



INVESTMENT SUB-COMMITTEE – 1 OCTOBER 2025
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
REVIEW OF PROPERTY, PRIVATE DEBT
AND PRIVATE EQUITY ASSETS

Purpose of report

1. The purpose of this report is to update the Investment Subcommittee (ISC) in respect of a review of the Fund's property, private debt, private equity (PE) investments. A presentation from Hymans Robertson (Hymans), the Fund's investment advisor, will be delivered as part of this item.

Policy Framework and Previous Decisions

2. The annual strategic asset allocation (SAA) review is presented for approval each year and recommends high level asset allocation changes for the Fund. The latest SAA was approved at the 26 January 2025 Local Pension Committee where it recommended that there be:
 - A reduction to the property allocation to 7.5% of total Funds assets is proposed from the current 10% target, alongside a review on how to shape the existing property portfolio.
 - A small reduction to the private global debt allocation from a 10.5% allocation to 9.5%, alongside a review of the asset framework.
 - Retain the existing allocation to private equity (PE) targeting 7.5% and consider the next round of commitments to PE.

Background

3. The Fund has longstanding investments across property, private debt, and private equity, these allocations are currently summarised below at the latest valuation point 30 June 2025. Some of the analysis undertaken by Hymans

will have used valuations from the earlier quarter. It is not expected to change the recommendations as explained during the exempt portion of the agenda.

	30/06/25 £m	2025 SAA	30/06/25 Actual weight %	Difference, actual to 2025 SAA	£m to target weight
Growth					
Listed Equity	2,878	41.00%	42.0%	1.0%	69
Targeted Return Funds	341	5.00%	5.0%	0.0%	-1
Private Equity	397	7.50%	5.8%	-1.7%	-117

	30/06/25 £m	2025 SAA	30/06/25 Actual weight %	Difference, actual to 2025 SAA	£m to target weight
Income					
Infrastructure	725	12.50%	10.6%	-1.9%	-132
Global private credit	468	9.50%	6.8%	-2.7%	-183
Property	484	7.50%	7.1%	-0.4%	-30
Global Credit - liquid MAC	438	9.00%	6.4%	-2.6%	-179

	30/06/25 £m	2025 SAA	30/06/25 Actual weight %	Difference, actual to 2025 SAA	£m to target weight
Protection					
Inflation linked bonds	217	3.50%	3.17%	-0.3%	-23
Investment grade credit	197	3.25%	2.87%	-0.4%	-26
Short dated IG credit	65	0.50%	0.95%	0.5%	31
Active currency hedge	72	0.75%	1.05%	0.3%	21

Cash	569	0.00%	8.3%	8.3%	569
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4. Frameworks to manage the risk associated with all three asset classes were setup and approved. Frameworks dictate the level of investment into sub areas of the asset class and can include geographic limits.
5. The frameworks for both the property and private debt asset classes were last reviewed in 2022 with private equity having been last reviewed in 2023. As a result, both property and private debt frameworks are reviewed as part of this review given the time passed since the last framework. Any changes and the rationale will be covered by information contained in the exempt part of the meeting agenda and the presentation delivered by Hymans.
6. The current frameworks for property, private debt and private equity are shown below:

Property:

Market segment	% of total property
UK direct property	40%
UK indirect (funds) property	20%
Global indirect (funds) property	40%

Private debt (market segment):

Market segment	% of total private debt	Range %
Senior corporate debt	65%	40-90%
Real asset linked debt	20%	10-30%
Special situations debt	10%	0-20%
Distressed debt	5%	0-10%

Private debt (geography):

Geography	% of total private debt	Range %
Europe	45%	30-60%
North America	45%	30-60%
Developed Asia & rest of world	10%	0-20%

Private equity:

		% of total PE	Range %
Geography			
	North America	45%	30-60%
	Europe	30%	20-40%
	Asia Pacific	20%	10-30%
	Emerging markets	10%	0-10%
Lifestage			
	Buyout	55%	40-70%
	Growth	20%	10-30%
	Venture	20%	10-30%
	Special Sits	5%	0-10%
Origination			
	Primary	60%	50-70%
	Secondaries	20%	10-30%
	Co invs	20%	15-25%

7. Definitions for PE lifestages and origination channels is shown below:

Lifestage >>	Venture Capital	Growth Equity	Buyout	Special Situations
Stage of Company	Early-stage, pre-profit	Established , scaling	Mature, stable cash flows	Distressed or complex situations
Risk Profile	Very High	Moderate	Lower (operational risk remains)	High (turnaround or restructuring risk)
Capital Use	Product development , market entry	Expansion, new markets	Acquisition, operational improvements	Debt restructuring, recapitalization
Ownership Stake	Minority	Minority or significant minority	Majority (control)	Varies (often control or influence)
Return Drivers	Innovation success, market adoption	Revenue growth, margin expansion	Leverage, operational efficiency	Asset recovery, restructuring gains
Time Horizon	7–10 years	5–7 years	3–5 years	2–5 years

Origination >>	Primary Investments	Secondaries	Co-Investments
Definition	Direct commitments to new funds	Buying existing LP interests in funds	Direct investment alongside a GP

Origination >>	Primary Investments	Secondaries	Co-Investments
Capital Deployment	Gradual (as GP calls capital)	Immediate (buy into existing portfolio)	Immediate (deal-specific)
Liquidity Profile	Longest (10+ years)	Shorter (depends on fund maturity when acquiring)	Similar to underlying deal (3–7 years)
Visibility on Assets	Low (blind pool risk)	High (existing portfolio known)	Very High (specific deal diligence)
Pricing	At par (commitment amount)	Discount or premium to NAV	No fee or reduced fee (deal-by-deal pricing)
Diversification	High (across fund portfolio)	Moderate (depends on purchased fund)	Low (single or few deals)
Governance	Indirect (via GP)	Indirect (via GP)	Limited rights, GP-led

Scope of the review

8. The detailed review which is included on the exempt section of today's agenda includes information covering the following:

Property:

- Introduction – background to the 7.5% target
- Summary of recommendations – including some rationale to support the recommendations and how to implement any changes
- Background – why pension funds should invest in property, where it fits in a diversified portfolio, what happened during the 2022 property

review and subsequent three years. A review of the current portfolio by manager versus the framework.

- General property market update – how the general market has performed and why and what the outlook is they feel
- Reviews of the Fund's property managers – DTZ, LaSalle and the two ex-Aegon active value funds now managed by DTZ.
- Recommendations and appendices – any further detail as required to support any changes.

Private debt

- What does the current private debt portfolio look like, and what is the expected run-off profile.
- What are Hymans current views on the Fund's private debt managers and implications for the existing portfolio.
- When do further commitments need to be made to reach the target allocation.
- What are the options available to meet the target allocation. Can this be done effectively with the Fund's existing managers.

Private Equity

- Background to the review including current position of the Fund.
- What does the current private equity portfolio look like.
- What is the current overview of the Fund's private equity managers, and how do they support the Fund's objectives.
- Can the Fund's strategy be delivered through LGPS Central alone, or is there still a role for third-party managers.
- What level of further commitments are required to maintain target exposure and vintage year diversification.

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>

Circulation under the Local Issues Alert Procedure

38. None.

Equality and Human Rights Implications

39. The Fund takes into account issues around Equality and Human Rights as part of responsible investment which incorporates environmental, social and governance factors in all investment decisions. 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 voting through voting, and its approach to engagement in support of a fair and just transition to net zero. CRC are aligned with the UN Global Compact in compliance with the above.

Climate Change and Net Zero Implications

40. In March 2023 the Local Pension Committee agreed a Net Zero Climate Strategy and applicable targets including targeting 90% of the Fund assets measured by 2030.
41. It is recognised that the CRC investments are particularly niche and therefore may be a proportion of the assets unable to be measured in the short-term, however it is not envisaged that this will be a limiting factor for the Fund's target above given the relatively small size of the investment (c1% of AUM).
42. Key challenges for the asset class relate to issues with reporting due to the nature of the investments given transactions referencing thousands of loans, most often to SME borrowers. Further, they are often limited due to bank secrecy laws, meaning CRC generally cannot know the identity of the borrowers. Despite this it is recognised that the majority of investments are through European banks which have highly regulated and well established processes.
43. As part of the review of the Net Zero Climate Strategy officers and the Committee will need to consider how the assets outside of the listed equity portfolio are considered in the wider scheme of the Strategy. This will take place during 2025. In the meantime, officers will engage with CRC and support improvements as suggested by Hymans Robertson and monitor any progress with CRC's Climate Partner.

Appendices

Appendix A – Hymans Robertson review of Property
 Appendix B – Hymans Robertson review of Private debt
 Appendix C – Hymans Robertson review of Private Equity

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