Agenda Item 9

Leicestershire County Council

LOCAL PENSION COMMITTEE – 20 MARCH 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

VALUATION OF PENSION FUND INVESTMENTS

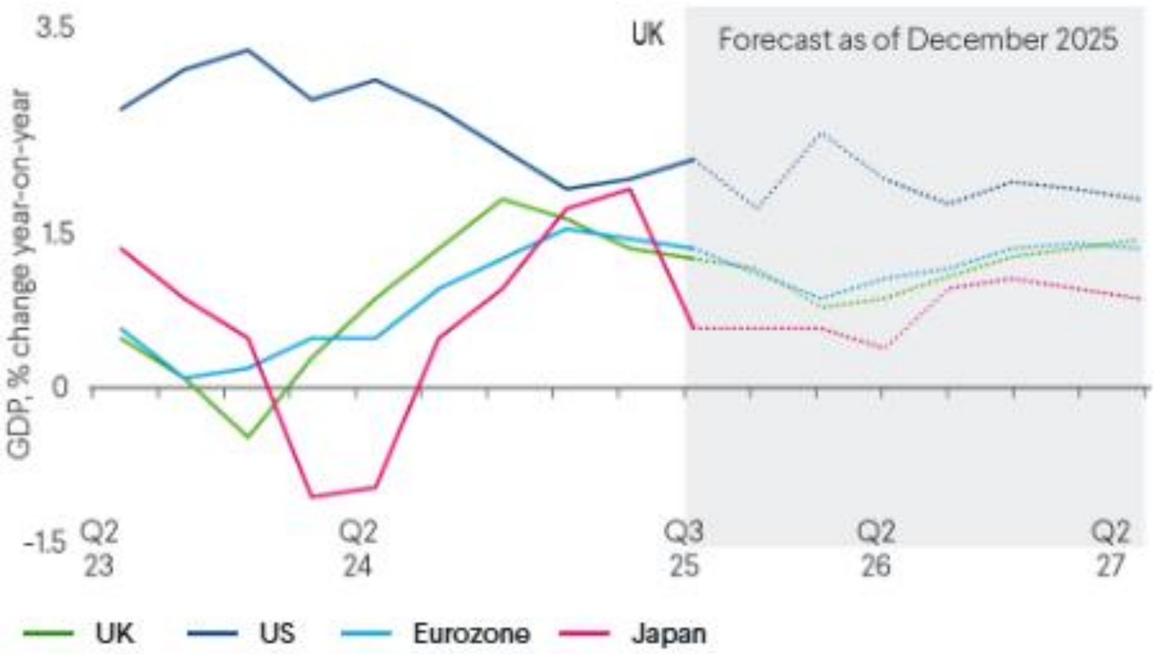
Purpose of Report

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 December 2025.

Markets Performance and Outlook

2. Global growth remained resilient through 2025 despite ongoing policy uncertainty and the introduction of US trade tariffs. Full year global growth forecasts continued to be revised upwards during the year and finished broadly in line with 2024 levels, with only a modest slowdown expected into 2026.

Figure 1: Resilient global growth is expected to ease only modestly in 2026



Source: Bloomberg

3. The US economy continued to outperform, supported by strong corporate finances, an AI driven investment cycle and ongoing fiscal support following the extension of tax cuts. Elsewhere, China increased fiscal stimulus to support manufacturing and export led growth, although domestic demand remained weak and deflationary pressures

persisted as the property market downturn continued. Core European economies underperformed in 2025 but are expected to benefit from increased infrastructure and investment spending in 2026.

4. In the UK, headline inflation eased during the second half of 2025, with both headline and core inflation falling to around 3.2% by November. At the same time, unemployment rose, indicating softer labour-market conditions. While this points to slower wage growth ahead, inflation is still expected to remain slightly above target due to modest productivity growth.

5. Central banks began easing monetary policy during 2025 in response to moderating inflation and signs of labour-market weakness. The US Federal Reserve and the Bank of England both reduced policy rates during the year, while the Bank of Japan raised rates further as inflation remained above target. Looking ahead, markets expect a cautious and gradual approach to further rate cuts, particularly in the UK and US.

6. Government bond yields were mixed over the year. UK and US yields fell modestly overall, while longer-dated yields remained elevated due to higher real yields and rising term premia. In contrast, Japanese government bond yields rose materially following further monetary tightening. In Europe, core yields increased on expectations of higher government spending.

7. Credit spreads widened slightly during the fourth quarter amid heavy issuance but remained close to historic lows by year end. Strong investor demand for yield continued to support credit markets, despite the increased supply associated with large-scale issuance from major technology companies to fund capital expenditure.

8. Global equity markets delivered strong returns in 2025, supported by robust earnings growth, monetary easing and optimism around artificial intelligence-related investment. Equity markets recovered from earlier volatility linked to tariff announcements and finished the year strongly. The table below shows the index performance of the MSCI world index (GBP) as at 31 December 2025, it finished the year up 13.2%

Figure 2: MSCI world index performance

INDEX PERFORMANCE — GROSS RETURNS (%) (DEC 31, 2025)

					ANNUALIZED			
	1 Mo	**3 Mo**	**1 Yr**	**YTD**	**3 Yr**	**5 Yr**	**10 Yr**	**Since Dec 31, 1987**
MSCI World	-0.66	3.29	13.22	13.22	17.27	13.03	13.78	9.83

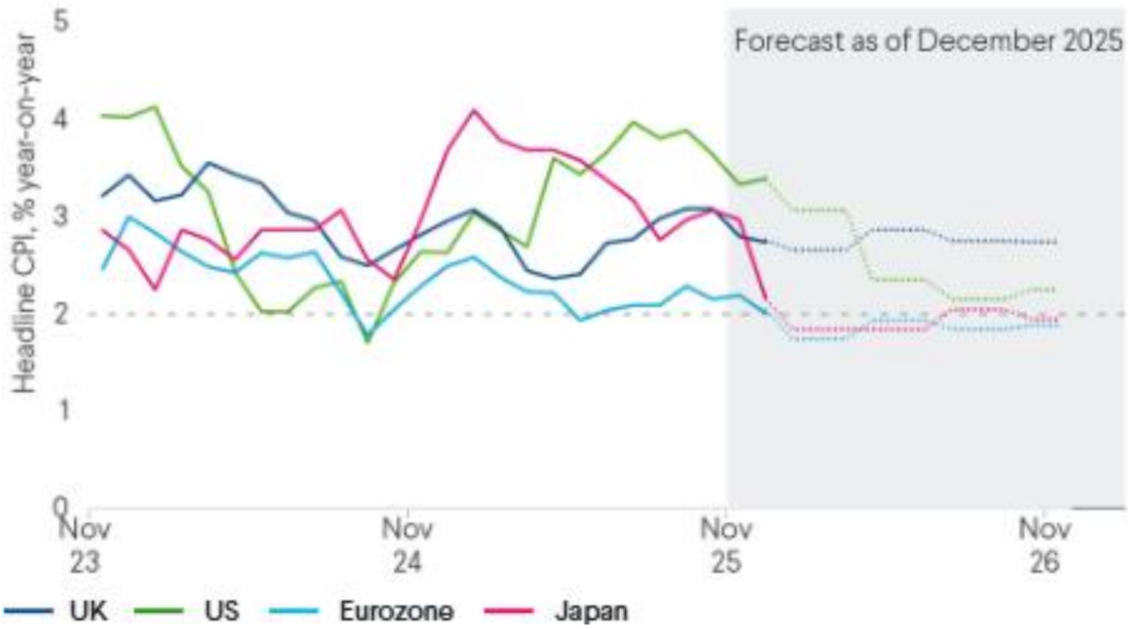
9. While near-term fundamentals remain supportive, Hymans note that equity and credit valuations appear stretched relative to long-term assumptions. As a result, expected medium-term returns are likely to be more modest than those experienced over recent years, reinforcing the importance of maintaining diversification and a focus on long-term strategic objectives.

10. The Fund is well diversified and is able to weather most downward global market conditions. The listed equity component which is arguably one of the most volatile asset types has been reduced over time as funding levels improved, the actual allocation as at 31 December to listed equity is 44%. There is additional equity allocation within other mandates, notably within the 5% targeted return allocation but this is variable based on the investment managers views on listed equity.

11. 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 considers the weightings to asset classes amongst other areas, the most recent review took place in January 2026.

12. 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. Looking ahead inflation for the major economies looks modestly lower although recent events (Middle East conflict) if prolonged will likely change these forecasts.

Figure 3: CPI forecast



Source: Bloomberg

13. The US has continued its path on cutting 'base' interest rates with the last cut at the January 2026 meeting and in August 2025 the Bank of England cut rates by 0.25% to 4.00%.

14. The table below shows a handful of developed market interest and inflation rates as at 9 March 2026. The general direction of interest rate moves has been lower through 2025 across major developed economies, the exceptions being Australia and Japan which have had rate increase in in February 2026 and December 2025 respectively.

Country	Interest Rate %	Last Movement	Date of Last Movement	Inflation Rate %	Date of Inflation Rate	Inflation Metric Used
Australia	3.85	Up	February 2026	3.8	January 2026	Consumer Price Index (CPI)
Canada	2.25	No change	January 2026	2.3	January 2026	Consumer Price Index (CPI)
Euro Area	2.15	No change	February 2026	1.9	February 2026	Harmonised Index of Consumer Prices (HICP)
Japan	0.75	Up	December 2025	1.5	January 2026	Consumer Price Index (CPI)
Sweden	1.75	No change	January 2026	1.7	February 2026	Consumer Price Index with Fixed Interest Rate (CPIF)
United Kingdom	3.75	No change	February 2026	3.2	January 2026	Consumer Prices Index incl. owner occupiers' housing costs (CPIH)
United States	3.50–3.75	No change	January 2026	2.4	January 2026	Consumer Price Index

Source: various including central banks, national statistics offices, Eurostat, (Bureau of Labour Statistics (BLS), Office of National Statistics (ONS))

15. Hymans' capital markets review for the December 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 strongly in 2025, supported by improving economic and earnings expectations, AI-driven investment and monetary easing. Earnings growth forecasts remain robust into 2026 and 2027, providing a supportive near-term backdrop. However, valuations, particularly in the US remain elevated, leaving markets vulnerable to disappointment should earnings growth fall short. While US equities may justify some valuation premium, diversification across regions and investment styles remains important.

b. Government bonds:

The Bank of England reduced the base rate by a total of 1.0% during 2025, leaving policy only modestly restrictive by year end. Short-dated yields fell in response, while longer-dated yields remained elevated due to higher real yields and increased term premia. Although the technical backdrop for gilts remains challenging due to ongoing issuance and reduced demand from traditional buyers, current yield levels are viewed as more attractive than in recent years. Hymans maintain a balanced view between nominal and index-linked gilts.

c. Corporate credit:

Corporate fundamentals remain broadly supportive, although higher interest costs have reduced debt affordability from previously strong levels. Investment-grade credit spreads remain close to historic lows, which limits near-term upside and warrants caution for investors with shorter time horizons. However, elevated underlying government bond yields mean investment-grade credit still offers reasonable medium-term return potential. Hymans are more cautious on speculative-grade credit, where spreads offer limited compensation for risk. The Fund has limited exposure to this higher risk and higher expected return area on credit.

d. UK Property:

UK commercial property income remained resilient during 2025, with rental growth and income returns supporting overall performance. Prime assets continued to benefit from limited supply and stronger occupier demand, while secondary assets, particularly older offices face higher vacancy rates and obsolescence risk. Although investment volumes remained subdued and market sentiment weakened towards year end, the gap between net initial and reversionary yields suggests some longer-term potential for capital value recovery, particularly for well-located, high-quality assets.

16. A summary of global asset class performance over various time frames as at quarter ending 31 December 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, see figure 5.

Figure 4: performance by asset class

Sub Asset Class	Return 3 Months	Annualised Total Returns to 31/12/25 (GBP unless stated) 1 Year	3 Years	5 Years	10 Years	20 Years
Global	3.5%	14.6%	16.6%	12.1%	13.3%	10.1%
US	2.7%	9.8%	18.6%	14.8%	15.9%	12.3%
UK	6.4%	23.9%	12.9%	11.6%	8.3%	6.9%
EM (USD)	1.8%	26.4%	16.0%	5.2%	8.9%	6.4%
US Investment Grade	0.5%	0.5%	2.5%	-0.4%	4.3%	5.8%
US Non Investment Grade	1.5%	1.3%	6.0%	4.6%	7.0%	7.0%
UK Investment Grade	3.0%	5.5%	2.6%	-4.5%	0.5%	2.7%
European High Yield (EUR)	0.5%	5.1%	8.5%	3.2%	4.1%	5.8%
Emerging Markets	3.3%	14.3%	9.9%	1.1%	3.4%	5.1%
UK Gilts	3.1%	5.0%	1.7%	-5.3%	-0.1%	2.5%
UK Index Linked Gilts	3.3%	1.3%	-2.1%	-8.2%	-0.3%	3.2%
Cash	1.1%	4.8%	5.0%	3.3%	2.1%	
Gold	11.7%	52.8%	27.8%	18.2%	16.1%	12.6%
Cat Bonds	2.4%	3.7%	12.3%	10.4%	8.0%	9.5%

	Return 3 Months	Annualised Total Returns to 30/9/25 (USD) 1 Year	3 Years	5 Years	10 Years	15 Years
Private Equity	2.4%	8.0%	6.9%	13.7%	13.7%	14.0%
Private Credit	2.2%	6.9%	8.3%	10.5%	8.6%	9.3%
Real Estate	0.0%	0.7%	-0.9%	5.9%	6.9%	9.1%
Infrastructure	1.5%	7.0%	8.5%	11.0%	9.5%	9.3%

Source: Bloomberg for listed markets,

Figure 5: asset class correlations 10 year

	Global Equities	US Equities	UK Equities	EM Equities	US IG	US Non IG	UK IG	Euro Hi Yield	EM Bonds	UK Gilts	UK ILG	Cash	Gold	Cat Bonds
Global Equities	1.00	0.94	0.88	0.80	0.17	0.63	0.14	0.63	0.55	-0.05	0.27	0.21	-0.06	0.02
US Equities		1.00	0.74	0.62	0.24	0.67	0.12	0.47	0.40	-0.02	0.27	0.15	-0.07	0.17
UK Equities			1.00	0.79	-0.07	0.43	0.09	0.72	0.61	-0.13	0.17	0.26	-0.17	-0.20
EM Equities				1.00	-0.02	0.47	0.11	0.74	0.66	-0.09	0.22	0.21	0.04	-0.20
US Investment Grade					1.00	0.58	0.54	-0.26	0.02	0.60	0.41	-0.03	0.57	0.72
US Non Investment Grade						1.00	0.23	0.36	0.30	0.15	0.36	0.06	0.24	0.51
UK Investment Grade							1.00	0.08	0.47	0.96	0.79	0.14	0.41	0.21
European High Yield								1.00	0.76	-0.16	0.18	0.33	-0.28	-0.45
EM Bonds									1.00	0.28	0.47	0.36	0.08	-0.35
UK Gilts										1.00	0.75	0.09	0.48	0.32
UK Index Linked Gilts											1.00	-0.06	0.31	0.12
Cash												1.00	0.28	0.09
Gold													1.00	0.44
Cat Bonds														1.00

Portfolio changes during the quarter ended December 2025

17. Cash was deployed into the Aegon Short Date Bond Fund during October and November 2025. A total of £90million was invested in three £30million investments. This allocation hopes to capture additional return with relatively low risk whilst the Fund has high cash balances and awaits calls from commitments made to private market managers. The cash invested is liquid can be recalled as and when calls cannot be readily met from cash balances.

18. Capital calls for Central's direct lending (private credit) 2024 vintage were also received this quarter, a total of £270million is committed to this investment product.

19. The net effect on cash, quarter on quarter, has seen a decrease from £561million to £453million. There has no rebalancing activity over the last quarter. 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)

20. There has been no meeting of the ISC since the last update to the LPC. As a reminder, 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. The Venture Capital product will now not be launched by Central owing to limited capital available from Partner Funds to make this product viable. In total £95million is committed to PE rather than the envisaged £110million. The minor shortfall of £15million is not material and can be evaluated at the next strategic asset allocation review.

Strategic Asset Allocation (SAA) 2026

21. The annual meeting of the LPC on 30 January 2026 was attended by Hymans Robertson who presented the proposed changes to the SAA alongside a review of the performance of the Fund.

22. Proposals were approved by the LPC the change to allocations are described below:

   a. Local investments: 1% initial allocation to Local Investments across the four asset classes, private equity, property, infrastructure and private credit.

   b. Fixed interest UK Government Bonds: Initiation of 2% fixed interest gilts allocation.

   c. Two asset class reviews: A listed equity and investment grade credit review. The nature of the reviews will be dependent on Central's asset class design work which is ongoing currently. Any outcomes will be presented to the relevant LPC meeting during 2026.

23. The presentation of the SAA was updated to follow the guidance from Government where all LGPS funds will report against the same nine asset class descriptions. The Fund's 2026 allocation is shown below alongside the rebalance ranges.

Asset class	Strategic asset allocation (%)	Tolerance range (±%)	Local invs
Listed equity	41.00%	+/ - 2.5%; 51.75% - 56.75%	
Other alternatives	5.75%		
Private equity	7.50%		1 % across 4 asset classes
Property	7.5%	+/ - 2.0%; 34.50% - 38.50%	
Infrastructure	12.5%		
Private credit	9.5%		
Credit liquid MAC (i)	7.00%		
Credit IGC (i)	3.75%	+/ - 2.0%; 7.25% - 11.25%	
UK Government bonds	5.5%		
Investment cash	0.0%		
	100.0%		

(i) Including credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds.

<u>Cash holdings and outstanding commitments</u>

24. The level of cash held by the Fund is higher than the SAA target 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 31 December 2025 the Fund held £453million (£561m previous quarter) in cash and an additional £60million (£59million previous quarter) with Aegon as collateral in order to support the currency hedge. Taken together this represents 7.0% (8.7% last quarter) of total Fund assets, with the decrease due to overall capital calls and the £90million invested with Aegon's short dated bond fund over the quarter. The Fund has continued to grow in overall value and as it increases the cash component becomes a smaller percentage, all other things being equal.

25. The additional cash is as a result of SAA recommendations in 2022 and 2023 prompted a switch from liquid assets towards private market investments. At the time of writing there is over £1billion in outstanding commitments 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.

26. 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 is held as cash which includes the use of money market funds, fixed cash deposits and UK treasury bills.

27. 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. Officers will discuss with Central the need to commit this amount based on the current valuation of the infrastructure allocation, outstanding commitments and expected distributions. Any decision will be reported the Committee.

28. The Fund also has a requirement for a 2% allocation to UK Government bonds which was a new allocation approved at the meeting of the Committee on 30 January 2026. Officers and Central are aware of the requirement, no appropriate investment product is currently available at Central, however work is underway on how this allocation could be met.

29. The Fund, at the time of writing (10th March 2026), has £290million invested in fixed deposits with a weighted average interest rate of 3.85% (was 4.14% at the last update) with an average term to maturity of 3.0 months (was 2.8 months at last update). In addition, at the time of writing, the Fund holds £198million across four money market funds (MMF) and a USD account with rates ranging from 3.68% to 3.82%.

30. A cashflow forecast for the Fund estimates that cash should reduce gradually over the financial year end towards £300million from the quarter end position of £453million. The reduction in cash is dependent on a number of factors:

    a. The most important factor is 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. When the 2% allocation to a new UK Government bond allocation can be made. Based on the current Fund valuation, a c£150million allocation from cash would be needed. This is not currently included within the forecast.

31. The table below shows the current position of the Fund's actual investments against the 2026 SAA targets. Approvals or planned approvals and expected cashflows to the end of 2026 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 December 2026. In summary, the Fund is still overweight cash, and underweight income assets. As previously stated, significant commitments have been made to income asset classes, however they will take time to be fully called.

	31/12/25 £m	2026 SAA	31/12/25 Actual weight %	Difference, actual to 2026 SAA	£m to SAA weight	All commitments / invs approved	to 31/12/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Growth	4,002	53.5%	54.6%	1.1%	78	150	-60	169	2.3%
Income	2,221	36.5%	30.3%	-6.2%	-456	805	-157	193	2.6%
Protection	658	10.0%	9.0%	-1.0%	-75	0	0	-41	-0.6%
Cash	453	0.0%	6.2%	6.2%	453				
	7,334	**100.0%**	**100.0%**						

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

Growth	31/12/25 £m	2026 SAA	31/12/25 Actual weight %	Difference, actual to 2026 SAA	£m to target weight	All commitments / invs approved	to 31/12/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Listed Equity	3,245	41.00%	44.2%	3.2%	238			238	3.2%
Other alternatives	360	5.00%	4.9%	-0.1%	-6			-6	-0.1%
Private Equity inc local	397	7.50%	5.4%	-2.1%	-153	150	-60	-63	-0.9%

Income	31/12/25 £m	2026 SAA	31/12/25 Actual weight %	Difference, actual to 2026 SAA	£m to target weight	All commitments / invs approved	to 31/12/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Infrastructure inc local	781	12.50%	10.6%	-1.9%	-136	220	-54	31	0.4%
Property inc local	499	7.50%	6.8%	-0.7%	-51	40	-6	-17	-0.2%
Credit - Private inc local	486	9.50%	6.6%	-2.9%	-211	490	-97	182	2.5%
Credit - global liquid MAC	455	7.00%	6.2%	-0.8%	-58	55		-3	0.0%

Protection	31/12/25 £m	2026 SAA	31/12/25 Actual weight %	Difference, actual to 2026 SAA	£m to target weight	All commitments / invs approved	to 31/12/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Credit - Investment grade	205	3.25%	2.79%	-0.5%	-34			-34	-0.5%
Short dated IG credit	158	0.50%	2.15%	1.6%	121			121	1.6%
Government bonds	237	5.50%	3.23%	-2.3%	-167			-167	-2.3%
Active currency hedge	60	0.75%	0.81%	0.1%	4			4	0.1%

Cash	453	0.00%	6.2%	6.2%	453				

Overall Investment Performance

32. Investment performance analysis over various time frames to the period quarter ending 30 December 2025 is conducted by Hymans. Hymans 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 individual investment manager reports.

33. 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.

34. Summarised returns for the whole Fund versus benchmark are shown below.

	1yr	3yr pa	5yr pa
Total Fund	+9.7%	+8.2%	+7.4%
vs benchmark	-1.6%	-2.8%	-0.5%

35. 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 +8.2% pa over 3 years and +7.4% per annum over five years.

36. 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. The Fund aims to generate an investment 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.

37. 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.

38. Over the one year time period investment returns are 1.6% below the benchmark. The largest components to that affect this variance are the LGPS Central global active equity product and the private equity investments. The global equity investment which has a 7.0% adverse variance is measured against the FTSE All World index (a broad global passive index) and takes active positions different to the index, it has a smaller portion invested within the magnificent 7 stocks over the last year. These seven investments (comprising of Apple, Microsoft, Amazon, Alphabet (Google), Tesla, Nvidia and Meta) have had a good investment returns in 2025 which have been harder to beat by the alternative investments chosen by the investment managers who operate this mandate.

39. Private equity has also had another tough year with total returns 10% below the benchmark which is also the FTSE All World index plus an additional 3% pa to represent the additional risk private equity investments represent. Over the longer term, private equity investments have performed well, see figure 4, where 10 year and 15 year performance for the private equity asset class has been 14% pa. Our Fund has performance for private equity from March 2016, performance to date is 13.3% pa.

Pooling progress

40. The Government's ambition is to have all investments pooled by 31 March 2026. Officers and Central are progressing with the necessary changes required.

41. The Fund's current pooled total is £4.6billion or 63% 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.

42. The Fund has at the time of writing over £900million in uncalled commitments to LGPS Central products.

43. Once relevant legal agreements have been signed and oversight of the remaining managers passes to Central the Fund will be 100% pooled although many of the existing non LGPS Central investment managers will still be used. The use of these managers is a decision for the Pool but many private market investments are more difficult to redeem and will take time to recycle capital to LGPS Central investment products as capital is returned.

Leicestershire Pension Fund Conflict of Interest Policy

44. 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

45. The Local Pension Committee are recommended to note the report.

Environmental Implications

46. 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

47. 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

48. 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 30 January 2026, Overview of the Current Asset Strategy and Proposed 2026 Asset strategy – item 121:
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=8372&Ver=4

Appendix

None

Officers to Contact

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