



INVESTMENT SUBCOMMITTEE – 16TH OCTOBER 2019

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RECOMMENDED INVESTMENT INTO PARTNERS' PRIVATE DEBT PRODUCT

Purpose of the Report

1. The purpose of this report is to provide information in respect of a recommended investment into the Partners Group Multi Asset Credit (MAC) V Fund.

Background

2. The Fund has a target allocation of 7% of total Fund assets to the 'Private Debt' asset class. Private Debt sits within the 'Total credit and emerging market debt' and provides an element of diversification for the Fund. Private Debt is an asset class that supplies debt financing to private and public companies for a specified length of time during which a return is earned by the debt issuing company. The returns can be secured against assets to reduce risk to the issuer.
3. At present the Fund has c£235m invested in a number of Partners Group private debt products. This equates to about 5.3% of total assets versus a 7% target allocation, a c75m shortfall.
4. In addition, it is forecast that there will be a requirement to invest a further £75m by the end of December 2020 as income and capital is returned to the Fund from previous private debt investments in 2014, 2016 and 2017.
5. Given the time required to deploy committed funds by Partners the Subcommittee will be asked to consider deploying more than the £75m shortfall to the target allocation to the MAC V product, taking the additional investment closer to £100m.
6. A relevant pooled product at LGPS Central will not be available in a time frame that would enable the Fund to transition from legacy investment managers. When a product becomes available the Fund will begin to consider available products and bring them to the Subcommittee or Local Pension Committee for approval.

Proposed investment opportunities

Partners Group Multi Asset Credit V Fund.

7. Partners Group are a large investment manager whose sole focus is on private markets; they do not offer investment management in areas such as market-listed equities and bonds. One of their areas of expertise is in private debt, which can generally be described as the lending of money directly to a company; in many cases private debt lenders are taking the place traditionally occupied by banks.

8. The Fund has invested in the previous three iterations of the Multi Asset Credit Fund, in 2014 (£100m), 2016 (£70m) and 2017 (£120m). The investment process remains largely unchanged from that which has previously proven successful.
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:
- Partners Group is one of only a few managers who has the required resource, credentials and infrastructure to manage this type of private lending strategy on a global basis, and their annual fund raising provides an efficient and effective governance process in appointing Partners for subsequent mandates, given the ISC is familiar with the manager and have had a positive experience to date investing in previous MAC funds.
 - The MAC V Fund is the latest in their Multi-asset credit range. The Fund has reviewed the documentation provided by Partners from an investment perspective. It is noted that the Fund's review of the manager's literature should not be deemed as replacing the need for the Subcommittee to understand the terms of the investment.
 - Having reviewed the mandate and on the basis of the Fund's research, the mandate documentation, the size of the proposed allocation as a proportion of total LCCPF assets, we can confirm that in our opinion the MAC V Fund is an appropriate fund for LCCPF to invest in.

Summary

10. Taking into account the time taken from deployment of capital into relevant investments by Partners and the Fund's forecast of capital and income within the Private Debt asset class it is proposed the Subcommittee make a £75m - £100m commitment to the MAC V fund. The Fund has taken advice from Hymans Robertson whose report is included elsewhere on the agenda.

Supplementary Information Informing the potential investment

11. Exempt papers by Hymans Robertson and a presentation from Partners Group MAC V, which are of a sensitive nature, are included as items 11 and 12 on the agenda.

Recommendations

12. The Investment Subcommittee is recommended to consider a commitment to invest in the Partner Group MAC V fund as detailed in paragraphs four and five.

Equality and Human Rights Implications

None specific

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