

## **LONDON BOROUGH OF HARINGEY PENSION FUND**

### **INVESTMENT STRATEGY STATEMENT**

#### **1. Introduction**

Haringey Council is the Administering Authority for the Local Government Pension Scheme in the London Borough of Haringey area and as such is responsible for the investment of the Pension Fund's ("the Fund") assets. The Council has delegated this responsibility to the Pensions Committee and Board (henceforth referred to as "the Committee").

The Committee is responsible for setting the investment strategy for the Fund, appointing fund managers to implement it and monitoring the performance of the strategy. The Committee retains an independent adviser and the services of an investment Consulting firm, in addition to the advice it receives from the Chief Financial Officer and other Officers.

Stock level decisions are taken by the investment managers appointed by the Fund to implement the agreed investment strategy. These decisions are taken within the parameters set out for each manager – more details are provided in Appendix B.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

The Investment Strategy Statement will be an important governance tool for the Fund, as well providing transparency in relation to how the Fund's investments are managed. It will be kept under review and revised from time to time in order to reflect any changes in policy.

The Committee complies with the requirements of the Myners Review of Institutional Investment, which can be found in Appendix A, alongside a review of the Fund's compliance with the principles.

## **Key Investment Beliefs**

The key investment beliefs held by the Committee form the foundation of discussions, and assist decisions, regarding the structure of the Fund's investment policy

The Fund's key investment beliefs are set out below:

### **(i) Investment Governance**

The Fund has the necessary skills, expertise and resources to take decisions on asset allocations, rebalancing and fund manager appointments.

Day to day investment decisions are delegated to regulated external fund managers that have appropriate skills and experience.

Investment Consultants, Independent Advisors and Officers are a source of expertise and research to inform Committee decisions.

The Committee's primary goal is the security of assets, and it will only take decisions when it is convinced that it is right to do so. In that regard, training in advance of decision making is considered a priority.

### **(ii) Long Term Approach**

The strength of the largest employers' covenant (London Borough of Haringey) allows a longer term deficit recovery period and for the Fund to take a long term view of investment strategy.

The most important aspect of risk is not the volatility of returns but the risk of absolute loss and of not meeting the objective of facilitating low, stable contribution rates for employers.

Illiquidity and volatility are risks which offer potential sources of additional compensation to the long term investor. Moreover, it is important to avoid being a forced seller in short term markets.

Participation in economic growth is a major source of long term equity returns.

Over the long term, equities are expected to outperform other liquid assets, particularly government bonds.

Well governed companies that manage their businesses in a responsible manner will likely produce higher returns over the long term.

### **(iii) Appropriate Investments**

Allocations to asset classes other than equities and government bonds (e.g. multi-sector credit, private equity, infrastructure and property) offer the Fund access to other forms of risk premia and provide diversification.

Diversification across asset classes and asset types is expected to reduce the volatility of the

overall Fund return.

**(iv) Management Strategies**

Passive management provides low cost exposure to asset class returns and is especially attractive in efficient markets, where there is limited evidence that active management can consistently generate returns (after additional costs) that exceed index benchmarks. The Committee takes the view that most equity markets are sufficiently efficient to prefer passive equity investment.

Active management will be considered in markets in which passive approaches are either impossible or where there is strong evidence that active management can add value over the long-term (for example Property and alternative investments such as Private Equity) and which are therefore suited to active management.

Active management is more expensive than passive management, and fees should be aligned to the value created in excess of the performance of the market.

Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.

Implementation of strategies should be consistent with the governance capabilities of the Committee.

**Objectives**

The primary objective of the Fund is:

- To provide for members' pension and lump sum benefits on their retirement or for their dependants benefits on death before or after retirement on a defined benefits basis.

The investment objective of the Fund is:

- To achieve a return on Fund assets that is sufficient, over the long term, to meet its funding objectives.

The Committee recognises that the investment performance of the Fund is critical as it impacts directly on the level of employer contributions that the employers are required to pay.

This statement will be reviewed by the Committee at least triennially, or more frequently should any significant change occur.

## **2. Investment strategy and the process for ensuring suitability of investments**

The Fund's benchmark investment strategy, along with an overview of the role each asset is expected to perform is set out in the following table:

<b>Asset class</b>	<b>Allocation (%)</b>	<b>Allowable ranges (%)</b>	<b>Role(s) within the strategy</b>
<b>Listed Equities</b>	<b>45.0</b>		Aim to generate returns in excess of inflation, through exposure to the shares of domestic and overseas companies.
UK Equities	5.6	+/- 3.0	
Overseas Market Capitalisation Equities	20.2	+/-5.0	
Global Low Carbon Equities	19.2	+/- 3.0	
<b>Multi Asset Absolute Return</b>	<b>7.5</b>	+/- 1.0	Aim to generate equity like returns but with lesser volatility, via exposure to multiple asset classes, whilst diversifying the risk from market cap equity.
<b>Private Equity</b>	<b>5.0</b>	-*	Aim to generate returns in excess of inflation, through exposure to companies that are not publicly traded, whilst providing some diversification away from listed equities and bonds.
<b>Property</b>	<b>12.5</b>	-*	Aim to generate returns in excess of inflation through exposure to UK and overseas property markets, through both income and capital appreciation, whilst providing some diversification away from equities and bonds.
Conventional Property	7.5	+/- 2.5	Traditional "core" property.
Long Lease Property	5.0	+/- 2.5	Long Lease Property is a lower risk approach compared to conventional property and focuses on delivering returns by harvesting long-term, secure contractual income that will increase over time through a combination of fixed and inflation related increases.
<b>Infrastructure Debt</b>	<b>3.0</b>	-*	A low risk asset producing returns by investing in senior debt secured on infrastructure assets

<b>Renewable Infrastructure</b>	<b>Energy</b>	<b>5.0</b>	<b>-*</b>	Aims to generate returns in excess of inflation, through exposure to a diversified mix of renewable energy infrastructure sectors whilst providing some diversification away from listed equities and bonds.
<b>Multi-Sector Credit</b>		<b>7.0</b>	<b>+/- 1.0</b>	Provides diversified exposure to global credit markets to capture both income and capital appreciation of underlying markets and securities.
<b>UK Index-Linked Gilts</b>		<b>15.0</b>	<b>+/-3.0</b>	Expected to produce an income stream with an explicit linkage to inflation, and interest rate sensitivity, which is expected to mitigate the impact to some extent of changes in interest rates and inflation expectation on the Fund's funding position.
<b>Total</b>		<b>100.0</b>		

\* Given the illiquid nature of these asset classes, there is no formal tolerance range in place. However, the Committee will closely monitor the position of the Fund over time, including these asset classes.

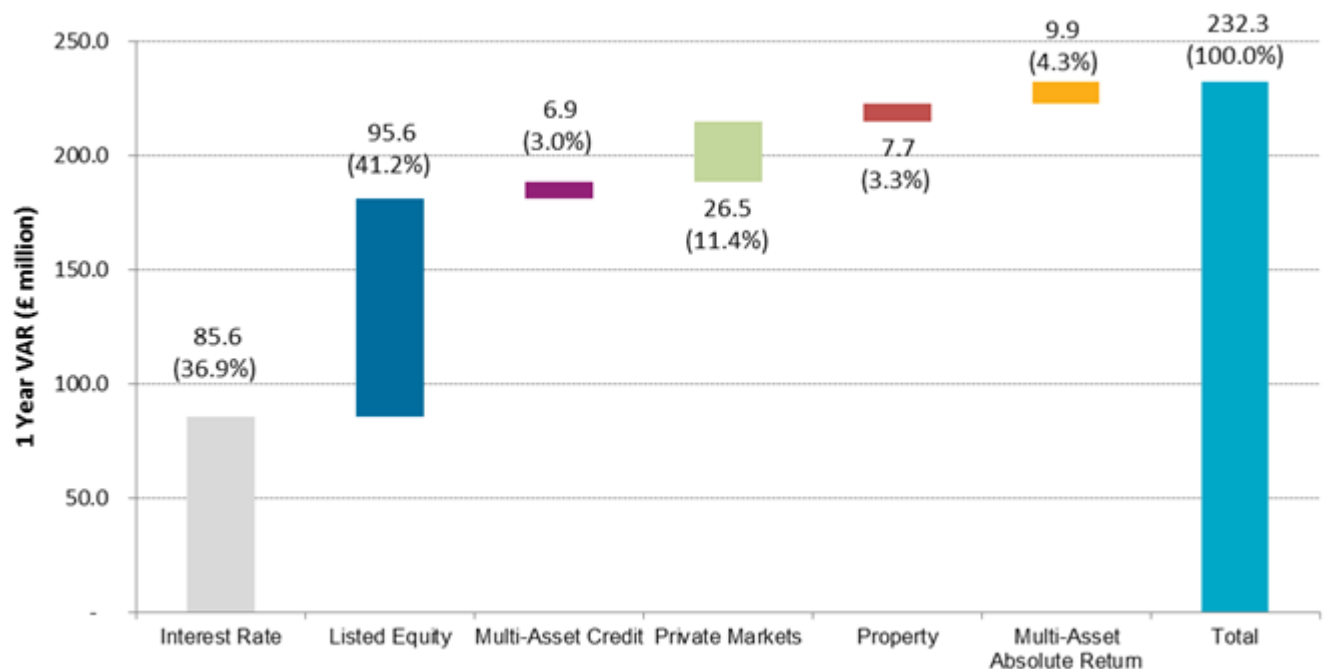
**Note:** Full details of the asset allocation of the Fund, including the investment managers and their respective performance benchmarks, are included in Appendix B.

### **3. Risk measurement and management**

There are a number of risks to which any investment is exposed. The Fund's investment strategy has an inherent degree of risk which has to be taken in order to achieve the rate of return required to meet its funding objectives. The Fund has put in place a number of controls in order to manage the level of risk taken.

The benchmark the Committee has set involves a wide range of asset classes and geographical areas. This diversification aims to reduce the risk of low or negative returns to an acceptable level. As noted above, the Committee believes that active management of investments is appropriate in some asset classes, but not all. Active management introduces the risk of relative underperformance of an investment compared to its benchmark or wider market returns for that asset class. As the majority of the Fund's assets (all equities and index-linked gilts) are invested on a passive basis, the risk of underperforming the benchmark has been significantly reduced.

The following graph provides an indication of the main sources of investment risk (estimated by Mercer) relative to how the Fund's liabilities are currently valued (this is an estimate as at March 2016 and will change over time). The graph shows risk, as measured by a one year "value at risk" measure at the 5% level - in other words, if we consider a downside scenario which has a 1 in 20 chance of occurring, this would be the impact on the deficit relative to our "best estimate" of what the deficit would be in one years' time.



The following risks are recognised and considered by the Committee:

**Valuation risk:** the Actuarial Valuation assumes that the Fund generates an expected return equal to or in excess of the Fund's discount rate. An important risk to which the Fund is exposed is that the return is not achieved, either due to unexpected increases in the value placed on the liabilities, or if the assets do not perform as expected. This risk is reduced by the diversified investment strategy the Fund employs, through the alignment of the investment strategy with funding requirements through regular reviews, and through regular monitoring.

**Longevity risk:** this is the risk that the members of the Fund live longer than expected under the Actuarial Valuation assumptions. This risk is captured within the Actuarial Valuation report which is conducted at least triennially and monitored by the Committee, but any increase in longevity will only be realised over the long term.

**Sponsor Covenant risk:** the financial capacity and willingness of the sponsoring employers to support the Fund is a key consideration of the Committee and is reviewed on a regular basis.

**Diversification risk:** the Committee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Committee aims to ensure that the asset allocation policy results in an adequately diversified portfolio.

**Liquidity risk:** the Committee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the Fund's long term investment horizon, the Committee believes that a degree of liquidity risk is acceptable, given the potential return. The majority of the Fund's assets are realisable at short notice.

**Manager risk:** the Fund's assets are invested with a number of managers to provide appropriate

diversification.

**Regulatory and political risk:** across all of the Fund’s investments, there is the potential for adverse regulatory or political change. Regulatory risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes. The Committee will attempt to invest in a manner which considers the impact of any such regulatory or political change should such a change occur.

**Exchange rate risk:** this risk arises from unhedged currency exposure on investments overseas. The Committee has agreed to hedge 50% of the overseas equity exposure (excluding Emerging Markets) to protect the sterling value of these investments and to reduce the volatility that arises from movements in exchange rates. Currency hedging on other assets is considered on a case of case, as appropriate.

**Cashflow risk:** the Fund’s cashflow position is carefully monitored on a regular basis. As appropriate, positive and negative cashflows are used to help rebalance the investment policy closer into line with the target. Over time, it is expected that the size of pensioner cashflows will increase as the Fund matures and greater consideration will need to be given to raising assets to meet outgoings. The Committee recognises that this can present additional risks, particularly if there is a requirement to sell assets at inopportune times.

**Governance:** members of the Committee participate in regular training sessions. The Committee is aware that poor governance and, in, particular, high turnover of members may prove detrimental to the investment strategy, fund administration, liability management and corporate governance, and seek to minimise turnover where possible.

**Environmental, Social and Governance:** the Committee wishes to have an active influence on issues of environmental, social or governance (ESG) concern with companies in which the Fund is a shareholder. It will seek to codify its approach with Fund Managers and will use the services of specialist agencies as necessary to identify issues of concern. The Committee requires the Fund Managers to take into account the implications of substantial “extra-financial” considerations, e.g., ESG or reputational issues that could bring a particular investment decision into the public arena.

The full ESG policy of the Fund is outlined in Section 5.

#### **4. Approach to asset pooling**

The Fund has formally agreed to join the London Collective Investment Vehicle (CIV) as part of the Government’s pooling agenda. The London CIV has been operational for some time and is in the process of opening a range of sub-funds covering liquid asset classes, with less liquid asset classes to follow.

The Fund will consider transitioning liquid assets (as appropriate) into the London CIV when there are suitable investment strategies that meet the asset allocation and investment strategy available on the London CIV platform.

The Fund’s illiquid assets (e.g. Property, Private Equity and Infrastructure related) are expected to remain outside of the London CIV pool. The cost of exiting these strategies would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision not to reinvest. The Committee will regularly review the assets that it has determined should be held outside the London CIV, at least every three years, to ensure that this decision continues to demonstrate value for money.

## **5. Social, environmental and corporate governance policy**

The Fund believes the adoption by companies of positive Environmental, Social and Governance principles can enhance their long term performance and increase their financial returns. The Fund has demonstrated this by adopting the United Nations Principles for Responsible Investment and by being a member of the Local Authority Pension Fund Forum, which undertakes engagement activity with companies on behalf of its members.

In addition, the Fund has demonstrated this by allocating one-half of its equity portfolio (excluding Emerging Markets) to a passive fund that tracks the MSCI World Low Carbon Target Index. This index aims to reduce exposure to companies with the highest carbon footprints, relative to a market capitalisation benchmark. Further, the Fund has made commitments expected to be equivalent to c. 5% of assets to two Renewable Energy mandates. These mandates will invest in infrastructure assets that are linked to the production of different forms of Renewable Energy (e.g. Wind, Solar, Tidal power). This further demonstrates the commitment of the Fund to Environmental principles. The Fund believes that further reduction in exposure to fossil fuel industries will reduce risk and secure stronger returns for the fund over the long term.

Investment managers are expected to consider responsible investment issues when voting on behalf of the Fund. However in instances where shareholder value and responsible investment conflict, the investment managers are instructed to vote for shareholder value and report these instances to the Committee. All investment managers are expected to vote in respect of all pooled funds.

The Committee has member and other stakeholder representatives who actively engage with stakeholders to ensure the Fund is aware and can respond effectively to stakeholder concerns.

Investments that deliver social impact as well as a financial return are often described as “social investments”. Social investment includes a wide spectrum of investment opportunities. The Fund is consistent in the application of risk and return requirements when evaluating all investment opportunities including those that address societal challenges but generate competitive financial returns with an acceptable risk / return profile in line with the investment strategy.

## **6. Policy of the exercise of rights (including voting rights) attaching to investments**

The Fund believes that active Stewardship can promote the long term success of companies for the benefit of stakeholders including investors.

### **Stewardship Code Statement**

The Fund is a Tier 1 Signatory to the Financial Reporting Council UK Stewardship Code and has prepared a formal statement of compliance, which is shown below.

### **Statement of Compliance with the UK Stewardship code**

*The London Borough of Haringey Pension Fund takes the stewardship responsibilities that come with being an institutional investor very seriously. The Fund believes the adoption by companies of positive Environmental, Social and Governance principles can enhance their long term performance and increase their financial returns. The Fund has demonstrated this by adopting the United Nations Principles for Responsible Investment and by being a member of the Local Authority*



*Pension Fund Forum, which undertakes engagement activity with companies on behalf of its members.*

*The Fund has a clear commitment to stewardship and ESG that is embedded in its investment strategy, with roughly one third of developed market equity holdings allocated to a low carbon fund, and with an additional allocation to renewable energy mandates. The fund believes that a commitment to sound responsible investment principles will yield stronger returns for the fund in the long term.*

***Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.***

*Haringey is a member of the Local Authority Pension Fund Forum, and actively monitors voting alerts issued by LAPFF. When voting alerts are issued, we notify the relevant fund managers and request that they vote in line with the LAPFF recommendation. Whilst Haringey invests all equity holdings passively, and therefore cannot compel its equity fund manager to vote in a particular way at AGMs, we follow up on all voting alerts to monitor whether fund managers vote in line with the LAPFF recommendations. If the fund manager does not do this, a rationale for their decision is sought, and this is circulated to members of the Pensions Committee and Board (the S101 decision making body for the Haringey Pension Fund). Further to this, LAPFF voting alerts are reported on at every Pensions Committee and Board meeting to monitor how the fund managers have voted compared to LAPFF recommendations. The papers for these meetings which show how fund managers have voted, are published on the internet and are therefore made available for the beneficiaries of the fund as well as the general public.*

***Principle 2 - Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.***

*Haringey’s Pensions Committee and Board has a robust conflicts of interest policy which is reviewed at least annually. Conflicts of interest are embedded in the terms of reference of the Pensions Committee and Board, and a register of any conflicts which arise is maintained. Members of the Pensions Committee and Board complete declaration of interest forms annually. There is a clear process in place for managing any conflicts of interest which occur for Committee and Board members during meetings.*

*Haringey expects all Fund Managers to employ similarly robust conflicts of interest policies, and this is something that is considered upon any new manager appointment.*

***Principle 3 - Institutional investors should monitor their investee companies.***

*Day-to-day responsibility for managing the Fund’s equity holdings is delegated to the relevant fund managers: these are all currently invested in passive pooled funds. The Fund expects managers to monitor and engage with companies they invest in, and to report on these engagement activities.*

*Through membership of the Local Authority Pension Fund Forum, key ESG concerns are highlighted, to ensure that Haringey is able to probe fund managers to understand their voting intentions and attempt to influence this.*

***Principle 4 - Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.***

*Responsibility for day-to-day interaction with companies is delegated to the Fund's investment managers, including the escalation of engagement when necessary. On occasion, the Fund may itself choose to escalate activity; this will typically be through our membership of the Local Authority Pension Fund Forum (LAPFF). When this occurs, the Committee will typically take a minuted vote on the decision whether to participate in the proposed activity.*

***Principle 5 - Institutional investors should be willing to act collectively with other investors where appropriate.***

*The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. This is achieved through our LAPFF membership, together with initiatives proposed by our investment managers or other advisors. The Fund takes its membership of LAPFF seriously, Officers and Councillors are engaged with LAPFF activity, with Councillor members of the Pensions Committee and Board attending LAPFF meetings such as the AGM. One of the members of the Pensions Committee and Board ran for a position on the LAPFF executive in the spring of 2017.*

***Principle 6 - Institutional investors should have a clear policy on voting and disclosure of voting activity.***

*Haringey actively monitors all LAPFF voting alerts, and monitors fund manager compliance with these voting recommendations in each Pensions Committee and Board meeting. All voting activity that takes place is published on Haringey's website highlighting where any fund managers have not complied with LAPFF voting guidelines.*

*The Fund invests via pooled funds and is therefore subject to the underlying investment managers' policies. The Fund expects its investment managers to exercise all votes associated with the Fund's equity holdings where practicable. The Fund encourages its investment managers to publicly disclose their voting records, and expects these to be made available to Haringey upon request. The Fund also looks to fulfil its responsibilities regarding shareholder voting through its membership of LAPFF.*

*Generally, the Fund expects its investment managers to support resolutions that are consistent with the UK Corporate Governance Code and represent best practice. In overseas markets, the Committee expects the managers to take account of local best practice principles.*

*Where resolutions or issues fall short of the expected standards, the Committee and Board expects managers will either abstain or vote against, depending on the individual circumstances of the company and the issues presented. The Committee and Board expects the investment managers to report on their voting activities on a regular basis and the Fund's Officers consider whether each manager's actions and engagement activities have been appropriate and in keeping with the Fund's policies.*

**Principle 7 - Institutional investors should report periodically on their stewardship and voting activities.**

*The Fund expects its underlying investment managers to report regularly to both the Officers and the Committee and Board with respect to voting and engagement activities, including examples of company engagement, progress on engagement over time and collaborative activities. The Fund encourages its investment managers to publicly report on their stewardship activities. The Fund reports on its stewardship activity via LAPFF voting alerts to the Committee and Board at each meeting, and these papers are published on the internet.*

*The Fund also expects its investment managers to take steps to report publicly on their stewardship activity. The Fund's listed equity manager, Legal and General Investment Management publishes various documents periodically on their website at the below web address:*

*<http://www.lqim.com/uk/en/capabilities/corporate-governance-responsible-investment/stewardship-integration/>*

**Advice Taken**

In constructing this statement, the Committee has taken advice from a representative of the Fund's professional investment advisor (Mercer Limited), an independent advisor (John Raisin Financial Services Limited), and the Borough's Chief Financial Officer (and other Officers).

## **Appendix A - Myners Investment Principles – Compliance Statement**

### **Principle 1: Effective Decision-making**

Administering authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

#### Haringey Position - Compliant

Haringey offers regular training to all members of the Committee to ensure they have the necessary knowledge to make decisions and challenge the advice they receive. All members are requested to complete the pensions regulator online public service toolkit, and annual training needs analysis is completed to highlight areas of weakness or gaps in knowledge. Training is completed prior to every Committee meeting, and members are actively encouraged to undertake training independently in their own time. All training activity undertaken is reported in the minutes of each Committee meeting.

### **Principle 2: Clear Objectives**

An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

#### Haringey Position - Compliant

The Fund sets out an investment objective in this statement, which reflects the financial requirements of the agreed funding policy and the desire to return to full funding over the long-term, in combination with an acceptable level of contributions.

### **Principle 3: Risk and liabilities**

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for the local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

#### Haringey Position - Compliant

The Fund's investment strategy was set following the results of the last formal Actuarial Valuation, which incorporated these issues. The investment strategy has since been revised to seek to further improve risk adjusted returns. Any changes to the investment strategy are only made subject to due consideration of the liability profile of the fund.

### **Principle 4: Performance assessment**

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.

Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

#### Haringey Position - Compliant

The Committee reviews the performance of Fund investments on a quarterly basis and meets with investment managers (via Officers) at least once a year. Contracts with advisers are reviewed regularly. The Committee undertakes an assessment of its own effectiveness on a regular basis.

### **Principle 5: Responsible ownership**

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Financial Reporting Council (FRC) UK Stewardship Code on the responsibilities of shareholders and agents
- Include a statement of their policy on responsible ownership in the statement of investment principles.
- Report periodically to scheme members on the discharge of such responsibilities.

#### Haringey Position - Compliant

The Fund's investment managers have adopted or are committed to the UK Stewardship Code.

The Fund is a Tier 1 signatory to the FRC Stewardship code and has produced a statement which is included in the Investment Strategy Statement.

### **Principle 6: Transparency and reporting**

Administering authorities should:

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives
- Provide regular communication to scheme members in the form they consider most appropriate

#### Haringey Position - Compliant

The Fund communicates with its stakeholders through the publication of policy statements and an Annual Report on its website. The Fund communicates regularly with its members and the communication policy statement provides information about how this is done. The Communications Policy is updated or reviewed at least annually.

**Appendix B – Investment Manager Performance Targets and Benchmarks**

<b>Manager</b>	<b>Portfolio</b>	<b>%</b>	<b>Benchmark</b>	<b>Performance Target</b>
LGIM	Global Equities and Index-Linked Gilts	60.0	See Appendix C	Index (passively managed)
Pantheon Private Equity	Private Equity	5.0	MSCI World Index	+ 3.5% p.a.
CBRE Global Investors	Conventional Property	7.5	IPD UK Pooled Property Funds All Balanced Index	+1% p.a. gross of fees over a rolling 5 year period
Aviva Investors	Long Lease Property	5.0	50% FTSE Actuaries 5-15 Year Gilt Index 50% FTSE 15 Years + Gilt Index*	+1.50% p.a. over the medium to long term
Allianz	Infrastructure Debt	3.0	5.5% p.a.	Benchmark
BlackRock	Renewable Energy Infrastructure	2.5	10.0% p.a.	Benchmark
Copenhagen Infrastructure Partners (CIP)	Renewable Energy Infrastructure	2.5	10.0% p.a.	Benchmark
CQS	Multi Sector Credit	7.0	3 month GBP LIBOR	+ 5.0% p.a.
Ruffer (London CIV)	Multi Asset Absolute Return	7.5	8.0% p.a.	Benchmark

\* The Fund invests in the Aviva Lime Property Fund, which invests in a diversified portfolio of UK Real Estate assets with long leases and strong covenants. The official performance objective is to outperform the composite benchmark in the table above by 1.5% over the medium to long term. In practice, the shorter term performance of the benchmark has the scope to perform very differently to the underlying property assets. Over shorter periods (less than 5 years), the Officers will assess the performance of this part of the portfolio on a total return basis, whereby around 60% to 80% of this is expected to be derived from rental income (with capital appreciation being the balance).

**Appendix C – Global Equity and Bond Benchmarks**

The table below outlines details on the Fund's passive managed investments, held with LGIM. This allocation comprises all of the Fund's listed equity and index linked gilt exposure. The aim of these passively managed funds is to track the performance of the respective indices within a lower level of tracking deviation (gross of fees) over rolling 3-year periods.

<b>Asset Class</b>	<b>Benchmark</b>	<b>Allocation (% total Fund assets)</b>
UK Equities	FTSE All Share	5.60%
North America	FT World Developed North America Index (Unhedged)	4.10%
North America	FT World Developed North America Index (Hedged)	4.10%
Europe ex UK	FT World Developed Europe ex-UK Index (Unhedged)	1.40%
Europe ex UK	FT World Developed Europe ex-UK Index (Hedged)	1.40%
Pacific ex Japan	FTSE Developed Asia Pacific (ex-Japan) Index (Unhedged)	0.65%
Pacific ex Japan	FTSE Developed Asia Pacific (ex-Japan) Index (Hedged)	0.65%
Japan	FTSE Japan Index (Unhedged)	0.65%
Japan	FTSE Japan Index (Hedged)	0.65%
Emerging Markets	FTSE Emerging Markets Index (Unhedged)	6.60%
Global Low Carbon Equities	MSCI World Low Carbon Target Index (Unhedged)	9.60%
Global Low Carbon Equities	MSCI World Low Carbon Target Index (Hedged)	9.60%
Index Linked Gilts	FTA Index Linked Over 5 Years Index	15.00%
<b>Total</b>		<b>60.00%</b>

