

LONDON BOROUGH OF CAMDEN	WARD: All
REPORT TITLE: London Collective Investment Vehicle Progress Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	DATE: 19 September 2024
SUMMARY OF REPORT: 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).	
<p>Local Government Act 1972 – Access to Information No documents requiring to be listed were used in the preparation of this report:</p> <p>Contact Officer: Priya Nair Treasury & Pension Fund Manager Finance Corporate Services Dennis Geffen Annexe Camley Street London. N1C 4DG</p> <p>Telephone 0207 974 2349 Email priya.nair@camden.gov.uk</p>	
RECOMMENDATIONS: The Committee is asked to note the contents of the report.	
<p>Signed by</p> <p>Executive Director Corporate ServicesAgreed.....</p> <p>Date:29/08/2024.....</p>	

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 BUSINESS UPDATE

- 2.1. Some highlights from LCIV's Business Update meeting of the 22nd of August 2024 meeting as well as updates from their most recent Q2 investment report are:
 - **Comprehensive Funding Model:** London CIV continues to review and refine its funding model to ensure financial sustainability and operational efficiency
 - **Fund Launch Progress:** The LCIV Global Equity Value Fund, managed by Wellington, is ready for seed investments. Additionally, the LCIV All Maturities Buy & Maintain Credit Fund is set to launch in September 2024, offering a lower carbon footprint and ESG integration. London CIV is prioritizing the launch of the LCIV Private Debt Fund II and the LCIV Nature-Based Solutions Fund, both prepared to receive commitments in Q3 2024
 - **Real Estate Advisory Service:** Work on the Indirect Real Estate Pooling initiative is ongoing, with CBRE IM selected as sub-investment manager. The service is expected to launch by the end of 2024
 - **Positive Fund Flows:** The second quarter saw positive net flows of £107 million across all ACS sub-funds, with the largest contribution coming from a new investor into the LCIV MAC Fund
 - **Private Market Asset Growth:** London CIV successfully met its £1.6 billion target for assets drawn into private markets as of June 2024, benefiting from inflows across multiple funds
 - **Responsible Investment Initiatives:** London CIV remains focused on its Net Zero Action Plan, enhancing ESG integration across public and private market funds, with updates to the Global Bond and MAC Fund expected by year-end.

- **Executive Leadership:** Sarah Nowell began her role as Chief Risk Officer on 1 July 2024, and the recruitment of a Chief Proposition Officer is ongoing, with the new officer expected to start by September 2024

3. FUND ACTIVITY

Fund Portfolio

- 3.1. As of 30 June 2024, the total assets deemed pooled by Client Funds stood at £32bn, of which £15.7bn are public markets funds, £14.5bn in passive equity funds and £3.1bn 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 review was conducted on Alternative Credit Fund (CQS) in May 2024.

- 3.4. As at July 2024, there are no funds on the **Watch** list. Six funds are on **Enhanced Monitoring** (including our manager Baillie Gifford DGF).

Watch list	Enhanced monitoring	Normal monitoring
Zero	Seven	All other sub funds
	Fund: LCIV Global Equity Focus Fund Manager: Longview Status confirmed: July 2024 Next review: June 2025	Completed review: LCIV Absolute Return Fund Manager: Ruffer Investor update: 11 July 2024
	Fund: LCIV Global Total Return Fund Manager: Pyrford Status confirmed: August 2023 Next review: Q3 2024	Completed review: LCIV Alternative Credit Fund Manager: CQS Investor update: 10 July 2024
	Fund: LCIV Diversified Growth Fund Manager: Baillie Gifford Status confirmed: January 2024 Next review: August 2024	Completed review: LCIV MAC Fund Managers: CQS and PIMCO Investor update: 10 July 2024
	Fund: LCIV Global Equity Fund Manager: Newton Status confirmed: February 2024 Next review: September 2024	
	Fund: LCIV Sustainable Equity Fund + LCIV Sustainable Equity Exclusion Manager: RBC Status approved: April 2024 Next review: October 2024	
	Fund: LCIV Emerging Market Equity Fund Manager: JP Morgan Asset Management Status approved: August 2024 Investor update: August 20 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.

Private Markets Fund Monitoring

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

LCIV's Private Market Funds	Total Commitments	Drawn Since Inception	% drawn (change in month)	Valuation	Valuation as at	Drawn Since Valuation Date	% Allocated	No. of Investors
	£'000	£'000		£'000		£'000		
LCIV Infrastructure Fund	475,000	315,874	66% (-)	371,356	31/03/2024	n/a	80%	6
- No movements.								
LCIV Real Estate Long Income Fund	213,000	213,000	100% (-)	155,484	30/06/2024	n/a	100%	3
- No movements.								
LCIV Renewable Infrastructure Fund	1,108,500	481,149	43% (-)	490,498	31/03/2024	66,884	68%	16
- No movements.								
LCIV Private Debt Fund	625,000	420,091	67% (-)	498,034	31/03/2024	n/a	95%	8
- No movements.								
LCIV UK Housing Fund	450,000	73,200	16% (-)	1,377	31/03/2024	71,200	60%	8
- No movements.								
SLP	£'000	£'000		£'000		£'000		
The London Fund	250,000	104,026	42% (-)	99,774	31/03/2024	4,035	61%	4
- No movements.								
Total	3,121,500	1,607,340	51% (-)	1,616,522		142,119	76%	23

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:** Ready for seed investments, this fund is managed by Wellington and integrates ESG considerations into its strategy. The fund aims for a 30% lower carbon footprint than its benchmark and is expected to attract investors by Q4 2024.
- 3.9. **Nature Based Solutions:** Launched in July 2024, this fund focuses on addressing climate change by investing in projects like carbon sequestration, sustainable forestry, and biodiversity improvement. The goal is to contribute to the transition to net zero while offering co-benefits such as improved water quality and community engagement.
- 3.10. **Private Debt II:** Launched in June 2024, this fund is designed to provide diversified exposure to senior direct lending in the US and Europe, along with asset-backed lending. It targets an internal rate of return (IRR) of 6-8% and has garnered commitments from partner funds. Manager selection has been finalized, and confirmatory legal and tax due diligence is in progress.
- 3.11. **Indirect Property pooling:** expected to launch in December 2024, allows partner funds to pool their indirect real estate investments under London CIV. Managed by CBRE IM, the initiative aims to enhance cost efficiency, performance, and influence in real estate investments, providing access to global property markets while maintaining flexibility through separately managed accounts.
- 3.12. **All Maturities Buy & Maintain Credit Fund:** Scheduled for launch in October 2024, this fund will be managed by Insight Investment. It aims for a 25% lower weighted average carbon intensity compared to its reference index, with a strong focus on ESG integration.

RESPONSIBLE INVESTOR COMMENT

3.13. 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.

4. ENVIRONMENTAL IMPLICATIONS

4.1. 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.

5. FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES

5.1. There are no finance comments to add.

6. LEGAL COMMENTS OF THE BOROUGH SOLICITOR

6.1. 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.