



## London Borough of Enfield

<b>Report Title</b>	Investment in Private Equity
<b>Report to</b>	Pension, Policy & Investment Committee (PPIC)
<b>Date of Meeting</b>	02 October 2024
<b>Cabinet Member</b>	Cllr Tim Leaver
<b>Executive Director / Director</b>	Fay Hammond
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<b>Classification</b>	Part 1 and Part 2 – Private & Confidential
<b>Reason for exemption</b>	3 Information relating to the financial or business affairs of any particular person (including the authority holding that information).

### Purpose of Report

1. To introduce a presentation from Private Equity Manager -Adams Street Partners and agree a commitment of \$20 million to the Adams Street 2024 Global Private Equity Program.

### Recommendations

2. The Committee are asked to agree a \$20m commitment with Adams Street Partners to the 2024 fund vintage.

### Background and options

3. The London Borough of Enfield Pension Fund (the “Fund”) invests a variety of different asset classes to achieve investment returns and diversification in order to meet future liabilities (pension payments) when they are due.
4. A Strategic Asset allocation exercise is carried out by the Committee annually to review exposure to these asset classes and ensure that the weightings are appropriate.

5. The current actual allocation when measured against the Strategic Asset Allocation (SAA) is shown below:

	Value	Weight	SAA Target	Difference
	£m	%	%	%
Equities	682.5	43.0	40.0	3.0
Bonds	465.5	29.4	24.0	5.4
Inflation Protection Illiquids	100.6	6.3	7.0	-0.7
Private Equity	103.5	6.5	8.0	-1.5
Infrastructure	78.6	5.0	16.0	-11.0
UK Property	81.5	5.1	5.0	0.1
Cash & Others	73.8	4.7	0.0	4.7
<b>Total</b>	<b>1586.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>

6. Private Equity focuses on those companies which are not listed on Public Stock exchanges. Private equity Investment managers buy, manage and invest in companies with the goal of improving value before selling them for a profit.
7. Some key points about Private Equity are as follows:
- **Active Management:** Unlike passive investments, private equity firms take an active role in managing and restructuring the companies they invest in. This can involve changing management, improving operations, or repositioning the company in the market
  - **Long-Term Investments:** Investments in private equity funds are typically long-term, often lasting several years. Investors usually cannot withdraw their money until the fund starts distributing profits
  - **High Returns and Risks:** Private equity can offer high returns, but it also comes with significant risks. It is generally accessible only to institutional investors and individuals with high net worth due to the substantial capital required and the potential for large financial losses
  - **Types of Companies:** Private equity funds may target different types of companies, from mature businesses with stable cash flows to struggling companies that need restructuring, to venture and innovation companies who are at early stage (technology).
8. Any new commitments made to Private Equity Funds typically take some time (up to 7 years) to be fully deployed.
9. The Fund currently has all of its Private Equity investment held via one manager, Adams Street Partners. The investments are held via a multi manager/fund approach.

## Preferred Option and Reasons For Preferred Option

10. The Private Equity asset class is currently underweight by 1.5%. A commitment of \$20m will help keep up to pace with the target allocation.
11. The investments with Adams Street are currently mature. This means that the Fund is receiving cash at faster rate than new investments are making calls. If no further investments are made to the asset class, it is expected to only have a weighting of 1.3% against a target of 8% by 2030. Therefore, further investments and commitments are required to keep pace with the strategic allocation. A cash flow projection is contained within the appendix.
12. The Fund's investments are spread over different vintages for diversification and to mitigate risk. Different vintages can carry different risks and return profiles and it is not possible to determine in advance which vintages will outperform. Therefore, only a \$20m commitment to the 2024 vintage is recommended.
13. Adams Street Partners has historically been the Fund's best performing manager over the past 5 year, returning 14% p.a. compared to the benchmark of 11%.

## Alternative options considered

14. UK Government's intention is that all investments should be made via their pooling partners, for Enfield this is London CIV. Currently London CIV does not have any Private Equity product available and therefore this is not a viable option.
15. There are considerable resources required in selecting a new investment manager for the asset class given that London CIV has no available fund. It would not be cost effective to select an investment for only a \$20m commitment given the Fund already has manager in place and alternative managers may employ similar funds and strategies ( a fund of fund approach).
16. The Adams Street Fund is a global investment approach for Private Equity. Central Government have also expressed a desire for more investment in the UK. Only investing in UK private equity would represent a high degree of concentration and therefore risk. Hence a Global approach is preferred.

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## Appendices

Appendix 1: Adams Street Partners Presentation – **PART 2 – Private & Confidential**