HOBURNE PENSION FUND

STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2020

1. INTRODUCTION

The Trustees of Hoburne Pension Fund (the 'Fund') have adopted this Statement of Investment Principles (the 'Statement') to comply with the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005. This Statement replaces all previous Statements.

When making their investment decisions and reviewing this Statement, the Trustees obtained and considered the written advice of Cartwright Benefit Solutions Limited, whom the Trustees reasonably believe to be qualified by its ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes. Cartwright Benefit Solutions Limited is also authorised under the Financial Services and Markets Act 2000 to provide investment advice to the Trustees.

Whilst the Trustees are solely responsible for the Fund's investment strategy, the Trustees consulted Hoburne Limited (the 'Employer') on both the investment decisions taken by the Trustees and this Statement's content.

2. INVESTMENT OBJECTIVES

The primary investment objective of the Trustees is to ensure that the Fund will be able to pay all beneficiaries in full as and when their benefits fall due, taking into account the existing assets, the investment returns expected to be achieved, and the contributions from the Employer.

To increase the certainty of achieving the primary investment objective, the Trustees will aim to reduce the Fund's investment risk where possible and practical to do so, subject to still targeting sufficient investment returns. The level of investment risk will also be considered in the context of the ability and willingness of the Employer to support the investment risk being taken and the impact changes in financial market conditions may have on the Employer's future contribution requirements.

The Trustees understand that the Employer is willing to accept some volatility in the Employer's contribution requirements in the expectation that the total contributions payable would be lower than they otherwise would be (although in practice the actual contributions required could be much higher or much lower if the investments perform differently to expected).

3. INVESTMENT STRATEGY

The Trustees' investment strategy for the Fund is described in the Appendix. The key considerations when designing it were as follows.

(a) The Fund's "growth assets" are chosen such that they are expected to grow by more than the Fund's liabilities over the longer-term, and are diversified by asset class, geographical area, industry sector and company.

(b) The Fund's "protection assets" are chosen such that they are expected to move similarly to the Fund's liabilities over both the shorter- and the longer-term, thereby reducing the potential volatility of the Fund's deficit (ie the difference between the Fund's liabilities and the Fund's assets).

(c) The split between growth assets and protection assets is such that the overall longer-term expected investment return (net of costs) is sufficient to reasonably anticipate all beneficiaries to be paid in full. However, this is subject to the Fund's overall investment risk and deficit volatility continuing to be supported by the strength of the Employer's covenant.

(d) Overall, the Fund's assets should be sufficiently liquid to enable all beneficiaries to be paid as and when their benefits fall due. To support this, and to help to avoid the Trustees needing to disinvest from the more volatile assets when financial markets are stressed, a lower volatility diversified growth fund has been chosen for immediate cash flow requirements in conjunction with any Employer contributions.

4. RISK MEASUREMENT AND MANAGEMENT

The Trustees regularly review a wide range of risks to which the Fund is exposed and mitigates these risks where possible and practical to do so. The Trustees believe that the investment strategy adopted is consistent with the agreed risk management policy.

The Trustees' policies on the key investment-related risks are as follows:

- Employer covenant: the investment risk taken by the Fund is underwritten by the Employer because, should investment returns not be achieved as expected over the longer-term, the Employer will ultimately be required to increase its contributions to enable all beneficiaries to be paid in full. The Trustees regularly monitor the Employer's covenant and considers the level of the Fund's investment risk in light of the strength of the Employer's covenant.

- Mismatch risk: the inherent nature of the assets and the liabilities, and the need for the Fund to take some investment risk to reduce the deficit over time, means that the assets and liabilities are not expected to move in tandem under all financial market conditions and the deficit may rise or fall as a result. The Trustees explicitly take the Fund's liabilities into account when setting the investment strategy (including their nature and duration) and aims to diversify across and within the different risk factors were appropriate. The Trustees may look to further reduce the level of mismatch risk as the funding level improves.

- Active manager risk: the Trustees recognise that actively managed funds can under- or out-perform their benchmark indices. Actively managed funds are therefore used for asset classes where the Trustees believe that the chosen investment manager is likely to consistently and sustainably either out-perform the benchmark index, reduce the volatility of investment returns, or both.

- Diversification: in addition to diversifying across different risk factors (see above), where appropriate, the Trustees also diversify across asset classes, counter-parties, and geographically. This helps to avoid excessive concentrations of risk. To achieve cost-effective diversification, the Fund's assets are all invested in pooled funds.

- Liquidity: to pay beneficiaries, the Trustees are increasingly expected to need to regularly liquidate some of the invested assets to supplement any cash held in the Trustees' bank account and Employer contributions. Some asset classes can be relatively illiquid and/or volatile, creating disinvestment delays or crystallising potentially short-term investment losses. The Trustees regularly review the Fund's income and outgo in the context of the overall liquidity of the invested assets (ie this allows a proportion of the Fund's assets to be relatively illiquid if deemed appropriate). The Trustees also have an investment/disinvestment cash flow policy (see the Appendix) to help to ensure beneficiaries are paid as and when their benefits fall due. The selection, retention, and realisation of investments within each investment fund is delegated to the relevant investment manager.

- Derivatives: derivatives tend to involve leverage to magnify the exposure to certain financial instruments. All the derivatives used by the Fund either contribute to the reduction of risk or are used for efficient portfolio management. The diversified derivative counter-party exposure and the collaterisation process are delegated to, and kept under regular review by, each investment manager.

- Environmental, Social and Governance (ESG) / climate change: There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. The Trustees have considered ESG issues including climate change as part of the investment process.

- Regulatory: the Fund's assets are invested on regulated markets.

5. MONITORING THE INVESTMENT STRATEGY

The Trustees regularly review the performance of the investment strategy, including: the performance of the Fund's assets against the Fund's liabilities, the actual asset allocation against the strategic asset allocation, each investment funds' performance against their benchmark index, and the investment/disinvestment cash flow policy.

The Trustees will formally review and obtain written investment advice on the suitability of the investment strategy at least every three years in line with the timing of each triennial actuarial valuation. These reviews will include the ongoing suitability of the retention of the investment funds used.

Certain parts of the investment strategy may be reviewed more frequently if required.

6. FEE STRUCTURES

The investment managers are each paid a percentage of the market value of the assets within their fund(s). The investment platform provider is paid a percentage of the assets on its platform. No additional performance fees are payable. Some operational expenses are also incurred by each fund to cover administration, audit, legal and custodial costs, along with the transaction costs associated with the buying and selling of the underlying securities as the investment manager changes the constituents of the fund over time (particularly for actively managed funds).

The investment adviser is paid on a time-cost, fixed fee or other basis, as agreed from time-to-time between the Trustees and the investment adviser.

7. FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees have considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. An estimate of the potential time horizon is included in the Appendix and will be reviewed at least every 3 years when the investment strategy is reviewed. The Trustees believe that ESG factors (including climate change risks) can potentially have a material positive or negative financial impact on the Scheme.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. The Trustees acknowledge that they cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustees do expect their fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustees accepts that the Scheme's assets are subject to the investment managers' own policies on socially responsible investment. The Trustees will assess that these correspond with their responsibilities to the beneficiaries of the Scheme with the help of their investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustees expect the investment managers to adhere to the United Nations Principles for Responsible Investment (UNPRI) or to otherwise evidence that they adopt best industry practice on ESG and Stewardship.

The Trustees will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;

- Use ESG ratings information provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and

- Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustees determine that financially material considerations have not been factored into the investment managers' process, they will take this into account on whether to select or retain an investment.

8. NON-FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees have not considered non-financially material matters in the selection, retention and realisation of investments.

9. STEWARDSHIP

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment managers on the Trustees' behalf, having regard to the best financial interests of the beneficiaries.

The investment managers should engage with companies to take account of ESG factors in the exercise of such rights as the Trustees believe this will be beneficial to the financial interests of members over the long term. The Trustees will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustees also expect the investment manager to engage with investee companies on the capital structure and management of conflicts of interest.

If the policies or level of engagement are not appropriate, the Trustees will engage with the investment manager, with the help of their investment consultant, to influence the investment managers' policy. If this fails, the Trustees will review the investments made with the investment manager.

The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

10. INVESTMENT MANAGER ARRANGEMENTS

Incentives to align investment managers' investment strategy and decisions with the trustees' policies

The Scheme invests in pooled funds and so the Trustees acknowledge the fund's investment strategy and decisions cannot be tailored to the Trustees' policies. However, the Trustees set their investment strategy and then selects managers that best suits its strategy taking into account the fees being charged, which acts as the fund managers incentive.

The Trustees use the fund objective/benchmark as a guide on whether its investment strategy is being followed and monitors this regularly.

Incentives for the investment manager to make decisions based on assessments about medium to long-term financial and nonfinancial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustees select managers based on a variety of factors including investment philosophy, and process, which it believes should include assessing the long term financial and non-financial performance of the underlying company.

The Trustees also consider the managers voting and ESG policies and how it engages with the company as it believes that these factors can improve the medium to long-term performance of the investee companies.

The Trustees will monitor the fund managers' engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustees expect their managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustees acknowledge that in the short term, these policies may not improve the returns it achieves, but do expect those companies with better financial and non-financial performance over the long term will lead to better returns for the Scheme.

The Trustees believe the annual fee paid to the fund managers incentivise them to do this.

If the Trustees feel that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies

The Trustees review the performance of each fund quarterly on a net of fees basis (where this is possible) compared to its objective.

The Trustees assess the performance periods of the funds over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The fund managers' remuneration is considered as part of the manager selection process and is also monitored regularly with the help of its investment consultant to ensure it is in line with the Trustees' policies.

How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustees, with the help of their investment consultant, monitor the portfolio turnover costs on an annual basis.

The Trustees defines target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manager. This is monitored on an annual basis.

The duration of the arrangement with the asset manager

The Trustees plan to hold each of its investments for the long term but will keep this under review.

Changes in investment strategy or change in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

11. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Some members have obtained further benefits by paying Additional Voluntary Contributions ('AVCs') to the Fund's Legal and General Investment Management Limited (LGIM) AVC policy. The AVCs are money purchase in nature, ie the liabilities in respect of these AVCs are equal to the value of the investments bought with the contributions. The AVC arrangement is reviewed from time to time.

12. FUTURE REVIEW

The Trustees will review this Statement at least every three years and without delay after any significant change in investment policy.

Any such review will be based on written investment advice from someone whom the Trustees reasonably believe to be qualified by his or her ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes. The Employer will also be consulted.

Signed ……………………………………….. Date ……………………………………
For and on behalf of the Trustees of the Hoburne Limited Pension Fund.

APPENDIX – OVERVIEW OF THE FUND'S INVESTMENT STRATEGY

1. Choosing Investments

The Trustees have adopted the investment strategy described below, which consists of a strategic asset allocation, target hedge ratios, and investment/disinvestment cash flow policy. The strategic asset allocation determines how the Fund's assets are split between different asset classes, and results in an overall longer-term "best estimate" expected investment return and an estimated date for the assets to reach the long term solvency target. The Trustees subsequently selected which investment manager and funds are used to implement each asset class – all the investment managers are regulated under the Financial Services and Markets Act 2000.

The Trustees have chosen Mobius Life Limited as the Fund's execution only investment platform provider to hold the funds listed below and to help to streamline the Scheme's investment administration. Mobius Life Limited is authorised by the Prudential Regulation Authority and regulated by both the Financial Conduct Authority and the Prudential Regulation Authority.

Asset class	**Investment manager**	**Investment fund**	**Management style**	**Strategic asset allocation**
Global equities	Legal & General Investment Management Limited	Global Equity Market Weights (30:70) Index - 75% GBP Currency Hedged	Index-tracker	35%
Property	Legal & General Investment Management Limited	L&G Managed Property Fund	Active	15%
Diversified growth	Legal & General Investment Management Limited	L&G Dynamic Diversified Fund	Active	20%
	Jupiter Asset Management Limited	Strategic Bond Fund	Active	10%
Growth assets				**80%**
LDI	BMO Global Asset Management	BMO LDI Nominal Dynamic	Protection	20%
LDI	BMO Global Asset Management	BMO LDI Real Dynamic		
Protection assets				**20%**
Total				**100%**
Overall longer-term "best estimate" expected return (net of investment management charges)*				5.2% pa
Target interest rate hedge ratio relative to the long term solvency target*				60%
Target inflation hedge ratio relative to the long term solvency target*				60%
Estimated date for the assets to reach the long term solvency target (the Fund's investment time horizon)*				1 December 2029

*The estimates shown are from analysis dated 1 December 2018.

2. Rebalancing events

The Trustees have agreed that any cash flows for investment/disinvestment (including for LDI leverage rebalancing events) will be directed towards and taken from the less volatile diversified growth fund (ie the Jupiter Strategic Bond Fund). When the Jupiter Strategic Bond Fund allocation reaches zero, disinvestments will be taken from the LGIM Dynamic Diversified Fund. The Trustees may decide to change this investment/disinvestment cash flow policy and/or rebalance the asset allocation from time-to-time, subject to receiving the required written investment advice.

The long term solvency target is an estimate of the assets required to secure all members' benefits with an insurer in c10 years' time, including an adjustment for the likely impact on the bulk annuity premium of the deferred pensioners retiring over the next 10 years. This estimate should be revised from time-to-time.

The LDI funds employ leverage (ie the level of protection provided against changes in longer-term interest rate/inflation expectations is greater than the amount invested). Should the leverage within one of the LDI funds deviate substantially from the target leverage level, BMO Global Asset Management will rebalance the LDI fund back to the target leverage level. These LDI leverage rebalancing events could result in money being requested for, or released from, the LDI funds. The Trustees have established a default investment/disinvestment cash flow policy for these LDI leverage rebalancing events (see above).

A hedge ratio is a measure of the level of protection the Fund has against changes in longer-term interest rates/inflation expectations. Both of these risks originate from the nature of the Fund's liabilities. For example, with an interest rate hedge ratio of 60%, if a fall in longer term interest rates results in a £10m increase in the liability value, then the protection assets are expected to rise by £6m to compensate (within practical constraints and ignoring some potential residual basis risks). This simplified example assumes financial market conditions are otherwise stable (for example, no change in equity markets). In practice, due to other risk factors, the overall asset value may rise by more or less than stated (or fall).

The strategic asset allocations to LDI are likely to fluctuate over time, possibly significantly, due to the combination of changes in financial market conditions and the leverage within the funds. Crucially, it is the hedge ratios that drive the size of the LDI allocations, not the other way around, as the LDI allocations are whatever is needed to achieve the desired hedge ratios.

The Trustees may (in accordance with the Trust Deed and Rules) purchase an annuity or assurance contract to fund any benefits payable under the Fund