



LGPS Central Limited



Leicestershire County Council Pension Fund

LGPS CENTRAL LIMITED UPDATE



19 June 2024



Agenda



LGPS CENTRAL LIMITED UPDATE

- Introduction
- Our People
- Investment Overview and Performance
- Closing Comments

In collaboration with our Partner Funds...



Introduction

Evolving Landscape



General election delay is desperate and irresponsible
SARAH CALKIN EDITOR

INVESTMENT

Phil Triggs: Ministers need to give LGPS funds incentives to merge

13 MAY 2024 | BY PHIL TRIGGS

PENSIONS^{Age}

The leading pensions magazine

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EVENTS ROUNDTABLES EUROPEAN PENSIONS PODCASTS

LATEST NEWS Pension literacy campaign launched after research reveals schooling gaps

BOOK YOUR TABLE NOW

21 February 2024, The Great Room, Grosvenor House Hotel, Park Lane, London

European Pensions AWARDS 2024 4 JULY 2024

Deadline for entries: 8 March 2024

Free to enter

Industry appreciates 'continuity' in Labour's Plan for Financial Services

By Jack Gray 1/2/24

Room 151

Local Government Treasury, Pensions & Strategic Finance

151 LATEST
WHAT'S NEW?

Lambeth's exceptional financial
May 16, 2024

Councils struggle to meet social
May 15, 2024

MUNICIPAL MISSIONS MANIFESTO TREASURY TECHNICAL FUNDING LGPS DEVELOPMENT 151 NEWS

Government in talks with industry on LGPS fund mergers

BY MONA DOHLE IN LGPS — 20 MAY, 2024



LAPF
Investments



High-level strategy and implementation

COMMENT



Written By: **Eric Lambert**
Actuary and Independent Investment Adviser

Eric Lambert, Actuary and Independent Investment Adviser, discusses the fundamental question of the difference between strategy and implementation and shows how the current dispute about whether pools or funds should be the decision-makers could and should be decided.

The Challenge

We need to:

Offer you the right
products and services

Build your confidence in our investment
performance and service delivery

Demonstrate value for money

Maximising The Benefits of Pooling For Clients

Initial aims



Benefits of scale

Better governance

Reduce cost

Capacity & capability

Progress



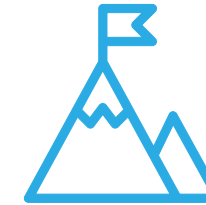
33% assets

FCA regulation

£77m 'banked'

£4bn committed

Company ambitions



100% assets

Strategic business partners

£328m forecast

Full suite of funds & services

Our People

People Strategy Update

EVOLVING OUR CULTURE – REFRESHING OUR VALUES



People Strategy Update

SHAPED AROUND FOUR KEY PRINCIPLES

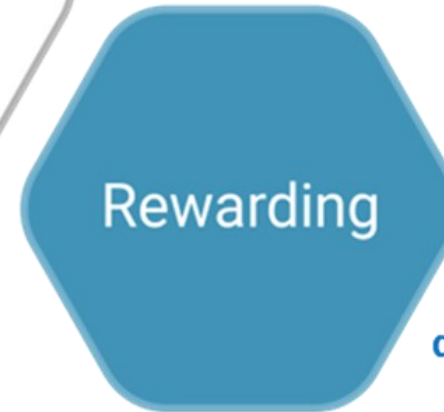
Building a winning team and culture that attracts people to join and inspires them to stay and do their best work



Structuring and leading a workforce with the capabilities and characteristics to deliver our future success



Creating an environment that allows for organisational, personal and professional growth



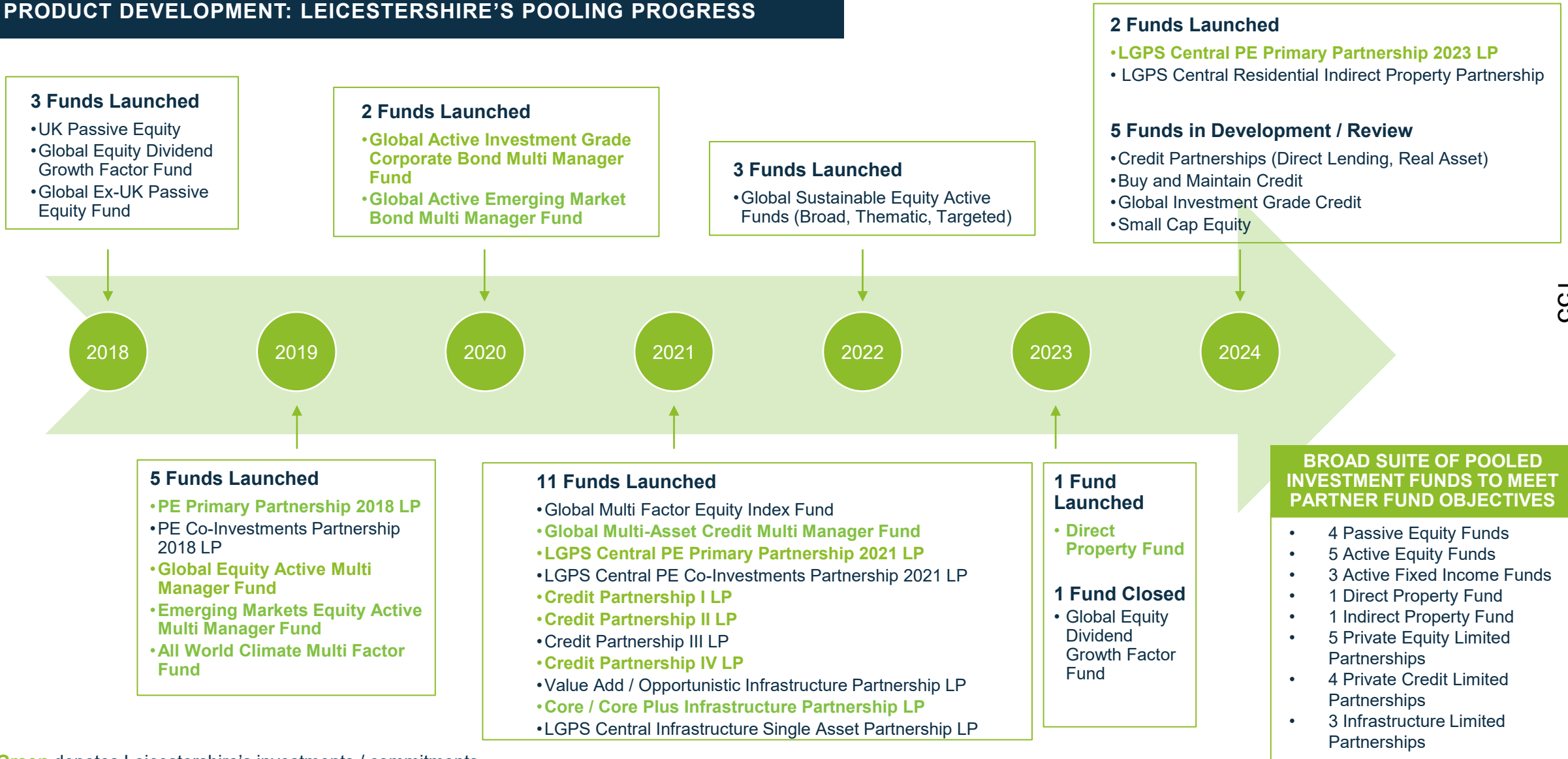
Building a reward and recognition model that is relevant to the needs and motivations of a diverse and modern workforce

Investment Overview

The Journey so Far



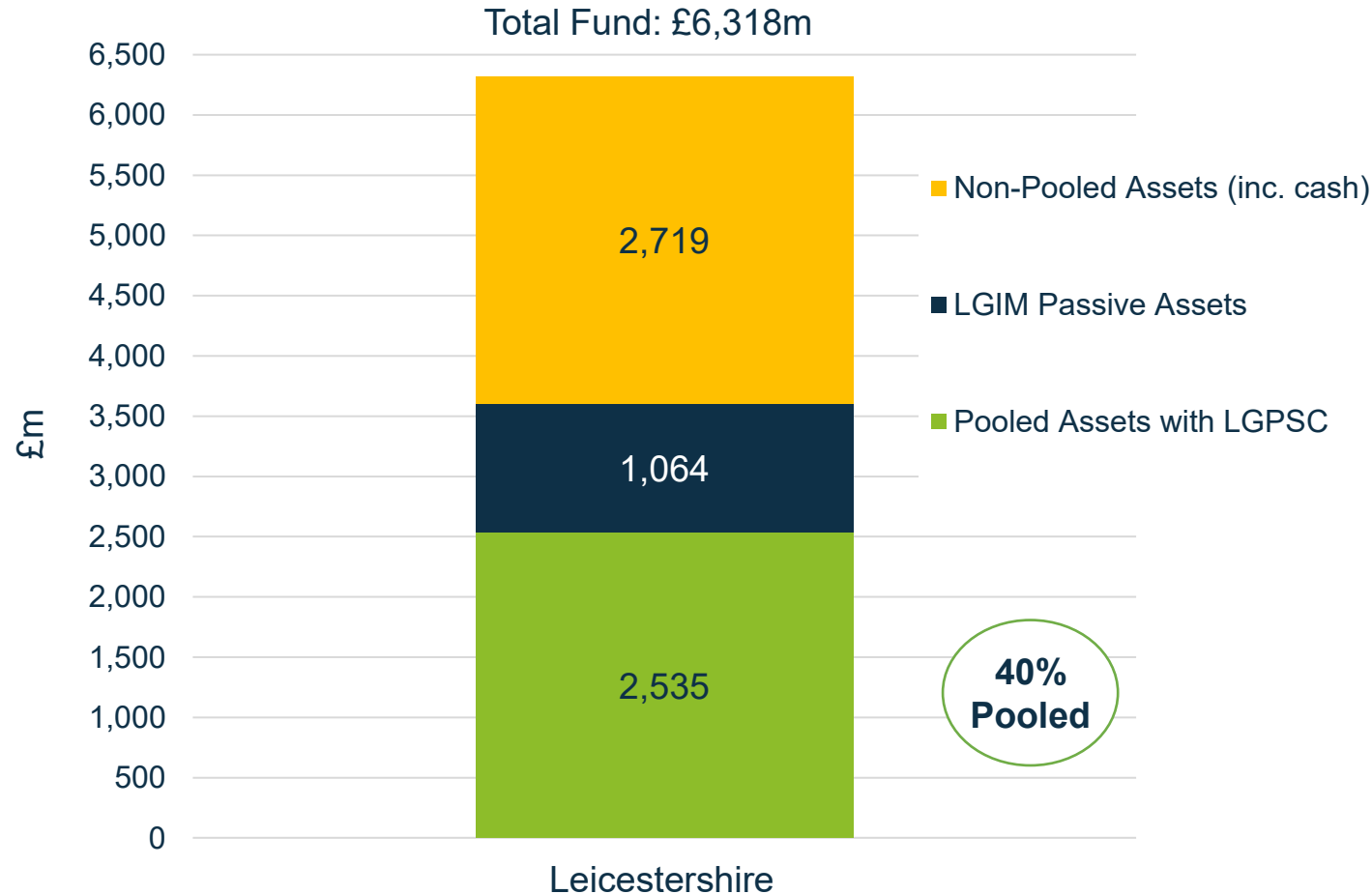
PRODUCT DEVELOPMENT: LEICESTERSHIRE'S POOLING PROGRESS



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Leicestershire Progress On Pooling

LEICESTERSHIRE TOTAL FUND ASSETS: 31 MARCH 2024



Outstanding commitment to LGPSC: £358m

Existing Approvals to LGPSC not yet committed

Private Credit: £280m

Private Equity 2023: c£40m

Anticipated percentage pooled: 43% with uncalled commitments

Percentage with LGIM passives procured in collaboration with other local authorities prior to pooling: 17%

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Leicestershire Investment Overview



31 March 2024: Public Markets	Inception Date	Date Leicestershire First Invested	Total Fund NAV	Leicestershire NAV	Leicestershire % of Fund	Performance % Since First Investment	Benchmark / Target Performance % Since First Investment
Global Equity Active Multi Manager Fund	March 2019	March 2019	£3,701.1m	£636.3m	17%	13.64%	12.46% / 13.96%
Emerging Markets Equity Active Multi Manager Fund	July 2019	July 2019	£493.4m	£184.7m	37%	-0.03%	2.69% / 4.69%
Global Active Emerging Market Bond Multi Manager Fund	Dec 2020	Dec 2020	£579.4m	£63.2m	11%	-1.91%	-3.49% / -2.49%
Global Active Investment Grade Corporate Bond MM Fund	March 2020	April 2020	£2,031.2m	£159.2m	8%	-0.64%	-1.01% / -0.21%
Global Active Multi-Asset Credit Multi Manager Fund (MAC)	April 2021	April 2021	£1,016.3m	£349.5m	34%	-0.36%	2.76% / 6.76%
All World Equity Climate Multi Factor Fund – Passive Fund	October 2019	Dec 2020	£5,037.5m	£811.6m	16%	11.13%	10.91% / N.A.
31 December 2023: Private Markets	Inception Date	PF commitments	Sub-committed	Leicestershire Commitment (% LP)	Drawn	Performance (IRR)	Benchmark % / Target %
LGPS Central Credit Partnership I LP	October 2021	£305m	£277.5m	£60m (20%)	60%	7.3%	12-14% net
LGPS Central Credit Partnership II LP	July 2021	£1,165m	£1,152m	£240m (21%)	55%	9.8%	6%-8% net
LGPS Central Credit Partnership IV LP	June 2022	£587m	£558m	£117m (20%)	48%	0.5%	4.5%-6% net
LGPS Central PE Primary Partnership 2018 LP	January 2019	£150m	£150m	£10m (7%)	81%	13.4%	8.2%/12.2%
LGPS Central PE Primary Partnership 2021 LP	September 2021	£365m	£365m	£30m (8%)	11%	No meaningful data given immaturity	
LGPS Central PE Primary Partnership 2023 LP	January 2024	£275m	£79m	£40m (15%)	nil	No meaningful data given immaturity	
LGPS Central Core / Core Plus Infrastructure Partnership LP	June 2021	£829m	£689m	£135m (16%)	58%	1.4%	3.5% above CPI
Direct Property	April 2023	£128m	-	£118m (92%)	-	-	-

Total Investment in LGPSC: £2,954.5m (based on commitments)

Active Funds: **Red** – Performance below benchmark, **Amber** – Performance in line / above benchmark, below target **Green** – performance in line / above target
 Passive Funds: **Green** – within tolerance range, **Red** – outside tolerance range

LGPS Central Product Development

FOCUS ON FURTHER PRIVATE MARKET VINTAGES/OPPORTUNITIES


Buy and Maintain Credit



Investment case in progress

Launch expected Q2 2024

Private credit



2024 vintages in progress

Launch expected Q3 2024

Infrastructure



Opportunities available throughout the year

Leicestershire actively in discussion on these funds and contributing towards development

Responsible Investment Integrated Status

Selection

RI&E is integrated into all three stages of manager selection. For public markets this usually includes: Selection Questionnaire (SQ), Request for Proposal (RfP) and Manager Meetings

Appointment

RI&E is featured in the legal documentations (IMA, LPA, side letters, etc)

Monitoring

RI&E of the managers is monitored on a regular basis

Responsible Investment Integrated Status

ESG Integration

Harris Associates ESG Investment Thesis for Glencore

Environmental

- Glencore remains active in fossil fuel production (20%) however Harris Associates believe the remaining 80% of their value lies in businesses that present environmentally positive opportunities

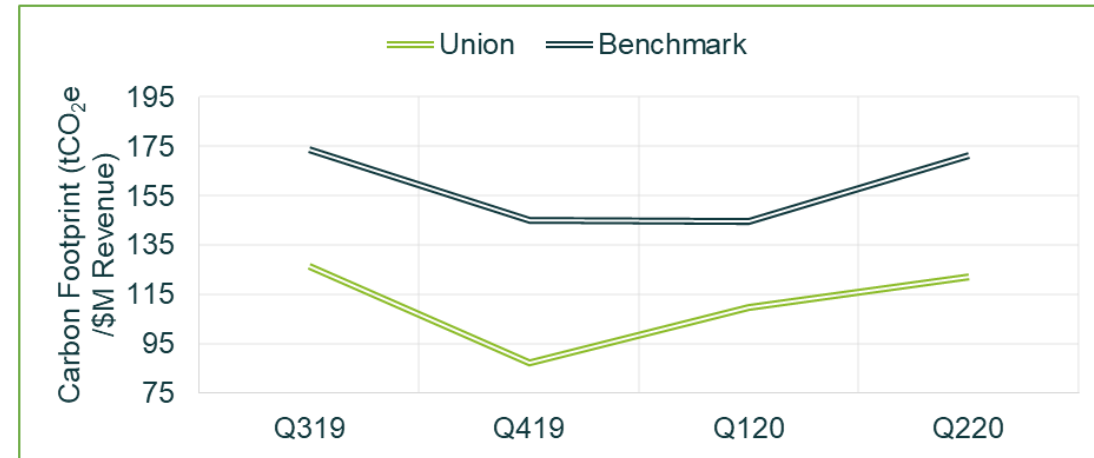
Social

- To mitigate their social impact in the Democratic Republic of Congo, Glencore has improved safety at their mines and implemented strong community programs

Governance

- Over a 4-year time span, Harris Associates conducted 16 engagements with Glencore and have conviction in the company's leadership

Climate Risk



Stewardship

Schroders: 19 Engagements in Q2 2020



- Social or Ethical
- Capital, buyouts, strategy and disclosure
- Governance
- Environmental

Responsible Investment Integrated Status



SELECTION PROCESS

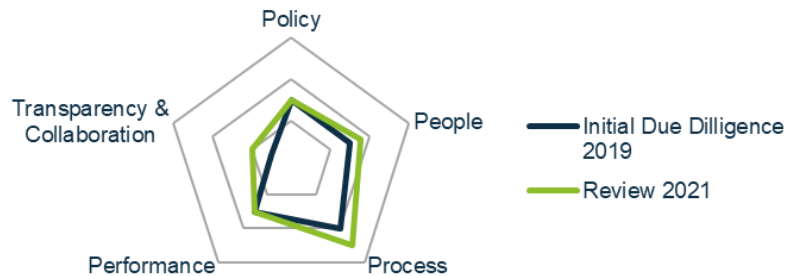
- 5-pillar Framework for RI Integration
 - Policy
 - People
 - Process
 - Performance
 - Transparency & Collaboration
- Considered as part of Investment Committee approval process
- Risk-based approach to due diligence
- Average score calculated to provide comparisons and enhance understanding
- RI Assessment discussed at Investment Committee

Pillar	Scoring system
Policy	No evidence = 0 Basic policy = 1 Good policy = 2 Best practice = 3
People	No evidence = 0 Minimal resource = 1 Good resource = 2 Clear integration = 3 Best practice = 4
Process	No evidence = 0 Limited evidence = 1-2 Integrated process = 3-4 Best practice = 5
Performance	No evidence = 0 Limited evidence = 1-2 Some robust examples = 3-4 Best practice = 5
Transparency, & Collaboration	No evidence = 0 Reporting = 1 Reporting & collaboration = 2 Best practice = 3

Responsible Investment Integrated Status

1. Annual Reviews

- Assessed against 5 core areas: Policy, People, Process, Performance, Transparency & Disclosure



2. Co-investment KPIs

- RI&E KPIs collection from each co-investment on an annual basis
- Includes both a set of general (applicable to all co-invests) and company specific (based on financial materiality)

3. ESG Data Convergence Project



GHG Emissions



Renewable Energy



Board Diversity



Work-related injuries



Net new hires



Employee engagement

Responsible Investment Integrated Status

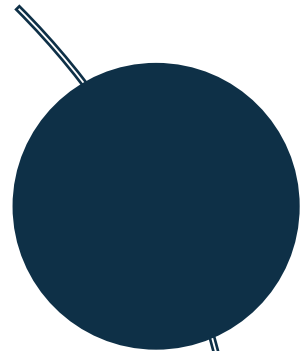


STEWARDSHIP; TRANSPARENCY & DISCLOSURE

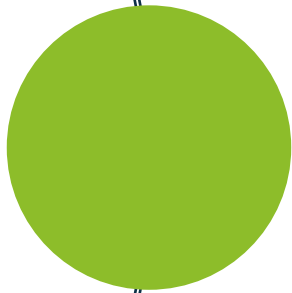
- Stewardship
 - RI monitoring undertaken as part of monitoring process, or where risks are flagged
 - Traffic lights system (to be implemented)
- Transparency & Disclosure
 - RI included in regular internal reporting
 - External reporting provided annually



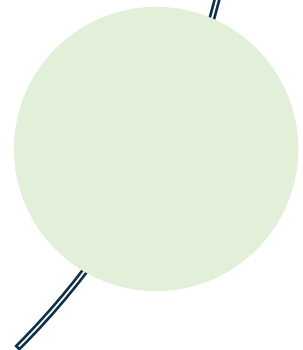
Priorities for 2024



Continue to work closely with clients to better understand their investment strategies and risk appetite



Continue to review and evolve our manager selection processes to ensure we can continue to offer our clients best in class solutions to meet investment needs



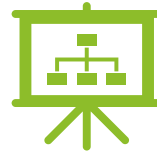
Continue to build the LGPSC pool and meet the long-term ambitions of becoming strategic partners, offering a full suite of products and services with responsible investment incorporated throughout

Appendix: LGPS Central Performance

Private Markets Overview

BROAD COVERAGE OF OPPORTUNITIES ACROSS FOUR ASSET CLASSES

Asset Class Coverage



- Private Markets covers Private Equity, Private Debt, Infrastructure and Property. To date, 12 strategies have been launched.
- New vintage launched for Private Equity (Q1 2024), Indirect Residential Property (Q1 2024) and to be launched for Private Credit (Q3 2024).
- Infrastructure funds are open-ended allowing capital to be committed as required across four strategies
- UK Direct Property, has recently been launched (Q4 2023) with legacy property portfolios being considered for transition

Opportunities and Threats



- Investor appetite for Infrastructure and Private Debt continues, driven by mega themes (e.g. energy transition and drive to net zero) and macro economical factors (e.g. higher interest rates)
- Increased focus on acquiring assets at the right price as many funds are sitting on dry powder
- Continued opportunity in Private Debt due to the market dislocation as banks continue to retrench
- Enhanced returns through floating rate loan structures benefiting from interest rate increases are expected to reduce as inflation reduces and central banks reduce interest rates

Public Markets Performance



Annualised Performance to 31 March 2024	Inception Date	1 Year Performance			Rolling Three-Year Performance			Since Inception Performance		
		Fund (% p.a.)	B'mark (% p.a.)	Tracking Error	Fund (% p.a.)	B'mark (% p.a.)	Tracking Error	Fund (% p.a.)*	B'mark (% p.a.)	Tracking Error
Passive ACS Funds										
UK Passive Equity Fund	April 2018	8.69	8.43		7.98	8.05		5.54	5.66	
Global Ex-UK Passive Equity Fund	April 2018	17.75	17.51		9.21	8.97		10.32	10.32	
All World Equity Climate Multi Factor Fund*	Oct 2019	18.95	18.66		11.16	10.96		11.72	11.53	
Global Low Carbon Multi Factor Fund	Jan 2021	17.08	16.78		9.81	9.52		9.99	9.74	
Annualised Performance to 31 March 2024	Inception Date	Fund (% p.a.)	B'mark (% p.a.)	Target (%p.a.)	Fund (% p.a.)	B'mark (% p.a.)	Target (% p.a.)	Fund (% p.a.)	B'mark (% p.a.)	Target (% p.a.)
Active ACS Funds										
Global Equity Active Multi Manager Fund*	March 2019	22.26	20.98	22.48	11.87	10.58	12.08	13.64	12.46	13.96
Emerging Markets Equity Active MM Fund*	July 2019	1.73	6.20	8.20	-4.83	-0.43	1.57	-0.03	2.69	4.69
Global Sustainable Equity Active Thematic Fund	May 2022	19.52	20.98	22.98	-	-	-	10.84	11.55	13.55
Global Sustainable Equity Active Broad Fund	May 2022	21.59	20.98	22.48	-	-	-	12.83	11.55	13.05
Global Sustainable Equity Active Targeted Fund	May 2022	3.89	20.98	22.98	-	-	-	3.85	11.55	13.55
Global Active Investment Grade Corporate Bond MM Fund*	March 2020	8.55	6.29	7.09	-2.82	-2.72	-1.92	1.37	1.07	1.87
Global Active Emerging Market Bond MM Fund*	Dec 2020	12.39	10.36	11.36	-0.70	-2.41	-1.41	-1.91	-3.49	-2.49
Global Active Multi Asset Credit MM Fund*	April 2021	6.68	5.23	9.23	-	-	-	-0.36	2.76	6.76

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Passive Funds: **Red** – Tracking error outside of tolerance range, **Green** – Tracking error within tolerance range
 Active Funds: **Red** – Performance below benchmark, **Amber** – Performance in line / above benchmark, below target, **Green** – performance in line / above target
 *Leicestershire County Council Pension Fund invested

Source: LGPS Central / Northern Trust. Figures subject to rounding

Private Markets Performance



Performance Since Inception to 31 December 2023	Inception Date	PF commitments	Sub-committed	Drawn	Performance	Benchmark %	Target %
Private Equity							
LGPS Central PE Primary Partnership 2018 LP*	Jan 2019	£150m	£150m	£122m	13.4%	8.2%	12.2%
LGPS Central PE Co-Investments Partnership 2018 LP	Jan 2019	£107m	£105m	£101m	31.7%	7.5%	11.5%
LGPS Central PE Primary Partnership 2021 LP*	Sept 2021	£365m	£365m	£42m	No meaningful data given immaturity		
LGPS Central PE Co-Investments Partnership 2021 LP	Sept 2021	£140m	£139m	£127m	14.9%	2.3%	6.3%
LGPS Central PE Primary Partnership 2023 LP*	Jan 2024	£275m	£79m	nil	No meaningful data given immaturity		
Private Credit							
LGPS Central Credit Partnership I LP*	Oct 2021	£305m	£277.5m (91.0%)	60.3%	7.3% IRR		12-14% net
LGPS Central Credit Partnership II LP*	July 2021	£1,165m	£1,152m (98.9%)	55.4%	9.8% IRR		6-8% net
LGPS Central Credit Partnership III LP	Nov 2022	£440m	£440m (100.0%)	25.5%	3.7% IRR		138-185bp above ref rate
LGPS Central Credit Partnership IV LP*	June 2022	£587m	£558m (95.1%)	48.0%	0.5% IRR		4.5-6% net
Infrastructure							
LGPS Central Core/Core Plus Infrastructure Partnership LP*	June 2021	£829m	£689m (83.1%)	57.9%	1.4% IRR		3.5% above CPI
LGPS Central Value Add/Opportunistic Infrastructure Partnership LP	April 2021	£197m	£158.9m (80.6%)	22.0%	0.5% IRR		5% above CPI
Single Asset Infrastructure Partnership LP	Feb 2022	£205m	£205m (100%)	100%	7.8% IRR		8% - 12% TWR
Co-Investment Infrastructure Partnership LP	Feb 2022				Commitments yet to be made		

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*Leicestershire County Council Pension Fund invested

DISCLAIMER:



LGPS Central 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 **10 June 2024**

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

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

