



*Meeting:* **Investment Subcommittee**

*Date/Time:* **Wednesday, 3 April 2019 at 10.00 am**

*Location:* **Executive Committee Room, County Hall, Glenfield.**

*Contact:* **Ms. C Tuohy (0116 305 5483)**

*Email:* **cat.tuohy@leics.gov.uk**

### Membership

Mr. P. C. Osborne CC (Chairman)

Mr. R. Bone    Mr. L. Breckon CC  
Cllr. M. Graham MBE    Dr. Cllr. L. Moore  
Dr P. Cross    Dr. S. Hill CC

### AGENDA

<u>Item</u>	<u>Report by</u>	
1. Minutes of the meeting held on 10 October 2018.		(Pages 3 - 6)
2. Question Time.		
3. Questions asked by members under Standing Order 7(3) and 7(5).		
4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
5. Declarations of interest in respect of items on the agenda.		
6. Update on the Launch of LGPS Central's Global Emerging Markets Product.	Director of Corporate Resources	(Pages 7 - 10)
7. Date of Next Meeting - 27 July 2019		



8. Any other items which the Chairman has decided to take as urgent.

**Exclusion of the Press and Public.**

The public are likely to be excluded during consideration of the following items in accordance with Section 100(A)(4) of the Local Government Act 1972 (Exempt Information):

- |     |   |                     |                 |
|-----|---|---------------------|-----------------|
| 9.  | Emerging Market Equity Review.  | Hymans<br>Robertson | (Pages 11 - 22) |
| 10. | Global Emerging Markets Equity Active Multi<br>Manager Fund Business Plan | LGPS Central        | (Pages 23 - 40) |

*A presentation will be considered as part of this item.*



**Minutes of a meeting of the Investment Subcommittee held at County Hall, Glenfield on Wednesday, 10 October 2018.**

**PRESENT:**

Leicestershire County Council

Mr. L. Breckon (Chairman)  
Dr. S. Hill

Leicester City Council/District Council  
Representative

Cllr. M. Graham MBE  
Cllr. L. Moore

Staff Representative

Mr. R. Bone

**12. Minutes.**

The minutes of the meeting held on 11 July 2018 were taken as read, confirmed and signed.

**13. Question Time.**

The Chief Executive reported that no questions had been received under Standing Order 35.

**14. Questions asked by members.**

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

**15. Urgent Items.**

There were no urgent items for consideration.

**16. Declarations of interest.**

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting. No declarations were made.

**17. Review of the Ruffer Targeted Return Investment.**

The Subcommittee considered a report of the Director of Corporate Resources,

which provided members with information relating to the Leicestershire Pension Fund's current Ruffer Targeted Return Investment. A copy of the report is filed with these minutes marked '6'.

Arising from discussion, the following points were noted:

- i) Ruffer formed part of the Fund's Targeted Return portfolio alongside Aspect and Pictet. Out of the three Targeted Return investment managers Ruffer had the highest allocation, accounting for slightly over half of the total allocation.
- ii) Members felt the Targeted Return portfolio offered a good alternative to the Fund's significant Equity portfolio.
- iii) It was noted that while Ruffer's performance since June 2009 had been good, the annual performance over the past three years had been 0.7% below benchmark in a market environment that should have been more conducive for them. A view was expressed that considering Brexit and ongoing trade disputes it could be the right time to hold onto the investment in Ruffer.
- iv) Members were reassured that any decision taken would be unlikely to have a material impact on the Funds overall performance. The investment could be further considered within the annual strategy review alongside the other two Targeted Return portfolios and when more was known about LGPS Central's offering.

RESOLVED:

That the report be noted.

#### **18. Date of Next Meeting.**

It was noted that the next meeting would be held on 20 December 2018,

*(This meeting was subsequently cancelled).*

#### **19. Review of the Ruffer Targeted Return Investment - Briefing notes of the Independent Investment Advisor and Hymans Robertson.**

The Subcommittee considered a briefing paper produced by the Fund's Independent Investment Advisor and Hymans Robertson, which was followed by questions from members. A copy of the briefing note is filed with these minutes marked '8'. The note was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the briefing papers be noted.

[At this point Ruffer representatives joined the meeting]

**20. Presentation from Ruffer Targeted Return Investment.**

The Subcommittee received a presentation by representatives from Ruffer Investment Fund which was followed by questions from members. A copy of the presentation is filled with these minutes marked '9'. The presentation was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

*[At this point Ruffer Investment Fund representatives withdrew from the meeting]*

- a) That the presentation delivered by Ruffer Targeted Returns Investment be noted.
- b) That the Leicestershire Pension Fund reduce its target asset allocation in Ruffer's Targeted Return Investment from 6.0% to 4.0% of total Fund assets and allocate the remaining 2.0% to the Fund's current investment in Pictet Asset Management (PS II Dynamic Asset Allocation Fund-EB GBP).

**21. Update on the launch of LGPS Central sub-funds.**

The Subcommittee received an update on the launch of LGPS Central sub-funds. A copy of the report is filled with these minutes marked '10'. The report was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the update be noted.

Wednesday, 10 October 2018

CHAIRMAN

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## **INVESTMENT SUBCOMMITTEE – 3<sup>RD</sup> APRIL 2019**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

### **UPDATE ON THE LAUNCH OF LGPS CENTRAL'S GLOBAL EMERGING MARKETS PRODUCT**

#### **Purpose**

1. The purpose of this report is to inform the Committee of recent progress by LGPS Central in developing a Global Emerging Markets Equity sub-fund that the Leicestershire Pension Fund (the Fund) could invest in.

#### **Background**

2. The Leicestershire Fund is one of 9 schemes that will pool pension assets within the LGPS Central Pension Pool. Pooling will take several years to implement, due to then need to set-up sub-funds by Central and then amalgamate the existing holdings for the 9 partner schemes.
3. The only direct investment that the Fund has made to date is in Central's Global Equity sub-fund, which was launched in February 2019.

#### **Global Emerging Markets**

4. LGPS Central has selected three managers to invest the assets for the sub-fund. The necessary agreements and regulatory approval to launch the sub-fund are currently being progressed, with a launch expected in April. The transition of funds and commencement of trading is not expected until the summer.
5. LGPS Central has developed the sub-fund in consultation with the partners who are interested in the product. Up to four other pension funds are considering investing, which would take the estimated size of this sub-fund to over £1.0bn. LGPS Central will attend the meeting of the sub-committee to explain the proposal and the process to deliver the sub-fund.
6. The Fund currently employs one active manager for Emerging Markets, Delaware, who have £170m of assets under management. The Fund also has a passive investment of £76m. For the initial transition it is envisaged that only the assets allocated to Delaware will be considered with the passive investment being considered for transfer at a future point.

7. Central has appointed three managers who will enable a diversification of both risk and the source of returns. The three managers selected are BMO Global Asset Management, UBS Asset Management Limited and Vontobel Asset Management. All of the managers are classified as stock-pickers, so they do not have a specific style bias, but they will select companies using different investment philosophies/processes. As a result there is very little overlap between the managers' portfolios.
8. The Fund's allocation to active Emerging Market management was maintained at 4% in the latest annual strategy review.
9. Under normal circumstances the three managers will have an equal split of assets, although Central may adjust the split by up to 7.5% (10% including drift due to performance). This additional management by Central is expected to be used should performance concerns arise rather than for performance enhancement.
10. The Fund is expected to benefit from cost savings, the level will depend upon the total amount of assets invested.
11. Investment Consultants Hymans Robertson have reviewed the information available relating to the sub-fund. Their appraisal is included elsewhere on the agenda. They are broadly supportive of the investing, but have provided several points for consideration.
12. The considerations relate to reviewing the due diligence performed by LGPS Central and a range of factors that will naturally develop as the product proceeds towards launch (transition approach and operation of the sub-fund).
13. Central are looking for initial commitments to the sub-fund. This will allow analysis on the transition to be performed to decide the approach. The initial commitments will also allow the fees of the sub-fund to be estimated. Only after these factors are known, alongside regulatory approval, will firm commitments to invest be required.
14. Should the Investment Subcommittee support the approach and the launch of the sub-fund continue to proceed satisfactorily, the Director of Corporate Resources, following consultation with the Chairman of the Local Pension Committee, will act using his delegated powers.

### **Supplementary Information Informing the potential investment**

15. A briefing note provided by Hymans Robertson and LGPS Central's draft business plan, accompanied by a presentation, which are all of a sensitive nature, are included as items elsewhere on the agenda.



**Recommendations**

16. It is recommended:

- a. That progress in relation to LGPS Central's development of an emerging Markets sub-fund be noted;
- b. That subject to the development of the sub-fund proceeding satisfactorily, the Director of Corporate Resources, following consultation with the Chairman of the Local Pension Committee, be requested to progress the Fund's initial investment in LGPS Central's Emerging Market's Equity sub-fund, as detailed in Paragraph six of the report, using his delegated powers;
- c. That further progress updates concerning the investment be considered by the Local Pension Committee.

**Equality and Human Rights Implications**

17. None.

**Officers to Contact**

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