

Meeting Name:	Pensions Advisory Panel
Date:	30 September 2024
Report title:	Multi-Asset Credit Update
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Pensions Investments Manager

Recommendation

1. The Pensions Advisory Panel is asked to ratify the decision, made at the special meeting of 4 March 2024, to appoint LCIV (Alternative Credit Fund) as multi-asset credit manager with a £100m allocation.

Background

2. As part of the 2022 investment strategy review, PAP agreed to a new 10% strategic allocation to multi asset credit, to be funded from the legacy absolute return bond and diversified growth holdings.
3. On 9 March 2023 a special meeting of voting members of PAP met and having received presentations from three shortlisted managers, recommended that Robeco (Climate Global Credits Fund) be appointed as the preferred manager for a £100m pooled fund investment. This decision was ratified at the PAP meeting of 17 July 2023.
4. Following this decision, officers and Aon continued to review and assess potential Multi-Asset Credit (MAC) strategies to ensure that the 10% strategic allocation could be achieved in 2023-2024.

LCIV-CQS

5. At the PAP meeting of 26 February 2024 officers presented a paper which updated on progress to date in identifying additional MAC strategies. It was agreed that LCIV (LBS PF's LGPS investment pool) and CQS (the underlying manager of the LCIV Alternative Credit Fund) be invited to present to a special meeting of voting members of PAP on 4 March 2024.

6. Following the meeting, a recommendation was made to appoint LCIV-CQS as the preferred manager for the remaining £100m MAC allocation. This will be ratified at this meeting.
7. The LCIV Alternative Credit Fund (ACF, managed by CQS) provides good diversification within the overall LBS MAC allocation, with a focus on higher yielding credit (such as loans and structured credit) than the Robeco fund, which is predominantly focussed on investment grade credit. The ACF also complements the Robeco allocation, both in terms of LBS PF's financial objectives and net-zero aspirations. In addition, allocating to an LCIV fund is in line with the government imperative to pool liquid assets by 31 March 2025.
8. Following completion of due diligence, and signing off documentation with LCIV, the allocation was made on 28 March 2024 ahead of the end of the financial year. The allocation was funded through full divestment of the Fund's absolute return bond holding.

Community, equalities (including socio-economic) and health impacts

Community impact statement

9. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

10. There are no immediate implications arising from this report.

Health impact statement

11. There are no immediate implications arising from this report.

Climate change implications

12. There are no immediate implications arising from this report.

Resource implications

13. There are no immediate implications arising from this report.

Legal implications

14. There are no immediate implications arising from this report.

Financial implications

15. There are no immediate implications arising from this report.

Consultation

16. There are no immediate implications arising from this report.

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Tracey Milner, Pensions Investments Manager, Treasury and Pensions	
Version	Final	
Dated	17 September 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 Resources	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	17 September 2024	