

GREATER MANCHESTER PENSION FUND - ALTERNATIVE INVESTMENTS WORKING GROUP

Friday, 3 February 2017

Commenced: 9.30 am

Terminated: 10.55 am

Present: Councillors Cooney (Chair), Ricci, Ward, Halliwell and Hamilton

In Attendance:

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

16. DECLARATIONS OF INTEREST

There were no declarations of interest.

17. MINUTES

The Minutes of the meeting of the Alternative Investments Working Group held on 21 October 2016 were approved as a correct record.

18. PRESENTATION BY IK INVESTMENT PARTNERS

Thomas Klitbo and Alice Langley of IK Investment Partners (IK) attended the meeting to provide details of IK's investment activities and of private equity in general.

Mr Klitbo began by informing the Working Group that IK was founded in 1989 and, led by its nine Partners, was focussed on 'middle market' investments within Northern Continental Europe. A limited proportion of funds raised by IK could also be invested outside of its core markets, for example Central and Eastern Europe, where IK had been active since 2008.

The regional investment teams were predominately made up of professionals who were nationals of the countries in which their team operated. The advantages of this, in addition to IK's international reputation, were local knowledge and access to local networks. The IK team had experience of investing in a broad range of industries including industrial goods, consumer goods, business services and the care sector. IK had a well-developed approach to responsible investment and a strong commitment to environmental, social and corporate governance.

It was reported that the core of IK's strategy was to make 'control' investments in companies with enterprise values of between €100 million and €500 million that were well-positioned in their local markets. IK's objective was to transform portfolio companies into regional or pan-European market leaders through geographic expansion as well as strategic and operational improvement.

IK had raised four 'middle market' funds since 2004 with commitments totalling €5.8 billion and made investments in over 40 companies. The most recent fund closed in 2016 with commitments of over €1.85 billion. In addition to IK's 'middle market strategy the firm had a 'small cap' investment fund, managed by a dedicated team.

The Working Group heard that GMPF had committed a total of £20 million to the two funds raised by IK in 2013 and 2016 and, as at 30 September 2016, almost £14 million had been drawdown and around £1 million distributed. The value of GMPF's interests in the two funds totalled in excess of £16 million.

An overview of the IK VII and IK VIII Funds was provided and two case studies relating to TeleComputing and Salad Signature were outlined and discussed with the Working Group.

RECOMMENDED:

That the presentation be noted.

19. PRESENTATION BY DIF INFRASTRUCTURE

Allard Ruijs of DIF Infrastructure attended the meeting to present DIF's investment activities and on infrastructure in general.

Mr Ruijs began by informing the Working Group that DIF Infrastructure was established in 2005 by its two Founding Partners and was an independent fund management company with headquarters in Amsterdam. The firm had over 65 investment professionals based in six offices across Europe in addition to offices in Toronto and Sydney. The DIF team had extensive experience across a range of infrastructure sectors and had established a good track record by drawing on both a regional and international presence where widespread networks supported asset management teams.

Since 2005, five funds totalling over €3.3 billion had been raised to invest in a variety of projects including Public Private Partnerships, renewable energy and other core infrastructure opportunities across Europe, North America and Australia. DIF raised its first fund in 2006 and had subsequently closed its other funds in 2008, 2010 and 2013. DIF IV closed in 2015. Since inception, DIF funds overall had distributed a 9.6% net cash yield on investors' average drawn commitments, with DIF's Public Private Partnership fund returning over 1.9x investor's drawn commitments.

It was reported that DIF had also raised €360 million for co-investment alongside its funds and, in 2014, it took over the management of a portfolio of operational wind and solar PV projects in Europe. DIF's diversified portfolios were focused on low-risk investment opportunities with stable cash flows.

The Working Group heard that GMPF had committed a total of £30 million to the DIF IV fund. As at 31 December 2016 over £14 million had been drawn down and the value of GMPF's interest in the fund was approximately £13 million. Further drawdowns were expected during the first quarter of 2017 as new transactions were closed.

Mr Ruijs outlined DIF's track record and gave an overview of the DIF IV Fund. Case studies relating to off-shore and onshore wind projects and Barts (UK) Hospital were discussed with the Working Group.

RECOMMENDED:

That the presentation be noted.

20. URGENT ITEMS

There were no urgent items.