



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Richard McIndoe, Director of Strathclyde Pension Fund

Item 4(a)

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**Direct Impact Portfolio (DIP)
Investment Proposal – Maven UK Regional Buyout Fund II**

Purpose of Report:

To set out a proposal for an investment of £30m within DIP.

Recommendations:

The Committee is asked to **APPROVE** an investment of £30m in Maven UK Regional Buyout Fund II by DIP.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes ☐ No ☐ consulted: Yes ☐ No ☐

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1 Background

1.1 Portfolio Establishment

In December 2009, the Strathclyde Pension Fund Committee agreed to establish a New Opportunities Portfolio (NOP) with a broad remit to invest in assets for which there was an attractive investment case but to which the then current structure did not provide access.

1.2 Reviews

The NOP strategy has been subject to 3-yearly reviews with the name changing to the Direct Investment Portfolio in 2015 and again in 2021 to the Direct Impact Portfolio. The most recent review was concluded in November 2024. This made no change to the objectives, structure, risk parameters or governance structure, but did result in increases to the DIP's overall allocation and minimum required investment return and a minor amendment to the definition of the maximum investment size. The Co-Investment Programme was also extended, in conjunction with an increase in the maximum co-investment size.

1.3 Implementation Framework

DIP investment proposals are assessed on their own merits within an agreed implementation framework based on SPF's overall risk-return objectives and specific DIP parameters.

The framework agreed at the 2024 review is summarised below.

Direct Impact Portfolio	
Objectives	Primary objective identical to overall SPF investment objective. Secondary objective of adding value through investments with a positive local, economic or ESG (environmental, social, governance) impact.
Strategy & Structure	In line with SPF risk-return framework but focused on the UK and the Equity, Long Term Enhanced Yield and Short-Term Enhanced Yield asset categories.
Risk and Return	Portfolio benchmark return of CPI +3% p.a. Individual risk and return objectives for each investment. Minimum Investment Return (Net IRR) of 6.5% .
Capacity	Target allocation of 7.5% of total Fund (based on Net Asset Values). Range of 5% to 10% of total Fund.
Investment Size	Target: £30m to £100m Minimum: £20m Maximum: £250m
Decision Making	3 stage process with review and satisfactory due diligence by officers, followed by a presentation to the Sounding Board before a proposal is taken to Committee for approval subject to completion of legal documentation.
Monitoring	Includes individual investment reports, participation in advisory boards and a quarterly DIP monitoring report which is reviewed by the Fund's Investment Advisory Panel.
Co-Investment Programme	Co-Investment Programme (CIP) of £300m with maximum investment per asset of £25m, subject to the agreed CIP investment parameters.

The following proposal has been assessed using this framework and has been reviewed by the SPF Committee Sounding Board.

2 New Investment Proposal

2.1 Key Terms

Name	Maven UK Regional Buyout Fund II
Investment vehicle	English Limited Partnership
Manager	Maven Capital Partners UK LLP
Sector	Buyout/Growth Capital
Investment objective	To provide equity investment to UK regional SME companies to support buyouts, acquisition finance and growth.
Term	10 years (plus up to 2x1 year extensions)
Target size	£150m (Hardcap £175m)
Proposed DIP investment	£30m
Target return	Internal Rate of Return (IRR) of 16% (Net) / Multiple of Invested Capital (MOIC) of 3.0x

2.2 Investment Summary

Maven Capital Partners (Maven) is an independently managed investment firm formed in 2009 from the buyout of the private equity (PE) business of Aberdeen Asset Management PLC (AAM). While it operates independently, the firm was acquired by Mattioli Woods PLC (MW) in 2021.

The current investment opportunity is to invest in the Maven UK Regional Buyout Fund II (Maven II) which is the successor fund to the Maven UK Regional Buyout Fund (Maven I). DIP committed £20m to Maven I in 2017 (of a fund total of £94m). Maven I has performed very satisfactorily to date.

The buyout funds were established to focus on the regional lower mid-market (LMM) segment of the UK SME market (Small and Medium-sized Enterprises - businesses with enterprise values (EVs) between £10m and £50m).

Maven II seeks to invest in established high-growth companies with strong intellectual property and differentiated products and services.

An investment of £30m by DIP in Maven UK Regional Buyout Fund II is now proposed.

2.3 Investment Rationale

UK Government figures show that the UK is home to over 280,000 small businesses, of which 10,000 are considered to have significant growth potential and are fundamental to the UK's economic success. The Manager considers that such businesses can more readily deliver significant growth in revenues and profitability, via operational improvements and value creation initiatives which are more achievable in this segment of the market.

From their breadth of experience and wider perspective of other successful businesses, Maven are well placed to support management by introducing more effective ways of operating and scaling these businesses, to the extent that they become attractive to larger, mid-market PE investors and/or trade acquirors, with the ultimate aim of creating enhanced value through growth for all investors.

2.4 Investment Management

The fund will be managed by a PE team of 9 experienced investment professionals who have formed a cohesive and stable team and spent most of their investment careers focused on the UK LMM PE sector, with an average of 16 (and a combined 142) years' of experience. Of these, the 5 partners have been in place (as partners) for 7+ years, and have worked together for c.13 years. The team are further supported by 2 members of the Investment Committee with 58 years' combined experience.

More information on the investment manager is included in **Schedule 1**.

2.5 Investments

Maven II anticipates targeting approximately 10 equity investments of £5m to £20m, in companies that demonstrate credible growth strategies and genuine potential for significant value creation, as the Manager seeks to support these companies to scale, both organically and through acquisitions.

The fund will primarily target businesses in the technology; healthcare; financial services; and IP-led niche manufacturing sectors, and particularly businesses with proprietary technology.

Types of investment transactions that could potentially be undertaken by the fund include supporting management buy-outs (MBOs) and providing funding for acquisitions and shareholder re-organisations, with the common goal of achieving growth and value creation.

2.6 Other Investors

Maven II had its first close in December 2024, at which it secured commitments totalling c.£50m from a variety of fund-of-fund (FoF) and private investors. This included funds managed by MW (£25m) and direct commitments from both MW (£5m) and the Maven PE team (£5.7m).

A number of FoFs, private investment, family office investors and an insurance company, all with commitments to Maven I, are in various stages of advanced due diligence with a view to making commitments to the fund at its final close which is targeted for the end of 2025.

2.7 Risks

The main risks of the proposed investment in the Maven II fund are considered to be as follows:

- Origination Risk;
- Private Equity Risk;
- Key Personnel Risk.

A summary of risks and key mitigants is contained in **Schedule 2**.

2.8 Projected Return

The fund is targeting a Net Internal Rate of Return (IRR) of 16% and a Gross Multiple on Invested Capital (MOIC) of 3.0x.

This is considered an appropriate target return for an equity buyout / growth capital fund positioned within the overall PE asset class.

2.9 Exit

Maven II will have a 10-year term, which may be extended by up to a further 2 years in total. It is envisaged that DIP's investment in the fund will be repaid from the sale of individual portfolio companies to later stage PE or trade buyers.

2.10 Fees

During the fund's 5-year Investment Period (IP), the **Management Fee** will be calculated on total commitments and following the end of the IP, the fee will be calculated on the basis of invested capital. This fee is aligned with the lower end of the typical range for funds in DIP's growth equity portfolio.

Carried Interest (or performance related fee) provisions also apply to the fund. These are structured such that Maven, as manager, require to perform strongly before it benefits under these provisions.

The Management Fee is modestly lower than is typical in DIP's experience of the private equity market, while the Carried Interest structure is relatively typical. Overall, the fee levels are considered satisfactory.

2.11 ESG and Impact

SME investment, particularly on a regional basis, helps stimulate economic growth and employment.

In addition, Maven has invested significant resources into developing a framework for ensuring that ESG factors are fully considered in evaluating each investment proposal, and relevant ESG metrics are then carefully monitored throughout the period of investment and through to exit. This framework helps Maven focus on delivering long-term, responsible and sustainable growth which is underpinned by a strong approach to corporate governance, while also facilitating the sharing of best practice across its wider portfolio.

A summary of the fund's ESG and Impact factors is contained in **Schedule 3**.

2.12 Investment Size and Cash Requirements

SPF Fund value at 30 th June 2025	£32,050m
DIP allocation (target 7.5% of main fund) NAV	£ 2,404m
Current DIP NAV	£ 1,598m
NAV Range (Lower) 5%	£ 1,603m
NAV Range (Upper) 10%	£ 3,205m
Headroom v NAV	£ 806m

2.13 Investment Strategy

The proposed investment falls within the Fund's Equity allocation. Private Equity is a key area of investment focus for DIP.

Allocations following this investment based on SPF values at 30th June 2025 and total DIP commitments to Equity would be as follows:-

Equity, £ in DIP	£386m
Equity, % in DIP	16.4%
Equity (DIP), % of Total Fund	1.2%
Equity, % Total Fund (target 47.0%)	50.0%

3 Policy and Resource Implications

Resource Implications:

Financial: Investment of £30m to be drawn as required. Fee structure is considered to be in line with the market.

Legal: The investment will be subject to satisfactory completion of due diligence, including review and execution of appropriate legal documentation.

Personnel: None

Procurement: None

Council Strategic Plan: SPF supports the mission: ***to enable staff to deliver essential services in a sustainable, innovative and efficient way for our communities***. The LGPS is one of the key benefits which enables the Council to recruit and retain staff.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify. Equalities issues are addressed in the Fund's responsible investment policy.

What are the potential equality impacts as a result of this report? None

Please highlight if the policy/proposal will help address socio-economic disadvantage. None

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify: Maven are signatories to the Investing in Women code; are BVCA members; and have been signatories to the PRI (UN-supported Principles for Responsible Investment) since 2021. This is consistent with Strathclyde Pension Fund's Climate Change strategy, which is being developed in line with Item 34 of the Council's Climate Action Plan.

What are the potential climate impacts as a result of this proposal? No specific contribution from this proposal.

Will the proposal contribute to Glasgow's net zero carbon target? No specific contribution from this proposal.

Privacy and Data Protection Impacts: To be fully provided for in the legal documentation for the proposed investment.

Are there any potential data protection impacts as a result of this report
Y/N

If Yes, please confirm that a Data Protection Impact Assessment (DPIA) has been carried out n/a

4 Recommendations

The Committee is asked to **APPROVE** an investment of £30m in Maven Regional Buyout Fund II by DIP.

Schedule 1	Investment Manager: Maven Capital Partners
Schedule 2	Investment Specific Risks
Schedule 3	Impact and ESG

Investment Manager: Maven Capital Partners

Maven was formed in 2009 through the buyout of the private equity business of Aberdeen Asset Management PLC by the senior management team who had managed the division since 2004, leading it to being regarded as one of the most active investors in the UK with AUM (Assets Under Management) of over £750m, across various structures and investment mandates.

In 2021, the Maven Group was acquired by Mattioli Woods (MW) PLC, a leading provider of specialist wealth management and financial planning services. While Maven is now owned by MW, it is fully independently run and managed by its senior investment team and led by Bill Nixon, Managing Partner of Maven Group.

The Maven Group employs over 110 people including an investment team of 67 individuals and operates from 13 offices across the UK. Over the past 15 years, Maven has invested heavily in its regional network to support its belief that investing locally in businesses, communities and growth delivers better outcomes for those regions, while delivering better investment outcomes and returns for investors. This regional model and extensive office network provides Maven with both a local presence combined with national scale.

The investment team has successfully completed 35 buy-out, platform and growth capital transactions (plus 58 bolt-on acquisition investments in the UK LMM to date). 23 of these have been realised to date (22 successfully with an average gross multiple of 3.0x and only 1 realised loss).

Platform investments are investments in businesses which have the structure, products (and/or services), and most importantly the management capability to undertake a number of complementary “bolt-on” acquisitions (sometimes called a “buy and build” strategy). The acquisitions are usually of similar businesses in fragmented sectors and are undertaken in order to create growth and value through attaining scale, accessing new markets, exporting and/or launching new products/services.

Investment Specific Risks

Origination Risk

The ability to originate a pipeline of attractive opportunities in the lower mid-market segment of the UK market is a key factor in the potential success of the fund.

Maven's presence across 13 regional offices and its investment team's 20+ year track record in the sector, both at Maven and prior to that at AAM, mean that the fund will benefit from a steady flow of referrals from the team's established networks.

The combined experience of investing together in over 35 buyout investments over the course of the past 20 years through several economic cycles makes the Maven team one of the most experienced in the LMM segment of the market.

Private Equity Risk

The proposed investment is into a PE buyout fund, which operates in a relatively higher risk segment of the financial market with no guarantee of success.

A PE fund would traditionally anticipate a couple of outright investment losses, a larger number of moderately successful investments and hopefully one or two very strong outcomes, which combine to generate the blended / relatively high targeted return. The principal comfort in this regard is Maven's strong track record in both the prior fund and in other previous investment vehicles.

Key Personnel Risk

The risk of over-reliance on key personnel is pertinent to any manager, however Maven has a relatively broad, stable and highly experienced investment team who have worked together over many years.

While the possibility of key individuals departing is a risk that cannot be eliminated, the PE team has strength in depth and there is no reason to believe that this will not continue.

Impact and ESG

Environmental, social and corporate governance (ESG) considerations are embedded within the culture of Maven and represent a core component of its buy-out fund investment process, framework and approach to value creation.

Maven seeks to invest in a responsible manner, including backing businesses that may address an ESG need, as well as working collaboratively with investee companies to promote and embed ESG practices within the culture of each business. This is done in the belief that doing so represents a positive change that helps drive long term, responsible and sustainable growth in portfolio companies which will have a positive effect on local communities while also delivering attractive returns for investors.

Maven has created a proactive steering group (the ESG Steering Group) to oversee ESG and related matters at the firm, its funds and portfolio companies, with a specific member of the team dedicated to ESG. The ESG Steering Group supports and monitors the Manager's ESG and Responsible Investing, Equality and Diversity & Inclusion policies, which Maven views as important to both its internal culture and investment approach.

The ESG Steering Group consists of 4 partners from the wider Maven Group team, plus senior investment managers and support staff, as well as junior team members who have a passion and commitment to environmental, diversity and community matters. The ESG Steering Group reports to Maven's Governance and Oversight Committee which ensures that proposed changes to the ESG framework and any new initiatives and developments are informed by all areas of the business and approved by senior management.

Maven acknowledges the importance of applying ESG principles within its investment approach, alongside the core objective of delivering strong investor returns. They believe that there is an interconnectivity between returns and purpose, with potential acquirors being attracted to businesses able to demonstrate positive ESG credentials. ESG issues present both risks and opportunities to portfolio companies and Maven believes that by taking a long-term sustainable approach to investment decisions, better and more efficient returns can be achieved for investors.

Maven became a signatory to the United Nations supported Principles for Responsible Investment (UNPRI) in 2021. Additionally, Maven is a signatory to the Investing in Woman Code which aims to support diversity and inclusion in improving female entrepreneurs' access to support, resources and finance.

The Manager intends that Maven II will be an Article 8 Fund under the EU's Sustainable Financial Disclosure Regulations (SFDR). This means that the fund will promote environmental and social characteristics and incorporate good governance practices.