





# Investment Dashboard

Q2 2020

Prepared by Aon

Presentation to the London Borough of Harrow Pension Fund Committee



# Investment Dashboard

## Funding

86.1%

Qtr ▲ 3.2%

Source: Hymans Robertson

## Assets

£872m

Qtr ▲ £94m

## Liabilities

£1,013m

Qtr ▲ £74m

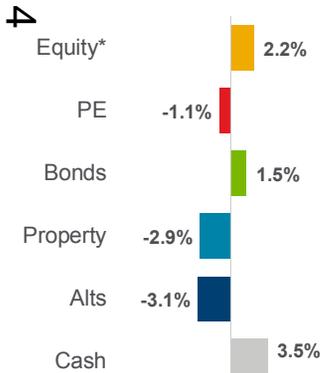
## Yields & MTAA views

	Now	3yr		5yr	
		Market Pricing	Aon View*	Market Pricing	Aon View*
Nominal	0.7%	▲ 0.8%	▲ n/a	▲ 0.9%	▲ n/a
Real	-2.5%	▲ -2.4%	▲ n/a	▲ -2.3%	▲ n/a
Inflation	3.3%	= 3.3%	▲ n/a	▼ 3.2%	▲ n/a

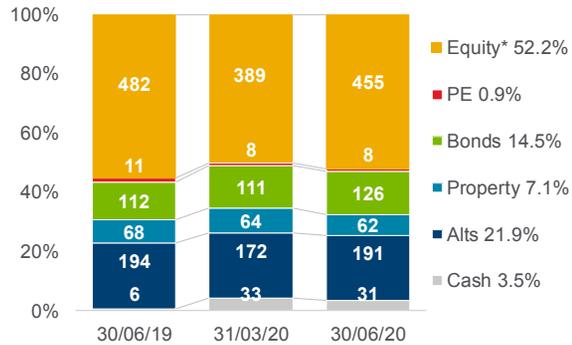
Source: Aon \*Given the uncertainty surrounding Brexit Aon's Fixed Income Team has suspended its medium-term projections on rates.

## Asset Allocation

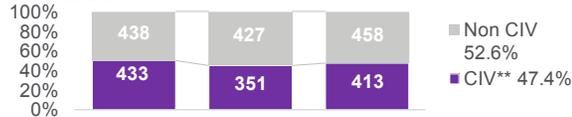
### Relative to strategic



### Absolute



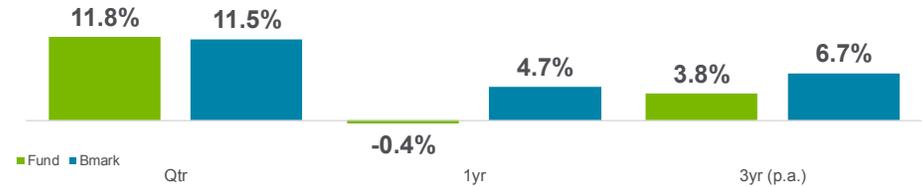
### London CIV



Source: London Borough of Harrow Pension Fund Officers \*includes passive currency hedge \*\* includes passive equity (BlackRock from Q4 2018)

## Performance

### Absolute



### Relative



Fund and Benchmark Performance Source: PIRC

## Managers in Focus

### InReview

Oldfield Global Equities\*

### Qualified

GMO Emerging Markets  
LaSalle UK Property

### Not Recommended\*\*

### Sell

Source: Aon

\*Aon InForm Assessment

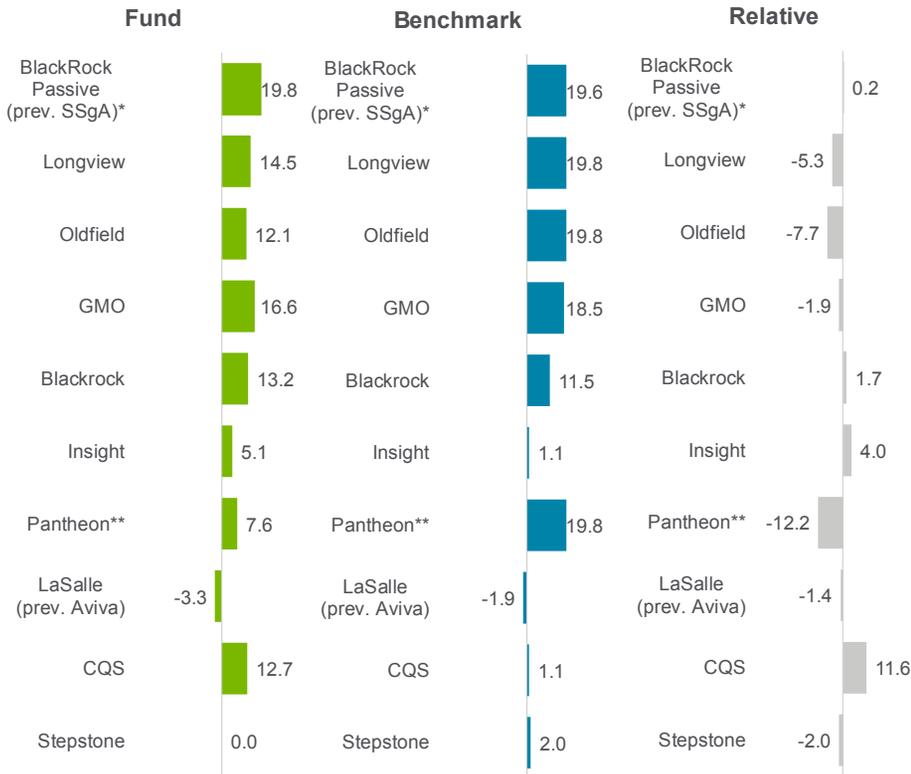
\*\* Not Recommended means the strategy scores below median in the InForm Assessment

# Manager Performance Dashboard

## Quarterly

## 12 months

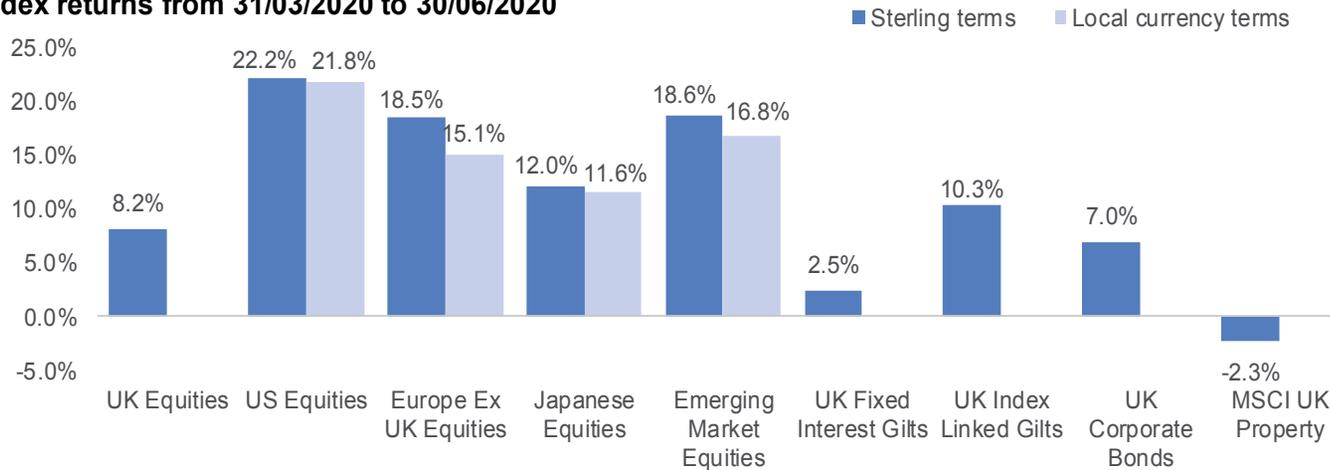
5



Fund and Benchmark Performance Source: PIRC Relative performance calculated by Aon using an arithmetic methodology  
 \*The passive equity assets were moved from SSGA to BlackRock on 7 September 2018 \*\*Pantheon performance uses the previous quarter value adjusted for cash flow in the month

# COVID-19: Impact on Markets

Index returns from 31/03/2020 to 30/06/2020



Source: FactSet, MSCI (Equities, Property), iBoxx (Corporate Bonds), FTSE (Gilts)

- Global equities rebounded sharply over the second quarter, recovering the bulk of the losses sustained in the previous quarter's selloff
- Gilt yields continued their descent over the quarter as quantitative easing programmes and sustained demand for safe haven assets, amidst an uncertain economic outlook, kept downward pressure on yields
- UK property capital values fell by 3.6% over the quarter as property valuations continued to be written down to reflect the economic downturn. Despite steady income returns, the MSCI UK Monthly Property Index returned -2.3% overall
- The Fund's Equity, Bonds and Alternatives buckets all had strong absolute performance over the quarter while the Property manager (LaSalle) fell as a result of the Coronavirus impact over Q2 2020.

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## London Borough of Harrow Pension Fund ('the Fund')

Date: 1 September 2020  
Prepared for: Pension Fund Committee ('the Committee')  
Prepared by: Colin Cartwright  
Joseph Peach

# Quarterly Trigger Monitoring – Q2 2020

## Introduction

The purpose of this short report is to provide an update on the status of three de-risking triggers which the Committee have agreed to monitor on a quarterly basis. The three triggers are related to:

- The Fund's funding level
- Yield triggers based on the 20 year spot yield
- Aon's view of bond yields

## Funding level

The charts and table below show the Fund's funding level at the end of the quarter compared with the level at the last actuarial valuation as at 31 March 2019.

The funding level as at 30 June 2020 was 86%, compared to 94% as at 31 March 2019.

30 June 2020	Ongoing Basis*
Assets	£872m
Liabilities	£1,013m
Surplus (deficit)	(£141m)
Funding Level	86%

\*This funding update is provided to illustrate the estimated development of the funding position from 31 March 2019 to 30 June 2020.



Source: Hymans Robertson

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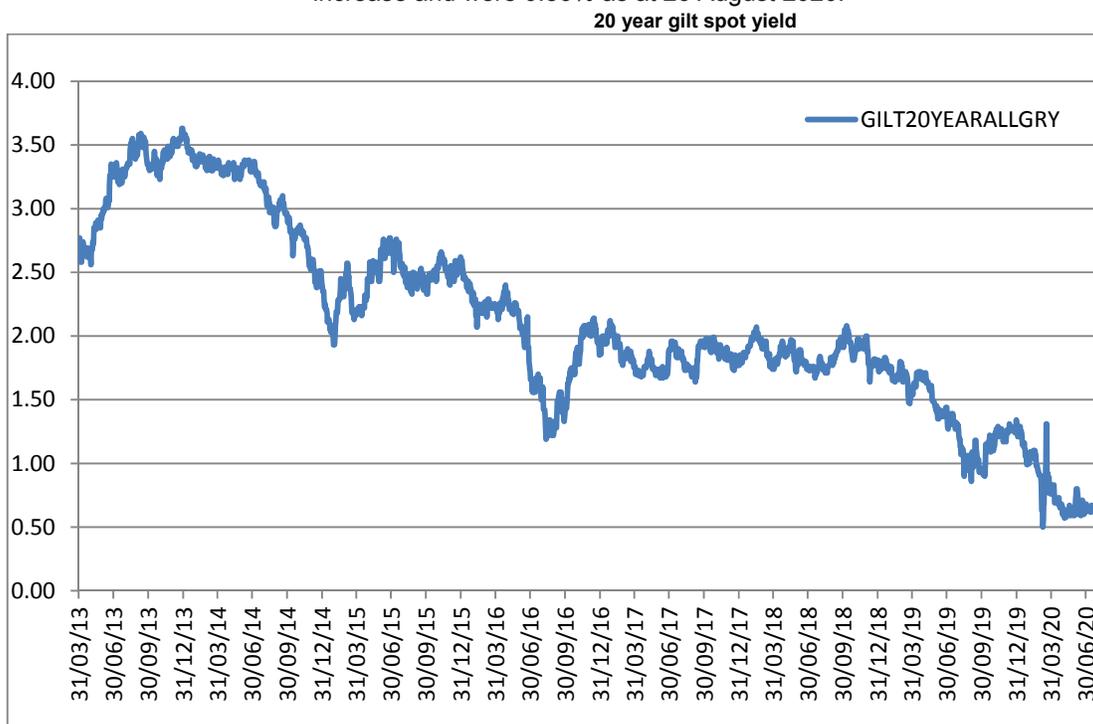
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## 20 year spot yield

The chart below shows the movement of the 20 year spot yield from 31 March 2013 to 26 August 2020. Yields ended the second quarter of 2020 at 0.64%, a fall from their 0.83% level at the end of Q1 2020. Yields continued to fall as the magnitude of the economic impact of the lockdown began to be felt. Since the easing of the lockdown yields have begun to increase and were 0.86% as at 26 August 2020.



## Aon views on bond yields

Given the current uncertainty in markets, Aon's Fixed Income Team has suspended its medium-term projections on rates until the landscape offers more clarity. The table below sets out the market in terms of spot and forward rates as at 13 July 2020.

### Summary of market spot and forward rates

	13 July 2020	In 3 years	In 5 years
	20 year Spot Rate	Market Pricing	Market Pricing
<b>Real</b>	-2.53%	-2.38%	-2.25%
<b>Nominal</b>	+0.66%	+0.82%	+0.90%
<b>Breakeven*</b>	+3.28%	+3.28%	+3.22%

\*Totals may not sum exactly due to rounding

## Conclusion

- The Fund's funding level fell over the quarter;
- Long term bond yields continued to fall over the quarter as the economic ramifications of the lockdown were realised;
- Given the current market uncertainty and the work being undertaken in relation to the Fund's investment strategy, no immediate de-risking actions are recommended.

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