TILNEY SMITH & WILLIAMSON

The Tilney Pension Fund

Statement of Investment Principles – September 2020

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 ('Tilney Investment Management Limited') 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 proper written advice. The Trustees' investment consultants, Capita Employee Benefits, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience.

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 consistent with the assumptions made by the Scheme Actuary in determining the funding of the Fund;
- 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 Employer has informed the Trustees that it is willing to accept a degree of short-term volatility in its contribution requirements with the intention of reducing the overall long-term funding costs of the Fund.

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. 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 a higher risk profile may result in increased returns over the long term. They acknowledge, at the same time, that it may also increase the risk of a shortfall in returns required to cover the Fund's liabilities and greater short-term volatility in the Fund's overall 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 are aware of the dangers of inadequately diversified investments and are mindful of the mismatch of assets versus liabilities and therefore they aim to ensure a diversified fund across a wide range of asset classes.

- The documents governing manager appointments 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 active fund management increases the risk that the assets fail to achieve their expected returns. However, they also believe this higher risk of failure can be outweighed by the higher returns achievable from successful active management. The Fund's assets are therefore managed through a combination of active and passive management, the relative proportions of which may be adjusted from time to time.

- The safe custody of the Fund's assets is delegated to professional custodians via the use of pooled vehicles.

- Investment strategy will be reviewed regularly (annually starting in the first half of 2017) in conjunction with the Sponsoring employer.

- At this point the Trustees will decide what risks to analyse based upon the performance of the Investment Managers.

In the event of a material change in the Fund's circumstances, the Trustees will review their risk policy to ensure it remains appropriate.

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 defined benefit scheme with additional voluntary contributions accessable, open for accrual and closed to new entrants with an ageing membership. Nevertheless, the Trustees believe that an appropriate time horizon for the Fund could still be over 15 years, which gives plenty of scope for ESG considerations to be financially material.

The Trustees have elected to invest 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 for all their managers.

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 are signatories of the UK Stewardship Code. This is currently the case, with the exception of LGT & Partners and Tilney Smith & Williamson.

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 and proxy services that have been used.

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

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.

Strategic asset allocation

Asset Class	Benchmark Allocation (%)
Growth Assets	50
Equities	30
Diversified Alternatives	20
Liability Matching Assets	50
UK Bonds	24
Liability Driven Investment (‘LDI’)	24
Cash	2
Total	100

More details can be found in the Appendix

The Trustees monitor the Fund’s asset allocation on a regular and ongoing basis. In the event that the actual asset allocation differs significantly from the benchmark allocation, the Trustees have authorised Tilney Smith & Williamson to rebalance as they see fit. This may involve redirecting cash flows, switching between asset classes, or taking no action. Consequently the actual allocation may deviate from the strategic allocation.

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.

Expected Return

The Trustees expect to generate a return, over the long term, of circa 1.7% per annum, net of expenses, above a portfolio of long-dated UK Government bonds – which are considered to change in value in a similar way to the Fund’s liabilities. This return is a “best estimate” of future returns that has been arrived at given the Fund’s longer term asset allocation and in the light of advice from the investment consultant.

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 actuarial valuation of the Fund’s liabilities. 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

Tilney Smith & Williamson will manage the Fund’s equity and corporate bonds holdings. Details of investment mandates/ target asset allocation rages 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 Diversified Alternatives and LDI: BMO Global Asset Management (‘BMO’), LGT Capital Partners Ltd (‘LGT’) and Partners Group Guernsey Limited (‘Partners’). 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 line with their investment strategy.

Investment Manager Philosophy and Engagement

The Trustees monitor the fund managers’ assessment of the business invested in performance over the medium to long term and consider whether this is a holistic look at all relevant aspects of performance (i.e. does it look beyond purely accountancy measures). The Trustees must consider if the fund manager is incentivised to make decisions on a short-term basis or on a medium to long term and does this coincide with the business assessments. The Trustees must be conscious of whether the fund manager is incentivised by the agreement to engage with the investee business and to what extent does any engagement focus 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.

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 scheme investments.

John Mulhern
18 September 2020

Appendix - Investment Mandates

The Trustees have appointed LGT, 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 and 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	Allocation %
Growth Assets				50
Equities*	Tilney Smith & Williamson	n/a	Active	30
Diversified Alternatives	LGT & Partners	LGT Crown Multi-Alternatives Fund The Partners Fund	Active	20
Liability Matching Assets				50
UK Bonds	Tilney Smith & Williamson	n/a	Active	24
LDI	BMO	Nominal Dynamic LDI Fund Real Dynamic LDI Fund	Passive/Mechanistic	24**
Cash	n/a	n/a	Passive	2

* Target: The total return on the FTSE All Share Index– but with discretion to invest up to 20% in Overseas equities.

**The Trustees may keep up to 4% of the 24% LDI allocation in cash as a reserve to be used in the event of a cash call from the LDI funds. This will reduce the chance that the Trustees are forced to sell Fund investments if there is a cash call.