



Private Markets Report
Oxfordshire Pension Fund

Third Quarter 2022

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Private Markets 3rd Quarter 2022

The table below shows the development of the Oxfordshire Pension Fund's Private Equity portfolio during Q3 2022. It divides the portfolio between the listed and the unlisted investments, and while it is meaningful to calculate a rate of return for the listed part, the infrequent revaluation and the subjective nature of the unlisted holdings valuations make a similar figure misleading. The table shows separately the Private Equity investments made by Brunel.

| (£m) | 30.06.22 | Purchases | Sales | 30.09.22 | Appr'n | % |
|------------------|----------------|-----------|--------|----------------|--------|-------------|
| Listed | 135.48 | 0.741 | Nil | 131.54 | -3.94 | -2.9 |
| Unlisted | 125.83 | 7.185 | 13.430 | 119.5 | | |
| In-house | 261.31 | | | 251.04 | | |
| Brunel | 87.50 | 0.932 | 0.011 | 99.1 | | |
| TOTAL | 348.81 | | | 350.14 | | |
| Overall Fund | 3049 | | | 3015 | | |
| Private Equity % | 11.5% | | | 11.6% | | |
| Indices | | | | | | |
| FTSE 100 | 7169.3 | | | 6893.8 | | -3.8 |
| FTSE 250 | 18666.8 | | | 17168.3 | | -8.0 |
| Small Cap | 6234.4 | | | 5877.6 | | -5.7 |
| All-Share | 3940.9 | | | 3763.5 | | -4.5 |

Listed portfolio

1. With the exception of HG Capital (which rose by 7.9%) all the main listed holdings registered falls in value in a range between -0.3% and -11.8% in the quarter, reflecting the uncertainties prevalent in listed equity markets and some adjustments to valuations reflecting a more uncertain outlook. Despite the falls seen in the listed portfolio, the existing private investments combined with the new investment by Brunel, has seen the Private Equity weighting in the overall fund rise to 11.6%, compared with its benchmark of 10%. This increase in percentage (from 11.5%) also reflects the falls in value of other asset classes in comparison to private equity.

Dividend reinvestments were made with 3i Group, CT Private Equity and Abrdn PE Opportunities Trust during the quarter, which all reflected that their shares were trading at significant discounts to the Net Asset Value. The total value of the dividends reinvested was approximately £741,000.

2. Leading movers during the quarter:

| | £m | % * |
|----------------------|------|-------|
| HGT | 1.4 | 7.9 |
| CT Private Equity | -1.7 | -11.8 |
| abrdn Private Equity | -2.9 | -9.9 |
| KKR (£ rebase) | 0.1 | -8.0 |
| ICG Enterprise | -0.7 | -7.0 |
| 3i | 0.1 | -0.3 |

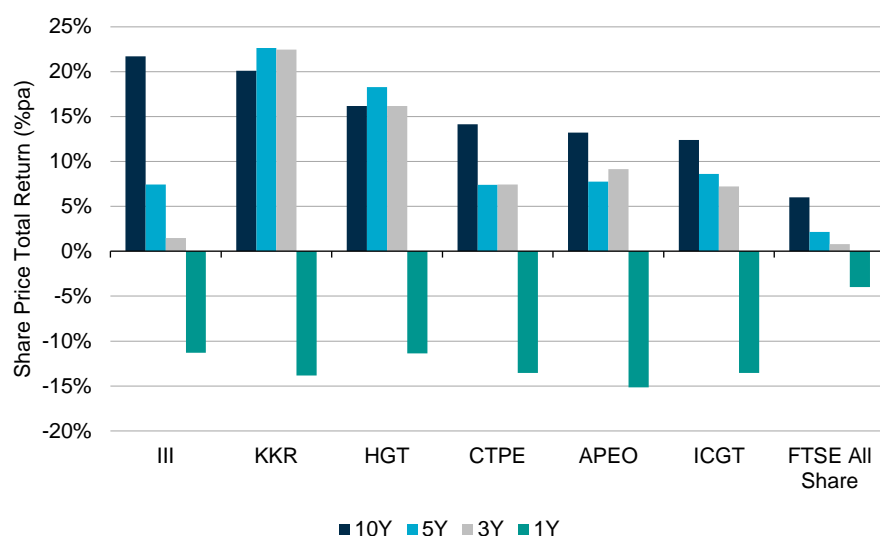
* = share price movements, source Google Finance

Values may include dividend reinvestments, so are not directly linked to the share price movement.

3. In this table I have given the longer-term performance of the main holdings, with the FTSE All Share for comparison. (Data to 30 September 2022)

| | III | KKR | HGT | CTPE | APEO | ICGT | FTSE All Share |
|-----|--------|--------|--------|--------|--------|--------|----------------|
| 10Y | 21.7% | 20.1% | 16.2% | 14.1% | 13.2% | 12.4% | 6.0% |
| 5Y | 7.4% | 22.7% | 18.3% | 7.4% | 7.8% | 8.6% | 2.2% |
| 3Y | 1.5% | 22.5% | 16.2% | 7.4% | 9.1% | 7.2% | 0.8% |
| 1Y | -11.3% | -13.8% | -11.4% | -13.5% | -15.1% | -13.6% | -4.0% |

The long term performance of these Trusts is shown even more clearly in this chart



4. Virtually all of the listed portfolio is now concentrated in 6 holdings:

| | Value (£m) | % |
|----------------|---------------|-------------|
| Hg Capital | 64.9 | 49.6 |
| abrdn PE | 19.6 | 15.0 |
| CT PE | 16.6 | 12.7 |
| 3i Group | 12.8 | 9.8 |
| KKR | 8.5 | 6.5 |
| ICG Enterprise | 8.4 | 6.4 |
| Total | £130.8 | 100% |

5. The remainder of the portfolio, with end September valuations in £ '000, comprises:

| | | |
|--------------------------------|-----|----------------------------------|
| Schroder Private Equity | 333 | Partial redemption in Q4 2021 |
| OxTech 2 (3) VCT | 154 | Merger of Fund 3 into 2 |
| OxTech 2 (4) VCT | 255 | Merger of Fund 4 into 2 |
| Base 4 | Nil | Written down to zero, March 2020 |
| Candover | Nil | Final liquidation. |

Unlisted portfolio

6. The totals of drawdowns and distributions by managers during the quarter, together with their end-quarter values, were as follows:

| | | (£m) | |
|--------------|-----------------------|-------------|--------------|
| Value | | Drawn | Distributed |
| 76.54 | Adams Street | 0.82 | 2.113 |
| 11.52 | Partners Group | Nil | 0.340 |
| 22.82 | Epiris | 6.22 | 10.97 |
| 6.74 | Longwall | 0.1 | Nil |
| 1.88 | Ox Tech ECF | Nil | Nil |
| 21.93 | Partners Infra | Nil | Nil |

7. Assuming exchange rates of \$1.19 = £1 and €1.14 = £1, I calculate that the aggregate commitments outstanding to each firm at end September were:

| | |
|-------------------------------|--|
| Adams Street | £9.09m |
| Partners Group | £ 9.1m* |
| Epiris | £ 7.66m (includes recallable distributions) |
| Longwall | £ 2.76m |
| Ox Tech ECF | £ 0.03m (+ £0.42m recallable distribution) |
| TOTAL (excl. Partners) | <u>£19.54m</u> |

*No drawdowns in the past 4 years, and none expected in the future.

Real Estate Partnerships

8. Outstanding Real Estate commitments are shown in the following table. The first four columns are in the currency of the fund.

| | Committed | Drawn | Undrawn | Distributed | Value (£m) |
|----------------------|-------------|--------------|-------------|--------------|-------------|
| PGRes09 (£m) | 15.0 | 14.30 | 0.70 | 18.20 | 3.24 |
| PGRes13 (\$m) | 25.0 | 17.99 | 7.01 | 16.30 | 7.98 |
| BPA3 (£m) | 10.0 | 10.94 | 1.23 | 9.27 | 8.45 |
| BPA4 (£m) | 10.0 | 9.86 | 2.47 | 4.50 | 9.15 |

[There are recallable distributions of £2.17m and £2.33m for BPA 3 and 4 respectively]
The aggregate value of the undrawn Real Estate commitments is **£10.21m**.

Infrastructure

9. As the first step in meeting the Pension Fund's 3% allocation to Infrastructure, a commitment of **€25m (£22m)** was made in Q2 2017 to **Partners Group Infrastructure 2015 Fund**; of this **€21.24m** had been drawn down by the end of September. The undrawn commitment equates to **£3.29m**.

Brunel

10. Future commitments to unlisted **Private Equity** will be made by Brunel Partnership on behalf of the Oxfordshire Fund. The sum of **£40m** was committed in July 2018 by Oxfordshire to Brunel to cover such investments over the following two years, with a further commitment of **£60m** made in April 2019. Brunel will draw on these commitments as and when required to meet drawdowns to new investments. In July 2018 Oxfordshire also committed to Brunel **£50m** in respect of **Infrastructure** and **£60m** for **Secured Income**, for investment during the next two years.
11. A total of **£220m** in additional commitments to Brunel were made in April 2020 as part of **Cycle 2**:
- **Private Equity - £70m**
 - **Infrastructure - £40m** -50% committed to a Stepstone Generalist Fund, and 50% to a Stepstone Renewables Fund
 - **Private Debt - £70m**
 - **Secured Income - £40m**

In addition, **£50m** was committed to Brunel in November 2020 to fund a number of **Real Estate** investments. The progress of the drawdown of commitments in the two cycles is shown in the following tables.

| Private Equity (£m) | Oxon commit | Brunel commit | Drawn | Undrawn |
|--------------------------|--------------|---------------|-------------|-------------|
| Cycle 1 | 100.0 | 106.0 | 55.8 | 44.2 |
| Cycle 2 | 70.0 | 75.0 | 17.6 | 52.4 |
| Total (Sept 2022) | 170.0 | 181.0 | 73.4 | 96.6 |

| Infrastructure (£m) | Oxon commit | Brunel commit | Drawn | Undrawn |
|--------------------------|-------------|---------------|-------------|-------------|
| Cycle 1 | 50.0 | 49.9 | 35.9 | 14.1 |
| Cycle 2 | 40.0 | 40.0 | 16.3 | 23.7 |
| Total (Sept 2022) | 90.0 | 89.9 | 52.2 | 37.8 |

| Private Debt (£m) | Oxon commit | Brunel commit | Drawn | Undrawn |
|--------------------------|-------------|---------------|-------------|-------------|
| Cycle 2 | 70.0 | 70.0 | 25.2 | 44.8 |
| Total (Sept 2022) | 70.0 | 70.0 | 25.2 | 44.8 |
| | | | | |

| Secured Income (£m) | Oxon commit | Brunel commit | Drawn | Undrawn |
|--------------------------|--------------|---------------|--------------|------------|
| Cycle 1 | 60.0 | 60.0 | 60.0 | 0.0 |
| Cycle 2 | 40.0 | 40.0 | 40.0 | 0.0 |
| Total (Sept 2022) | 100.0 | 100.0 | 100.0 | 0.0 |

12. The table below summarises the total of **£177.1m** in undrawn commitments which the Oxfordshire Fund had at end September 2022 in respect of Private Equity, Real Estate and Infrastructure, both from its own commitments and those made via Brunel in Cycles 1 and 2. The funding of Oxfordshire’s undrawn commitments to the three asset classes, totalling **£33.0m**, is expected to be covered by distributions from unlisted PE holdings and dividends from the listed PE portfolio. (The undrawn commitment of **£44.8m** to Private Debt has not been included in the table, as this will be funded from the Pension Fund’s Equity allocation).

| (£m) (£= \$1.19, €1.14) | Oxfordshire (undrawn) | Brunel (committed, undrawn) | Brunel (uncommitted) | Total |
|----------------------------|--------------------------|-----------------------------------|-------------------------|--------------|
| Private Equity | 19.5 | 96.6 | 0 | 126.2 |
| Real Estate | 10.2 | 9.6 | 0 | 21.3 |
| Infrastructure | 3.3 | 37.8 | 0.1 | 41.2 |
| TOTAL | 33.0 | 144.0 | 0.1 | 177.1 |

Commitments outstanding – September 2022

13. **Cycle 3 commitment**

In March 2022 the Pensions Committee agreed to adjusted asset allocations as detailed below, which forms the basis of the Cycle 3 commitments for the Fund with Brunel.

The current actual (as at 30 September 2022), target and agreed new target weightings are:

| | <u>Actual</u> | <u>Target</u> | <u>New agreed</u> |
|--------------------------------------|---------------|---------------|-------------------|
| Property | 8.0% | 8.0% | 8.0% |
| Private Equity | 11.6% | 9.0% | 10.0% |
| Multi Asset (DGF) | 5.0% | 5.0% | 0% |
| Infrastructure | 2.6% | 3.0% | 5.0% |
| Secured Income | 3.5% | 5.0% | 5.0% |
| Private Debt | 0.9% | 3.0% | 5.0% |
| Total Alternative Investments | 31.6% | 33.0% | 33.0% |

The main focus will therefore be to increase the allocations to Infrastructure and Private Debt, funded primarily from the Multi Asset (DGF) portfolio, while also increasing the actual allocation to Real Estate over time.

14. During Q3 2022 I attended the 3i and HG Capital investor webcasts, following their respective results.