Pertwee Estates Limited Retirement Benefits Scheme

Statement of Investment Principles

May 2022

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1. Introduction

Under the Pensions Act 1995, trustees are required to prepare and review regularly a Statement of Investment Principles ("SIP"), dealing with certain specific matters.

This SIP sets out the principles governing decisions about the investment of the assets of the Pertwee Estates Limited Retirement Benefits Scheme ("the Scheme"). Before preparing it, the Trustees have obtained and considered written professional advice from The Duley Practice, part of St. James Place Wealth Management, as their investment advisers. The Scheme Actuary is Nick Atkin of Atkin and Co who has also reviewed the SIP. Prior to finalising the document, the Trustees have consulted with the Scheme's sponsoring employer, Pertwee Estates Limited.

The Trustees will review this Statement on a regular basis, and will also do so in response to any material changes to the investment arrangements of the Scheme. Formal reviews will be undertaken no less frequently than every 3 years to coincide with the Actuarial Valuations. Any such review will be based on written expert investment advice and will be in consultation with the sponsoring employer.

The Trustees confirm that this SIP reflects the investment strategy they have implemented for the Scheme and acknowledge that it is their responsibility, with guidance from their Advisers, to ensure that the assets of the Scheme are invested in accordance with these principles.

This SIP comes into force on the date below and replaces the Scheme's previous SIP dated September 2021.

Signed for and on behalf of The Trustees of the Pertwee Estates Limited Retirement Benefits Scheme

Signed:	R A Holmes	Date:	3 May 2022
Signed:	M F Pertwee	Date:	3 May 2022

2. Scheme Governance and Decision Making

The Trustees are responsible for the governance and investment of the Scheme's assets within a framework agreed with the sponsoring employer to the extent required by the Scheme's Trust Deed and Rules. The Trustees consider that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustees to make the important decisions on investment policy, while delegating day-to-day aspects to the Investment Managers or Investment Adviser as appropriate.

The Trustees distinguish between two types of investment decision:

Strategic investment decisions

These decisions are long-term in nature, and driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions themselves. Where appropriate this is after receiving written advice from their Investment Adviser, and consulting, as appropriate, with the Scheme Actuary and/or sponsoring employer.

Examples of such decisions include:

- setting investment objectives;
- setting the strategic asset allocation;
- drafting the Statement of Investment Principles; and
- increasing or decreasing investments in specific funds.

Tactical investment decisions

Tactical investment decisions are based on views of future market movements.
The Trustees employ St James's Place Wealth Management and through them, fund managers to make such judgements, and do not interfere with their decisions. Examples of such decisions include:

- selecting individual stocks;
- appointing or removing specific managers within funds;
- temporarily deviating from the strategic asset allocation to take advantage of better market opportunities; and
- timing of entry or exit from a market.

3. Investment Objectives and Strategy

Objectives for the Defined Benefit (“DB”) portion of the Scheme

The overall objective of the DB portion of the Scheme is to meet the benefit payments promised as they fall due.

The actuarial valuation of the Scheme as at 1 February 2019 showed that it had a surplus of £15,000 at that date on a technical provisions basis and a deficit of £296,000 on a solvency basis. No deficit recovery plan was necessary following this valuation, but the sponsoring employer agreed to continue to meet the expenses of running the Scheme (except for investment management and advisory expenses), as assumed in the valuation. Maintaining the Scheme in surplus was a further objective of the DB portion of the Scheme.

The Trustees’ objective has been to maximise the total investment returns within an acceptable level of risk in order to achieve a return, in the long term, no less than the neutral rate of return assumed in the latest actuarial valuation which, for the 2019 valuation, was 4.40% pa (net of fees). By targeting a return greater than that assumed in the actuarial valuation, the Trustees had sought to increase the surplus on a technical provisions basis so they could progressively de-risk the investment policy and close the deficit on a solvency basis to achieve a buy-out of the Scheme’s DB liabilities by the end of 2030.

In 2021, in response to developments in the sponsoring employer’s business, and having been advised by the Actuary that the Scheme was likely to be in surplus on a solvency basis, the Trustees took a number of decisions that resulted in significant changes to their investment objective. These changes included:

1. The expenses of running the Scheme would be borne by the Scheme instead of the sponsoring employer with effect from September 2021 and the Schedule of Contributions was updated accordingly;
2. The Trustees would seek to secure the DB liabilities of the Scheme through a buy in or buy out of those liabilities as soon as was reasonably practical;
3. The Trustees would de-risk the investment strategy and target a lower rate of gilts plus 1% (net of fees). This change was made in October 2021 and this SIP reflects the new strategy.

Objectives for the Defined Contribution (“DC”) portion of the Scheme

The Trustees recognise that their ultimate objective is to ensure that, as far as possible, DC members of the Scheme are able to retire on a reasonable level of pension, taking into account the contributions paid into their individual accounts and the timescale over which those contributions were paid.

The Trustees have continued to adopt the same investment objectives for the DC portion of the Scheme as they have set for the DB portion.

Investment Strategy

The Trustees invest all the Scheme’s assets as a whole, rather than segregating them between assets of the DB and DC portions of the Scheme respectively. The Actuary undertakes a periodic calculation of the change in value of each individual DC account by reference to members’ contributions paid into the Scheme during the period and the return earned on all of the Scheme’s assets over that period.

The Trustees had previously divided the assets of the Scheme into two broadly equal segments, one in which the return would come mainly from the income yield from the assets (the “Income Fund”), and one where the return will come principally from the increase in asset values (the “Growth Fund”). Following their decision to de-risk the investment strategy, this distinction has been discontinued. All of the Scheme’s investments are now held in a range of pooled funds, and the Scheme’s projected near-term cash requirements are held in a money market deposit account with the investment manager.

Implementation of Investment Strategy

The Trustees have decided that all of their funds will be invested through St James’s Place Wealth Management. Having received advice from their Investment Advisers, the Trustees have agreed to invest in a bespoke portfolio of 8 different funds.

The assets of the Scheme are invested in pooled vehicles. Selection of the individual underlying assets has been wholly delegated to the fund managers. St James’s Place Wealth Management have selected the managers for each of the 8 funds in the total portfolio. Many individual funds are managed on a multi-manager basis. Through this structure, the Trustees have diversified their investments, not just between asset classes but also between asset managers. The majority of the assets are held in asset classes that are sufficiently liquid to be realised easily if the Trustees require.

Asset and fund allocations

The proportion of funds invested in differering asset classes is show below.

Asset Class	
	%
Equities	
North American	14
UK	4
European	7
Asia & Pacific	4
Other	0
Total equities	29
Cash & fixed interest	
Global	46
UK	20
Money Market	5
Total cash & fixed interest	71
Other	
Property	0
Alternatives	0
Total other	0
Total	100

The 8 funds managed by St James's Place Wealth Management that the Scheme is invested in are shown below:

SJP Fund	%
Strategic Income Fund	15
Diversified Bond Fund	20
Corporate Bond Fund	10
Global High Yield Bond Fund	10
Investment Grade Corp Bond Fund	10
Gilts Fund	10
Worldwide Income Fund	13
Global Value Fund	12
	100

The Trustees have taken advice from their Advisers to ensure that the asset allocation strategy is suitable for the Scheme, given its objectives and liability profile.

From time to time the Investment Advisers may recommend changes to the composition of the balance of funds which will be considered by the Trustees before being implemented. The Trustees have delegated to St James's Place Wealth Management decisions regarding which managers to appoint within each fund and the term of each manager's appointment. They implement changes to the individual fund managers when considered necessary for performance or other reasons, and the Investment Adviser keeps the Trustees informed of such changes and the reasons for them at their semi-annual review meetings.

The cash flow requirements of the Scheme are met by periodic disinvestments from the total funds on the following basis:

1. Funds that have achieved excess growth causing their proportion to exceed the benchmark shown above;
2. A pro-rata divestment from all funds.

Disinvestments may be held as money market deposits within the assets managed by St James's Place Wealth Management until needed to pay benefits or expenses. The Investment Advisers monitor changes in the fund each month. If the total fund (excluding money market deposits) exceeds £1.3m, an interim disinvestment is made to realise the growth and deposited in the money market fund until required to pay benefits or expenses.

The Trustees will take advice from the Investment Advisers as to where all divestments should be taken from. The Investment Advisers will ensure that, wherever possible, exit charges on transferring funds are avoided while the balance of the funds remains in line with the table above. The Trustees meet the Investment Advisers at least twice a year when they consider whether any rebalancing of the funds is necessary to maintain the overall balance in line with the SIP.

Monitoring of Investment Managers and their Performance

Day-to-day monitoring of the investment managers and their performance is undertaken by St James's Place Wealth Management. Specific individual benchmarks have been set as part of this process.

Semi-annually, the Investment Advisers will provide to the Trustees reports on the performance of funds which will allow the Trustees to monitor their performance against their overall investment objective. They monitor the actual return achieved by the Scheme's asserts against a benchmark of the returns earned by comparable funds prepared by Asset Risk Consultants PCI ("ARC"), the ARC sterling cautious fund. Between semi-annual meetings, the Trustees receive monthly updates on the changes in investment valuations from the Investment Advisers.

Investment Management and Incentive Costs, Advisory Fees and Transaction Costs

The Scheme is charged an annual management fee by St James's Place Wealth Management out of which all investment management fees due to St James Place and the managers of the pooled funds in which the Scheme is invested are settled, as well as the fees due to the Duley Practice for advisory services.

As investments are made through St James's Place Wealth Management into pooled funds with defined charges and expenses, it is not possible directly to incentivise fund managers to align investments with the Trustees' policies, improve engagement or monitor transaction costs. Ultimately, the Trustees only remedy is to move to an alternative pooled fund.

Transaction costs are expected to average 0.2% pa and actual costs are reported annually to the Trustees by the Investment Adviser.

Corporate Governance and Stewardship

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. Consequently, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes or other financially material considerations, is delegated to the investment managers.

The investment managers, having clear policies of voting on all important issues on behalf of the investor's best financial interests, have provided the Investment Adviser with statements dealing with voting policy and practices, who has brought these statements to the attention of the Trustees where appropriate. The Trustees have delegated their voting rights and other such powers to the investment managers, the sole purpose of whose corporate governance policies are to protect and enhance the economic interests of clients.

Financially material investment considerations

These considerations which include the "Risks" set out in Section 4 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. The Trustees delegate the day to day consideration of financially material factors to the investment managers who consider these when constructing their portfolios. All references to ESG relate to financial factors only. All references to ESG also include climate change.

ESG factors and stewardship are considered, in the context of long term performance, by St James's Place Wealth Management as part of the investment manager selection criteria. This review occurs before investment managers are approved for investment in the portfolio. Changes to investment manager appointments are notified to the Trustees by the Investment Advisor as set out above. St James's Place Wealth Management monitor the investment manager for ongoing compliance with the expected standards at appointment and with other factors, such as stewardship, as a part of overall governance and engagement.

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 there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustees have no plans to seek the views of the membership on ethical considerations but the Trustees make a copy of the Statement of Investment Principles available to members on request and publish a copy of the Statement on a publicly accessible website.

4. Risks

The Trustees appreciate that the most important aspect of the security of the members' benefits is the continued support of the scheme sponsor. Events that reduce the sponsor's willingness or ability to support the Scheme are the biggest potential threats from the members' perspective. The Trustees will discuss developments in the sponsor's business with the sponsor at least annually and update their assessment of the strength of the employer covenant accordingly. Interim reviews will be undertaken at times of significant developments of the business.

The Trustees have adopted a balanced approach to investment risk. Taking too little risk can be as damaging for a pension scheme as taking too much risk. The reduction in long-term expected investment returns resulting from an overly cautious approach to risk may push the costs of the Scheme to become unsustainably high.

The Trustees have identified the following further risks and set out below how they will manage them:

- **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed as follows:
    - The asset allocation and projected return is reviewed after each triennial Actuarial Valuation
    - Informal annual reviews of the estimated funding level are undertaken between Actuarial Valuations

- **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustees. This risk is minimised by:
    - Appropriate diversification across asset classes and investment managers
    - Regular monitoring of investment managers' performance by the Trustees' Investment Advisers

- **Other Investment Manager risks** – these risks include the risk of unsuitable investment activity including ESG factors, the risk of income from assets not being paid when promised, counterparty risks (for example to the extent that managers have hedged out foreign exchange risks in their portfolios) and the risk of inadequate internal processes at managers, including ensuring secure custody arrangements. The Trustees have delegated the management of these risks to St James's Place Wealth Management.

- **Country risk** – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

- **Concentration risk** – the risk of an adverse influence on investment values from the concentration of holdings is reduced by the diversification of the assets.

- **Cash flow risk** – addressed by the Trustees regularly monitoring the cash flow requirements of the Scheme to control the timing of any disinvestment of assets.

  The Trustees keep these risks and how they are measured and managed under regular review through the maintenance of a risk register, which is reviewed annually.

5. Myners Investment Principles

The Trustees recognise the relevance to pension schemes of the Myners' Investment Principles that were published by the Government in October 2001, and updated in March 2008. The Scheme's adherence to (or otherwise) the Myners' Investment Principles is set out below.

Principle 1: Effective Decision-Making

"Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.

Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest."

- The Trustees make investment decisions by consulting with professionals that they feel are best equipped to give that advice. Long-term strategic investment decisions are made in consultation with the Scheme's Investment Adviser, whereas tactical decisions are made by the appropriate investment or fund manager.

Principle 2: Clear Objectives

"Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers."

- The Trustees have formally reviewed their investment objectives with the assistance of their Investment Adviser and the Scheme Actuary.

- The investment objectives are explicitly stated in Section 3 of this document.

- The strength of the sponsoring employer's covenant is reviewed no less frequently than annually.

- All the assets of the Scheme are invested via pooled funds. In each case, the fund manager has an explicit benchmark and outperformance target where appropriate, as well as clear constraints within which to operate.

Principle 3: Risk and Liabilities

"In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk."

- In setting the investment strategy, the Trustees have decided to invest 29% of fund assets in equities, 71% in bonds and cash, and 0% in other asset classes. Pensioner liabilities as at the 2019 actuarial valuation accounted for approximately 80 % of DB liabilities and 54% of total liabilities, including DC members.

- A detailed review of the strength of the sponsor covenant has been undertaken prior to completion of the 2019 actuarial valuation. The covenant has weakened materially during the Maltings development project and is now expected to remain weak once the building has been let and resold. A successful outcome to securing permission for the development of the sponsor's only remaining significant asset, the land at Claydon, could change this assessment.

Principle 4: Performance Assessment

"Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisors. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members."

- The Trustees currently receive monthly reports of the value of the funds and review the performance of the funds with the Investment Adviser twice a year.

- The investment review includes an assessment of how successful the Trustees' investment strategy has been in improving the funding position of the Scheme.

Principle 5: Responsible Ownership

"Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such responsibilities."

- The Trustees' policy on responsible ownership is described in Section 3 of this Statement of Investment Principles.

Principle 6: Transparency and Reporting

"Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.

Trustees should provide regular communication to members in the form they consider most appropriate."

- Members are provided with information on the Scheme's funding position in the annual report to members.

- A copy of this Statement of Investment Principles and other documents such as actuarial valuation reports, the schedule of contributions and the annual report and accounts are available to members on request.