

LOCAL PENSIONS PARTNERSHIP INVESTMENTS

Annual Employer Meeting

Royal County of Berkshire Pension Fund

Richard Tomlinson
March 2026

Agenda

- 1 Introduction**
- 2 Economic Overview**
Looking back over the year
- 3 Outlook**
Outlook for the future
- 4 Asset Allocation**
Strategic Asset Allocation & Fund Value
- 5 Investment Performance**
Update on RCBPF investment performance
- 6 'Fit for the Future' Consultation**
Summary
- 7 The 1957 LP**
Examples of local investments
- 8 Questions**

Introduction



Introduction

Who are LPPI and what do we do?

Local Pensions Partnership Investments (“LPPI”) is one of eight Local Government Pension Scheme (“LGPS”) asset pools, formed in 2016 as a collaboration between Lancashire County Council and the London Pensions Fund Authority. LPPI was one of the earliest pools that formed - the decision to build LPPI being taken ahead of the UK Government issuing statutory pooling guidance in 2016. The Royal County of Berkshire Pension Fund (“RCBPF”) joined the LPPI pool in 2018.

LPPI provide investment management and investment advisory services to RCBPF and other LGPS Funds.

- Investment management involves investing and managing RCBPF’s capital across a breadth of asset classes.
- Investment advisory involves providing advice to the RCBPF Pension Fund Committee on the optimal allocation of capital, within agreed risk tolerances, to achieve long-term / strategic goals.

Our aim is to invest our clients’ assets diligently, cost effectively and responsibly.

We work in close collaboration with RCBPF’s Officers, Advisers and Fund Actuary to deliver on key outcomes, for example ensuring that all benefits can be paid as they fall due and contribution rates are as affordable and stable as possible.

Presenter – from LPPI

- **Richard Tomlinson**, Chief Investment Officer

Economic Overview



Year in review

- **Asset markets delivered broad gains** for the third year running in 2025. Global equities posted solid returns, with MSCI World ex-US outpacing its US counterpart against the backdrop of a weaker dollar. Cash and fixed income returns were relatively modest, but “real” rates (interest rates above inflation) remain positive.
- **The AI theme remains top of mind** for equity investors, but the market has also become more discerning amid signs of a rotation away from the IT sector. Although it looks as if the AI capex cycle has further to run, the US tech titans’ unsustainably high returns on capital coupled with growing leverage raise the stakes for global equities more broadly, courtesy of benchmark indices’ heavy concentration in the “Mag 7” stocks.
- **Interest rates and inflation** stand above the levels experienced in the 2010s. Progress on disinflation (i.e. the inflation level falling) has allowed central banks to lower policy rates, yet long yields remain somewhat sticky as concerns over widening fiscal deficits persist.
- Private equity returns have been modest, but the combination of interest rate normalization with increased M&A activity bodes well for an improvement in investment conditions, providing a solid platform for Infrastructure, Real Estate and Private Equity. Capital values across Infrastructure and Real Estate have largely stabilised with gains made over the year largely driven by income.
- **Policy uncertainty** is off the spring 2025 highs but remains elevated. Despite turbulent geopolitics, volatility across asset markets remains muted, suggesting that investors are willing to give the world economy the benefit of the doubt.
- Developments in the Middle East have caused some market uncertainty, however, the Fund remains well-diversified across multiple asset classes, regions and sectors which should help provide some resilience during these times.
- The **diversification** within RCBPF’s investment strategy, across different asset classes, countries, sectors and currencies, as well as the prudent approach to investing, has proved resilient. Fund performance remains strong on an absolute basis with the Fund returning 4.5% over a 1-year period (to December 2025) with returns led by RCBPF’s allocation to Global Equities.
- RCBPF’s total return over 3 years to 31 March 2025 was 4.3% p.a. (outperforming the Pensions & Investment Research Consultants Ltd (PIRC) average of 3.6% p.a.), placing the Fund in the 32nd percentile within the PIRC universe. At the 5-year horizon, the Fund has returned 8.0% on an annualised basis, and in excess of 6.0% at the 10-year horizon.

Outlook



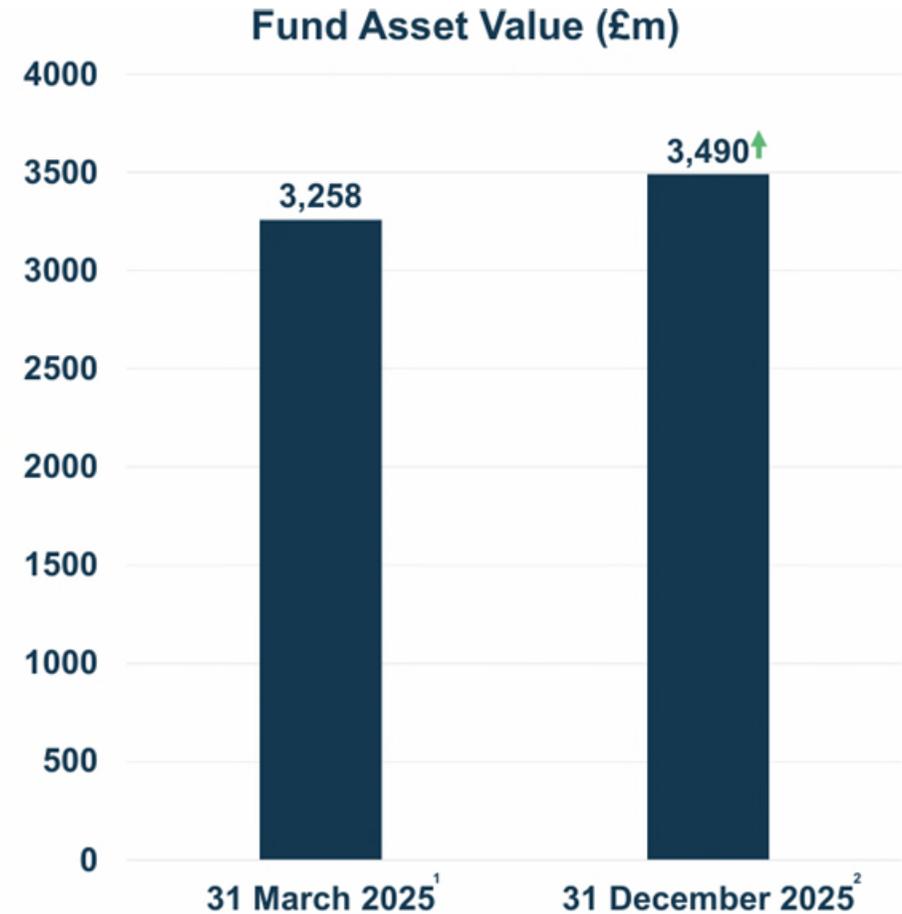
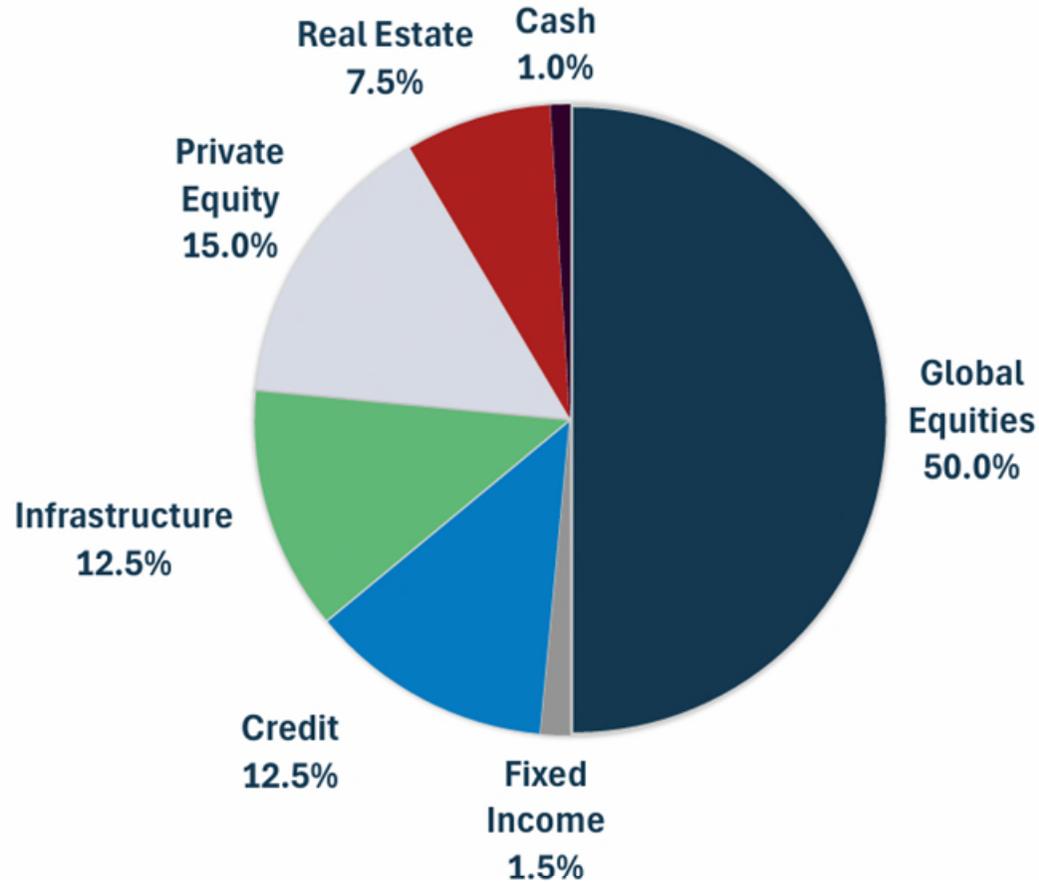
Outlook

- The odds favour a modest **pickup in world output growth in 2026**, driven by the US and underpinned by synchronized fiscal easing across the major economies: the US, Europe, Japan and China are all leaning towards easier policy.
- Global **inflation risks look benign** near term, although leading indicators point to upside pressures building against the backdrop of structural supply-side headwinds (e.g. ageing demographics; fragmented supply chains). In the UK, the silver lining from souring labour market conditions is sustained disinflation that paves the way for additional rate cuts.
- Broad **US dollar depreciation** over the past year has been a tailwind for sterling, which is hovering around its post-Brexit vote average versus the euro. GBP has benefited from receding angst about the UK fiscal outlook, however the prospect of further monetary easing amid sluggish growth leaves the currency vulnerable.
- The outlook remains highly uncertain with the duration and magnitude of the conflict in the Middle East evolving on a daily basis. A standoff lasting longer than a few weeks may elicit stagflation concerns that would have negative implications for financial assets. This episode underscores the need for a well-balanced and diversified portfolio.
- As a pension scheme, RCBPF is a long-term investor, so can navigate short-term volatility in markets. The RCBPF Fund remains in a strong position for the future. Importantly for members, **increases in pension payments are linked to inflation** annually:
 - September 2025 CPI was 3.8% which means that LGPS benefits can expect to receive a 3.8% increase in April 2026.
- LPPI continues to make progress on its Responsible Investment & Net Zero initiatives.

Asset Allocation

04

Strategic Asset Allocation & Fund Value



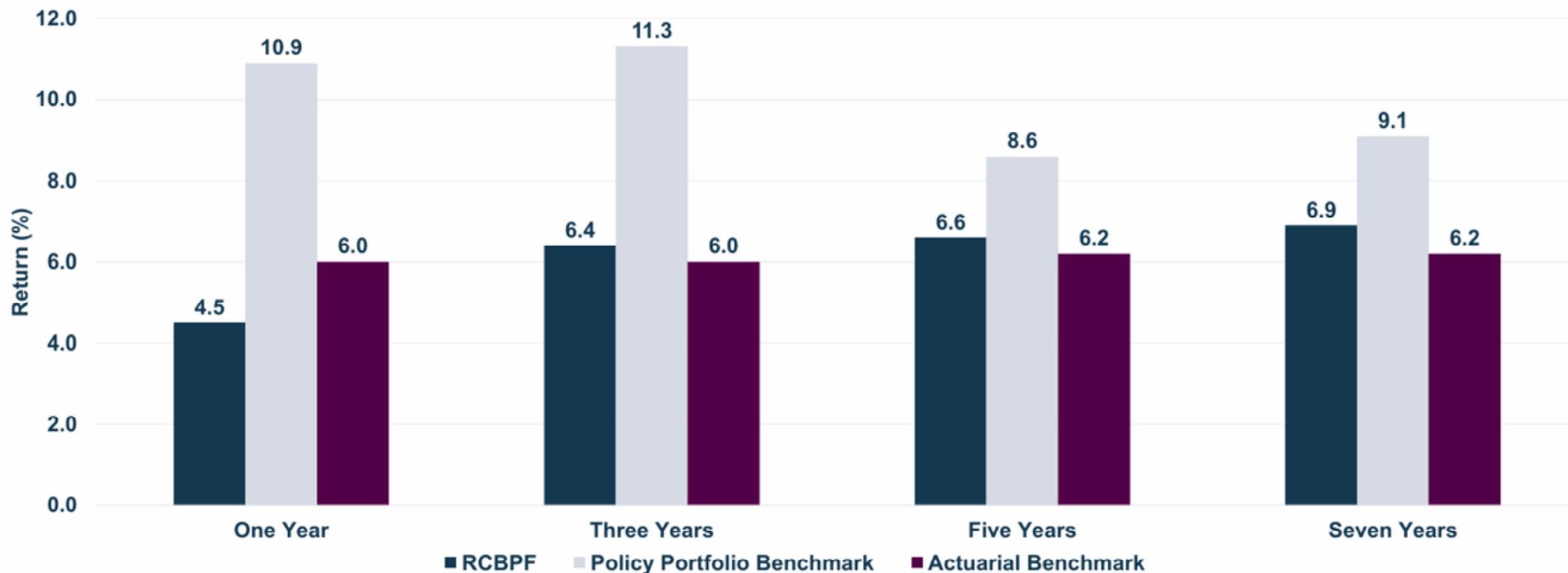
Source: LPPI and Partner Fund's custodian.
Note: Totals may not sum due to rounding.
Capital at risk, investments can go down as well as up.

Source: 1: Fund Draft Annual Report and Accounts 2024/2025
2: Fund custodian

Investment Performance



Performance to 31 December 2025



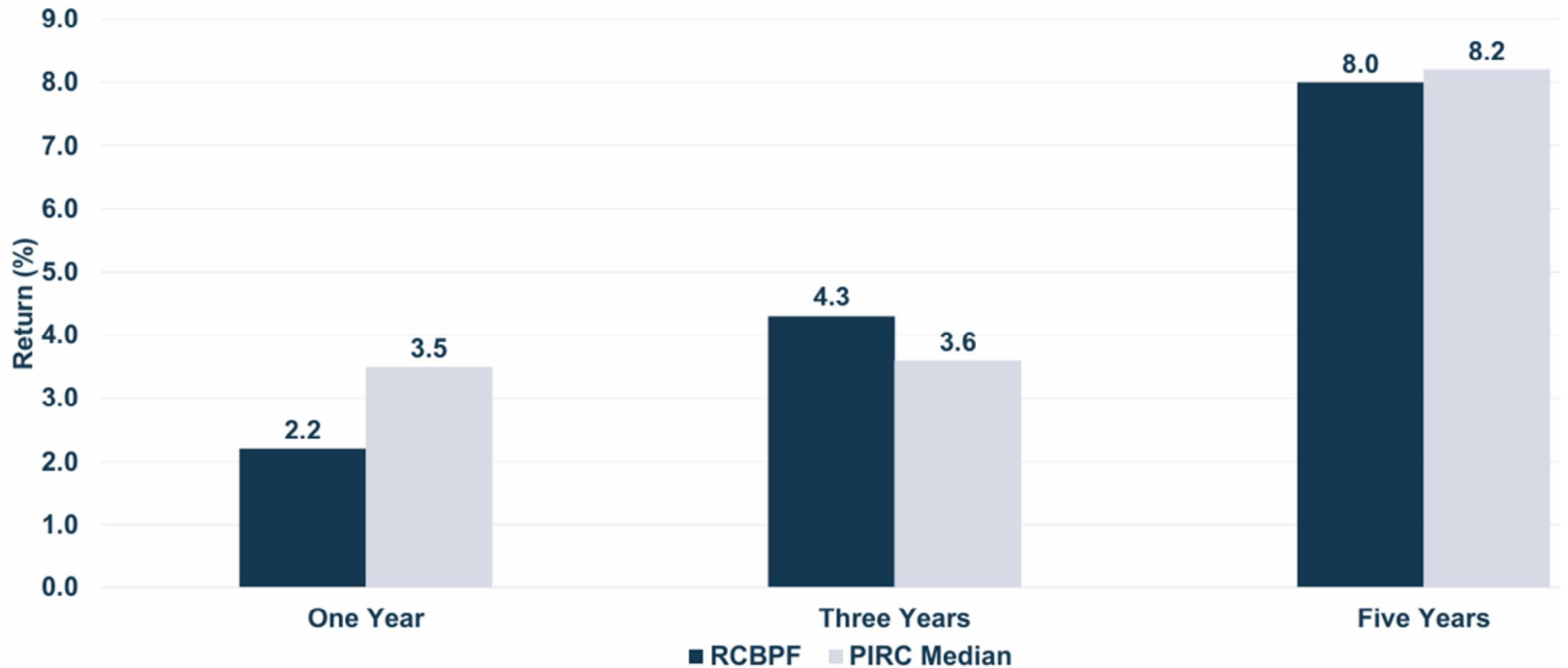
Source: LPPI and Partner Fund's custodian.

Notes:

- Total Fund relative return is being measured against the Policy Portfolio Benchmark (PPB) and an Actuarial Benchmark (AB)
- PPB is a weighted composite of all Asset Class Mandate benchmarks. It is a benchmark that is used to measure the expected change in the Fund's asset value over a period of time based on the Fund's Strategic Asset Allocation.
- The Fund's AB is a blend of 6.0% p.a. (equivalent to 2.9% (long term CPI assumption) + 3.1% at 31st March 2022) from April 2023, 6.5% p.a. (equivalent to CPI +3.75% p.a. at 31st March 2019) between March 2019 and April 2023 and CPI +4.5% prior to this date. AB is not the actuarial discount rate used to value the Fund's liabilities. As stated in the Fund's Investment Strategy Statement dated March 2023, the AB is the required rate of annual return to achieve a 100% funding level at the end of the deficit recovery period (31 March 2040) without additional deficit recovery (secondary) contributions from employers.

Capital at risk, investments can go down as well as up.

Performance to 31 March 2025 –vs LGPS peer group



Source: LPPI, client's custodian and PIRC.

Notes:

- Total Fund relative return is being measured PIRC Universe average as reported in PIRC's Local Authority Fund Statistics Performance Report to 31 March 2025.

Capital at risk, investments can go down as well as up.

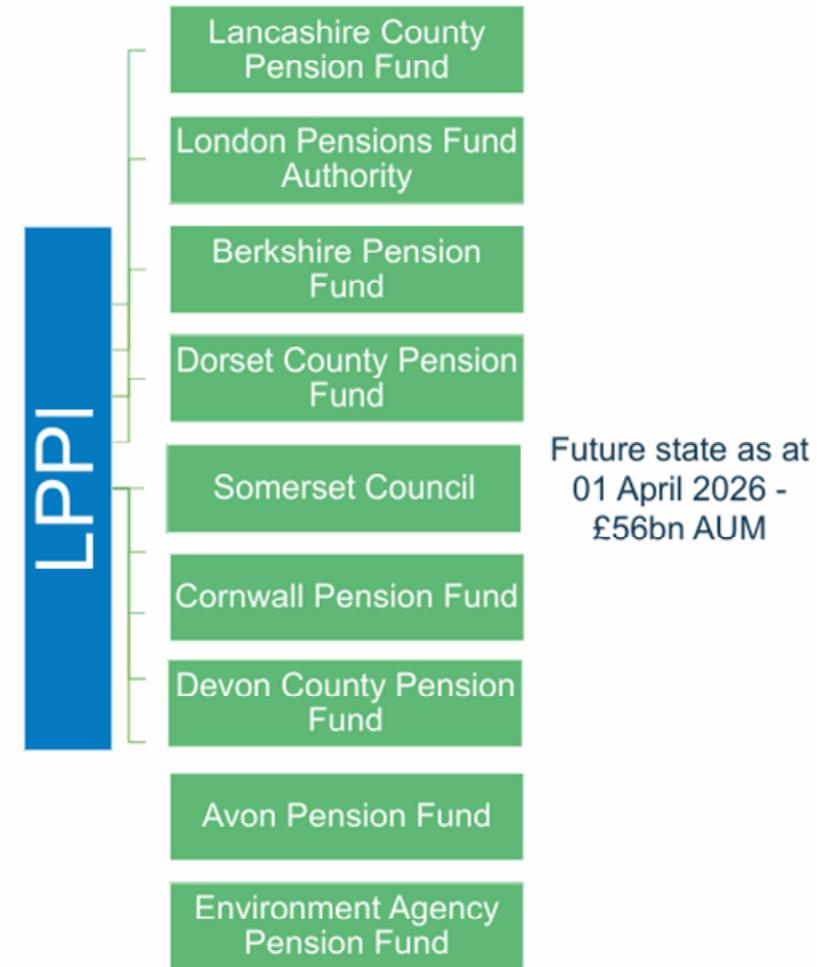
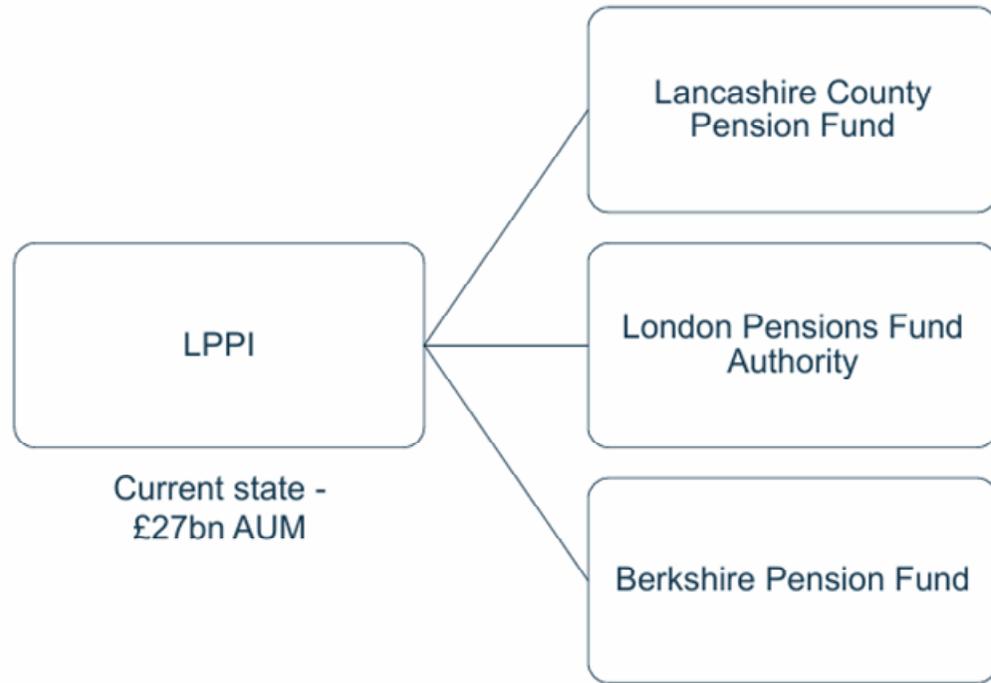
'Fit for the Future' Consultation

06

LGPS 'Fit for the Future' Consultation

- The 'Fit for Future' consultation sought to re-address and bring about significant change in the way in which the pooling of LGPS assets are currently organised.
 - LPPI agrees with the government on the importance of simplifying processes, reducing duplication, and improving collaboration between LGPS funds and pools to ensure funds are invested professionally and cost-effectively.
- The prescriptive set of standards for asset pooling included both governance and organisational structure, these standards align with the approach taken by LCPF and LPPI:
 - Pools must form Investment Management companies which are FCA regulated
 - Pools must be the principal advisor to the Administering Authority
 - AA's must delegate management of all of their investments to Pools
 - Including on-balance sheet/legacy assets
 - Pools must be able to provide, manage and oversee local investment opportunities
 - Pools must have successful internal investment teams
- Of the 8 LGPS pools, 2 pools (ACCESS and Brunel) were told by government that their 21 individual funds would have to join one of the other (remaining) Pools. 6 of these funds will be joining LPPI from 01 April 2026.
- In order to support this change, we have been working with LCC to create a new holding company to allow for new shareholders to join LPPI, this has involved drafting shareholder governance measures
- The responses from the 'Fit for Future' consultation have fed into the Pensions Bill (currently progressing through Royal Assent in Parliament), which introduces major reforms to strengthen pension scheme governance and improve value-for-money and outcomes for pensioners

LPPI Future State



The 1957 LP



1957 LP – Investing Locally

What does the 1957 LP (“the Portfolio”) seek to do?



Target return: CPI +3-5% per annum over rolling 10-year periods

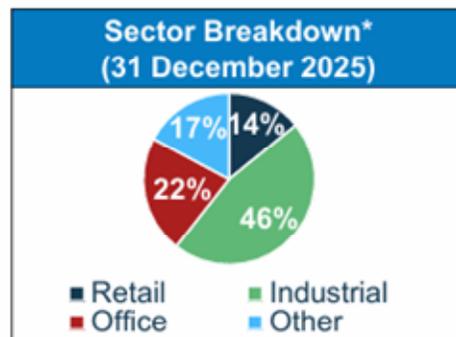


100% of investments targeted within the Royal County of Berkshire

Portfolio Facts



Source: KFIM



*Total may not sum perfectly due to rounding

Portfolio Mandate

The Fund has a target allocation of £70m. The seven properties held as at 31 December 2025 had a total value of £56.6m. Following a period of falling capital values between September 2022 and June 2024 (source: MSCI UK Property Quarterly Index) the investment program is now progressing. The original investment period of 24 months from November 2022 has been agreed to be extended until May 2026 with an interim target for 75% of the allocation to be invested by the end of Q2 2025.

Positive Social Outcomes

- The substantial growth in the portfolio, from £7.4m in Q4 2023 to £56.6m in Q4 2025, means that ESG baselines established using 2022 data will need to be recalibrated once the Fund is fully deployed.
- Energy-use intensity (EUI) has improved substantially, reducing from 515 kWh/m² to 186 kWh/m², reflecting strengthened data accuracy and expanded coverage.
- Total emissions increased from 3 tonnes of CO₂ (tCO₂) to 13 tCO₂ across Scopes 1–3 in the 2024 carbon report as the portfolio expanded. Coverage decreased from 100% to 92% due to onboarding assets with legacy leases that do not include green clauses.

Portfolio in Review

- The Fund completed the acquisition of 1 London Street, Reading, via a sale-and-leaseback transaction with Field Seymour Parkes LLP. The firm, a well-established Berkshire-based legal practice and local employer, has entered into a new 10-year lease.
- Active asset management initiatives continue at Tavistock Industrial Estate, with negotiations progressing on several lease renewals. Unit 6 is expected to be returned, and local agent Haslams has been appointed to market the unit.

Notes:

- NIY: Net Initial Yield; annual passing rent as a proportion of capital value net of assumed purchase costs of 6.7%
- WAULT: Weighted Average Unexpired Lease Term, indicator of the average remaining life of the leases within a portfolio

1957 LP – Asset Map

#	Address	Town	Sector	% portfolio
1	Landmark Place, Herschel Street	Slough	Hotel	16.9%
2	1 Bell Street	Maidenhead	Office	15.7%
3	Units 1-3, Oxford Road Retail Park	Reading	Retail	14.3%
4	Tavistock Industrial Estate	Twyford	Industrial	13.4%
5	Thatcham Research	Thatcham	Industrial	10.8%
6	Cradock Road	Reading	Industrial	22.2%
7	1 London Street	Reading	Office	6.7%



Questions



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