

THE
GOOD
ECONOMY

AN INDEPENDENT ASSESSMENT OF THE PLACE-BASED IMPACT OF GREATER MANCHESTER PENSION FUND'S LOCAL INVESTMENT PORTFOLIOS

SEPTEMBER 2023



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This report has been commissioned by the Greater Manchester Pension Fund ("GMPF") and prepared by The Good Economy Partnership Limited ("The Good Economy" or "TGE"), a leading social impact advisory firm.

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GMPF – DEMONSTRATING THAT INVESTING LOCALLY MAKES A MEANINGFUL DIFFERENCE

GMPF's Local Investment portfolios have grown significantly over the past ten years and now have commitments of £828 million (Impact Fund) and £535 million (Greater Manchester Property Venture Fund). There is a growing interest from all stakeholders to understand the impacts being achieved from these portfolios.

At GMPF, we place importance on assessing the risk, financial return and social, economic and environmental impacts of every local investment we make. We believe this represents a responsible way to invest.

We invited The Good Economy to review our local investment portfolios. They have carried out an independent review of our approach to local investing, to see if we are achieving our impact ambitions. This report presents what they found.

The assessment combines an analysis of our investment portfolio data, deeper dive case studies and verification work that

assessed the place-based impact investing practices of a sample of our fund managers.

By understanding what impacts are being achieved from our local investments, our aim in publishing this report is to hold ourselves accountable for the continual improvements we seek to make. We hope to encourage other investors to scale-up their local and regional investments by sharing our experience and working with others looking to contribute to sustainable economic development across the United Kingdom.

[Councillor Gerald Cooney, Chair – GMPF](#)

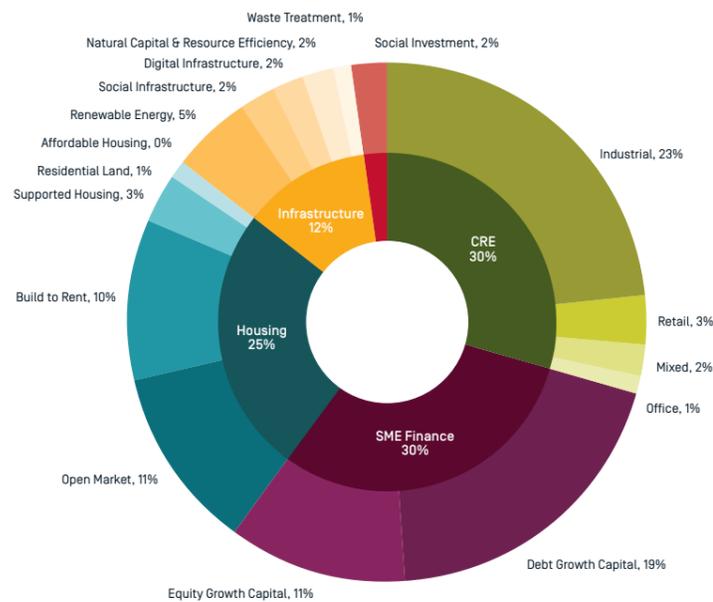
HEADLINE FINDINGS

As of 31 December 2022

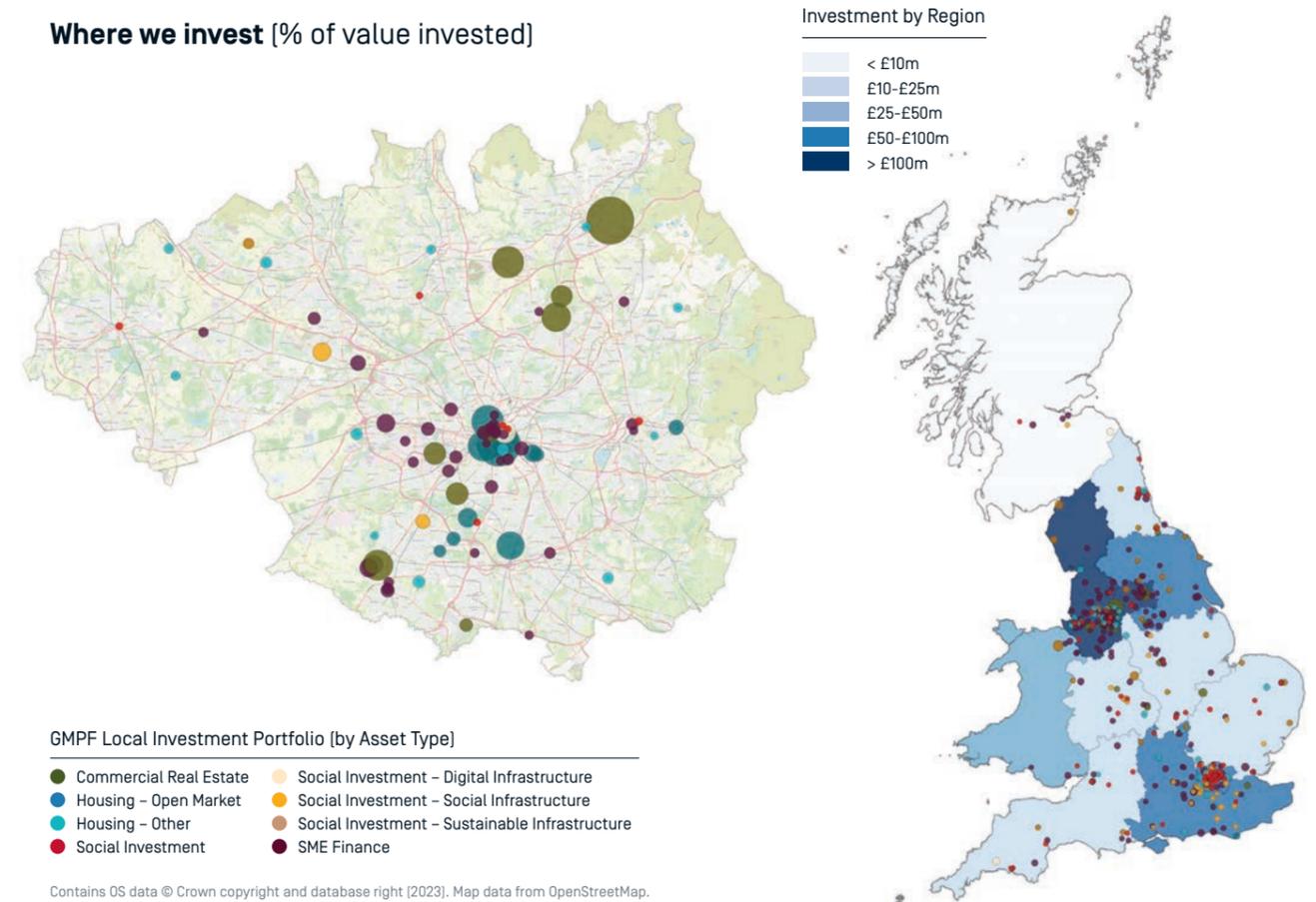
Greater Manchester Pension Fund (GMPF) makes a 5% allocation to local investments that positively benefit Greater Manchester and the North West.

- £1.36 billion committed to local investments (4.5% of GMPF value)
- £858.7 million invested
- The fund aims to support the development of the region by generating employment and supporting SMEs as well as providing housing, renewable energy, infrastructure and social investment.

What we invest in [% of value invested]



Where we invest [% of value invested]



How our investment is supporting the Region

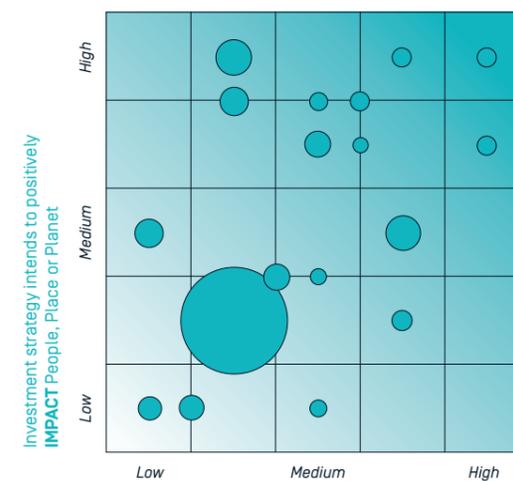
- 18,300** jobs supported (31% locally – Greater Manchester and North West)
- 60** businesses demonstrated job growth (46% locally)
- 7,574** jobs created (37% locally)
- 47** apprenticeships offered (94% locally)
- 91%** of jobs are paid above the Real Living Wage

9,975 jobs to be supported through new employment space created (68% locally)

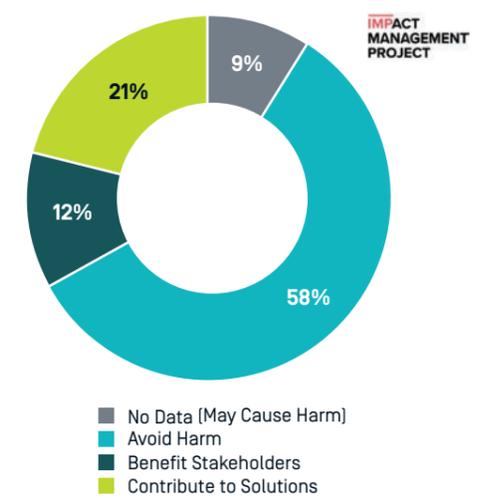
4,395 new homes – completed, in development or planned (60% locally)

13 renewable energy and other sustainable infrastructure assets

How our investments align with the traits of Place Based Impact Investing



Alignment with IMP considerations [% of value invested]





EXECUTIVE SUMMARY

Purpose

The purpose of this report is to assess the impact performance of Greater Manchester Pension Fund's (GMPF) two Local Investment portfolios on behalf of GMPF directly, and more indirectly on behalf of GMPF's members and Greater Manchester's communities and businesses. The report's findings also have a wider national audience, given the Government's Levelling Up White Paper's recommendation that Local Government Pension Scheme (LGPS) funds should increase their allocations to local and regional projects within the United Kingdom (UK). Therefore, sharing GMPF's experience is both timely and valuable.

GMPF's Local Investment portfolio comprises two distinct investment mandates with an allocation of 5% of the main fund:

- **The Impact Portfolio**, designed to make impact-driven investments spanning various asset classes, with core impact themes of job creation and place-making.
- **The Greater Manchester Property Venture Fund (GMPVF)** which makes property investments that facilitate job creation, sustainable employment and the advancement of local and regional development.

"Local" is defined by GMPF as Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside with the addition of West Yorkshire which is in the Northern Pool.

GMPF engaged The Good Economy (TGE), a leading social impact advisory firm, to conduct this independent impact assessment. This report presents the findings of their review.

Approach

TGE implemented an industry-endorsed reporting methodology known as the Place-Based Impact Investing (PBII) Reporting Framework as the foundation for this assessment. This framework was developed by TGE in collaboration with a group of local government pension funds and institutional asset managers to provide a common, consistent and transparent approach to reporting on the impact of private market investments across asset classes.

A comprehensive data collection process was undertaken with GMPF's investment managers in order to provide a portfolio-level analysis of GMPF's investments by asset class, geographical distribution, impact theme and standardised output data. Additionally, TGE evaluated the degree to which the investment funds adopt a PBII approach and their alignment with industry-standard impact management norms (see Section 2).

This portfolio-level analysis has been enriched by a series of 'deep dive' case studies that capture fund and investee-level data and narratives based on both quantitative and qualitative evidence. These case studies showcase the direct connections between GMPF's investment decisions, the investments made by the investment managers and the subsequent real-world benefits and outcomes for the businesses, people and sustainable development of Greater Manchester and the North West (Section 3).

To increase confidence in the quality of data on which the portfolio-level analysis is based, TGE conducted an independent assurance of the credibility and reliability of selected disclosures reported by investment managers. This was carried out in accordance with the internationally recognised AccountAbility AA1000 Assurance Standard.

Key Findings

- As of December 2022, GMPF has committed £1.36 billion to Local Investments, amounting to 4.5% of GMPF's total investment value of £30 billion. A total of £858.7 million had been drawn down and invested with an almost equal amount invested across the Impact Portfolio (51%) and GMPVF (49%).
- These investments have been deployed to achieve a balanced, multi-asset portfolio comprising investments in Small and Medium Enterprise (SME) Finance (30%), Commercial Real Estate (30%), Residential Housing (25%), Infrastructure, including Renewable Energy and Natural Capital (12%) and Social Investment (2%) (see Figure 2.2).
- Two-thirds of these investments (67%) are located in Greater Manchester and the North West. The GMPVF property investments are all local and regional investments. The Impact Portfolio has a broader geography. About 35% of these investments are located in Greater Manchester and the North West, with 65% invested across the rest of the UK.
- GMPF is an active and engaged investor. In some cases, they have acted as a cornerstone or sole investor helping to scale-up impact investment funds and mobilise greater levels of investment in the North West.
- GMPF expects its Local Investments to deliver on financial returns commensurate with the main fund. It has set a benchmark of the Retail Price Index (RPI) +4% for the Local Investment portfolio. Many of GMPF's local investments are relatively immature so it is too early to assess their financial performance. However, the Internal Rate of Return (IRR) performance of Impact Portfolio funds exited to date is 8.5% and 6.5% for GMPVF investments. This past performance combined with the current performance of existing investments provides GMPF with confidence that the Impact Portfolio will achieve the financial return target over the long term.
- The investment portfolio is aligned with and making a tangible contribution to GMPF's impact themes which focus on job creation, place-making and local and regional economic development. Notably, the Impact Portfolio's £258 million total investment in regional SME debt and equity funds has been invested in 191 business supporting 16,000 existing jobs and creating 7,184 new jobs over the investment period.
- Through GMPVF, GMPF has played a key role in the rapid property-led regeneration and economic growth of the city of Manchester. Investments have been made in housing and commercial real estate including new apartments, office developments, retail space, hotels and employment space for businesses employing almost 5,000 people.
- In more recent years, GMPF has invested in social and affordable housing recognising the housing challenges faced by many people locally. In total, across both GMPVF and the Impact Portfolio, £218 million has been invested in nearly 4,400 homes ranging from new build apartments to family homes to accommodation for people who are at risk of experiencing homelessness.
- GMPF has been one of the first pension funds to invest in innovative social investment funds, including social outcomes contracts focused on providing services for vulnerable people.
- Investment is well aligned with and contributing to the priorities of Greater Manchester. Capital is being deployed across designated growth locations and into priority sectors, both high growth sectors driving local economic growth and foundational sectors, such as healthcare.
- The investment strategies range in terms of their alignment to a Place-Based Impact Investing approach. In general, fund strategies were more likely to account for Impact in their investment strategies than Place.
- The case studies provided evidence of how GMPF's investments are contributing to tangible benefits for local businesses, people and places in the region (see Section 4).

Recommendations

- GMPF's investments have helped Greater Manchester deliver on its economic growth objective, but there could be a greater focus on social inclusion. For example, we would encourage GMPF to invest more in social and affordable housing that benefits vulnerable people and those on low incomes. GMPF could also seek to invest more across all parts and populations of Greater Manchester and the North West supporting the region's inclusive growth and fair for all agendas.
- Similarly, GMPF could deepen its Jobs impact theme to focus not only on job growth but also investing in skills development and job opportunities for young people and job quality. GMPF could also consider targeting Greater Manchester's priority growth sectors, which include advanced manufacturing, the creative industries and the foundational economy sectors, such as healthcare.
- We recommend that GMPF intensifies its endeavours to find avenues to augment its investment in Renewable Energy, Social Infrastructure and Social Investment which have had relatively lower allocations. Building upon its established track record of investing in early stage funds and backing financial innovation, GMPF could seek to actively collaborate with like-minded investment partners aiming to directly address the region's social and environmental challenges.
- We would encourage GMPF to integrate Place-Based Impact Investing considerations into its due diligence and fund selection process so as to back funds that are genuinely engaging with local stakeholders and investing in ways that help achieve local sustainable development priorities.
- GMPF should encourage investment managers to develop a Place-Based Impact Management approach and monitor and report consistent data relevant to their impact themes, both at the output and outcome level. It is worth acknowledging that whilst the PBII Reporting Framework that TGE used in this report was new to many of the investment managers, nonetheless, we received an enthusiastic and high level of engagement.

TGE believes that this report is the first of its kind. As far as TGE is aware, it is the first time a pension fund has reported on its local investments in such an open and transparent way. We believe it is also the first time a pension fund investor has asked for independent assurance of sustainability information being reported by underlying funds.

This report serves as a testament to GMPF's long-standing commitment to Place-Based Impact Investing. By publishing this report, GMPF aims to enhance transparency and accountability to its pension fund members and other stakeholders, showcasing how and where its funds are invested, and the results achieved.



1. INTRODUCTION

1.1 Purpose

In January 2023, Greater Manchester Pension Fund commissioned The Good Economy to carry out an independent impact assessment of GMPF's investment mandates that have intentional local impact objectives, namely its **Local Investments** which includes the **Impact Portfolio** and the **Greater Manchester Property Venture Fund** (GMPVF). These investment strategies both have local impact intentionality but different objectives and themes:

- **Impact Portfolio** has a target allocation of 2% of the main fund and a mandate to gain cost effective, diversified exposure to impact investments located predominantly in the North West, with a focus on Greater Manchester. The core impact themes are *Jobs and Place*.
- **GMPVF** has a target allocation of 3%, and a mandate to gain cost effective, diversified exposure to property development assets located predominantly in the North West, with an emphasis on Greater Manchester. The core impact themes are *job creation, sustainable employment and local and regional economic development*.

"Local" is defined by GMPF as Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside with the addition of West Yorkshire which is in the Northern Pool.

The purpose of this report is to assess the impact performance of these two local investment portfolios on behalf of GMPF directly, and more indirectly on behalf of GMPF's members and Greater Manchester's communities and businesses. The report's findings also have a wider national audience, given the Government's Levelling Up White Paper's recommendation that LGPS funds should increase their allocations to local and regional projects within the UK. GMPF has been investing locally for more than 25 years. Therefore, sharing its experience is both timely and valuable.

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1.2 The Local-Regional Context

Over the last two decades, Greater Manchester has experienced some of the highest growth rates outside of London and the southeast of England. Despite this economic resurgence, the city region still faces some of the highest rates of poverty and deprivation in the country: 25% of Greater Manchester's population live in the most deprived 10% of neighbourhood areas nationally.

The Greater Manchester Combined Authority (GMCA) has a 'Good Lives for All' strategy which aims to deliver inclusive and sustainable development and tackle the interconnected challenges of climate change and inequality. This strategy has three core themes:

- **A Greener Greater Manchester:** Responding to the climate emergency.
- **A Fairer Greater Manchester:** Addressing inequalities and improving wellbeing for all.
- **A Prosperous Greater Manchester:** Driving local and UK growth.

This is underpinned by a set of investment priorities and a performance monitoring and reporting framework including specification of shared outcomes and performance indicators.²

The strategy encourages collaboration between the public and private sectors, focusing on the investment priorities shown in the box below. Through its local investment portfolios, GMPF aligns with these priorities while remaining faithful to its fiduciary responsibility of delivering financial returns that secure the pension needs of its members.



Investment Priorities of the Greater Manchester Good Lives for All Strategy



Investment in designated growth locations

Leveraging existing assets such as established or emerging clusters and universities. Economic growth will be centred around health innovation, advanced materials and manufacturing, digital, creative and media sectors, and clean growth. Strengthening opportunities in foundational sectors is also a key focus.



Building resilient, safe, and vibrant communities

With access to essential services, thriving local centres, high streets, and high-quality cultural and leisure spaces.



Delivering new homes

In alignment with net-zero carbon commitments, with the goal of achieving a carbon-neutral Greater Manchester by 2038.



Addressing system-wide priorities

Including investing in digital infrastructure, enhancing public transport, supporting business growth, creating better job opportunities, ensuring access to skills (including for young people to succeed), providing safe, decent and affordable housing, and reducing health inequality.

1. The North West region is defined by GMPF as Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside with the addition of West Yorkshire which is in the Northern Pool.
2. [Greater Manchester Strategy 2021 – 2031: Good Lives for All](#).

1.3 GMPF's Approach to Local Investment

GMPF is the largest fund in the Local Government Pension Scheme with around £30 billion AUM. Local investment has been a consistent part of GMPF's strategy for over 25 years. During this time, it has built up an investment team with the skills and competence to assess local opportunities across a wide range of asset classes and investment strategies.

GMPF has developed its approach to local investing over the years and has become progressively more intentional about its PBI approach. Specifically, it employs the following strategies:

- Approximately 40% of its local investment portfolio is outsourced to investment managers through the Impact Portfolio and 60% is invested directly in property and joint ventures through an Investment Management Agreement with Avison Young.
- The investment team recognise that they are in a high growth region so investment opportunities are relatively plentiful compared to some other regions. However, in order to promote diversification and a larger pool of investible opportunities they have extended the geography of their local investment allocation to include West Yorkshire (as part of the Northern Pool), as well as Greater Manchester and the North West.
- Devolution and allocation of capital was critical to the establishment of their investment capacity.
- The selection and experience of fund managers is important. GMPF invests in fund managers with a strong track record who can demonstrate their ability to achieve target commercial returns while recognising that the portfolio will have a range in terms of risk, return and impact profiles.
- GMPF has also been a cornerstone investor in new funds which has crowded in more investment from other LGPS funds and other public bodies as well as private investors.

- GMPF look to agree side vehicles with fund managers with an allocation to Greater Manchester and the North West. They agree that the fund manager can receive carried interest for this allocation but with no extra fees. This incentivises fund managers to find deals in the local area. A number of fund managers have opened offices in Manchester on the back of securing GMPF investment for their funds, further contributing to the local economy. GMPF is a large investor and therefore are able to negotiate favourable terms with fund managers who want to work with them, and are willing to do things differently (e.g., via the side-car).
- The Impact Portfolio has a pacing strategy to deploy £80 million per year into four or five funds with an average investment size of £20 million and a minimum investment of £10 million.
- Over the years, GMPF has improved the Local Investment approach and gained more experience and knowledge to avoid previous investment pitfalls.
- GMPF has a clear governance and investment process. It has developed strong relations with the GMCA and local authorities' economic development and investment teams and has co-invested in multiple public-private partnership deals.
- GMPF is continually seeking to increase its allocations across its impact themes including scaling-up investments in affordable housing and investing more in clean energy.

Overall, TGE's assessment found that GMPF uses a combination of levers to ensure its investments are aligned with its impact themes. These levers are aligned with the Impact Frontiers' *Investor Contribution Strategies* and include:

- Signal that impact matters
- Engage actively
- Grow new / undersupplied capital markets
- Provide flexibility on risk-adjusted returns.



1.4 This Report

This report provides the findings of TGE's independent assessment. We applied a robust industry-driven reporting methodology, the PBI Reporting Framework, to underpin the assessment.

The PBI Reporting Framework was developed following the May 2021 publication of the White Paper "[Scaling Up Institutional Investment for Place-based Impact](#)" by The Good Economy, in partnership with the Impact Investing Institute and Pensions for Purpose. The framework was developed by TGE with the input of a working group of local government pension funds and institutional investment managers.³

The reporting framework aims to create a common, consistent and transparent approach for asset owners and asset managers to report on the impact performance of their private market portfolios from a UK sustainable development and place-based impact perspective.

This assessment is based on:

- **Portfolio-level analysis**
This involved analysing data provided by GMPF's external investment managers regarding underlying investment portfolios. The analysis provides a granular view of the Local Investment portfolio by asset class, geographical distribution and impact theme – reported in Section 2.
- **Case studies**
Three in-depth case studies were conducted, featuring investment managers namely Foresight, Gresham House and Avison Young, to illustrate the nature of GMPF's investments and their impacts, combining quantitative and qualitative data – reported in Section 4.
- **Data assurance**
A critical step in the assessment process was assessing a sample of information provided by investment managers using a leading sustainability assurance standard (AA1000 AS). This assessed the quality and reliability of place-based measurement, management and reporting as well as jobs data.

3. The members of this working group were: Clwyd Pension Fund, Greater Manchester Pension Fund, Merseyside Pension Fund, South Yorkshire Pensions Authority, Strathclyde Pension Fund, Surrey Pension Fund and West Yorkshire Pension Fund; and Bridges Fund Management, Cheyne Capital, Foresight, Impax Asset Management, M&G, Matter Real Estate, St Bride's White Rose Partnership, Schroders and TriplePoint.

Figure 1.1 The Geography of Greater Manchester Pension Fund

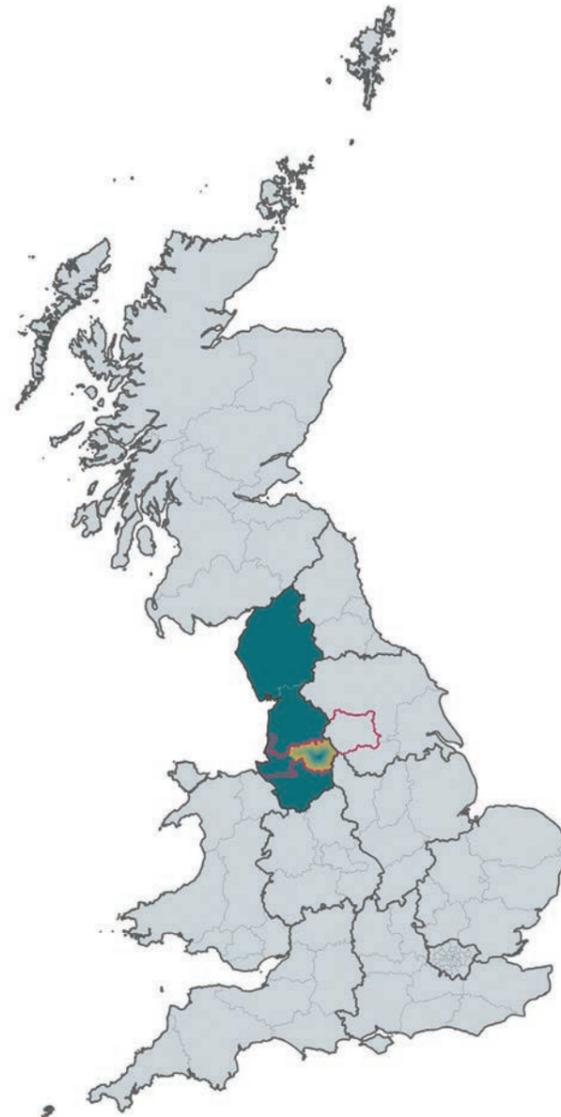
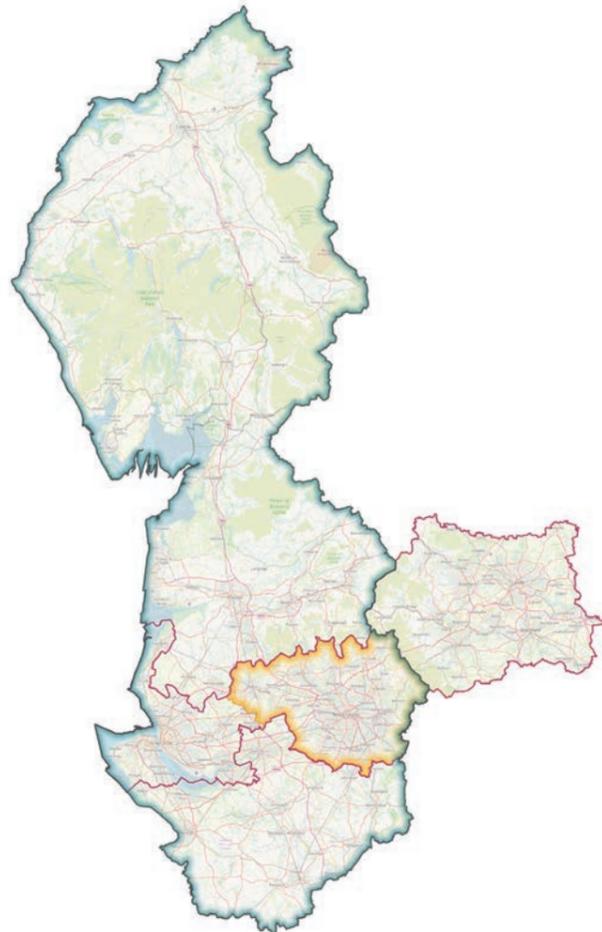
Greater Manchester



The Geography of Greater Manchester Pension Fund

- Greater Manchester Pension Fund
- Northern LGPS (Northern Pool)
- North West

North West and Northern LGPS (Pool)



2. PORTFOLIO ANALYSIS

2.1 Introduction

This section provides an in-depth analysis of the assessment findings. It analyses Local Investments made through both the Impact Portfolio and GMPVF by asset type, their geographical distribution and their contribution to GMPF's impact themes. Additionally, we evaluated the degree to which the investment funds adopt a PBI approach and their alignment with the Impact Management Project's *Avoid Harm, Benefit Stakeholders, Contribute to Solutions* classification.

The Impact Portfolio and GMPVF have a target allocation of 2% and 3% of the main fund value respectively. Both funds seek to deliver a commercial return of RPI +4% whilst delivering positive local impact. The impact themes are listed in figure 2.1 and reported against throughout the analysis.

Figure 2.1 GMPF's Local Investment Portfolio Impact Themes

Local Investment Portfolio	Impact Themes	Impact Sub-Themes
Impact Portfolio (Target allocation: 2% of GMPF)	Jobs	Loans to SMEs
		Equity Investment in Under-served Markets
		Investment in technology jobs
	Place	Renewable energy infrastructure
Social investment		
Social infrastructure		
Housing/Property Development in Underserved Markets		
Greater Manchester Property Venture Fund (Target allocation: 3% of GMPF)	Economic Development	Generate employment
Improve long-term employment prospects		
Contribute to the overall development of the local economy		

Portfolio Overview

As of December 2022, GMPF had made significant commitments to its Local Investment portfolio, totalling £1.36 billion. Of this amount, 61% was allocated to the Impact Portfolio and 39% to the GMPVF.

The Impact Portfolio is invested in 39 funds managed by 16 investment managers whereas the GMPVF investments are all managed by Avison Young. The following analysis accounts for 34 funds managed by 14 investment managers, and

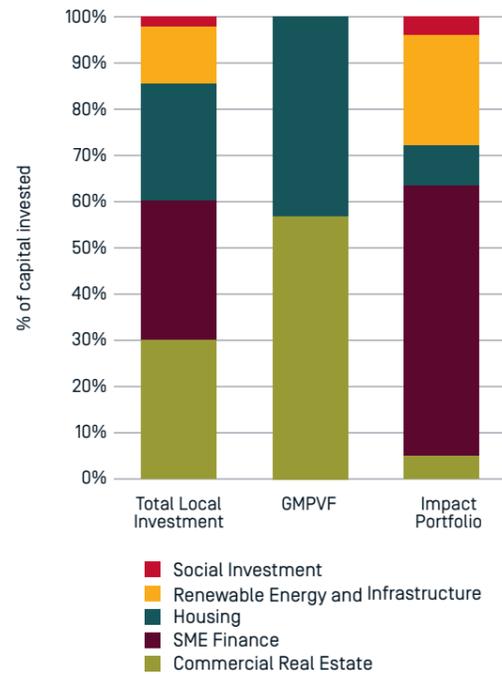
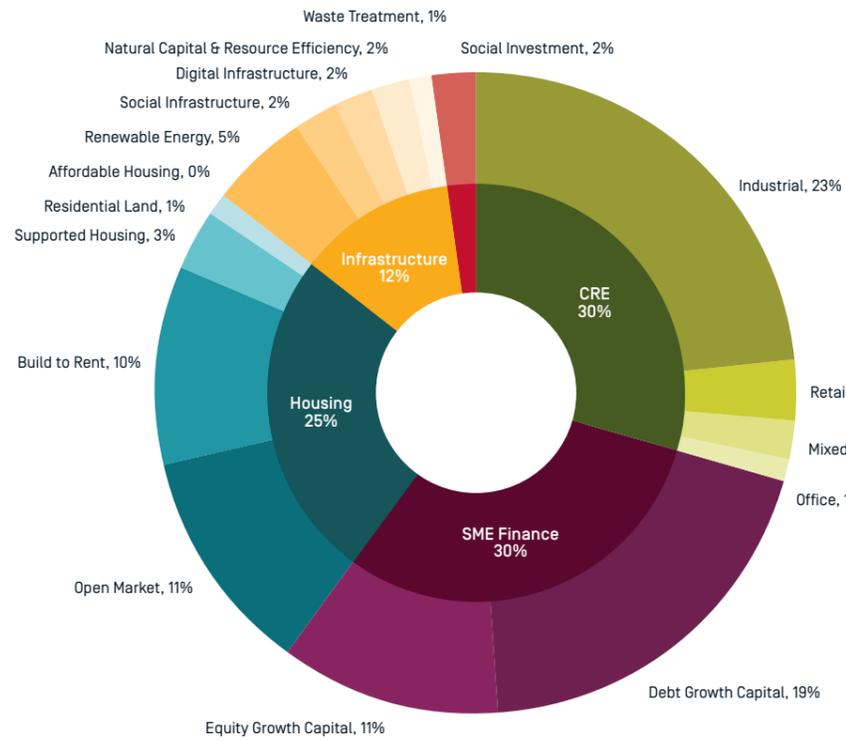
GMPVF, which comprises 90% of the commitment to the local investment portfolio. Five funds have been excluded as they have few, if any, assets remaining and are being managed out by their respective investment managers. For funds in scope in the Impact Portfolio commitment by GMPF and its subsequent investment began in 2014. GMPVF originated in the 1990s, however, the analysis includes the 25 assets in the portfolio which the current investment team is responsible for.

2.2 Investment by Asset Class, Geography and Impact Theme

In total, £858.7 million had been drawn down and invested as of end December 2022 with an almost equal amount split across each portfolio (Impact Portfolio 51%, GMPVF 49%). These investments have been deployed to achieve a balanced, multi-

asset portfolio in a wide range of investment areas including Commercial Real Estate (CRE) (30%), SME Finance (30%), Housing (25%), Infrastructure including Renewable Energy and Natural Capital (12%) and Social Investment (2%) (see Figure 2.2).

Figure 2.2 Level of GMPF Local Impact investment by asset class [% of amount invested]



The Impact Portfolio has a broader geography. About 35% of the investment is located in Greater Manchester and the North West, with 65% being invested outside of the region.⁴

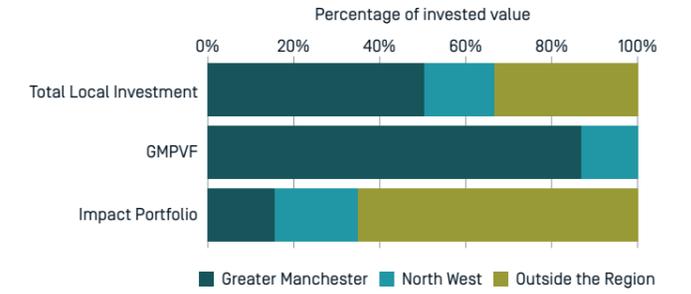


Figure 2.3 Geography of the GMPF Local Investment Portfolio [% of amount invested]

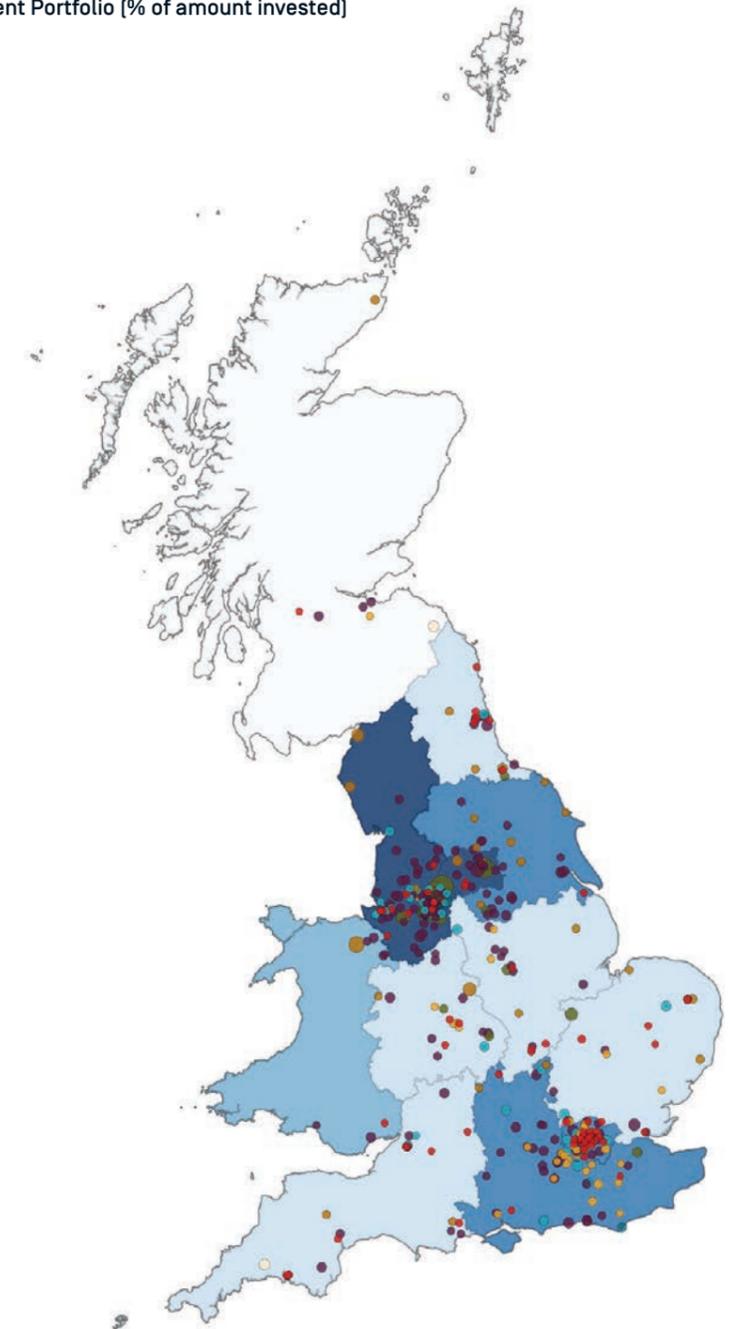
GMPF Local Investment Portfolio (by Asset Type)

- Commercial Real Estate
- Housing – Open Market
- Housing – Other
- Social Investment
- Social Investment – Digital Infrastructure
- Social Investment – Social Infrastructure
- Social Investment – Sustainable Infrastructure
- SME Finance

Investment by Region

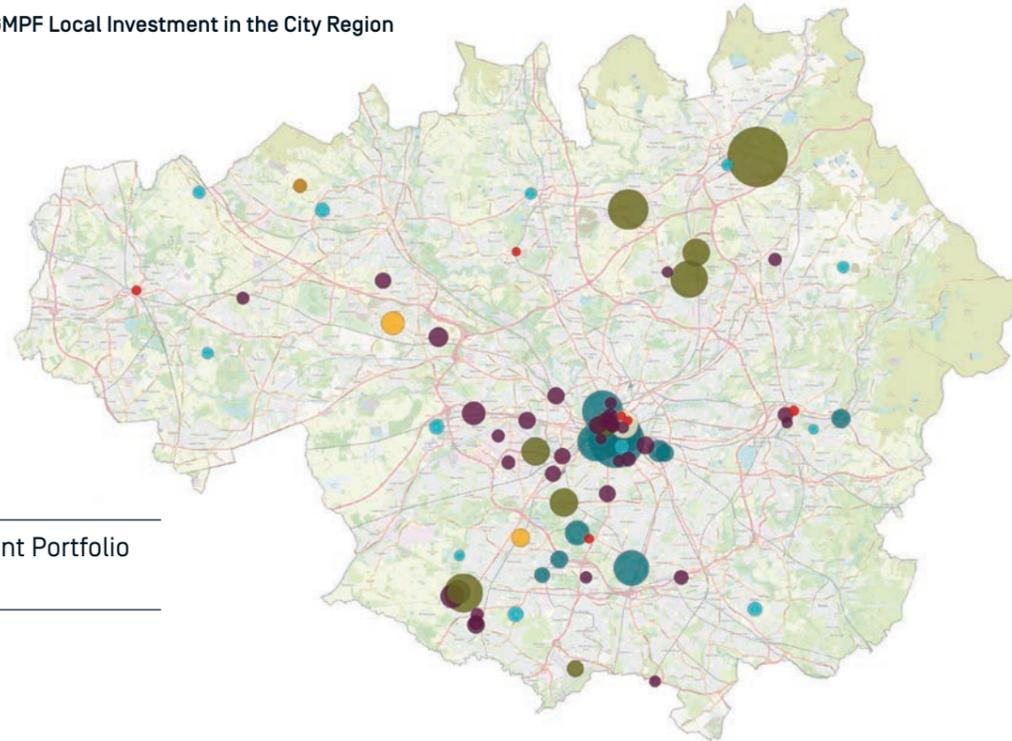
- < £10m
- £10-£25m
- £25-£50m
- £50-£100m
- > £100m

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4. 62% has been deployed across the rest of the UK and 3% is invested in two businesses that are based outside of the UK. This includes a business that was originally UK-based but relocated to the US during the investment period and a clean energy business in Germany. GMPF now specifies in its investment agreements that it wishes to opt out of all investments outside the UK.

Figure 2.4 Geography of GMPF Local Investment in the City Region



GMPF Local Investment Portfolio
(by Asset Type)

- Commercial Real Estate
- Housing – Open Market
- Housing – Other
- Social Investment
- Social Investment – Digital Infrastructure
- Social Investment – Social Infrastructure
- Social Investment – Sustainable Infrastructure
- SME Finance

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The **Impact Portfolio** is a diverse portfolio, comprising investments in both regional and national funds across different asset classes with different investment strategies aligned to GMPF's impact themes (see Annex 1 for a complete list of funds and investment managers). A total of 59% of the Impact Portfolio is invested in SME debt and equity funds providing growth capital for the scale-up and development of businesses seeking to deliver on GMPF's Jobs impact theme.

Investment in infrastructure makes up 24% of the amount invested by the Impact Portfolio. Investments in Renewable Energy, Digital Infrastructure and Social Infrastructure (childcare nurseries and healthcare facilities) account for most of the infrastructure investments, but GMPF has also invested in waste treatment facilities and a network of Habitat Banks (see case study on page 43). These investments align to GMPF's Renewable Energy, Infrastructure and Social Infrastructure impact themes.

Housing and Commercial Real Estate account for 14% of the amount invested in the Impact Portfolio. This includes investments in social and affordable housing, including supported living, either for people with health needs or transitioning from homelessness. Commercial real estate includes community retail shops, low carbon industrial units and the regeneration of vacant sites to provide high quality industrial and workspaces for SMEs.

The Impact Portfolio also has an allocation to social outcomes contracts, an innovative impact investment model designed to help social enterprises and charities scale-up the delivery of vital social services aimed at more vulnerable people in society (see box on page 25). The service providers are compensated based on the achievement of measurable positive outcomes. These investments account for less than 4% of the amount invested in the Impact Portfolio.

GMPVF is a property portfolio comprising investments in commercial real estate and residential housing, 57% and 43% of the amount invested by GMPVF respectively. Through this portfolio, GMPVF has been an active investor in the development of the city centre working in partnership with local developers and other investors. Commercial real estate investments include new office developments, retail and hotel developments in the city centre, as well as industrial business units and logistics centres in the northeast and southwest of Greater Manchester (the priority growth locations of the North East, Airport City and Southern Corridors). All housing in the GMPVF portfolio is Open Market, from city centre Build to Rent (BTR) developments to family housing developed jointly with Manchester City Council intended to both provide homes and help regenerate more challenged areas.

2.3 Impact Analysis

The following section provides an understanding of the impact of the local investment portfolio. Due to the wide-ranging nature of asset classes and fund strategies, availability of standardised data is restricted to output data which only begins to tell the impact story. Hence, we have used case studies to provide a deeper understanding of the types of businesses and projects

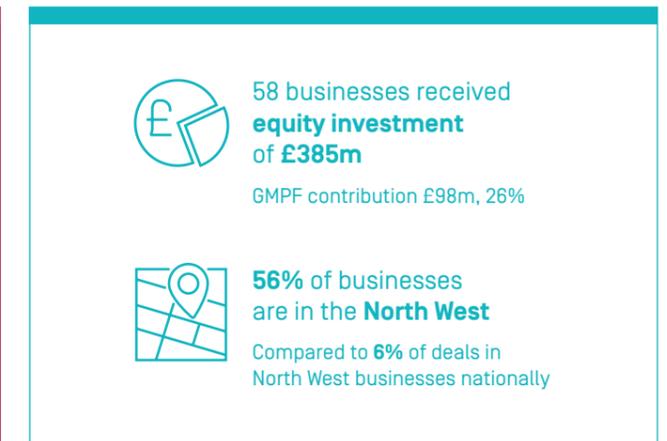
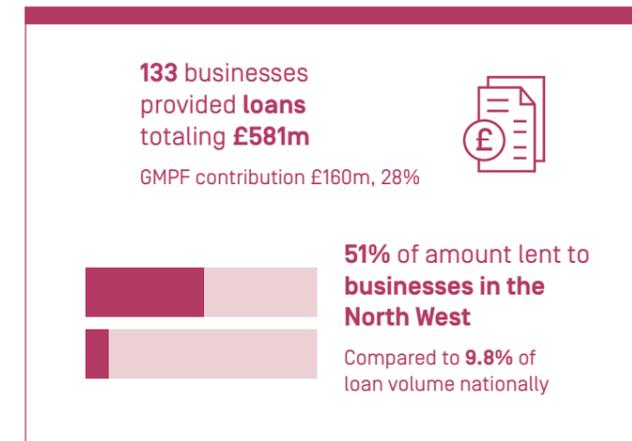
GMPF has invested in and their local benefits and outcomes (see Section 3).

Impact data related to jobs has been subject to independent assurance for a sample of funds in the portfolio.⁵ The verification statement can be found on page 31.

Contributing to Jobs through SME Finance

Businesses in the North West are less likely to receive debt, venture capital or equity finance than their national counterparts, particularly compared to businesses in London and surrounding regions (South East and East of England).⁶ GMPF provides capital to this underserved market through its investments in SME debt

and equity funds. From 2013 to December 2022, GMPF invested £258 million into 20 SME funds which have provided debt or equity to 191 businesses, of which 77 businesses were based in Greater Manchester and the North West.



5. Two fund strategies and their jobs-related information was subject to assurance. The remainder of the information reported by managers have been sense-checked by the TGE team but was not assessed to the same level of scrutiny against an internationally recognised assurance standard.

6. [British Business Bank Nations and Regions Tracker 2022, Venture Capital, Nineteenth Report of Session 2022-23, House of Commons Treasury Committee, How Big is the North South Divide, Beauhurst June 2023.](#)

These investments are helping to safeguard and generate new jobs. The 191 businesses that GMPF invested in support at least 16,000 direct jobs and have created over 7,000 jobs during the investment period. These figures are likely to be higher as data on the number of employees was only available for 78 businesses and job growth figures only available for 64 businesses. 88% of the 64 businesses with data demonstrated job growth during the time GMPF had been invested, over half of which are businesses in Greater Manchester and the North West. The median annual job growth rate for portfolio businesses during the investment period is 11% which compares favourably to overall trends, annual job growth in the private sector was less than 1% over the same period, both nationally (0.3% per annum) and in Greater Manchester (0.7%).⁷

GMPF's investment is capable of potentially supporting a further 80 businesses and 6,000 jobs given 30% of the committed value is yet to be invested. Other impact themes, including Renewable Energy, Infrastructure and Social Investment, also support and generate employment through their operations.

In total over 18,300 jobs have been supported and over 7,500 jobs created by businesses and operations of assets in the Local Investment portfolio.



Jobs supported and created in the SME Finance funds are distributed across all sectors of the economy, from strategic growth sectors such as health innovation, advanced materials and manufacturing found in funds such as Northern Gritstone through to foundational sectors such as healthcare and retail where strengthening employment opportunities and

working conditions are vital to inclusive and sustainable local development. Of the 34 businesses where data was available (18% of all businesses in the portfolio), 20 paid all employees above the Real Living Wage. Half of these businesses were in foundational sectors such as Accommodation and Food Services and Retail where wages are lower.



Spotlight on Northern Gritstone

Northern Gritstone is a venture capital firm which supports the commercialisation of science and IP-rich businesses based in the north of England, many originating from the fund's partner Universities of Leeds, Manchester and Sheffield. GMPF had committed £25 million in ordinary share capital, 22% of the total ordinary share capital of £115.6 million as of December 2022. As of this date, Northern Gritstone invested in six businesses, three in the North West and three in Yorkshire. In total, 134 jobs are supported by the fund in emerging growth sectors such as advanced materials, health technology, cognitive computation and artificial intelligence. Despite the fund being only a year old, three companies have already created 30 jobs since Northern Gritstone's investment, a combined annual job growth rate of 40%.

7. Private sector employment, Business Register and Employment Survey (2015 – 2021), ONS (data for years 2013 and 2014 not included as they are not directly comparable due to a change in methodology).

Property-Led Economic Development

GMPF has been an active investor in property-led development within the city centre and wider region. Through both GMPVF and the Impact Portfolio, employment space for an estimated 9,975 people has been developed, two thirds of the employment space is in the region. GMPVF has invested £237.5 million in 14 CRE assets. A further 11 CRE assets in two funds (Bridges Property Alternatives Fund III (BPAF III) and the Bridges GMPF co-investment vehicle) have received £22.8 million investment from the Impact Portfolio.

All GMPVF developments in Greater Manchester are in strategic growth locations. For example, the Airport City development in the Southern Growth Corridor where a four-hotel complex is being built which will create 500 jobs once operational, and the industrial developments in Kingsway Business Park in the North East Growth Corridor which will create space for 840 jobs. See the GMPVF case study on page 46 for further examples.

	Capacity (job spaces)	GMPF investment by CRE asset type			
		Industrial	Office	Retail	Mixed
Greater Manchester	4,408	60.1%	20.4%	19.4%	0.0%
North West	2,337	82.9%	17.1%	0.0%	0.0%
Rest of UK	3,230	13.9%	44.3%	20.1%	21.7%
Total	9,975	50.5%	27.4%	15.1%	7.0%

Contributing to Place through Housing, Renewable Energy, Infrastructure and Social Investment

GMPF's Local Investment portfolio is helping to deliver on the region's priorities which include delivering new homes, supporting the development of resilient, safe and vibrant communities, access to services, investing in digital infrastructure, and responding to the climate emergency.

supply to meet the needs of a growing population to tackling the shortage of social and affordable housing for those on low incomes.

Through its Local Investment portfolio, GMPF has invested £218.3 million in Housing via seven funds (listed below). These investments include new build apartments to attract professionals into city centre locations to ensure the necessary skills are available for business growth to providing accommodation for people who are or are at risk of being homeless.

Housing

Key to sustainable local development is access to quality, affordable housing for everyone. The UK is in the midst of a housing crisis, with Manchester ranked as one of the cities with the worst housing situation ranging from lack of housing

	Number of houses	Open market sales	Affordable	Supported
Greater Manchester	2,575	93.0%	2.0%	4.9%
North West	69	0.0%	0.0%	100.0%
Rest of UK	1,751	66.0%	29.2%	4.8%
Total	4,395	68.3%	12.1%	6.4%



4,395
homes

refurbished acquisitions

72% new build [completed, in development]

24% planned

4%

Investments in Housing were made via seven funds including:

- GMPVF's direct investments include city centre developments and high-quality family housing (GMPF is the sole investor).
- Two Alpha Real Capital Social Long Income Funds which invest in homes for older people and supported housing for people with complex health needs. One of the funds is a North West focused fund where GMPF is the sole investor.
- Bridges Property Alternatives Fund (BPAF III) which includes affordable housing focused in priority regeneration areas.
- Fiera Real Estate's Residential Land Development fund which secures residential planning permission on plots that have faltered.
- Newstead Capital Real Estate Lending.
- Resonance's National Homelessness Fund 2 (see box below).

Spotlight on Resonance National Homelessness Property Fund 2

Resonance, founded in 2002, is a specialist social impact investment intermediary, managing a range of funds including social enterprise investment funds and property funds. This includes two National Homeless Property Funds, aimed at tackling homelessness in the UK through strategic investments in affordable housing.

The National Homelessness Property Fund 2 (NHPF2) was established in response to the escalating demand for affordable housing, offering secure homes to those facing housing crises. Launched in December 2020, the Fund initially prioritised providing homes in the Greater Manchester region but has since expanded its reach to encompass other regions across the UK including Bristol, Oxford and Merseyside. The Fund currently manages £76 million in assets nationwide, with GMPF contributing £20 million.

As of December 2022, the Fund had a Net Asset Value of £32.5 million with 152 properties, 89% of which are in Greater Manchester and the North West. Of these properties, 49 were operational, providing housing for 45 people (29 adults

and 16 children). The remaining properties were undergoing refurbishment.

Julie's Story

Julie and her daughters were among the first beneficiaries of the National Homelessness Property Fund 2, finding housing through its partnership with Let Us in September 2021. Upon moving in, Julie described the experience as "a new start... with all the tools to begin again." She expressed her relief for her children and the newfound stability that the home brought to her family.

"This house is security, providing a home for my family. Temporary accommodation serves a purpose; it helped me when I was homeless, but this is a new start where I can make a home."

– Julie, Greater Manchester

Renewable Energy Infrastructure

GMPF's long-term goal is for 100% of assets to be compatible with the net zero-emissions ambition by c.2050 in line with the Paris Agreement.⁸ The Impact Portfolio has committed £182 million to five funds investing in renewable energy including:

- Gresham House's British Sustainable Infrastructure funds (BSIF)
 - GMPF is invested in four BSIF funds, two of which are sub-funds focused on the North West where GMPF is the sole investor.
 - These funds also invest in digital and social infrastructure.
- Iona North West Investments where GMPF is again the sole investor
 - Iona invests in low-carbon infrastructure projects, such as bioenergy and waste to energy.

So far £67.8 million of GMPF's commitment has been invested in 13 assets.



1 windfarm
18.45MW
Capacity to supply **13,500 homes**

4 biomass energy facilities
(2 operational)



1 biofuel processing plant



1 vertical farming operation
c.99% less greenhouse gases compared with importing



1 regenerative habitat bank
Creating Biodiversity Net Gain credits
17 sites nationally



3 waste facility operations
Treating **19,500 tonnes per year**

Social Infrastructure

GMPF has invested £19 million into social infrastructure assets via four funds targeting various impact themes. They include Alpha Real Capital's Social Long Income Funds (social infrastructure impact theme), Gresham House BSIF (renewable energy) and Bridges BPAF III (housing and property).

Via BSIF, GMPF has also invested £18.8 million in digital infrastructure, including Telcom in Greater Manchester (see case study on page 45).

5 nurseries with 482 childcare spaces
23% in Greater Manchester




Chain acquired with **30 nurseries**
Looking to expand to **80** by 2025 creating 2,700 places and 2,000 jobs



3 fibre broadband providers
1 in North West, currently **2,450** customers and 390k network, **124,000** by 2036



2 health care facilities
13,580 beds
99% in Greater Manchester



Chain acquired with **10 care homes and 650 jobs**
Looking to expand to **50 homes and 3,000 employees** in next 5 years

Social Investment

The Social Investment theme is an allocation which targets funds providing capital to mission-driven organisations targeting poverty reduction and health, educational and housing outcomes for the most vulnerable people in society. GMPF is one of the few pension funds to back financial innovation in this area. GMPF has committed £20 million, of which £16.1 million has been invested.

The 35 underlying investee organisations and multiple service delivery partners span the UK. Investments either fund social outcome contracts and bonds (15% of the amount invested in Bridges Social Impact Bond I and Bridges Social Outcomes Fund II) or equity in mission-driven organisations focused on health, education, skills and housing (85% of the amount invested in Bridges Evergreen Capital).

Spotlight on Bridges Social Impact Bond Fund

The Fund was launched in March 2013 to help deliver positive outcomes for some of the most vulnerable people in the country. Intended outcomes include helping people out of and preventing people from entering homelessness, social prescribing to help long-term health conditions, and youth engagement and mentoring to help improve education and life chances. Investment closed in 2018. The Fund has made a total of 17 investments, supporting 34 contracts, many of which have completed, and is on track to achieve 20% more outcomes than originally targeted.

A local example is the Greater Manchester Rough Sleeping outcomes contract which provides funding to help find long-term stable accommodation for people sleeping rough in Greater Manchester. 356 people (of 406) have been helped into accommodation, 315 of which have sustained this for at least six months and 243 for 18 months. The contract has also helped 129 people enter into mental health support and 27 people into education.

2.4 Alignment with Place-Based Impact Investing

The White Paper on *Scaling-Up Institutional Investment for Place-Based Impact* defined PBII as an approach to investing with a number of traits that characterise this investment style. The original White Paper identified five traits which were simplified to four in the PBII Reporting Framework – two related to Place and two to Impact (see Figure 2.5). At its core, PBII is about investing in a way that responds to locally-identified needs and priorities, involves collaboration with local stakeholders and listening to community voice and is intentional about maximising benefits for local people and place.

As part of the portfolio analysis, TGE asked investment managers to self-assess their alignment with these traits. Investment managers were asked to select a statement that best described how Place and Impact were incorporated into the fund's investment strategy, investment management, decision-making, policies and processes. This was carried out to be transparent about the funds being analysed with the acknowledgement that whilst they may not be intentionally place-based or have an impact strategy, their investment activity will have a positive local contribution, hence the reason for their selection by GMPF.

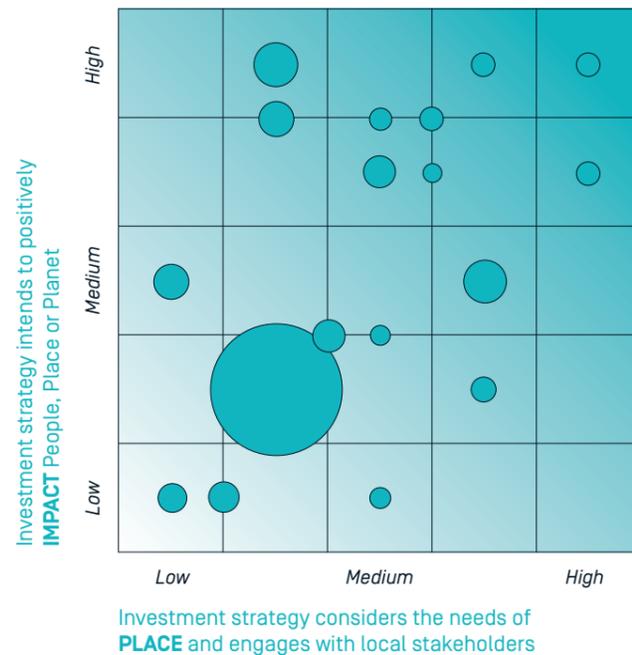
In general, investment managers' strategies were more likely to align to the Impact traits than the Place traits. Debt funds providing loans to SMEs were least likely to display PBII characteristics whilst more specialised, impact-driven funds such as the Resonance's National Homelessness Property Fund 2 and Bridges' Social Outcomes Fund II and Social Impact Bond Fund displayed the highest number of PBII characteristics. Property funds investing in commercial real estate and open market housing generally assessed themselves as having lower alignment to the traits suggesting they are making investments *in* a place rather than *for* a place.

We believe there is potential for commercial real estate investments to generate further local impact through taking a more intentional approach to local impact creation including having a greater understanding of place-based needs and local stakeholder collaboration, including with local authorities.

Figure 2.5 PBII Traits

Place	Defining Place and Understanding Local Priorities	Collaboration and Stakeholder Engagement
Impact	Intentionality to Create Positive Impact	Impact Management

Figure 2.6 Portfolio Alignment with PBII (by fund commitment value)



Overall, a total of 23% of GMPF's Local Investments commitment can be classified as Medium or above alignment on both Place and Impact. This is largely influenced by GMPVF which has low alignment. 40% of the Impact Portfolio's commitment is assessed as Medium or above and 20% committed to funds with lower alignment to both Place and Impact traits.

The methodology relies on a self-assessment against the PBII traits. For a small sample of funds, the assessment is verified through an independent assurance process to provide confidence in the results (see page 31).

2.5 Alignment with IMP's Avoid Harm, Benefit Stakeholders, Contribute to Solutions Classification

At the asset level we assessed the GMPF's potential impact using the 'ABC' framework developed under the auspices of the Impact Management Project.⁹ The approach categorises assets as A, B, C

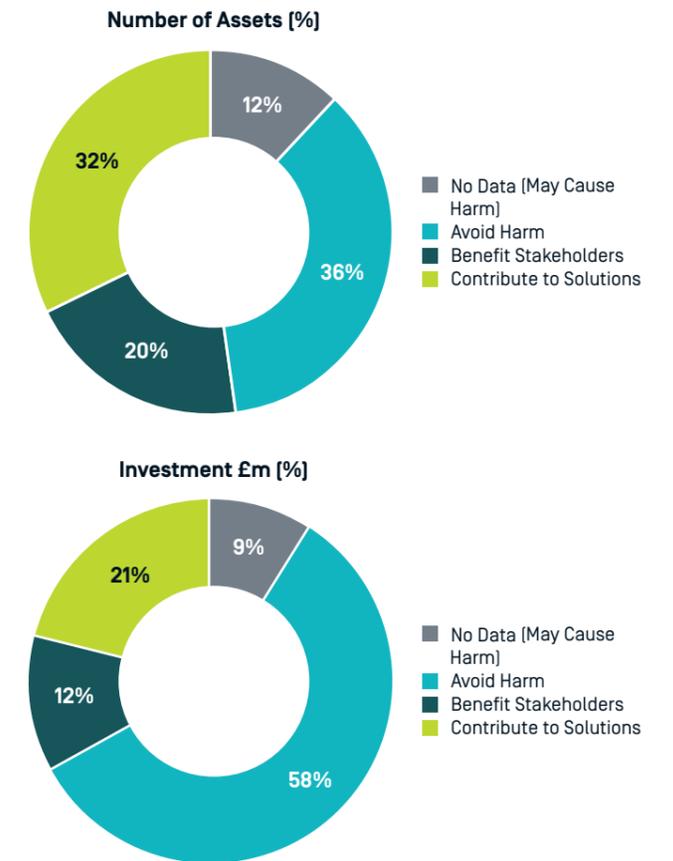
or D according to the intended impact that the underlying assets are expected to have on people, places and the planet (see figure 2.7).

Figure 2.7 The IMP Impact Classification

Does [or may] cause harm	The asset causes (or may cause) harm to people and planet
Avoid Harm	The asset prevents or reduces negative outcomes for people and planet
Benefit Stakeholders	The asset not only avoids harm, but also generates positive outcomes for people and planet
Contribute to Solutions	The asset avoids harm, but also generates one or more positive outcomes for otherwise underserved people and the planet

A third of Local Investment is categorised as 'Benefitting Stakeholders' or 'Contributing to Solutions', accounting for over half (52%) of all assets. These assets can be said to generate positive outcomes for people and planet. In general, they are found in the Social Investment, Social and Sustainable Infrastructure Funds as well as some equity investments. 58% of the invested capital is categorised as 'Avoiding Harm'. These assets have appropriate Environmental, Social and Governance (ESG) policies in place to prevent or reduce negative outcomes for people and planet. Assets where no known policies or appropriate data are available to make an assessment are classed as 'May Cause Harm' and account for 9% of capital deployed. These assets which did not have relevant data were found in SME debt funds where ongoing engagement with investees is not as common as in other asset classes.

Figure 2.8 GMPF Local Impact Investment by IMP Impact Classification



9. The IMP brought together over 2000 organisations to establish a global consensus for analysing impact. The approach has since become widely recognised as a norm for assessing the impact of enterprises or investment assets.

2.6 Financial Performance

GMPF has set a benchmark of RPI + 4.00% for its Local Investment portfolio. Investments made in the portfolio are expected to achieve this target while recognising there will be a range of risk, return and impact performance across the different funds and direct property investments. Ultimately, GMPF is seeking to optimize its investments to both deliver local and regional impact and achieve its' financial return targets. The overall target for GMPF is CPI + 2.00-2.50%.

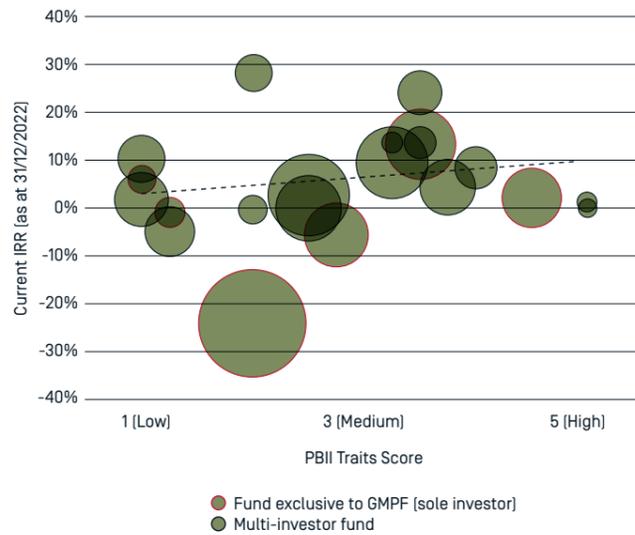
The financial performance of GMPVF and the funds within the Impact Portfolio are reviewed on a quarterly and annual basis. GMPF believes that long-term measures such as the IRR are the most appropriate means of evaluating the performance of its GMPVF property portfolio and investment in private partnership funds.

GMPVF's investments include a range of property assets with different risk and return characteristics. Properties that are fully built and generating income from tenants are clearly lower risk than sites in development and have different return profiles. The GMPVF portfolio is still relatively immature, however, GMPF's latest performance review provides strong evidence that the portfolio is on track to achieve the return objective over the medium to long-term. The overall IRR position for the GMPVF is 5.2% as of the end of December 2022, with an IRR of 6.5% for those investments exited to date.

Similarly, within the Impact Portfolio, GMPF has investments in funds that are at different stages of maturity. GMPF believes that financial performance calculations for funds less than four years old are a very poor indicator of performance, but it does include them in its overall performance analysis for completeness. The IRR position for the current Impact Portfolio is 6.0% as of the end December 2022, with an IRR of 8.5% for those investments exited to date.

The chart above [Figure 2.9] provides a summary of the current IRR for all unrealised investments in relation to their alignment to the PBI traits [see page 28]. This should be read with caution given it includes immature investments in which it is too early to judge the final returns. However, the performance of funds exited to date provides GMPF with confidence that the Local Investment portfolio will achieve the target financial returns over the long-term.

Figure 2.9 GMPF Impact Portfolio Returns at 31 December 2022



3. INDEPENDENT ASSURANCE

Providing GMPF With Greater Confidence in Place-Based Impact Reporting

The Good Economy was commissioned by GMPF to carry out independent assurance on the quality of place-based measurement, management and reporting. The aim was to increase levels of confidence in impact practices and performance by assessing funds against a recognised third-party standard – the AA1000 Assurance Standard (see Box 1). This provided a ‘fourth line’ of defence to ensure the credibility and reliability of information in this report, as well as the underlying processes and systems being used by investment managers.¹⁰

The Good Economy's *Impact Assured* team – operationally separate from those writing the impact report – carried out the engagement. As far as TGE is aware, this is the first time a pension fund investor has asked for external assurance of non-financial metrics being reported by underlying funds. As such, it provides an important signal that as much as shareholders expect a financial statement to be audited, they should expect the same rigour and external scrutiny to be applied to impact performance.

The AA1000 Assurance Standard provided a ‘fourth line’ of defence to ensure the credibility and reliability of information in this report, as well as the underlying processes and systems being used by investment managers.¹⁰

Box 1: The AA1000 Assurance Standard

The AA1000 Assurance Standard [AA1000AS v3], developed through a consultative process by the standards firm AccountAbility,¹¹ is a leading sustainability standard used to assess an organisation's disclosures about its performance. It is based on four key AccountAbility Principles of inclusivity, materiality, responsiveness and impact. These Principles closely align with the ‘traits’ of place-based impact investing – as set out in the PBI Reporting Framework – so were used as the criteria through which to assess the quality of the place-based approach.

As a registered AA1000AS assurance provider, TGE is bound by a set of preconditions to ensure the independence and impartiality of the engagement, which took place in accordance with established AA1000AS processes and the Code of Practice. The assurance was also carried out in line with TGE's internal Code of Practice.

Scope

The scope of assurance related to data being disclosed with regards to the number of jobs supported and created by funds, which in turn was aggregated into portfolio-wide figures. Two managers and their underlying funds were sampled for assurance. Sampling was stratified to ensure coverage across themes (SME and CRE) and then to focus on the significance of impact (those reporting the largest figures).

TGE carried out the engagement to a moderate level of assurance, assessing adherence to the AccountAbility Principles at risk of fulfilment and areas of the subject matter most likely to be materially misstated, based on collecting and assessing evidence and its validity.

¹⁰ The Institute of Chartered Accountants in England and Wales [ICAEW]'s four lines of defence model sets out four categories of responsibility: Those involved in the day-to-day ('first line' – funds preparing information); internal controls ('second line' – fund managing their control environment through checks and systems); objective and independent scrutiny ('third line' – TGE's sense check in collecting data and interacting); external assurance to a third-party standard and methodology ('fourth line' – assurance to high standards of evidence and professional scepticism).

¹¹ The AccountAbility Standards Board oversees the ongoing development of the Standards used by institutions worldwide. The composition of the Board is designed to provide broad representation from the public and private sectors, civil society, and the standards community.

Findings

Alignment With AA1000 Principles and the Traits of Place-Based Impact Investing

AccountAbility Principle	PBII Trait	Summary Findings for the Sampled Managers
Inclusivity – People should have a say in the decisions that impact them	Collaboration and stakeholder engagement	Investment decisions are informed by an understanding of local priorities, objectives and funding needs for sustainable economic and social development. For private equity, engagement is focused on underlying companies and their stakeholders which are based in, but not necessarily delivering products and services to, the GMPF local investment's target geography. Other important stakeholder groups include employees of the manager, as well as investors in the fund. Real estate investments are anchored in GMPF local investment's target geography, where important stakeholders include affected communities, as well as the environment. Managers have robust governance mechanisms in place, from Responsible Investment policies to specific processes establishing accountability to stakeholders. Funds are at different stages in their sustainability journey. Some have a dedicated team or person to help embed their sustainability ambitions and commitments into the investment process. Others have introduced Board-level oversight of the management of sustainability-related risks and opportunities.
Materiality – Decision makers should identify and be clear about the sustainability topics that matter	Local priorities	Investment decisions are made in collaboration with appropriate key local partners. For real estate funds, this is based on a defined consultation process that includes engagement from the local community, local authorities, service providers, transport teams and sustainability consultants. Tools such as a materiality matrix are used to prioritise relevant themes and topics. Issues are plotted on an axis to plot the importance to stakeholders and importance to the fund. Managers are increasingly using standard approaches and tools to identify sustainability topics, such as the ESG_VC framework and the Impact Management Project dimensions.
Responsiveness – Organisations should act transparently on material sustainability topics and their related impacts	Intentionality	Not all fund strategies include an impact or sustainability objective to contribute to positive social and / or environmental change. However, all sampled managers have an established process for responding to stakeholder concerns. In real estate, for example, where a community concern arises and the manager feels unable to mitigate, they will determine potential solutions and re-engage with the affected community to understand the potential harm. If the potential harm cannot be mitigated, the manager may take the decision not to invest. For private equity, ESG is a standing agenda item for Board meetings with all portfolio companies. Examples of funds acting in a responsive manner include: <ul style="list-style-type: none"> ➤ Lowering the building height when a consultation document highlighted community concerns. ➤ Including rooftop gardens, public realm and parks in the development when consultation with local residents and stakeholders revealed an interest in biodiversity and the environment.
Impact – Organisations should monitor, measure, and be accountable for how their actions affect their broader ecosystems	Impact management	Funds make use of social and environmental performance data to contribute to high-level planetary and societal goals, as articulated in the SDGs. Portfolio companies of the private equity fund provide an annual update on ESG-related activity, and the use of industry-standard templates (such as ESG_VC) allow for benchmarking and comparison both over time, and between companies. The real estate fund has a comprehensive approach to impact scoring, with performance formally reviewed and reported on an annual basis. This includes a check on whether the most material impacts are still being considered. Risks of harm and areas of positive impact are defined according to whether performance is outside / within the threshold for what is considered 'sustainable' by best-available science, widely accepted research, or the affected parties themselves.

Jobs Supported and Created

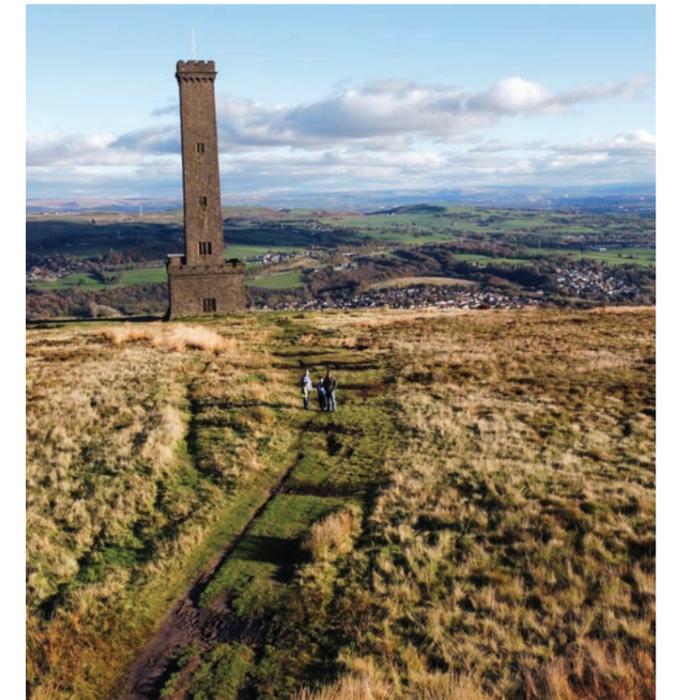
While we found no material errors in reported jobs figures, the assurance highlighted a diversity of practices in defining and measuring the number of jobs created and supported.¹²

Specifically, recommendations to funds included:

- Clarifying the time period of reporting, and whether employment figures are based on point in time (e.g., year-end) or an average over the period. Business finance funds should also ensure baselines are documented at the time of investment (not just based on figures calculated during due diligence or in pre-investment analysis, as the time lag between these milestones could lead to over- or under-estimates).
- Housing and CRE funds tend to use modelled data, based on certain economic assumptions, to estimate future potential employment associated with a scheme. To ensure these figures reflect real-world effects, they should as far as possible be updated based on scheme status (e.g., adjusted for occupancy rates and / or status of development).
- For all strategies, a clear unit of measurement should be decided on, documented and used consistently to strengthen the comparability of data. The primary choice is between headcount or full time equivalent (FTE). Ensuring that the same unit is used, both within and between investments will support data consistency. Metrics should be aligned to existing third party standards, such as the HIPS0 Indicators, that provide a clear definition, reporting period and methodology for employment-related metrics.¹³

At the GMPF portfolio level, a framework could be introduced to distinguish between different types of job effects (e.g., direct or indirect employment, temporary or permanent) as these are associated with different outcomes for stakeholders at different spatial levels (e.g., outside of a defined place). A further distinction could be made between jobs numbers that are modelled or directly measured, as this helps to explain the extent to which data 'corresponds' to realised real world outcomes – or future outcomes that are anticipated based on a set of assumptions.

Finally, while it was not in scope of assurance for this report, there is emerging consensus that in order to have a positive impact on places it is not just the number of jobs, but their nature that matters. It was therefore encouraging to hear plans by investment managers to collect more data on the quality and inclusivity of supported employment opportunities – and we would expect these disclosures to be a focus of assurance in future years.



¹² Minor errors in reported figures were noted due to transposing and inconsistent units of measurement (e.g., between FTE and headcount). However, these are within the Generally Accepted Accounting Principles (GAAP) materiality threshold of 5%.

¹³ See PE-16 Guidance for measuring jobs supported: [Harmonized Indicators for Private Sector Operations \(HIPS0\) | PE & Investment Funds](#) (ifipartnership.org).

4. CASE STUDIES

In order to gain a deeper understanding of the impact of GMPF's investments, we conducted three in-depth case studies, representative of the investment managers in the local portfolio. These are Foresight, Gresham House and Avison Young. For three funds managed by these investment managers, we carried out a detailed assessment of two investees.

By zooming in on the underlying investments, we were able to establish direct connections between GMPF's investment decisions, the strategies employed by the fund managers and the subsequent

real-world outcomes and benefits to the people, communities, and economy of Greater Manchester and the North West.

Here we present our findings from each case study, shedding light on the different approaches taken by the fund managers and the tangible impacts they have achieved. Through these in-depth analyses, we aim to provide transparency and accountability while highlighting the crucial role GMPF's investments play in fostering positive change within Manchester, the region and beyond.



Approach

Our case study approach comprised the following key components:

- **In-depth Interviews with Investment Managers**
 We conducted comprehensive interviews with representatives from each of the three fund managers, namely Foresight, Gresham House and Avison Young. These interviews provided valuable insights into their impact strategies, investment processes, and overall approaches to sustainable and Place-Based Impact Investing.
- **Investee interviews and site visits**
 We conducted six interviews with investees associated with the aforementioned funds. Each fund was represented by two investees, carefully selected to be representative of the wider portfolio. These interviews helped us understand the direct impact of the investments on the ground and the experiences of the beneficiaries.
- **Desktop review of key documents**
 To ensure a comprehensive analysis, we conducted a review of essential fund documents, including investment strategies, annual reports, and evidence of impact performance. These documents provided valuable contextual information and data to support our findings.



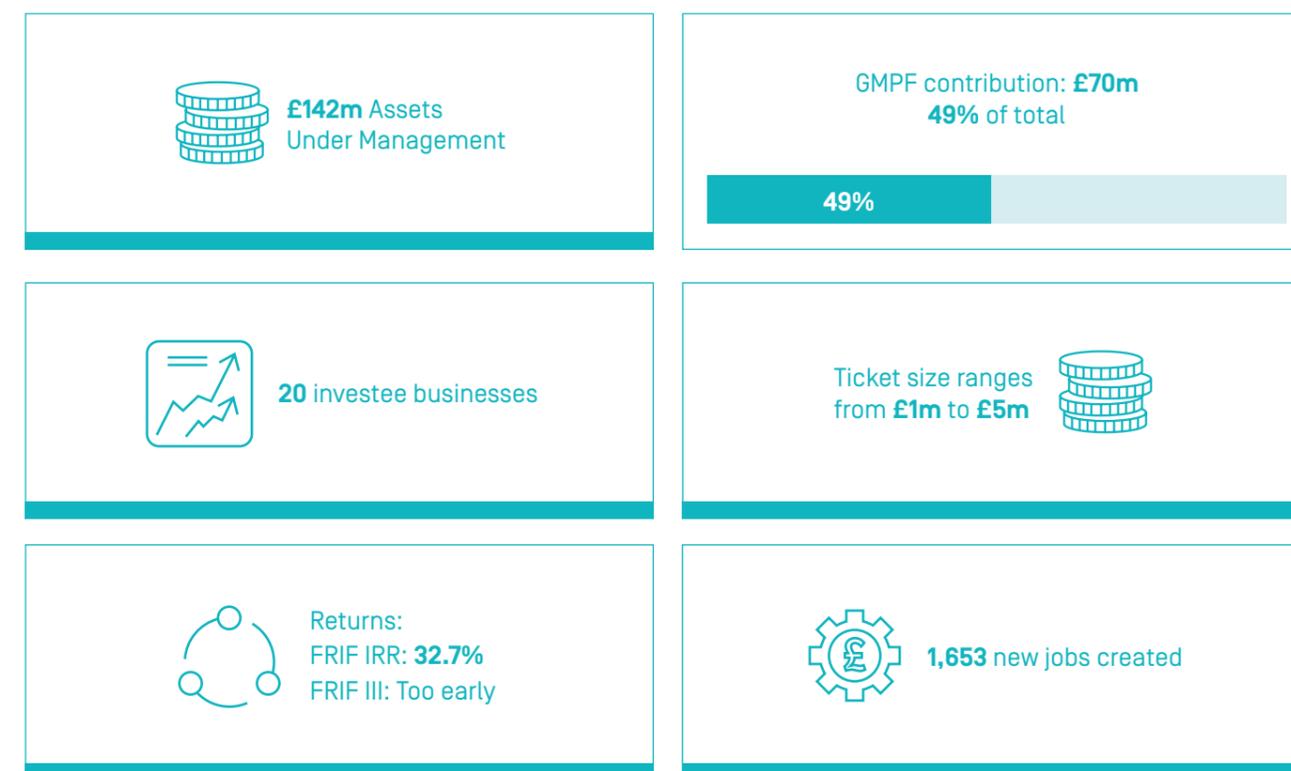
By zooming in on the underlying investments, we were able to establish direct connections between GMPF's investment decisions, the strategies employed by the fund managers and the subsequent real-world outcomes and benefits to the people, communities, and economy of Greater Manchester and the North West.

4.1 Foresight

Fund Description

Investment Manager	Foresight Group is a specialist investment manager that makes investments in SME Finance, Clean Energy and Infrastructure. It makes equity investments in the range of £1 million to £10 million.
Fund investments	Foresight Regional Investment Fund LP (FRIF) and Foresight Regional Investment Fund III LP (FRIF III), two of Foresight's regional series focused on investing in SMEs in the North West, South Yorkshire, parts of North and West Yorkshire, and North Wales.
Fund structure	10 year Limited Partnership with two one year extensions launched in 2015 (FRIF) and 2021 (FRIF III).
Target financial return	15% IRR net of fees.
Impact objective	Deliver sustainable economic and social benefits to the North West by consistently apply ESG principles and helping build sustainable businesses that seek to have a positive impact on the region's economy.
GMPF Impact Theme Alignment	Jobs – safeguard and create local jobs. Place – contribute to local and regional development by investing in businesses and sectors with growth potential.

Results as of December 2022:



To date, GMPF has invested £70 million in these two regional funds, accounting for around 9% of GMPF's Impact Portfolio. GMPF's investment led to Foresight establishing a local office in Manchester in 2016. To date, the Funds have jointly invested £142 million in 20 businesses across five key sectors. Consumer and leisure businesses have received nearly half of the total investment, including businesses such as Clubhouse Golf and Mowgli Street Food based in Manchester.

Figure 4.1: Breakdown of Investments by Sector

Sector	# of Companies	% of Capital Invested
Consumer / Leisure	8	42%
Industrial and Manufacturing	5	29%
Business Services	3	12%
Technology	2	9%
Healthcare	2	9%

These 20 investee businesses have facilitated the creation of 1,653 new jobs in local communities across the North West. The Foresight investment team have put ESG considerations as a standing item on the agenda of regular meetings with the SMEs they have invested in to ensure regular review of ESG progress and risks. Foresight, through the deployment of its capital, has not only provided capital investment and expertise, but also fostered the growth of sustainable and socially responsible small businesses in the region.

Spotlight on Foresight Investees

● Argyle North West Construction

Asset class: Private Equity
Sector: Industrial and manufacturing
Foresight investment: £6,500,000
GMPF investment: £3,082,300

Argyle is a construction company based in Atherton, Manchester that operates throughout the North West, providing services related to road surfacing, sewer and infrastructure works, groundworks, and building maintenance and refurbishment. Its clients include both public and private sector organisations.

Argyle started as a small, family-run business in 1993 but today has grown to a team of over 68 people based in the North West. Foresight Regional Investment III LP has invested a total of £6,500,000 in Argyle so far. The company management team highlighted how much they like Foresight because of their relevant and proactive advice, and the feeling that Foresight is part of the team.

Argyle is committed to creating local jobs and skills development. Foresight's investment has supported Argyle's growth with ten new people employed since the point of Foresight's investment. It is an accredited Real Living Wage employer, and strives to employ locally through job centres, as well as getting involved in the 'Back on Track' scheme to provide employment to those who have suffered from mental health, homelessness, or drug and alcohol issues.¹⁴ It also has a formal apprenticeship programme in partnership with Salford College and employs four apprentices.

Alignment With GMPF Impact Themes	Alignment With Regional Needs
Jobs (Equity Investment in Underserved Markets)	Construction Skills
Place (Social Infrastructure)	Employment

Greater Manchester's city centres are attracting a significant level of investment. As a region, the North West is second only to London and the South East for construction output. As a result, the construction sector is crucial to both the region and to Greater Manchester in terms of supporting property and infrastructure development, employment for communities, and growth of the economy.¹⁵

14. Back on Track is an initiative in Manchester that works with adults who are going through a process of recovery or rehabilitation. <https://www.backontrackmanchester.org.uk/>.
 15. Greater Manchester Combined Authority, 'Industry Labour Market and Skills Intelligence Report,' 2021, <https://greatermanchester-ca.gov.uk/media/4875/industry-skills-intelligence-pack-construction.pdf>.

● ABL Health NW

Asset class: Private Equity
Sector: Healthcare
Foresight investment: £3,100,000
GMPF investment: £1,470,020

ABL Health is a healthcare provider and a socially driven business that strives to reduce health inequalities across the UK, with its headquarters located in Bolton, Greater Manchester. Founded in 2009, the organisation actively collaborates with individuals and communities to identify obstacles to health, assist them in overcoming and managing these barriers, and connect them to broader community services.

ABL Health facilitates various health and wellbeing services with a focus on preventative, community-based interventions, including specialist weight management, smoking cessation, alcohol reduction, prison healthcare, cancer prehabilitation, and mental health/behaviour change services for children and young people. The company takes a person-centred and evidence-based approach, tailoring its services to meet the specific needs and goals of the individuals and communities it works with. Through its expertise and professional healthcare staff, ABL Health contributes to the advancement of inclusive healthcare throughout the UK, helping individuals lead healthier lives and fostering the overall wellbeing of communities.

Over the past five years, the company has experienced notable growth, with Foresight playing a significant role in this expansion. Foresight contributed through investment and by providing professional advice and expertise, including assistance in appointing a Chair for ABL Health's Board of Directors, enhancing board reporting practices, and cultivating a higher level of professionalism.

Key results (across the UK):¹⁶

- 32,000 people supported in making positive lifestyle changes
- 61% of users come from the most deprived communities
- 85% of children in weight management services increased vegetable intake

Alignment With GMPF Impact Themes	Alignment With Regional Needs
Jobs (Equity Investment in Underserved Markets)	Improved Health Outcomes
Place (Social Infrastructure)	Health Inequality

Greater Manchester faces significant health challenges, with various indicators highlighting the health inequalities experienced by people in the north of England (the North), including Greater Manchester, in comparison to the national average. According to a recent report by Health Equity North, infants born in the North have a life expectancy at least one year lower than the national average.¹⁷

ABL Health actively works towards addressing this disparity through its community-driven health services. Ultimately, ABL Health's tailored approach leads to improved health outcomes for the individuals and families it serves throughout Greater Manchester and the North.

16. ABL Health, 'A year of Change & Growth: Impact Report Oct 2020 – Sept 2021'.

17. Munford, L., Bamba, C., Davies, H., Pickett, K., Taylor-Robinson, D. (2023), Health Equity North: 2023, Health Equity North, Newcastle. <https://www.healthequitynorth.co.uk/app/uploads/2023/04/HEN-REPORT.pdf>.

Mahdlo Youth Zone

With FRIF's investment, ABL Health also supports the Mahdlo Youth Zone in Oldham, Greater Manchester.

GMPF's investment in FRIF, and its subsequent funding of ABL Health, allows Mahdlo Youth Zone to provide more services for young people, and signpost more people to ABL Health Services, which ultimately contributes to helping people lead healthier lives with positive wellbeing outcomes.

Established in 2012, the Mahdlo Youth Zone works with young people aged 8-19 (and up to 25 for those with a disability) to improve their confidence and wellbeing. The organisation's trained social workers enable young people to participate in various activities tailored to their interests and needs, with over 20 activities taking place every day.

In 2022, the organisation:

- Held 44,277 session visits
- Employed 85 Oldham residents
- Was regularly supported by 96 volunteers



Spotlight on on ABL Health and Mahdlo Youth Zone's (MYZ) Healthy Families Programme

In 2022, nine-year-old James*, who has autism, and his family joined MYZ's Healthy Families Programme, one of ABL Health's programmes delivered in partnership with MYZ. Initially hesitant to participate in one-on-one support, James began to actively engage in activities after joining in a group setting through the Healthy Families Programme. During this time, he formed a strong bond with an ABL staff member.

Through consistent attendance and active participation, James displayed notable improvements in his fitness level, strength, and overall confidence. These positive changes enabled him to work towards achieving a healthier BMI. Additionally, James's passion for creative arts, specifically singing and acting, became evident during his multiple sessions with MYZ. As a result, he successfully showcased his talent by performing in front of his school.

*Name changed for confidentiality.

4.2 Gresham House

Fund Description

Investment Manager	Gresham House is a specialist, alternative asset manager with investment strategies across all PBII pillars.
Fund investments	GMPF has invested in four Gresham House funds with underlying assets based in the North West, ranging from £1 million to £164 million. Gresham House BSI Infrastructure LP and Gresham House British Sustainable Infrastructure Fund II LP were established to invest in sustainable infrastructure - profitable, real asset based solutions to the key environmental and societal challenges. The two North West Funds were established to enable GMPF to increase exposure to specific infrastructure investments and themes in the North West via co-investment with BSIF Sub Fund I and Sub Fund II (together all four funds described as "BSIFs" throughout).
Fund structure	The funds are 12 year Limited Partnerships based in Guernsey, and the General Partner, Gresham House Investment Management (Guernsey) Limited, is managed by Gresham House Asset Management Limited.
Target financial return	The BSIF funds target an 8-10% IRR (net of fees) including an income yield of 5% per annum.
Impact objective	Alongside strong, risk-adjusted financial returns for its investors, BSIF funds are required to deliver a positive social and/or environmental impact and align with the United Nations Sustainable Development Goals (SDGs).
GMPF Impact Theme Alignment	Jobs - safeguard and create local jobs. Place - contribute to local and regional development by investing in businesses and sectors with growth potential.

Results as of December 2022:

 <p>£539m Assets Under Management</p>	 <p>GMPF contribution: £140m</p>
 <p>12 assets in portfolio</p>	<p>Typical initial ticket size ranges from £1m to £50m</p> 
 <p>Returns: BSIF I: 16.6% BSIF II: Too early NW: 13.8% NW II: Too early</p>	 <p>2,120 employees across 12 companies</p>

Figure 4.2: Summary of Gresham House British Sustainable Infrastructure Investments

Fund name	Size of Fund (AUM)	Level of GMPF Contribution
Gresham House BSI Infrastructure LP (Sub Fund I)	£234.6	£20m
Gresham House British Sustainable Infrastructure Fund II LP	£214m	£30m
North West BSI LP	£20m	£20m
North West BSI II LP	£70m	£70m

GMPF has contributed a total of £140 million across the four BSIF funds thus far. Because GMPF have co-investment vehicles specifically dedicated to the North West, this additional capital source influences Gresham House to 'catalyse more investment into the North West region'. Its BSIF investments span six key sectors (see Figure 4.3), with investments in resource efficiency and digital inclusion projects together receiving almost half of all investment (see figure 4.3).

Figure 4.3: Breakdown of Investments by Sector*

Sector	# of Companies	% of Capital Invested
Resource Efficiency	1	24%
Digital Inclusion	3	34%
Decarbonisation	3	17%
Health and Education	2	14%
Waste Solutions	2	10%
Regeneration	1	1%

*Sector classification determined by Gresham House.

Gresham House utilises an impact framework for BSIF funds which ensures impact considerations are integrated into the investment management process. This process involves three key steps.

1. Identifying intended impact type and affected stakeholders:

- BSIF aims to intentionally scale infrastructure assets that are good for investors because they are good for people and planet.
- Their investment approach and associated anticipated outcomes are aligned with specific SDGs.
- Using Impact Frontiers' ABC of Impact, BSIF not only aims to mitigate harm and benefit stakeholders by delivering positive outcomes, but also contribute to environmental and social solutions.

2. Sourcing aligned opportunities:

- BSIF will only invest in opportunities that contribute positively to society or the environment. This is assessed in part using Impact Frontiers' Five Dimensions of Impact.

3. Outlining expected investor contribution, set targets and measures:

- BSIF applies a combination of four levers to influence the outcomes of its investments and set measurable impact objectives and monitor them over time. These levers are aligned with the Impact Frontiers' Investor Contribution Strategies and include:
 - Signal that impact matters
 - Engage actively
 - Grow new or undersupplied capital markets
 - Provide flexibility on risk-adjusted returns.

Spotlight on Gresham House Investees

● **Environment Bank**

Asset class: Sustainable Infrastructure
Sector: Regeneration
Total investment: £24.7 million
GMPF contribution: £5.9 million

Established in 2006, Environment Bank (EBL) is an environmental consultancy and investment company that focuses on delivering biodiversity enhancements through a national network of Habitat Banks.

Habitat Banks are forward funded, landscape scale nature restoration projects that deliver an uplift in biodiversity that can then be unitised, 'banked' and sold as biodiversity net gain credits (BNG credits). The idea behind Habitat Banks is to create a market-based mechanism for biodiversity conservation and restoration.

EBL works with landowners, developers and environmental organisations to identify and establish areas for habitat creation and restoration. These areas are assessed and the yield of potential Biodiversity Units is calculated which are quantifiable measures of biodiversity value. Landowners can generate units by creating or enhancing habitats on their land, and these units can be sold to developers or other entities that require compensatory measures for their impact on biodiversity. This is especially relevant due to the upcoming regulations requiring developers to demonstrate a minimum 10% biodiversity net gain, which will be implemented in November 2023. According to these regulations, BNG will be assessed using the biodiversity metric of the Department for Environment Food and Rural Affairs (DEFRA), and habitats must be protected for a minimum of 30 years.

Through the Habitat Bank approach, EBL ensures that biodiversity enhancements are effectively integrated into land management practices while providing economic incentives for landowners throughout the UK, including Greater Manchester, to contribute to conservation efforts.

Converting marginal farmland into Habitat Banks also has the potential to benefit landowners through reducing their workload and ensuring a more reliable income for a span of at least 30 years. Habitat Banks offer landowners a diversification of income in a changing and uncertain sector.

Key results:

- 395.74 hectares of biodiverse ecosystem created to date
- 55 jobs created
- EBL plans to develop over 8,000 hectares of habitat banks that deliver BNG

Alignment With GMPF Impact Themes	Alignment With Regional Needs
Jobs (Equity Investment in Underserved Markets)	Biodiversity Loss
Place (Social Infrastructure)	Habitat Loss

As with the rest of the country, Greater Manchester has suffered from major biodiversity and habitat loss, with the GMCA declaring a 'biodiversity emergency' in 2022.¹⁸ Several local strategies support increasing biodiversity in the region, including the Greater Manchester Strategy, 'Our People, Our Place', which sets out ambitions for Greater Manchester as a national leader in protecting and strengthening the natural environment, including an ambition to create a 'green city for all.' The Greater Manchester Five Year Environment Plan also supports biodiversity, listing BNG guidance as a key priority for action.¹⁹

18. Greater Manchester Combined Authority, 'Greater Manchester declares 'biodiversity emergency' and reiterated rapid drive to net zero,' 2022. <https://tinyurl.com/yamwsd8w>.

19. Greater Manchester Combined Authority, 'GMCA Biodiversity Net Gain: Guidance for Greater Manchester,' 2021.



Spotlight on Yate Fold Farm, Bolton

The proprietor of Yate Fold Farm in Bolton became involved with EBL in 2021, when it was agreed that 49 hectares of the farm would transition from traditional dairy farming to a habitat bank. The land had previously been employed for dairy farming, a practice that compacts the soil and inhibits biodiversity. Classified as grade 4 pasture land, it presented challenges for cultivation, demanding 70-hour work weeks. Upon learning about habitat banks, the landowner reached out to EBL through an online triage form. Subsequently, the EBL team conducted an on-site visit to assess the property. The EBL team then worked with the landowner to devise a comprehensive plan.

The EBL team adopts a localised and tailored approach to their nature sites. They cultivate strong working relationships with landowners, aiming to optimise biodiversity while ensuring landowner benefits. EBL assumes all capital expenditures involved in its habitat banks, and even funded the landowner's attendance at a conservation grazing course.

Image above: Visualisation of Yate Fold Farm with the Habitat Bank fully established.



● Telcom

Asset class: Sustainable Infrastructure
Sector: Digital Inclusion
Gresham House investment: 33.2 million
GMPF investment: £10.3 million

Telcom is a telecommunications company established in 2014 that provides reliable and affordable connectivity solutions for households and businesses throughout the North West.

Telcom has driven significant results in their mission to promote digital inclusion for households and businesses throughout the UK. Gresham House's investment in Telcom aims to accelerate its delivery of ultrafast and reliable fibre broadband to commercial and residential properties that do not currently have access to gigabit speed internet. Its focus is on the 'Northern Powerhouse' cities in England – Manchester, Leeds, Liverpool, Birmingham, Sheffield and Newcastle. The company also works with rural communities to provide free connectivity for schools and village centres.

Through its 'engineer bootcamp' initiative, Recode, Telcom supports people in Manchester interested in a new career as a telecommunications engineer. The programme trains students with no knowledge of the industry to qualify as an entry level engineer through a free, 4-week, full time course.

Telcom has contributed towards increasing digital inclusion and fostering economic growth in the region. This is exemplified by its involvement in creating the HyperCity network throughout Greater Manchester, a widespread and affordable 10-gigabit-per-second fibre internet service to residents and businesses.

Key results as of December 2022:

- 440km fibre network created so far
- Five bootcamps delivered in total
 - With 28 people having successfully completed
 - And 25 people progressing to full time employment with Telcom

Alignment With GMPF Impact Themes	Alignment With Regional Needs
Jobs (Equity Investment in Underserved Markets)	Digital Inclusion
Jobs (Investment in Technology)	
Place (Social Infrastructure)	

Digital connectivity remains a challenge in Greater Manchester with around 1.2 million residents excluded in some way from the opportunity that digital connectivity brings.²⁰ Disparities in connectivity quality exist between rural and urban areas, hindering economic growth and exacerbating economic and social inequalities.

20. Greater Manchester Combined Authority, 'Social Impact Report: Fixing the digital divide,' 2022, <https://www.greatermanchester-ca.gov.uk/media/7363/gm-digital-inclusion-social-value-report-2022.pdf>.

4.3 Avison Young

Greater Manchester Property Venture Fund

Fund Description

Investment Manager	Avison Young is a global CRE services firm based in Canada, with offices throughout the UK. It has been responsible for managing GMPVF's mandate since 2007. The initial allocation was approximately £150 million, growing to £900 million currently.
Fund investments	Greater Manchester Property Venture Fund (GMPVF) investments span a wide range of real estate sectors, with the majority invested in residential and industrial developments.
Fund structure	Evergreen Fund established in the early 1990s.
Target financial return	6.5% IRR net of fees.
Impact objective	Deliver commercial returns and invest in the development of property in Greater Manchester and the North West of England that generates employment and contributes to the economic development of the region.
GMPF Impact Theme Alignment	Economic Development – Generate employment, improve long-term employment prospects, contribute to overall development of the local economy.

Results as of December 2022:

 £531m Assets Under Management	 GMPF contribution: £531m
 24 property sites	Ticket size ranges from £5m to £50m 
 Returns: GMPVF: 5.2%	Creation of employment sites Capacity est. 5,035 job spaces 

The GMPVF was established in the early 1990s to provide GMPF with a vehicle to invest in property development in Greater Manchester and the North West region, with the twin aims of generating a commercial financial return, and supporting regeneration and job creation. The fund has invested in 24 properties that has led to the creation of employment sites providing 5,035 new job spaces.

Figure 4.4: Breakdown of Investments by Sector*

Sector	# of Sites	% of Capital Invested
Residential	11	50.5%
Industrial	9	40.7%
Retail / leisure**	2	5.3%
Retail / office	1	2.1%
Office	1	1.2%
Vacant land	1	0.2%

*Sector classification determined by Avison Young and TGE.

**Includes a supermarket and Airport City hotel complex development.

Spotlight on Avison Young Investees

● Circle Square JV

Asset class: Property

Sector: Residential

GMPF investment: £56.8 million

Circle Square JV, a joint venture between Bruntwood (commercial developments) and VITA Group (residential developments), is a mixed-use development on the former BBC site on Oxford Road in Manchester city centre. It is a flagship development within Manchester City Council's strategic plan comprising a mix of two substantial commercial buildings and five substantial residential buildings, as well as shops, bars and restaurants, all centred around a new city park – Symphony Park. It was designed as a new neighbourhood that would attract fast growth tech businesses as part of an innovation district and support the growing visitor economy. GMPVF invested £56.8 million in the residential apartments, as part of a joint venture with VITA Group, including two BTR apartment buildings.

All residential apartments benefit from a range of amenities, including large lounge areas, bookable private dining facilities, and balconies. VITA employs a third party to perform financial checks of potential residents, with resident salaries in the BTR apartments averaging £51,000 a year. This reflects pricing for the units, which are between £1200-£1300 per month for studio apartments, and £2000 for 2-beds.

The GMPVF mandate was initially established over 20 years ago and has always had dual aims of generating commercial financial returns and stimulating the local economy. Examples of this approach include Island, a new 90,000 sq. ft office development in Manchester city centre, and Chorlton Shopping Centre, currently a 1960s suburban shopping precinct which is to be redeveloped into 200 new houses and apartments. In both projects Avison Young managed the selection process for the developer. It specifically requested proposals that included criteria related to GMPF's Impact Themes as part of the process, as well as proposals on sustainability measures for the construction and property in-use.

Circle Square is a strategic regeneration project which has likely had wider regional benefits in terms of business growth, employment creation, and supporting a growing visitor economy. VITA, the developer of the residential buildings, also operates the buildings under their own brand. This involves 24/7 operation, with four on-site teams covering front of house services, housekeeping, security and technicians, etc. VITA informed us that it aims to foster community engagement through organising events in shared spaces and it has recently increased its focus on collecting and acting upon feedback from residents.

Key results:

- 683 new BTR units
- 165 jobs in Manchester²¹

Alignment With GMPF Impact Themes	Alignment With Regional Needs
Economic development – Generate employment and improve long term employment prospects	Housing supply
	Employment
	High-quality cultural and leisure spaces

21. These are operational jobs for the ground floor retail space within the development, i.e., they are jobs which will be permanent positions following completion of construction.



● **Leeds Valley Park**

Asset class: Property
Sector: Industrial
GMPF investment: £41 million

Leeds Valley Park is a 'mid box' industrial and logistics park which was bought from a developer, Caddick Developments, as a 'ready' investment post planning and construction. The park will include six units of varying sizes and is due to be completed in 2023. Caddick is responsible for development and delivery, while GMPVF is responsible post completion asset management and ownership.

Prior to development, the site was agricultural land, which was made inaccessible by the development of the A1/M1 link motorway through the farmland. Five office buildings were developed on the land in the early 2000s, but the growing need for warehouses / storage sites in the area encouraged Caddick to develop the site further to meet demand, especially following the rise of the online marketplace.

The site is located very close to junction 44 of the M1 and junction 7 of the M621 for easy transportation. Caddick have made S106 contributions to enable local junction improvements, enhance footpath links to the site and provide real time bus stop facilities.

The site has a Building Research Establishment Environmental Assessment Methodology (BREEAM) rating of Very Good and all units have an EPC rating of 'A'. It has also achieved biodiversity net gain of 10% via on- and off-site provision.

Key results:

- 🔹 Creation of an estimated 400 operational jobs upon completion
- 🔹 666 construction jobs supported on the project
- 🔹 6 apprentices deployed on the project
- 🔹 76% of the project spend through supply chain within a 40-mile radius of the site

Alignment With GMPF Impact Themes	Alignment With Regional Needs
Economic development – Generate employment	Warehousing and Storage Sites Employment

5. CONCLUSIONS AND RECOMMENDATIONS

This report provides a summary of the findings of TGE's independent assessment of GMPF's local investments and their contribution to local and regional development in Greater Manchester and the North West. This is the first time the PBII Reporting Framework, an industry-driven methodology, has been applied to support GMPF in reporting on their local investment portfolios, in doing so demonstrating what are they invested in, where the investments are being made and what impacts the investments are having.

Key Findings

- As of December 2022, GMPF has committed £1.36 billion to Local Investments, amounting to 4.5% of GMPF's total investment value of £30 billion. A total of £858.7 million had been drawn down and invested with an almost equal amount invested across the Impact Portfolio (51%) and GMPVF (49%).
- These investments have been deployed to achieve a balanced, multi-asset portfolio comprising investments in Small and Medium Enterprise (SME) Finance (30%), Commercial Real Estate (30%), Residential Housing (25%), Infrastructure, including Renewable Energy and Natural Capital (12%) and Social Investment (2%) (see Figure 2.2).
- Two-thirds of these investments (67%) are located in Greater Manchester and the North West. The GMPVF property investments are all local and regional investments. The Impact Portfolio has a broader geography. About 35% of these investments are located in Greater Manchester and the North West, with 65% invested across the rest of the UK.
- GMPF is an active and engaged investor. In some cases, they have acted as a cornerstone or sole investor helping to scale-up impact investment funds and mobilise greater levels of investment in the North West.
- GMPF expects its Local Investments to deliver on financial returns commensurate with the main fund. It has set a benchmark of the Retail Price Index (RPI) +4% for the Local Investment portfolio. Many of GMPF's local investments are relatively immature so it is too early to assess their financial performance. However, the Internal Rate of Return (IRR) performance of Impact Portfolio funds exited to date is 8.5% and 6.5% for GMPVF investments. This past performance combined with the current performance of existing investments provides GMPF with confidence that the Impact Portfolio will achieve the financial return target over the long term.
- The investment portfolio is aligned with and making a tangible contribution to GMPF's impact themes which focus on job creation, place-making and local and regional economic development. Notably, the Impact Portfolio's £258 million total investment in regional SME debt and equity funds has been invested in 191 business supporting 16,000 existing jobs and creating 7,184 new jobs over the investment period.

Through a portfolio analysis, deep-dive case studies and data verification we have found that GMPF has a balanced local investment portfolio across asset classes that is meeting its impact objectives of contributing to job creation and place-based local and regional economic development. The report has highlighted specific strengths of the local investment portfolio as well as scope for increasing GMPF's local and regional impact.

- Through GMPVF, GMPF has played a key role in the rapid property-led regeneration and economic growth of the city of Manchester. Investments have been made in housing and commercial real estate including new apartments, office developments, retail space, hotels and employment space for businesses employing almost 5,000 people.
- In more recent years, GMPF has invested in social and affordable housing recognising the housing challenges faced by many people locally. In total, across both GMPVF and the Impact Portfolio, £218 million has been invested in nearly 4,400 homes ranging from new build apartments to family homes to accommodation for people who are at risk of experiencing homelessness.
- GMPF has been one of the first pension funds to invest in innovative social investment funds, including social outcomes contracts focused on providing services for vulnerable people.
- Investment is well aligned with and contributing to the priorities of Greater Manchester. Capital is being deployed across designated growth locations and into priority sectors, both high growth sectors driving local economic growth and foundational sectors, such as healthcare.
- The investment strategies range in terms of their alignment to a Place-Based Impact Investing approach. In general, fund strategies were more likely to account for Impact in their investment strategies than Place.
- The case studies provided evidence of how GMPF's investments are contributing to tangible benefits for local businesses, people and places in the region (see Section 4).

Recommendations

- GMPF's investments have helped Greater Manchester deliver on its economic growth objective, but there could be a greater focus on social inclusion. For example, we would encourage GMPF to invest more in social and affordable housing that benefits vulnerable people and those on low incomes. GMPF could also seek to invest more across all parts and populations of Greater Manchester and the North West supporting the region's inclusive growth and fair for all agendas.
- Similarly, GMPF could deepen its Jobs impact theme to focus not only on job growth but also investing in skills development and job opportunities for young people and job quality. GMPF could also consider targeting Greater Manchester's priority growth sectors, which include advanced manufacturing, the creative industries and the foundational economy sectors, such as healthcare.
- We recommend that GMPF intensifies its endeavours to find avenues to augment its investment in Renewable Energy, Social Infrastructure and Social Investment which have had relatively lower allocations. Building upon its established track record of investing in early stage funds and backing financial innovation, GMPF could seek to actively collaborate with like-minded investment partners aiming to directly address the region's social and environmental challenges.
- We would encourage GMPF to integrate Place-Based Impact Investing considerations into its due diligence and fund selection process so as to back funds that are genuinely engaging with local stakeholders and investing in ways that help achieve local sustainable development priorities.
- GMPF should encourage investment managers to develop a Place-Based Impact Management approach and monitor and report consistent data relevant to their impact themes, both at the output and outcome level. It is worth acknowledging that whilst the PBII Reporting Framework that TGE used in this report was new to many of the investment managers, nonetheless, we received an enthusiastic and high level of engagement.

TGE believes that this report is the first of its kind. As far as TGE is aware, it is the first time a pension fund has reported on its local investments in such an open and transparent way. We believe it is also the first time a pension fund investor has asked for independent assurance of sustainability information being reported by underlying funds.

This report serves as a testament to GMPF's long-standing commitment to Place-Based Impact Investing. By publishing this report, GMPF aims to enhance transparency and accountability to its pension fund members and other stakeholders, showcasing how and where its funds are invested, and the results achieved.



APPENDIX

GMPF's Local Investments Portfolio

Portfolio	Name of Fund Manager	Name of Fund	GMPF Commitment (£)	GMPF Share [% of Total Commitment]	Geographic Scope	Impact Theme
Impact Portfolio	Alpha Real Capital	Social Long Income Fund	£15m	42.7%	UK	Social Infrastructure
Impact Portfolio	Alpha Real Capital	Social Long Income Fund	£25m	100.0%	Specific regions of the UK	Social Infrastructure
Impact Portfolio	Beechbrook Capital LLP	UK SME Credit III LP	£15m	11.0%	UK	Debt growth capital - SME's
Impact Portfolio	Beechbrook Capital LLP	UK SME GMPF Co-investment LP	£15m	100.0%	Specific regions of the UK	Debt growth capital - SME's
Impact Portfolio	Boost & Co Ltd	Industrial Lending 1	£24.6m	23.6%	UK	Debt growth capital - SME's
Impact Portfolio	Boost & Co Ltd	Industrial Lending 2	£15m	59.7%	UK	Debt growth capital - SME's
Impact Portfolio	Boost & Co Ltd	Industrial Lending RSF	£15m	100.0%	Specific regions of the UK	Debt growth capital - SME's
Impact Portfolio	Bridges Fund Management Limited	Bridges Evergreen Capital LP (BEH)	£15m	22.7%	Europe including UK	Social Investment
Impact Portfolio	Bridges Fund Management Limited	Bridges Sustainable Growth Fund IV(B) LP (SGF IV(B))	£20m	35.1%	Europe including UK	Equity growth capital - SME's
Impact Portfolio	Bridges Fund Management Limited	Bridges Sustainable Growth Fund IV LP (SGF IV)	£20m	24.6%	UK	Equity growth capital - SME's
Impact Portfolio	Bridges Fund Management Limited	Bridges Property Alternatives Fund III LP (BPAF III)	£25m	11.3%	UK	Property development
Impact Portfolio	Bridges Fund Management Limited	Bridges Social Impact Bond I (SIB I)	£2.5m	11.1%	UK	Social Impact Bonds
Impact Portfolio	Bridges Fund Management Limited	Bridges Social Outcomes Fund II (SOF II)	£2.5m	7.1%	Europe including UK	Social Impact Bonds
Impact Portfolio	Bridges Fund Management Limited	Bridges/GMPF Co-Investment Vehicle LP	£20m	100.0%	Specific regions of the UK	Equity growth capital - SME's
Impact Portfolio	Fiera Real Estate UK	Residential Land Development Limited Partnership LP	£12.5m	22.5%	UK	Property development
Impact Portfolio	Gresham House	Gresham House BSI Infrastructure LP (Sub Fund I)	£20m	10.9%	UK	Renewable energy infrastructure
Impact Portfolio	Gresham House	Gresham House British Sustainable Infrastructure Fund II LP	£30m	10.2%	Europe including UK	Renewable energy infrastructure
Impact Portfolio	Gresham House	Gresham House BSI LP	£20m	100.0%	Specific regions of the UK	Renewable energy infrastructure
Impact Portfolio	Gresham House	Gresham House BSI II LP	£70m	100.0%	Specific regions of the UK	Renewable energy infrastructure
Impact Portfolio	Iona Capital Ltd	Iona Environmental Infrastructure LP	£42m	100.0%	Specific regions of the UK	Renewable energy
Impact Portfolio	Enterprise Ventures Limited	Enterprise Ventures Growth II LP	£15m	37.4%	UK	Equity growth capital - SME's
Impact Portfolio	Enterprise Ventures Limited	EVG II North West Limited Partnership	£5m	100.0%	Specific regions of the UK	Equity growth capital - SME's

Portfolio	Name of Fund Manager	Name of Fund	GMPF Commitment (£)	GMPF Share [% of Total Commitment]	Geographic Scope	Impact Theme
Impact Portfolio	Mercia Asset Management plc	EV SME Loans I	£20m	50.0%	Specific regions of the UK	Debt growth capital - SME's
Impact Portfolio	Mercia Asset Management plc	EV SME Loans II	£20m	100.0%	Specific regions of the UK	Debt growth capital - SME's
Impact Portfolio	Newstead Capital Limited	Newstead Capital Real Estate Lending Fund I, LP	£15m	36.9%	England	Property development
Impact Portfolio	Northern Gritstone Limited	Northern Gritstone Limited	£25m	21.6%	Specific regions of the UK	Investment in technology jobs
Impact Portfolio	Palatine Private Equity	Palatine Private Equity Impact Fund I	£15m	14.8%	UK	Equity growth capital - SME's
Impact Portfolio	Palatine Private Equity	Palatine Private Equity Impact Fund II	£10m	7.4%	UK	Equity growth capital - SME's
Impact Portfolio	Palatine Private Equity	Co-Invest Fund	£7.5m	75.0%	Specific regions of the UK	Equity growth capital - SME's
Impact Portfolio	Tosca Debt Capital LLP	TDC Impact Limited	£20m	49.5%	Specific regions of the UK	Debt growth capital - SME's
Impact Portfolio	Tosca Debt Capital Fund III LP	Tosca Debt Capital III S.a r.l.	£20m	10.9%	UK	Debt growth capital - SME's
Impact Portfolio	Foresight Group LLP	Foresight Regional Investment III LP	£40m	47.4%	Specific regions of the UK	Equity growth capital - SME's
Impact Portfolio	Foresight Group LLP	Foresight Regional Investment LP	£30m	51.7%	Specific regions of the UK	Equity growth capital - SME's
Impact Portfolio	Resonance Impact Investment Limited	National Homelessness Property fund 2	£20m	32.5%	UK	Social Infrastructure
GMPVF	Avison Young	Greater Manchester Property Venture Fund	£531.4m	100.0%	Specific regions of the UK	Property

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