LONDON BOROUGH OF CAMDEN	WARD: All
REPORT TITLE: Active Global Equity (Value) Transition Proposal	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	**DATE:** 22 October 2025

SUMMARY OF REPORT:

This report presents recommendations following an investment review of the Fund's active global equity value manager, Harris Associates, and the proposed transition to the recently launched LCIV Global Equity Value Fund, managed by Wellington Management. The recommendation is supported by analysis from the Fund's investment consultant (Isio) and London CIV.

Local Government Act 1972 – Access to Information
No documents requiring to be listed were used in the preparation of this report:

Contact Officer: Saul Omuco
Head of Finance Treasury and Pensions
Finance
Corporate Services
5 Pancras Square
London N1C 4AG

Telephone 0207 974 7116
Email saul.omuco@camden.gov.uk

RECOMMENDATIONS:

The Committee is asked to:

1. Approve the full disinvestment from the Harris Associates Global Equity mandate.
2. Approve reinvestment of the proceeds into the LCIV Global Equity Value Fund, managed by Wellington Management, noting that this fund provides a value-oriented exposure within LCIV's active equity range, aligned to Camden's long-term strategic allocation.
3. Note the proposed timeline for the transition set out at paragraph 3.2

Signed by
Director of Finance ……………**Agreed**…………………

Date: …………**10/10/2025**………………

1. BACKGROUND

1.1 The Fund has been invested with Harris Associates since 2015 as part of the Global Equity (Active) Fund, representing approximately £105 million (c. 5% of total Fund assets) as at 30 June 2025.

1.2 The mandate was established to deliver long-term outperformance through a high-conviction, value-biased strategy, with a benchmark of MSCI ACWI (Morgan Stanley Capital International All Country World Index) (gross of fees).

1.3 Over recent periods, Harris has persistently underperformed both benchmark and peer group comparators, as outlined in the attached Isio report. Despite recovery in certain sectors, the manager's style has not translated into consistent value-added returns since inception.

1.4 The LCIV has undertaken a comprehensive review of the value sector active managers. Following this review, LCIV launched a Global Equity Value (LCIV GEV) Fund, and appointed Wellington investment manager for the sub-fund. LCIV GEV is designed to retain exposure to the value factor while addressing style concentration and risk diversification concerns identified in the Harris mandate.

2. RATIONALE FOR RECOMMENDATION

2.1 Performance Concerns:

- Harris has underperformed the MSCI ACWI benchmark over 1-, 3- and 5-year periods, driven by sectoral concentration and stock selection in financials and consumer discretionary holdings.
- Rolling three-year excess returns have remained negative, with limited evidence of near-term recovery relative to peers.

2.2 Manager Review Outcomes:

- Isio's independent analysis (Appendix A) concludes that despite strong research culture and team stability, Harris's investment process remains narrowly focused and susceptible to prolonged drawdowns during market rotations.
- LCIV's due diligence (Appendix B) concurs, highlighting that the strategy's risk-adjusted return profile is below expectations for Camden's active global equity allocation.

2.3 Alternative Solution – Wellington Global Value:

- The LCIV Global Value Fund (Wellington) offers a disciplined value approach that is diversified across regions and sectors, mitigating the style drift and concentration issues evident in the Harris portfolio.
- Wellington's track record demonstrates more consistent outperformance versus benchmark, particularly through balanced factor exposure and robust risk management.
- The fund aligns with Camden's ESG and stewardship principles, maintaining active engagement processes and strong integration of sustainability metrics within its research framework.

2.4 Strategic Fit:

- The proposed transition supports Camden's objective to maintain a balanced equity structure across growth and value styles, while retaining full compliance with pooling arrangements under the London CIV.
- Moving to Wellington allows Camden to remain within the LCIV platform, benefiting from operational efficiency and shared oversight.

3. IMPLEMENTATION CONSIDERATIONS

3.1 Subject to Committee approval, officers will work with LCIV, Isio, and JP Morgan to coordinate the transition.

3.2 The target completion date is by end-Q4 2025, subject to settlement timing and available dealing windows within both funds.

4. RISK MANAGEMENT AND GOVERNANCE

4.1 Key risks and mitigations are summarised below:

Risk	**Mitigation**
Administrative / operational delays	The transition will be coordinated between LCIV, CBRE and JP Morgan under an agreed timetable to ensure a smooth transfer of ownership within the ACS framework.
Documentation or legal delays	LCIV expected to prepare standardised participation agreements and transfer documentation, which will be reviewed by Camden Officers prior to execution.
Accounting and valuation alignment	JP Morgan will update the Fund's records to reflect pooled holdings, ensuring continuity in valuation and reporting.
Market risk during transition	Consider running a programme trade from Harris portfolio into the LCIV Wellington sub-fund, minimising out-of-market time. Use temporary index exposure (e.g. futures/ETF) if needed to maintain market beta throughout the switch. Stagger dealing to align with fund dealing points. JP Morgan to oversee cash and settlement flows.
Change in reporting format	LCIV will provide quarterly property and ESG reports in a pooled fund format; officers will integrate these into Camden's monitoring framework.

4.2 The recommendation has been reviewed by Isio (investment consultant) and discussed with LCIV officers, who support the transition proposal.

5. RESPONSIBLE INVESTOR COMMENT

5.1 The Fund's engagement with, and commitment to, the London CIV is an important part of how the Fund can act as a responsible investor. Pooling increases the leverage and influence that any individual LGPS fund may have with fund managers, creating more opportunities for RI to be both discussed and practised.

6. ENVIRONMENTAL IMPLICATIONS

6.1 The proposal to transition from Harris Associates to the LCIV Global Value Fund (Wellington) supports the Fund's long-term responsible investment objectives.

6.2 Wellington operates under the London CIV's Responsible Investment Framework; demonstrating a stronger integration of ESG factors within its investment research process and maintains a dedicated sustainability team embedded in portfolio management.

6.3 The transition will therefore enhance alignment with the Fund's commitment to sustainable investment and to the wider London CIV "Fit for the Future" strategy, which places climate risk and stewardship at the centre of portfolio management.

6.4 No adverse environmental implications arise from the decision to transition to the LCIV sub-fund.

7. FINANCE COMMENTS OF THE DIRECTOR OF FINANCE

7.1 This transition from an external mandate into an LCIV pooled sub-fund will incur one-off costs (trading spreads/commissions, transition-manager fees, possible custody and FX). A pre-trade cost analysis will be obtained and the transition executed to minimise out-of-market exposure; overall costs are expected to be contained within normal active-to-active transition ranges and will be reported post-trade.

7.2 The ongoing fee for the LCIV Global Value (Wellington) sub-fund is expected to be broadly comparable to the current Harris arrangement on an all-in basis (manager fee plus LCIV platform charges). Final fee terms are subject to LCIV confirmation. No material change to the Fund's active equity fee budget is anticipated.

8. LEGAL COMMENTS OF THE BOROUGH SOLICITOR

8.1 The Council, as the administering authority for the Pension Fund may appoint investment managers to manage and invest an equity portfolio on its behalf (Regulation 9(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946). The authority may only appoint an investment manager if the authority:

(i) reasonably believes that the investment manager's ability in and practical experience of financial matters makes that investment manager suitably qualified to make investment decisions for it; and

(ii) it has taken proper advice in relation to the appointment and the terms on which the appointment is made.

(iii) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to include their approach to asset pooling in their Investment Strategy Statement (ISS) and encourage authorities to pool assets to achieve economies of scale. The relevant part of the Guidance on Preparing and Maintaining an Investment Strategy Statement July 2017 states:

‘Regulation 7(2)(d) - The approach to pooling investments, including the use of collective investment vehicles and shared services All authorities must commit to a suitable pool to achieve benefits of scale. Administering authorities must confirm their chosen investment pool meets the investment reform and criteria published in November 2015, or to the extent that it does not, that Government is content for it to continue. Any change which results in failure to meet the criteria must be reported by the administering authority, and/or pool, to the Secretary of State and the Scheme Advisory Board. Administering authorities should set out their approach to pooling and the proportion of assets that will be invested through the pool. This must include the structure and governance arrangements and the mechanisms by which the authority can hold the pool to account. Where services are shared or jointly procured, the administering authority must set out the rationale underpinning this and the cost benefit of this, as opposed to pooling. Administering authorities must provide a summary of assets to be held outside of the pool, and how this demonstrates value for money. The progress of asset transfers to the pool must be reported annually against implementation plans and submitted to the Scheme Advisory Board. Where it is possible that an asset could be pooled in the future, authorities must set a date for review and criteria that need to be met before the asset will be pooled’.

The procurement proposal is compliant with the Council’s Contract Standing Orders (CSOs) and Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946).

(iv) Elected members have a duty under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.

APPENDICES

APPENDIX A – Isio: Equity Portfolio Review and Recommendation
APPENDIX B – LCIV: Active Value Allocation Review Summary