

# **Statement of Investment Principles**

## **1. Introduction**

This edition of the Statement has been prepared by the Trustee of the Laystall Pension and Life Assurance Scheme in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended), and Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005, and any subsequent additional regulations.

In preparing this edition the Trustee has taken appropriate written advice from a suitably qualified individual, Simon Jagger FIA, Director of Jagger & Associates Limited. The Trustee has also consulted with the sponsoring employer, Laystall Engineering Company Ltd. This Statement is consistent with the Scheme's governing documents.

The Scheme provides defined benefits. There is no formal employer-related investment made by the Trustee, and none is intended. The employer intends to remit all relevant contributions to the Trustee within the relevant timescales. The Scheme is registered with HM Revenue and Customs.

## **2. Delegation of Investment Management**

The Trustee uses a range of pooled funds provided by Legal & General Investment Management (L&G), Investec Asset Management (Investec), and Pictet Asset Management (Pictet). With the exception of Investec, the holdings are on the Mobius Life investment platform. A cash account is also maintained for short-term cash flow.

The details of the investment managers' appointments, covering the roles of the organisations and their various subsidiaries and associated companies, are covered in agreements with effective dates of 10 May 2016 (for Investec), and 21 May 2021 (for Mobius Life) and in any legally valid amendments thereof. The providers, where relevant, are suitably authorised under the Financial Services and Markets Act 2000.

The Trustee considers these investment products to be appropriate investments for members of the Scheme. In deciding to use these funds, the Trustee sought advice from their professional advisers as to the products' suitability. The Trustee will review their decision from time to time with their advisers.

## **3. The Investments Held**

Full details of the investment restrictions placed on the managers are contained within the investment agreements mentioned above.

The assets of the Scheme are held in a LDI mandate, a High Yield Bond Fund, and Corporate Bond funds (used as a "buffer" on the LDI mandate), all provided by L&G, and Absolute Return products provided by Investec, L&G, and Pictet. The initial split of the assets between the funds is 60% LDI + Corporate Bonds + High Yield, 40% Absolute Return.

Investec will initially be used as the source for meeting net cash outflow. Once that holding is exhausted, the Trustee will consider using the underlying income from the L&G funds. The SIP will not be revised unless a new fund is introduced.

The LDI mandate can invest in long- and short-dated, inflation-linked and fixed versions of pooled leveraged bond funds. Each fund aims to match a generic cashflow profile and the use of multiple funds by the Trustee results in a closer match with the Scheme's cashflow profile.

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The Corporate Bond product invests primarily in sterling denominated corporate bonds with an appropriate term to maturity across a range of issuers. The fund may hold gilts to provide short-term liquidity when needed, but they only amount to a small proportion of the fund. The fund aims to replicate the relevant iBoxx Sterling Non-Gilts Index. This may vary between or use both All-Dated and Long-Dated versions without triggering a revision of the SIP.

The L&G High Yield Bond Fund is an actively managed fund that invests in sub-investment grade US dollar, euro and sterling denominated corporate bonds. Its benchmark is the (renamed) ICE BofA Global High Yield BB-B rated (ex-Financials) 2% constrained Sterling Currency Hedged Index.

The Investec Diversified Growth Fund is an actively managed fund that does not have a fixed market-based benchmark. Instead, it targets CPI + 5% pa, with a target volatility level of 50% of equity volatility.

The L&G Diversified Fund is a fund-of-funds arrangement that aims to provide exposure to a wide range of asset classes, to provide a similar rate of return as developed market equities over the long term.

The Pictet Dynamic Asset Allocation Fund is an actively managed fund that aims to provide exposure to a wide range of asset classes, to provide a similar rate of return as developed market equities with a lower volatility.

### 4. Expected Return on Investments

The LDI holding is constructed to mirror a proportion of the liabilities (a “desired hedging ratio”) on a specified valuation basis. In the event that market movements lead to a situation of a capital call or a capital distribution being required, this will normally be dealt with by moving money to or from the corporate bond mandate, rather than adjusting the hedging ratio.

The Corporate Bond product may produce more volatile absolute returns over short-term periods than the Gilt product. However, in the longer term, it is the Trustee’s expectation that the fund will produce a return in line with the relevant iBoxx Sterling Non-Gilt Index to within +/- 0.5% p.a. for two years in three.

The High Yield Bond Fund is an actively managed fund. It aims to produce returns superior to the Corporate Bond product due to both its active management and as compensation for the increased risk of default. It is the Trustee’s expectation that the fund will produce gross-of-fees returns of 1.0% p.a. in excess of the specified benchmark over rolling 3-year periods.

The Investec Diversified Growth Fund aims to produce CPI + 5% p.a. (gross of fees) over rolling 3-5 year periods.

The L&G Diversified Fund aims to provide a similar rate of return as developed market equities over the long term, but this annual return can also be thought of as Gilts + 3.5%-4.0% (where Gilts are taken as the risk-free rate, rather than short term cash). The Fund’s volatility is expected to be 2/3rds of that of global developed market equities over the long term.

The aim of the Pictet Dynamic Asset Allocation Fund is to seek equity-like returns with up to 75% of equity volatility. Pictet define equity-like returns as LIBOR + 4% p.a. (net of fees) over rolling 3-5 year periods.

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The investment performance is monitored quarterly through information provided by the managers to the Trustee.

### **5. Risk Management & Risk Measurement**

The use of separate investment managers (and particularly the use of three separate managers within the Absolute Return allocation) reduces the manager risk faced by the Scheme on its active mandates. The use of the LDI mandate is intended to reduce the volatility of the Scheme's funding level (currently measured on an approximation to its Technical Provisions basis, and by extension, reducing the volatility that the Scheme contributes to the Employer's balance sheet). The Trustee will keep the asset allocation under review, and risk measurement forms part of the performance monitoring process.

The products used are viewed as appropriate investment vehicles for the investment strategy of a pension scheme closed to ongoing benefit accrual. The Trustee will keep the asset allocation under review.

### **6. Realisation of Investments**

The Trustee's policy is to ensure that the assets invested are sufficiently realisable to enable the Trustee to meet their obligation to provide benefits as they fall due. The Trustee is satisfied that the arrangements in place conform to this policy. The Trustee monitors their net cashflow position, the likely need to realise capital, and hence any effect on asset allocation and the choice of investment funds.

### **7. Additional Voluntary Contributions**

As the Scheme is closed to ongoing benefit accrual, no further Additional Voluntary Contributions will be made. The Scheme provided facilities with Friends Provident, Prudential and Utmost for members who wished to contribute to enhance their retirement benefits whilst in active membership. The Trustee believed these to be appropriate facilities for this purpose but they note that the choice of investment fund for those contributions paid rested entirely with the members.

### **8. Environmental, Social and Governance (ESG) Considerations including Voting and Engagement**

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest in pooled funds and cannot therefore directly influence the environmental, social, and governance policies and practices of the companies in which the pooled funds invest. The Trustee excludes non-financial matters in the selection, retention and realisation of investments.

The Trustee has no formal policy on either ESG or delegation of voting rights. Instead, they have delegated the responsibility for these matters to their investment managers, who will from time to time report on their current and future actions in these areas.

The Trustee will consider a manager's ESG credentials during their appointment process, and will ask for at least an annual written update on each manager's activity for the products used by the Trustee. The Trustee will include a statement in the annual report to advise members that this has been done.

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As the Trustee uses pooled funds, their asset managers are not incentivised to align their investment strategy and decisions with the Trustee's policies, nor are they incentivised to make decisions based on assessments about medium to long-term performance of an issuer of debt or equity, nor to engage with those issuers in order to improve their performance. However, the managers may make such decisions and/or engage of their own accord.

Performance monitoring, manager remuneration and duration of manager appointments are covered elsewhere in this Statement. As the Trustee uses pooled funds, there is no targeted portfolio turnover or turnover range.

As the Trustee uses pooled funds, they do not need to have an engagement policy in relation to monitoring the capital structure of companies they invest in, or any associated potential conflicts of interest.

The Trustee publishes their SIP online for general public access. In addition, the Trustee will publish annually online an engagement policy implementation statement that outlines how the various requirements (set out above) have been followed during the year, and describes the voting behaviours of the asset managers on their behalf.

### 9. Compliance

The Trustee will formally review this statement as and when required, and at least every three years, with the assistance of their advisers. A copy of this statement is available for inspection by Scheme members.

This statement has been agreed by the Trustee on .....7 July 2021.....

Signed on behalf of the Trustee by

Name .....Wayne Phelan.....

Signature .....Wayne Phelan.....