London Borough of Islington

Report to 31st December 2022

MJ Hudson

FEBRUARY 2023

Table of Contents

Contacts

Karen Shackleton, Senior Adviser, +44 20 7079 1000

karen.shackleton@mjhudson.com

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
Legal and General (passive equities)	Not reported by LGIM.	Funds are tracking as expected.	The pooled funds in which Islington pension fund invests have a combined assets under management of £4.49 billion at end December 2022.
Schroders (multi-asset diversified growth)	There were no team changes during Q4 2022.	Fund made a return of +1.31% during the quarter and delivered a return of +1.71% p.a. over 3 years, -10.57% p.a. behind the target return.	Total AUM stood at £776.3 billion as at end December 2022, up from £773.4 billion as at end June 2022.
Columbia Threadneedle (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 changed its name in July 2022. During Q1 the emerging markets team is being sold to Polen Capital.	Outperformed the benchmark by +0.16% in the quarter to December 2022. The fund is behind over three years by -2.52% p.a.	Not reported.

MJ HUDSON

MANAGER	LEAVERS, JOINERS AND DEPARTURE OF KEY INDIVIDUALS	PERFORMANCE	ASSETS UNDER MANAGEMENT
LCIV Global Equity Fund (Newton) (active global equities)	None reported by LCIV.	The LCIV Global Equity Fund outperformed its benchmark during Q4 2022 by +0.31%. Over three years the portfolio outperformed the benchmark by +0.02% and is under the performance target of benchmark +1.5% p.a. Over five years it remains ahead of the benchmark by +0.52% p.a.	At the end of Q4 2022, the London CIV sub-fund's assets under management were £556.6 million. London Borough of Islington owns 54.8% of the sub-fund.
LCIV Sustainable Equity Fund (RBC) (active global equities)	None reported by LCIV.	Over Q4 2022 the fund made a return of +0.48%, and this underperformed the benchmark return of +1.86%. The one-year return was -15.64%, weak in absolute terms and behind the benchmark by -7.81%. The three-year return underperformed the benchmark by -0.51% p.a.	As at end December the sub-fund's value was £1,238 million. London Borough of Islington owns 13.41% of the sub-fund.

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 return of +4.38% over Q4 2022, ahead of the target return by +2.86%. Over one year, the fund returned -0.07% which was behind the target return by -4.97%.	The fund size was £10.79 billion as at end December. London Borough of Islington's investment amounts to 0.70% of the fund.
Standard Life (corporate bonds)	There were 5 joiners and 27 leavers during the quarter. One joiner was to the fixed income group, and two leavers were from the Fixed Income Group.	The portfolio outperformed the benchmark return during the quarter by +0.14%, delivering an absolute return of +5.87%. Over three years, the fund was behind the benchmark return (by -0.05% p.a.) and behind the performance target of +0.80% p.a.	As at end December the fund's value was £2,400 million, up from £1,826 million as at end September. London Borough of Islington's holding of £66.6m stood at 2.8% of the total fund value.
Aviva (UK property)	Information not received at the time of going to print.	Underperformed against the gilt benchmark by -11.09% for the quarter to December 2022 but outperformed the benchmark over three years by +12.83% p.a., delivering a return of +2.77% p.a., net of fees.	The fund was valued at £3.23 billion as at end Q4 2022. London Borough of Islington owns 4.1% of the fund.

MANAGER	LEAVERS, JOINERS AND DEPARTURE OF KEY INDIVIDUALS	PERFORMANCE	ASSETS UNDER MANAGEMENT
Columbia Threadneedle (UK property)	There were no leavers or new joiners to the property team this quarter.	The fund outperformed the benchmark in Q4 2022, with a quarterly return of -13.5.0% compared with -14.1%. Over three years, the fund is outperforming the benchmark by +0.2% p.a. (source: Columbia Threadneedle).	Pooled fund has assets of £1.61 billion. London Borough of Islington owns 5.57% of the fund.
Franklin Templeton (global property)	Information not received at the time of going to print.	The portfolio return over three years was +11.15% p.a., and so ahead of the target of 10% p.a. Over 5 years the fund is ahead of the benchmark by +5.78% p.a.	£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 leavers or joiners in Q4 2022.	The fund outperformed the IPD UK All Property Index by +15.16% in Q4. It is now ahead of the IPD benchmark over three years by +0.80% p.a. to end December 2022.	Fund was valued at £70.0m at end Q4 2022. London Borough of Islington owns 40.1% of the fund.

MANAGER	LEAVERS, JOINERS AND DEPARTURE OF KEY INDIVIDUALS	PERFORMANCE	ASSETS UNDER MANAGEMENT
Quinbrook (renewable energy infrastructure)	COO and head of finance is on a year's sabbatical and has been replaced by Simon Jones who has held similar positions at other firms.	For the three years to Q4 2022 the fund returned +17.74%, and therefore ahead of the annual target return of +12.00% p.a.	
Pantheon (Private Equity and Infrastructure Funds)	Not reported.	The private equity fund returned +6.55% p.a. over three years, and +15.48% p.a. over five years. The infrastructure fund returned +16.87% p.a. over three years to end December	
Churchill (Middle Market Senior Loan Fund)	Not reported.	The fund has achieved a return of -6.60% for the quarter to 31 December 2022, underperforming the benchmark return of +1.23. Over 1-year, the fund is outperforming the benchmark by +10.10%	

Source: MJ Hudson

Minor Concern

Major Concern

Individual Manager Reviews

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

Headline Comments: The three passive index funds were within the expected tracking range when compared with their respective benchmarks. FTSE-RAFI Emerging Markets fund, MSCI World Low Carbon Target index fund, and the ESG Paris Aligned World Equity Fund performed in line with their benchmarks in Q4.

Mandate Summary: The London Borough of Islington invests in three of LGIM's index funds. The first 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. In August 2022, the fund's passive UK equity mandate was transitioned into the third passive fund: the ESG Paris Aligned World Equity Fund. This fund is designed to match the total return on the Solactive Paris Aligned Index. It differs to the Low Carbon passive fund because it has a more ambitious goal of targeting net zero by 2050 in line with the Paris Agreement.

Performance Attribution: The three index funds tracked their respective benchmarks as expected, as shown in Table 2.

TABLE 2:

	Q4 2022 FUND	Q4 2022 INDEX	TRACKING
FTSE-RAFI Emerging Markets	+2.96%	+3.05%	-0.10%
MSCI World Low Carbon Target	+1.97%	+1.99%	-0.02%
ESG Paris Aligned World Equity Fund	+2.26%	+2.20%	+0.06%

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 49.54% to the MSCI World Low Carbon Target index fund, 40.76% to the ESG Paris Aligned World Equity Fund, and 9.70% allocated to the FTSE RAFI Emerging Markets index fund.

Staff Turnover/Organisation: Not reported by LGIM.

Schroders – Diversified Growth Fund (DGF)

Headline Comments: The DGF made a return of +1.31% in Q4 2022, and in relative terms it underperformed its target by -3.47%. Over three years, the fund is behind the target return by -10.57% p.a.

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. The target for this fund changed on 1st April 2022 and is now the ICE BofA Sterling 3-Month Government Bill Index plus 4.5% per annum (before fees have been deducted) over a 5-7-year period. The manager aims to deliver capital growth and income, with a volatility of less than two-thirds the volatility of equities.

Performance Attribution: The DGF made a return of +1.31% in Q4 2022 while global equities made a return of +6.9%. Over three years, the DGF delivered a return of +1.71% p.a.

In Q4 2022, equity positions contributed +2.7% to the total return, alternatives detracted -0.3%, credit and government debt contributed +0.6%, and cash and currency detracted -1.9% (figures are gross of fees).

Portfolio Risk: The portfolio is expected to exhibit less than 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 9.2% compared to the three-year volatility of 18.7% in global equities (i.e., 49.2% of the volatility) which is in line with target.

Portfolio Characteristics: The fund had 49% in internally managed funds (down from last quarter), 26% in active bespoke solutions (the same as last quarter), 6% in externally managed funds (down from last quarter), and 11% in passive funds (up from last quarter) with a residual balance in cash, 8% (up from last quarter), as at end December 2022. In terms of asset class exposure, 32.6% was in equities, 30.0% was in alternatives and 29.2% in credit and government debt.

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

The manager has increased global equities, now that there is greater interest rate stability, which it states takes pressure off valuations. It described its stance as “cautiously optimistic” for global markets over 2023.

Schroder reported that the carbon intensity of the fund was 50% lower than a comparator (a mix of equities, bonds, and alternative indices), although the manager notes that coverage is only at 57% of the portfolio (compared with 79% for the comparator).

Organisation: There were no team changes during Q4 2022.

Columbia Threadneedle (BMO/LGM) – Global Emerging Market Growth and Income Fund

Headline Comments: The portfolio made a return of +2.05% in Q4 2022, compared with the benchmark return of +1.89%, an outperformance of +0.16%. Over one year the fund is behind the benchmark by -4.06%, over three years it is trailing by -2.52% per annum. The manager has announced that the sale of the emerging markets business to Polen Capital has been delayed but is now likely to take place toward the end of Q1 2023.

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 outperformed the index in the quarter, and the performance continued to be volatile along with markets during the quarter. The portfolio added some alpha during this disrupted period, although not enough to recover losses earlier in 2022. The Chinese government eased its zero-COVID policy, meaning that allocation to China/Hong-Kong added significantly to performance. Having no exposure to Middle Eastern markets and limited exposure to Brazil also benefited relative performance. The main detractors from performance related to specific stock selection within the US and Indonesia.

During the quarter, the largest positive contributors to the quarterly relative return came from AIA Group (+1.0%), Hong Kong Exchanges And Clearing (+0.6%), and By Health Co Ltd (+0.5%). Companies which detracted most from performance included Bank Central Asia (-0.6%), Epam Systems (-0.5%), and Inner Mongolia Yili Industrial (-0.4%).

Over one year, the fund has underperformed the benchmark by -4.06%.

Portfolio Risk: Within the emerging markets portfolio there is a 14.0% allocation to non-benchmark countries (excluding the holding in Cash & Equivalents). The largest overweight country allocation in the emerging markets portfolio remained India (+10.7% overweight). The most underweight country allocation was South Korea (-9.3%).

Portfolio Characteristics: The portfolio held 39 stocks as at end December compared with the benchmark which had 1,374. The largest absolute stock position was TSMC at 6.6% of the portfolio, while the largest absolute country position was China/HK and accounted for 37.2% 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 switched to sit under the Columbia Threadneedle banner. There were no staff changes for the team reported for Q4 2022.

As previously reported, the manager has announced that the emerging markets team is being sold to a US firm, Polen Capital. As of Q4 2022 the work on progressing the transfer was ongoing although Columbia Threadneedle have recently communicated that the amended target date for the transfer of the LGM business to Polen on 31 January 2023 has now been extended again, to 01 March 2023. Since the last update, the Manager has received regulatory approval from the Hong Kong regulator.

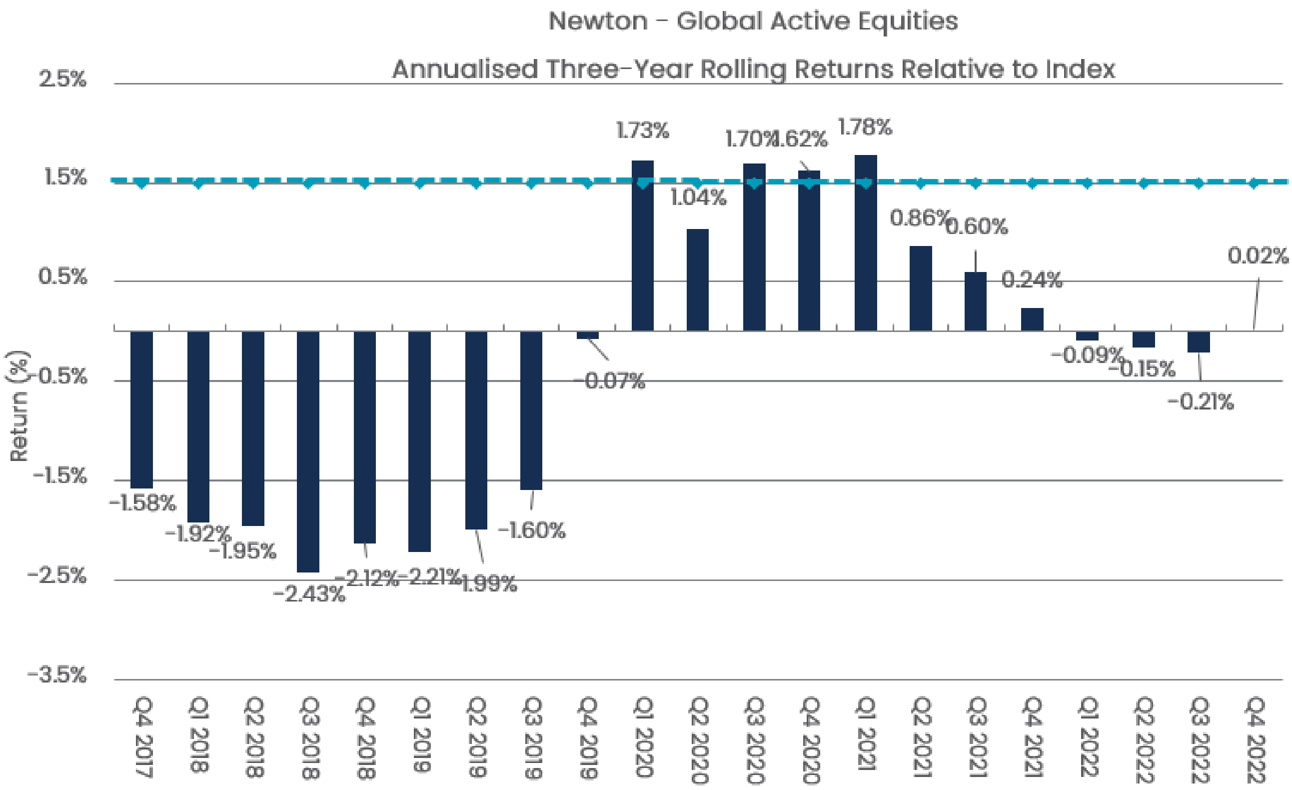
LCIV Global Equity Fund (Newton) – Global Active Equities

Headline Comments: The LCIV Global Equity Fund outperformed its benchmark during Q4 2022 by +0.31%. Over three years the portfolio outperformed the benchmark by +0.02% p.a. Over five years the manager is ahead of the benchmark return by +0.52% 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. The London CIV monitors this manager.

Performance Attribution: Chart 1 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 1:



Source: MJH; BNY Mellon

Chart 1 shows that the level of outperformance over three years had been falling since Q1 2021, when the fund was ahead of the benchmark by +1.78% p.a. However, by Q4 2022 the fund has now marginally outperformed the benchmark over three years by +0.02% p.a. This still means it is underperforming the performance objective however, by -1.48% p.a. (the performance objective is shown by the dotted line).

Positive contributions to the total return came from holdings such as AIA Group (+0.51%), JPMorgan Chase (+0.40%), and Universal Music Group (+0.39%). Negative contributions came from positioning in Amazon (-1.13%), Apple (-0.60%), and Alphabet Inc (-0.54%).

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 low relative to peers. The London CIV also noted that turnover on the strategy in 2022 was 34% compared with 14% in 2021, which they consider to be at the high end of expected turnover levels. The manager has incurred higher turnover to respond to volatile and changing markets.

London CIV completed an in-depth review of this Manager in November. Investors in the sub-fund will be updated in February.

Portfolio Risk: The active risk on the portfolio stood at 3.32% as at quarter end, slightly lower than as at end September when it stood at 3.38%. The portfolio remains defensive, with the beta on the portfolio at end December standing at 0.91, down by 0.01 from previous quarter (if the market falls by -10% the portfolio can be expected to fall -9.1%).

At the end of Q4 2022, the London CIV sub-fund's assets under management were £556.6m, compared with £544.1m last quarter. London Borough of Islington now owns 54.78% of the sub-fund.

Portfolio Characteristics: The number of stocks in the portfolio stood at 57 as at quarter-end (the same as last quarter). The fund added four positions; Progressive Corp, Scor, Darling Ingredients Inc, and Bank Mandiri. Newton completed five sales, including Texas Instruments and Costco Wholesale.

The portfolio continues to be heavily weighted to Technology (an allocation of 18.4%), though this has reduced and is no longer overweight against the Benchmark. Financials, however, has had an increase in allocation and now makes up the largest constituent (19.54%) and is the largest overweight against the benchmark. This is due to the Manager reinvesting into a number of insurance companies.

In Q4 2022, LCIV reported that the Newton sub fund had a weighted average carbon intensity of 56% that of the benchmark index (the MSCI World Index). The highest contributor was Darling Ingredients, a new allocation (10.35% 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. Shell was the only energy holding in the LCIV portfolio until Q1 2022 when Exelon was added. 0.944% of the portfolio's revenues are derived from fossil fuels.

Staff Turnover: None reported by LCIV for Q4 2022.

LCIV Sustainable Equity Fund (RBC) – global equities

Headline Comments: Over Q4 2022 the fund made a return of -0.48%. This underperformed the benchmark return by -2.34%. The one-year return was -15.64%, weak in absolute terms and behind the benchmark by -7.81%. As of Q3, the fund had a three-year track record, which shows an underperformance of -0.51% p.a. against the benchmark. Islington's investment makes up 13.41% of the total London CIV sub-fund.

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: With continued market uncertainty fuelled by macroeconomic worries, the fund has underperformed the benchmark in Q4, and has made a loss for the quarter in absolute terms. The portfolio has overweight allocations to the Financial, Healthcare, Consumer Staples, Industrials, Communication Services and Energy sectors. The Manager has stated that stock selection within the financials sector, as well as some consumer and healthcare stocks, which remain vulnerable to downward revisions in earning estimates, despite the more positive outlook in global equity markets during Q4. Over the quarter the largest contributors to return included Anheuser-Busch Inbev (+0.76%), Lasertec Corp (+0.67%), and AIA Group (+0.58%). The largest detractors include positioning in Amazon (-1.32%), SVB Financial Group (-0.72%), and Alphabet Inc (-0.66%).

The London CIV is now comparing managers against their peer group and reported that RBC is performing well over the long term. This has been achieved whilst taken only average risk, when compared with peers. However, the short-term has been challenging, ranking in the fourth quartile for its peer group for the year to date and one-year periods.

Portfolio Characteristics: As at end of December 2022 the fund had 37 holdings (1 up from last quarter) across 14 countries. The active risk of the fund was 3.99%, slightly higher than Newton.

London CIV report that the fund continues to favour quality companies with low gearing.

A new holding to note is EOG Resources, a US crude oil and natural gas exploration and production company. The London CIV notes that the manager considers EOG to be one of the most efficient producers in the US and will benefit from early investments in renewables.

In Q4 2022, LCIV reported that the RBC sub fund had a weighted average carbon intensity of 71% that of the benchmark index (the MSCI World Index) which is a slight deterioration from last quarter (when it was 69%). The highest contributors were InterContinental Hotels Group (excluding this holding from the portfolio would reduce the weighted average carbon intensity by 10.80%), First Quantum Minerals Ltd (9.64%) and Equinor ASA (5.04%). The new holding in EOG contributes 4.74% to the weighted average carbon intensity of the portfolio.

M&G – Alpha Opportunities Fund

Headline Comments: During Q4 2022 the M&G Alpha Opportunities Fund made a return of +4.38%, outperforming the benchmark return of +1.53%.

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, funded with proceeds from the equity protection strategy which matured in 2021. 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 return of +4.38% compared to the benchmark return (one month Libor plus 3.5% being used in Northern Trust's performance analysis) of +1.53%. Exposure to industrial corporate bonds was the top contributor, with financial loans also performing well. Yield curve hedging/currency hedging was the top detractor. Over one year, the fund is trailing the target return by -4.97% p.a.

Portfolio Characteristics: The largest allocations in the portfolio were to industrials (33%), cash and derivatives (22%), and Financials (22%). 37% of the portfolio was rated BB* or below. The Manager reduced overall exposure to USD denominated industrial bonds following a period of strong performance. It also reduced exposure to high yield.

As at end December, the weighted average carbon intensity (WACI) of the portfolio was 48% of the WACI of a benchmark index, with 62% of the portfolio being measured where data was available (compared with 88% coverage for the benchmark).

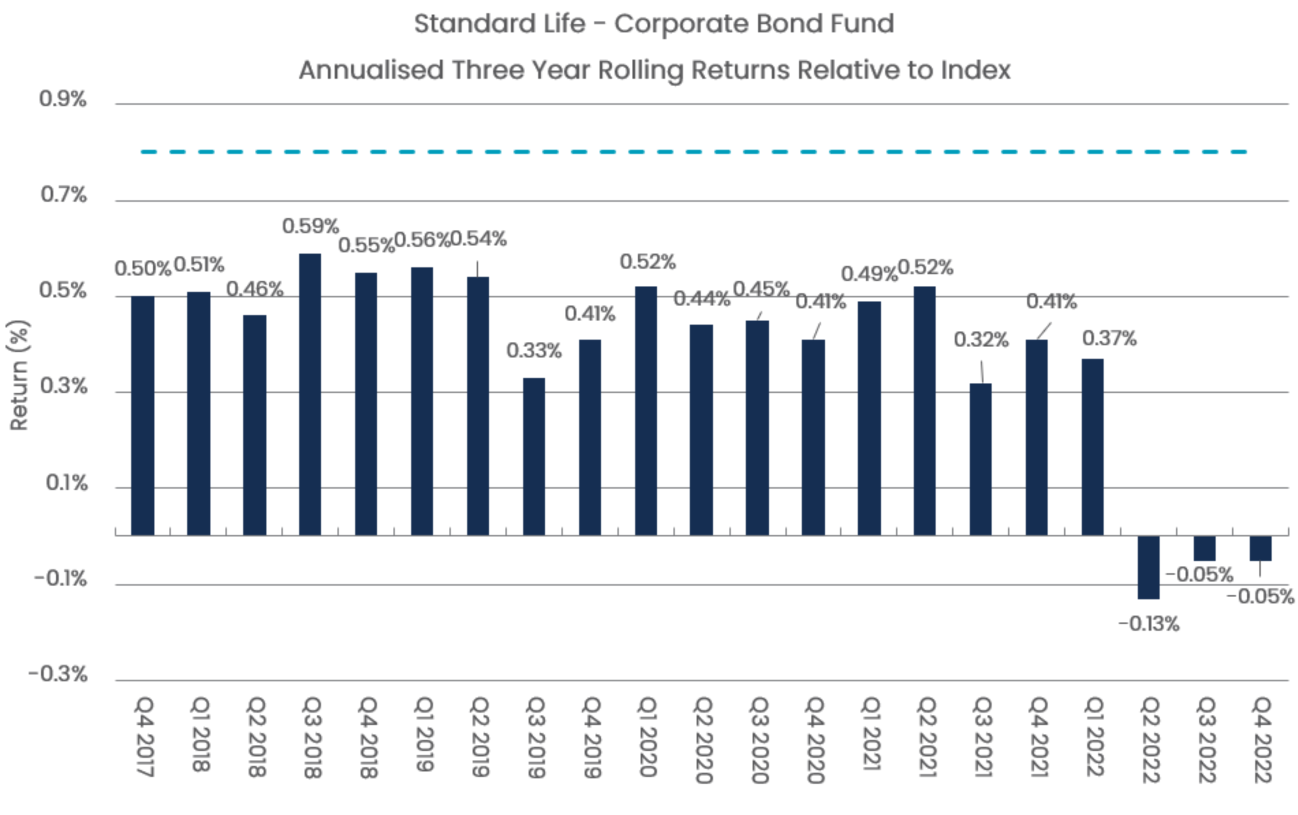
Standard Life – Corporate Bond Fund

Headline Comments: The portfolio outperformed the benchmark return during the quarter by +0.14% and made an absolute return of +5.87%. Over three years, the fund was behind the benchmark return (by -0.05% p.a.) for the third consecutive quarter since inception and 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 2 shows the three-year performance of the Corporate Bond Fund compared to the Index, over the past five years. This shows that the fund is now behind the benchmark over three years, as well as behind the performance objective (shown by the dotted line in Chart 2).

CHART 2:



Source: MJH; BNY Mellon

Over three years, the portfolio has returned -4.97% p.a. net of fees, compared to the benchmark return of -4.92% p.a. Over the past three years, asset allocation has detracted -0.04% value, meanwhile stock selection has contributed +0.12%.

Portfolio Risk: The largest holding in the portfolio at quarter-end was the Government of UK at 1.2% of the portfolio.

Portfolio Characteristics: The value of Standard Life's total pooled fund at end December 2022 stood at £2,400 million. London Borough of Islington's holding of £66.6m stood at 2.8% of the total fund value.

Staff Turnover: There were five joiners and 27 leavers during the quarter. There was one new joiner into the Fixed Income Group, a Credit Analyst. Two of the leavers were from the fixed income group; an Investment Analyst and an Investment Manager (based in Singapore).

Aviva Investors – Property – Lime Property Fund

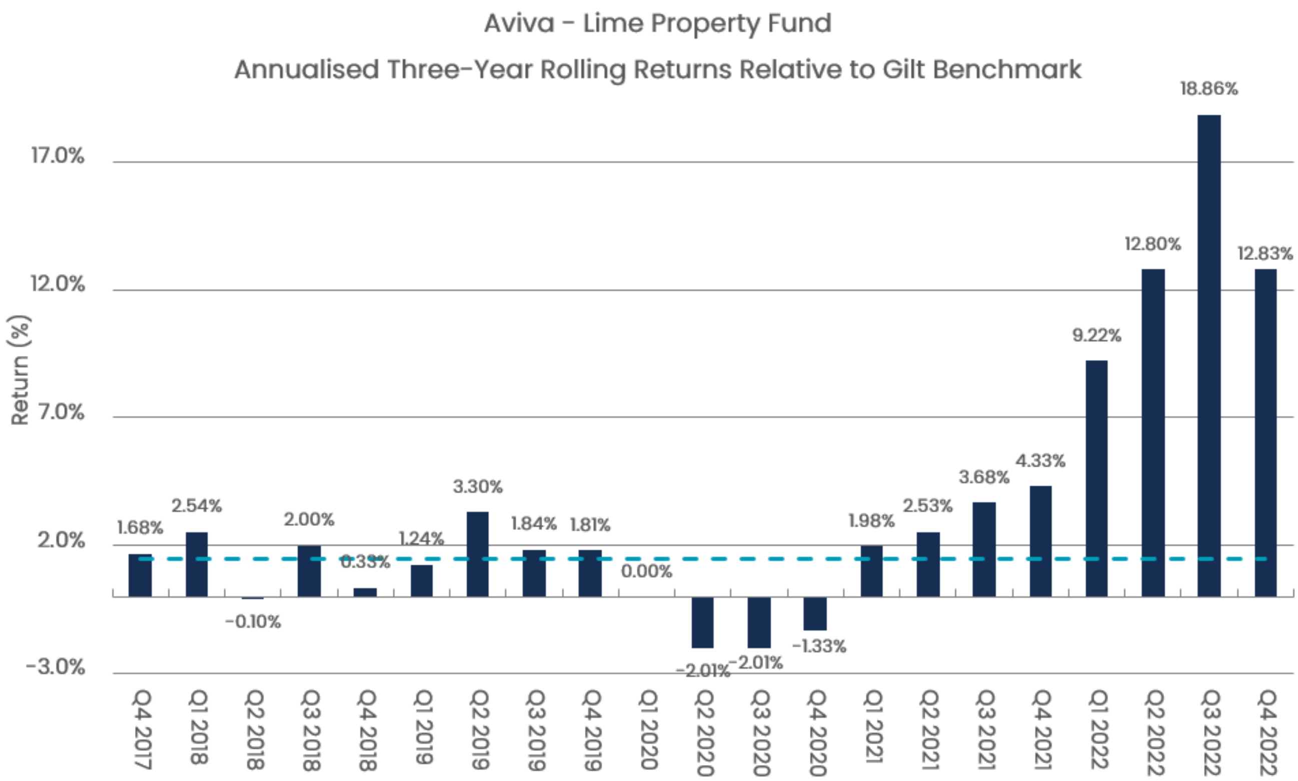
Headline Comments: The Lime Fund made a loss, for the second consecutive quarter since 2018, of -9.83%. It underperformed the benchmark return by -11.09% in Q4. Over three years, the fund is ahead of the benchmark return by +12.83% p.a., with a particularly strong one-year outperformance of +21.25%, though this has dropped significantly from +33.62% as at Q3.

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 Q4 2022 return was attributed by Aviva to -10.52% capital return and +0.89% income return.

Over three years, the fund has returned +2.77% p.a., considerably ahead of the gilt benchmark of -10.06% p.a., and ahead of its outperformance target of +1.5% p.a., as can be seen in Chart 3.

CHART 3:



Source: MJH; BNY Mellon

Over three years, 115% of the return came from income and -15% 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 during the quarter.

The average unexpired lease term was 20.8 years as at end December 2022. 10.1% of the portfolio's lease exposure in properties is in 30+ year leases, the largest sector exposure remains offices at 25.85% (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 December 2022, the Lime Fund had £3.23 billion of assets under management, a decrease of -£377 million from the previous quarter end reflecting the fall in capital value. London Borough of Islington's investment represents 4.1% of the total fund.

Staff Turnover/Organisation: Not available at the time of going to print.

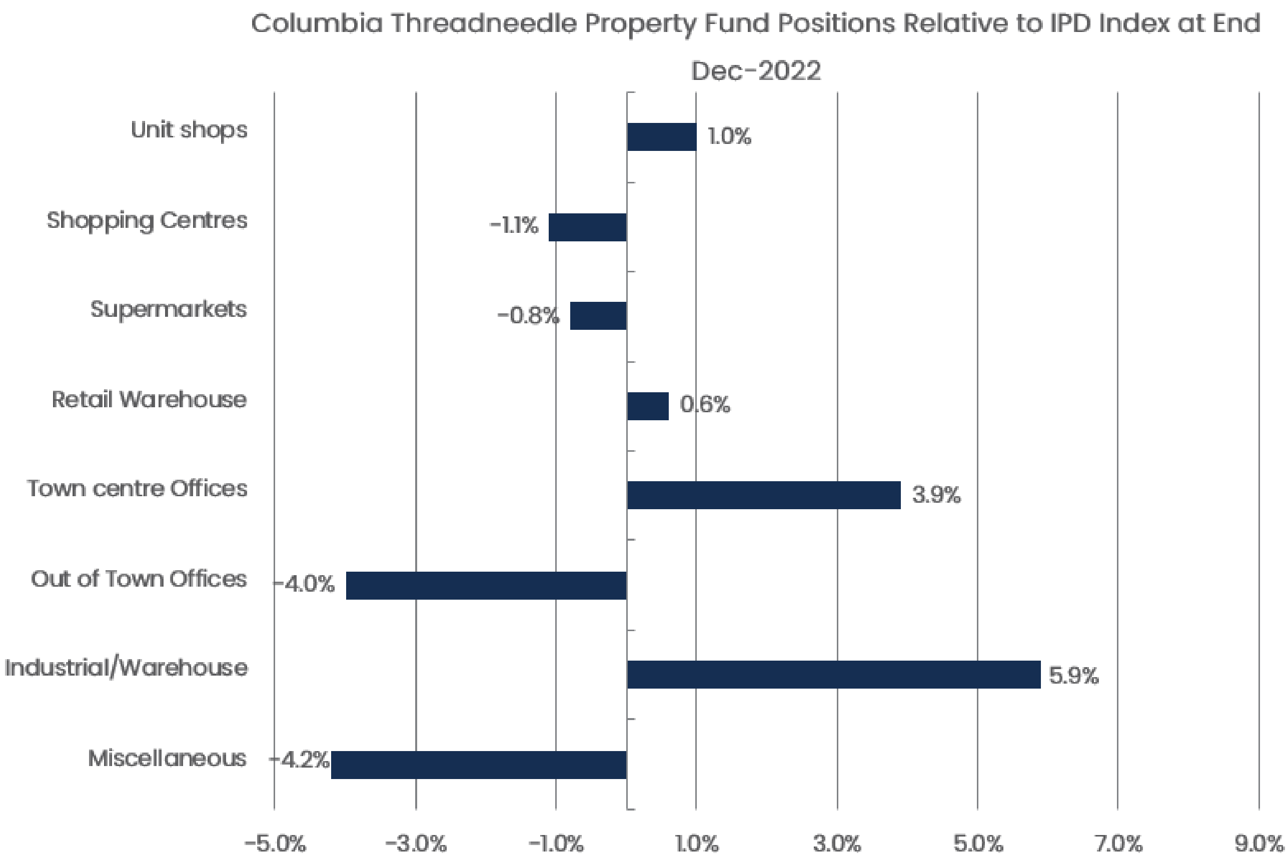
Columbia Threadneedle – Pooled Property Fund

Headline Comments: The fund delivered a negative absolute return, but outperformed the benchmark in Q4 2022, with a quarterly return of -13.5% compared to -14.1%. Over three years, the fund outperformed the benchmark by +0.2% p.a. and as such is behind the performance target of +1.0% p.a. above benchmark (source: Columbia Threadneedle).

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 4 shows the relative positioning of the fund compared with the benchmark.

CHART 4:



Source: MJH; Columbia Threadneedle

During the quarter, the fund made one acquisitions and sixty-three sales (anticipating investor redemption requests following corporate pension funds' need for liquidity to meet their liability driven investment cashflow calls).

MJ HUDSON

The cash balance at end December was 4.1%, which is in line with the target liquidity parameters.

Performance Attribution: The fund outperformed the benchmark in Q4 2022, with a quarterly return of -13.5% compared to -14.1% (source: Columbia Threadneedle). Over 1-year the fund underperformed the benchmark by -0.87%. The manager attributes this one-year underperformance to an accelerated sales program to meet investor redemptions. The fund is now outperforming the benchmark over three years by +0.2%, but is behind the performance target of +1.0% p.a. above benchmark (source: Columbia Threadneedle).

Portfolio Characteristics: As at end December 2022, the fund was valued at £1.61bn, a decrease of £444m from the fund's value in September 2022. London Borough of Islington's investment represented 5.57% of the fund.

Staff Turnover: There were no changes to the TPEN property team in Q4 2022, though there were five leavers from the wider property team.

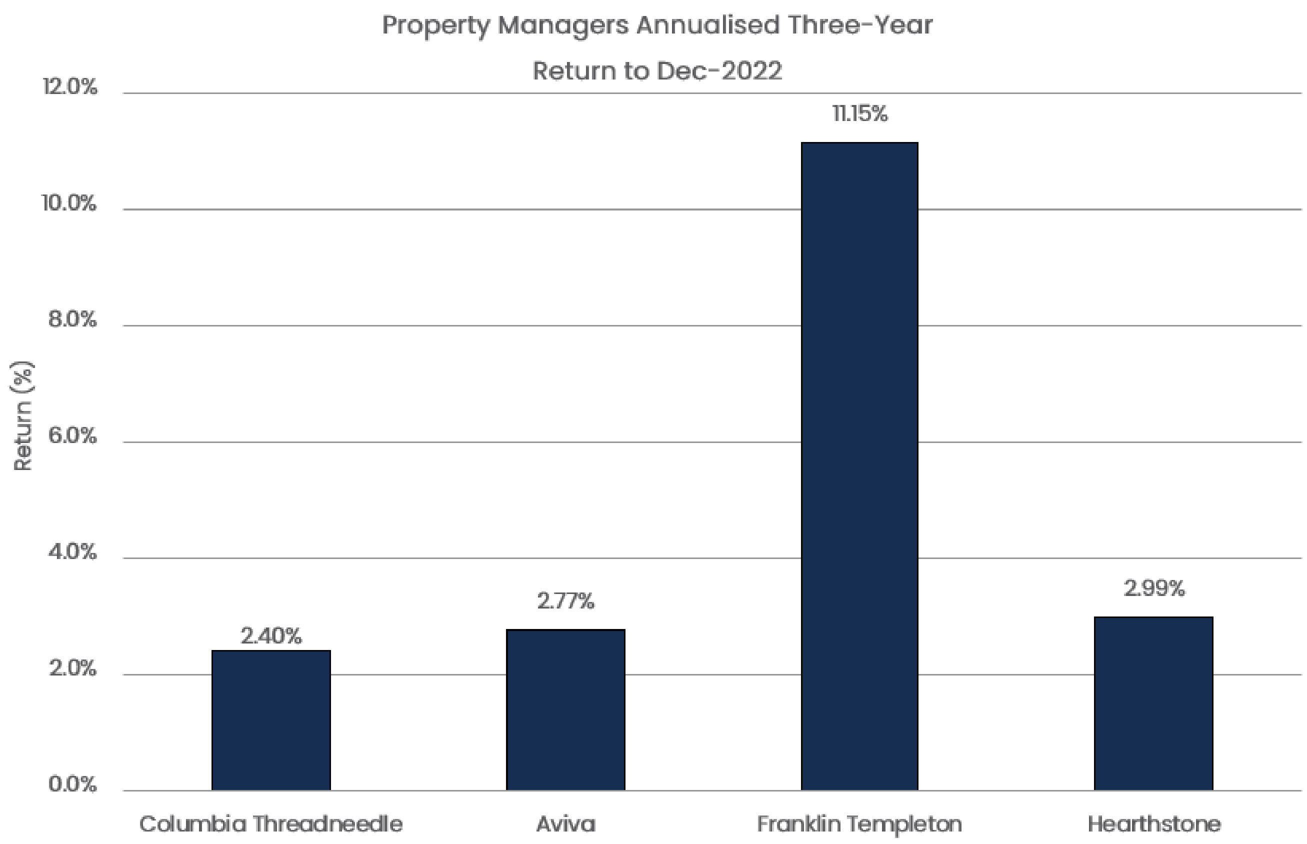
Franklin Templeton – Global Property Fund

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 outperformed the absolute return benchmark of 10% p.a. over three years by +1.15% 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 December 2022, Franklin Templeton is the best performing fund across all four property managers. Chart 5 compares their annualised three-year performance, net of fees.

CHART 5:



Source: MJH;

Portfolio Risk: report was not received at the time of going to print.

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

Hearthstone – UK Residential Property Fund

Headline Comments: The portfolio outperformed the benchmark for the quarter ending December 2022 by +15.16%, and is outperforming over three years by +0.80% p.a.

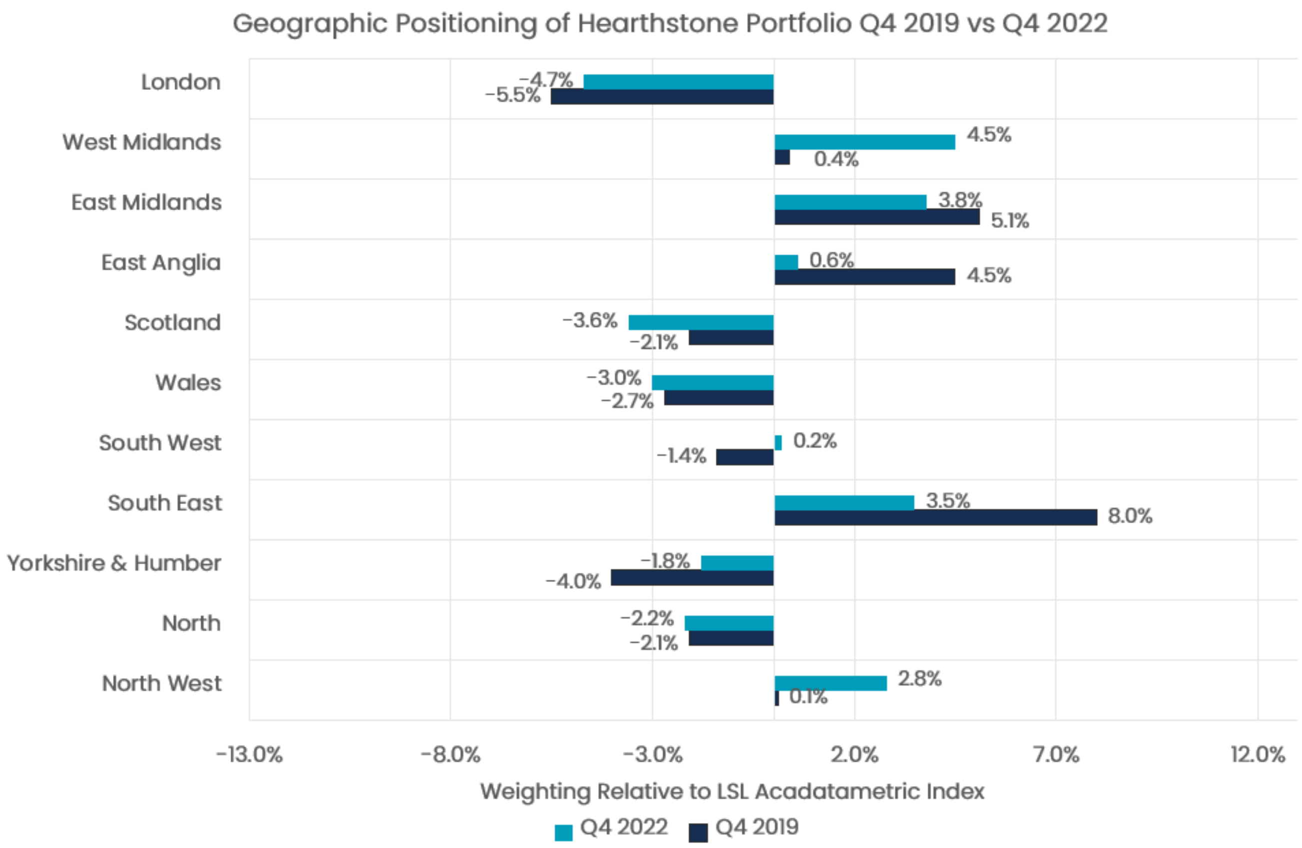
Mandate Summary: The fund invests in private rented sector housing across the UK and aims to outperform the LSL Acadametrics House Price Index (note that this excludes income), as well as providing an additional income return. The benchmark used by BNY Mellon is the IPD UK All Property Monthly Index.

Performance Attribution: The fund outperformed the IPD index over the three years to December 2022 by +0.80% p.a., returning +2.99% p.a. versus the index return of +2.19% p.a. The manager has underperformed over 5 years by -0.39% p.a. The gross yield on the portfolio as at end December 2022 was 4.93%. Adjusting for voids and property management/maintenance costs, however, the yield on the portfolio falls to 3.25%.

Portfolio Risk: The cash and liquid instruments on the fund stood at 14.37% (£10.1 million), which is 2.32% lower than at the end of September 2022.

Chart 6 compares the regional bets in the portfolio in Q4 2022 (turquoise bars) with the regional bets three years ago, in Q4 2019 (navy bars).

CHART 6:



Source: MJH; Hearthstone

Portfolio Characteristics: By value, the fund has an 8% allocation to detached houses, 34% allocated to flats, 31% in terraced accommodation and 26% in semi-detached.

As at end December there were 226 properties in the portfolio and the fund stood at £70.0 million. London Borough of Islington's investment represents 40.1% of the fund. This compares with 72% at the start of this mandate in 2013.

Organisation and Staff Turnover: There were no leavers or joiners during the quarter.

Quinbrook – Low Carbon Power Fund

Headline Comments: Performance for the year to 31st December 2022 was positive at +37.95%, thus outperforming the target return of +12.00%. Over three years, the fund returned +17.74% p.a. and therefore ahead of the target by +5.74%.

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 expected to make between 10 and 20 investments in its lifetime and targets a net return of 12% per annum. The fund held

MJ HUDSON

a final closing in February 2019 with approximately $730 million committed by 15 limited partners and has now reached the end of its investment phase.

Portfolio Characteristics: As at Q4 2022, on an unaudited, provisional basis, the fund had invested USD 474.5 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 748.4 MW (including those with minority stakeholders), as at 31 December 2022 (latest data available). Having reached the end of the investment period, the manager is now focusing on exits, and reported that the sale of portfolio company Scout Clean Energy completed during the quarter.

Organisation: There were four new joiners in Q4, including a Senior Analyst, Senior Associate, Associate and Analyst. The COO and Head of Finance, Pia Tapley is taking a sabbatical this year, and has been replaced by Simon Joiner, who previously held the COO position at AMP Capital.

Pantheon – Infrastructure and Private Equity Funds

Headline Comments: Over three years the return on the private equity fund was +6.55% per annum. This compares with a three-year return on listed global equities of +10.3% per annum. The three-year return on the infrastructure fund was +16.87% versus the absolute return target of 10%.

Mandate Summary: London Borough of Islington have made total commitments of £107.0m across five Pantheon strategies including two US primary funds, two global secondary funds and one global infrastructure fund. This infrastructure fund, Pantheon Global Infrastructure Fund III "PGIF III", was the most recent commitment from Islington in 2018 totalling £77.6m. (Both the total fund commitment and Islington commitment have been converted to sterling as at Q4 2022, according to the Manager.)

Portfolio Characteristics: Over the period Q3 2022 – Q4 2022, a total of £7.6m was drawn down, wholly to PGIF III. Distributions were received across two strategies, Pantheon USA Fund VII and PGIF III, totalling £2.6m.

Permira – Credit Solutions Senior Fund

Headline Comments: The Permira Credit Solutions V ("PCS5") is a new allocation for the London Borough of Islington and part of the private debt allocation. To 31ST December 2022 the fund had closed commitments of £2.5 billion (€2.8 bn) and had made a total of ten investments equalling 39.2% invested (most recent data available). No defaults have been reported.

Churchill – Middle Market Senior Loan Fund

Headline Comments: The Churchill Middle Market Senior Loan Fund IV is part of the new private debt allocation. It had closed commitments of £39.6 million to June 2022, equalling 42% of committed capital (most recent data available). The fund has achieved a return of -6.60% for the quarter to 31 December 2022, underperforming the benchmark return of +1.23 by -7.83%, although like other private markets investments, performance should normally be assessed over a longer (3-year) time-period. No defaults have been reported.

Karen Shackleton
Senior Adviser, MJ Hudson
13th February 2023

1 Frederick's Place, London, EC2R 8AE, United Kingdom | +44 20 7079 1000 | london@mjhudson.com | mjhudson.com | mjhudson.com