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London Borough of Islington

Report to 31st March 2023

MJ Hudson

JUNE 2023

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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 £4.56 billion at end March 2023.
Schroders (multi-asset diversified growth)	There were no immediate team changes during Q1 2023. Angus Sippe, a member of the Asset Allocation Committee has left.	Fund made a return of +1.35% during the quarter and delivered a return of +6.34% p.a. over 3 years, -6.53% 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.
Polen Capital (active emerging equities)	No staff changes reported. During Q1 the Columbia Threadneedle emerging markets team was sold to Polen Capital.	Outperformed the benchmark by +1.64% in the quarter to March 2023. The fund is behind over three years by -0.34% p.a.	Total AUM stood at approximately $55bn as at end December.

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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 Q1 2023 by +1.27%. Over three years the portfolio underperformed the benchmark by -1.00% and is under the performance target of benchmark +1.5% p.a. Over five years it remains ahead of the benchmark by +0.82% p.a.	At the end of Q1 2023, the London CIV sub-fund's assets under management were £588.5 million. London Borough of Islington owns 54.8% of the sub-fund.
LCIV Sustainable Equity Fund (RBC) (active global equities)	Anne Ya Xue joined the Global Equity team covering Energy and Materials.	Over Q1 2023 the fund made a return of +0.21%, and this underperformed the benchmark return of +4.81%. The one-year return was -7.61%, weak in absolute terms and behind the benchmark by -6.62%. The three-year return underperformed the benchmark by -2.71% p.a.	As at end March 2023 the sub- fund's value was £1,240 million. London Borough of Islington owns 13.42% 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 +1.75% over Q1 2023, behind the target return by -0.02%. Over one year, the fund returned +2.35% which was behind the target return by -3.40%.	The fund size was £8.5 billion as at end March. London Borough of Islington's investment amounts to 0.91% of the fund.
Standard Life (corporate bonds)	There were nine joiners and 23 leavers during the quarter. There were four new joiners into the Fixed Income Group and two of the leavers were from the fixed income group; one being the head of Fixed Income, Malaysia.	The portfolio underperformed the benchmark return during the quarter by -0.03%, delivering an absolute return of +2.35%. Over three years, the fund was behind the benchmark return (by -0.26% p.a.) and behind the performance target of +0.80% p.a.	As at end December the fund's value was £2,233 million, down from £2,400 million as at end December. London Borough of Islington's holding of £68.2m stood at 3.1% of the total fund value.
Aviva (UK property)	Information not received at the time of going to print.	Underperformed against the gilt benchmark by -5.02% for the quarter to March 2023 but outperformed the benchmark over three years by +12.99% p.a., delivering a return of +1.62% p.a., net of fees.	The fund was valued at £3.13 billion as at end Q1 2023. 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 from the property team this quarter, and one new joiner, an Analyst.	The fund outperformed the benchmark in Q1 2023, with a quarterly return of +0.53% compared with -0.22%. Over three years, the fund is outperforming the benchmark by +0.42% p.a.	Pooled fund has assets of £1.55 billion. London Borough of Islington owns 5.81% of the fund.
Franklin Templeton (global property)	Information not received at the time of going to print.	The portfolio return over three years was +4.99% p.a., and so behind the target of 10% p.a. Over 5 years the fund is ahead of the benchmark by +4.86% 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 joiners in Q1 2023. Business Development Manager David Hall retired at the end of March.	The fund outperformed the IPD UK All Property Index by +0.19% in Q1 2023. It is now ahead of the IPD benchmark over three years by +0.27% p.a. to end March 2023.	Fund was valued at £69.4m at end Q1 2023. London Borough of Islington owns 40.3% of the fund and is in a phased redemption process.

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 Q1 2023 the fund returned +13.64%, 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 +3.14% p.a. over three years, and +15.63% p.a. over five years. The infrastructure fund returned +13.78% p.a. over three years to end March.	$59.7bn of assets under management as at December 2022.
Churchill (Middle Market Senior Loan Fund)	Not reported.	The fund has achieved a return of -1.12% for the quarter to 31 March 2023, underperforming the benchmark return of +1.23. Over 1-year, the fund is outperforming the benchmark by +4.97%	
Crescent (Credit Solutions Fund)	Not reported.	The fund returned +7.56% over Q1 2023, outperforming the benchmark by +5.15%.	$41 billion of assets under management as at March 2023.

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 Q1 2023.

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:

	Q1 2023 FUND	Q1 2023 INDEX	TRACKING
FTSE-RAFI Emerging Markets	+1.01%	+0.93%	+0.08%
MSCI World Low Carbon Target	+4.69%	+4.73%	-0.04%
ESG Paris Aligned World Equity Fund	+6.31%	+6.19%	+0.13%

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 +1.35% in Q1 2023, and in relative terms it underperformed the CPI + 5% target by -1.67% and the cash + 4.5% target by -0.6% (this being the manager's preferred target since March 2022). Over three years, the fund is behind the CPI + 5% target return by -6.53% 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 +1.35% in Q1 2023 while global equities made a return of +6.8%. Over three years, the DGF delivered a return of +6.34% p.a.

In Q1 2023, equity positions contributed +1.0% to the total return, alternatives remained neutral, credit and government debt contributed +1.3%, while cash and currency detracted -0.4% (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 7.6% compared to the three-year volatility of 16.4% in global equities (i.e., 46.3% of the volatility) which is in line with target.

Portfolio Characteristics: The fund had 48% in internally managed funds (down from last quarter), 17% in active bespoke solutions (down from last quarter), 7% in externally managed funds (up from last quarter), and 26% in passive funds (up from last quarter) with a residual balance in cash, 3% (down from last quarter), as at end March 2023. In terms of asset class exposure, 30.1% was in equities, 23.4% was in alternatives and 43.8% 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 government bonds, in preparation for a slowdown in economic activity. It has now changed its positioning to "neutral" on most asset classes, which it states it has not been for quite some time (usually the manager holds positive or negative views on most asset classes).

Schroders reported that the carbon intensity of the fund was 59% that of the comparator (a mix of equities, bonds, and alternative indices), although the manager notes that coverage is only at 59% of the portfolio (compared with 80% for the comparator).

Organisation: There were no immediate team changes during Q1 2023. Angus Sippe, one of 6 voting members of the Asset Allocation Committee has left, and Schroders made the decision not to replace him.

Polen Capital (formerly Columbia Threadneedle/BMO)– Global Emerging Market Growth and Income Fund

Headline Comments: The portfolio made a return of +2.83% in Q1 2023, compared with the benchmark return of +1.19%, an outperformance of +1.64%. Over one year the fund is ahead of the benchmark by +0.43%, over three years it is trailing by -0.34% per annum. The acquisition of the Columbia Threadneedle emerging markets business by Polen Capital completed as planned during the quarter.

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. Overexposure in comparison to the benchmark to Uruguay and Switzerland (both off benchmark holdings) contributed positively to performance, though overexposure to Hong Kong detracted from performance, mainly due to specific stock selection.

During the quarter, the largest positive contributors to the quarterly relative return came from MercadoLibre (+0.98%), Wizz Air (+0.96%), and by Walmart de Mexico (+0.52%). Companies which detracted most from performance included Infosys (-0.61%), Epam Systems (-0.49%), and AIA Group (-0.27%).

Over one year, the fund has outperformed the benchmark by +0.43% which shows a much-improved picture although over three years it is still trailing by -0.34% p.a. (the three year numbers include the legacy frontier markets portfolio returns, but this is still a big improvement on a year ago when the portfolio was trailing the three year benchmark by some -3.9% p.a.)

Portfolio Risk: Within the emerging markets portfolio there is a 15.0% allocation to non-benchmark countries (excluding the holding in Cash & Equivalents). The largest overweight country allocation in the emerging markets portfolio remained India (+5.3% overweight). The most underweight country allocation was Taiwan (-6.7%). The manager also held 14.7% of the portfolio in four developed countries, compared with the benchmark's 2.5% in Hong Kong.

Portfolio Characteristics: The largest absolute stock position was Tencent Holdings at 6.7% of the portfolio, while the largest absolute country position was China/HK and accounted for 32.5% of the portfolio.

As at end March, the portfolio had a 15% allocation to technology, below the benchmark allocation of 21%. The Manager states that its bottom-up stock selection process means it puts less emphasis on sector diversification, believing that it can reduce risk by only holding the highest conviction positions. It also states that the technology sector has a very broad range of underlying sub-industries and verticals.

The Manager looks to hold investments for 5 years, and states that it has a turnover of below 20%.

It is worth noting that Taiwan Semiconductor Manufacturing (TSMC) is held by Polen Capital, LCIV Newton, LCIV RBC, and LGIM which creates a significant overlap. Between these four Managers, the London Borough of Islington has a 0.89% exposure to TSMC at the total fund level.

Polen Capital stated that its investment thesis for TSMC is based on strong fundamentals, including returns on internally invested capital well in excess of cost of capital for more than 20 years, and compounded revenues and earnings at 12% over 10 years. It also highlights the growing importance of semiconductors in the evolution of the digital economy, and TSMC has a strong and growing market share in its part of the value chain.

Staff Turnover/Organisation: As previously reported, Columbia Threadneedle had announced that the emerging markets team were to be sold to a US firm, Polen Capital. As of end Q1 2023 the transfer is now complete.

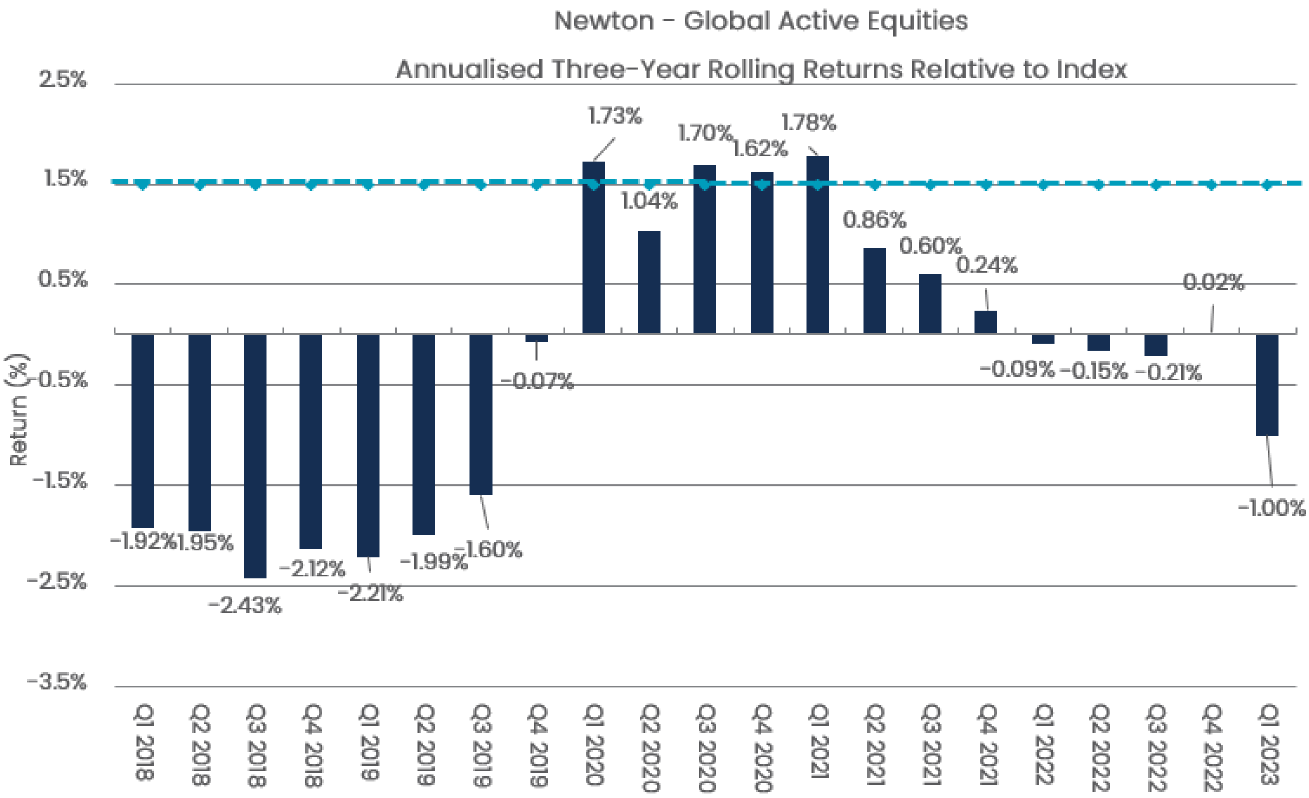
LCIV Global Equity Fund (Newton) – Global Active Equities

Headline Comments: The LCIV Global Equity Fund outperformed its benchmark during Q1 2023 by +1.27%. Over three years the portfolio underperformed the benchmark by -1.00% p.a. Over five years the manager is ahead of the benchmark return by +0.82% 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. By Q1 2023 the fund has now underperformed the benchmark over three years by -1.00% p.a. and is underperforming the performance objective by -2.05% p.a. (the performance objective is shown by the dotted line).

Positive contributions to the total return came from holdings such as Apple (+0.94%), Microsoft (+0.87%), and General Electric Co (+0.59%). Negative contributions came from positioning in Dollar General (-0.28%), Xp Inc Com Usd (-0.26%), and AIA Group (-0.21%).

In its peer group analysis, the London CIV reported that Newton is now delivering returns below the median 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, and published its findings in February. The LCIV Global Equity Fund was given an overall rating of 2 stars, meaning that the Fund “delivers value but some criteria are to be monitored”.

Portfolio Risk: The active risk on the portfolio stood at 3.05% as at quarter end, slightly lower than as at end September when it stood at 3.32%. The portfolio remains defensive, with the beta on the portfolio at end December standing at 0.97, up by 0.06 from previous quarter (if the market falls by -10% the portfolio can be expected to fall -9.7%).

At the end of Q1 2023, the London CIV sub-fund's assets under management were £588.5m, compared with £556.6m last quarter. London Borough of Islington now owns 54.82% of the sub-fund.

Portfolio Characteristics: The number of stocks in the portfolio stood at 59 as at quarter-end (up 2 from last quarter). The fund added seven positions, including Nvidia, Danaher, and Roper Technologies. Newton completed five sales, including Nestle and Norfolk Southern Corp.

The portfolio continues to be heavily weighted to Technology (an allocation of 22.7%), which has increased and is now once again overweight against the Benchmark. At a stock level, the largest overweight technology stock is Samsung SDI (+2.4%) followed by Microsoft (+2.1%). The Manager has provided investment theses underpinning each of its technology stocks. For example, Samsung SDI plays an important role in the supply of batteries to electric vehicles, a trend that Newton has conviction, and Microsoft plays a key role in the multi-year adoption of cloud infrastructure and software.

Financials is the second largest allocation (21.9%) and is the largest overweight against the benchmark. This is due to the Manager continuing to build on existing holdings in a number of insurance companies.

The Manager typically envisages a holding period of between 3 to 5 years, though where long term thematic trends remain very supportive of investment case, a security may be held for a longer period.

In Q1 2023, LCIV reported that the Newton sub fund had a weighted average carbon intensity of 48% that of the benchmark index (the MSCI World Index). The highest contributor was Shell (10.84% 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 (Exelon contributes a further 5.3% to the weighted average carbon intensity).

Staff Turnover: None reported by LCIV for Q1 2023.

LCIV Sustainable Equity Fund (RBC) – global equities

Headline Comments: Over Q1 2023 the fund made a return of +0.21%. This underperformed the benchmark return by -4.60%. The one-year return was -7.61%, weak in absolute terms and behind the benchmark by -6.62%. The three-year underperformance was -2.71% p.a.

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against the benchmark. Islington's investment makes up 13.42% 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 and the collapse of the U.S. regional banks, the fund has underperformed the benchmark in Q1 2023, and has made a loss for the quarter in absolute terms. The portfolio has overweight allocations to the Financial, Consumer Staples, Industrials, and Consumer Discretionary sectors. The Manager has stated that stock selection within the Financials sector, particularly due to the knock-on effects of the collapse of the U.S regional banks, detracted from performance. Over the quarter the largest contributors to return included Nvidia (+1.68%), Microsoft (+1.05%), and Taiwan Semiconductor Manufactor (+0.83%). The largest detractors include positioning in Charles Schwab (-1.14%), First Republic Bank (-0.77%), and Unitedhealth Group (-0.75%).

The London CIV is now comparing managers against their peer group and reported that RBC is performing well over the medium and 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 one-year period.

London CIV completed an in-depth review of this Manager in November, and published its findings in February. The LCIV Sustainable Equity Fund was given an overall rating of 2 stars, meaning that the Fund "delivers value but some criteria are to be monitored".

Portfolio Characteristics: As at end of March 2023 the fund had 38 holdings (1 up from last quarter) across 13 countries. The active risk of the fund was 3.79%, slightly higher than Newton.

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

In Q1 2023, LCIV reported that the RBC sub fund had a weighted average carbon intensity of 65% that of the benchmark index (the MSCI World Index) which is an improvement from last quarter (when it was 71%). The highest contributors were InterContinental Hotels Group (excluding this holding from the portfolio would reduce the weighted average carbon intensity by 13.21%), First Quantum Minerals Ltd (6.58%) and Equinor ASA (6.07%).

The portfolio has a total allocation of 13.8% to technology stocks, versus the benchmark allocation of 22.7%. The Manager follows a bottom-up stock selection process, and therefore has provided robust individual investment theses for each of its technology stocks.

RBC states that it aims to hold companies for the long term and that the average holding period of individual stocks since the Strategy's inception is 4.6 years.

M&G – Alpha Opportunities Fund

Headline Comments: During Q1 2023 the M&G Alpha Opportunities Fund made a return of +1.75%, marginally underperforming the benchmark return of +1.77%. Over one year it is trailing the benchmark (cash plus 3.5%) by -3.4%.

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 SONIA/one-month Euribor plus 3-5% gross of fees p.a. over a market cycle.

Performance Attribution: During the quarter, the fund made a return of +1.75% compared to the benchmark return (one month Libor plus 3.5% being used in Northern Trust's performance analysis) of +1.77%. Exposure to industrial corporate bonds was the top contributor, with leveraged loans also performing well. Yield curve hedging/currency hedging was the top detractor (-0.23%). Over one year, the fund is trailing the target return by -3.40% p.a.

Portfolio Characteristics: The largest allocations in the portfolio were to industrials (38%), Financials (26%), and Securitised debt (12%). 47% of the portfolio was rated BB* or below. The Manager reduced overall exposure areas of the credit market that had rallied strongly in 2022, and later increased exposure to financials through opportunities identified during the banking sector volatility.

As at end March, the weighted average carbon intensity (WACI) of the portfolio was 43% of the WACI of a benchmark index, with 76% of the portfolio being measured where data was available (compared with 89% coverage for the benchmark).

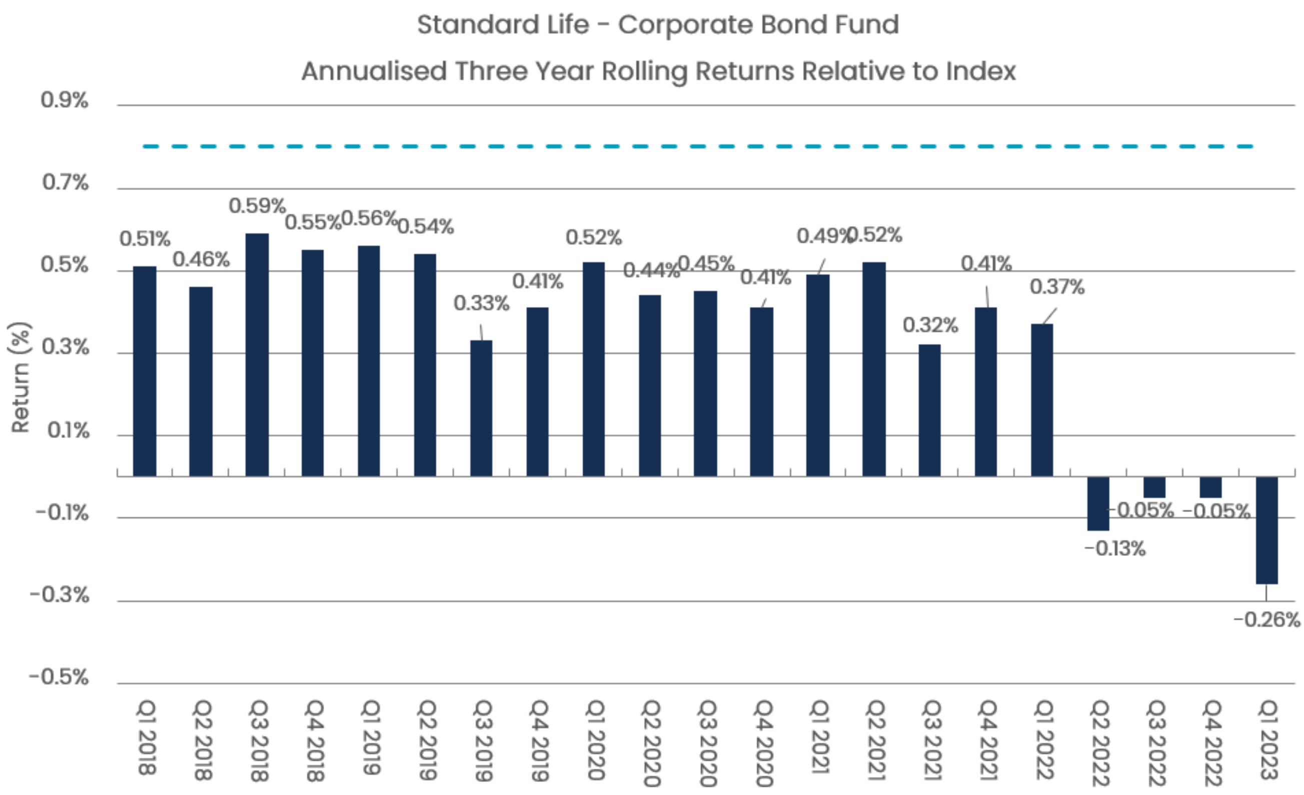
Standard Life – Corporate Bond Fund

Headline Comments: The portfolio marginally underperformed the benchmark return during the quarter by -0.03% and made an absolute return of +2.35%. Over three years, the fund was behind the benchmark return (by -0.26% p.a.) for the fourth 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 -3.33% p.a. net of fees, compared to the benchmark return of -3.07% p.a.

Portfolio Risk: The largest holding in the portfolio at quarter-end was the Government of Sweden at 0.8% of the portfolio.

Portfolio Characteristics: The value of Standard Life's total pooled fund at end December 2022 stood at £2,233 million. London Borough of Islington's holding of £68.2m stood at 3.1% of the total fund value.

Staff Turnover: There were nine joiners and 23 leavers during the quarter. There were four new joiners into the Fixed Income Group, three Investment Analysts and one Portfolio analyst. Two of the leavers were from the fixed income group; an Investment Director and head of Fixed Income, Malaysia.

Aviva Investors – Property – Lime Property Fund

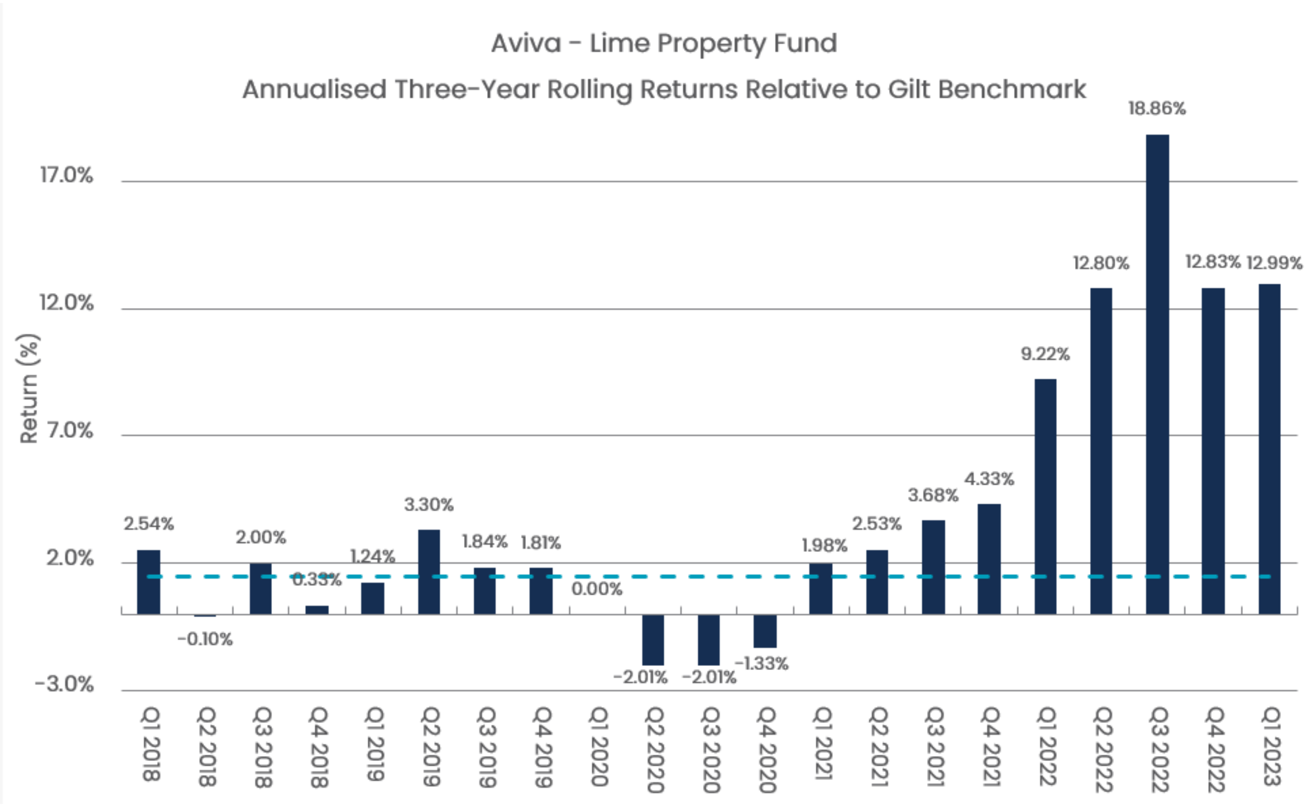
Headline Comments: The Lime Fund made a loss of -2.23%. It underperformed the benchmark return by -5.03% in Q1. Over three years, the fund is ahead of the benchmark return by +12.99% p.a., and over one-year outperformed by +7.64%.

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 2023 return was attributed by Aviva to -3.15% capital return and +0.87% income return.

Over three years, the fund has returned +1.62% p.a., considerably ahead of the gilt benchmark of -11.37% 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, 183% of the return came from income and -83% 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 acquisitions over the quarter and one sale of a hospital in Bedford. The manager received two redemption requests during the quarter totalling £70 million. A further £50 million of sales were achieved in the secondary market.

The average unexpired lease term was 21.0 years as at end March 2023. 12.6% of the portfolio's lease exposure in properties is in 30+ year leases, the largest sector exposure remains offices at 25.96% (proportion of current rent), and the number of assets in the portfolio is 86. The weighted average tenant credit quality rating of the Lime Fund remained at BBB+ this quarter.

Portfolio Characteristics: As at March 2023, the Lime Fund had £3.13 billion of assets under management, a decrease of -£99 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.

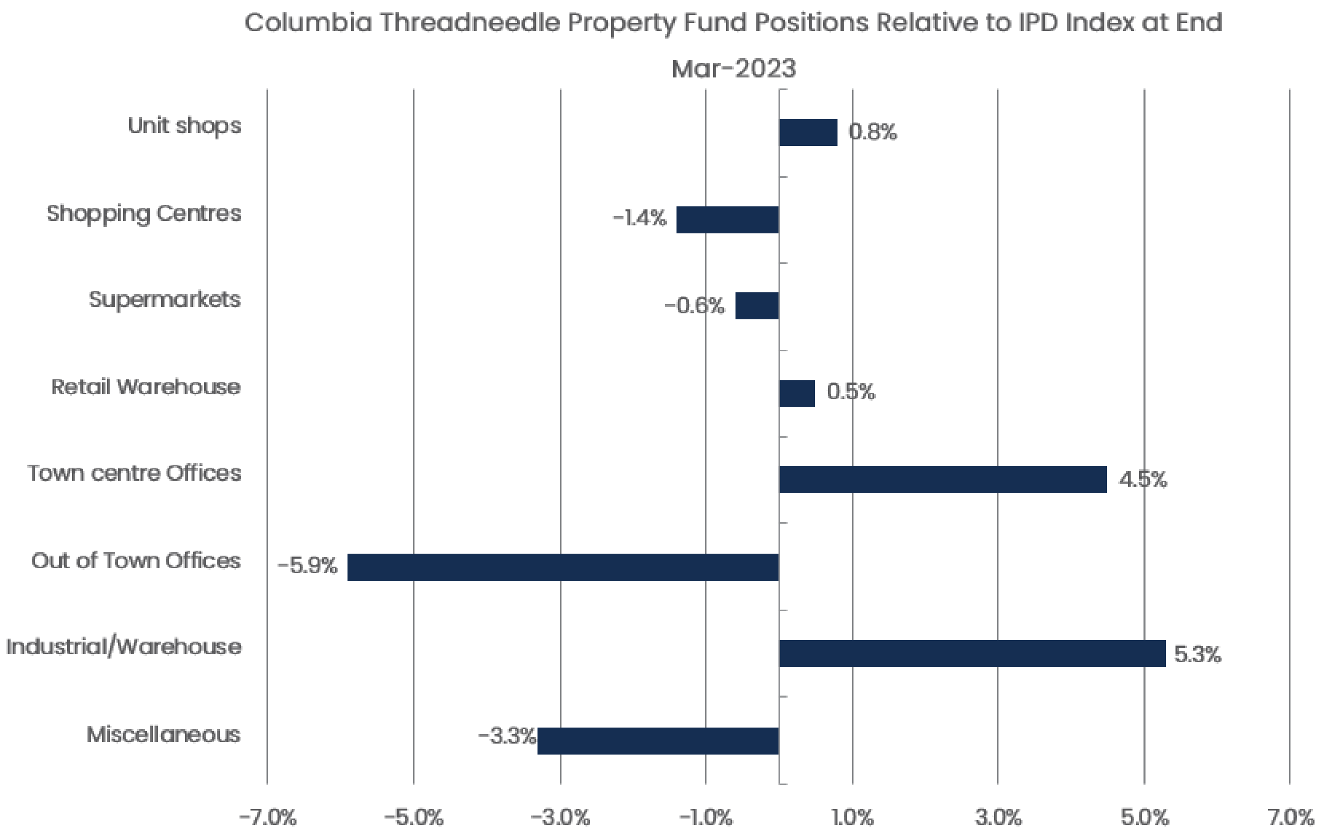
Columbia Threadneedle – Pooled Property Fund

Headline Comments: The fund delivered a positive absolute return and outperformed the benchmark in Q1 2023, with a quarterly return of +0.53% compared to the benchmark return of -0.22%. Over three years, the fund outperformed the benchmark by +0.42% p.a. 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 4 shows the relative positioning of the fund compared with the benchmark.

CHART 4:



Source: MJH; Columbia Threadneedle

During the quarter, the fund made no acquisitions and seven sales. The cash balance at end March was 1.9%, compared with an average cash allocation of 5.3% for the peer group benchmark. The Manager states that it continues to monitor liquidity closely as a means of protecting the fund against the prevailing market volatility.

Performance Attribution: The fund outperformed the benchmark in Q1 2023, with a quarterly return of +0.53% compared to -0.22%. Over 1-year the fund outperformed the benchmark by +1.09%. The fund is now outperforming the benchmark over three years by +0.42% but is behind the performance target of +1.0% p.a. above benchmark.

Portfolio Characteristics: As at end March 2023, the fund was valued at £1.55bn, a decrease of £59m from the fund's value in December 2022. London Borough of Islington's investment represented 5.81% of the fund.

Staff Turnover: There were no departures from the TPEN property team or the wider property team in Q1 2023, and there was one joiner, an Analyst, in the wider Property team.

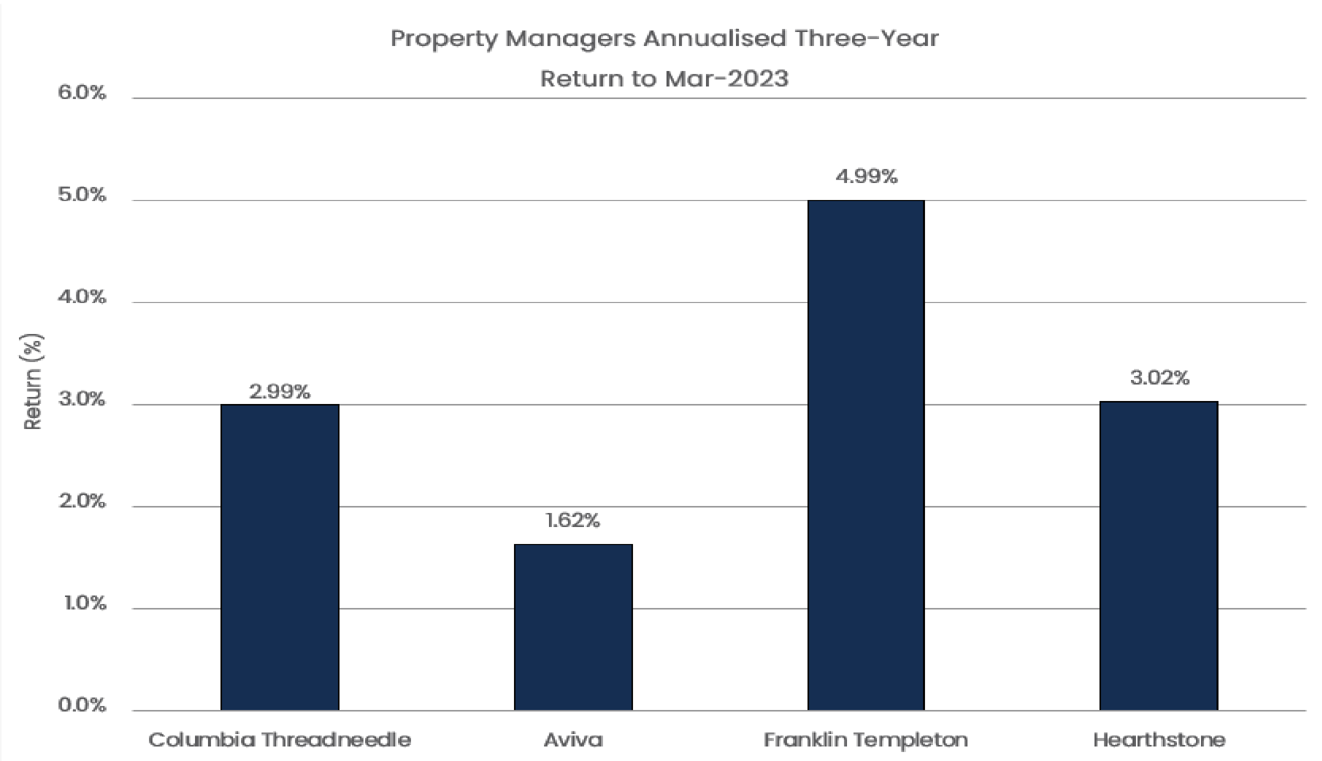
Franklin Templeton – Global Property Fund

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 underperformed the absolute return benchmark of 10% p.a. over three years by -5.01% 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 2023, 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:



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 138% of total Fund equity.

The largest remaining allocation in Fund I is to the US (79% of funds invested), followed by Europe (21%). As the fund distributes, the geographic exposure is likely to become increasingly concentrated.

Fund II is fully invested in a diverse mix of property sectors including office and retail uses. There has been an increase in the level of distributions for the first time since end June 2021, and so as at end March 2023, 87.0% of committed capital had been distributed, a 2% increase. Leverage decreased from 57% for the quarter to June 2022 to 53% for the quarter to March 2023. The manager notes that the pandemic has led to some delays in implementing business plans.

The largest geographic allocation in Fund II is to Europe (62% of funds invested), followed by the US (29%), and Asia (9%).

Fund III continues to invest in a diverse mix of property sectors including residential, retail, industrial and office uses. There was no change to the total distributions made over the period, and no new investments or realisations.

Staff Turnover/Organisation: There were no joiners and one leaver during Q1 2023, an Investment Associate.

Hearthstone – UK Residential Property Fund

Headline Comments: The portfolio outperformed the benchmark for the quarter ending March 2023 by +0.19%, and is outperforming over three years by +0.27% p.a.

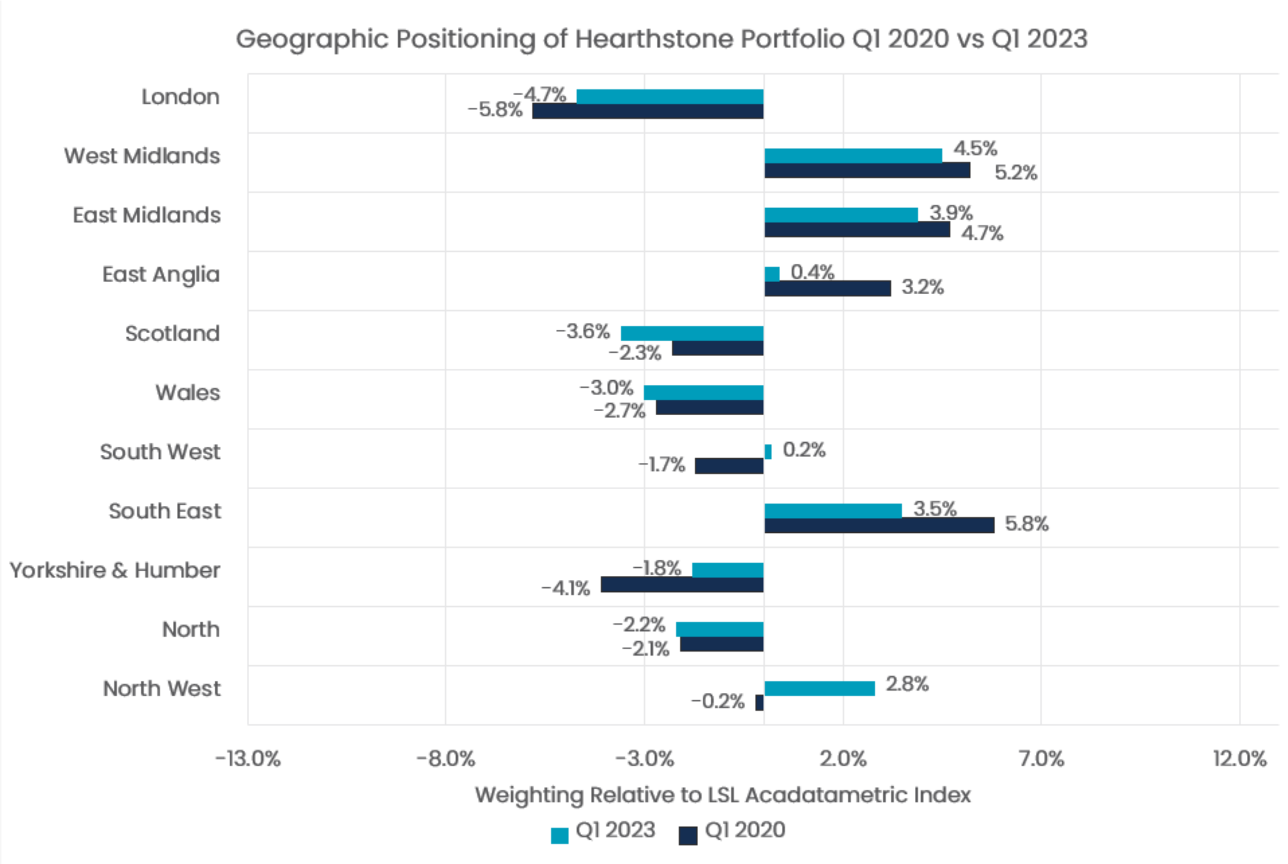
Mandate Summary: The fund invests in private rented sector housing across the UK and aims to outperform the LSL Acadametrics House Price Index (note that this excludes income), as well as providing an additional income return. The benchmark used by BNY Mellon is the IPD UK All Property Monthly Index.

Performance Attribution: The fund outperformed the IPD index over the three years to March 2023 by +0.27% p.a., returning +3.02% p.a. versus the index return of +2.75% p.a. The manager has outperformed over 5 years by +0.02% p.a. The gross yield on the portfolio as at end March 2023 was 4.99%. Adjusting for voids and property management/maintenance costs, however, the yield on the portfolio falls to 2.28%.

Portfolio Risk: The cash and liquid instruments on the fund stood at 13.95% (£9.7 million), which is 0.42% lower than at the end of December 2022. To date the manager has successfully met two redemptions of £500,000 each and is able to use the cash balance to meet the next £2 million redemption repayment. A further verbal update will be provided at the meeting.

Chart 6 compares the regional bets in the portfolio in Q1 2023 (turquoise bars) with the regional bets three years ago, in Q1 2020 (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 March there were 225 properties in the portfolio and the fund stood at £69.4 million. London Borough of Islington's investment represents 40.3% of the fund. This compares with 72% at the start of this mandate in 2013.

Organisation and Staff Turnover: There were no joiners during the quarter, and one leaver, Business Development Manager David Hall who retired at the end of March.

Quinbrook – Low Carbon Power Fund

Headline Comments: Performance for the year to 31st March 2023 was positive at +15.59%, thus outperforming the target return of +12.00%. Over three years, the fund returned +13.64% p.a. and therefore ahead of the target by +1.64%.

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 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 Q1 2023, on an unaudited, provisional basis, the fund had invested USD 477.9 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 726MW (including those with minority stakeholders), as at 31 March 2023.

The manager made a distribution payment of $31.4 million in February.

Organisation: There were three new joiners in Q1, including a Senior Advisor and Deputy General Counsel. The COO and Head of Finance, Pia Tapley has taken 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 +3.14% per annum. This compares with a three-year return on listed global equities of +17.9% per annum. The three-year return on the infrastructure fund was +13.78% versus the absolute return target of 10%.

Mandate Summary: London Borough of Islington have made total commitments of £106.6m 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 £77.4m. (Both the total fund commitment and Islington commitment have been converted to sterling as at Q1 2023, according to the Manager.)

Portfolio Characteristics: Over the period Q4 2022 – Q1 2023, a total of £15.2m was drawn down, wholly to PGIF III. Distributions were received across all strategies except PGSF IV, totalling £11.8m.

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 31 December 2022 the fund had closed commitments of £2.6 billion (€3.2 bn) and had made a total of 12 investments equalling 39.0% 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 £65.7 million to March 2023, equalling 68% of committed capital. The fund has achieved a return of +9.97% for the year to 31 March 2023, outperforming the absolute target return of +5% by +4.97%, although like other private markets investments, performance should normally be assessed over a longer (3-year) time-period. No defaults have been reported.

Crescent – Credit Solutions Fund

Headline Comments: The Crescent Credit Solutions Fund VIII is part of the new private debt allocation. The fund closed two new investments during the quarter: Infinite Electronics and OneDigital, bringing invested capital to 60% of commitments. The fund has achieved a return of +7.56% for the quarter to 31 March 2023, outperforming the benchmark return of +2.41% by +5.15%, although like other private markets investments, performance should normally be assessed over a longer (3-year) time-period.

Karen Shackleton
Senior Adviser, MJ Hudson
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1 Frederick's Place, London, EC2R 8AE, United Kingdom | +44 20 7079 1000 | london@mjhudson.com | mjhudson.com | mjhudson.com

MJ HUDSON