

# Warwickshire Local Pension Board

18 July 2023

## General Investment Activity Report

### Recommendation

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

### 1. Executive Summary

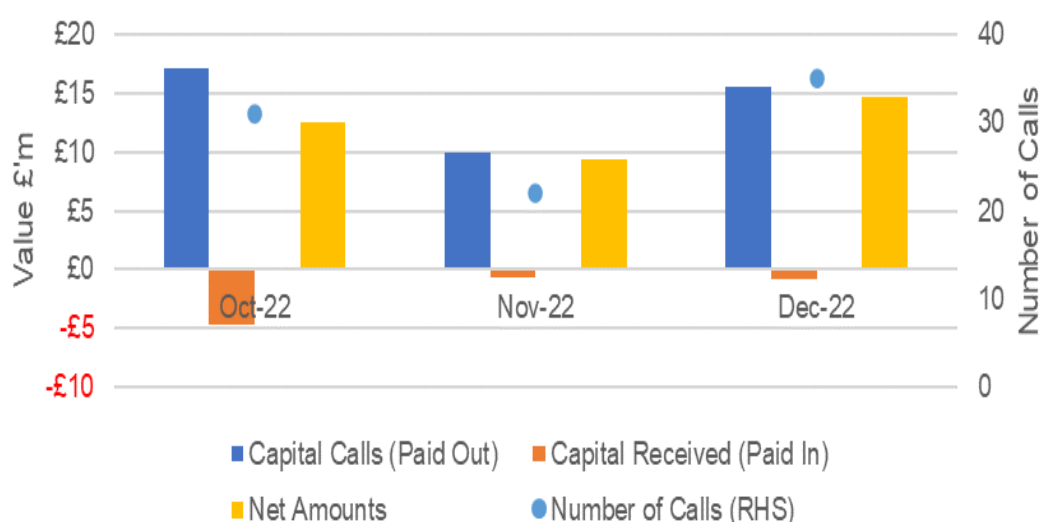
1.1 This report provides a general update on investment related activity.

### 2. Portfolio Commentary

2.1 Appendix 1 shows performance since inception (7.8%p.a.) versus targets for all funds in which Warwickshire currently invests (7.3% p.a.). This helps to provide a long-term view.

2.2 A 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.

Capital Calls (Qtr to 31 December '22)



- 2.3 This 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%

- 2.4 Appendix 2 illustrates the breakdown of this table between the different funds.
- 2.5 Cash balances as at the end of March 2023 were £55.8m. This total represents 2.1% of the Fund's value. (£17.7m Lloyds – to manage transactions such as receiving employer contributions and paying member benefits and £38.1m BlackRock – this account is used to meet capital movements).

### 3. Border to Coast Pensions Partnership

- 3.1 Border to Coast Pensions Partnership (BTC) has an ongoing project exploring the company's strategy to 2030.

### 4. Voting

- 4.1 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.
- 4.2 The table below summarises voting activity in the previous quarter in respect of funds held with Border to Coast:

#### ***Border to Coast Equity Funds***

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%

- 4.3 Border to Coast provide published reports on their website in respect of voting (and engagement) activity, and the link is included here - [https://www.bordertocoast.org.uk/publications/?\\_sfm\\_publication\\_document\\_type=Responsible%20Investment%20Reports](https://www.bordertocoast.org.uk/publications/?_sfm_publication_document_type=Responsible%20Investment%20Reports).

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

***LGIM Equity Funds***

Voting Direction	UK	Rest of World	UK	Rest of World
	Vote Count	Vote Count	% of Total	% 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%

- 4.5 LGIM’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.

**5. Other activities**

- 5.1 Members of the PFISC received the CEM benchmarking of investment fees report on 30<sup>th</sup> March 2023 by email. It showed that the Fund’s investment cost was c.70bps, and that the 8-year cumulative net value add increased funding by £23m.
- 5.2 The custodian procurement tender is due to commence in July 2023.
- 5.3 Once the PFISC agrees on which global passive equity funds to invest in, the equity restructure will be updated and implemented.
- 5.4 Officers are working on the pension fund’s 2022/23 accounts, however, there has been turnover in staff and so this year is challenging.
- 5.5 The [Spring Budget 2023](#) included the following wording relating to the LGPS:

**“Local Government Pension Scheme investment** – The government is challenging the Local Government Pension Scheme in England and Wales to move further and faster on consolidating assets – a forthcoming consultation will propose LGPS funds transfer all listed assets into their pools by March 2025 and set direction for the future. This may include moving towards a smaller number of pools more than £50 billion to optimise benefits of scale. While pooling has delivered substantial benefits so far, progress needs to accelerate to deliver, and the government stands ready to take further action if needed. The Government will also consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets.”

## 6. Financial Implications

- 6.1 Further detailed information about the financial implications of the last quarter's investment performance is detailed in a report elsewhere on the agenda entitled "Investment and Fund Performance".

## 7. Environmental Implications

- 7.1 Climate risk is a key issue facing the Fund in the longer term and is covered in greater detail in separate items on the agenda.

## Appendices

Appendix 1 – Long-term performance

Appendix 2 – Alternatives commitments

## Background Papers

None

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