

**LOCAL PENSION COMMITTEE – 26 SEPTEMBER 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 30 June 2025.

Markets Performance and Outlook

2. Global growth forecasts for 2025 have slipped since President Trump's April 'Liberation Day' tariff announcements. Despite subsequent delays and trade deals, the US effective tariff rate is much higher than it was. Meanwhile, US and UK inflation is expected to rise in the near term. Within this backdrop major stock indices continued to move higher, with global equities rebounding from the early April selloff, rising strongly in the second quarter ending 30 June 2025.
3. Equity markets post the quarter end largely moved ahead with major US stock indexes posting even higher highs. Even the more unloved indexes have moved higher this year such as the FTSE100 which at the time of writing is up 13.5% year to date which compares well with the broad global MSCI World index (over 1,300 stocks covering 23 developed markets) which is up 15.4% at the time of writing, both at or near all-time highs.
4. Despite the US passing bilateral trade agreements (notably with China) the US effective tariff rate has risen materially from the low single digits pre liberation day. New sectoral tariffs are also being applied across trading partners. This is expected to weigh on both US and global growth in the years ahead. These tariffs are likely to eventually burden the consumer where consumer demand can ultimately dampen affecting corporate profitability.
5. The Fund's investment advisor Hymans Robertson (Hymans) believes that President Trump's Budget Reconciliation Bill, which enacts sweeping tax cuts and increases federal debt, might provide a modest short-term boost to US growth, but it's unlikely to fully offset the tariff headwinds. The Bill adds to concerns about US debt and places an upward pressure on longer-term bond yields, both domestically and globally. Confidence, it seems, on many Governments policies is being tested with longer-term government bond yields highlighting the growing unease.
6. The US has continued its path on cutting 'base' interest rates and in the second quarter the Bank of England cut rates by 0.25% to 4.25%. Both economies forecast inflation rates to stay ahead of their respective targets until 2026 at least.

7. With respect to corporates' health, Hymans believe companies are more indebted than when interest rates were last at these levels, and interest coverage (ability to pay interest) has continued to fall towards long-term averages. However, they believe interest coverage remains healthy, providing support amid ongoing rises in effective interest rates.
8. Although some time has passed since the two historically good years (2023 and 2024) for listed equity returns, 2025 has continued to prove to be quite resilient in terms of listed equity returns as mentioned earlier considering the headwinds which include slowing global growth, higher for longer interest rates, and stickier inflation.
9. Currently there are two more interest rate cuts forecast for the US (Federal Open Market Committee median projection) to the end of 2025, bringing the rate 4.00% by the end of the year. The level of interest rate cuts priced in for the UK, which has had three 0.25% cuts in 2025 to date, has, depending on the forecast one more cut likely in November to bring the year end rate to 3.75%.
10. The table below shows a handful of developed market interest and inflation rates as at 11 September 2025. The general direction of interest rate moves has been lower through 2025, the notable exception being Japan which has had its first rate increase in 17 years in response to inflation near the Bank of Japan's target amongst other factors.

Country	Interest Rate %	Last Movement	Date of Last Movement	Inflation Rate %	Date of Inflation Rate	Inflation Metric Used
Australia	3.60	Down	August 2025	2.8	July 2025	Consumer Price Index (CPI)
Canada	2.75	Down	March 2025	1.7	August 2025	Consumer Price Index (CPI)
Euro Area	2.00	Down	June 2025	2.1	August 2025	Harmonised Index of Consumer Prices (HICP)
Japan	0.50	Up	Jan 2025	3.0	July 2025	Consumer Price Index (CPI)
Sweden	2.00	Down	June 2025	3.2	August 2025	Consumer Price Index with Fixed Interest Rate (CPIF)

Country	Interest Rate %	Last Movement	Date of Last Movement	Inflation Rate %	Date of Inflation Rate	Inflation Metric Used
United Kingdom	4.00	Down	August 2025	3.8	August 2025	Consumer Prices Index including owner occupiers' housing costs (CPIH)
United States	4.25–4.50	Down	January 2025	2.9	August 2025	Consumer Price Index (CPI)

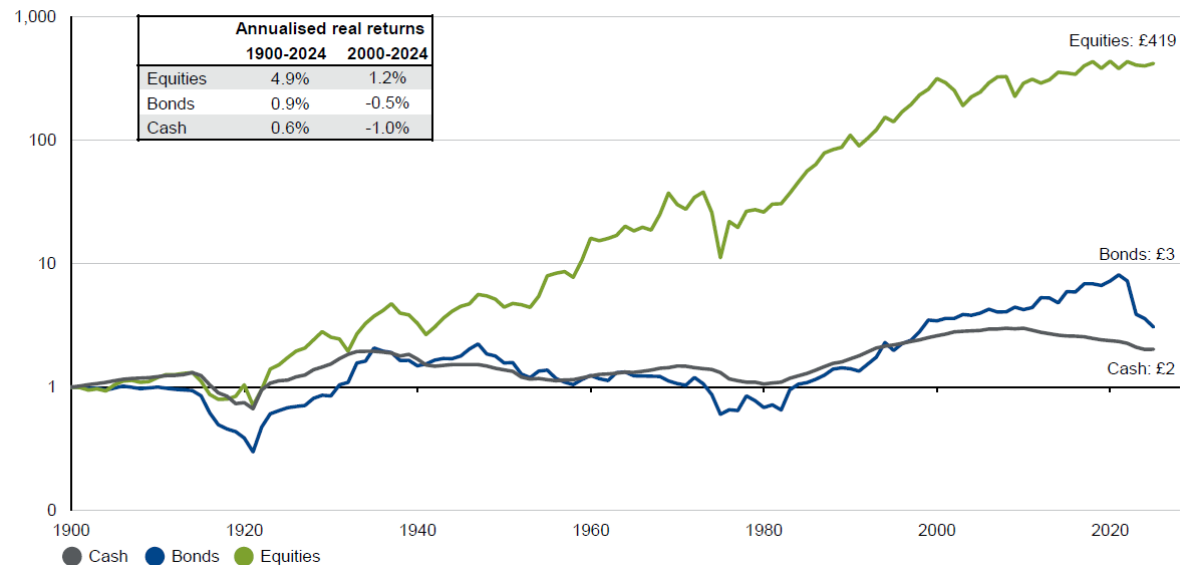
Source: various including Investopedia, tradingeconomics.com and global-rates.com

11. 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 always invested and rebalances to the strategic asset allocation (SAA) at regular intervals.
12. There has been no rebalancing activity over the last quarter. 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. Information on the Fund's current valuation and variances to the SAA are reported later within this paper.
13. The Fund is now in a better funded position, meaning the Fund's assets are larger than the liabilities. Although the valuation is not completed yet, Hymans report a draft funding level 140%. 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 reduced effect on employer contributions than if the Fund was on a lower funding level and therefore may need to increase employer contributions.
14. The Fund would expect requests for the lowering of investment in 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 annually alongside its investment advisor and takes a measured approach to understanding the investment markets and aims to make considered changes to investment strategy to avoid moving rapidly towards areas where investment trends might be short term and avoids shorter term biases from leading long term investment choices.
15. The following graph is reproduced from last quarter's Committee meeting and is still relevant now whilst actuarial results are becoming known and the annual SAA exercise will begin to be worked on. The graph 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 (1900-2024) considering the lower risks and volatility associated with both compared to equities, over the last two decades, both have produced negative real returns (-0.5% and -1.0% respectively).
- c. The Fund's liabilities are linked to inflation given pensions are uplifted each year based on the year-on-year change in the consumer prices index (CPI) and if the CPI is negative then pensions are held. In order to improve funding levels and reduce the cost of the scheme to employers, investment returns have to be set at a reasonable level as proposed by the Fund's investment advisor.

Total return of £1 in real terms

GBP, log scale for total returns



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

16. Hymans' capital markets review for the June 2025 quarter ending is attached to the report at Appendix A, and 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 equities rebounded in Q2, led by mega-cap tech stocks, but dollar weakness reduced returns for unhedged UK investors.
- Valuations are high, especially in the US, with cyclically adjusted earnings yields suggesting low equity risk premia.
- Caution is advised, particularly on US equities, given elevated valuations and materially positive real bond yields.

b. Government bonds:

- Short-term yields fell due to rate cuts and weaker growth, but long-term yields remain elevated amid rising issuance and reduced demand.

- 10-year gilt yields are seen as attractive relative to long-term growth and inflation forecasts, even accounting for a persistent term premium.
- Index-linked gilts benefit from higher real yields and inflation upgrades, improving their valuation and technical appeal.

c. Corporate credit:

- Investment-grade spreads are near historic lows but still offer a premium over long-term default and downgrade risks.
- High all-in yields support medium-term returns, though short-term investors face risks if spreads widen.
- Speculative-grade credit is more vulnerable, with tighter spreads and greater risk of actual losses warranting caution.

d. UK Property:

- Nominal rental growth remains positive, but real rental growth is negative due to rising inflation.
- Prime assets outperform, with energy-efficient buildings driving rental value growth despite rising vacancy rates.
- Capital appreciation potential exists, but sentiment is weighed down by economic uncertainty and high redemption queues.

17. A summary of global asset class performance over various time frames as at quarter end 30 June 2025 is shown below. The 'since last valuation' has been reset to 31 March 2025 now and has less relevance given it reports on the last three months only. The standout classes over the longer term remain, listed global equity, US listed equity, private equity and gold. The first two exhibit a high degree of correlation given the US equity market makes up the majority of global equity returns. Private equity depends on the types of strategy employed and as such can be less correlated with global equity returns. Gold has against most asset classes the lowest levels of correlation when measured over a 10-year period.

Sub Asset Class	Return	Annualised Total Returns to 30/6/25 (GBP unless stated)					Since Valuation*
	3 Months	1 Year	3 Years	5 Years	10 Years	20 Years	
Global	5.2%	7.6%	13.2%	11.8%	12.0%	10.3%	5.2%
US	4.5%	6.0%	15.0%	14.2%	15.2%	12.2%	4.5%
UK	4.3%	11.1%	10.5%	10.7%	6.7%	6.9%	4.3%
EM (USD)	9.9%	16.7%	10.4%	8.0%	5.4%	7.1%	9.9%
US Investment Grade	-4.0%	-1.4%	0.2%	-2.4%	4.5%	5.6%	-4.0%
US Non Investment Grade	-2.4%	2.0%	5.5%	3.5%	6.3%	7.0%	-2.4%
UK Investment Grade	2.2%	2.4%	-1.9%	-4.9%	0.4%	2.8%	2.2%
European High Yield (EUR)	2.1%	8.2%	9.2%	4.3%	3.8%	5.9%	2.1%
Emerging Markets	3.3%	10.5%	7.9%	1.0%	2.5%	4.9%	3.3%
UK Gilts	1.9%	2.4%	-3.1%	-5.9%	-0.1%	2.5%	1.9%
UK Index Linked Gilts	0.8%	-5.2%	-7.7%	-8.8%	-0.6%	3.3%	0.8%
Cash	1.2%	5.1%	4.6%	2.9%	1.9%		1.2%
Gold	-0.5%	30.5%	17.5%	10.9%	12.4%	12.1%	-0.2%
Cat Bonds	-4.2%	6.2%	8.1%	6.9%	8.0%	8.9%	-4.2%

	Return	Annualised Total Returns to 31/3/25 (USD)					Since Valuation*
	3 Months	1 Year	3 Years	5 Years	10 Years	15 Years	
Private Equity	0.9%	7.1%	4.5%	15.9%	13.9%	14.2%	0.9%
Private Credit	1.8%	7.9%	7.5%	10.8%	8.5%	9.4%	1.8%
Real Estate	-0.9%	-0.8%	-1.2%	5.7%	7.4%	9.4%	-0.9%
Infrastructure	1.9%	9.2%	9.2%	11.2%	9.9%	9.4%	1.9%

Source: Bloomberg for listed markets, *Since valuation is change from 31 March 2025.

Portfolio changes during the quarter ended June 2025

18. No changes other than capital calls for past private market commitments.
19. The net effect on cash, quarter on quarter, has seen a small increase from £556million to £569million. Further information on the cash position is given from paragraph 22 below.

Strategic Asset Allocation (SAA) 2025

20. The annual meeting of the LPC on 31 January 2025 was attended by representatives from Hymans who presented the proposed changes to the SAA alongside a review of the performance of the Fund.
21. 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 30 June 2025 is 42% 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 as at 30 June 2025 is 7.1% 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 30 June 2025 with 6.8% 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 October 2025 meeting of the Investment Sub-Committee (ISC) where further commitments may be proposed.

Cash holdings and outstanding commitments

22. 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 ended 30 June 2025 the Fund held £569million (£556m previous quarter) in cash and an additional £72million (£54million previous quarter) with Aegon as collateral in order to support the currency hedge. Taken together this represents 9.4% (9.1% last quarter) of total Fund assets.
23. 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 are now over £900million in outstanding commitments awaiting to be called for private market asset classes which has increased since last quarter.
24. In addition, there a number of proposals planned to present over the remainder of 2025 covering private credit and private equity. These proposals will likely increase the value of outstanding commitments if approved. They will not immediately decrease the level of cash but at some point it is expected that new calls will outweigh distributions returning. The Fund will keep reviewing the levels of new commitments by asset class and take appropriate action.
25. The private market 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.
26. The Fund currently has approval to commit a further £130million to Central products in 2026 across infrastructure asset classes.
27. The Fund, at the time of writing has £370million invested in fixed deposits with a weighted average interest rate of 4.23% (was 4.39% at the last update) with an average term to maturity of 3.4 months (was 3.6 months at last update). In addition, at the time of writing, the Fund holds £206million across four money market funds (MMF) and a USD account with rates ranging from 4.06% and 4.10%. At present, securing money for a longer period without access is still yielding around 0.15% to 0.2% pa over a next day option like the MMFs.
28. A cashflow forecast for the Fund estimates that cash should reduce gradually over the financial year end towards £320million. 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 by the underlying managers.
 - 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 £180million 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 Quarter 4 of 2025. 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 the financial year ending 31 March 2026.

29. The table below shows the current position of the Fund's actual investments against the 2025 SAA targets.
30. 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 other cashflows / divests 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.

	30/06/25		30/06/25	Difference,	£m to SAA	Commitments / to 31/3/26:		Diff to target	% diff to
	£m	2025 SAA	Actual weight %	actual to 2025 SAA	weight	investments approved	other cashflow / divests	weight post changes £m	SAA
Growth	3,616	53.5%	52.8%	-0.7%	-49	180	-50	81	1.2%
Income	2,114	38.5%	30.9%	-7.6%	-523	938	-94	320	4.7%
Protection	551	8.0%	8.0%	0.0%	3	0	0	3	0.0%
Cash	569	0.0%	8.3%	8.3%	569				
	6,850	100.0%	100.0%						

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

	30/06/25		30/06/25 Actual	Difference, actual to	£m to	Commitments /	to 31/3/26:	Diff to target	
Growth	£m	2025 SAA	weight %	2025 SAA	target weight	investments approved	other cashflow / divests	weight post changes £m	% diff to SAA
	2,878	41.00%	42.0%	1.0%	69			69	1.0%
1 Funds	341	5.00%	5.0%	0.0%	-1			-1	0.0%
	397	7.50%	5.8%	-1.7%	-117	180	-50	13	0.2%

	30/06/25		30/06/25 Actual	Difference, actual to	£m to	Commitments /	to 31/3/26:	Diff to target	
Income	£m	2025 SAA	weight %	2025 SAA	target weight	investments approved	other cashflow / divests	weight post changes £m	% diff to SAA
Infrastructure	725	12.50%	10.6%	-1.9%	-132	300	-30	138	2.0%
Global private credit	468	9.50%	6.8%	-2.7%	-183	420	-50	187	2.7%
Property	484	7.50%	7.1%	-0.4%	-30	41	-14	-4	-0.1%
iquid MAC	438	9.00%	6.4%	-2.6%	-179	177		-2	0.0%

	30/06/25		30/06/25 Actual	Difference, actual to	£m to	Commitments /	to 31/3/26:	Diff to target	
Protection	£m	2025 SAA	weight %	2025 SAA	target weight	investments approved	other cashflow / divests	weight post changes £m	% diff to SAA
Inflation linked bonds	217	3.50%	3.17%	-0.3%	-23			-23	-0.3%
Investment grade credit	197	3.25%	2.87%	-0.4%	-26			-26	-0.4%
Short dated IG credit	65	0.50%	0.95%	0.5%	31			31	0.5%
hedge	72	0.75%	1.05%	0.3%	21			21	0.3%

Cash	569	0.00%	8.3%	8.3%	569				
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Overall Investment Performance

31. Investment performance analysis over various time frames to the period quarter ending 30 June 2025 is conducted by Hyman. Hyman collate information directly from investment managers and calculate performance, which provides an independent check of manager valuations. The valuation summary is included within the exempt part of today's agenda together with the managers reports.
32. 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.
33. Summarised returns for the whole Fund versus benchmark are shown below.

	1yr	3yr pa	5yr pa
Total Fund	+5.1%	+6.3%	+7.4%
vs benchmark	-2.5%	-2.0%	-0.1%

34. 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.
35. At present the returns over the one, three and five-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% per annum. Many infrastructure funds benchmarks were moved to an absolute return target from a cash returns benchmark. Both examples move the target return higher for the Fund and add a higher level of focus during oversight and annual strategy refreshes. The Fund is still making positive returns over the longer term in line with overall expectations, however, we will be looking into oversight of managers in further detail as the Fit for the Future guidance recommends delegation of more Fund matters including implementation of strategy to LGPS Central.

36. 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 the Ruffer and Fulcrum funds, and most of the private credit funds for example.

Private Equity (PE)

37. The Fund is hearing from Central today, during their presentation the Committee will hear detail around their private equity offering and performance of the three vehicles the Fund has invested in via Central.
38. The Fund currently has a PE allocation totalling £397million or 5.8% of total Fund assts. This is 1.7% or £117million underweight. There is c170million in uncalled commitments across the Fund's two main PE managers, Central and Adams Street Partners (ASP).
39. The make-up of the Fund's £397million PE exposure is illustrated below:

Manager	£m 30.09.25	% of total fund	Origination *
Central PE 2018	9.2	0.1%	Primary
Central PE 2021	11.2	0.2%	Primary
Central PE 2023	6.5	0.1%	Primary
ASP various years	355.2	5.2%	Primary, Secondaries, co invs
Patria 2018	14.0	0.2%	Secondaries

*origination and lifestages is described within the appendix.

40. The Fund at its last PE framework review approved a strategy proposed by Hymans which allows for a broad PE exposure covering origination channels, lifestage and geography. Ranges were chosen for each in order to allow the Fund's managers to take advantage of opportunities as and when they arise. PE is a long-term asset class and opportunities that might seem appropriate at a point in time could change by the time a manager has had time to deploy the committed capital. The table below illustrates the Fund's current framework.

		Target min	Target max	Target mid
Geography	NA	30%	60%	45%
	Europe	20%	40%	30%
	Asia Pacific	10%	30%	20%
	EM	0%	10%	5%
Lifestage	Venture	10%	30%	20%
	Growth	10%	30%	20%
	Buyout	40%	70%	55%
	Special Sits	0%	10%	5%
Orgination	Primary	50%	70%	60%
	Secondaries	10%	30%	20%
	Co invs	15%	25%	20%

41. The Fund is considering future PE commitments with a paper being taken to the October meeting of the ISC, the outcome will be presented to the LPC meeting on 5 December 2025.
42. The Fund's blended return for the longest running Adams Street Partners (ASP) portfolio is over 10% per annum net in USD since inception as measured from the Funds first investment with ASP in 2002. The returns for the three PE Central funds will be discussed during the presentation from Central,
43. The Fund has invested in a secondaries fund with Patria Capital Partners (Secondaries opportunities Fund 3, SOF3) which has performed well but is in now returning capital with just £14million left to return. The fund invested investors capital from 2017 to 2022 and to date has an internal rate of return (IRR) in the high teens. The internal rate of return is a percentage measure of investment returns that takes into account the time money is invested by investors. As with secondary fund strategies, investments were made to acquire positions in private equity funds, including fund of funds (FoF) or secondary funds and direct private equity funds. SOF3 has had a good last few quarters with strong liquidity being generated by sales which has been distributed to investors during a time when many PE funds are struggling in difficult IPO markets.
44. Both the Fund's two main PE managers are 'Fund of Funds' FoF managers. This means that they complete due diligence and select underlying fund managers to invest directly in companies or other funds.
45. The benefits for an investor like the Fund include:
 - a. **Diversification**
 - Exposure to multiple strategies (venture, growth, buyout), geographies, sectors, and vintage years.
 - Reduces concentration risk compared to investing in a single manger fund.

b. Access to Top-Tier Managers

- FoFs often have established relationships with leading private equity managers, including those with limited capacity.

c. Professional Expertise

- Experienced managers conduct rigorous due diligence, portfolio construction, and ongoing monitoring.
- Helps mitigate operational and investment risks.

d. Simplified Administration

- Reduces the complexity of managing multiple GP relationships, capital calls, and reporting.

e. Liquidity and Flexibility

- Many FoFs include secondaries and co-investments, providing quicker deployment and potential for enhanced returns.

f. Risk Management:

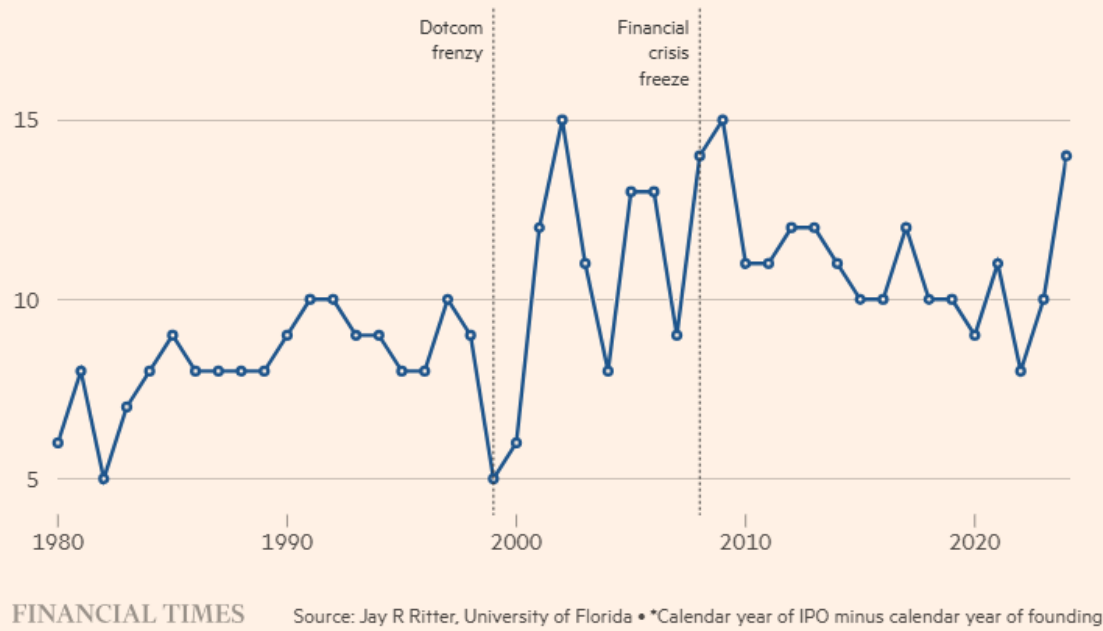
- Built-in diversification and disciplined portfolio balancing help manage downside risk.

For a LGPS fund which has a long term view with a requirement to control exposure to single areas (geography, origination channel or lifestage) a FoF approach offers board exposure without the burden of building a team to be able to select, maintain and oversee individual PE manager exposures.

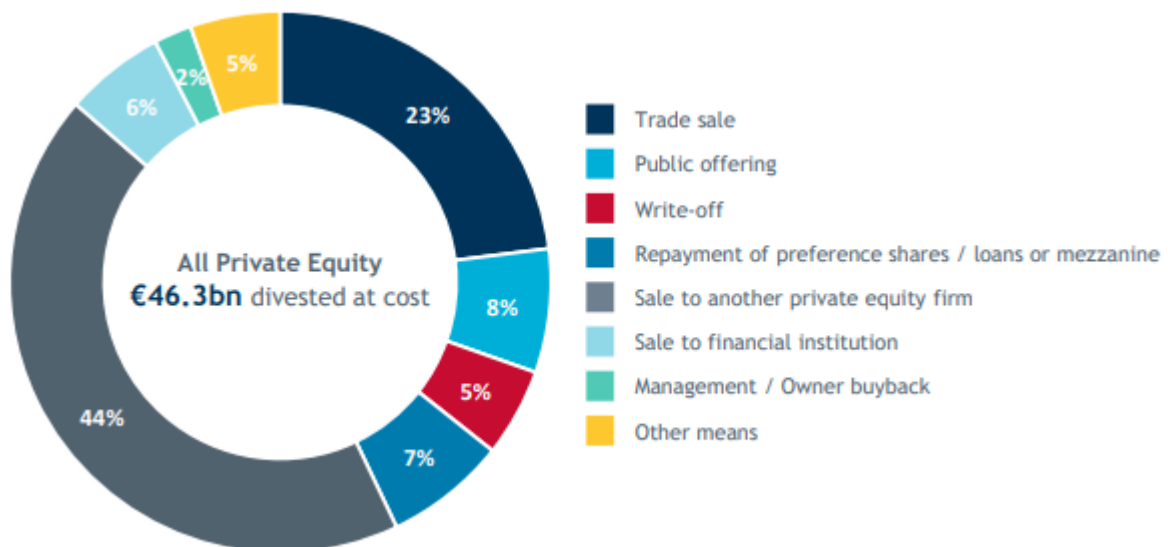
46. PE over the three-year time frame (between July 2022 and June 2025) has proved to difficult to achieve the new benchmark of FTSE all world + 3% per annum. The benchmark return over this three-year period is 16.4% per annum with the actual over three years being 0.2% per annum. It is important to note that PE investing is a long term strategy and 3 and 5 year periods are not long enough periods to judge performance alone.
47. PE 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. Companies 'going public' via IPOs are now generally older than they historically have been at close to 15 years old per the chart below. This emphasises the point that investors are at a point in the cycle where PE might need to 'wait' to realise returns and other parts of a diversified portfolio provide returns. For example the last few years for listed equity have proved to be lucrative.

US companies are going public later

Median age* of US IPOs



48. In Europe, exit routes have been mainly via routes other than IPOs. Over 2024, sale to another PE firm 44% and trade sales accounted for 23% of exits (by original cost). Just 8% were via public offerings. (source Invest Europe)



Pooling progress

49. The Government's ambition is to have all investments pooled by 31 March 2026.
50. The Fund's current pooled total is over £4.0billion for the first time or 58.6% of total fund assets. The Fund invests with LGPS Central across most asset classes having collectively built the investment products over the life of Central and continually refining the individual mandate characteristics.

51. The Fund has at the time of writing over £750million in uncalled commitments to LGPS Central products.

Investment Sub-Committee (ISC) approval

52. The ISC meetings scheduled for 16 April 2025 and 9 July 2025 were cancelled. The next meeting 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 private equity commitment
53. The Hymans tail risk review, which was recommended at the January meeting of the LPC, has largely completed but decision making is on hold given the complexity in setting up a new strategy so close to the time when Central are likely to take on the oversight of managers and implementation of the SAA. It would be more appropriate to include Central and their client advisors once Central have a service ready and the Fund is aligned to an advisor.

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 Committee are recommended to note the report.

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

Hymans Robertson, Capital Markets update Summer 2025
PE Lifestage and origination

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