



Nottinghamshire Pension Fund

LGPS Central Limited Update

PRESENTED BY



JOANNE SEGARS
CHAIR



MIKE WESTON
CEO

24th June 2022



Agenda:

AREAS FOR DISCUSSION

- Pooling and Company update
- Investment Funds
 - NPF's investments in LGPS Central funds
 - Product development
 - Levelling up
 - Responsible Investment and Engagement
- Staffing and recruitment
- Summary



LGPS Central

Pooling and Company Update

Joanne Segars



What is Pooling?

November 2015:

Government produced a set of principles against which authorities were invited to bring forward proposals for “asset pools”. These principles included the following objectives:

- Attain scale – £25 billion was set as a target size for pools.
- Make savings – No target was set but the word “substantial” gave an insight into the expectations.
 - Include good governance.
- Do more infrastructure – Expressed as an objective to develop the capacity and capability to increase investment without a target.



2016:

LGPS Central was created by a group of Pension Funds who chose to collaborate.



February 2016:

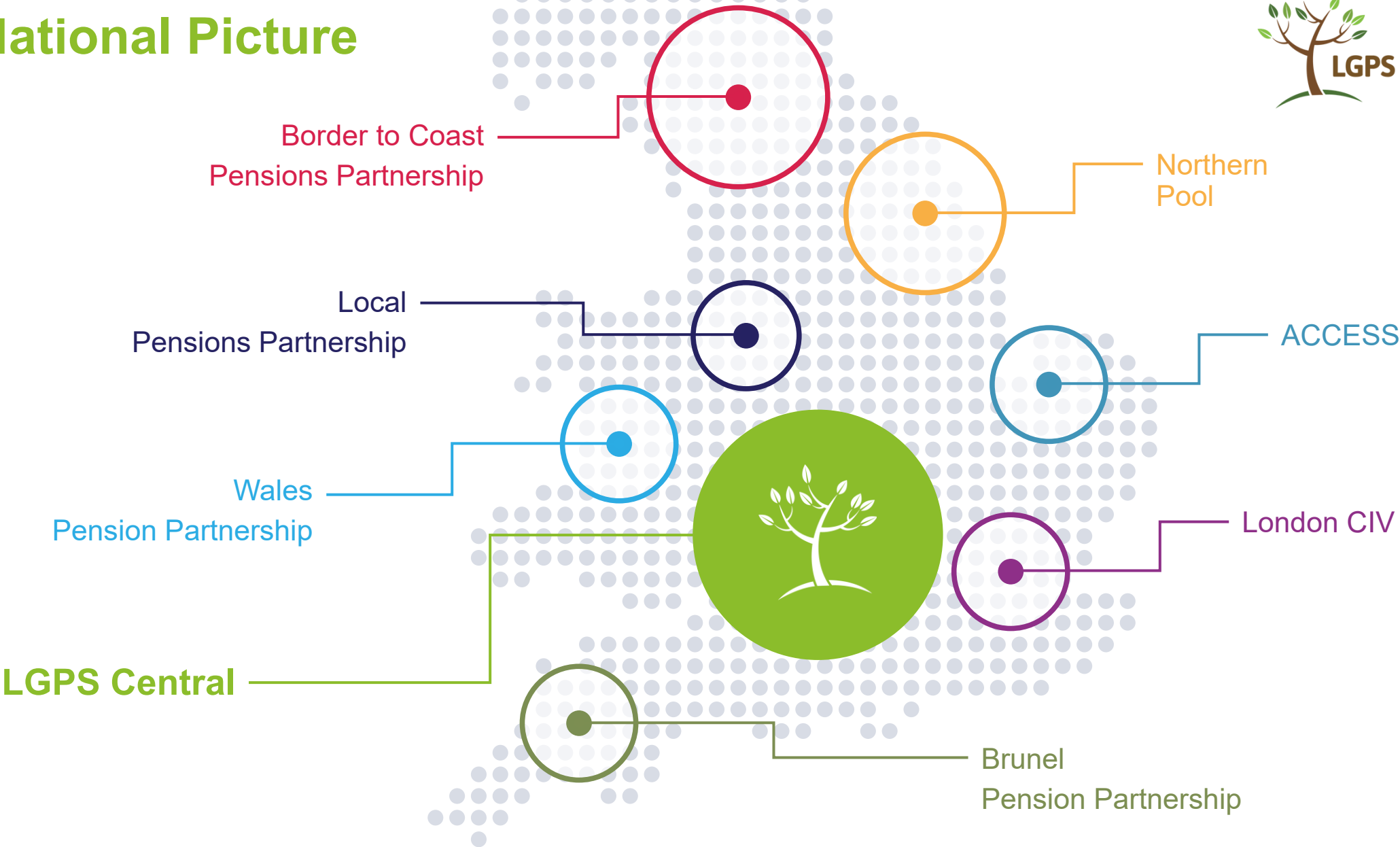
Submissions were received by the Government for eight developing pools.



3 April 2018:

LGPS Central Limited opens for business, owned by eight Partner Funds

National Picture



Partner Funds

- Owned by 8 Partner Funds
- Designing the funds, appointing managers and on-going oversight of them with the aim of producing the stated level of investment performance
- Responsible Investment and Engagement integrated into all our decision making
- Focusing on the needs and expectations of our valued Partner Funds



LGPS Central – Key Themes for 2022/23

FOUR AREAS OF FOCUS FOR LGPSC BOARD AND MANAGEMENT TEAM



Fund Performance



Recruitment and Retention



Business Maturity



The Future

LGPS Central Update



£28.5bn*

Assets under our stewardship
As at 31/03/2022

£55.3bn

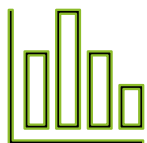
Collective assets of Partner Funds
As at 31/03/2022

52%

Partner Fund assets
As at 31/03/2022

£250m

Projected net savings by 2033/34



25 funds

Launched since 2018

13 funds

Launched this financial year

38

External managers

21.0%

Staff Turnover



100%

Responsible Investment Integrated Status

67

Employees

8

Partner Funds

Net Zero

Commitment on assets under our
stewardship 2050



UK
Stewardship
Code 2020

Signatory

3,326

Votes at meetings
(engagement activity)

TCFD

Reports Prepared

Diversity
Project

Member

LGPS Central Funds Launched:



TOTAL OF 20 FUNDS LAUNCHED TO 30.06.22

| Fund | Launched |
|---------------------------------------|----------|
| UK Equity (Passive) | 2018 |
| ● Global Equity (Passive) | 2018 |
| Global Dividend Growth (Passive) | 2018 |
| Multi-Factor Fund (Passive) | 2021 |
| Climate Fund (Passive) | 2019 |
| ● Global Equity MM Fund (Active) | 2019 |
| ● EM Equity MM Fund (Active) | 2019 |
| ● Corporate Bonds MM Fund (Active) | 2020 |
| ● EM FI MM (Active) | 2020 |
| ● Global MAC MM Fund (Active) | 2021 |
| ● Private Equity - 2018 Primary | 2019 |
| ● Private Equity - 2018 Co-Investment | 2019 |
| ● Private Equity - 2021 Primary | 2021 |
| ● Private Equity - 2021 Co-Investment | 2021 |
| Private Inflation Credit Fund | 2021 |
| Private Lower Credit Fund | 2021 |
| Private Higher Credit Fund | 2021 |
| ● Infrastructure Core Fund | 2021 |
| ● Infrastructure Value Add Fund | 2021 |
| ● Infrastructure JPM Fund | 2021 |
| ● Global Sustainable Equity Fund | 2022 |
| ● UK Gilt Discretionary Mandate | 2020 |

5 Passive funds
launched since
inception of
LGPSC

6 Active funds
launched since
inception of
LGPSC

● Nottinghamshire Pension Fund are
investing in these Funds

Investment Funds

Mike Weston



NPF Investments in LGPS Central Funds



ASSETS UNDER MANAGEMENT 31 MARCH 2022

| Asset Class | Fund | NPF's Assets | Total Fund AUM | NPF % of Fund |
|------------------------------|---|----------------------|----------------------|--------------------|
| Passive Global Equity | LGPS Central Limited Global Ex-UK Passive Equity Fund | £13.1m | £2,767.9m | 0.5% |
| Active Global Equity | LGPS Central Limited Global Equity Active Multi Manager Fund | £29.0m | £3,172.8m | 0.9% |
| Active Global Equity | LGPS Central Limited Emerging Markets Equity Active Multi Manager Fund | £117.1m | £812.0m | 14.4% |
| Active Fixed Income | LGPS Central Limited Global Active Investment Grade Corporate Bond Multi Manager Fund | £299.2m | £1,608.8 | 18.6% |
| Active Fixed Income | LGPS Central Limited Global Active Multi-Asset Credit Multi Manager Fund | £114.7m | £741.9m | 15.5% |
| Active Fixed Income | LGPS Central Limited Global Active Emerging Market Bond Multi Manager Fund | £36.0m | £615.4m | 5.8% |
| Active Discretionary Mandate | LGPS Central Nottinghamshire Gilts Mandate | £195.2m | £195.2m | 100.0% |
| Private Equity | LGPS Central PE Co-Investment Partnership 2018 LP | £5.0m ¹ | £107m ¹ | 4.7% ¹ |
| Private Equity | LGPS Central PE Primary Partnership 2018 LP | £10.0m ¹ | £150m ¹ | 6.7% ¹ |
| Infrastructure | LGPS Central Value Add/ Opportunistic Infrastructure Partnership LP | £45.0m ¹ | £61.5m ¹ | 73.2% ¹ |
| Infrastructure | LGPS Central Core/Core Plus Infrastructure Partnership LP | £115.0m ¹ | £383.5m ¹ | 30.0% ¹ |

Over £800m
assets invested
with LGPSC

¹ Commitment Amount

LGPSC Global Sustainable Equity Active Funds



Successful new product launch

- ✓ LGPS Central Ltd and its Partner Funds collaborated on a product structure to satisfy their demand. Broad, Thematic and Targeted approaches.
- ✓ LGPS Central Ltd undertook rigorous three stage procurement process identifying best-in-class manager to delegate to in each Fund.
- ✓ All Stakeholders approved LGPS Central Ltd Business Case highlighting value for money, and significant cost savings.
- ✓ Transition of legacy asset to new Funds and delegated managers occurred within cost estimate and on time.
- ✓ Innovative three Fund approach launched and open to further investment.

Product Development:

FUTURE FUND LAUNCHES



Private Debt

Two sleeves: one is investment grade infrastructure debt (inflation linked) and the other, sub-investment grade infrastructure debt and real-estate debt with close expected towards the end of June



Targeted Return

Partner Funds engaged on strategies/managers to be included with launch expected October 2022



Direct Property

Finalising legal documents and FCA application with launch anticipated September 2022



Indirect Property

Agreement made to proceed with the Residential sleeve and potentially an Overseas sleeve

Levelling Up:

DISCUSSIONS HAVE COMMENCED



LGPS Central workshop held 18 May 2022



Multi-asset class approach discussed



Continue to consider options



Working with Partner Funds to assist and support with benchmarking current investments



Awaiting further guidance from Government

Responsible Investment & Engagement

SIGNIFICANT JOINT ACHIEVEMENTS OVER THE LAST 6 MONTHS

- Agreed Pool and Company Net Zero Targets
- Delivered Company Stewardship Code Report and assisted those Partner Funds that also wanted to report in Q1 2022
- Refreshed the Climate Risk Monitoring Service, with additional Net Zero Relevant Metrics
- RI due diligence on Private Market Fund Launches and ongoing monitoring of external managers
- Significant engagements
 - Credit Suisse and Glencore
 - Deforestation, Plastic pollution, Climate Change and Human Rights



Responsible Investment & Engagement

PRIORITIES FOR THE NEXT SIX MONTHS



Complete Climate Risk Monitoring for NPF (including the 1.5 degree scenario analysis)



Procurement of ESG tool and associated analysis



Extend Carbon Analysis to Private Markets



Recruitment to bring RI Team back to 6 people



Modern Slavery Statement



LGPS Central's ongoing assistance with proxy voting



Responsible Investment & Engagement



VOTING APPROACH AND PRINCIPLES

- LGPS Central sees voting as a core component of the Company's approach to Stewardship. Through voting, we aim to:
 - Support the long-term economic interests of our stakeholders
 - Ensure boards of directors are accountable to shareholders
- **UK securities** are voted based on internal voting principles which supplement the principles and provisions of the UK Corporate Governance Code
- **For non-UK securities** the Company currently applies the international voting guidelines of its chosen proxy research provider, EOS at Federated Hermes

Staffing and Recruitment

Recruitment Summary

POSITIVE INFLUX OF NEW AND REPLACEMENT HIRES

- Successful new hires who will join the business over the coming months:
 - Junior RIE Analyst: 20 June 2022
 - Portfolio Manager: 11 July 2022
 - Investment Operations Manager: 15 August 2022
 - Chief Stakeholder Officer: 06 September 2022
 - Chief Legal, Compliance & Risk Officer: 15 September 2022
- Recruitment under way for 3rd Graduate cohort to start in September

Summary

CONTINUING PROGRESS IN A CHALLENGING ENVIRONMENT

- Staff **retention** remains a key challenge and focus for the Board and Senior Management



- Responsibly achieved Investment **performance** is our top priority
- Continuing growth of **Private Markets** partnerships to facilitate increasing Partner Fund asset allocations
- **Cost savings** are being achieved

- Cumulative **breakeven** within sight for LGPS Central collectively
- **What next** once new fund launches and asset transitions plateau?

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Share Class and Benchmark performance displayed in GBP.

Performance is shown on a Net Asset Value (NAV) basis, with gross income reinvested where applicable.

All information is prepared as of **6 July 2022**

This document is intended for **PROFESSIONAL CLIENTS** only.

“One Central team, working in partnership to invest with purpose and deliver superior returns”

