

# Warwickshire Local Pension Board

9 July 2024

## Investment Update

### Recommendation

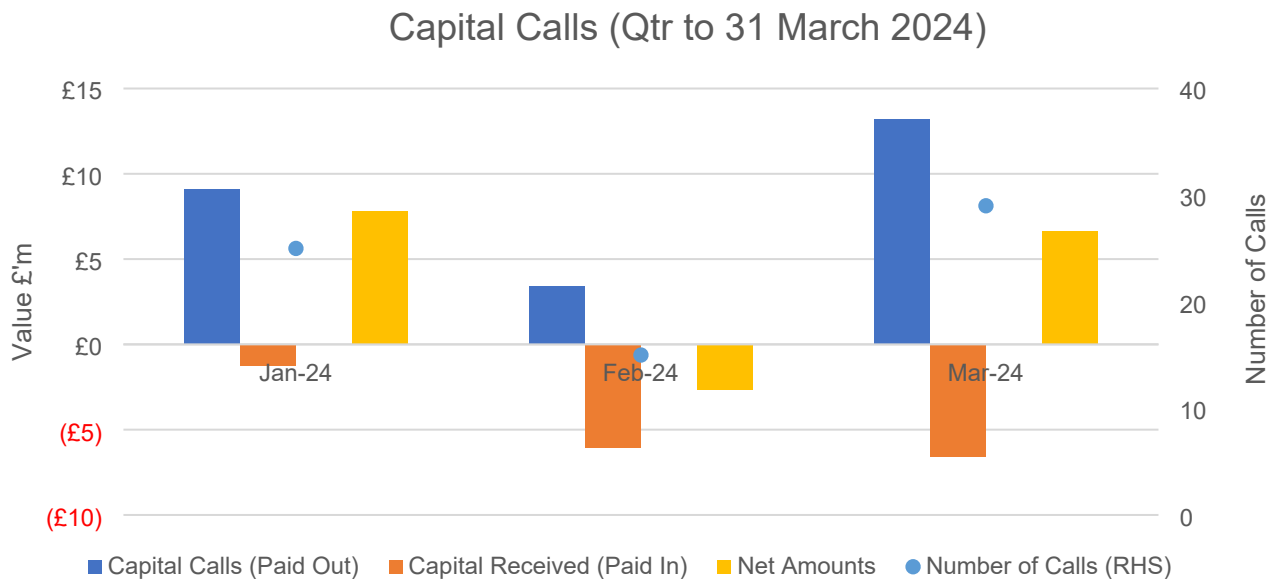
That the Warwickshire Local Pension Board notes and comments on the content of this report.

### 1. Executive Summary

- 1.1 This report provides the Board with a general update on investment related activity.

### 2. Portfolio Commentary

- 2.1 A key activity for the Fund remains the building up of investments in alternatives, in line with the approved Investment Strategy (private equity, infrastructure, and private debt). The Fund serviced 69 capital movements in the last quarter, with a net value of £25.69m. This represents a slight increase in activity compared to the previous quarter.



2.2 Following currency conversions, the value invested with alternatives fund managers is as set out below:

Alternatives	£ invested with fund managers	£ still to be called	Total
£'m	£605,000,000	£419,000,000	£1,024,000,000
% of Total	59%	41%	100%

2.3 Cash balances as at the end of March 2024 were **£52.3m**. This total represents approximately 1.8% of the Fund's value. (£24.4m in Lloyds – to manage transactions such as receiving employer contributions and paying member benefits and £27.9m in BlackRock – this account is used to fund capital calls). Following recommendations approved at the December 2023 Pension Fund Investment Sub-Committee, our cash float target is now £50m going forward.

### 3. Voting

3.1 The Fund holds actively managed equities through funds within the Border to Coast Pensions Partnership (BCPP), and passive equities managed through funds held with Legal & General Investment Management (“LGIM”). These equities carry voting rights.

3.2 The table below summarises voting activity in the previous quarter in respect of funds held with Border to Coast:

Border to Coast Equity Funds (Q4 (December 31 2023 - March 31 2024				
Voting Direction	UK Alpha	Global Alpha	UK Alpha	Global Alpha
	Vote Count		% of Total	
For	164	196	92%	81%
Against	13	39	7%	16%
Other	2	8	1%	3%
<b>Total</b>	<b>179</b>	<b>243</b>	<b>100%</b>	<b>100%</b>

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

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

LGIM Equity Funds (Q4 (December 31 2023 - March 31 2024				
Voting Direction	UK	Rest of World	UK	Rest of World
	Vote Count		% of Total	
For	1136	5257	95%	78%
Against	52	1348	4%	20%
Other	3	170	0%	3%
<b>Total</b>	<b>1191</b>	<b>6775</b>	<b>100%</b>	<b>100%</b>

- 3.5 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.

## 4. Other activities

### *Protection Assets & Global Equity exposure*

- 4.1 More money is now being allocated to ‘protection assets’ since the ‘Real Yield’ trigger (this is when bond yields are above long-term inflation rates) was triggered in October 2023. Tranche 1 was completed and to date £158m has been moved from listed equities to bonds.
- 4.2 The global passive equity funds restructuring (which was in 3 separate tranches and includes the addition of to the new Responsible Investment (“RI”) fund (The *LGIM Low Carbon Transition Fund*) has been completed with a total of £170m being moved. See timeline below:

£m	End Apr 2024	End Mar 2024	End Feb 2024	End Jan 2024	End Dec 2023	End Nov 2023	End Oct 2023	End Sept 2023
LGIM - UK	89.03	87.96	83.96	83.78	82.42	81.22	97.80	122.20
B CPP UK Alpha	91.29	92.33	164.58	225.41	290.26	274.46	269.20	292.40
LGIM - EUROPEAN ex UK	0.00	61.81	59.60	114.59	170.10	165.70	155.90	162.10
LGIM - ASIA PACIFIC	0.00	15.68	15.27	29.07	43.64	43.32	41.18	43.20
LGIM - EMERGING MARKETS	0.00	13.28	13.02	24.51	37.45	37.40	36.50	37.40
LGIM - RAFI AW	148.55	149.90	143.58	138.61	136.40	132.58	180.30	247.30
LGIM - JAPAN	0.00	15.75	15.22	27.40	38.20	37.48	36.16	38.50
LGIM All World Equity	332.51	222.71	215.71	105.55	0.00	0.00	0.00	0.00
LGIM Low Carbon Transition Fund	129.30	131.81	128.18	62.64	0.00	0.00	0.00	0.00
LGIM - N.AMERICA	0.00	8.44	8.18	14.51	21.42	20.55	19.60	20.00
<b>TOTAL</b>	<b>790.68</b>	<b>799.67</b>	<b>847.30</b>	<b>826.06</b>	<b>819.89</b>	<b>792.71</b>	<b>836.64</b>	<b>963.10</b>

- 4.3 The Fund has made a decision to invest in the Border to Coast UK Real Estate Fund, which will over time replace our existing property exposure.

- 4.4 The Fund undertook due diligence on the Border to Coast *UK Opportunities Fund* (“UKOF”) and *Climate Opportunities II Fund* (“COF”). The Committee considered recommendations from the Fund’s advisors regarding these two opportunities and decided to invest in the *Climate Opportunities Fund II*, but not the *UK Opportunities Fund*.
- 4.5 We continue to monitor all our managers, regarding their RI pledges. The BCPP website [<https://www.bordertocoast.org.uk/investments/responsible-investment/>] provides insight into how BCPP have effectively deliver RI.
- 4.6 The contract tendering process for actuarial services to the Fund has been completed and the contract has been awarded to Hymans Robertson who will therefore continue to be the Fund’s actuarial advisers.

## **5. Financial Implications**

- 5.1 Further detailed information about the financial implications of the last quarter’s investment performance is included earlier in this report.

## **6. Environmental Implications**

- 6.1 Climate risk is a key issue facing the Fund in the longer term.

## **Background Papers**

None

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

Local members: not applicable – pension fund report

Other members: Cllr C Kettle, Cllr B Gifford