

London Borough of Hammersmith & Fulham Pension Fund

Investment Fund Review (Initial Findings)
Resonance Impact “Evergreen” Fund

August 2025

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Introduction and Background

- This paper has been prepared for the Pension Fund Committee (the “Committee”) of the London Borough of Hammersmith & Fulham Pension Fund (the “Fund”).
- This paper follows Isio’s initial red flag review of the Resonance Impact “Evergreen” Fund on behalf of the Fund and the City of Westminster Pension Fund (the “Funds”), with the findings driven by Isio’s dedicated Real Assets Research Team and Sustainable Investment specialists, supported by the Fund’s dedicated Isio client team. The initial red flag review was issued to Pension Officers during July 2025 and is included in the Appendix to this paper.
- We have agreed to complete an in depth due diligence exercise of Resonance’s strategy on behalf of the Funds. The process is not yet finalised and our due diligence is thus far incomplete subject to receipt of further information from Resonance and following formal review by the Isio Investment Committee (Research Engine). We are therefore not yet in a position to allocate a formal Isio Research Rating to the strategy.
- We have, however, overleaf provided the key details of our due diligence thus far to aid the Committee in considering the investment opportunity.
- The data driving our due diligence has been sourced via initial and follow-up requests for information responses by Resonance, and through a number of meetings between Isio and the Resonance portfolio managers.
- At the 9 September 2025 Pension Fund Committee Meeting, the Committee should consider the detail outlined in this paper and determine whether they wish to consider the Resonance strategy further as an opportunity for the Fund. Throughout discussions, the Committee should remain cognisant of the limitations of this report, and that Isio’s full due diligence will be finalised in due course.



Initial Due Diligence: Update

Resonance Impact 'Evergreen' Fund – Preliminary Review Update

- Following our initial red flag review of the Resonance Impact Evergreen Fund, Isio's dedicated Real Assets research team has conducted further due diligence. Please note that this review remains ongoing and is subject to final approval by Isio's internal investment committee before a formal rating is assigned.
- The team have reviewed Resonance's due diligence questionnaire response, and materials, and held a number of due diligence meetings with the manager. A summary of the findings thus far is provided below and overleaf.
- We will continue engaging with Resonance to complete our due diligence in the coming weeks. We have flagged several key areas that will require further investigation and follow-up discussions, which will be addressed in our final report. Please note that the due diligence process is subject to approval by Isio's internal investment committee, at which point formal investment and ESG ratings will be issued for the fund.

Summary

Research Summary

- Although the review is still in progress and may evolve with continued engagement, we've outlined overleaf our key observations to date.
- Resonance demonstrates strong credibility in UK homelessness investing, supported by an experienced team and operational capabilities. Building on over a decade of sector experience and approximately £400m deployed to date, the fund represents a natural evolution of Resonance's impact-driven investment strategy, and is a unique proposition in the market.
- Overall, the fund offers a differentiated proposition, with a strong track record in delivering social impact, particularly in transitional housing. That said, several points remain under review and will require additional engagement with Resonance to complete the due diligence process.

Key Strengths

Key Strengths of the Resonance Evergreen Fund

- **Established Sector Experience:** Resonance has been active in homelessness investing since 2013, deploying c. £400m in the market and over 90% of their total AuM is dedicated to this area. This marks their first open-ended, evergreen fund, with prior funds structured as closed-ended.
- **Capable Senior Team:** The fund is led by Chris Cullen (Senior Fund Manager with 17+ years' experience, 4 years at Resonance), with the support of Simon Chisholm (Chief Investment Officer) and John Williams (Managing Director of Property Funds), all of whom have managed previous homelessness strategies at Resonance.
- **Robust Governance:** Investment oversight is provided by internal and external committees comprising senior professionals with sector expertise. Every asset acquisition benefits from input by experienced industry specialists.
- **Clear Social Mission:** The strategy is designed to support tenants transitioning from homelessness to independent living, currently a hugely underserved area.
- **Diversified Portfolio Strategy:** Initial investments are expected to come from maturing, fully invested Resonance funds. Geographic allocation will reflect the distribution of temporary accommodation needs (expected c. 60% London and c. 40% rest of UK). Investors have the flexibility to express location preferences via side letters, however ultimately Resonance retains discretion over capital deployment depending on investment opportunities.

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- **Structured Investment Process:** The fund follows a three-pillar acquisition framework, combining new property purchases with mature portfolio acquisitions.
- **Proven Scale and Outcomes:** Resonance's cumulative footprint compares favourably with peers, both in terms of homes delivered and people supported. Social outcome data (employment, health access, tenancy sustainment) is robust and provides evidence of meaningful impact.
- **Focussed Mission:** By concentrating on transitional housing, the fund addresses a niche but structural gap in the UK housing system where individuals are often underserved by broader affordable housing initiatives.
- **Tenant-first Design:** Properties are "pepper-potted" rather than block-based, reducing stigma and supporting community integration.
- **Governance and Leadership:** The fund benefits from a credible and experienced board and management team, combining property expertise with links to homelessness charities e.g. Karen Shackleton (Chair) brings over 30 years' finance experience and sectoral leadership via Pensions for Purpose and the UK Government Social Investment Taskforce and Jessica Hodge, with 20+ years' experience and a strong background in homelessness-related charities.
- **Positive Fundraising Momentum:** Several new investors are in the final due diligence stage, with a large number of existing fund investors expected to roll into the evergreen structure. First close is anticipated in H2 2025, targeting £200m, with ambitions to grow the evergreen fund to £1-1.5bn over the next 5-10 years.

Considerations (Pending Further Due Diligence)

Remaining Considerations in Assessing the Resonance Evergreen Fund

- **Firm and Team Size:** Resonance operates with a relatively small team of c. 60 individuals, with some functions small versus peers. Additional resource is expected to be added as the fund scales.
- **Return Profile:** The fund aims for a net IRR of 6%, which is relatively modest in comparison to other UK housing strategies and wider investments available in the current market environment.
- **Policy Sensitivity:** The 3% annual income distribution is linked to the UK's Local Housing Allowance, making it susceptible to policy changes. This rate is reviewed annually in April through a transparent process.
- **New Fund Structure and Track Record:** Resonance has a strong track record in homelessness investing, with their first fund (incepted in 2013) delivering c. 6%, however, this is their first open-ended, evergreen fund (which will be different and potentially more complex to run operationally) and has yet to establish performance history. We are currently awaiting a comprehensive performance track record from Resonance covering their full fund range. Please note that historical performance does not guarantee future results, and target returns are indicative, not assured.
- **ESG Integration:** While the fund considers ESG-related factors in property selection (e.g. access to green space, transport links, safety), the process appears largely desktop-based and not yet systematic (caveat: we still need to receive and review further information on this point). ESG expertise is a new addition to the team, with the recent hire of a Head of ESG & Impact who has relevant but limited experience (~5 years). Embedding a more robust ESG framework across acquisition and development functions is a potential area of progress.

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- **Housing Partners:** Resonance uses a 7-step due diligence framework (which the Isio research team still need to receive and review in detail) to select partners, ranging from highly mission-aligned niche charities (e.g. Developing Health & Independence) to larger housing associations (e.g. Notting Hill Genesis). However, reputational, and operational risks remain, particularly where partners have faced regulatory downgrades or controversies over tenant treatment. Evidence of how engagement and escalation are managed in such cases is limited, and not all partners are registered providers.
- **Impact Measurement:** Backward-looking impact reporting is detailed and can be disaggregated by partner, but the absence of forward-looking quantitative KPIs (e.g. targets for numbers of individuals housed, refurbishment goals, or decarbonisation pathways) may limit strategic direction. This is increasingly viewed as best practice, both for fund discipline and alignment with SDR impact labelling requirements. Additionally, a lot of the data seems to be self-reported and not third-party verified.
- **Decarbonisation:** A baseline commitment exists to achieve EPC C across all properties, with a net zero strategy in development. This is not as ambitious as other peers in the market. The detail of this plan is not yet articulated, and there may be a tension between retrofit costs and maintaining return expectations.

Appendix

A1: Isio Red Flag Review – July 2025

A2: Isio Due Diligence Process

A3: Disclaimers

A1: Resonance Impact “Evergreen” Fund (1)

Fund overview:

- Resonance Impact Investment (“Resonance”) is a specialist investment manager that has been investing in social impact since 2002. Resonance currently has an AUM of c.£440m and a team of 60+ people across the UK.
- Resonance “Evergreen Fund” (“the Resonance Fund”) is an open-ended strategy, which invests in residential property across the UK with a focus on homelessness and temporary accommodation. This is a social impact driven strategy, aiming to provide safe, affordable homes for people facing housing crisis.
- The Resonance Fund is at early fundraising stage and is expected to be launched in H2 2025. The initial equity raise target is £200m, with a long-term target of £1bn+ going forward. The target return is 6% net IRR, with a distribution yield of 3% p.a. The Resonance Fund is expected to have a large allocation to Greater London – making up over 60% of the targeted UK regional split.
- The Resonance Fund follows a bottom-up approach to identify potential assets among three main types: ordinary single-unit homes, existing portfolios in the market and Resonance’s other existing asset portfolios that are reaching maturity. Resonance also have specialist internal teams (e.g. acquisition, surveyors) to further support their fund’s asset selection process.
- The strategy provides homes at Transitional Housing and receives full Local Housing Allowance* income rates. For this reason, the Fund’s yield target is set with linkage to LHA, rather than RPI or CPI rates.

Considerations / points to flag:

- As the Resonance Fund has not yet launched it has no track record, however Resonance has a strong track record of investing in residential property within the homeless sector and has been building on this experience since the launch of the first Resonance homelessness fund in 2013. This is also the first open-ended, evergreen fund structure for Resonance, with prior funds being closed-ended in structure.
- Although the Resonance Fund offers a strong impact component, its target return (6% IRR, net) is at the lower-end of the residential property range – this is not unexpected given the target assets.
- The Resonance Fund carries an element of political risk, as the 3% p.a. income distribution is linked to the Local Housing Allowance in the UK. If this allowance changes it will impact fund returns.

Isio research view:

- Our initial research view on the Resonance Fund is positive, and it is a unique proposition, and we believe it is worth considering for further due diligence. It has a narrow focus on homelessness and temporary accommodation – a niche yet underserved area in the UK residential property market.
- The Resonance Fund’s flexibility in capital allocation allows investors to direct a portion of their investment locally while diversifying the remainder across UK-wide properties, enhancing both social impact and the Fund’s diversification profile – which we see as a positive.
- Resonance brings established credibility in Homelessness investing across the UK and have a strong and experienced team in place to manage the strategy. While further engagement is needed to understand their investment philosophy and asset-sourcing process, their approach appears to align with industry standards, supported by Resonance’s operational expertise.
- The Resonance Fund targets a net IRR of 6%, which is modest relative to other residential property funds available in the market, but is offset by its strong social impact credentials, positioning it as a viable option for impact-focused allocations.
- A key risk lies in the reliance of returns on the UK’s Local Housing Allowance, this is set by central government, and which could impact returns if government support diminishes.
- The Resonance Fund is currently in the pre-launch phase, and aims to raise £200m initially, with aspirations to scale to £1bn. Monitoring early fundraising progress will be important to assess viability of Resonance meeting its fundraising targets.
- **In summary, Resonance has demonstrated strong capabilities in this narrow sector of the market and have managed prior funds effectively. The Resonance Fund’s focus and impact alignment is attractive, and we believe it is worthwhile considering further due diligence. Although the (evergreen) fund structure is new for Resonance, and this presents some operations differences, we believe they are capable in managing these.**
- **We note that Westminster City Council have invested with Resonance in the past and this may provide sufficient comfort to progress without the need for further due diligence.**

A1: Resonance Impact “Evergreen” Fund (2)

Isio strategic view – the Funds:

- Isio’s dedicated Real Assets Research team has completed an initial due diligence review, as highlighted overleaf. While the research team has indicated a desire to complete further due diligence, the initial view of the Fund and its credentials is positive.
- In forming our strategic view, we caveat that Resonance’s strategy is unique within the UK investment universe – and therefore there exists limited opportunity to compare the strategy relative to peers. The Resonance Fund does however offer the opportunity to access a niche aspect of the market with a strong impact focus where there exists a clear need for further supply of accommodation.
- A key question mark lies with the Resonance Fund’s proposed structure. Resonance has successfully raised and managed a number of closed-ended strategies but this is the first open-ended product. While it would be preferable to further assess the management team’s ability to successfully manage an open-ended vehicle, particularly noting the operational differences that arise relative to closed-ended funds, we are supportive of the manager’s aspiration to add further scale, diversification and liquidity – which we feel, if executed successfully, would make the strategy more attractive to pension fund investors.
- From a strategic perspective, the Pension Fund Committees of both Funds may wish to further consider the relative weighting they place to societal impact vs return. From a return perspective, the homelessness sector lags the wider residential property fund market and higher expected returns could be achieved elsewhere. This is driven by the cap on rental payments the Resonance Fund can achieve relative to the wider residential property market. However, it is the unique impact credentials of the strategy that drives its appeal – which we feel makes it an attractive prospect for investors such as the Funds (with strong funding levels and less need to drive higher returns).
- Both Funds have a strategic allocation to the property market, across commercial and residential strategies. Considering recent market dynamics (and that Westminster’s allocation to the LCIV UK Housing Fund is not yet fully drawn), both Funds are underweight their strategic real estate allocations. The respective Committees may wish to consider an allocation to the Resonance Fund within these allocations but, as above, should consider that Resonance has a lower expected return than its Man Group, Aberdeen and London CIV (Westminster) counterparts. The Pension Fund Committees should also consider the impact on governance, noting the number of products the Funds already invest.

Isio strategic view – the Funds (continued)

- Resonance is established in the sector, but relatively small from an assets under management perspective. We would expect AuM to grow over the coming years considering the unique focus of their product range and strong positive impact focus, and we recognise that Resonance has been making continued traction within the LGPS market over recent periods.
- The outcome of the “Fit for the Future” consultation is now known and there is clarity on the coming legislation. An allocation to the Resonance Fund is “off-pool” and not currently available on the London CIV platform. We understand that London CIV have assessed Resonance in the past, at the time of launch of the LCIV UK Housing Fund (which Westminster invests in), and there exists the potential for London CIV to add the Resonance Fund to their line up (as an underlying manager for the LCIV UK Housing Fund) in future. This should be discussed with London CIV ahead of progressing further.
- Typically, we would recommend further due diligence is undertaken on Resonance and the Resonance Fund. However, we understand that Westminster City Council has invested in previous vintages of Resonance’s closed-ended strategies, and will likely invest in the open-ended fund considered here. On this basis, Westminster may have sufficient comfort to proceed without further investment due diligence. We do note that investing in the Resonance Fund has an additional cost saving impact for Councils (relative to the LGPS) through reduced spending on temporary housing. For LGPS Funds, these benefits will be limited to impact and return.
- **Ultimately, we believe there exists strong potential merit in the Funds’ consideration of this strategy from an impact perspective, and would propose further consideration is given to how an allocation would impact overall investment strategy – risk, return and funding source. From a strategic perspective, we highlight that an allocation would likely reduce the overall target expected return – and therefore the respective Committees should be comfortable with this and their views on seeking investment return vs positive impact ahead of agreeing to proceed.**
- **The Fund is not currently available on the London CIV platform and guidance should be sought as to whether London CIV would retain the investment following the March 2026 pooling deadline.**

A1: Resonance Impact “Evergreen” Fund (3)

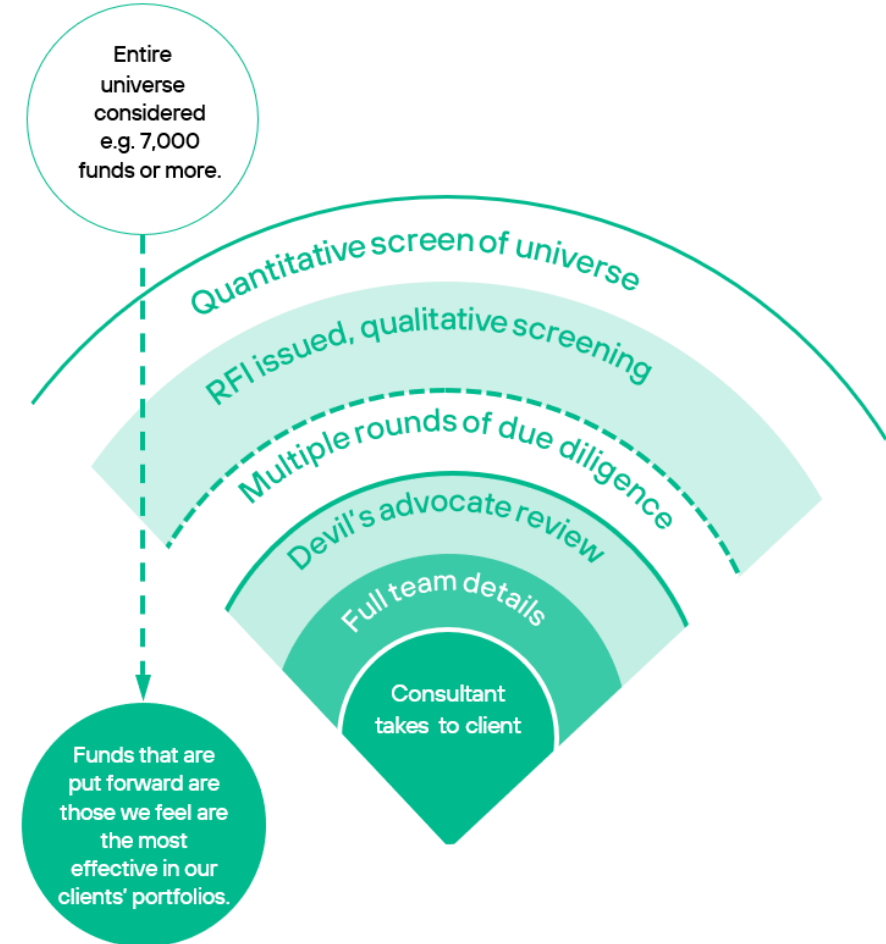
Key:

- Competitive advantage
- Neutral
- Competitive disadvantage

Fund characteristic	View	Comment
Target returns	●	<ul style="list-style-type: none"> – Target return: 6% IRR (net of fees, ungeared) – in line with our expectations for a high impact residential strategy – Distribution yield: 3% per annum (with linkage to Local Housing Allowance)
Liquidity terms	●	<ul style="list-style-type: none"> – Initial hold period: 5 year (lock in) – Redemption requests: Semi-annual – Execution of redemptions: 12 months (with up to 24-month extension, if required for asset sales)
Fees	●	<ul style="list-style-type: none"> – Standard (based on Resonance Fund’s total NAV) up to £250m: 0.75% p.a.; £250-£500m: 0.65% p.a.; > £500m: 0.55% p.a. No performance fee – Acquisition Fee: 1% of property purchase price, where no fee paid to 3rd party property sourcing agent – Fees may be negotiable
Inception date	●	<ul style="list-style-type: none"> – Due to be launched in H2 2025
Investment Philosophy	●	<ul style="list-style-type: none"> – UK temporary accommodation statistics highlight a pressing need for approximately 126,000 homes (equivalent to £25.6 billion in investment, based on an estimated £200,000 per property) to address housing crises and replace unsuitable temporary solutions. The Fund focuses on providing secure housing for vulnerable individuals and families, reducing reliance on costly and inadequate alternatives. – The process involves purchasing and managing diversified residential property assets in the UK, designed to offer institutional investors stable, long-term returns through regular income and potential capital growth. Resonance aim to align financial objectives with measurable social impact, enabling investors to support community stability while meeting fiduciary responsibilities. – By prioritising tenant welfare, the model facilitates transitions from homelessness to community integration. Tenants gain access to employment opportunities, training, and financial stability, empowering them to eventually secure private housing. This approach combines responsible investment with tangible societal benefits, addressing both housing shortages and long-term social equity.
Track record	●	<ul style="list-style-type: none"> – The Fund will build on Resonance’s prior experience, having launched their first Resonance homelessness fund in 2013. This Fund is on track to outperform its original 5% p.a. return target, delivering c. 6% p.a. – The most recent fund (NHPF2) benefitted from greater scale and diversification (housing partners & regions) and targets a c. 6% p.a. ungeared return.
ESG objectives	●	<ul style="list-style-type: none"> – The Fund has strong ESG credentials, and Resonance are a specialist social impact fund manager. They report through their Social Impact Report. – At a firm level there are also specific climate targets including a development Path to Net Zero plan.

A2: Isio Due Diligence Process

- An overview of the key steps in our due diligence process is highlighted in the chart to the right.
- We are happy to conduct bespoke research tailored to your specific requirements, as has been the case for this project.
- At the commencement of any due diligence process we establish a set of mandate evaluation criteria specific to the mandate that you are looking for, this allows us to assess the prospective managers and their offering. In this scenario, Resonance is the only dedicated homelessness fund manager we are aware of in the market and therefore the quantitative screen of the universe has been minimal relative to the process for a listed equity fund for example.
- During the process, all key decisions are presented to our internal investment committee ('Research Engine') to provide rigorous challenge to proposed ratings and view – the "devil's advocate review".
- The Research Engine, a specialist group, overlays the asset class research teams and comprises of the most experienced members and heads of our research teams from each asset class, client consultants and other specialists, including Ajith Nair as our Head of Asset Class and Manager Research.
- The research engine process incorporates multiple presentations from research teams on findings and gives the senior research engine team opportunity to actively challenge proposals ahead of formalising views on funds or findings. The purpose of this group is to scrutinise the research and ideas coming out of the research teams and provide a 'devil's advocate' viewpoint to ensure all ideas we take to our clients are robust and best in class.



A3: Disclaimers

- This report has been prepared for the sole benefit of the London Borough of Hammersmith & Fulham Pension Fund and based on their specific facts and circumstances and pursuant to the terms of Isio Group Limited/Isio Services Limited's Services Contract. It should not be relied upon by any other person. Any person who chooses to rely on this report does so at their own risk. To the fullest extent permitted by law, Isio Group Limited/Isio Services Limited accepts no responsibility or liability to that party in connection with the Services.
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