

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 25 November 2025

Subject: Investment Proposals

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Director: Phil Triggs, Tri-Borough Director of Treasury and Pensions

SUMMARY

This report sets out proposed adjustments to the Fund's investment portfolio.

It includes a recommendation not to proceed with an investment in the Resonance social impact housing fund.

It also proposes an additional commitment to the existing Quinbrook renewable infrastructure allocation in order to maintain alignment with the Fund's strategic asset allocation.

Finally, the report presents options regarding the Fund's global equity allocation, including the potential divestment from the Morgan Stanley global equity mandate and the reallocation of proceeds to alternative equity products.

RECOMMENDATIONS

The Committee is requested to:

1. Note the decision not to proceed with an investment in the Resonance Fund following the assessment of risks and suitability.
2. Approve an additional commitment to the Quinbrook Renewables Impact Fund II to maintain the Fund's strategic allocation to renewable infrastructure.
3. Consider and determine whether to redeem the Fund's holdings in the Morgan Stanley global equity mandate and approve the reallocation of proceeds to an alternative equity product, as set out in the report.

Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	Ensuring that investment manager selection and portfolio adjustments are

	evidence-based and strategically aligned is intended to support stronger long-term financial outcomes for the Fund, the Council, and ultimately the council taxpayer.
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Financial Impact

There are no financial implications for the Council's budget. However, the decisions set out in this report will affect the Pension Fund's strategic asset allocation, liquidity profile and investment risk exposures, and have therefore been considered in the context of the Fund's long-term funding and investment strategy.

Legal Implications

There are no direct legal implications arising from this report. The Committee must, however, continue to act in accordance with its fiduciary duties and the regulatory framework for LGPS investments, and ensure that decisions are evidence-based and supported by appropriate professional advice.

1. Resonance Impact "Evergreen" Fund Follow Up

1.1 At the meeting of 9 September 2025, the Pension Fund Committee considered an investment into the Resonance Impact "Evergreen" Fund, a social impact real estate strategy focused on acquiring and managing homes for individuals and families transitioning out of homelessness.

1.2 Resonance has an established track record in this niche area, having deployed over £400m into homelessness focused housing since 2013. The Fund's model aims to provide stable accommodation through partnerships with local housing organisations, generating income linked to Local Housing Allowance rates. The strategy therefore offers strong alignment with wider social and community objectives.

1.3 However, following full due diligence conducted by Isio, the proposal received a "Significantly Fails to Meet Criteria" rating, and officers and advisers do not recommend progressing.

1.4 The principal issues identified in relation to the Resonance Fund are as follows:

- Risks relating to liquidity and the ability to meet redemptions;
- Concerns regarding the performance track record of predecessor strategies;
- A return profile which may not offer sufficient compensation for the level of risk; and
- A lack of alignment with the London Collective Investment Vehicle's current position.

- 1.5 The above matters are considered in further detail in Appendix 1 to this report. The appendix is restricted due to commercial confidentiality.
- 1.6 For these reasons, it is recommended that the Fund should not proceed with an investment in the Resonance Evergreen Fund at this time.

2. Quinbrook Top-Up Opportunity

- 2.1 The Pension Fund Committee initially committed £45 million to the Quinbrook Renewables Impact Fund I (QRIF I) in August 2023, followed by a further £35 million commitment to QRIF II in November 2024.
- 2.2 QRIF I has since progressed more rapidly than initially forecast, with portfolio exits expected to return capital sooner, leading to a projected run-off by the end of 2027. As a result, the Fund's allocation to Quinbrook and UK renewable infrastructure is expected to fall below the agreed strategic target over the next two years.
- 2.3 With QRIF II still open to additional commitments until the end of 2025, the Fund was presented with the opportunity to top up the existing allocation, allowing the Fund to maintain strategic exposure to renewable infrastructure without initiating a new manager search.
- 2.4 This timing is also significant in light of the 31 March 2026 transition of implementation responsibilities to the London CIV, after which the Fund's ability to make new standalone manager commitments will be curtailed.
- 2.5 Given the strong performance from QRIF I, Quinbrook has an established delivery pipeline, and the strategy's alignment with both the Fund's climate objectives and the UK Government's emphasis on investment in UK and productive assets, officers and advisers recommended consideration of a £35 million top-up to QRIF II, achieving a more stable long-term allocation in line with strategy.
- 2.6 Appendix 2 to this report further examines the opportunity to top up the existing allocation to Quinbrook. The appendix is restricted due to commercial confidentiality.

3. LCIV Global Equity Quality Fund (Morgan Stanley)

- 3.1 The LCIV Global Equity Quality Fund invests predominantly in high-quality companies with strong recurring cash flows and resilient business models. As a result, the portfolio has relatively limited exposure to more cyclical sectors. The strategy is therefore expected to offer downside protection in periods of

market stress but may lag broader market performance during periods of strong market growth.

3.2 Since the Fund's initial investment, the LCIV Global Equity Quality Fund has materially underperformed its benchmark. Further detail on the drivers of this underperformance is provided in Exempt Appendix 3, which is restricted on the grounds of commercial confidentiality.

3.3 In light of the sustained underperformance, together with the comparatively high management fees associated with the mandate, officers and advisers recommend that the position be terminated.

3.4 This would allow the Fund to reduce fees through a passively managed alternative should the Committee select that option and would limit the risk of further underperformance.

3.5 Options for reinvestment are also set out in the exempt Appendix 3.

LIST OF APPENDICES

Appendix 1: Resonance Impact 'Evergreen Fund'- Isio Due Diligence [EXEMPT]

Appendix 2: Quinbrook Top-Up Considerations [EXEMPT]

Appendix 3: Morgan Stanley disinvestment considerations and reinvestment options [EXEMPT]