

Item No. 12	Classification: Open	Date: 26 February 2024	Meeting Name: Pensions Advisory Panel
Report title:		Multi-Asset Credit Update	
From:		Pensions Investment Manager	

Recommendations

1. To note the progress in evaluating the market for Multi-Asset credit managers.
2. To agree to the officer proposal to invite managers and LCIV to attend a meeting for voting members of PAP on 4 March

Background information

3. The current investment strategy of the Southwark Fund was developed as part of a three year cycle, involving the triennial actuarial valuation and a formal review of investment strategy as influenced by the results of the valuation.
4. The last review of the Strategic Asset Allocation of the Pension Fund took place following the 2022 actuarial valuation. The objective of the review was to ensure that the asset class and fund manager allocations of the Fund best capture investment opportunities with an optimal level of risk exposure to meet future pension payments over the long term.
5. In addition, the review sought to incorporate the Fund's commitment to achieving net zero carbon exposure, within its investments, by 2030.
6. As a result of the 2022 investment strategy review, the following high level investment strategy was agreed for the Fund in December 2022:

Asset class	Target Allocation %	Maximum Allocation	Role within strategy	Carbon classification
Equity	50	60	Expected long-term growth in capital and income in excess of inflation over the long-term	Low/reduced carbon
Multi-Asset Credit	10	20	Diversified approach to fixed income investing which aims to deliver equity like returns over time with a lower level of risk	Low carbon
Index-Linked Gilts	10	20	Low risk (relative to the liabilities) asset that provides inflation linked income and protection from falling interest rates	Non-low carbon

Asset class	Target Allocation %	Maximum Allocation	Role within strategy	Carbon classification
Property	20	30	Provides diversification from equities and fixed income Generates investment income and provides some inflation protection.	Reduced carbon
Sustainable Infrastructure (ESG Priority)	5	10	Asset class provides additional diversification from traditional asset classes. Generates sustainable, reliable income with significant linkage to inflation. Provides risk mitigation from declining fossil fuel usage.	Zero carbon
Bereavement Services Timberland Private Equity (ESG Priority)	} } 5 }	10		Low carbon Zero carbon Reduced carbon

7. The above shows a 10% target allocation to Multi-Asset Credit (MAC), which was introduced to replace the allocations to legacy investments in Diversified Growth (DGF) (5%) and Absolute Return Bond (ARB) (5%) funds, both run by Blackrock. An additional 5% of the Fund that was allocated to Diversified Growth was reallocated across other asset classes held in the Fund (equity/infrastructure).
8. At the PAP meeting of 6th March 2023 it was agreed to allocate £100m to Robeco's Global Climate Credits Fund. This represented 50% of the Fund's total allocation to MAC.
9. Since March 2023, officers and Aon have been researching the market to identify suitable MAC strategies that meet LBSPF's requirements in terms of financial objectives and to help meet its net-zero commitments.

Purpose of meeting

10. Members of PAP will receive an update on progress in identifying suitable MAC managers and to agree that managers will be invited to attend a selection meeting on 4 March 2024.

Next Steps

11. Voting members of PAP are to meet on 4 March to receive presentations from London CIV and Multi-Asset Credit Managers.

Community, Equalities (including socio-economic) and Health Impacts

Community Impact Statement

12. There are no immediate implications arising.

Equalities (including socio-economic) Impact Statement

13. There are no immediate implications arising.

Health Impact Statement

14. There are no immediate implications arising.

Climate Change Implications

15. There are no immediate implications arising.

Resource Implications

16. There are no immediate implications arising.

Legal Implications

17. There are no immediate implications arising

Consultation

18. There are no immediate implications arising.

Financial Implications

19. There are no immediate implications arising.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

20. No.

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Tracey Milner, Interim Pensions Investments Manager	
Version	Final	
Dated	21 February 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive - Governance and Assurance	No	No
Strategic Director of Finance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	21 February 2024	

