

GREATER MANCHESTER PENSION FUND - ALTERNATIVE INVESTMENTS WORKING GROUP

Friday, 20 October 2017

Commenced: 9.30 am

Terminated: 11.05 am

Present: Councillors Cooney (Chair), Ricci, Halliwell and Mr Drury

In Attendance:

Sandra Stewart	Director of Pensions
Steven Taylor	Assistant Director of Pensions (Investments)
Neil Cooper	Senior Investments Manager
Nigel Frisby	Investments Manager (Private Markets)
Nick Livingstone	Investments Manager (Private Markets)

Apologies for Absence: Councillors Barnes and Jabbar

8. DECLARATIONS OF INTEREST

There were no declarations of interest.

9. MINUTES

The Minutes of the meeting of the Alternative Investments Working Group held on 20 July 2017 were approved as a correct record.

10. HALF YEARLY REVIEW OF GMPF'S PRIVATE EQUITY PORTFOLIO

John Gripton of Capital Dynamics Ltd attended the meeting to present the half yearly report of Greater Manchester Pension Fund's (GMPF) Private Equity portfolio for the period ending 30 June 2017.

Mr Gripton gave a summary of the private equity market during the period under review including the continued strength of fundraising globally, increased deal flow and significant levels of realisations – through trade sales and IPOs.

With regard to GMPF's Private equity portfolio, it was reported that three new fund commitments and one follow-on commitment had been made during the first half of 2017. These commitments totalled £111 million, taking the total of active fund commitments to £1.612 billion as at 30 June 2017. The portfolio was diversified with exposure spread across multiple geographies and across a selection of experienced, well-established managers.

It was reported that the portfolio since inception had remained very stable at 16.8% per annum and the prospects for long term Private Equity returns were considered to remain attractive.

RECOMMENDED:

That the report be noted.

11. HALF YEARLY REVIEW OF GMPF'S INFRASTRUCTURE PORTFOLIO

Angela Willetts of Capital Dynamics Ltd attended the meeting to present the half yearly review of Greater Manchester Pension Fund's (GMPF) Infrastructure Portfolio for the period ending 30 June 2017.

Ms Willetts began by summarising the infrastructure market for the first half of 2017, and explaining infrastructure deal flow by region and sector. The Infrastructure fund raising market continued to grow after its strongest-ever year in 2016, and 2017 was also expected to be a record year.

The growth of GMPF's portfolio during the period under review was outlined and, with four new fund commitments totalling £222.9 million, total fund commitments increased to £809.7 million at the period end. It was reported that during the period under review, £74.7 million of GMPF's commitments were drawn down and distributions totalling £32.6 million were received.

The net asset value of the portfolio increased by £56 million during the period and, at £422.3 million at the period end, represented 2% of Main Fund assets and a multiple of 1.3 times cost.

It was reported that the overall net internal rate of return for the infrastructure fund portfolio was 10.8% per annum as at 30 June 2017.

RECOMMENDED:

That the report be noted.

12. SPECIAL OPPORTUNITIES PORTFOLIO - REVIEW OF ACTIVITY AND PERFORMANCE

The Assistant Director of Pensions (Investments) submitted a report providing the Working Group with a routine annual update on the activity and performance of GMPF's Special Opportunities Portfolio. The portfolio continued to seek opportunities that delivered good returns but were away from traditional markets.

The key features of the Special Opportunities Portfolio were outlined. In the 12 months to 30 June 2017, three new commitments / investments totalling £220 million were made and a further commitment awaited financial close. To date, GMPF had made commitments / investments totalling £779 million to 14 funds. Of these funds, 13 were active and, at the period end, the portfolio had a value of £293 million and represented 1.4% of Main Fund assets.

With the reported step up in new investment activity over the last two years, the value of investments and undrawn commitments would represent 3.6% of Main Fund assets. It was noted that this was remained a young portfolio and it would take time to work towards the 5% target allocation.

Descriptions were given of each type approval that had been granted alongside the relevant commitments and a brief commentary given regarding future plans and the large number of potential investment opportunities that Officers continued to receive / review including insurance-related investments, shipping finance, structured credit and aircraft leasing.

It was reported that the portfolio had achieved a return since inception of 10.1% per annum, which was in excess of the target return set for the portfolio of retail price index plus 5% would continue to be achieved.

The Special Opportunities Portfolio continued to provide a useful vehicle for achieving the key twin aims of increasing diversification and achieving good returns, and would fall within the current review of Main Fund strategy being undertaken by Hymans Robertson.

RECOMMENDED:
That the report be noted.

13. ADVENT INTERNATIONAL

The Working Group welcomed Johanna Barr, Vasiliki Kardana and Candy Fisher of Advent International (Advent) who attended the meeting to present an overview of the firm's investment activities and of private equity generally.

The Working Group was informed that Advent, founded in 1984, raised its first global fund in 1987 and operated two distinct investment programmes – Western Europe and North America (under the 'GPE' label) and Latin America ('LAPEF'). The firm's diverse investment teams – based in 12 offices around the globe – included over 190 investment professionals and provided Advent with an extensive local presence in its target markets.

The firm's investment strategy was to acquire mid to large cap businesses in five core sectors and focussed on business transformation with a view to improving earnings growth. The teams worked closely with over 80 operating partners and other external advisors during due diligence and throughout the lifecycle of an investment.

It was reported that GMPF had made a commitment to Advent's latest fund (Fund VIII) in February 2016. As at 30 June 2017, the fund had invested in 14 companies and drawn down over €8 million of GMPF's commitment.

A case study was outlined and discussed with the Working Group.

RECOMMENDED:
That the information provided be noted.

14. URGENT ITEMS

There were no urgent items.