

# Warwickshire Local Pension Board

24th October 2023

## Investment Update

### Recommendation

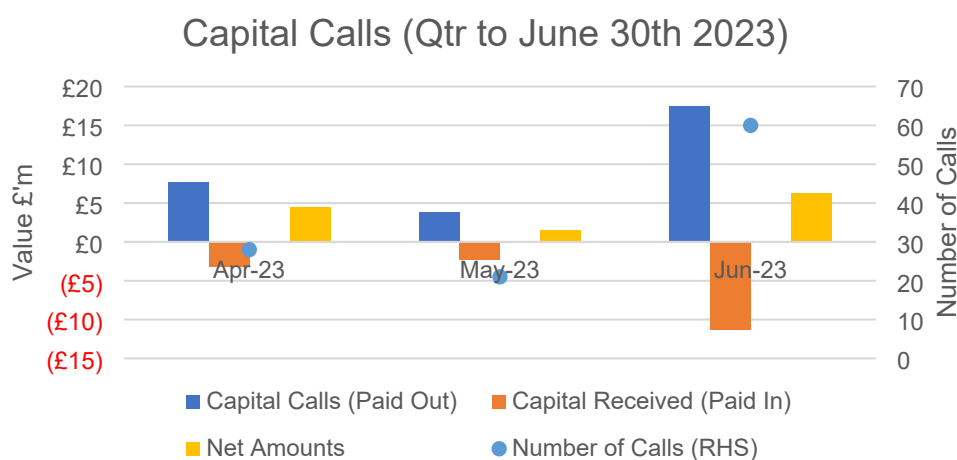
That the Pension Board notes and comments on the contents of this report.

## 1. Executive Summary

- 1.1 This report provides a general update on investment related activity and is complementary to the investment and funding performance reports elsewhere on the agenda which are focused particularly on ability to service liabilities, asset allocation compared to the target, and the performance of fund managers.

## 2. Portfolio Commentary

- 2.1 Appendix 1 shows performance since inception (7.85%p.a.) versus targets for all funds in which Warwickshire currently invests (7.39% 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 109 capital movements in the quarter, with a net value of £12.11m. This was a reduction in activity over the quarter.



- 2.3 Following currency conversions, the value invested by alternatives fund managers is as set out below:

Alternatives	£ invested with fund managers	£ still to be called	Total
£'m	£555,000,000	£236,000,000	£790,000,000
% of Total	70%	30%	100%

2.4 Appendix 2 illustrates the breakdown of this table between the different funds.

2.5 Cash balances as at the end of June 2023 were £31.2m. This total represents 1.1% of the Fund's value. (£15.9m Lloyds – to manage transactions such as receiving employer contributions and paying member benefits and £15.3m BlackRock – this account is used to meet capital movements).

### 3. Voting

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.

3.1 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 Q2 (1st Apr to 30th Jun 23)*

Voting Direction	UK Alpha	Global Alpha	UK Alpha	Global Alpha
	Vote Count		% of Total	
For	1,649	2,709	92%	84%
Against	127	437	7%	14%
Other	4	57	1%	2%
<b>Total</b>	<b>1780</b>	<b>3203</b>	<b>100%</b>	<b>100%</b>

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

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

#### *LGIM Equity Funds - Voting Q2 (1st Apr to 30th Jun 23)*

Voting Direction	UK	Rest of World	UK	Rest of World
	Vote Count	Vote Count	% of Total	% of Total
For	4871	25709	90%	75%
Against	263	6324	5%	18%
Other	290	2273	5%	7%
<b>Total</b>	<b>5424</b>	<b>34306</b>	<b>100%</b>	<b>100%</b>

3.3 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.

## 4. Other activities

- 4.1 The custodian procurement tender is due to commence in July 2023.
- 4.2 Once the PFISC agrees on which global passive equity funds to invest in, the equity restructure will be updated and implemented (full presentation is part of today's agenda).
- 4.3 DLUHC published a paper on 11<sup>th</sup> July 2023, entitled *Local Government Pension Scheme (England and Wales): Next steps on investments*.

This consultation seeks views on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

All responses (from all LGPS funds) have now been submitted. More details can be found here: <https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments>

- 4.4 Russia/Ukraine War. Our exposure to the region is almost non-existent, with our total exposure (across all asset classes including bonds and equities) totalling £293k via the *BCPP MAC Fund*.
- 4.5 Exposure to UK water companies. In summary, the portfolio has an underweight position to this area, with a total exposure of £8,496,885 or **0.31%** of the total pension fund.
- 4.6 We previously agreed to allocate more money to 'protection assets' once a 'Real Yield' trigger had been reached. We are currently discussing a potential imminent move.
- 4.7 We are currently in discussion with *Border to Coast* regarding their newly proposed UK Real Estate Fund. Further details to follow.
- 4.8 We are currently collaborating with 7 other LGPS funds, to facilitate independent external research (via a company called *Inalytics*) into our current 'ALPHA' funds held with Border to Coast.
- 4.9 Accounts 2021/22 have been sent to the auditors and are also available on our website for public review and comment.

## 5. Financial Implications

- 5.1 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".

## 6. Environmental Implications

- 6.1 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.

## 7. Supporting Information

- 7.1 None

## 8. Timescales associated with the decision and next steps

- 8.1 None.

## Appendices

1. Appendix 1 – Long-term performance
2. Appendix 2 – Alternatives commitments

## Background Papers

1. None

	<b>Name</b>	<b>Contact Information</b>
Report Author	Victoria Moffett, Chris Norton, Paul Higginbotham	victoriamoffett@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk paulhigginbotham@warwickshire.gov.uk
Assistant Director	Andy Felton	<a href="mailto:andrewfelton@warwickshire.gov.uk">andrewfelton@warwickshire.gov.uk</a>
Strategic Director for Resources	Rob Powell	<a href="mailto:robpowell@warwickshire.gov.uk">robpowell@warwickshire.gov.uk</a>
Portfolio Holder for Finance and Property	Peter Butlin	<a href="mailto:peterbutlin@warwickshire.gov.uk">peterbutlin@warwickshire.gov.uk</a>

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

Local members: not applicable

Other members: Cllrs Kettle and Gifford