



**LOCAL PENSION COMMITTEE – 10<sup>TH</sup> JUNE 2022**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**LGPS CENTRAL PRIVATE MARKETS UPDATE  
AND LGIM ECONOMIC UPDATE**

**Purpose of the Report**

1. To provide the Committee with background information on the Leicestershire Pension Funds (the Fund) private markets investments with LGPS Central (Central). A presentation (Appendix A) will be used at the meeting by representatives from LGPS Central.
2. To provide the Committee with a economic briefing delivered by Legal and General investment managers (LGIM). A presentation (Appendix B) will be used at the meeting by representatives from LGIM.

**Background**

2. The Fund invests in a number of private market investments with LGPS Central. These include the following products:
  - a. LGPS Central Core / core plus infrastructure
  - b. LGPS Central private credit low return 2021
  - c. LGPS Central private credit high return 2021
  - d. LGPS Central private equity 2018
  - e. LGPS Central private equity 2021
3. Many of the investments are still in the investment period and Central are calling capital from the Fund as and when the underlying managers require capital to invest. The table below best describes the current investments which representatives from Central will present on.

Name	Commitment	Open / closed ended	Target return	Current called	Estimated time to call remaining commitment	When capital is to be repaid, investment life
LGPS Central Infrastructure core / core plus	£70m	Open	CPI + 3.5% pa (income yield of 3-4%)	£21,897,517	c.12-18 months	This is an open-ended fund where redemption requests can be made post the four year hard lock up period.
LGPS Central private credit low return 2021	£100m	Closed	Absolute return target 6-8% Internal rate of return (IRR)	£6,100,081	c.12-18 months	10 year funds with quarterly distributions of yield; loans typically 5-7 years with WALs of 3½ years.
LGPS Central private credit high return 2021	£60m	Closed	Absolute return target 12-14% Internal rate of return (IRR)	£9,751,798	c.12-18 months	10 year funds with quarterly distributions of yield; loans typically 3-5 years with WALs of 2 years.
LGPS Central private equity 2018	£10m	Closed	FTSE all world index +4%	£5,986,573	c.24-36 months	Currently has a 22% DPI, further distributions expected this quarter (Q2). Bulk of returns expected in years 5-8
LGPS Central private equity 2021	£30m	Closed	FTSE all world index +4%	No drawdowns to date	c.60 months	10-year fund life where distributions are typically expected from years 4/5 onwards

4. The update from Central's private markets team will cover all investments alongside positive and negatives affecting each private market, the future plans for each market and ESG within private markets.
5. LGIM will present an economic briefing virtually covering broad themes affecting the financial markets which will include UK and international equity performance, interest rates, inflation and their views on the future direction of markets.
6. The Fund has a sizeable passive equity holding with LGIM totalling c£975m (or c17% of total Fund assets) at 31<sup>st</sup> March 2022. The six geographic funds each track a relevant benchmark for the geographic region they invest in. The regions covered are, UK, North America, Japan, Europe (ex UK), Pacific (ex Japan) and emerging markets.

7. More information regarding the holdings and performance can be found within the LGIM manager report included within the private section of today's agenda.

### **Recommendation**

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

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

9. None

### **Appendices**

Appendix A - LGPS Central Multi Manager Fund Presentation

Appendix B – LGIM markets presentation

### **Officers to Contact**

Mr C Tambini, Director of Corporate Resources

Tel:0116 305 6199      Email: Chris.Tambini@leics.gov.uk

Mr D Keegan, Assistant Director Strategic Finance and Property

Tel:0116 305 7668      Email: Declan.Keegan@leics.gov.uk

Mr B Kachra, Senior Finance Analyst - Investments

Tel: 0116 305 1449      Email: Bhulesh.Kachra@leics.gov.uk

This page is intentionally left blank