



London Borough of Enfield

Report Title	Investment in Private Debt
Report to	Pension, Policy & Investment Committee (PPIC)
Date of Meeting	12 November 2024
Cabinet Member	Cllr Tim Leaver
Executive Director / Director	Olga Bennet
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Classification	Part 1 and Part 2 – Private & Confidential
Reason for exemption	3 Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Purpose of Report

1. To agree £63m investment into London CIV Private debt fund II.

Recommendations

2. The Committee are asked to agree a £63m investment into the London CIV private debt fund II.

Background and options

3. The London Borough of Enfield Pension Fund (the “Fund”) invests in 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
Total	1586.0	100.0	100.0	0.0

6. The fund currently has no investments in Private Debt. As part of the Fixed Income/Bond portfolio review carried out in 2024, PPIC agree to commit 4% of the Fund (approx. £63m) to private debt.
7. Private debt refers to loans or bonds that are extended to privately-held companies, rather than being issued publicly. This type of debt can take various forms, including direct lending, mezzanine debt, distressed debt, and special situations
8. Private debt is attractive to investors because it can offer higher returns compared to traditional fixed-income investments, especially in a high-interest rate environment. It also provides companies with an alternative source of funding when traditional bank loans are not available.

Preferred Option and Reasons For Preferred Option

9. Private Debt is an attractive investment opportunity for Pension Fund's for the following reasons:
- Attractive risk adjusted returns (6-8% net of fees)
 - Reliable income streams
 - Low volatility
 - Diversification
10. It is recommended to commit £63m to the London CIV private debt fund II.
11. In 2015, the U.K. government introduced the concept of investment pools to increase the scale of LGPS investments. The main goals were to improve returns through scale and reduced investment costs.
12. London CIV is one of eight U.K. LGPS asset pooling companies. The London Boroughs and City of London who are the 32 shareholders are also clients.

13. The Enfield Pension Fund (the “Fund”) has approximately 54% of its assets in the London CIV pool.
14. It is Central Government’s intention that new investments should be made through pooling arrangements and any new investments not made through the pool will require a comply or explain statement clearly stating the reasons for not investing through the pool.
15. The London CIV has been successful to date in assisting partner funds, such as Enfield Pension Fund, in achieving cost savings on investment management costs and in addition providing investment management expertise in monitoring, manager selection and governance.
16. The LCIV Private Debt Fund II has the following features:
 - Multi manager approach
 - Primary focus on European and North American Senior Direct lending
 - Flexibility to invest in Asset backed lending
 - Closed ended structure
17. PPIC received a presentation from London CIV on the private debt fund at the October PPIC meeting. Investment advisors for the Fund were present at this meeting. Feedback from the committee and advisors was that they were supportive of investment in Private debt with London CIV.

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Appendices

Appendix A: London CIV Private debt presentation – **PART 2 – Private & Confidential**

