

Direct Impact Portfolio – Review of Investment Strategy approved.

4 There was submitted a report by the Director of Strathclyde Pension Fund regarding a review of the Direct Impact Portfolio (DIP) Investment Strategy, advising

- (1) that Strathclyde Pension Fund Business Plan 2024/25 had included a review of DIP, including objectives, strategy, structure and capacity;
- (2) that DIP investment proposals were assessed on their own merits within an agreed framework, based on Strathclyde Pension Fund's overall risk-return objectives and specific DIP parameters, as detailed in the report;
- (3) of a summary of the portfolio, as at 30th June 2024;
- (4) of the progress since the conclusion of the most recent review of the DIP strategy and operating arrangements in November 2021 and which had agreed 4 separate recommendations which have all been implemented; and
- (5) of the 2024 review of DIP and the conclusions and recommendations for each of the areas, as detailed in the report.

After consideration, the committee

- (a) noted the report;
- (b) approved
 - (i) no change to the objectives, structure or governance;
 - (ii) an increase in the Direct Impact Portfolio's target allocation from 5% to 7.5% of the total Fund within a range of 5% to 10% (calculated by Net Asset Value); and
 - (iii) an increase in the minimum targeted return (Net IRR) for individual fund proposals to 6.5% (currently 5%); and
- (c) agreed
 - (i) that appropriate target returns would continue to be assessed on a fund-by-fund basis with regard to the perceived risk;
 - (ii) one change to the individual investment guidelines below:-
 - (A) target investment size £30m to £100m;
 - (B) minimum investment £20m; and
 - (C) maximum investment £250m (currently - greater of £250m or 1% of Total Fund Value); and

- (iii) an increase in the total amount of the co-investment programme from £200m to £300m and an increase to the maximum individual co-investment ticket size from £15m to £25m.