

LPP

Local Pensions Partnership
Investments



Assessment of Value Report for the year ended 31 March 2024

Introduction from the Chair of the Board



Dear Investor,

As Chair of the Local Pensions Partnership Investments (LPPI) Board one of my key roles is to ensure that our funds are meeting their objectives and the expectations of our investors. To help fulfil this duty, I am pleased to present the fifth annual Assessment of Value (AoV) report and to share with you the results of the detailed analysis.

For investors the financial year was characterised by economic growth combined with high inflation. With the resolution of the US regional banking crisis and a gradual decrease in inflation, despite its persistent nature, markets displayed a blend of resilience, volatility and investment performance dispersion across and within asset classes.

I am pleased to present this fifth report covering our three in-scope funds (Global Equities, Fixed Income and Real Estate). The criteria used in this analysis aligns well with our core purpose of helping you meet your pension obligations.

In line with requirements of the Financial Conduct Authority (FCA), we assessed each of our authorised funds against seven criteria, to help you better understand the value our funds offer.

The seven criteria are:

1. Quality of service
2. Performance
3. Authorised Fund Manager (AFM) costs and charges
4. Economies of scale
5. Comparable market rates
6. Comparable services
7. Classes of units

The in-depth analysis was completed in consultation with LPPI subject matter experts and was overseen by senior management. On behalf of the Board, I have reviewed the resulting report.

Overall, I am satisfied that our three authorised funds have provided good value over the period.

I am particularly pleased to be able to highlight several areas where, during 2023-24, we have been able to enhance the value our funds deliver to investors, including:

- The Principles for Responsible Investment (PRI) transparency report was published, with 5-star results for externally managed Listed Equities and externally managed Fixed Income. The results can be viewed [here](#).
- Following the confirmation of LPPI's first set of net zero targets last year, engagement with investment companies began. The LPPI Global Equities Fund is on track to reach its engagement target of 90% of holdings by 2030.
- Net Zero commitments were established for the UK direct holdings within the LPPI Real Estate Fund.
- Net Zero coverage, emissions and engagement targets were set for the Fixed Income fund's corporate portfolio.
- The LPPI Global Equities Fund achieved positive absolute returns over seven years, however underperformed the benchmark. The drivers of this underperformance are understood, are consistent with the fund's strategy and have been communicated to investors.
- As part of the ongoing monitoring of the LPPI Global Equities Fund, two external managers' fees were reduced.









We are also pleased to see our clients continuing to benefit from the economies of scale we can deliver from the pooling of investor assets into our range of funds.

Finally, I would like to thank you for participating in an LPPI fund. We will continue to challenge ourselves to ensure that we are always offering you, our investor, the best possible service and value on your investment.

If you have any comments on this report, or on your wider experience of LPPI, please contact us at clients@lppi.co.uk.

Jon Little








Chair of the Board
Local Pensions Partnership Investments

Fund Name: LPPI Global Equities Fund (GEF) Key  Demonstrating value  Not consistently demonstrating value  Not Applicable	Assessment of outcomes	
		1. Quality of service
		2. Performance
		3. AFM costs and charges
		4. Economies of scale
		5. Comparable market rates
	N/A	6. Comparable services
	N/A	7. Classes of units

Description: The fund seeks to provide investors with long term capital growth above its benchmark return of MSCI All Country World, net dividends reinvested, in GBP index net of all fees over a minimum of a seven-year period by predominantly investing in global equity markets. The fund will invest across global equity markets in a benchmark agnostic manner.

Investment is through a combination of direct investments made by LPPI and by one or more delegated sub-advisors and other collective investment schemes.






Overall conclusion: LPPI believes that the fund is demonstrating value. A summary of our assessment of each area in relation to this fund can be seen below.








1. Quality of service 	<p>Our assessment of quality of service included key service areas relating to fund operations, the investment process (including the selection and management of external managers) and the quality of our client experience. We concluded that the fund is providing value to investors, in terms of the quality of the service being provided.</p> <p>Key highlights of 2023-24 include:</p> <ul style="list-style-type: none"> The PRI transparency report was published, with 5-star results for externally managed listed equities. The results can be viewed here. In support of the Net Zero targets set last year, managers commenced engagement. The fund is on track to meet its 2030 engagement target. The fees of two external managers were successfully renegotiated and replaced one manager with another at improved fee levels.
2. Performance 	<p>Our assessment of performance included key areas relating to the fund's performance against its investment objective over a seven-year performance assessment period, and the strategic role of the fund in supporting investors to meet their investment objectives across their strategic multi-asset portfolios.</p> <p>The fund exhibited positive absolute returns over seven-years that were consistent with its objective and strategy. On a relative basis the fund underperformed its benchmark over seven years, the drivers of which are understood, are consistent with the fund's strategy and have been communicated to investors. Consequently, although the fund is performing in line with expectations we have performance as not consistently demonstrating value.</p> <p>Performance information is included in the relevant ACS annual report and accounts and the fund factsheets.</p>
3. AFM costs and charges 	<p>We have reviewed the fund's expenses during the assessment period, including confirming that all fund expenses were deemed allowable within the relevant ACS prospectus and that all expenses have been paid out of the fund's custody account which is overseen by the fund's depositary.</p> <p>We concluded that fund expenses for the period are being managed in line with the prospectus, and that investors have access to a clear breakdown of the expenses incurred by the fund, during the assessment period, in the relevant ACS annual report and accounts.</p> <p>LPPI is a signatory of the Local Government Pension Scheme Code of Transparency. We are committed to providing annual Cost Transparency Initiative (CTI) reports that give a transparent view of costs and charges to investors in the fund.</p>
4. Economies of scale 	<p>We have assessed whether LPPI has been able to achieve savings and benefits for investors through the realisation of economies of scale. Our assessment included key areas relating to the fund itself and the fund in the context of our investors' wider strategic goals.</p> <p>Savings achieved by pooling client assets, are assessed and reported to government annually.</p> <p>We have concluded from our assessment that investors are deriving value from this fund through LPPI's ability to achieve economies of scale and efficiencies.</p>
5. Comparable market rates 	<p>Our assessment of comparable market rates included reviewing expenses relating directly to LPPI as AFM as well as third parties who provided relevant services to LPPI over the assessment period and included the use of benchmarking.</p> <p>We have concluded from our assessment that investors are deriving value from LPPI and its relevant external supply chain.</p>
6. Comparable services 	<p>This assessment of value component has been deemed non-applicable as:</p> <ol style="list-style-type: none"> the fund is not open to retail investors; and LPPI does not manage other funds that are comparable to this fund.
7. Classes of units 	<p>The fund has only one class of unit, so this assessment of value component is not applicable.</p>

Fund Name: LPPI Fixed Income Fund (FIF) Key  Demonstrating value  Not consistently demonstrating value  Not Applicable	Assessment of outcomes	
		1. Quality of service
		2. Performance
		3. AFM costs and charges
		4. Economies of scale
		5. Comparable market rates
	N/A	6. Comparable services
	N/A	7. Classes of units

Description: The fund seeks to provide investors with income, and capital preservation, above its benchmark return of Bloomberg Barclays Global Aggregate Bond Index GBP Hedged p.a. net of all fees over a minimum of a seven-year period by investing in the fixed income asset class. This includes investing in fixed coupon bonds, floating rate bonds and index linked bonds, money market instruments, asset backed securities (such as mortgage-backed securities) and interest rate swaps. A minimum of 50% of these assets will have a credit rating of AA- or above (for long-term instruments) or A-1+ or above (for short-term instruments), based on Standard & Poor's or the equivalent rating for the relevant lending institution, and will be highly liquid.








Overall conclusion: LPPI believes that the fund is demonstrating value. A summary of our assessment of each area in relation to this fund can be seen below.

1. Quality of service	
<p>Our assessment of quality of service included key service areas relating to fund operations, the investment process (including the selection and management of external managers) and the quality of our client experience. We concluded that the fund is providing value to investors, in terms of the quality of the service being provided.</p> <p>Key highlights of 2023-24 include:</p> <ul style="list-style-type: none"> The PRI transparency report was published, with 5-star results for externally managed Fixed Income. The results can be viewed here. Net Zero coverage, emissions and engagement targets were set for the Fixed Income fund's corporate portfolio in November 2023. 	
2. Performance	
<p>Our assessment of performance included key areas relating to the fund's performance against its investment objective over a seven-year performance assessment period, and the strategic role of the fund in supporting investors to meet their investment objectives across their strategic multi-asset portfolios.</p> <p>It should be noted that the fund's lifetime is too short to do a full assessment of performance against its investment objective.</p> <p>Our current view is that the fund will deliver within a range of acceptable outcomes over the full seven-year assessment period.</p> <p>Based on our overall assessment of the performance, we have concluded that the fund is delivering value to investors.</p> <p>Performance information is included in the relevant ACS annual report and accounts.</p>	
3. AFM costs and charges	
<p>We have reviewed the fund's expenses during the assessment period, including confirming that all fund expenses were deemed allowable within the relevant ACS prospectus and that all expenses have been paid out of the fund's custody account which is overseen by the fund's depository.</p> <p>We concluded that fund expenses for the period are being managed in line with the prospectus, and that investors have access to a clear breakdown of the expenses incurred by the fund, during the assessment period, in the relevant ACS annual report and accounts.</p> <p>LPPI is a signatory of the Local Government Pension Scheme Code of Transparency. We are committed to providing annual Cost Transparency Initiative (CTI) reports that give a transparent view of costs and charges to investors in the fund.</p>	
4. Economies of scale	
<p>We have assessed whether LPPI has been able to achieve savings and benefits for investors through the realisation of economies of scale. Our assessment included key areas relating to the fund itself and the fund in the context of our investors' wider strategic goals.</p> <p>Savings achieved by pooling client assets, are assessed and reported to government annually.</p> <p>We have concluded from our assessment that investors are deriving value from this fund through LPPI's ability to achieve economies of scale and efficiencies.</p>	
5. Comparable market rates	
<p>Our assessment of comparable market rates included reviewing expenses relating directly to LPPI as AFM as well as third parties who provided relevant services to LPPI over the assessment period and included the use of benchmarking.</p> <p>We have concluded from our assessment that investors are deriving value from LPPI and its relevant external supply chain.</p>	
6. Comparable services	N/A
<p>This assessment of value component has been deemed non-applicable as:</p> <ol style="list-style-type: none"> the fund is not open to retail investors; and LPPI does not manage other funds that are comparable to this fund. 	
7. Classes of units	N/A
<p>The fund has only one class of unit, so this assessment of value component is not applicable.</p>	

Fund Name: LPPI Real Estate Fund (REF) Key  Demonstrating value  Not consistently demonstrating value  Not Applicable	Assessment of outcomes	
		1. Quality of service
		2. Performance
		3. AFM costs and charges
		4. Economies of scale
		5. Comparable market rates
	N/A	6. Comparable services
	N/A	7. Classes of units

Description: The LPPI Real Estate Fund seeks a total return (comprising income and capital growth) exceeding that of the Consumer Prices Index by 3% to 5% each year measured over a rolling ten-year period net of all fees and expenses at portfolio level. The fund is benchmarked against the MSCI UK Quarterly Property Index. The fund will invest in a diverse portfolio of real estate assets in the UK and globally. As well as investing directly, the fund's investment in real estate may be indirect, through collective investment schemes (including those managed by the ACS Manager), REITs and other transferable securities and derivatives. The fund may invest in cash, money market instruments and collective investment schemes for cash management purposes and may also use derivatives for the purpose of efficient portfolio management.

Overall conclusion: LPPI believes that the fund is demonstrating value. A summary of our assessment of each area in relation to this fund can be seen below.

1. Quality of service 	<p>Our assessment of quality of service included key service areas relating to fund operations, the investment process (including the selection and management of external managers) and the quality of our client experience. We concluded that the fund is providing value to investors, in terms of the quality of the service being provided.</p> <p>Key highlights of 2023-24 include:</p> <ul style="list-style-type: none"> The fund published Net Zero commitments under the Institutional Investors Group on Climate Change (IIGCC) framework for the UK direct holdings within the portfolio (including joint venture and co-investments). The fund contributed to the Global Real Estate Sustainability Benchmark (GRESB), being scored for its direct assets for the first time and became an investor member of GRESB to enable consistency, enhanced responsible investment monitoring and engagement on indirect holdings.
2. Performance 	<p>Our assessment of performance included key areas relating to the fund's performance against its investment objective over a ten-year performance assessment period, and the strategic role of the fund in supporting investors to meet their investment objectives across their strategic multi-asset portfolios.</p> <p>It should be noted that the fund's lifetime is too short to do a full assessment of performance against its investment objective.</p> <p>Our current view is that the fund will deliver within a range of acceptable outcomes over the full ten-year assessment period.</p> <p>Based on our overall assessment of the performance, we have concluded that the fund is delivering value to investors.</p> <p>Performance information is included in the relevant ACS annual report and accounts.</p>
3. AFM costs and charges 	<p>We have reviewed the fund's expenses during the assessment period, including confirming that all fund expenses were deemed allowable within the relevant ACS prospectus and that all expenses have been paid out of the fund's custody account which is overseen by the fund's depository.</p> <p>We concluded that fund expenses for the period are being managed in line with the prospectus, and that investors have access to a clear breakdown of the expenses incurred by the fund, during the assessment period, in the relevant ACS annual report and accounts.</p> <p>LPPI is a signatory of the Local Government Pension Scheme Code of Transparency. We are committed to providing annual Cost Transparency Initiative (CTI) reports that give a transparent view of costs and charges to investors in the fund.</p>
4. Economies of scale 	<p>We have assessed whether LPPI has been able to achieve savings and benefits for investors through the realisation of economies of scale. Our assessment included key areas relating to the fund itself and the fund in the context of our investors' wider strategic goals.</p> <p>Savings achieved by pooling client assets, are assessed and reported to government annually.</p> <p>We have concluded from our assessment that investors are deriving value from this fund through LPPI's ability to achieve economies of scale and efficiencies.</p>
5. Comparable market rates 	<p>Our assessment of comparable market rates included reviewing expenses relating directly to LPPI as AFM as well as third parties who provided relevant services to LPPI over the assessment period and included the use of benchmarking.</p> <p>We have concluded from our assessment that investors are deriving value from LPPI and its relevant external supply chain.</p>
6. Comparable services 	<p>This assessment of value component has been deemed non-applicable as:</p> <ol style="list-style-type: none"> the fund is not open to retail investors; and LPPI does not manage other funds that are comparable to this fund.
7. Classes of units 	<p>The fund has only one class of unit, so this assessment of value component is not applicable.</p>



Local Pensions Partnership
Investments

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