

Pension Fund Investment Sub Committee

18 December 2017

Appointment of Private Debt Manager

Recommendation

The Sub-Committee is asked to approve the appointment of Alcentra and Partners Group as Private Debt Managers following interviews held on 1 December 2017

1. Background

- 1.1 At the sub-committee of 12 June 2017 Hymans Robertson presented a paper that recommended several amendments to the funds asset allocation. One of the recommendations was to allocate 5% of the fund to private debt due to the reliability of the investment returns through a strong income stream. The recommendation was approved by the committee subject to further training due to the specialist nature of the asset class.

2. Asset Allocation

- 2.1 On 14 July 2017 Alcentra, a boutique manager specialising in debt, provided the sub-committee with a targeted training session with Hymans Robertson. The training covered an in-depth background to the asset class, investment returns, risk and volatility, opportunities, and geographical case studies.
- 2.2 Following the training session, the committee considered the asset class in more depth at the sub-committee on 11 September. After agreeing that the asset class is suitable, the committee discussed whether to recruit a suitable fund manager immediately, or to wait until Border to Coast Pensions Partnership (BCPP) can offer a pooled solution. Given that a suitable sub-fund will not be open at BCPP until 2019 it was decided to proceed with a manager selection exercise with a view to appointing a manager by the end of 2017.
- 2.3 Hymans Robertson subsequently drafted a longlist of suitable managers. Following an informal discussion with the Chairman of the sub-committee a conference call was held with officers and the funds independent advisors to set up a shortlist of managers.

- 2.4 Interviews were held on 1 December 2017. Following the interviews and subsequent discussion there was a discussion by the interview panel. It was decided that the allocation of 5% should be split equally between Alcentra and Partners Group
- 2.5 Both of these investments will run until maturity at which time the fund will mature and the proceeds will be re-invested in a suitable BCPP sub-fund, (assuming no further changes in asset allocation).

3. Private Debt when Pooled

- 3.1 Officers attended a pooling meeting with the BCPP project team on 3 October to discuss private debt as an asset class and if BCPP's proposed sub-funds are felt suitable for Warwickshire when the funds selected in this report mature and a pooled solution will be necessary to maintain exposure.
- 3.2 BCPP officer operations group subsequently proposed two private debt funds and two multi-asset credit sub-funds be offered to member funds by the pool. A follow up conversation between officers and advisors which looked at the proposed funds in detail, concluded that one or a combination of funds would be investable by Warwickshire.

Background Papers

None

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