

The Tilney Pension Fund

Statement of Investment Principles – July 2022

Introduction

The Trustees of the Tilney Pension Fund ("the Fund") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Funds (Investment) Regulations 2005, and the Occupational Pension Schemes (investment and Disclosure) (Amendment) Regulations 2018 and 2019.

The Statement is intended to affirm the investment principles that govern decisions about the Fund's investments. In preparing this Statement the Trustees have consulted the Employer ('Evelyn Partners') on the Trustees' investment principles.

Governance

The Trustees of the Fund make all major strategic decisions including, but not limited to, the Fund's asset allocation and the appointment and termination of Investment Managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives
- Implement an investment strategy and Investment Manager structure in line with the level of risk and objectives agreed

When making such decisions, and when appropriate, the Trustees take formal advice. The Trustees' investment consultants, Capita Pension Solutions Limited ('Capita'), are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice. Capita is authorised under the Financial Services and Markets Act 2000 to provide regulated investment advice to the Trustees..



Investment Objectives

The Trustees are required to invest the Fund's assets in the best interest of the members. Their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Fund's assets which is sufficient, in conjunction with the Fund's existing assets and employer contributions, to pay all members' benefits in full. In practice this means seeking to achieve full funding against a conservative "low dependency" measure of the Fund's liabilities by the time the Fund is "significantly mature" i.e. by the time that almost all members have retired. 'Low dependency' status would be when the Fund is no longer heavily dependent on the Employer's support to pay benefits;
- To maintain a reasonable level of investment risk, which is supported by the Fund's time horizon and Company covenant (which is the Company's legal obligation and financial ability to support the Fund now and in the future);
- To ensure that sufficient liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the amount and volatility of the Employer's required contributions.

The Trustees understand, following discussions with the Employer, that the Employer is willing to accept a degree of volatility in the Employer's contribution requirements in order to reduce the long-term cost of providing the Fund's benefits.

Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Fund. The Trustees believe that the investment strategy provides for adequate diversification both within and across different asset classes. The Trustees further believe that the current investment strategy is appropriate given the Fund's liability profile and the strength of the Employer's covenant. The Trustees' policy on risk management is as follows:

- The primary investment risk faced by the Fund arises as a result of a mismatch between the Fund's assets and its liabilities. This is therefore the Trustees' principal focus in setting investment strategy, taking into account the nature and duration of the Fund's liabilities.
- The Trustees recognise that whilst increasing risk, this also increases potential returns over a longer period, it also increases the risk of a shortfall in returns relative to that required to cover the Fund's liabilities as well as producing more short-term volatility in the Fund's funding position. The Trustees have taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.

The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation strategy in place results in an adequately diversified portfolio.

- The documents governing the managers' appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Fund.
- The Trustees recognise that, where appropriate, the use of active management involves a risk that the assets do not achieve the expected return. However, they believe this risk is outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others. Therefore, the Fund's assets are managed through a mixture of active and passive management which may be adjusted from time to time..
- The safe custody of the Fund's assets is delegated to professional custodians.

In the investment advice provided to the Trustees, Capita as the investment advisor have not currently taken account of climate related risks separately from the other risks that exist and affect the Fund.

Should there be a material change in the Fund's circumstances, the Trustees will review whether the current risk profile remains appropriate.

Investment Strategy

Given the investment objectives the Trustees have implemented the investment strategy detailed in the table below. The Trustees believe that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted. The Trustees, in conjunction with Capita, monitor the funding level of the Fund on a daily basis and have in place a dynamic de-risking plan, as detailed below, to reduce risk if the funding of the Fund improves to the levels shown below. Full details of how this operates are detailed in a separate document.

Triggers (Required return above gilts p.a.)	Triggers (Required return above Gilts p.a.)	Equities %	Diversified Alternatives%	Corporate Bonds %	Gilts/IL-Gilts/ LDI/Cash %*
Proposed	1.88%	28.0	20.0	24.0	28.0
1.10%	1.36%	17.5	15.0	30.0	37.5
0.70%	0.97%	11.0	10.0	32.0	47.0
0.40%	0.62%	5.0	5.0	36.0	54.0
0.00%	0.30%	0.0	0.0	40.0	60.0

*The percentage allocation to the Corporate Bonds, Gilts, Index-Linked Gilts, LDI and Cash ("Hedging Assets") will vary over time based on analysis provided by the Fund's LDI manager who are BMO and will be allowed to drift with market movements. The allocations to the hedging assets will be reviewed in conjunction with BMO every time there is a major change and/or when a trigger is hit.

The LDI funds employ leverage (i.e. the level of protection provided against changes in longer-term interest rates and inflation expectations is greater than the amount invested). Should the leverage within the LDI fund deviate substantially from the target leverage level, BMO will rebalance the LDI funds back to the target leverage level. These LDI leverage rebalancing events could result in money being requested or released from the LDI funds.

Any cash flow disinvestments are to be taken from the cash account whereas for cash flow investments the Trustees may seek advice from their investment consultant. The Trustees will review this policy regularly and monitor the actual asset allocation. They may decide to change it, subject to receiving the necessary advice.

In the event of a cash call or release from the LDI funds, it is expected that the monies will be either obtained from, or added to the Fund's cash holdings.

The Trustees will monitor the Fund's actual asset allocation and will decide on a course of action. This may involve redirecting cash flows, a switch of assets, or taking no action. The Trustees will take into account advice from the investment consultant prior to making any decision.

Expected Return

The Trustees expect the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustees expect the Fund's assets to generate net of expenses returns, over the long term, consistent with the numbers shown in the table above. These are the returns expected above a portfolio of long-dated UK Government bonds – which are considered to change in value in a similar way to the Fund's liability value. This return is a 'best estimate' of future returns given the Fund's strategic asset allocation targets and in the light of advice from the investment consultant. Should the Fund hit a de-risking trigger and move to a lower risk portfolio, the expected return will reduce as stated.

The Trustees recognise that over the short term, performance may deviate significantly from this long term expectation. This "best estimate" will also generally be higher than the estimate used for the valuation of the Fund's Technical Provisions liabilities for funding purposes. For this purpose a more prudent estimate of returns will generally be used, as agreed by the Trustees on the basis of advice from the Scheme Actuary.

Investment Mandates

Evelyn Partners will manage the Fund's equity and corporate bonds holdings. Details of investment mandates/ target asset allocation ranges are found in the Appendix.

The Trustees have selected the following managers (the "Investment Managers") to manage the portion of the assets of the Fund consisting of LDI and Diversified Alternatives as follows: BMO Global Asset Management ('BMO') - LDI, LGT Capital Partners Ltd ('LGT') - Diversified Alternatives. The Investment Managers are regulated under the Financial Services and Markets Act 2000. Details of the Fund's Investment Manager mandates are set out in the Appendix.

The remaining portion of the Fund's assets, consisting of Equities and UK Bonds, is held via direct purchases of securities.

The Trustees have rolling contracts with their Investment Managers.

The Trustees monitor the performance of their Investment Managers on a quarterly basis. This monitoring is contained in a report provided by their advisors.

The Trustees have set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

Investment Manager Remuneration

The Trustees monitor the remuneration, including incentives, that is paid to their Investment Managers and how they reward their key staff who manage client funds, along with how the pay and incentives motivate employees who manage client funds.

As part of the monitoring that the Trustees carry out on a regular basis, they should ensure that this policy is in line with their investment strategy.

Investment Manager Philosophy and Engagement

The Trustees monitor the investment managers' process for assessing the businesses they invest in, and whether business performance over the medium to long-term involves a holistic look beyond purely accountancy measures. The Trustees consider if the investment managers are incentivised to make decisions on a short-term basis or on a medium to long-term basis and whether this coincides with the business assessments. The Trustees are conscious of whether the investment managers are incentivised by the agreement with the Trustees to engage with the investee business and to what extent any engagement focuses on improving medium to long-term performance..

Investment Manager Portfolio Costs

The Trustees will monitor costs of buying, selling, lending and borrowing investments and they will look to monitor the costs' breakdown annually, as long as the investment managers provide these costs using the Cost Transparency Initiative template. They will also ensure that, where appropriate, their investment managers monitor the frequency of transactions and portfolio turnover. If there are any targets then they will monitor compliance with these targets.

Financially material considerations over the Fund's time horizon

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Fund's members. The Trustees believe that ESG considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Fund. The Trustees recognise that this is a DB Fund closed to new entrants, but still with a relatively "immature" membership. Accordingly, the Trustees have formed the view that the appropriate time horizon of this Fund is expected to be over 10 years, which gives plenty of scope for ESG considerations to be financially material.

The Trustees have elected to invest primarily in pooled funds and cannot, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustees will consider these policies in all future selections and will seek to deepen their understanding of their existing managers' policies by reviewing these at least annually. In cases where they are dissatisfied with a manager's approach they will take this into account when reviewing them. They are also keen that all their managers are signatories of the UN Principles of Responsible Investment, which is currently the case.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees are keen that their managers can explain when, and by what practical methods, the managers monitor and engage with relevant persons about relevant matters in this area. They will be liaising with their managers (including their passive managers) to obtain details of the voting behaviour (including the most significant votes cast on the Trustees' behalf). The Trustees are also keen that their managers and their investment consultant are signatories of the UK Stewardship Code. This is currently the case.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment managers. To that end they dedicate time regularly to the discussion of this topic and intend to review and renew their approach periodically with the help of their investment consultants, where required. Consequently, the Trustees expect the Fund's Investment Managers to have effective ESG policies (including the application of voting rights) in place and look to discuss the investment managers' ESG policies with them when the managers attend Trustee meetings.

The Trustees will monitor the voting being carried out by investment managers and custodians on their behalf. They will do this by receiving reports from their investment managers which should include details of any significant votes cast and proxy services that have been used.

Non-financial matters, including members' views are currently not taken into account.

Additional Voluntary Contributions ("AVCs")

The AVC arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and that the investment profile of the funds remains consistent with the objectives of the Trustees and needs of the members.

Compliance with Myners' Principles

The Trustees believe that they comply with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

Employer-Related Investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Funds (Investment) Regulations 2005.

Fee Structures

The Investment Managers are paid a management fee on the basis of assets under management. The investment consultant is paid on a project basis, which may be a fixed fee or based on time cost, as negotiated by the Trustees in the interests of obtaining best value for the Fund.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension Fund investments.



Trustee

Trustee

Trustee

Trustee

Trustee

Trustee

Trustee

Trustee

On behalf of the Employer

Date

Appendix - Investment Mandates

The Trustees have appointed LGT, Capital Partners and BMO to manage the assets of the Fund. The Investment Managers are regulated under the Financial Services and Markets Act 2000.

In addition to the assets managed by BMO, LGT Capital Partners; the Fund also invests in Equities and UK Bonds via direct security purchases. The investment mandates are set out below:

Asset Class	Investment Manager	Fund Name	Active / Passive Management
Growth Assets			
Equities*	Evelyn Partners	n/a	Active
Diversified Alternatives	LGT Capital Partners	LGT Crown Multi-Alternatives Fund	Active
Hedging Assets			
UK Bonds	Evelyn Partners	n/a	Active
LDI	BMO	Nominal Dynamic LDI Fund Real Dynamic LDI Fund	Passive/Mechanistic
Cash	n/a	n/a	Passive