

Statement of Investment Principles

This is the Statement of Investment Principles made by the Trustees of the Conservative Agents' Superannuation Fund ("the Fund") in accordance with the Pensions Act 1995 (as amended) and The Occupational Pension Schemes (Investment) Regulations 2005 (as amended). It is subject to periodic review by the Trustees at least every three years and without delay after any significant change in investment policy.

In preparing this Statement, the Trustees have taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

Fund Objective

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis. The Trustees' over-riding funding principles for the Fund are as follows – to set the Party's contributions at levels which are sufficient:

- to recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- so that there are always sufficient assets of the Fund (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

The Fund is closed to new members and future accrual and therefore there are no active members. The value of liabilities is calculated on the basis agreed by the Trustees on the advice of the Scheme Actuary. The funding position is monitored regularly by the Trustees and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Investment Strategy

The Trustees have translated their objectives into an asset allocation benchmark for the Fund. The strategic benchmark is consistent with the Trustees' view on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

The investment strategy takes account of the following:

- the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioners);
- the level of risk tolerance of the Trustees;
- the level of disclosed surplus or deficit (relative to the funding bases used); and
- the Trustees' view of the covenant of the Party.

The Trustees have an Investment Committee (IC) to review the investments on a regular basis. Recommendations are made to the full Trustee Board for agreement. The IC monitors the performance of the funds relative to agreed asset allocation benchmarks. It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund, and more frequently if required. In reviewing the strategy, the Trustees will seek written advice as required.

Implementation of investment strategy

Choosing of Investments

All day-to-day investment decisions have been delegated to authorised Investment Managers. All Investment Managers are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Fund invests across a range of asset classes including listed equities, fixed interest and index-linked bonds, private equity, credit and cash. Given the size and nature of the Fund, the Trustees have decided to invest the Fund's assets on a pooled fund basis across active and passive managers. The objective of passive investment management is to match the performance of the underlying index. Active managers have the discretion to purchase securities with the objective of outperforming an investment benchmark. The Trustees are satisfied that the pooled funds selected are consistent with the objectives of the Fund, particularly in relation to diversification, risk, expected return and liquidity.

Kind of investments to be held

The Fund may invest in quoted and unquoted securities in UK and overseas markets including equities, fixed interest and index-linked bonds, commodities, alternatives, hedge funds, higher yielding bonds, loans, cash and property, either directly or through pooled funds (including Exchange-Traded Funds (ETFs)).

The Fund may also make use of derivatives and contracts for difference (either directly or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks.

The Trustees consider all of these classes of investment to be suitable in the circumstances of the Fund.

Balance between different kinds of investment

The Fund's Investment Managers will hold a mix of investments which reflects their views relative to their respective benchmarks. It is intended each manager will maintain a diversified portfolio through direct investment or pooled vehicles.

Expected return on investments

Over the long term, the overall level of investment returns is expected to exceed the rate of return assumed in the funding of the Fund.

Realisation of investment

The Fund's cash investments and majority of the pooled funds allow the Trustees to realise assets at short notice, to meet any liquidity needs as they become due.

Manager engagement

The Trustees have appointed each of its Investment Managers to deliver a specific benchmark or performance target, which together aim to deliver the broader investment strategy objectives. The Trustees require that all manager appointments have clearly defined benchmarks, objectives and management parameters.

Where appropriate, and where commercial considerations permit, the terms of the mandate and the basis on which the Manager is engaged will be defined specifically for the Fund. Where such tailoring is not directly achievable, the Trustees will invest in pooled funds where the objectives of the fund and the policies of the Investment Manager will be evaluated by the Trustees so that they are appropriate for the needs of the Fund.

The IC reviews the nature of Fund's investments on a regular basis, with particular reference to suitability and diversification and report this to the Trustees. The IC reviews the performance of each of the Fund's mandates on a regular basis against a series of metrics, including financial performance against the benchmark and objectives of the mandate. Material deviation from performance or risk targets is likely to result in a deeper investigation. The IC draws input from its investment adviser to support any such review of and engagement with its Investment Managers and ongoing review is not limited to financial performance alone, and may include risk management, environmental, social, governance (ESG) and stewardship practices, investment process and operational issues. Where necessary, the IC will highlight any areas of concern identified during such reviews to the Manager as part of its engagement process.

The Trustees recognise the long-term nature of its liability profile and appoints its Managers to invest in such a way that generates long-term sustainable returns. The duration of each mandate is determined by the Trustees at the inception of each mandate. For open-ended investments, the Trustees expect the minimum duration of the appointment will be at least three years, this being the period over which performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy. For close-ended investments, the Trustees expect the term of the appointment to be the lifetime of the investment.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustees may agree to a fee structure where the Manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustees periodically review the fees paid to their Managers with support from their investment advisor.

The Trustees have expectations of the level of turnover within each mandate, based on the investment advisers' knowledge of the Managers, investment process and the nature of the portfolio. Whilst the Trustees expect performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustees expect Managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period. The IC and the investment advisor will challenge its Managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive. The investment advisor will request turnover costs incurred by the asset manager over the Fund's reporting year in preparing the annual implementation statement.

The Trustees hold assets invested separately from the main fund, which secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions (AVC). The Trustees note that the AVCs are held through an insurance contract.

Risk

The Fund is exposed to a number of risks which may mean the Trustees' objectives are not fully met. The principal risks affecting the Fund are set out below.

Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of the Fund's benefits.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or Investment Managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities. Climate change is a particular systemic risk that has the potential to cause economic, financial and demographic impacts.
- Sponsor risk – This is the risk of the sponsor ceasing to exist or having insufficient resources to meet the agreed recovery plan.

The Trustees monitor the financial mismatch by reviewing the Fund's asset allocation and investment returns relative to the strategic benchmark on at least a biannual basis and progression of the assets relative to liabilities. Following a recent review, the Trustees agreed to make a 10% switch (of total assets) from fixed income to the global equity portfolio in May 2025.

The Trustees keep mortality and other demographic assumptions, which could influence the cost of benefits, under review. These assumptions are considered formally at triennial valuations by the Scheme Actuary.

The Trustees seek to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

The Trustees receive independent covenant advice as required.

Asset risks

- Concentration – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity – The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance – The failure by the fund managers to achieve the rate of investment return assumed in their mandates.
- Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.
- Climate risk – The extent to which climate change causes a material deterioration in asset values.

The Trustees manage asset risks as follows. The Trustees provide a practical constraint on Fund investments deviating from the Trustees' intended approach (beyond an agreed threshold) by monitoring the Fund's asset allocation on at least a biannual basis. The Fund's Investment Managers have a defined objective and Manager process which taken in aggregate, aims to constrain risk within the mandates' expected parameters.

By investing across a range of assets and establishing a 'cash ladder' portfolio, the Trustees recognise the need to access funds in the short term to pay benefits. These investments are in liquid, high quality fixed income assets (including cash).

In spreading the investments across multiple Investment Managers, the Trustees have considered the risk of underperformance of any single Investment Manager.

The Trustees do not expect Managers to take excess short-term risk and will regularly monitor the Managers' performance against the benchmarks and objectives set on a short, medium and long term basis.

Other provider risks

- Transition risk – The risk of incurring unexpected costs in relation to the transition of assets among Managers.
- Credit default – The possibility of default of a counterparty in meeting its obligations.

The Trustees monitor and manage risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed Investment Managers as appropriate (e.g. custody risk in relation to pooled funds). When carrying out transitions, the Trustees seek investment advice.

Consideration of financially material factors in investment arrangements

The Trustees recognise that the consideration of financially material factors, which includes ESG factors and climate change, is relevant at different stages of the investment process. The Trustees further recognise that the financial materiality of any factor is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others.

The Trustees will consider such factors in the development and implementation of their investment arrangements, for the purposes of determining the selection, retention and realisation of investments, where there is sufficient data or evidence to allow them to systematically do so. Where there is not sufficient data or evidence, they will request that their Investment Managers take such considerations into account within their decision making.

Strategic considerations

The strategic benchmark has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect most financially material factors.

Selecting Investment Managers

The Trustees expect its Investment Managers to take all financially material factors into account in implementing the Trustees' strategy where relevant and the terms of the mandate permit.

- In passive mandates, the Trustees recognise that the choice of benchmark dictates the assets held by the Investment Manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustees accept that the role of the passive manager is to deliver returns in line with the market and believe this approach is in line with the basis on which its current strategy has been set. The Trustees will review the appropriateness of index benchmarks as required.

- In active mandates, the Trustees recognise that the Manager has freedom to exercise discretion as to the choice of assets held. The Trustees expect the Manager to take into account all financially material factors in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged. Given the inherent uncertainty, the Trustees have not made explicit allowance for the risks of climate change in setting their strategic benchmark

In selecting new Investment Managers for the Fund, where relevant to the investment mandate, the Trustees take advice from their investment advisor on the Manager's approach to responsible investment and the extent to which they integrate ESG issues in the investment process as a factor in decision-making.

Consideration of non-financially material factors in investment arrangements

Non-financially material factors are the views of members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Fund.

The Trustees have not imposed any exclusions on investment arrangements based on non-financially material factors.

Stewardship & Engagement

The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with Investment Managers and the monitoring of compliance with agreed policies.

Voting and engagement

The Trustees have adopted a policy of delegating voting decisions on stocks to their Investment Managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The Investment Managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where appropriate, the Trustees will engage with and may seek further information from their Investment Managers on how portfolios may be affected by a particular issue.

The Trustees do not engage directly but believe it is appropriate for its Investment Managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks. Where necessary, Investment Managers are expected to notify the Trustees of any issue on which it may be beneficial for the Trustees to undertake further engagement. The Trustees will review engagement activity undertaken by their Investment Managers as part of its broader monitoring activity.

Responsibility for investment decisions has been delegated to the Investment Managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where Managers are responsible for investing in new issuance, the Trustees expect the Manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustees separately consider any conflicts of interest arising in the management of the Fund and its investments and, each Manager has an appropriate conflict of interest policy in place.

Monitoring

The Trustees receive a formal investment monitoring report from its investment advisor on a biannual basis which covers a number of areas including performance, risk metrics, key business activities at the Managers and the advisor's in-house research ratings.

Additional Voluntary Contributions (AVCs)

The Trustees give members the opportunity to invest in a range of vehicles at the members' discretion.

Appendix

The Fund's Managers, and their strategic allocations are listed in the table below. This reflects the 10% switch into equities that was made in May 2025.

Fund	Target Weight (%)	Benchmark Index
Vanguard Global Equity	20.0	FTSE All World Index
Partners Capital Condor Private Equity	5.0	State Street All PE Index
M&G LION Credit Opportunity Fund IV	8.0	SONIA/Euribor + 1-3%
L&G Buy and Maintain Credit	10.0	n/a
L&G > 15yr Gilts	36.0	FTSE A UK Conv Gilts >15 Y
L&G > 15yr Index-Linked Gilts	18.0	FTSE A UK Index-Linked Gilts >15
Cazenove Cash	0.0	UK Treasury Bills 3 Months
Trustee Bank Account	3.0	n/a

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