

**London Borough of Enfield**

**PENSION POLICY AND INVESTMENT COMMITTEE**

**Meeting Date: 29 July 2021**

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**Subject:** Multi-Asset Credit Update June 2021

**Cabinet Member:** Cllr Maguire

**Executive Director:** Fay Hammond

**Key Decision:** [ ]

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This report informs Members of Multi-Asset Credit options available on London CIV platform and this is appended as Appendix 1 to this report.

**Purpose of Report**

1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.
2. Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to explain further to the Pension Policy & Investment Committee.

**Proposal(s)**

3. Pension Policy and Investments Committee are recommended to note and consider the contents of this report and its Appendix and to decide on preferable option:
  - i) Option 1: The new proposal is that the current MAC Fund mandate be amended such that the allocation to the underlying managers be 50% to CQS and 50% to PIMCO
  - ii) Option 2: To create a new fund (a working name for this is the "Alternative Credit Fund") which will retain just CQS (or a similar manager in due course).
4. To delegate the communicating of the preferred option to the London CIV.

**Reason for Proposal(s)**

5. The report informs the Pension Policy and investment Committee of the performance of pension fund managers and the overall performance of the Enfield Pension Fund.
6. **Relevance to the Council's Corporate Plan**
7. Good homes in well-connected neighbourhoods.
8. Build our Economy to create a thriving place.
9. Sustain Strong and healthy Communities.

### **Background**

10. The Pension Fund first invested in the London CIV Multi-Asset Credit Fund ("the MAC Fund") in 2018. At the time of the first investment there was one underlying manager within the MAC Fund, that being CQS. This remains the current position today.
11. However, the London CIV have had some concerns with CQS for a period of time. The London CIV initially placed CQS on a 'Watch' status in June 2019 and, since February 2020, have had CQS on an 'Enhanced Monitoring' status. Their concerns relate to performance, senior management turnover, the fund's investment strategy (in particular the sectors of the credit universe with the fund invests in) and, latterly, their approach to Environmental, Social and Governance issues.
12. As a result of these concerns, the London CIV have undertaken a procurement exercise to appoint a second underlying fund for the MAC Fund, to sit alongside CQS. The manager they have selected for this fund is PIMCO.
13. The attached Appendix highlights the options presented by the London CIV and to enable discussion for a potential way forward on this issue.

### **Workforce Implications**

14. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

### **Property Implications**

15. None

### **Other Implications**

16. None

### **Options Considered**

17. There are no alternative options.

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Date of report 18<sup>th</sup> July 2021

**Appendices**

Appendix 1 – Multi-Asset Credit Update (**Confidential – Exempt Report**)

**Background Papers**

None