Statement of Investment Principles

For the Royal Pharmaceutical Society of Great Britain Staff Pension Scheme

Effective from: November 2024

1. Introduction

This Statement of Investment Principles ("SIP") has been produced by the Trustee of the Royal Pharmaceutical Society of Great Britain Staff Pension Scheme.

It sets out our policies on various matters governing investment decisions for the Royal Pharmaceutical Society of Great Britain Staff Pension Scheme (the "Scheme"), which is a Defined Benefit ("DB") Scheme.

This SIP replaces the previous SIP dated July 2023.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP.

We have consulted with the relevant employer in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy and at least once every three years.

This SIP contains the information required by legislation and considers the Pension Regulator's guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Scheme's investments, but which are not required to be included in this SIP.

2. Investment objectives

The primary objective for the Scheme is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, we have the following objectives:

- that the expected return on the Scheme's assets is maximised whilst managing and maintaining investment risk at an appropriate level. What we determine to be an appropriate level of risk is set out in Part 2 of the SIP addendum.
- that the Scheme should be fully funded on a technical provisions basis (ie the asset value should be at least that of its liabilities on this basis). We are aware that there are various measures of funding, and have given due weight to those considered most relevant to the Scheme.
- that we and the Company have a long-term target to reach buyout, ie to fully insure all the members benefits with an insurance company on an individual basis and wind-up the Scheme.

3. Investment strategy

In July 2014, we reduced investment risk by purchasing a bulk annuity policy, to match the liabilities in respect of the pensions in payment at that time.

In respect of the non-insured liabilities, with input from our advisers and in consultation with the employer, we reviewed the investment strategy for the Scheme in March 2024, considering the objectives described in Section 2.

The investment strategy for the Scheme (excluding the bulk annuity policy) is shown in the following table.

Asset class	Strategic allocation
Return-seeking portfolio	**23%**
Global equities	8%
Diversified growth funds	8%
Infrastructure	7%
Matching portfolio	**77%**
Liability Driven Investment ("LDI"), short duration credit and liquidity fund	
Total	**100%**

Our policy is to target the maximum expected return level subject to ensuring the level of investment risk is appropriate to reflect the Scheme's circumstances. We believe that the strategy above meets this objective.

There is no formal rebalancing policy. We monitor the asset allocation from time to time. If material deviations from the strategic allocation occur, we will consider with our advisers whether it is appropriate to rebalance the assets, considering factors such as market conditions and anticipated future cash flows.

Within the Matching portfolio, we have agreed to a liability hedge that aims to match around 100% of the Scheme's exposure to interest rate and inflation risk with regards to the funded, non-insured liabilities, as measured on a technical provisions basis. The Matching portfolio includes an allocation to a liquidity fund in line with the our policy of holding sufficient cash to cover at least one LDI collateral call.

We have adopted a de-risking framework with funding level triggers, in order to reduce the Scheme's investment risk over time.

We have put in place a mechanism to de-risk the investment strategy following improvements in the funding level. The objective of this mechanism is to increase the Scheme's interest rate and inflation hedging as the Scheme's funding level on the Technical Provisions basis increases.

Progression against this trigger will be considered at our regular meetings.

4. Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about the investment markets and which factors are most likely to impact investment outcomes.

We take an integrated approach when assessing risk and reviewing the investment strategy. In particular we take account of: the employer covenant, contributions, funding targets, liability profile (including interest rate and inflation sensitivities and the extent to which they are hedged) and the level of expected return and risk now and as the strategy evolves.

The primary ways that we manage investment risk is via diversification, ensuring that we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments. The Scheme's investment risk is measured using "Value at Risk". Further details of specific risks (for example equity risk, credit risk and currency risk) and how we measure and manage those risks is set out in Part 2 of the SIP addendum.

In setting the strategy for the Scheme it is our policy to consider:

- our investment objectives, including the target return required to meet these;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- the need for appropriate diversification between different asset classes to manage investment risk and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate.

Our **key investment beliefs**, which influence the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns
- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find, and therefore passive management is usually better value
- risk-taking is necessary to achieve return, but not all risks are rewarded. Equity, credit, and illiquidity are the primary rewarded risks. Risks that do not have an expected reward should generally be avoided, hedged, or diversified
- ESG factors should be considered when making investment decisions, and managers may be able to improve risk-adjusted returns by doing this
- voting and engagement are important and can create long term value which is in the best interest of Scheme members and therefore we encourage managers to improve their voting and engagement practices

5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

We have decided to appoint four managers to manage the Scheme's non-insured assets; details of the investment managers are set out in Part 3 of the SIP addendum.

We have signed investment management agreements with BlackRock Advisors (UK) Limited ("BlackRock") and Ruffer LLP ("Ruffer"), a terms of advisory services agreement with Columbia Threadneedle Investments ("CTI") and a Supplemental Proposal with Legal and General Investment Management ("LGIM"), setting out in detail the terms on which the portfolios are managed. The investment managers' primary role is the day-to-day investment management of the Scheme's investments.

We have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of the fund they are managing.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on assessments of the longer term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assesses this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, we will consider alternative arrangements.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments.

When appropriate, we, on the administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. Our preference is for investments that are readily realisable but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg long lease property). In general, our policy is to use cash flows to rebalance the Scheme's return seeking portfolio towards the strategic asset allocation.

7. Financially material considerations and non-financial matters

We consider how environmental, social, governance ("ESG") considerations (including but not limited to climate change) should be addressed in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

We influence the Scheme's approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material considerations (including climate change and other ESG considerations) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and review how the managers are taking account of these issues in practice for example by meeting with managers at Trustee meetings.

We encourage our managers to improve their ESG practices, although acknowledge that we have limited influence over managers' investment practices where assets are held in pooled funds and that the parameters of some pooled funds may limit the scope for significant incorporation of ESG factors.

We do not consider matters that are purely non-financial in nature (eg matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments.

8. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and is in the best interest of our members.

We seek to appoint investment managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations. We expect the managers to undertake voting and engagement in line with their stewardship policies, considering the long-term financial interests of investors.

As all of our investments are held through managers or pooled funds, we do not monitor or engage directly with issuers or other holders of debt or equity.

We monitor managers' activities in relation to ESG factors, voting and engagement on a regular basis. We seek to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with our expectations.

We have selected some priority ESG themes to provide a focus for our monitoring of investment managers' voting and engagement activities. We review the themes regularly and update them if appropriate. We communicate these stewardship priorities to the managers as appropriate and also confirm their more general expectations in relation to ESG factors, voting and engagement. If our monitoring identifies areas of concern, we will engage with the relevant manager to encourage improvements.

Our current priorities are:

- climate change
- business ethics
- diversity, equity and inclusion

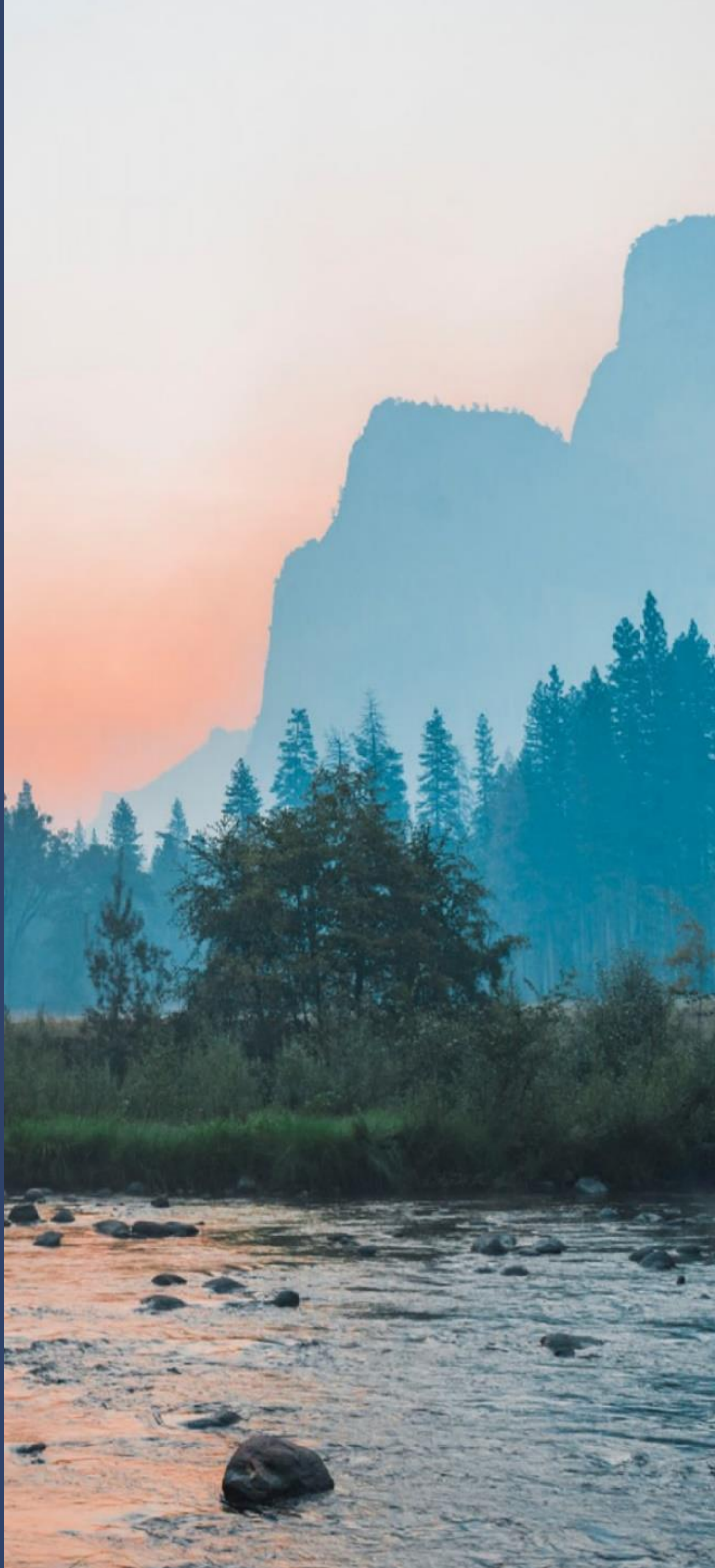
We chose these priorities because they are market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore, we believe it is in our members' best interests that our managers adopt strong practices in these areas.

Addendum to the Statement of Investment Principles

For the Royal Pharmaceutical Society of Great Britain Staff Pension Scheme

Effective from: November 2024

This addendum to the Statement of Investment Principles ("SIP") for the Royal Pharmaceutical Society of Great Britain Staff Pension Scheme (the "Scheme") has been produced by the Trustee of the Scheme. It sets out a description of various matters which are not required to be included in the SIP, but which are relevant to the Scheme's investment arrangements.



Part 1: Investment governance, responsibilities, decision-making and fees

We have decided on the following division of responsibilities and decision making for the Scheme. This division is based upon our understanding of the various legal requirements placed upon us and our view that the division of responsibility allows for efficient operation and governance of the Scheme overall. Our investment powers are set out within the Scheme's governing documentation.

1. Trustee

Our responsibilities include:

- setting the investment strategy, in consultation with the employer
- setting investment policies, including those relating to financially material factors and the exercise of rights and engagement activities in respect of these investments
- putting effective governance arrangements in place and documenting these arrangements in a suitable form
- monitoring, reviewing, engaging with and replacing investment managers, investment advisers, actuary, and other service providers
- monitoring the exercise of investment powers that we have delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995 (as amended)
- communicating with members as appropriate on investment matters, such as our assessment of our effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged
- reviewing the SIP and modifying it as necessary.

2. Investment managers

The investment managers' responsibilities include:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments
- providing regular information concerning the management and performance of their respective portfolios, including information on voting and engagement undertaken
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios are responsible for safe keeping of assets and facilitating all transactions within the portfolios.

3. Investment adviser

The investment adviser's responsibilities include:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
- advising on and monitoring liability hedging and collateral management
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations)
- assisting us with reviews of this SIP.

4. Fee structures

The provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets. We have agreed Terms of Business with the Scheme's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management.

The fee structure used in each case has been selected with regard to existing custom and practice, and our view as to the most appropriate arrangements for the Scheme, and we keep the fee structures under review.

5. Performance assessment

We are satisfied that there are adequate resources to support our investment responsibilities, and that we have sufficient expertise to carry out our role effectively. It is the our policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. We will also periodically assess the effectiveness of our decision-making and investment governance processes and will decide how this may then be reported to members.

6. Working with the sponsoring employer

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, we seek to give due consideration to the employer's perspective. Whilst the requirement to consult does not mean that we need to reach agreement with the employer, we believe that better outcomes will generally be achieved if the we work with the employer collaboratively.

Part 2:
Policy towards risk

1. Risk capacity and appetite

Risk capacity is the maximum level of risk that we consider to be appropriate to take in the investment strategy. Risk appetite is how much risk we believe is appropriate to take in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

When assessing risk appetite and risk capacity, we consider:

- the strength of the employer's covenant and how this may change over time
- the agreed journey plan and employer contributions
- the Scheme's long-term and shorter-term funding targets
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged
- the Scheme's cash flow and target return requirements
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

As at 31 December 2023, the Scheme's one year 95% Value at Risk of the strategic asset allocation was estimated to be around £1.7m[1]. This means that there is estimated to be a 1 in 20 chance that the Scheme's funding position will worsen by £1.7m or more, compared to the expected position, over a one year period. When deciding on the current investment strategy, we believed this level of risk to be appropriate given the Scheme's objectives and the employer's risk appetite and capacity.

2. Approach to managing and monitoring risks

There are different types of investment risk that are important to manage, and we monitor these on a regular basis. These include, but are not limited to:

Risk of inadequate returns

A key objective is that the assets produce a sufficient long-term return in excess of the liabilities, and we have set an appropriate target return for the assets accordingly. There is a risk that the return experienced is not sufficient. This risk has been considered in setting the investment strategy.

Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type (eg equities), could materially adversely affect the Scheme's assets. We believe that the Scheme's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Scheme's investment arrangements.

Equity risk

We believe that equity risk is a rewarded investment risk, over the long term. We consider exposure to equity risk in the context of the Scheme's overall investment strategy and believe that the level of exposure to this risk is appropriate.

Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme invests in pooled funds and is therefore directly exposed to credit risk in relation to solvency of the investment manager and custodian of those funds.

The Scheme is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, where they invest in bonds and derivatives. The Scheme's diversified growth fund and short duration credit portfolios hold a portion of their assets in corporate bonds. The exposure to credit risk in these portfolios will vary over time depending on how the managers change the underlying asset allocation to reflect their market views. There is also credit risk

[1] More details, including the underlying assumptions, available on request.

associated with the buy-in policy with Aviva, which we considered before the policy was taken out.

Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to indirect currency risk because some of the Scheme's investments are held in overseas markets, via the diversified growth and equity pooled funds. We consider the overseas currency exposure in the context of the overall investment strategy, and believe that it diversifies the strategy and is appropriate. All of the Scheme's pooled funds are accessed via a Sterling share class; therefore the Scheme is not subject to direct currency risk.

Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bonds and interest rate swaps (via the LDI and short duration credit pooled funds) and a buy-in policy. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities.

We consider interest rate, inflation and overseas currency risks to be generally unrewarded investment risks.

As a result, we aim to hedge around 100% of the Scheme's exposure to interest rate and inflation risk with regards to the funded, non-insured liabilities as measured on a technical provisions basis, by investing in leveraged LDI arrangements managed by CTI. We also have a plan in place to increase this level of hedging over time as the Scheme's funding level improves.

The net effect of our approach to interest and inflation risk will be to reduce the volatility of the funding level, and so we believe that it is appropriate to manage exposures to these risks in this manner and to review them on a regular basis.

Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, we receive written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. We monitor the investments regularly against their objectives and receive ongoing professional investment advice as to their suitability.

Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). We seek to appoint investment managers who will manage this risk appropriately, and we monitor how this risk is being managed in practice.

Other environmental, social and governance (ESG) risks

ESG factors are sources of risk which could be financially material, over both the short and longer term. These include risks relating to, unsustainable or socially harmful business practices, and unsound corporate governance. We seek to appoint investment managers who will manage these risks appropriately and monitor how these risks are being managed in practice.

Illiquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due, or that the Scheme will become a forced seller of assets in order to meet benefit payments. We are aware of the Scheme's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments.

Counterparty risk

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation. This risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

In particular, CTI makes use within its LDI funds of derivative and gilt repos contracts and these fund is used to match efficiently a portion of the Scheme's liabilities. Counterparty risk is managed within the fund through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements.

Collateral adequacy risk

The Scheme is invested in leveraged LDI arrangements to provide hedging against adverse changes in interest rates and inflation expectations. From time to time, depending on market movements, additional cash may need to be invested in the LDI portfolio in order to support a given level of leverage.

Collateral adequacy risk is the risk that the cash required to maintain the hedging protection is not available for use within the LDI portfolio within the required timeframe. A possible consequence of this risk materialising is that the Scheme's interest rate and inflation hedging could be reduced, potentially leading to a worsening of the Scheme's funding level.

To mitigate this risk, we have a leverage management plan in place, which is reviewed and updated periodically. This sets out clearly the assets directly available to support the Scheme's LDI arrangements and the approach that is expected to be taken with regards to selling down any other assets to support the LDI arrangements. As part of this leverage management plan, we periodically monitor the impact of movement in interest rates and inflation expectations and how that compares to the change that can be supported by the assets invested in the LDI arrangements and those directly supporting those arrangements.

We have also given consideration to what further measures could be taken should the assets referred to in the leverage management plan prove insufficient to support the LDI arrangements, for example, raising additional money from other Scheme assets and/or sourcing money from the employer in the short term.

Other price risk

Indirect other price risk arises principally in relation to the Scheme's diversified growth fund, global equity and listed infrastructure portfolios, which are held via investments in pooled vehicles. Through these pooled vehicles the Scheme accesses exposure to a number of asset classes, which includes (but is not limited to) equities, corporate and overseas bonds and commodities. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

Other non-investment risks

We recognise that there are other, non-investment, risks faced by the Scheme. We take these into consideration as far as practical in setting the Scheme's investment arrangements.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Both investment and non-investment risks can lead to the funding position materially worsening. We regularly review progress against the funding target.

Part 3:
Investment manager arrangements

Return-seeking portfolio

We have selected BlackRock, Ruffer and LGIM as the investment managers of the Scheme's return-seeking portfolio.

1. BlackRock – Global equity

The Scheme invests in global equities through a pooled fund called the Aquila Life 60:40 Global Equity Fund S1. This fund invests in UK and overseas equities and is benchmarked against the following allocations:

- 60% FTSE All Share
- 40% overseas equities[2]

The fund seeks to achieve returns in line with its benchmark (before fees). The target tracking error for this fund relative to its benchmark is 0.4% pa over three year periods.

2. Ruffer – Diversified growth

We have selected Ruffer as the investment manager for the Scheme's diversified growth fund assets, through a pooled fund called the LF Ruffer Absolute Return C Acc Fund.

Ruffer's performance objective is firstly to preserve capital over rolling twelve-month periods and secondly to grow the portfolio at a higher rate (after fees) than could reasonably be expected from the alternative of depositing the cash value of the portfolio in a reputable United Kingdom bank.

The fund is priced weekly on a Wednesday and the last business day of the month, is open-ended and not listed on a stock exchange.

3. LGIM – infrastructure

We have selected LGIM as the investment manager for the Scheme's infrastructure assets, through a pooled fund called the APAE – Infrastructure Equity MFG Fund – GBP Hedged.

LGIM's performance objective is to return broadly in line with the Magellan Financial Group ("MFGAM") Core Infrastructure Index and the fund is daily dealt.

Matching portfolio

We have selected Aviva UK ("Aviva") as the provider for the bulk annuity policy and CTI and BlackRock as the investment managers for the remainder of the Scheme's matching portfolio.

1. Aviva

The bulk annuity policy covers the majority of the pensions in payment. The objective of the policy is to match the Scheme's benefit payments relating to those pensions covered by the policy.

2. BlackRock

BlackRock has been selected as the manager of the Scheme's short duration credit mandate. The Scheme is invested in the BlackRock Sustainable Sterling Short Duration Credit Fund I Accumulating GBP.

The objective of the fund is "to provide a return on your investment over a period of between 1 to 3 consecutive years beginning at the point of investment, (generated through an increase in the value of the assets held by the Fund and/or income received from those assets) of 1.5% per annum (gross of fees) over the return of SONIA".

The fund is daily dealt, open-ended and not listed on any stock exchange.

3. CTI

The Scheme invests in LDI and liquidity funds managed by CTI, as set out below.

3.1 LDI

CTI has been selected as the manager of the Scheme's LDI mandate. The Scheme is invested in the CTI Real Dynamic LDI Fund and the CTI Nominal Dynamic LDI Fund.

The objective of the Real Dynamic LDI Fund and Nominal Dynamic LDI Fund is

[2] Overseas equities are split 33% US, 33% Europe Ex-UK, 17% Japan and 17% Pacific Rim.

to provide a hedge against real rate (i.e. nominal and inflation risks inherent in the liabilities) and nominal rate liabilities respectively, by the manager's use of a number of hedging assets. In practice, CTI manages the funds to maintain an appropriate level of fund resilience.

The dynamic LDI funds are priced daily, open-ended and not listed on any stock exchange.

3.2 Liquidity fund

The Scheme invests in the CTI Sterling Liquidity Fund. For assets in this fund, the objective is to provide a vehicle that will maintain high levels of liquidity, preserve capital and generate a return in line with the GBP 7-Day LIBID. The Sterling Liquidity Fund will typically invest in cash and short dated bonds issued by governments or supranational organisations.

The Sterling Liquidity Fund is priced daily, open-ended and not listed on any stock exchange.