

## Pensions CIV Sectoral Joint Committee

Item no: 5

### Fund Development Update

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**Summary:** This report summarises the status of fund launches to ensure transparent and robust reporting of delivery against the Company's Business Plan and MTFS.

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**Recommendations:** The committee is recommended to note the contents of this report.

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## **Fund Launch Progress Summary**

1. From the current position of six sub-funds LCIV has a further nine funds in the launch plan to March 2018.
2. Attached is the high-level Fund Launch Phase time line which outlines the six stages of launch; Initiation, Procurement, Product Development & Due Diligence, Legal & Regulatory Documents, FCA Approval and Fund Launch.
3. Also attached is the Fund Launch Pipeline Status which provides further detail on each fund launch including the RAG status on six funds and a commentary on the Global Equity Phase 2 and Fixed Income status.
4. The remaining three funds of the CQC phase **Newton Global Equity, Majedie UK Equity and Longview** will launch in May and June, slightly behind the MTFS plan.

## **Global Equities Phase 1**

5. The fund launch process has now begun with **three global equity funds** targeted to launch in September. Based on survey data from across the boroughs and close collaboration with officers of the Investment Advisory Committee the three proposed strategies are:
  - i. Income;
  - ii. Sustainable; and
  - iii. Emerging Markets
6. Product development and due diligence will be completed by the end of May. Borough interest and investment decision making is a critical dependency to launching these three funds with the forecast £550mil in assets by September and two further global equity funds @ £300mil in December.
7. A fuller report is available as item E3 of this agenda.

## **Fixed Income**

8. Fixed income work is ongoing with product research well underway. Various fixed income product and vehicle types are being assessed which may or may not lead to a procurement. Two Fixed Income funds with £600mil in assets are projected to launch by March '18 as per the MTFS plan.
9. In recent weeks the London CIV investment team outlined a proposal of various product structures to LCIV's Executive Committee. Following internal approval the investment team will continue to review the opportunity set across fixed income (including alternatives) with the aim of beginning the procurement process for designated sub-asset classes in the second half of 2017.
10. Recent surveys and discussions with colleagues in both the IAC and the fixed income working sub-group, suggest 'Private Debt' and 'Multi-asset Income' will be the early focus of research efforts.
11. The IAC Fixed Income sub-group will convene for the third time in the upcoming weeks to discuss Private debt. In attendance will be a selected private debt fund manager to give an update on the opportunities in the asset class. The London CIV investment team will also present their internal research of the asset class to the sub-group.

### **Low Carbon:**

12. It has become clear that a number of London Local Authority Pension Funds are considering whether a low carbon approach for their fund will become part of their broader investment strategy and subsequently are therefore considering whether low carbon options should form part of their portfolios. We are aware that a number of funds have made commitments to manage fossil fuel reduction programmes over a period of time. LCIV are working closely with London Local Authority Officers to better understand the requirements of the Funds for options in low carbon including whether Funds are looking for passive / active funds and the timescales for investing. As part of the effort to gain a better understanding of requirements, LCIV officers have met with a small group of funds who are part of the Investment Advisory Committee, who have expressed an interest in low carbon funds.
13. As part of the Stewardship Seminar held on 1st February which a number of the Joint Committee Members attended, a discussion panel covering low carbon was held, which included presenters from the Environment Agency, Mercer, legal advisers and a low carbon property fund. Overall the session was well received with the panel debate scoring some of the highest ratings in terms of relevance, usefulness and quality of presentations. Further the majority of those completing the survey were either very likely or somewhat likely to attend further seminars on climate change. With that in mind, London CIV are looking at holding a climate change workshop in June after the Joint Committee meeting for those who are interested in exploring the issue in more depth.
14. Whilst recognising that low carbon fund options are unlikely to have universal appeal across all London Local Authorities, there does seem to be some momentum building for funds in this area. Members are asked to consider whether they are content for London CIV to continue to explore options in this area and to look at the feasibility of opening dedicated sub-funds and to provide feedback to the Committee at a later date.

### **Recommendations**

15. The Committee is recommended to consider the contents of this report and particularly to provide feedback as requested in paragraph 14.

### **Financial Implications**

16. There are no financial implications for the committee to consider at this time.

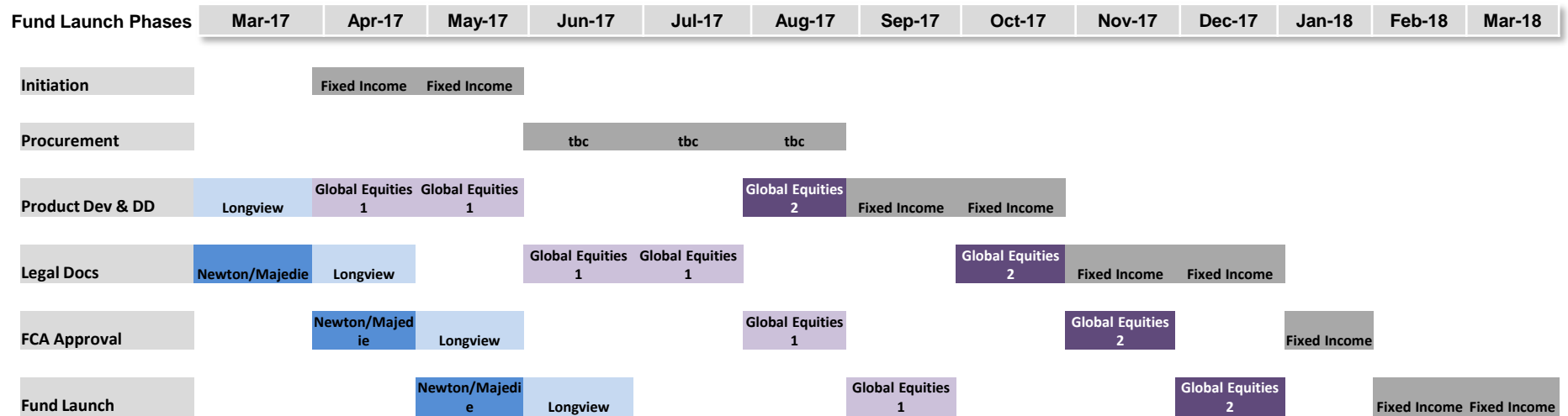
### **Legal implications**

17. There are no legal implications for the Committee to consider at this time.

### **Equalities implications**

18. There are no equalities implications for the Committee.

# Fund Launch Phases



▲ Fund Launch Dates: 18 & 22 May, 28 June

## Fund Launch Initiation

- Borough Needs Assessment
- Fund Launch Business Case
- Initial Product Development
- Commercials
- Seek Board Approval

## Procurement

- Secure Investment Consultants
- Tender Process
- Investment Manager Interviews
- Short List for Investment Oversight Committee Approval

## Product Dev & DD

- Product Development
- Due Diligence – Investment/Systems & Controls / Operational Readiness
- Investment Oversight Committee Approval

## Legal/Fund Documents

- Prospectus
- Investment Manager Agreement
- FCA Forms
- Deed

## FCA Approval

- 4 week process of FCA review, comment and approval

## Fund Launch

- Operational set up LCIV & Northern Trust
- Borough On boarding (dependent upon availability of assets)

# Fund Launch Pipeline Status as at 4, April '17



Fund	Plan Launch Date	Target Launch Date	£ AUM (mil)	RAG status	Fund Launch Phase	Update
Newton Global Equity	March 31	May 22nd	£557		FCA Approval	▪ On track to launch May 22 <sup>nd</sup> . Currently under review with the FCA.
Majedie UK Equity	March 31	May 18th	£535		FCA Approval	▪ On track to launch May 18 <sup>th</sup> . Currently under review with the FCA.
Longview Global Equity	May	June 28th	£450		Legal Docs	▪ On track to launch June 28 <sup>th</sup> . Legal documents including Prospectus and Investment Managers agreement are being drafted.
Global Equities: Phase 1: Henderson EM	Sep	Sep	£150++		Product Development & Due Diligence	▪ Product development and due diligence to be completed April/May.
Global Equities: Phase 1: EPOCH Equity Inc	Sep	Sep	£200++		Product Development & Due Diligence	▪ Product development and due diligence to be completed April/May.
Global Equities: Phase 1 RBC Sustainable	Sep	Sep	£200++		Product Development & Due Diligence	▪ Product development and due diligence to be completed April/May.
Global Equities: Phase 2+	Dec	Dec	£300++	tbc	Initial Stage: Borough Needs Assessment	▪ Need to complete Borough needs assessment to determine potential demand for global equity; value , core and/or growth mandates.
Fixed Income+	Mar '18	Mar '18	£600++	tbc	Initial Stage: Fund Development	▪ Initial stage of fund development researching fixed income product options. Fixed Income proposal to be reviewed by stakeholders.

**+Need to develop project plan and time. Product structure unknown at this time for Fixed Income. Global Equities Phase 2 strategies not finalised.**

**++Per MTFS estimated assets. Actual commitments to be determined.**



Green: On track. Project is performing to plan and all targets are on track regarding resources, scope and timing.



Amber: There is a problem with the project performance and one or more of the targets regarding scope, time or resources is at risk but the risk is being addressed.



Red: Significant issues with one or more of the targets regarding scope, time or resources not being met. Project needs to be escalated to the executive team.