



Leicestershire County Council Pension Fund

LGPS Central Limited Update

16 June 2023



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Agenda

SECTION 1: SHAREHOLDER UPDATE

- LGPS pooling progress
- LGPS Central pooling progress
- Budget/consultation

SECTION 2: CLIENT UPDATE

- Climate Risk Reporting and ESG Tools



LGPS Central

Shareholder Update

John Burns

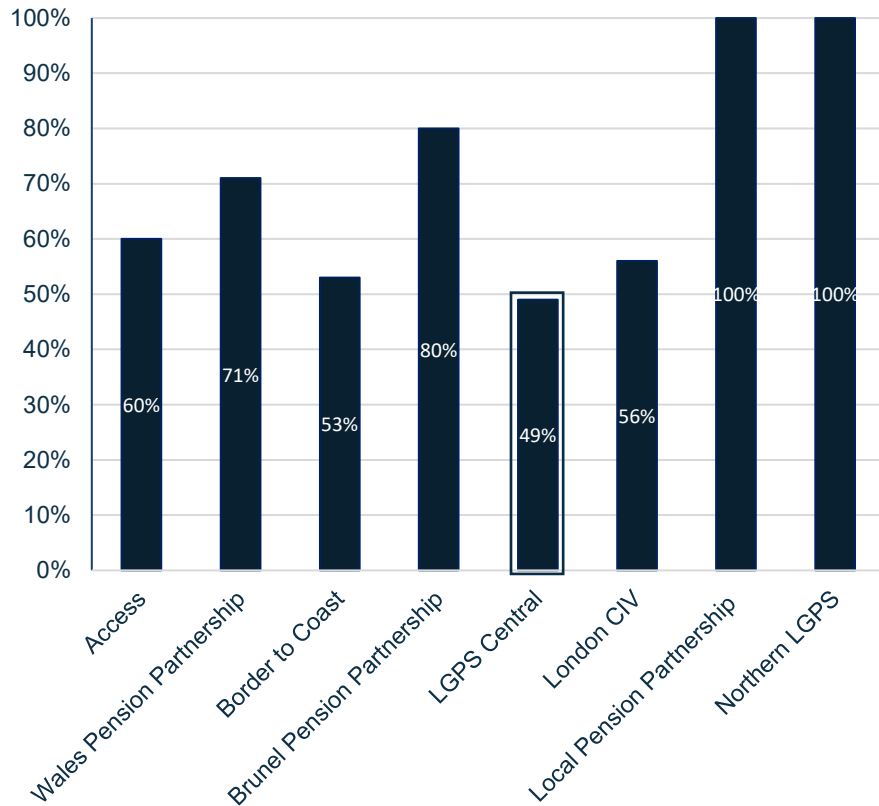
Interim CEO

Pooling progress across England & Wales



HEADLINE TRANSITION RATES VARY SIGNIFICANTLY ACROSS POOL COMPANIES

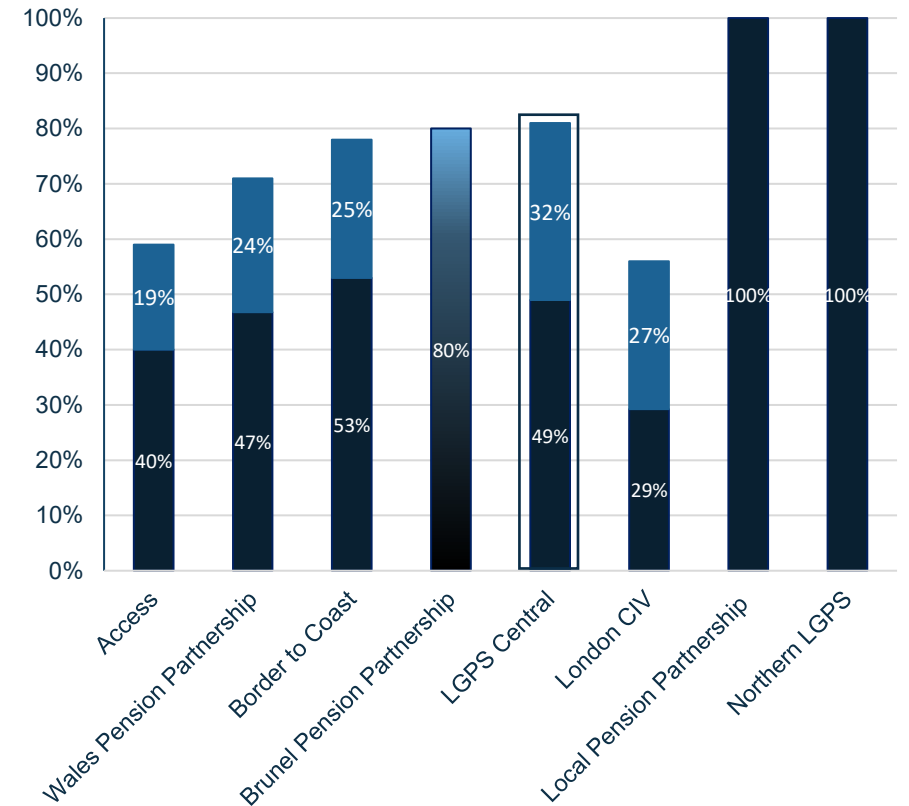
Percentage of Partner Fund Assets transitioned as at 31 March 2022



Comparison on like for like basis

- External passively managed
- Transitioned to pool company

Percentage of Partner Fund Assets transitioned as at 31 March 2022



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Source: [LGPS pooling: 'Progress needs to go further and faster' | Local Government Chronicle \(LGC\) \(lqplus.com\)](#)

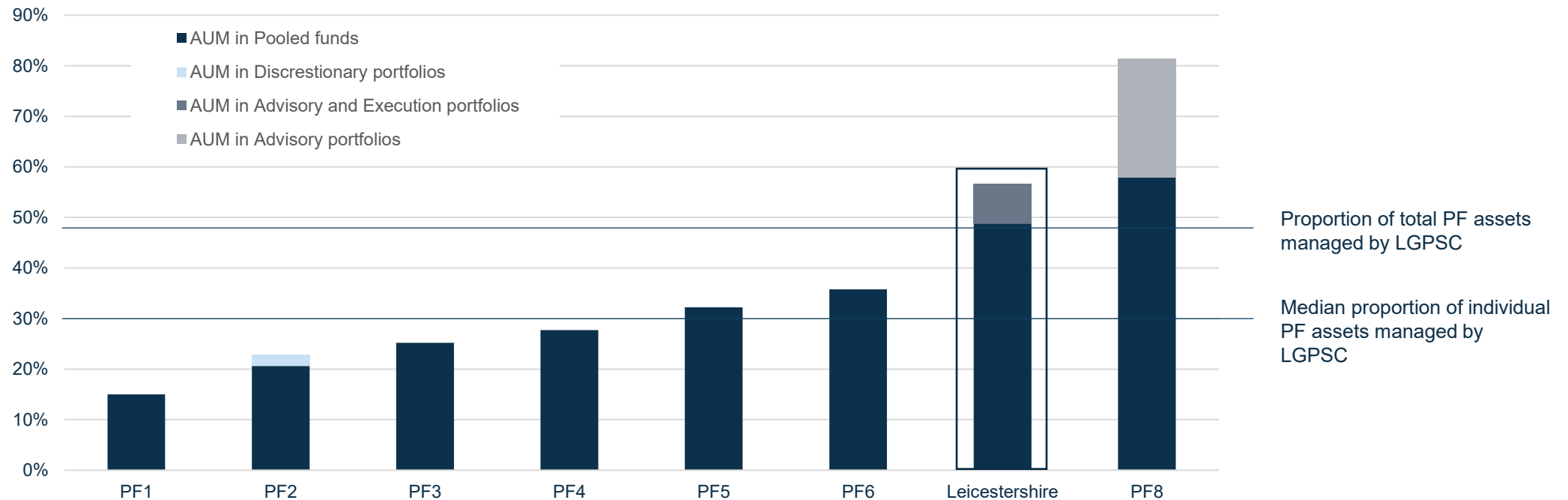
LGPS Central analysis of public documents

Pooling progress across the LGPS Central pool



DIFFERENT PARTNER FUNDS AT DIFFERENT STAGES OF TRANSITION

Percentage of Partner Fund Assets transitioned as at 30 April 2023



Spring Budget – LGPS pooling implications



- **4.116 Local Government Pension Scheme investment** – The government is challenging the Local Government Pension Scheme in England and Wales to move **further and faster** on consolidating assets – a forthcoming consultation will propose LGPS funds **transfer all listed assets into their pools by March 2025**, and set direction for the future. This may include moving towards a **smaller number of pools in excess of £50 billion** to optimise benefits of scale. While pooling has delivered substantial benefits so far, progress needs to accelerate to deliver and **the government stands ready to take further action if needed**. The Government will also consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as **venture and growth capital**, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets.”

LGPS interpretation

Direction and pace clear

Will consultation suggest forcing transfer to pool cos?

Need clarity on £50bn (include passive/advisory? Pool or Pool Co?)

Clear threat from HMT to funds – do it or we’ll step in and do something for you

This desire from HMT is not going away

Investment Performance Overview

Gordon Ross
Chief Investment Officer

LCCPF Investments in LGPS Central Funds



ASSETS UNDER MANAGEMENT 30 APRIL 2023

Asset Class	Fund	LCCPF's Assets	Total Fund AUM	LCCPF % of Fund
Passive Global Equity	LGPS Central Limited All World Equity Climate Multi Factor Fund	£899m	£4,170m	22%
Active Global Equity	LGPS Central Limited Emerging Markets Equity Active Multi Manager Fund	£176m	£767m	24%
Active Global Equity	LGPS Central Limited Global Equity Active Multi Manager Fund	£520m	£3,024m	17%
Active Global Fixed Income	LGPS Central Limited Investment Grade Corporate Bond Multi Manager Fund	£147m	£1,645m	9%
Active Global Fixed Income	LGPS Central Limited Global Active Emerging Market Bond MM Fund	£111m	£570m	19%
Active Global Fixed Income	LGPS Central Limited Global Active Multi Asset Credit MM Fund	£215m	£745m	29%
Direct Property	LGPS Central UK Property Fund	£60m	£70m	86%
Private Equity	LGPS Central PE Primary Partnership 2018 LP*	£10m	£150m	7%
Private Equity	LGPS Central PE Primary Partnership 2021 LP*	£30m	£365m	8%
Private Credit	Credit Partnership 1 – Higher*	£60m	£305m	20%
Private Credit	Credit Partnership 2 – Lower*	£240m	£1,165m	21%
Private Credit	Credit Partnership 4 – Lower*	£114m	£587m	19%
Infrastructure	GPS Central Core/Core Plus Infrastructure Partnership LP*	£100m	£724m	14%

£2,684m assets invested with LGPSC

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LGPS Central ACS Fund Performance:



Annualised Performance Since Inception to 30 April 2023	Inception Date	Fund (% p.a.)	B'mark (% p.a.)	Tracking Error
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Passive ACS Funds

LGPS Central Limited UK Passive Equity Fund	April 2018	5.5	5.7	
LGPS Central Limited Global Ex-UK Passive Equity Fund	April 2018	8.8	8.8	
LGPS Central Limited Global Equity Dividend Growth Factor Fund	April 2018	8.8	8.8	
LGPS Central Limited All World Equity Climate Multi Factor Fund	Oct 2019	9.6	9.4	
LGPS Central Limited Global Multi Factor Fund	Jan 2021	6.8	6.5	

Annualised Performance Since Inception to 30 April 2023	Inception Date	Fund (% p.a.)	B'mark (% p.a.)	Target (% p.a.)
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Active ACS Funds

LGPS Central Limited Global Equity Active Multi Manager Fund	March 2019	11.4	10.2	11.7
LGPS Central Limited Emerging Markets Equity Active MM Fund	July 2019	-1.3	1.0	3.0
LGPS Central Limited Global Active Investment Grade Corporate Bond MM Fund	March 2020	-0.7	-0.4	0.4
LGPS Central Limited Global Active Emerging Market Bond MM Fund	Dec 2020	-7.3	-8.5	-7.5
LGPS Central Limited Global Active Multi Asset Credit MM Fund	April 2021	-3.3	1.6	5.6
LGPS Central Limited Global Sustainable Equity Active Broad Fund	May 2022	3.9	1.8	3.3
LGPS Central Limited Global Sustainable Equity Active Thematic Fund	May 2022	-0.4	1.8	3.8
LGPS Central Limited Global Sustainable Equity Active Targeted Fund	May 2022	-1.3	1.8	3.8

LCCPF
Investments

Source: LGPS Central / Northern Trust
Where inception dates are less than one-year, absolute performance shown. Figures subject to rounding.

Climate Risk Reporting and ESG Tools

Patrick O'Hara

Director Responsible Investment and Engagement

MSCI ESG Tool



The acquisition of the MSCI ESG Tool has contributed to:

- Engagement prioritisation.
- Risk management.
- Due diligence and monitoring.
- And will enhance our understanding and reporting of ESG related risks.
- Leading to more robust RI delivery.

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MSCI ESG Score

ENVIRONMENT PILLAR

Climate Change

Natural Capital

Pollution & Waste

Env. Opportunities

SOCIAL PILLAR

Human Capital

Product Liability

Stakeholder
OppositionSocial
Opportunities

GOVERNANCE PILLAR

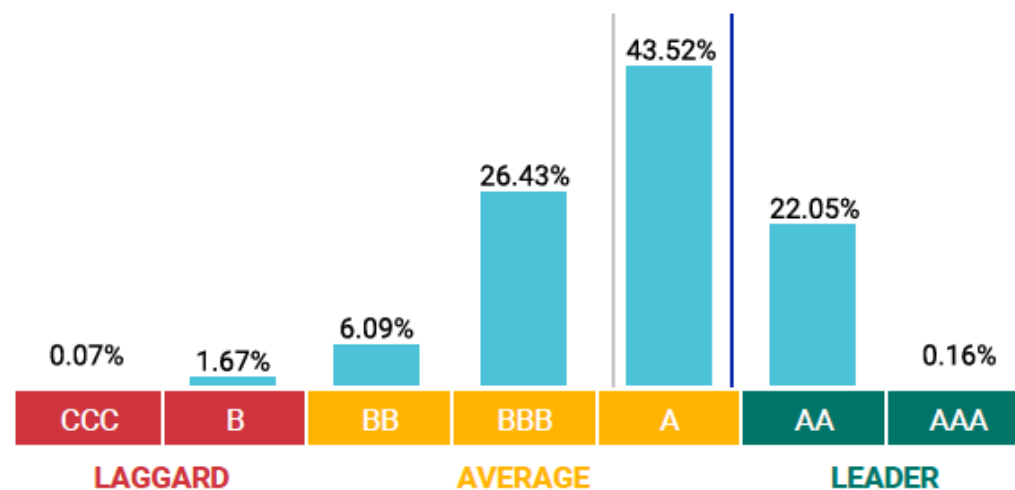
Corporate
GovernanceCorporate
Behavior

ESG Report

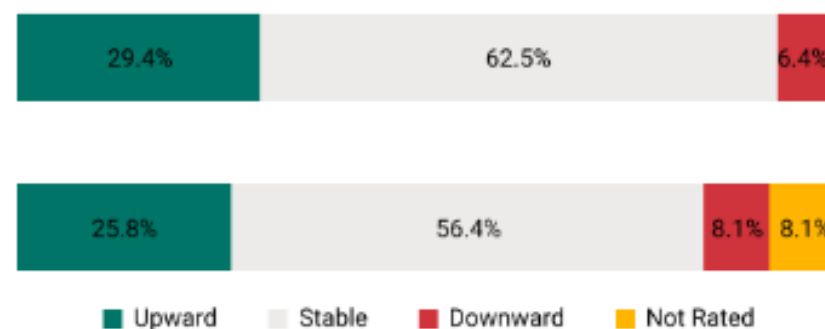


- Upcoming ESG Report for all Partner Funds
- Fund-level analysis on a variety of ESG metrics, compared to blended benchmark.
- Climate analysis will remain exclusively in CRR; but aiming for some TNFD compatibility

Distribution of MSCI ESG Fund Ratings Universe



ESG Ratings Momentum



Climate Risk Report - Example



Fund Family	Fund Strategy	Market Value	First Investment	Reference Benchmark
LGPS ACS Funds	Equity Active	£X,XXX.Xm	MMM-YYYY	FTSE All World

Financed Emissions (tCO2e)		
Current	Baseline	Reference Benchmark
XXX,XXX	XXX,XXX	XXX,XXX
as of 31 December 2022	as of 31 December 2019	as of 31 December 2022
	. ↑↓ XX.X%	. ↑↓ XX.X%

Financed Emissions / £M Invested (tCO2e)		
Current	Baseline	Reference Benchmark
XXX,XXX	XXX,XXX	XXX,XXX
as of 31 December 2022	as of 31 December 2019	as of 31 December 2022
	. ↑↓ XX.X%	. ↑↓ XX.X%

Weighted Average Carbon Intensity (tCO2e / \$M Sales)		
Current	Baseline	Reference Benchmark
XXX.XX	XXX.XX	XXX.XX
as of 31 December 2022	as of 31 December 2019	as of 31 December 2022
	. ↑↓ XX.X%	. ↑↓ XX.X%

Sovereign Constituents		
Current	Baseline	Reference Benchmark
XXX.XX	XXX.XX	XXX.XX
	. ↑↓ XX.X%	. ↑↓ XX.X%

Top 10 Carbon Emissions Contributors				
Company Name	Scope 1 & 2 Emissions (tCO2e)	Scope 3 Emissions (tCO2e)	% of WACI (Rank)	% of Financed Emissions (Rank)
RIO TINTO PLC	XXX,XXX		X.X% (X)	X.X% (X)
EXXON MOBIL CORPORATION	XXX,XXX		X.X% (X)	X.X% (X)
BERKSHIRE HATHAWAY, INC.	XXX,XXX		X.X% (X)	X.X% (X)
WASTE MANAGEMENT, INC.	XXX,XXX		X.X% (X)	X.X% (X)
RIO TINTO LIMITED	XXX,XXX		X.X% (X)	X.X% (X)
VEOLIA ENVIRONNEMENT SA	XXX,XXX		X.X% (X)	X.X% (X)
ARCHER-DANIELS-MIDLAND COMPANY	XXX,XXX		X.X% (X)	X.X% (X)
CHEVRON CORPORATION	XXX,XXX		X.X% (X)	X.X% (X)
UNITED PARCEL SERVICE, INC.	XXX,XXX		X.X% (X)	X.X% (X)
SHELL PLC	XXX,XXX		X.X% (X)	X.X% (X)

Data Coverage	Engagement Threshold	Net Zero Alignment	Implied Temperature	Fossil Fuel Reserves
XX%	XX%	XX%	X.X°C	X.X%

DISCLAIMER:



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Share Class and Benchmark performance displayed in GBP.

Performance is shown on a Net Asset Value (NAV) basis, with gross income reinvested where applicable.

All information is prepared as of **7 June 2023**

This document is intended for **PROFESSIONAL CLIENTS** only.

“One Central team, working in partnership to invest with purpose and deliver superior returns”



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