Leicestershire County Council

LOCAL PENSION COMMITTEE – 27 JUNE 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

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, and the total value of the Fund's investments as at 31 March 2025.

2. The report also provides an update on action taken by the Investment Sub-Committee (ISC) at its meeting on 24 July 2024 with respect to investment recommendations to invest in two LGPS Central infrastructure funds.

Markets Performance and Outlook

3. Many global growth forecasts have fallen over the quarter given general uncertainty around future global growth. The uncertainty was felt sharply within global equity markets which saw sharp sell offs during April at a pace not seen in many years. The correction, however, was short lived as many equity indices recovered losses during April and May, with volatility high and reacting to news flow usually from the US administration and tariffs.

4. Although some time has passed since the two historically good years (2023 and 2024) for listed equity returns, 2025 has proved to be quite resilient in terms of listed equity returns considering the headwinds which include slowing global growth, higher for longer interest rates, and stickier inflation as well as the volatility from tariffs as already mentioned.

5. As at the 27 May 2025 the MSCI (Morgan Stanley Composite Index) world index was up 5.3% year to date in USD and around 3% when translated to GBP. This index represents large companies from 23 developed market countries and includes over 1,300 stocks. The long-term returns (since 31 December 1987) of this very broad index is close to 9.5%per annum when priced in GBP. Bear in the mind the large corrections this index has had to endure over this time, such as the tech crash in 2000 and the global financial crisis in 2008. The Fund has exposure linked to this broad index across a number of its equity funds.

6. Global growth forecasts have slipped through the year and were at +2.3% in March which Hymans describe as low, even compared to post global financial crisis standards. However, Hymans seem optimistic of future continued growth where negative impacts may be cushioned by ongoing supportive fiscal policy in the US and as such, they believe the US is expected to outperform its advanced economy peers.

7. As at today there are two more interest rate cuts forecast for the US, bringing the rate to 3.5% - 3.75% by the end of the year. The level of interest rate cuts priced in for the

UK, which has had two 0.25% cuts in 2025 to date, has two more cuts priced in during 2025 which would bring the UK base rate down to 3.75%.

8. Since the last quarterly update, the near-term data has been heavily influenced by news surrounding US Liberation day tariffs and the effect on data that drives many central bank decisions regarding interest rate policy. The table below shows a handful of developed market interest and inflation rates as at 27 May 2025. The general direction of interest rate moves has been lower through 2025.

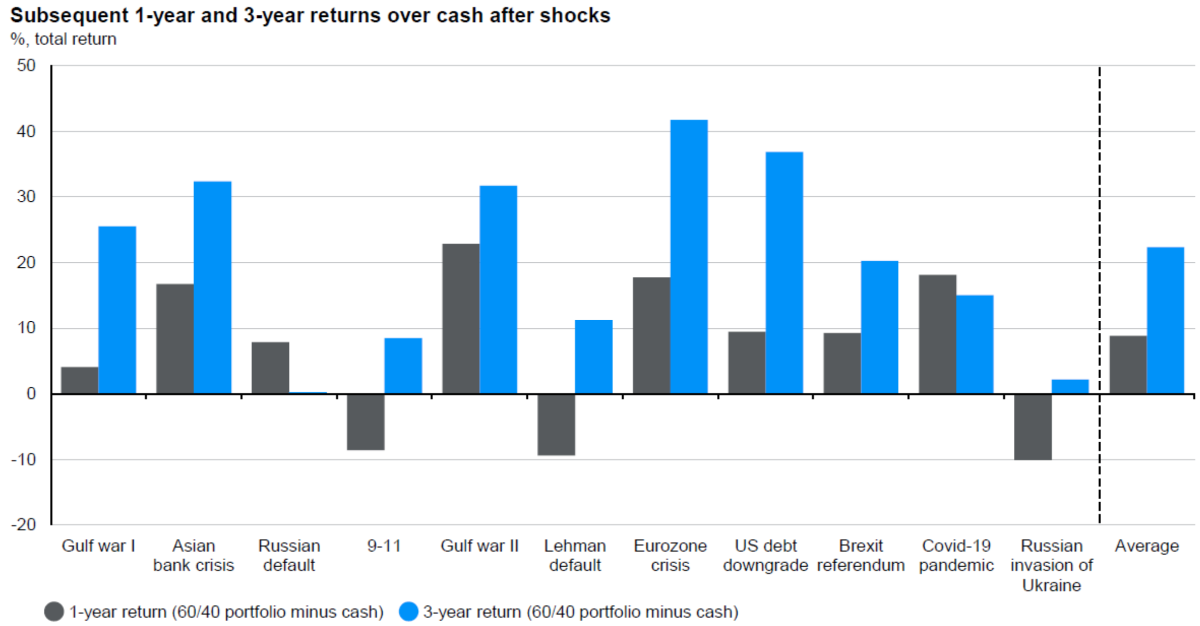
Country	**Interest Rate %**	**Last Movement**	**Date of Last Movement**	**Inflation Rate %**	**Date of Inflation Rate**	**Inflation Metric Used**
Australia	3.85	Down	May 2025	2.4	March 2025	Consumer Price Index (CPI)
Canada	2.75	No Change	May 2025	1.7	April 2025	Consumer Price Index (CPI)
Euro Area	2.4	Down	April 2025	2.2	March 2025	Harmonised Index of Consumer Prices (HICP)
Japan	0.5	No Change	May 2025	3.6	March 2025	Consumer Price Index (CPI)
Sweden	2.25	Down	January 2025	2.3	March 2025	Consumer Price Index with Fixed Interest Rate (CPIF)
United Kingdom	4.25	Down	May 2025	4.1	April 2025	Consumer Prices Index including owner occupiers' housing costs (CPIH)
United States	4.50	No Change	January 2025	2.3	March 2025	Consumer Price Index (CPI)

Source: tradingeconomics.com and global-rates.com

9. Longer term views of markets have proved to be valuable from an asset allocation point of view. The Fund does not make short term decisions and instead attempts to stay invested at all times and rebalances to the strategic asset allocation (SAA) at regular intervals. The Fund has a rebalancing policy which allows for movement around the target allocation to an asset class.

10. The last rebalance was actioned during March 2025 with an additional £25million invested into the Central investment grade bond fund which the Fund had a small underweight to. There have been no more rebalancing movements since. There is more information on the Fund's current valuation and variances to the SAA later within this paper.

11. In supporting the holding for the long term and steady reallocations from overweight to underweight areas is the following analysis from JP Morgan showing returns following economic and geopolitical shocks, the conclusion that in many of the examples listed below the average portfolio (consisting of 60% equities and 40% bonds) the three year return has been over 20%.



12. The Fund is now in a better funded position, meaning the Fund's assets are larger than the liabilities. Although the formal valuation is not completed yet, the Fund's actuary Hymans Robertson (Hymans) expects a funding level around 150%. Although funding levels can reverse, the current higher level affords the Fund the ability to navigate volatility in the value of the investment assets with a lesser effect on employer contributions than if the Fund was on a lower funding level.

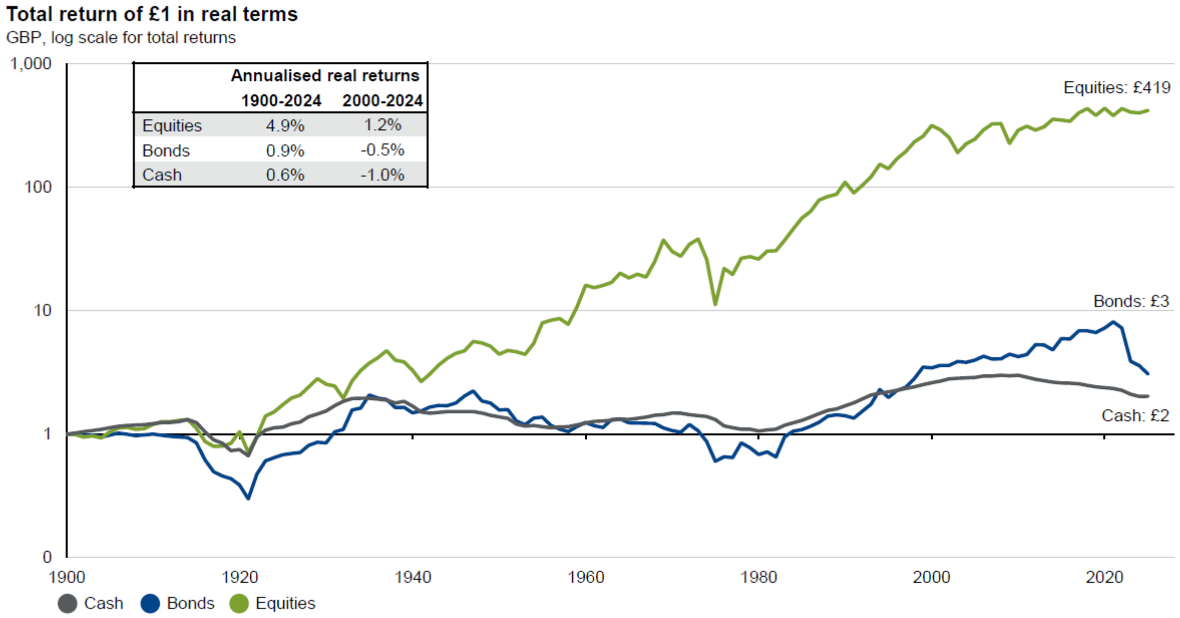
13. The Fund would expect calls for lowering of investment in those asset classes that in the past are known to have higher volatility and higher returns, in exchange for increasing allocations to those asset classes that have traditionally been known to be of lower volatility and more predictable returns. The Fund assesses its SAA once a year alongside it's investment advisor Hymans and takes a measured approach to understanding the investment markets without making sharp changes to the SAA. This allows for changes over time and avoids short term biases from leading long term investment choices.

14. A graph below shows long term real returns from three assets types, equities, bonds and cash (real returns being nominal returns being adjusted for inflation), the takeaways being:

    a. Equities have outpaced inflation by a quite a margin over the very long term (+4.9% pa) and less so over the last two decades (+1.2%).

    b. Although both bonds and cash have done well over the long term considering the risk associated with both, over the last two decades have produced negative real returns (-0.5% and -1.0% respectively).

    c. The Fund's liabilities are linked to inflation given pensions paid are uplifted each year for the year-on-year change in the consumer prices index (CPI) and if the CPI is negative then pensions are held at the previous year.



Source: JP Morgan, Equites - FTSE100; bonds - JP morgan GBP government bond index; cash – three month GBP LIBOR and short dated treasury bills prior to 2008

15. Hymans capital markets review for the March 2025 quarter ending is attached to the report at Appendix A. 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:

- Global equity markets declined 1.9% in Q1 2025, ending 10 consecutive quarters of positive returns, with US markets underperforming due to trade policy concerns.
- The value factor significantly outperformed growth as sentiment shifted away from expensive technology stocks affected by trade barriers and competitive pressures.
- Cyclically adjusted valuations remain on the expensive side despite recent weakness, as earnings appear elevated relative to trend.
- 2025 earnings forecasts for MSCI World have fallen from 12% to 9.5% year-on-year, with negative earnings momentum as downgrades exceed upgrades.

b. Government bonds:

- UK gilt yields at 4.9% appear attractive relative to long-term growth and inflation forecasts, despite headwinds from heavy issuance and inflation risks.
- The Bank of England is expected to proceed cautiously with only a couple more 0.25% rate cuts in 2025, as domestic disinflation has stalled and inflation could approach 4%.
- Index-linked gilts offer increased fundamental attraction given rising inflation forecasts coupled with falling real GDP forecasts.

- Forward yields provide an attractive entry point for long-term investors despite expected volatility from heavy supply and ongoing Bank of England (BoE) asset sales.

c. Corporate credit:

- Investment-grade credit spreads have risen 0.3% to 1.3% year-to-date, while speculative-grade spreads increased 1.4% to 4.5%, moving closer to long-term median levels. (The term spread refers to the difference from the risk-free benchmark, typically government bonds).

- Credit spreads are no longer at historically cheap levels but present potential opportunities for long-term investors who were previously underweight due to tight spreads.

- Corporate debt affordability metrics remain relatively healthy, with Moody's (one of the largest ratings agencies) forecasting the 12-month default rate to fall to 2.2% by end-2025.

- Economic and earnings growth risks are skewed to the downside, which could pressure default forecasts upward.

d. UK Property:

- The sector delivered 8.1% total returns over 12 months to February 2025, with income contributing 5.9% driven by strong rental growth in quality, energy-efficient buildings.

- Net initial yields of 5.2% remain below gross reversionary yields (the potential return once a property reaches full rental) of 7.3%, suggesting scope for further capital appreciation.

- Transaction activity remains sluggish in 2025, below 2024 levels, with continued redemption pressure on property funds highlighting technical challenges.

- Rental growth expectations are moderating as tenants face rising inflation and weak growth outlook.

16. A summary of global asset class performance over various time frames as at quarter end 31 March 2025 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, comparable to broad global equity indexes like the FTSE all world index.

Asset Class	Sub Asset Class	Return 3 Months	Annualised Total Returns to 31/3/25 (GBP unless stated) 1 Year	3 Years	5 Years	10 Years	20 Years	Since Valuation*
Equity	Global FTSE ALL world	-4.0%	5.2%	8.1%	14.7%	10.9%	10.4%	8.1%
	US S&P500	-7.1%	5.6%	9.8%	17.6%	14.1%	12.3%	9.8%
	UK All share	4.5%	10.7%	7.1%	12.0%	6.1%	6.9%	7.1%
	EM (USD)	2.3%	12.4%	3.2%	9.7%	4.6%	6.8%	3.2%
Fixed Income	US Investment Grade	-0.6%	2.1%	1.1%	0.3%	3.9%	6.3%	1.1%
	US Non Investment Grade	-1.9%	5.4%	5.4%	5.6%	5.9%	7.6%	5.4%
	UK Investment Grade	0.6%	-0.6%	-5.1%	-4.6%	-0.2%	2.9%	-5.1%
	European High Yield (EUR)	0.6%	7.6%	4.4%	6.2%	3.5%	5.9%	4.4%
	Emerging Markets	2.3%	6.8%	2.4%	2.7%	2.2%	5.1%	2.4%
	UK Gilts	0.5%	0.0%	-6.1%	-5.8%	-0.7%	2.7%	-6.1%
	UK Index Linked Gilts	-1.4%	-7.9%	-13.7%	-7.1%	-0.9%	3.5%	-13.7%
Cash	Cash	1.2%	5.2%	4.3%	2.8%	1.8%		4.3%
Other	Gold GBP	15.3%	34.8%	17.9%	13.7%	11.7%	12.6%	17.9%
	Catastrophe Bonds	-2.1%	10.9%	12.2%	8.3%	7.8%	9.5%	12.2%

		Return 3 Months	Annualised Total Returns to 31/12/24 (USD) 1 Year	3 Years	5 Years	10 Years	15 Years	Since Valuation*
Private Markets	Private Equity	2.8%	7.4%	4.4%	14.2%	14.1%	14.4%	4.4%
	Private Credit	1.8%	8.4%	7.4%	9.2%	8.4%	9.7%	7.4%
	Real Estate	1.6%	1.7%	1.3%	5.3%	7.9%	9.5%	1.3%
	Infrastructure	3.0%	10.2%	10.4%	10.2%	9.8%	9.5%	10.4%

Source: Bloomberg for listed markets, *Since valuation is change from 31 March 2022.

Portfolio changes during the quarter ended March 2025

17. A £25million investment to the LGPS investment grade corporate bond fund was made in March 2025 in order to realign towards the target weight for this asset class.

18. The net effect on cash, quarter on quarter, has been an increase from £517million to £556million. Further information on the cash position is given from paragraph 21 below.

Strategic Asset Allocation (SAA) 2025

19. 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.

20. The proposals were approved and the changes to allocations are described below

    a. Listed equity: An increase to 41% (from 37.5%) of total fund assets was approved for listed equity. The current allocation as at 31 March 2025 is 41.1% to listed equity.

    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 March 2025 is 7.2% of total Fund assets which is marginally below the current 7.5% target.

c. Private credit: A 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 March 2025 with 7.1% of total Fund assets. Existing commitments are in place and at the time of writing total over £400million. There is currently a review taking place of this asset class with proposals planned to be presented to the July 2025 meeting of the Investment Sub-Committee (ISC).

Cash holdings and outstanding commitments

21. The level of cash held by the Fund is higher than the SAA limit of 0.75% of total Fund assets. This, alongside a cash flow is presented to the ISC each quarter. At the quarter end the Fund held £556million (£517m last quarter) in cash and an additional £54million (£46million last quarter) with Aegon as collateral in order to support the currency hedge. Taken together this represents 9.1% (8.5% last quarter) of total Fund assets.

22. The additional cash is as a result of SAA recommendations in 2022 and 2023 prompted a switch from liquid assets, although some switch has been reduced as part of the 2025 SAA review. There over £800million in outstanding commitments awaiting to be called for private market asset classes.

23. In addition, there a number of proposals planned to present over the remainder of 2025 covering infrastructure, property, private credit and private equity. These proposals may increase the value of outstanding commitments and therefore not immediately decreasing the level of cash.

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

25. The Fund has made relevant commitments to the underlying managers which are in the process of being called, and at the time of writing there are commitments totalling around £830million waiting to be called, with nearly £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.

26. The Fund, at the time of writing has £370million invested in fixed deposits with a weighted average interest rate of 4.39% (was 4.65% at the last update) with an average term to maturity of 3.6 months.

27. 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 level of new commitments made by the Fund.

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

d. 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 review is due to be completed in Q3 of 2025 all being well. The Fund will then start to close the underweight over a period of time. The Fund has assumed around two thirds of the underweight is closed by the end of 2025.

28. Although little time has passed in order to align to the 2025 SAA, which was approved at the 31 January 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.

29. 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, and underweight income assets. Although significant commitments have been made to income asset classes, they will take time to be fully called.

	31/03/25 £m	2025 SAA	31/03/25 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	3,489	53.5%	52.1%	-1.4%	-95	150	-50	5	-0.1%
Income	2,127	38.5%	31.8%	-6.7%	-451	987	-164	372	-5.5%
Protection	525	8.0%	7.8%	-0.2%	-10	0	0	-10	0.2%
Cash	556	0.0%	8.3%	8.3%	556				
	6,698	**100.0%**	**100.0%**						

The Protection asset group includes hedge collateral at 0.75% of total fund assets

Growth	31/03/25 £m	2025 SAA	31/03/25 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	2,750	41.00%	41.1%	0.1%	4			4	0.1%
Targeted Return Funds	332	5.00%	5.0%	0.0%	-3			-3	0.0%
Private Equity	407	7.50%	6.1%	-1.4%	-96	150	-50	4	0.1%

Income	31/03/25 £m	2025 SAA	31/03/25 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	743	12.50%	11.1%	-1.4%	-94	313	-30	189	2.8%
Global private credit	478	9.50%	7.1%	-2.4%	-159	446	-120	167	2.5%
Property	481	7.50%	7.2%	-0.3%	-22	51	-14	15	0.2%
Global Credit - liquid MAC	426	9.00%	6.4%	-2.6%	-177	177		0	0.0%

Protection	31/03/25 £m	2025 SAA	31/03/25 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	216	3.50%	3.22%	-0.3%	-19			-19	-0.3%
Investment grade credit	192	3.25%	2.87%	-0.4%	-26			-26	-0.4%
Short dated IG credit	64	0.50%	0.96%	0.5%	31			31	0.5%
Active currency hedge	54	0.75%	0.80%	0.1%	4			4	0.1%
Cash	556	0.00%	8.3%	8.3%	556				

Overall Investment Performance

30. Investment performance analysis over various time frames to the period quarter ending 31 March 2025 is conducted by 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.

31. 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.

32. 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	0.0%	+4.5%	+4.2%	+8.8%
vs benchmark	+0.9%	-1.8%	-1.4%	+0.2%

33. 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.

34. At present the returns over the one-year and three-year timeframes versus the benchmarks have turned negative. 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 many cases the old benchmarks were replaced with tougher comparisons, for example, moving of the private equity benchmark from FTSE all world to FTSE all world plus 3% pa.

35. 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.

36. In particular the asset classes that have performed adversely to the benchmark are shown below for three years and five years.

Asset class	**Benchmark (BM)**	**3 year returns, benchmark and (variance)**	**5 year returns, benchmark and (variance)**
Private equity	FTSE All world + 3%	+1.1% vs +11.4% BM (-10.3%)	+14.3% vs +18.0%BM; (-3.7%)
Targeted Return	SONIA 3mth + 4%	+4.6% vs +8.3% BM; (-3.7%)	+8.0% vs +6.6% BM; (+1.4%)
Private Credit	Blended BM, SONIA +4% and absolute returns	+5.6% vs +7.7%BM; (-2.1%)	+5.9% vs +6.5% BM; (-0.6%)

*SONIA is the sterling overnight index average – a bank of England published rate that roughly tracks the bank of England base rate

37. Private equity (PE) over the three year time frame (between April 2022 and March 2025) has proved to be difficult to achieve the benchmark. The strategy relies on supportive and positive public markets. Many PE strategies rely on exiting investments by selling to the public market. The initial public offering (IPO) market has been subdued over the three years in particular with initially the Russia and Ukraine (2022) conflict and global interest rate and inflation increases thereafter supressing demand. The Fund does, however, have a diversified PE portfolio which is able access other PE strategies which reduces the reliance on IPO's for example. Although not meeting the benchmark over five years, PE performance has been respectable at 14.3%.

38. The targeted return benchmark that was chosen was a cash plus benchmark given this asset class is able to generate positive returns through market downturns. The cash plus 4% benchmark also creates a higher target as interest rates rose through 2022 and 2023. Given the diversified nature of the underlying positions used by the managers within this asset class certain positions will have performed well whilst generally bonds and equities had a difficult period through 2022 and 2023. The returns over three years reflect this whilst over five years returns are positive, versus the benchmark which will have benefited from equity positions the managers will have held during the second half of 2020 and 2021 when equity performed well post the Covid downturn in the first half of 2020.

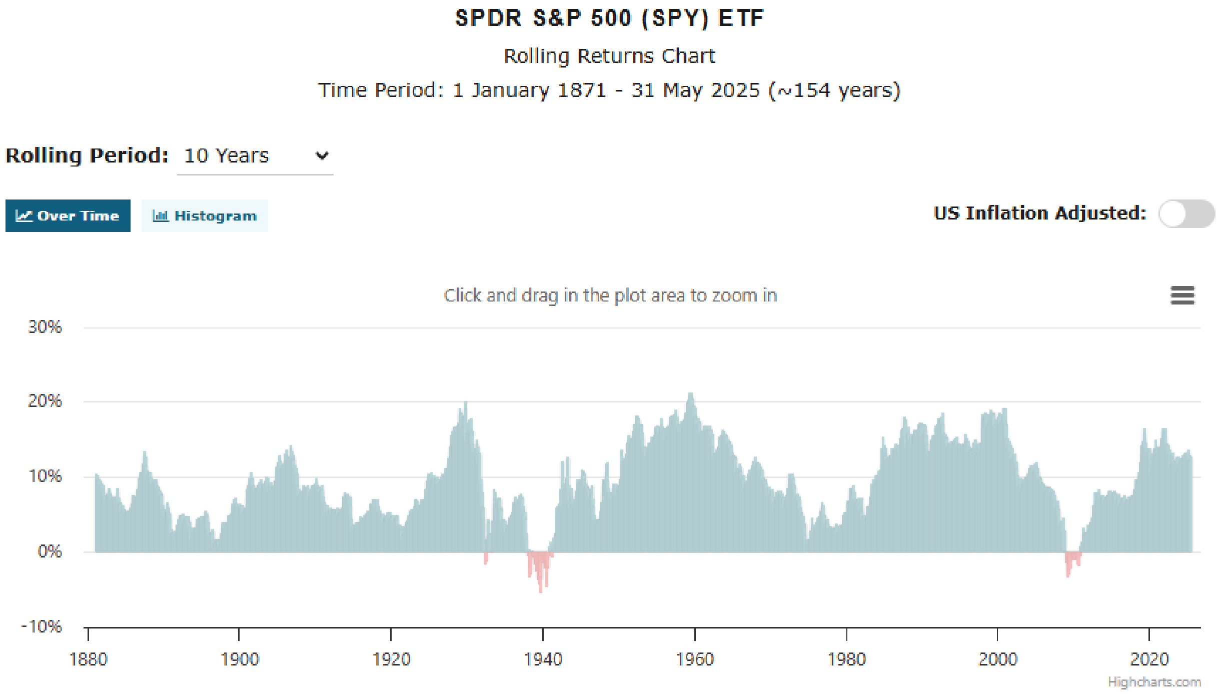
39. The private credit benchmark is a blended average of SONIA + 4% and absolute returns targets such as 7%, 9% and 13% per annum. Over the three year period the returns have been below expectations. The distressed debt sub category has performed poorly, the products that this strategy relates to were committed to over five years ago now and are in run off (total value now £40m or 0.6% of total Fund),

however, the strategy where capital loaned to distressed borrowers where the investment manager feels there a good chance of getting paid the higher than usual interest rate and returning the original loan has not performed as expected.

40. In addition, two of the earlier vintages to a product that invests in the lower risk (and returns) area of the market have not performed as well as expected and has also proved to be a drag versus the three year benchmark target. The Fund has invested into six products with this manager since 2014 and over the five year period the returns are in line with expectations. More recent commitments are performing well and will have been largely invested in a higher interest rate environment and so the products will benefit from the higher returns matched to the benchmark.

41. Overall, the Fund's five year return is largely in line with the benchmark, returning +8.8% pa, with listed equity driving the gains having recorded +13.5% pa over this time period. Whilst listed equity will have been volatile over this five year period it demonstrates the long term attractiveness of this asset class that is highly liquid, relatively cheap to access from a management cost perspective and has a very long history of producing positive returns when staying invested over long periods of time.

42. The graph below shows the 10 year return from investing in the S&P500 index with each bar representing the average return over the last 10 years. There have been very few instances when investing would have resulted in a negative 10 year return. The two times as shown below relate to 1929 to 1939 (the US great depression) and 1999 to 2009 which included both the tech crash and fallout from the global financial crisis.



Pooling progress

43. The Government's ambition is to have all investments pooled by 31 March 2026.

44. The Fund's current pooled total is £3.9billion or 57.8% of total fund assets. The Legal and General (LGIM) passive equity investments are now classed as pooled with Central. The Fund invests with LGPS Central across most asset classes having

collectively built the investment products over the life of LGPS Central and continually refining the individual mandate characteristics.

45. The Fund, as mentioned earlier on this paper, has around £700million in uncalled commitments to LGPS Central products. In addition, there is a proposal to commitment a further £130million as part of this paper to two LGPS Central infrastructure investment products. This will leave another £130million in approvals to Central infrastructure funds which the Fund plans to commit formally in 2026.

Infrastructure commitment

46. At the meeting of the ISC on the 24 July 2024 it was agreed to make a multi-year commitment to the infrastructure asset class via two investment products developed by LGPS Central, the core / core plus product and the value add / opportunistic product.

47. It was agreed:

   a. £100million (GBP) be committed to the LGPS Central infrastructure core/core plus fund in 2024.
   b. £30million (GBP) to be LGPS Central infrastructure value add/opportunistic fund in 2024.

48. It was also agreed that it be approved that authority be delegated to the Director of Corporate Resources to commit in 2025 and 2026 a further:

   a. £100million in each year to the LGPS Central infrastructure core/core plus fund
   b. £30million in each year to the LGPS Central infrastructure value add/opportunistic fund

49. There is an investment round for both these investment products at the end of June 2025 and as such the Fund instructed Hymans to conduct assurance on the proposed investments of £100million and £30million as part of the 2025 infrastructure commitments, which were sized in order to move the Fund closer to the 12.5% of total Fund assets target for this asset class.

50. The assurance note is appended to this paper.

51. Hymans have reviewed and provided commentary on:

   a. The infrastructure framework the Fund uses to balance investment risk and geographical risk.
   b. The investment market outlook for infrastructure.
   c. The suitability of the two Central products and the Central team.
   d. The performance of the two products and alignment to sector and geographic targets.
   e. Responsible investment considerations and how the two funds incorporate these.
   f. Appendix B provided shows the characteristics of the Funds other investments within infrastructure.

52. Hymans conclude that the two Central funds have made satisfactory progress to remain comfortable with the next phase of commitments in each fund and ask that a similar comfort check is made before the next round of commitments in 2026.

Investment Sub-Committee (ISC) approval

53. The ISC meeting scheduled for 16 April 2025 was cancelled. The next two meetings of the ISC will have the items agreed at the January 2025 LPC presented. Due diligence on the individual items has commenced for:

    a. A private credit asset class review
    b. A property asset class review
    c. A tail risk protection review
    d. A private equity commitment

Leicestershire Pension Fund Conflict of Interest Policy

54. 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

55. The Local Pension Committee is asked to note the report and the commitment to the LGPS Central infrastructure core / core plus fund of £100million GBP and commitment to the LGPS Central infrastructure value add / opportunistic fund of £30million.

Environmental Implications

56. 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

57. 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

58. 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

Appendix

Appendix A: Hymans Robertson, Capital Markets update Winter 2025
Appendix B: Hymans Robertson, Review of LGPS Central infrastructure mandates

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