

ITEM NO: 5(c)

GREATER MANCHESTER PENSION FUND

LOCAL INITIATIVES AND VENTURE CAPITAL WORKING GROUP

30th January 2009

Commenced: 9.30am

Terminated: 10.40am

Present:

Councillor Wareing	(In the Chair)
Councillor Bell	
Councillor Pennington	
Councillor Ricci	
P Morris	Director of Pensions
S J Taylor	Head of Pensions Investments
N Frisby	Investments Group
D Hobson	Investments Group
T Harrington	Investments Group
R Page	Pension Fund Legal

Apologies for absence: **Councillors: Cooney (Official Duties), Baldwin, Fairweather, Hobhouse and Mr Mulryan**

16. MINUTES

The Minutes of the proceedings of the Local Initiatives and Venture Capital Working Group held on 7th November 2008 were approved as a correct record.

17. NEW INITIATIVES ALLOCATION: PFI AND INFRASTRUCTURE FUND PORTFOLIO

The Director of Pensions submitted a report which updated Members on the performance of the Fund's PFI/Infrastructure portfolio and advised Members of recent developments in the sector.

It was reported that since the establishment of GMPF's PFI/Infrastructure programme in 2001, the number and diversity of related investment opportunities had grown exponentially, with Infrastructure rapidly emerging as an institutional asset class, primarily driven by the global need for infrastructure spending/investment.

GMPF expected the universe of infrastructure Fund Managers would continue to grow rapidly, with new managers emerging from financial institutions, advisory groups, infrastructure projects as a means of combating the current economic downturn and notwithstanding the adverse impact of the current credit crunch on the availability and pricing of debt for some transactions.

GMPF continued to receive approaches from managers raising Funds targeting the Infrastructure asset class and proposals were currently under review that would fully utilise the current allocation.

It was acknowledged that the potential returns available from PFI/Infrastructure investments continue to be perceived as attractive, particularly given the indexation of cashflows and the downside protections available to project investors.

Given the existing PFI/Infrastructure Fund investments and the potential utilisation of the remaining allocation to such PFI/Infrastructure Funds, it was recommended that a further report on a possible extension of the allocation be submitted to this Working Group for members to consider as part of the Fund's wider investment strategy and, in their discussions, Members expressed their support for a doubling (from £60m to £120m) of the current allocation to PFI/Infrastructure funds.

The Director of Pensions also gave outline information to Members with regard to a possible direct investment and answered Members' questions thereon. The Working Group gave its support in principle to the investment. A further report will be submitted to the March Panel meetings.

RECOMMENDED

- (i) That the report be noted.**
- (ii) That a further report be submitted to the Working Group on a possible extension to the allocation to PFI/Infrastructure Funds, to be considered as part of the Fund's wider investment strategy.**

18. CHARTERHOUSE CAPITAL PARTNERS

Mr Duncan Aldred of Charterhouse Capital Partners (Charterhouse) attended the meeting to give Members an overview of Charterhouse, their investment activities and private equity generally.

It was reported that Charterhouse was one of Europe's leading independent private equity investment groups having built its reputation by successfully investing in large buy-outs since the 1980's. The firm, founded in 1934, invests in the major European economies and is focused primarily in the UK and France with offices in London and Paris.

Since 1982, Charterhouse had invested in almost 130 transactions worth around £35bn and realised almost 90% of those investments, generating in excess of three times cost across the portfolios.

Members were advised that GMPF had committed over £42.5 million to three Charterhouse funds raised since 2002. Of GMPF commitments totalling £27.5 million to Charterhouse Funds VII and VIII, over £23 million had been drawdown for investment by the end of 2008 and over £18 million had been distributed following the realisation of underlying investments. As at 31st December 2008, the value to GMPF of its share of residual investments in Charterhouse Funds VII and VIII was approximately £15 million.

The Chair thanked Mr Aldred for a very interesting and informative presentation.

19. SPECIAL OPPORTUNITIES PORTFOLIO: APPROVAL OF INVESTMENT TYPE

The Director of Pensions submitted a report which sought the Working Group's approval for a new type of investment for the Fund's newly constituted 'Special Opportunities Portfolio' and provided details on an example of a specific opportunity as an appendix to the report. Members were assured that prior to any commitment being made to such a Fund all appropriate risks would be considered.

The aim of the investment type was to provide secured loans to quoted, mid-cap companies and also offered the scope to participate in future appreciation in value of investee companies.

Key features of the 'Special Opportunities Portfolio' were detailed. Key features of the investment type, and the investment rationale were also explained. The indicative scale of investment by GMPF was £70m for this type of investment/Fund.

Discussion ensued with regard to the current market turmoil and the level of risk involved in such an investment.

RECOMMENDED

That approval be given to the making of investments from the 'Special Opportunities Portfolio' in the new type of investment as described in sub-section 4.1 of the report.