

GREATER MANCHESTER PENSION FUND - POLICY AND DEVELOPMENT WORKING GROUP

24 November 2022

Commenced: 11:00am

Terminated: 12.45pm

IN ATTENDANCE

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| Councillor Cooney (Chair) | |
| Councillor North | |
| Councillor Ryan | |
| John Thompson | UNITE |
| Petula Herbert | MoJ |
| John Pantall | Independent Fund Observer |
| Cllr John Taylor | Fund Observer |
| Mark Powers | Advisor to the Fund |
| Ronnie Bowie | Advisor to the Fund |
| Sandra Stewart | Director of Pensions |
| Tom Harrington | Assistant Director of Pensions (Investments) |
| Paddy Dowdall | Assistant Director of Pensions (Local Investments and Property) |
| Steven Taylor | Assistant Director of Pensions (Special Projects) |
| Neil Cooper | Head of Pension Investment (Private Markets) |
| Michael Ashworth | Senior Investments Manager (Public Markets) |
| Alex Jones | Investment Officer (Local Investments) |

Apologies for absence: Peter Moizer - Advisor to the Fund

34. DECLARATIONS OF INTEREST

There were no declarations of interest.

35. MINUTES

The minutes of the meeting of the Policy and Development Working Group held on the 8 September 2022, were approved as a correct record.

36. REPORT OF THE MANAGER – NINETY ONE

Jonathan Parker, Annika Brouwer and Stephen Lee of Ninety One attended before Members and gave a presentation detailing their performance for the 12 months to 30 September 2022.

Mr Parker began by explaining that, in a difficult period for markets, the portfolio had outperformed the index. From a style perspective, value had outperformed growth.

Mr Parker gave details of underperforming and outperforming sectors for the period and outlined notable individual contributors. The key characteristics of the current portfolio against the index were also outlined.

Ms Brouwer then commented on Cop 27 and Ninety One's approach to climate action. In particular, the need to address the problem of high emitting sectors/companies and the use of engagement to steer companies in the right direction to drive down carbon to ensure a net zero future.

Wide ranging discussion ensued with regard to the content of the presentation and the Advisors

made particular reference to the challenge of taking sufficient risk to achieve the performance target over the long term.

The Chair thanked the representatives of Ninety One for their presentation.

RECOMMENDED

That the content of the presentation be noted.

37. REPORT OF THE MANAGER – STONE HARBOR

David Scott, Paul Timlin and Simon Lau of Stone Harbor then attended before Members and gave a presentation detailing their performance up to 30 September 2022.

Mr Scott began by discussing the broad market environment and gave details of portfolio returns over the past 12 months.

Performance analysis to 30 September 2022 was given, including duration, credit beta weighted contributions and security selection. Mr Scott explained that the core strategy in the year to 30 September 2022 had been to remain cautious, with a bias towards corporate debt rather than Emerging Markets debt.

Discussion ensued and Advisors sought clarification in respect of inflation expectations and cautioned against a somewhat sanguine view of markets in the face of potentially ongoing financial repression. Mr Bowie commented on the potentially large impact on the portfolio of central bank actions and possible recession.

RECOMMENDED

That the content of the presentation be noted.

38. UBS GLOBAL (DEVELOPED) EQUITY VALUE ALLOCATION

Consideration was given to a report of the Assistant Director of Pensions Investments providing details of due diligence in relation to a proposal for a pilot of a Global (Developed) Equity Value allocation within the UBS mandate, along with a proposed initial quantum of assets.

Going forward, it was proposed that the Global (Developed) Equity Value allocation would be kept under review and increased subject to satisfactory progress against the standard monitoring framework of Philosophy, People, Process and Performance and prior approval by Panel.

RECOMMENDED

- (i) That approval be given for a Global (Developed) Equity Value allocation within the UBS Portfolio with an initial quantum of assets as set out in the report; and**
- (ii) That the rules pertaining to the Main Fund public equity allocation be updated as set out in the report.**

39. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

Consideration was given to a report of the Assistant Director of Pensions Investments, which summarised the results from the Monitoring Escalation Protocol as at 30 September 2022.

The Overall Status Levels and courses of action taken (or to be taken) in relation to the results from the most recent Monitoring Escalation Protocol were provided for each manager in an appendix to the report.

It was explained that the Manager Escalation Protocol included performance as the sole metric by

which the Securities Managers were initially assessed. There were a number of less quantitative, softer dimensions, which could be used to form a view on the Manager's prospects of outperforming going forward. These included the quality of the staff and turnover of key personnel, a coherent and robust approach to linking the underlying philosophy of investing to the actual purchases and sales made and the underlying investment philosophy itself.

In addition, a traffic light approach (Green, Amber, Red) had been developed to provide a single overall indicator that summarised Officers' current subjective assessment of People, Process and Philosophy for each Manager. The respective traffic light should be viewed as providing additional context to supplement the codified Status Levels of the Monitoring Escalation Protocol.

RECOMMENDED

That the content of the report be noted.

40. UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING

The Assistant Director of Pensions Investments submitted a report providing Members with an update on investment management cost benchmarking for the Fund over 2021/22.

In respect of CEM Investment Cost Analysis, it was reported that GMPF had generated significant underlying savings in 2021/22.

CEM had also benchmarked GMPF's costs against a peer group of 17 relatively similar sized global funds (including LGPS funds and non-LGPS funds) and GMPF was lower cost than the benchmark.

RECOMMENDED

That the content of the report be noted.

41. DATE OF NEXT MEETING

It was noted that the next meeting of the Policy & Development Working Group was scheduled to take place on Thursday 2 March 2023.

CHAIR