



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	27 October 2022
Classification:	General Release (Appendix 1 is exempt)
Title:	Pantheon Global Infrastructure Fund IV
Wards Affected:	None
Policy Context:	Effective control over Council Activities
Financial Summary:	There are no immediate financial implications arising from this report.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> ptriggs@westminster.gov.uk 020 7641 4136

1 EXECUTIVE SUMMARY

- 1.1 This paper provides a summary of the Pantheon Global Infrastructure Fund IV and provides an analysis of options should the Committee wish to maintain the current 5% strategic asset allocation to Pantheon.

2 RECOMMENDATION

2.1 The Pension Fund Committee is recommended to:

- consider the views outlined by Deloitte, attached at Appendix 1, and agree further due diligence before any further commitments are made.
- Approve that Appendix 1 to this report is not for publication on the basis that they contain information relating to the financial or business affairs of any particular person, including the authority holding that information, as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

3 BACKGROUND

- 3.1 At the Pension Fund Committee on 10 December 2018, the Committee agreed to commit a 5%/\$91.5m allocation to the Pantheon Global Infrastructure Fund III (PGIF III). The fund invests across mainly secondaries and co-investments with assets distributed across Europe (34%), North America (28%), Asia (6%) and rest of the world (32%).
- 3.2 Infrastructure assets can be defined as those that are required by society to facilitate the operation of the economy, this includes transportation, utilities, energy distribution and telecommunications.
- 3.3 The secondary market gives investors the opportunity to access assets that are already fully functioning and tend to be more yield generating in comparison to primary investments. Co-investments allow investors to invest additional capital alongside a fund manager to gain direct exposure to an infrastructure position, which they could not usually access due to lack of experience or lack of capital resource.
- 3.4 As at 30 June 2022 the PGIF III fund was 80% drawn with the remaining commitment expected to be called by the end of 2022. Based on current market values, once fully drawn the Pantheon fund will be circa 1.0% underweight compared to the strategic asset allocation. The PGIF III fund has a close-ended structure with the investment period to finalise during Q4 of 2022. From 2023 onwards, PGIF III will begin to return capital to investors as the underlying assets are realised. Therefore, the allocation will continue to reduce over the next 7 years.

4 PANTHEON GLOBAL INFRASTRUCTURE FUND IV

- 4.1 The Pantheon Global Infrastructure Fund IV (PGIF IV) was launched in 2021, and broadly exhibits the same characteristics as PGIF III, with a similar investment process. The fund has a ten-year close-ended structure with circa 70% of assets within the secondary market and the remaining allocated to co-investments. Whilst similar to PGIF III, the fund will target a greater allocation to secondary markets, with Pantheon recognising greater opportunities in this area.
- 4.2 Following the close of the investment period, Pantheon has provided modelling to estimate the required commitment in to PGIF IV in order to:
 - **Scenario 1: No Growth Assumption**
Maintain a net asset value of 5% across PGIF III and PGIF IV, assuming the Fund's investment portfolio valuation remains relatively static; and
 - **Scenario 2: 5% p.a. Investment Portfolio Growth**
Maintain a net asset value of 5% across PGIF III and PGIF IV, assuming a 5% annual growth rate of the Fund's investment portfolio valuation.

5 NEXT STEPS AND RECOMMENDATIONS

5.1 Deloitte has prepared a report, attached at Appendix 1, which outlines the PGIF IV fund including return objectives, fee structure, performance record, asset allocation, ESG credentials and scenario modelling. The Pension Fund Committee is recommended to:

- Discuss the proposals, as set out within Appendix 1, and the suitability of PGIF IV alongside the investment strategy and actuarial funding level; and
- Request further due diligence is undertaken on PGIF IV before any commitment is made.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Billie Emery bemery@westminster.gov.uk

BACKGROUND PAPERS: None

APPENDIX:

Appendix 1: Deloitte: Pantheon Global Infrastructure Fund IV (EXEMPT)