



Joint Committee Meeting

21st June 2019

Nottingham

1.0 INTRODUCTION

1.1 It is now over 12 months since LGPS Central Limited (LGPSCL) was launched in April 2018. Much work has been done during that period, and with the collaboration of its 9 Partner Funds, much has been achieved. However, LGPSCL is aware that there is still plenty to do.

1.2 LGPSCL is responsible for approximately £17bn of assets under its stewardship including Pooled, Discretionary, Advisory, Advisory & Execution and Execution-only mandates.

1.3 To date, the Company has launched 4 ACS funds – 3 of which are Passive and 1 of which is Active. It has also launched the Private Equity 2018 Vintage Fund, which sits within a Scottish Limited Liability Partnership structure. The launch of 2 further Active ACS Funds (Global Emerging Markets and Corporate Bonds) is well under way. Through the Company's Product Development Protocol, it plans to launch more products over the coming year, ensuring that its products are designed to meet the investment needs of its Partner Funds and, ultimately, the requirements of those pensioners who are members of the Local Government Pension Scheme.

1.4 During this period, LGPSCL has also grown its staff from a handful at start, to over 50 today. The Team includes a mixture of those who have experience in both the Public and Private Sectors and who have considerable experience of working in the field of investments and pension fund management.

1.5 Since launch, global financial markets have faced many geo-political challenges ranging from Brexit to international trade wars. Market volatility increases the importance of regular performance reporting to our Clients, and LGPSCL has in place a regular schedule of reporting to keep Clients fully informed.

1.6 Equally, the Company has identified key performance areas of the business which impact upon its Clients. A series of Key Performance Indicators will be used to monitor and measure how the Company serves its Clients.

2.0 KEY PERFORMANCE INDICATORS

2.1 LGPSCL has identified 14 Key Performance Indicators (KPIs).

2.2 8 of these KPIs have an impact on The Company's Clients. Other KPIs have an impact on its Shareholders.

2.3 The 8 KPIs which impact Clients are –

- The delivery of superior investment returns, net of costs
- The reduction of Asset Management Costs in each asset class
- Timely performance reporting
- Client service
- Meeting agreed product delivery schedules
- Integrating Responsible Investment & Engagement policies within all products
- Recruiting and retaining highly qualified staff

3.0 ASSETS UNDER STEWARDSHIP

3.1 Total assets under the stewardship of LGPSCL is currently approximately £17bn

3.2 The total assets under management include those which are Pooled, Discretionary, Advisory, Advisory & Execution and Execution Only mandates.

4.0 INVESTMENT PERFORMANCE

The Investment Performance of the 3 Passive ACS Funds, and the single Active ACS Fund is included in the presentation to the Joint Committee.

5.0 COST SAVINGS

5.1 LGPSCL's key goal is to ensure that it saves costs for its Clients.

5.2 Instrumental in achieving this goal is to ensure that external fund management fees are fully scrutinised. The Company is fully cognisant, however, that low management fees should not be detrimental to investment performance

5.3 The appointment of an independent third party to manage and monitor costs will assist the Company in achieving its cost savings goals on behalf of its Clients.

5.4 Transitioning assets can be a complex and lengthy process. In order to ensure that Clients are transitioning their assets into the LGPS Central Pool in the most cost effective and efficient manner, the appointment of external Transition Advisers and Transition Managers has been adopted. Pre and Post-Transition analysis is available to all Clients as a result.

6.0 PRODUCT DEVELOPMENT PROTOCOL

6.1 In close collaboration with its Partner Funds, LGPSCL has introduced a Product Development Protocol to support new product launches. This helps to ensure that the products which are developed meet the investment needs of the Company's Clients.

6.2 The Product Development Protocol is a 9-phase process which includes 9 "touch points" that involve close engagement between LGPSCL and its Clients.

6.3 The Product Development Cycle can take between 6 to 9 months. The length of the cycle is dependent upon a number of fund characteristics such as whether it is Active or Passive, sits within an ACS or SLP structure, is managed in-house or externally etc.

6.4 There are currently 10 products that sit within the Product Development pipeline. The most advanced products, nearest launch, are Global Emerging Markets (Phase 8), Global Corporate Bonds (Phase 6), and the All World Climate Change Factor Based Fund (Phase 6). Other products in the pipeline include;

- Global Factor Based Strategy (Phase1)
- Multi Asset Credit (Phase 1)
- Emerging Market Debt (Phase1)
- Targeted Return (Phase1)
- UK Active Equity (Phase2)
- Private Equity, 2019 Vintage (Phase 3)
- Infrastructure (Phase 4)

7.0 RESPONSIBLE INVESTMENT & ENGAGEMENT

7.1 LGPSCL works in partnership with a number of organisations who share its values in respect of Responsible Investment & Engagement

7.2 There are 4 Key RI& E Themes for 2019/20. These are;

- Climate Change
- Technology & Disruptive Industries
- Single Use Plastics
- Tac Transparency

8.0 Conclusion

8.1 Good progress is being made -but there is plenty still to do!

8.2 Progress would not have been possible without the collaborative support of all LGPSCL's Partner Funds / Clients

8.3 LGPSCL goals continue to be to save costs for our Clients, but not at the expense of investment performance

8.4 LGPSCL's business model is based upon economies of scale. Greater benefits can be achieved by Partner Funds the sooner, and the greater, the amount of investment assets are transferred into the LGPS Central Pool.