

HYMANS ROBERTSON LLP

## The six investment beliefs adopted by the Council (14<sup>th</sup> August 2013)

| Investment belief |   | What does this mean for the Scheme?   | Policy outcome  |
|-------------------|---|---|---|
| 1                 | Investment strategy is the Committee's key risk-control lever | Setting the split between asset classes is the key determinant of the level of investment returns and downside risk                                     | The Committee/Council will continue to set the benchmark asset allocation, and this strategy will be consistent with the Scheme's funding objectives without taking too much risk relative to liabilities |
| 2                 | Taking investment risk will be rewarded                       | Investing in equities, credit and property etc. will achieve higher returns than gilts over the long term   | Whilst the Scheme's objectives are long term (and contributions exceed benefits paid out), the investments will include a proportion of growth assets   |
| 3                 | Diversification improves stability of returns                 | Investing in a wide range of different types of assets with different return characteristics will reduce the variability of returns over the short term | Invest in growth assets across a broad balanced portfolio of equities, absolute return and property   |
| 4                 | Fees matter   | Fees should be minimised unless value is expected from the expense  | UK equities and gilts will in the future be managed on an index-tracking basis, whilst global equities, credit and property will be managed actively  |
| 5                 | Liquidity premiums are available in some markets              | Holding assets that cannot be sold quickly will produce higher returns  | Invest in illiquid assets such as property and corporate bonds as the Scheme's objectives are long term and there is no need to realise assets in the short term  |
| 6                 | Governance capacity is a constraint                           | Creating a complex structure will require significant resources to monitor and manage   | Given time and cost constraints, only invest in assets that are relatively straight forward and the Committee understand, and across a sensible number of managers  |