		**£228.9**	**£238.9**	**13.2%**	**14.7%**	**-1.5%**
BMO Bonds	Active	£273.0	£279.6	15.4%	17.0%	-1.6%
BlackRock Short Bond	Passive	£55.7	£51.3	2.8%	2.2%	0.6%
Total Protection		**£328.7**	**£331.0**	**18.3%**	**19.2%**	**-0.9%**
Total Scheme		**£1,682.2**	**£1,810.9**	**100%**	**100%**	**0%**

Asset class exposures



**The Churchill allocation is being drawn down over a period of time. The ultimate target allocation is 10%. In the interim period the assets are held in the BlackRock World Equity and Ultra Short Bond Funds.*

- This section shows the Fund's performance at the underlying manager level.
- The table shows a summary of the full Fund's performance over different time periods.

Performance relative to benchmark & target

	Last 3 months (%)					Last 12 months (%)					Last 3 years (% p.a.)				
	Fund	B'mark	Relative	Target	Relative	Fund	B'mark	Relative	Target	Relative	Fund	B'mark	Relative	Target	Relative
Growth															
London CIV Sustainable World Equity	11.9	7.8	3.8	8.3	3.4	24.7	12.3	11.0	14.3	9.0	n/a	n/a	n/a	n/a	n/a
BlackRock World Equity	11.8	11.8	0.0	11.8	0.0	11.3	11.7	-0.4	11.7	-0.4	n/a	n/a	n/a	n/a	n/a
BlackRock Low Carbon	7.8	7.6	0.1	7.6	0.1	13.2	12.7	0.4	12.7	0.4	n/a	n/a	n/a	n/a	n/a
BlackRock UK Equity	12.6	12.6	0.0	12.6	0.0	-9.8	-9.8	0.0	-9.8	0.0	n/a	n/a	n/a	n/a	n/a
RBC Emerging Market	15.4	13.2	2.0	n/a	n/a	13.5	14.7	-1.0	n/a	n/a	4.9	5.8	-0.8	n/a	n/a
Invesco DGF	1.3	0.0	1.3	1.3	0.0	-1.0	0.3	-1.3	5.3	-6.0	-0.4	0.6	-1.0	5.6	-5.7
GMO DGF	5.1	-0.1	5.2	1.1	3.9	-3.2	0.2	-3.3	5.2	-7.9	-0.7	1.0	-1.6	6.0	-6.3
Income															
Columbia Threadneedle Pension Property	1.2	2.1	-0.9	2.4	-1.1	-1.9	-1.0	-0.9	0.0	-1.9	1.8	2.3	-0.5	3.3	-1.5
Columbia Threadneedle Low Carbon Property	0.5	-0.8	1.3	-0.6	1.1	1.3	-8.3	10.5	-7.3	9.3	3.7	-2.0	5.8	-1.0	4.8
Churchill Senior Loans	-3.6	n/a	n/a	n/a	n/a	-3.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Permira Senior Loans	2.6	n/a	n/a	n/a	n/a	-1.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Protection															
BMO Bonds	2.4	1.7	0.7	2.0	0.5	10.3	9.3	1.0	10.3	0.1	6.2	5.5	0.6	6.5	-0.3
BlackRock Short Bond	0.2	0.0	0.2	0.0	0.2	0.8	0.4	0.4	0.4	0.4	n/a	n/a	n/a	n/a	n/a
Total	7.6	6.4	1.1			7.9	7.7	0.2			6.2	6.3	-0.1		

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

- *The London Collective Investment Vehicle, Invesco, GMO and BMO Funds have targets above that of their benchmarks. The table above shows both the Fund vs Benchmark and the Fund vs Target Return.*
- *Churchill and Permira have not provided performance figures for their Fund as the funds are still relatively new. The performance figures shown are estimated by Hymans Robertson based on the fund NAV and adjusted for capital contributions and distributions made. We will report on actual performance once these funds have sufficient track records. Please also note that we have not reported benchmark performance for either fund as it is to early to compare relative performance whilst the funds are still calling capital.*

Long term returns are calculated by rolling up historic quarterly returns and include the contribution of all current and historical mandates over the period. These include returns from funds held over the period which are no longer held by the Fund.

- This page includes manager/RI ratings and any relevant updates over the period.

Manager ratings

Mandate	Mandate	Date Appointed	Benchmark Description	Hymans Rating	RI
LCIV	World Equity	Jun-18	MSCI World Index Total Return +2%	Not Rated	Strong
BlackRock	World Equity	Jun-18	MSCI World Net Total Return 95% hedged	Preferred	Adequate
BlackRock LC	Low Carbon	Jun-18	MSCI World Low Carbon Index	Preferred	Adequate
BlackRock UK	UK Equity	Jun-18	FTSE All-Share	Preferred	Adequate
RBC	Emerging Markets	Dec-15	MSCI Emerging Markets	Preferred	Strong
Invesco	DGF	Dec-15	LIBOR 3m + 5%	Suitable	Not Rated
GMO	DGF	Sep-12	OECD CPI G7 (GBP) + 5%	Positive	Not Rated
Threadneedle TPEN	Property	Mar-04	MSCI UK Quarterly All Balanced Property Index +1%	Positive	Good
Threadneedle LCW	Low Carbon	May-16	MSCI UK Quarterly All Balanced Property Index +1%	Not Rated	Not Rated
Churchill	Senior Loans	Feb-19	US Credit Suisse Leveraged Loan Index	Not Rated	Not Rated
Permira	Senior Loans	Dec-19	-	Not Rated	Not Rated
BMO	Bonds	Sep-03	Bond Composite + 1%	Positive	Not Rated
BlackRock SDB	Bonds	Feb-19	3m GBP LIBID	Preferred	Good

Source: Investment Managers

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.

Source: Investment Managers

Market Background

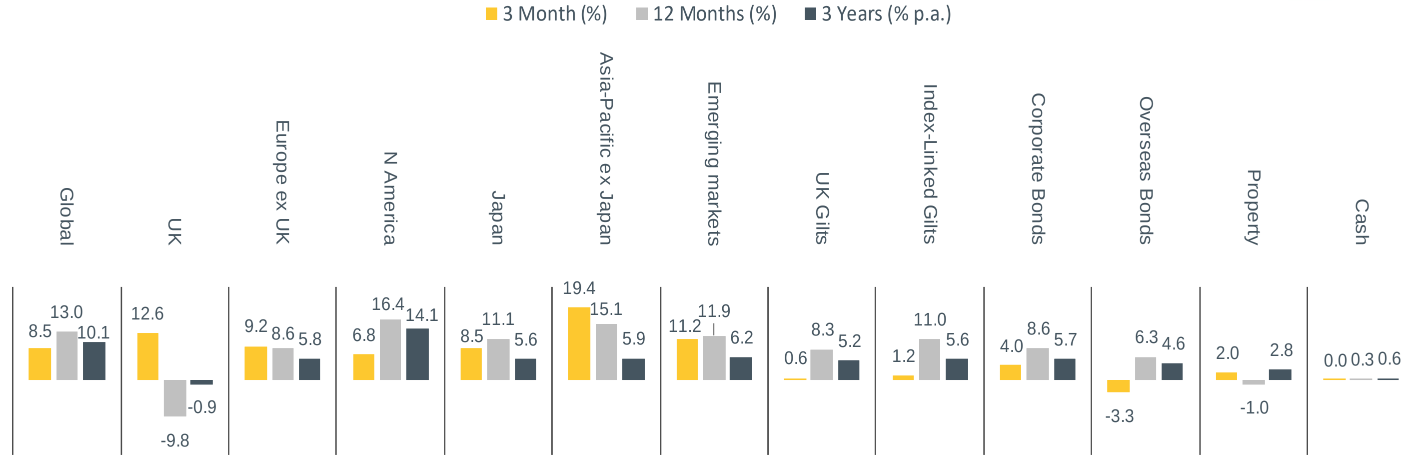
Q3 GDP releases show the initial rebound in activity was sharp as the major advanced economies emerged from lockdown but annualised falls in output have been significant. Composite PMIs suggest the UK and Eurozone economies ended 2020 on a weak note but the global equivalent remains at a level signalling expansion, supported by solid readings in the US, China and elsewhere. Though COVID-19 cases continue to rise at a global level, many advanced economies could potentially vaccinate a large proportion of their most vulnerable citizens in the first half of 2021.

UK headline inflation slowed more than expected falling from 0.7% in October to 0.3% year-on-year in November as restrictions to curb the spread of coronavirus were re-imposed.

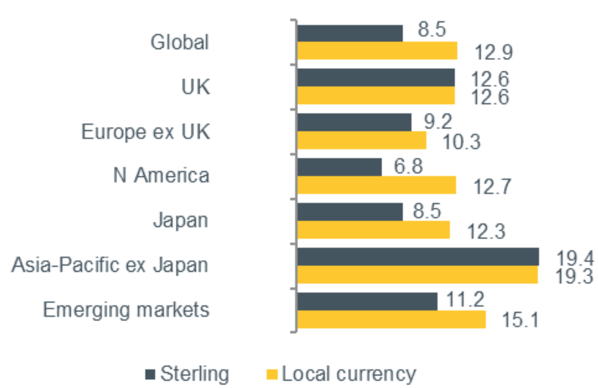
Despite hopes of economic recovery in 2021, government bond yields rose only modestly in the US and fell in the UK and Germany due to near-term economic weakness and central bank intervention. Implied inflation rose at longer terms despite the government's announcement that RPI will be aligned with CPIH from 2030. Global investment grade credit spreads fell from 1.4% p.a. to 1.0% p.a. and global speculative-grade spreads from 5.6% p.a. to 4.1% p.a., as lower rated credit outperformed higher quality.

Sterling was volatile as Brexit talks approached their conclusion, although it ended the period 1.9% higher in trade-weighted terms as the EU and UK reached a trade deal. In comparison, on a trade-weighted basis the US Dollar and Japanese Yen, both typically considered safe-haven currencies, fell 5.3% and 1.4% below end-September levels.

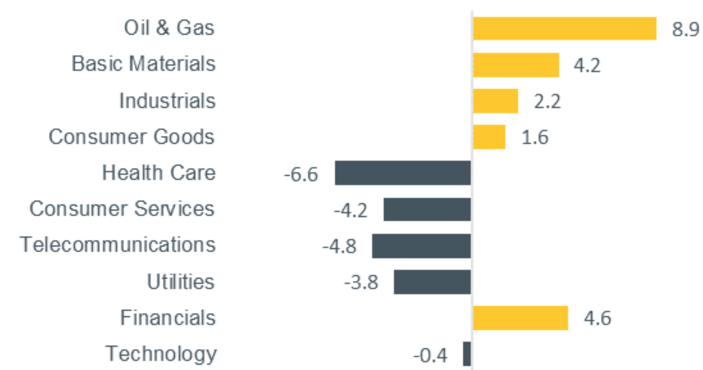
Historic returns for world markets [1]



Regional equity returns [2]



Global equity sector returns (%) [3]



[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property Index; UK Interbank 7 Day. [2] FTSE All World Indices [3] Relative to FTSE All World Indices.

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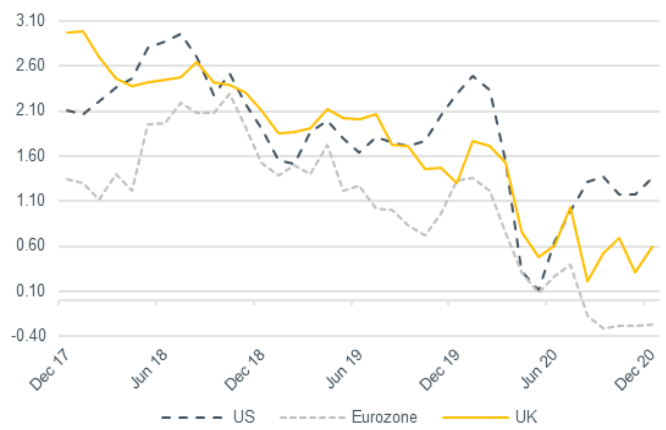
Market Background

After falling in October amid renewed restrictions to curb rapidly rising COVID-19 cases, positive vaccine news propelled equity markets higher, with the FTSE All World returning 12.9% in Q4. This news also caused some moderate rotation within global equities as areas of the market most impacted negatively by the pandemic outperformed. This was evident in the outperformance of cyclical sectors such as oil & gas, financials and materials and interconnectedly, styles such as value and smaller capitalisation stocks. Defensive areas such Healthcare, Utilities and Telecoms all underperformed.

From a regional perspective, Emerging market and Asia ex-Japan equities outperformed, both benefiting from renewed hopes of a cyclical recovery, a falling dollar and increasing global trade activity.

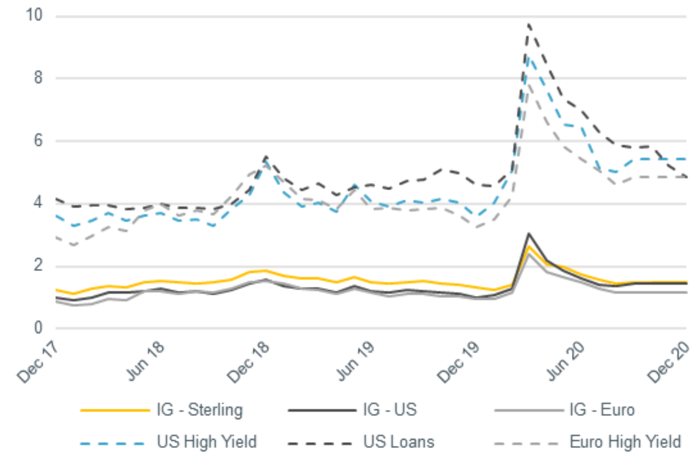
The rolling 12-month total return on the MSCI UK Monthly Property index was -1.9% to the end of November, although monthly total returns have now been positive since July. Capital values, in aggregate, have fallen 7.1% in the year to November, predominantly due to a 17.9% fall in the retail sector, where capital values continue to decline sharply.

Annual CPI Inflation (% p.a.)



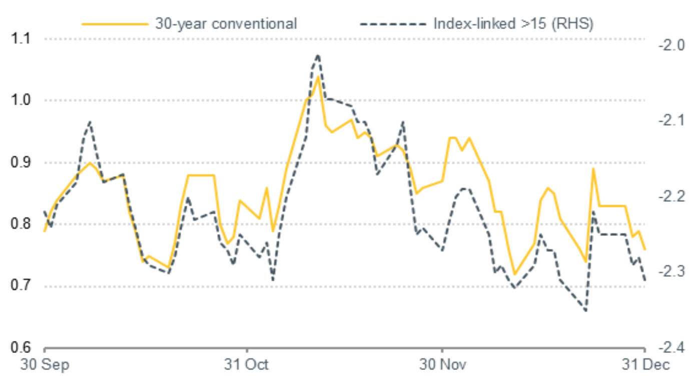
Higher CPI inflation can lead to higher income on CPI-linked assets like property, but will also lead to higher benefit payments

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



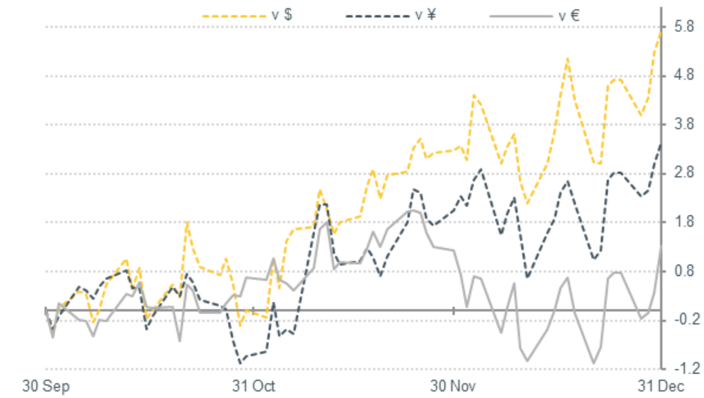
Funds which have exposure to commodities will benefit when the prices go up.

Gilt yields chart (% p.a.)



Gilt (UK government bond) yields are often used as a basis for valuing liabilities. When gilt yields increase the value of the liabilities decreases, as does the value of any bonds held by the Fund.

Sterling trend chart (% change)



Funds invested in unhedged overseas assets are exposed to exchange rate risks. If the Sterling strengthens against other currencies the value of unhedged overseas investments will increase.

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.