

Trustee Investment Strategy

(Abridged – full text available on request)

The pension arrangements provided by The Pensions Trust all require individual investment strategies. The investment strategies include consideration of the mix between the main asset classes (equities, bonds and property) after looking at the specific liability and risk profile individually for each scheme.

The funds outlined below are structured after considering expected risk and return characteristics of the sub-asset classes and the individual investment managers. The construction of these funds follows investment advice received from the Trust's investment consultants. These funds are also monitored and reviewed on a continuous basis.

In order for schemes to tailor investment strategies to their own liability and risk profiles they receive a notional allocation in the appropriate funds.



On the track it may be the racer who is the star of the show with his or her exploits, but without a crew of dedicated and extremely well-qualified people in the pits, even the best racing driver would never even make the starting grid.

I. Global Equity Fund

Objective

+1.3% per year outperformance compared to the following composite benchmark measured over annualised rolling five-year periods.

Indices

	Weighting %
FTSE All Share UK	40.0
FTSE World – North America	20.0
FTSE World – Europe excl. UK	20.0
FTSE World – Japan	12.0
FTSE All-World Developed – Asia Pacific excl. Japan	5.0
IFC/S&P Investible Composite	3.0

Manager and asset allocation ranges

	%
AXA Rosenberg Investment Management	17.5 – 22.5
Barclays Global Investors	4.5 – 7.0
Lazard Asset Management	9.5 – 14.5
Legal & General Investment Management	32.5 – 37.5
Marathon Asset Management	6.5 – 9.5
RCM (UK)	9.5 – 14.5
TT International	5.5 – 8.5

Currency hedging

A currency hedge is applied to a proportion of the overseas assets in the Global Equity Fund. Individual investment managers are not required to hedge currency exposure; instead, a passive currency overlay is used in respect of the major currencies (US Dollar, Euro and Yen), applied to the total benchmark weights.

2. Fund of Hedge Funds

The aim of this fund is to invest in a diversified portfolio of hedge funds.

Objectives

+3.0% per year outperformance compared to the return on cash, as measured by UK 3 month LIBOR, after all fees, expressed in Sterling over rolling three-year periods. In addition, this fund is expected to have a low correlation to traditional asset classes (e.g. Equity and Bond markets), tending to a market neutral position. The correlation objective for this fund is less than 0.3 beta to major equity indices.

Manager and asset allocation	%
Mesirow Advanced Strategies	100.0

3. Fixed Interest Fund

Objective

+0.45% per year outperformance compared to the return from the following composite benchmark index measured over annualised rolling five-year periods.

Indices	%
FTSE – Government (All Stocks) Index	40.0
iBoxx Sterling Non-Government (All stocks)	60.0

Manager and asset allocation ranges	%
Legal & General Investment Management	28.0-32.0
Royal London Asset Management	28.0-32.0
Standard Life Investments	38.0-42.0

4. Index-Linked Fund

Objective

To match the annualised return from the FTSE – A index-linked (All Stocks) index calculated over rolling five-year periods.

Manager and asset allocation	%
Legal & General Investment Management	100.0

5. Property Fund

Objective

+3% per year outperformance compared to UK Government bonds (Gilts) measured over annualised rolling seven-year periods.

Manager and asset allocation	%
CB Richard Ellis Investors	85.0
Standard Life Investments	15.0

6. Money Market Fund

Objective

0.25% per year outperformance compared to the return from 7-Day LIBID annualised over rolling three-year periods.

Manager and asset allocation	%
Aviva Investors	100.0

7. SRI (Socially Responsible Investment) Funds

The FTSE4Good Indices are comprised of companies that are viewed as operating in a socially responsible way. The equity component of the fund tracks the UK and Global FTSE4Good Indices. The bond component of the fund tracks conventional UK Government fixed interest and index-linked gilt indices.

Objective

A return in line with the benchmark (i.e. the appropriate index or composite index) annualised over rolling five-year periods, with no more than -1% underperformance in any one year.

Manager and asset allocation	%
Legal & General Investment Management	100.0

Asset class	Indices
UK Equities	FTSE4Good UK Equity
Global Equities	FTSE4Good Global Equity
UK Government Fixed Interest	FTSE – A Government (All Stocks)
UK Government Index-Linked	FTSE – A Index-Linked (All Stocks)

8. Ethical Fund – F&C Stewardship Fund

The F&C Stewardship Fund seeks to invest in UK companies which make a positive contribution to society.

The negative ethical screening and investment in a single asset class (UK equities) results in this fund being highly volatile against the benchmark.

Objective

Performance will be compared to the FTSE All Share Index annualised over rolling five-year periods. Over rolling five-year periods, returns would typically be within $\pm 3\%$ per year of the index. However, it is recognised that due to ethical constraints applied to the Fund, this relative performance could be significantly different over some periods.

9. Long Dated Fixed Interest Fund

Objective

To produce a return in line with that from the Treasury 4.25% – 7 December 2055 gilt.

Manager and asset allocation	%
Legal & General Investment Management	100.0

10. Long Dated Index-Linked Fund

Objective

To produce a return in line with that from the Treasury 2% – 7 December 2035 gilt.

Manager and asset allocation	%
Legal & General Investment Management	100.0

This Strategy was approved by the Investment Committee on 18 November 2009.



With strength and stamina that are the envy of many an “able-bodied” athlete, wheelchair ball players achieve extraordinary speed and agility.