

Statement of Investment Principles for the Northgate HR Pension Scheme

1. Introduction

This Statement of Investment Principles (“SIP”) sets out the policy of Zellis Pension Trustees Limited, the Trustee of the Northgate HR Pension Scheme (“the Trustee”) on various matters governing decisions about the investments of the Northgate HR Pension Scheme (“the Scheme”), a Defined Benefit (“DB”) Scheme. This SIP replaces the previous SIP dated September 2019.

The SIP contains the information required by legislation, and also considers the Pension Regulator’s guidance on investments.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Scheme’s investment adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP. The Trustee has consulted with the relevant employer in producing this SIP.

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy and at least once every three years.

- **Appendix 1** sets out details of the Scheme’s investment governance structure, including the key responsibilities of the Trustee, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.
- **Appendix 2** sets out the Trustee’s policy towards risk appetite, capacity, measurement and management.
- **Appendix 3** sets out the Scheme’s investment manager arrangements.

2. Investment objectives

The primary objective is to ensure that the Scheme should be able to meet benefit payments as they fall due. In addition to this primary objective, the Trustee has additional objectives. These are as follows:

- that the expected return on the Scheme’s assets is maximised whilst managing and maintaining investment risk at an appropriate level. What the Trustee determines to be an appropriate level of risk is set out in Appendix 2.
- that the Scheme should be fully funded on a technical provisions basis (ie the asset value should be at least that of its liabilities on this basis). The Trustee is aware that there are various measures of funding and has given due weight to those considered most relevant to the Scheme.

- that the Scheme has a long-term journey plan in place (which has been agreed with the Company), which is designed to help it achieve full funding by 31 August 2028 on the agreed technical provisions basis. Progress against this long-term journey plan is reviewed and reported on a regular basis with progress being measured against a set of short-term milestones.

3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the employer, reviewed the investment strategy in July 2021, taking into account the objectives described in Section 2 above. The result of the review was that the Trustee agreed to reduce the Scheme's expected risk and return by switching half of the Scheme's diversified growth fund allocation to its multi-asset credit mandate.

The Trustee also reviewed its approach to interest rate and inflation hedging in August 2021 and agreed to adopt an adaptive hedging strategy, whereby the hedge ratio will vary between a minimum of 85% and a maximum of 100%. To fund this, the Trustee agreed to slightly reduce its allocation to asset backed securities ("ABS").

The Scheme's actual allocation as at 31 October 2021 is shown in the table below. The medium-term strategic asset allocation, which was agreed in July 2021 and allows for the maturing of the private credit fund, is also shown below.

Asset class	Allocation as at 31 October 2021 (%)	Medium term strategic allocation (%)
Global equity	10	10
Diversified growth	9	9
Long lease property	10	9
Multi-asset credit	16	19
Private credit	3	-
ABS	19	18
Liability driven investment and cash	33	35
Total	100	100

Figures may not sum due to rounding.

The Trustee's policy is to target the maximum expected return level subject to ensuring the level of investment risk is appropriate to reflect the Scheme's circumstances. The Trustee believes that the strategy above meets this objective.

The Scheme's private credit holding is in the process of winding down and the Trustee has agreed to invest these proceeds primarily in the multi-asset credit mandate.

The Trustee has agreed a framework for rebalancing between the liquid growth assets, if it is deemed appropriate. The Trustee reviews and updates the rebalancing targets and thresholds for the Scheme's liquid assets from time to time depending on factors such as how much capital is needed for the Scheme's Liability Driven Investment. The Trustee reviews the allocation between the growth assets and the matching assets from time to time.

Page 3 of 16 As the Scheme matures over time, the Trustee will seek to de-risk the investment strategy in line with the change in the liability profile of the Scheme. This means that the investment strategy will gradually target a higher allocation to lower risk assets as the Scheme matures.

4. Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, the Trustee considers a range of asset classes, taking account of the expected return and risks associated with those asset classes, as well as its beliefs about investment markets and which factors are most likely to impact investment outcomes. The primary ways that the Trustee manages investment risk is via diversification and through hedging interest rates and inflation, ensuring it receives professional written advice prior to making any material investment decision, and its ongoing monitoring and oversight of the investments. Investment risk is measured using "Value at Risk". Further details of specific risks (for example equity risk, credit risk and currency risk) are set out in Appendix 2. In setting the strategy the Trustee took into account:

- the interests of all members and beneficiaries;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- the Scheme's investment objectives, including the target return required to meet the Trustee's investment objectives;
- the Scheme's cash flow requirements in order to meet benefit payments in the near to medium term;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Scheme's overall level of investment risk and the balance of individual asset risks are appropriate;
- any other factors which the Trustee believes to be financially material over the applicable time horizon to the funding of the DB benefits, including ESG factors and the risks and opportunities relating to climate change; and
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

The Trustee's key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;

- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- climate change is a financially material systemic issue that presents risks and opportunities for the Scheme over the short, medium and long term;
- long-term environmental, social and economic sustainability is one factor that the Trustee should consider when making investment decisions and appointing investment managers;
- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in Appendix 3.

The Trustee has signed agreements with the investment managers setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Scheme's investments.

The Trustee and investment managers to whom discretion has been delegated exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

The Trustee has limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

Page 5 of 16 The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objective, the Trustee will consider alternative arrangements.

The Trustee's policy is to evaluate each of its investment managers with reference to the manager's individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of portfolio turnover costs is reflected in performance figures used in the Trustee's assessment of the investment managers, it does not explicitly monitor portfolio turnover. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments.

When appropriate, the Trustee, on the administrators' recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any liquidity requirements. The Trustee's preference is for investments that are readily realisable, but recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg property). In general, the Trustee's policy is to use cash flows to rebalance the Scheme's assets towards the strategic asset allocation, and also receive income from some of the portfolios where appropriate.

7. Financially material considerations and non-financial matters

The Trustee has considered how environmental, social, governance ("ESG") considerations (including but not limited to climate change) should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee influences the Scheme's approach to ESG and other financially material factors through its investment strategy and manager selection decisions. The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee, with the help of its investments adviser, seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice.

Page 6 of 16 The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

8. Voting and engagement

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity, but it does engage with current and prospective investment managers including on ESG and stewardship matters. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustee expects the managers to communicate their policies on stewardship to us from time to time, and provide us with reporting on the results of their engagement and voting activities regularly and at least once a year.

The Trustee, with the help of its investment adviser, seeks to appoint managers that have strong stewardship policies and processes, reflecting the policies of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

Investment governance, responsibilities, decision-making and fees

The Trustee has decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that the division of responsibility allows for efficient operation and governance of the Scheme overall. The Trustee's investment powers are set out within the Scheme's governing documentation.

Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- developing a mutual understanding of investment and risk issues with the employer;
- setting the investment strategy, in consultation with the employer;
- formulating a policy on taking account of non-financial matters in the selection, retention and realisation of investments with the help of the investment adviser biennial ESG survey and wider research of the investment managers;
- monitoring and challenging (where appropriate) investment managers on their ESG policies when meeting them;
- setting the policy for rebalancing between asset classes;
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- appointing (and, when necessary, dismissing) investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995 (as amended);
- communicating with members as appropriate on investment matters, such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- reviewing the investment policy as part of any review of the investment strategy;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolio of assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing the Trustee with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustee or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

Investment adviser

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustee, for:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- challenging the investment managers on their consideration of financially material considerations (including climate change and other ESG considerations) on behalf of the trustee;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- participating with the Trustee in reviews of this SIP.

Fee structures

The Trustee recognises that the provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustee has agreed Terms of Business with the Scheme's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management and also in some cases a performance related fee. The fee rates are believed to be consistent with the manager's general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers. See also Section 5 of the SIP.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Scheme. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

Performance assessment

The Trustee is satisfied that there are adequate resources to support its investment responsibilities and that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. See also Section 5 of the SIP. The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

Working with the Scheme's employer

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, the Trustee seeks to give due consideration to the employer's perspective. While the requirement to consult does not mean that the Trustee needs to reach agreement with the employer, the Trustee believes that better outcomes will generally be achieved if the Trustee and employer work together collaboratively.

1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustee's is willing to bear within the Scheme in order to meet its investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long term objectives before attainment of those objectives is seriously impaired. The Trustee aims to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustee considered a range of qualitative and quantitative factors, including:

- the strength of the employer's covenant and how this may change in the near/medium future;
- the agreed journey plan and employer contributions;
- the Scheme's long-term and shorter-term funding targets;
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Scheme's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

2. Approach to managing and monitoring investment risks

The Trustee considers that there are a number of different types of investment risk that are important to manage and monitor. These include, but are not limited to:

2.1. Risk of inadequate returns

A key objective of the Trustee is that, over the long-term, the Scheme should generate its target return so that it has adequate assets to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Scheme to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short-term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustee on a regular basis.

2.2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustee believes that the Scheme's assets are

adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Scheme's investment arrangements and is monitored by the Trustee on a regular basis.

2.3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. The Trustee monitors the investment managers on a regular basis to ensure they remain appropriate for its selected mandates.

2.4. Liquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due, or that the Scheme will become a forced seller of assets in order to meet benefit payments. The Trustee is aware of the Scheme's cash flow requirements and believes that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments and by investing in income generating assets, where appropriate.

2.5. Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). The Trustee seeks to appoint investment managers who will manage this risk appropriately, and from time to time review how this risk is being managed in practice.

2.6. Other environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as unsustainable business practices and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

2.7. Collateral adequacy risk

The Scheme is invested in leveraged Liability Driven Investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustee when requested to do so will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the

Scheme's interest rate and inflation hedging could be reduced and that the Scheme's funding level could suffer subsequently as a result. In order to manage this risk, the Trustee ensures that the Scheme has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice.

2.8. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Scheme is subject to credit risk because it invests in bonds via pooled funds. The Trustee manages its exposure to credit risk by investing in pooled funds that have a diversified exposure to different credit issuers and credit types.

There is also exposure to credit risk as the Scheme invests in LDI via pooled funds, which uses derivative instruments within the portfolio. The terms under which the LDI portfolio is managed include provisions to manage the exposure to credit risk, such as limits on the exposure to any single counterparty and minimum credit ratings that all counterparties must meet. In addition, the derivative positions are collateralised daily, so as to aim to limit credit risk to one day's market movements.

2.9. Equity risk

The Trustee believes that equity risk is a rewarded investment risk, over the long term. It considers exposure to equity risk in the context of the Scheme's overall investment strategy and believe that the level of exposure to this risk is appropriate.

2.10. Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge currency exposure.

2.11. Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bonds and interest rate swaps via pooled funds. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. Given that this should reduce the volatility of the funding level, the Trustee believes that it is appropriate to manage exposures to these risks in this manner.

Page 13 of 16 **2.12. Valuation risk**

Some of the Scheme's assets (such as listed equities) can be valued regularly based upon observable market prices. For other Scheme assets (such as long-lease property and private credit), prices may only be estimated relatively infrequently using one or more of a range of approximate methods – eg mathematical models or recent sales prices achieved for equivalents.

At times of market stress, there is a risk for all assets that the valuations provided by investment managers do not reflect the actual sale proceeds which could be achieved if the assets were liquidated at short notice. This risk is particularly relevant for assets such as property.

The Trustee considers exposure to valuation risk in the context of the Scheme's overall investment strategy and believes that the level of exposure to this risk is appropriate.

2.13. Counterparty risk

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation. This risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

In particular, Insight makes use of derivative and gilt repos contracts within its LDI funds which are used by the Trustee to match efficiently a portion of the Scheme's liabilities. Counterparty risk is managed within the fund through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements.

2.14. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme's investment arrangements as part of its assessment of the other aspects of the Scheme's Integrated Risk Management framework.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. The Trustee regularly reviews progress

towards the Scheme's funding target, both in the longer-term as well as against short-term milestones, comparing the actual versus the expected funding level.

By understanding, considering and monitoring the key risks that contribute to funding risk, the Trustee believes that it has appropriately addressed this general risk.

Investment manager arrangements

Details of the investment managers, their objectives, and investment guidelines are set out below.

1. LGIM – passive climate-tilted equities

The Trustee has selected LGIM to manage the Scheme's climate-tilted equity mandate on a passive basis through its World Low Carbon Target Index Fund. The investment objective is to track the performance of the MSCI World Low Carbon Target (less withholding tax where applicable) to within +/-1% p.a. for two years out of three.

2. BlackRock – diversified growth

The Trustee has selected BlackRock to manage the Scheme's diversified growth assets through its Dynamic Diversified Growth Fund. The investment objective for this fund is to achieve 3 month LIBOR plus 3% pa, net of fees, over rolling three-year periods.

3. M&G – multi-asset credit

The Trustee has selected M&G to manage the Scheme's multi-asset credit assets through its M&G Alpha Opportunities Fund. The investment objective for the fund is to outperform the return of SONIA by 3-5% pa, gross of fees, over rolling three-year periods.

4. Partners Group – private credit

The Trustee has selected Partners Group to manage the Scheme's private credit allocation through its Multi Asset Credit 2017 fund. The investment objective for the fund is to deliver a return of LIBOR plus 4-6% pa, gross of fees, over the term (expected to be six years from the inception date) with a running cash yield of 5% pa (distributed semi-annually) following the initial build-up period.

5. Aegon – ABS

The Trustee has selected Aegon Group to manage the Scheme's ABS allocation through its European ABS Fund. The investment objective for the Fund is to outperform its customised benchmark (value-weighted combination of the Barclays Capital Euro ABS Fixed Rate Composite Index and the Barclays Capital Euro ABS Floating Rate Composite Index) and achieve excess returns of 0.7-1.3% pa (gross of fees) over the term.

6. M&G – long lease property

The Trustee has selected M&G to manage the Scheme's long lease property assets through their M&G Secured Property Income Fund. Although the Fund has no explicit benchmark, its objective is to outperform RPI. The amount by which the Fund aims to outperform RPI varies with market conditions, however the current intended investment objective is to outperform RPI by 3% pa, net of fees, over the long term.

7. Insight – leveraged cash-backed LDI

The Trustee has selected Insight to manage a leveraged LDI mandate, utilising its pooled range of Enhanced Selection LDI funds and Dynamic Hedge Completion LDI funds. The objective of the mandate is to provide interest rate and inflation hedging of a portion of the Scheme's liabilities. As part of this portfolio, the Trustee also invests in the Insight Liquidity Fund, which has a benchmark of SONIA.

8. Additional Voluntary Contributions ("AVCs")

The Trustee invests members' AVCs on a nil commission basis with Equitable Life, Prudential and Standard Life, although Prudential and Standard Life are the only ones open to new members. With the assistance of the Scheme's investment adviser, these arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remains consistent with the objectives of the Trustee and the needs of members.