

# **GREATER MANCHESTER PENSION FUND - ALTERNATIVE INVESTMENTS WORKING GROUP**

**23 October 2015**

**Commenced:** 9.30 am

**Terminated:** 10.40 am

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

**Apologies for Absence:** Councillors Reid, Ricci, Ward, Dean and Dennett

## **6. DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **7. MINUTES**

The Minutes of the previous meeting held on 24 July 2015 were approved as a correct record.

## **8. HALF YEARLY REVIEW OF GMPF'S PRIVATE EQUITY PORTFOLIO**

John Gripton of Capital Dynamics Ltd (CapDyn) attended the meeting to present the half yearly report of Greater Manchester Pension Fund's (GMPF) Private Equity portfolio for the half-year period ended 30 June 2015.

Mr Gripton gave a brief overview of developments at CapDyn, including an upgrade to the client portal, and that joint heads had been appointed to CapDyn's global private equity team.

The Private Equity environment during the period under review, fundraising levels, investment activity and exit activity in Europe, the US and Asia were detailed and discussed. It was summarised that CapDyn's overall outlook remained positive for both US and European private equity, although market volatility was expected to impact on exit activity, especially in Asia, and on short-term performance.

It was reported that new fund commitments made during the period under review increased GMPF's total active commitments to £938 million. Since the period end, four further fund commitments, totalling £75 million, had been made.

The working group heard that during the period under review £47.3 million of GMPF's commitments were drawn down and distributions totalling £52 million were received. Net asset value of the portfolio had remained at 2.9% of the Main Fund as at 30 June 2015.

Portfolio value appreciated by 2.7% during the period under review and the annual return since inception had remained stable at 16.7%. It was anticipated that valuations would increase further on receipt of further underlying fund reports and, whilst the portfolio would continue to deliver attractive long-term returns, the 2006-2008 vintage year funds would prove the most challenging.

## **RECOMMENDED:**

**That the report be noted.**

## **9. HALF YEARLY REVIEW OF GMPF'S INFRASTRUCTURE PORTFOLIO**

Victoria McQuestion of Capital Dynamics Ltd (CapDyn) presented the half yearly review of GMPF's Infrastructure Portfolio as at 30 June 2015.

Ms McQuestion detailed the growth of the portfolio during the period under review and, with three new fund commitments totalling £87 million made, total fund commitments were over £382 million at the period end. One further new fund commitment of around £40 million was made subsequent to the period end.

It was reported that during the period under review, £46.2 million of GMPF's commitments were drawn down and distributions totalling £9.1 million were received. As at 30 June 2015, the return since inception of the portfolio was 7.1% and further increases were anticipated as the portfolio matured.

The working group heard that the net asset value of the portfolio was around £194 million as at 30 June 2015 and represented 1.4% of Main Fund assets, compared to 1.1% as at 31 December 2014. It was envisaged by CapDyn that the target 4% allocation could be achieved by approximately 2019.

### **RECOMMENDED:**

**That the report be noted.**

## **10. SPECIAL OPPORTUNITIES PORTFOLIO - REVIEW OF ACTIVITY AND PERFORMANCE**

The Executive Director of Pensions submitted a report, which provided the working group with a routine annual update on the activity and performance of GMPF's Special Opportunities Portfolio.

The key features of the Special Opportunities Portfolio, the approach to portfolio construction, and the Type Approvals granted/implemented were outlined.

It was reported that, as at 30 June 2015, GMPF had made commitments/investments totalling £404 million to eight active funds. Activity figures for each of the portfolio commitments were detailed in the report.

As at the period end, the net asset value of the portfolio represented 1.2% of Main Fund assets. It was noted that this was a young portfolio and it would take time to work towards the 5% target allocation.

It was reported that officers continued to receive and review, a large number of approaches each year which covered a diverse range of potential investment opportunities. Officers would continue to invest under current and future Type Approvals but would have due regard for the enlarged Main Fund (post MoJ assimilation) asset base when sizing potential investments.

### **RECOMMENDED:**

**That the report be noted.**

## **11. PRESENTATION BY TIAA-CREF**

The working group welcomed Stephane Marguier of TIAA-CREF Asset Management (TCAM) to the meeting. The presentation provided an overview of TCAM, its investment activities and investment activity in the global agricultural and timberland sectors.

Mr Marguier explained that TCAM was the asset management subsidiary of TIAA-CREF (Teachers Insurance and Annuity Association – College Retirement Equities Fund), the leading retirement provider in the US for people who worked in the academic, research, medical and cultural fields. TIAA-CREF had assets under management in excess of \$650 billion.

The working group heard that TCAM had been investing in agriculture since 2007 and had assets worth in excess of \$5billion in that sector. TCAM was differentiated by its global scale and approach to investment through its majority ownership of a leading farmland asset manager in America and Australia and its joint venture with a Brazilian publicly-traded company with a primary focus on sugar and ethanol production.

Members enquired about the effects of different weather types on American and Australian row crops. Mr Marguier advised that the availability and management of water on land owned and leased by TCAM was an important consideration.

The working group was informed that TCAM had invested in timberland since 1998 and had over \$1.8billion invested in timber assets. Timber plantations in North America, Latin America, Europe and Asia were actively managed by a specialist developer and manager of plantation forestry, in which TCAM had a majority interest.

Mr Marguier outlined TCAM's globally diversified approach to timberland, which targeted a mix of greenfield and existing plantations producing timber for biomass and traditional markets. TCAM had the largest dedicated biomass plantation in Europe.

**RECOMMENDED:**

**That the presentation be noted**

## **12. URGENT ITEMS**

The Chair reported that there were no urgent items for consideration at the meeting but made mention of the recent and untimely death of Russell Page of GMPF's legal team, and whose past service to the Working Group was recognised and appreciated.

**CHAIR**