1.0 SUMMARY

1.1 The purpose of this report is to remind members on recent progress in developing the collective investment vehicle and implications for the pension fund as well as decisions they have to make regarding transferring investments to the Collective Investment Vehicle. This report provides an update on recent developments of the London CIV including upcoming investments.

2.0 RECOMMENDATIONS

2.1 Members are asked to note the report.

3.0 DETAIL

3.1 From previous briefings Leaders’ Committee will be aware that asset pooling is now a requirement imposed by the government on the entire LGPS. This intervention has changed the position for the London Local Authorities from a voluntary collaboration to a much more mandated position and a requirement to deliver on four government imposed criteria:

- Asset pools, each with at least £25bn of Scheme assets;
- Strong governance and decision making;
- Reduced costs and excellent value for money; and
- An improved capacity to invest in infrastructure

Other than a requirement to have pooling structures established by April 2018 the government has not set a detailed timeframe, simply saying that assets should transfer as quickly and efficiently as possible. The London CIV was created with the goal of ensuring the individual funds were able to maximize economies of scale and the quality of investment manager they could access, while minimizing fees and charges.
3.2 As at 31 March 2017 assets under management within London CIV were £3.5bn with 18 London boroughs invested across 6 sub-funds.

3.3 The table below shows performance of each sub fund as at 31 March 2017.

<table>
<thead>
<tr>
<th>FUND</th>
<th>PRICE</th>
<th>FUND SIZE</th>
<th>Q1</th>
<th>1</th>
<th>SINCE INCEPTION</th>
<th>INCEPTION DATE</th>
<th>LONDON LOCAL AUTHORITIES INVESTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>LCIV Global Equity Alpha (Allianz Global Investors)</td>
<td>128.7</td>
<td>£667</td>
<td>6.79%</td>
<td>30.21%</td>
<td>30.86%</td>
<td>02/12/2015</td>
<td>3</td>
</tr>
<tr>
<td>LCIV BG Global Alpha Growth (Baillie Gifford)</td>
<td>134.3</td>
<td>£1,602</td>
<td>7.60%</td>
<td>N/A</td>
<td>35.00%</td>
<td>11/04/2016</td>
<td>9</td>
</tr>
<tr>
<td>LCIV PY Total Return (Pyrford)</td>
<td>109.1</td>
<td>£204</td>
<td>1.68%</td>
<td>N/A</td>
<td>9.10%</td>
<td>17/06/2016</td>
<td>3</td>
</tr>
<tr>
<td>LCIV Diversified Growth (Baillie Gifford)</td>
<td>114.2</td>
<td>£355</td>
<td>2.83%</td>
<td>10.35%</td>
<td>14.76%</td>
<td>15/02/2016</td>
<td>6</td>
</tr>
<tr>
<td>LCIV RF Absolute Return (Ruffer)</td>
<td>111.2</td>
<td>£413</td>
<td>0.00%</td>
<td>N/A</td>
<td>11.50%</td>
<td>21/06/2016</td>
<td>5</td>
</tr>
<tr>
<td>LCIV NW Real Return (Newton)</td>
<td>103.4</td>
<td>£332</td>
<td>1.97%</td>
<td>N/A</td>
<td>3.40%</td>
<td>16/12/2016</td>
<td>3</td>
</tr>
<tr>
<td>Total LCIV Assets Under Management</td>
<td>£3,573</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Data Source: Bloomberg as at 31/03/17 – Net of all fees and charges with income reinvested

3.3 Brent currently has £0.125bn assets under management directly with the CIV, £0.076bn with Baillie Gifford and £0.049bn with Ruffer (See Performance Report Update agenda item X for further analysis).

3.4 New Sub-Fund Launches

3.5 A further 6 sub-funds are scheduled for launch on the CIV platform over the next 5 months (3 of which are global equity sub-funds). Additional equity sub-funds are due to open in December, but the strategies chosen for launch will be announced over the summer, once additional work has been done to assess London Fund demand for different equity strategies. Two fixed income and cashflow generating sub-funds are planned to be launched in the first quarter of 2018.

3.6 The Fund is monitoring developments in investment opportunities with a view to transitioning assets across to the London CIV as soon as there are suitable sub-funds that meet the Fund’s investment strategy requirements. Further updates will be brought to the committee when more information is known about the investment opportunities.

3.7 In terms of the requirements for the Brent Pension Fund, we currently have a number of direct investments which are intended to be transferred onto the CIV
platform, preferably in the first quarter of 2018. These investments are primarily within Equities.

3.8 The Equity allocation is divided into global and UK equity components and together they equal 45% of the Fund. It is broadly on a 2:1 allocation, respectively. Currently, it sits at 50.3% with the bulk of that in passive equity. It is planned to move elements of this allocation from passive to active equity investments through the London CIV towards the end of 2017 as suitable funds become available.

3.9 In the case of UK small caps the agreed allocation is 5% with only 3.4% currently allocated. There are no immediate plans within the London CIV for any small cap opportunities.

3.10 Fixed Income is under allocated at present. The fixed bond fund from Henderson only contains 11.4% of the 15% allocation but under the original investment strategy, multi-assets and other fixed income products were considered more appropriate investments. That said, there are two fixed income sub-funds planned to be launched by the CIV in the first quarter of 2018.

4.0 FINANCIAL IMPLICATIONS

4.1 None

5.0 DIVERSITY IMPLICATIONS

5.1 None.

6.0 STAFFING IMPLICATIONS

6.1 None.

7.0 LEGAL IMPLICATIONS

7.1 None.

8.0 BACKGROUND INFORMATION

8.1 None.

9.0 CONTACT OFFICERS

9.1 Persons wishing to discuss the above should contact Ravinder Jassar, Head of Finance, on 020 8937 1487 at Brent Civic Centre.