



INVESTMENT SUB-COMMITTEE – 11 OCTOBER 2023

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

LGPS CENTRAL – MULTI ASSET CREDIT (MAC) AND INVESTMENT GRADE CREDIT (IGC) UPDATE

Purpose of the Report

1. The purpose of this report is to provide the Investment Sub Committee (ISC) with information on the Leicestershire Pension Fund (Fund) MAC and IGC investments held with LGPS Central (“Central”) and the performance of the two mandates held with them.
2. A PowerPoint presentation will be delivered at the meeting by representatives from Central, and is attached as an appendix to the report.

Background

3. The Fund has a multi asset credit (MAC) investment grade credit (IGC) allocation with Central, with one held within the income asset group and one within the protection asset group. The total value of the two investments is £358million as at 30 June 2023 or 6.2% of total Fund assets.
4. In addition, Central are the Fund’s single largest manager. The Fund has at 30 June 2023 total assets valued at £2.3billion (40% of total Fund assets) managed by Central. In addition, the Fund has £924million of low cost, collectively procured passive equity invested with Legal and General investment management (LGIM) which it classes as pooled. Taken together this is valued at £3.2billion or 56% of total Fund assets.
5. There is also at the time of writing an additional c£400million committed to Central investment products which will be called over the coming years. The Fund also has approval to commit a further £280million not included in the above £400million to commit to two vintages of the LGPS Central private credit product when it is ready later this year.
6. The mandates are best summarised in the table below.

Asset group	Manager: Investment	2023 SAA target	£m 30.06.23	Actual weight 30.06.23
Income	Central: Multi asset credit (MAC)	9.00%	214	3.7%
Protection	Central: Investment grade credit (IGC)	2.5%	145	2.5%

7. The underweight position versus the 9% target for MAC is awaiting feedback from the Fund's investment advisor given the changes to the mandate Central have proposed. The investment advisor will feed back their view on allocating further to this product in the coming months. Any changes will be communicated to the ISC as needed.
8. The presentation from Central will cover the following areas:
 - a. Summarise each mandate, it's objective and present performance
 - b. Describe multi asset credit (MAC) in more detail versus it's benchmark
 - c. Market outlook
 - d. Responsible investing and engagement update

Recommendation

9. The ISC is asked to note the report and presentation.

Environmental Implications

10. The Leicestershire County Council Pension Fund has agreed a Net Zero Climate Strategy (NZCS). This outlines the high-level approach the Fund is taking to its view on Climate Risk. This will align with the Fund's Responsible Investment approach as set out in the Principles for Responsible Investment. The Fund is committed to supporting a fair and just transition to net-zero. There are no changes to this approach as a result of this paper.

Equality Implications

11. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Human Rights Implications

12. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Background Papers

None

Appendix

LGPS Central Presentation

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