

<b>LONDON BOROUGH OF CAMDEN</b>	<b>WARD:</b> All
<b>REPORT TITLE:</b> London Collective Investment Vehicle Progress Report	
<b>REPORT OF:</b> Executive Director Corporate Services	
<b>FOR SUBMISSION TO:</b> Pension Committee	<b>DATE:</b> 10 July 2024
<b>SUMMARY OF REPORT:</b>  This report provides a quarterly update on developments at the London Collective Investment Vehicle (CIV) in creating sub-funds for the spectrum of asset classes, on-boarding of assets and development of the CIV's staff resource. Progress with the London CIV contributes to the Government's pooling agenda and drive to reduce costs in the Local Government Pension Scheme (LGPS).	
<b>Local Government Act 1972 – Access to Information</b> No documents requiring to be listed were used in the preparation of this report:	
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<b>RECOMMENDATIONS:</b>  The Committee is asked to note the contents of the report.	
<b>Signed by</b>	
Executive Director Corporate Services	..... <b>Agreed</b> .....
Date:	..... <b>27/06/2024</b> .....

## **1. INTRODUCTION**

- 1.1. All Local Government Pension Scheme (LGPS) Pension Funds in England and Wales are participating in the Government's pooling agenda aimed at reducing investment costs, gaining economies of scale, improving governance, and investing in infrastructure in the LGPS. There are eight pools for LGPS funds, and the Government has agreed that these should all be established and regulated.
- 1.2. In London all 32 of the London Borough Funds have joined the London Collective Investment Vehicle (LCIV) including this Fund. Committee receives quarterly reports on the establishment and progress of the London CIV and transfer of assets into it. This report covers establishment and procurement of new sub-classes, launches of new sub-funds, assets under management and resource build-out at the CIV.
- 1.3. This will assist the Committee in its responsibility of asset allocation whilst future procurement of funds and day to day management is now the responsibility of the London CIV. In October 2021 our Pension Committee chair, Cllr Madlani, was appointed chair of the Shareholder Committee.
- 1.4. The Camden Fund currently has 82% of its assets pooled with the London CIV (active and passive assets).

## **2. CIV SHAREHOLDER COMMITTEE**

- 2.1. The CIV will held their Shareholder Committee on 21 June 2024. Some highlights from that meeting are:
  - The CIV continue to look at a comprehensive funding model
  - Good progress has been made on delivering the current programme of fund launches which includes Nature Based Solution, Private Debt 2, and a Global Equity Value Fund.
  - The CIV are also developing a real estate advisory service planned to launch at the end of 2024
  - They achieved the budgeted £1.6bn target increase in assets for 2023/24 as a result of high inflows in the last quarter of the financial year
  - They continue to develop their Responsible Investment activity with work in progress on the Net Zero Action Plan and updated Climate Policy, publication of the Responsible Investment and Stewardship Outcomes Report on 31 May 2024 and TCFD report due to be published on 31 June 2024
  - Their new Chief Risk Officer (CRO), Sarah Nowell, starts on 1 July 2024 and the recruitment of a Chief Proposition Officer (CPO) is in chain with a start date in September 2024.

### 3. FUND ACTIVITY

#### Fund Portfolio

- 3.1. As of 31 December 2023, the total assets deemed pooled by Client Funds stood at £32bn, of which £15bn are public markets funds, £14bn in passive equity funds and £3bn in Private Market funds.

#### Public Market funds

- 3.2. The following tables show all public market CIV funds:

##### Global equities

LCIV Fund	AUM	Launch Date	Manager	No. of Investors
Global Alpha Growth	£1,439m	11 Apr 2016	Baillie Gifford	5
Global Alpha Growth Paris Aligned	£2,256m	13 Apr 2021	Baillie Gifford	11
Global Equity	£588m	22 May 2017	Newton	3
Global Equity Quality	£559m	21 Aug 2020	MSIM	2
Global Equity Focus	£1,228m	17 Jul 2017	Longview	6
Emerging Market Equity*	£550m	11 Jan 2018	JP Morgan	8
Sustainable Equity	£1,369m	18 Apr 2018	RBC	8
Sustainable Equity Exclusion	£706m	11 Mar 2020	RBC	5
Passive Equity Progressive Paris Aligned	£913m	1 Dec 2021	State Street	4

##### Multi Asset

LCIV Fund	AUM	Launch Date	Manager	No. of Investors
Global Total Return	£99m	17 Jul 2016	Pyrford	1
Diversified Growth	£554m	15 Feb 2016	Baillie Gifford	6
Absolute Return	£965m	21 Jun 2016	Ruffer	10
Real Return	£180m	16 Dec 2016	Newton	2

##### Fixed Income

LCIV Fund	AUM	Launch Date	Manager	No. of Investors
Global Bond	£943m	30 Nov 2018	Pimco	10
MAC Fund	£1,494m	31 May 2018	CQS + Pimco	14
Alternative Credit	£404m	31 Jan 2022	CQS	3
Short Duration Buy and Maintain Credit	£137m	6 Dec 2023	Insight	2
Long Duration Buy and Maintain Credit	£511m	6 Dec 2023	Insight	3

- 3.3. In depth reviews were conducted on the Baillie Gifford Global Alpha and Paris-aligned funds. The CIV also performed in depth reviews on RBC's Sustainable Equity and Sustainable Equity Exclusion funds in Quarter 1. There will be an in-depth review of the Alternative Credit Fund (CQS) in May 2024.

- 3.4. As at March 2024, there are no funds on the **Watch** list. Three of the four Multi-Asset funds are on **Enhanced Monitoring** (including our manager Baillie Gifford DGF). The next review of the Baillie Gifford DGF is scheduled for June 2024.

Watch list	Enhanced monitoring	Normal monitoring
Zero	Four	All other sub funds (Q1 2024 updates)
	<b>Fund:</b> LCIV Global Equity Focus Fund <b>Manager:</b> Longview <b>Status confirmed:</b> August 2023 <b>Next review:</b> June 2024	<b>In process</b> <b>Manager:</b> Baillie Gifford <b>Investor update:</b> Q2 2024 LCIV Global Alpha Growth and LCIV Global Alpha Growth Paris Aligned Funds
	<b>Fund:</b> LCIV Global Total Return Fund <b>Manager:</b> Pyrford <b>Status confirmed:</b> August 2023 <b>Next review:</b> Q2 2024	<b>In process</b> <b>Manager:</b> RBC <b>Investor update:</b> Q2 2024 LCIV Sustainable Equity and LCIV Sustainable Equity Exclusion Funds
	<b>Fund:</b> LCIV Diversified Growth Fund <b>Manager:</b> Baillie Gifford <b>Status confirmed:</b> January 2024 <b>Next review:</b> June 2024	<b>Completed review:</b> <b>Manager:</b> MSIM <b>Investor update:</b> 8 April 2024 LCIV Global Equity Quality Fund
	<b>Fund:</b> LCIV Global Equity Fund <b>Manager:</b> Newton <b>Status confirmed:</b> February 2024 <b>Next review:</b> July 2024	

- 3.5. The other LCIV funds are undergoing **Normal Monitoring**. Included in this group is the Global Alpha Growth Paris Aligned Fund (Baillie Gifford) and LCIV Multi Asset Credit Fund (CQS and PIMCO) which we are invested in. There was a review of the Baillie Gifford growth Paris-aligned fund in February 2024, which is still on normal monitoring status despite risk and performance issues.

### Private Markets Fund Monitoring

- 3.6. The table below shows the CIV's private market funds:

Private Market Funds	Total Commitments £'000	Drawn Commitments £'000	% drawn (change in month)	Valuation £'000	Valuation as at	% Allocated	No. of Investors
<b>EUUT</b>							
<b>LCIV Infrastructure Fund</b>	£399,000	£315,874	79% (-%)	£333,027	30/09/2023	96%	6
No movements							
<b>LCIV Real Estate Long Income Fund</b>	£213,000	£213,000	100% (-%)	£154,624	31/12/2023	100%	3
No movements Latest valuation as at 31 December 2023.							
<b>LCIV Renewable Infrastructure Fund</b>	£1,108,500	£414,265	37% (-%)	£437,038	30/09/2023	69%	16
No movements							
<b>LCIV Private Debt Fund</b>	£625,000	£420,091	67% (-%)	£488,292	30/09/2023	96%	8
No movements							
<b>LCIV UK Housing Fund</b>	£415,000	£2,000	0% (-1%)	£1,504	31/12/2023	24%	6
- New £48m commitment from Redbridge in the month. Given the increased commitments and no further capital calls, effective % drawn has reduced to zero.							
<b>SLP</b>	£'000	£'000		£'000			
<b>The London Fund</b>	£250,000	£99,991	40% (+3%)	£86,555	30/09/2023	61%	4
- One call of £7.3m in the month							
<b>Total</b>	<b>£3,010,500</b>	<b>£1,465,221</b>	<b>49% (-1%)</b>	<b>£1,501,040</b>		<b>74%</b>	<b>23</b>

## **Fund Launches**

- 3.7. LCIV launched the Housing Fund, Long Duration and Short Duration Buy and Maintain funds in 2023.
- 3.8. **Global Equity Value Fund:** the CIV have selected Wellington as the Investment Manager. Documentation is being finalised to submit to the Financial Conduct Authority. A fund launch is expected in May 2024. Once established this mandate would provide an alternative to the Harris mandate which is also a value manager.
- 3.9. **Nature Based Solutions:** Work continues on this fund with a target of June 2024 to make the fund available with a first close in September 2024. The Fund is targeting a 6-8% return with core allocations to forestry and agriculture. The fund is looking to invest in core developed markets in the US, Australia, New Zealand, UK and Europe.
- 3.10. **Private Debt II:** the Seed investor group has confirmed a preference for a closed ended structure. Detailed work continues with the target of June 2024 to make the fund available and have a first close of September 2024.
- 3.11. **Indirect Property pooling:** LCIV are aiming to deliver a solution for partner funds who have indirect property exposure in 2024, meaning the funds that hold individual property holdings rather than a fund of funds (we have this via CBRE). The solution will avoid tax implications, namely stamp duty. 6 clients in London could use this eventual solution and the CIV would aim to do that oversight given their Variation of Permission recently agreed by the FCA.
- 3.12. This solution seeks to create cost savings and efficiencies as well as delivering enhanced performance. LCIV will partner with a best-in-class investment manager to help to deliver this solution, the selection process for this has commenced.

## **4. RESPONSIBLE INVESTOR COMMENT**

- 4.1. The Fund's engagement with, and commitment to, the London CIV is an important part of how the Fund can act as a responsible investor. Pooling increases the leverage and influence that any individual LGPS fund may have with fund managers, creating more opportunities for RI to be both discussed and practised. The Fund will need to think carefully about how to incorporate Task Force on Nature Related Financial Disclosure (TNFD) requirements in the future.

## **5. ENVIRONMENTAL IMPLICATIONS**

- 5.1. This report covers several of the actions taken by the CIV towards responsible investment, in response to pressure from London Boroughs including Camden. TNFD requirements will ensure that nature based risks are captured in the Fund's investment approach.

## **6. FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES**

- 6.1. There are no finance comments to add.

## **7. LEGAL COMMENTS OF THE BOROUGH SOLICITOR**

- 7.1. The Local Government Pension Scheme (Management and Investment Funds) Regulations 2016 requires all Local Authorities to commit to a suitable pool to achieve benefits of scale. This report demonstrates the adherence to the Regulations by providing details of the approach to pooling, the structure and the governance arrangements and the mechanism by which the CIV can be held to account.