

GREATER MANCHESTER PENSION FUND - POLICY AND DEVELOPMENT WORKING GROUP

26 November 2020

Commenced: 11:00am

Terminated: 12.45pm

IN ATTENDANCE

Councillor Warrington	(Chair)
Councillor Cooney	
Councillor M Smith	
John Thompson	Trade Union Representative (UNITE)
Councillor Pantall	Fund Observer
Councillor Ryan	Fund Observer
Ronnie Bowie	Advisor to the Fund
Lynn Brown	Advisor to the Fund
Peter Moizer	Advisor to the Fund
Mark Powers	Advisor to the Fund
Sandra Stewart	Director of Pensions
Tom Harrington	Assistant Director of Pensions (Investments)
Paddy Dowdall	Assistant Director of Pensions (Local Investments & Property)
Euan Miller	Assistant Director of Pensions (Funding & Business Development)
Steven Taylor	Assistant director of Pensions (Special Projects)
Neil Cooper	Head of Pension Investment (Private Markets)
Kevin Etchells	Investment Manager (Local Investments)
Andrew Hall	Investment Manager (Local Investments)
Michael Ashworth	Senior Investments Manager (Public Markets)
Mushfiqur Rahman	Investments Manager (Public Markets)
Abdul Bashir	Investments Manager (Public Markets)

MSCI representatives: Luke Pakes and Theo Apostolov

Ninety One representatives: Stephen Lee, Jonathan Parker and Shaza Hasan

Apologies for Absence: Ms Herbert (MoJ)

28. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and was very pleased to announce that the Fund had been shortlisted for the LAPF Scheme Administration award for the second year running. The virtual awards ceremony was scheduled to take place on 2 December 2020 and whilst clearly she hoped that the Fund was recognised as the winner she wanted to thank the staff for the huge achievement in getting shortlisted, which for the second year running was a testament to hard work and dedication particularly given the challenging times.

29. DECLARATIONS OF INTEREST

There were no declarations of interest.

30. MINUTES

The minutes of the meeting of the Policy and Development Working Group held on the 3 September 2020, were approved as a correct record.

31. UK PROPERTY PERFORMANCE

Luke Pakes and Theo Apostolov of MSCI, presented before Members and gave an update on Property performance up to Q3 2020, on GMPF's Property portfolios, both direct and in-direct.

Mr Pakes began by presenting an overview of the MSCI UK Quarterly Property Index, September 2020.

He explained the evolving nature of the index, including the shift in the retail sector over a 10 year time frame, the continuing decline in rental growth and the marginally positive office sector position.

The Fund's performance in context with the Benchmark was detailed, including the relative total return by sector.

The top and bottom 10 performing assets were highlighted and long term percentile ranking and distribution and relative returns were given.

Fund exposures by capital value were demonstrated and 1, 3 and 5 year returns for the Fund against the benchmark, were displayed.

The Advisors expressed the importance of a macro view of the Property sector going forward and further sought clarification with regard to the impact of Covid-19 on property valuations and the reliability of valuations, going forward.

Discussion ensued in respect of the changing nature of the Industrial sector. The viability of office space and the retail offer, in a 'post Covid' world, was also deliberated.

The Chair, Members and Advisors thanked Mr Pakes for an extremely informative and helpful presentation.

RECOMMENDED

That the content of the presentation be noted.

32. PROPERTY INVESTMENT: DEPLOYMENT AND PERFORMANCE MONITORING

Consideration was given to a report of the Assistant Director, Local Investment and Property, updating Members on progress for property investment, focusing on deployment of capital and investment management against the background of continuing underperformance from the main direct manager.

It was reported that, historically the effect of the property investment programme at the Fund had been detrimental to overall performance. The Management Panel had taken a number of steps to correct this including:

- Appointment of a manager to manage main property portfolio.
- Changes to investment guidelines to allow more flexibility to facilitate faster deployment with more controls over risk/return balance through use of fixed interest instruments.
- Investing in Overseas Property through a diversified funds programme.
- Maintenance of a portfolio of balanced property pooled vehicles.

Members were advised that the Management Panel had observed that, three years into the appointment of a main direct manager, there were remaining issues on overall deployment of capital into property and that performance was behind expectations. Following an instruction by the Management Panel there was a review overseen by the working group and advisers which produced a number of key actions, as detailed in the report.

An update was given on each of the actions and a proposed project plan was appended to the report.

RECOMMENDED

That the content of the report be noted.

33. REPORT OF THE MANAGER

Stephen Lee, Jonathan Parker and Shaza Hasan of Ninety One, attended before Members and gave a presentation detailing their performance up to 30 September 2020.

Mr Parker explained that the portfolio had outperformed the index over the third quarter. The 4Factor screening part of the process contributed to performance over the period when compared to the equally weighted universe. The momentum factors – ‘Earnings’ and ‘Technical’ – continued to perform strongly, ‘Strategy’ was marginally positive, and ‘Value’ detracted despite a rally by value stocks in September.

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 discussed, with a focus on acquiring holdings in good quality companies at reasonable valuations with improving operating performance.

Wide ranging discussion ensued with regard to the content of the presentation and the Advisors congratulated Ninety One on their outperformance and commented on the affirmation of the diversification strategy of the Fund. Further reference was made to globalisation, its possible effect on share prices and the risks of the volatile relationship between US and China.

The top ten holdings were considered and caution raised in respect of the limited opportunities for outperformance of such prominent companies, going forward.

The issue of climate change was also highlighted and how this would affect stock selection. Mr Parker emphasised the importance of collaboration as a driver for change.

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

RECOMMENDED

That the content of the presentation be noted.

34. 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 2020.

It was stated the Fund’s approach to Securities Manager monitoring had been enhanced by the adoption of a codified and structured Monitoring Escalation Protocol. The Overall Status Levels and courses of action taken in relation to the results from the most recent Monitoring Escalation Protocol were provided for each manager appended to the report.

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 report be noted

CHAIR