

LOCAL PENSION COMMITTEE – 5 DECEMBER 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

VALUATION OF PENSION FUND INVESTMENTS

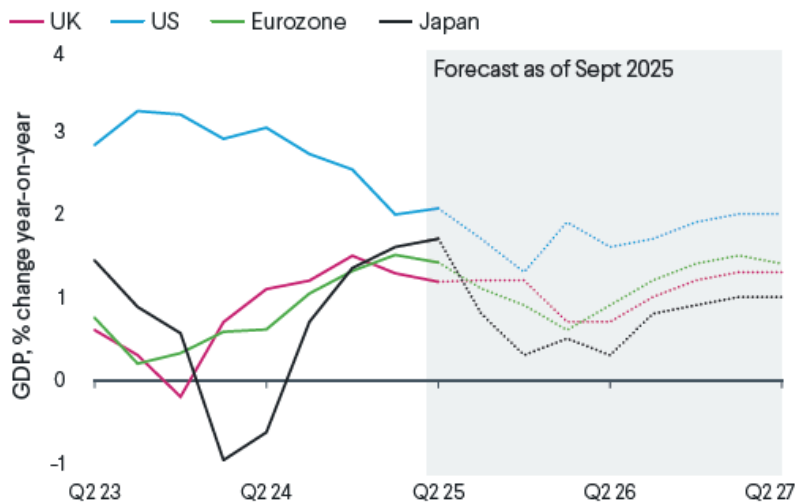
Purpose of Report

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 September 2025.
2. Included within this report is the scope for the annual review of the Fund's strategic asset allocation (SAA).

Markets Performance and Outlook

3. Global growth forecasts for the first half 2025 were partly supported by business investment and frontloaded orders ahead of US tariff hikes. However, growth is set to slow modestly in the second half as tariff effects deepen. US importers, having drawn down inventories, will be choosing between absorbing costs or passing them on to consumers.

Chart 1: Global growth is expected to slow modestly in 2025 and 2026, largely due to the US



Source: LSEG Datastream, Consensus Economics

4. Despite all the news affecting daily equity markets, global equity markets returns year to date have been good. The table below shows the Morgan Stanley Capital International (MSCI) index in GBP. The three months to 30 September 2025 returning over 9% in GBP terms. The MSCI World Index captures large and mid-capitalisation publicly listed companies across 23 developed markets countries and includes over 1,300 companies.

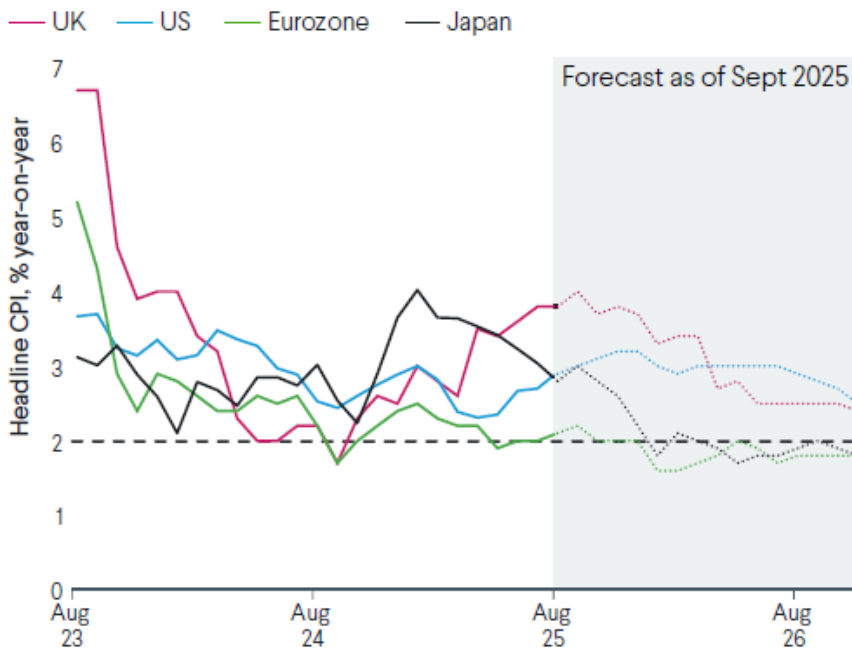
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INDEX PERFORMANCE – GROSS RETURNS (%) (SEP 30, 2025)

	1 Mo	3 Mo	1 Yr	YTD	ANNUALIZED			
					3 Yr	5 Yr	10 Yr	Since Dec 31, 1987
MSCI World	3.62	9.28	17.32	9.62	16.77	14.01	14.34	9.80

6. The MSCI world index is currently priced at 24 times earnings of the underlying companies. As a measure of 'expensiveness' this is around 50% higher than its average of 17 times earnings. However, it should be noted that ratios can stay elevated for prolonged periods of times and can move higher.
7. The Fund is well diversified and is able to weather most down ward global market conditions. We would not expect all areas of the Fund's investments to be performing well at the same time, as it could be inferred if a slowdown were to take place all parts of the portfolio could suffer. The Fund's annual SAA review will carefully consider the weightings to asset classes amongst other areas. The scope is included within this paper.
8. Hymans' capital markets autumn report (which is included as an appendix to this report) notes a slowdown in global growth is unlikely from the consensus growth rate of 2.4% in 2026 which could be underpinned by US artificial intelligence (AI) investment, the effects from US interest rate cuts and a supportive US spending and tax (fiscal) policy.
9. More recent information market commentators have, however, poured doubt on the massive AI spending boom and if actual profits can be delivered from the capital expenditure incurred. If this fails to materialise or the market decides the risks are too great there is a chance of pullbacks in the major indices which are close to all-time highs and also at multi decade high valuations metrics.
10. One of the main policy tools that affects markets in general is central bank interest rates and forward guidance that markets interpret as either positive or negative for markets. Historically, interest rates and guidance offered by central banks would be accommodative during periods of low growth, recession or rising employment. However, over the last few years inflation concerns have tempered the default response of reducing rates to support the economies. Inflation has proved to be far stickier than many had forecast with Hymans forecasting that inflation in both the UK and US will be ahead of their stated targets until at least 2027.

Chart 2: Inflation in the UK and US is expected to stay above target until at least 2027



Source: LSEG Datastream, Consensus Economics

11. Some market commentators have rightly pointed out that the US Federal Reserve (Fed) would have cut rates more in this type of weakening labour market, but due to the imbalances and distortions of the COVID cycle, resulting in the stickier inflation numbers, they believe the Fed is later than normal in interest rate easing policy, and that has held back broad stock market performance. Performance which currently has been driven in the US at least by smaller areas of the markets, the magnificent 7 and AI for example. As a result, there could be continued US stock market performance in 2026 as a result lower rates and supportive government policy.
12. The US has continued its path on cutting 'base' interest rates with the last cut at the October meeting and in August the Bank of England cut rates by 0.25% to 4.00%.
13. The table below shows a handful of developed market interest and inflation rates as at 14 November 2025. The general direction of interest rate moves has been lower through 2025 across major developed economies, the exception being Japan which has had its first rate increase in in January of this year in response to inflation which is now at 2.9%, having peaked at c4% in mid-2022.

Country	Interest Rate %	Last Movement	Date of Last Movement	Inflation Rate %	Date of Inflation Rate	Inflation Metric Used
Australia	3.6	Down	August 2025	3.2	September 2025	Consumer Price Index (CPI)
Canada	2.25	Down	October 2025	2.4	September 2025	Consumer Price Index (CPI)

Country	Interest Rate %	Last Movement	Date of Last Movement	Inflation Rate %	Date of Inflation Rate	Inflation Metric Used
Euro Area	2.15	Down	June 2025	2.1	October 2025	Harmonised Index of Consumer Prices (HICP)
Japan	0.5	Up	January 2025	2.9	September 2025	Consumer Price Index (CPI)
Sweden	1.75	Down	October 2025	3.1	September 2025	Consumer Price Index with Fixed Interest Rate (CPIF)
United Kingdom	4	Down	August 2025	4.1	September 2025	Consumer Prices Index including owner occupiers' housing costs (CPIH)
United States	3.75-4.00	Down	October 2025	3.0	September 2025	Consumer Price Index (CPI)

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

14. Hymans' capital markets review for the September 2025 quarter ending comments 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 rose 9.7% in Q3, driven by AI optimism, easing trade tensions, and US rate-cut expectations.
- Valuations are elevated, especially in tech-heavy US markets, but profitability is stronger than during the dotcom era.
- Sustained high valuations hinge on continued tech earnings; risk of AI-related disappointment remains.
- Medium-term return outlook is subdued; diversification beyond US-centric indices is recommended.

b. Government bonds:

- UK gilt yields have risen due to heavy issuance and declining institutional demand, causing curve steepening. Meaning the difference in interest rates

payable between short term bonds and long term bonds has increased making it costly to borrow for longer durations.

- Overseas investors are replacing traditional buyers but demand higher yields; 10-year gilts around 4.9% remain attractive.
- Index-linked gilts benefit from higher inflation and weaker growth, offering real yields near 1.7%, though technical pressures persist.
- Overall outlook is balanced: nominal gilts slightly better on valuation, index-linked stronger on fundamentals.

c. Corporate credit:

- Corporate fundamentals remain robust; debt affordability is healthy despite higher leverage.
- Investment-grade spreads are historically tight, limiting short-term upside, but high all-in yields support medium-term returns.
- Speculative-grade spreads are very thin relative to risk, making high-yield bonds less attractive despite benign default outlook.
- Attractive sovereign yields help overall returns, but credit risk compensation is limited.

d. UK Property:

- UK commercial property delivered 8.7% total return over the year to August, with income contributing 5.8%.
- Rental growth (3.4%) lags CPI inflation; industrial slowing, retail and office improving.
- Net initial yields (5.2%) below reversionary yields (7.1%), suggesting potential for capital growth.
- Sentiment improving, but transaction volumes remain low; policy changes (for example, rent review ban) could affect valuations.

15. A summary of global asset class performance over various time frames as at quarter end 30 September 2025 is shown below. 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 30/9/25 (GBP unless stated)				
	3 Months	1 Year	3 Years	5 Years	10 Years	20 Years
Global	9.7%	17.4%	16.2%	13.1%	13.8%	10.3%
US	10.1%	17.2%	17.4%	15.5%	16.7%	12.5%
UK	6.8%	16.1%	14.3%	12.9%	8.1%	6.8%
EM (USD)	10.5%	16.3%	18.3%	8.3%	8.7%	6.7%
US Investment Grade	4.8%	2.8%	0.8%	-0.9%	4.5%	5.9%
US Non Investment Grade	4.2%	7.0%	4.1%	4.4%	6.9%	7.2%
UK Investment Grade	-0.4%	-0.4%	2.6%	-4.9%	0.1%	2.7%
European High Yield (EUR)	1.8%	6.5%	10.0%	4.2%	4.2%	5.8%
Emerging Markets	4.7%	8.4%	11.5%	1.5%	3.2%	5.0%
UK Gilts	-0.6%	-1.3%	1.3%	-5.8%	-0.5%	2.5%
UK Index Linked Gilts	-1.3%	-7.8%	-5.1%	-8.6%	-0.9%	3.2%
Cash	1.1%	4.9%	5.0%	3.1%	2.0%	
Gold	19.3%	45.7%	24.5%	14.5%	14.6%	12.6%
Cat Bonds	8.1%	12.6%	10.5%	8.8%	8.0%	9.4%

	Return	Annualised Total Returns to 30/6/25 (USD)				
	3 Months	1 Year	3 Years	5 Years	10 Years	15 Years
Private Equity	2.4%	7.6%	5.7%	15.2%	13.5%	14.2%
Private Credit	1.7%	7.3%	7.9%	10.9%	8.4%	9.5%
Real Estate	0.2%	1.0%	-1.2%	6.3%	7.1%	9.4%
Infrastructure	2.4%	8.8%	8.9%	11.4%	9.7%	9.4%

Source: Bloomberg for listed markets,

Portfolio changes during the quarter ended September 2025

16. No changes other than capital calls for past private market commitments occurred during the period.
17. The net effect on cash, quarter on quarter, has seen a small decrease from £569million to £561million.
18. There has 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 Strategic Asset Allocation are reported later within this paper.

Investments approved at Investment Sub-Committee (ISC)

19. At the meeting of the ISC on the 1 October 2025 the following decisions were approved:
 - a. Top up an additional £120m to the 2024 Central private debt sleeves (£90m to Direct Lending and £30m to real assets). These additional commitments bring the total commitments across the two 2024 Central private credit vintages to £400million.
 - b. £90m additional commitment to the Aegon Short Dated Investment Grade corporate bond investment from general cash balances. £90million was added to this product over three £30million investments in October and November 2025.
 - c. £110m per annum of new commitments to private equity, are made to rebuild exposure and reach the target allocation by 2031-32 for private equity (PE), to be split as follows:
 - i. £65m to the LGPS Central 2025 PE primary sleeve.

- ii. That it be delegated to the Director of Corporate Resources to commit £15m to the 2025 co-investment sleeve subject to satisfactory due diligence.
- iii. That it be delegated to the Director of Corporate Resources to commit a further £30m earmarked for potential allocation (£15m each to secondary and venture sleeves), subject to satisfactory due diligence.

Strategic Asset Allocation (SAA) 2025

20. As a reminder, 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 following 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 September 2025 is 43.8% to listed equity.
 - b. Property: A reduction to the property allocation to 7.5% of total Funds assets was approved from the existing (2024) 10% target. The Fund has had an underweight position to property for a number of years and the current allocation as at 30 September 2025 is 7.0% 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 September 2025 with 6.8% of total Fund assets. Existing commitments are in place and at the time of writing total over £500million.

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 forecast for cash is presented to the ISC each quarter. At the quarter ended 30 September 2025 the Fund held £561million (£569m previous quarter) in cash and an additional £59million (£72million previous quarter) with Aegon as collateral in order to support the currency hedge. Taken together this represents 8.7% (9.4% last quarter) of total Fund assets, with the decrease primarily due to the increased value of assets held by the Fund, now over £7billion for the first time.
23. The additional cash is as a result of SAA recommendations in 2022 and 2023 prompted a switch from liquid assets towards private market investments. There is now over £1billion for the first time in outstanding commitments at the time of writing (21 November 2025) awaiting to be called for private market investments. The majority of this is for LGPS Central products totalling over £0.9billion across private equity, property, infrastructure and private credit.
24. The Fund's 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. In addition, it was agreed at the 1 October ISC that £90million would be held in the Aegon short dated corporate bond fund as a way of generating marginally more return than on cash whilst awaiting calls from the private credit commitments the Fund has made. Although not a direct replacement for private credit risk and returns, Hymans proposed that this alternative was a low-risk method of generating returns higher than from holding cash.

25. At present there are no more proposals for additional investments to be presented to the Leicestershire Pension Committee's as the Fund awaits the setup of LGPS Central's advisory function which intends to perform implementation and management of the SAA which will take into the Fund's investments strategy statement (ISS) which includes the Fund's investment beliefs and responsible investment policy. The Fund does, however, have existing approval to commit a further £130million to Central products in 2026 across infrastructure asset classes.
26. The Fund, at the time of writing, has £350million invested in fixed deposits with a weighted average interest rate of 4.14% (was 4.23% at the last update) with an average term to maturity of 2.8 months (was 3.4 months at last update). In addition, at the time of writing, the Fund holds £136million across four money market funds (MMF) and a USD account with rates ranging from 4.06% to 3.92%.
27. A cashflow forecast for the Fund estimates that cash should reduce gradually over the financial year end towards £320million from the quarter end position of £560million. 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, a prudent estimate for this has been included in the forecast.
 - 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 £190million underweight position within this fund based on the current SAA. 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 and Hymans will consider this as part of the overall SAA review scheduled to be presented to the Local Pension Committee on 30 January 2026. At present the cash forecast assumes around two thirds of the 190million is invested by 31 March 2025.
28. The table below shows the current position of the Fund's actual investments against the 2025 SAA targets. 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 still overweight cash, and underweight income assets. Although significant commitments have been made to income asset classes, they will take time to be fully called. The Fund is valued at over £7billion for the first time.

	30/09/25		30/09/25 Actual	Difference, actual to	£m to SAA	Commitments / investments	to 31/3/26: other cashflow /	Diff to target weight post	% diff to
	£m	2025 SAA	weight %	2025 SAA	weight	approved	divests	changes £m	SAA
Growth	3,857	53.5%	54.2%	0.7%	52	210	-25	237	3.3%
Income	2,154	38.5%	30.3%	-8.2%	-584	1,041	-76	381	5.4%
Protection	540	8.0%	7.6%	-0.4%	-29	90	0	61	0.9%
Cash	561	0.0%	7.9%	7.9%	561				
	7,111	100.0%	100.0%						

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

	30/09/25		30/09/25 Actual	Difference, actual to	£m to	Commitments /	to 31/3/26:	Diff to target	% diff to
	£m	2025 SAA	weight %	2025 SAA	target	investments	other cashflow /	weight post	SAA
					weight	approved	divests	changes £m	
Equity	3,115	41.00%	43.8%	2.8%	199			199	2.8%
Global Return Funds	354	5.00%	5.0%	0.0%	-1			-1	0.0%
Fixed Income	387	7.50%	5.4%	-2.1%	-146	210	-25	39	0.5%

	30/09/25		30/09/25 Actual	Difference, actual to	£m to	Commitments /	to 31/3/26:	Diff to target	% diff to
	£m	2025 SAA	weight %	2025 SAA	target	investments	other cashflow /	weight post	SAA
					weight	approved	divests	changes £m	
Income									
Infrastructure	725	12.50%	10.2%	-2.3%	-164	290	-30	96	1.3%
Global private credit	485	9.50%	6.8%	-2.7%	-191	520	-40	289	4.1%
Property	495	7.50%	7.0%	-0.5%	-38	40	-6	-4	-0.1%
Fixed Income - liquid MAC	449	9.00%	6.3%	-2.7%	-191	191		0	0.0%

	30/09/25		30/09/25 Actual	Difference, actual to	£m to	Commitments /	to 31/3/26:	Diff to target	% diff to
	£m	2025 SAA	weight %	2025 SAA	target	investments	other cashflow /	weight post	SAA
					weight	approved	divests	changes £m	
Protection									
Inflation linked bonds	214	3.50%	3.02%	-0.5%	-34			-34	-0.5%
Investment grade credit	200	3.25%	2.82%	-0.4%	-31			-31	-0.4%
Short dated IG credit	66	0.50%	0.93%	0.4%	30	90		120	1.7%
Currency hedge	59	0.75%	0.83%	0.1%	6			6	0.1%

Cash	561	0.00%	7.9%	7.9%	561				
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Overall Investment Performance

29. Investment performance analysis over various time frames to the period quarter ending 30 September 2025 is conducted by Hyman. Hyman's 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.
30. 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.
31. Summarised returns for the whole Fund versus benchmark are shown below.

	1yr	3yr pa	5yr pa
Total Fund	+8.2%	+7.6%	+8.0%
vs benchmark	-3.7%	-2.5%	-0.3%

32. It is important to note that investment returns can be negative in absolute terms and for a protracted period, and chances of negative absolute returns over shorter periods of time are considerably higher than over longer periods of time. Currently over the short and medium term (three and five-year time frames) the returns for the Fund are comfortably positive at +7.6% pa over 3 years and +8.0% per annum over five years.
33. The current returns compare favourably to the most recent Hymans Robertson actuarial valuation, as at 31 March 2025, which calculated a future investment return of at least 6.1% pa in 80% of the future simulated outcomes. The Fund decided to increase the level of prudence from 75% used at the 2022 actuarial valuation to 80% in recognition of increase volatility and uncertainty in investment markets.
34. The annual investment strategy review takes into account the required rate of return when the investment consultant for the Fund proposes changes to the SAA. The Fund aims to generate a return ahead of the future investment return from the last actuarial valuation which therefore builds in an amount of margin without taking undue investment risk.
35. The current investment returns over the one, three and five-year timeframes versus the benchmarks are now negative. This is partly due to the change of benchmarks through 2024 where existing benchmarks were replaced with comparisons which more accurately reflect the risk being taken. In many cases the existing 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.
36. Taking this particular example for private equity the returns expected over the last 3 years would be nearly 20% pa which is the FTSE all world return plus 3% pa. The additional 3% over the public market equivalent represents the additional risk private equity investments represent and therefore the Fund would, over the longer term expect to outperform the listed public markets given the illiquidity endured for holding positions in private companies.
37. However, for a number of factors the actual returns experienced by the Fund and the private equity markets in general over the past three years has been flat. In fact, the actual returns for the Fund's £387million exposure has been -0.7% per annum over the past three years and +11.8% per annum over the last five years.
38. Private equity has struggled versus listed equity markets as underlying positions have been generally marked down as interest rates moved higher from 2022. These higher interest rates when used in valuing private companies results in lower overall valuations. Together with fewer initial public offerings (IPOs) given muted investor demand for these private companies listing over the last two or three years has seen the overall returns stagnate. Last quarter we noted the average age for private companies coming to IPO had reached nearly 15 years.



39. The Fund does however continue to see a long-term future for this asset class and maintains a 7.5% target weight. This asset class which has produced investment returns of +13.3% per annum since March 2016 for the Fund. Quite often the best times to invest in a particular asset class is when returns have been lower than the historical norms. Much of the investors return can be traced back to asset allocation decisions, rather than manager selection. The Fund adheres to this and makes decisions to rebalance accordingly when the actual allocation is below the target, thereby potentially buying into an asset class at better valuations.

Growth investments review

40. The growth asset group of the Fund is one of the three areas of the SAA along with income and protection. Growth has a target weight of 53.5% of total Fund assets. As at 30 September it was at 54.2% and within the overall tolerance per the rebalance strategy.
41. Asset classes included within this asset group include, listed equity, private equity and targeted return. The Fund accesses these asset classes via 5 managers in the main and the details are shown below. Growth assets in total have returned 11.4% per annum over three years and 11.8% per annum over five years.

Asset class	Fund names	£m / % of total	Target weights
Listed equity – passive	LGIM funds * 2 (UK equity and all world)	£1,001m / 14.1%	13.5%
Listed equity – factor tilt	LGIM fund – low carbon transition	£285 / 4.0%	3.5%
Listed equity – active	LGPSC – global active equity	£847m / 11.9%	12.0%
Listed equity – factor tilt	LGPC – climate multi factor	£976m / 13.7%	12.0%
Total listed equity		£3,115m / 43.8%	41.0%
Private equity	Adams street Partners - various	£346m / 4.9%	7.5%
Private equity	LGPSC – various	£32m / 0.4%	
Private equity	Patria Secondaries opportunities III	£9.2 / 0.1%	
Total private equity		£387m / 5.4%	7.5%

Targeted return	Ruffer – total return	£212m / 3.0%	3.0%
Targeted return	Fulcrum – diversified core return	£143m / 2.0%	2.0%
Total Targeted return		£354m / 5.0%	5.0%

42. Whilst slightly overweight to a number of listed equity funds including the LGPS Central climate multi factor fund and the LGIM low carbon transition fund owing to their relative performances there is little opportunity to rebalance given the underweight areas of the portfolio are held in private markets. The overweight is still within the rebalance range of plus or minus 2.5% for total growth assets and divesting would add to cash balances at this point in time. Any small rebalances to liquid areas of the portfolio will be taken from the Fund's cash balances.
43. Over the years the Fund has rationalised the manager roster and now accesses this asset group via just five managers (the Patria private equity investment is in run off). The Fund accesses the spectrum of listed equity investments from specific UK exposure, broad global equity exposure and tilted equity exposure designed to at least match the global benchmark whilst also reducing the Fund's carbon risks from just two managers.
44. The largest of the tilted equity exposures comes from the LGPS Central climate multi factor fund which returned ahead of its global benchmark since the Fund made its investment in December 2020.
45. The targeted return funds, where the Fund rationalised its managers in 2023 from three managers to two managers (Fulcrum and Ruffer) and has performed well against the overall benchmark of cash plus 4% per annum. Both managers are able to access a very large universe of available investments and have the ability to go short the market (profit from falling markets) and add protection-like investments to weather volatility or market drawdowns.

Fulcrum

46. The strategy is designed to achieve absolute returns through a diversified mix of approaches, highlighting the ability to go anywhere to find sources of return in a risk-controlled manner. The Fund delivered a return of 3.9% in the third quarter of 2025, bringing its one-year performance to 11.7% and its five-year annualised return to 6.3%. Since inception, for the Fund (first investment in Q4 2023) the return has been 10.8% per annum.
47. The positive performance was driven by gains in the Dynamic Asset Allocation part of the strategy, which benefited from rising global equities, and from Discretionary Macro strategies focused on precious metals and emerging market equities. Losses came mainly from positions in UK interest rates and the Japanese yen.
48. The equity exposure was approximately 32%, with a strong tilt towards Asia ex-Japan and emerging markets such as Korea, which was supported by growth in technology and artificial intelligence themes.
49. Fixed income exposure included a duration of around three years, with selective positions in UK Gilts and North American rates. Commodities represented a historically high allocation of 10.6%, with significant exposure to gold, silver, and platinum. Some positions were trimmed after a strong rally. The Fulcrum strategy

relies on continual reassessment and regular trading which is different to the way the Ruffer strategy operates which relies on longer time frames and themes to base strategy from.

50. The macroeconomic outlook was supported by US Federal Reserve easing of interest rates and global trade uncertainty, while maintaining flexibility to respond to negative policy shifts.
51. Overall Fulcrum report that the portfolio remains highly diversified across equities, bonds, commodities, currencies, and trend-following strategies.

Ruffer

52. Ruffer's philosophy prioritises capital preservation, focusing on valuation rather than momentum and avoiding highly valued technology stocks. They have long held bearish views on the global economy and as such position the portfolio as such.
53. The portfolio returned 3.7% in the third quarter of 2025, similar to the Fulcrum investment, with a 12-month gain of 6.8% and a five-year total return of 26%, equivalent to an annualised rate of 4.7%.
54. The Ruffer asset allocation currently is defensive, with over 50% in nominal bonds, around 25% in equities, and smaller allocations to UK equities, gold and precious metals, and illiquid credit strategies. Fixed income holdings are currently substantial, and includes UK Gilts, US Treasuries, and Japanese government bonds, providing stability and liquidity.
55. Equity holdings include UK housebuilders, real estate investment trusts, consumer companies like Marks & Spencer, and global pharmaceutical companies such as AstraZeneca and Roche. There is selective exposure to US technology via Amazon noting their dislike of stocks with a high valuation which could be prone to large losses were the market to turn.
56. Commodity exposure is achieved through positions in gold funds and indirect commodity investments. Ruffer use derivatives to manage risk and foreign exchange forwards used to hedge against currency risks.
57. Their investment outlook reflects concerns about government indebtedness, deglobalisation, tariffs, and the energy transition, leading to a cautious and defensive stance. The bearish stance is evidenced through diversification across currencies and asset classes, combined with liquidity management and protective strategies to withstand market stress.

Pooling progress

58. The Government's ambition is to have all investments pooled by 31 March 2026. Officers and Central are progressing with the necessary changes required.
59. The Fund's current pooled total is £4.4billion or 62% 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.
60. The Fund has at the time of writing over £900million in uncalled commitments to LGPS Central products.

Strategic Asset Allocation scope

61. The scope for the usual January review of the Fund's strategy has commenced. For the first time the scope was agreed between the Fund's officers, Hymans Robertson and LGPS Central. LGPS Central were included at an earlier stage than usual given the upcoming changes outlined in the 'Fit for the Future' consultation outcomes whereby primary investment advice is proposed to be provided by the Fund's pool.
62. Alongside the usual review of the weights across the various asset classes the review will also consider the following areas:
 - a. A general investment markets update.
 - b. Review of the existing investment beliefs contained with the ISS and assist with drafting of revised beliefs including engagement and divestment stance including alignment with LGPS Central.
 - c. A high-level review of the current funds contained within the strategy.
 - d. Reviewing the strategy alongside the asset liability modelling conducted by the actuarial team as part of the 2025 actuarial valuation of the Fund. How probable is the strategy able to meet the investment return requirements.
 - e. Commentary on the role of protection assets, noting the strong funding position the Fund is in as at 31 March 2025.
 - f. Local investing – how the Fund should approach this given the existing exposure to the UK and guidance from Government regarding local investment taking into account the Leicestershire Pension Committee workshop outcomes.
 - g. Mapping of the current strategy and any proposed changes to the nine asset class framework proposed by Governments fit for the future consultation outcome.

Leicestershire Pension Fund Conflict of Interest Policy

63. 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

64. The Committee are recommended to note the report.

Environmental Implications

65. 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

66. 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

67. 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 Autumn 2025

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