

**Minutes of a meeting of the Investment Subcommittee held at County Hall,  
Glenfield on Wednesday, 31 March 2021.**

**PRESENT:**

Leicestershire County Council

Mr. P. C. Osborne CC (Chairman)  
Mr. T. Barkley CC

Dr. S. Hill CC

Leicester City Council

Cllr. A. Clarke

District Council Representative

Cllr. M. Graham

Staff Representative

Mr. A. Wilson

**57. Minutes of the meeting held on 14 October 2020.**

The minutes of the meeting held on 14 October 2020 were taken as read, confirmed and signed.

**58. Question Time.**

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

**59. Questions asked by members under Standing Order 7(3) and 7(5).**

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

**60. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.**

There were no urgent items for consideration.

**61. Declarations of interest in respect of items on the agenda.**

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.

**62. Strategic Asset Allocation Update and LGPS Central Climate Fund**

## **Transition.**

The Subcommittee considered a report of the Director of Corporate Resources updating Members on the Strategic Asset Allocation and LGPS Central Climate Fund Transition. A copy of the report is filed with these minutes marked '6'.

The Director informed the Subcommittee that the Fund continued to await Property and Infrastructure fund product launches from LGPS Central which the Fund had expressed interest in. In the meantime, the Fund would consider relevant investments to avoid straying further from its Property target allocation.

RESOLVED:

That the report be noted.

### **63. Recommended Investment into LGPS Central Multi Asset Credit Fund.**

The Subcommittee considered a report of the Director of Corporate Resources which provided members with background information relating to a recommended investment in LGPS Central Multi Asset Credit Fund. A copy of the report is filed with these minutes marked '7'.

The Director informed the Subcommittee that the Fund had a target allocation of 4.0% (c.£200million) of total Fund assets to the global credit liquid sub investment grade asset class. Currently the Fund only had a £29million investment with JP Morgan in the asset class, which totalled 0.6% of the total Fund value. Thus an investment into LGPS Central's Multi Asset Credit (MAC) Fund was proposed to reach the Fund's target allocation.

Arising from the detailed discussion the following points were noted:-

- i. The Fund had engaged with LGPS Central in the creation of the MAC fund mandate alongside other partner funds to develop a mandate that was suitable for their objectives.
- ii. Following a detailed selection process LGPS Central had appointed two managers Western Asset and BMO Global Asset Management. The interview process included questions regarding staff turnover, responsible investment and engagement, portfolio turnover and their decision-making processes. Furthermore, LGPS Central ensured that the managers chosen strategies did not overlap to allow appropriate diversification within the fund.
- iii. A concern was raised regarding reference to the use of derivative instruments and collateralized loan obligations within the mandate. The Director assured the Subcommittee that while the fund's ability to invest in a wider pool of securities meant there was a higher risk there was also higher expected return than other investments the Fund had. Members were assured that LGPS Central would monitor its managers and could reign in managers who acted outside of their expected philosophy. Ultimately the mandate only aimed for 4%, a reasonable return, so it was not expected that Managers would need to take excessive risks to obtain this return.

iv. Members were further assured that LGPS Central had a manager monitoring process with all of their managers and funds to assess any changes with how they performed against target, and if necessary Central had the ability to rebalance managers or remove them if ultimately necessary.

RESOLVED:

That the information provided be noted.

**64. Recommended Investment Into Adams Street Partners Global Secondary Fund 7.**

The Subcommittee considered a report of the Director of Corporate Resources which provided members with background information relating to a recommended investment in Adams Street Partners Global Secondary Fund. A copy of the report is filed with these minutes marked '8'.

The Director informed Members that the Fund's target allocation was 5.75% to private equity of which the Fund had 0.25% overweight at 6.0%. Despite this it was considered essential to further invest in private equity due to the historic investments returned and the illiquid nature of the asset class. It was expected that as funding returned by 2022 the Fund's allocation would be 5.23% therefore it was necessary to commit to future vintages.

Members noted that the Fund had invested in Adams Street Partners previously and that the ASP had a long history within the secondaries market. Furthermore it was felt the shorter duration of the Global Secondary Fund 7 was beneficial.

The Subcommittee were aware that officers were in discussions with LGPS Central with other partner funds to launch a 2021 private equity vintage which the Fund had expressed interest in.

RESOLVED:

That the report be noted.

**65. Date of Next Meeting - 28 July 2021**

That it be noted that the next meeting of the Subcommittee is scheduled to be held on 28 July 2021.

**66. Exclusion of the Press and Public.**

RESOLVED

That under Section 100(A) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of

Schedule 12(A) of the Act.

**67. Supplementary Information informing the proposed investment in LGPS Central Multi Asset Credit**

The Subcommittee considered supplementary information from the Director of Corporate Resources regarding the recommended investment into LGPS Central Multi Asset Credit Fund and due diligence undertaken by the Fund's investment consultant, Hymans Robertson, which was followed by questions from members. A copy of the briefing note is filed with these minutes marked '10.

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.

The Subcommittee noted that the recommended £200million investment in Central's MAC fund, which was expected to achieve attractive returns, would be funded from:-

- Termination of the JP Morgan Global Credit Mandate totalling circa £29million.
- Rebalancing of the targeted return portfolio managers to the smallest manager Aspect, by selling holdings in Pictet and Ruffer, estimated at £40million and £50million respectively as at December 2020.
- Use of existing cash reserves, estimated at £81million.

Members noted that where valuations had changed since December 2020 the Fund would rebalance each targeted return manager accordingly to Aspect and the cash reserves needed consequently.

Arising from the discussion, the following points were made:-

- i. The Fund's exposure to risk within the Multi Asset Credit Fund was limited as the mandate set out that less than ten percent was able to be transferred to emerging market debt which held more risk than developed markets. There was also low allocation within high yield loans and convertibles. Thus the mandate limited the risk by restricting how much managers could invest in higher risk areas.
- ii. Hymans Robertson had undertaken due diligence and recommended investment.

RESOLVED:

That the supplementary information provided be noted.

*[At this point LGPS Central representatives joined the meeting]*

**68. Presentation of the Investment Manager - LGPS Central Multi Asset Credit**

## **Fund**

The Subcommittee received a presentation by representatives from LGPS Central which was followed by questions from members. A copy of the presentation is filed with these minutes marked '12'. 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.

Arising from the discussion the following points arose:-

- i) LGPS Central had a robust manager selection process that ensured managers chosen were right to manage the assets of the partner funds. The criteria included expected performance, a consistent investment process, value for money, transparency and a strong commitment to Environmental, Social and Governance (ESG) factors which both BMO and Western Asset displayed.
- ii) LGPS Central had monitored the managers portfolio before any investment to ensure that managers were working as expected. Central also held monthly conference calls with its managers.
- iii) The asset managers were limited by the agreed mandate. If a manager was to go outside of that mandate Central would look to understand the reasoning behind the decision through regular meetings. If there was poor performance by a manager Central would undertake a review and work with the manager to consider decisions taken and the justification behind them. Central could ultimately fire the manager if it seemed detrimental to performance long-term.
- iv) The Subcommittee were assured that Environmental, Social and Governance factors were still at the forefront of managers minds in the fixed income market. Despite not holding voting rights, they still had a direct line of access and communication with company's management which could be used to engage and encourage better ESG considerations. LGPS Central also employed its own Responsible Investment Team that undertake due diligence on a continual basis and considered fund portfolio's and how they ranked.

*[At this point LGPS Central representatives withdrew from the meeting]*

RESOLVED:

- a) That the presentation delivered by LGPS Central be noted.
- b) That a £200million commitment to invest in LGPS Central's Multi Asset Credit Fund as set out in paragraph 18 of the report be approved

## **69. Change to the Order of Business.**

The Chairman agreed to vary the order of business from that set out in the agenda, taking Agenda Item 14 – Presentation of the Investment Manager – Adams Street Partners Global Secondary Fund 7 ahead of Item 13 Supplementary Information Informing the Recommended Investment into

Adams Street Partners Global Secondary Fund 7.

*[Representatives from Adams Street Partners joined the meeting]*

**70. Presentation of the Investment Manager - Adams Street Partners - Global Secondary Fund 7.**

The Subcommittee received a presentation by representatives from Adams Street Partners regarding the Global Secondaries Fund 7, which was followed by questions from members. A copy of the presentation are filed with these minutes marked 'Agenda Item 14'. The presentations were 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 presentation delivered by Adams Street Partners be noted.

*[Representatives from Adams Street Partners left the meeting]*

**71. Supplementary Information Informing the Recommended Investment into Adams Street Partners Global Secondary Fund 7.**

The Subcommittee considered supplementary information from the Director of Corporate Resources informing the recommended investment into Adams Street Partners Global Secondary Fund 7. A copy of the report marked 'Agenda Item 13'.

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:

- a) That the supplementary information provided be noted.
- b) That a \$38million USD commitment to invest into Adams Street Partners Global Secondary Fund 7 be approved.

Wednesday, 31 March 2021  
Time Not Specified - Time Not Specified

CHAIRMAN