

Warwickshire Local Pension Board

25 April 2023

General Investment Update

Recommendation

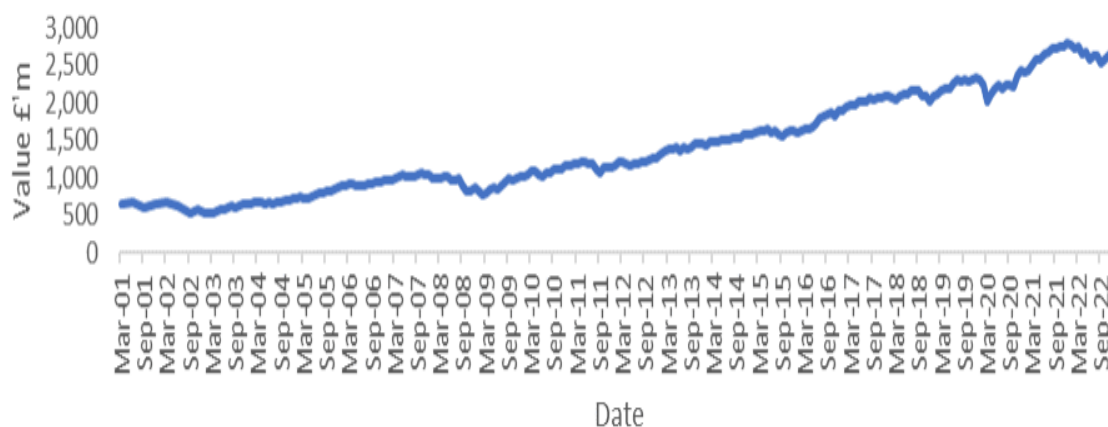
That the Local Pension Board notes and comments on this report.

1. Executive Summary

- 1.1 This report provides a general update on investment related activity of the Warwickshire Pension Fund.

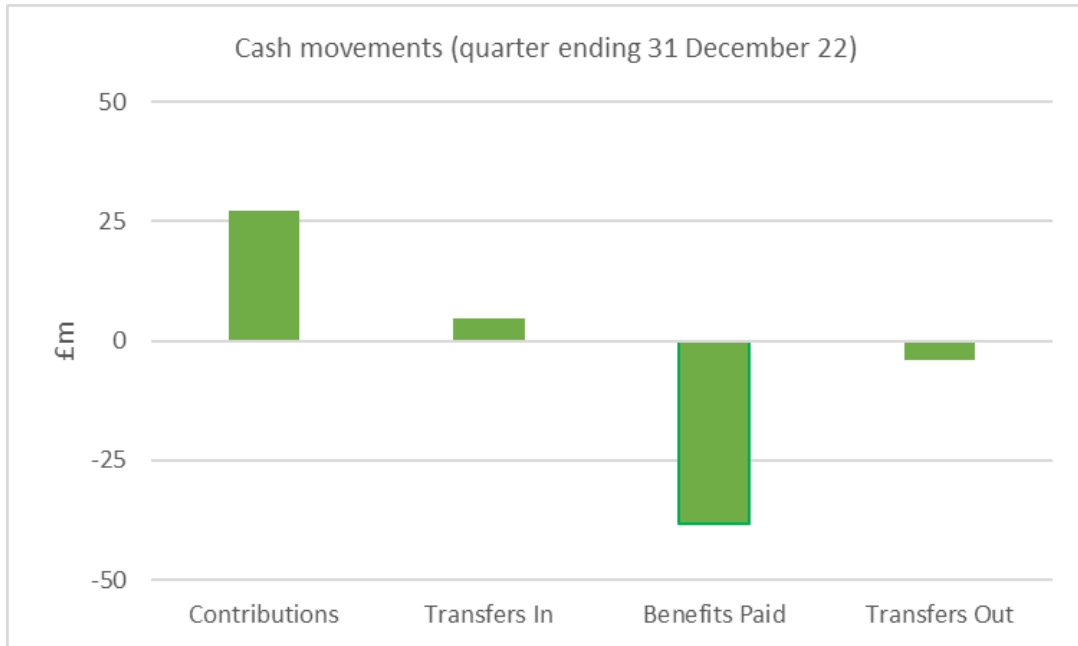
2. Fund Update

- 2.1 As at 31 December 2022, the value of the Fund stood at £2.6bn. The value of the Fund since inception is shown in the long-term chart below.



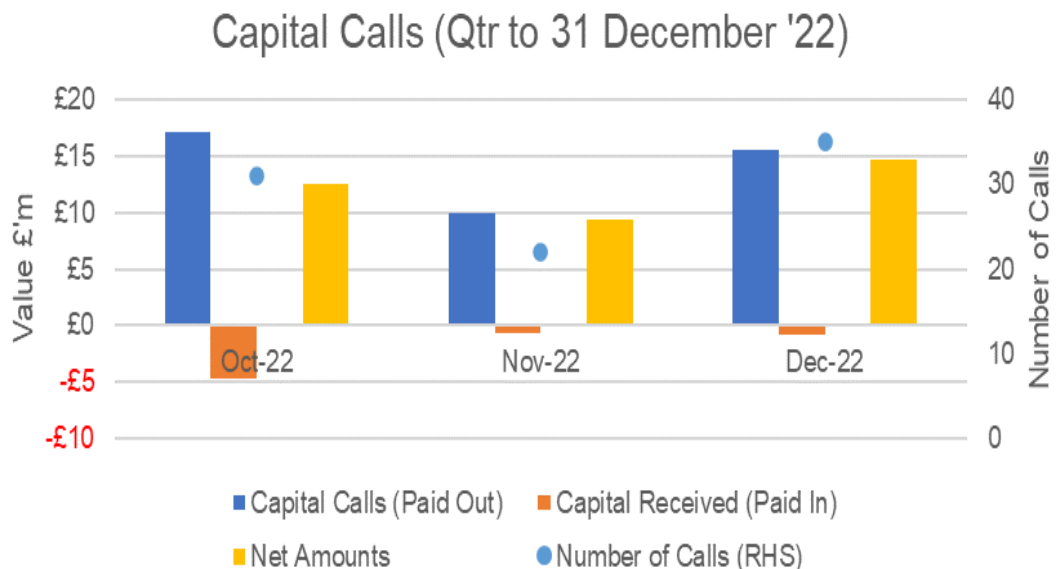
- 2.2 The total value of the Fund's assets increased by 1.7% over the quarter.

- 2.3 The chart below summarises the main cashflow changes. It indicates that the value of contributions in (£27.1m) was noticeably less than the benefits paid out (£38.2m) and therefore the Fund was cashflow negative over the period.



3. Portfolio Commentary

- 3.1 The key activity for the Fund remains building up investments in alternatives (private equity, infrastructure, and private debt). The Fund serviced 88 capital movements in the quarter, with a net value of £36.7m. This increase in activity, particularly servicing calls during December, has led to process discussions about how we can make these tasks more efficient.



- 3.2 Our increase in alternatives holdings means that, following currency conversions, the value invested by alternatives fund managers is as set out below:

Alternatives	Amount invested by fund managers	Amount still to be called	Total
£	£517,000,000	£266,000,000	£783,000,000
% of Total	66%	34%	100%

- 3.3 Cash balances as at the end of December 2022 were £55.8m. This total represents 2.1% of the Fund's value. (£17.7m with Lloyds – to manage transactions such as receiving employer contributions and paying member benefits and £38.1m with BlackRock – used to meet capital movements).

4. Border to Coast Pensions Partnership

- 4.1 The Border to Coast Pensions Partnership (BTC) has recruited a new Chief Investment Officer, Joe McDonnell, who joined the company in January 2023. More information about the appointment is available on the Border to Coast website [here](#).
- 4.2 As part of BTC's setting of its next five-year strategic plan, the organisation has set up a steering committee and working party to understand areas of further collaboration and provision to partner funds. Warwickshire Pension Fund has direct representation in these groups through our Assistant Director for Finance.
- 4.3 Officers and advisors from the Fund met with BTC to discuss the UK Equity Alpha Fund (UKEA) and Global Equity Alpha Fund (GEA) which have seen sustained exposure to excess risk and relative underperformance. Discussions around the risk processes and analytics, as well as team resourcing, continue. There are also some concerns over similar issues with the Multi-Asset Credit Fund. These are being worked on by BTC.

5. Voting

- 5.1 The Fund holds actively managed equities through funds within the Border to Coast Pensions Partnership, and passive equities managed through funds held with LGIM. These equities carry voting rights.
- 5.2 The table below summarises voting activity in the previous quarter in respect of equity funds held with Border to Coast:

Voting Direction	UK Alpha	Global Alpha	UK Alpha	Global Alpha
	Vote Count		% of Total	
For	184	170	93.4	85.0

Against	13	29	6.6	14.5
Other	0	1	0.0	0.5
Total	197	200	100.0	100.0

5.3 Border to Coast provide published reports on their website in respect of voting (and engagement) activity, and the link is included [here](#).

5.4 The table below summarises voting activity in the previous quarter in respect of equity funds held with LGIM:

Voting Direction	UK	Rest of World	UK	Rest of World
	Vote Count		% of Total	
For	1194	2435	90.1	71.8
Against	51	616	3.8	18.2
Other	80	341	6.0	10.1
Total	1325	3392	100.0	100.0

5.5 IGIM's Investment Stewardship team directs the assets managed on the Fund's behalf. Their [Responsible Investing](#) page sets out voting (and engagement) activity, as well as their approach to Climate Risk.

6. Other activities

6.1 The Fund's annual cyber risk assessment has started with systems assessments sent out to all third parties.

7. Financial Implications

7.1 Further detailed information about the financial implications of the last quarter's investment performance was detailed in a report provided to the Pension Fund Investment Sub-Committee in March 2023.

8. Environmental Implications

8.1 Climate risk is a key issue facing the Fund in the longer term and is covered in greater detail in our Governance report elsewhere on the agenda.

9. Timescales associated with the decision and next steps

9.1 None.

Appendices

None

Background Papers

None

	Name	Contact Information
Report Author	Victoria Moffett Chris Norton	victoriamoffett@warwickshire.gov.uk chrisnorton@warwickshire.gov.uk
Assistant Director	Andy Felton	andrewfelton@warwickshire.gov.uk
Strategic Director of Resources	Rob Powell	robpowell@warwickshire.gov.uk
Portfolio Holder for Property and Finance	Peter Butlin	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local members: not applicable

Other members: not applicable