

# Statement of Investment Principles

## 1. Introduction

This revised edition of the Statement has been prepared by the Trustees of the Veitchi (Holdings) Ltd Retirement Benefits 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 Trustees have taken appropriate written advice from a suitably qualified individual, Simon Jagger FIA, Director of Jagger & Associates Limited. The Trustees have also consulted with the sponsoring employer. This Statement is consistent with the Scheme's governing documents.

The Scheme is registered with HM Revenue and Customs. The Scheme provides final-salary related benefits, although accrual has ceased. No formal employer-related investment is intended by the Trustees. The sponsoring employer intends to remit all relevant contributions to the Trustees within the relevant timescales.

## 2. Delegation of Investment Management

The Trustees use pooled funds provided by Newton, Baillie Gifford, Ruffer, Legal & General Investment Management (L&G) and Royal London Asset Management (RLAM). The investments are held via the Mobius Life investment platform. The Trustees have placed no additional constraints on the investment managers. A cash account is also maintained for short-term cash flow.

The Scheme also has annuity contracts relating to certain members (including pension increases), held via MetLife Assurance Limited. These contracts remain assets of the Scheme.

The providers, where relevant, are suitably authorised under the Financial Services and Markets Act 2000.

## 3. Investment Strategy

The initial broad split of the assets (excluding the annuities) is 30% BNY Mellon Real Return Fund (managed by Newton), 15% Baillie Gifford Multi Asset Growth Fund, 15% Ruffer Absolute Return Fund, 22% L&G Bonds (drawing on L&G's Gilt, Corporate Bond or Liability Driven Investment [LDI] funds), 18% RLAM High Yield, and 0% Cash.

The Trustees will keep the allocation of the Scheme's assets between the funds under review, but when monitoring net cashflow and rebalancing, they will *exclude* LDI funds but include any unleveraged Gilt or Corporate Bond funds. (This is because of the LDI funds being potentially very volatile, and also linked to specific assessment of the liabilities, rather than asset returns.)

Thus, for example, if all the L&G bonds are held in LDI, the rescaled weights for the other holdings would be 38% BNY Mellon Real Return Fund, 19% Baillie Gifford Multi Asset Growth Fund, 19% Ruffer Absolute Return Fund, 24% RLAM High Yield, and 0% Cash.

The SIP will not be reviewed unless there is a change of more than 10% in a manager's weighting (excluding any LDI holding).

## Statement of Investment Principles

The BNY Mellon Real Return Fund is an actively managed product that does not have a fixed market-based benchmark. Instead, it targets LIBOR + 4% p.a., with volatility expected to be in the range of 10%-12% over the long-term.

The Baillie Gifford Multi Asset Growth Fund is an actively managed product that does not have a fixed market-based benchmark. Instead, it seeks to generate returns through exposure to a broad range of asset classes. The performance target is to achieve a return at least 3.5% p.a. ahead of the UK Base Rate, with volatility less than 10% p.a.

The Ruffer Absolute Return Fund is an actively managed product that does not have a fixed market-based benchmark. Instead, it seeks to generate returns through exposure to a broad range of asset classes. It aims not to lose money in any 12-month rolling period, and to achieve a consistent return (after fees) significantly greater than the Bank of England Base Rate.

For the bond holding, the Trustees currently use a long-dated Real LDI fund with Legal & General. The bond holding may hold a mix of, or change between, Real and Nominal LDI funds, Long-Dated and All-Dated (both for Gilts or Corporate Bonds) without triggering a revision of this Statement.

The RLAM Sterling Extra Yield Bond Fund is an actively managed bond fund that invests primarily in unrated corporate bonds and out-of-favour investment grade bonds, as well as conventional high yield stocks defined as corporate bonds of lower than investment grade.

The Trustees consider the products used to be appropriate investments for the Scheme. In deciding to invest in the funds, the Trustees sought advice from their professional advisers as to the products' suitability. The Trustees will review their decision from time to time with their advisers.

### **4. Expected Return on Investments**

The Trustees expect that the BNY Mellon Real Return Fund will outperform the 1-month LIBOR by 4% p.a. (gross of fees) over rolling 3-5 year periods.

The Trustees expect that the Baillie Gifford Multi Asset Growth fund will be 3.5% p.a. ahead of the UK Base Rate (net of fees) over rolling five-year periods, with an annual volatility of returns of less than 10%.

The Trustees expect that the Ruffer Absolute Return Fund will achieve a consistent return (after fees) significantly greater than the Bank of England Base Rate.

The Sterling Extra Yield Bond Fund aims to achieve a gross redemption yield of 1.25 times the gross redemption yield of the FTA Over 15 Years Gilt Index. In addition, RLAM and the Trustees broadly expect the fund to outperform the iBoxx Sterling Non-Gilts All Maturities Index by 1.5% per annum over rolling 3-year periods.

The investment performance of the Scheme's assets is reported on a yearly basis by the investment managers, and will be independently monitored on a periodic basis by the Trustees' advisors.

## Statement of Investment Principles

### 5. Risk

The Trustees are satisfied that their investment managers are prudent and professional in their general approach to investment.

The investment products used involve holding units in pooled funds that maintain diversified portfolios of shares and securities to reduce the stock- and security-specific risk to the Scheme of investing in any specific individual asset. Similarly, the bond products involve diversified portfolios of government or corporate securities to reduce the security-specific risk faced by the Scheme of investing in fixed and variable rate securities. The use of five separate investment managers, and in particular the division of the absolute return element into holdings with three different managers, reduces the manager risk faced by the Scheme.

The funds are viewed as appropriate investment vehicles for the investment strategy of a paid-up pension scheme. The Trustees will keep the asset allocation under review, and risk measurement forms part of the performance monitoring process.

### 6. Realisation of Investments

The Trustees' policy is to ensure that the assets invested are sufficiently realisable to enable the Trustees to meet their obligations to provide benefits as they fall due. The Trustees are satisfied that the arrangements in place conform to this policy. The Trustees monitor 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

The Scheme has available facilities with Standard Life for members who wish to contribute to enhance their retirement benefits. The Trustees believe these to be appropriate facilities for this purpose, but note that the choice of funds used rest entirely with the members. As the Scheme is paid-up, no further AVCs are being paid, but the existing AVC funds continue to be invested.

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

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have 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 Trustees exclude non-financial matters in the selection, retention and realisation of investments.

The Trustees have 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 Trustees 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 Trustees. The Trustees will include a statement in the annual report to advise members that this has been done.

## Statement of Investment Principles

As the Trustees use pooled funds, their asset managers are not incentivised to align their investment strategy and decisions with the Trustees' 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 Trustees use pooled funds, there is no targeted portfolio turnover or turnover range.

As the Trustees use 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.

From 1 October 2020 the Trustees will publish their SIP online for general public access.

In addition, from 1 October 2021, the Trustees 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 Trustees 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 Trustees on 10th September 2020

Signed on behalf of the Trustees by

Name James Stewart

Name Janice A Kelly