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SCRUTINY COMMISSION – 17 NOVEMBER 2021

RECOMMENDED INVESTMENT INTO PARTNERS GROUP PRIVATE DEBT FUND AND JP MORGAN INFRASTRUCTURE FUND

DRAFT MINUTE EXTRACT

The Commission considered a report of the Director of Corporate Resources which would be presented to the Cabinet at its meeting on 19th November 2021 regarding proposed investment by the Council's Corporate Asset Investment Fund (CAIF) into Partners Group multi asset credit 6 (MAC 6) private debt, and JP Morgan Infrastructure Investment Fund (IIF). A copy of the report marked 'Agenda Item 12', is filed with these minutes.

During discussion, the following matters were raised:

- (i) It was highlighted that the proposed investment in the IIF managed by JP Morgan would be a step away from the traditional types of investment made by the Council through the CAIF (i.e. the purchase of land and property). It was noted that the IIF was generally focused on companies that provided essential services, such as energy, water and transportation, such companies being primarily located in the US.
- (ii) A member highlighted that this would essentially be an investment in non-tangible funds similar to those made by the Leicestershire Pension Fund and questioned whether assurance had been sought to ensure such investments would align with the Council's environment and social policies. The Director confirmed that a key part of the Council's own due diligence (separate from that of the Leicestershire Pension Fund) included consideration of whether JP Morgan would be a responsible investor both from a human and environmental perspective, particularly given that it would manage these investments over a long period of 20-30 years.
- (iii) Members welcomed the fact that the IIF had just turned carbon neutral and noted that this had been a key factor when considering the merits of the potential investment. Members noted that a quarter of the IFF portfolio was invested in renewable energy and included companies which were proactively implementing climate change adaptation, harnessing new opportunities in clean energy and involved in wind, solar and natural gas generation projects.
- (iv) The proposed investments were considered sensible, providing the necessary diversification recommended by the Hyman Review and a reasonable return. A Member suggested, however, that the biggest risk would be the exchange risk as the investments would be reliant on the strength and value of

the US dollar (for the JP Morgan IIF) and the Euro and sterling (for the Partners MAC 6 private debt investment). It was questioned whether there would be any forward hedging to protect against this. It was suggested that the purchase of low cost forward options should perhaps be considered.

The Director acknowledged that whilst there was some risk, forward hedging was not being considered at the current time given that the investments would be held for such a long term. The Director confirmed that whilst there would likely be fluctuations in the market, overall, the risk was considered manageable. The Director, however, undertook to consider this further and seek advice on the cost and benefit of the suggested approach from the Council's independent advisors.

RESOLVED:

That the comments now made be reported to the Cabinet at its meeting on 19th November 2021.