Investment Beliefs

Governance

A well run fund offers a number of benefits, most notably improving funding outcomes.

1. The Fund's investment strategy should be reviewed using asset liability modelling in conjunction with each actuarial valuation.

2. The Panel has a preference for avoiding a large number of separate manager relationships.

3. Fees and costs incurred within investment manager mandates are important though the emphasis is on achieving the best returns for the Fund net of fees.

4. Active management of the Fund’s investments is expected to provide higher returns net of fees to the Fund over the long term than passive (index-tracking) investment.

5. The performance of active managers should be assessed over suitably long periods.

Structural

There exists a relationship between the level of risk taken and the rate of expected investment return.

6. As the Fund remains open to new members and employer covenants are generally strong, it is appropriate to take a long term view when setting the investment strategy.

7. There is expected to be a long term risk premium to be earned from investing in equities, credit, property and illiquid assets, relative to government bonds.

8. Illiquid investments should be considered where an attractive premium return is expected to be available, though the total allocation within the Fund will be limited.

9. Local investments should be considered, though the risks and expected returns should be commensurate with comparable investment opportunities elsewhere.

Strategic

Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy.

10. The level of risk within the investment strategy should be considered in conjunction with the funding position of the Fund. Different levels of risk may be taken at different funding levels.

11. The Fund should take investment risk in order to meet its objective of stable and affordable contribution rates for employers.

12. The Panel should not take short term tactical asset allocation positions relative to the strategic asset allocation.

13. The Panel do not expect the Fund's managers to take substantial short term tactical asset allocation positions relative to their benchmarks. Mandates will be defined accordingly.

Responsible Investment

Environmental, social and governance (**ESG**) considerations should all be taken into account when making and holding investments.

14. Well managed companies will produce superior returns for the Fund over the long term.

15. The Fund should exercise its voting rights as fully as possible.

16. The Fund should engage with managers on environmental, social and governance issues relating to its investments.

17. Corporate engagement is preferred to exclusion of stocks from the Fund.