



Report of: Corporate Director of Resources

Meeting of:	Date	Agenda item	Ward(s)
Pensions Sub-Committee	12 September 2018		n/a

Delete as appropriate	Exempt	Non-exempt
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**Appendix 1** is exempt and not for publication as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: Information relating to the financial or business affairs of any particular person (including the authority holding that information)

## SUBJECT: LISTED EQUITY PORTFOLIO REVIEW- LCIV ALLIANZ & NEWTON

### 1. Synopsis

- 1.1 This report and exempt appendix provide updated information on the Fund's listed equities portfolio and considers next steps on the LCIV Allianz and LCIV Newton global equity portfolio.
- 1.2 Mercer, our investment advisors have prepared a presentation of our strategic and current equity allocation, existing equity styles, things to consider when constructing a global equity and current sub funds available on the LCIV platform (attached as exempt Appendix 1)

### 2. Recommendation

- 2.1 To receive and consider the presentation by Mercer, our investment advisors
- 2.2 To agree one or two of the below options
  - (i) to do nothing and do a full review of equity allocations, and style after the actuarial valuation in 2020 as part of a whole Fund strategic review
  - (ii) to terminate Allianz and Newton and transfer assets to alternative global equity LCIV sub fund(s) subject to due diligence and timing by Mercer and Officers
  - (iii) to terminate Allianz and transfer assets to alternative global equity LCIV sub fund(s) subject to due diligence by Mercer and Officers

(iv) to delay the review of Newton to late 2019 so it forms part of a whole Fund strategic review

2.3 Depending on recommendation 2.2; agree that Officers and Mercer conduct due diligence and evaluate expected transaction costs and identify the best fit to report back in November.

### **3. Background**

#### Allianz

3.1 The Committee agreed to transfer our global equity assets with Allianz to the LCIV Allianz sub fund as part of the Phase 1 funding in December 2015. We were part of 3 boroughs who completed this transition at the time. As of the 2<sup>nd</sup> quarter of this year, the other 2 boroughs terminated their mandate with Allianz due to changes in asset allocation and requirements.

3.2 The LCIV will not terminate the Allianz sub fund because asset under management c £110m still makes it viable. Members are being asked to reconsider the portfolio because we are the only investors now and the fund has underperformed over the long term not achieving its target outperformance since inception in January 2009 and their Mercer rating is now a 'B'. Members asked for further analysis on both our global equities on the LCIV platform (that is Allianz and Newton)

#### Newton

3.3 Newton was a segregated global equity manager appointed in January 2009 and transferred to the London CIV platform in May 2017. Three boroughs were still invested as at August with an AUM of £571m. The long term performance since inception is below the target outperformance. The Mercer rating is B+. Members will also recall they agreed a separate proposal regarding credit accrued from performance fee.

3.4 Mercer will discuss in their presentation attached as Exempt Appendix 1 more details about the portfolios and the options available for consideration.

### **4. Implications**

#### **4.1 Financial implications**

4.1.1 The cost of providing independent investment advice and transition cost is part of fund management and administration fees charged to the pension fund.

#### **4.2 Legal Implications**

None applicable to this report

#### **4.3 Environmental Implications**

None applicable to this report. Environmental implications will be included in each report to the Pensions Sub-Committee as necessary.

#### **4.4 Resident Impact Assessment**

None applicable to this report. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and

encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding

## 5. Conclusion and reasons for recommendation

- 5.1 Members are asked receive the Mercer presentation attached as exempt appendix 1 and consider the recommendations.

### Background papers:

None

Final report clearance:

### Signed by:

<b>Received by:</b>	Corporate Director of Resources	Date
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	Head of Democratic Services	Date
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