



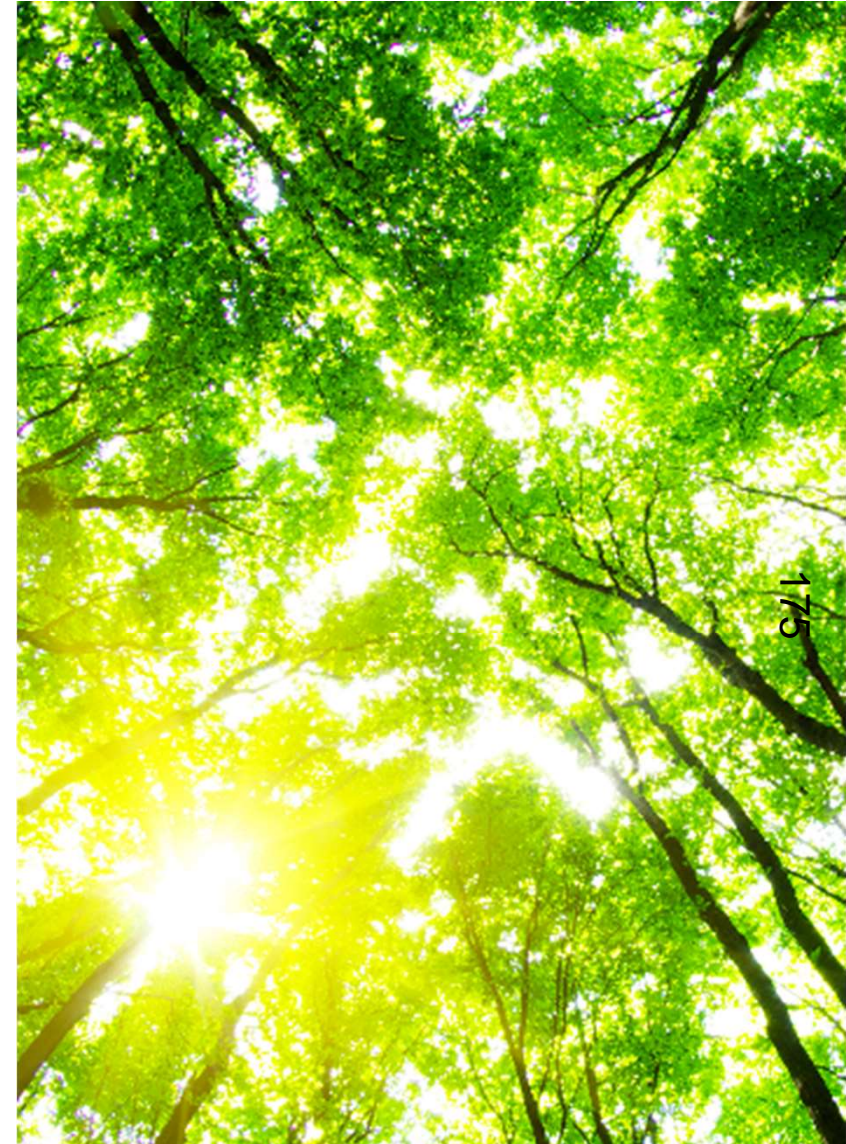
Infrastructure

Leicestershire Committee Meeting



NADEEM HUSSAIN
Head of Private Markets

19th June 2024



175



Market Backdrop



INFRASTRUCTURE

- 2023 was the hardest year on record for infrastructure fundraising (*PEI Feb 2024*).
- Interest rate hikes and high inflation affected infrastructure during 2023 and are likely to be the factors that have the greatest impact on performance through 2024.
- Increased consolidation among infrastructure managers with some large acquisitions taking place e.g. Blackrock acquiring Global Infrastructure Partners.
- Energy and digital infrastructure continue to be the sectors attracting the most investor attention, however transport is poised to make a comeback now that the market has stabilised, post Covid.
- 49% of the world's population will be heading to the polls in 2024 increasing the likelihood of regulatory changes.
- Overall, infrastructure asset valuations have held up well.



Core/Core Plus Overview



Partner Fund	Commitment (as of 31/03/24)
Cheshire	£80m
Nottinghamshire	£125m
Leicestershire	£135m
Shropshire	£68.5m
Staffordshire	£120m
WMPF	£300m
TOTAL	£828.5m

- Additional commitment made to Macquarie Green Energy Climate Opportunities fund in Q1 2024



The Year in Review		
	As of Dec 2022	As of Dec 2023
Number of Sub Commitments	7	7
Fund Size	£723.5m	£828.5m
Sub Committed	94%	83%
Drawn	35%	57.9%
Net IRR	6.7%	1.4%

LGPS Central Funds Overview



Fund	Launched	Commitments (31/12/23)	NAV as of 31/12/23	Sub-committed (31/03/24)	Drawn (31/03/24)	Underlying Assets (31/12/23)	Performance to 31 December 2023	Benchmark Since Inception ¹	Target Since inception
Core/Core Plus	April 2021	£828.5m	£392.0m	97%	63%	71 via 8 investments	1.4%	6.5%	10.0%
Single Asset (JPM IIF)	Feb 2022	£205.0m	£122.9m	100%	100% ²	20	7.8%	n/a	8 – 12% TWR

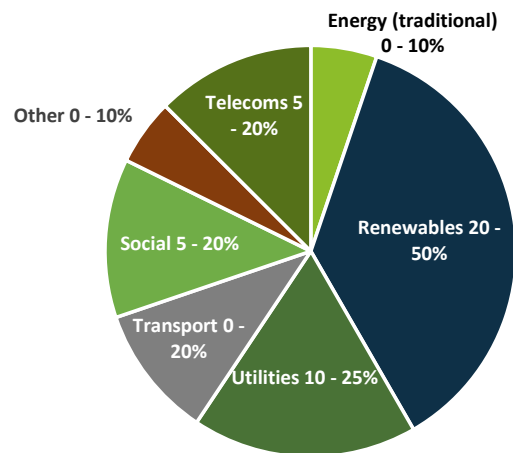
- Performance in the early years of the Infrastructure Funds is expected to be volatile due to timings of drawdowns, J-curve and impact of smaller numbers.
- Underlying Funds are performing as expected.
- Currency movements have had a negative effect on the overall performance of the core/core plus fund.
- LGPSC make use of hedging vehicles when they become available and are economically viable.

Note: 1. From 16/12/2021 for Core/Core Plus Sleeve 2. Fully drawn in January 2023 followed by Secondary Transaction in December 2023

Core/Core Plus Sector Overview

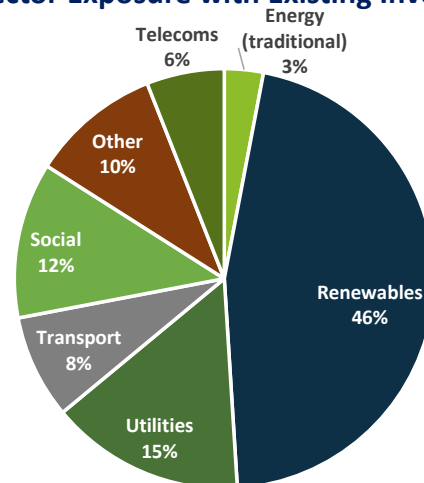


2023 Target Sector Exposure



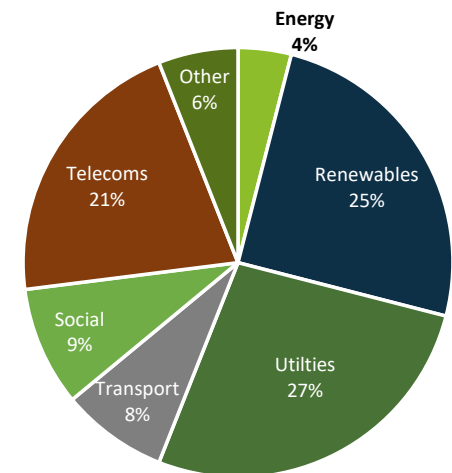
- Chart shows target sector ranges for the Core/Core Plus Sleeve

Forecast Sector Exposure with Existing Investments



- Based on Manager portfolio expectations

Sector Exposure as of 31/12/23

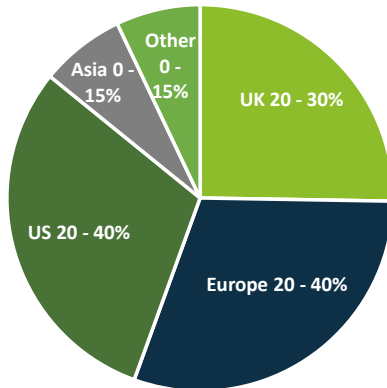


- Based on capital drawn down
- High current exposure to utilities due to transmission assets

Core/Core Plus Geographic Overview

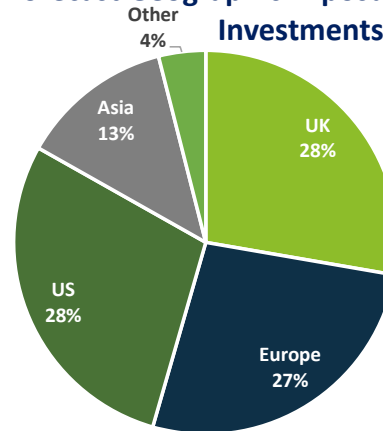


Target Geographic Exposure



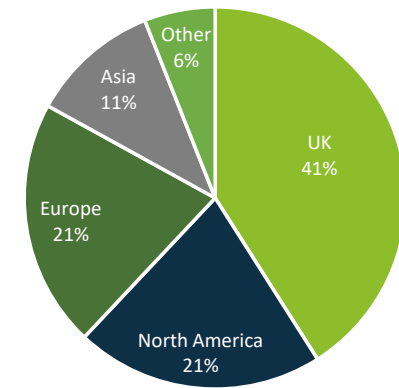
- Chart shows target geographical ranges for the Core/Core Plus Sleeve

Forecast Geographic Exposure with Existing Investments



- Based on Manager portfolio expectations

Geographical Exposure as of 31/12/23



- Based on capital drawn down
- Significant drawdown from Equitix has led to large current exposure to UK assets

Source: LGPS Central, Manager Reports

Renewables and Energy Transition Focus



Key Focus Area

- Targeting upto 50% of the portfolio in this sub-sector.
- Current dedicated managers in this space are listed below but also getting exposure through other diversified infrastructure funds.

	NextEnergy UK ESG	IFM Net Zero Fund	Macquarie Green Energy & Climate Opportunities
Focus area	UK renewables, specifically solar and co-located battery storage	Global infrastructure assets that accelerate the net zero transition	Focused on sustainable assets that contribute towards the acceleration of global energy transition, initially across solar, onshore wind, offshore wind and other evolved technologies
Amount committed	£50m	£100m	£100m
Targeted return	8-10% net IRR	8-10% net IRR	10%-12% net IRR and a 3-5% cash yield

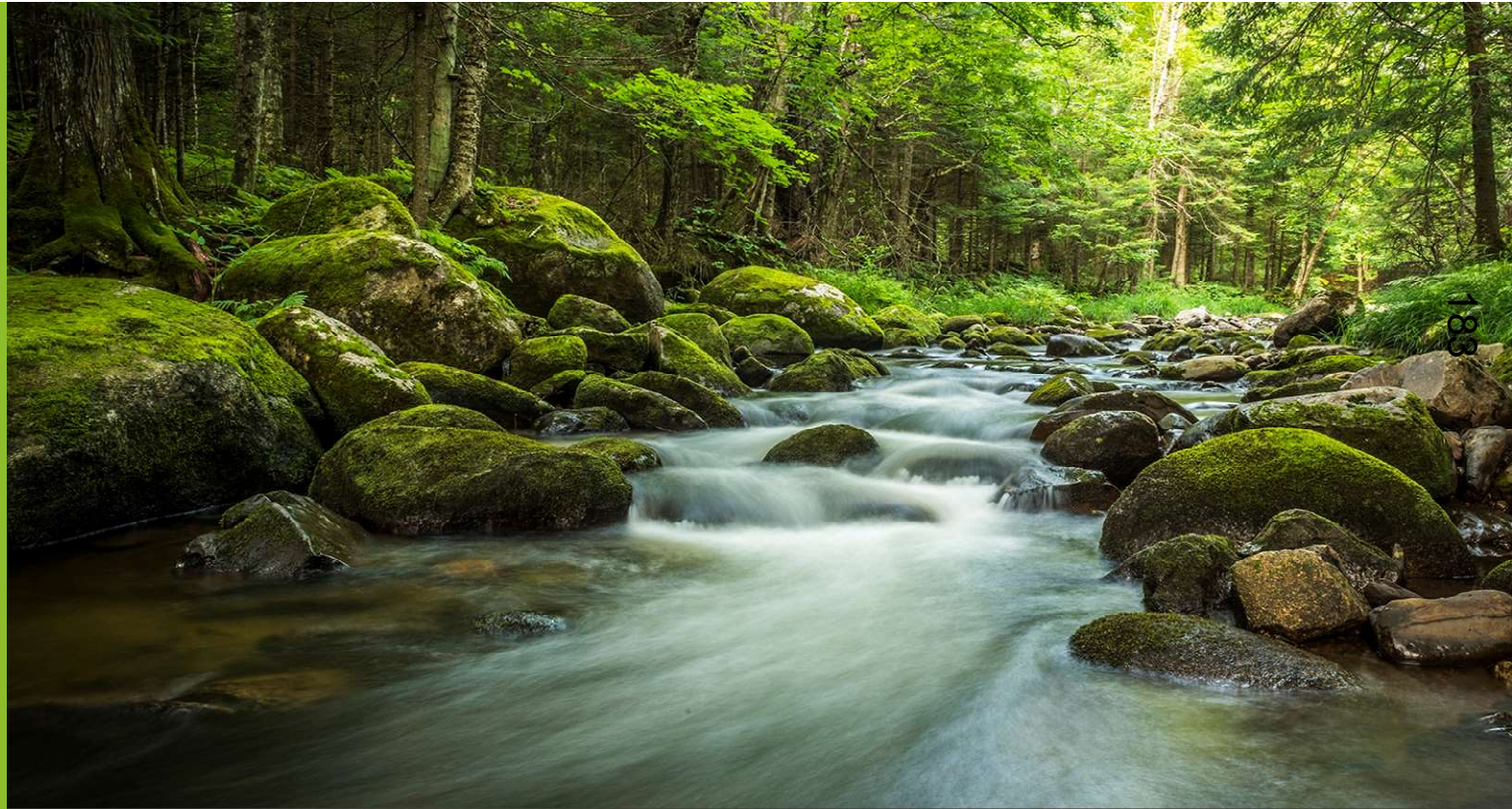
Responsible Investment Integrated Status



Importance

- **Independent** review of RI factors brings coherent and disciplined approach to investing.
- RI is integral to initial due diligence and ongoing monitoring.
- Infrastructure assets directly contribute to sustainable themes and relative to other Private Markets is mature in RI.
- Important for assets which are designed to bring long-term societal benefits.
- Social and governance factors are becoming key considerations, not just environmental aspects (which can be more easily achieved).
- Can be value enhancing when done correctly.

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



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