

THE  
GOOD  
ECONOMY

# GREATER MANCHESTER PENSION FUND ANNUAL ASSESSMENT OF THE PLACE-BASED IMPACT OF GMPF'S LOCAL INVESTMENT PORTFOLIO

OCTOBER 2024



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This report was commissioned by the Greater Manchester Pension Fund ("GMPF") and has been prepared by The Good Economy Partnership Limited (The Good Economy, or TGE), a leading independent impact advisory firm.

The findings and opinions conveyed in this report are based on information obtained from interviews with and portfolio data from the Greater Manchester Pension Fund. The information reviewed should not be considered as exhaustive and has been accepted in good faith as providing a faithful representation of the investment strategy and its underlying holdings. We have taken steps to ensure we do not intentionally or unintentionally inflate positive impact results or under-report negative impacts. However, we acknowledge there are limitations in the quantity and quality of data available. We have identified and explained the effect of these limitations on the presentation of impact performance to the best of our ability.

The Good Economy cannot and does not guarantee the authenticity or reliability of the information it has relied upon. The Good Economy reserves the right to alter the conclusions and recommendations presented in this report in light of further information that may become available.

The Good Economy accepts no duty of care, responsibility, or liability (whether in contract or tort including negligence or otherwise) to any person other than the Greater Manchester Pension Fund for any loss, costs, claims or expenses howsoever arising from any use or reliance on this report.



## GMPF – DEMONSTRATING THAT INVESTING LOCALLY MAKES A MEANINGFUL DIFFERENCE

GMPF's Local Investment portfolios have grown significantly and now have commitments of £913 million (Impact Fund) and £511 million (Greater Manchester Property Venture Fund). There is a growing interest from all stakeholders to understand the impacts being achieved from these portfolios.

At GMPF, we place importance on assessing the risk, financial return and social, economic and environmental impacts of every local investment we make. We believe this represents a responsible way to invest.

We invited The Good Economy to review our local investment portfolios for the first time in 2023. The report was well received by stakeholders, and we have commissioned them to carry out the report again for this year. They have undertaken an independent review of our approach to local investing, to see if we are achieving our impact ambitions. This report presents what they found.

The assessment combines an analysis of our investment portfolio data, deeper dive case studies and verification work that assessed the place-based impact investing practices of a sample of our fund managers.

The report is timely, with the wider national focus on the Local Government Pension Scheme and investing more in the UK and locally. GMPF have been at the forefront of Place Based Impact Investing for the last ten years. By understanding what impacts are being achieved from our local investments, our aim in publishing this report is to hold ourselves accountable for the continual improvements we seek to make. We hope to encourage other investors to scale-up their local and regional investments by sharing our experience and working with others looking to contribute to sustainable economic development across the United Kingdom.

**Councillor Gerald Cooney, Chair – GMPF**

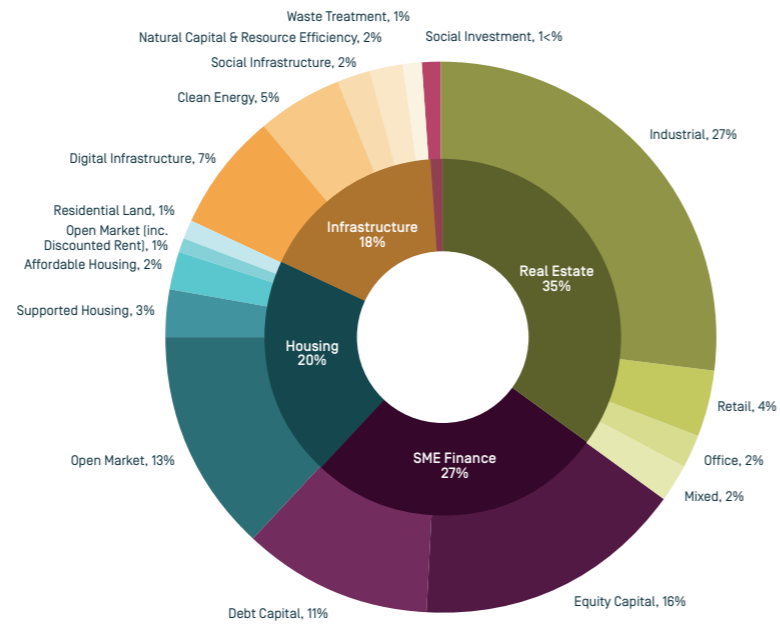
# HEADLINE RESULTS

As of 31 December 2023

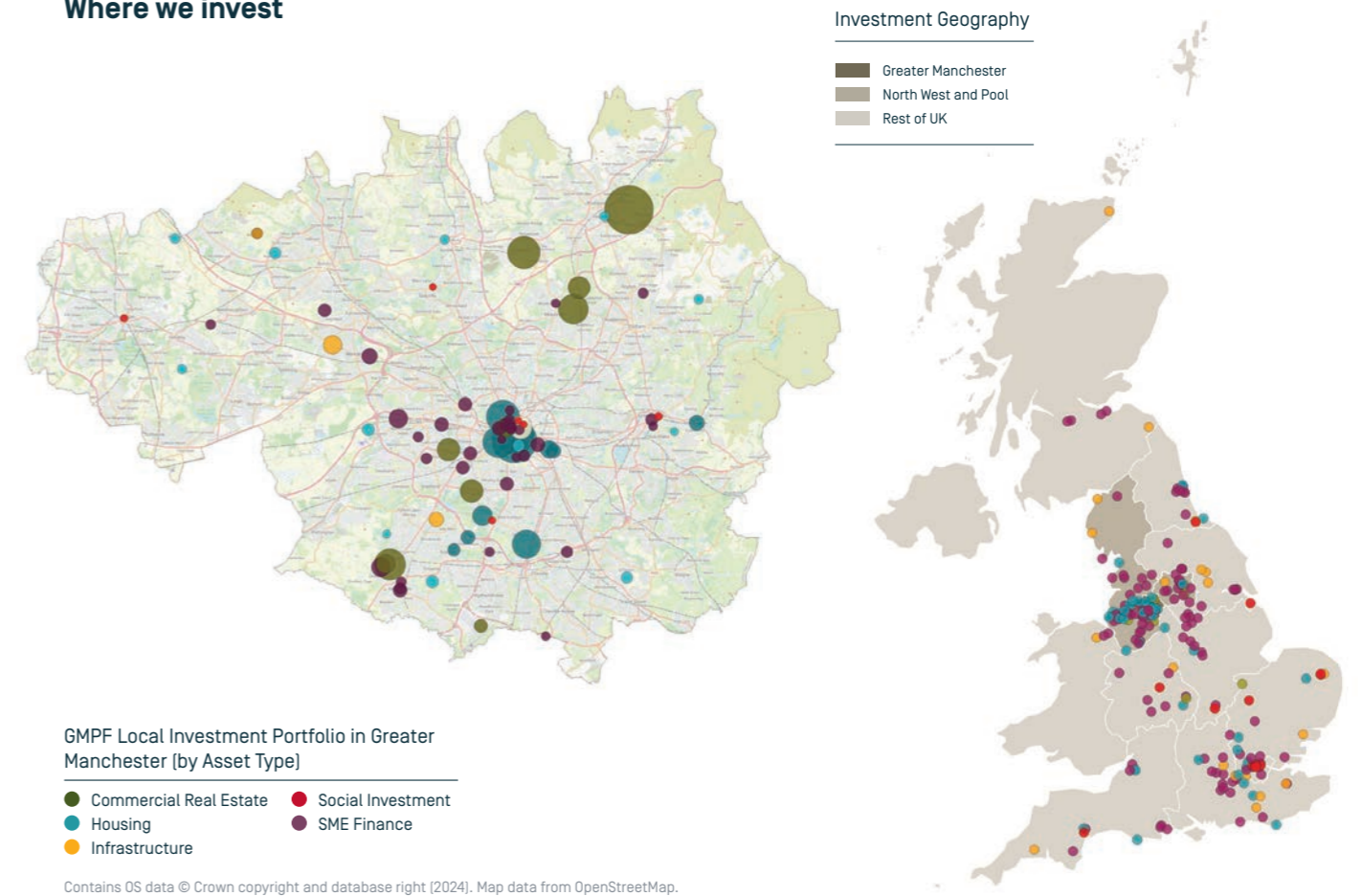
## Greater Manchester Pension Fund (GMPF) makes a 5% allocation to local investments that aim to positively benefit Greater Manchester and the North West.

- £1.42 billion committed to the Local Investment portfolio, accounting for 4.8% of GMPF value
- £858.2 million invested
- 44 funds, including:
  - > 19 predominantly targeting the North of England
  - > 11 of which are regional investment vehicles exclusively for GMPF

## What we invest in



## Where we invest



## How our investments support the Region



### Supporting jobs through SME finance

- **16,141** jobs supported, 30% by businesses in the North West
- A further **2,563** jobs supported in the operations of sustainable infrastructure assets
- **6,372** jobs created, 33% by businesses located in the North West
- **3 out of 4** businesses that have received funding demonstrate job growth



### Property-led economic development

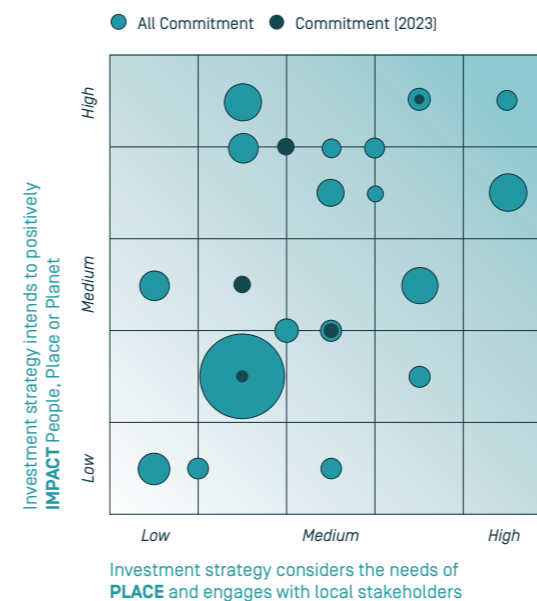
- **21** commercial real estate assets supporting **7,545** jobs, 83% in the North West



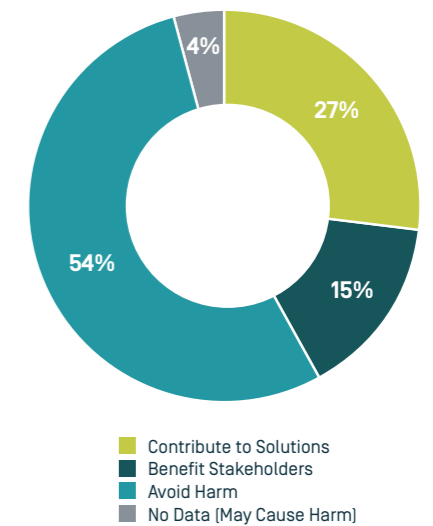
### Supporting place-based priority development needs

- **3,541** homes completed, in development or planned, of which 64% are in the North West
- **6** nurseries with 586 childcare spaces
- **1** SEN school with capacity for 60 children
- **1** primary healthcare facility in Greater Manchester
- **3** digital infrastructure assets, **2** of which operate in the North West serving nearly 9,000 customers
- **8** clean energy and **5** sustainable infrastructure assets including a habitat bank with 23 sites

## How our investments align with the traits of Place Based Impact Investing



## Alignment with IMP considerations [% of value invested]



Based on The ABC of Impact, Impact Frontiers

# EXECUTIVE SUMMARY

## Purpose and Methodology

The purpose of this report is to assess the impact performance of Greater Manchester Pension Fund (GMPF)'s Local Investment portfolio on behalf of GMPF, its members, and the region's businesses and communities.

We used the industry-endorsed Place-Based Impact Investing (PBII) Reporting Framework as the foundation for this assessment. The report findings are based on the resulting portfolio analysis, as well as case studies and an independent assurance of selected disclosures in accordance with the internationally recognised AccountAbility AA1000 Assurance Standard.

## About GMPF's Local Investment Strategy

Local investment has been a consistent part of GMPF's strategy for over 25 years. GMPF continues to be intentional about investing to benefit the region and learns from and develops its place-based impact investment approach on an ongoing basis.

GMPF allocates up to 5% of its investment value to local investments, with 'local' defined as Greater Manchester and the North West of England.<sup>1</sup>

The Local Investment portfolio comprises two distinct investment mandates and investment strategies:

- **The Impact Portfolio** invests in qualified fund managers who invest on GMPF's behalf, seeking diversified exposure to a portfolio of impact-driven investments across asset classes, with core impact themes of job creation and place-making.
- **The Greater Manchester Property Venture Fund (GMPVF)** makes direct property investments across real estate asset classes that facilitate job creation, sustainable employment and the advancement of local and regional development. GMPVF is managed by CBRE Investment Management.



## Portfolio Analysis

The Local Investment portfolio is a balanced, multi-asset portfolio comprising investment in SME finance, commercial real estate, residential housing, social and green infrastructure, and social investment. As of 31 December 2023, GMPF had committed £1.42 billion to the portfolio (4.8% of the overall value of GMPF), of which 64% was allocated to the Impact Portfolio and 36% to the GMPVF.

The Impact Portfolio has committed £913.2 million to 43 funds managed by 19 investment managers – half of which (£465 million) has been invested. During 2023, GMPF invested £85 million in five new funds (one real estate/housing fund and four SME finance funds). About half of the total investment (49%) is in funds providing debt and equity finance for SME businesses, with the intention to contribute to GMPF's Jobs impact theme. The remaining investment is into funds with investment strategies that contribute towards GMPF's Place impact theme, including clean energy, digital infrastructure, healthcare and education facilities and support for social enterprise development.

GMPVF has total commitments of £510.7 million, of which over three quarters (£393.6 million) has been invested into a total of 24 assets: 15 commercial real estate assets (73% of invested capital) and 9 housing schemes (27% of invested capital). During 2023, GMPVF committed £19.8 million to the development of a new logistics facility in Widnes and sold two housing assets.

Two thirds of the Local Investment portfolio is invested in Greater Manchester and the North West, comparable to last year.

Overall, 27% of the value committed by the Local Investment portfolio is to funds with a Medium (or higher) alignment with the PBII traits (in terms of both impact and place), up from 23% in 2022.

## Impact Performance

The Local Investment portfolio is expected to contribute to the following impact themes: Jobs, Economic Development and Place.

### Contributing to jobs through SME finance

The Local Investment portfolio has provided debt or equity capital (via SME funds) to 162 businesses, which has helped to support over 16,000 jobs<sup>2</sup> and create 6,300 jobs,<sup>3</sup> of which 33% are in the North West. During 2023, a total of £43 million was disbursed to 51 businesses, of which 60% are based in the region.

The jobs are distributed across all sectors of the economy, from strategic growth sectors such as life science research and innovation through to foundational sectors such as healthcare and housing.

### Property-led economic development

The Local Investment portfolio has committed £332 million to 21 commercial real estate assets – 15 in GMPVF and 6 in the Impact Portfolio. Of these sites, 12 are industrial, 6 are offices, 2 are retail and/or leisure facilities, and 1 is vacant land ready for development.

Collectively, these sites will provide at least 489,000m<sup>2</sup> of commercial real estate with an estimated capacity for over 7,500 people. Of these assets 90% are located in the North West. This equates to 83% of the total job spaces created (actual and expected) being in the region.

### Supporting place-based priority development needs

The Local Investment portfolio is helping to deliver on the region's priorities which include delivering new homes, supporting the development of resilient, safe and vibrant communities, access to services through social and digital infrastructure, and responding to the climate emergency.

The Local Investment portfolio has invested £173 million into 9 funds that have collectively invested in over 3,500 homes,<sup>4</sup> of which 64% are in the North West.

Infrastructure investments now account for 18% of the Local Investment portfolio's invested capital – up from 12% last year. This is due to a significant increase in digital infrastructure investment in the period, such as into fibre broadband providers. Alongside digital infrastructure, the Local Investment portfolio has invested in social infrastructure, with assets including (but not limited to) nurseries, SEN schools, healthcare facilities, waste treatment facilities, and sustainable infrastructure including a windfarm and a habitat bank.

## Financial Performance

The Local Investment portfolio has an overall financial return target of RPI +4%, with recognition there will be a range of risk, return and impact performance across the portfolio.

### GMPVF

Although the GMPVF portfolio is still relatively immature, its latest performance review provides strong evidence that the portfolio is on track to achieve the return objective over the medium to long-term. The overall IRR position for the GMPVF is 4.9% as of the end of December 2023, with an IRR of 6.1% for those investments exited to date.

### The Impact Portfolio

The Impact Portfolio has investment in funds that are at different stages of maturity. For 2023, GMPF included only those funds that are mature (i.e. more than 4 years old) in the financial returns calculation to increase reliability. As of 31 December, 2023, the IRR position of the mature investments of the Impact Portfolio was 3.6%, compared to 5.3% last year. Overall performance has been affected by a number of the earliest commitments. The GMPF investment team continues to engage with the fund managers concerned to identify the issues underlying poor performance and agree strategies to achieve best value. The best performing funds within the portfolio continue to be the private equity funds.

The performance of funds exited to date provide GMPF with confidence that the Impact Portfolio will achieve the target financial returns over the long-term.



1. "Local" is defined by GMPF as Cheshire, Cumbria, Greater Manchester, Lancashire, and Merseyside with the addition of West Yorkshire which is in the Northern Pool.

2. A further 2,563 jobs were supported in the operations of sustainable infrastructure assets totaling 18,843 jobs supported. In 2022 the same figure was 18,300.

3. In 2022, over 7,500 jobs created was reported. The decrease is due to a number of successful exits during 2023, three of which accounting for almost 1,400 jobs created.

4. In 2022, 4,395 homes were in the portfolio. The decrease in 2023 was due to four housing investments being realised, accounting for 1,402 homes.



## Conclusions and Recommendations

- The Local Investment portfolio is a balanced, multi-asset portfolio which contributes, in a variety of ways, to regional and local development priorities. Two thirds (66% of the value of investment) is in Greater Manchester and the North West of England, illustrating GMPF's role in the region's local economic and sustainable development. Our case study assessments have provided anecdotal evidence of the tangible benefits experienced by the local businesses, people and places due to these investments.
- GMPF continues to be an active and engaged investor. The investment team collaborate with investment managers to establish vehicles for local investment in the region, demonstrating GMPF's additionality beyond which may have otherwise occurred. 27% of the value committed by GMPF's Local Investment portfolio is to funds with a Medium (or higher) alignment with the PBI traits (in terms of both impact and place). This is up from 23% in 2022.
- GMPF has acted on some of the recommendations in last year's impact assessment; notably our encouragement for GMPF to seek ways in which to target investment into

the region's smaller towns to support more balanced and inclusive regional growth. CBRE Investment Management has actively engaged in conversations with all local authorities in Greater Manchester about possible investment opportunities which is encouraging.

- We recommend that GMPF develop a more rigorous theory of change to better define the linkages between its impact themes, sub-themes and positive outcomes. This will enable GMPF to better understand, and evidence, the link between investment activity and the desired impact. Confidence in these assumptions will enable GMPF to focus investment where it will be most effective.
- GMPF should encourage its partner fund managers to improve their impact data collection and reporting practices. This includes collecting consistent data relevant to GMPF's impact themes, both at the output and outcome level. We see the funds where GMPF has the greatest influence, particularly those with exclusive mandates, to be good opportunities to see how impact reporting can be enhanced.

# 1. INTRODUCTION

## The Local Investment Portfolio

The Greater Manchester Pension Fund (GMPF) is the largest local government pension fund in England and Wales, with £29.5 billion Assets under Management (AUM) as of December 2023.

GMPF allocates up to 5% of its investment value to local investments with 'local' defined as Greater Manchester and the North West of England.<sup>5</sup>

Local investment has been a consistent part of GMPF's strategy for over 25 years. GMPF continues to be intentional about investing to benefit the region and learns from and develops its place-based impact investment approach on an ongoing basis.

The Local Investment portfolio comprises two distinct investment mandates and investment strategies. Both target a financial return of RPI+4%.

**Table 1: GMPF's Local Investment portfolio Investment Approach and Impact Themes**

Local Investment Portfolio	Investment Approach	Allocation	Impact Themes	Impact Sub-Themes
<b>Impact Portfolio</b> (40% of GMPF's Local Investment Portfolio)	<b>Outsource investment to qualified fund managers</b> who invest on GMPF's behalf, seeking diversified exposure to a portfolio of "impact" investments located predominantly in the North West of England  Structure investments to incentivise local investment e.g. through co-creating side vehicles in national funds with a regional allocation.	2% of GMPF's total investment value	Jobs	Loans to SMEs
				Equity Investment in underserved markets
			Place	Investment in technology jobs
				Renewable energy infrastructure
<b>Greater Manchester Property Venture Fund</b> (60% of GMPF's Local Investment Portfolio)	<b>Invest directly in property assets and joint ventures</b> through an Investment Management Agreement with CBRE Investment Management, to gain diversified exposure to property development assets (such as housing, retail, and office units) located predominantly in the North West of England and with a clear emphasis on Greater Manchester.	3% of GMPF's total investment value	Economic Development	Social investment
				Social infrastructure
				Housing/property development in underserved markets
				Generate employment
				Improve long-term employment prospects
				Contribute to the overall development of the local economy

GMPF has built an investment team with the skills and competence to assess local opportunities across a wide range of asset classes and investment strategies. It has a clear governance and investment process and has developed strong relations with Greater Manchester Combined Authority (GMCA) and local authorities, as well as developers and project originators in Greater Manchester and the wider region. Impact considerations are based on the themes and sub-themes detailed in Table 1, with investments intended to deliver against the following outcome areas: 'Targeting underserved markets', 'Promoting health and wellbeing', 'Supporting Improvement in Education and Skills', 'Supporting Sustainable Living', 'Renewable energy generation' and 'Job creation/safeguarding'.

5. "Local" is defined by GMPF as Cheshire, Cumbria, Greater Manchester, Lancashire, and Merseyside with the addition of West Yorkshire which is in the Northern Pool.

## The Impact Portfolio

The Impact Portfolio strategy is to deploy in the region of £80 million per year into four or five funds, with an average investment size of £20 million and a minimum investment of £10 million. Over the years, GMPF has developed its investment approach to focus on more experienced, larger national managers who demonstrate a commitment and capability to scale-up their investments in the North West, alongside smaller regionally focused funds.

The GMPF team have found that the number of impact-focused fund managers has grown significantly in recent years as has the interest in place-based impact investing. A recent market sizing confirms this, with the market estimated to now be £76.8 billion in assets under management, representing a 10.1% compound annual growth rate since the beginning of 2021. A recent trend within the market was the increasing focus on PBII as an investment practice as well as the emergence of new PBII funds.<sup>6</sup>

## The Greater Manchester Property Venture Fund (GMPVF)

GMPVF is managed by CBRE Investment Management, who took over the mandate from Avison Young during 2023. It is CBRE's role to originate investment opportunities and carry out due diligence and financial structuring. This investment strategy requires close engagement with GMCA and local authorities, as well as local developers, to identify investments that meet local economic development priorities. Some of these investments combine public and private investment and GMPF is open to exploring innovative funding solutions, making best use of both sources of capital.

GMPF is continually seeking to increase its allocations across its impact themes. Since last year's report this has included scaling-up investments in affordable housing and social infrastructure, as well as investing beyond the city centre so as to benefit smaller towns and under-invested areas.

## About Greater Manchester

Over the last two decades, Greater Manchester has experienced some of the highest growth rates outside of London and the southeast of England. Despite this economic resurgence, the city region still faces some of the highest rates of poverty and deprivation in the country: 25% of Greater Manchester's population live in the most deprived 10% of neighbourhood areas nationally.

The Greater Manchester Combined Authority (GMCA) has a 'Good Lives for All' strategy which aims to deliver inclusive and sustainable development and tackle the interconnected challenges of climate change and inequality. This strategy, which runs from 2021-2031, has three core themes:

- ▶ A **Greener** Greater Manchester: Responding to the climate emergency and achieving carbon-neutrality by 2038.
- ▶ A **Fairer** Greater Manchester: Addressing inequalities and improving wellbeing for all, including through access to good jobs, transport, health and housing.
- ▶ A **Prosperous** Greater Manchester: Driving local and UK growth, with a focus on health innovation and life sciences, manufacturing, digital and creative clusters, and clean growth.

The strategy aims for Greater Manchester to be;

- ▶ A leading city-region in the UK and globally.
- ▶ Where people have good lives, with better health; better jobs; better homes; culture and leisure opportunities; and better transport.
- ▶ Where diverse businesses can thrive, and people from all communities are supported to realise their potential.
- ▶ Where business growth and development is driven by an understanding that looking after people and planet is good for productivity and profitability.
- ▶ Where there are vibrant and creative communities, a great place to grow up get on and grow old, with inequalities reduced in all aspects of life.

Through its local investment portfolios, GMPF aligns with GMCA's priorities while remaining faithful to its fiduciary responsibility of delivering financial returns that secure the pension needs of its members.



## Assessment Methodology

This is our second report for GMPF. It provides an independent assessment of the place-based impact of GMPF's Local Investment portfolio over the 12 months from January to December 2023 and, where appropriate, compares with last year's analysis to identify and understand differences in the results.

The assessment is underpinned by the Place-Based Impact Investing (PBII) Reporting Framework, developed by TGE in collaboration with a group of asset managers, local authorities and local government pensions funds, to provide a common, consistent, and transparent approach to reporting the impact of private market investments across geographies and asset classes.

The performance assessment is informed by mix of quantitative and qualitative data. This includes:

- ▶ Portfolio-level data provided by the investment managers of the underlying funds in GMPF's Local Investment portfolio<sup>7</sup>
- ▶ Interviews with relevant GMPF staff
- ▶ Interviews with GMPF's partner investment managers
- ▶ Site visits to selected schemes and interviews with local stakeholders.

## Independent Assurance

A critical step in the assessment process was assessing a sample of information provided by investment managers using a leading sustainability assurance standard (AA1000 AS v3). This assessed the quality and reliability of place-based measurement, management and reporting as well as reported data on number and quality of jobs supported. Please see Appendix 2 for more information.

7. This involved a comprehensive data collection process using the Place-Based Impact Investing (PBII) Reporting Framework. Fund managers self-assess their investment strategies against the PBII traits and asset-level impact against Impact Frontiers' ABCD/M categorisation of impact. All data returns, including self-assessments, are reviewed but not assured by TGE.

6. The UK impact investing market. Size, scope, and potential. 2024 Edition. Impact Investing Institute.

## 2. PORTFOLIO ANALYSIS

### Overview of the Local Investment Portfolio

The Local Investment portfolio is a balanced, multi-asset portfolio with commitments across a wide range of investment areas, including housing, infrastructure, and SME finance. As of December 2023, GMPF has committed £1.42 billion to the portfolio (4.8% of the overall value of GMPF), of which 64% was allocated to the Impact Portfolio and 36% to the GMPVF. In 2023, £105 million was committed to four new funds, one direct investment and an increased commitment to an existing fund.

Just over 60% of the capital committed to the Local Investment Portfolio – totalling £858.2 million – is currently invested.

### The Impact Portfolio

The Impact Portfolio has committed £913.2 million to 43 funds managed by 19 investment managers,<sup>8</sup> over half of which (£465 million) has been invested. These funds have varying investment strategies and asset class compositions, investing both regionally and nationally.

In 2023, GMPF made the following new commitments totalling £85 million:

New Commitments 2023	£million	Impact Theme	Geographic Focus	GMPF Share [%]
Cheyne Impact Real Estate Trust	20	Social Infrastructure	National	19%
Palatine Growth Credit Fund I LP	20	Loans to SMEs	National	27%
Panoramic SME Fund 3 LP	20	Equity investment	Northern England, Scotland, Northern Ireland	19.5%
TDC Impact Fund*	15	Loans to SMEs	North of England	49.7%
TDC Impact RC Fund	10	Loans to SMEs	North West England	100%
<b>Total</b>	<b>85</b>			

\*Top up commitment.

About half of the total investment (£229.4 million, 49%) is in funds providing debt and equity finance for SME businesses, with the intention to contribute to GMPF's **Jobs impact** theme.

The remaining investment is in funds with investment strategies contributing to GMPF's **Place impact** theme. A third of total investment (£151 million) has gone towards infrastructure assets including clean energy, digital infrastructure, healthcare and education facilities. £64.7 million (14% of capital) into housing, which includes Specialist Supported Housing (SSH) for residents with a variety of support needs (40% of housing investment), Affordable housing for those at risk of homelessness (26%), open market housing for either private sale or rent (20%), land

allocated for residential use (8%) and homes for older people (6%). The remaining £19.6 million (4%) of investment is in Commercial Real Estate such as office and SME workspace, and Social Investment which includes social outcomes contracts and social bonds designed to help social enterprises and charities scale-up the delivery of social services for more vulnerable people.

The level of drawdowns across funds in 2023 was £126 million, 55% more than the previous year. Of this, three quarters (£92 million, 73%) has been invested into new (to the Impact Portfolio) or existing businesses and assets.

### In 2023, GMPF committed a further £85 million to the Impact Portfolio

Funds in the Impact Portfolio invested £92 million in underlying businesses and assets:

- ▶ £43 million (47%) invested in debt and equity finance to SMEs
- ▶ £38.5 million (33%) invested in infrastructure, with the majority in digital infrastructure
- ▶ £10.4 million (11%) invested in housing, including supported housing, discounted rental properties and open market housing
- ▶ £28,000 (less than 1%) in new social investment for social enterprises and charities.

### The Greater Manchester Property Venture Fund (GMPVF)

GMPVF is a direct investment vehicle comprising investments in commercial real estate – such as new office, retail, and hotel developments – and residential housing, including open market build-to-rent (BTR) and family housing. GMPVF is active across Manchester and the wider region, working in partnership with local developers, the combined authority, local councils and other investors.

Of the £510.7 million committed to GMPVF, over three quarters (£393.6 million) has been invested into a total of 24 assets; 15 commercial real estate assets (73% of invested capital) and 9 housing schemes (27% of invested capital). GMPVF wholly owns 63% of these assets and is a majority shareholder for the rest, except one asset where GMPVF has provided 34.5% of the total loaned.

In 2023, GMPVF committed £19.8 million to the development of a new industrial facility in Widnes (although capital is yet to be drawn) and sold two Manchester city centre housing developments with a combined investment value of £50 million. One scheme was sold to a BTR operator and the other is being sold as individual apartments to owner-occupiers and investors. Neither scheme included affordable housing.



### GMPVF's New Fund Manager – CBRE Investment Management (CBRE)

In December 2023, GMPVF transferred the management of its portfolio from Avison Young to CBRE when the contract was up for renewal.

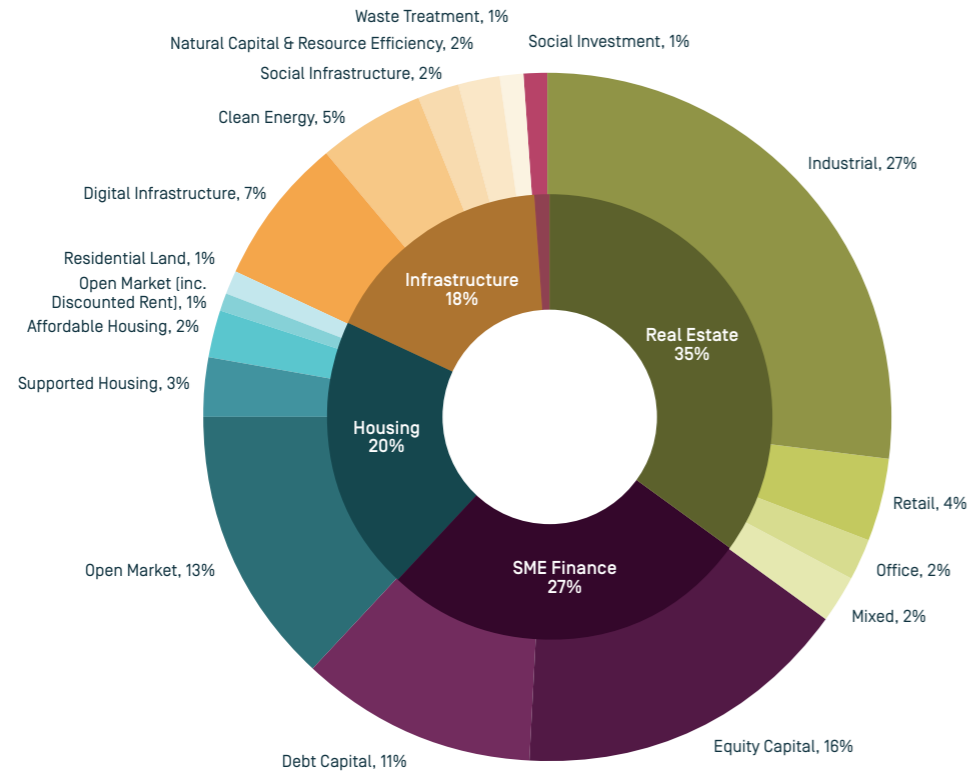
CBRE is one of the UK's largest and most established firms in commercial real estate services and investments. CBRE has a strong presence in the region, with offices in Manchester city centre. GMPF hopes that the manager's knowledge of the local market, and corresponding access to regional opportunities, will benefit the portfolio and increase its local impact, particularly in terms of making more investments in smaller towns in support of local economic growth and development.

Since being appointed, CBRE has engaged with all 10 local authorities in Greater Manchester to discuss GMPVF's impact intentions and appraise possible local investment opportunities.

8. The analysis conducted in this report covers 96% of the value committed to GMPF's Impact Portfolio. Five funds have been excluded as they have few, if any, assets remaining and are being managed out by their respective investment managers.



Figure 1: The Local Investment Portfolio, by asset class and investment value



Two thirds of the Local Investment portfolio is invested in Greater Manchester and the North West, comparable to last year.

The geographic focus is driven by GMPVF's portfolio, which is wholly located in the region, compared to just over a third of the Impact Portfolio's invested capital.<sup>9</sup> In 2023, 56% of the value of the Impact Portfolio's investment was located in the North West. This has increased the Impact Portfolio's regional allocation from 35% of invested capital in 2022, to 37% as of the end of 2023.

Figure 2: The Local Investment Portfolio, by geography and investment value

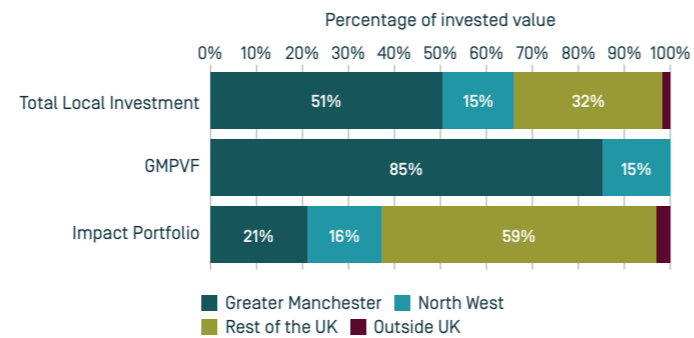
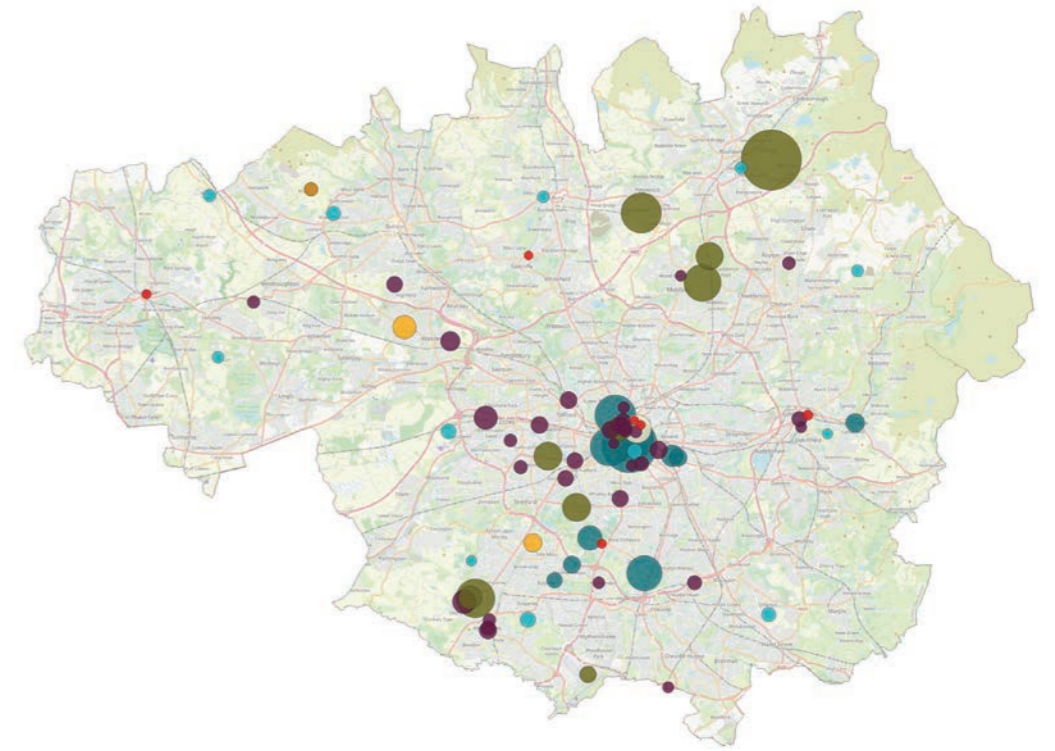


Figure 3: The Local Investment Portfolio in Greater Manchester and beyond, by asset type and value

GMPF Local Investment Portfolio (by Asset Type)

- Commercial Real Estate
- Housing
- Infrastructure
- Social Investment
- SME Finance

Contains OS data © Crown copyright and database right (2024). Map data from OpenStreetMap.

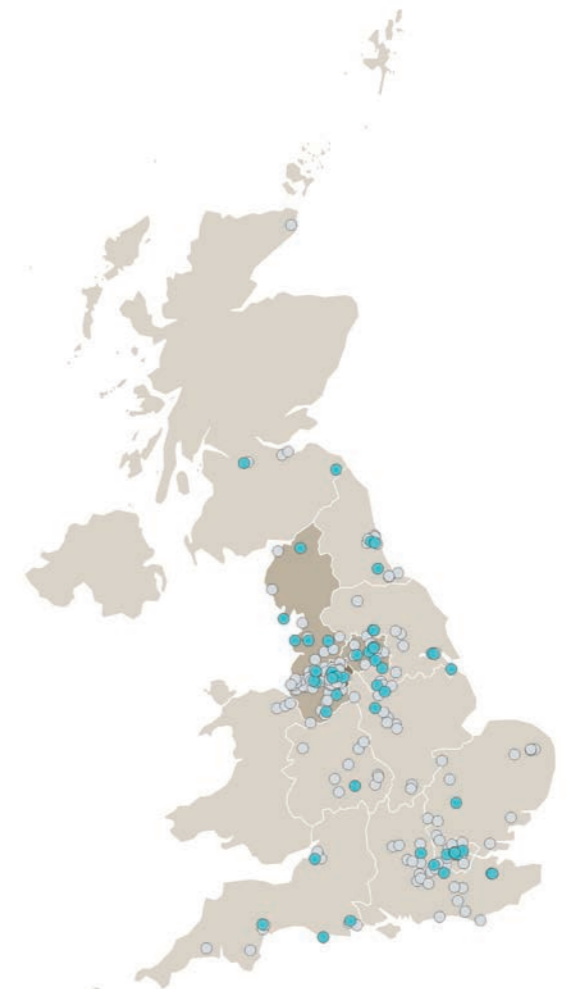


Location of Assets

- New Asset
- Existing Asset

Investment Geography

- Greater Manchester
- North West and Pool
- Rest of UK



9. Of the 63% of capital invested outside of the region, 3% is invested outside of the UK. This includes a business that was originally UK-based but relocated to the US during the investment period, a clean energy business in Germany and a social outcomes contract in the Netherlands. GMPF now specifies in its new investment agreements that it is able to opt out of all investments outside the UK. This does not apply to investment in existing funds.

### Alignment with Place-Based Impact Investing

Place-Based Impact Investing (PBII), at its core, means investing in a way that responds to locally identified needs and priorities and benefits local people.

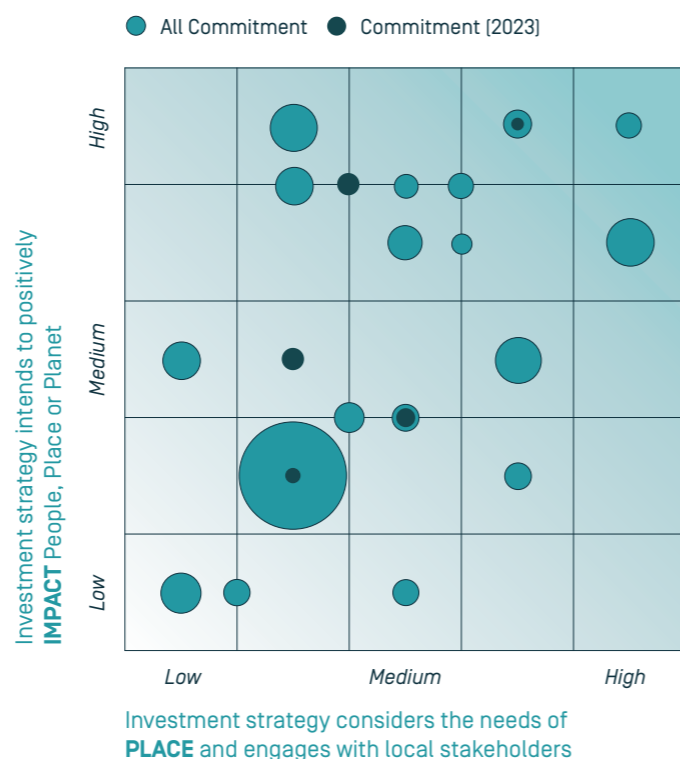
As outlined in a 2021 White Paper,<sup>10</sup> the approach has several traits, which include identifying and meeting local needs, making decisions to maximise local benefits, collaborating with local stakeholders, and listening to community voice.

Investment managers were asked to self-assess against the traits so that GMPF could better understand the extent to which **Place** and **Impact** is integrated into investment strategies and decision making [see Figure 4]. Those that display the highest alignment to PBII are specialised, impact-driven funds with a regional focus, such as affordable housing funds in Greater Manchester. Those with the least alignment tend to be property funds. This is because, despite investing in a place, they are not intentionally investing for a place in terms of creating positive impact. Similarly, some of the debt and equity funds provide loans to SMEs that are not geographically bound and not always impact focused.

Overall, 27% of the value committed by the Local Investment portfolio is to funds with a Medium (or higher) alignment with the PBII traits (in terms of both impact and place), up from 23% in 2022.

This increase is due to the Impact Portfolio making up a greater proportion of the Local Investment portfolio, relative to last year. Nevertheless, GMPVF remains the largest investment in the portfolio with a low PBII alignment, heavily influencing the overall alignment of the Local Investment portfolio.

Figure 4: The PBII alignment of the Local Investment Portfolio, according to committed value



The methodology relies on a self-assessment against the PBII traits. For a small sample of funds, the assessment is verified through an independent assurance process to provide confidence in the results [see page 20 for more information].

10. [Scaling Up Institutional Investment For Place-Based Impact White Paper, 2021.](#)

## 3. IMPACT PERFORMANCE

This section provides an assessment of the impact of the Local Investment portfolio.

Due to the wide-ranging nature of asset classes and fund strategies, availability of standardised data is restricted to output data – which only tells part of the impact story. Nevertheless, much can be inferred from the portfolio information, with certain asset classes being more closely associated with generating positive social and environmental outcomes.

To have confidence in these assumptions, we have conducted illustrative case studies for a sample of funds and their underlying investments [see Section 4: Case Studies]. These case studies provide a deeper and more grounded understanding of GMPF's contribution to local impact creation.

The Local Investment portfolio expects to contribute to the following impact themes: **Jobs, Economic Development and Place.**

It is worth noting that these 'impact themes' are as defined in GMPF's agreed investment mandate for the Local Investment portfolio (see Table 1). We believe it would be beneficial for GMPF to go through an exercise to develop a clearer Theory of Change for its local investment strategy and define impact themes in relation to place-based outcomes that align with local and regional development priorities. However, we have structured this performance analysis in relation to the existing impact themes and framework.

### Contributing to Jobs through SME Finance

Businesses in the North West are less likely to receive debt, venture capital or equity finance than their national counterparts, particularly compared to businesses in London and the surrounding regions.<sup>11</sup> GMPF provides capital to this underserved market through its investment in SME finance funds.

The Local Investment portfolio has committed £515 million to 23 SME finance funds managed by 10 fund managers. Five of these funds, each with different managers, are exclusive to GMPF and have been set up to invest only in the North West.

As of 31 December 2023, 162 businesses had received debt or equity funding from the Local Investment portfolio totalling £230 million. During 2023, a total of £43 million was disbursed to 51 business, of which 60% are based in the North West.

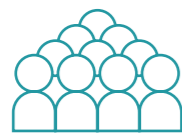


These investments are helping to safeguard and generate new jobs. At least 16,000 jobs<sup>12</sup> have been supported and 6,300 jobs<sup>13</sup> created by businesses that have received GMPF's capital to date – 33% of which are in businesses in the North West.

11. British Business Bank Nations and Regions Tracker 2022, Venture Capital, Nineteenth Report of Session 2022–23, House of Commons Treasury Committee, How Big is the North South Divide, Beauhurst June 2023.

12. A further 2,563 jobs were supported in the operations of sustainable infrastructure assets totaling 18,843 jobs supported. In 2022 the same figure was 18,300.

13. In 2022, over 7,500 jobs created was reported. The decrease is due to a number of successful exits during 2023, three of which accounting for almost 1,400 jobs created.



**16,141 jobs supported**  
30% are in businesses in the North West

**Of jobs created 33% are in businesses located in the North West**



**3 out of 4** businesses that have received funding demonstrate job growth



The jobs supported and created are distributed across all sectors of the economy, from strategic growth sectors such as life science research and innovation through to foundational sectors such as healthcare and housing.

Half the businesses that received funding in 2023 pay the Real Living Wage or higher. Of the 48 businesses in the portfolio where data is available – accounting for 30% of all recipients – 60% pay employees the Real Living Wage or higher.<sup>14</sup>

### Independent Assurance of Jobs Data

To increase confidence in the quality of data on which portfolio-level analysis is based, TGE conducted an independent assurance of the credibility and reliability of selected disclosures reported by investment managers using a leading sustainability assurance standard (AA1000 AS v3).

Impact data related to job quantity and quality was subject to independent assurance for a sample of funds in the GMPF portfolio.<sup>15</sup> A summary of the assurance and findings can be found in Appendix 2.

### Investing in Property-Led Economic Development

GMPF has been an active investor in property-led development within the city centre and wider region. The Local Investment portfolio has committed £332 million to 21 commercial real estate assets – 15 in GMPVF and 6 in the Impact Portfolio – which will collectively provide over 489,000m<sup>2</sup> of commercial real estate with an estimated capacity for over 7,500 people.

There was limited investment activity in 2023 for several reasons; the management of GMPVF shifted from Avison Young to CBRE, rising interest rates in the period, a fund reaching maximum commitment and therefore unable to deploy capital, and generally fewer investment opportunities being brought to market.

We encourage GMPF's fund managers to track the number of actual jobs (rather than estimations) once schemes become operational, as well as the nature of the jobs, to better understand the impact generated.



**12 industrial sites**  
Accounting for **53%** of jobs capacity



**6 offices**  
Accounting for **35%** of jobs capacity



**2 retail and leisure sites**  
Accounting for **11%** of jobs capacity



**1 vacant land ready for development**



**54% of jobs capacity**  
From employment space that has been acquired (and sometimes refurbished) and let to tenants  
Supporting **4,075** people



**46% of jobs capacity**  
From employment space that is currently in development  
Supporting **3,470** people

Of the employment space being created, 90% is located in the North West. This equates to 83% of the total jobs capacity also being in the region.

### Delivering a high-quality industrial facility in Widnes

GMPVF has committed £19.8 million to a new industrial facility in the town of Widnes in Cheshire. This is the only real estate investment made by the GMPVF in 2023. The new-built facility is expected to achieve an EPC grade of A and be delivered to BREEAM Excellent standard. The site will provide modern logistics and distribution space for up to 450 jobs and builds capacity in a key location of Liverpool's Freeport Zone as identified in Liverpool City Region's (LCR) Economic opportunities Framework.<sup>16</sup>

14. The proportion of companies where data collection on paying the Real Living Wage (RLW) has increased from 18% of all businesses in the portfolio to 30%. This has meant the proportion of businesses paying the RLW or higher has dropped from 91% to 60%.

15. Two fund strategies and their jobs-related data was subject to an independent assurance. The remainder of the information reported by managers have been sense-checked by the TGE team but not assessed to the same level of scrutiny against an internationally recognised assurance standard.

16. [LCR Economic opportunities Framework](#).

## Supporting Place-Based Priority Development Needs

The Local Investment portfolio is helping to deliver on the region's priorities, which include delivering new homes, supporting the development of resilient, safe and vibrant communities, access to services, investing in digital infrastructure, and responding to the climate emergency.

### Increasing Housing Supply

Access to quality, secure, affordable housing for everyone is key to sustainable development. The UK continues to struggle with a housing crisis, which is a reality felt sharply by the population of Manchester and has been identified as a key local priority.<sup>17</sup>

The Local Investment portfolio has invested in a variety of housing types – ranging from new-build apartments aimed at attracting professionals to central areas for business growth, through to affordable housing for low-income households at risk of homelessness.

Through the Local Investment portfolio, GMPF has invested £172.7 million into 9 funds that have collectively invested in over 3,500 homes.<sup>18</sup>



Table 1: Homes to be delivered by the Local Investment Portfolio, by location and tenure type

	Total Homes	Affordable Housing	Open Market	Senior Living	Supported Housing	Temporary Accommodation
Greater Manchester	1805	8.5%	89.7%	0.0%	1.8%	0.0%
North West	476	9.0%	63.7%	15.1%	12.2%	0.0%
Rest of UK	1260	25.2%	56.9%	5.4%	11.9%	0.6%

In 2023, three developments comprising of 1,218 homes and one residential land asset with planning permission for 184 homes were realised.

We recommend that GMPF's fund managers collect data on rent levels relative to local household incomes to better understand the affordability, and therefore the impact, of the homes.

### Investing in a new Fund delivering high-quality, affordable and specialist housing across the UK

In 2023, GMPF committed £20 million to a new fund contributing to the Local Investments portfolio's Social Infrastructure impact theme – the Cheyne Impact Real Estate Trust (CIRET). Launched in April 2020, CIRET's impact goal is to provide high-quality affordable and specialist housing to enhance the quality of lives of people with a range of housing needs, including people facing homelessness, those with specialised or elderly care needs, and key workers.

One of the Fund's assets is a new-build development in Oldham Road, Manchester, which was invested in prior to GMPF's involvement. The scheme, which became operational in September 2023, provides 144 private rent homes for up to 241 residents. Over a third of the scheme (35% of the units) are discounted rent homes allocated to key workers in the area, with rents set according to local income levels. A similar scheme, which will deliver 202 homes, is being developed in Leeds.

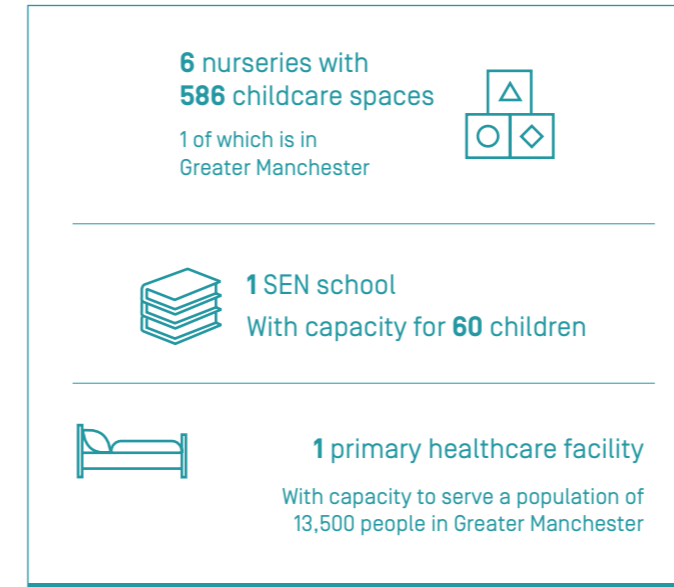
## Delivering Social and Digital Infrastructure

The Local Investment portfolio has invested £20 million into 10 social infrastructure assets via three funds.

In 2023, £3.3 million was invested into forward funding two nurseries with the capacity to support 229 children and 60 jobs, and one

Special Education Needs (SEN) school with the capacity to support 60 children with physical and/or learning disabilities and 40 jobs. All three projects involve the repurposing of existing buildings to create fit-for-purpose learning spaces and were investments made by Alpha Real Capital's Social Long Income Fund.

### GMPF's Local Investment Portfolio has delivered:



### And provided growth capital to:



Infrastructure investments now account for 18% of the Local Investment portfolio's invested capital – up from 12% last year. This is due to a significant increase in digital infrastructure investment in the period.

The Local Investment portfolio has invested £59 million into digital infrastructure via Gresham House's British Sustainable Investment Funds (BSIF). Of which £35 million was invested in 2023 through North West BSI, an investment vehicle wholly owned by GMPF and has now invested in three fibre broadband providers. The money invested in 2023 was allocated to two of these providers – one based in Greater Manchester (almost 5,000 residential and business customers) and the other in South of Scotland – who provide broadband coverage to almost 4,000 customers across South Scotland and the North of England.

### GMPF's digital infrastructure:



17. For example. The housing crisis includes a lack of housing supply to meet a growing population through to the shortage of social and affordable housing for those on low incomes.  
18. In 2022, 4,395 homes were in the portfolio. The decrease in 2023 was due to four housing investments being realised, accounting for 1,402 homes.



### Investing in Clean Energy and Sustainable Infrastructure

GMPF aims to have a net zero portfolio by 2050 and invests in infrastructure that contribute towards a more sustainable future for the region. The Local Investment portfolio has invested £71.7 million in 13 renewable energy infrastructure assets, although no new investment was made in 2023 due to a lack of suitable investment opportunities.

### Facilitating the Scale-up of Social Investment

GMPF is one of the first pension funds to have invested in specialist social investment funds. Strategically, GMPF views social investment funds as a means to provide more direct support to help tackle poverty and disadvantage. In total GMPF has committed £20 million to three social investment funds. The underlying investments either fund social outcome contracts and bonds (15% of the amount invested in Bridges Social Impact Bond I and Bridges Social Outcomes Fund II) or equity in mission-driven organisations focused on health, education, skills and housing (85% of the amount invested in Bridges Evergreen Capital).

In total, three quarters of the investment has been distributed to 38 underlying investee organisations spanning the UK, of which 23 are still live and 15 have been realised. In 2023, GMPF did not make any new investments in specialised social investment funds. Despite the growing size of the impact market, there have been few opportunities meeting the Impact Portfolio's scale and return requirements in the social investment space. However, two mission-driven businesses received finance from funds already invested in: one is a social prescribing service for individuals with long-term health conditions, and the other is a preventive health programme for people over 70 years old to improve self-reliance and mobility.

**1 windfarm with capacity to supply 13,500 homes**

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**4 biomass energy facilities, two operational**

**1 biofuel processing plant**

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**3 waste treatment facilities**  
Treating **19,500 tonnes** of waste per year

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**1 vertical farming operation**  
which emits c.99% less GHG compared to importing

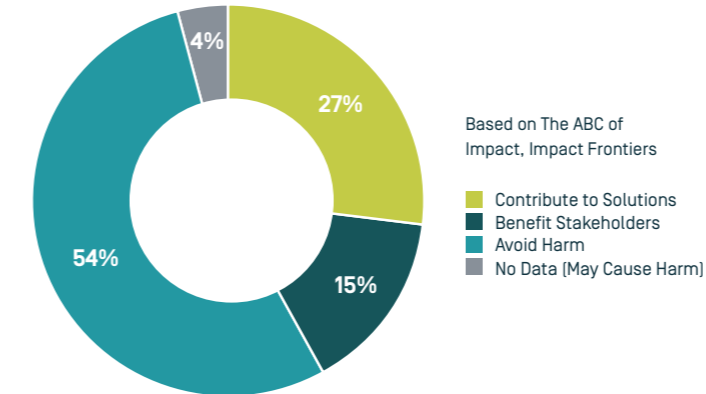
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**1 regenerative habitat bank**  
Generating biodiversity net gain credits  
Across 23 sites

### Alignment with the 'ABC' Classification of Impact

We have used the Impact Management Project's (IMP's) impact classification system<sup>19</sup> to capture the intended impact that the portfolio is expected to have on people, places and the planet.

Figure 5: Impact Classification of GMPF's Local Investment Portfolio



64% of GMPF's Local Investment portfolio is categorised as either 'Benefitting Stakeholders' or 'Contributing to Solutions', accounting for 42% of invested capital.

These assets work to generate positive outcomes for people and/or the planet, and are generally found in the Social Investment, Social and Sustainable Infrastructure funds, and some equity investments.

35% of GMPF's Local Investment portfolio is categorised as 'Avoiding Harm', accounting for 54% of invested capital. These assets have appropriate ESG policies and practices in place to work to improve sustainability performance and prevent and/or reduce negative outcomes.

The remainder of the portfolio – accounting for 6% of assets and 4% of invested capital – is categorised as 'May cause harm'. These investments either do not have policies or appropriate data capture systems in place to understand what impact, positive or negative, is occurring.

19. The IMP brought together over 2000 organisations to establish a global consensus for analysing impact. The approach has since become widely recognised as a norm for assessing the impact of enterprises or investment assets, now overseen by the Impact Frontiers.

## Financial Performance

GMPF is seeking to optimise its investments to both deliver local and regional impact alongside achievement of its financial return targets.

GMPF has an overall return target of CPI + 2-2.5%, with a benchmark of RPI + 4% for the Local Investment portfolio. Investments made in the portfolio are expected to achieve this target while recognising there will be a range of risk, return and impact performance across the different funds and direct property investments.

The financial performance of the Local Investment portfolio is reviewed on a quarterly and annual basis. Long-term measures – such as the Internal Rate of Return (IRR) – are considered by GMPF to be the most appropriate means of assessing performance.

### GMPVF

GMPVF's investments include a range of property assets with different risk and return characteristics. Properties that are fully built and generating income from tenants are clearly lower risk than sites in development and have different return profiles.

The GMPVF portfolio is still relatively immature, however, GMPF's latest performance review provides strong evidence that the portfolio is on track to achieve the return objective over the medium to long-term.

The overall IRR position for the GMPVF is 4.9% as of the end of December 2023, with an IRR of 6.1% for those investments exited to date.

### The Impact Portfolio

The Impact Portfolio has investment in funds that are at different stages of maturity. GMPF believes that financial performance calculations for immature funds (i.e. less than four years old) are a less reliable indicator of performance, and therefore have decided to omit them from its 2023 financial returns calculation. Note that previously all funds were included.

As of 31 December, 2023, the IRR position of the mature investments of the Impact Portfolio is 3.6% compared to 5.3% last year. This represents 24 mature funds which represent around 45% of total commitments, highlighting the fact that the Impact Portfolio is still in its infancy.

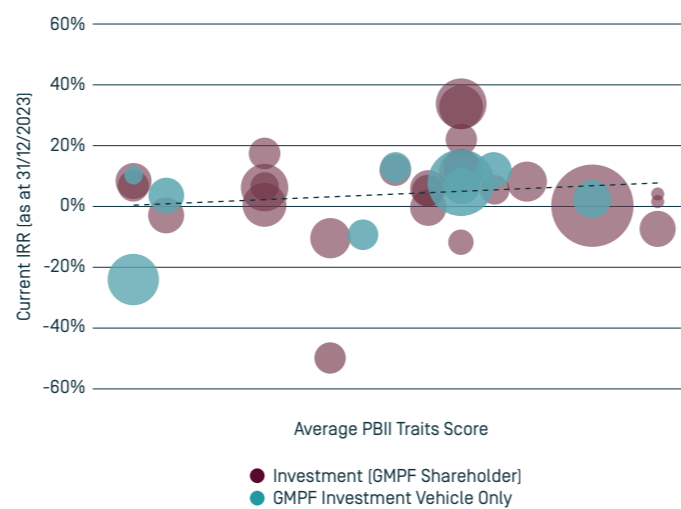
Overall performance has been affected by a number of the earliest commitments. The GMPF investment team monitor financial performance closely and have engaged with the fund managers concerned to identify the issues underlying poor performance and seek to agree on strategies to achieve best value.

The best performing funds within the portfolio continue to be private equity funds. Whilst 2023 was a difficult year overall for private equity, the funds within the Impact Portfolio continued to have strong exits from portfolio companies returning many multiples of the original investments and distributing these returns to investors. GMPF has also seen good return from more recent private debt funds, due to the increase in the base rate since October 2022.

The performance of funds exited to date provides GMPF with confidence that the Impact Portfolio will achieve the target financial returns over the long-term.

Figure 6 below provides a summary of the current IRR for all unrealised investments in relation to their alignment to the PBII traits. Positive returns are seen across the spectrum highlighting that concessions are not needed to invest for place-based impact. This should be read with caution given it includes immature investments in which it is too early to judge the final returns.

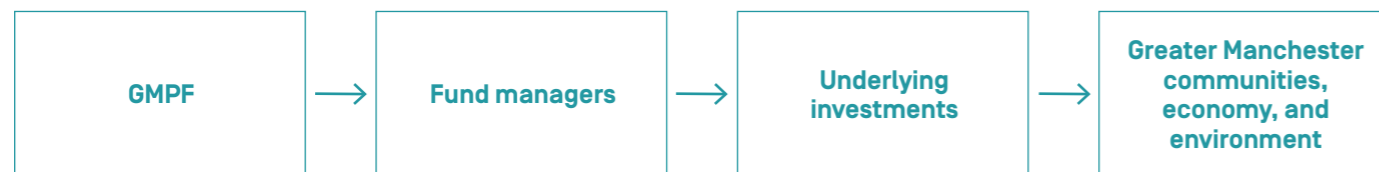
Figure 6: GMPF Impact Portfolio Returns at 31st December 2023



By zooming in on the underlying investments, we were able to establish direct connections between GMPF's investment decisions, the strategies employed by the fund managers and the subsequent real-world outcomes and benefits to the people, communities, and economy of Greater Manchester and the North West.

# 4. CASE STUDIES

These case studies offer a deeper insight into the impact of GMPF's investments. We trace the flow of capital – starting from GMPF's allocation to the recipient fund managers, examining their investment strategies and decision-making processes, and following through to the underlying investments and the real-world outcomes and benefits experienced by people and communities.



## Scope and Approach

This year, TGE conducted four in-depth case studies with the following fund managers: CBRE Investment Management, Mercia, Resonance and Alpha Real Capital.

For each of these funds, we carried out detailed assessments of two of their underlying assets or investees. The selected investments were chosen to represent a diverse range of assets, reflecting the broader portfolio.

Our approach was comprised of the following:

- **Desktop review** of investment strategies, annual reports and wider contextual information to ensure a comprehensive assessment.
- **Fund manager interviews** with representatives from each of the four fund managers to gain insight into their investment strategies, processes and impact measurement and management approach.
- **Asset level interviews** were conducted with 8 investee stakeholders and 3 **site visits** were carried out to gain a better understanding of the difference made to end beneficiaries on the ground.



## Case Study 1: Greater Manchester Property Venture Fund (GMPVF)

Established in the early 1990s to provide GMPF with a vehicle to invest in property development in the region, the Greater Manchester Property Venture Fund (GMPVF) comprises a targeted allocation of £900 million, which accounts for 60% of GMPF's Local Investment Portfolio allocation. The GMPVF mandate is managed by CBRE Investment Managers.<sup>20</sup>

The current portfolio consists of 24 investments spanning a wide range of real estate sectors, including office, retail, residential and industrial developments. These investments aim to satisfy GMPVF's stated twin aims of a commercial financial return and a positive contribution towards local employment, economic development and regeneration in Greater Manchester and the North West.



**£900 million** allocation with target IRR of **7%**



**£510 million** invested across 24 assets



**5,214** job spaces created by current investments (estimated)



**1,559** houses in portfolio



**100%** owned by GMPF



**100%** located in Greater Manchester and the North West

Sector	# of Sites	% of Capital Invested
Residential	11	27%
Commercial Real Estate	15	72%

20. GMPVF was managed by Avison Young until 2023, at which point the contract period expired and the mandated was retendered.

● **Creating office space in central Manchester – The Island Site**

Investment from GMPVF has facilitated the development of much-needed office space in Manchester city centre. This new space is centrally located, is accessible by key transport links and is designed to address net zero carbon standards.

Acquired by GMPVF in 2011, the Island is a redevelopment project in Manchester which has transformed three outdated office buildings into a modern office space. The new development encompasses approximately 90,000 square feet, with space to accommodate around 900 employees. The site aims to contribute to Manchester’s urban regeneration and meet demand for high-quality office space in the city. The city currently has an undersupply of modern, grade A office accommodation.

GMPVF selected Henry Boot Developments (HBD) as development partner due to their expertise, credibility and strong track record in delivering sustainable and socially valuable projects. An architect and professional team were appointed to design the scheme to best reflect the local architecture and urban grain,

while maximising appeal to occupiers and attaining strong sustainability credentials.<sup>21</sup> This design process was undertaken in close liaison with Manchester City Council.

The construction process integrates social value considerations, with targets for local supply chains, labour, and apprenticeships, all of which have exceeded expectations. The site has, for example, supported 120 jobs during the construction process. CBRE is overseeing the development on behalf of GMPVF to ensure compliance with design criteria. In turn, GMPVF and HBD will lease the office space and ultimately sell the asset to generate returns which can then be re-invested in other regeneration projects.



**£16.9 million** invested to date  
Total GMPVF investment circa £23m



**90,000 sq ft** regenerated into active use for office space



**120 jobs supported** during construction



Once operational, the site has office space to sustain **900 jobs**



21. Attaining a high NABERS [the National Australian Built Environment Rating System] rating target of 5.5 out of 6 stars. NABERS is a system for rating the sustainability and carbon use of buildings. Design specifications at Island include features to enhance sustainability, such as openable windows to reduce air conditioning load, which increased construction costs but also boosted the building’s appeal to occupiers and investors.

● **Regenerating a derelict shopping centre into a “thriving new neighbourhood”<sup>22</sup>**

In a past life, the 1960s Chorlton Shopping Centre housed government offices and various retail offerings. However, since the turn of the century, the development has experienced a consistent period of decline.

The 8-storey office building, ground floor retail units and 200-space car park was acquired by GMPVF in 2012, at which point the site was virtually fully occupied by lessees on predominantly short term tenancies. Whilst the existing leases approached expiry, GMPVF reviewed market demand, engaged with the local planning authority, and consulted with local community groups<sup>23</sup> to create a redevelopment proposal that would help regenerate the site.

For Manchester City Council, the site is a key development opportunity in Chorlton, with the ability to deliver much-needed housing in a sustainable location that benefits from local amenity offerings and good public transport links. The Council agreed the Development Framework in 2020, which established the broad parameters for the development:



Approximately **200** residential units (likely, 1-, 2- and 3- bed)



Approximately **20,000 sq ft** ground floor retail and/or leisure space, with a desire to include local traders and independent businesses as tenants

Subsequently, it has been agreed that 20% of the residential units – 40 homes in total – will be affordable housing. The design will also include landscaped areas and green space for residents and the public, and a reorientation of the centre’s layout, to include active retail frontages onto the existing streets throughout Chorlton, thereby integrating more effectively with the surrounding area. The sustainability credentials of the site are also strong, with the development expected to offer ‘fabric-first’ low energy building design, electric heating, PV panels, rainwater harvesting, bicycle storage and electric vehicle charging.

PJL were selected as the development partner, following a procurement process which considered the developer’s knowledge and experience of implementing sustainability measures, and their track record of public engagement, community inclusion, and public sector partnerships.

The development seeks to maximise benefits for the wider community – contributing to the regeneration of the Chorlton area – whilst at the same time delivering a commercial financial return to meet pension fund liabilities.



22. Place North West, 2023.

23. This includes periodic meetings with Chorlton traders, public drop-in consultations, extensive online engagement, direct discussions with current and prospective tenants of the centre, liaison with the local MP, councillors, local council and the planning authority.



## Case Study 2: Mercia Asset Management

GMPF has invested in four funds managed by Mercia Asset Management:

- EV SME Loans I
- EV SME Loans II
- Enterprise Ventures Growth II LP
- EVG II North West LP.

These funds provide SME finance – between £100,000 to £5 million – across the UK, although the North West fund focuses on businesses local to Greater Manchester and the North West.

Mercia considers three guiding principles in relation to internal activities, the pre-investment phase and post-investment phase. These guiding principles include:

- Sustainable economic growth
  - Provide support for entrepreneurship and SME growth
  - Support and promote job creation and talent development
  - Focus on technological innovation
- Reducing inequalities within our communities
  - Reduce inequalities across the UK and within UK regions
  - Empower and promote diversity and inclusion

- Health and wellbeing for all
  - Promote health and wellbeing
  - Support R&D of effective and essential treatments and other healthcare services.

Mercia's regional base is a key differentiator. It enables Mercia to support locations in the UK that traditionally struggle to secure funding.

By visiting businesses on-site, engaging directly with their management teams and operations, and experiencing their products and services first-hand, Mercia has been able to gain a deeper understanding of the businesses it invests in. Not only does this enable more informed investment decisions but contributed to Mercia being selected as a funding partner, according to the investees we spoke with.

A successful regional presence has also been a factor in the establishment of two regionally focussed funds exclusive to GMPF.



### Debt, Secured and Unsecured

#### EV SME Loans I:



**£22.3 million** invested across 56 assets [39 now realised]



**£40 million** AUM



**50%** owned by GMPF

#### EV SME Loans II:



**£16 million** invested across 35 assets [3 now realised]



**£20 million** AUM



**100%** owned by GMPF

### Mixed – Debt and Equity

#### Enterprise Ventures Growth II LP:



**£29 million** invested across 7 assets [2 now exited]



**477 jobs** supported; **104 jobs** created



**£40 million** AUM



**37.4%** owned by GMPF

#### EVG II North West LP:



**£3 million** invested in one asset



**164 jobs** maintained; **70 jobs** created



**£5 million** AUM



**100%** owned by GMPF

## Retaining UK manufacturing in the North West – The story of Rothband

Founded in Manchester in 1860, Rothband is a manufacturer of radiation protection products designed to safeguard against ionising radiation in hazardous work environments. Rothband remained family-owned until 2015, when it was taken over by new owners based in Manchester, with £648,000 debt financing from Mercia and equity funding from Seneca.

In 2015 Mercia provided debt funding in support of the Management Buy Out of Rothband, which enabled ownership of the business to remain local and continue to operate out of the UK (interest had been received from overseas). Later, in 2019 Mercia provided debt funding to enable the directors to buy out the shareholding held by the equity investor and to take 100% control of the company.

Rothband's primary customer base is the NHS, along with several private health organisations based in the UK and globally. The company works with several local and national

universities, including Manchester University, Salford University, Central Lancashire and University of Exeter to test the efficacy of radiation protection products or develop new technologies. It works closely with hospitals to ensure it stays responsive to new product ideas and covers needs. Through a local college, Rothband employs two apprentices.

The Company has more than doubled in the last 10 years, growing from an organisation of 11 employees and a turnover of £1.3 million in 2015, to 28 employees and over £3.8 million turnover in December 2023.

Mercia's investment has enabled Rothband to stay in the North West and remain under UK family ownership, rather than being bought by an overseas investor.



## Case Study 3: Resonance

Launched in 2020, Resonance's National Homelessness Property Fund 2 (NHPF2) is a dedicated, specialist impact fund, providing decent and affordable homes specifically for people facing homelessness.

Initially, NHPF2's focus was on providing homes in the Greater Manchester region but has expanded into other regions across the UK including Bristol, Oxford, Merseyside and London. GMPF was a cornerstone investor in the fund and has contributed to enabling the fund to prove and replicate the model.

The fund aims to address the severe shortage of affordable housing in the UK, which has led to a significant increase in the number of people in emergency and temporary

accommodation.<sup>24</sup> In 2023, Manchester City Council alone spent £19.5 million on nightly paid temporary accommodation.<sup>25</sup> More broadly, the housing waiting list across all ten Greater Manchester boroughs in 2023 was at 83,595<sup>26</sup> (7.1% of all households, higher than the national average of 5%). NHPF2 aims to help address this shortage by acquiring and refurbishing existing properties into safe, high-standard, more energy-efficient and affordable homes, which are let to residents on secure tenancies.

In the Greater Manchester region, the fund works in partnership with three housing partners to connect tenants with good quality residential services and specialist support so that they can gain the confidence and skills to live independently, progress towards securing employment or training, and improve their resilience and wellbeing.



**£76 million** raised, of which £20 million is from GMPF



**£63.9 million** invested into 500+ properties across both the NHPF2 and its 28.5% ownership of Resonance's Real Lettings Property Fund 1 (RLPF1)

**255** homes via direct investment (103 new homes purchased in 2023, 63% in the North West region)

**259** homes via NHPF2 investment in RLPF1 (28.5% ownership)



Just over **200** people housed in NHPF2 units, of which a fifth are children



**100% of residents:**

- Sustained their tenancy at one year
- Reporting improved support networks/relationships
- Reported that the home has had a positive impact on their children

"As a place-based social impact property fund, it is providing an opportunity for local authorities and pension funds – including Greater Manchester Pension Fund – to invest in local, affordable housing, in the geographical area of the UK within which they operate, enabling them to make regional social impact on local housing crises."<sup>27</sup>

24. By the end of March 2024, the number of people in emergency accommodation in the UK reached 117,450, the highest figure since records began in 1998. This included 74,530 households with children and 151,630 dependent children living in temporary accommodation. [Statutory homelessness in England: January to March 2024](#). Ministry of Housing, Communities & Local Government.

25. [Inside Housing, 2024](#).

26. [Local Authority Waiting Lists](#). Ministry of Housing, Communities & Local Government.

27. [Resonance](#).



## Tackling homelessness in Stockport and Salford

Two of the areas in Greater Manchester that Resonance has invested in affordable housing are Stockport and Salford. These homes have been leased on long-term leases with local housing providers, including Stockport Homes, who manage the homes, letting them to households at risk of homelessness. Most units are allocated to families, with a handful being one-bedroom flats for individuals with complex needs alongside additional support from support workers.

### Stockport

Resonance owns 20 homes in and around, acquired from December 2020 with an investment of approximately £2 million. These homes provide safe and stable accommodation for families in housing crisis, refurbished to a high standard.

All the homes are managed by Stockport Homes. Formed in 2005 as an 'arms-length management company' (ALMO) owned by Stockport Council, Stockport Homes operates independently and is the largest landlord in Stockport. It manages over 12,000 properties for the Council, private landlords, and its own portfolio.

The partnership between Stockport Homes and Resonance began in 2019. In recent years, Stockport's portfolio with Resonance has grown, housing 50 residents as of December 2023. These homes, refurbished to high standards, provide essential affordable housing in Stockport (15 units), South Manchester (3 units), and Tameside (2 units) so far. Most homes are allocated to families, with five units being one-bedroom flats for those with complex needs at the acute end of the housing crisis. This is funded through the Rough Sleeping Accommodation Programme (RSAP), aiming to provide a sustainable pathway for rough sleepers into the wider community and longer-term accommodation. Residents in these homes are also connected with services to sustain their housing, including assistance with finding employment, training and substance abuse support.

Stockport Homes has acknowledged that without Resonance's financial support, these homes would not have entered the affordable housing sector. Other private investors and developers have looked to adopt a similar financial model as Resonance with Stockport Homes but have been unable to make this financial model work.

“Without Resonance's financial support, these homes would not have entered the affordable housing sector.” – Stockport Homes

The fund's investment in Stockport and surrounding areas is contributing to alleviating the wider housing shortage in Greater Manchester, with Stockport's housing waiting list alone sitting at 8,014<sup>28</sup> [around 5% of all households in Stockport].

### Case study: Stephen\*

Stephen experienced significant hardship following the loss of his partner of 30 years, which left him without a home. Over the next few years, he faced instability as he moved between various hostels, struggling to find a permanent place to live. Stephen now resides in his own home, managed by Stockport Homes. He says

“I love it here. It feels safe, it is not chaotic with people coming and going like in the hostels. The house is terrific. It is quiet and I can see the countryside from my front door.”

\*Not his real name.

### Salford

Resonance owns 42 homes in or near Salford, with an investment of £3.5 million.

These homes are all managed by Salix Homes, who have been operating independently since 2015. The housing association owns more than 8,000 homes across Salford, which is primary social housing. Salix Homes also manages 110 private sector landlord properties (which includes Resonance's properties), 29 shared ownership units, 144 rent to buy units and 35 commercial units.

The fund's investment in homes in Salford is helping to alleviate the shortage of housing, with 3,956 households on Salford's housing waiting list, representing 3.4% of all households in Salford. Of the 42 homes Salix Homes manages for Resonance, 15 are reserved for supported accommodation for those with more complex needs. These properties are also funded by the RSAP scheme which includes access to support, from help applying for permanent housing to complex health related needs.

A representative from Salix Homes praised the quality of the Fund's refurbished homes compared to other affordable housing units, claiming that they were 'proud' to let the homes because of the care taken to ensure homes are fit for purpose and high quality when tenants move in. The homes are provided with full coverings, e.g. carpeting and curtains, and often include furniture, which lessens expenditure for people moving in.

## Case Study 4: Alpha Real Capital

GMPF invests in two funds managed by Alpha Real Capital:

- The Social Long Income Fund (SLIF) – Launched in 2017 to make social infrastructure investments across the country.
- The Social Long Income North West Fund (SLINWF) – Launched in 2019 to make regionally focussed social infrastructure investments solely for GMPF.

As of December 2023, GMPF had invested £15 million in SLIF, granting it a 40% ownership stake, and £25 million in SLINWF, as the sole investor.

By investing in social infrastructure across housing, healthcare and education sectors,

both funds generate positive, measurable social impact alongside market returns. This provides GMPF with long-term, secure and predictable inflation-linked income whilst contributing towards addressing underserved needs in the region.

Unlike broader regeneration projects which might concentrate on revitalising entire towns, Alpha Real Capital has a more targeted approach. The funds invest in specific assets which Alpha Real Capital believes allows for quicker deployment of capital to areas where it is most needed, especially in underserved communities.

Alpha works closely with local stakeholders in its engagement with investees, including establishing partnerships with local authorities and other community organisations to ensure that investments are aligned to local needs and have long-term viability.

As of 31 December 2023:



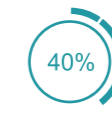
£59.9 million invested across 19 assets



AUM: £65.2 million  
- SLIF: £38.7 million  
- SLINWF: £26.4 million



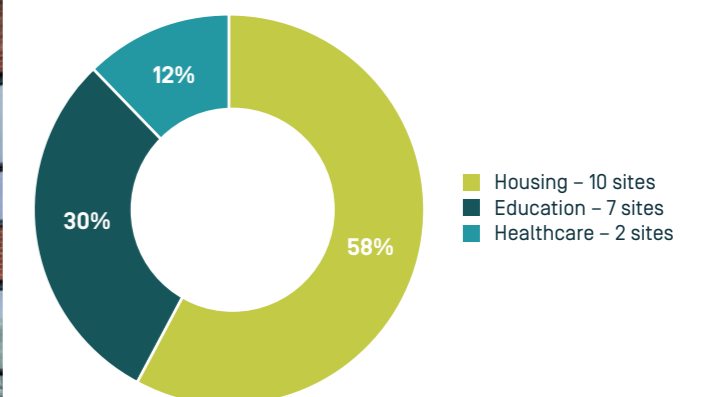
342 jobs supported



SLIF 40% owned by GMPF  
SLINWF 100% owned by GMPF



Figure 7: Sector breakdown



● **Delivering essential specialised supported housing to individuals with complex support needs in Birkenhead, Merseyside**

Managed by Chrysalis with care and support provided by Independence Support Ltd (ISL), the Tranmere Supported Living scheme, Mersey Gardens, provides up to 20 individuals with a learning and/or physical disability with their own tenancy in self-contained apartments.

The accommodation helps people stay connected to friends and family whilst developing their confidence and skills, enabling everyone to achieve their goals and live as independently as possible. The units are spacious and wheelchair accessible, with open plan living and dining space, as well as wet room facilities. There is a large garden with raised beds for flowers and vegetables, on-site parking, and a wellbeing hub launched this year which provides a dedicated space for people to develop varied interests and health and wellbeing goals. The scheme itself blends seamlessly with its surroundings – mirroring the red brick architecture of the neighbouring homes – which helps with community integration.

Through the combination of Chrysalis, a national housing provider specialising in homes for vulnerable adults, and ISL, a specialist care and support provider based in the North West, people receive high quality and responsive support. Initiatives include access to local employment and volunteering services, sports clubs and, opportunities to pursue varied interests in the community and on site. At the time of our visit residents had just enjoyed a penalty shootout in the garden celebrating the UEFA Euro 2024, and were planning their own Olympic Games event supported by the new wellbeing hub. Mersey Gardens has round-the-clock support<sup>29</sup> and Chrysalis have a dedicated housing officer, ensure to visit each tenant at least every two weeks and are quick to respond to maintenance and repairs.

The site contributes to Wirral's local objectives of supporting people in local communities with their own front door. The accommodation is purpose-built and highly adapted which means it can better meet the support people with complex needs when compared to many other housing options. Nationally it is estimated that there needs to be a 33% increase in the number of supported housing units by 2040 simply to keep pace with population change.<sup>30</sup>

“The property is great – it is spacious, good quality and well-located. When paired with person-centred support services, people can live as independently as possible.”



Rated as **'Good'** by Care Quality Commission in 2020



**Resident Story: Aimee**

Aimee lives at Mersey Gardens and has autism and learning disabilities. Before moving to Mersey Gardens, she spent several years in various community settings, including a care home and shared residential facilities, which had a detrimental impact on her wellbeing, mental health, financial stability and her confidence. Aimee was therefore excited to move to her own flat where she could hold her own tenancy and would receive the support to develop skills of independent living. Since moving into her new home, Aimee has learnt to use public transport which had previously been a daunting task. Her ability to travel independently has enabled her to access paid employment, which has not only boosted her self-confidence, but has had a profound positive impact on her mental health. Employment has given Aimee a newfound sense of purpose and accomplishment, as well as expanding her social networks and relationships outside of Mersey Gardens, in doing so alleviating feelings of isolation and contributing to Aimee's overall happiness.

29. Care and support is available 24 hours a day, the amount of individual level care and support is dependent upon care needs.  
30. National Housing Federation: Supported housing to 2040.

● **Funding the development of a much-needed nursery in Manchester**

Alpha Real Capital's investment in Kids Planet has enabled the company to develop a new nursery in Manchester, as part of the wider town centre redevelopment masterplan.

Alpha Real Capital provided patient capital for the development as it was not an 'oven ready' deal. It worked closely with the developer to ensure the development was right, with the deal signing off in May 2022 and building starting six months later in November.

Alpha Real Capital has a 30-year lease of the nursery operated by Kids Planet. The site began welcoming children in January 2024 and is gradually increasing occupancy and staffing. The nursery has 109 spaces and as of the reporting period, employs 27 people.

Kids Planet is a family-owned, award-winning provider of early years day nursery care for children from infancy to age four. The provider was originally set up in 2008 with two nurseries in the North West and has subsequently expanded to 192 (92 in the North West) nurseries across the country, making it one of the UK's largest nursery providers.<sup>31</sup> Kids Planet provide childcare services for over 16,200 children (53% in the North West) and support approximately 5,300 jobs (52% in the North West).



One nursery directly invested in, in Greater Manchester



109 spaces



27 employees



The Fund's investment is contributing to addressing a shortage of childcare and staffing in the UK, with fewer than one out of every three (29%) councils having enough spaces for children under two, down from 42% the year before.<sup>32</sup>

31. [Nursery Chains 2023](#), Nursery World, 2023. Alpha Real Capital have also helped finance this growth through investments made outside of the Social Long Income Funds.  
32. BBC, ['Childcare shortage worsens as costs rise - report'](#), 2024.

## 5. CONCLUSIONS AND RECOMMENDATIONS

This report provides a summary of the findings of our independent assessment of GMPF's Local Investment portfolio and its contribution to local and regional development in Greater Manchester and the North West.

This is the second year in which the PBII Reporting Framework – an industry-driven methodology – has been applied as an analytical framework to support this assessment.

Through portfolio analysis, illustrative case studies and data verification we have found that GMPF has a balanced Local Investment portfolio across asset classes, enabling it to contribute towards job creation, local economic activity and sustainable development.

We assess that GMPF has continued to meet its impact objective of contributing to place-based local and regional economic development.

The report has highlighted specific strengths of the Local Investment portfolio as well as scope for increasing GMPF's local and regional impact.

### Key Findings

- GMPF's Local Investment portfolio is a balanced, multi-asset portfolio comprising investment in SME finance, commercial real estate, residential housing, social and green infrastructure, and social investment. Two thirds (66%) of investment is located in Greater Manchester and the North West, demonstrating GMPF's role in the region's local economic and sustainable development.
- The Local Investment portfolio has provided capital to 162 businesses, which has helped to support over 16,000 jobs and create 6,300 jobs. An additional 2,500 jobs were supported in the operations of sustainable infrastructure assets, bringing the total to over 18,800. The portfolio has also committed £173 million to 9 funds that have collectively invested in over 3,500 homes, of which 64% are in the North West.
- Our case study assessments provide anecdotal evidence that GMPF's investments are generating tangible benefits for local businesses, people and places in the region. These investments are well aligned with, and are contributing towards, the priorities of Greater Manchester, with capital deployed across designated growth locations and priority sectors.
- GMPF has continued to collaborate with investment managers to establish vehicles for local investment, for example the TDC Impact RC Fund established in 2023. These partnerships facilitate greater access to local opportunities and enhance the capacity to scale-up investment across the region. This demonstrates GMPF's additionality, beyond which may have otherwise occurred.
- A third of the value committed by GMPF's Local Investment portfolio is to funds with a Medium (or higher) alignment with the PBII traits (in terms of both impact and place). This is up from 23% in 2022.
- GMPF has reviewed the recommendations made in last year's Impact Assessment and acted on some of them, notably the recommendation to seek ways target investment into the region's smaller towns in support of more balanced and inclusive regional growth. We are encouraged by the way CBRE Investment Management has actively engaged in conversations with local authorities about opportunities that meet local needs.

### Recommendations

- GMPF could develop a more rigorous theory of change and better define the linkages between its impact themes, sub-themes and positive outcomes. This will enable GMPF to better understand, and evidence, the link between investment activity and the desired impact. Confidence in these assumptions will enable GMPF to focus investment where it is most effective.
- GMPF should continue to engage with existing and new fund managers to communicate its impact ambitions for the Local Investment Portfolio. Although all asset classes contribute to local economic development in some way, certain assets – such as social and affordable housing – make a more significant contribution to positive outcomes, and therefore could be prioritised. Although we acknowledge that market conditions in the past year have not been favourable for delivering viable opportunities across many asset classes.
- GMPF should encourage its partner fund managers to improve their impact data collection and reporting practices. This includes collecting consistent data relevant to GMPF's impact themes, both at the output and outcome level. This can include, for example, data on the quality of jobs created, or the rent levels charged on housing schemes to assess local affordability. Funds where GMPF has the greatest influence, particularly those with exclusive mandates, would be a good opportunity to see how impact reporting can be enhanced.



# APPENDIX

## Appendix 1: GMPF's Local Investment portfolio

Portfolio	Name of Fund Manager	Name of Fund	"Size of Fund (AUM)"	Level of GMPF Investment (£)	Level of GMPF Investment [% of Fund Size]	Geographic Scope	Impact Theme
Impact Portfolio	Alpha Real Capital	Social Long Income Fund	£38,745,000	£15,000,000	39.8%	UK	Social Infrastructure
Impact Portfolio	Alpha Real Capital	Social Long Income Fund North West	£26,470,000	£25,000,000	100.0%	Specific regions of the UK	Social Infrastructure
Impact Portfolio	Beechbrook Capital LLP	UK SME Credit III LP	£151,133,501	£15,000,000	9.9%	UK	Debt growth capital – SME's
Impact Portfolio	Beechbrook Capital LLP	UK SME GMPF Co-investment LP	£15,000,000	£15,000,000	100.0%	Specific regions of the UK	Debt growth capital – SME's
Impact Portfolio	Boost & Co Ltd	Industrial Lending 1	£13,331,962	£24,662,000	23.6%	UK	Debt growth capital – SME's
Impact Portfolio	Boost & Co Ltd	Industrial Lending 2	£13,350,000	£15,000,000	59.7%	UK	Debt growth capital – SME's
Impact Portfolio	Boost & Co Ltd	Industrial Lending RSF	£15,000,000	£15,000,000	100.0%	Specific regions of the UK	Debt growth capital – SME's
Impact Portfolio	Bridges Fund Management Limited	Bridges Evergreen Capital LP (BEH)	£73,000,000	£15,000,000	23.0%	UK focus and Europe	Social Investment
Impact Portfolio	Bridges Fund Management Limited	Bridges Sustainable Growth Fund IV(B) LP (SGF IV(B))	£72,000,000	£20,000,000	27.0%	UK focus and Europe	Equity growth capital – SME's
Impact Portfolio	Bridges Fund Management Limited	Bridges Sustainable Growth Fund IV LP (SGF IV)	£70,000,000	£20,000,000	25.0%	UK	Equity growth capital – SME's
Impact Portfolio	Bridges Fund Management Limited	Bridges Property Alternatives Fund III LP (BPAF III)	£156,000,000	£25,000,000	12.0%	UK	Property development
Impact Portfolio	Bridges Fund Management Limited	Bridges Social Impact Bond I (SIB I)	£9,000,000	£2,500,000	11.0%	UK	Social Impact Bonds
Impact Portfolio	Bridges Fund Management Limited	Bridges Social Outcomes Fund II (SOF II)	£30,000,000	£2,500,000	7.0%	UK focus and Europe	Social Impact Bonds
Impact Portfolio	Bridges Fund Management Limited	Bridges/GMPF Co-Investment Vehicle LP	£24,000,000	£20,000,000	100.0%	Specific regions of the UK	Equity growth capital – SME's
Impact Portfolio	Cheyne Capital	Cheyne Impact Real Estate Trust	£105,200,000	£20,000,000	19.0%	UK	Social Infrastructure
Impact Portfolio	Fiera Real Estate UK	Residential Land Development Limited Partnership LP	£35,410,027	£12,500,000	17.0%	UK	Property development
Impact Portfolio	Gresham House	Gresham House BSI Infrastructure LP (Sub Fund I)	£244,627,284	£20,000,000	11.0%	UK	Renewable energy infrastructure
Impact Portfolio	Gresham House	Gresham House British Sustainable Infrastructure Fund II LP	£309,843,020	£30,000,000	9.0%	UK	Renewable energy infrastructure
Impact Portfolio	Gresham House	Gresham House North West BSI LP	£17,594,127	£20,000,000	100.0%	Specific regions of the UK	Renewable energy infrastructure
Impact Portfolio	Gresham House	Gresham House North West BSI II LP	£45,469,388	£70,000,000	100.0%	Specific regions of the UK	Renewable energy infrastructure

Portfolio	Name of Fund Manager	Name of Fund	"Size of Fund (AUM)"	Level of GMPF Investment (£)	Level of GMPF Investment [% of Fund Size]	Geographic Scope	Impact Theme
Impact Portfolio	Iona Capital Ltd	Iona North West Environmental Infrastructure LP	£42,000,000	£42,000,000	100.0%	Specific regions of the UK	Renewable energy
Impact Portfolio	Enterprise Ventures Limited	ENTERPRISE VENTURES GROWTH II LP	£40,100,000	£15,000,000	37.4%	UK	Equity growth capital – SME's
Impact Portfolio	Enterprise Ventures Limited	EVG II NORTH WEST LIMITED PARTNERSHIP	£5,000,000	£5,000,000	100.0%	Specific regions of the UK	Equity growth capital – SME's
Impact Portfolio	Mercia Asset Management plc	EV SME Loans I	£40,000,000	£20,000,000	50.0%	Specific regions of the UK	Debt growth capital – SME's
Impact Portfolio	Mercia Asset Management plc	EV SME Loans II	£20,000,000	£20,000,000	100.0%	Specific regions of the UK	Debt growth capital – SME's
Impact Portfolio	Newstead Capital Limited	Newstead Capital Real Estate Lending Fund I, LP	£17,932,521	£30,000,000	36.9%	England	Property development
Impact Portfolio	Northern Gritstone Limited	Northern Gritstone Limited	£212,075,000	£105,000,000	11.0%	Specific regions of the UK	Investment in technology jobs
Impact Portfolio	Palatine Private Equity	Palatine Private Equity Impact Fund I	£163,240,000	£15,000,000	15.0%	UK	Equity growth capital – SME's
Impact Portfolio	Palatine Private Equity	Palatine Private Equity Impact Fund II	£40,000,000	£10,000,000	7.0%	UK	Equity growth capital – SME's
Impact Portfolio	Palatine Private Equity	Palatine Growth Credit Fund		£20,000,000	27.0%	UK	Debt growth capital – SME's
Impact Portfolio	Palatine Private Equity	North West Co-Invest Fund	£15,000,000	£15,000,000	75.0%	Specific regions of the UK	Equity growth capital – SME's
Impact Portfolio	Tosca Debt Capital LLP	TDC Impact Limited	£16,800,000	£35,000,000	49.7%	Specific regions of the UK	Debt growth capital – SME's
Impact Portfolio	TDC Impact RC Fund	TDC Impact RC LP	£1,300,000	£10,000,000	100.0%	Specific regions of the UK	Debt growth capital – SME's
Impact Portfolio	Tosca Debt Capital Fund III LP	Tosca Debt Capital III S.a r.l.	£183,590,000	£20,000,000	10.9%	UK	Debt growth capital – SME's
Impact Portfolio	Foresight Group LLP	Foresight Regional Investment III LP	£84,346,500	£40,000,000	47.2%	Specific regions of the UK	Equity growth capital – SME's
Impact Portfolio	Foresight Group LLP	Foresight Regional Investment LP	£58,070,000	£30,000,000	51.7%	Specific regions of the UK	Equity growth capital – SME's
Impact Portfolio	Resonance Impact Investment Limited	National Homelessness Property fund 2	£76,000,000	£20,000,000	26.0%	UK	Social Infrastructure
Impact Portfolio	Panoramic Growth Equity	Panoramic SME Fund 3 LP	£102,500,000	£20,000,000	19.5%	Specific regions of the UK	Equity growth capital – SME's
GMPVF	CBRE Investment Managers	Greater Manchester Property Venture Fund	£900,000,000	£393,561,798	100.0%	Specific regions of the UK	Property

## Appendix 2: Independent Assurance

### Providing GMPF with Greater Confidence in Place Based Impact Reporting

The Good Economy was commissioned by GMPF to carry out independent assurance on the quality of place-based measurement, management and reporting. The aim was to increase levels of confidence in impact practices and performance by assessing selected fund managers against a recognised third-party standard – the AA1000 Assurance Standard (see Box 1) – on an annual basis. This provided a ‘fourth line’ of defence to ensure the credibility and reliability of information in this report, as well as the underlying processes and systems being used by investment managers.<sup>33</sup>

The Good Economy’s *Impact Assured* team – operationally separate from those writing the impact report – carried out the engagement. As far as TGE is aware, GMPF continues to be the only pension fund investor to have asked for external assurance of non-financial metrics reported by underlying funds. As such, conducting this process on an annual basis continues to provide an important signal that shareholders should expect the same level of rigour and external scrutiny to be applied to impact performance as they would expect within an audit of financial performance. Assurance is an essential component in protecting against greenwashing which is increasingly reflected in public policy and regulation.<sup>34</sup> Assurance helps asset owners ensure their underlying managers are delivering meaningful results, and signals credibility to shareholders and wider stakeholders.

### Scope

The scope of assurance related to data disclosed regarding the number of jobs supported and created by funds, which in turn was aggregated into portfolio-wide figures. The quality of these jobs was assessed in relation to whether the funds’ underlying investments were Real Living Wage Employers. Two managers and their underlying funds were selected for assurance by applying a set of selection criteria to the GMPF portfolio.<sup>36</sup>

#### Box 1

#### The AA1000 Assurance Standard

The AA1000 Assurance Standard [AA1000AS v3], developed through a consultative process by the standards firm AccountAbility, is a leading sustainability standard used to assess an organisation’s disclosures about its performance. It is based on four key AccountAbility<sup>35</sup> Principles of inclusivity, materiality, responsiveness and impact. These Principles closely align with the ‘traits’ of place-based impact investing – as set out in the PBII Reporting Framework – so were used as the criteria through which to assess the quality of the place-based approach.

As a registered AA1000AS assurance provider, TGE is bound by a set of preconditions to ensure the independence and impartiality of the engagement, which took place in accordance with established AA1000AS processes and the Code of Practice. The assurance was also carried out in line with TGE’s internal Code of Practice.

TGE carried out the engagement to a moderate level of assurance, assessing adherence to the AccountAbility Principles at risk of fulfilment and areas of the subject matter most likely to be materially misstated, based on collecting and assessing evidence and its validity.

## Findings

### Alignment with AccountAbility Principles and the Traits of Place Based Impact Investing

AccountAbility Principle	PBII Trait	Summary Findings for Sampled Managers
<b>Inclusivity</b> People should have a say in the decisions that impact them	Collaboration and stakeholder engagement	Managers actively seek to identify and engage with stakeholders and prioritise formalising processes to do so. Important stakeholder groups include employees of the manager, investors in the fund and its underlying portfolio companies.  There is variation in managers’ collaboration and engagement with local stakeholders. One of the sampled managers explicitly identifies local communities in the North of England within its key stakeholder groups. This enables the manager to account for local priorities within its decision-making and its engagement. Another sampled manager does not have an explicit local focus within its direct stakeholder engagement.  Engagement is not focused on the end stakeholders, the populations that portfolio companies are delivering products and services to. However, managers increasingly prioritise engagement with wider stakeholders through their supply chains (including targeting ‘local’ suppliers where possible) and through considering the effects of their decision making on the environment.  Managers have robust governance mechanisms in place and numerous sustainability commitments to stakeholder groups internally and externally. For example, through becoming signatories to the UN Principles for Responsible Investment and promoting equitable practices for employees internally.
<b>Materiality</b> Decision makers should identify and be clear about the sustainability topics that matter	Local priorities	Material sustainability topics have been defined and integrated into investment decision making, with local priorities factored into decision-making where relevant. For one of the sampled managers, the core sustainability topics it is aiming to influence are framed within its target geography of the North of England to align with local priorities.  Both managers use industry standard approaches and tools to identify sustainability topics for relevant portfolio company sectors, such as SASB materiality guidelines. On an annual basis, managers monitor portfolio company performance against material sustainability issues.
<b>Responsiveness</b> Organisations should act transparently on material sustainability topics and their related impacts	Intentionality	Both sampled fund managers are intentional in directing capital to investments which align with specified impact themes, with one of the managers actively pursuing a place-based strategy to support businesses within its defined target geography of the North of England.  In monitoring and responding to stakeholders, both sampled managers maintain open communication channels with their primary stakeholders, including LPs, Portfolio Companies and Employees. This enables them to be responsive if stakeholder concerns are raised.  Employees are a key stakeholder group for managers. Managers intentionally ensure sustainability topics are discussed as an agenda item at key employee gatherings and ensure that employees receive training on sustainability topics to enable them to respond to other stakeholder concerns appropriately.
<b>Impact</b> Organisations should monitor, measure and be accountable for how their actions affect their broader ecosystems	Impact management	Fund managers have identified key impact themes within which they have defined a set of impact metrics to monitor performance on an annual basis across their portfolios. Managers align monitoring with industry standards including the Impact Management Project and global goals, such as the SDGs.  Impact performance is reported to stakeholders on an annual basis, through the following approaches: <ul style="list-style-type: none"> <li>– Aggregate portfolio impact performance</li> <li>– Portfolio company case studies</li> <li>– Portfolio company impact performance benchmarking.</li> </ul>

33. The Institute of Chartered Accountants in England and Wales [ICAEW]’s four lines of defence model sets out four categories of responsibility: Those involved in the day-to-day (‘first line’ – funds preparing information); internal controls (‘second line’ – fund managing their control environment through checks and systems); objective and independent scrutiny (‘third line’ – TGE’s sense check in collecting data and interacting); external assurance to a third-party standard and methodology (‘fourth line’ – assurance to high standards of evidence and professional scepticism).

34. From 1 January 2024, the European Commission introduced an EU-wide requirement for limited assurance on sustainability reports, with the end goal to move towards reasonable assurance in the longer term.

35. The AccountAbility Standards Board oversees the ongoing development of the Standards used by institutions worldwide. The composition of the Board is designed to provide broad representation from the public and private sectors, civil society, and the standards community.

36. The set of selection criteria included [1] impact theme, [2] significance of impact to aggregate GMPF portfolio metrics, [3] feasibility [assurance does not take place on managers featured as case studies in the same reporting year], [4] portfolio coverage [prioritise assuring all managers in the portfolio before repeating the assurance process on managers]. This year both managers selected fall within the SME Finance portfolio.

## Jobs Quantity and Job Quality

While we found no material errors in reported jobs figures, the assurance highlighted diverse practices in defining, measuring and reporting job quantity.<sup>37</sup>

Specifically, recommendations to funds focused on processes to validate data. By requesting additional supporting information to verify figures reported into online measurement platforms, managers would be able to not only sense check data accuracy against previously reported figures, but also cross reference reported figures against documents such as board packs or internal portfolio company documents and systems. In turn, when managers supplement regular reporting with annual

sustainability surveys, responses can be validated against data reported on a more regular basis, and the supporting documentation on file.

Assessing whether portfolio companies are Real Living Wage employers provides some insight into the quality of jobs they provide, however we note that this is only one dimension of job quality. As managers increasingly point to good jobs as an area in which they intend to create positive impact, we encourage them to look beyond meeting Real Living Wage standards to additional measures of job quality and inclusivity of supported employment opportunities.

## Appendix 3: Impact Risk

Impact risk is the likelihood that impact will be different to what was expected. To achieve intended changes in outcomes, impact risk must be recognised, prioritised and mitigated against. Impact risks arising from the funds' activities have been assessed against the Impact Frontiers' risk assessment framework.<sup>38</sup>

Impact Frontiers identify nine types of risk which we assess based on the likelihood of a risk materialising and its severity on people, places or planet should it materialise. Only risks assessed to have 'Medium' or above likelihood (there is some evidence that the risk may already be occurring, or that the risk will materialise soon) are described below.

Impact risk	Impact Frontiers' Definition	Likelihood	Severity	Description
Evidence risk (impact delivered)	The probability that insufficient high-quality data exists to know what impact is occurring.	Medium	Medium	As a pension fund, GMPF is several steps away from the ultimate outcomes of its investments.
Stakeholder participation risk	The probability that expectations and/or experience of stakeholders are misunderstood or not taken into account.	Medium	Medium	While we have seen data related to outputs at the asset level, there is currently limited outcomes-level data available. Case studies on a small sample of the portfolio's assets are used to provide greater insights into the actual outcomes delivered.

## Appendix 4: Data Sources

Data source/ evidence	Overview	Evidence risk (data source)	Limitations
Stakeholder Interviews	Interviews undertaken with stakeholders relevant to each case study, including GMPF, investment managers, operating managers (e.g housing associations, care providers, business owners and management, etc) and where appropriate, beneficiaries (for example residents, service users etc).	Low	TGE is only able to conduct case studies on a sample of funds and assets in each fund each year. The sample rotates each year with the intent of covering the majority of fund managers over a five-year cycle.
Site visits to selected schemes	Site visits undertaken in Greater Manchester. This year, we visited three sites. <b>Site visit 1:</b> Tranmere Supported Living (Mersey Gardens). Here we spoke to the site manager – from the care provider, Independence Living – who gave us a tour around the site. We also briefly, and informally, met some of the residents. We also interviewed the site's registered provider (Chrysalis Housing). <b>Site visits 2 and 3:</b> Island Site and Charlton Shopping Centre external tours by a CBRE representative.	Low	Site visits are conducted for some of the asset level case studies. These allow TGE to develop a reasonable idea of the quality of the site. It is a snapshot rather than an in-depth understanding of the impact delivered.
Fund and asset-level data in PBI Reporting Template	The PBI Reporting Template allows fund managers to supply data related to the fund size and underlying investments.	Low	Reliant on accuracy of data provided by fund managers. The data is reviewed by TGE and followed up on where queries arise. A small sample of funds are subject to an independent assurance of output metrics.
Documents from GMPF and fund managers	Review of essential fund documents, including investment strategies, annual reports and evidence of impact performance.	Low	Reliant on accuracy of information in documents provided by GMPF and fund managers.

37. Minor errors were noted due to inconsistent units of measurement (e.g. FTE and headcount) and gaps in data validation practices. However, these were within the Generally Accepted Accounting Principles (GAAP) materiality threshold of 5%.

38. Impact Frontiers, 'Five Dimensions of Impact – Risk'.



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## About Us

The Good Economy is a leading, independent impact advisory firm. Grounded in theoretical rigour and with a broad range of expertise within our industry-leading team, our services are designed to help clients meet the growing demand for greater confidence and credibility in strategies that create positive impact or pursue sustainability outcomes.

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