

PE34. UK INFRASTRUCTURE

The Committee and Board considered a report by the Director of Corporate and Housing Services on the latest developments in identifying options for investing in UK infrastructure projects.

The report provided options for progressing investment in UK infrastructure including:-

- The Fund's commitment is £30m and being envisaged that monies would be invested in approximately 5 or 6 separate projects and providing appropriate diversification across the portfolio;
- That potential investment opportunities were sourced and analysed by the in-house investment team based in Edinburgh;
- That due diligence process included preliminary and final investment review meetings;
- The final investment decision being made by the Chief Finance Officer on a project by project basis; and
- That whilst investments were predominantly UK/Scottish, it is noted that some individual projects may contain a small element of continental European exposure.

The investments during 2015 included approximately 150 infrastructure investment opportunities were entered into the deal pipeline, of which 40 were deemed suitable, meeting the Fund's investment strategy criteria. 27 of these opportunities were rejected, while 9 remain in the deal pipeline. 4 investments were completed in 3 new investments and 1 follow-on investment.

The 3 new investments were classified under the Availability and Regulated risk type and involved assets in the UK (with 2 investments in Scotland). They were forecast to have target net returns of 7-9% per annum and were partially correlated with inflation, structured as single asset funds and led by different external specialist managers, whilst progressed alongside Lothian Pension Fund

Decision

The Committee and Board noted the report.