Agenda Item 11

Leicestershire County Council

LOCAL PENSION COMMITTEE – 14 MARCH 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

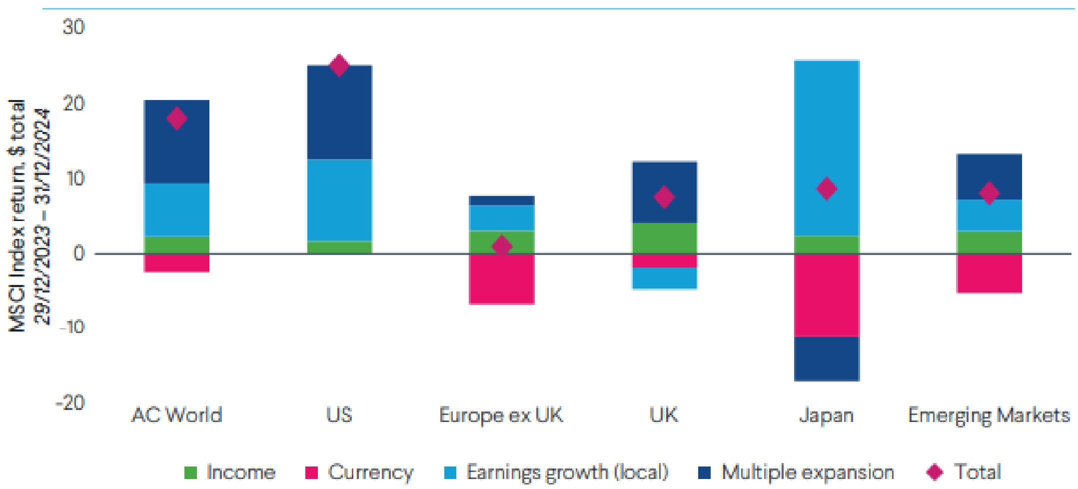
SUMMARY VALUATION OF PENSION FUND INVESTMENTS

Purpose of Report

1. The purpose of this report is to provide the Local Pension Committee (LPC) with an update on the investment markets and how individual asset classes are performing.

Markets Performance and Outlook

2. Overall global growth and equity market performance was strong in 2024 against expectations that a repeat of 2023 was going to prove more difficult. Global growth predictions rose from 2.2% at the start of the year to 2.6% by December. Equity market performance was positive for most major markets, driven by a combination of factors as illustrated below, including multiple expansion which describes the amount per share the market is willing to pay for one unit of earnings.



3. In Q4 2024, sticky underlying developed markets inflation, strong US growth and expectations of an inflationary policy mix based on inflationary tariff talk, and continued deficit spending under President-elect Trump made markets question how far, and how fast interest rates could fall.

4. Fast forward to today and the level of cuts priced in for 2025 are two more cuts for the US bringing the rate to 3.75% from 4.0%. For the UK, which has had one 0.25% cut in 2025 to date, two more cuts are priced in during 2025 which would bring the UK base rate down to 4.0%. Whilst the world would likely welcome lower rates, central banks with their varying mandates will need to balance a multitude of data and competing forces. The table below shows a handful of developed market current rates, and inflation rates which shows that many recent interest rate moves have been lower.

Country	Interest Rate	Last Movement	Date of Last Movement	Inflation Rate	Date of Inflation Rate	Inflation Metric Used
Australia	4.10%	Down	February 2025	2.40%	December 2024	Consumer Price Index (CPI)
Canada	3.00%	Down	January 2025	1.90%	January 2025	Consumer Price Index (CPI)
Euro Area	2.90%	Down	January 2025	2.50%	January 2025	Harmonised Index of Consumer Prices (HICP)
France	2.90%	Down	January 2025	1.70%	January 2025	Consumer Price Index (CPI)
Germany	2.90%	Down	January 2025	2.30%	January 2025	Consumer Price Index (CPI)
Japan	0.50%	Up	January 2025	4.00%	January 2025	Consumer Price Index (CPI)
Sweden	2.25%	Down	January 2025	0.93%	January 2025	Consumer Price Index with Fixed Interest Rate (CPIF)
United Kingdom	4.50%	Down	February 2025	3.92%	January 2025	Consumer Prices Index including owner occupiers' housing costs (CPIH)
United States	4.50%	No Change	January 2025	3.00%	January 2025	Consumer Price Index (CPI)

Source: tradingeconomics.com and global-rates.com

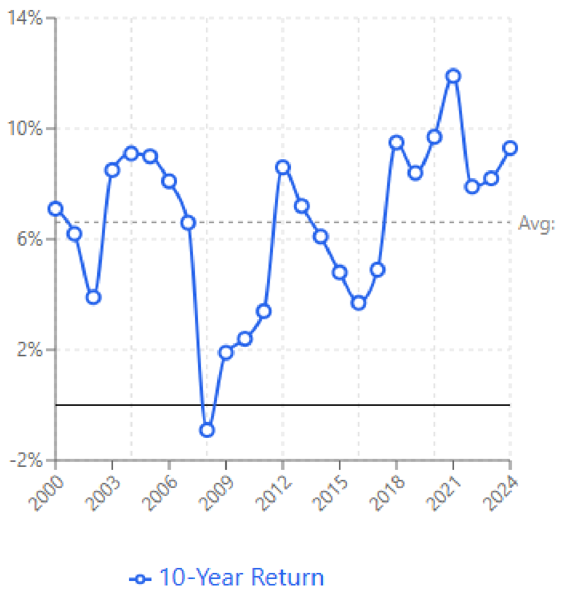
5. Ongoing disinflation lined the way for interest rate cuts from the major central banks in the quarter ending 30 September 2024. These buoyed hopes of a soft economic landing, against a backdrop of slowing, but still solid, global growth. Bonds and equities alike managed to produce positive returns in this environment as news of interest rate cuts eased any concerns of recession.

6. Against this backdrop of persistent inflation and interest rates that have stayed higher for longer than many commentators expected, global listed equity markets returned more than 20% for a second year running, pushing many markets towards all time high valuations. Echoes of the past when valuations were this high (as measured by a variety of financial metrics such as price to earnings ratios) are now common within the financial press prompting fears of future equity returns being subdued. The last four years have certainly pushed major stock indexes and by extension, valuations of pension funds with listed equity exposure higher.

Year	US: S&P 500	US: Dow Jones Industrial Average	US: NASDAQ Composite	UK: FTSE 100	France: CAC 40	Japan: Nikkei 225	Germany: DAX 30
2021	27%	19%	21%	14%	29%	5%	16%
2022	-19%	-9%	-33%	1%	-10%	-9%	-12%
2023	26%	14%	25%	10%	17%	28%	16%
2024	23%	13%	30%	10%	-2%	19%	19%
4 yr total	59%	39%	31%	40%	33%	45%	40%
4 yr CAGR	12%	9%	7%	9%	7%	10%	9%

Information taken from a variety of public internet sources

7. The bigger question is whether this level of equity performance can continue. There are commentators that can build credible arguments for both continued stock market gains and any range of more negative outcomes. For a Fund like Leicestershire's LGPS, which is well diversified across many asset classes and is 'open' with respect to continued new membership and employer participation, any shorter term negative performance should be seen in the wider context for global investment markets which have grown over longer time frames. The table below shows rolling 10 year returns for the MSCI all world equity index. Starting in 1990 to 2000 for the first 10 year performance and ending with November 2014 to October 2023 for the final point on the graph.



Highest return: 11.9% (2021)

Lowest return: -0.9% (2008)

Average return: 6.6%

8. Hymans capital markets review for the December 2024 quarter ending is appended to this report. They comment on most major asset classes performance and their prospects. A summary of the paper for a number of asset classes starting with equities is shown below.

   a. Equities:

      - Valuation Concern: Price-to-earnings multiples have increased significantly; cyclically adjusted P/E ratios are particularly elevated in the US.

      - Earnings Outlook: Forecast real earnings growth for MSCI World of 12% in both 2025 and 2026 points to a solid fundamental backdrop.

      - Market Concentration: US makes up almost 70% of global market capitalization; top 10 stocks comprise nearly 40% of the S&P 500.

      - Hymans capital markets view: Consider alternatives to market-cap-based exposure, such as equally weighted or multi-factor approaches.

   b. Government bonds:

- Yield Environment: 10-year nominal gilt yields at 4.6% pa (end of December), over 1.0% pa higher than start of 2024.

- Supply Concerns: Challenging technical backdrop with increased issuance and BoE selling gilts from its Asset Purchase Facility.

- Inflation Premium: 10-year gilt-implied inflation of 3.5% pa versus 10-year forecast inflation of 2.5% pa suggests substantial inflation risk premium.

- Hymans capital markets view: Current yields are above long-term consensus forecasts for UK nominal growth, offering reasonable value.

c. Corporate credit:

- Spreads: Credit spreads (difference in yield between a corporate bond and government bond for the same timeframe) tightened throughout 2024, ending near historic lows in both investment and speculative-grade markets.

- Fundamentals: Interest coverage remains healthy but likely to come under pressure as debt is refinanced at higher rates.

- Default Concern: Leveraged loan market defaults reached 7.4% in the 12 months to end November 2024.

- Hymans capital markets view: Overweight gilts versus investment-grade corporate credit; within credit, favour short-dated credit and asset-backed securities.

d. UK Property:

- Recent Performance: MSCI UK Property Total Return Index up 5.4% in the 12 months to November 2024. Driven mainly from income returns.

- Capital Values: Declines moderating; office sector still falling but industrial and retail sectors seeing increases.

- Market Fundamentals: Improvement in occupier demand, rent and capital-value expectations; reduced availability and fewer inducements.

- Yield Outlook: Property yields substantially above their June 2022 low; reversionary yields suggest scope for capital value appreciation.

- Hymans capital markets view: Less cautious outlook than previous quarters despite challenging technical backdrop.

9. A summary of global asset class performance over various time frames as at quarter end 31 December 2024 is shown below. Gold having, had a good run through the year, is showing returns over 10% per annum over the last five, ten and twenty years. As previously mentioned global equity and in particular US equity had a good quarter and ended the year with big gains compounding gains made in 2023.

Asset Class	Sub Asset Class	Return 3 Months	Annualised Total Returns to 31/12/24 (GBP unless stated) 1 Year	3 Years	5 Years	10 Years	20 Years	Since Valuation*
Equity	Global	5.9%	19.5%	8.7%	11.7%	12.2%	10.6%	10.5%
	US	9.7%	26.7%	11.8%	15.8%	15.6%	12.7%	13.7%
	UK	-0.4%	9.7%	5.7%	4.7%	6.1%	6.9%	6.0%
	EM (USD)	-6.3%	12.4%	0.6%	3.3%	4.6%	6.7%	2.7%
Fixed Income	US Investment Grade	2.8%	3.1%	-0.6%	1.1%	4.7%	6.4%	1.5%
	US Non Investment Grade	7.2%	10.0%	5.5%	4.7%	6.9%	7.6%	6.6%
	UK Investment Grade	-2.7%	-2.5%	-7.6%	-4.0%	0.0%	2.9%	-5.8%
	European High Yield (EUR)	1.8%	8.6%	2.5%	2.7%	3.7%	5.9%	4.6%
	Emerging Markets	-2.0%	6.7%	-2.0%	-0.9%	2.1%	5.0%	1.7%
	UK Gilts	-3.1%	-2.4%	-8.6%	-4.7%	-0.5%	2.6%	-6.8%
	UK Index Linked Gilts	-6.0%	-8.3%	-14.8%	-6.5%	-0.5%	3.6%	-14.3%
Cash	Cash	1.2%	5.5%	3.8%	2.5%	1.7%		4.2%
Other	Gold	6.5%	28.5%	15.8%	12.9%	10.7%	11.7%	13.7%
	Cat Bonds	11.1%	19.2%	14.3%	10.2%	8.7%	9.8%	14.2%

Asset Class	Sub Asset Class	Return 3 Months	Annualised Total Returns to 30/9/24 (USD) 1 Year	3 Years	5 Years	10 Years	15 Years	Since Valuation*
Private Markets	Private Equity	0.7%	5.8%	5.6%	14.4%	14.0%	14.6%	3.4%
	Private Credit	1.7%	8.8%	7.9%	9.2%	8.4%	9.9%	7.3%
	Real Estate	0.1%	-2.1%	3.2%	5.7%	8.2%	9.0%	-1.1%
	Infrastructure	1.4%	8.3%	11.1%	9.5%	9.6%	9.6%	8.9%

Source: Bloomberg for listed markets, last valuation date 31 March 2022.

Portfolio changes in the quarter ended December 2024

10. There have been no material changes to the portfolio since the end of 2024 other than the usual calls from commitments made to private market investments.

11. The net effect on cash, quarter on quarter, has been an increase from £456million to £517million. Further information on the cash position is given from para 14 below.

Strategic Asset Allocation (SAA) 2025

12. The annual meeting of the Local Pension Committee on 31 January 2025 was attended by representatives from Hymans Robertson who presented the proposed changes to the SAA alongside a review of the performance of the Fund.

13. The proposals were approved and the changes to allocations are described below, a fuller paper is included within the background papers link.

    a. Listed equity: An increase to 41% of total fund assets was approved for listed equity. The 2024 SAA target was 37.5% with a current allocation as at 31 December 2024 of 42.9%. This is within the rebalancing policy range.

    b. Property: A reduction to the property allocation to 7.5% of total Funds assets was approved from the current 10% target. The Fund has had an underweight position to property for a number of years and the current allocation at 31 December 2024 is 7.3% of total Fund assets.

c. Private credit: The final one of the three proposals from Hymans was a small reduction to the private global credit allocation from a 10.5% allocation to 9.5%. The Fund is currently underweight to this asset class at 31 December 2024 with 7.0% of total Fund assets. Existing commitments have been made and at the time of writing total over £400million.

Cash holdings and outstanding commitments

14. The level of cash held by the Fund is higher than the Strategic Asset Allocation (SAA) limit of 0.75% of total Fund assets. This, alongside a cash flow is presented to the Investment Sub-Committee (ISC) each quarter. At the quarter end the Fund held £517million (£456m last quarter) in cash and an additional £46million (£90million last quarter) with Aegon as collateral in order to support the currency hedge. Taken together this represents 8.5% (8.4% last quarter) of total Fund assets.

15. The additional cash is as a result of SAA recommendations in 2022 and 2023 which prompted a switch from liquid assets, although some switch has been reduced as part of the 2025 SAA review. As described earlier in this paper there is a large amount of commitments outstanding awaiting to be called for infrastructure, private credit and property asset classes.

16. These illiquid assets take time for money to be invested (called) by the underlying managers. In the meantime, the majority of the Funds that would be used to satisfy calls are held within cash which includes the use of money market funds and fixed deposits.

17. The Fund has made relevant commitments to the underlying mangers which are in the process of being called and at the time of writing there are commitments totalling around £900million waiting to be called, with over £700m of that amount being allocated to LGPS Central products. In addition, the Fund has approval to commit a further £260million to Central products in 2025 and 2026 across infrastructure asset classes. £280million was committed to two LGPS Central private debt vintages during the final quarter 2024.

18. Over the financial year 2024/25 the cash has been held in a mixture of money market funds (MMFs) and fixed deposits. Given the higher cash holdings, a cash management strategy was presented to the October 2023 meeting of the ISC which formalised the limits and types of institutions the Fund can use. The majority of the cash is currently held in three of the available types; MMFs, term deposits and certificates of deposit, the final two having maximum terms of one year.

19. At the time of the Committee meeting. the Fund is expected to have cash holdings of around £475million split between MMFs and fixed term deposits. The Fund, at the time of writing has £325million invested in fixed deposits with a weighted average interest rate of 4.65% (was 4.95% at the last update) with an average term to maturity of 3.2 months.

20. A cashflow forecast for the Fund estimates that cash should reduce gradually over the calendar year towards £250million. The reduction in cash is dependent on a number of factors:

    a. The speed at which the significant commitments already made by the Fund are called.

b. The pace at which closed ended funds return capital, in particular private equity, private credit and infrastructure funds.

c. The pace at which investments into the LGPS Central MAC fund are made. The Fund has a £175million underweight position within this fund. The decision to restart investments into this fund will recommence once the LGPS Central review into the multi manager strategy is concluded. The decision to pause investments into this fund and the rationale was included within the last Local Pension Committee meeting paper. Without the pausing of this investment the cash position was planned to be c£175million lower at the end of the current financial year.

21. Although little time has passed in order to align to the 2025 SAA, which was approved at the January 31 2025 meeting of the Local Pension Committee, a table below shows the current position of the Fund's actual investments against the new 2025 targets.

22. Approvals or planned approvals and expected cashflows to the end of 2025/26 is also shown in the tables below. The 'commitments / investments approved' will be called over a number of years whilst the cashflows column shows expected movements until 31 March 2026. In summary, the Fund is overweight cash, marginally overweight growth assets and underweight income assets. Although significant commitments have been made to income asset classes, they will take time to be fully called.

	31/12/24 £m	2025 SAA	31/12/24 Actual weight %	Difference, actual to 2025 SAA	£m to SAA weight	Commitments / investments approved	to 31/3/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Growth	3,554	53.5%	53.7%	0.2%	16	75	-179	-88	1.3%
Income	2,048	38.5%	31.0%	-7.5%	-497	1,024	-154	373	-5.6%
Protection *	493	8.0%	7.5%	-0.5%	-36	0	9	-27	0.4%
Cash	517	0.0%	7.8%	7.8%	517				
	6,612	**100.0%**	**100.0%**						

** includes hedge collateral at 0.75% of total fund assets*

Growth	31/12/24 £m	2025 SAA	31/12/24 Actual weight %	Difference, actual to 2025 SAA	£m to target weight	Commitments / investments approved	to 31/3/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Listed Equity	2,840	41.00%	43.0%	2.0%	129		-129	0	0.0%
Targeted Return Funds	324	5.00%	4.9%	-0.1%	-7			-7	-0.1%
Private Equity	390	7.50%	5.9%	-1.6%	-106	75	-50	-81	-1.2%

Income	31/12/24 £m	2025 SAA	31/12/24 Actual weight %	Difference, actual to 2025 SAA	£m to target weight	Commitments / investments approved	to 31/3/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Infrastructure	680	12.50%	10.3%	-2.2%	-146	340	-30	164	2.5%
Global private credit	463	9.50%	7.0%	-2.5%	-165	458	-120	174	2.6%
Property	484	7.50%	7.3%	-0.2%	-12	51	-4	35	0.5%
Global Credit - liquid MAC	420	9.00%	6.4%	-2.6%	-175	175		0	0.0%

Protection	31/12/24 £m	2025 SAA	31/12/24 Actual weight %	Difference, actual to 2025 SAA	£m to target weight	Commitments / investments approved	to 31/3/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Inflation linked bonds	219	3.50%	3.31%	-0.2%	-13			-13	-0.2%
Investment grade credit	165	3.25%	2.50%	-0.8%	-50	50		0	0.0%
Short dated IG credit	63	0.50%	0.95%	0.5%	30			30	0.5%
Active currency hedge	46	0.75%	0.70%	-0.1%	-4			-4	-0.1%

Cash	517	0.00%	7.8%	7.8%	517				

Overall Investment Performance

23. Investment performance analysis over various time frames to the period quarter ending 31 December 2024 is conducted by Hymans Robertson (Hymans), the Fund's Investment Advisor. Hymans collate information directly from investment managers and calculate performance, which provides an independent check of valuations. The valuation summary is included within the exempt part of today's agenda together with the managers reports.

24. It is important to note that the valuations produced can be different to those provided by managers or included in the Statement of Accounts. For example, timing differences or use of different accounting methodologies. The differences are not expected to be material in the context of the messages being conveyed by this report.

25. Summarised returns for the whole Fund versus benchmark are shown below excluding the effect of the hedging facility.

	Quarter	1yr	3yr pa	5yr pa
Total Fund	+1.8%	+8.6%	+4.1%	+6.6%
vs benchmark	-1.6%	-3.5%	-1.5%	-0.4%

26. It is important to note that investment returns can be negative in absolute terms and for a protracted period, and chances of negative returns over shorter periods of time are considerably higher than over longer periods of time. At present the returns over timeframes versus the benchmarks have turned negative, and this is partly due to the change of benchmarks through 2024 where existing comparisons were replaced with comparisons which more accurately reflect the risk being taken. In most cases this

made the attainment of the benchmark more difficult, for example, the moving of the private equity benchmark from FTSE all world to FTSE all world plus 3% pa.

27. Over the one-year period the effect of cash plus benchmarks has made attainment of the overall benchmark harder, together with the effect of a second year of interest rates over 4%. Many of the Fund's benchmarks are measured against cash plus a margin of three to four percent which includes many infrastructure funds, the Ruffer and Fulcrum funds, and most of the private credit funds for example.

28. Splitting the longer-term returns (3 year and 5 year) by the three asset groups shows that the adverse returns to the benchmark are driven by both the growth and income asset groups that make up much of the Fund's assets. The protection assets which make up a smaller proportion of the Fund's assets has a favourable variance. It is worth noting that this favourable variance is against a protection asset group benchmark return which is -8.3% over 3 years and -3.0% over 5 years. The performance of the asset groups is illustrated best in the table below.

Asset group	Target weight 2025 SAA	3 year actual pa	3 year benchmark pa	Difference pa	5 year actual pa	5 year benchmark pa	Difference pa
Growth	53.5%	6.5%	8.6%	-2.1%	9.5%	10.0%	-0.5%
Income	38.5%	3.3%	4.8%	-1.5%	4.0%	4.9%	-0.9%
Protection	8.0%	-8.2%	-9.3%	+1.1%	-2.5%	-3.0%	+0.6%

Private Equity (PE) review:

29. Private equity describes an investment class which consists of capital that is not listed on a public exchange, for example, the London Stock Exchange or New York Stock Exchange. Private equity funds, formed by investment managers raising funds from institution like pension funds, sovereign wealth funds and other discretionary investment managers, invest directly in private companies, or engage in buyouts of public companies, resulting in the delisting of the company from a public exchange.

30. Given the riskier nature of investing in unlisted or newer companies, returns from private equity should be higher compared to listed index equity investing such as buying the FTSE 100 index or S&P 500 index. As such the benchmark the Fund uses to assess investment returns for PE adds 3% per annum to a public market index.

31. Investment management costs are considerably higher than a passive or active listed equity investment. In addition, performance fees for meeting a target investment return percentage per annum is commonplace and so the returns need to reflect the significantly higher cost.

32. Typical net returns have been in the range of 12%-18% per annum for buyout funds (funds which raise capital to acquire majority stakes in companies) and 8%-20% per annum for venture funds (funds which raise capital for investment into earlier stage companies). The larger variation in returns represents the higher risk from investing in early-stage companies and is not uncommon for 30% of the companies being invested in to fail completely.

33. Some of the successful companies seen on the public listed stock markets today were once invested in by venture capital funds. Early-stage investors will have made very large returns when those companies were eventually exited. For example, Meta (was facebook) will have returned around 100 times the investment for early investors in 2005.

34. The Fund currently has a framework for investing in PE which aims to spread the risk by allocating ranges to geography (where the companies are physically headquartered), lifestage and type of origination channel. This framework is reviewed before making new commitments to PE to ensure the eventual shape of the PE portfolio is within the ranges and not exposed to any particular risk.

35. The last commitment made to PE was a £40million commitment to the LGPS Central 2023 PE vintage in September 2024. This was the second commitment to this fund which bought the Fund's overall commitment to £80million.

36. The Fund's private equity (PE) holdings are split across three managers. The target weight being 7.5% of total Fund assets.

Fund	Current valuation £million	Current weight	Since inception net returns
LGPSC PE 2018 vintage	9.1	0.1%	10.4% (May 2019)
LGPSC PE 2021 vintage	7.8	0.1%	Too early
LGPSC PE 2023 vintage	2.8	0.0%	Too early
Adams Street Partners (ASP)	347.0	5.2%	13.6% (March 2016)
Patria Secondaries Opportunities Fund 3	22.2	0.3%	18.3% (Sept 2019)
Total PE	**388.9**	**5.9%**	**14.0% (March 2016)**

Note that the performance information dates only as far back as March 2016 from the Funds provider. ASP's supplied information shows net 12.26% pa returns for all vintage since inception

37. As at 31 December 2024 the actual weight was 5.9% and therefore circa £100m underweight to the target. The Fund does have substantial uncalled commitments of over £160million across both ASP and LGPS Central investment products which will be called over time.

38. However, the Funds existing portfolio of investments will be returning capital to the Fund as older investments are exited. This is the case for the ASP portfolio which dates back to 2002 when the first investment was made and as such many vintages are now at any age where underlying investments are being realised. ASP are a fund of funds manager meaning that they act as a one stop shop where investors such as the Fund can access a spectrum of PE managers covering all areas of the PE universe. As such investing within one vintage of ASPs global fund provides access to multiple geographies and covers various life stages such as venture, growth and buyout funds.

39. The Fund's last commitments to PE were presented and approved at the July 24 2024 meeting of the ISC where a £40million investment to the LGPS Central PE 2023 and $50million investment to the ASP global funds 2024 programme was approved.

40. Officers have been in contact with LGPS Central with regard to a new vintage. Planning has commenced and partners will be consulted in order to build a product that meets the needs of the individual partners. If a new product can be built, then it is likely a proposal will be bought to a LPC or ISC meeting in the second half of 2025.

Pooling progress

41. The Government's ambition is to have all investments pooled by 31 March 2026. Whilst this is feasible there is a lot of uncertainty across administering authorities

surrounding other proposals. In addition, each pool has been asked to provide a plan to the Government on how the main proposals will be achieved. LGPS Central have built the plan in consultation with the partner funds which has been submitted by the deadline at the end of February 2025.

42. At the time of writing there has been no feedback received from Government in relation to the Fund's fit for the future consultation (FFTF) which was submitted in January 2025. At present there is no indication on a date when feedback will be received. There will likely be continued communication between the Pools and MHCLG. The Pool communicates with officers on a regular basis and any updates will be reported to the Local Pension Committee at the next meeting which is scheduled for 27 June 2025.

43. The Fund's current pooled total is £3.9billion or 58.3% of total fund assets. The Legal and General (LGIM) passive equity investments are now classed as pooled under an advisory agreement. This has allowed the Fund to add c£1.2billion to the pooled amount. The actual advisory agreement was completed in January 2025.

44. The Fund, as mentioned earlier on this paper, has around £700million in uncalled commitments to LGPS Central products. This represents 11% of the current valuation of the Fund. In addition, the Fund also has £260million in approvals to Central infrastructure funds adding a further 4% which will be formally committed in equal amounts during 2025 and 2026 as long there no issues identified within the two LGPS Central infrastructure funds.

Investment Sub-Committee (ISC) approval

45. The ISC met on the 2 October 2024 to consider a proposal to invest in a bank risk share investment. The investment advisor had considered a number of ways to maintain exposure to this asset class and recommended to the LPC a £40million commitment to the existing managers' Capital Relief fund 6, pending satisfactory legal due diligence. This legal due diligence has now been completed and as such, relevant know your customer (KYC) and subscription forms will be completed by the Fund.

Leicestershire Pension Fund Conflict of Interest Policy

46. Whilst not a conflict of interest, it is worth noting that the County Council also invests funds with four managers with whom the Leicestershire County Council Pension Fund invests, namely Partners Group, JP Morgan, DTZ investors and Christofferson Robb and Company (CRC). Decisions on the County Council's investments were made after the Fund had made its own commitments.

Recommendation

47. The Local Pension Committee is asked to note the report.

Environmental Implications

48. The Leicestershire LGPS has developed a Net Zero Climate Strategy (NZCS) for the Fund. This outlines the high-level approach the Fund is taking to its view on Climate Risk. This will align with the Fund's Responsible Investment approach as set out in the Principles for Responsible Investment. The Fund is committed to supporting a fair and

just transition to net-zero. There are no changes to this approach as a result of this paper.

Equality Implications

49. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Human Rights Implications

50. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Background Papers

Local Pension Committee 31 January 2025, Overview of the Current Asset Strategy and Proposed 2025 Asset strategy – item 130:
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=7986&Ver=4

Investment Sub Committee 24 July 2024, Review of the Leicestershire LGPS cash update and Private Equity top up:
https://democracy.leics.gov.uk/documents/s184319/Cash%20update%20PE%20top%20up.pdf

Appendix

Hymans Robertson, Capital Markets update Winter 2025

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