



INVESTMENT SUBCOMMITTEE – 16TH OCTOBER 2019

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

**RECOMMENDED INVESTMENT: ADAM STREET PARTNERS
PRIVATE EQUITY PRODUCT**

Purpose of the Report

1. The purpose of this report is to provide information in respect of a recommended investment into the Adam Street Partners (ASP) Private Equity product, 2019 Global Fund.

Background

2. The Fund has a target allocation of 4% of total Fund assets to the 'Private Equity' asset class. In broad terms this investment class should be considered as investments that are expected to produce returns higher as those expected from equity markets. Private equity is an alternative investment class and consists of capital that is not listed on a public exchange. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies. These funds are generally illiquid and can have lock in periods.
3. At present the Fund has c£235m invested (as at 30 June 2019) in a number of ASP products. This equates to about 4.6% of total assets vs a 4.0% target allocation.
4. It is projected that as a result of net distributions from ASP the Fund's private equity target allocation will be underweight by 1.0%. This requires the Fund to invest c£40m into Private Equity by the end of 2021 to maintain its target allocation .
5. Given the time required to deploy committed funds by ASP and the Fund's projected underweight target allocation, it is proposed the Fund invest £30m into the Adams Street Partners 2019 Global Fund.
6. With the preference to maintain vintage diversification it is expected the Fund would want to make an investment most years into a Private Equity product.
7. A relevant pooled product at LGPS Central became available in 2018/2019 into which the Fund invested £10m. However, with the Private Equity Investment Director leaving LGPS Central and no 2019/2020 product being available it is recommended the Fund invest with ASP until a new appointment is made at LGPS Central. When a product becomes available at LGPS Central the Fund will begin to consider new investments into these products and bring them to the Subcommittee or Local Pension Committee for consideration.

Proposed investment opportunities

Adam Street Partners 2019 Global Fund.

8. The Leicestershire Pension Fund has a long history of investing with ASP. Since 2002 the Fund has committed to investing \$592m with ASP. The net internal rate of return since inception in GBP has been 11.8%.
9. A detailed report by Hymans Robertson, the Fund's Investment Consultant, on this investment opportunity, which includes exempt information, is included later in today's agenda. A brief overview of the opportunity and why it is considered attractive is given below:
 - ASP is one of the longest established private equity managers and boasts a sizeable investment team that is one of the most experienced in the industry. The firm created the first ever fund of funds back in 1979 and has a long heritage in each private equity capability, establishing its annual global fund program in 1996.
 - The firm was originally very US-centric although it has significantly expanded its presence in Europe and Asia over recent years. One of the key benefits of ASP is its ownership structure, with the firm entirely employee-owned which we believe provides good alignment with its clients. We believe it has a strong investment process that is centred around identifying and exploiting market opportunities in a sensible, well-structured way which incorporates responsible investment considerations. We rate ASP as 'Preferred' for its private equity capabilities.
 - The 2019 Global Fund is the latest vintage of ASP's annual global fund series which provides broad exposure across the private equity market. We believe its structure and target investments are appropriate in order for it to achieve its objectives, and do not believe there are any material changes relative to the previous vintages in which the Fund has invested.

Summary

10. Taking into account the time taken from deployment of capital into relevant investments by ASP and the forecast of distributions from previous investments within the Private Equity asset class it is proposed the Fund makes a £30m commitment to the 2019 Global Fund. Advice has been sought from Hymans Robertson which is included elsewhere on the agenda.

Supplementary Information Informing the potential investment

Exempt papers by Hymans Robertson and a presentation from ASP, are included as items 9 and 10 on the agenda.

Recommendations

11. The Investment Subcommittee is recommended to consider a £30m commitment to invest in the Adams Street Partners 2019 Global Fund.

Equality and Human Rights Implications

None specific

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