

# HUGH STEEPER LIMITED MONEY PURCHASE SCHEME

## STATEMENT OF INVESTMENT PRINCIPLES

### 1. BACKGROUND

This Investment Statement sets down the principle governing decisions about investments for the Hugh Steeper Limited Money Purchase Scheme (hereinafter referred to as “the Scheme”) to meet the requirements of the Pensions Act 1995. Before preparing it, we have consulted Hugh Steeper Limited and obtained and considered written professional advice.

Our investment responsibilities are governed by Clause 7 of the Scheme’s Definitive Trust Deed and Rules dated 23 November 1995. The content of this statement is consistent with those responsibilities.

This Statement supersedes the previous SIP prepared by the Trustees in September 2019.

We will review this Statement at least every three years and whenever there has been a significant change in investment policy.

### 2. INVESTMENT POLICY

The total fund for investment under the Scheme is such that the Trustees, after considering advice, believe the costs of direct investment in appropriate assets, with necessary monitoring and administration, would not be to the advantage of the Scheme. It is considered the desired diversification could not be achieved economically.

Having reviewed the appropriate investment vehicles available with their advisers, the Trustees have concluded that use of specialist pension managed fund policies, with recognised, high quality providers, authorised and regulated for the purpose by the FSA, will provide the required flexibility, diversification and asset control in the most cost efficient manner.

Our main aims are to make sure that we can meet our obligation to the members of the Scheme.

This is achieved by the following:

- Ensuring there are a sufficient number of appropriate investment options available to allow the member to plan for retirement;
- To provide general guidance to the member, as appropriate, as to the suitability of each investment option;
- To provide a Lifestyle Investment Programme as a default investment option;
- To encourage the member to seek independent financial advice from an appropriate person in determining the profile of their own investment; and
- The Trustees continually review the suitability of the options provided and will, from time to time, change managers or introduce additional investment portfolios as appropriate.

The Trustees are concerned about both the difficulties in identifying active fund managers who are likely to consistently outperform (net of fees) an equivalent passive manager (index tracker) over the long term and the costs of changing active managers if they cease to outperform.

The Trustees are more concerned about the possibility of (net of fees) underperformance relative to an equivalent passive fund than the possibility of outperformance. Whilst active managers seek to

obtain outperformance and control the risks of underperformance, in practice they give no guarantees that they will not underperform. As a consequence, the Trustees have selected a passive manager.

Details of the current investment options for the Scheme, the appointed manager and their investment objectives are given below:

### **Legal & General Assurance (Pensions Management) Limited (LGIM)**

The Trustees were advised by LGIM that the objective of the Consensus Index Fund would be changing as a result of the CAPS Pooled Pension Survey being discontinued with effect from 30 June 2016, which was used to set the asset allocation for this fund.

As a result, with effect from 31 July 2016 the asset allocation of the Consensus Index Fund was migrated to an allocation which replicates LGIM's Multi-Asset Fund. The name of the Consensus Index Fund subsequently changed to the Multi-Asset (formerly Consensus) Fund with effect from 31 July 2017.

### **Multi-Asset (formerly Consensus) Fund**

- Aims to deliver investment growth over the long term comparable to the performance of funds in the ABI Mixed Investment 40%-85% Shares Pension Sector.
- The fund invests mainly in UK and overseas shares but will also invest in fixed interest securities such as government bonds, corporate bonds and cash. The fund does not invest in property.
- The diversified nature of the fund means that the fund is expected to have less exposure than an equity-only fund to adverse market conditions.
- The fund is expected to have a level of risk which is equivalent to two-thirds of the volatility of a global equity portfolio, over the long-term.

Investment Objective: The Multi-Asset (formerly Consensus) Fund aims to meet the criteria of the ABI Mixed Investment 40-85% Shares sector and provide long-term investment growth through exposure to a diversified range of asset classes, excluding property.

Risk Classification: Medium to High

### **Pre-Retirement Fund**

- Aims to capture bond market returns.
- Offers some protection against changes in annuity prices.
- Likely to be of specific interest to members nearing their pension date.

Investment Objective: The Pre-Retirement Fund aims to invest in assets that reflect the investments underlying a typical non-inflation linked pension annuity product. The Fund invests in the L&G Over 15 Year Gilts Index Fund and AAA-AA-A Corporate Bond-Over 15 Year-Index Fund. The mix between the funds is regularly reviewed.

Risk Classification: Low to Medium

### **Cash Fund**

- Invested in cash deposits and short-term investments.
- Offers security of capital over the short-term (rather than growth in the long-term).
- Likely to be of specific interest to members anticipating a cash sum on their pension date.



Investment Objective: The Cash Fund aims to match the median return of similar cash funds, without incurring excessive risk.

Risk Classification: Low

#### **Global Equity Fixed Weights (60:40) Index Fund**

- Aims to capture global equity market returns.
- Offers opportunities to maximise the growth of members' Pension Accounts over the mid to long-term.
- 60% invested in the UK stock market.
- 40% invested in overseas equity markets.
- Aimed at members with mid to long-term investment horizons.

Investment Objective: The Global Equity Fixed Weights (60:40) Index Fund aims to capture the total returns of the UK and overseas equity markets, as represented by the FTSE All-Share Index in the UK and appropriate sub-divisions of the FTSE World Index overseas.

Risk Classification: High

#### **Default Investment Option**

If a member does not elect otherwise, their Pension Account will be invested in accordance with the Scheme's "Lifestyle Investment Program", i.e. 100% Multi-Asset (formerly Consensus) Fund units until five years prior to a member's target retirement date when the member's Pension Account will start to be switched gradually from Multi-Asset (formerly Consensus) Fund units to a combination of Cash Fund and Pre Retirement Fund units. This automatic change in investment funds close to retirement is aimed at reducing the risk that a member's retirement benefits could be adversely affected by either changes in stock market levels or annuity rates at the time of their retirement.

#### **Additional Voluntary Contributions (AVCs)**

Members are able to choose to invest their AVCs in the same range of funds as detailed above.

### **3. APPOINTMENT OF INVESTMENT MANAGERS**

Legal & General Assurance (Pensions Management) Limited (L&G) is authorised and regulated by the FSA. Day to day responsibility for the investment of the Scheme' assets rests with L&G.

The investment services are provided through a contract of insurance, purchased by the Trustees, the benefits under which are linked to the value of Units of the Pooled Fund Sections of L&G's Long Term Fund.

L&G provide the funds for the Scheme on an execution only basis. This means L&G provide the range of funds listed above and execute our instructions to buy or sell units in one or more of the funds.

A copy of the Pooled Fund policy document is available for inspection at Goddard Perry Consulting Limited, Corinthian House, 17 Lansdowne Road, Croydon, Surrey, CR0 2BX.

### **4. THE TRUSTEES POLICY WITH REGARD TO RISK**

The Trustees have considered the following investment risk factors:

- Investment returns not meeting expectations;

- Inappropriate concentration in, or selection of, assets; and
- Potential volatility to an individual member's retirement benefits resulting from sudden changes to equity market levels and/or annuity rates close to retirement.
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- Potential volatility to an individual member's retirement benefits resulting from sudden changes to equity market levels and/or annuity rates close to retirement.
- Political risk measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention; and
- Environmental Social Governance (ESG) and specifically the risk of adverse performance due to ESG related factors including climate change.

The above risk factors are managed by regular reviews of the actual investments relative to policy, and in respect of ESG, at the point of investment with the Manager where applicable, or by requesting information on the ESG policies adopted by the Investment Manager as part of their regular stewardship reporting.

After considering these aspects and the investment opportunities available, the Trustees are satisfied that the approach they have concluded above will provide the opportunities to minimise these risks efficiently for funds building up for members who have not yet retired.

#### 5. SELLING INVESTMENTS

The Trustees are able to cancel units, thereby realising their investments within the funds, by submitting in writing, instructions to disinvest signed by an authorised signatory. Units can be cancelled to provide for benefits at the end of any working day.

#### 6. SOCIALLY RESPONSIBLE INVESTMENT

In setting the investment strategy, the Trustees' primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

These considerations, set out above, can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as ESG) where relevant. All references to ESG relate to financial factors only. All references to ESG also include climate change.

The Trustees delegate considerations of financially material factors to the Investment Manager, who considers these factors for funds that are available to beneficiaries through the default arrangement and as self-select funds, when making funds available on its investment platform.

#### 7. GOVERNANCE & STEWARDSHIP POLICY

As part of LGIM's management of the Scheme's assets, the Trustees expect LGIM to ensure that (where appropriate) LGIM exercise the Trustees' voting rights in relation to the Scheme's assets; and Report to the Trustees on stewardship activity as required.

The Scheme's investments are made via pooled investment funds, in which the Scheme investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, monitoring and voting, whether for corporate governance purposes or other financially material considerations, is delegated to the Investment Manager.

ESG factors and stewardship are considered in the context of long-term performance, by the Trustees (in conjunction with its advisors). For invested funds, the Trustees request the Investment Manager monitor ongoing compliance with ESG and other factors, like stewardship, as a part of overall engagement.

#### **Members' Views on Non-Financially material investment considerations**

The Trustees do not at present take into account non-financially material factors (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as part of the default arrangement, as there is no likely common view on any ethical matters which members are likely to hold.

After considering these aspects and the investment opportunities available, the Trustees are satisfied that the approach they have concluded above will provide the opportunities to minimise these risks efficiently for funds building up for members who have not yet retired.

#### **8. REVIEW PROCESS**

The Trustees consider that it would be prudent on their part to monitor the progress of the investment manager and will therefore review the status and appointment of the managed funds providers on an annual basis.

Decisions are taken by the Trustees, who take advice, as necessary.



30/9/2020

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For and on behalf of the  
Trustees of the Hugh Steeper Limited Money Purchase Scheme

Date