



**LOCAL PENSION COMMITTEE – 25<sup>TH</sup> MARCH 2022**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**IFM MARKETS UPDATE**

**Purpose of the Report**

1. To provide the Committee with background information on the Leicestershire Pension Funds (Fund) investment, Global Infrastructure Fund held with IFM. A PowerPoint presentation (Appendix) will be used at the meeting by representatives from IFM.

**Background**

2. The Fund has an infrastructure allocation to IFM within the income part of the portfolio. There are at present six managers employed within infrastructure. An allocation to LGPS Central's core/core+ fund was approved by the Investment Subcommittee in July 2021. The LGPS Central core/core+ infrastructure product targets a return of CPI +3.5% per annum.
3. The target allocation per the 2022 strategic asset allocation approved in January 2022 is 9.75% of total Fund assets. As at 31<sup>st</sup> December 2021 the Fund is underweight to this asset class by c£140m or 2.4% of total Fund assets.
4. There is an infrastructure review planned for later in 2022 as a result of the 2022 strategic asset allocation proposals which were approved in January 2022. The scope of which will include how to manage a multi manager infrastructure allocation, how to utilise LGPS Central products and how best to close the gap to target allocation.
5. The Global Infrastructure Fund is an open ended fund, meaning it does not have a date when the fund would be expected to end and monies returned to investors. This is useful as it means the Fund doesn't have to keep reinvesting into new vintages or new manager offering regularly. The fund offers institutional investors access to a diversified portfolio of core infrastructure investments and IFM seeks to invest in assets with strong market positions, stable regulatory environments, high barriers to entry, limited demand elasticity and long lives.
6. IFM aims to acquire and maintain a diversified portfolio of global infrastructure investments with a target return of 10% per annum (net of fees) over the long term, which will range between 8-12% per annum depending on the stage of the market cycle. The minimum rate of return objective for an individual investment may be lower or higher.
7. The IFM presentation will cover off the following items:
  - a. Overview of the mandate

- b. Environmental, social and governance (ESG) – how the manager identifies and manages these and what policies are in place, including the identification of climate related risks.
  - c. Performance of the fund
  - d. IFM's outlook for infrastructure investment including a view on recent geo political risks
8. As at 31<sup>st</sup> December 2021 the valuation of the investment was £125m or 2.2% of total fund assets.

### **Recommendation**

9. The Local Pension Committee is asked to note the report.

### **Equality and Human Rights Implications**

10. None

### **Appendix**

IFM Presentation

### **Officers to Contact**

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