

London Borough of Hammersmith & Fulham

Report to: Pensions Sub Committee

Date: 3 March 2021

Subject: Leisure Development Fund: Asset Class Review

Report of: Phil Triggs, Director of Treasury and Pensions
Matt Hopson, Strategic Investment Manager

Summary

This paper and associated appendix provides the Sub-Committee with more detailed information on a niche alternative asset class in Leisure Development. This summary is provided by Darwin Alternatives, a leading asset manager in this field and with an established foothold in the LGPS.

The asset class is to be considered as a potential diversifier from mainstream asset classes in the next investment strategy review.

Recommendations

The Sub Committee is requested to:

1. Note the report.

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the LBHF priorities
<ul style="list-style-type: none">• Building shared prosperity	Being an outperforming investor means that as part of the Pension Fund's fiduciary duty, its investments should be able to assist in making a positive financial contribution, sharing prosperity and lessening the financial impact on council tax payers.

Financial Impact

The financial implications of these investments will be continually monitored to ensure that members' pensions are safeguarded.

Legal Implications

None

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Background Papers Used in Preparing This Report

None

Asset Class Review

1. Background

- 1.1. The Pensions Sub-Committee is kept up to date with the latest developments in the markets and receives training and updates on new asset classes.
- 1.2. The Fund's investment consultant, Deloitte, has indicated that a leisure development fund would be worthy of consideration by the Sub-Committee.

2. Investment Strategy

- 2.1. The benefits and risk of the strategy set out by Darwin are shown below.

Benefits

- Long terms stable cash flows with inflation-linked returns.
- Inefficient, fragmented market leaving room for consolidation.
- High barriers to entry for new assets due to competing demands for land uses such as new housing.
- The current COVID-19 pandemic and ongoing environmental trends should cause the demand for UK based "staycations" to continue to rise in the coming years.

Risks

- Once the initial consolidation of smaller operators has been completed, the current surge in growth may be difficult to replicate.
- The asset class is still relatively new and untested relative to other mainstream asset classes, with few asset managers in the market.
- Reputational risk – any incidents at any of the parks could fall back on the Fund.

3. Risk Management Implications

3.1. Risks are outlined in the report and attached Appendix 1.

4. Other Implications

4.1. None

5. Consultation

5.1. None

List of Appendices:

Appendix 1: Asset Class Review – Darwin Alternatives