

# A private markets fund designed specifically for DC schemes

As a defined contribution (DC) pension fund provider, we aim to help our clients invest for the best possible outcomes. In our view, this means not only finding great investment opportunities, but also ensuring that these are accessible to schemes and members.



**Jesal Mistry**  
Head of DC Investments,  
Legal & General

Much has been said over the past several years about the potential benefits of private market investments, such as portfolio diversification and greater, long-term net of fees returns. Indeed, at Legal & General we have been investing in private markets for over 40 years and we believe they can be a valuable part of a portfolio. Defined benefit schemes (DB) have been taking advantage of these opportunities for decades. However, largely for operational reasons, up until recently, DC schemes have generally lacked access to them.

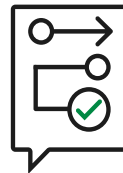
With the advent of the Long-Term Assets Fund (LTAF), private market investing has been opening up to more DC members. But, while LTAFs have certainly addressed some of the challenges faced by DC schemes, we believe there are still obstacles to making these investments truly accessible to DC. Recognising this and being in a position to address these difficulties with some of our existing strategies and expertise, we have structured the new L&G Private Markets Access Fund specifically to help mitigate against some of the challenges with liquidity, operations, valuations and taxation.

**The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested.**



## Enabling liquidity

DC schemes have continuous ebbs and flows of capital, so as well as the operational need for daily valuations, they require daily dealing. This can sometimes be problematic for the managers of a stand-alone LTAF who, to fund standard daily liquidity demands, may have to make decisions about which private market assets to dispose of, or simply hold a large allocation of cash within the fund. This can mean that investors' capital isn't working as hard as it could be.



We've addressed this by building our solution a little differently. We are offering an investment-focused DC solution providing total portfolio management within a unit-linked PMC fund, which offers daily dealing. Our LTAF, which accesses a diverse range of private market assets, sits inside the PMC fund. We also hold complementary public market investments within the PMC, but separately from the LTAF. These easily-traded assets enable us to satisfy 'noisy' daily dealing requirements driven by payroll and rebalancing, while not needing to hold large quantities of cash or make a forced sale of private market assets.

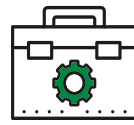
Further, one of the concerns some DC clients have is how they will divest in the event of, for example, a large asset allocation switch. In this case, we have a nine-month notice period and have structured the portfolio so that sufficient private market assets can be liquidated in this time frame.



### Operations and valuation

DC platforms are accustomed to daily liquidity requirements. This means that LTAFs which don't provide such a facility will require infrastructure and administration changes to be made to the platforms before they can be placed on them. As the L&G Private Markets Access fund is a PMC structure, many of which we already have on DC platforms, this should make for a smoother transition when adding the fund to platforms.

As already mentioned, there is a need for daily valuations. Individual members need to be able to see their up-to-date valuations and not stale pricing. The underlying LTAF is daily priced, therefore net asset value (NAV) updates from any private markets funds are fed through to it on a timely basis. We are also able to fair-value adjust third-party fund pricing, and we have put in place valuation checks, as well as regular formal reviews through the relevant internal oversight functions.



### Tax implications

Our unit-linked life fund structure provides a range of well-established tax benefits to UK DC investors. The LTAF will be structured as an authorised contractual scheme (ACS), therefore allowing efficiencies from a tax perspective to flow through while preventing unrecoverable corporate taxes from accruing within it.



### Conclusion

There are many reasons to use Legal & General for private markets investing, not least our size, scale and experience. However, without the requisite ability to invest and divest easily and efficiently, the benefits are, we believe, somewhat mitigated. In our view, this new, innovative structure is a critical milestone in the evolution and democratisation of the private markets asset class.

**Tax treatment is dependent on individual circumstances and subject to change. The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested.**



#### Notes:

1. The Fund does not apply exclusions criteria with respect to ESG characteristics. Consistency of ESG implementation is challenging in a fund-of-fund context in particular as we use funds from across various asset classes and include external funds. However, a portion of the other Funds which this Fund may hold units in may exclude investments in companies or issuers on LGIM's Future World Protection List, LGIM's Climate Impact Pledge and/or LGIM's Policy on Coal, from time to time. The proportion of other Funds that apply these exclusions will vary over time, with no guarantee that exclusions will be applied to all other Funds. Therefore, the Fund may have exposure to securities or issuers listed on the LGIM's Future World Protection List, LGIM's Climate Impact Pledge exclusions list and/or companies listed on LGIM's coal exclusions list under LGIM's policy on coal, from time to time. Changes to the proportion of other Funds that apply ESG-based exclusions criteria are not anticipated to have any material impact on the risk and reward profile of the Fund.

2. Liquidity management of the fund will be facilitated through standard daily dealing as with our other PMC funds.

Sufficient complimentary liquid assets are held to facilitate redemption requests. For greater structural demand for liquidity, so for example, an asset allocation switch by a scheme which requires a large redemption, the fund has clear guidelines in place with these largest requests subject to a 9 month notice period. The portfolio is structured in a way that sufficient private market funds can be liquidated in this time.

3. The Fund is not designed to be held as a complete portfolio and should be seen as an investment opportunity to add private markets exposure to an overall asset allocation.

4. The Fund does not apply exclusions criteria with respect to ESG characteristics. However, a portion of the other Funds which this Fund may hold units in may exclude investments in companies or issuers on LGIM's Future World Protection List, LGIM's Climate Impact Pledge and/or LGIM's Policy on Coal, from time to time. The proportion of other Funds that apply these exclusions will vary over time, with no guarantee that exclusions will be applied to all other Funds. Therefore, the Fund may have exposure to securities or issuers listed on the LGIM's Future World

Protection List, LGIM's Climate Impact Pledge exclusions list and/or companies listed on LGIM's coal exclusions list under LGIM's policy on coal, from time to time. Changes to the proportion of other Funds that apply ESG-based exclusions criteria are not anticipated to have any material impact on the risk and reward profile of the Fund.

5. Each of the fund ranges may, from time to time, apply certain ESG characteristics such as aiming to reduce carbon emission intensity over time, and/or by investing in other funds that apply ESG-based exclusions. The Fund aims to reduce the carbon emissions intensity over time within each phase (namely Growth and At Retirement), with a goal of net zero carbon emissions by 2050.

#### Key risks

The value of investments and the income from them can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance.

#### Important information

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This document does not explain all of the risks involved in investing in the fund. No decision to invest in the fund should be made without first reviewing the prospectus, key investor information document and latest report and accounts for the fund, which can be obtained from <https://fundcentres.lgim.com/>.

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