London Borough of Islington

Report to 31st March 2022

MJ Hudson

JUNE 2022

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Fund Manager Overview

Table 1 provides an overview of the external managers, in accordance with the Committee's terms of reference for monitoring managers.

TABLE 1:

MANAGER	LEAVERS, JOINERS AND DEPARTURE OF KEY INDIVIDUALS	PERFORMANCE	ASSETS UNDER MANAGEMENT
M&G Alpha Opportunities Fund	Not reported by the manager.	The Fund made a loss of -0.64% over Q1 2022, under the benchmark return by –1.60%.	The fund size was £10.88 billion as at end March. London Borough of Islington's investment amounts to 0.70% of the fund.
LCIV Global Equity Fund (Newton) (active global equities)	Charles French, one of the Managers of the sub-fund, has left Newton. Paul Markham has taken over from Charles, and is supported by Simon Nichols, both of whom have been at Newton for over 20 years. The fund should be monitored closely over the coming quarters while these team changes bed in.	The LCIV Global Equity Fund underperformed its benchmark during Q1 2022 by -1.83%. Over three years the portfolio underperformed the benchmark by -0.09% and is under the performance target of benchmark +1.5% p.a. Over five years it remains ahead of the benchmark by +0.28% p.a., however.	At the end of Q1 2022, the London CIV sub-fund's assets under management were £747.4m. London Borough of Islington owns 43.09% of the sub-fund.

MANAGER	LEAVERS, JOINERS AND DEPARTURE OF KEY INDIVIDUALS	PERFORMANCE	ASSETS UNDER MANAGEMENT
LCIV Sustainable Equity Fund (RBC) (active global equities)	None reported by LCIV.	Over Q1 2022 the fund made a loss of -8.5%, this underperformed the benchmark return of -6.07%. The one-year return was +9.04%, strong in absolute terms but behind the benchmark by -6.35%. The fund does not yet have a three-year track record.	As at end March the sub- fund's value was £1,344 million. London Borough of Islington owns 13.41% of the sub-fund.
BMO/LGM (active emerging equities)	No staff changes reported by BMO. BMO Global Asset Management became part of Columbia Threadneedle Investments in November 2021 and will be changing its name in July 2022.	Underperformed the benchmark by -3.25% in the quarter to March 2022. The fund is behind over three years by -3.9% p.a.	Not reported.
Standard Life (corporate bonds)	There were 19 joiners and 10 leavers during the quarter. Two joiners and one leaver were in the Fixed Income Group.	The portfolio underperformed the benchmark return during the quarter by -0.09%, delivering an absolute loss of -6.28%. Over three years, the fund was ahead of the benchmark return (by +0.37% p.a.) but behind the performance target of +0.80% p.a.	As at end March the fund's value was £2,208 million. London Borough of Islington's holding of £133.7m stood at 6.1% of the total fund value.

MANAGER	LEAVERS, JOINERS AND DEPARTURE OF KEY INDIVIDUALS	PERFORMANCE	ASSETS UNDER MANAGEMENT
Aviva (UK property)	There were no team changes during Q1 2022.	Outperformed against the gilt benchmark by +11.81% for the quarter to March 2022 and outperformed the benchmark over three years by +9.22% p.a., delivering a return of +8.61% p.a., net of fees.	The fund was valued at £3.65 billion as at end Q1 2022. London Borough of Islington owns 4.1% of the fund.
Columbia Threadneedle (UK property)	Four joiners and one leaver in Q1. One of the new appointments, George Greenaway, has joined the TPEN Property team as an asset manager.	The fund underperformed the benchmark in Q1 2022, with a quarterly return of +4.06% compared with +5.62%. Over three years, the fund is underperforming the benchmark by -2.5% p.a.	Pooled fund has assets of £2.33 billion. London Borough of Islington owns 4.47% of the fund.
Legal and General (passive equities)	Not reported by LGIM.	Funds are tracking as expected.	The funds have a combined assets under management of £2.08 billion at end December 2021 (most recent data available).

MANAGER	LEAVERS, JOINERS AND DEPARTURE OF KEY INDIVIDUALS	PERFORMANCE	ASSETS UNDER MANAGEMENT
Franklin Templeton (global property)	Information not received at the time of going to print.	The portfolio return over three years was +4.39% p.a., and so behind the target of 10% p.a. although over 5 years the fund is still +0.29% p.a. ahead of the target return.	£542.6 million of assets under management for the real estate group as at end September 2021 (latest figures reported).
Hearthstone (UK residential property)	There were no team changes during Q1 2022.	The fund underperformed the IPD UK All Property Index by -4.75% in Q1. Additionally, it is trailing the IPD benchmark over three years by -5.90% p.a. to end March 2022.	Fund was valued at £72.8m at end Q1 2022. London Borough of Islington owns 39.4% of the fund.
Schroders (multi-asset diversified growth)	There were no team changes during Q1 2022.	Fund made a loss of -2.61% during the quarter and delivered a return of +6.43% p.a. over 3 years, -2.87% p.a. behind the target return.	Total AUM stood at £716.9 billion as at end September 2021, up from £700.4 billion as at end June 2021.

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MANAGER	LEAVERS, JOINERS AND DEPARTURE OF KEY INDIVIDUALS	PERFORMANCE	ASSETS UNDER MANAGEMENT
Quinbrook (renewable energy infrastructure)	Two joiners in the US office and one leaver from the UK finance team.	For the three years to Q1 2022 the fund returned +11.45%, just short of the annual target return of +12.00%.	
Pantheon (Private Equity and Infrastructure Funds)	Not reported.	The private equity fund returned +5.94% p.a. over three years, and +16.77 p.a. over five years. The infrastructure fund returned +8.38% p.a. over three years to end March.	

Source: MJ Hudson

Minor Concern

Major Concern

Individual Manager Reviews

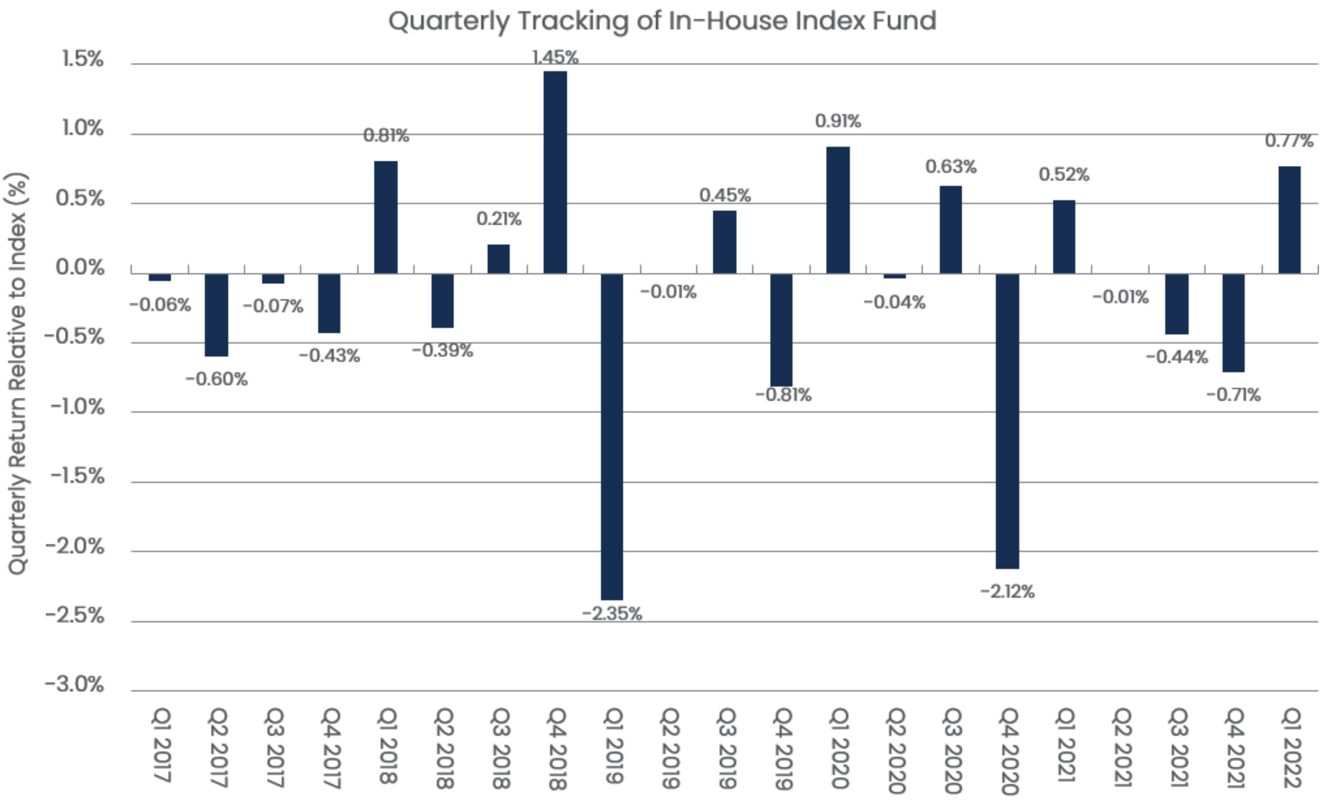
In-house – Passive UK Equities – FTSE UK Low Carbon Optimisation Index

Headline Comments: At the end of Q1 2022 the fund returned +1.26% for the quarter, compared to the FTSE All-Share index return of +0.49%. Over three years the fund has returned +5.21% p.a., behind the FTSE All-Share Index by -0.1%.

Mandate Summary: A UK equity index fund designed to match the total return on the UK FTSE All-Share Index. In Q3 2017, the fund switched to tracking the FTSE UK Low Carbon Optimisation Index. This Index aims to deliver returns close to the FTSE All-Share Index, over time. The in-house manager uses Barra software to create a sampled portfolio whose risk/return characteristics match those of the low carbon index.

Performance Attribution: Chart 2 shows the quarterly tracking error of the in-house index fund against the FTSE All-Share Index over the last five years. There are no performance issues although the new mandate is resulting in wider deviations quarter-on-quarter since the transition to the low carbon fund. Over three years, the portfolio underperformed its three-year benchmark by -0.1% p.a.

CHART 2:



Source: MJH; BNY Mellon

M&G – Alpha Opportunities Fund

Headline Comments: This is a relatively new allocation for the pension fund, with proceeds from the equity protection strategy being invested in a Multi Asset Credit fund managed by M&G. During Q1 2022 the M&G Alpha Opportunities Fund made a loss of -0.64%, underperforming the benchmark return of +0.96%.

Mandate Summary: A Multi Asset Credit fund, in which M&G aims to take advantage of opportunities in public and private credit markets by identifying fundamental value across securities and credit asset classes. In periods when the fund is not being sufficiently compensated for taking risk, the manager seeks to protect capital through allocating to low-risk asset classes. The objective of the fund is to deliver a total return of one month Libor / Euribor +3-5% per annum, gross of fees, over a full market cycle.

Performance Attribution: During the quarter, the fund made a loss of -0.64% compared to the benchmark return (one month Libor plus 3.5% being used in Northern Trust's performance analysis) of +0.96%. Exposure to industrial corporate bonds was the top detractor, with financial corporate bonds and yield curve & currency hedging also performing poorly.

Portfolio Characteristics: The largest allocations in the portfolio were to industrials (32%), Securitised Assets (16%) and Financials (14%). Net cash and derivatives account for 17%. 41% of the portfolio was rated BB* or below. The manager continues to focus on reducing the level of risk in the fund, believing that credit markets are overvalued. As a result, Schroders intend to remain defensively positioned.

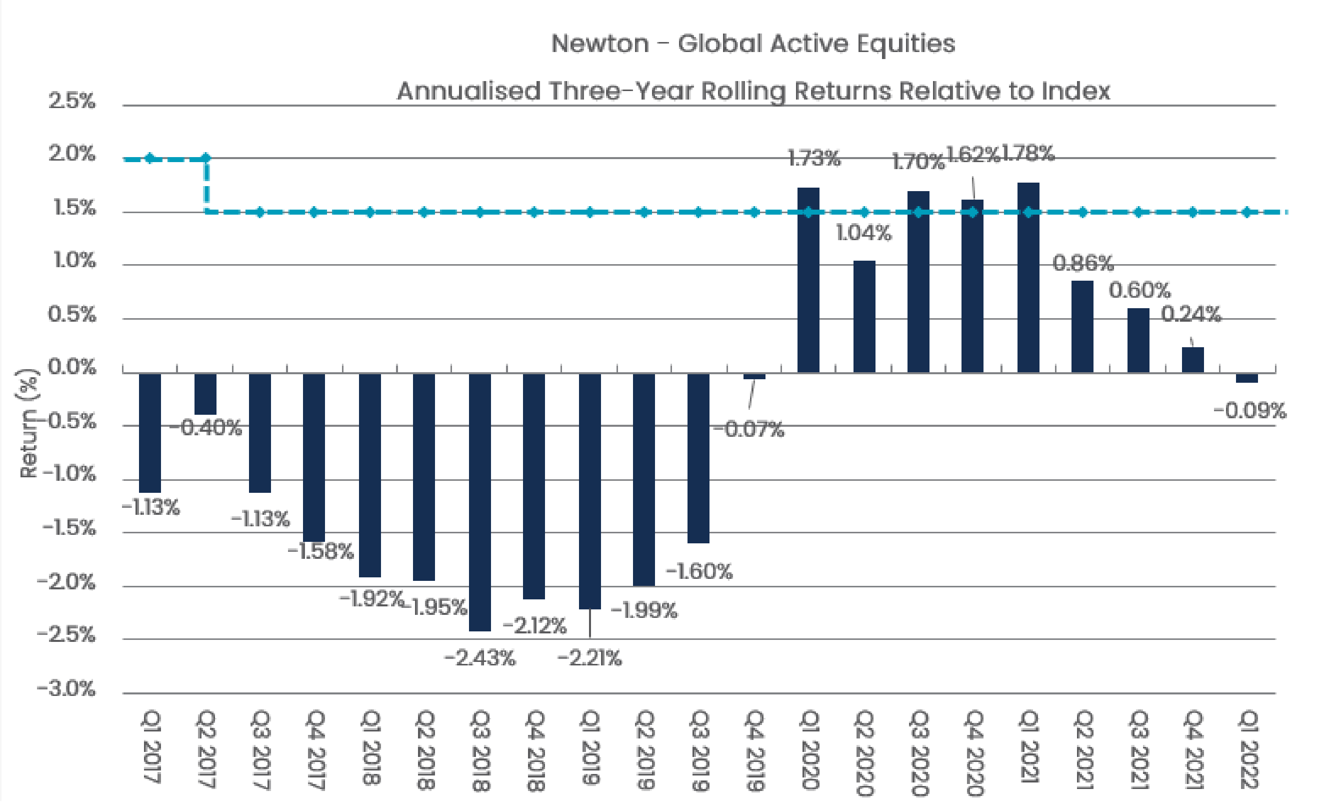
LCIV Global Equity Fund (Newton) – Global Active Equities

Headline Comments: The LCIV Global Equity Fund underperformed its benchmark during Q1 2022 by -1.83%. Over three years the portfolio underperformed the benchmark by -0.09% p.a.

Mandate Summary: An active global equity portfolio. Newton operates a thematic approach based on 12 key themes that they believe will impact the economy and industry. Some are broad themes that apply over the longer term; others are cyclical. Stock selection is based on the industry analysts' thematic recommendations. The objective of the fund since 22nd May 2017 is to outperform the FTSE All-World Index by +1.5% p.a. over rolling three-year periods, net of fees.

Performance Attribution: Chart 3 shows the three-year rolling returns of the portfolio relative to the benchmark (the navy bars) and compares this with the performance target, shown by the blue dotted line.

CHART 3:



Source: MJH; BNY Mellon

Chart 3 shows that the level of outperformance over three years has been falling since Q1 2021, when the fund was ahead of the benchmark by +1.78% p.a. By Q1 2022 the fund has underperformed the benchmark over three years by -0.09%. This means it underperformed the performance objective by -1.59% p.a. (the performance objective is shown by the dotted line and dropped in May 2017 when the assets transferred into the London CIV sub-fund).

Positive contributions to the total return came from holdings such as Royal Dutch Shell plc (+0.37%), Bayer (+0.26%), and Exelon Corp Com (+0.23%). Negative contributions came from holdings including Accenture (-0.46%), Sony (-0.41%), and Ferguson (-0.41%).

In its peer group analysis, the London CIV reported that Newton has consistently delivered returns in the middle range over the shorter and longer term. Over the past three years period the risk has been in the bottom quartile. (i.e. lower risk than its peers).

Portfolio Risk: The active risk on the portfolio stood at 3.60% as at quarter end, slightly higher than as at end December when it stood at 3.13%. The portfolio remains defensive, with the beta on the portfolio at end March standing at 0.91, broadly in line with the previous quarter (0.92). (if the market increases by +10% the portfolio can be expected to rise +9.2%).

At the end of Q1 2022, the London CIV sub-fund's assets under management were £747.4m, compared with £781.9m last quarter. London Borough of Islington now owns 43.09% of the sub-fund.

Portfolio Characteristics: The number of stocks in the portfolio stood at 55 as at quarter-end (three down from last quarter). The fund added five positions including: Exelon, Astrazeneca, and Lvmh (Louis Vuitton Moet Hennessy). Newton completed eight sales, including Unilever Plc and Suzuki Motor.

The manager invests on the basis of selected themes which evolve over time. As at March 2022, Newton favoured "Net Effects" (a concept built around the impact of modern technology) and Healthy Demand (affordable healthcare for aging populations). As a result, the portfolio is heavily weighted to Technology (an allocation of 26%) and Healthcare (13%).

In Q1 2022, LCIV reported that the Newton sub fund had a weighted average carbon intensity of just less than half that of the benchmark index (the MSCI World Index). The highest contributor was Heineken N.V. (0.24% contribution to the weighted average carbon intensity).

The Manager has a generally cautious view about companies in the oil and gas sector, and the outlook for energy companies, and has therefore been underweight in the sector for at least the last 10 years. This hurt performance in Q1 as energy company stock prices rose amid the Ukraine crisis. Shell was the only energy holding in the LCIV portfolio, representing c.1.2% of the portfolio as at end December 2021, so this position did contribute positively to performance in Q1, at least.

Staff Turnover: Charles French, one of the Managers of the sub-fund, has left Newton, after a 21-year career at Newton. Paul Markham has taken over from Charles French, and is supported by Simon Nichols, both of whom have been at Newton for over 20 years. Markham and Nichols will ensure continuity in the application of the investing processes, including the Responsible Investing elements, used to manage the LCIV Global Equity Fund. Yuko Takano has also left Newton's Opportunities team. He was focused on sustainable and thematic strategies at Newton and was not directly involved in the management of the LCIV Global Equity Fund. These changes are worth noting, and the fund's performance should be monitored closely, going forward, until the staff changes have bedded in.

LCIV Sustainable Equity Fund (RBC) – global equities

Headline Comments: Over Q1 2022 the fund made a loss of -8.5%. This underperformed the benchmark return by -6.07%. The one-year return was +9.04%, strong in absolute terms but still behind the benchmark by -6.35%. The fund does not yet have a three-year track record. Islington's investment makes up 13.41% of the total fund (source: LCIV).

Mandate Summary: A global equities fund that considers environmental, social and governance factors. The fund aims to deliver, over the long term, a carbon footprint which is lower than that of the MSCI World Index Net (Total Return). The fund also aims to achieve capital growth by outperforming the MSCI World Index Net (Total Return) by 2% per annum net of fees annualised over rolling three-year periods.

Performance Attribution: The fund experienced one of its worst quarter's performance since the inception of the LCIV sub-fund, as the market responded to the Ukraine crisis with a flight to safety. The portfolio has overweight allocations to the financial, healthcare, and consumer staples sectors. Over the quarter the largest contributors to return included Equinor Asa (+0.74%), T-Mobile US (+0.33%), and Unitedhealth Group (+0.31%). The largest detractors include Ecolab (-0.90%), Industria De Diseno Textil (-0.89%), and Estee Lauder Cos (-0.85%).

The London CIV is now comparing managers against their peer group and reported that RBC is performing very well over the long term. This has been achieved whilst taken only average risk, when compared with peers. However, 2021 has been challenging, ranking at the third quartile for its peer group for the year to end December 2021 (most recent data available).

Portfolio Characteristics: As at end of March 2022 the fund had 37 holdings across 15 countries. The active risk of the fund was 3.79%.

London CIV report that the fund has sustained its "anti-value" stance and continues to favour quality companies with low gearing.

In Q1 2022, LCIV reported that the RBC sub fund had a weighted average carbon intensity of 80% that of the benchmark index (the MSCI World Index) which is an increase from last quarter (57%). The highest contributors were InterContinental Hotels Group plc (excluding this holding from the portfolio would reduce the weighted average carbon intensity by 0.17%), Orsted (0.15%) and PepsiCo Inc (0.10%).

BMO/LGM – Emerging Market Equities

Headline Comments: The portfolio made a loss of -7.5% in Q1 2022, compared with the benchmark loss of -4.25%, an underperformance of -3.25%. Meanwhile, over one year the fund is ahead of the benchmark by +2.79%, and over three years it is trailing by -3.90% per annum. The frontier markets portfolio previously held has now been closed, as such reporting on BMO now only discusses the emerging markets component.

Mandate Summary: Following the closure of their frontier markets fund, the manager now only invests in a selection of emerging market equities, with a quality and value, absolute return approach. The aim is to outperform the MSCI Emerging Markets Index by at least 3% p.a. over a three-to-five-year cycle.

Performance Attribution: The Portfolio underperformed the index in the quarter, and the performance continued to be volatile, with the Russian invasion of Ukraine and the increasing number of COVID lockdowns in China. While some countries saw gains, others struggled in Q1.

Brazil and Middle Eastern markets were stand out performers, but unfortunately BMO had limited exposure to these markets. It also had a high exposure to China/Hong Kong, which detracted from performance. It does however have a large exposure to India and Indonesia, which performed well.

During the quarter, the largest positive contributors to the quarterly relative return came from Wal Mart De Mexico SAB De CV (+0.9%), Gazprom PJSC (+0.7%), and BK central Asia (+0.6%). Companies which detracted most from performance included Moscow Exchange Micex-RTS OAO (MOEX) (-3.0%), Win Semiconductors Corp (-0.7%), and Hong Kong Exchanges And Clearing (-0.6%). Given that the Russian market is still not trading openly, the manager has reported that they cannot take any action on MOEX. They continue to assess the situation. As at end February, when the stock market initially closed, the holding constituted around 2% of their portfolio.

Over one year, the fund has outperformed the benchmark by +2.79%.

Portfolio Risk: Within the emerging markets portfolio there is a 11.2% allocation to non-benchmark countries (excluding holding in Cash & Equivalents). The largest overweight country allocation in the emerging markets portfolio remained India (+13.2% overweight). The most underweight country allocation was South Korea (-8.1%).

Portfolio Characteristics: The portfolio held 40 stocks as at end March compared with the benchmark which had 1,399. The largest absolute stock position was TSMC at 8.0% of the portfolio, while the largest absolute country position was China/HK and accounted for 32.0% of the portfolio.

Staff Turnover/Organisation: BMO Global Asset Management EMEA (including LGM Investments) became part of Columbia Threadneedle Investments, the global asset management business of Ameriprise in November 2021. From July, following a period of integration, the branding will switch to sit under the Columbia Threadneedle banner. There were no staff changes reported for Q1 2022.

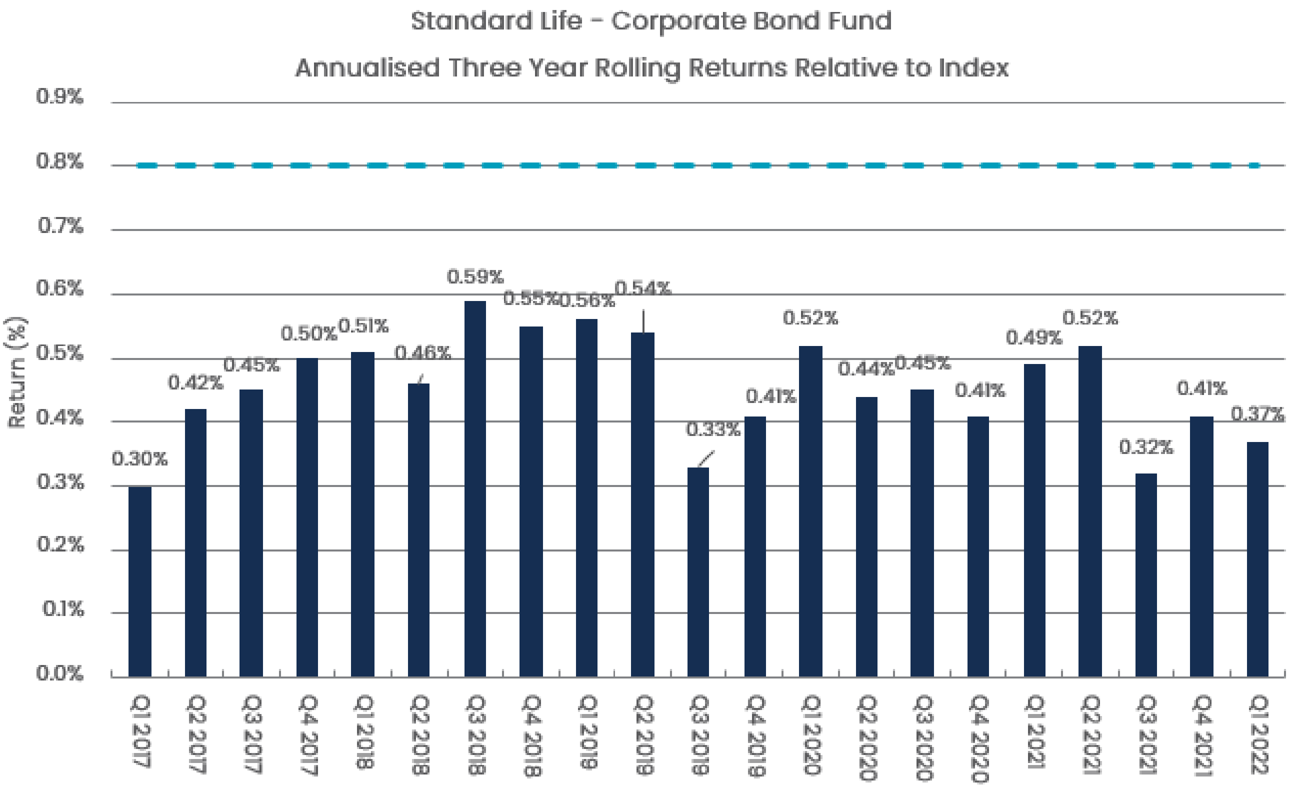
Standard Life – Corporate Bond Fund

Headline Comments: The portfolio underperformed the benchmark return during the quarter by -0.09%, with an absolute loss of -6.28%. Over three years, the fund was ahead of the benchmark return (by +0.37% p.a.) but behind the performance target of benchmark +0.80% p.a.

Mandate Summary: The objective of the fund is to outperform the iBoxx Sterling Non-Gilt Index (a UK investment grade bond index) by +0.8% p.a. over rolling three-year periods.

Performance Attribution: Chart 4 shows the three-year performance of the Corporate Bond Fund compared to the Index, over the past five years. This shows the fund continues to be ahead of the benchmark over three years but has been trailing the performance objective for some time (shown by the dotted line in Chart 4).

CHART 4:



Source: MJH; BNY Mellon

Over three years, the portfolio has returned +1.32% p.a. net of fees, compared to the benchmark return of +0.95% p.a. Over the past three years, asset allocation has added +0.12% value, meanwhile stock selection has added +0.35%.

Portfolio Risk: The largest holding in the portfolio at quarter-end was European Investment Bank 5.625% 2032 at 2.9% of the portfolio. The largest overweight sector position was financials (+3.7% relative) and the largest underweight position is Supranational (-6.5%). The fund holds 2.2% of the portfolio in non-investment grade (off-benchmark/BB and below) bonds.

Portfolio Characteristics: The value of Standard Life's total pooled fund at end March 2022 stood at £2,208 million. London Borough of Islington's holding of £133.7m stood at 6.1% of the total fund value.

Staff Turnover: There were 19 joiners and 10 leavers during the quarter. Two joiners were into the fixed income group; one Commercial Real Estate Lending Analyst, and one Manager in

Commercial Real Estate Lending. There was one leaver from the fixed income group: Matthew Guzzo, an Investment Director.

Aviva Investors – Property – Lime Property Fund

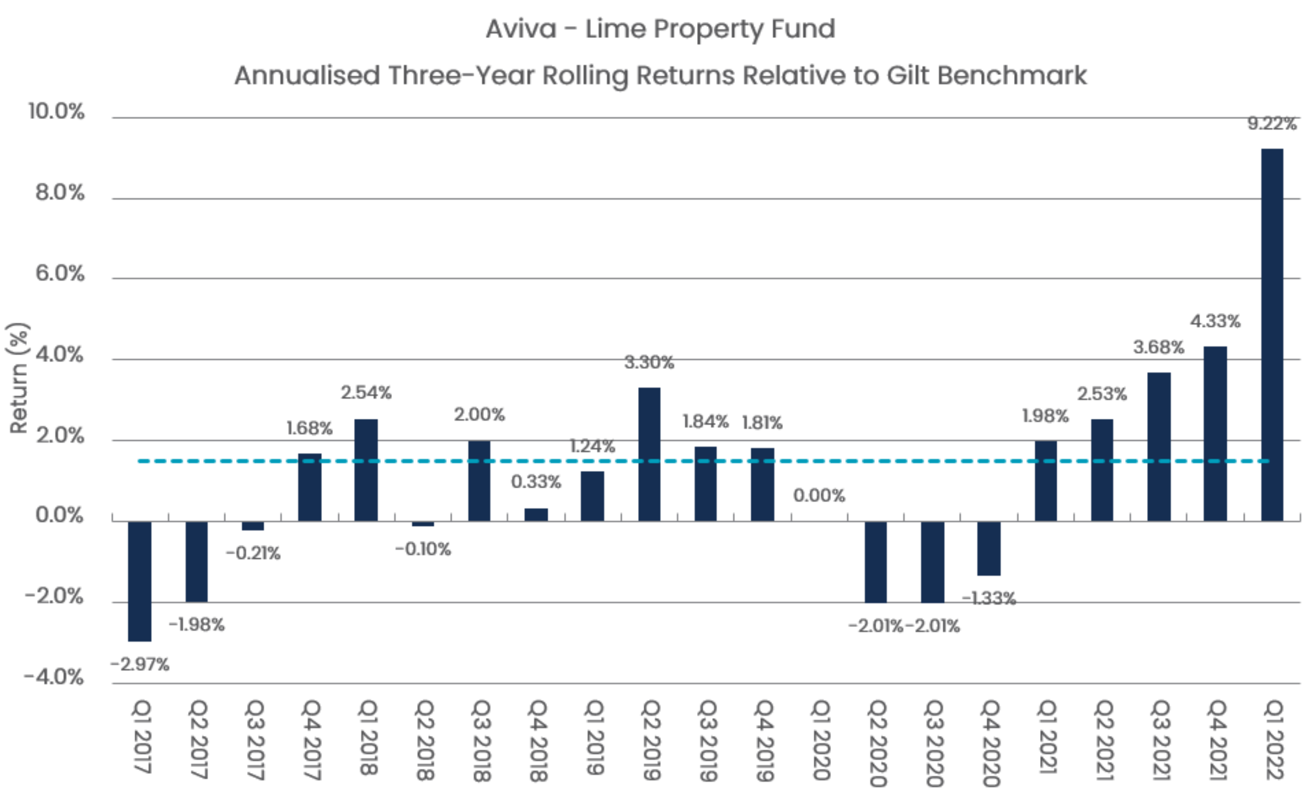
Headline Comments: The Lime Fund delivered another quarter of steady and positive absolute returns, it outperformed the fund benchmark return, with an overperformance of +11.81% in Q1. Over three years, the fund is ahead of the benchmark return by +9.22% p.a., with a particularly strong one-year outperformance of +19.73%.

Mandate Summary: An actively managed UK pooled property portfolio, the Lime Fund invests in a range of property assets including healthcare, education, libraries, offices and retail. The objective of the fund is to outperform a UK gilt benchmark, constructed of an equally weighted combination of the FTSE 5-15 Years Gilt Index and the FTSE 15 Years+ Gilt Index, by +1.5% p.a., over three-year rolling periods.

Performance Attribution: The fund's Q1 2022 return was attributed by Aviva to +2.35% capital return and +0.81% income return.

Over three years, the fund has returned +8.61% p.a., considerably ahead of the gilt benchmark of -0.61% p.a., and ahead of its outperformance target of +1.5% p.a., as can be seen in Chart 5.

CHART 5:



Source: MJH; BNY Mellon

Over three years, 45% of the return came from income and 55% from capital gain.

Portfolio Risk: within the MSCI quarterly index of UK real estate funds, the Lime Fund is the least volatile fund over the short, medium and long term. There were no transactions reported this quarter. The Manager continues to make progress towards investing new committed capital in three off-market transactions under an exclusive arrangement, which look likely to close in the next 6 months.

The average unexpired lease term was 21.3 years as at end March 2022. 10.9% of the portfolio's lease exposure in properties is in 30+ year leases, the largest sector exposure remains offices at 26.21% (proportion of current rent), and the number of assets in the portfolio is 88. The weighted average tenant credit quality rating of the Lime Fund remained at BBB+ this quarter.

Portfolio Characteristics: As at March 2022, the Lime Fund had £3.66 billion of assets under management, an increase of £162 million from the previous quarter end. London Borough of Islington's investment represents 4.1% of the total fund.

Staff Turnover/Organisation: There were no significant departures in Q1 2022.

It is worth noting that the Fund has joined the Association of Real Estate Funds (AREF) UK Long Income Open Ended Property Fund Index. This is a Long Income Index with nine funds run on a similar basis, totalling over £14 billion. This will be another useful reference point for assessing whether the manager is delivering best value to London Borough of Islington.

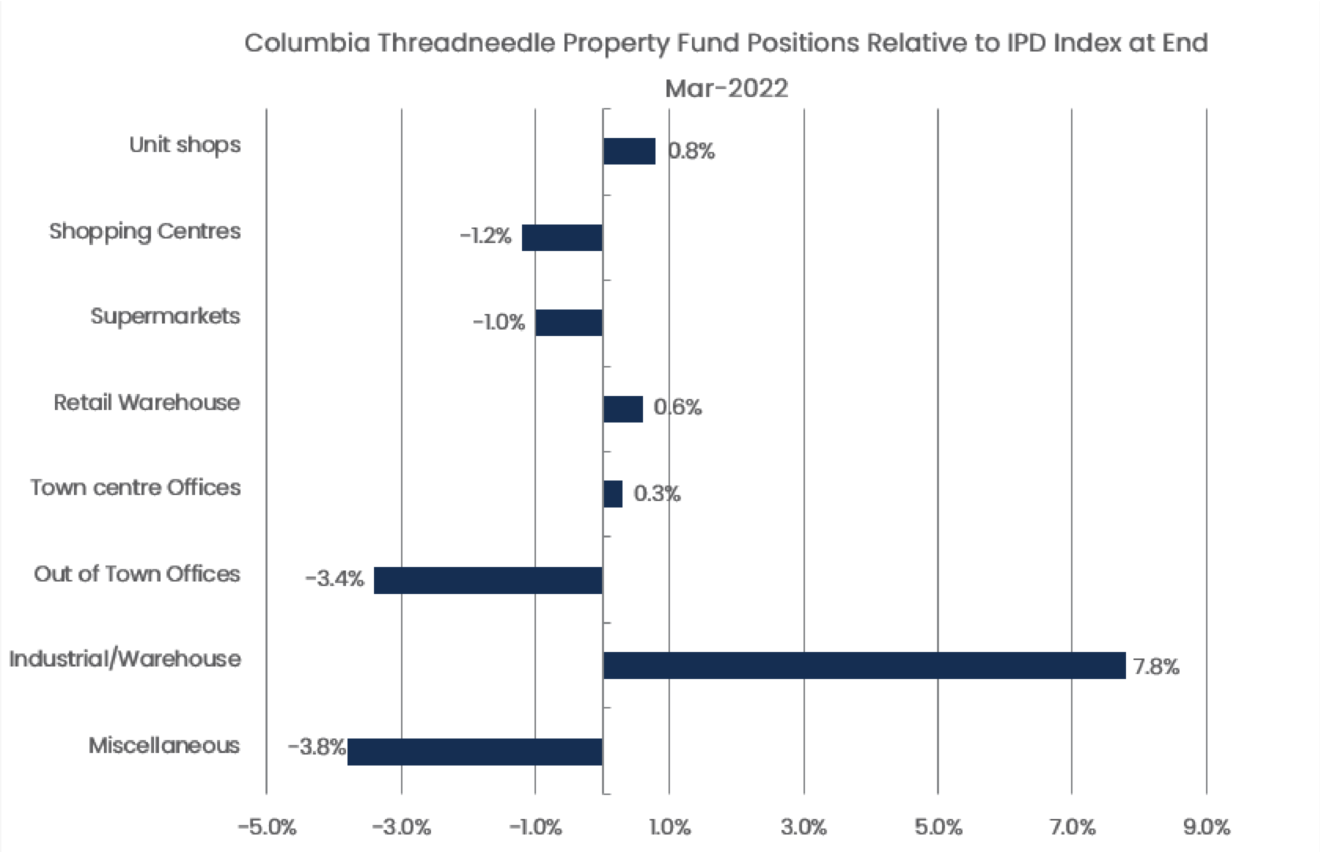
Columbia Threadneedle – Pooled Property Fund

Headline Comments: The fund underperformed the benchmark in Q1 2022, with a quarterly return of +4.06% compared to +5.62% (source: Columbia Threadneedle). Over three years, the fund underperformed the benchmark by -2.50% (source: Columbia Threadneedle) and as such is behind the performance target of +1.0% p.a. above benchmark.

Mandate Summary: An actively managed UK commercial property portfolio, the Columbia Threadneedle Pooled Property Fund invests in a diversified, multi-sector portfolio of UK property assets. Its performance objective is to outperform the AREF/IPD All Balanced – Weighted Average (PPFI) Index by at least 1.0% p.a., net of fees, on a rolling three-year basis.

Portfolio Risk: Chart 6 shows the relative positioning of the fund compared with the benchmark.

CHART 6:



Source: MJH; Columbia Threadneedle

During the quarter, the fund made five acquisitions and two sales. The acquisitions include a multi-asset portfolio, the majority of which comprises retail and industrial warehouses, and a purpose built three-unit retail park within a retail warehouse cluster. These acquisitions increase the fund's exposure to retail and industrial warehouses.

The cash balance at end March was 7.1%. This is in line with the target liquidity parameters, following cash levels marginally higher than target levels in the last quarter.

Performance Attribution: The fund underperformed the benchmark in Q1 2022, with a quarterly return of +4.06% compared to +5.62% (source: Columbia Threadneedle). Over three years, the fund underperformed the benchmark by -2.50% (source: Columbia Threadneedle) and as such is behind the performance target of +1.0% p.a. above benchmark.

Portfolio Characteristics: As at end March 2022, the fund was valued at £2.33bn, an increase of £67m from the fund's value in December 2021. London Borough of Islington's investment represented 4.47% of the fund.

Staff Turnover: In Q1 2022, there were four joiners into the Property team, one of whom is an Asset Manager into the TPEN Property team. There has been one departure from the wider Property team.

Legal and General Investment Management (LGIM) – Overseas Equity Index Funds

Headline Comments: The two passive index funds were within the expected tracking range when compared with their respective benchmarks. Both FTSE-RAFI Emerging Markets and MSCI World Low Carbon Target index funds performed in line with their benchmarks in Q1.

Mandate Summary: Following a change in mandate in June 2017, the London Borough of Islington now invests in two of LGIM's index funds: one is designed to match the total return on the FTSE-RAFI Emerging Markets Equity Index; the second is designed to match the total return on the MSCI World Low Carbon Target Index. The MSCI World Low Carbon Target is based on capitalisation weights but tilting away from companies with a high carbon footprint. The FTSE-RAFI Index is based on fundamental factors.

Performance Attribution: The MSCI World Low Carbon index fund tracked its benchmark as expected, as shown in Table 2. The Low Carbon index returned -2.54% which was behind the full World Index return of -2.32% as energy companies outperformed.

TABLE 2:

	Q1 2022 FUND	Q1 2022 INDEX	TRACKING
FTSE-RAFI Emerging Markets	0.09%	0.12%	+0.03%
MSCI World Low Carbon Target	-2.54%	-2.53%	-0.01%

Source: LGIM

Portfolio Risk: The tracking errors over three years are all within expected ranges. The allocation of the portfolio, as at quarter end, was 84.31% to the MSCI World Low Carbon Target index fund, and 15.69% allocated to the FTSE RAFI Emerging Markets index fund.

Staff Turnover/Organisation: Not reported by LGIM.

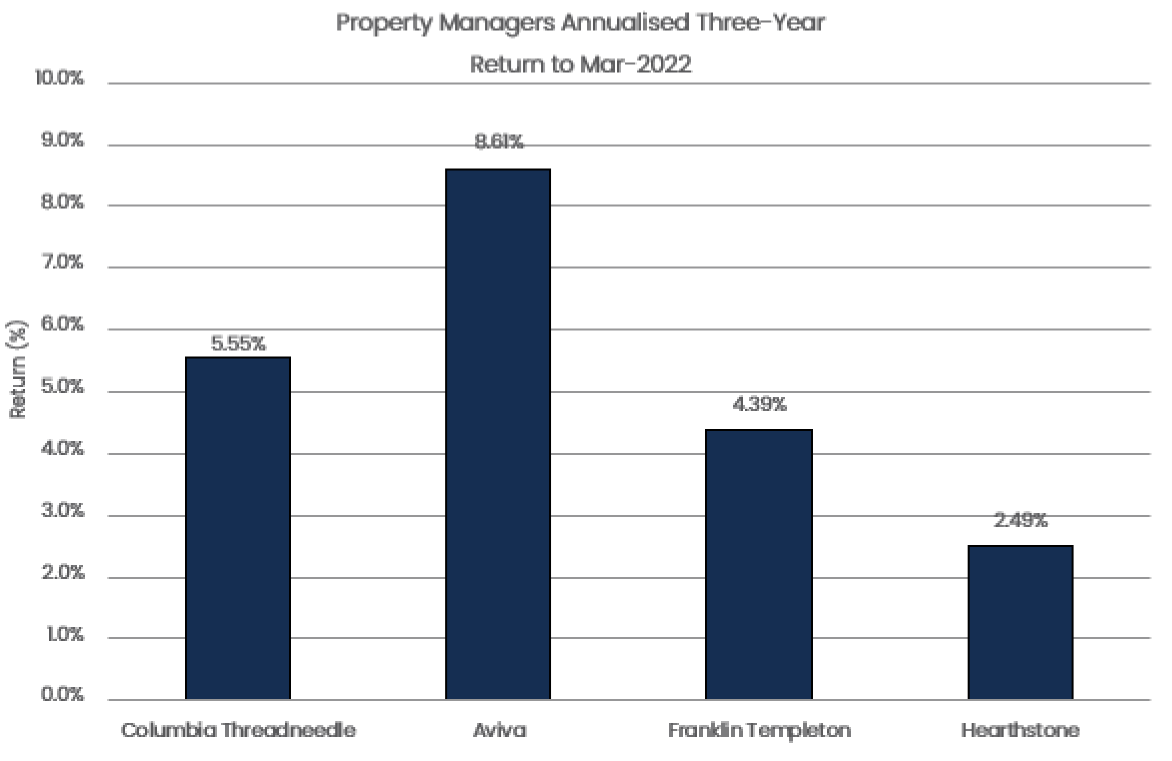
Franklin Templeton – Global Property Fund

Headline Comments: This is a long-term investment and as such a longer-term assessment of performance is recommended. There are now three funds in which London Borough of Islington invests. The portfolio in aggregate underperformed the absolute return benchmark of 10% p.a. over three years by -5.61% p.a.

Mandate Summary: Three global private real estate fund of funds investing in sub-funds. The performance objective is an absolute return benchmark over the long term of 10% p.a.

Performance Attribution: Over the three years to March 2022, Aviva is the best performing fund across all four property managers, overtaking Franklin Templeton who have held the top position for a considerable amount of time. Chart 7 compares their annualised three-year performance, net of fees.

CHART 7:



Source: MJH; Columbia Threadneedle

Portfolio Risk: Fund I continues to be in its harvesting phase. Ten of the underlying Funds in the portfolio have now been fully realised, with four remaining, and total distributions to date have been US$494.8 million, or 155% of total Fund equity. The Fund's use of leverage was at 44% for the quarter.

The largest remaining allocation in Fund I is to the US (53% of funds invested), followed by Italy (21%), Spain (15%) and UK (11%). As the fund distributes, the geographic exposure is likely to become increasingly concentrated.

Of all the underlying funds (realised and unrealised), three have performed well ahead of expectations, five were above expectations, four were on target and two were below expectations, Sveafastigheter III and Lotus Co-Investment (Both have now been fully liquidated).

Fund II is now fully invested in a diverse mix of property sectors including office, retail and industrial uses. There have been no changes in the level of distributions from end June 2021, and so as at end March 2022, 85.0% of committed capital had been distributed. Leverage rose from 55% to 57% between end June 2021 and end March 2022. The manager notes that the pandemic has led to some delays in implementing business plans.

The largest geographic allocation in Fund II is to Italy (57% of funds invested), followed by the US (33%), China (5%), Hong Kong (4%), and Spain (1%).

Of all the underlying funds (realised and unrealised), three of the underlying funds are performing well ahead of expectations, two are above expectations, three are on target, and two are below target. The funds that are below target are Mistral Napoleon, which has seen delays incurred in the leasing space, and Alphabet, whose performance has been impacted by one of the tenants declaring bankruptcy.

Fund III continues to invest in a diverse mix of property sectors including residential, retail, industrial and office uses. There have been no changes in the level of distributions over the period. In Q1 2022, the fund made one realization, Alpine, and added one new investment, a multifamily apartment project in Dallas, Texas. The largest geographic allocation in Fund III is currently the US (61% of funds invested), followed by Europe (39%).

The realized investment performed well ahead of expectations. Of the unrealised funds, three are performing in line with expectations, and three are too early to assess.

Staff Turnover/Organisation: not received at the time of going to print.

Hearthstone – UK Residential Property Fund

Headline Comments: The portfolio underperformed the benchmark for the quarter ending March 2022 by -4.75% as well as over three years by -5.90% p.a.

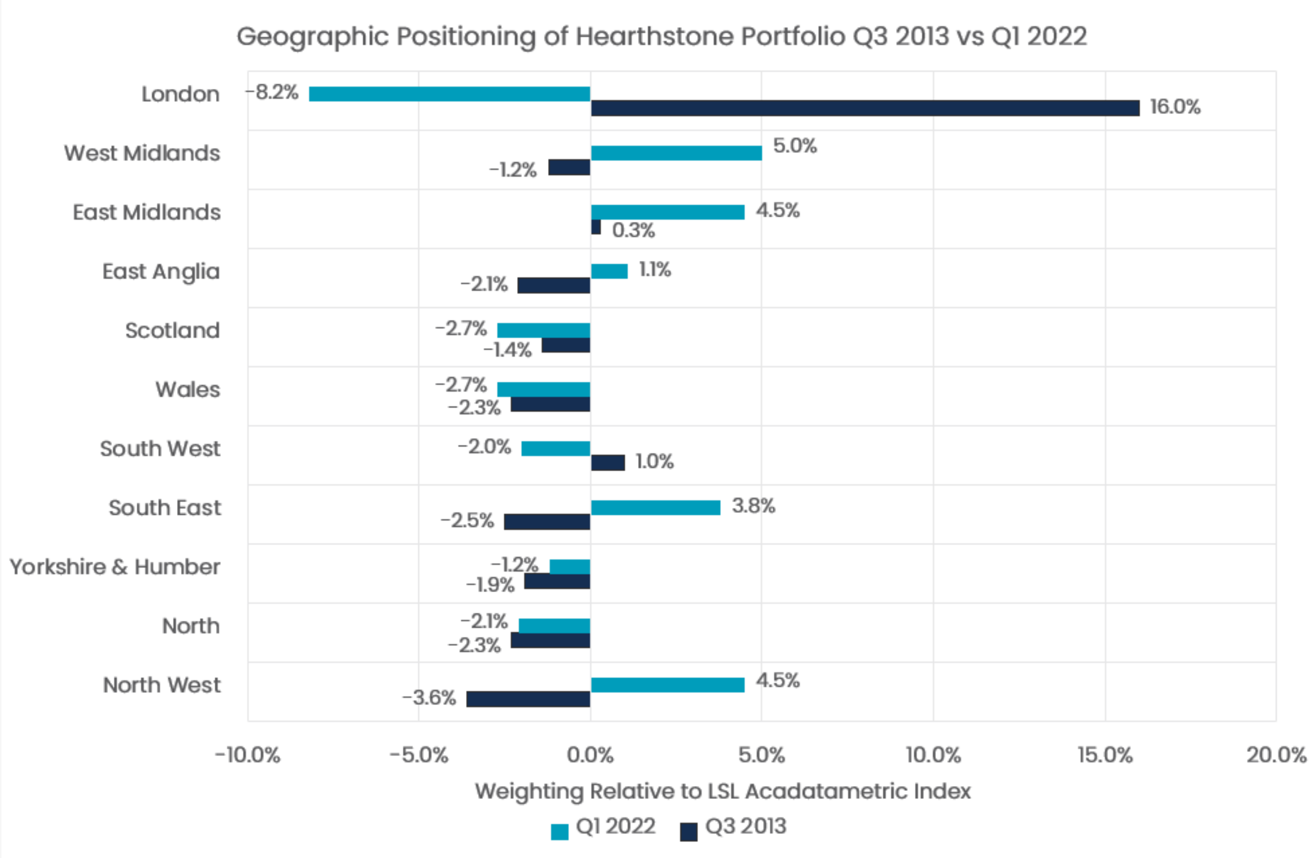
Mandate Summary: The fund invests in private rented sector housing across the UK and aims to outperform the LSL Acadametrics House Price Index (note that this excludes income), as well as providing an additional income return. The benchmark used by BNY Mellon is the IPD UK All Property Monthly Index.

Performance Attribution: The fund underperformed the IPD index over the three years to March 2022 by -5.90% p.a., returning +2.49% p.a. versus the index return of +8.39% p.a. The gross yield on the portfolio as at end March 2022 was 4.81%. Adjusting for voids and property management/maintenance costs, however, the yield on the portfolio falls to 3.00%.

Portfolio Risk: The cash and liquid instruments on the fund stood at 20.49% (£14.9 million), which is 1.32% lower than at the end of December 2021.

Chart 8 compares the regional bets in the portfolio in Q1 2022 (turquoise bars) with the regional bets at the start of the mandate, in Q3 2013 (navy bars).

CHART 8:



Source: MJH; Hearthstone

Portfolio Characteristics: By value, the fund has a 7% allocation to detached houses, 36% allocated to flats, 29% in terraced accommodation and 27% in semi-detached.

As at end March there were 223 properties in the portfolio and the fund stood at £72.8 million. London Borough of Islington's investment represents 39.4% of the fund. This compares with 72% at the start of this mandate in 2013.

Organisation and Staff Turnover: There were no team changes during Q1 2022.

Schroders – Diversified Growth Fund (DGF)

Headline Comments: The DGF made a loss of -2.61% in Q1 2022, and in relative terms it underperformed its target by -5.57% (source: Schroders). Over three years, the fund is behind the target return of RPI plus 5% p.a. by -2.87% p.a. (source: Schroders).

Mandate Summary: The fund invests in a broad mix of growth assets and uses dynamic asset allocation over the full market cycle, with underlying investments in active, passive and external investment, as appropriate. Schroders aim to outperform RPI plus 5% p.a. over a full market cycle, with two-thirds the volatility of equities.

Performance Attribution: The DGF made a loss of -2.61% in Q1 2022. This is below the RPI plus 5% p.a. target return for Q1 which returned +2.96% (source: Schroders). Over three years, the

DGF delivered a return of +6.43% p.a. compared with the target return of +9.30% p.a., behind the target by –2.87% p.a.

In Q1 2022, equity positions detracted -2.7% from the total return, alternatives contributed +1.1%, credit and government debt detracted -1.7%, and cash and currency contributed +0.6% (figures are gross of fees).

The return on global equities was +12.7% p.a. for the three years to March 2022 compared with the portfolio return of +6.4%. Over a full three-to-five-year market cycle the portfolio is expected to deliver equity-like returns, so at current levels it is some way behind that strategic goal.

Portfolio Risk: The portfolio is expected to exhibit two-thirds the volatility of equities over a full three to five-year market cycle. Over the past three years, the volatility of the fund was 8.2% compared to the three-year volatility of 16.2% in global equities (i.e., 50.9% of the volatility) so is less risky than expected.

Portfolio Characteristics: The fund had 57% in internally managed funds (the same as last quarter), 29% in active bespoke solutions (up from last quarter), 7% in externally managed funds (up from last quarter), and 7% in passive funds (up from last quarter) with a residual balance in cash, 1% (down from last quarter), as at end March 2022. In terms of asset class exposure, 37.3% was in equities, 31.1% was in alternatives and 30.9% in credit and government debt.

Alternative assets include absolute return funds, property, insurance-linked securities, commodities, private equity, infrastructure debt and investment trusts.

Schroder reported that the carbon intensity of the fund was 34% lower than a comparator (a mix of equities, bonds, and alternative indices).

Organisation: There were no team changes during Q1 2022.

Quinbrook – Low Carbon Power Fund

Headline Comments: Performance for the year to 31st March 2022 was positive at +17.06%, thus outperforming the target return of +12.0%. The fund now also has a three year track record, and returned +11.45% p.a. slightly behind the target.

Mandate Summary: The fund invests in renewable energy and low carbon assets across the UK, US and Australia as well as selected OECD countries. The fund is expected to make between 10 and 20 investments in its lifetime and targets a net return of 12% per annum. The fund held a final closing in February 2019 with approximately $730 million committed by 15 limited partners.

Portfolio Characteristics: As at Q1 2022, on an unaudited basis, the fund had invested USD 664.0 million into projects ranging from onshore wind farms, solar power plants, battery storage and natural gas peaking facilities (power plants that generally run only when there is a high demand for electricity, in order to balance the grid). The total operational generating capacity of operational projects which the Fund is invested in is 1,568 MW (including those with minority stakeholders) as at 31 March 2022.

Organisation: John Lucas joined as a Senior Director, and Sam Dorsch joined as a Senior Associate, both in the US office. Alicia Bowry has left as Finance and Operations Manager in the UK office.

Pantheon – Infrastructure and Private Equity Funds

Headline Comments: Over three years the return on the private equity fund was +5.94% per annum. This compares with a three-year return on listed global equities of 13.9% per annum. The three-year return on the infrastructure fund was +8.38% versus the absolute return target of 10%.

Mandate Summary: London Borough of Islington have made total commitments of £103.6m across five Pantheon strategies including two US primary funds, two global secondary funds and one global infrastructure fund. This infrastructure fund, Patheon Global Infrastructure Fund III "PGIF III", was the most recent commitment from Islington in 2018 totalling £74.7m.

Portfolio Characteristics: Over the period Q4 2021 – Q1 2022, a total of £1.5m was drawn down, wholly to PGIF III. Distributions were received across all five strategies totalling £1.5m over the period. Overall, the programme's rolled for cash valuation at Q1 2022 was £56.6m, up from £54.7 at Q4 2021.

Permira – Credit Solutions Senior Fund

Headline Comments: The Permira Credit Solutions V ("PCS5") is a new allocation for the London Borough of Islington. To end March 2022 the fund has closed commitments of £2.1bn, and has made a total of five investments equalling 19.4% invested.

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6th June 2022

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