

# LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee  
**Date:** 17 March 2026  
**Subject:** Investment Strategy Review  
**Report author:** Siân Cogley, Pension Fund Manager  
**Director:** Phil Triggs, Director of Treasury and Pensions

---

## 1. SUMMARY

- 1.1 As part of the triennial valuation, the Investment Strategy Statement is reviewed to reflect updated funding levels and any material developments since the previous valuation.
  - 1.2 This paper provides a high level briefing to the Pension Fund Committee (Step 1) in advance of a full Investment Strategy Review (Step 2).
  - 1.3 It outlines key strategic themes to inform the full review, which will be completed once the Fund's actuarial valuation results are finalised.
- 

## 2. RECOMMENDATION

- 2.1 The Committee is asked to discuss and comment on the following questions:
- What long-term high-level risk versus return profile is appropriate?
  - Which key strategy themes to target most prominently.
  - Any other key views on asset classes or implementation.
- 

**Wards Affected:** None.

---

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council taxpayer.

**Financial Impact**  
None.

## **Legal Implications**

None.

### **3. BACKGROUND**

- 3.1 As part of the review, the Fund must assess its current investment strategy and estimated funding position in light of changes since the 2023 review, and evaluate the key metrics, risks and forward-looking challenges within the existing portfolio.
- 3.2 In the context of the Fit for the Future legislation, the Fund must also identify and agree the key strategic themes to inform Step 2 of the full investment strategy review. Further detail is set out in Appendix 1.

### **4. Current Fund Position**

- 4.1 Since the 2022 Actuarial Valuation, geopolitical developments have increased market volatility, although equities have performed strongly. UK gilt yields rose sharply following the domestic “mini-budget,” marking a return to more typical long-term interest rates after the prolonged low-rate environment introduced following the Global Financial Crisis.
- 4.2 Macroeconomic policy continues to contribute to market volatility; however, equities have remained resilient and UK gilt yields have stabilised.
- 4.3 The funding level has improved by approximately 8% since the March 2022 valuation, reaching 113% as at March 2025. The surplus has increased from £58m to £161m. This improvement reflects strong investment performance and higher forward-looking return expectations.
- 4.4 The current and target asset allocations are set out below.

## 5.Strategy Themes for

		Investment Manager	31 Dec 2025 Allocation	Target Allocation	Relative to Target
Equity	Active Equities	LCIV (Morgan Stanley)	12.1%	-	+12.1%
	Passive Equities	L&G, BlackRock	34.5%	40.0%	-5.5%
	<b>Total Equities</b>		<b>46.6%</b>	<b>40.0%</b>	<b>+6.6%</b>
Dynamic Asset Allocation	Absolute Return	Ruffer	10.0%	10.0%	0.0%
	B&M Credit	Allspring, LCIV (Insight)	14.2%	15.0%	-0.8%
	<b>Total Dynamic Asset Allocation</b>		<b>24.2%</b>	<b>25.0%</b>	<b>-0.8%</b>
Secure Income	Multi Asset Credit	Partners Group	0.1%	-	+0.1%
	Diversified Credit	Oak Hill Advisors	5.5%	5.0%	+0.5%
	Multi Sector Private Credit	Aberdeen	3.6%	4.0%	-0.4%
	Leisure Development	Darwin	1.1%	2.5%	-1.4%
	Infrastructure	Partners Group	1.1%	5.0%	-3.9%
	Renewable Infrastructure	Quinbrook	4.0%	3.5%	+0.5%
	<b>Total Secure Income</b>		<b>15.5%</b>	<b>20.0%</b>	<b>-4.5%</b>
Inflation Protection	Long Lease Property	Aberdeen	3.6%	5.0%	-1.4%
	Ground Rents	Alpha Real Capital	6.5%	7.5%	-1.0%
	Affordable Housing	Man Group	1.8%	2.5%	-0.7%
	<b>Total Inflation Protection</b>		<b>11.9%</b>	<b>15.0%</b>	<b>-3.1%</b>
Cash	Cash		1.8%	-	+1.8%

## Consideration

- 5.1 There are several strategic areas on which the Fund may focus. The Committee should consider its level of conviction for each theme and how these align with the target strategy.
- Overall Risk/Return Profile: The funding level has improved materially. Reducing risk would reflect a more prudent approach, while maintaining or increasing risk could support further funding improvements.
  - Cashflow Requirements: Employer contributions are expected to fall significantly, reducing cash inflows and increasing the need to draw cash from investments.
  - Diversification of Growth Drivers: Public equities have delivered strong returns in recent years but now trade at elevated valuations.
  - Inflation Protection: Pension benefits are directly linked to uncapped inflation, and certain investments can help mitigate inflation risk.
  - ESG: The Committee has already made progress in incorporating ESG and impact considerations within the portfolio.

## 6. Implementation Considerations

- 6.1 It is important to consider implementation whilst setting asset allocation, given the regulatory changes (Fit for the Future).

6.2 The Strategic Asset Allocation (SAA) Framework will be much more streamlined than what funds have been used to due to the loss of autonomy to the London CIV. There will be available ‘buckets’ that funds will need to decide how to split their assets and then it is the pool’s decision on how to implement i.e. geographic location, active vs passive.

7.

Asset class	SAA (%)	Tolerance range (±%)
Listed equity		
Private equity		
Private credit		
Property / Real estate		
Infrastructure		
Other alternatives		
Credit		
UK Government bonds		
Investment cash		

**Next Steps**

7.1 Once members have decided on the main themes they would like to pursue, Isio will present the full investment strategy review at the next committee meeting.

**Appendix 1: Investment Strategy Review - Discussion Paper**