Pensions CIV Sectoral Joint Committee Agenda

12 April 2017 – 10:30 – 12:30

Conference Suite (1st Floor)

At London Councils offices, 59½ Southwark St., London SE1 0AL
Refreshments will be provided
London Councils offices are wheelchair accessible

Labour Group pre-meeting:	Room 1 (1st Floor)	10:00 am
(Political Adviser: 07977 401955)		
Conservative Group pre-meeting:	Room 3 (1st Floor)	10:00 am
(Political Adviser: 07903 492195)		

Contact Officer: Alan Edwards

Telephone and email: 020 7934 9911 Alan.e@londoncouncils.gov.uk

A sandwich lunch will be provided in Room 3 after the meeting

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***Declarations of Interests**

If you are present at a meeting of London Councils' or any of its associated joint committees or their sub-committees and you have a disclosable pecuniary interest* relating to any business that is or will be considered at the meeting you must not:

- participate in any discussion of the business at the meeting, or if you become aware of your disclosable pecuniary interest during the meeting, participate further in any discussion of the business, or
- participate in any vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

It is a matter for each member to decide whether they should leave the room while an item that they have an interest in is being discussed. In arriving at a decision as to whether to leave the room they may wish to have regard to their home authority's code of conduct and/or the Seven (Nolan) Principles of Public Life.

*as defined by the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012

The Pensions CIV Sectoral Joint Committee will be invited by the Chair to agree to the removal of the press and public since the following items of business are closed to the public pursuant to Part 5 and Schedule 12A of the Local Government Act 1972 (as amended):

Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information), it being considered that the public interest in maintaining the exemption outweighs the public interest in disclosing it.

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Pensions CIV Sectoral Joint Committee (PSJC)
8 February 2017

Minutes of a meeting of the Pensions CIV Sectoral Joint Committee held on Wednesday 8 February 2017 at 10:30am in the Conference Suite, London Councils, 59½ Southwark Street, London SE1 0AL

Present:

City of London	Mark Boleat (Chair)
Barking and Dagenham	-
Barnet	-
Bexley	Cllr Louie French
Brent	Cllr Sharfique Choudhary
Bromley	-
Camden	Cllr Rishi Madlani
Croydon	-
Ealing	Cllr Yvonne Johnson
Enfield	Cllr Toby Simon
Greenwich	-
Hackney	-
Hammersmith and Fulham	Cllr Iain Cassidy
Haringey	-
Havering	-
Harrow	Cllr Nitin Parekh
Hillingdon	Cllr Michael Markham (Deputy)
Hounslow	Cllr Mukesh Malhotra
Islington	Cllr Richard Greening
Kensington and Chelsea	-
Kingston Upon Thames	Cllr Eric Humphrey
Lambeth	-
Lewisham	Cllr Mark Ingleby
Merton	Cllr Imran Uddin
Newham	-
Redbridge	-
Richmond Upon Thames	-
Southwark	Cllr Fiona Colley
Sutton	-
Tower Hamlets	Cllr Clare Harrisson
Waltham Forest	Cllr Simon Miller
Wandsworth	Cllr Maurice Heaster
City of Westminster	Cllr Suhail Rahuja

Apologies:

Barnet	Cllr Mark Shooter
Bromley	Cllr Teresa Te
Hackney	Cllr Robert Chapman
Haringey	Cllr Clare Bull
Havering	Cllr John Crowder
Hillingdon	Cllr Philip Corthorne
Kensington & Chelsea	Cllr Quentin Marshall
Newham	Cllr Forhad Hussain
Redbridge	Cllr Elaine Norman
Richmond-upon-Thames	Cllr Thomas O'Malley

Officers of London Councils were in attendance as were Lord Kerslake (Chair, London CIV), Hugh Grover (CEO, London CIV), Julian Pendock (CIO, London CIV), Brian Lee (COO, London CIV), Jill Davys (AD Client Management, London CIV), and Ian Williams (Chair, Investment Advisory Committee).

1. Announcement of Deputies

1.1. Apologies for absence and deputies were as listed above.

2. Declarations of Interest

2.1. There were no declarations of interest that were of relevance to this meeting.

3. Minutes of the PSJC meeting held on 13 December 2016

3.1. The minutes of the PSJC meeting held on 13 December 2016 were agreed.

4. London CIV 2017/18 Budget and Medium Term Financial Strategy (MTFS)

4.1. Lord Kerslake (Chair, London CIV) introduced the report, which provided members with the CIVs budget proposals for 2017/18 and the medium term financial strategy over the next 5 years. He noted that:

- £3.3 billion AUM had been placed into the fund, as at 31 December 2016, and around £1.5 million of net annualised fee savings were being delivered so far;
- LCIV had made good progress and had now reached a critical moment in its development which would require additional upfront funding and resources to ensure delivery of the plans; and
- The plans suggest a target AUM of £14.1 billion by March 2022; it was thought that this could be increased to around £19 billion with a 'fair wind', which would lead to the proposed development funding charge being eliminated 2 years earlier.

4.2. Councillor Heaster said that extra staff resources would be needed at least in the short term. He said that the budget did not include any additional income from charging a fee on the passive funds – this £¼ million could be used to help deliver this budget and potentially fund some of the additional resource. It was hoped that the CIV Board would come back to Pensions CIV Sectoral Joint Committee (PSJC) with details on this.

4.3. Councillor Heaster asked if the Board could look into the possibility of using the flexibility of investing with other pools, outside of the London pool. Lord Kerslake said that the Board could look into this. Mr Grover (CEO, London CIV) noted that there was regular contact with the other pools and conversations about collaboration, particularly with LPP, but most other pools were still being established and so didn't present immediate opportunities but all options would be considered going forward.

4.4. Councillor Heaster noted that experienced professional staff would be needed in order to achieve the plans and that there may be challenges in finding those staff at appropriate remuneration levels. He encouraged a degree of flexibility in recruiting, including considering the possibility of employing part-time staff and using fixed term contracts. Lord Kerslake agreed that any and all options should be considered.

4.5. Councillor French said that Bexley supported the budget, although there was concern that the lack of staff was causing delays and this needed to be addressed. Any areas where there was the potential for duplication between London CIV and the local LGPS funds also needed to be avoided.

4.6. The Committee considered the report and agreed London CIV's 2017/18 budget.

5. London CIV 2016/17 Financial Report

5.1. Brian Lee (Chief Operating Officer, London CIV) introduced the report noting that the financial report covered the nine months up to December 2016. He confirmed that everything was currently on target with no shortfalls and the forecast was on track to be achieved.

5.2. The COO highlighted that although the operating loss was lower than forecast this was largely due to a timing difference on expensing certain costs and would be on budget by the end of the financial year..

5.3. The Committee agreed to note:

i. the financial report for the nine months to December 2016;

ii. the updated forecast to March 2017; and

iii. the capital adequacy position of LCIV as at December 2016.

6. Investment Advisory Committee (IAC) Update

6.1. Ian Williams (Chair of IAC) introduced the report and made the following comments:

- IAC had met twice since the last CIV Joint Committee meeting (December and January)
- Global Equities procurement successful and IW thanked all for contributions
- Fixed income and stewardship outlined and discussed
- MiFID2 consultation and response submitted by CIV but FCA not seeming to understand scale of problem this causes and how it compromises pooling agenda
- Further working group on reporting and transparency established
- Actuarial valuation – Borough Funds generally in a better position
- The IAC treasurers were looking forward with the CIV with regards to the Governance Review
- There would be an item on housing/infrastructure going to the next IAC meeting.

6.2. The CEO said that a further report on infrastructure could be brought to the next, or a subsequent CIV Sectoral Committee meeting, with a specialist being brought in to talk on the issue. Alternatively, a workshop on infrastructure could be convened for CIV Sectoral members to attend.

6.3. The Chair asked whether “infrastructure” referred specifically to taking on equity interests or investing in solid return investments. Julian Pendock (CIO) said that the issue of infrastructure had been discussed with Hermes, and a detailed definition of “infrastructure” could be sent around to members.

6.4. Members felt that a workshop on infrastructure investment would be a good way forward. The Chair said that a workshop on infrastructure should be convened, and a short paper outlining the outcome should be brought to the CIV Sectoral Committee.

6.5. Councillor Simon asked for a progress update on Black Rock. The CIO said that Jill Davys was co-ordinating with Black Rock and fee savings would be back dated to the 1st January 2017. The Chair said that fee savings should be made clearer in the financial report, as well as being highlighted in a footnote.

6.6. The Committee:

(i) agreed that a workshop on infrastructure should be convened and a short paper of the discussions of this workshop would be brought back to the CIV Sectoral Committee;

(ii) agreed that fee savings would be made more specific in the financial reports brought before the CIV Sectoral Committee; and

(iii) noted the contents of the report.

7. Investment Report and Fund Update

7.1. This item had been moved to the “exempt” part of the agenda.

8. London CIV Stewardship Update

8.1. The CEO introduced the report noting that the substantive element covered London CIV’s draft Stewardship Code Statement of Compliance for the committee to consider and comment on ahead of it being presented to LCIV’s Board for adoption.

8.2. Members thanked the Board and London CIV staff (particularly Jill Davys, AD Client Management) for arranging the recent stewardship seminar, noting that it was a good event. Thanks were also noted to the City of London for hosting the event.

8.3. The Committee:

i. Considered and noted the contents of this report; and

ii. Approved the LCIV draft Stewardship Code Statement of Compliance

9. Passive Funds Fee Proposal

9.1. Mr Grover introduced the report noting that LCIV had been asked to consider options for charging a fee to the London Local Authorities (LLAs) on passive funds held outside of LCIV. This report presented those options and gave proposals for which option might be preferred. He further noted that the options had been discussed with officers in the IAC and the report represented the collective view of that committee.

9.2. It was also noted that Mr Grover would raise the proposals separately with LB Sutton as Councillor Gordon was not present at the meeting and had expressed some concerns over this issue.

9.3. Councillor Rahuja asked for an estimate of what the fee savings would be from Black Rock. Jill Davys said that this would amount to approximately £400,000. Councillor O'Malley voiced concern that there were not sufficient resources going into the CIV to progress with this proposal.

9.4. The Committee:

i. agreed to adopt an AUM based fee to be charged to the LLAs benefitting from reduced fees negotiated by LCIV on any passive funds managed outside of the LCIV;

ii. agreed that the preferred fee scale to be charged would be 0.5 bps from the options in Annex B of the report;

iii. agreed the date of 1st April 2017 for implementation of passive fee charges to commence and for a review of the fees to take place after five years; and

iv. agreed that LLAs investing in passive funds where reduced fees had been negotiated by LCIV were charged from the first full month after subscribing to the passive fund.

10. Markets in Financial Instruments Directive 2 (MiFID2)

10.1. Mr Grover introduced the report and made the following comments:

- the LCIV was actively engaged with the LGA and colleagues across the country to discuss MiFID2 implementation with the FCA;
- the LGPS was the only scheme that appeared to be caught by MiFID2 as all other European local government pension schemes were believed to be structured as separate organisations and not embedded in local authorities;
- the paper set out the FCA's proposals at the current point in time, but it was anticipated that changes would be made before full implementation in January 2018;
- while LCIV might provide one mitigating option it would not be ready in time to take in all boroughs' assets by the implementation date;
- officers of the IAC were involved with LCIV in considering the issue; and
- there was confidence that a workable solution would be achieved.

10.2. The Chair asked if contact with the FCA beyond the current officer led group would be helpful. Mr Grover responded that it probably would.

10.3. The Committee discussed the contents of the report.

11. London CIV Governance Review

11.1. Lord Kerslake introduced the report and made the following comments:

- It was right to commission a governance Review now as LCIV had been operating for just over a year and the environment had changed with the Government now imposing a more mandatory model of pooling;
- LCIV's Board was committed to the review and the company would fund it, although input from the CIV Sectoral Committee and borough treasurers would be beneficial and appreciated. The aim was to set up a panel to steer the review and to select the organisation or people to carry it out;
- a draft scope and ToR was in the report for consideration;
- the aim was to finish the review and have the final report before the summer recess; and
- it was the intention to get input from as many people as possible in the review (investment/borough experts, CIV Sectoral members etc.);

11.2. Councillor Malhotra said that he was happy to provide input into the Governance Review.

11.3. Mr Grover noted that the committee had received a governance report from London Councils at its previous meeting. However, in light of the proposed governance review no further action would be taken on that for the time being.

11.4. The Committee considered and discussed the contents of the report.

12. Any Other Business

12.1. **London CIV Annual Conference:** Councillor Simon asked whether a programme had been produced for the annual conference. Mr Grover responded that the programme had not been published as the Local Government Minister had been invited to speak and his attendance had only just been confirmed. The programme would now be published.

12.2. Councillor Harrisson requested that more notice be given for such events in future to enable members with work commitments to arrange the necessary time off to attend. Mr Grover confirmed that every effort would be made to give as much notice as possible.

The meeting closed at 11.29am

Pensions CIV Sectoral Joint Committee

Item no: 4

National Pooling Update, the Scheme Advisory Board and MiFID II

Report by:	Hugh Grover	**Job title:**	CEO
Date:	12 April 2017		
Contact Officer:	Hugh Grover		
Telephone:	020 7934 9942	**Email:**	hugh.grover@londonciv.org.uk

Summary:	Mr Jeff Houston (LGA Head of Pensions and Scheme Advisory Board Secretary) has been invited to attend the Committee to provide an update on the work that he is doing at a national level. His background report is attached; he will present this at the meeting and take questions.
Recommendations:	The committee is recommended to note the contents of this report.

London CIV - National pooling and Scheme Advisory Board update

Asset pooling

1. Following meetings with the Local Government Minister late in 2016 eight asset pools have been given the go-ahead subject to any caveats included in their letters.
2. The eight pools are as shown below. There are a number of variations of pool structures each with different mixes of unitised funds, bundled mandates and a few segregated mandates but all will have an FCA authorised company at their heart.

Name of Pool	Funds	Assets (£bn)
London CIV	Established for the 33 LGPS funds administered by London's 32 boroughs and the City of London Corporation,	25
Northern Pool	West Yorkshire, Greater Manchester and Merseyside	35
Central	Cheshire, Leicestershire, Shropshire, Staffordshire, West Midlands, Derbyshire, Nottinghamshire, Worcestershire	34
Brunel	Avon, Cornwall, Devon, Dorset, Gloucester, Somerset and Wiltshire, Oxfordshire, Buckinghamshire and the Environment Agency Pension Fund.	23
ACCESS	Northamptonshire, Cambridgeshire, East Sussex, Essex, Norfolk, Isle of Wight, Hampshire, Kent, Hertfordshire, West Sussex and Suffolk.	34
Wales	Carmarthenshire, Cardiff, Flintshire, Gwynedd, Powys, Rhondda Cynon Taff, Swansea, and Torfaen.	13
Border to Coast	Cumbria, East Riding, Surrey, Warwickshire, Lincolnshire, North Yorkshire, South Yorkshire, South Yorkshire Passenger Transport Pension Fund, Tyne & Wear, Durham, Bedfordshire, Northumberland and Teesside.	36
LPP	Lancashire, Berkshire and the London Pension Fund Authority	13

3. Target is for legal structures to be created by April 2018 with transition of assets to follow over a reasonable period of time. Estimated savings once fully operational are £200m per annum
4. Current work is focused on creating legal structures, recruiting to the pool operators and designing funds and mandates to be offered.
5. Concern continues to focus on timescales and the motivation behind the government’s wish for greater infrastructure investment. Options for infrastructure vehicles are being developed by an officer Cross Pool Collaborative Group (CPCG)
6. The SAB have taken of stance of assisting on cross pool matters and creating effective communication channels with government but will not be pushing any particular pool structure or infrastructure vehicle over any other.

Valuations

7. Early indications are that deficits across the scheme have stabilised and in some cases reduced with average funding ratios estimated to rise from 79% in 2013 to the mid/high 80’s in 2016. However future service costs have risen due to

anticipated lower returns which has mitigated any benefits to employer contribution rates from lower deficits.

8. Contribution rates will therefore remain high (average is 25% of payroll) and employers may well raise questions around the affordability of the scheme and seek ways to reduce participation.
9. In responsive to questions raised by some councils the SAB is currently seeking QC's opinion on the vires for councils to offer schemes other than the LGPS. This advice will also set out the potential legal and practical challenges for councils if such vires exists.

Deficits and employer covenants

10. The SAB will be investigating the possibility of councils making use of capital receipts to reduce their LGPS deficit by regulations under section 11 or guidance under section 15 of the Local Government Housing Act 2003.
11. If allowed to do so such a transfer could immediately reduce the level of interest payable on the deficit and the contributions currently being paid to meet it. In most cases the return being achieved on capital receipts are significantly below the potential revenue benefit of paying down the deficit.
12. The SAB is also commencing a work stream to investigate and develop options to improve the covenant and/or manage the exit of those employers who do have central or local tax backing. This objective of this work would be to minimise the risk of such employers leaving the scheme without meeting their deficits which would then fall back onto the tax payer backed employers.

Academies

13. The SAB commissioned PWC to investigate the issues for the LGPS brought about by increasing academisation. Non-teaching staff of currently 7000 academies and MATs are members of the LGPS
14. Should all 20,000 schools convert to academy trusts it is estimated that some £35b of liabilities will be contained in that sector.
15. The work stream is seeking to manage the transfer of staff and the increasing number of employers while minimising the risk of those liabilities falling back on the councils should trusts close.
16. The Chair of SAB (Cllr Roger Phillips) met with both the Local Government and Education ministers on the subject in late March and a preferred approach of retaining academies within the LGPS was agreed. Officials from SAB, DfE and DCLG will now progress in developing options within that approach.

Cost management

17. The SAB operates a cost management process for the scheme alongside that operated by HM Treasury.
18. The process is designed to measure increases in scheme costs attributable to members (for example longevity, use of 50/50 section etc.) and recommend benefit changes if necessary
19. Early indications are that such costs will have increased by just over 1% of payroll and therefore it is anticipated that the SAB will be making recommendations to alter benefit structures later this year.

Investment fee transparency

20. The SAB are in the process of launching a voluntary code of transparency for asset managers to assist authorities in meeting the CIPFA requirement to report costs on a transparent basis.

21. Progress is already being made by authorities on an individual basis resulting in reported costs rising from the £450m in 2014 to £780m in 2015. However significant resource is having to be deployed to identify these costs.
22. Asset managers signing up to the Code will agree to provide fully transparent costs on a standard template either quarterly or annually which will ease the identification and allocation of these costs. Once fully in place it is anticipated that reported costs will be well over £1b per annum across the scheme.

MiFID II

23. On 1st January 2018 local authorities will be reclassified by the Financial Conduct Authority (FCA) from professional to retail investors. This will significantly reduce the firms, asset classes and vehicles available to authorities both for pension fund and treasury management investment.
24. Retail clients can elect for professional status however firms must ensure the client meets a number of tests. These tests do not reflect the decision making processes in authorities and therefore need to applied differently
25. We believe that firms should be able to make a collective assessment of a local authority client's knowledge, experience and understanding of risk (the qualitative test) however the test states that a 'person' should be assessed.
26. Clients must also have a portfolio of at least £15m (LGPS and TM counted separately) and either have performed a significant number of transactions or have worked for 12 months in the sector (the quantitative test) with this latter element referring to an individual. We would prefer that either this is amended to include reference to advisors or a fourth criteria is added referencing the authorities status as a public service pension scheme manager.
27. There is also a serious issue around assets held after January 2018 if the opt up is not complete. One view is that a firm's overriding duty of 'best interest of the client' would prevent termination of relationships however some asset managers are not convinced that approach best manages their risk.
28. Best case is an amended opt up test that enables 89 pension funds to elect for professional status with over 300 managers before January 2018. Worst case is that opt up is not complete or firms refuse due to the wording of the tests and LGPS assets are disposed of in a fire sale.
29. We have the support of DCLG, HMT and Number 10 to find a solution and recent discussions with FCA have been positive. However nothing can be confirmed until May and the SAB would consider taking legal advice on what, if any, basis there would be to challenge FCA if the tests are not amended.
30. Finally the impact of MiFID on LGPS asset pools will require clarification. There is a good case under existing legislation for authorities to retain access to regulated fund structures (such as those currently available from or proposed by the pools) despite the reclassification in MiFID. Legal advice is currently being sought to confirm this view.

Exit payment reform

31. There are three elements to exit payment reform the timing of all of which are uncertain which is causing serious delays and disruption to planned reorganisations across the sector.
32. Exit payment recovery will require the repayment of all or part of a termination payment (including pension strain costs) were an individual who was on £80k or more returns to employment in any part of the public sector. Actual regulations have been expected since late last year

33. Exit payment cap will prevent termination payments (including pension strain costs) exceeding £95k. Draft regulations with guidance on possible waivers by full council have been expected since late last year. As agreed at LGPC we will be pushing for choice for individuals who are capped to take cash and a deferred pension in lieu of a reduced pension
34. Exit payment further reform will cap severance payments at 15 months for those not eligible for an immediate pension. For those who are eligible no non statutory severance will be payable and the amount available for pension strain will be reduced by any statutory redundancy payment. Consultation by DCLG is expected any day
35. Board officials have been maintaining a dialogue with officials in HMT, DCLG and DfE and are pushing hard for progress.

Jeff Houston

LGA Head of Pensions and Scheme Advisory Board Secretary

31st March 2017

Pensions CIV Sectoral Joint Committee

Item no: 5

Fund Development Update

Report by:	Brian Lee Julian Pendock	**Job title:**	Chief Operating Officer Chief Investment Officer
Date:	12 April 2017		
Contact Officer:			
Telephone:	020 7934 9818	**Email:**	Brian.lee@londonciv.org.uk

Summary: This report summarises the status of fund launches to ensure transparent and robust reporting of delivery against the Company's Business Plan and MTFS.

Recommendations: The committee is recommended to note the contents of this report.

Fund Launch Progress Summary

1. From the current position of six sub-funds LCIV has a further nine funds in the launch plan to March 2018.

2. Attached is the high-level Fund Launch Phase time line which outlines the six stages of launch; Initiation, Procurement, Product Development & Due Diligence, Legal & Regulatory Documents, FCA Approval and Fund Launch.

3. Also attached is the Fund Launch Pipeline Status which provides further detail on each fund launch including the RAG status on six funds and a commentary on the Global Equity Phase 2 and Fixed Income status.

4. The remaining three funds of the CQC phase **Newton Global Equity, Majedie UK Equity and Longview** will launch in May and June, slightly behind the MTFS plan.

Global Equities Phase 1

5. The fund launch process has now begun with **three global equity funds** targeted to launch in September. Based on survey data from across the boroughs and close collaboration with officers of the Investment Advisory Committee the three proposed strategies are:

    i. Income;

    ii. Sustainable; and

    iii. Emerging Markets

6. Product development and due diligence will be completed by the end of May. Borough interest and investment decision making is a critical dependency to launching these three funds with the forecast £550mil in assets by September and two further global equity funds @ £300mil in December.

7. A fuller report is available as item E3 of this agenda.

Fixed Income

8. Fixed income work is ongoing with product research well underway. Various fixed income product and vehicle types are being assessed which may or may not lead to a procurement. Two Fixed Income funds with £600mil in assets are projected to launch by March '18 as per the MTFS plan.

9. In recent weeks the London CIV investment team outlined a proposal of various product structures to LCIV's Executive Committee. Following internal approval the investment team will continue to review the opportunity set across fixed income (including alternatives) with the aim of beginning the procurement process for designated sub-asset classes in the second half of 2017.

10. Recent surveys and discussions with colleagues in both the IAC and the fixed income working sub-group, suggest 'Private Debt' and 'Multi-asset Income' will be the early focus of research efforts.

11. The IAC Fixed Income sub-group will convene for the third time in the upcoming weeks to discuss Private debt. In attendance will be a selected private debt fund manager to give an update on the opportunities in the asset class. The London CIV investment team will also present their internal research of the asset class to the sub-group.

Low Carbon:

12. It has become clear that a number of London Local Authority Pension Funds are considering whether a low carbon approach for their fund will become part of their broader investment strategy and subsequently are therefore considering whether low carbon options should form part of their portfolios. We are aware that a number of funds have made commitments to manage fossil fuel reduction programmes over a period of time. LCIV are working closely with London Local Authority Officers to better understand the requirements of the Funds for options in low carbon including whether Funds are looking for passive / active funds and the timescales for investing. As part of the effort to gain a better understanding of requirements, LCIV officers have met with a small group of funds who are part of the Investment Advisory Committee, who have expressed an interest in low carbon funds.

13. As part of the Stewardship Seminar held on 1st February which a number of the Joint Committee Members attended, a discussion panel covering low carbon was held, which included presenters from the Environment Agency, Mercer, legal advisers and a low carbon property fund. Overall the session was well received with the panel debate scoring some of the highest ratings in terms of relevance, usefulness and quality of presentations. Further the majority of those completing the survey were either very likely or somewhat likely to attend further seminars on climate change. With that in mind, London CIV are looking at holding a climate change workshop in June after the Joint Committee meeting for those who are interested in exploring the issue in more depth.

14. Whilst recognising that low carbon fund options are unlikely to have universal appeal across all London Local Authorities, there does seem to be some momentum building for funds in this area. Members are asked to consider whether they are content for London CIV to continue to explore options in this area and to look at the feasibility of opening dedicated sub-funds and to provide feedback to the Committee at a later date.

Recommendations

15. The Committee is recommended to consider the contents of this report and particularly to provide feedback as requested in paragraph 14.

Financial Implications

16. There are no financial implications for the committee to consider at this time.

Legal implications

17. There are no legal implications for the Committee to consider at this time.

Equalities implications

18. There are no equalities implications for the Committee.

LONDON CIV

Fund Launch Phases

Fund Launch Phases	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Initiation		Fixed Income	Fixed Income										
Procurement				tbc	tbc	tbc							
Product Dev & DD	Longview	Global Equities 1	Global Equities 1			Global Equities 2	Fixed Income	Fixed Income					
Legal Docs	Newton/Majedie	Longview		Global Equities 1	Global Equities 1			Global Equities 2	Fixed Income	Fixed Income			
FCA Approval		Newton/Majedie	Longview			Global Equities 1			Global Equities 2		Fixed Income		
Fund Launch			Newton/Majedie	Longview			Global Equities 1			Global Equities 2		Fixed Income	Fixed Income

▲ **Fund Launch Dates:** 18 &22 May, 28 June

Fund Launch Initiation

- Borough Needs Assessment
- Fund Launch Business Case
- Initial Product Development
- Commercials
- Seek Board Approval

Procurement

-Secure Investment Consultants

-Tender Process

-Investment Manager Interviews

-Short List for Investment Oversight Committee Approval

Product Dev & DD

- Product Development
- Due Diligence – Investment/Systems & Controls / Operational Readiness
- Investment Oversight Committee Approval

Legal/Fund Documents

- Prospectus
- Investment Manager Agreement
- FCA Forms
- Deed

FCA Approval

- 4 week process of FCA review, comment and approval

Fund Launch

- Operational set up LCIV & Northern Trust
- Borough On boarding (dependent upon availability of assets)

Fund Launch Pipeline Status as at 4, April '17

Fund	Plan Launch Date	Target Launch Date	£ AUM (mil)	RAG status	Fund Launch Phase	Update
Newton Global Equity	March 31	May 22nd	**£557**		FCA Approval	▪ On track to launch May 22nd. Currently under review with the FCA.
Majedie UK Equity	March 31	May 18th	**£535**		FCA Approval	▪ On track to launch May 18th. Currently under review with the FCA.
Longview Global Equity	May	June 28th	**£450**		Legal Docs	▪ On track to launch June 28th. Legal documents including Prospectus and Investment Managers agreement are being drafted.
Global Equities: Phase 1: Henderson EM	Sep	Sep	**£150++**		Product Development & Due Diligence	▪ Product development and due diligence to be completed April/May.
Global Equities: Phase 1: EPOCH Equity Inc	Sep	Sep	**£200++**		Product Development & Due Diligence	▪ Product development and due diligence to be completed April/May.
Global Equities: Phase 1 RBC Sustainable	Sep	Sep	**£200++**		Product Development & Due Diligence	▪ Product development and due diligence to be completed April/May.
Global Equities: Phase 2+	Dec	Dec	**£300++**	tbc	Initial Stage: Borough Needs Assessment	▪ Need to complete Borough needs assessment to determine potential demand for global equity; value , core and/or growth mandates.
Fixed Income+	Mar '18	Mar '18	**£600++**	tbc	Initial Stage: Fund Development	▪ Initial stage of fund development researching fixed income product options. Fixed Income proposal to be reviewed by stakeholders.

+Need to develop project plan and time. Product structure unknown at this time for Fixed Income. Global Equities Phase 2 strategies not finalised.
++Per MTFS estimated assets. Actual commitments to be determined.

G Green: On track. Project is performing to plan and all targets are on track regarding resources, scope and timing.

A Amber: There is a problem with the project performance and one or more of the targets regarding scope, time or resources is at risk but the risk is being addressed.

R Red: Significant issues with one or more of the targets regarding scope, time or resources not being met. Project needs to be escalated to the executive team.

Pensions CIV Sectoral Joint Committee

Item no: 6

Investment Advisory Committee Update

Report by:	Ian Williams	**Job title:**	Chair of Investment Advisory Committee
Date:	12 April 2017		
Contact Officer:	Jill Davys		
Telephone:	020 7934 9968	**Email:**	Jill.davys@londoncouncils.gov.uk

Summary: The Investment Advisory Committee (IAC) continues to work closely with the London CIV on a wide range of investment related projects.

Recommendations: The committee is recommended to note the contents of this report;

Introduction

1. The Investment Advisory Committee (IAC) was formed in September 2015 with the remit to:

    i. To support the Joint Committee in the investment decision making process

    ii. To liaise with the Fund Operator of the CIV in defining Shareholders' investment needs.

2. Since the last Joint Committee meeting the IAC has formally met twice in February and March.

3. Key areas for discussion for the meetings have cover the working groups which feed into the IAC:

Global Equities

4. Whilst the working group hasn't met, the IAC have been provided with an update on the global equity procurement process. Confirmation was received of the first 3 global equity mandates, coming out of the recent procurement exercise and that a date had been set for the new managers to present to London Local Authorities. The IAC were provided with an insight into the level of due diligence that is undertaken once agreement has been reached on the individual managers.

5. It was agreed that further work should be undertaken to understand further global equity strategies required as LLAs had been carrying out strategic asset allocations and this might affect the levels of demand for particular future global equity strategies to be targeted for launch. The IAC have asked for further updates once analysis has been completed by the CIV of the overall strategic direction of London Funds. The IAC are keen to assist in this understanding and encourage Funds to liaise closely on changes of strategy and any likely procurement exercises to see if these can be co-ordinated in advance of any move to the CIV.

Fixed Income / Cashflow Products

6. The Fixed Income Working Group met in February to consider options that are being developed for fixed income / cashflow generating products that are under review for implementation by the London CIV. The IAC received a presentation on the work which the CIV has been doing in this area, which looks at a range of building blocks which could encompass traditional fixed income products, multi-asset credit, private debt and infrastructure but with an asset allocator overlaying the selection process to achieve specific risk and return profiles, e.g. 2-4%, 4-6%, etc. In principle the IAC were positive about the draft solutions being put forwards, but wanted greater clarity on the cost of such products.

7. A recent survey undertaken with the LLAs had indicated that there was significant demand for multi-asset credit funds and following recent meetings with individual Authorities and their advisers, the CIV has indicative demand that Funds have appetite for private debt funds.

8. The CIV confirmed that under the current business plan the indicative timeframe for fixed income products was the launch of two sub-funds in the current financial year, four the following year (2018/19) and a further two in 2019/20.

Stewardship and ESG

9. The feedback from the Stewardship Conference held on 1st February was considered in some detail, noting that low carbon was increasingly becoming an area that was attracting increased interest. With this in mind a small group of funds had met with the CIV to explore what the likely demand for products was likely to be in the low carbon space and what options there might be, if any, for the CIV to bring forward products in this area. The group has now met twice to explore current positions and strategic objectives for Funds in the low carbon space to gain greater clarity on whether funds are looking for low carbon and/or fossil free options and whether this is passive or active mandates. Work is still underway to gain greater clarity on this, but it is clear that there is a requirement amongst a number of Funds that there is a desire for products in this area. In addition it was noted that a low carbon workshop was being proposed for June in the events calendar and that close collaboration with the CIV should take place to develop the agenda.

10. Consideration was also being given to the level of reporting that is likely to be required of the underlying investment managers in respect of reporting on stewardship and voting and that draft wording was being considered for inclusion in the IMA. It was noted that the CIV were liaising with legal advisers on this and the IAC look forward to receiving a further update on this.

Infrastructure / Housing

11. Whilst recognising that there is some appetite for infrastructure related products, given other key projects underway at the CIV, further clarity is required on the likely demand for infrastructure investments in terms of actual allocations coming out of the strategic asset allocation reviews before progressing. However, it was recognised that for some individual Funds this would be one of their priorities. Once there is greater visibility from LLAs on requirements, this could be further progressed.

Additional Items

12. **MiFID II** – Concerns over MiFID II continue to be raised at the IAC, not just in relation to the Pension Fund but also in respect of the Treasury Management activities of LLAs. The IAC were kept updated of ongoing discussions with the FCA via the cross pool working group and also following receipt of the letter from the Minister which provided some reassurance that progress was being made and that it was hoped that a satisfactory solution could be found.

13. **Reporting and Transparency** – The IAC working group has met and is working closely with the CIV to develop reporting and has fed into both the reporting framework and also an information pack being proposed for investors. In addition the group has agreed to be the client test group for the development of the client website portal being developed. A further meeting of the group is being set up to review the website and also to work closely on the report formats being provided to LLAs on performance.

14. **Quarterly CIV Update** – As Chair of the IAC and a member of SLT, I worked closely with officers of London CIV to develop a CIV update for presenting at SLT as LLA's not involved with the IAC had raised a number of additional questions. This report was reviewed by the IAC and well received. It has been agreed that a CIV quarterly update

will be provided going forwards but that it should be jointly issued by the CEO of the London CIV and myself as Chair of the IAC.

15. **Passive Management** – It was noted that the passive fee proposals had been agreed by the Joint Committee at its meeting on 8th February and that these would now apply to passive funds where London wide fee rates had been negotiated and agreed by London CIV.

16. **Academies** – Whilst recognising that academy issues per se aren't the within the remit of the CIV or the IAC, it is recognised that this is an important issue which could ultimately impact on both LLAs and the CIV depending on any decisions taken with respect to the position of academies in the LGPS.

17. **Actuarial Valuation** – Final survey results for LLAs actuarial valuation had been collated and these were reviewed by the IAC recognising however, that the standardised valuation basis being conducted by the Scheme Advisory Board might well show different results to those in the published valuations.

18. **Governance Review of the London CIV** – It was noted that Gerald Almeroth and Ian Williams would be sitting on the Governance Review Board to evaluate the governance review being commissioned and that it was hoped this would report in June/July but could be pushed back to September.

19. **National Frameworks** – The IAC were updated with the National LGPS procurement frameworks. The Investment Performance and Cost Monitoring Reporting framework was in the process of being finalised, but it was noted that 5 providers had been selected for Lot 1 covering investment performance for Funds and Pools, a single provider, PIRC for Lot 2 covering a Local Authority Universe and a single provider for Cost Monitoring and Reporting, Lot 3. It was also noted that the London CIV had agreed to become a founder member of the Transition Management Framework which was commencing shortly and would enable Funds to call off the framework when undertaking investment transitions.

20. **Conference Feedback** – The IAC were presented with the feedback from the annual conference of the CIV which took place on 1st March and it was generally agreed that the event had been well received. Plans were underway for the next conference but that this was unlikely to take place until June 2018, reflecting the fact that local elections were due to take place in May 2018 which could impact on the makeup of the Pensions Committees.

21. **Future work** – The IAC were provided with an outline schedule of suggested CIV events and how these would fit in with other events already tabled with feedback generally supportive of such events. In addition the IAC have been presented with a draft outline of agendas for the rest of the calendar year and work was underway to identify the level of support that might be required from Funds and in particular working groups in taking forward the work programme of the CIV.

Recommendations

22. The committee is recommended to note the contents of this report

Financial implications

23. There are no financial implications for London Councils

Legal implications

24. There are no legal implications for London Councils.

Equalities implications

25. There are no equalities implications for London Councils

Pensions CIV Sectoral Joint Committee

Item no: 7

London CIV 2016/17 Finance Report

Report by:	Brian Lee	**Job title:**	Chief Operating Officer
Date:	12 April 2017		
Contact Officer:	Brian Lee		
Telephone:	020 7934 9818	**Email:**	brian.lee@londonciv.org.uk

Summary: This report provides the committee with an update on the f/y 2016/17 budget (subject to audit), the timetable for preparing and approving the audited 2016/17 financial statements for the company, and presents the audited financial statements for the LCIV LGPS Authorised Contractual Scheme (the 'Fund') for the period to 31 December 2016.

Recommendations: The Committee is recommended to note:

i. the updated forecast of LCIV to March 2017

ii. the reporting and audit timetable of LCIV for the financial year ending 31st March 2017

iii. the audited financial statements for the LCIV LGPS Authorised Contractual Scheme (the 'Fund') for the period to 31 December 2016

London CIV 2016/17 Financial Report

Introduction

1. As previously noted in the draft Medium Term Financial Strategy ('MTFS') which was circulated to the Committee in December, the London CIV was forecast to generate an operating loss of £800k in f/y 2016/17.
2. As of the date of this report, the financial forecast for year ending March 2017 for LCIV is a loss ~£700k compared to the MTFS of ~£800k. The final unaudited financials for the year ending March will be covered at the meeting on the 12th April but at the time of preparing this report, the production of the accounts was still in progress.
3. The reduction in the loss relates to the treatment of third party costs in respect of fund launches. Following previous discussions at the PSJC, the IAC, with treasurers and the Board of LCIV, it was agreed that any fund launches taking place in financial years 2017/18 onwards, third party costs such as legal fees or investment consulting fees would be recovered from the relevant fund. In the MTFS, the fees relating to fund launches had been expensed, pending the above agreement.
4. The impact of this decision has been to reduce the professional fee forecast from £791k to £686k.

	Forecast PSJC as of April	Forecast PSJC in January	MTFS
Operating Income		**£k**	**£k**
Service Charge	850	850	850
Development Funding Charge (DFC)			
Management Fee by Asset Class			
Active Equity	434	433	430
Passive Equity			0
Multi-Asset	210	213	210
Fixed Income			0
Alternatives			0
Total Management Fee by Asset Class	645	645	640
Total Operating Income	1,495	1,495	1,490
Expenses			
Staff	1,209	1,196	1,186
Facilities	221	227	232
Legal and Professional	686	793	791
Travel and General Expenses	24	34	38
Technology	10	8	7
Data feeds	65	46	44
Total Operating Expenses	2,215	2,305	2,298
EBITDA	**-720**	-810	-808
Depreciation	2	2	1
Interest Income	15	13	15
PBT	-704	-791	-794

Income

5. As set out in the fund launch report a number of fund launches are in progress (Majedie - £530m, Newton £550m and Longview £450m) and due to launch in 1Q 2017. The assets under management at the end of March were £3.6bn which will rise to £5.1bn after the launch of these funds.

6. There is no material variance in respect of operating income, but there are two items to note in respect of income for 2017/18:

   - income will be accrued in respect of those LLAs benefitting from fee reductions on passive trackers negotiated by LCIV. The fees will be billed annually in arrears but the fees calculated monthly.
   - The annual service charge of £25k (plus VAT), and two thirds of the 2017/18 development funding charge (£50k pus VAT) will be billed in April

Expenditure

7. As noted above, costs are lower principally due to the reduction in professional fees where investment consulting and legal fees will be recovered from the new funds launching in 2017/18. A full breakdown of professional fees will be provided at the next PSJC meeting.

8. There are no material cost variances and no issues on expense management that need to be considered by the PSJC.

9. The table below summarises key financial facts in terms of asset growth, fund launches, and service charges for the term of the current MTFS.

	Forecast PSJC as of April	Updated Forecast	March 17	March 18	March 19	March 20	March 21	March 22
Assets under management (AUM) in £Mn	3,400	3,336	3,252	6,344	8,641	11,562	12,922	14,129
New Sub-funds per year	4	4	4	9	5	7	0	0
Total Sub funds	6	6	6	15	20	27	27	27
LCIV Staff (FY Year End)	11	11	11	24	25	25	25	25
LCIV Shareholders	33	33	32	32	32	32	32	32
Annual Service Charge	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Development Funding Charge (DFC)				75,000	65,000	50,000	20,000	10,000

The timetable for the audited financial statements for London CIV LGPS Limited (the 'AIFM Manager') for the year to 31 March 2016

10. The audited financial statements will be presented to the PSJC for approval on the 14th June at the AGM.

11. The timetable is as follows:-

    11th April - audit starts by Deloitte

    25th April – statutory accounts ready in draft

    18th May – draft papers circulated to LCIV Audit Committee

    25th May – Audit Committee meeting/presentation by Deloitte

    14th June – approval of financial statements by PSJC at the AGM

The audited financial statements for the LCIV LGPS Authorised Contractual Scheme (the 'Fund') for the period to 31 December 2016

12. The audited financial statements for the Fund are attached and were approved by the Audit Committee of LCIV on the 3rd April 2017. This is the first set of financial statements for any of the LGPS pools and a note of appreciation to our supportive stakeholders and everyone involved should be recorded for getting to this momentous position.

13. There were no material audit issues noted by the external auditor, Deloitte.

14. At 140 pages, the financial statements are a lengthy document which will only increase in size as more funds are added. Consequently, LCIV is consdering ways of reducing the volume but our scope is limited by accounting disclosure requirements.

15. Details of the sub funds as at 31st December are:

SUB-FUND	PRICE of as of 31 December 2016 (Pence)	SUB-FUND SIZE 31/12/16 £m	PERFORMANCE SINCE INCEPTION	INCEPTION DATE	LLAs INVESTED as of 31 December 2016
LCIV Global Equity Alpha	120.8	625	22.53%	02/12/15	3
LCIV Global Alpha Growth	124.9	1,489	25.47%	11/04/16	9
LCIV PY Total Return	107.3	201	7.3%	17/06/16	3
LCIV Diversified Growth	111.6	346	11.60%	15/02/16	5
LCIV RF Absolute Return	111.5	347	11.50%	21/06/16	4
LCIV NW Real Return	101.4	326	1.4%	16/12/16	3
Total Assets Under Management		**3,336**		**Individual LLAs invested:**	**18**

16. The Financial Statements will be made available on LCIV's website.

Recommendations

17. The Committee is recommended to note:-

    i. the updated forecast to March 2017, including eleven month actuals to February 2017.

    ii. the reporting and audit timetable of LCIV for the financial year ending 31st March 2017

    iii. the audited financial statements for the LCIV LGPS Authorised Contractual Scheme (the 'Fund') for the period to 31 December 2016

Financial Implications

18. The financial implications are contained within the body of the report.

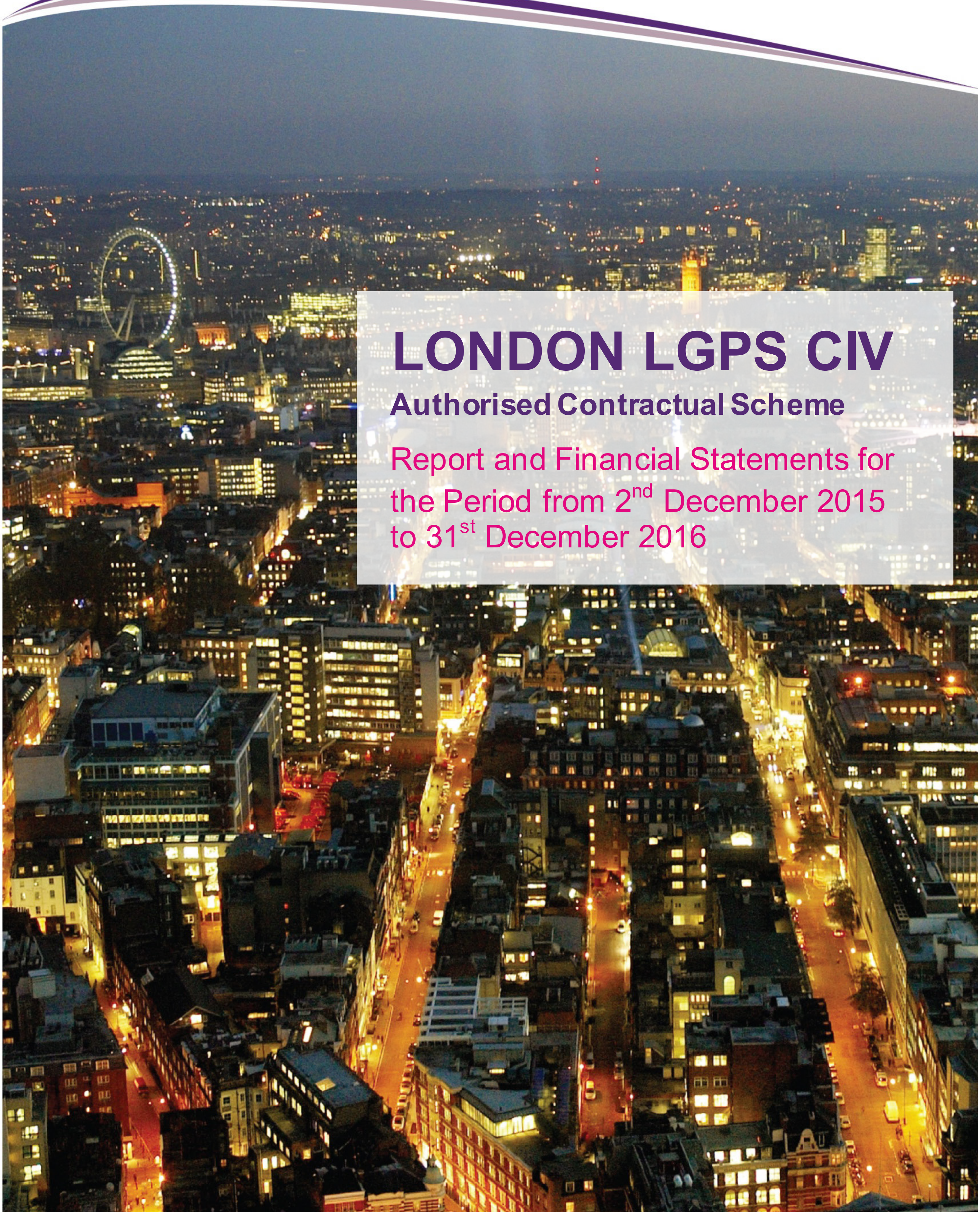
Legal implications

19. There are no legal implications for the Committee that have not been considered in the report.

Equalities implications

20. There are no equalities implications for the Committee.

LONDON CIV



LONDON LGPS CIV

Authorised Contractual Scheme

Report and Financial Statements for the Period from 2nd December 2015 to 31st December 2016

Directory

ACS Manager
London LGPS CIV Limited
59 ½ Southwark Street
London SE1 0AL
Authorised and regulated by the Financial Conduct Authority

Directors
Hugh Grover	Lord Kerslake
Brian Lee	Julian Pendock
Christopher Bilsland	Eric Mackay
Carolan Dobson	

Investment Managers for Delegated and Direct Investment Sub-Funds
Allianz Global Investors GMBH, UK Branch
199 Bishopsgate
London EC2M 3TY
Authorised and regulated by the financial regulatory authority for Germany, BaFin

Baillie Gifford & Co Limited
Calton Square, 1 Greenside Row
Edinburgh EH1 3AN
Authorised and regulated by the Financial Conduct Authority

Pyrford International Limited
95 Queen Victoria Street
London EC4V 4HG
Authorised and regulated by the Financial Conduct Authority

Ruffer LLP
80 Victoria Street
London SW1E 5JL
Authorised and regulated by the Financial Conduct Authority

Newton Investment Management Limited
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA
Authorised and regulated by the Financial Conduct Authority

Dealing, Administration and Registration
Northern Trust Global Services Limited
50 Bank Street
London E14 5NT
Authorised by the Prudential Regulation Authority and regulated by
the Financial Conduct Authority and the Prudential Regulation Authority.

Depositary
Northern Trust Global Services Limited
50 Bank Street
London E14 5NT
Authorised by the Prudential Regulation Authority and regulated by
the Financial Conduct Authority and the Prudential Regulation Authority

Auditor
Deloitte LLP
110 Queen Street
Glasgow G1 3BX

Annual Report and Financial Statements of the London LGPS CIV Authorised Contractual Scheme for the period ending 31st December 2016

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Introduction from the Chairman

It gives me great pleasure to welcome you to the first Annual Report of the London LGPS CIV Authorised Contractual Scheme ('ACS'). It is with great pride that I am writing this inaugural report which is a result of the efforts of many people working together across all the London Local Authorities.

The ACS journey began back in 2012 with proposals being presented to London Councils' Leaders' Committee that would have led to the complete merger of all of London's 34 Local Government Pension Scheme (LGPS) funds (boroughs, City of London and the London Pension Fund Authority). These proposals were not adopted and instead Leaders' Committee commissioned London Councils officers to facilitate the development of ideas that would deliver most, if not all, of the benefits of merger without the cost, complexity and loss of sovereignty and democratic oversight that would result from merger.

Proposals were subsequently developed by a Working Group comprised of the then London Councils political group leaders and three representative treasurers, which were reported back to Leaders' Committee.

At the same time the Government was actively considering the future structure of the LGPS nationally and began to make proposals to bring about complete merger across the scheme into a smaller number of funds. However, the work being done across London was in large part successful in demonstrating that voluntary collaboration could be delivered and that, as originally aimed for, substantial benefits could be delivered without the need for merger.

In November 2015 the Government published a document 'LGPS: Investment Reform Criteria and Guidance' setting out policy for all LGPS funds across England and Wales to develop pools along similar lines to London CIV. The LGPS funds were instructed to submit "ambitious proposals" for the establishment of a small number of investment pools based on the requirement that every fund must join with a pool and invest the majority of its assets through that pool over a period of time. This direction from Government effectively changed the environment for London Local Authorities and LCIV from being engaged in an entirely voluntary collaboration to a more mandatory position

It is within this changing regional and national policy framework that the ACS has been established and now operates.

Since authorisation by the Financial Conduct Authority in October 2015, LCIV has launched 6 sub-funds with 18 London Local Authorities having invested £3.3bn of assets by the end of December 2016. LCIV resources have been expanded including recruitment of the Executive and Non-Executive Directors, whose biographical details are given later in the report.

LCIV continues to work with stakeholders in forging and developing an effective partnership which is critical to the success of the organisation and the London Local Authorities both as investors and shareholders. Both the scale of assets under management achieved in the first twelve months and the operational progress are a considerable achievement.

My appreciation and thanks to everyone who has supported the launch of the ACS.

Lord Kerslake
Chairman
March 2017

Report of the Chief Executive Officer

As the Chief Executive of LCIV it gives me great pleasure to report on the first year of operation of our ACS fund. I would like to thank everyone who has supported this journey from concept to reality for their support and determination to deliver tangible, long term and sustainable benefits to our shareholders and investors.

By the end of December 2016, our ACS had six sub funds and £3.3bn of assets and realised annualised savings of over £5m for our investors – a tremendous achievement for the first year of operation.

During this first year, a number of key lessons have been identified and it is clear that what we have to deliver as a regulated fund manager, providing excellent client service with potentially £25Bn of assets under management (AUM) across multiple asset classes, is more challenging than had been envisioned.

The challenges faced by London's LGPS funds, as for most of the world's pension funds, are significant and growing. As such, we have to deliver benefits beyond just cost savings from scale economies and address the fact that many Pension Fund's strategic asset allocations will increasingly tilt towards asset classes which require not just scale but also in-house expertise.

A key imperative for us and our investors/shareholders is to progress from being a delivery platform for voluntary collaboration of London local authorities (LLAs) to a fully established fund management company able to deliver investor benefits in the widest sense, and to ensure the transfer of assets is completed as quickly as possible as a higher AUM base will:

- lead to faster delivery of greater fee savings;
- allow us to efficiently offer a broader range of investment products; and
- allow us to cover our costs and be less reliant on additional LLA funding.

Our objective in communicating to stakeholders is to provide transparent and effective communications and to seek ways to deliver ongoing improvements in our communications and reporting processes. Our range of stakeholders is complex and includes:

- London local authorities as investors and shareholders
- Wider local government universe
- Central Government
- Investment Managers
- Third Party suppliers
- Media

In particular, the focus with investors and shareholders is to have a regular and consistent communication program to support partnership and two-way dialogue.

We will use a diverse range of channels to communicate with stakeholders including electronic, paper based, verbal, seminars, and surveys. We are committed to providing high quality reporting to our investors, with quarterly reports on performance of our funds, annual and half yearly ACS report and accounts and regular newsletter updates.

Our strategic framework outlines the core purpose of the organisation, our vision, and our value proposition to the LLAs.

Purpose. Our purpose is to create a collective investment vehicle for LLA Pension Funds which delivers broader investment opportunities and enhanced cost efficiencies than LLAs can achieve individually and overall better risk-adjusted performance.

Vision. We aim to be the vehicle of choice for LLA Pension Funds through successful collaboration and delivery of compelling performance

Report of the Chief Executive Officer

Value Proposition. Our value proposition to the LLAs focuses on:

Performance: providing superior risk adjusted investment outcomes by leveraging scale economies and full-time resources focused purely on investment management

Opportunity: providing a broader range of investment opportunities than might be accessible by an LLA acting alone

Efficiency: providing cost effective investment products through leveraging the scale of LLA pooled assets and being an efficient organisation

Transparency: providing transparent reporting across investment performance, client reporting, risk management and client benefits

In addition, we have identified specific objectives in delivering benefits to the LLAs which are:

Investments and Investment Oversight
- Deliver cost effective investment solutions which enable the LLA Pension Funds to meet their investment objectives
- Demonstrate and deliver effective investment oversight appropriate for a large scale regulated investment vehicle

Client Service
- Provide excellent client service
- Deliver identified client cost savings benefits
- Deliver transparent, regular and effective reporting to clients and stakeholders

Finance and Business Operations
- Achieve target AUM levels and revenues
- Maximise operational and cost efficiencies
- Establish a high-performing learning organisation

Governance, Risk and Compliance
- Deliver our value proposition within an effective governance structure
- Remain an enterprise risk managed and compliant company

Looking further ahead, in conjunction with our various stakeholders, including shareholders, we have developed our Medium Term Strategy to cover the financial years to March 2022. During this period, we are moving from implementation of the initial fund and Operator structure and proof of concept to a key development phase for the organisation. Our key priorities are to:

Continue to work closely with the LLAs to understand their investment needs and ensure the opportunities we identify and propose across the core building blocks in Global Equities and Fixed Income, and expansion into property, infrastructure and alternative asset classes, will meet those needs;

Expand our staff complement in the front, middle and back office to bring on board the necessary capacity, knowledge and skills to deliver the range of different asset classes, volume of planned fund launches, and ensure that we can fulfil our ongoing responsibilities;

Report of the Chief Executive Officer

Establish scalable system and process capabilities for client reporting, performance management reporting, and risk management; and

Develop clear and transparent communications channels with our clients and stakeholders to ensure effective dialogue and reporting.

We take our stewardship responsibilities seriously and expect appointed investment managers to vote in accordance with Local Authority Pension Fund Forum voting alerts on a 'comply or explain' approach.

A summary of the current sub-funds in the ACS are detailed in the following table.

SUB-FUND	PRICE of as of 31/12/16 (Pence)	SUB-FUND SIZE 31/12/16 £m	PERFORMANCE SINCE INCEPTION	INCEPTION DATE	LLAs INVESTED as of 31/12/16
LCIV Global Equity Alpha	120.8	625	22.53%	02/12/15	3
LCIV Global Alpha Growth	124.9	1,489	25.47%	11/04/16	9
LCIV PY Total Return	107.3	201	7.3%	17/06/16	3
LCIV Diversified Growth	111.6	346	11.60%	15/02/16	5
LCIV RF Absolute Return	111.5	346	11.50%	21/06/16	4
LCIV NW Real Return	101.4	326	1.4%	16/12/16	3
Total Assets Under Management		**3,333**		**Individual LLAs invested:**	**18**

-Data Source: Bloomberg as at 31/12/16 – Net of all fees and charges with income reinvested

Finally, it just leaves me to thank everyone in the London Local Authorities, the various committees and stakeholders groups, staff and the Board of Directors for their continuing support. This is certainly one of the biggest local government collaborations and an achievement of which we should all be proud.

Hugh Grover
Chief Executive Officer
London LGPS CIV Limited
March 2017

The Board and Governance Structure of the London LGPS CIV Limited

The London LGPS CIV Limited Board ("London CIV") comprises four non-executive directors (including the Chair) and three executive directors (the CEO, COO and CIO). The biographical details of the Board members are detailed below:

Lord Bob Kerslake - Chair
Lord Kerslake was appointed Chair of London CIV in September 2015. In addition to this role, he is Chair of London's King's College Hospital NHS Foundation Trust and Peabody. Lord Kerslake is President of the Local Government Association. A former Head of the Civil Service, Lord Kerslake brings extensive central and local government experience at senior level. He was Permanent Secretary of the Department of Communities and Local Government from 2010 to 2015, set up and ran the Homes and Communities Agency and was Chief Executive of Sheffield City Council and the London Borough of Hounslow. In 2005 he was knighted for services to local government and he became a member of the House of Lords in 2015. Lord Kerslake is a member of the Chartered Institute of Public Finance and Accountancy.

Hugh Grover – Chief Executive Officer
Since October 2014, Hugh Grover has been leading the establishment of the London LGPS Collective Investment Vehicle at London Councils (the representative body for the 32 London boroughs and the City of London), becoming Chief Executive Officer of the ACS Manager established to operate the CIV in May 2015. Before that he was the policy director at London Councils covering local government finance, performance and procurement. He joined London Councils from the Department for Communities and Local Government in February 2009, where he had a number of roles, including taking three Bills through Parliament and being the Deputy Director responsible for national business rates policy in England.

Hugh has an MBA and Diploma from Imperial College Business School and is a Fellow of the Chartered Management Institute. He has featured in the last three lists of 'most influential people in local government' compiled by the Local Government Chronicle, and been named as one of the Chartered Institute of Public Finance and Accountancy's (CIPFA) 'Top 50 Trailblazers' for the last two years.

Governance Structure and Board Responsibilities
The Board is responsible for overseeing the ACS Manager's and the ACS' strategic direction including, setting and monitoring the delivery of the business plan and objectives, managing business risk including investment and operational risk, and approving fund launches and investment manager selection oversight. The Board has the authority to delegate certain matters to Committees; however, the Board retains ultimate responsibility and supervises the discharge of all delegated matters. The Board meets at least four times a year on a quarterly basis. The Board's activities are governed by both the Articles of Association of the ACS Manager and the Unitholders' Agreement.

Investment Oversight Committee (IOC). The IOC is a Board Committee with responsibility for overseeing, maintaining and monitoring the investment strategy, performance and investment risk of the sub funds. The IOC does this in accordance with the investment policies approved by the Board and the investment guidelines, as set out in the Prospectus and any other supporting documentation including the investment mandates and in compliance with the requirements of the AIFM Directive. Membership of the IOC consists of two Non-Executive Directors, one of which is the Chairman, and the Chief Executive Officer. The committee meets four times a year.

Compliance, Audit and Risk Committee (CARCO). The CARCO is a Board Committee and is responsible for overseeing the compliance and risk obligations of the ACS Manager in its capacity as a FCA regulated entity and as an Operator of the London LGPS CIV Authorised Contractual Scheme, including regulatory requirements, market practice and compliance with the requirements of the AIFM Directive. Membership consists of two Non-Executives one of which has risk oversight experience who is also the Chair, and the Chief Executive Officer. The CARCO meets four times a year.

The Board and Governance Structure of the London LGPS CIV Limited

Remuneration Committee (REMCO). The REMCO is responsible for setting the principles and parameters of the remuneration policy for the ACS Manager and to make recommendations to the Board. Appointments to the Committee are made by the Board in consultation with the Chair of the London Council's Pensions Sectoral Joint Committee (PSJC). Appointments are for a period of up to three years extendable by no more than two additional three-year periods. Membership of the REMCO consists of two non-executive directors and the Chair and Vice-chairs of the PSJC. The Committee meets at least once a year and otherwise as required.

Stakeholder Engagement
A fundamental principle of the LCIV is its commitment to work closely and collaboratively with its unitholders and investors and to ensure that the LCIV is delivering on its objectives and meeting stakeholder expectations. As part of this process, the LCIV works with two dedicated Committees, the London Councils' Pensions CIV Sectoral Joint Committee and the Investment Advisory Committee of the London Local Authorities, both of which operate under Terms of Reference.

London Councils' Pensions CIV Sectoral Joint Committee (PSJC). The PSJC acts as a representative body for those LLAs that have chosen to take a unitholding in London CIV. It exercises functions of the participating LLAs involving the exercise of sections 1 and 4 of the Localism Act 2011 where that relates to the actions of the participating LLAs as unitholders of the ACS Manager. It also acts as a forum for the participating authorities to consider and provide guidance on the direction and performance of the CIV and, in particular, to receive and consider reports and information from the ACS Operator, particularly performance information, and to provide comment and guidance in response (in so far as required and permitted by Companies Act 2006 requirements and FCA regulations). The PSJC meets quarterly.

Investment Advisory Committee (IAC). The IAC is responsible for supporting elected members of the Pensions Sectoral Joint Committee on the investments of the CIV and to liaise with LCIV in defining the investment needs, reviewing fund managers and shaping the annual investment plan. Members consist of pension fund officers and treasurers on a rotating basis for up to three years. The IAC meets at least on a quarterly basis.

London LGPS CIV Authorised Contractual Scheme (the "ACS") is an umbrella Authorised Contractual Scheme in co-ownership form authorised and regulated by the Financial Conduct Authority with Product Reference Number 720870 and with effect from 13 November 2015. The ACS is managed by the London LGPS CIV Limited (referred to as "London CIV" or "ACS Manager") which is regulated by the Financial Conduct Authority ("FCA").

The ACS is a Qualified Investor Scheme ('QIS') and an alternative investment fund for the purposes of the AIFMD (Alternative Fund Managers) Directive and the AIFM Regulations. The scheme property of each Sub-fund is beneficially owned by its Unitholders as tenants in common, is of unlimited duration and is denominated in pounds Sterling. Sub-funds may be established from time to time by the ACS Manager with the approval of the FCA. Unitholders are not liable for the debts of the ACS. Unitholders are not liable to make any further payment to the ACS after they have paid the price on purchase of the units.

AIFMD Remuneration Policy

London LGPS CIV Limited (the 'AIFM) became a Full Scope Authorised Investment Fund Manager on 15th October 2015, and the London LGPS CIV Authorised Contractual Scheme (the 'AIF') was authorised by the FCA on the 13th November 2015. The AIFM and the AIF are required to make certain disclosures to investors in accordance with the AIFM Remuneration Code and FUND 3.3.5(5) and (6).

The AIFM's' remuneration policy applies to 'Code Staff' of the AIFM. Code Staff comprise those categories of staff whose professional activities have a material impact on the risk profiles of the ACS Manager or of the AIFs the ACS Manager manages. This includes senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers. The Code staff for the ACS Manager are the non-executive directors and senior management comprising Hugh Grover; Brian Lee, and Julian Pendock.

After consideration of the FCA's proportionality guidelines as set out in SYSC 19B.1.13A and within the General guidance on the AIFM Remuneration Code it has been decided that the Pay-out Process rules do not apply to the ACS Manager. The reason for this is that the following two conditions are met for Code Staff:

- variable remuneration for each Code staff member is no more than 33% of total remuneration; and
- total remuneration is no more than £500,000.

In accordance with SYSC19B, the AIFM, given its size and complexity, is also required to establish a Remuneration Committee. It is the responsibility of the Remuneration Committee to review the Remuneration Policy on a regular basis to ensure that it meets the requirements of the AIFM Remuneration Code.

As set out in the remuneration policy and in compliance with the Remuneration Code, the total amount of remuneration paid by London LGPS CIV Limited to its 'Code Staff' is set out in aggregate below. There is no variable remuneration paid or payable to Code Staff. The total amount paid to Code Staff, of which there were seven, during the period from 2nd December 2015 to 31 December 2016 was £391,231.

In respect of delegated investment management, the AIFM requires the delegate to be subject to the CRD and MiFID remuneration guidelines (as per the FCA guidance) this will be taken to be as equally effective as the Remuneration Requirements.

Directors' Statement of Responsibilities

London LGPS CIV Limited is the Authorised Contractual Scheme Manager of London LGPS CIV Authorised Contractual Scheme (the "Scheme") and is responsible for preparing the Annual Report and the Financial Statements in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL") and the Scheme's Deed.

COLL requires the ACS Manager to prepare financial statements for each annual accounting period which:

- are in accordance with United Kingdom Generally Accepted Accounting Practice ("United Kingdom Accounting Standards and applicable law"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association (the "IA SORP") in May 2014; and
- give a true and fair view of the financial position of the Scheme and each of its sub-funds as at the end of that period and the net revenue and expense and the net capital gains or losses on the property of the Scheme and each of its sub-funds for that period.

In preparing the financial statements, the ACS Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the IA SORP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation.

The ACS Manager is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Scheme and enable them to ensure that the financial statements comply with the applicable IA SORP and United Kingdom Accounting Standards and applicable law. The ACS Manager is also responsible for the system of internal controls, for safeguarding the assets of the ACS Manager and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with COLL 4.5.8BR, the Annual Report and the audited Financial Statements were approved by the Board of Directors of London LGPS CIV Limited as Manager of the Scheme and authorised for issue on 3 April 2017.

AIFM Remuneration Disclosure

In accordance with the AIFM Remuneration Code and FUND 3.3.5(5) and (6), details of the ACS Manager's remuneration policy and the total amount of remuneration paid by the ACS Manager to its staff who are considered to meet the definition of 'Code Staff' according to the Remuneration Code are detailed in AIFMD Remuneration Disclosure section of this report. Code staff is defined as those individuals whose professional activities have a material impact on the ACS Manager's or ACS' risk profile and that the remuneration rules and disclosures (subject to proportionality) apply to those individuals.

Directors' Certification

We hereby certify that this ACS Manager's Report and Accounts has been prepared in accordance with the requirements of the FCA Collective Investment Schemes Sourcebook.

Lord Kerslake	Hugh Grover
(Director)	(Director)
London LGPS CIV Limited	**Date: 3 April 2017**

Report of the Depositary

The Depositary must ensure that the Authorised Contractual Scheme (the "Scheme") is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, and, from 22 July 2014 the Investment Funds Sourcebook, the Financial Services and Markets Act 2000, as amended, the Collective Investment in Transferable Securities (Contractual Scheme) Regulations 2013 (together "the Regulations") and the Contractual Scheme Deed and Prospectus (together the "Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Scheme in accordance with the Regulations.

The Depositary must ensure that:

- the Scheme's cash flows are properly monitored and that cash of the Scheme is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Scheme are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
- the Scheme's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that Scheme is managed in accordance with the Scheme documents and the Regulations in relation to the investment and borrowing powers applicable to the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Scheme, acting through the AIFM:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's income in accordance with the Regulations and the Scheme documents, and
(ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

Northern Trust Global Services Limited
UK Trustee and Depositary Services
3 April 2017

Report of the Independent Auditor

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF LONDON LGPS CIV AUTHORISED CONTRACTUAL SCHEME

We have audited the financial statements of London LGPS CIV Authorised Contractual Scheme (the "Authorised Contractual Scheme") for the period from 2 December 2015 to 31 December 2016 which comprise for each sub-fund: the Statements of Total Return, the Statements of Change in Net Assets Attributable to Unitholders, the Balance Sheets, the distribution tables and the related notes 1 - 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Management Association in May 2014, the Collective Investment Schemes Sourcebook and the Contractual Scheme Deed.

This report is made solely to the Authorised Contractual Scheme's unitholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Authorised Contractual Scheme's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authorised Contractual Scheme and the Authorised Contractual Scheme's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Depositary, the Authorised Contractual Scheme Manager (ACSM) and the Auditor

As explained more fully in the Report of the Depositary and the ACSM's Director's Statement of Responsibilities, the Depositary is responsible for safeguarding the property of the Authorised Contractual Scheme and the ACSM is responsible for the preparation of the financial statements. Our responsibility is to audit and express an opinion on the financial statements in accordance with the requirements of the Collective Investment Schemes Sourcebook, applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authorised Contractual Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the ACSM; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authorised Contractual Scheme and sub funds as at 31 December 2016 and of the net revenue or expense and the net capital gains on the property of the Authorised Contractual Scheme and sub funds for the period from 2 December 2015 to 31 December 2016; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Contractual Scheme Deed.

Report of the Independent Auditor

Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- proper accounting records for the Authorised Contractual Scheme and the sub funds have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the Annual Report for the period from 2 December 2015 to 31 December 2016 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow, United Kingdom
3 April 2017

Report of the Chief Investment Officer

INVESTMENT REPORT, COVERING 1ST JANUARY 2016 TO 31ST DECEMBER 2016

MARKET REVIEW

Those who were hoping for respite from political upheaval and market turmoil in the fourth quarter of 2016, were sorely disappointed, as the well-documented result of the US Presidential Election on November 8th 2016 caught many by surprise. The much-predicted Trumpian market swoon failed to materialise; instead the US markets rallied hard through much of the remainder of 4Q16, and the Dow finished 2016 just shy of the 20,000 mark.

The markets' optimism was driven mostly by hopes that the new administration in the US would move beyond a policy framework which was largely reliant on the Central Banks' own monetary policy framework. The putative new policy framework is to include fiscal stimulus, via tax cuts and infrastructure spending, and therefore reduce reliance on QE and unorthodox measures. Lastly, the prospect of revisiting some of the more onerous elements of the GFC-driven tsunami of regulation led to outsize gains in financials (Bank of America shares, for example, rose by more than 40% in 4Q16) and smaller companies. The change in outlook has led to a material switch into commodities and cyclical companies, which tend to have more volatile share prices.

The US Presidential Election coincided with the surfacing of other factors in the global economy, which suggested that inflation was set to return, although it remains unclear whether this will be the start of a trend, or a short-lived phenomenon. This served as a catalyst of extreme market volatility in bond markets globally. These factors combined to result in a market sell-off with some US$1.7 trillion wiped off the value of bonds, with the value of sovereign bonds the worst hit.

In the UK, the 2016 news was dominated by the Brexit vote. The surprise outcome of the referendum hastened the decline in 10-year gilt yields, declining to a low of 0.52% in August, before rebounding in recent weeks. The Brexit vote triggered a fall in the value of sterling against the USD, which helped to cushion the FTSE 100, as the value of overseas earnings in the constituent companies rose in GBP terms. The questionable forecasts of immediate financial carnage post-Brexit did not materialise, but it would be surprising if the continued political debate over Brexit, and the unpredictable nature of negotiations with the EU, did not exact a price in terms of lower investment and hence lower economic growth in the medium term.

Apart from Brexit, the performance of markets during the period was largely driven by Central Banks (CBs), although in recent months, there has been some more encouraging data out of the US. In terms of equity markets (in local currency terms, with Bloomberg as the data source), in the US, the S&P rose by 11.96%, whilst the NASDAQ rose 7.48% (giving up some gains in 4Q in sympathy with the expectations of higher rates). Closer to home, the FTSE 100 rose by 14.43%, whilst in Germany the DAX too increased by 6.85% and in France the CAC climbed 4.86%. In Japan, the Nikkei 225 jumped 0.42% after an extremely strong recovery in Q4 on the back of a weakening yen and the prospect of looser fiscal policy.

Report of the Chief Investment Officer

Beijing's aggressive stimulus measures taken in early 2016 were estimated to amount to some US$ 1 trillion, exceeding measures taken at the depth of the financial crisis. The hope was that these measures will buy time in order to carry out reforms. Whilst the economy has stabilised in recent months, it is likely that the issues will reappear as they are structural in nature, much like the deep-seated problems in the Eurozone. However for the moment, global markets (including commodities) are enjoying the positive side-effects of the monetary morphine.

Beijing was not alone in acting; coordinated CB actions once again saved the day, and global markets bottomed out in early February. In the eurozone, the ECB's Mario Draghi entered the fray in mid-March, with a raft of measures which included more QE and more controversially, buying corporate bonds. The combined effect of these policies was seen most keenly in fixed income markets, leading to approximately US$ 11 trillion of bonds globally sporting a negative yield.

Emerging Markets (EM) had stabilised in early 2016 as oil rebounded from its 26 per barrel lows. The USD rally from early 2014 led to problems in EM where corporates had issued debt in USD. The currency mismatch led to a scramble to pay down debt, forcing local currencies and assets lower, and the USD higher. As these forces abated, investors turned once again to EM debt as a higher-yielding alternative to developed market debt, taking solace from the fact that apart from China, most EM have retained financially orthodox policies and could therefore ultimately enjoy a more sound financial position than many developed countries. However, the US$ rally was reignited by the US Presidential Election result, which has again led to dislocation in EM currencies and asset prices.

PUTTING IT ALL IN CONTEXT, AND THE YEAR AHEAD: THE OUTLOOK FOR 2017

Many would argue that the political earthquakes of 2016, and the potential upheavals to come in 2017, are manifestations of the energy released when tectonic plates collide. The global increase in debt and the relentless reduction in Western economies' trend growth have been observable since the 1970's. The policy framework adopted post-GFC merely accelerated these trends. History can be helpful in terms of putting current events into context. One lesson from history is that political upheaval tends to follow protracted periods when the prevailing political and economic framework is perceived to be structurally incapable of delivering economic security and growth, regardless of the nature of the system (democracy, autocracy, theocracy or kleptocracy), unless the threat of upheaval is countered by authoritarian measures. A further lesson is that radical political change often comes after the moment of immediate crisis has passed.

The global "reflation trade" (or "Trumpflation") will soon be tested in earnest, as more attention is paid to the "how" and not just the "what". Firstly, President Obama also repeatedly promised a material infrastructure spending programme, but the projects did not materialise, so Trump's success cannot be guaranteed. Secondly, the size of the infrastructure programme is unlikely alone to propel US growth on a sustained basis. Thirdly, the global reflationary trend started before the Presidential Election, in no small part to the People's Bank of China's US$ 1trillion reflation package at the end of 1Q16, and the impact of these measures are likely to be muted, at best, from here. (The fading of this stimulus package will create headwinds).

Thanks mainly to the PBOC's stimulus package; China's serious growth scare in recent years was short-lived. However, the "remedy" of more stimulus, leading to a continuation of more debt-fuelled growth, is storing up more problems. China's adverse demographics, growing debt problem and wealth inequality are familiar issues, and also bear close watching throughout 2017.

The EU meanwhile is not spared from the global economic (and therefore political) malaise, with incumbent political parties and/or politicians facing challenging elections in 2017, as politicians' room for manoeuvre is constrained by high debt loads, the lack of a coherent or credible policy framework for the Eurozone, and in many countries, a chronic lack of competitiveness.

The lessons from history are not uniformly glum; recessions which follow financial crises tend to be deeper and longer than "normal" recessions and typically lead to a rise in populism. Those economies which took the pain sooner are feeling the benefit, such as large parts of the US and in Europe; countries such as Ireland and Spain are recovering.

Report of the Chief Investment Officer

INVESTMENT: REASONS TO BE CHEERFUL?

Potential bright spots include many emerging markets, where political reform and "healing" is the order of the day, and where the investment universe is increasingly dominated by globally-important tech stocks (rather than commodities, telcos and banks). The spectre of trade protectionism is, however, a "known unknown" which could offset the positives.

For all the negative rhetoric, small business confidence in the US has had the largest spike since the election of President Reagan. Optimism appears to rest on the hopes for a repeal of some of the more onerous legislation to have been produced in the wake of the GFC.

Companies which can show pricing power and growth command lofty prices and are therefore vulnerable to a change in sentiment and/or outlook. Nonetheless, industry disruptors and innovators will probably continue to be handsomely rewarded. The prospect of the creation of more winners and losers means that, selectively, opportunities will abound. The investment environment therefore is likely to remain volatile.

The changing investment needs of pension funds (most notably, the requirement for greater cashflow and a less sanguine attitude towards capital losses in risk assets) mean that additional asset classes will need to be accessed. This will likely involve greater cost and complexity than in the past, as many traditional "vanilla" asset classes are rendered unsuitable for pension funds by a combination of high prices and elevated volatility. Nonetheless, opportunities abound, helped in part by the (regulation-driven) continued disintermediation of the banking sector, leading to attractive investment opportunities which were previously unavailable to pension funds.

Julian Pendock
Chief Investment Officer
London LGPS CIV Limited
March 2017

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Report and Financial Statement of the LGPS CIV Authorised Contractual Scheme

ACS Financial Statements

London LGPS CIV Global Equity Alpha Fund

ASSET CLASS	Global Equities
INVESTMENT MANAGER	Allianz Global Investors GMBH
INCEPTION DATE	2 December 2015
STRUCTURE	Delegated
NAV @ 31/12/16*	120.8p
VALUATION @ 31/12/16*	£625m
INVESTMENT OBJECTIVE	Aims to achieve capital growth by outperforming the MSCI World Index Total Return (Net) GBP by 2% p.a. net of fees^

*Data Source: Bloomberg
^Performance is shown against the benchmark, not against the objective

Investment Policy: The ACS Manager intends to achieve the objective by delegating portfolio management to Allianz who will be investing principally in equity securities of global companies selected from a cross section of both geographical areas and economic sectors.
The Sub-fund may participate in initial public offerings on any basis and private placements of securities in publically traded companies and issuers.
The Sub-fund may also invest in other collective investment schemes (including those operated by a company in the Investment Manager's Group), cash and near cash.

The LCIV Global Equity Alpha Sub-fund was the first Sub-fund launched on the LCIV platform in December 2015 with 3 investors. The Sub-fund is structured as a delegated mandate with an appointed external manager selecting individual securities and overseen by the London CIV.

NAV PERFORMANCE REPORT*

	2016 %	SINCE INCEPTION~ %
SUB-FUND*	22.69	22.53
BENCHMARK - MSCI World Index Total Return (Net) GBP	28.24	27.59
RELATIVE PERFORMANCE	(5.55)	(5.06)

* Data Source: Bloomberg as at 31/12/16 – Net of all fees and charges with income reinvested
~Inception Date: 2 December 2015

ACS Financial Statements

London LGPS CIV Global Equity Alpha Fund

Until the third quarter of the year, the Sub-fund had performed in line with the benchmark, but the fourth quarter rotation out of growth stocks, where the Sub-fund is mostly positioned, into cyclical and value stocks led to underperformance of 5.55% against benchmark for the full financial year. Given the objective of the Sub-fund is to deliver 2% outperformance net of fees, this leaves the Sub-fund significantly below its objective.

The performance divergence between growth and value stocks had become extended during 2016, only for this to be dramatically reversed in the fourth quarter. The prospect of tax cuts and fiscal stimulus by the incoming Trump administration led economically sensitive stocks, particularly financially sensitive banks (marginally underweight) and energy stocks (significantly underweight) to rally strongly.

The impact from the financial sector overall during the year was a negative 284bp with lower quality banks rallying on the steepening of the yield curve meaning investors seeking stocks in this area favoured recovery plays, where the Sub-fund does not have exposure. The Sub-fund's focus remains on being in more defensive quality financials including companies such as American Express and the Prudential, although not damaging to performance were not the stocks which rallied at the year end.

Other sectors where the Sub-fund was adversely affected during the year were information technology where the Sub-fund benefited from being overweight, but this was more than offset by poor stock selection with 3 technology companies costing the Sub-fund 187bp of performance due to profit taking after prolonged periods of outperformance.

ACS Financial Statements

London LGPS CIV Global Equity Alpha Fund

INVESTMENT OVERSIGHT WORK

Quarterly Review Meetings Held
11 April 2016
15 August 2016
31 October 2016
30 January 2017
Operational Due Diligence – Half Year Review
2 September 2016

London LGPS CIV Limited
March 2017

ACS Financial Statements

London LGPS CIV Global Equity Alpha Fund

Portfolio Statement
as at **31 December 2016**

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	United Kingdom 6.35%		
379,797	Nielsen Holdings	12,909	2.07
734,483	Prudential	11,921	1.91
252,672	Unilever	8,307	1.33
3,256,416	Vodafone Group	6,506	1.04
		39,643	**6.35**
	Cayman Islands 1.79%		
565,100	Tencent Holdings	**11,199**	**1.79**
	France 1.36%		
150,548	Schneider Electric	**8,475**	**1.36**
	Germany 7.58%		
95,581	Adidas	12,191	1.95
204,746	Fresenius	12,922	2.07
70,545	Muenchener Rueckversicherungs-Gesellschaft In Muen	10,771	1.73
361,023	United Internet	11,401	1.83
		47,285	**7.58**
	Hong Kong 2.20%		
3,009,852	AIA Group	**13,756**	**2.20**
	Ireland 2.79%		
107,866	Accenture	10,237	1.64
7,150,000	Northern Trust Global Sterling Fund*	7,150	1.15
		17,387	**2.79**
	Japan 4.40%		
695,500	Astellas Pharma	7,798	1.25
16,700	Keyence	9,263	1.48
54,000	SMC	10,414	1.67
		27,475	**4.40**
	Jersey, Channel Islands 2.31%		
796,908	WPP	**14,448**	**2.31**
	Luxembourg 2.04%		
13,000	Allianz Global Small Cap Equity IT*	**12,731**	**2.04**
	Spain 2.55%		
431,394	Amadeus IT Holdings 'A'	**15,889**	**2.55**

ACS Financial Statements

London LGPS CIV Global Equity Alpha Fund

Portfolio Statement
as at **31 December 2016**

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	Sweden 1.61%		
405,143	Atlas Copco 'A'	**10,048**	**1.61**
	Switzerland 9.01%		
119,207	Compagnie Financiere Richemont	6,400	1.03
166,340	Nestle	9,671	1.55
24,507	Partners Group Holding	9,309	1.49
77,206	Roche Holdings	14,293	2.29
1,303,273	UBS Group	16,545	2.65
		56,218	**9.01**
	United States 56.10%		
268,729	Abbvie	13,635	2.18
386,067	Agilent Technologies	14,252	2.28
265,995	American Express	15,966	2.56
282,333	Ametek	11,118	1.78
231,034	Amphenol 'A'	12,579	2.02
81,022	Celgene	7,601	1.22
350,167	Citigroup Inc	16,861	2.70
136,477	Ecolab	12,962	2.08
177,660	Eog Resources	14,553	2.33
177,417	Estee Lauder Companies	10,995	1.76
178,784	Facebook	16,678	2.67
102,818	International Flavors & Fragrances	9,817	1.57
135,474	Intuit	12,580	2.02
350,506	Microchip Technology	18,218	2.92
552,567	Microsoft	27,821	4.46
69,913	Monsanto	5,963	0.96
14,973	Priceline Group	17,789	2.85
73,156	Ralph Lauren	5,354	0.86
138,104	S&P Global	12,028	1.93
308,049	SS&C Technologies Holdings	7,138	1.14
149,490	Union Pacific	12,564	2.01
78,525	United Technologies	6,985	1.12
190,985	UnitedHealth Group	24,776	3.97
259,395	Visa 'A'	16,427	2.63
176,933	Wabtec	11,902	1.91
201,679	Walgreens Boots Alliance	13,527	2.17
		350,089	**56.10**

ACS Financial Statements

London LGPS CIV Global Equity Alpha Fund

Portfolio Statement
as at **31 December 2016**

	MARKET VALUE £'000	% OF NET ASSETS
Total value of investments**	624,643	100.09
Net other liabilities	(571)	(0.09)
Total net assets	**624,072**	**100.00**

All holdings are ordinary shares of stock or bonds and are listed on an official stock exchange unless otherwise stated.

There are no comparative figures shown as the Sub-fund launched 2 December 2015.

* Collective Investment Schemes

** The figure of 100.09% does not represent leverage by the Sub-fund and is calculated by reference to gross assets before liabilities.

ACS Financial Statements

London LGPS CIV Global Equity Alpha Fund

Fund Information

The Comparative Table on page 27 gives the performance of the only active unit class in the Sub-fund.

The 'Return after charges' disclosed in the Comparative Table is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the published price as at 31 December 2016.

Portfolio transaction costs are incurred when investments are bought or sold by a Sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Sub-fund.

'Direct transaction costs' include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by a Sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

ACS Financial Statements

London LGPS CIV Global Equity Alpha Fund

Fund Information

Comparative Table

Class A Income

	2016^ (pence per unit)
Change in Net Asset Value per Unit	
Opening net asset value per unit	100.00
Return before operating charges	22.55
Operating charges	(0.30)
Return after operating charges*	22.25
Distributions on income units	(1.85)
Closing net asset value per unit	120.40
*After direct transaction costs of**:	0.09
Performance	
Return after charges#	22.25%
Other Information	
Closing net asset value (£'000)	624,072
Closing number of units	518,334,369
Operating charges†	0.259%
Performance fee††	0.00%
Direct transaction costs	0.08%
Prices	
Highest unit price	124.10
Lowest unit price	88.87

London LGPS CIV Global Equity Alpha Fund

^ There are no comparative figures shown as the Sub-fund launched 2 December 2015.

** Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments/dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

† Operating charges, otherwise known as the OCF is the ratio of the Sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

†† Performance fees are charged against the revenue of the Sub-fund. The policy for this fee is shown in note 2(h) on page 32.

Return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the latest published price.

ACS Financial Statements

London LGPS CIV Global Equity Alpha Fund

Statement of Total Return

for the period from 2 December 2015 to **31 December 2016**

	Notes	02/12/2015 to 31/12/2016^ £'000	£'000
Income			
Net capital gains	5		105,524
Revenue	7	11,333	
Expenses	8	(1,516)	
Interest payable and similar charges	10	(1)	
Net revenue before taxation		9,816	
Taxation	9	(258)	
Net revenue after taxation for the period			9,558
Total return before distributions			115,082
Distributions	10		(9,558)
Change in net assets attributable to unitholders from investment activities			105,524

Statement of Change in Net Assets Attributable to Unitholders

for the period from 2 December 2015 to **31 December 2016**

	02/12/2015 to 31/12/2016^ £'000	£'000
Opening net assets attributable to unitholders		-
Amounts receivable on issue of units	1,162	
Amounts receivable on in-specie transactions	517,386	
Amounts payable on cancellation of units	-	
		518,548
Stamp duty reserve tax		-
Change in net assets attributable to unitholders from investment activities (see above)		105,524
Closing net assets attributable to unitholders		624,072

^There are no comparative figures shown as the Sub-fund launched 2 December 2015.

The notes on pages 31 to 45 are an integral part of these Financial Statements.

ACS Financial Statements

London LGPS CIV Global Equity Alpha Fund

Balance Sheet
as at **31 December 2016**

	Notes	31/12/2016^ £'000
Assets		
Fixed assets:		
Investments		624,643
Current assets:		
Debtors	11	1,148
Cash and bank balances	12	40
Total assets		625,831
Liabilities		
Investment liabilities		-
Creditors:		
Bank overdrafts		-
Distributions payable		(1,535)
Other creditors	13	(224)
Total liabilities		(1,759)
Net assets attributable to unitholders		624,072

^There are no comparative figures shown as the Sub-fund launched 2 December 2015.

The notes on pages 31 to 45 are an integral part of these Financial Statements.

ACS Financial Statements

London LGPS CIV Global Equity Alpha Fund

Notes to the Financial Statements
for the period from 2 December 2015 to **31 December 2016**

1. **Statement of Compliance**
The Financial Statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for UK Authorised Funds issued by the Investment Association in May 2014.

2. **Summary of Significant Accounting Policies**

a) Basis of Preparation
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for UK Authorised Funds issued by the Investment Association in May 2014 and FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

The ACS Manager is confident that the Scheme will continue in operation for the foreseeable future. The Scheme has adequate financial resources and its assets consist of securities which are readily realisable. As such, the financial statements have been prepared on the going concern basis

The principal accounting policies which have been applied consistently are set out below.

b) Functional and Presentation Currency
The functional and presentation currency of the ACS is sterling.

c) Valuation of Investments
Quoted investments are valued at bid-market value as at close of business on the last working day of the accounting period, net of any accrued interest in the case of debt securities which is included in the balance sheet as revenue. Where values cannot be readily determined, the securities are valued at the ACS Manager's best assessment of their fair value. Purchases and sales are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver, an asset or liability arises.

Collective investment schemes are valued at quoted bid prices for dual priced funds and at quoted prices for single priced funds, on the last business day of the accounting period.

All realised and unrealised gains and losses on investments are recognised as net capital gains in the Statement of Total Return. Unrealised gains and losses comprise changes in the fair value of investments for the period and from reversal of prior period's unrealised gains and losses for investments which were realised in the accounting period. Realised gains and losses represent the difference between an instrument's initial carrying amount and disposal amount.

d) Foreign Exchange
Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into pound sterling at the rates of exchange ruling as at close of business on the last working day of the accounting period.

e) Revenue

Revenue from quoted shares is recognised net of attributable tax credits when the security is quoted ex-dividend. Bank interest and other revenue are recognised on an accruals basis.

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the investment in the scheme and does not form part of the distributable revenue.

Any reported revenue from an offshore fund, in excess of any distribution received in the reporting period, is recognised as revenue no later than the date on which the reporting fund makes this information available.

Rebates of annual management charges (Management fee rebates) from underlying investments are accounted for on an accruals basis and are recognised as revenue or capital in line with the allocation of the annual management charge between capital and revenue of the underlying investments.

f) Taxation

The Scheme is constituted as an Authorised Contractual Scheme taking the form of a co-ownership scheme. As a consequence of being so constituted, the Sub-funds of the Scheme may be treated as tax transparent for the purposes of income and/or gains by relevant taxing jurisdictions where Unitholders are subject to taxation and/or from which any underlying income or gains arising to the Sub-fund are derived. Depending on the jurisdictions concerned, this treatment may apply notwithstanding that the income and gains of the Sub-fund may not be distributed to Unitholders. Such tax transparency cannot, however, be guaranteed.

g) Expenses

For accounting purposes, all expenses (other than those relating to the purchase and sale of investments) are charged against revenue for the period on an accruals basis.

Set up cost are fully expensed in the first accounting period.

h) Performance Fees

A performance fee is applicable on the London LGPS CIV Global Equity Alpha Fund and will be paid out of the net asset value of the Sub-fund. The performance fee is 10% of the amount, if any, by which the net asset value before performance fee accrual of the Sub-fund exceeds the ‘Performance Target’ of the Sub-Fund on the last business day of the performance period.

‘Performance Target’ means in respect of the initial performance period of the Sub-fund, being the initial offer price of the Sub-fund adjusted by any subscriptions or cancellation of units adjusted by the ‘Benchmark Return’ plus 2% per annum over the course of the performance period. The ‘Benchmark Return’ is the MSCI World Index Total Return (Net) GBP and the initial performance period began at the end of the initial offer period of the Sub-fund and shall end on 31 December 2017. Subsequent performance fee periods shall be calculated in respect of each period of twenty four months beginning on 1 January and ending on 31 December. Full details regarding the performance fee are disclosed in the Prospectus of the ACS.

i) Dilution Levy

The ACS Manager may charge a dilution levy on the purchase and redemption of units if, in its opinion, the existing unitholders (for purchases) or remaining unitholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the scheme property of a sub-fund is in continual decline; where a sub-fund is experiencing large levels of net purchases relative to its size; on 'large deals' (typically being a purchase or redemption of shares to a size exceeding 5% of the Net Asset Value of the relevant sub-fund); in any case where the ACS Manager is of the opinion that the interests of existing or remaining unitholders require the imposition of a dilution levy.

3. Distribution Policies

a) Basis of Distribution

When appropriate the Sub-funds will allocate any surplus net revenue as a dividend distribution. Distributions of revenue for the Sub-funds are made on or before the annual revenue allocation date and on or before the interim revenue allocation date, where applicable, in each year. The revenue available for distribution is determined in accordance with COLL. It comprises all revenue received or receivable for the account of the Sub-fund in respect of the accounting period concerned, after deducting net charges and expenses paid or payable out of such revenue.

b) Distribution from Collective Investment Schemes

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the investment in the scheme and does not form part of the distributable revenue.

c) Equalisation

Part of the purchase price of a Unit reflects the relevant share of the accrued income of the relevant Sub-fund. Any allocation of income in respect of a Unit issued during an accounting period includes a capital sum by way of income equalisation. The amount of income equalisation is calculated accurately for each issue of Units. This is only relevant where there are tax paying investors.

4. Risk Management Policies

a) Market risk

Some of the Recognised Exchanges in which a Sub-fund may invest may be less well-regulated than those in developed markets and may prove to be illiquid, insufficiently liquid or highly volatile from time to time. This may affect the price at which the ACS Manager may liquidate positions to meet redemption requests or other funding requirements.

The ACS Manager seeks to manage Market Risk by selecting investment managers for the Sub-funds whose investment strategy has an appropriate risk versus reward profile for the risk appetite of a given Sub-fund. Market risk analysis is an integral part of the initial selection analysis and ongoing oversight.

b) Foreign currency risk

Currency fluctuations may adversely affect the value of a Sub-fund's investments and the income thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of their investment in units.

The Sub-funds may use forward foreign exchange transactions, to hedge, as far as is reasonably practicable, the currency exposure of the underlying assets as against the base currency of the Sub-fund. However, this will not eliminate the Sub-funds' currency risk completely.

c) Interest rate risk

The Sub-funds may at certain times invest cash on deposit. In times of low nominal interest rate, there may be no, negative or low interest paid on these holdings. In such circumstances, a Sub-fund could be subject to losses especially after charges are deducted.

The ACS Manager requires all investment managers appointed on a delegated basis to adhere to asset allocation guidelines, including a limit on cash holdings. This limits the impact of interest rate risk.

d) Liquidity risk

Liquidity risk is the risk that the Sub-funds will encounter difficulties in meeting obligations associated with financial liabilities. Liquidity risk to the Sub-funds arises from the redemption requests of investors and the liquidity of the underlying investments the Sub-funds have invested in. The Sub-funds' unitholders may redeem their units by giving notice before the close of any daily dealing deadline for cash equal to a proportionate share of the Sub-funds' NAV, excluding any duties and charges where applicable, the Sub-fund has five business days to raise the funds to settle the redemption request in cash.

The Sub-funds are therefore potentially exposed to the liquidity risk of meeting redemptions and may need to sell assets at prevailing market prices to meet liquidity demands. Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands.

To manage and monitor liquidity risk, the ACS Manager maintains liquidity risk management policies and procedures. The ACS Manager monitors the liquidity risk of the Sub-funds, which includes, among other tools and methods of measurement, the use of stress tests under both normal and exceptional liquidity conditions to ensure that each Sub-fund is able to manage dealing requests.

In normal circumstances, redemption requests will be processed in five business days. In exceptional circumstances, it may be necessary to suspend dealings in all or one or more of the Sub-funds.

e) Credit risk

There can be no assurance that issuers of the securities in which a Sub-fund invests will not be subject to credit difficulties leading to the loss of some or all of the sums invested in such securities or instruments or payments due on such securities or instruments.

During the reporting period none of the investment strategies pursued by the Sub-funds used fixed income asset allocation, therefore credit risk was minimised.

f) Derivative risk

Derivatives may be used by certain Sub-funds of the ACS for investment purposes as well as for Efficient Portfolio Management.

Where transactions are used to protect or enhance revenue, the revenue and expenses are included within net revenue in the Statement of Total Return. Where transactions are used to protect or enhance capital, the gains/losses are treated as capital and included in gains/losses on investments in the Statement of Total Return. Any open positions in these types of transactions at the period end date are included in the Balance Sheet at their mark to market value."

Exchange traded derivatives (e.g. futures) and over the counter (OTC) derivatives (e.g. interest rate swaps and credit default swaps) and other techniques (such as stock lending and repurchase and reverse repurchase transactions) may be used in connection with the Sub-funds for the purposes of Efficient Portfolio Management, which includes the reduction of risk or the generation of additional capital or income for a Sub-fund. As a result there is a risk that in a rising market, potential gains may be restricted.

Investment in these instruments involves some cost, may create some volatility and may also involve a small investment relative to the risk assumed. Their successful use may depend on the ACS Manager's or, where applicable, Investment Manager's ability to predict market movements. Risks include failure or default by the trading counterparty or the inability to close out a position because the trading market becomes illiquid.

OTC derivative instruments may involve a higher degree of risk as there is no exchange market on which to close out an open position and there may be uncertainty as to the fair value of such instruments owing to the limited liquidity. The Sub-fund may be exposed to higher credit risk on counterparties with whom the OTC transactions are made and will bear the risk of settlement default with those counterparties. The Sub-fund may use collateral to reduce overall exposure to a counterparty of an OTC derivative, collateral received can be used to net off against the exposure to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread.

g) Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events including legal and regulatory risk. The ACS Manager has in place policies and procedures to minimise the impact of material operational risks.

5. Net Capital Gains

Net capital gains comprise:

	02/12/2015 to 31/12/2016 £'000
Non-derivative securities*	105,742
Currency losses	(218)
Net capital gains	105,524

* Includes realised gains of £5,107,503 and unrealised gains of £100,634,489.

6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs please refer to the additional portfolio transaction cost information on page 26.

Analysis of direct transaction costs for the period ended 31 December 2016:

	Principal £'000	**Commissions** £'000	**Taxes** £'000	**Total Cost** £'000	**Commissions % of** principal	**Taxes % of** principal
Purchases						
Collective Investment Schemes	110,970	-	-	-	-	-
Equities	167,190	127	125	252	0.08	0.07
In-Specie Transactions	499,510	-	55	55	-	0.01

	Principal £'000	**Commissions** £'000	**Taxes** £'000	**Total Cost** £'000	**Commissions % of** principal	**Taxes % of** principal
Sales						
Collective Investment Schemes	93,763	-	-	-	-	-
Equities	165,447	(120)	(14)	(134)	0.07	0.01
In-Specie Transactions	-	-	-	-	-	-
Costs as a percentage of the Sub-fund's average NAV		0.04%	0.03%	0.07%		

Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was 0.06% based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

7. Revenue

	02/12/2015 to 31/12/2016 £'000
Franked UK dividends	817
Overseas dividends	10,317
Offshore dividend CIS revenue	54
Offshore interest CIS revenue	45
Management fee rebates	100
	11,333

8. Expenses

	02/12/2015 to 31/12/2016 £'000
Payable to the ACS Manager or associates of the ACS Manager:	
ACS Manager's periodic charge	150
	150
Payable to the Depositary or associates of the Depositary:	
Depositary's fees	54
Safe custody fees	32
	86
Other expenses:	
Administration fees	64
Audit fees	10
FCA fees	1
Investment management fees	1,203
Registration fees	2
	1,280
Total expenses:	1,516

9. Taxation

	02/12/2015 to 31/12/2016 £'000
a) Analysis of charge for the period:	
Overseas tax	258
Total taxation	258

b) As the Sub-fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Sub-fund and any UK corporation tax.

10. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	02/12/2015 to 31/12/2016 £'000
First interim distribution	1,684
Second interim distribution	4,758
Third interim distribution	1,585
Final distribution	1,535
	9,562
Add: Revenue deducted on cancellation of units	-
Deduct: Revenue received on issue of units	(4)
Net distribution for the period	9,558
Interest payable and similar charges	1
Total distribution	9,559
Reconciliation between net revenue and distribution	
Net revenue after taxation	9,558
Net distribution for the period	9,558

Notes to the Financial Statements
for the period from 2 December 2015 to **31 December 2016**

11. Debtors

	31/12/2016
	£'000
Accrued revenue	326
Fee rebates receivable	27
Overseas tax recoverable	795
	1,148

12. Cash and Bank Balances

	31/12/2016
	£'000
Cash and bank balances	40
	40

13. Creditors

	31/12/2016
	£'000
Accrued expenses	224
	224

14. Related Parties

London LGPS CIV Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the ACS Manager.

London LGPS CIV Limited acts as principal on all the transactions of units in the Sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Amounts due to/from London LGPS CIV Limited in respect of unit transactions at the period end are disclosed in the balance sheet.

Amounts paid to London LGPS CIV Limited in respect of the ACS Manager's periodic charges are disclosed in note 8. £12,965 was due at the period end.

At the period end, the Sub-fund held the following number of Collective Investment Schemes managed by the Investment Adviser:

Fund Name	Holdings 31/12/2016	Bid Market Value £'000 31/12/2016
Allianz Global Small Cap Equity IT	13,000	12,731

Where investments are held in funds managed by an Investment Adviser, a rebate may be paid into the Sub-fund. The rebates from underlying securities amounted to £100,192 for the period.

A unitholder may be able to exercise significant influence over the financial and operating policies of the Sub-fund and as such is deemed to be a related party. At the balance sheet date the following unitholders held in excess of 20% of the units in issue of the Sub-fund:

Unitholder	31/12/2016
London Borough of Ealing	53%
Wandsworth Council	32%

London LGPS CIV Limited did not enter into any other transactions with the Sub-fund during the period.

15. Equalisation

Equalisation is accrued income included in the price of units purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of a unitholder's first distribution, resulting in the same rate of distribution on all units. As a capital repayment, it is not liable to income tax but must be deducted from the cost of units for Capital Gains Tax purposes.

16. Contingent Liabilities

There were no contingent liabilities as at the period ended 31 December 2016.

17. Unit Classes

The Sub-fund currently has one class of units: A Class. The distribution per unit is given in the distribution tables on page 46. All units have the same rights on winding up.

The ACS Manager's periodic charge for the class of each unit is as follows:

Class A	0.025%

The following table shows the units in issue during the period:

Class	Opening Units	Units Created	Units Liquidated	Units Converted	Closing Units
Class A Income	-	518,334,369	-	-	518,334,369

18. Financial Instruments

In pursuing its investment objective set out on page 20 the Sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, unit/shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the Sub-fund's investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- shareholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity.

19. Risk Disclosures

Market price risk - risk management policies surrounding this risk are discussed in note 4 on page 33.

At 31 December 2016, if the price of the investments held by the Sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £31,232,164.

Foreign currency risk - risk management policies surrounding this risk are discussed in note 4 on page 34.

At the period end date, a substantial proportion of the net assets of the Sub-fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements. The table below shows the direct foreign currency risk profile of the Sub-fund.

Foreign currency exposure as at 31 December 2016:

Currency	**Forward contracts** £'000	**Monetary exposures** £'000	**Non monetary exposures** £'000	**Total** £'000
Euro	-	293	71,649	71,942
Hong Kong dollar	-	-	24,955	24,955
Japanese yen	-	-	27,475	27,475
Swedish krona	-	34	10,048	10,082
Swiss franc	-	468	56,218	56,686
US dollar	-	234	385,966	386,200
Sterling	-	(1,600)	48,332	46,732
	-	(571)	624,643	624,072

At 31 December 2016, if the value of pound sterling increased or decreased by 1% against all currencies, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £5,773,404.

19. Risk Disclosures (continued)

Interest rate risk - risk management policies surrounding this risk are discussed in note 4 on page 34.

Interest rate risk profile of financial assets as at 31 December 2016:

Currency	Floating rate financial assets £'000	Fixed rate £'000	Financial assets not carrying interest £'000	Total £'000
Euro	-	-	71,942	71,942
Hong Kong dollar	-	-	24,955	24,955
Japanese yen	-	-	27,475	27,475
Swedish krona	-	-	10,082	10,082
Swiss franc	-	-	56,686	56,686
US dollar	39	-	386,161	386,200
Sterling	1	-	48,490	48,491
	40	-	625,791	625,831

Interest rate risk profile of financial liabilities as at 31 December 2016:

Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	(1,759)	(1,759)
	-	(1,759)	(1,759)

Please note that short term debtors and creditors are included in the interest rate risk tables above.

The Sub-fund's net cash holdings of £40,334 are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate or to inflation (RPI for UK and CPI for US) for Index Linked Bonds.

19. Risk Disclosures (continued)

Fair value - in the opinion of the ACS, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Valuation technique as at 31 December 2016	**Assets** £'000	**Liabilities** £'000
Level 1	604,762	-
Level 2	19,881	-
Level 3	-	-
Total	624,643	-

Level 1
The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2
Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

Level 3
Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

The disclosures have been made in compliance with the amendment to Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council in March 2016. This is effective for accounting periods beginning on or after 1 January 2017, however, the ACS has elected to apply the requirements early.

Derivative risks - risk management policies surrounding this risk are discussed in note 4 on page 35.

The Sub-fund has not entered into derivative contracts during the period.

20. Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) we are required to disclose the 'leverage' of the Sub-fund. Leverage is defined as any method by which the Sub-fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways 'gross method' and 'commitment method' and the Sub-fund must not exceed maximum exposures under both methods.

The 'commitment' method shall be the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall be the sum of the absolute value of all positions and each derivative position will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The ACS Manager must set maximum leverage levels and operate the Sub-fund within these levels at all times.

There are two ways in which the ACS Manager can introduce leverage to the Sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Neither of these are important features in terms of how the ACS Manager manages the Sub-fund. There are no collateral, asset re-use or guarantee arrangements involved in the ACS Manager's current approach to leverage.

The maximum level of gross leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1. The maximum level of commitment leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1.

As at period end no leverage was employed by the Sub-fund.

21. Post Balance Sheet Events

As at the close of business on the balance sheet date, the Net Asset Value per Class A Income unit was 120.80p. The Net Asset Value per Class A Income unit for the Sub-fund on 27 March 2017 was 128.10p. This represents an increase of 6.04% from the period end value.

ACS Financial Statements

London LGPS CIV Global Equity Alpha Fund

Distribution Table

for the period from 2 December 2015 to **31 December 2016**

1st Quarter Interim Distribution (in pence per unit)

	2016^ Distribution Paid 30/06/2016
Class A Income	0.3255

2nd Quarter Interim Distribution (in pence per unit)

	2016^ Distribution Paid 30/09/2016
Class A Income	0.9194

3rd Quarter Interim Distribution (in pence per unit)

	2016^ Distribution Paid 31/12/2016
Class A Income	0.3059

Final Distribution (in pence per unit)

	2016^ Distribution Payable 31/03/2017
Class A Income	0.2962

^There are no comparative figures shown as the Sub-fund launched 2 December 2015.

Equalisation

Distributions received by a unitholder of the Sub-fund may include an element of equalisation which represents the revenue included in the price paid for the purchase of units by the unitholder. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Details will appear on each unitholder's tax voucher.

ACS Financial Statements

London LGPS CIV Diversified Growth Fund

ASSET CLASS	Multi-asset
INVESTMENT MANAGER	Baillie Gifford & Co
INCEPTION DATE	15 February 2016
STRUCTURE	Direct
NAV @ 31/12/16*	111.6p
VALUATION @ 31/12/16*	£346m
INVESTMENT OBJECTIVE	The Sub-fund's objective is to achieve long term capital growth at lower risk than equity markets.

*Data Source: Bloomberg

Investment Policy: The ACS Manager aims to achieve the objective by investing solely in the Baillie Gifford Diversified Growth Fund, a Sub-fund of Baillie Gifford Investment Funds ICVC, an FCA authorised open-ended investment company and cash and near cash.

The Diversified growth Sub-fund was launched in February 2016 with 5 seed investors participating in the Sub-fund launch. As at 31 December the Sub-fund was valued at £346m. The ACS Manager aims to achieve the objective by investing solely in the Baillie Gifford Diversified Growth Fund, a Sub-fund of Baillie Gifford Investment Fund ICVC, an FCA authorised open-ended investment ACS Manager and cash and near cash.

NAV PERFORMANCE REPORT*

	SINCE INCEPTION~ %
SUB-FUND*	11.6

*Data Source: Bloomberg as at 31/12/16 – Net of all fees and charges with income reinvested
~Inception Date: 15 February 2016

London LGPS CIV Diversified Growth Fund

Whilst the objective of the Sub-fund is to achieve long term capital growth at lower risk than equity markets and therefore does not have a direct benchmark the underlying portfolio has historically been measured against the performance of the Bank of England base rate in the UK, aiming to exceed cash returns by 3.5% over one year. The performance since inception of 11.6% has therefore exceeded the 10.5 month cash plus target which delivered 3.4% over the period since launch.

The Sub-fund benefitted from its exposures in high yield and emerging market bonds, asset classes which posted strong performances over the year as investors sought higher yielding investments for income. The Sub-fund's equity and private equity portfolio's also contributed to the positive return over the period since inception. The Sub-fund's CIS manager also benefitted from the active currency positions with a short sterling position adopted ahead of the Brexit decision in June which proved beneficial given the sharp fall in sterling post the referendum.

INVESTMENT OVERSIGHT WORK

Quarterly Review Meetings Held
22 July 2016
14 November 2016
26 January 2017

London LGPS CIV Limited
March 2017

ACS Financial Statements

London LGPS CIV Diversified Growth Fund

Portfolio Statement
as at **31 December 2016**

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	Sub-fund Investment in Collective Investment Scheme 100.53%		
160,111,611	Baillie Gifford Diversified Growth Fund Share Class C Gross Accumulation	**346,321**	**100.53**
	Total value of investments*	346,321	100.53
	Net other liabilities	(1,825)	(0.53)
	Total net assets	**344,496**	**100.00**

There are no comparative figures shown as the Sub-fund launched 15 February 2016.

* The figure of 100.53% does not represent leverage by the Sub-fund and is calculated by reference to gross assets before liabilities.

ACS Financial Statements

London LGPS CIV Diversified Growth Fund

Fund Information

The Comparative Table on page 51 gives the performance of the only active unit class in the Sub-fund.

The 'Return after charges' disclosed in the Comparative Table is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the published price as at 31 December 2016.

Portfolio transaction costs are incurred when investments are bought or sold by a Sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by a Sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

London LGPS CIV Diversified Growth Fund

Fund Information

Comparative Table

Class A Income

	2016^ (pence per unit)
Change in Net Asset Value per Unit	
Opening net asset value per unit	100.00
Return before operating charges*	12.27
Operating charges	(0.77)
Return after operating charges*	11.50
Distributions on income units	(0.54)
Closing net asset value per unit	110.96
*After direct transaction costs of**:	0.00
Performance	
Return after charges#	11.50%
Other Information	
Closing net asset value (£'000)	344,496
Closing number of units	310,462,459
Operating charges†	0.726%
Direct transaction costs	0.00%
Prices	
Highest unit price	111.70
Lowest unit price	99.95

^ There are no comparative figures shown as the Sub-fund launched 15 February 2016.

** Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

† Operating charges, otherwise known as the OCF is the ratio of the Sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which includes the OCF of the underlying funds weighted on the basis of their investment proportion.

Return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the latest published price.

ACS Financial Statements

London LGPS CIV Diversified Growth Fund

Statement of Total Return

for the period from 15 February 2016 to **31 December 2016**

	Notes	15/02/2016 to 31/12/2016^ £'000	£'000
Income			
Net capital gains	5		34,034
Revenue	7	3,221	
Expenses	8	(1,520)	
Interest payable and similar charges		-	
Net revenue before taxation		1,701	
Taxation	9	(11)	
Net revenue after taxation for the period			1,690
Total return before distributions			35,724
Distributions	10		(1,690)
Change in net assets attributable to unitholders from investment activities			34,034

Statement of Change in Net Assets Attributable to Unitholders

for the period from 15 February 2016 to **31 December 2016**

	15/02/2016 to 31/12/2016^ £'000	£'000
Opening net assets attributable to unitholders		-
Amounts receivable on issue of units	-	
Amounts receivable on in-specie transactions	310,462	
Amounts payable on cancellation of units	-	
		310,462
Change in net assets attributable to unitholders from investment activities (see above)		34,034
Closing net assets attributable to unitholders		344,496

^There are no comparative figures shown as the Sub-fund launched 15 February 2016.

The notes on pages 54 to 62 are an integral part of these Financial Statements.

ACS Financial Statements

London LGPS CIV Diversified Growth Fund

Balance Sheet
as at **31 December 2016**

	Notes	31/12/2016^ £'000
Assets		
Fixed assets:		
Investments		346,321
Current assets:		
Debtors	11	-
Cash and bank balances	12	53
Total assets		346,374
Liabilities		
Investment liabilities		-
Creditors:		
Distributions payable	10	(1,690)
Other creditors	13	(188)
Total liabilities		(1,878)
Net assets attributable to unitholders		344,496

^There are no comparative figures shown as the Sub-fund launched 15 February 2016.

The notes on pages 54 to 62 are an integral part of these Financial Statements.

Notes to the Financial Statements

for the period from 15 February 2016 to **31 December 2016**

1. **Statement of Compliance**
   The Statement of Compliance is provided on page 31.

2. **Summary of Significant Accounting Policies**
   The Summary of Significant Accounting Policies are provided on pages 31 to 33.

3. **Distribution Policies**
   The Distribution Policies are provided on pages 33.

4. **Risk Management Policies**
   The Risk Management Policies are provided on pages 33 to 35.

5. **Net Capital Gains**
   Net capital gains comprise:

	15/02/2016 to 31/12/2016 £'000
Non-derivative securities*	34,034
Net capital gains	34,034

* Includes realised gains of £89,922 and unrealised gains of £33,943,661.

6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs please refer to the additional portfolio transaction cost information on page 50.

Analysis of direct transaction costs for the period ended 31 December 2016:

	Principal	Commissions	Taxes	Total Cost	Commissions % of principal	Taxes % of principal
	£'000	£'000	£'000	£'000		
Purchases						
Collective Investment Schemes	313,672	-	-	-	-	-

	Principal	Commissions	Taxes	Total Cost	Commissions % of principal	Taxes % of principal
	£'000	£'000	£'000	£'000		
Sales						
Collective Investment Schemes	1,384	-	-	-	-	-
Costs as a percentage of the Sub-fund's average NAV		-	-	-		

Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was nil% based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

7. Revenue

	15/02/2016 to 31/12/2016
	£'000
Franked CIS revenue	1,320
Unfranked CIS revenue	1,901
	3,221

Notes to the Financial Statements
for the period from 15 February 2016 to **31 December 2016**

8. Expenses

	15/02/2016 to 31/12/2016 £'000
Payable to the ACS Manager or associates of the ACS Manager:	
ACS Manager's periodic charge	72
	72
Payable to the Depositary or associates of the Depositary:	
Depositary fees	26
Safe custody fees	5
	31
Other expenses:	
Administration fees	7
Audit fees	8
Investment management fees	1,399
Registration fees	3
	1,417
Total expenses:	1,520

9. Taxation

	15/02/2016 to 31/12/2016 £'000
a) Analysis of charge for the period:	
CIS tax	11
Total taxation	11

b) As the Sub-fund is an Authorised Contractual Scheme, it is exempt from the United Kingdom (UK) tax on capital gains realised on the disposal of Investments held within the Sub-fund and any UK Corporation tax.

10. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	15/02/2016 to 31/12/2016 £'000
Interim distribution	-
Final distribution	1,690
	1,690
Add: Revenue deducted on cancellation of units	-
Deduct: Revenue received on issue of units	-
Net distribution for the period	1,690
Total distribution	1,690
Reconciliation between net revenue and distribution	
Net revenue after taxation	1,690
Net distribution for the period	1,690

11. Debtors

	31/12/2016 £'000
Accrued revenue	-
	-

12. Cash and Bank Balances

	31/12/2016 £'000
Cash and bank balances	53
	53

13. Creditors

	31/12/2016 £'000
Accrued expenses	188
	188

14. Related Parties

London LGPS CIV Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the ACS Manager.

London LGPS CIV Limited acts as principal on all the transactions of units in the Sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Amounts due to/from London LGPS CIV Limited in respect of unit transactions at the period end are disclosed in the balance sheet.

Amounts paid to London LGPS CIV Limited in respect of the ACS Manager's periodic charges and any rebates received are disclosed in note 8. £7,028 was due at the period end.

A unitholder may be able to exercise significant influence over the financial and operating policies of the Sub-fund and as such is deemed to be a related party. At the balance sheet date the following unitholder held in excess of 20% of the units in issue of the Sub-fund:

Unitholder	31/12/2016
London Borough of Bent	21%
London Borough of Havering	23%
London Borough of Richmond upon Thames	25%

London LGPS CIV Limited did not enter into any other transactions with the Sub-fund during the period.

15. Equalisation

Equalisation is accrued income included in the price of units purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of a unitholder's first distribution, resulting in the same rate of distribution on all units. As a capital repayment, it is not liable to income tax but must be deducted from the cost of units for Capital Gains Tax purposes.

16. Contingent Liabilities

There were no contingent liabilities as at the period ended 31 December 2016.

17. Unit Classes

The Sub-fund currently has one class of units: A Class. The distribution per unit is given in the distribution tables on page 63. All units have the same rights on winding up.

The ACS Manager's periodic charge for the class of each unit is as follows:

Class A	0.025%

The following table shows the units in issue during the period:

Class	Opening Units	Units Created	Units Liquidated	Units Converted	Closing Units
Class A Income	-	310,462,459	-	-	310,462,459

18. Financial Instruments

In pursuing its investment objective set out on page 47 the Sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, unit/shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the Sub-fund's investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- shareholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity.

19. Risk Disclosures

Concentration risk – The sub-fund invests in a single investment, there is a concentration risk associated with investing in a single investment. The risks associated with the fund invested are disclosed in their financial statements and should be referred to in conjunction with these accounts.

Market price risk - risk management policies surrounding this risk are discussed in note 4 on page 33.

At 31 December 2016, if the price of the investments held by the Sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £17,316,071.

19. Risk Disclosures (continued)

Foreign currency risk - risk management policies surrounding this risk are discussed in note 4 on page 34.

The Sub-fund's investment portfolio is invested in a collective investment scheme, which may have holdings in overseas securities and consequently the balance sheet, can be indirectly affected by movements in foreign exchange rates.

The Sub-fund does not have significant exposure to currency risk as the majority of the assets and liabilities are held in pound sterling.

Interest rate risk - risk management policies surrounding this risk are discussed in note 4 on page 34.

Interest rate risk profile of financial assets as at 31 December 2016:

Currency	Floating rate financial assets £'000	Fixed rate £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	53	-	346,321	346,374
	53	-	346,321	346,374

Interest rate risk profile of financial liabilities as at 31 December 2016:

Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	(1,878)	(1,878)
	-	(1,878)	(1,878)

Please note that short term debtors and creditors are included in the interest rate risk tables above.

The Sub-fund's net cash holdings of £52,408 are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate.

19. Risk Disclosures (continued)

Fair value - in the opinion of the ACS, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Valuation technique as at 31 December 2016	**Assets** £'000	**Liabilities** £'000
Level 1	-	-
Level 2	346,321	-
Level 3	-	-
Total	346,321	-

Level 1
The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2
Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

Level 3
Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

Derivative risks - risk management policies surrounding this risk are discussed in note 4 on page 35.

The disclosures have been made in compliance with the amendment to Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council in March 2016. This is effective for accounting periods beginning on or after 1 January 2017, however, the ACS has elected to apply the requirements early.

The Sub-fund has not entered into derivative contracts during the period.

20. Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) we are required to disclose the 'leverage' of the Sub-fund. Leverage is defined as any method by which the Sub-fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways 'gross method' and 'commitment method' and the Sub-fund must not exceed maximum exposures under both methods.

The 'commitment' method shall be the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall be the sum of the absolute value of all positions and each derivative position will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The ACS Manager must set maximum leverage levels and operate the Sub-fund within these levels at all times.

There are two ways in which the ACS Manager can introduce leverage to the Sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Neither of these are important features in terms of how the ACS Manager manages the Sub-fund. There are no collateral, asset re-use or guarantee arrangements involved in the ACS Manager's current approach to leverage.

The maximum level of gross leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1. The maximum level of commitment leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1.

As at period end no leverage was employed by the Sub-fund.

21. Post Balance Sheet Events

As at the close of business on the balance sheet date, the Net Asset Value per Class A Income unit was 111.60p. The Net Asset Value per Class A Income unit for the Sub-fund on 27 March 2017 was 113.60p. This represents an increase of 1.79% from the period end value.

ACS Financial Statements

London LGPS CIV Diversified Growth Fund

Distribution Tables

for the period from 15 February 2016 to **31 December 2016**

Interim Distribution (in pence per unit)

	2016^ Distribution Paid 30/09/2016
Class A Income	-

Final Distribution (in pence per unit)

	2016^ Distribution Payable 31/03/2017
Class A Income	0.5442

^There are no comparative figures shown as the Sub-fund launched 15 February 2016.

Equalisation

Distributions received by a unitholder of the Sub-fund may include an element of equalisation which represents the revenue included in the price paid for the purchase of units by the unitholder. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Details will appear on each unitholder's tax voucher.

ACS Financial Statements

London LGPS CIV Global Alpha Growth Fund

ASSET CLASS	Global Equities
INVESTMENT MANAGER	Baillie Gifford & Co
INCEPTION DATE	11 April 2016
STRUCTURE	Delegated
NAV @ 31/12/16*	124.9p
VALUATION @ 31/12/16*	£1,489m
INVESTMENT OBJECTIVE	The objective of the Sub-fund is to exceed the rate of return of the MSCI All Country World Index (the "Index") by 2-3% per annum on a gross fee basis over rolling five year periods.^

*Data Source: Bloomberg
^Performance is shown against the benchmark, not against the objective

Investment Policy: The ACS Manager intends to achieve the objective by delegating portfolio management to Baillie Gifford who will be investing the portfolio primarily in global equities and equity-like instruments including convertible securities, preference shares, warrants, rights, exchange traded funds and depositary receipts.
The Sub-fund may also invest in cash and near cash, deposits, money-market instruments and other collective investment schemes. The Sub-fund will ordinarily not hold a cash balance greater than 15% of the Sub-fund.
The Sub-fund may participate in initial public offerings on any basis and private placements of securities in publically traded companies and issuers.
The Sub-fund may accept offers of sub-underwriting participation in the underwritings of new issues and rights issues.
The Sub-fund may also accept offers of paper and/or cash alternatives in takeover bids. The sub-fund may use derivatives for efficient portfolio management (including hedging).

The Global Alpha Growth Sub-fund was launched in April 2016 with 6 investors in a two stage launch programme. By 31 December the Sub-fund had attracted an additional 3 investors and was valued at £1,489m. The Sub-fund is structured as a delegated mandate with an appointed external manager selecting individual securities and overseen by the London CIV.

NAV PERFORMANCE REPORT*

	SINCE INCEPTION~ %
SUB-FUND*	25.47
BENCHMARK - MSCI All Country World Index GBP	25.84
RELATIVE PERFORMANCE	(0.37)

*Data Source: Bloomberg as at 31/12/16 - Net of all fees and charges with income reinvested
~Inception Date: 11 April 2016

ACS Financial Statements

London LGPS CIV Global Alpha Growth Fund

The Sub-fund is focused on a bottom-up stock picking approach with a diversified portfolio (typically 90-110 stocks) looking for long term fundamental growth companies. The Sub-fund has only been operational since April 2016 and performance since inception is marginally below the performance benchmark at -0.37%, although this covers some volatile quarters since inception with quarter two and four delivering negative returns of -1.7% and -2.5% being offset by a good third quarter where the Sub-fund outperformed by 4.2%. Like many quality focused portfolios it has been impacted over recent months from the rotation out of quality growth companies into value and cyclical plays, particularly oil companies which performed strongly as oil prices recovered from the depths of the sell off seen towards the end of 2015 and early in 2016.

Over the period since inception, the Sub-fund has maintained an overweight position in financials and information technology, with stock specific holdings also adding value. The underweight position in energy and consumer staples which recovered over the period detracted from overall performance.

In terms of the outlook, the Sub-fund is positioned to take advantage of a continued recovery in the US economy as a result of the US election and the prospects for fiscal stimulus if this follows through into 2017.

INVESTMENT OVERSIGHT WORK

Quarterly Review Meetings Held
22 July 2016
14 November 2016
26 January 2017
Operational Due Diligence – Half Year Review
2 October 2016

London LGPS CIV Limited
March 2017

ACS Financial Statements

London LGPS CIV Global Alpha Growth Fund

Portfolio Statement
as at **31 December 2016**

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	United Kingdom 4.61%		
4,309,365	Hays	6,430	0.43
3,279,855	Prudential	53,232	3.58
1,345,417	Rolls Royce Holdings	8,987	0.60
		68,649	**4.61**
	Australia 0.91%		
1,878,017	Brambles	**13,582**	**0.91**
	Bermuda 0.60%		
200,200	Jardine Matheson Holdings	**8,962**	**0.60**
	Brazil 0.61%		
2,197,100	BM&F Bovespa	**9,025**	**0.61**
	Canada 1.63%		
35,935	Fairfax Financial Holdings	14,018	0.94
372,767	Ritchie Bros Auctioneers	10,269	0.69
		24,287	**1.63**
	Cayman Islands 4.38%		
332,785	Alibaba Group Holding	23,671	1.59
168,550	Autohome	3,450	0.23
127,653	Baidu	17,003	1.14
439,232	Ctrip.com International	14,232	0.96
1,930,000	Sands China	6,795	0.46
		65,151	**4.38**
	China 0.21%		
1,044,000	Tsingtao Brewery 'H'	**3,190**	**0.21**
	Denmark 1.73%		
168,978	Carlsberg 'B'	11,829	0.80
478,389	Novo-Nordisk	13,945	0.93
		25,774	**1.73**
	France 0.55%		
525,153	Bureau Veritas	**8,249**	**0.55**
	Germany 3.26%		
147,000	Deutsche Boerse	9,747	0.66
548,272	SAP	38,620	2.60
		48,367	**3.26**

London LGPS CIV Global Alpha Growth Fund

Portfolio Statement
as at **31 December 2016**

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	Hong Kong 1.49%		
4,849,800	AIA Group	**22,166**	**1.49**
	India 2.05%		
856,839	Housing Development Finance	12,896	0.87
5,765,878	ICICI Bank	17,556	1.18
		30,452	**2.05**
	Ireland 4.39%		
47,751,490	Bank of Ireland	9,472	0.64
1,185,793	CRH	33,392	2.24
1,813,679	Ryanair Holdings	22,491	1.51
		65,355	**4.39**
	Japan 5.92%		
479,300	Cyber Agent	9,574	0.64
614,000	Japan Exchange Group	7,087	0.48
430,600	Kansai Paint	6,407	0.43
203,500	LINE	5,643	0.38
1,078,500	MS&AD Insurance Group Holdings	27,031	1.82
401,700	Olympus	11,208	0.75
194,300	Rohm	9,040	0.61
62,600	SMC	12,073	0.81
		88,063	**5.92**
	Jersey, Channel Islands 1.03%		
308,352	Wolseley	**15,279**	**1.03**
	Liberia 3.17%		
710,191	Royal Caribbean Cruises	**47,208**	**3.17**
	Netherlands 2.19%		
89,093	Ferrari	4,200	0.28
879,840	Fiat Chrysler Automobiles	6,504	0.44
397,397	Qiagen	9,022	0.61
787,417	Yandex	12,843	0.86
		32,569	**2.19**
	Norway 0.87%		
457,527	Schibsted ASA 'A'	8,479	0.57
256,177	Schibsted ASA 'B'	4,399	0.30
		12,878	**0.87**

ACS Financial Statements

London LGPS CIV Global Alpha Growth Fund

Portfolio Statement
as at **31 December 2016**

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	Republic of Korea 1.70%		
41,680	Samsung Electronics	**25,227**	**1.70**
	Russia Federation 0.68%		
1,076,125	Sberbank of Russia	**10,092**	**0.68**
	South Africa 3.12%		
461,841	MTN Group	3,435	0.23
362,348	Naspers 'N'	42,953	2.89
		46,388	**3.12**
	Spain 0.45%		
1,682,265	Distribuidora Internacional de Alimentacion	**6,690**	**0.45**
	Sweden 2.25%		
19,528	Atlas Copco 'A'	484	0.03
750,057	Atlas Copco 'B'	16,671	1.12
1,446,317	Svenska Handelsbanken	16,388	1.10
		33,543	**2.25**
	Switzerland 2.58%		
283,389	Compagnie Financiere Richemont	15,214	1.02
695,921	OC Oerlikon	5,533	0.37
123,942	Schindler Holding	17,707	1.19
		38,454	**2.58**
	Taiwan 3.16%		
2,986,000	HTC	5,923	0.40
1,761,354	Taiwan Semiconductor Manufacturing	41,030	2.76
		46,953	**3.16**
	United States 45.52%		
94,916	Alnylam Pharmaceuticals	2,878	0.19
56,855	Alphabet	35,569	2.39
102,632	Amazon.com	62,369	4.19
263,968	Anthem	30,751	2.07
417,431	Apache	21,470	1.44
250,176	C H Robinson Worldwide	14,844	1.00
432,140	Carmax	22,549	1.52
68,538	China Biologic Products	5,968	0.40
259,139	Colgate-Palmolive	13,740	0.92
260,595	Eog Resources	21,347	1.44
200,431	Facebook	18,697	1.26
283,424	Financial Engines	8,428	0.57

London LGPS CIV Global Alpha Growth Fund

Portfolio Statement
as at **31 December 2016**

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	United States (continued)		
502,980	First Republic Bank San Francisco	37,550	2.52
263,439	Grubhub	8,026	0.54
82,073	Howard Hughes	7,587	0.51
205,737	Interactive Brokers Group	6,083	0.41
11,647	Intuitive Surgical	5,990	0.40
179,540	Kirby	9,674	0.65
341,512	Leucadia National	6,431	0.43
264,266	Lincoln Electric Holdings	16,416	1.10
19,418	Markel	14,223	0.96
63,556	Marketaxess Holdings	7,566	0.51
135,751	Martin Marietta Materials	24,367	1.64
256,781	Mastercard 'A'	21,488	1.44
144,610	Monsanto	12,334	0.83
361,385	Moodys	27,609	1.86
475,310	Myriad Genetics	6,420	0.43
515,107	Now	8,535	0.57
254,196	Nvidia	21,982	1.48
261,156	ResMed	13,132	0.88
351,143	Seattle Genetics	15,014	1.01
130,105	Stericycle	8,120	0.55
911,062	TD Ameritrade Holdings	32,185	2.16
854,309	Teradyne	17,582	1.18
68,023	Tesla Motors	11,777	0.79
153,407	Tripadvisor	5,762	0.39
338,161	Visa 'A'	21,415	1.44
215,792	Wabtec	14,515	0.98
131,987	Waters	14,376	0.97
60,991	Zillow Group 'A'	1,801	0.12
183,952	Zillow Group 'C'	5,434	0.37
227,674	Verisk Analytics	14,972	1.01
		676,976	**45.52**
	Total value of investments	1,473,529	99.06
	Net other assets	13,997	0.94
	Total net assets	**1,487,526**	**100.00**

All holdings are ordinary shares of stock or bonds and are listed on an official stock exchange unless otherwise stated.

There are no comparative figures shown as the Sub-fund launched 11 April 2016.

ACS Financial Statements

London LGPS CIV Global Alpha Growth Fund

Fund Information

The Comparative Table on page 71 gives the performance of the only active unit class in the Sub-fund.

The ‘Return after charges’ disclosed in the Comparative Table is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund’s performance disclosed in the ACS Manager's report, which is calculated based on the published price as at 31 December 2016.

Portfolio transaction costs are incurred when investments are bought or sold by a Sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the ‘dealing spread’ – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by a Sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

ACS Financial Statements

London LGPS CIV Global Alpha Growth Fund

Fund Information

Comparative Table

Class A Income

	2016^ (pence per unit)
Change in Net Asset Value per Unit	
Opening net asset value per unit	100.00
Return before operating charges*	25.80
Operating charges	(0.48)
Return after operating charges*	25.32
Distributions on income units	(0.60)
Closing net asset value per unit	124.72
*After direct transaction costs of**:	0.10
Performance	
Return after charges#	25.32%
Other Information	
Closing net asset value (£'000)	1,487,526
Closing number of units	1,192,644,637
Operating charges†	0.418%
Direct transaction costs	0.09%
Prices	
Highest unit price	126.40
Lowest unit price	97.92

^ There are no comparative figures shown as the Sub-fund launched 11 April 2016.

** Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments/dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

† Operating charges, otherwise known as the OCF is the ratio of the Sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

Return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the latest published price.

ACS Financial Statements

London LGPS CIV Global Alpha Growth Fund

Statement of Total Return

for the period from 11 April 2016 to **31 December 2016**

	Notes	11/04/2016 to 31/12/2016^ £'000	£'000
Income			
Net capital gains	5		217,434
Revenue	7	9,361	
Expenses	8	(3,216)	
Interest payable and similar charges		-	
Net revenue before taxation		6,145	
Taxation	9	(589)	
Net revenue after taxation for the period			5,556
Total return before distributions			222,990
Distributions	10		(5,555)
Change in net assets attributable to unitholders from investment activities			217,435

Statement of Change in Net Assets Attributable to Unitholders

for the period from 11 April 2016 to **31 December 2016**

	11/04/2016 to 31/12/2016^ £'000	£'000
Opening net assets attributable to unitholders		-
Amounts receivable on issue of units	176,636	
Amounts receivable on in-specie transactions	1,126,938	
Amounts payable on cancellation of units	(33,483)	
		1,270,091
Stamp duty reserve tax		-
Change in net assets attributable to unitholders from investment activities (see above)		217,435
Closing net assets attributable to unitholders		1,487,526

^There are no comparative figures shown as the Sub-fund launched 11 April 2016.

The notes on pages 74 to 83 are an integral part of these Financial Statements.

ACS Financial Statements

London LGPS CIV Global Alpha Growth Fund

Balance Sheet
as at **31 December 2016**

	Notes	31/12/2016^ £'000
Assets		
Fixed assets:		
Investments		1,473,529
Current assets:		
Debtors	11	1,137
Cash and bank balances	12	14,621
Total assets		1,489,287
Liabilities		
Investment liabilities		-
Creditors:		
Bank overdraft	12	(4)
Distributions payable	10	(1,007)
Other creditors	13	(750)
Total liabilities		(1,761)
Net assets attributable to unitholders		1,487,526

^There are no comparative figures shown as the Sub-fund launched 11 April 2016.

The notes on pages 74 to 83 are an integral part of these Financial Statements.

London LGPS CIV Global Alpha Growth Fund

Notes to the Financial Statements
for the period from 11 April 2016 to **31 December 2016**

1. Statement of Compliance

The Statement of Compliance is provided on page 31.

2. Summary of Significant Accounting Policies

The Summary of Significant Accounting Policies are provided on pages 31 to 33.

3. Distribution Policies

The Distribution Policies are provided on page 33.

4. Risk Management Policies

The Risk Management Policies are provided on pages 33 to 35.

5. Net Capital Gains

Net capital gains comprise:

	11/04/2016 to 31/12/2016 £'000
Non-derivative securities*	217,660
Currency losses	(223)
Transaction charges	(3)
Net capital gains	217,434

* Includes realised gains of £3,219,549 and unrealised gains of £214,440,218.

6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs please refer to the additional portfolio transaction cost information on page 70.

Analysis of direct transaction costs for the period ended 31 December 2016:

	Principal £'000	Commissions £'000	Taxes £'000	Total Cost £'000	Commissions % of principal	Taxes % of principal
Purchases						
Derivatives	-	-	-	-	-	-
Equities	271,354	101	176	277	0.04	0.06
In-Specie Transactions	1,083,705	-	644	644	-	0.06

	Principal £'000	Commissions £'000	Taxes £'000	Total Cost £'000	Commissions % of principal	Taxes % of principal
Sales						
Derivatives	-	-	-	-	-	-
Equities	100,164	(44)	(10)	(54)	0.04	0.01
In-Specie Transactions	-	-	-	-	-	-
Costs as a percentage of the Sub-fund's average NAV		0.01%	0.08%	0.09%		

Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was 0.10% based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

7. Revenue

	11/04/2016 to 31/12/2016 £'000
Bank interest	1
Franked UK dividends	534
Overseas dividends	8,826
	9,361

8. Expenses

	11/04/2016 to 31/12/2016 £'000
Payable to the ACS Manager or associates of the ACS Manager:	
ACS Manager's periodic charge	192
	192
Payable to the Depositary or associates of the Depositary:	
Depositary fee	69
Safe custody fees	70
	139
Other expenses:	
Administration fees	81
Audit fees	10
Investment management fees	2,788
Registration fees	6
	2,885
Total expenses:	3,216

9. Taxation

	11/04/2016 to 31/12/2016 £'000
a) Analysis of charge for the period:	
Overseas tax	589
Total taxation	589

b) As the Sub-fund is an Authorised Contractual Scheme, it is exempt from the United Kingdom (UK) tax on capital gains realised on the disposal of Investments held within the Sub-fund and any UK Corporation tax.

10. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	11/04/2016 to 31/12/2016 £'000
Second interim distribution	2,702
Third interim distribution	2,023
Final distribution	1,007
	5,732
Add: Revenue deducted on cancellation of units	5
Deduct: Revenue received on issue of units	(182)
Net distribution for the period	5,555
Total distribution	5,555
Reconciliation between net revenue and distribution	
Net revenue after taxation	5,556
Deduct: Revenue Carried Forward	(1)
Net distribution for the period	5,555

11. Debtors

	31/12/2016 £'000
Accrued revenue	811
Overseas tax recoverable	326
	1,137

12. Cash and Bank Balances

	31/12/2016 £'000
Cash and bank balances	14,621
	14,621
Bank overdraft	(4)
	(4)

13. Creditors

	31/12/2016
	£'000
Accrued expenses	750
	750

14. Related Parties

London LGPS CIV Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the ACS Manager.

London LGPS CIV Limited acts as principal on all the transactions of units in the Sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Amounts due to/from London LGPS CIV Limited in respect of unit transactions at the period end are disclosed in the balance sheet.

Amounts paid to London LGPS CIV Limited in respect of the ACS Manager's periodic charges are disclosed in note 8. £29,874 was due at the period end.

London LGPS CIV Limited did not enter into any other transactions with the Sub-fund during the period.

15. Equalisation

Equalisation is accrued income included in the price of units purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of a unitholder's first distribution, resulting in the same rate of distribution on all units. As a capital repayment, it is not liable to income tax but must be deducted from the cost of units for Capital Gains Tax purposes.

16. Contingent Liabilities

There were no contingent liabilities as at the period ended 31 December 2016.

17. Unit Classes

The Sub-fund currently has one class of units: A Class. The distribution per unit is given in the distribution tables on page 84. All units have the same rights on winding up.

The ACS Manager's periodic charge for the class of each unit is as follows:

Class A	0.025%

The following table shows the units in issue during the period:

Class	Opening Units	Units Created	Units Liquidated	Units Converted	Closing Units
Class A Income	-	1,225,552,914	(32,908,277)	-	1,192,644,637

18. Financial Instruments

In pursuing its investment objective set out on page 64 the Sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, unit/shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the Sub-fund's investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- shareholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity.

19. Risk Disclosures

Market price risk - risk management policies surrounding this risk are discussed in note 4 on page 33.

At 31 December 2016, if the price of the investments held by the Sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £73,676,474.

Foreign currency risk - risk management policies surrounding this risk are discussed in note 4 on page 34.

19. Risk Disclosures (continued)

At the period end date, a substantial proportion of the net assets of the Sub-fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements. The table below shows the direct foreign currency risk profile of the Sub-fund.

Foreign currency exposure as at 31 December 2016:

Currency	Forward contracts £'000	Monetary exposures £'000	Non monetary exposures £'000	Total £'000
Australian dollar	-	-	13,582	13,582
Brazilian real	-	96	9,025	9,121
Canadian dollar	-	-	14,018	14,018
Danish krone	-	15	25,774	25,789
Euro	-	103	105,973	106,076
Hong Kong dollar	-	-	32,151	32,151
Indian rupee	-	-	30,452	30,452
Japanese yen	-	-	88,063	88,063
Norwegian krone	-	21	12,878	12,899
Swedish krona	-	100	33,543	33,643
Swiss franc	-	53	38,454	38,507
Taiwan dollar	-	-	5,923	5,923
US dollar	-	4,118	899,985	904,103
South African rand	-	-	46,388	46,388
Sterling	-	9,491	117,320	126,811
	-	13,997	1,473,529	1,487,526

At 31 December 2016, if the value of sterling increased or decreased by 1% against all currencies, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £13,607,200.

19. Risk Disclosures (continued)

Interest rate risk - risk management policies surrounding this risk are discussed in note 4 on page 34.

Interest rate risk profile of financial assets as at 31 December 2016:

Currency	Floating rate financial assets £'000	Fixed rate £'000	Financial assets not carrying interest £'000	Total £'000
Australian dollar	-	-	13,582	13,582
Brazilian real	-	-	9,121	9,121
Canadian dollar	-	-	14,018	14,018
Danish krone	-	-	25,789	25,789
Euro	-	-	106,080	106,080
Hong Kong dollar	-	-	32,151	32,151
Indian rupee	-	-	30,452	30,452
Japanese yen	-	-	88,063	88,063
Norwegian krone	-	-	12,899	12,899
Swedish krona	-	-	33,643	33,643
Swiss franc	-	-	38,507	38,507
Taiwan dollar	-	-	5,923	5,923
US dollar	3,451	-	900,652	904,103
South African rand	-	-	46,388	46,388
Sterling	11,170	-	117,398	128,568
	14,621	-	1,474,666	1,489,287

Interest rate risk profile of financial liabilities as at 31 December 2016:

Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Euro	(4)	-	(4)
Sterling	-	(1,757)	(1,757)
	(4)	(1,757)	(1,761)

Please note that short term debtors and creditors are included in the interest rate risk tables above.

The Sub-fund's net cash holdings of £14,616,995 are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate.

19. Risk Disclosures (continued)

Fair value - in the opinion of the ACS, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Valuation technique as at 31 December 2016	**Assets** £'000	**Liabilities** £'000
Level 1	1,473,529	-
Level 2	-	-
Level 3	-	-
Total	1,473,529	-

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

The disclosures have been made in compliance with the amendment to Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council in March 2016. This is effective for accounting periods beginning on or after 1 January 2017, however, the ACS has elected to apply the requirements early.

Derivative risks - risk management policies surrounding this risk are discussed in note 4 on page 35.

The Sub-fund has not entered into derivative contracts during the period.

20. Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) we are required to disclose the ‘leverage’ of the Sub-fund. Leverage is defined as any method by which the Sub-fund increases its exposure through borrowing or the use of derivatives. ‘Exposure’ is defined in two ways ‘gross method’ and ‘commitment method’ and the Sub-fund must not exceed maximum exposures under both methods.

The ‘commitment’ method shall be the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The ‘gross’ method shall be the sum of the absolute value of all positions and each derivative position will be converted into the equivalent position in the underlying assets. The ‘gross’ method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The ACS Manager must set maximum leverage levels and operate the Sub-fund within these levels at all times.

There are two ways in which the ACS Manager can introduce leverage to the Sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Neither of these are important features in terms of how the ACS Manager manages the Sub-fund. There are no collateral, asset re-use or guarantee arrangements involved in the ACS Manager’s current approach to leverage.

The maximum level of gross leverage employed by the Sub-fund expressed as a ratio of the Sub-fund’s total exposure to its net asset value is 1:1. The maximum level of commitment leverage employed by the Sub-fund expressed as a ratio of the Sub-fund’s total exposure to its net asset value is 1:1.

As at period end no leverage was employed by the Sub-fund.

21. Post Balance Sheet Events

As at the close of business on the balance sheet date, the Net Asset Value per Class A Income unit was 124.90p. The Net Asset Value per Class A Income unit for the Sub-fund on 27 March 2017 was 133.10p. This represents an increase of 6.57% from the period end value.

ACS Financial Statements

London LGPS CIV Global Alpha Growth Fund

Distribution Tables

for the period from 11 April 2016 to **31 December 2016**

Interim Distribution (in pence per unit)

	2016^ Distribution Paid 30/09/2016
Class A Income	0.2978

Interim Distribution (in pence per unit)

	2016^ Distribution Paid 31/12/2016
Class A Income	0.2164

Final Distribution (in pence per unit)

	2016^ Distribution Payable 31/03/2017
Class A Income	0.0844

^There are no comparative figures shown as the Sub-fund launched 11 April 2016.

Equalisation

Distributions received by a unitholder of the Sub-fund may include an element of equalisation which represents the revenue included in the price paid for the purchase of units by the unitholder. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Details will appear on each unitholder's tax voucher.

ACS Financial Statements

LCIV PY Global Total Return Fund

ASSET CLASS	Real Return
INVESTMENT MANAGER	Pyrford International Limited
INCEPTION DATE	17 June 2016
STRUCTURE	Direct
NAV @ 31/12/16*	107.3p
VALUATION @ 31/12/16*	£201.2m
INVESTMENT OBJECTIVE	The Sub-fund's objective is to provide a stable stream of real total returns over the long term with low absolute volatility and significant downside protection.

*Data Source: Bloomberg

Investment Policy: The ACS Manager aims to achieve the objective by investing solely in the Pyrford Global Total Return(Sterling) Fund, a Sub-fund of BMO Investments (Ireland) plc, an authorised open-ended investment company authorised by the Central Bank of Ireland as a UCITS, and cash and near cash.

The LCIV PY Total Return Sub-fund was launched in June with 3 investors participating from the outset. By the end of the financial year the Sub-fund had assets under management of £201.2m. The ACS Manager aims to achieve the Sub-fund's objective by investing solely in the Pyrford Global Total Return (Sterling) Fund, a sub-fund of BMO Investments (Ireland) plc, an authorised open-ended investment ACS Manager authorised by the Central Bank of Ireland as a UCITS, and cash and near cash.

NAV PERFORMANCE REPORT*

	SINCE INCEPTION~ %
SUB-FUND*	7.3%

*Data Source: Bloomberg as at 31/12/16 – Net of all fees and charges with income reinvested
~ Inception Date: 17 June 2016

ACS Financial Statements

LCIV PY Global Total Return Fund

As a total return portfolio, the objective of the Sub-fund is to focus on capital preservation to achieve real total returns. The aim of the Sub-fund's underlying CIS is to invest in asset classes and securities which offer sound fundamental value and avoiding asset classes and securities which offer poor fundamental value, thereby offering downside protection in volatile markets.

The performance of the Sub-fund since inception (17 June 2016) was +7.3%. The underlying investment manager takes a disciplined, unemotional approach to portfolio construction, which tends to lead to the inclusion of anti-momentum style assets. The Sub-fund's underlying CIS has been defensively positioned during the period since inception reflecting the view that there remain significant structural economic problems and that material downside risks exist. The underlying CIS's allocation remained relatively unchanged during the period under review reflecting the underlying manager's view that either equities offer little by way of fundamental value at current levels and that longer duration sovereign bond yields are fully valued. In terms of positioning the underlying manager's weighting in global equities is at the same level as it was going into the financial crisis in 2008 and is primarily invested in defensive sectors, such as utilities, reflecting a negative view of the economic and financial outlook, a view with which we have some sympathy.

INVESTMENT OVERSIGHT WORK

Quarterly Review Meetings Held
6 October 2016
11 January 2017

London LGPS CIV Limited
March 2017

ACS Financial Statements

LCIV PY Global Total Return Fund

Portfolio Statement
as at **31 December 2016**

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	Sub-fund Investment in Collective Investment Scheme 100.03%		
18,701,805	BMO Investments Pyrford Global Total Return (Sterling) Fund Share Class D Distributing	**201,231**	**100.03**
	Total value of investments*	201,231	100.03
	Net other liabilities	(67)	(0.03)
	Total net assets	**201,164**	**100.00**

There are no comparative figures shown as the Sub-fund launched 17 June 2016.

* The figure of 100.03% does not represent leverage by the Sub-fund and is calculated by reference to gross assets before liabilities.

ACS Financial Statements

LCIV PY Global Total Return Fund

Fund Information

The Comparative Table on page 89 gives the performance of the only active unit class in the Sub-fund.

The 'return after charges' disclosed in the Comparative Table is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the published price as at 31 December 2016.

Portfolio transaction costs are incurred when investments are bought or sold by a Sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike units whereby broker commissions and stamp duty are paid by a Sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

ACS Financial Statements

LCIV PY Global Total Return Fund

Fund Information

Comparative Table

Class A Income

	2016^ (pence per unit)
Change in Net Asset Value per Unit	
Opening net asset value per unit	100.00
Return before operating charges*	7.78
Operating charges	(0.55)
Return after operating charges*	7.23
Distributions on income units	0.00
Closing net asset value per unit	107.23
*After direct transaction costs of:**	0.00
Performance	
Return after charges#	7.23%
Other Information	
Closing net asset value (£'000)	201,164
Closing number of units	187,603,507
Operating charges†	0.523%
Direct transaction costs	0.00%
Prices	
Highest unit price	107.90
Lowest unit price	99.70

^ There are no comparative figures shown as the Sub-fund launched 17 June 2016.

** Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments/dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

† Operating charges, otherwise known as the OCF is the ratio of the Sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

Return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the latest published price.

ACS Financial Statements

LCIV PY Global Total Return Fund

Statement of Total Return

for the period from 17 June 2016 to **31 December 2016**

	Notes	17/06/2016 to 31/12/2016^ £'000	£'000
Income			
Net capital gains	5		14,052
Revenue	7	-	
Expenses	8	(492)	
Interest payable and similar charges		-	
Net expense before taxation		(492)	
Taxation	9	-	
Net expense after taxation for the period			(492)
Total return before distributions			13,560
Distributions	10		-
Change in net assets attributable to unitholders from investment activities			13,560

Statement of Change in Net Assets Attributable to Unitholders

for the period from 17 June 2016 to **31 December 2016**

	17/06/2016 to 31/12/2016^ £'000	£'000
Opening net assets attributable to unitholders		-
Amounts receivable on issue of units	-	
Amounts receivable on in-specie transactions	187,604	
Amounts payable on cancellation of units	-	
		187,604
Change in net assets attributable to unitholders from investment activities (see above)		13,560
Closing net assets attributable to unitholders		201,164

^There are no comparative figures shown as the Sub-fund launched 17 June 2016.

The notes on pages 92 to 102 are an integral part of these Financial Statements.

ACS Financial Statements

LCIV PY Global Total Return Fund

Balance Sheet
as at **31 December 2016**

	Notes	31/12/2016^ £'000
Assets		
Fixed assets:		
Investments		201,231
Current assets:		
Debtors	11	-
Cash and bank balances	12	27
Total assets		201,258
Liabilities		
Investment liabilities		-
Creditors:		
Distributions payable		-
Other creditors	13	(94)
Total liabilities		(94)
Net assets attributable to unitholders		201,164

^There are no comparative figures shown as the Sub-fund launched 17 June 2016.

The notes on pages 92 to 102 are an integral part of these Financial Statements.

Notes to the Financial Statements
for the period from 17 June 2016 to **31 December 2016**

1. **Statement of Compliance**
   The Statement of Compliance is provided on page 31.

2. **Summary of Significant Accounting Policies**
   The Summary of Significant Accounting Policies are provided on pages 31 to 33.

3. **Distribution Policies**
   The Distribution Policies are provided on page 33.

4. **Risk Management Policies**
   The Risk Management Policies are provided on pages 33 to 35.

5. **Net Capital Gains**
   Net capital gains comprise:

	17/06/2016 to 31/12/2016 £'000
Non-derivative securities*	14,052
Net capital gains	14,052

* Includes realised gains of £26,735 and unrealised gains of £14,025,354.

6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs please refer to the additional portfolio transaction cost information on page 88.

Analysis of direct transaction costs for the period ended 31 December 2016:

	Principal £'000	Commissions £'000	Taxes £'000	Total Cost £'000	Commissions % of principal	Taxes % of principal
Purchases						
Collective Investment Schemes	187,604	-	-	-	-	-

	Principal £'000	Commissions £'000	Taxes £'000	Total Cost £'000	Commissions % of principal	Taxes % of principal
Sales						
Collective Investment Schemes	425	-	-	-	-	-
Costs as a percentage of the Sub-fund's average NAV		-	-	-		

Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was nil% based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

7. Revenue

	17/06/2016 to 31/12/2016 £'000
Franked CIS revenue	-
	-

Notes to the Financial Statements
for the period from 17 June 2016 to **31 December 2016**

8. Expenses

	17/06/2016 to 31/12/2016 £'000
Payable to the ACS Manager or associates of the ACS Manager:	
ACS Manager's periodic charges	27
	27
Payable to the Depositary or associates of the Depositary:	
Depositary fees	9
Safe custody fees	2
	11
Other expenses:	
Administration fees	4
Audit fees	8
Investment management fees	441
Registration fees	1
	454
Total expenses:	492

9. Taxation

	17/06/2016 to 31/12/2016 £'000
a) Analysis of charge for the period:	
CIS tax	-
Total current tax	-

b) As the Sub-fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Sub-fund and any UK Corporation tax.

10. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	17/06/2016 to 31/12/2016 £'000
Final distribution	-
	-
Add: Revenue deducted on cancellation of units	-
Deduct: Revenue received on issue of units	-
Net distribution for the period	-
Total distribution	-
Reconciliation between net expense and distribution	
Net expense after taxation	(492)
Income deficit	492
Net distribution for the period	-

11. Debtors

	31/12/2016 £'000
Accrued revenue	-
	-

Notes to the Financial Statements
for the period from 17 June 2016 to **31 December 2016**

12. Cash and Bank Balances

	31/12/2016
	£'000
Cash and bank balances	27
	27

13. Creditors

	31/12/2016
	£'000
Accrued expenses	94
	94

14. Related Parties

London LGPS CIV Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the ACS Manager.

London LGPS CIV Limited acts as principal on all the transactions of units in the Sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Amounts due to/from London LGPS CIV Limited in respect of unit transactions at the period end are disclosed in the balance sheet.

Amounts paid to London LGPS CIV Limited in respect of the ACS Manager's periodic charges are disclosed in note 8. £4,225 was due at the period end.

A unitholder may be able to exercise significant influence over the financial and operating policies of the Sub-fund and as such is deemed to be a related party. At the balance sheet date the following unitholders held in excess of 20% of the units in issue of the Sub-fund:

Unitholder	31/12/2016
London Borough of Barking and Dagenham	40%
London Borough of Sutton	21%
Royal Borough of Kingston upon Thames	39%

London LGPS CIV Limited did not enter into any other transactions with the Sub-fund during the period.

15. Equalisation

Equalisation is accrued income included in the price of units purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of a unitholder's first distribution, resulting in the same rate of distribution on all units. As a capital repayment, it is not liable to income tax but must be deducted from the cost of units for Capital Gains Tax purposes.

16. Contingent Liabilities

There were no contingent liabilities as at the period ended 31 December 2016.

17. Unit Classes

The Sub-fund currently has one class of units: A Class. The distribution per unit is given in the distribution tables on page 103. All units have the same rights on winding up.

The ACS Manager's periodic charge for the class of each unit is as follows:

Class A	0.025%

The following table shows the units in issue during the period:

Class	Opening Units	Units Created	Units Liquidated	Units Converted	Closing Units
Class A Income	-	187,603,507	-	-	187,603,507

18. Financial Instruments

In pursuing its investment objective set out on page 85 the Sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, unit/shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the Sub-fund's investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- shareholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity.

19. Risk Disclosures

Concentration risk – The sub-fund invests in a single investment, there is a concentration risk associated with investing in a single investment. The risks associated with the fund invested are disclosed in their financial statements and should be referred to in conjunction with these accounts.

Market price risk - risk management policies surrounding this risk are discussed in note 4 on page 33.

At 31 December 2016, if the price of the investments held by the Sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £10,061,571.

Foreign currency risk - risk management policies surrounding this risk are discussed in note 4 on page 34.

The Sub-fund's investment portfolio is invested in a collective investment scheme, which may have holdings in overseas securities and consequently the balance sheet can be indirectly affected by movements in foreign exchange rates.

The Sub-fund does not have significant exposure to currency risk as all of assets and liabilities are held in pound sterling.

19. Risk Disclosures (continued)

Interest rate risk - risk management policies surrounding this risk are discussed in note 4 on page 34.

Interest rate risk profile of financial assets as at 31 December 2016:

Currency	Floating rate financial assets £'000	Fixed rate £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	27	-	201,231	201,258
	27	-	201,231	201,258

Interest rate risk profile of financial liabilities as at 31 December 2016:

Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	(94)	(94)
	-	(94)	(94)

Please note that short term debtors and creditors are included in the interest rate risk tables above.

The Sub-fund's net cash holdings of £27,145 are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate.

19. Risk Disclosures (continued)

Fair value - in the opinion of the ACS, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

	Assets	Liabilities
Valuation technique as at 31 December 2016	£'000	£'000
Level 1	-	-
Level 2	201,231	-
Level 3	-	-
Total	201,231	-

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

The disclosures have been made in compliance with the amendment to Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council in March 2016. This is effective for accounting periods beginning on or after 1 January 2017, however, the ACS has elected to apply the requirements early.

Derivative risks - risk management policies surrounding this risk are discussed in note 4 on page 35.

The Sub-fund has not entered into derivative contracts during the period.

20. Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) we are required to disclose the 'leverage' of the Sub-fund. Leverage is defined as any method by which the Sub-fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways 'gross method' and 'commitment method' and the Sub-fund must not exceed maximum exposures under both methods.

The 'commitment' method shall be the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall be the sum of the absolute value of all positions and each derivative position will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The ACS Manager must set maximum leverage levels and operate the Sub-fund within these levels at all times.

There are two ways in which the ACS Manager can introduce leverage to the Sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Neither of these are important features in terms of how the ACS Manager manages the Sub-fund. There are no collateral, asset re-use or guarantee arrangements involved in the ACS Manager's current approach to leverage.

The maximum level of gross leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1. The maximum level of commitment leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1.

As at period end no leverage was employed by the Sub-fund.

21. Post Balance Sheet Events

As at the close of business on the balance sheet date, the Net Asset Value per Class A Income unit was 107.30p. The Net Asset Value per Class A Income unit for the Sub-fund on 27 March 2017 was 108.90p. This represents an increase of 1.49% from the period end value.

ACS Financial Statements

LCIV PY Global Total Return Fund

Distribution Table

for the period from 17 June 2016 to **31 December 2016**

Final Distribution (in pence per unit)

	2016^ Distribution Payable 31/03/2017
Class A Income	-

^There are no comparative figures shown as the Sub-fund launched 17 June 2016.

Equalisation

Distributions received by a unitholder of the Sub-fund may include an element of equalisation which represents the revenue included in the price paid for the purchase of units by the unitholder. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Details will appear on each unitholder's tax voucher.

ACS Financial Statements

LCIV RF Absolute Return Fund

ASSET CLASS	Multi-asset
INVESTMENT MANAGER	Ruffer LLP
INCEPTION DATE	21 June 2016
STRUCTURE	Direct
NAV @ 31/12/16*	111.5p
VALUATION @ 31/12/16*	£346m
INVESTMENT OBJECTIVE	To achieve low volatility and positive returns in all market conditions.

*Data Source: Bloomberg

Investment Policy: The ACS Manager aims to achieve the objective by investing solely in the CF Ruffer Absolute Return Fund, a Sub-fund of Asperior Investment Funds, an FCA authorised open-ended investment company, and cash and near cash.

The LCIV RF Absolute Return Sub-fund was launched in June with 4 investors participating in the Sub-fund launch. By the end of the reporting period the Sub-fund was valued at £346m. The Sub-fund aims to achieve the objective by investing solely in the CF Ruffer Absolute Return Fund, a Sub-fund of Asperior Investment Fund, an FCA authorised open-ended investment ACS Manager, and cash and near cash.

NAV PERFORMANCE REPORT*

	SINCE INCEPTION~ %
SUB-FUND*	11.5

*Data Source: Bloomberg as at 31/12/16 – Net of all fees and charges with income reinvested
~ Inception Date: 21 June 2016

ACS Financial Statements

LCIV RF Absolute Return Fund

Graph 2

The Sub-fund has delivered a strong performance since inception in June rising by 11.5% over the period to the end of the year. The underlying CIS Sub-fund benefited from having defensive positions with significant exposure to index linked bonds which added positively to performance in the third quarter of the year being pushed higher by Brexit, further quantitative easing and ongoing low rates, although some of this was given up in the fourth quarter. The manager also took advantage of weakness in UK domestic stocks following the Brexit vote, such as house builders which subsequently bounced quite strongly. The cyclical exposure built up also followed through in the final quarter of the year and contributed positively to performance. The Sub-fund's exposure to Japanese equities and in particular Japanese financials added to performance during the period under review, although the manager sees this as two distinct positions with around 50% of the Japanese exposure (15% of the portfolio at 31 December), being less about Japan and more a story of long term recovery in financial and adding cyclical exposure to the portfolio.

Their portfolio distribution at the end of the year reflects a relatively defensive approach with 38% in equities, 13% cash, 4% gold and the remainder in index linked bonds. Currency exposure at 89% in sterling underlines their belief that the fall post Brexit has been overdone given the 20% fall in value and the reasonable ongoing growth in the UK economy, a view we can have some sympathy with. The managers have structured the portfolio with two key scenarios in mind. Under the first scenario they see a benign global growth environment acclimatising the gradual normalisation of policy through the ending of QE and steadily rising interest rates. The second scenario the potential failure of policy, in which the global economy would be too weak to withstand higher interest rates resulting in debt deflation – essentially a doomsday style scenario. On balance they are leaning towards the first scenario at this stage and we are comfortable that the manager has the flexibility and depth of experience to adjust the portfolio in accordance with the shifting macro-economic outlook.

INVESTMENT OVERSIGHT WORK

Quarterly Review Meetings Held
6 October 2016
17 January 2017

London LGPS CIV Limited
March 2017

ACS Financial Statements

LCIV RF Absolute Return Fund

Portfolio Statement
as at **31 December 2016**

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	Sub-fund Investment in Collective Investment Scheme 100.27%		
312,516,065	Asperior Investment CF Ruffer Absolute Return Fund Share Class L Income	**347,330**	**100.27**
	Total value of investments*	347,330	100.27
	Net other liabilities	(950)	(0.27)
	Total net assets	**346,380**	**100.00**

There are no comparative figures shown as the Sub-fund launched 21 June 2016.

* The figure of 100.27% does not represent leverage by the Sub-fund and is calculated by reference to gross assets before liabilities.

ACS Financial Statements

LCIV RF Absolute Return Fund

Fund Information

The Comparative Table on page 108 gives the performance of the only active unit class in the Sub-fund.

The ‘Return after charges’ disclosed in the Comparative Table is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund’s performance disclosed in the ACS Manager's report, which is calculated based on the published price as at 31 December 2016.

Portfolio transaction costs are incurred when investments are bought or sold by a Sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the ‘dealing spread’ – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by a Sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

ACS Financial Statements

LCIV RF Absolute Return Fund

Fund Information

Comparative Table

Class A Income

	2016^ (pence per unit)
Change in Net Asset Value per Unit	
Opening net asset value per unit	100.00
Return before operating charges*	12.29
Operating charges	(0.89)
Return after operating charges*	11.40
Distributions on income units	(0.30)
Closing net asset value per unit	111.10
*After direct transaction costs of**:	0.00
Performance	
Return after charges#	11.40%
Other Information	
Closing net asset value (£'000)	346,380
Closing number of units	311,771,101
Operating charges†	0.821%
Direct transaction costs	0.00%
Prices	
Highest unit price	111.60
Lowest unit price	99.53

^ There are no comparative figures shown as the Sub-fund launched 21 June 2016.

** Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments/dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

† Operating charges, otherwise known as the OCF is the ratio of the Sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

Return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the latest published price.

ACS Financial Statements

LCIV RF Absolute Return Fund

Statement of Total Return

for the period from 21 June 2016 to **31 December 2016**

	Notes	21/06/2016 to 31/12/2016^ £'000	£'000
Income			
Net capital gains	5		33,869
Revenue	7	1,010	
Expenses	8	(76)	
Interest payable and similar charges		-	
Net revenue before taxation		934	
Taxation	9	-	
Net revenue after taxation for the period			934
Total return before distributions			34,803
Distributions	10		(934)
Change in net assets attributable to unitholders from investment activities			33,869

Statement of Change in Net Assets Attributable to Unitholders

for the period from 21 June 2016 to **31 December 2016**

	21/06/2016 to 31/12/2016^ £'000	£'000
Opening net assets attributable to unitholders		-
Amounts receivable on issue of units	9,792	
Amounts receivable on in-specie transactions	302,719	
Amounts payable on cancellation of units	-	
		312,511
Change in net assets attributable to unitholders from investment activities (see above)		33,869
Closing net assets attributable to unitholders		346,380

^There are no comparative figures shown as the Sub-fund launched 21 June 2016.

The notes on pages 111 to 119 are an integral part of these Financial Statements.

ACS Financial Statements

LCIV RF Absolute Return Fund

Balance Sheet
as at **31 December 2016**

	Notes	31/12/2016^ £'000
Assets		
Fixed assets:		
Investments		347,330
Current assets:		
Debtors	11	-
Cash and bank balances	12	34
Total assets		347,364
Liabilities		
Investment liabilities		-
Creditors:		
Distributions payable	10	(949)
Other creditors	13	(35)
Total liabilities		(984)
Net assets attributable to unitholders		346,380

^There are no comparative figures shown as the Sub-fund launched 21 June 2016.

The notes on pages 111 to 119 are an integral part of these Financial Statements.

LCIV RF Absolute Return Fund

Notes to the Financial Statements

for the period from 21 June 2016 to **31 December 2016**

1. **Statement of Compliance**
   The Statement of Compliance is provided on page 31.

2. **Summary of Significant Accounting Policies**
   The Summary of Significant Accounting Policies are provided on pages 31 to 33.

3. **Distribution Policies**
   The Distribution Policies are provided on page 33.

4. **Risk Management Policies**
   The Risk Management Policies are provided on pages 33 to 35.

5. **Net Capital Gains**
   Net capital gains comprise:

	21/06/2016 to 31/12/2016 £'000
Non-derivative securities*	33,869
Net capital gains	33,869

* Includes realised gains of £11,870 and unrealised gains of £33,856,749.

6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs please refer to the additional portfolio transaction cost information on page 107.

Analysis of direct transaction costs for the period ended 31 December 2016:

	Principal	Commissions	Taxes	Total Cost	Commissions % of principal	Taxes % of principal
	£'000	£'000	£'000	£'000		
Purchases						
Collective Investment Schemes	313,611	-	-	-	-	-

	Principal	Commissions	Taxes	Total Cost	Commissions % of principal	Taxes % of principal
	£'000	£'000	£'000	£'000		
Sales						
Collective Investment Schemes	149	-	-	-	-	-
Costs as a percentage of the Sub-fund's average NAV		-	-	-		

Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was nil% based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

7. Revenue

	21/06/2016 to 31/12/2016
	£'000
Franked CIS revenue	1,010
	1,010

8. Expenses

	21/06/2016 to 31/12/2016 £'000
Payable to the ACS Manager or associates of the ACS Manager:	
ACS Manager's periodic charges	44
	44
Payable to the Depositary or associates of the Depositary:	
Depositary fees	16
Safe custody fees	3
	19
Other expenses:	
Administration fees	4
Audit fees	8
Registration fees	1
	13
Total expenses:	76

9. Taxation

	21/06/2016 to 31/12/2016 £'000
a) Analysis of charge for the period:	
CIS tax	-
Total taxation	-

b) As the Sub-fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Sub-fund and any UK corporation tax.

10. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	21/06/2016 to 31/12/2016 £'000
Interim distribution	-
Final distribution	949
	949
Add: Revenue deducted on cancellation of units	-
Deduct: Revenue received on issue of units	(15)
Net distribution for the period	934
Total distribution	934
Reconciliation between net revenue and distribution	
Net revenue after taxation	934
Net distribution for the period	934

11. Debtors

	31/12/2016 £'000
Accrued revenue	-
	-

12. Cash and Bank Balances

	31/12/2016 £'000
Cash and bank balances	34
	34

13. Creditors

	31/12/2016
	£'000
Accrued expenses	35
	35

14. Related Parties

London LGPS CIV Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the ACS Manager.

London LGPS CIV Limited acts as principal on all the transactions of units in the Sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Amounts due to/from London LGPS CIV Limited in respect of unit transactions at the period end are disclosed in the balance sheet.

Amounts paid to London LGPS CIV Limited in respect of the ACS Manager's periodic charges are disclosed in note 8. £7,094 was due at the period end.

A unitholder may be able to exercise significant influence over the financial and operating policies of the Sub-fund and as such is deemed to be a related party. At the balance sheet date the following unitholders held in excess of 20% of the units in issue of the Sub-fund:

Unitholder	31/12/2016
London Borough of Hammersmith and Fulham	29%
London Borough of Havering	23%
London Borough of Hillingdon	30%

London LGPS CIV Limited did not enter into any other transactions with the Sub-fund during the period.

15. Equalisation

Equalisation is accrued income included in the price of units purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of a unitholder's first distribution, resulting in the same rate of distribution on all units. As a capital repayment, it is not liable to income tax but must be deducted from the cost of units for Capital Gains Tax purposes.

16. Contingent Liabilities

There were no contingent liabilities as at the period ended 31 December 2016.

17. Unit Classes

The Sub-fund currently has one class of units: A Class. The distribution per unit is given in the distribution tables on page 120. All units have the same rights on winding up.

The ACS Manager's periodic charge for the class of each unit is as follows:

Class A	0.025%

The following table shows the units in issue during the period:

Class	Opening Units	Units Created	Units Liquidated	Units Converted	Closing Units
Class A Income	-	311,771,101	-	-	311,771,101

18. Financial Instruments

In pursuing its investment objective set out on page 104 the Sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, unit/shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the Sub-fund's investment objective and policies;

- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;

- shareholders' funds which represent investors' monies which are invested on their behalf;

- borrowings used to finance investment activity.

19. Risk Disclosures

Concentration risk – The sub-fund invests in a single investment, there is a concentration risk associated with investing in a single investment. The risks associated with the fund invested are disclosed in their financial statements and should be referred to in conjunction with these accounts.

Market price risk - risk management policies surrounding this risk are discussed in note 4 on page 33.

At 31 December 2016, if the price of the investments held by the Sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £17,366,518.

Foreign currency risk - risk management policies surrounding this risk are discussed in note 4 on page 34.

The Sub-fund's investment portfolio is invested in collective investment scheme, which may have holdings in overseas securities and consequently the balance sheet, can be indirectly affected by movements in foreign exchange rates.

The Sub-fund does not have significant exposure to currency risk as all of assets and liabilities are held in pound sterling.

19. Risk Disclosures (continued)

Interest rate risk - risk management policies surrounding this risk are discussed in note 4 on page 34.

Interest rate risk profile of financial assets as at 31 December 2016:

Currency	Floating rate financial assets £'000	Fixed rate £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	34	-	347,330	347,364
	34	-	347,330	347,364

Interest rate risk profile of financial liabilities as at 31 December 2016:

Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	(984)	(984)
	-	(984)	(984)

Please note that short term debtors and creditors are included in the interest rate risk tables above.

The Sub-fund's net cash holdings of £33,571 are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate.

19. Risk Disclosures (continued)

Fair value - in the opinion of the ACS, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

	Assets	Liabilities
Valuation technique as at 31 December 2016	£'000	£'000
Level 1	-	-
Level 2	347,330	-
Level 3	-	-
Total	347,330	-

Level 1
The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2
Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

Level 3
Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

The disclosures have been made in compliance with the amendment to Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council in March 2016. This is effective for accounting periods beginning on or after 1 January 2017, however, the ACS has elected to apply the requirements early.

Derivative risks - risk management policies surrounding this risk are discussed in note 4 on page 35.

The Sub-fund has not entered into derivative contracts during the period.

20. Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) we are required to disclose the 'leverage' of the Sub-fund. Leverage is defined as any method by which the Sub-fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways 'gross method' and 'commitment method' and the Sub-fund must not exceed maximum exposures under both methods.

The 'commitment' method shall be the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall be the sum of the absolute value of all positions and each derivative position will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The ACS Manager must set maximum leverage levels and operate the Sub-fund within these levels at all times.

There are two ways in which the ACS Manager can introduce leverage to the Sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Neither of these are important features in terms of how the ACS Manager manages the Sub-fund. There are no collateral, asset re-use or guarantee arrangements involved in the ACS Manager's current approach to leverage.

The maximum level of gross leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1. The maximum level of commitment leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1.

As at period end no leverage was employed by the Sub-fund.

21. Post Balance Sheet Events

As at the close of business on the balance sheet date, the Net Asset Value per Class A Income unit was 111.50p. The Net Asset Value per Class A Income unit for the Sub-fund on 22 March 2017 was 111.60p. This represents an increase of 0.09% from the period end value.

LCIV RF Absolute Return Fund

Distribution Table

for the period from 21 June 2016 to **31 December 2016**

Interim Distribution (in pence per unit)

	2016^ Distribution Paid 30/09/2016
Class A Income	-

Final Distribution (in pence per unit)

	2016^ Distribution Payable 31/03/2017
Class A Income	0.3043

^There are no comparative figures shown as the Sub-fund launched 21 June 2016.

Equalisation

Distributions received by a unitholder of the Sub-fund may include an element of equalisation which represents the revenue included in the price paid for the purchase of units by the unitholder. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Details will appear on each unitholder's tax voucher.

ACS Financial Statements

LCIV NW Real Return Fund

ASSET CLASS	Multi-asset
INVESTMENT MANAGER	Newton Investment Management
INCEPTION DATE	16 December 2016
STRUCTURE	Direct
NAV @ 31/12/16*	101.4p
VALUATION @ 31/12/16*	£326m
INVESTMENT OBJECTIVE	The Sub-fund's objective is to achieve real rates of return in Sterling terms. The Sub-fund seeks a minimum return of cash (1 month GBP LIBOR) +3% per annum over 5 years net of fees.^

*Data Source: Bloomberg
^Performance is shown against the benchmark, not against the objective

Investment Policy: The ACS Manager aims to achieve the objective by investing solely in the Newton Real Return Fund, a sub-fund of BNY Mellon Investment Funds, an FCA authorised open-ended investment company, and cash and near cash

The LCIV NW Real Return Sub-fund was launched just prior to the year, with 3 investors participating in the launch. The value of the Sub-fund at the 31 December 2016 was £326m. The Sub-fund aims to achieve the objective by investing solely in the Newton Real Return Fund, a Sub-fund of BNY Mellon Investment Funds, an FCA authorised open-ended investment ACS Manager, and cash and near cash.

PERFORMANCE REPORT*

	SINCE INCEPTION~ %
SUB-FUND*	1.4

*Data Source: Bloomberg as at 31/12/16 – Net of all fees and charges with income reinvested
~ Inception Date: 16 December 2016

This Sub-fund was launched in mid-December and the return over the 2 week period was positive at 1.4%, but it should be remembered that this is a very short timeframe over which to measure performance. The Sub-fund manager has a focus on investing in longer term trends rather than focus on short term 'noise' and volatility, with an emphasis on investing in traditional asset classes. Their approach is to have a return seeking core portfolio with offsetting positions aiming to dampen volatility and preserve capital. Their distribution across these two distinct categories at the end of the year was 53.39% in return seeking assets such as equities, infrastructure sub-funds and emerging market debt with 46.61% in stabilising assets and hedging positions including government bonds, index linked, precious metals and cash.

INVESTMENT OVERSIGHT WORK

Quarterly Review Meeting Held
25 January 2017

London LGPS CIV Limited
March 2017

ACS Financial Statements

LCIV NW Real Return Fund

Portfolio Statement
as at **31 December 2016**

HOLDING/ NOMINAL VALUE	INVESTMENT	MARKET VALUE £'000	% OF NET ASSETS
	Collective Investment Schemes 100.00%		
321,803,682	BNY Mellon Newton Real Return Fund Exempt L Shares 1 Net Income	**326,245**	**100.00**
	Total value of investments	326,245	100.00
	Net other liabilities	(13)	-
	Total net assets	**326,232**	**100.00**

There are no comparative figures shown as the Sub-fund launched 16 December 2016.

ACS Financial Statements

LCIV NW Real Return Fund

Fund Information

The Comparative Table on page 124 gives the performance of the only active unit class in the Sub-fund.

The ‘Return after charges’ disclosed in the Comparative Table is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund’s performance disclosed in the ACS Manager's report, which is calculated based on the published price as at 31 December 2016.

Portfolio transaction costs are incurred when investments are bought or sold by a Sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the ‘dealing spread’ – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike units whereby broker commissions and stamp duty are paid by a Sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

ACS Financial Statements

LCIV NW Real Return Fund

Fund Information

Comparative Table

Class A Income

	2016^ (pence per unit)
Change in Net Asset Value per Unit	
Opening net asset value per unit	100.00
Return before operating charges	1.96
Operating charges	(0.58)
Return after operating charges	1.38
Distributions on income units	0.00
Closing net asset value per unit	101.38
*After direct transaction costs of**:	0.00
Performance	
Return after charges#	1.38%
Other Information	
Closing net asset value (£'000)	326,232
Closing number of units	321,803,682
Operating charges†	0.581%
Direct transaction costs	0.00%
Prices	
Highest unit price	101.40
Lowest unit price	100.00

^ There are no comparative figures shown as the Sub-fund launched 16 December 2016.

** Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments/dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

† Operating charges, otherwise known as the OCF is the ratio of the Sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

Return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Sub-fund's performance disclosed in the ACS Manager's report, which is calculated based on the latest published price.

ACS Financial Statements

LCIV NW Real Return Fund

Statement of Total Return

for the period from 16 December 2016 to **31 December 2016**

	Notes	16/12/2016 to 31/12/2016^ £'000	£'000
Income			
Net capital gains	5		4,440
Revenue	7	-	
Expenses	8	(12)	
Interest payable and similar charges		-	
Net expense before taxation		(12)	
Taxation	9	-	
Net expense after taxation for the period			(12)
Total return before distributions			4,428
Distributions	10		-
Change in net assets attributable to unitholders from investment activities			4,428

Statement of Change in Net Assets Attributable to Unitholders

for the period from 16 December 2016 to **31 December 2016**

	16/12/2016 to 31/12/2016^ £'000	£'000
Opening net assets attributable to unitholders		-
Amounts receivable on issue of units	-	
Amounts receivable on in-specie transactions	321,804	
Amounts payable on cancellation of units	-	
		321,804
Dilution levy		-
Change in net assets attributable to unitholders from investment activities (see above)		4,428
Closing net assets attributable to unitholders		326,232

^There are no comparative figures shown as the Sub-fund launched 16 December 2016.

The notes on pages 127 to 135 are an integral part of these Financial Statements.

ACS Financial Statements

LCIV NW Real Return Fund

Balance Sheet
as at **31 December 2016**

	Notes	31/12/2016^ £'000
Assets		
Fixed assets:		
Investments		326,245
Current assets:		
Debtors	11	-
Cash and bank balances	12	-
Total assets		326,245
Liabilities		
Investment liabilities		-
Creditors:		
Distributions payable	10	-
Other creditors	13	(13)
Total liabilities		(13)
Net assets attributable to unitholders		326,232

^There are no comparative figures shown as the Sub-fund launched 16 December 2016.

The notes on pages 127 to 135 are an integral part of these Financial Statements.

ACS Financial Statements

LCIV NW Real Return Fund

Notes to the Financial Statements

for the period from 16 December 2016 to **31 December 2016**

1. **Statement of Compliance**
   The Statement of Compliance is provided on page 31.

2. **Summary of Significant Accounting Policies**
   The Summary of Significant Accounting Policies are provided on pages 31 to 33.

3. **Distribution Policies**
   The Distribution Policies are provided on page 33.

4. **Risk Management Policies**
   The Risk Management Policies are provided on pages 33 to 35.

5. **Net Capital Gains**
   Net capital gains comprise:

	16/12/2016 to 31/12/2016 £'000
Non-derivative securities*	4,440
Net capital gains	4,440

* Includes unrealised gains of £4,440,891.

6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs please refer to the additional portfolio transaction cost information on page 123.

Analysis of direct transaction costs for the period ended 31 December 2016:

	Principal £'000	Commissions £'000	Taxes £'000	Total Cost £'000	Commissions % of principal	Taxes % of principal
Purchases						
Collective Investment Schemes	321,804	-	-	-	-	-

	Principal £'000	Commissions £'000	Taxes £'000	Total Cost £'000	Commissions % of principal	Taxes % of principal
Sales						
Collective Investment Schemes	-	-	-	-	-	-
Costs as a percentage of the Sub-fund's average NAV		-	-	-		

Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was nil% based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

7. Revenue

	16/12/2016 to 31/12/2016 £'000
Franked CIS revenue	-
	-

8. Expenses

	16/12/2016 to 31/12/2016 £'000
Payable to the ACS Manager or associates of the ACS Manager:	
ACS Manager's periodic charge	3
Payable to the Depositary or associates of the Depositary:	
Depositary fee	1
Safe custody fee	1
	2
Other expenses:	
Audit fees	7
	7
Total expenses:	12

9. Taxation

	16/12/2016 to 31/12/2016 £'000
a) Analysis of charge for the period:	
CIS tax	-
Total taxation	-

b) As the Sub-fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Sub-fund and any UK Corporation tax.

10. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	16/12/2016 to 31/12/2016 £'000
Final distribution	-
	-
Add: Revenue deducted on cancellation of units	-
Deduct: Revenue received on issue of units	-
Net distribution for the period	-
Total distribution	-
Reconciliation between net revenue and distribution	
Net revenue after taxation	(12)
Income deficit	12
Net distribution for the period	-

11. Debtors

	31/12/2016 £'000
Accrued revenue	-
	-

12. Cash and Bank Balances

	31/12/2016 £'000
Cash and bank balances	-
	-

13. Creditors

	31/12/2016 £'000
Accrued expenses	13
	13

14. Related Parties

London LGPS CIV Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the ACS Manager.

London LGPS CIV Limited acts as principal on all the transactions of units in the Sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Amounts due to/from London LGPS CIV Limited in respect of unit transactions at the period end are disclosed in the balance sheet.

Amounts paid to London LGPS CIV Limited in respect of the ACS Manager's periodic charges are disclosed in note 8. £3,312 was due at the period end.

A unitholder may be able to exercise significant influence over the financial and operating policies of the Sub-fund and as such is deemed to be a related party. At the balance sheet date the following unitholders held in excess of 20% of the units in issue of the Sub-fund:

Unitholder	31/12/2016
London Borough of Barnet	40%
London Borough of Redbridge	43%

London LGPS CIV Limited did not enter into any other transactions with the Sub-fund during the period.

15. Equalisation

Equalisation is accrued income included in the price of units purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of a unitholder's first distribution, resulting in the same rate of distribution on all units. As a capital repayment, it is not liable to income tax but must be deducted from the cost of units for Capital Gains Tax purposes.

16. Contingent Liabilities

There were no contingent liabilities as at the period ended 31 December 2016.

17. Unit Classes

The Sub-fund currently has one class of units: A Class. The distribution per unit is given in the distribution tables on page 136. All units have the same rights on winding up.

The ACS Manager's periodic charge for the class of each unit is as follows:

Class A	0.025%

The following table shows the units in issue during the period:

Class	Opening Units	Units Created	Units Liquidated	Units Converted	Closing Units
Class A Income	-	321,803,682	-	-	321,803,682

18. Financial Instruments

In pursuing its investment objective set out on page 121 the Sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, unit/shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the Sub-fund's investment objective and policies;

- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;

- unitholders' funds which represent investors' monies which are invested on their behalf;

- borrowings used to finance investment activity.

19. Risk Disclosures

Concentration risk – The sub-fund invests in a single investment, there is a concentration risk associated with investing in a single investment. The risks associated with the fund invested are disclosed in their financial statements and should be referred to in conjunction with these accounts.

Market price risk - risk management policies surrounding this risk are discussed in note 4 on page 33.

At 31 December 2016, if the price of the investments held by the Sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £16,312,229.

19. Risk Disclosures (continued)

Foreign currency risk - risk management policies surrounding this risk are discussed in note 4 on page 34.

The Sub-fund's investment portfolio is invested in collective investment scheme, which may have holdings in overseas securities and consequently the balance sheet, can be indirectly affected by movements in foreign exchange rates.

The Sub-fund does not have significant exposure to currency risk as all of assets and liabilities are held in pound sterling.

Interest rate risk - risk management policies surrounding this risk are discussed in note 4 on page 34.

Interest rate risk profile of financial assets as at 31 December 2016:

Currency	**Floating rate financial assets** £'000	**Fixed rate** £'000	**Financial assets not carrying interest** £'000	**Total** £'000
Sterling	-	-	326,245	326,245
	-	-	326,245	326,245

Interest rate risk profile of financial liabilities as at 31 December 2016:

Currency	**Floating rate financial liabilities** £'000	**Financial liabilities not carrying interest** £'000	**Total** £'000
Sterling	-	(13)	(13)
	-	(13)	(13)

Please note that short term debtors and creditors are included in the interest rate risk tables above.

The Sub-fund's net cash holdings of £nil are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate.

19. Risk Disclosures (continued)

Fair value - in the opinion of the ACS Manager, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Valuation technique as at 31 December 2016	**Assets** £'000	**Liabilities** £'000
Level 1	-	-
Level 2	326,245	-
Level 3	-	-
Total	326,245	-

Level 1
The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2
Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

Level 3
Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

The disclosures have been made in compliance with the amendment to Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council in March 2016. This is effective for accounting periods beginning on or after 1 January 2017, however, the ACS has elected to apply the requirements early.

Derivative risks - risk management policies surrounding this risk are discussed in note 4 on page 35.

The Sub-fund has not entered into derivative contracts during the period.

20. Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) we are required to disclose the 'leverage' of the Sub-fund. Leverage is defined as any method by which the Sub-fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways 'gross method' and 'commitment method' and the Sub-fund must not exceed maximum exposures under both methods.

The 'commitment' method shall be the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall be the sum of the absolute value of all positions and each derivative position will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The ACS Manager must set maximum leverage levels and operate the Sub-fund within these levels at all times.

There are two ways in which the ACS Manager can introduce leverage to the Sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Neither of these are important features in terms of how the ACS Manager manages the Sub-fund. There are no collateral, asset re-use or guarantee arrangements involved in the ACS Manager's current approach to leverage.

The maximum level of gross leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1. The maximum level of commitment leverage employed by the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its net asset value is 1:1.

As at period end no leverage was employed by the Sub-fund.

21. Post Balance Sheet Events

As at the close of business on the balance sheet date, the Net Asset Value per Class A Income unit was 101.40p. The Net Asset Value per Class A Income unit for the Sub-fund on 27 March 2017 was 103.60p. This represents an increase of 2.17% from the period end value.

ACS Financial Statements

LCIV NW Real Return Fund

Distribution Table

for the period from 16 December 2016 to **31 December 2016**

Final Distribution (in pence per unit)

	2016^ Distribution Payable 31/03/2017
Class A Income	-

^There are no comparative figures shown as the Sub-fund launched 16 December 2016.

Equalisation

Distributions received by a unitholder of the Sub-fund may include an element of equalisation which represents the revenue included in the price paid for the purchase of units by the unitholder. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Details will appear on each unitholder's tax voucher.

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General Information

for the period from 2 December 2015 to **31 December 2016**

London LGPS CIV Authorised Contractual Scheme managed by London LGPS CIV Limited is an authorised contractual scheme in co-ownership form authorised by the FCA with effect from 13 November 2015. The Scheme Property of each Sub-fund is beneficially owned by its Unitholders as tenants in common. The ACS has an unlimited duration.

Registered Office
Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES

Head Office
59 1/2 Southwark Street, London SE1 0AL

Base Currency
The base currency of the ACS and of each Sub-fund is pound sterling.

London LGPS CIV Limited
59½ Southwark Street
London SE1 0AL

Registered Office
Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES
Authorised and Regulated by the Financial Conduct Authority 710618

Publication Date: 3 April 2017

Pensions CIV Sectoral Joint Committee Item no: 9

Business Plan and MTFS Implementation and Progress Reporting

Report by:	Hugh Grover	**Job title:**	Chief Executive
Date:	12 April 2017		
Contact Officer:			
Telephone:	020 7934 9942	**Email:**	hugh.grover@londonciv.org.uk

Summary:	This report sets out Annual Budget and MTFS progress reporting framework to provide transparent and robust reporting of delivery against the Company's 2017-21 Business Plan and MTFS.

Recommendations:	The committee is recommended to note and discuss the reporting framework set out below.

Background

1. The Company's 2017-21 Business Plan and MTFS (the "Business Plan"), approved by the Board and Shareholders in January 2017, included a number of objectives, key performance indicator ("KPI") targets and deliverables for FY 2017/18. In order to provide ongoing transparency to the Joint Committee on the implementation status and delivery of the FY 2017/18 commitments and longer term deliverables outlined in the 2017-21 Plan, the following reporting framework has been developed and will be put into place from 1 April.

2017/18 Objectives and KPIs

2. The Business Plan included the below 2017/18 Objectives and KPI targets which will need to be monitored and reported to the Joint Committee on a quarterly basis from a current performance and forward looking planning perspective.

LCIV 2017/18 Objectives

Investments and Investment Oversight

- Complete launch of identified and agreed commonality funds
- Launch Global Equity and Fixed Income fund strategies as prioritised in collaboration with LLAs and supported by a business case and transparent benefits
- Deliver quarterly investment oversight dashboard monitoring mandate drift and performance and taking proactive action where required

Client Service

- Complete assessment of LLA needs based on triennial valuation results
- Agree client reporting and service model and implement including SLA
- Establish robust and transparent benefits reporting by LLA

Finance and Business Operations

- Manage costs in line with approved budget
- Finalise target operating model and complete implementation of core systems
- Deliver staff recruitment plan
- Meet LCIV Board and stakeholder MI and reporting requirements and timetables

Governance, Risk and Compliance

- Maintain compliance with FCA regulation including third parties
- Unqualified annual audit report
- Satisfactory Depositary reviews (no red/critical issues)
- Maintain Enterprise Risk register and manage business in accordance with risk appetite statement and agreed tolerances

LCIV 2017/18 KPIs	
• AUM:	At or above £6.3 Bn
• Income:	Management fee income in line with budget
• Expenses:	Expense spend in line with budget
• Clients:	Deliver products and services from which all 32 LLAs pension funds can benefit and have agreed and signed SLSs in place
• Staff:	13 staff on-boarded
• Governance:	No significant audit or compliance issues

Reporting Proposal: Summary Dashboard

3. The reporting framework will include a quarterly summary KPI dashboard and high level commentary to be provided in the CEOs update report and further detailed reporting for key areas in standalone reports. The quarterly reporting will include the current quarter and forward looking quarter status to ensure transparency on both progress made and forward looking milestones and delivery status. A draft template for Q1 2017 is shown below.

DRAFT Q1 2017 KPI Reporting Template

Q1 2017 Quarterly KPI Update						
	Forecast	**Actual**	**Variance**	**Q1 Comment**	**Forward Quarter Status**	**Supporting Report**
Funds opened						Fund Development Update
AUM (£Bn)						Fund Development Update
Management Fee (£,000)						Finance Report
Service Fee and DFC (£,000)						Finance Report
Operating costs (£,000)						Finance Report
Staff on-boarded						Finance Report
Material audit points						Finance Report
Material compliance points						Finance Report
LLAs receiving benefits						Client Report
Agreed and signed SLA						Client Report

Reporting Proposal: Supporting Reports

4. The KPI status will be supported by more detailed reporting either in separate stand-alone reports or as part of the standing Committee reports. Given the critical importance of fund launches, finance, and client engagement in the delivery of the 2017/18 plans, there will be more detailed reporting on each of these items as shown below.

   Fund Launch Progress Report. The fund launch progress report will be separate from the CIO's Investment report and will provide a detailed status update on current and forward looking fund launch timelines, milestones, and RAG status, and will identify potential issues which would impact any of the three fund launch components that impact the KPIs and LCIVs financial performance including:

   i. the timing of the fund launch;

   ii. the estimated AUM of the fund launch; and

   iii. the number of LLA's invested and receiving benefits.

   Client Report. The client report will provide an update on the current LLA investment status, LLA engagement on existing and planned fund launches, and any key issues relating to wider LLA engagement. In addition, the client report will provide an update on the below 2017/18 Objectives:

   i. assessment of LLA needs based on triennial valuation results;

   ii. client reporting and service model implementation; and

   iii. benefits reporting

   Financial Report. The financial report will provide a summary P&L, cashflow, and balance sheet indicating any variances in the quarter and any issues/concerns which may impact the budget in the forward looking quarter.

Recommendations

5. The Committee is recommended to review, discuss and comment on the reporting framework.

Financial Implications

6. There are no financial implications.

Legal Implications

7. There are no legal implications.

Equalities Implications

8. There are no equalities implications.

Pensions CIV Sectoral Joint Committee

Item no: 10

Shareholder and Investor Reporting Framework and Progress Reporting to DCLG

Report by:	Jill Davys	**Job title:**	Assistant Director, London CIV
Date:	12 April 2017		
Telephone:	020 7934 9968	**Email:**	Jill.davys@londonciv.gov.uk

Summary: This report sets out a reporting framework for London CIV's reporting to its key stakeholders covering investment related reporting. In addition the report provides an update on reporting to government on pooling progress.

Recommendations: The committee is recommended to:

i. Consider and note the requirement to report to DCLG on Investment Pooling Progress.

ii. Consider and note the reporting framework for shareholders and investors

Background

1. This report sets out a framework for reporting investment performance and key financial information to key stakeholders including shareholders and investors. It follows on from the aims and objectives set out in London CIV's Business Plan and Medium Term Financial Strategy (MTFS) provided to this Committee at its meeting in February and the update on the MTFS and progress reporting covered in another paper for this Committee.

2. In addition the report covers the reporting on progress on investment pooling which is required by DCLG for submission on 21 April 2017 with further progress required in October. It also encompasses further correspondence received from DCLG clarifying recent comments at the London CIV conference by the Minister on movement between funds and pools

Shareholder and Investor Reporting Framework

3. In addition to the reporting being provided to this Committee on the MTFS and progress against key milestones included as another report on the agenda, the Committee are asked to consider the draft reporting framework set out in Annex A.

4. The Framework is intended to provide a high level overview of the reporting to key stakeholders including but not limited to this Committee, LLA Pension Funds and wider stakeholder groups. Timescales for reporting and in particular investment and financial reporting are included within the report in a table. Members are asked to review the draft reporting framework and comment as required. This framework has been drafted in conjunction with the reporting and transparency working group (formed from the Investment Advisory Committee; IAC) and reviewed by the IAC.

5. This framework is one element of a wider client and stakeholder engagement piece of work which is being progressed to include a communications policy statement for review at this Committee at a future meeting as well as the development work which is progressing well on the client portal, which will enable Funds easy access to a comprehensive reporting suite. It is hoped that this will be available for use by Funds over the summer.

DCLG Reporting

6. Following the July 2016 submission on pooling from the London CIV and other LGPS pools around the Country, DCLG requires regular reporting on progress, with the first of those reports falling due on 21 April 2017. The London CIV received a letter from DCLG in mid March requiring it to provide an update on progress towards pooling in template format to be used by all LGPS Investment Pools (Annex A). The progress report follows the same structure as the July submission, i.e. the requirement to report against the four key criteria in the Investment Reform: Criteria and Guidance. At the time of writing, officers of LCIV are still compiling the response to the request. A copy of the response will be circulated to the PSJC for comment in advance of submission to DCLG.

7. Key points for the response:

   - Criterion A: Scale – This will cover progress on the opening of sub-funds and transfer of assets along with an update of the assets likely to remain outside of the CIV, certainly for the immediate future such as life funds. The update on scale will be aligned with the business plan agreed with the Joint Committee at its meeting in February. LCIV will also be covering some of the risks to delivery, encompassing a range of factors including the ability to open the range of investment strategy sub-funds required by LLAs to meet their wide ranging investment strategies taking into account the legal and regulatory timescales for delivery.

- Criterion B: Governance – Members will be considering a report on the governance review at this meeting and an update on this will be provided to government. It will also include the work that the CIV is doing to collate and analyse the new Investment Strategy Statements and asset allocation decisions which are following on from the triennial actuarial valuation.
- Criterion C: Reduced Costs and Value for Money – This will include an update on the savings achieved to date and again will reflect the recent financial estimates coming out of the MTFS on implementation and ongoing running costs of the CIV. The CIV is also required to provide narrative on how it will report on fees and net performance, some of which it is already doing to individual funds but also across the pool itself.
- Criterion D: Infrastructure – The CIV is required to report on target allocations to infrastructure, however as this remains an asset allocation decision, we will be recording the allocations that LLAs are currently including in their Investment Strategy Statements. This will also cover an update on the preliminary work being undertaken by the CIV to review options for infrastructure.

8. Following the recent presentation by the Minister at the London CIV conference, a follow-up letter has been received clarifying the comments from the Minister on pooling in response to a query about the ability of Funds to access other Pools to gain access to a particular investment manager. This letter is included at Annex B for information.

Recommendations

9. The committee is recommended to:

    i. Consider and note the contents of this report
    ii. Comment as required on the Government's pooling progress review
    iii. Comment as required on the reporting framework

Legal Implications

10. There are no legal implications at this time.

Financial implications

11. There are no financial implications at this time.

Equalities Implications

12. There are no equalities implications at this time.

Attachments

Annex A – Shareholder and Investor Reporting Framework

Annex B – DCLG Investment Pooling Progress Review

Annex C – Correspondence from the Local Government Minister

Annex A

LONDON CIV EXTERNAL REPORTING FRAMEWORK FOR SHAREHOLDERS AND INVESTORS

Background:

The purpose of this paper is to provide an overview of the reporting framework operated by London CIV (LCIV) setting out how reporting and transparency will be delivered to participating London Local Authority (LLAs) Pension Funds as both shareholders and investors, as well as other key stakeholders.

The Framework has been developed to set out for LLAs the level of reporting that LCIV aims to deliver in order to ensure that its shareholders and investors receive the information that they need to fulfil their regulatory responsibilities with regard to financial and broader reporting. In addition, it is designed to provide the LLA's with assurance on the robustness and transparency of LCIV reporting, and that they will receive the information they need to be able hold LCIV to account as shareholders. One of the key value propositions and aims of LCIV is to provide transparency to its shareholders and investors and this includes regular and transparent reporting :

Transparency: providing transparent reporting across investment performance, client reporting, risk management and client benefits

As a regulated entity LCIV has to ensure that information issued meets the true, fair and not misleading test and this requires reporting to be compliance checked before it can be issued to stakeholders. The reporting framework has been drawn up in conjunction with LCIV's stakeholders to ensure that it is meeting their needs for reporting.

London CIV Strategic Framework:

LCIV's strategic framework outlines the core purpose of the organisation, its vision, and the value proposition to the LLAs.

Purpose: LCIV's purpose is to create a collective investment vehicle for London Local Authority (LLA) Pension Funds which delivers broader investment opportunities and enhanced cost efficiencies than LLAs can achieve individually and overall better risk-adjusted performance.

Vision: LCIV aims to be the vehicle of choice for Local Authority Pension Funds through successful collaboration and delivery of compelling performance

Value Proposition: The LCIV value proposition to the LLAs focuses on:

Performance:	providing superior risk adjusted investment outcomes by leveraging scale economies and full-time resources focused purely on investment management
Opportunity:	providing a broader range of investment opportunities than might be accessible by an LLA acting alone
Efficiency:	providing cost effective investment products through leveraging the scale of LLA pooled assets and being an efficient organisation

Transparency: providing transparent reporting across investment performance, client reporting, risk management and client benefits

LCIV Objectives: Below are LCIV's Aims and 2017/18 Objectives and KPIs.

LCIV Aims

Investments and Investment Oversight

- Deliver cost effective investment solutions which enable the LLA Pension Funds to meet their investment objectives
- Demonstrate and deliver effective investment oversight appropriate for a large scale regulated investment vehicle

Client Service

- Provide excellent client service
- Deliver identified client cost savings benefits
- Deliver transparent, regular and effective reporting to clients and stakeholders

Finance and Business Operations

- Achieve target AUM levels and revenues
- Maximise operational and cost efficiencies
- Establish a high-performing learning organisation

Governance, Risk and Compliance

- Deliver LCIV's value proposition within an effective governance structure
- Remain an enterprise risk managed and compliant company

Key Stakeholders:

LCIV recognises that there are a range of external stakeholders for the purposes of reporting:

- Shareholders – Pensions Sectoral Joint Committee
- London Local Authority Pension Funds
- Local Pension Boards
- Scheme members
- Wider Stakeholders including, but not limited to: Central Government; Scheme Advisory Board; FCA; Auditors

Reporting to Stakeholders:

Reporting to stakeholders will primarily be in electronic format and increasingly be held within the client portal area of LCIV's website. In order to be as transparent as possible, documents will be available on the public site, but where information is considered to be sensitive or confidential this will be in the secure area for Members and officers to access.

Pensions Sectoral Joint Committee (PSJC)

Key Reporting to PSJC:

- Annual and Interim Financial Statements
- Annual Budget and Medium Term Financial Strategy
- Quarterly Investment and Sub-Fund Performance Update
- Quarterly Investment Advisory Committee Update from the Chair of that Committee
- Additional reporting as required

Reporting to the PSJC takes place as a minimum on a quarterly basis and comprises a mix of financial, investment, quarterly performance and wider updates. Financial Reporting covers the

Financial Statements of London CIV along with the annual budget and medium term financial strategy (MTFS). The Shareholders Agreement requires an annual budget setting process that is submitted to shareholders for approval. Reporting on progress against the annual budget will be covered in subsequent financial updates to the Committee. The annual budget setting and MTFS will set out the budget for LCIV for the next financial year along with the longer term 4 year forecast for meeting the LLA Pension Fund needs. The budget and MTFS are highly dependent on a wide range of factors which include the number of sub-funds available, LLA investment through LCIV along with a range of external factors, not least of which is the performance of investment markets and the impact that this can have on LCIV's revenue projections.

The PSJC will also be provided with a financial report which covers progress against budget, but also the Annual Financial Report and Accounts along with the Interim Statements.

The Quarterly Investment and Performance Update on the Sub-Funds will encompass an update from the Chief Investment Officer (CIO) on the investment and economic backdrop and market outlook. The Sub-Fund performance update provides the PSJC with a high level overview of all the sub-funds on the CIV platform including both the quarterly and longer term performance of the sub-fund as appropriate. This will also cover a high level voting and stewardship overview.

The Investment Advisory Committee (IAC) is formed of a number of treasurers from the LLAs, pension managers and officers from LCIV. It meets regularly to review progress and to work jointly on a range of projects which are key to the development of the joint working relationship between LCIV and the LLAs. The Chair of the IAC will provide a report on the activity of the Committee along with progress updates from working groups established to cover specific projects. This ensures that LLAs are engaged at all levels of development.

London Local Authorities (LLA):

Key Reporting to LLAs:

- Valuation Statements and Transaction Schedules
- Fees and Charges Schedule
- Quarterly Investment and Sub-Fund Performance Update
- Manager Oversight Briefings
- Internal Controls Reporting
- Annual Voting and Engagement Reporting
- Annual and Interim Financial Statements
- Annual Budget and Medium Term Financial Strategy
- Ad-hoc reporting as required
- Attendance at local Committee meetings

As a matter of course, LCIV will arrange for monthly, quarterly and annual statements and transaction schedules to LLA's investing through its sub-funds. In addition LCIV will provide a breakdown at least annually of all fees and charges relating to those investments. More regular reporting of these can be arranged as required by the individual LLA.
Detailed quarterly reporting will be provided to investors providing an update on the investment and economic backdrop which will have impacted on investment markets over the quarter as well as a forward outlook. Quarterly reporting on the individual sub-funds will be provided covering the total value of the sub-fund, the quarterly performance of the sub-fund (against benchmarks where appropriate) and longer term performance where applicable. This will also include a commentary on performance including key factors influencing performance and how the underlying managers are being monitored. As part of the investment oversight process, the Investment Team at LCIV meet quarterly with the sub fund investment managers to review performance and provide challenge to

the manager on their performance. Manager oversight briefings will be distributed to investing funds, but may contain sensitive material and commentary on the underlying managers and should be treated as confidential by investors.

An annual report on voting and engagement will be provided as part of the reporting process, but it should be noted that this is also included in the individual quarterly reporting for some of the sub-funds.

Reviews of the internal controls reports of the external providers to LCIV will be reported on an annual basis to investors where these are available. It should however, be noted that at this time LCIV is not required to produce this, but will look to do so at a future date.

LCIV's ACS Fund interim and full year report and accounts as well as LCIV's Company annual report and accounts will be provided to all investors along with the annual budget and medium term financial strategy.

It is recognised that LLAs will have a requirement for additional reporting from time to time and this is likely to cover FOIA (Freedom of Information Act) requests (for which there is a dedicated email: foirequests@londonciv.org.uk) and other additional reporting, LCIV will endeavour to cover such requests in a timely and transparent manner.

LCIV will always endeavour to attend local Committee meetings when requested to provide information on sub-funds, their performance and updates on LCIV progress.

Local Pension Boards:

No specific reporting is currently available to Local Pension Boards, but it is recognised that Pension Boards have an important role in the governance of the Local Authority Pension Funds. Information on LCIV funds and performance will be made available as required. In addition, officers from LCIV will always endeavour to attend Pension Board meetings when requested.

Scheme Members:

LCIV fully recognises that scheme members are key stakeholders in Pension Funds as beneficiaries of the pension scheme. Whilst there are currently no plans to provide information direct to scheme members, as far as possible all key information will be publicly available on LCIV's website. Where Pension Fund AGM's are held and LCIV are invited to attend to provide an update, all endeavours will be made to provide representation from LCIV.

Wider Stakeholders including, but not limited to: Central Government; Scheme Advisory Board; FCA; Auditors:

LCIV will work closely with other stakeholders to provide reporting to Central Government, the LGPS Scheme Advisory, FCA and other external bodies as required. In addition it is recognised that each LLA will have both internal and external auditors and will work closely with the LLA Pension Funds to provide information required to respond to audit queries.

External Reporting Framework

Frequency	Nature of Reporting	Recipients	Provided By / Overseen By	Target Timeframe
Monthly	Monthly Valuation Statements (including transactions)	Individual Fund Investors	Northern Trust / Operations Manager	3 Business Days from month end
Quarterly	Dividend Statements	Individual Fund Investors	Northern Trust / Operations Manager	3 Business Days from quarter end
	Fees & Charges Schedule	Individual Fund Investors	Northern Trust / Operations Manager	10 Business Days from quarter end
	Summary Fund Performance Data	Individual Fund Investors	LCIV Investment Team	5 Business Days from quarter end
	Investment and Fund Report	All Investors / PSJC	LCIV Investment Team	20 Business Days from quarter end
	Manager Oversight Briefings	All Investors / PSJC	LCIV Investment Team	35 Business Days from quarter end
Six Monthly	LCIV ACS Fund Interim Report & Accounts	All Investors / PSJC	LCIV Operations Team	End August
	Interim Investment and Transaction Statement	Individual Fund Investors	Northern Trust / Operations Manager	20 Business Days from Half-Year end
Annual 1st April - 31st March	Annual Transaction Summary (subscriptions & redemptions	Individual Fund Investors	Northern Trust / Operations Manager	10 Business Days from year end
	Annual Fees and Charges Schedule	Individual Fund Investors	Northern Trust / Operations Manager	10 Business Days from year end
	Third Party Internal Controls Reports Review	All Investors	Third Party Providers to LCIV / Reviewed by LCIV	30 Business Days from Year End
	LCIV ACS Fund Annual Report and Accounts to 31/12	All Investors / PSJC	LCIV Operations and Team	End April
	LCIV Company Report & Accounts to 31/03	All Investors / PSJC	LCIV Operations and Team	End June
	Annual Investment and Fund Review to 31/03	All Investors / PSJC	LCIV Investment Team	25 Business Days from year end
	Voting and Engagement Report	All Investors / PSJC	LCIV Investment Team	30 Business Days from Year End
Ad-Hoc	FOI Requests received from LLAs	Individual Fund Investors	LCIV	5 Business Days from request
	Audit Requirement Responses	Individual Fund Investors	LCIV	3 Business Days from request
	Additional Reporting as Required	Individual Fund Investors	LCIV	According to requirements

Annex B

Department for
Communities and
Local Government

Marcus Jones MP
Minister for Local Government

Department for Communities and Local Government
4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

Tel: 0303 444 3460
Fax: 020 7828 4903
E-Mail: marcus.jones@communities.gsi.gov.uk

www.gov.uk/dclg

Chairs of LGPS pension funds
Chairs of LGPS investment pools

1 5 MAR 2017

Dear Chairs,

LOCAL GOVERNMENT PENSION SCHEME (LGPS) INVESTMENT POOLING: SPRING 2017 PROGRESS REVIEW

As you know I will be reviewing the progress of all the pools in spring and autumn 2017. For pools which are not yet operational I will need to see your plans for becoming operational by the deadline of April 2018, including your progress in establishing a core team and securing Financial Conduct Authority authorisation. For all pools I will expect to see details of your current progress and plans for delivering savings, for increasing your infrastructure investment in line with your ambition, and for reporting, including on fees and net performance by asset class.

As part of this process I will expect you to submit a short report on progress up to Friday 31 March, using the template attached. This should include an update on your progress in meeting my specific expectations for your pool as set out in my letter responding to your final proposals. The deadline for submission is Friday 21 April. My officials will follow up with individual pools as necessary with any further questions or concerns. A further report on progress to 30 September will be required in October.

I am grateful for your continuing commitment to delivering this vital and challenging reform programme and welcome your engagement with my officials.

Yours Sincerely

Marcus Jones

MARCUS JONES MP

Local Government Pension Scheme pooling: progress report

Please report against each of the areas outlined below as at 31 March 2017, highlighting significant changes since your final proposal.

The deadline for submission is Friday 21 April 2017. We will follow up any questions or concerns with individual pools as necessary.

Pool:________________________________

Date:________________________________

<u>Criterion A: Scale</u>

For pools in development

- Scale – please state the estimated total value of assets included in your transition plan for investment through the pool structure, with date of estimate
- Assets outside the pool - please state the estimated total value of assets to be invested outside of the pool structure by participating funds
- Progress towards go live by April 2018
  - please provide an updated high level project plan to achieve delivery by April 2018 including progress with operator procurement/build, design of sub funds, recruitment of core team, appointment of depository and FCA authorisation
  - please identify risks or issues which may delay delivery by April 2018, and any plans to mitigate risks and/or manage issues

For operational pools

- Structure and scale - please state the total value of assets to be invested via the pool together with the value of assets to be invested outside of the pool by participating funds
- Progress with transition - please state the value of assets within the pool and provide an updated high level transition plan

<u>Criterion B: Governance</u>

For pools in development

- Progress with governance arrangements - please provide an updated high level project plan for the implementation of governance arrangements.

For operational pools

- Changes to governance since final proposal - briefly describe any changes to the governance structure, in particular please set out your plans for ensuring the pool can effectively implement the asset allocation and responsible investment strategy of each fund

Criterion C: Reduced costs and value for money

For all pools

- Update on costs/savings estimates – please state current high level estimates for implementation costs and eventual annual savings
- Plans for delivering savings – please set out your high level plan and timescales for delivering the annual savings above
- Plans for reporting including on fees and net performance in each listed asset class against an index – In particular please set out how the pool will report fees to participating funds on a fully transparent basis and using comparative performance and/or cost data.

Criterion D: Infrastructure

For all pools

- Progress on infrastructure investment – please state your target allocation for infrastructure and committed funds at the pool level and/or across pools. Please also set out your plans for the platform/product/and/or external manager arrangements to achieve that target
- Timetable to achieve stated ambition.- please provide a high level project plan for the implementation of the platform/product/and/or external manager arrangements described above

Annex C

Department for Communities and Local Government

Marcus Jones MP
Minister for Local Government

Department for Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF

Tel: 0303 444 3460
Fax: 020 7035 0018
Email:marcus.jones@communities.gsi.gov.uk

www.gov.uk/dclg

Lord Kerslake
Southwark Street
London
SE1 0AL

Our Ref:3178983

15 MAR 2017

Dear Lord Kerslake,

Thank you for your letter of 23 January, responding to my letter of 16 December about your final proposal for investment pooling. I welcome your assurance that the London CIV and member authorities are committed to the delivery of pooling. Please accept my apologies for the delay in responding.

You raise concerns on the new Markets in Financial Instruments Directive (MiFID II). As you say, MiFID II requires local authorities to be classified as retail clients but provides for an opt up process to professional client status. I am aware that the detailed proposals from the Financial Conduct Authority (FCA) for the process have created significant concern among local authorities and pools, as they do not appear to apply straightforwardly to local authority organisation and decision-making.

I therefore welcome the FCA's engagement with the sector on the opt-up process and other MiFID concerns, including recent meetings with the Cross Pool Collaboration Group and the Local Government Association. My officials and officials from the Treasury are also in discussion with the FCA and other parties, and I believe a satisfactory solution will be found.

As the question was raised again with me at your recent conference, I will take this opportunity to make clear that funds may not use multiple pools in order to access a preferred investment manager. To deliver and maintain the substantial savings I expect over the long term, very large asset pools are required with effective delegation of manager selection. The benefits of scale include lower costs for investment management, for access to alternatives, for transactions (through crossing) and for custody.

Yours sincerely,

MARCUS JONES MP

Pensions CIV Sectoral Joint Committee

Item no: 11

Quarterly Client Engagement and Stakeholder Report

Report by:	Jill Davys	**Job title:**	Assistant Director, London CIV
Date:	12 April 2017		
Telephone:	020 7934 9968	**Email:**	Jill.davys@londonciv.gov.uk

Summary: This report provides the Committee with an update on the levels of engagement taking place with the London Local Authorities and feedback from the recent annual conference

Recommendations: The committee is recommended to note the report and provide feedback on the draft event schedule

Quarterly Client Engagement and Stakeholder Report

Overview

1. This report provides the Joint Committee with an overview of the progress being made in developing client and wider stakeholder engagement.
2. The report sets out current investments on the CIV platform, current levels of engagement with the participating Local Authorities. It also provides the Committee with an overview of the scale of engagement in terms of the meetings taking place and the events schedule and feedback from the recent LCIV Annual Conference.
3. Key points are included within the body of the report, but supplementary information is provided in a series of appendices which the Committee may find of interest and are aimed at providing the Committee with a range of information which has been or is being developed for clients and stakeholders.

Investments in Sub-Funds

4. With the launch of the 6th sub-fund in December, this brought in the 18th London Local Authority (LLA) as an investor on the CIV platform of sub-funds taking total assets under management (AUM) as at the end of December to £3.336bn. Since the end of the year, further subscriptions in to the LCIV RF Absolute Return Fund have occurred, from both an existing investor and a new investor. It is anticipated that the 3 new sub-funds due to launch under the CQC strategy (commonality, quantum and conviction) will bring on board another 2-3 LLAs and between £1.6bn-£1.8bn AUM. The table below provides an update on the sub-funds and the number of investors as at 31st December 2016.

SUB-FUND* (Underlying Manager)	PRICE (Pence)	SUB-FUND SIZE 31/12/16 £M	INCEPTION DATE	LONDON LOCAL AUTHORITIES INVESTED 31/12/16
GLOBAL EQUITY SUB-FUNDS				
LCIV Global Equity Alpha (Allianz Global Investors) ***Benchmark: MSCI World Index Total Return (Net) GBP***	120.8	625	02/12/15	3
LCIV BG Global Alpha Growth (Baillie Gifford) ***Benchmark: MSCI All Countries World Gross Index***	124.9	1,489	11/04/16	9
MULTI-ASSET /REAL RETURN SUB-FUNDS				
LCIV PY Total Return (Pyrford)	107.3	201	17/06/16	3
LCIV Diversified Growth (Baillie Gifford)	111.6	346	15/02/16	5
LCIV RF Absolute Return (Ruffer)	111.5	347	21/06/16	4
LCIV NW Real Return (Newton)	101.4	326	16/12/16	3
Totals		**3,336**		**18**

5. Indications of interest at the time of the global equity procurement search suggested that interest in the 3 new global equity funds could amount to investments of over £1bn, however, it is anticipated that this will take time to come through into realised investments as the LLA's progress their strategic asset allocation review. We are currently planning an event to facilitate for the LLA's to explore the strategies in more detail with presentations from the underlying managers scheduled to take place on 11th May 2017. Sub-fund information sheets will be prepared in advance to provide potential investors with a high level overview of the sub-funds.

6. Whilst recognising that passive life funds will not be coming onto the CIV platform for some time, the fee savings delivered through the standard LGIM CIV rates led to savings for 13 LLA's. Negotiations have been ongoing with BlackRock and proposals presented to 5 investing LLA's setting out a London CIV rate schedule for London funds.

7. Taking into account the new sub-fund openings and the passive fee savings, 25 LLA's will have been in receipt of savings from either direct investment in sub-funds or from life funds. We are still awaiting news from some of the BlackRock investors as to whether they will proceed with the new fee scales, in which case this could increase to 27 LLAs.

Meetings with London Local Authorities

8. This section provides an update to the Committee on the attendance by LCIV officers at meetings with stakeholders over recent months. The focus has primarily been on attending local Committee meetings to provide an update to the various Pension and Investment Committees on progress.

9. In addition meetings with officers have also taken place to discuss in more depth issues as they arise, focusing on specific requirements at a fund level, be that they are looking at sub-fund options for investment, governance arrangements, future product offerings etc.

10. The table below sets out the number of meetings that London CIV officers have attended both with Pension and Investment Committees and other forms of engagement:

Meetings Attended by LCIV Officers 1st June 2016 - 31st March 2017	
Pension Committee and Investment Meetings	19
Meetings with officers	23
Attendance at Pension Board	1
Attendance at Pension Fund AGMs	2

11. Efforts have also been made over recent months to build relationships with the investment advisers and consultants to Pension Funds. It is recognised that advisers and consultants play a crucial role in assisting funds with their investment strategies and therefore building relationships with these advisers will help in two way communications with the LLA's both in terms of understanding their needs and highlighting potential areas for investment but also crucially in helping consultants and funds understand what we are delivering now and in the future.

12. In addition, following the recognition that passive life funds could not easily be accommodated on the CIV platform, we have worked closely with the managers of these funds to facilitate a standard London-wide fee offering and have brought existing investors and managers together to discuss the options being proposed.

Events

13. A number of events have been organised over the last few months for investing LLA's, some of which have been open to just officers and others open to both Members and officers. Since January this year, attendees have been asked for feedback on the events to ascertain how well they have been received and the relevance of the topics to the authorities.

14. **October 2016 (Officers only) – CIV Update (hosted by Eversheds):**

15. This was a general update on LCIV progress and plans but also included contributions from River & Mercantile covering Equity Risk Management and AON Hewitt who presented the report that they had produced for CIPFA titled "Guidance for Administering Authorities on Pooling and Governance".

16. Whilst no formal feedback was sought, verbal comments following the event indicated that attendees found the event a useful catch up on progress at the CIV.

17. **January 2017 (officers only) – Fixed Income /Cashflow Seminar (hosted by Russell Investments):** The event was timed to coincide with the finalisation of the actuarial valuation and work being undertaken on Investment Strategy Statements to help further thinking on this asset class. Prior to the event, LCIV had carried out a survey to better understand LLA requirements for cashflow, this indicated high levels of demand for multi-asset credit, corporate bonds, private debt, property and infrastructure

18. Presentations were given by a number of prominent fund managers in this area: Blue Bay; Capital; M&G and Russell Investments on duration hedging. In addition, LCIV provided introductory scene setting and fixed income survey results. A panel of investment advisers also added to the discussion in terms of the advisory work they were doing with clients and actuarial results.

19. The seminar was attended by around 30 LLA colleagues with very positive feedback on the event received from those in attendance.

20. **February 2017 (Members & Officers) – Stewardship Seminar (hosted by City of London, sponsored by FTSE Russell):** The event was designed to provide a general overview of stewardship and responsible investment related topics and was attended by 34 clients with a mix of Members and officers attending. The seminar was chaired by Cllr Johnson (Chair of the Member Stewardship Working Group) and panel discussion chaired by Dr Peter Kane (Chair of the Officer Stewardship Working Group).

21. Feedback from the Seminar is attached as an annex to this report for information at Annex A.

22. **March 2017 (Members & Officers) – LCIV Annual Conference (sponsored by LCIV Fund Managers):** This was the CIV's inaugural annual conference for its shareholders and investors with high levels of attendance from both Members and officers from the LLAs. The agenda for the day included key note speeches from the Chair and the Minister for Local Government, but was primarily focussed on providing clients with the opportunity to meet with LCIV's current range of Fund Managers.

23. Feedback from the conference was positive, although only around a third of attendees completed feedback, however, verbal feedback on the day and subsequent was also positive. The full feedback survey results are attached at Annex B for information.

24. Of those responding, 88% were either highly likely or somewhat likely to attend future events with the remainder not specifying.

25. Planning is already commencing for the next annual conference, although this is likely to take place in June 2018, given the local election cycle in London.

26. **Future Events 2017:** A series of seminars and workshops are being scheduled for the remainder of the year and the Committee are asked to consider the draft schedule of events and provide feedback on timing and content. The schedule also covers other key events, such as external conferences that officers are currently aware of. The Schedule is set out in Annex C for information.

Investment Advisory Committee and Working Groups

27. The Investment Advisory Committee (IAC) is one of the key mechanisms for engaging with a wide range of LLA's. Membership is comprised of 24 LLA officers with a mix of Treasurers and Pension Fund Managers.

28. The IAC has a number of smaller working groups focussed on specific areas such as global equities, fixed income/cashflow, infrastructure, reporting and stewardship. It also provides a useful sounding board for developing work streams and for gaining an understanding of the LLA strategic investment needs, although clearly these can on occasions be conflicting given the variety of strategies and advisers across the LLAs.

29. Of particular note is the global equities group which provided invaluable input the search and selection process. It is anticipated that the fixed income/cashflow group will be similarly helpful.

30. The Chair of the IAC provides a quarterly report to the PSJC and, has recently started providing a brief update for the Society of London Treasurers (SLT). Future iterations will be drafted as a joint update from the Chair of the IAC and the CEO, and will be released quarterly to relevant officers across all LLA funds.

31. The Stewardship Working Group has been working with officers of LCIV to develop the Compliance Statement with the Stewardship Code) and providing input into the stewardship event held in February 2017. In addition, given LLA requirements to issue new Investment Strategy Statements (ISS) by 1st April 2017, the group worked with LCIV officers to compile some generic wording to assist funds where required with the ESG elements of the ISS. Again this was reviewed by the full IAC and given endorsement as a way to try to harmonise approaches across LLAs and avoid a plethora of different approaches which would be difficult for LCIV to implement.

32. LCIV is also working closely with a group of LLA's on the reporting requirements of the Pension Funds to ensure that the information being provided helps to meet the wider reporting requirements of the Funds. The Reporting and Transparency Working Group have assisted in the development of an LCIV information pack and external reporting framework (with the former still being work in progress) providing valuable feedback, along with providing suggestions on the accounts closedown process.

Website Development

33. Work is now underway, led by the Programme Director, to develop a secure client portal as part of LCIV's website. This will significantly enhance communication and transparency, providing access to a wide range of reporting materials and information. The group working on reporting have supported this development and see it as a very positive step forward.

Future Work

34. Work is currently underway to finalise the first series of 'factsheets' on individual sub-funds. The Reporting and Transparency Working Group have been supporting this work and have provided helpful feedback. The factsheets will be particularly aimed at providing local Committee Members with key fund information when considering the range of sub-funds for investment on the CIV.

35. LLA's have been undertaking their actuarial valuation over the last year and following that they are now finalising both their Funding Strategy Statements and their new Investment Strategy Statements. A significant number of LLA's are also undertaking strategic asset allocation reviews which are likely to lead to changes to the structure of their assets. LCIV officers are currently collating and analysing the Investment Strategy

Statements and will be looking to spend time talking to the Funds to build up a picture of their future investment requirements to ensure that the current fund launch programme for asset classes best fits their future requirements. An update on this work will be provided to the Joint Committee at its meeting in June.

36. A number of LLA's are developing strategies which commit them to carbon reduction targets over the coming years and in some cases this includes taking steps to divest completely from fossil fuel companies on the basis of the financial risks that such investments pose to the long term returns of the pension fund. Whilst this is not something that all LLA's are considering, given the depth and potential scope of the investments that could be directed to low carbon / fossil free investing or positive tilting to environmental funds, officers of LCIV are working with a small group of funds to better understand their objectives in this space to see if investments in this area can be co-ordinated.

37. LCIV has also discussed and will continue to discuss with a number of funds the best way to work more closely on investment strategies which are seeing high levels of demand and aren't immediately options for the CIV to launch dedicated sub-funds. Whilst recognising that this places additional burdens on resource, it will help to ensure that better outcomes can be achieved in terms of LLA's using economies of scale, potential to transition assets across to LCIV at a future date and to inform the future refinement of the fund development strategy to ensure alignment with LLA investment strategies.

Recommendations

38. The Committee is recommended to note the report and to provide feedback on the draft schedule of events.

Financial Implications

39. The financial implications are limited in terms of the costs involved in the development of client and stakeholder relationships, however, there are significant financial implications for failure to provide the right level of engagement.

Legal implications

40. There are no legal implications.

Equalities implications

41. There are no equalities implications.

ANNEXES

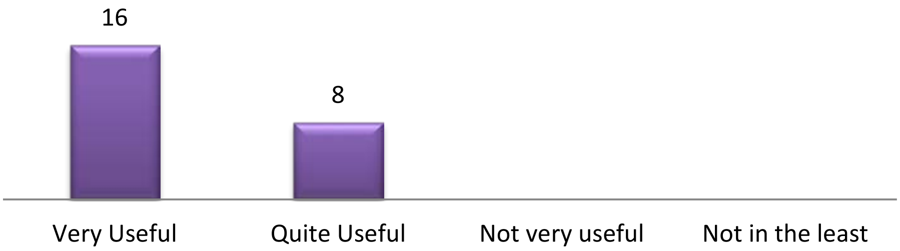
Annex A	Stewardship seminar Feedback
Annex B	LCIV Annual Conference Feedback
Annex C	

ANNEX A

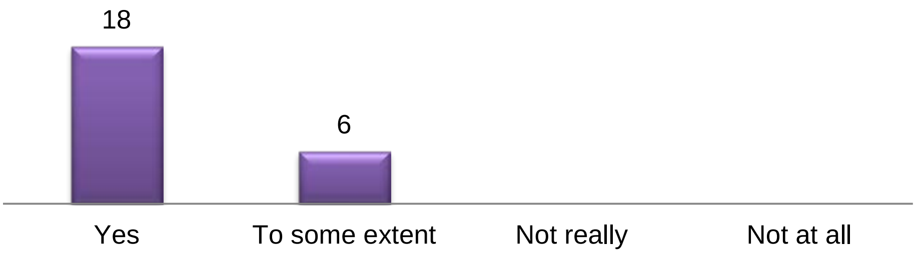
STEWARDSHIP AND RI SEMINAR FEEDBACK

Twenty Four people completed our survey regarding the Stewardship and RI seminar on Wednesday 1st February, the findings were as follows:

Did you find the seminar effective?



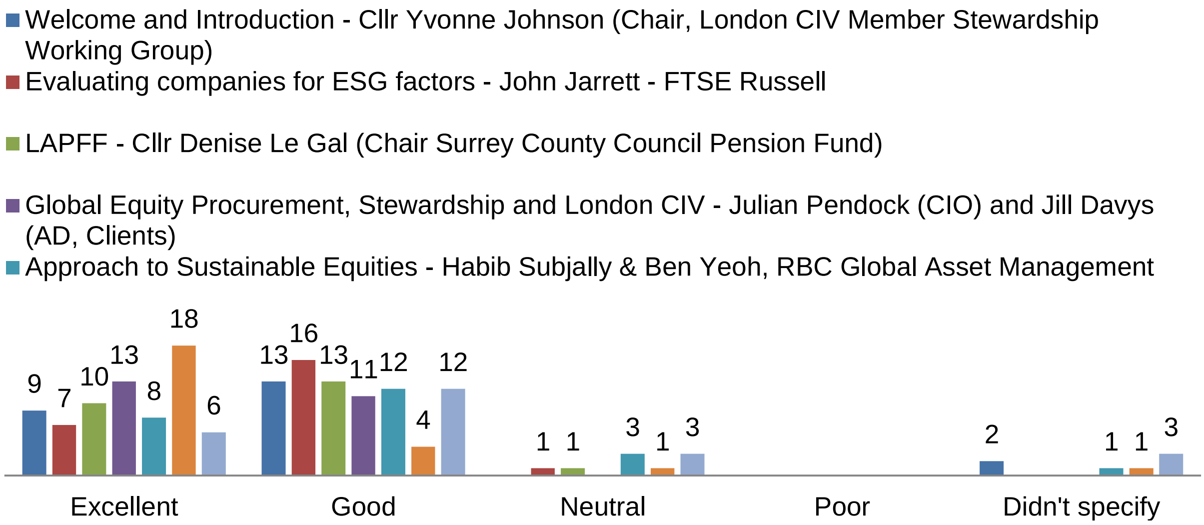
Did it cover all your expectations?

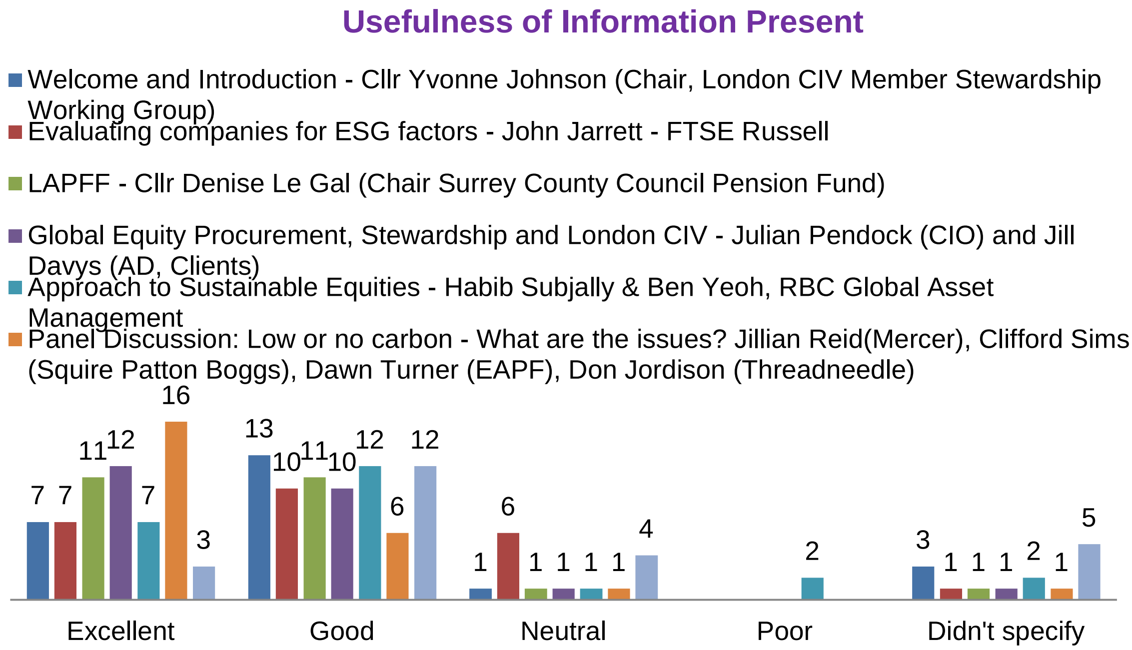


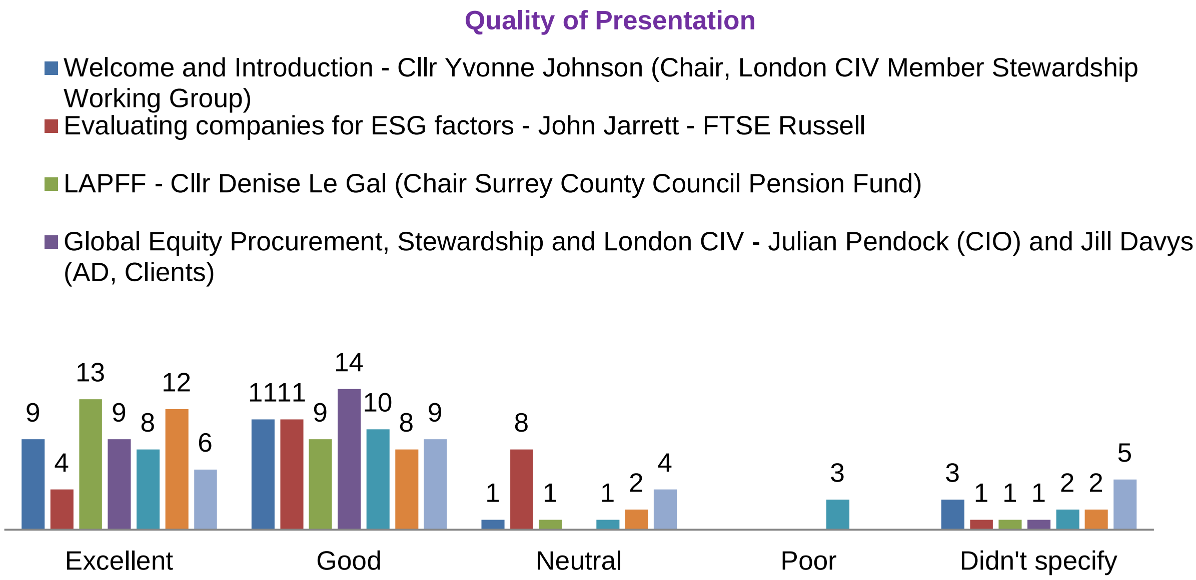
Further comments:

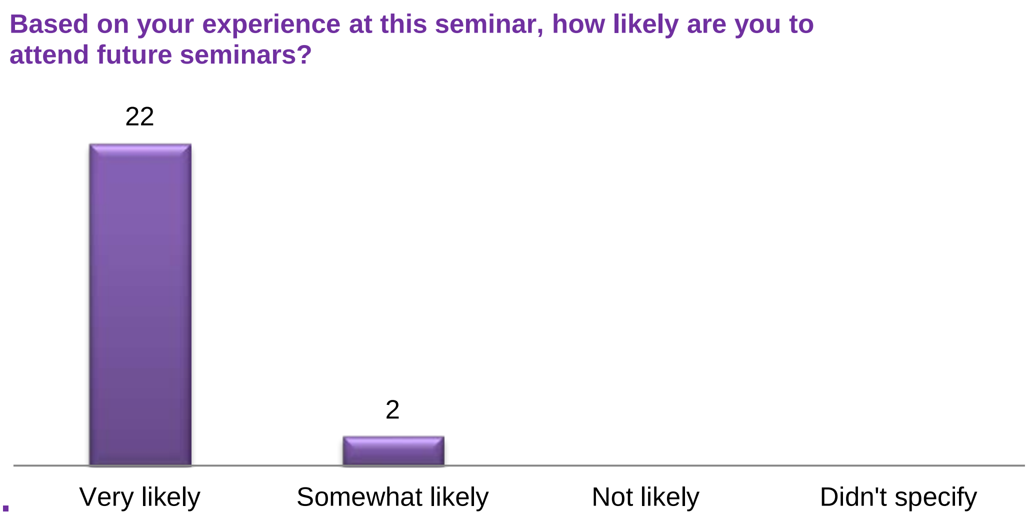
- Some slides were too small a font – not readable all the time.
- Some of the speakers over-ran.
- The Slides – many were too crowded and thereby couldn't read it.
- Excellent speakers & good choice of theme

Relevance of Seminar Topic




Usefulness of Information Present
Welcome and Introduction - Cllr Yvonne Johnson (Chair, London CIV Member Stewardship Working Group)
Evaluating companies for ESG factors - John Jarrett - FTSE Russell
LAPFF - Cllr Denise Le Gal (Chair Surrey County Council Pension Fund)
Global Equity Procurement, Stewardship and London CIV - Julian Pendock (CIO) and Jill Davys (AD, Clients)
Approach to Sustainable Equities - Habib Subjally & Ben Yeoh, RBC Global Asset Management
Panel Discussion: Low or no carbon - What are the issues? Jillian Reid(Mercer), Clifford Sims (Squire Patton Boggs), Dawn Turner (EAPF), Don Jordison (Threadneedle)
Excellent
Good
Neutral
Poor
Didn't specify


Quality of Presentation
Welcome and Introduction - Cllr Yvonne Johnson (Chair, London CIV Member Stewardship Working Group)
Evaluating companies for ESG factors - John Jarrett - FTSE Russell
LAPFF - Cllr Denise Le Gal (Chair Surrey County Council Pension Fund)
Global Equity Procurement, Stewardship and London CIV - Julian Pendock (CIO) and Jill Davys (AD, Clients)
Excellent
Good
Neutral
Poor
Didn't specify

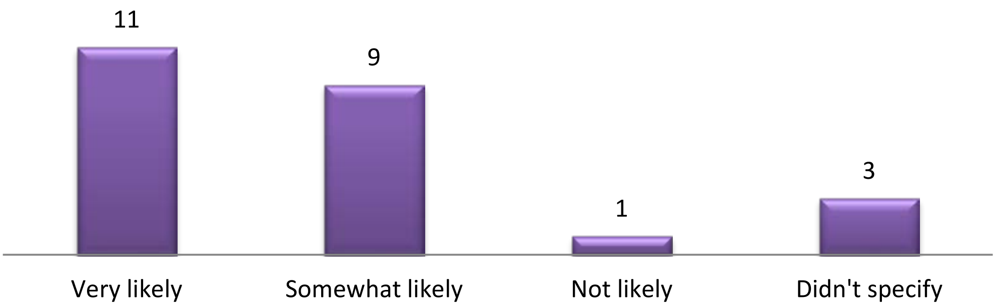

Based on your experience at this seminar, how likely are you to attend future seminars?
22
2
Very likely
Somewhat likely
Not likely
Didn't specify

5.

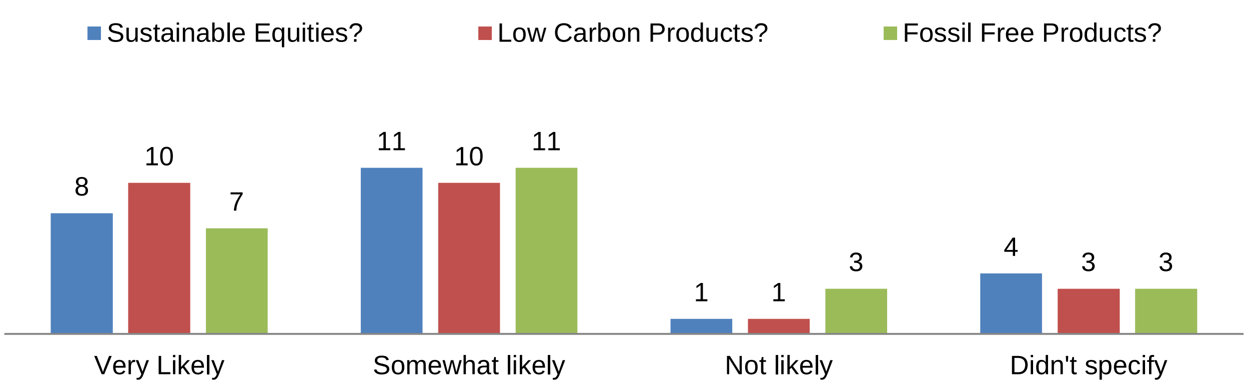
Do you have any suggestions or comments to help us improve future seminars?

- Probably needed another 30 mins, 3 ½ Hours might have been better (to actual conference) – 1pm to 4.30pm or 1.30pm to 5pm
- Ambitious schedule and programme – perhaps too large a topic to cover, so many topics in the programmed time.
- Expected more info on the FRC Stewardship code. Too much focus on engagement rather than how to monitor or take forward stewardship. Integrated ESG message was useful. Good legal session – not long enough though.
- Longer time!
- Ran out of time for last few items. Would have liked round the table discussions earlier and for longer.
- Managing your assets in a low interest environment.
- The role of the FCA and how it impacts your Pension Board
- Property fund and Social Infrastructure – what are the risks.
- Active vs Passive?
- Like to see more examples and Case Studies
- Would have liked more on what CIV actually doing – if you're not involved in the sub group info is ltd.
- What is the CIV's view on voting?
- How are the sustainable global equity funds being chosen? So in some ways the seminar too general & awful coffee

How interested would you be in attending further seminars on climate change?



How interested are you in the CIV providing dedicated sub-funds for:

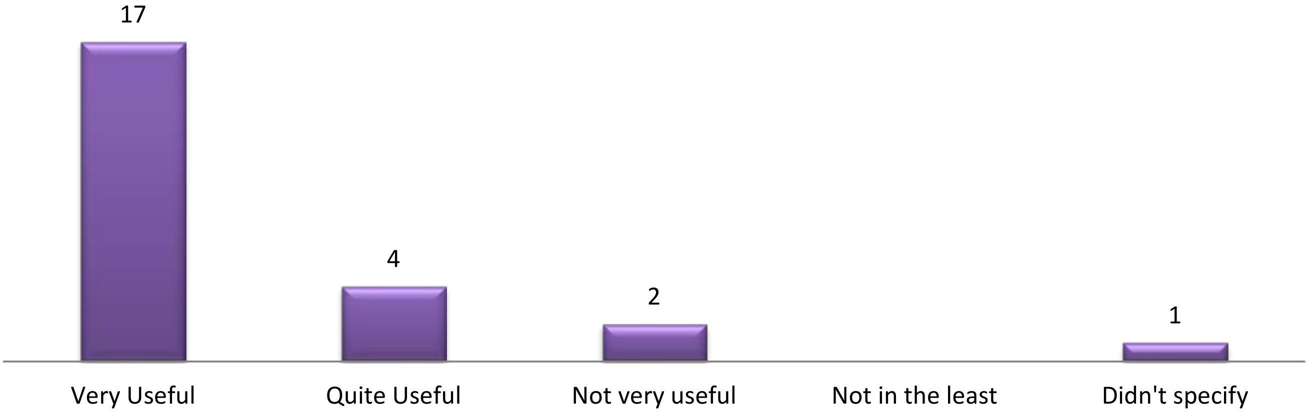


ANNEX B

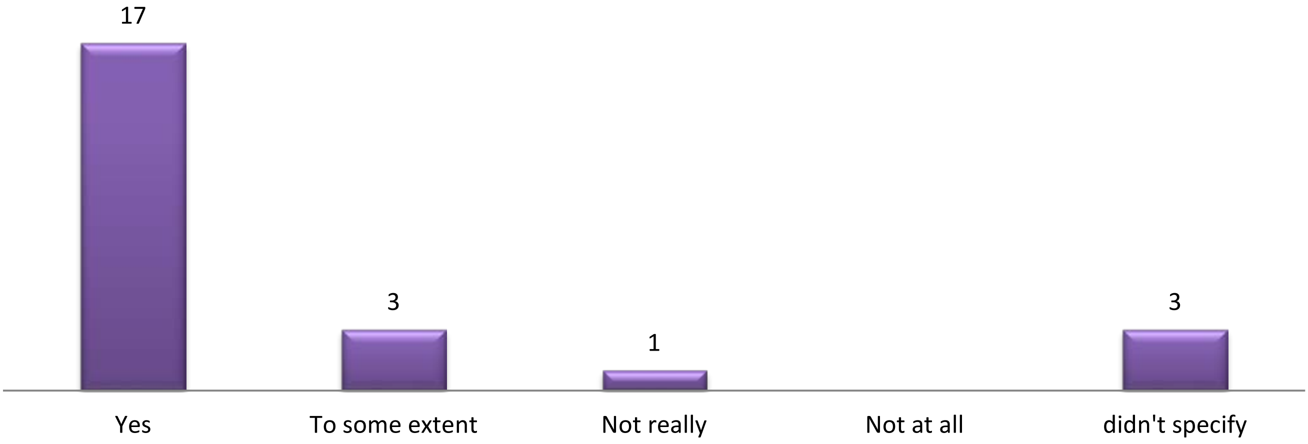
Annual Conference Feedback

24 people completed our survey regarding our annual conference on Wednesday 1st March, the findings were as follows:

How useful did you find the conference?



Did it cover all your expectations?

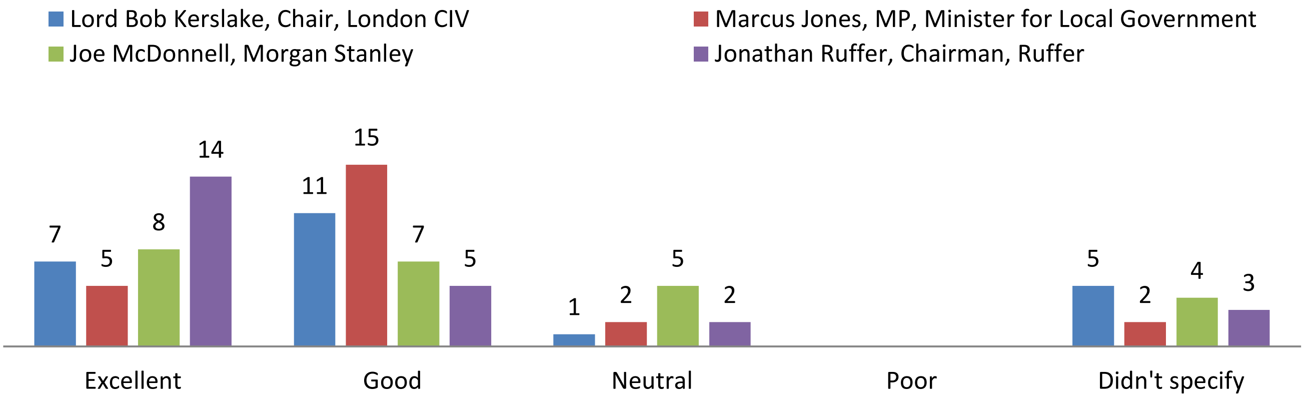


Further comments:

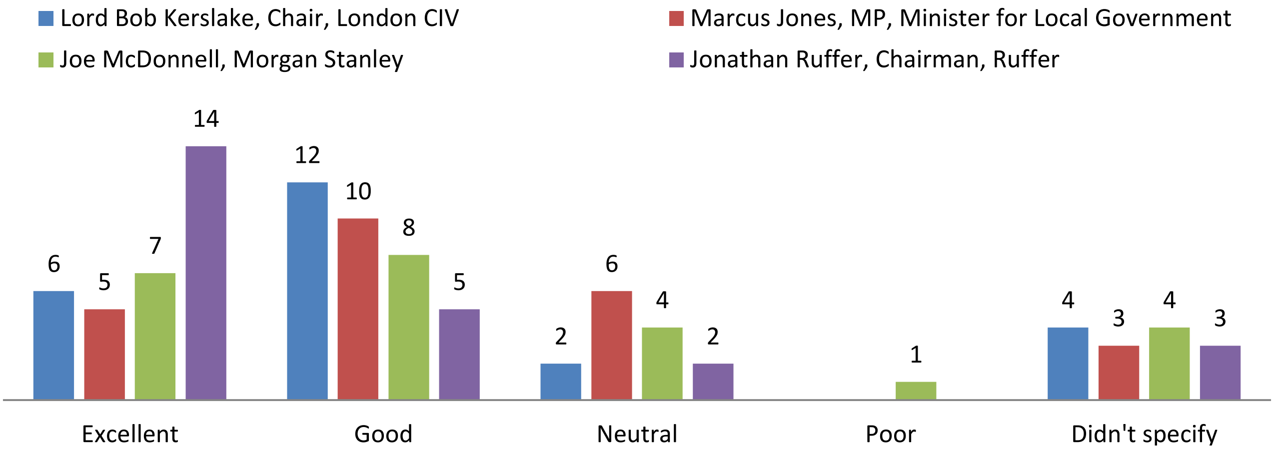
- Wanted more comment on reporting and governance from London CIV – maybe another time
- Good format & management. Right time length.
- Government view was important as was ESG that all mentioned in depth with their views.
- Very well organised & a good selection of speakers (The Minister was interesting & Jonathan Ruffer is always entertaining and informative.
- Could have had a bit more on CIV investment strategy to date.
- Very useful and worthwhile in all aspects
- Liked the Morgan Stanley presentation on Multi Asset Credit
- More about the LCIV, there should be a session on the current status of the LCIV with Q&A

How would you rate the following Speakers?

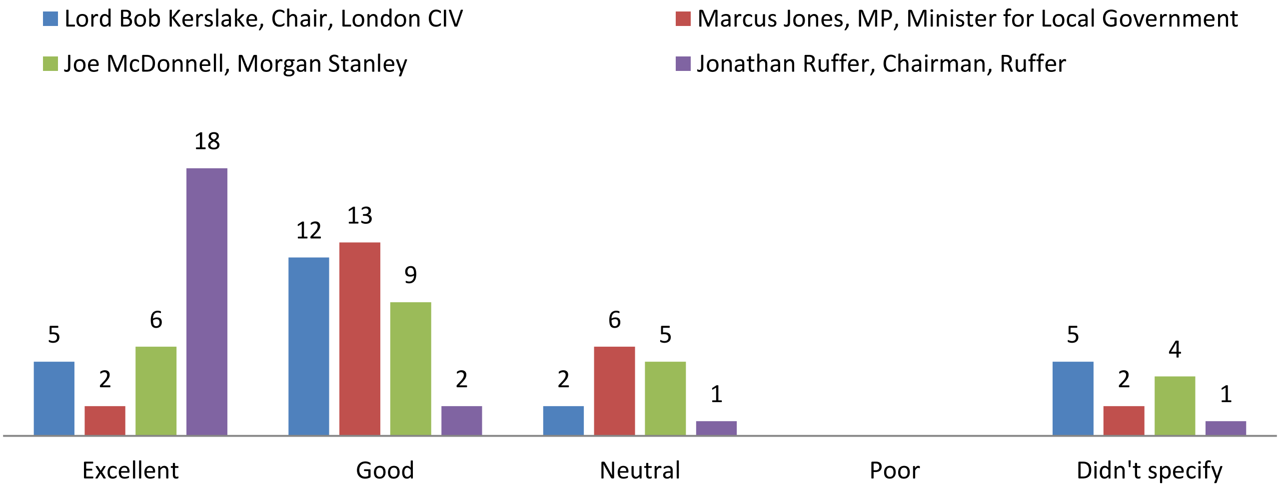
How relevant



How informative

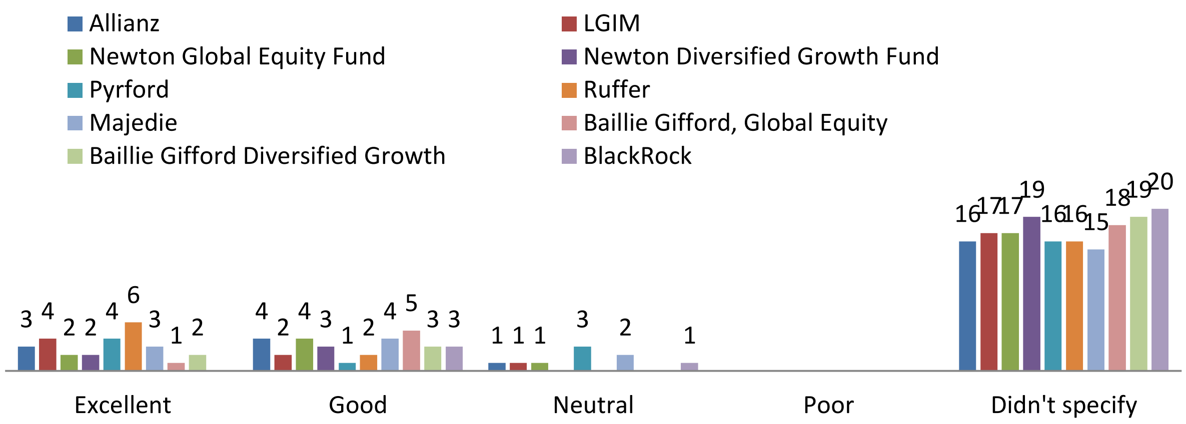


How interesting

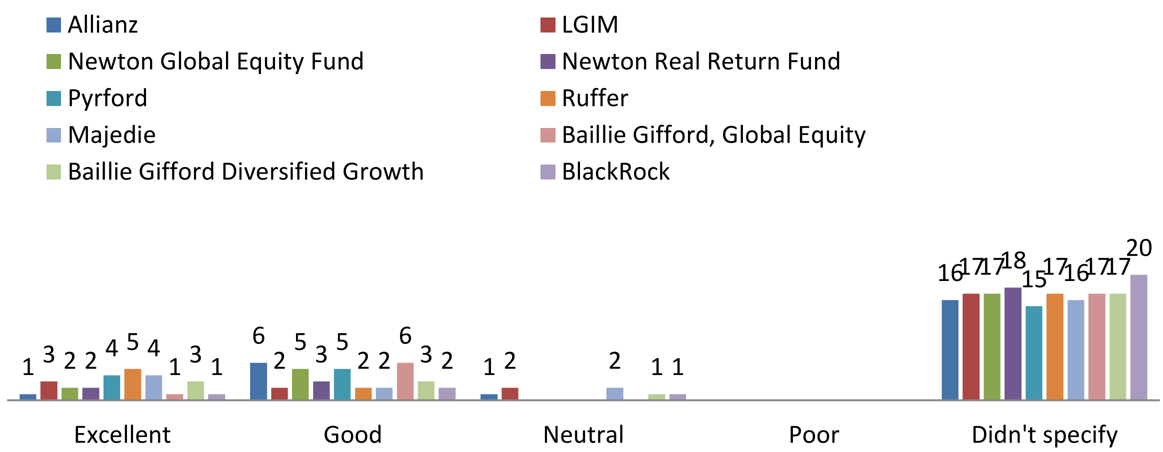


'Meet the fund managers' sessions, please rate:

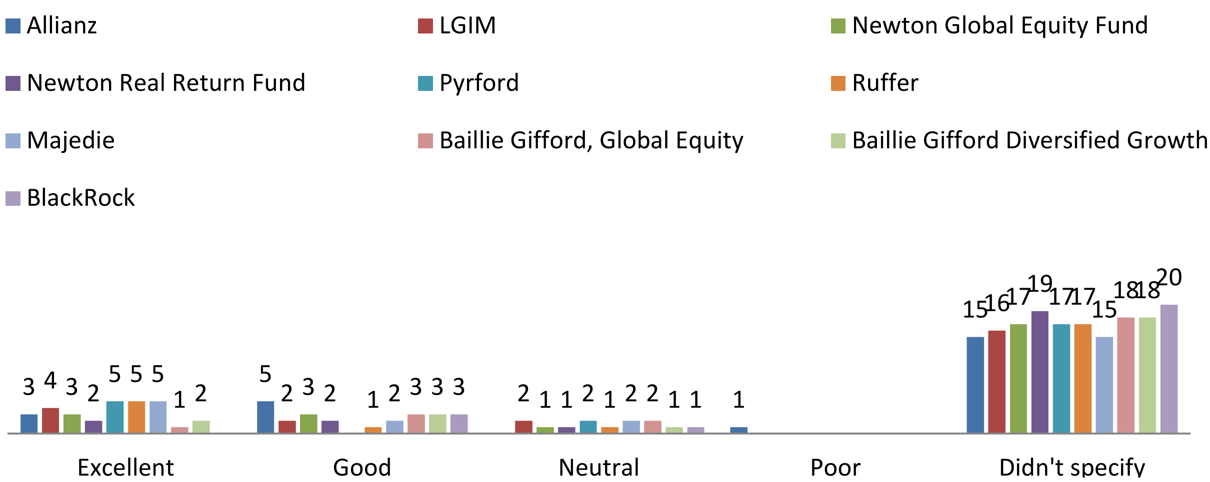
Relevance of Seminar Topic



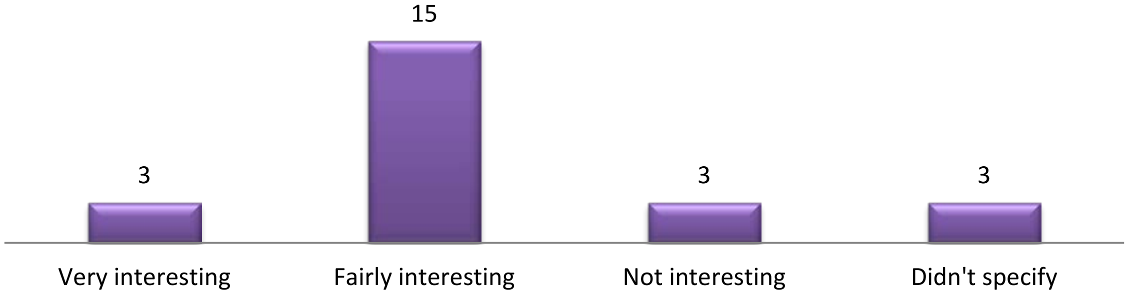
Usefulness of information presented



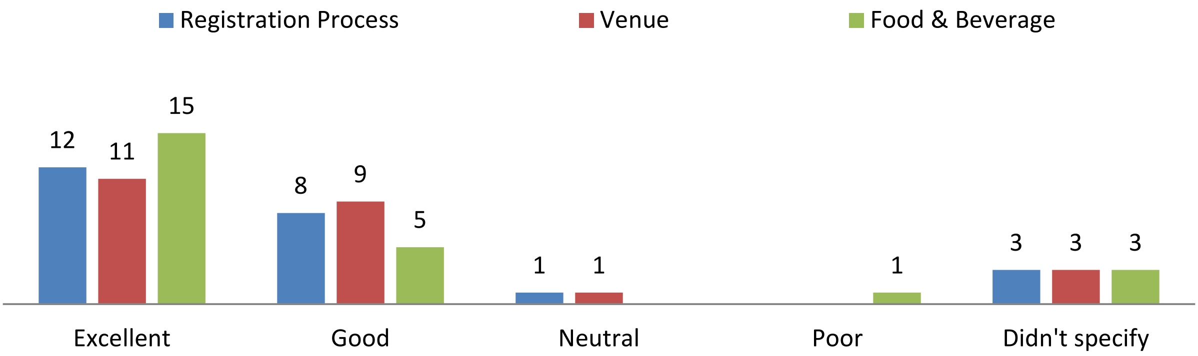
Quality of the Presentation



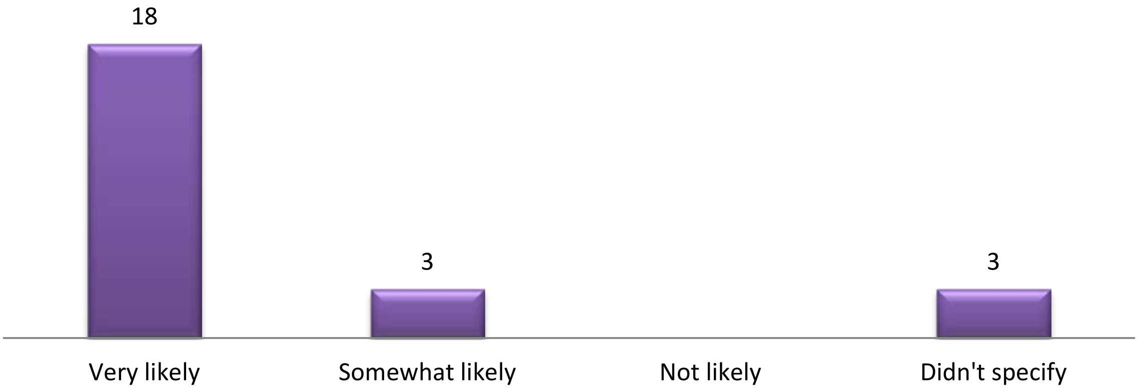
How interesting did you find the exhibitions?



Other aspects of the day



Based on your experience at this conference, how likely are you to attend future CIV events?



Do you have any suggestions or comments to help us improve future seminars?

- The menu did not show gluten free options
- Can we make sure there only members (feel like there was pressure group in every session asking about oil and gas) – which did not leave a lot of time for members to ask questions – More talk and discuss about LCIV
- More from London CIV on reporting and governance
- Great idea & well presented
- Speed of on-boarding (and barrios) + how we can help
- Future pipeline – to manage expectations
- Update of assets under management
- Session on CIV monitoring (and our views) compared to what we used to get from fund managers
- MFIDii
- Half hour manager sessions were a good concept, would have preferred it if the Morgan Stanley & Ruffer presentations were part of the 'optional' manager sessions. Morgan Stanley presentation went on for too long. ½ hour was the right length of time for each manager.
- Governance/ESG theme common throughout was topical and useful.
- 45 min sessions might be more helpful so that specific questions can be answered in full.
- Infrastructure component of a portfolio expanded.
- Make the presentations more interesting and less like a sales pitch, photos for instance viewing of fund management staff is a bit like viewing somebodies holiday snaps.
- Annual CIV review. Pooling examples

ANNEX C

DRAFT LONDON CIV EVENT CALENDAR 2017

Spring	19th January	1st February	1st March	April
Event	Fixed Income / Cashflow Seminar	Stewardship Seminar	LCIV Conference	Easter
Attendees	Officers / Consultants	Councillors / Officers	Councillors / Officers / Advisers	
Venue	Russell Investments, Rex House, SW1Y 4PE	Guildhall, City of London	etc.venues, 43/44 Crutched Friars, EC3M 4AJ	

Summer	11th May	14th June	4th July	August
Event	Meet the Global Equity Managers Phase I	Low Carbon Workshop	CIV Update	Holiday Period
Attendees	Councillors / Officers	Councillors / Officers	Officers	
Venue	TBA	TBA	TBA	

Autumn / Winter	19th September	10th October	7th November	12th December
Event	Fixed Income / Cashflow Seminar	Meet the Global Equity Managers Phase II	Infrastructure Seminar	Property Seminar
Attendees	Councillors / Officers / Advisers	Councillors / Officers / Advisers	Officers	Councillors / Officers / Advisers
Venue	TBA	TBA	TBA	TBA

DRAFT LONDON CIV MEETINGS SCHEDULE 2017

Spring	January	February	March	April
LCIV Board		9th (Informal)	24th	
Pensions Sectoral Joint Committee		8th		12th
LCIV IOC		28th		
IAC	26th	23rd	23rd	27th
LCIV Event	19th - Fixed Income	1st - Stewardship	1st - Conference	
External Events			2nd - 3rd LGC Carden Park	

Summer	May	June	July	August
LCIV Board	4th (Informal)	13th		2nd (Informal)
Pensions Sectoral Joint Committee		14th		
LCIV IOC		1st		
IAC	25th	22nd	27th	24th
LCIV Event	11th - Meet the GE Managers I	14th - Low Carbon Workshop	4th LCIV Update	
External Events	15th - 17th May PLSA Cotswold Water Park	29th - 30th LGC Symposium		

Autumn / Winter	September	October	November	December
LCIV Board	11th (Away Day) 22nd		3rd (Informal)	13th
Pensions Sectoral Joint Committee	13th			6th
LCIV IOC	14th		29th	
IAC	28th	26th	23rd	21st
LCIV Event	19th - Fixed Income / Cashflow Seminar	10th - Meet the Managers II	7th - Infrastructure Seminar	12th - Property Seminar
External Events	7th - 8th LGC Celtic Manor 16th – 19th Liberal Democrat Conference 24th – 27th Labour Party Conference	1st – 4th Conservative Party Conference		6th - 8th LAPFF Bournemouth