Government of JERSEY

PEPF Public Employees Pension Fund

Statement of Investment Principles 2023

PEPF Public Employees Pension Fund | Career Average Scheme | Final Salary Scheme

Contents

1. Introduction

The Public Employees Pension Fund (PEPF) is "the Fund" as defined under Article 5 of the Public Employees (Pension) (Jersey) Law 2014. The Fund provides final-salary pension benefits under the States of Jersey Public Employees Contributory Retirement Scheme (PECRS) and CARE benefits under the Public Employees Pension Scheme (PEPS) (together, "the Schemes"). This is, however but one investment fund for the two Schemes, whose respective weights within it are calculated based on advice from the Schemes' Actuary.

This Statement has been prepared by the Committee of Management ("the Committee"), in consultation with the Treasurer of the States, in accordance with Regulation 17 of the Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 2015. It sets out the policies and principles governing the Committee's decisions in relation to the investment of the Schemes' assets. The regulations specify that the Statement may contain any of the following:

- the descriptions of investments to be held
- the balance between different descriptions of investments
- risk, including the ways in which risks are to be measured and managed
- the expected return on investments
- the realisation of investments
- the approach taken and the extent (if at all) to which social, environment or ethical considerations are considered in the selection, retention, and realisation of investments; and
- the approach taken on the exercising of any rights (including voting rights) attaching to investments, if the Committee has any such policy

The Statement has an Appendix setting out the details of the investments, which is amended from time to time when the investments change.

From 1 January 2016, new joiners accrued benefits in the PEPS Scheme, whilst existing members on 31 December 2015 continued to accrue benefits in the PECRS Scheme until 31 December 2018. From 1 January 2019 all accrual has been in PEPS, except for employees who, on that date, were within seven years of their normal retirement age and chose to remain in the PECRS Scheme. Further details of the accrued benefit obligation of each Scheme can be found in the PEPF Financial Accounts published online.

2. Scheme Management

The Committee is responsible for managing the Schemes' assets in accordance with the relevant regulations, which state that it must have regard to:

- the need for diversification of investments of the assets of the Fund
- the suitability of the investment it proposes to make; and
- proper advice obtained at reasonable intervals.

To allow detailed consideration of investment issues, the Committee has an Investment Subcommittee ("the Subcommittee"). The Subcommittee meets at least quarterly, but typically more frequently, and makes recommendations to the Committee on all investment matters relating to the Schemes, and, in particular, on investment strategy and the Investment Managers. The Subcommittee pays particular attention to keeping under review the Scheme's investment managers and meets with them regularly, not less than once every two years. The Subcommittee also implements investment decisions on behalf of the Committee, including movement of funds between investment managers. The Committee receives an investment report at each of its quarterly meetings at which investment is a standing agenda item.

The Subcommittee is advised by its Investment Adviser on all aspects of its investment strategy and operations.

The Investment Advisor, Mercer LLP, was appointed by the Committee of Management with approval of the Minister for Treasury and Resources in 2015. The appointment is reviewed on a periodic basis, with the next in-depth review scheduled for 2023/4.

3. Investment Objectives

The Committee's investment objective is to invest the assets of the Fund, to seek to ensure that the present and future benefits to which members are entitled under the Schemes are provided as they fall due.

In order to achieve this, the Committee forms an investment strategy that takes into consideration expected contributions, likely investment returns, the longevity of the membership, employment trends and the outlook for inflation. The uncertainty of future investment return is known as investment risk. The Committee weighs with care the amount of investment risk that is necessary or desirable to take at any time to achieve a target level of return.

Taking account of the contributions available (the maximum levels of which are laid out in the Schemes' regulations), and the benefits expected to be payable from the Fund, the Committee establishes a target level of investment return. The target is set with advice from the Schemes' Actuary (Aon) on funding-related matters, and the Investment Adviser.

The target investment return at the date of this statement is Jersey RPI plus 1.50% p.a. This target forms the basis of the most recent actuarial valuation of the Scheme, at 31 December 2021. The target is reviewed in conjunction with each valuation. The Committee develops its investment strategy to seek to achieve at least that target return, considering the amount of risk that it is necessary to take, the implications of that and how best to spread risk across the range of investments.

Currently, the target investment arrangements of PECRS and PEPS are the same. As such, the same investment strategy applies to both Schemes, and this is expected to remain the position for some time.

4. Investment Strategy

The most important strategic investment issue is the balance between Growth and Yield Focused assets. This is likely to be the single biggest influence on long term investment return outcomes and requires a judgement to be made on the level of investment risk to be taken. The table below indicates the current strategic asset allocation of the Fund and the level of flexibility that the Committee gives itself to manage the allocations to the various asset categories around the set targets.

The key strategic allocations for the purposes of this document are defined at Asset Class level. Any strategic changes to these allocations require the approval of the Treasury Minister.

Further information on the funds selected within these Asset Classes, together with their operational guidance ranges and benchmarks, is listed in Appendix 1.

Asset Class[4]	Target allocation (%)	Range[1]
Growth	**54.7%**	
Equities	40.7%	+/- 10.0
Alternatives	14.0%	+/- 6.0
Yield Focused	**45.3%**	
Growth Fixed Income	16.3%	+/- 4.0
Private Debt[2]	14.5%	n/a
Property[2]	14.5%	n/a
Cash Like[3]		+10.0

[1] Note totals may not add due to rounding.

[2] The ranges in the table relate to the strategic asset allocation. There are, however, no ranges on the Property or Private Debt asset classes since the nature of such assets means they are not regarded as readily tradeable assets so cannot be traded easily to move them back with a range.

[3] Cash Like assets includes highly liquid assets that can be readily exchanged for cash such as Asset Backed Securities (ABS) that are held for strategic purposes within the PEPF portfolio (but excludes immediate working capital cash held at HSBC and in Managers' broker accounts).

[4] The table of investments above excludes an amount referred to in previous versions of this document as the Salary Linked Bond (SLB). This follows receipt of £337.5m pertaining to the SLB balance from the Government of Jersey in 2022. The residual SLB value is not included in actuarial calculations in consideration of size, nature and characteristics and therefore is not reflected in the investment strategy.

Whilst it would be expected that any long-term deviation from the strategic ranges shown above would prompt recommendation of amendment to the Statement of Investment Principles document or rebalancing, the Committee is not required to automatically rebalance as soon as the Fund moves outside the ranges in the table.

For instance, the allocations may move outside these ranges temporarily due to relative market movements within the portfolio. Or there could be other operational reasons such as timing differences when moving between funds. In these examples, the Committee may find themselves content that day-to-day cash flows provide a cost-effective rebalancing of positions without intervention.

The Committee must be cognisant of reasons for any departures, the costs of rebalancing, the risks associated with movement away from the long-term strategic allocation. To this end, the Investment Subcommittee regularly reviews and investigates the Fund's portfolio holdings.

The overall strategic allocations captured in the table are reviewed each year as a minimum and additionally as required by events. In addition to investment return, their composition also reflects other needs, such as the liquidity needs of the Scheme as a whole. Appointments are made with the aim of limiting concentrations to any one market, asset class or manager, while having individual holdings that are large enough to attract scale economies in fees and oversight.

The process of Manager appointment (and termination) is explained in Section 7 below.

5. Growth investments

Growth investments seek to achieve a higher rate of investment growth than the anticipated growth of the Schemes' liabilities (which is referred to as the Target Return). However, compared to the other Fund assets, these assets also carry relatively higher investment risks and their prices can be volatile.

The core Growth asset used by the Schemes is Equities, a significant allocation that the Committee believes provides the most likely means of achieving the requisite investment return over the long term.

To diversify the drivers of Growth investments' return, the Committee has also invested in Alternative investments. These still target a relatively high investment return, but returns that are less correlated, or indeed uncorrelated, to traditional asset classes.

The Committee is aware that investing in Alternatives may increase some risks, such as illiquidity and individual manager risk, and that fees tend to be higher than in the case of 'traditional' asset classes. Nonetheless, it believes that including Alternatives within the Growth investments is an essential strategic requirement to diversify the overall risk at a portfolio level.

6. Yield Focused investments

Yield Focused investments provide a contribution towards meeting the overall Target investment return whilst further diversifying the portfolio. These assets are generally cash generative which can support operational cash flow where required. These investments are expected to exhibit a lower level of price volatility than Growth investments.

Yield Focused investments consist of Property, Growth Fixed Income (which invests in Multi-Asset Credit (which also can invest in Emerging Market Debt)) and Private Debt. More information on each of these mandates is included in the Appendix to this Statement.

As with the Growth asset allocation, the Committee keeps under review whether to diversify Yield Focused allocations into further asset classes, to spread risk in this sphere too.

7. Portfolio Construction

When seeking to ensure that the Scheme's assets are suitably diversified across different investment managers, management styles and approaches, the Committee balances the need for diversification against the importance of allocating managers a sufficient portion of the Schemes' assets to allow them to contribute meaningfully to overall portfolio performance. The Committee is keen not to have more managers than it can reasonably get to know and monitor regularly. The Subcommittee keeps under review the allocation to each investment manager and its performance.

The Committee has generally continued to believe that active portfolio management adds value and generally appoints active managers rather than managers that passively replicate an investment benchmark. About a tenth of the allocation to Equities, however, is managed passively. The Subcommittee regularly reviews active versus passive management outcomes and recognises that active managers may, from time to time, underperform their respective benchmarks.

The Committee regards good governance practices as adding value to portfolio investments, not least through improved performance and mitigation of risk. As part of its appointment, performance review and operational monitoring processes, consideration is given as to whether Managers are following the Committee's expectations regarding Responsible Investment (incorporating Environmental, Social and Governance (ESG) matters). More information on the Committee's approach to RI is provided in Section 11 below.

From appointment, an investment manager is entrusted with the day-to-day management of the Fund's investment. This includes discretion to buy and sell investments, subject to agreed limits and constraints, and for the ongoing monitoring, administration, and exercise of the voting rights of individual investments.

When considering the appointment of an investment manager, the following steps are taken:

- Discussion of all the options with the Investment Adviser, which eventually leads to the latter putting forward a favoured "best pick" mandate (or mandates), based on its research and judgement to the suitability for the required mandate, considering matters such as investment objectives, risk tolerance, investment process, investment management fees, and the liquidity of the mandate.

- The Investment Adviser will also provide information on the prospective manager's approach to Responsible Investment (RI), with detail on whether the manager has an active or passive approach to its underlying investments (voting, management influence, deployment of capital, performance evaluation metrics etc), the level of resource the manager applies to RI (and whether this is integrated in decision making or is a standalone review function) and other points relevant to the asset class.
- The Subcommittee will then receive or visit (or both) the proposed managers to form a view as to suitability and fit, leading to a decision in principle.
- Once such a decision has been taken, formal due diligence is undertaken on the mandate(s) from legal and investment perspectives. Investment due diligence will include consideration of the suitability of the mandate including issues such as the investment objective, benchmarking, level of risk, and fees. Operational due diligence is also undertaken.
- The Subcommittee will then make a recommendation to the Committee of Management.
- If the recommendation for the appointment of the new mandate is accepted by the Committee, the latter makes a recommendation to the Minister for Treasury and Resources whose approval is required under the Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 2015. The Minister has the power not to accept a recommended appointment.
- The Minister may also require the Committee to terminate appointments of current investment managers without notice.
- The appointment of the investment manager is then completed through the signing of a contract (or similar formal documentation) that sets out the terms and conditions of the manager's appointment and its remuneration.

After appointment, an investment managers' performance is subject to regular review by the Subcommittee. It is monitored formally on at least a quarterly basis (and more frequently where necessary) against benchmarks based on national and global market indices, or other appropriate performance objectives. An investment manager, for example, may not deliver a return or level of risk in line with expectations and, as a consequence and after very careful consideration of all relevant factors including market factors and investment horizons, the relevant mandate might be terminated. Wider change in the Schemes' investment strategies could also result in the need to change managers.

The Fund's appointed Investment Managers are shown in the Appendix to this Statement. Each uses a custodian that independently the assets for the Investment Manager. This custodian is either appointed by the Treasurer of the States (Northern Trust in the case of segregated mandates) or by the Investment Manager (in the case of a pooled fund)[1].

[1] A segregated mandate involves the direct purchase of assets in the PEPF's name, whereas a pooled fund is an investment into a co-mingled vehicle, where the PEPF invests alongside other investors.

8. Safe-keeping of the Schemes' Assets

The Treasurer of the States appointed Northern Trust as Custodian to the Fund in 2014 following an open tender. Northern Trust performs the overall investment accounting and performance measurement for the Fund, safe-keeps holdings in pooled funds and segregated assets and performs ancillary activities such as collecting investment income, performing transactions for segregated mandates and performing proxy voting.

For pooled funds, the Investment Managers appoint custodians to administer their underlying holdings.

The Subcommittee receives a report each year from the Investment Adviser on the custody and prime broker arrangements for the PEPF's assets. This is not only to keep itself informed of developments in the custody industry but also to keep under careful review the financial strength of the custodians and banks responsible for the safe-keeping of the Fund's investments, and to consider the mitigation of risk within this crucial aspect of the Schemes' investment arrangements.

Securities lending is undertaken within some of the pooled funds in which the PEPF invests, particularly within the Alternatives investment category. The Committee requires that securities lending is not undertaken within the segregated portfolios.

9. Cashflow

The Committee maintains a working cash balance to meet expected benefit payments and expenses arising. The Committee keeps the cash balance under review to ensure that it remains sufficient, taking advice from its Investment Adviser on where to disinvest or invest monies (such as excess cash reserves) when needed.

The Fund does not directly enter hedging instruments itself and therefore has no direct exposure to the risks of managing cash to meet margin requirements.

10. Investment Risk

One of the key concerns of the Committee is investment risk. To achieve the target level of investment return, an appropriate level of risk needs to be taken. Whilst investment risk can bring a performance upside, conversely, lower returns may be achieved than expected. With this comes a possibility that the returns do not keep pace with the Schemes' liabilities.

Risk can materialise from any number of foreseeable or non-foreseeable events and translate into the following major risk effect categories (this is not meant to be an exhaustive list):

- Equity risk: the risk of falling equity markets which can be caused for a variety of reasons.
- Liability risk: the risk that the Schemes' liabilities increase more quickly than anticipated. This could be caused by, amongst other things, reductions in anticipated

future investment returns, rising inflation and the Schemes' members living, on average, longer than assumed for valuation purposes.

- Credit risk: the risk that the Schemes do not receive the payments they are expecting from their various bond investments.
- Liquidity risk: the risk arising from holding assets that are not readily realisable.
- Manager risk: the risk that the Schemes' managers do not deliver in line with their stated objectives.
- Regulatory risk: the risk that a change in the environment in which the Fund operates has adverse implications for the Schemes' investments or liabilities.
- Operational risk: the risk of loss through maladministration, fraud or the structural complexity of the investment firms, vehicles, asset categories and custodians used by both the Schemes and managers.
- Currency risk: the risk that the exchange rate between sterling and currencies in which overseas assets have been purchased changes adversely.

Strategically, the Committee primarily manages such risks through diversification by asset class, geography and manager, and within asset classes. Operational risks are addressed through both due diligence prior to investment and structured, ongoing, performance monitoring. The Subcommittee monitors on a regular basis the risks to which the Schemes' assets are exposed. This process includes:

- taking stock of the largest holdings across the whole portfolio
- analysing the style, sector, and currency exposure of the portfolio as a whole and key sub-portfolios
- receiving reports from specialists on the operational risk of the Fund's Investment Managers, custodians and prime brokers
- regular site visits and presentations from the Fund's Investment Managers.

The Investment Adviser plays a key role in this process.

11. Responsible Investment and Corporate Governance

The Committee entrusts to each of its Investment Managers the development and application of policies in relation to the UK Corporate Governance Code and the UK Stewardship Code and how in their investment decisions they consider aspects of good stewardship and environmental, social and governance ("ESG") issues, including climate change considerations. Where relevant, the Subcommittee receives reports from them summarising their respective policies and how they have exercised voting rights attaching to the stocks held and their engagement with investee firms. Furthermore, the Subcommittee looks to its Investment Adviser (Mercer) to provide relevant guidance on ESG and stewardship issues on a regular basis.

The Subcommittee has not set any investment restrictions on the appointed managers in relation to products or activities.

The Committee has developed a separate Responsible Investment (RI) Policy document which provides greater detail on the RI policies of the Committee. It is publicly available.

12. Annual Review

The Statement of Investment Principles is reviewed by the Committee, in consultation with the Treasurer of the States, following any material changes to the Schemes' policies and principles as contained in the Statement, or at least annually.

June 2023

Appendix to the Statement of Investment Principles 2023

Introduction

This Appendix to the Statement of Investment Principles document (the Statement) contains further details on how the approved Strategic Allocations are implemented in practice. The Appendix sets out the appointed Investment Managers and the investments that they manage. It is produced as a separate document to the Statement so that the details of the Schemes' manager arrangements can be updated more regularly, where needed, without the requirement to update the full Statement. For the avoidance of doubt, it is not part of the Statement, but should be read alongside it to provide a more comprehensive view of the Schemes' investments.

Investment Managers

The current Investment Managers appointed by the Committee and the strategic allocation to each of these managers are shown in the table overleaf.

The Committee has the flexibility to allow the Schemes' actual investment holdings to vary away from the long-term strategic Asset Class allocation set out in the Statement, in line with the agreed tolerance ranges. The Committee has agreed these and monitors the actual allocations having regard to advice from its Investment Adviser.

Although ranges have only been set around the main asset classes, the Committee regularly and routinely monitors the allocation to each individual asset class and manager, adding operational guidance ranges to individual fund managers where helpful.

How the Statement of Investment Principles' Strategic Allocations are presently applied

Asset Class *(Strategic asset class allocations shown in grey)*	Strategic Allocation	Range +/-	Manager (Year of appointment)
GROWTH	**54.7%**		
Equities	**40.7%**	**10.0%**	
Global Equity:			
(Large Cap, Growth)	9.9%	2.5%	Baillie Gifford & Company (2008)
(Small Cap, Growth)	3.5%	1.5%	Baillie Gifford & Company (2020)
(Large Cap)	5.8%	2.0%	Lansdowne Partners (2020)
(Large Cap, Value)*	4.1%	-	Oldfield Partners (2021)
(Low Volatility, Value)	13.3%	3.0%	Veritas Asset Management (2011)
(Fundamental, Passive)	4.1%	1.5%	Legal & General Investment Management (2012)
Alternatives	**14.0%**	**6.0%**	
Diversified Growth	5.2%	2.0%	Nordea Asset Management (2020), Ruffer Investment Management (2022)
Global Macro	4.4%	2.0%	Capula Investment Management (2017)
	4.4%	2.0%	Rokos Capital Management (2017)
YIELD FOCUSED	**45.3%**		
Property	**14.5%**	-	
Ground Lease and High Lease to Value Property	14.5%	-	PGIM (Ground Lease Fund - 2011) / PGIM (Residential Ground Lease Fund - 2014), Aviva Investors (High Lease to Value - 2022)
Growth Fixed Income	**16.3%**	**4.0%**	
Multi-Asset Credit	16.3%	4.0%	CQS (2013), NinetyOne (2022), BlueBay (2023)
Private Debt	**14.5%**	**n/a**	
Private Debt	14.5%	-	Hayfin Capital Management (Direct Lending Fund) vintages I (2013), II (2016), III (2019) & IV (2022) / Park Square Capital vintages III (2017) & IV (2022) / HIG Whitehorse (Direct Lending Fund – 2020) / Global Infrastructure Partners (Capital Solutions Fund II – 2020)
Cash Like		**+10.0%**	
Asset Backed Securities (Senior Secured)	-	+10.0%	TwentyFour Asset Management (2020)
TOTAL	**100.0%**	**-**	

We note that the Final Salary (PECRS) and Career Average (PEPS) sections investment strategy will diverge over time.
** The Oldfield appointment is in the process of termination, holdings shall be temporarily held with 24AM pending further discussion on the Schemes' investment strategy and subsequent reallocation.*

Manager Mandates

Further information on each of the mandates in which the Committee invests is set out below.

GROWTH (54.7%)

Equities (40.7%)

Global Equities

Baillie Gifford Funds (13.4% of the Strategic Allocation)

By separate agreements, Baillie Gifford actively manages two allocations:

Large Cap Global Equity (9.9% of the Scheme's strategic benchmark allocation)

An investment, on a segregated basis, in line with Baillie Gifford's Long Term Global Growth strategy. The mandate offers daily dealing, with notice to be given one day prior to the disinvestment date.

Asset Class	Benchmark	Outperformance Target [(a)]	Tracking Error Expectation
Global Equity	MSCI AC World Index (GDR)	+3% p.a. (gross of fees)	5 - 15% p.a.

(a) Over rolling 5-year periods.

Small Cap Global Equity (3.5% of the of the Strategic Allocation)

An investment, on a pooled basis, in the Baillie Gifford Worldwide Discovery Fund.

Asset Class	Benchmark	Outperformance Target [(a)]	Tracking Error Expectation
Global Small Cap Equity	MSCI AC World Small Cap Index	+3% p.a. (gross of fees)	n/a

(a) Over rolling 5-year periods

Lansdowne (5.8% of the Strategic Allocation)

Lansdowne actively manages a Large Cap allocation, invested, on a pooled basis, in Lansdowne's Developed Markets Long Only Fund.

The mandate offers monthly dealing, with notice to be given 90 days prior to the disinvestment date. Up to 20% of the mandate can be redeemed on 30 days' notice.

Asset Class	Benchmark	Outperformance Target [a]	Tracking Error Expectation [a]
Global Equity	MSCI AC World Index (GDR)	+3% p.a. (net of fees)	n/a

(a) Over economic cycle.

Oldfield (4.1% of the Strategic Allocation)*

Oldfield actively manages a Large Cap, Value allocation, invested, on a pooled basis, in Oldfield's Overstone Global Equity strategy.

The mandate offers daily dealing, with notice to be given one day prior to the disinvestment date.

Asset Class	Benchmark	Outperformance Target [a]	Tracking Error Expectation [a]
Global Equity	MSCI AC World Index (GDR)	+2-3% p.a. (gross of fees)	6 - 10% p.a.

(a) Over economic cycle.

** The Oldfield appointment is in the process of termination, holdings shall be temporarily held with 24AM pending further discussion on the Schemes' investment strategy and subsequent reallocation.*

Veritas (13.3% of the Strategic Allocation)

Veritas actively manages a Low Volatility, Value Equity allocation, invested, on a segregated basis, in line with Veritas' Global Focus strategy.

The mandate and offers daily dealing. There is no strict notice period for disinvestment.

Asset Class	Benchmark	Outperformance Target [a]	Tracking Error Expectation [a]
Low Volatility Global Equity	MSCI AC World Index (GDR)	+2.5% p.a. (net of fees)	< 8% p.a.

(a) Over rolling 5-year periods.

L&G (4.1% of the Strategic Allocation)

L&G passively manages a Fundamental Indexation allocation, invested in the L&G RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund.

The mandate is pooled and offers weekly dealing, with notice to be given two days prior to the disinvestment date.

Asset Class	Benchmark	Outperformance Target	Tracking Error Tolerance [(a)] / Expectation
Global Fundamental	RAFI Fundamental Global Reduced Carbon Pathway 3.5% Index (Net) (GBP Hedged) [(b) (c)]	To match the benchmark	Up to ±1.0% p.a.

(a) *This passive equity fund aims to track the benchmark to within the tracking error range shown in two years out of three.*

(b) *The benchmark shown for the Global Fundamental Indexation mandate in the table above is for performance tracking purposes. However, the Committee also monitor performance of the mandate versus the MSCI World Index (GBP Hedged).*

Alternatives (14.0%)

Diversified Growth

Nordea (3.2% of the Strategic Allocation)

Nordea actively manages an allocation invested in Nordea's Alpha 15 MA Fund.

The mandate is pooled and offers daily dealing, with notice to be given one day prior to the disinvestment date.

Asset Class	Benchmark	Outperformance Target	Absolute Volatility Expectation
Multi-Strategy	1 Month EURIBOR	+7-10% p.a.	10 - 15% p.a.

Ruffer Investment Management (2.0% of the Strategic Allocation)

Ruffer actively manages an allocation invested in Ruffer Investment Management Global Absolute Return Strategy.

The mandate is pooled and offers weekly dealing, with notice to be given one day prior to the disinvestment date.

Asset Class	Benchmark	Outperformance Target	Absolute Volatility Expectation
Multi-Strategy	SONIA	n/a	4 - 8% p.a.

Global Macro

Capula (4.4% of the Strategic Allocation)

Capula actively manages an allocation invested in the Capula Global Relative Value Fund.

The mandate is pooled and offers monthly dealing for investments and quarterly dealing for redemptions, with notice to be given 45 days prior to the disinvestment date*.

**Roughly half of the Scheme's investment is invested in a share class whereby disinvestment requests of more than 25% of the value of the investment will be subject to deferred redemption payments. The remaining half of the Scheme's investment is invested in a share class with disinvestments available only every 36 months, following the date of the original investment in November 2017 (i.e., the Scheme can disinvest in November 2023, November 2026 etc)*

Asset Class	Benchmark	Outperformance Target [(a)]	Absolute Volatility Expectation
Global Macro	Zero (absolute return)	+8% p.a. (net of fees)	n/a

(a) Over rolling 5-year periods.

Rokos (4.4% of the Strategic Allocation)

Rokos actively manages an allocation, invested in the Rokos Global Macro Fund.

The mandate is pooled hedge fund investment and offers monthly dealing, with notice to be given 90 days prior to the disinvestment date. The Scheme is only permitted to disinvest 25% of its investment over a rolling three-month period.

Asset Class	Benchmark	Outperformance Target [(a)]	Absolute Volatility Expectation
Global Macro	Zero (absolute return)	+10% p.a. (net of fees)	14% p.a.

(a) Over a market cycle.

YIELD FOCUSSED (45.3%)

Property (14.5%)

Ground Lease and High Lease to Value

PGIM (11.5% of the Strategic Allocation)

Under separate agreements, PGIM actively manages two pooled Ground Lease Property allocations:

PGIM Real Estate UK Ground Lease Fund The investment period for the mandate ended in March 2016, with monies expected to be returned to investors within three years after this date. The term of the Fund may be extended by two one-year periods.

Asset Class	Benchmark	Outperformance Target [(a)]	Absolute Volatility Expectation
Ground Lease Property	Retail Price Index (UK)	+2% p.a. (net of fees)	n/a

Pramerica UK Residential Ground Lease Fund II Unit Trust The Residential Ground Lease Property mandate is illiquid, with dealing only available on a secondary market until the end of a 20 year period ending June 2034.

Asset Class	Benchmark	Outperformance Target [(a)]	Absolute Volatility Expectation
Residential Ground Lease Property	Retail Price Index (UK)	+2% p.a. (net of fees)	n/a

(a) Over rolling 10-year periods.

Aviva Investors (3.0% of the Strategic Allocation)

Aviva actively manages a High Lease to Value (‘HLV’) Property allocation, invested in the Aviva Lime Property Fund – UK Long Secure Income Fund.

The HLV Property mandate is pooled and offers annual dealing, with notice to be given six months prior to the disinvestment date. There is a secondary market available.

Asset Class	Benchmark	Outperformance Target	Absolute Volatility Expectation
Aviva Investors Lime Property Fund	50% FTSE 5-15 Year Gilt Index and 50% FTSE 15 Year+ Gilt Index	+1.5% p.a. (net of fees)	n/a

Growth Fixed Income (16.3%)

Multi-Asset Credit

CQS (9.3% of the Strategic Allocation)

CQS actively manages an allocation invested in the CQS Credit Multi Asset Fund.

The mandate is pooled and offers monthly dealing, with notice to be given 30 days prior to the disinvestment date.

Asset Class	Benchmark	Outperformance Target	Tracking Error Expectation [(a)]
Multi-Asset Credit	SONIA	4-5% p.a. (net of fees)	4-5% p.a.

(a) Estimate of absolute volatility, over a full market cycle.

NinetyOne (3.5% of the Strategic Allocation)

NinetyOne actively manages an allocation invested in the Multi-Asset Credit I Inc GBP Hedged fund.

The mandate is pooled and offers monthly dealing, with notice to be given 30 days prior to the disinvestment date.

Asset Class	Benchmark	Outperformance Target	Tracking Error Expectation [(a)]
Multi-Asset Credit	SONIA	4% p.a. (gross of fees)	5-10% p.a.

(a) Estimate of absolute volatility, over a full market cycle.

BlueBay (3.5% of the Strategic Allocation)

BlueBay actively manages an allocation that can invest in Emerging Market Debt. The agreement with BlueBay permits the Schemes to invest in the BlueBay Total Return Credit Strategy.

The mandate is pooled and offers daily dealing, with notice to be given one day prior to the disinvestment date.

Asset Class	Benchmark	Outperformance Target	Tracking Error Expectation [(a)]
Multi-Asset Credit	SONIA	4-6% p.a. (gross of fees)	3-8% p.a.

(a) *Estimate of absolute volatility, over a full market cycle.*

Private Debt (14.5%)

Hayfin Direct Lending Funds (part of the Private Debt Strategic Allocation of 14.5%)

Under separate agreements, Hayfin actively manages several pooled, illiquid Private Debt allocations:

Hayfin Direct Lending Fund. The investment period for the mandate ended in March 2016, with monies expected to be returned to investors within three years after this date. The term of the Fund may be extended by two one-year periods.

Asset Class	Benchmark	Outperformance Target	Absolute Volatility Expectation
Private Debt	Zero (absolute return)	+7.9% p.a. (net of fees)	n/a

Hayfin Direct Lending Fund II. The investment period for the mandate ends in February 2019, with monies expected to be returned to investors within three years after this date. The term of the Fund may be extended by two one year periods.

Asset Class	Benchmark	Outperformance Target	Absolute Volatility Expectation
Private Debt	Zero (absolute return)	+6.7% p.a. (net of fees)	n/a

Hayfin Direct Lending Fund III The investment period for the mandate will end three years after the final closing date which was in September 2019. Monies are expected to be returned to investors within three years of the end of the investment period. The term of the Fund may be extended by two one year periods.

Asset Class	Benchmark	Outperformance Target	Absolute Volatility Expectation
Private Debt	Zero (absolute return)	+6.7% p.a. (net of fees)	n/a

Hayfin Direct Lending Fund IV The investment period for the mandate will end three years after the final closing date which was in December 2022. Monies are expected to be returned to investors within three years of the end of the investment period. The term of the Fund may be extended by two one year periods.

Asset Class	Benchmark	Outperformance Target	Absolute Volatility Expectation
Private Debt	Zero (absolute return)	+6.2% p.a. (net of fees)	n/a

Park Square Capital Credit Funds (part of the Private Debt Strategic Allocation of 14.5%)

Under separate agreements, Park Square actively manages several pooled, illiquid Private Debt allocations:

Park Square Capital Credit Opportunities III The investment period for the mandate will end four years after the final close in June 2019 and monies are expected to be returned to investors within six years after the final close. The term of the Fund may be extended by three one year periods.

Asset Class	Benchmark	Outperformance Target	Absolute Volatility Expectation
Private Debt	Zero (absolute return)	+6.9% p.a. (net of fees)	n/a

Park Square Capital Credit Opportunities IV The investment period for the mandate will end four years after the final close in December 2022 and monies are expected to be returned to investors within six years after the final close. The term of the Fund may be extended by three one year periods.

Asset Class	Benchmark	Outperformance Target	Absolute Volatility Expectation
Private Debt	Zero (absolute return)	+5.0% p.a. (net of fees)	n/a

HIG Whitehorse ("HIG") (part of the Private Debt Strategic Allocation of 14.5%)

HIG Whitehorse actively manages a Private Debt allocation invested in the HIG Whitehorse Direct Lending Fund – 2020.

The mandate is pooled and illiquid. The investment period for the mandate will end three years after the final close (subject to an extension of up to two years) and monies are expected to be returned to investors within three years of the end of the investment period. The Fund offers an optional evergreen structure.

Asset Class	Benchmark	Outperformance Target	Absolute Volatility Expectation
Private Debt	Zero (absolute return)	+9.7% p.a. (net of fees)	n/a

<u>Global Infrastructure Partners ("GIP") (part of the Private Debt Strategic Allocation of 14.5%)</u>

GIP actively manages an Infrastructure Debt allocation invested in the GIP Capital Solutions Fund II.

The mandate is pooled and illiquid. The investment period for the mandate will end five years after the final close and monies are expected to be returned to investors within ten years after the final close. The term of the Fund may be extended by two one-year periods at the General Partners discretion with Limited Partners approval required for additional extensions.

Asset Class	Benchmark	Outperformance Target	Absolute Volatility Expectation
Infrastructure Debt	Zero (absolute return)	+10.0% p.a. (net of fees)	n/a

Cash Like

Asset Backed Securities (Senior Secured)

<u>TwentyFour Asset Management ("TwentyFour") (No specified Strategic Allocation)</u>

TwentyFour actively manages investments in the TwentyFour Monument Bond Fund.

The mandate is pooled and invests in highly liquid, senior secured asset backed securities to allow the Scheme to easily access the funds for capital calls from the private debt mandates. It is envisaged that the Fund will be supplemented over time by cash distributions from the Scheme's existing private debt portfolios.

Asset Class	Benchmark	Outperformance Target	Absolute Volatility Expectation
Asset Backed Securities (Senior Secured)	SONIA	+2-3% p.a. (net of fees)	n/a

June 2023