INVESTMENT STRATEGY and FUND MANAGER PERFORMANCE (Part I)	ITEM 9

Committee	Pensions Committee

Officer Reporting	Tunde Adekoya, Finance Pete Carpenter, Finance

Papers with this report	LCIV Executive Summary 31 December 2025 Hymans Interim Valuation Report 31 December 2025 NT performance report on shared drive LCIV Performance reporting on shared drive

HEADLINES

The Fund officers and LCIV team have worked collaboratively to produce 'easy to digest', dashboard executive summary which draws out highlights of the performance and funding position as well as providing an easy access format for additional investment related information and statistics.

Attached is the report for quarter ending 31 December 2025 for review and comment.

RECOMMENDATIONS

It is recommended that Pensions Committee:

1. **Note the funding and performance update.**

Summary of Key Insights to LCIV Executive Report

Funding & Liabilities
- The funding level fell to 127%, a 19% quarterly decline, driven by a £230m increase in liabilities. This step change is a combination of the following factors:

- The tracking of the funding position up to 30 September 2025 will have been based on the 31 March 2022 funding valuation results as a starting point (and using the assumptions and prudence levels adopted for that valuation).
- When we provided the 31 December 2025 funding update, we updated our systems to now allow for the 31 March 2025 funding valuation results. This captures all the new membership data experience, financial and demographic assumptions and leads to step change once every three years. The biggest step change from the 2025 valuation is on the financial assumptions (i.e. the discount rate) as a result of the increased prudence level adopted compared to the previous valuation.

- Assets rose to £1.58bn, a 2.64% increase in market value.

Investment Performance
- Fund returned 2.8%, outperforming benchmark by 0.1%.
- Strongest performers: LCIV Global Equity Value Fund; Absolute Return Fund.
- Underperformance: LCIV Global Alpha Growth Paris-Aligned Fund.

Market Overview (Q4 2025)
- Geopolitical tensions persisted (Ukraine, Middle East) but markets remained stable.
- Growth stocks rebounded; Health Care sector led global performance.
- Most G-10 central banks cut rates; gold reached record levels.

Asset Allocation
- Global equities: 58% (above 51% strategic target).
- Property overweight at 12% vs 7% target.

Manager Monitoring
- Value Fund strong; Alpha Growth Fund monitored for underperformance.
- Absolute Return Fund strong full-year performance.

Fund Development
- LCIV progressing Fit-for-the-Future reforms.
- New LCIV Global Core Equity Fund expected Q2 2026.

Outlook for 2026
- Positive global growth expectations driven by AI investment and supportive fiscal/monetary policy.

FINANCIAL IMPLICATIONS

The financial implications are contained within the body of the report.
The executive summary report is provided by LCIV without charge.

LEGAL IMPLICATIONS

There are no legal implications in the report.