



LOCAL PENSION COMMITTEE – 4TH JUNE 2021

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

**ACTION AGREED BY INVESTMENT SUBCOMMITTEE (ISC)
& LGPS CENTRAL UPDATE**

Purpose of the Report

1. The purpose of this report is to provide the Committee with details of two investments agreed by the Investment Subcommittee at its meeting held on 31st March 2021.
2. The report also provides an update on development of LGPS Central (Central) products where the Fund has instructed Hymans Robertson to conduct due diligence.

Background

3. The Leicestershire Pension Fund has a requirement to maintain investment in its asset classes to maintain the Fund's Funding Strategy as current investments are returned.
4. The Leicestershire Fund required investments into Global Credit and Private Equity asset classes.
5. Attached as an appendices to this report are the public reports that were presented to the Investment Subcommittee (ISC), which give further details on the investments and why they were felt to be appropriate.

Global Credit – LGPS Central Multi Asset Credit fund

6. Officers proposed investment of £200m into global credit. The LGPS Central Multi Asset Credit (MAC) fund was proposed and approved. The MAC investment is a new investment for the Fund and is not one the Fund transitioned to from an existing manager.
7. Following supplementary information provided to the meeting on the 31st March an investment of £200m was agreed by the ISC which was funded from:
 - Termination of the JP Morgan Global Credit Mandate totalling circa £29million.
 - Rebalancing 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 holdings, estimated at £81million.

8. The funds were transferred to LGPS Central in April and the two selected managers (BMO and Western Asset Management) running the mandate completed building the portfolio of investments in early May.

Adam Street Partners Global Secondary Fund 7 (GSF7)

9. Officers also proposed a c£27m investment into Private Equity (PE) Secondaries to maintain allocation in line with the agreed strategy. The PE secondary investment was satisfied with a commitment to the Adams Street Partners (ASP) global secondaries fund 7 (GSF7).
10. Private equity is an illiquid asset class, with investors required to commit for ten years or more. A secondary market in investments has arisen as the only way for individual investors to make an early exit from their private equity commitments. Adams Street Partners (ASP) Private Equity Secondary funds are built up of multiple purchases of existing private equity funds, including some ASP already own within their other funds. Funds on the secondary market are usually bought at a discount to the net asset value by virtue of the prevailing market conditions.
11. A relevant pooled product at Central was not available for this asset class, hence exiting managers were utilised. As Central products become available the Fund will consider them for investment.
12. Following supplementary information provided to the ISC an investment of \$38m USD (c£27m GBP) was agreed and it is expected that this investment will be drawn down within 4 years. This will be funded from existing cash holdings.

Product Development

LGPS Central - Infrastructure

13. This product from Central is having due diligence completed by the Fund's investment consultant and is open for investment. The product has two 'sleeves', one which invests within a lower risk profile, termed as core / core plus and targets returns at sub 10% pa, the value add / opportunistic sleeve targets returns upwards of 10% per annum. Once the due diligence is completed a proposal will be presented at the July Investment Subcommittee meeting. The Fund is currently underweight to the infrastructure asset class

LGPS Central - Private Debt 2021

14. The Fund has a sizable target allocation of 10.5% all assets which it has historically deployed with one manager and multiple annual vintages. Central are in the process of finalising a Private Debt solution which will consist of three 'sleeves' of varying target returns and risk.
15. The Fund currently is interested in two of the three sleeves in line with the annual strategy as agreed at the January Committee. Hymans are assessing the suitability of the two sleeves and a proposal will be bought to the July Investment Subcommittee.

Recommendation

16. The Local Pension Committee is asked to note the content of the report.

Appendices

Reports to the Investment Subcommittee – 31 March 2021.

Appendix A – Recommended Investment - LGPS Central Multi Asset Credit

Appendix B – Recommended Investment - ASP Private Equity Secondaries GSF7

Equal Opportunities Implications

None specific

Background Papers

[Annual Review of the Asset Strategy and Structure – Local Pension Committee 22 January 2021](#)

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