

London Borough of Hillingdon Pension Fund

Investment Strategy Statement

March 2026



HILLINGDON
LONDON

www.hillingdon.gov.uk

1. Introduction

This is the Investment Strategy Statement (“ISS”) of the Hillingdon Pension Fund (the “Fund”) as required by regulation 12 of the Local Government Pension Scheme (LGPS) (Pooling, Management and Investment of Funds) Regulations 2026 (the “Regulations”).

The Hillingdon Pension Fund is administered by Hillingdon Council as the Administering Authority. The authority to administer the Fund on behalf of the Council is delegated to the Pensions Committee.

This statement has been written in accordance with the (draft) Local Government Pension Scheme (England and Wales) 2026 guidance on preparing and maintaining an investment strategy.

As set out in the draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026, the Pensions Committee will review this ISS from time to time, and at least every three years and within 18 months of each actuarial valuation date. In the event of any significant change affecting any matter contained within this ISS, changes will be published within three months of the change occurring.

This ISS has been prepared by the Pensions Committee after taking advice from the Fund's investment advisor ISIO and Marian George, the Independent Governance Advisor to the Fund, in accordance with the Regulations. Going forward, as required by Regulation 10, the Fund's asset pool London CIV will provide the authority with proper advice (whether directly or indirectly) about the investment strategy. This ISS has been formulated after consultation with London CIV on all elements of the investment strategy, in line with guidance.

The Investment Strategy Statement required by Regulation 11 must include:

- a) A requirement to invest money in a wide variety of investments;
- b) The authority's high-level financial objectives;
- c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
- d) The authority's priorities and preferences regarding responsible investment, including how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;
- e) The authority's policy on the exercise of rights (including voting rights) attaching to investments.
- f) A high-level objective on local investments, including a target range for those investments as a proportion of the total value of the pension fund; and
- g) A high-level strategic asset allocation.

Consistent with the 2025 triennial revaluation of the Fund, the agreed investment aim is to generate, over time, a rate of return that is at least 6.7% p.a. and to achieve this, the Fund will invest in a wide variety of investments to reduce portfolio risk and reduce volatility.

2. The suitability of particular investments and types of investments;

2.1 Investment Objectives

The Fund's primary investment objective is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due. To achieve this objective the Fund will aim to:-

- Maximise the returns on its investments
- Manage risk within acceptable levels
- Maintain liquidity to meet obligations as they fall due
- Secure long-term solvency
- Where appropriate, ensure stable employer contribution rates
- Invest in a wide range of investments
- Pool assets
- Take proper advice
- Consider Environmental Social and Governance (ESG) factors when making all investment decisions.

The Committee has translated these objectives after taking proper advice into suitable strategic asset allocation benchmarks for the Fund. These benchmarks are consistent with the Committee's views on the appropriate balance between maximising returns on investment and maintaining an appropriate level of risk over the long term as set out in the risk management policy of the Fund. The analysis provided by the Fund's Investment Consultant, Isio, is that this strategic asset allocation has an expected return of 6.7% using a prudent 75th percentile assumption and will exceed the actuarial discount rate of 6.3%.

The analysis provided calculates that the 3 year 1-in-20 Value at Risk is £520m. This measure reflects the Committee's risk appetite and is consistent with the investment objectives and funding strategy, recognising the Fund's maturity and cash-flow needs.

The Fund is slightly negative cash flow and so requires the portfolio to provide some income each year to pay benefits. The position is monitored on a regular basis.

Administering authorities must set high-level investment objectives in the ISS to meet the requirements of the funding strategy. The Committee has interpreted the Fund's objectives as:

- **Returns:** To achieve a long-term return of at least 6.7% p.a;
- **Risk:** To invest in such a way that the 3-year 1-in-20 Value at Risk represents an acceptable level of risk, Value at Risk of current target strategy is c.£520m as of 30 September 2025 which is deemed acceptable.
- **Cashflow:** To ensure sufficient portfolio income generation and liquidity to meet all outgoings as and when it falls due and provide a minimum income of £15m per annum; and
- **Local Investment:** To invest 5% of the Fund in local assets which have quantifiable benefits to the local areas of the authority and the economic development of the region. Further details in Section 8.

3. Investment of money in a wide variety of investments

3.1 Asset allocation

The target asset allocation of the Fund is determined by the Pensions Committee acting on professional and proper advice in the best long-term interest of scheme beneficiaries, while looking to maintain overall target return. A full formal asset allocation review will be undertaken every three years following publication of the triennial revaluation results, or more frequently if necessary.

The Fund will only invest in asset classes that are deemed to be suitable investments and so must meet the following criteria:

- investments that are well understood by the Committee;
- investments which are consistent with the Fund's risk and return objectives;
- investments which make a significant contribution to the portfolio by improving overall return and risk characteristics; and
- a wide range of assets will be selected to increase diversification.

The Fund's target asset allocation includes eight asset classes that combine to form the policy portfolio. Each asset class is selected to have different exposures to economic factors (GDP growth and inflation); to combine different geographies; and span different currencies. In assessing suitability, the Pension Committee considered the respective return drivers, exposure to economic growth and sensitivity to inflation, income generation, each an important consideration, relative to the sensitivities of the Fund's liabilities and managing risk.

The Pension Committee determined target allocations to each asset class which it believes to be best suited to meeting the long-term objectives of the Fund. The Committee also identified tolerance ranges within which shorter term variations would be tolerated and/or actively pursued due to a combination of relative returns and investment opportunity.

The target asset allocations and tolerance ranges are shown in the table below. The actual allocations will be maintained within the ranges if the scheme can find attractive opportunities that meet its return, risk, and cash flow requirements. Should an asset class go outside the tolerance range the Committee expect LCIV to discuss with the Committee and propose a course of action rather than rebalance automatically. In the absence of opportunities, investments will not be "forced" and the Fund will be under or over allocated to any asset class.

Asset Class	Allocation %	Allowable ranges %		Benchmark
		Min	Max	
Listed Equity	49	39	49	MSCI All Country World Index Total Return (Gross) in GBP
Private Equity	8	0	12	MSCI All Country World Index Total Return (Gross) in GBP
Private Credit	8	4	12	Absolute 6%
Property/Real Estate	8	4	13	MSCI All Property
Infrastructure	8	4	12	Absolute 8% p.a.
Other alternatives	5	2	8	Absolute 6% p.a.
Credit	7	4	10	SONIA (30-day compound) +4.5% gross
UK Government Bonds	7	2	12	FTSE Index Linked Gilts All Stocks Index
Investment Cash	0		5	
Other	0	0	0	
Total	100			

* Target allocation reflects agreed changes to asset allocation at Pensions Committee of December 2025

During periods of investment drawdown, private markets assets may be significantly underweight the target allocation and outside the tolerance range.

Each asset class has its own specific investment objective and within each asset class there are further diversification controls. Currently approximately 95% of assets are managed by the London Collective Investment Vehicle (London CIV) - the Fund's investment pool (see section 4 below). The remaining assets are a single allocation to a specialist investment manager and small allocations to private assets which are in run-off. In line with Regulation 13, from 31 March 2026 London CIV will take delegated management responsibility for the Fund's assets and must take all reasonable steps to implement the Fund's investment strategy.

The Fund sets the overall objectives sought and strategic asset allocation in line with the detail outlined in the table above. Implementation choices, for example the split between active and passively managed assets, and the geographical region of investment, are made by the London CIV and are not shown in the strategic asset allocation.

Operational cash for benefit payments may be held outside the pool; London CIV is informed of balances to ensure the SAA covers all assets.

Equities

The Fund currently invests in Listed Equities on a global basis and through both active and passive management. The Committee prefers this geographic diversification and style balance to continue in the future.

For active Listed Equities the Fund's objective is to seek a balance between growth and value styles; the aim is to outperform the MSCI All Country World benchmark. The Committee prefers this style balance to continue in the future. Net dividends will continue to be reinvested until the fund's cash flow needs change. Passive Listed Equities are held to keep investment manager fees low and to contribute to the return objective by tracking the relevant benchmarks. Passive equities are currently partially currency hedged. The Committee prefers these passive equities to be fully hedged back to sterling in the future.

All Listed Equities investments are invested via the London CIV or passively via Legal & General, London CIV's pool-aligned partner, with monitoring responsibility delegated to the London CIV.

The Fund implements Responsible Investment tilts within its active and passive Listed Equities portfolio. The Committee prefers these RI tilts to continue in the future.

The Fund favours an 8% strategic allocation to Private Equities. The allocation will be implemented over time following launch of the London CIV strategies.

UK Government Bonds, Credit & Private Credit

The Fund currently invests in inflation-linked government bonds and diversified credit to improve the resilience of the portfolio and provide a contractual income to the Fund. The Fund is likely to have an increase in income requirement in the future and so prefers distributing share classes. Exposure includes index linked securities issued by the UK Government, given their similarities within the Fund's liabilities. To enhance yield, the Fund may place investments in credit securities issued by UK and overseas companies. This asset class is managed through both passive and active mandates. When active management is selected, for example diversified and private credit, the manager will aim to maximise risk adjusted returns across a full market cycle. The Committee prefers this inflation and credit exposure and investment style to continue.

Infrastructure

The Fund has committed to investing in infrastructure as the duration of this class of assets matches the long-term nature of the Fund's liabilities. The Fund's existing holding in Infrastructure looks to gain cost-effective, diversified exposure to global infrastructure assets. The aim is to generate predictable, inflation-linked cash flows; this reduces risk, adds diversification and helps pay benefits.

Property and UK Residential Housing

The Fund currently holds allocations in UK and Global Property to support the overall aim of generating a return more than the market while earning predictable cash flows. The Fund has also made an allocation to UK Residential Housing with the aim of helping achieve the Fund's Local Investment and Responsible Investment targets, while delivering inflation-linked cashflow driven returns. The Committee prefers this UK Residential Housing exposure to continue.

4. The authority's approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is committed to pooling of assets and the London Borough of Hillingdon as Administering Authority of the London Borough of Hillingdon Pension Fund formally agreed to join the London CIV on 25 February 2016 and were on-boarded on 1 March 2016. Through the London CIV the Fund will benefit from economies of scale, by pooling assets with other LGPS funds, enabling the London CIV to negotiate lower investment and implementation fees on various asset classes and to improve governance of investments.

4.1 London CIV

The London CIV was formed as a voluntary collaborative venture by the 33 London Boroughs in 2014 to pool their LGPS investments, with Buckinghamshire accepted into the partnership during 2025. The London CIV received regulatory authorisation from the Financial Conduct Authority in November 2015 and launched its first sub-Fund in December 2015. The London CIV has been established as a collective investment vehicle for LGPS Funds. The current regulatory permissions allow for operation as an Authorised Contractual Scheme (ACS) Fund. The London CIV was created in line with the government directive aimed at reducing investment costs and driving efficiencies from scale.

Since its initial launch, The London CIV has opened a diversified range of funds and continues to increase the available suite to provide various asset classes and styles. The London CIV structure and associated business plan is consistent with the criteria contained within the November 2015 Investment Reform and Criteria guidance.

The Fund's aim is for the London CIV to ultimately be responsible for managing all the Fund's assets. The Fund has transitioned all liquid assets and a proportion of its private market allocation into the London CIV and is working with the London CIV to transfer all remaining private market assets. In addition to the funds held directly on the London CIV platform, the Fund has an allocation to passive funds retained outside of the London CIV operating model, which for the time being is in accordance with government guidance on the retention of life funds outside pools, the London CIV will monitor the passive funds as part of the broader pool. The Fund benefits in this regard from work carried out by the London CIV to reduce fees through economies of scale. The Fund will work with London CIV to transition further assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund's investment strategy and governance requirements.

The Fund currently holds a portion of illiquid assets. The cost of exiting these strategies early would have a negative financial impact on the Fund as the costs of transitioning outweigh any potential gains. The expectation is these will be held as legacy assets by the London CIV until they mature and proceeds will be re-invested through the Pool, if it has appropriate strategies available, or until the Fund changes asset allocation and decides to disinvest. The Fund's illiquid assets currently held include Private Equity, Private Credit, Infrastructure and Property.

4.2 Pool Governance

The legal ownership of assets held within the London CIV is with the depository, which is currently Northern Trust, with the beneficial ownership of the assets remaining with the Fund; the London CIV is the delegated manager of the Fund's assets.

The governance structure of the London CIV has been designed to ensure that there are both formal and informal routes to engage with the other London boroughs both as shareholders and investors, making the London CIV accountable at both levels. Governance is achieved through the Shareholder Committee, comprising nominated Member representatives from boroughs within the pool; including a representative of the London Borough of Hillingdon Pensions Committee.

At a company level for London CIV the Company Board is responsible for decision making, which includes strategy and oversight, budget setting, performance review, contract and fund decisions and financial reporting and controls. The Board has three Committees, including the Investment Oversight Committee, Compliance Audit & Risk Committee and the Remuneration and Nomination Committee.

The London Borough of Hillingdon, as shareholder, will hold the London CIV Board accountable for delivery of the strategy and will work with the Board to ensure the pool is properly resourced to deliver it.

The share structure of London CIV involves each member body being shareholders who all retain equal shares in ownership and voting, making the company accountable to its shareholders. In addition, the Company has a highly respected Non-Executive Board, meeting the requirements for strong governance arrangements to be in place.

The Fund continues to work with the London CIV to improve the robustness of their governance framework and to ensure it meets the Fund's needs on an ongoing basis.

As part of the Fit for the Future legislative reforms, from 31 March 2026 the London CIV is required to take on increased responsibility on behalf of the London boroughs, including:

- Act as the primary adviser to the Fund's investment strategy, and to take responsibility for delegated management of the agreed asset allocation and underlying strategies.
- Take on the management of existing assets from London boroughs that cannot be exited easily; and
- Develop plans to increase investments in local investment and growth opportunities.

4.3 Investment implementation

Where suitable London CIV funds exist, the Fund will transition assets into pooled vehicles. As of 2025, the Fund has already transitioned substantial assets and expects to complete pooling of remaining eligible mandates in line with the government's pooling deadline.

The Fund retains its passive equity and passive index-linked gilt mandates outside the pool in accordance with government guidance, but these are monitored by the London CIV at pool level.

The Fund will engage with London CIV on updates to the ISS, consistent with regulatory requirements.

The London CIV is responsible for delivering the strategy, including by implementing an investment portfolio which seeks to meet the objectives and comply with the asset allocation set out by AAs. Should London CIV not be able to implement some or all the strategy the Committee expects to be consulted by London CIV as to any proposed alternative course of action.

4.4 Investment Governance

The Pensions Committee sets the objectives, risk tolerances and sets the required rate of return in conjunction with the scheme's actuary. Once the parameters are established, the Committee determines the strategic asset allocation that it believes has the highest probability of succeeding, considering proper advice from the Fund's investment advisor. Going forward, this decision will be considered after taking advice from the London CIV.

The Committee will hold the London CIV accountable for delivery of the strategy.

The Pensions Committee meets quarterly to monitor Fund performance and actual asset allocation compared to the targets.

An Investment Sub-Group structure is in place to consider urgent actions and take the necessary steps to manage the Fund's investment portfolio. Meetings can be called as required to ensure decisions are taken in a timely manner.

The Local Pensions Board was created to further enhance the governance of the Fund. The Local Pensions Board assists in ensuring compliance with legislation and codes of practice on the governance and administration as issued by the Pension Regulator.

The Fund also has a Training Policy which ensures that those making decisions have appropriate knowledge and skills.

4.5 Performance Measurement

The Pension Committee reviews the Fund's investment on a quarterly basis including performance, market conditions and asset allocation, and makes appropriate decisions where necessary.

The Fund's custodian provides an independent investment monitoring service. The London CIV also provides an ongoing monitoring service for the Fund. The Pensions Committee also receives reports from officers and advisors on review meetings with Fund's investment managers, including London CIV.

5. The authority's approach to risk, including the ways in which risks are to be measured and managed

The Fund has a Risk Management Policy which can be found on the Council's website at [Pension fund documents - Hillingdon Council](#)

The Risk Management Policy details the risk management strategy for the Fund, which explains:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk;
- how risk management is implemented;
- risk management responsibilities;
- the procedures that are adopted in the Fund's risk management process; and
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

The Fund adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance at a strategic and operational level.

The Fund recognises that it is not possible or even desirable to eliminate all risks. Accepting and actively managing risk is therefore a key part of the risk management strategy. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives considering the risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority on behalf of the Fund will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained;
- adopt a system that will enable the Fund to anticipate and respond positively to change;
- minimise losses and damage to the Fund and other stakeholders who are dependent on the benefits and services provided; and
- make sure that any new areas of activity (new investment strategies, joint work, framework agreements etc.), are only undertaken if the risks they present are fully understood and considered in making decisions.

Risk Management is a sound management technique that is an essential part of stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

The Pensions Committee analyse the level of risk and the drivers of risk and monitor and review the investment strategy and investment performance on an ongoing basis and take mitigating action where required. This may include rebalancing the allocation

of assets when the allocations to asset classes breach the pre-agreed ranges.

The Committee has established a target asset allocation for the Fund. They monitor the asset allocation and investment returns relative to the targets. The Committee also assesses risk relative to liabilities, monitoring the delivery of benchmark returns relative to liabilities on a regular basis.

The Pensions Committee provides a practical constraint on the Fund's investments, deviating greatly from the intended approach by adopting a target asset allocation and by monitoring the actual asset class allocations relative to this target on a regular basis.

The investment strategy is suitably diversified, with the balance of different asset classes mitigating the impact at an aggregate level of underperformance of an asset class. London CIV employs a range of investment managers mitigating the impact of individual manager performance. Diversification is a very important risk management tool. The Fund seeks to maintain a diversified exposure via a wide range of asset classes, geographies, and currencies. The Committee have a preference for multi manager funds where appropriate.

6. How social, environmental or corporate governance considerations are considered in the selection, non-selection, retention and realisation of investments

The Fund is committed to being a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from specialist investment advisers.

The Fund the London CIV and its underlying investment managers, to undertake appropriate monitoring of current investments regarding their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund such as corporate governance and environmental factors. The Fund expects London CIV to ensure its investment managers integrate material ESG factors within its investment analysis and decision making.

The Fund will consider UK foreign policy or UK defence policy when making investment decisions. Non-financial factors may be considered only where this does not risk significant financial detriment and where there is good reason to think members support the decision; implementation is determined by the pool.

The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to, Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

The Fund has prepared a Responsible Investment policy which outlines its approach

ESG including the Stewardship Code and can be found at [Pension fund documents - Hillingdon Council](#)

From 31 March 2026 onwards, the Fund's Responsible Investment approach will be reviewed in collaboration with the London CIV and partner London boroughs to maximise the alignment between approaches and with the aim of increasing the impact of the approach in delivering positive change and the chosen objectives through greater scale of investment.

7. The authority's policy on the exercise of rights (including voting rights) attaching to investments.

Stewardship (engagement and voting) will be delivered by London CIV (or its appointed agent) under a pool-wide policy aligned with the UK Stewardship Code.

The Fund through its participation in the Local Authority Pension Fund Forum (LAPFF) and London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which the Fund invests. The Fund's investments through the London CIV are covered by the voting policy advising managers to consider voting in accordance with voting alerts issued by the LAPFF as far as practically possible. The London CIV will hold managers to account where they have not voted in accordance with the voting policy. Where LAPFF alerts are used, this will be effected through the pool's stewardship framework to ensure alignment and efficiency.

The Fund's approach to engagement recognises the importance of working in partnerships to magnify the voice and maximise the influence of investors as owners. The Fund expects LCIV and its underlying investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly. The Fund appreciates that to gain the attention of companies in addressing governance concerns; it needs to join with other investors sharing similar concerns.

To ensure effective and consistent use of the voting rights, LCIV's underlying investment managers are tasked with exercising the voting rights accruing to the Fund. If important issues impacting local residents do emanate from actions of invested companies, the Pensions Committee will contact LCIV to make their opinion known and ask for such to be presented at meetings with the company or reflected in their voting pattern.

8. Local investment

The Fund recognises the role that long-term institutional investment can play in supporting sustainable economic growth in the UK alongside the delivery of appropriate risk-adjusted returns.

For the purposes of this Investment Strategy Statement, local investment is defined

as place-based investment within the functional economic area in which the Fund operates, including the London Borough of Hillingdon, Greater London, and, where appropriate, the wider London CIV pool area, having regard to relevant local, regional and GLA growth priorities.

Local investment is not treated as a standalone asset class and may be delivered across a range of asset classes, including private equity, private credit, infrastructure, property and other real assets. The local investment objective and target range have been set after taking advice from London CIV and, where possible, aligned with partner funds.

The Fund's proposed objective is to maintain a strategic exposure to local investment of approximately 5% of Fund assets over the long term, subject to the availability of suitable opportunities, fiduciary considerations and value-for-money assessments. This reflects a proportionate level of place-based investment that could reasonably be delivered within Greater London and, where appropriate, the wider London CIV pool area through pooled investment vehicles over time.

The Fund's return objectives are best described as a return on Strategic Asset Allocation (SAA) with agreed benchmarks. The Fund expects LCIV to manage the whole portfolio in such a way as to meet the overall return objectives within the risk tolerances that have been set - balancing the different risk/return characteristics across a diversified portfolio.

The Fund Impact priorities include affordable housing, regeneration, SME growth and low-carbon infrastructure.

9. Consultation and Publication

This ISS has taken account of advice from the LCIV, the actuarial valuation results, and relevant regulations and guidance. In line with the regulations and guidance the Committee have sought the views of relevant parties, including employers and the local pensions board, during the drafting process.

The agreed ISS will be published on the website.

March 2026