



Statement of Investment Principles

**For the Trustee of the RSPCA Pension Scheme
(DB Section)**

March 2023

Contents

1.	Introduction	1
2.	Division of responsibilities.....	2
3.	Strategic investment policy and objectives	3
4.	Responsible investment	5
5.	Risk measurement and management.....	6
6.	Realisation of assets and investment restrictions.....	7
7.	Investment Manager arrangements and fee structure.....	8
8.	Additional Voluntary Contribution arrangements	10
9.	Compliance statement	11
	Appendix I - Investment structure	12
	Appendix II - Fund benchmarks, objectives and fees	13

1. Introduction

Purpose

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the RSPCA Pension Scheme – DB Section ('the Scheme'). It describes the investment policy being pursued by the Trustee of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

Scheme details

The exclusive purpose of the Scheme is to provide retirement benefits and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, registered under Chapter 2 of Part 4 of the Finance Act 2004.

Advice and consultation

Before preparing this Statement, the Trustee has sought advice from the Scheme's Investment Consultant, XPS Investment Limited. The Trustee has also consulted the Principal Employer. The Trustee will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

Investment powers

The Scheme's Trust Deed and Rules set out the investment powers of the Trustee. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restrict the Trustee's investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustee sets general investment policy but delegates responsibility for the selection of the specific securities and any financial instruments in which the Scheme invests to the Investment Managers.

Review of the Statement

The Trustee will review this Statement and its investment policy at least every three years in conjunction with each triennial valuation or immediately following any significant changes in investment policy. The Trustee will also review this Statement in response to any material changes to any aspect of the Scheme, its liabilities, finances and attitude to risk of either the Trustee or Principal Employer which it judges to have a bearing on the stated investment policy.

Definitions

Capitalised terms in this document mean the following:

Act - The Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004);

AVCs - Additional Voluntary Contributions;

Investment Manager - An organisation appointed by the Trustee to manage investments on behalf of the Scheme

Principal Employer - The Royal Society for the Prevention of Cruelty to Animals (RSPCA);

Recovery Plan - The agreement between the Trustee and the Principal Employer to address the funding deficit;

Scheme - The RSPCA Pension Scheme;

Statement - This document, including any appendices, which is the Trustee's Statement of Investment Principles;

Technical Provisions - The amount required, on an actuarial calculation, to make provision for the Scheme's liabilities;

Trustee - RSPCA Pension Scheme Limited, the corporate entity responsible for the investment of the Scheme's assets and managing the administration of the Scheme;

Value at Risk - a technique which uses historical correlations of asset class returns and volatilities to estimate the likely worst case scenario loss for a given portfolio of assets.

2. Division of responsibilities

The Trustee is accountable for all aspects of the Scheme's investments, however, as permitted within the Trust Deed and Rules, the Trustee has delegated some of the decision making powers and other responsibilities as set below.

Trustee

The Trustee has retained the following responsibilities and powers for itself:

- > The content and the reviewing of this Statement;
- > Reviewing the investment policy;
- > Appointing the Investment Managers and (where appropriate) the Custodian(s);
- > Consulting with the Principal Employer when reviewing investment policy issues;
- > Monitoring compliance of the investment arrangements with this Statement as appropriate;
- > Assessing the performance and investment process of the Investment Managers.

In addition, the Trustee of the Scheme will make decisions relating to the Scheme's investments, including issues such as:

- > The kinds of investments to be held;
- > The balance between different kinds of investments;
- > The level of risk to which the Scheme is exposed;
- > The Investment Manager arrangements;
- > The performance target of the Investment Managers.

Investment Consultant

The Investment Consultant's responsibilities include:

- > Participating with the Trustee in regular reviews of this Statement and in the review of investment related issues as described in this Statement;
- > Undertaking project work as required, including reviews of asset allocation policy and reviews or selection of Investment Managers;
- > Advising the Trustee how any changes in the Scheme's benefits, membership and funding position may affect the way in which the Scheme's assets should be invested.

Investment Managers

Each Investment Manager's responsibilities will include:

- > Investing in diversified portfolios of assets suitable for pension schemes in accordance with the mandate they have been given by the Trustee;
- > At their discretion, but in accordance with the mandate they have been given by the Trustee; implementing changes in the asset mix and selecting individual securities and financial instruments within each asset class;
- > Providing the Trustee with regular portfolio valuations and records of transactions, along with a reports when relevant on actions and future intentions, and any changes to the processes, objectives and guidelines applied to their management of the Scheme's assets to enable the Trustee to review the Investment Manager's activities;
- > Exercising the rights attached to the shareholdings of the Scheme so as to protect and enhance the long-term value of a stock holding for the Scheme;
- > Reporting in person at a meeting with the Trustee as requested or through documentation agreed between the two parties.

Custodian

Each custodian's responsibilities include some or all of the following:

- > The safekeeping of all of the assets of the Scheme;
- > Providing the Investment Managers with statements as required of the assets, cashflows and schedules of transactions;
- > Undertaking all appropriate administration relating to the Scheme's assets;
- > Processing all dividends and tax reclaims in a timely manner;
- > Dealing with corporate actions.

For pooled assets, the custodian is invariably appointed by the Investment Managers with the above functions undertaken on behalf of the pooled fund as a whole. Record keeping of the Scheme's entitlement within the pooled fund is the responsibility of the pooled fund administrator or registrar.

3. Strategic investment policy and objectives

Choosing investments

The Trustee relies on professional Investment Managers for the day-to-day management of the Scheme's assets. However, the Trustee retains control over some investments. In particular, the Trustee makes decisions about pooled investment vehicles in which the Scheme invests and any AVC investment vehicles.

The Trustee's policy is to regularly review the investments over which it retains control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The Investment Consultant will have the knowledge and experience required under Section 36(6) of the Act.

Long-term objectives

The Trustee's long-term objectives are:

- > The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions from the Principal Employer, the cost of the benefits which the Scheme provides, as set out in the Trust Deed and Rules;
- > To limit the risk of the assets failing to meet the liabilities over the long term, in particular in relation to the Technical Provisions under Section 222 of the Pensions Act 2004, by considering the Scheme's liability profile when setting the asset allocation policy;
- > To minimise the long-term costs of the Scheme by optimising the return on the assets whilst having regard to the objectives shown above;
- > To adhere to the provisions contained within the Scheme's Statement of Funding Principles.

Expected returns

By undertaking the investment policy described in this Statement, the Trustee expects that future investment returns will at least meet the rate of return underlying the Recovery Plan.

Investment Policy

Following advice from the Investment Consultant, the Trustee has set the investment policy and objectives with regard to the Scheme's liabilities and funding level.

The Trustee intends to achieve these objectives through investing in a diversified portfolio of return seeking assets (e.g. equities and property) and liability matching assets (e.g. liability driven investments). The Trustee recognises that the return on return seeking assets, whilst expected to be greater over the long-term than that on liability matching assets, is likely to be more volatile. A mixture across asset classes should nevertheless provide the level of returns required by the Scheme to meet its liabilities at an acceptable level of risk (of underperforming the liabilities) for the Trustee, and an acceptable level of cost to the Principal Employer.

The investment policy the Trustee has adopted is detailed in Appendix I. The specific Investment Manager mandates against which performance of the assets will be assessed are specified in Appendix II.

Range of assets

The Trustee considers that the investment policy detailed in Appendix I and the specific mandates given to each Investment Manager will ensure that the assets of the Scheme include suitable investments that are appropriately diversified and provide a reasonable expectation of meeting the objectives. In setting out the mandates for the Investment Managers, the Trustee will ensure that it holds a suitably diversified range of securities in each category, avoiding an undue concentration of assets.

Based on the structure set out in Appendix I, the Trustee considers the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in agreements and pooled fund documentation with each Investment Manager.

The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through asset allocation

parameters or guidelines set by the Trustee or governing the pooled funds in which the Scheme is invested.

The Trustee will ensure that the Scheme's assets are predominantly invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee's expectations, including the selection / deselection criteria

The Trustee expects Investment Managers to make decisions in the long-term interests of the Scheme. The Trustee expects engagement with management of the underlying issuers of debt or equity and the exercising of voting rights in line with the investment mandate guidelines provided.

This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

As covered in more detail in this document, the Trustee expects the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustee believes these factors could have a material financial impact in the long-term. The Trustee therefore makes decisions about the retention of Investment Managers, accordingly.

4. Responsible investment

The Trustee has considered its approach to environmental, social and corporate governance ("ESG") factors for the long term time horizon of the Scheme and believes there can be financially material risks relating to them. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's Investment Managers. The Trustee expects the Scheme's Investment Managers to take ESG and climate change risks into consideration within their decision-making in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee will seek advice from the Investment Consultant on the extent to which its views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustee, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustee's expectations as set out in this Statement.

As the Scheme invests in pooled funds, the Trustee acknowledges that it cannot directly influence the policies and practices of the companies in which the pooled funds invest. It has therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Investment Managers.

The Trustee expects Investment Managers to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee expects the Investment Managers to report on significant votes made on behalf of the Trustee.

If the Trustee becomes aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the

results of such engagement are mis-aligned with the Trustee's expectation then the Trustee may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustee has a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although it has neither sought nor taken into account the beneficiaries' views on risks including (but not limited to) ethical, social and environmental issues. The Trustee will review this policy if any beneficiary views are raised in future.

Oversight of Investment Manager approach

In order to ensure sufficient oversight of the engagement and voting practices of its managers, the Trustee may periodically meet with its Investment Managers to discuss engagement which has taken place. The Trustee will also expect its investment adviser to engage with the managers from time to time as needed and report back to the Trustee on the stewardship credentials of its managers, including in relation to the Trustee's own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustee recognises the Code as an indication of a manager's compliance with best practice stewardship standards.

5. Risk measurement and management

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. The Trustee measures and manages these risks as follows:

Solvency risk and mismatching risk - The risk that the assets do not respond to market changes in the same way as the liabilities, resulting in volatility in the funding position, is addressed through the strategic asset allocation and through ongoing triennial actuarial valuations. In setting the investment strategy, the Trustee will consider (for example) the Value at Risk.

Strategy risk - The risk that the Investment Managers' asset allocation deviates from the Trustee's investment policy is addressed through the periodic review of the asset allocation. In reviewing the investment strategy periodically, the Trustee will consider the current economic factors affecting the asset classes in which it is invested and the short to medium term outlook for performance by reference to e.g. current and historic yields, GDP growth forecasts and other relevant factors. The Trustee will also consider how far the actual asset allocation has drifted from the strategic asset allocation and take action to rebalance if necessary.

Liquidity risk - The risk that assets cannot be sold quickly enough to enable benefits to be paid or that the Trustee cannot exit a particular investment is addressed through the process by which the administrator estimates the monthly benefit outgo and ensures that sufficient cash balances are available, and through the Trustee's policy on realisation of assets (see below).

Inappropriate investments - The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustee is addressed through the Trustee's policy on the range of assets in which the Scheme can invest (see section 3).

Counterparty risk – the risk that a third party fails to deliver cash or other assets owing to the Scheme is addressed through the Investment Managers' guidelines with respect to cash and counterparty management e.g. using a diverse range of counterparties and the daily posting of collateral of a high credit rating (e.g. gilts or bank deposits).

Fraud/Dishonesty – The risk that Scheme assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

Manager risk - The risk that an Investment Manager fails to meet their stated objective is addressed through the

performance objectives. In monitoring the performance of the Investment Managers the Trustee measures the returns relative to benchmark and objective and the volatility of returns. In addition, as and when required, the Trustee will review each Investment Manager's approach to risk within each fund in order to highlight any unintended risk being taken. For example:

- > for equities, the Trustee will consider the spread of assets across various geographic and industry sectors, the concentration of investments in individual stocks and the active positions taken by the Investment Managers;
- > for property, risk will be reviewed through the weightings to specific sectors, level of gearing, void rates and the tenancy exposure;
- > for multi asset funds (including any private market funds) the Trustee will consider the weightings within the fund to different asset classes, and will also consider the volatility of the fund both in absolute terms and in comparison to the volatility of traditional equity markets;
- > for diversified credit, the Trustee will consider the volatility of each fund both in absolute terms and in comparison to the volatility of traditional credit markets. It will review the risks of the underlying bonds comprising the portfolios, the duration of the portfolios and how each fund operates within its own defined risk controls and limits;
- > for dynamic Liability Driven Investment (LDI) funds, the Trustee will review risk through the type of instruments held and the risks associated with these investments.

Custodian risk - The risk that the custodian fails to provide the services expected is addressed through the agreement with the third party custodian and the monitoring of the custodial arrangements as and when required. In pooled arrangements this is invariably delegated to the Investment Managers.

Currency risk – The risk of losses through depreciation of non-sterling currencies. A proportion of the currency risk in relation to the European commercial property investment is hedged via a passive currency overlay. Similarly, a proportion of the dollar, yen and euro currency risks inherent within the global equity investment are also hedged via a passive currency overlay.

Political risk - The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

6. Realisation of assets and investment restrictions

Realisation of investments

In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustee will consider closely the extent to which any assets not readily realisable are held by the Investment Managers and will limit such assets to a level where they are not expected to prejudice the proper operation of the Scheme.

The Trustee has considered how easily investments can be realised for the types of assets in which they are currently invested. As such, the Trustee believes that the Scheme currently holds an acceptable level of readily realisable assets. The Trustee will also take into account how easily investments can be realised for any new investment classes they consider investing in, to ensure that this position is maintained in the future.

The Trustee will hold cash to the extent they consider necessary to meet impending anticipated liability outflows. A bank account and institutional cash fund are used to facilitate the holding of cash awaiting investment or payment.

Investment Restrictions

The Trustee has established the following investment restrictions:

- > The Trustee may not hold in excess of 5% of the Scheme's assets in investments related to the Principal Employer;
- > Whilst the Trustee recognises that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustee has received advice from the Investment Consultant that the Scheme's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer;
- > Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

The Investment Managers impose internal restrictions that are consistent with their house style. In some instances the Trustee may impose additional restrictions and any such restrictions would be specified in the mandate provided to each Investment Manager.

7. Investment Manager arrangements and fee structure

Delegation to Investment Manager(s)

In accordance with the Act, the Trustee has appointed one or more Investment Managers and delegated to them the responsibility for investing the Scheme's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

Where Investment Managers are delegated discretion under section 34 of the Pensions Act 1995, the Trustee expects the Investment Managers to exercise their investment powers in line with the mandate given to them. In particular, the Investment Managers must have regard to the suitability and diversification of the investments made on behalf of the Scheme.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

Performance objectives

The individual benchmarks and objectives against which each Investment Manager mandate is assessed are given in Appendix II.

Review process

Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Investment Managers in accordance with its responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustee's investment policy.

The Trustee will receive regular performance monitoring reports from the Investment Consultant which consider

performance over the quarter, one and three year periods. In addition, any significant changes relating to the Trustee's selection and deselection criteria that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustee meetings as requested.

Where appropriate, the Investment Consultant has also carried out a review of how well the Trustee's guidelines in relation to ESG factors are incorporated into each Investment Manager's processes and the Trustee will re-assess progress on ESG issues periodically.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored as appropriate with the help of the Investment Consultant to ensure it is in line with the Trustee's policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

(De) Selection criteria

The criteria by which the Trustee will select (or deselect) the Investment Managers include:

- > Parent – Ownership of the business;
- > People – Leadership/ team managing the strategy and client service;
- > Product – Key features of the investment and the role it performs in a portfolio;
- > Process - Philosophy and approach to selecting underlying investments including operational risk management and systems;
- > Positioning - Current and historical asset allocation of the fund;
- > Performance – past performance and track record;
- > Pricing - The underlying cost structure of the strategy;
- > ESG - Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

- > The Investment Manager fails to meet its performance objectives;

- > The Trustee believes that the Investment Manager is not capable of achieving the performance objectives in the future;
- > The Investment Manager fails to comply with this Statement.

Investment Managers' fee structure

The Investment Managers are remunerated by receiving a percentage of the Scheme's assets under management. In addition, a performance related fee may be payable. Details of the fee arrangements in place for each Investment Manager are available in Appendix II.

It is felt that this method of remuneration provides appropriate incentives for the Investment Managers to target the agreed level of outperformance whilst adhering to the level of risk specified by the Trustee.

Portfolio turnover

The Trustee expects the Investment Managers to report on actual portfolio turnover, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

Investment Consultant's fee structure

The Investment Consultant is remunerated for work completed on a fixed fee basis or via a project-fee on a time-cost arrangement.

It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustee undertaking its responsibilities as described in Section 2.

8. Additional Voluntary Contribution arrangements

Provision of AVCs

The Scheme provides a facility for members to pay additional voluntary contributions (AVCs) to enhance their benefits at retirement. Members are offered a choice of funds in which to invest their AVC payments. The Trustee's objective is to provide vehicles that enable existing members to generate suitable long-term returns, consistent with their reasonable expectations.

The Trustee considers that, in making a number of funds available, it has provided these members with sufficient options to meet their reasonable expectations.

The investment funds are provided by Zurich.

A closed arrangement with Utmost (formerly Equitable Life) also exists with no new contributions being paid into this policy.

Review Process

The appointment of the AVC providers and the choice of AVC funds offered to members will be reviewed by the Trustee in accordance with its responsibilities, based on the result of their monitoring of performance and process. The Trustee will review the appointment of the AVC providers as appropriate.

Where possible, performance of the AVC providers will be measured relative to the individual benchmarks and objectives for the funds offered and/or to other providers offering similar fund options as measured in industry AVC surveys.

9. Compliance statement

Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the trustees of a pension scheme, they must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by it to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The Investment Consultant hereby confirms to the Trustee that they have the appropriate knowledge and experience to give the advice required by the Act.

Signatures

On behalf of XPS Investment Limited:

Adam Gillespie FIA
Partner – Investment
Date: 28 March 2023

Trustee's declaration

The Trustee confirms that this Statement of Investment Principles reflects the Investment Strategy it has decided to implement. The Trustee acknowledges that it is its responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

On behalf of the Trustee:

Kevin Kenneally

Date: 24 March 2023

Appendix I - Investment structure

Overall strategy

The Trustee has adopted a strategy where assets are invested in liability matching investments along with growth assets (equities, property, multi-asset funds, illiquid private markets and diversified credit funds).

The Trustee has identified the following structure as appropriate to meet the objectives of the DB section of the Scheme:

Asset Class	Allocation (%)
Matching Assets and cash	45.0
- Leveraged LDI and cash	45.0
Return Seeking Assets	55.0
- Global Equities	11.0
- UK Property	5.0
- Multi-Asset Funds	14.0
- Illiquid Private Market Assets	15.0
- Diversified Credit	10.0
Total	100.0

Liability matching assets

The Scheme invests in leveraged dynamic LDI funds to provide a partial hedge against the Scheme's interest rate and inflation sensitivities. These assets are leveraged in order to increase the degree of hedging they provide.

The leveraged nature of these funds means that there is an expectation that additional collateral will be required to be paid into these funds from time to time (and any excess collateral repaid to the Trustee). Where any additional collateral payments are required it is the Trustee's intention that these will be met through disinvestments from the Scheme's return seeking assets or cash.

Return seeking assets

In order to achieve the required rate of investment return with a lower level of expected volatility, the Trustee has decided to invest in a diversified range of return seeking assets comprising both traditional (e.g. equities) and alternative asset classes (e.g. private markets).

Equities - All equities are managed on a global basis. The mandate awarded to the equity managers is relatively unconstrained in approach, with little constraints as to regional and/or sector weightings.

Property - The Scheme has a small allocation to property to provide further diversification.

Multi-Asset Funds and Illiquid Assets - The Trustee has decided to invest in a number of alternative investments in order to provide additional diversification and/or return. Multi-Asset Funds are expected to provide a long term return similar to equities but with a lower degree of volatility. The illiquid assets are expected to provide a higher return than a similar investment in quoted markets.

Diversified Credit Funds - In order to diversify further, mitigate the price impact of rising interest rates and to enhance returns by capturing yield premiums over investment grade corporate bonds, the Trustee has decided to invest in this asset class.

Currency Hedging - The Trustee has agreed to hedge 50% of the Euro exposure within the European property holding. The Trustee has also decided to hedge 50% of each of the US dollar, Yen and Euro exposures within the global equity fund.

Rebalancing and cashflow

The Trustee reviews the asset allocation on a periodic basis to ensure that the Scheme assets are allocated in a manner that is consistent with the objectives as detailed in this Statement.

There is no automatic rebalancing back to the approximate allocation shown to the left, however the Trustee will periodically review the position and take action to rebalance if considered appropriate.

Appendix II - Fund benchmarks, objectives and fees

Columbia Threadneedle

Nominal Dynamic LDI Fund

<i>Benchmark</i>	Leveraged Liability Benchmark - Gilts
<i>Objective</i>	To provide liability hedging by offering interest rate protection which replicates the liability profile of a typical UK defined benefit pension scheme

Real Dynamic LDI Fund

<i>Benchmark</i>	Leveraged Liability Benchmark - Gilts
<i>Objective</i>	To provide interest rate and inflation protection for the liability profile of a typical UK pension scheme

Short Profile Real Dynamic LDI Fund

<i>Benchmark</i>	Leveraged Liability Benchmark - Gilts
<i>Objective</i>	To provide liability hedging by offering interest rate and inflation protection which replicates the liability profile of a mature (i.e. short duration) UK defined benefit pension scheme

Sterling Liquidity Fund

<i>Benchmark</i>	SONIA
<i>Objective</i>	To maintain high levels of liquidity, preserve capital and generate a return in line with the benchmark

Global Select Equity Fund

<i>Benchmark</i>	MSCI AC World Free (adjusted for currency hedging)
<i>Objective</i>	To outperform the benchmark by 3% p.a. (gross of fees) over a rolling 3 year period

Dynamic Real Return Fund

<i>Benchmark</i>	Consumer Price Index (CPI)
<i>Objective</i>	To outperform the benchmark by 4% p.a. (gross of fees) over 3 to 5 years

UK Property Fund

<i>Benchmark</i>	MSCI/ AREF UK All Balanced Quarterly Property Fund Index (Weighted Average)
<i>Objective</i>	To outperform the benchmark (net of fees) over rolling 3 year periods.

Ruffer

Total Return Fund

<i>Benchmark</i>	N/A
<i>Objective</i>	Primarily to preserve capital, as well as to grow the portfolio at a higher rate (net of fees) that could reasonably be expected from depositing the cash value with a reputable UK bank.

M&G

Alpha Opportunities Fund

<i>Benchmark</i>	SONIA
<i>Objective</i>	To outperform the benchmark by +3-5% p.a. (gross of fees) over an economic cycle

Franklin Templeton

Brandywine Global Income Optimiser Fund

<i>Benchmark</i>	SONIA
<i>Objective</i>	To outperform the benchmark by 4.5% p.a.

Appendix II

Fund benchmarks, objectives and fees

continued

Partners Group

Partners Fund

<i>Benchmark</i>	N/A
<i>Objective</i>	Absolute return of 8-12% p.a. (net of fees)

Record

Passive Currency Overlay

<i>Benchmark</i>	N/A
<i>Objective</i>	The objective of the passive currency overlay program is to reduce the currency risk within the Threadneedle Global Equity fund and Henderson European Property Fund



Contact us
xpsgroup.com

XPS Pensions Consulting Limited, Registered No. 2459442.

XPS Investment Limited, Registered No. 6242672.

XPS Pensions Limited, Registered No. 3842603.

XPS Administration Limited, Registered No. 9428346.

XPS Pensions (RL) Limited, Registered No. 5817049.

XPS Pensions (Trigon) Limited, Registered No. 12085392.

Penfida Limited, Registered No. 08020393.

All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).

An XPS Group Company