St Ann's Hospice Pension Scheme

Statement of Investment Principles

October 2024

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1 Introduction

This Statement sets out the principles governing decisions relating to the investment of the assets of the St Ann's Hospice Pension Scheme (the Scheme).

The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC). The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees' Statement of Funding Principles.

This Statement has been prepared in line with the following legislation and regulations:

- Section 35 of the Pensions Act 1995
- Section 244 of the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

A copy of this Statement will be made available to Scheme members on request to the Trustees or online.

2 Investment Decision Making

The investment of the Scheme's assets is the responsibility of the Trustees. The Trustees' investment powers are set out in the Scheme's Definitive Deed, as amended. The powers granted to the Trustees are wide and this Statement is consistent with those powers. As required by Section 36 of the Pensions Act 1995, the Trustees have regard to (i) the need for diversification of investments, in so far as appropriate to the circumstances of the Scheme, and (ii) the suitability to the Scheme of investments.

The Trustees have obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited (Broadstone), its appointed investment adviser. Broadstone is authorised and regulated by the Financial Conduct Authority. Broadstone has confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required under legislation. Broadstone is remunerated a fee for its advice and its appointment is reviewed from time to time by the Trustees.

The Trustees have also consulted the Principal Employer, St Ann's Hospice, when setting its investment objectives and strategy, and in the preparation of this Statement.

Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustees. The Trustees will obtain such advice as it considers appropriate and necessary whenever it intends to review or revise this Statement.

3 Investment Objectives

In determining its investment objectives and strategy, the Trustees have considered the strength of the Principal Employer's willingness and ability to support the Scheme. It has determined that it is reasonable to take a long-term view in determining its investment objectives and strategy.

The Trustees have also agreed that the funding position, measured on a SFO or Technical Provisions funding basis is the assessment of scheme funding that is of most importance to the Trustees, the Principal Employer and members, as it determines the Scheme's funding requirements and members' long-term benefit security.

The Trustees' investment objectives are as follows:

- To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due.
- To invest the Scheme's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice.
- To target a level of hedging of 100% against the interest rate risk and inflation risk associated with the Scheme's funded Technical Provisions.
- To appropriately constrain volatility in the Scheme's funding position, allowing for the Trustees' perception of the strength of the Principal Employer's covenant and the Scheme's estimated funding position.

Where future opportunities arise, the Trustees will consider making changes to the investment strategy to better secure the Scheme's funding position, as and when appropriate opportunities arise.

The Trustees will also have regard to the Principal Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

4 Setting the Investment Strategy

Details of the investment strategy are set out in the Appendix to this Statement.

The Trustees' policies in setting the investment strategy are set out below:

Policy	
Selection of Investments	The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property, and alternative asset classes, such as hedge funds, private equity and infrastructure. The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level. The Trustees may also: • Invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments. • Hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it. • Hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.

Policy	
Target Asset Allocation	The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting its investment objectives. The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the Scheme's funding position, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment. The Trustees have agreed the range of funds to be used in the investment strategy, taking into account the maturity of the Scheme's liabilities and funding position, and to ensure the range is sufficiently robust to allow easy adjustment between the funds as the Trustees' risk appetite changes and the Scheme matures.
Delegation to an Investment Manager	The Trustees will delegate the day-to-day management of the Scheme's assets to a professional investment manager and will not be involved in the buying or selling of investments.
Maintaining the Target Asset Allocation and Target Hedging Ratios	The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustees monitor the asset allocation on a regular basis with the assistance of its adviser, Broadstone, and will consider switching assets between funds should the allocation move significantly away from the Target Asset Allocation or Target Hedging Ratios, where appropriate.
Employer Related Investments	The Trustees' policy is not to hold any employer related investments as defined in the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Scheme (Investment) Regulations 2005.

The Trustees have decided to invest in pooled funds because:

- the Scheme is not large enough to justify direct investment in equities or bonds on a cost-effective basis;
- pooled funds allow the Scheme to invest in a wider range of assets which serves to reduce risk; and
- pooled funds provide a more liquid form of investment than certain types of direct investment.

5 Realisation and Rebalancing of Assets

The assets are held in a combination of pooled funds and are fully and readily realisable.

The Trustees make disinvestments from the Investment Manager with the assistance of their administrators and advisors, Broadstone, as necessary, to meet the Scheme's cashflow requirements.

New money will be invested (or disinvestments required for cash flow purposes will be made) to bring the asset allocation back to the Target Asset Allocation, as far as possible.

6 Expected Returns

The Trustees' objective is for the Scheme's assets to produce a return in excess of the growth in the value of its Technical Provisions. The Trustees expect the assets to produce a return at least in line the long-term growth in the value of the Technical Provisions, which currently has a discount rate of gilts + 0.5% p.a.

Over the long-term, the Trustees' expectations are to achieve the following rates of return from the asset classes they make use of:

Asset Class	Expected Returns
Corporate bonds	To achieve a long-term return in excess of the yield available on a comparable portfolio of UK gilts to compensate for the additional risk associated with investing in a diversified portfolio of corporate bonds.
Government bonds	To achieve a long-term return in line with the yield available on a comparable portfolio of UK gilts or index-linked gilts.
LDI funds	In line with the sensitivity of the Technical Provisions to changes in interest rates and inflation expectations, allowing for the target level of hedging specified by the Trustees from time to time.
Secured finance funds	In line with the market yields available on investment-grade asset backed securities and in excess of the return on short-term money market instruments.
Cash funds	In line with the return on comparable money market funds and the prevailing rates of short-term interest rates.

7 Risks

The Trustees have considered various risks the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk, and currency risk, and consider that the Target Asset Allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the strength of the Principal Employer's covenant.

The Target Asset Allocation has been determined with due regard to the characteristics of the Scheme's Technical Provisions.

The calculation of the Scheme's Technical Provisions uses assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as fixed interest and index-linked government bonds. This means that the Technical Provisions are sensitive to changes in the price of these assets as market conditions vary and can have a volatile value.

The Trustees accept that the investment strategy may result in volatility in the Scheme's funding position. Furthermore, the Trustees also accept that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Scheme's Technical Provisions.

To reduce the risk of concentration within the portfolio, the Trustees will monitor the overall mix of asset classes and stocks in the investment strategy with their investment adviser, Broadstone.

The Trustees invest in a wide range of underlying securities through the funds and strategies they use and considers the Scheme's strategy to be well diversified.

The Trustees will monitor the investment, covenant, and funding risks faced by the Scheme with the assistance of their investment advisers and the Scheme Actuary at least every three years. The Trustees will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.

In addition, the Trustees will review wider operational risks as part of maintaining their risk register.

8 Security of Assets

The day-to-day activities that the Investment Manager carries out for the Trustees are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.

Safe-keeping of the Scheme’s assets held with the Investment Manager is performed by custodians appointed by them.

The Trustees have considered the security of the Scheme’s holdings with the Investment Manager, allowing for its status as a reputable regulated firm, and consider the associated protection offered to be reasonable and appropriate.

9 Responsible Investment & Stewardship

The Trustees believe that in order to protect and enhance the value of the investments, during the period over which the benefits are paid, they must act as a responsible asset owner.

The Scheme is also comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views of Scheme members through the implementation of the investment strategy, both financial and non-financial.

The Trustees’ policies in respect of responsible investment are set out below:

Policy	
Financially Material Considerations	The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate day-to-day decisions on the selection of investments to the Investment Manager. The Trustees have an expectation that the Investment Manager will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme’s underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets. The Trustees do not currently impose any specific restrictions on the Investment Manager with regard to ESG issues, but will review this position from time to time. The Trustees receive information on request from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues. With regard to the specific risk to the performance of the Scheme’s investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme’s assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Scheme’s funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.

Policy	
Non-Financially Material Considerations	The Trustees note that the Scheme’s Principal Employer has a policy which prohibits investment in tobacco companies, and wherever possible the Trustees will seek to implement the same policy for the Scheme’s investments. The Trustees expect the Investment Manager, when exercising discretion in investment decision making, to consider non-financial factors together with financial factors, but this should not lead to a reduction in the efficiency of the investment.
Engagement and Voting Rights	The Scheme does not currently invest in equities, and therefore the Trustees acknowledge that where they invest in debt instruments there are no attaching voting rights. Where appropriate, the Trustees’ voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy, and aiming to improve how companies behave in the medium and long term, are in the members’ best interests. The Trustees will aim to monitor the actions taken by the investment managers on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the manager.
Capital Structure of Underlying Companies	Responsibility for monitoring the capital structure of investee companies is delegated to the Investment Manager. The Trustees expect the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.

The Trustees’ views on how ESG issues are taken account of in each asset class used is set out below:

Asset Class	Active/Passive Managed	ESG Views
Corporate bonds, secured finance and cash	Active	The Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the funds and the ability of the manager to use its discretion to generate higher risk-adjusted returns. In addition, the Trustees expect the Investment Manager to consider non-financial factors, including the application of policies which exclude material exposure to companies involved in tobacco production. The Trustees also expect its Investment Manager to engage with investee companies, where possible, although it appreciates that fixed income assets do not typically attract voting rights.
Government bonds	Passive	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
LDI	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

The Trustees will review whether its stewardship policies are aligned before any new Investment Managers are appointed, as well as assessing the stewardship and engagement activity of the current Investment Manager on an ongoing basis.

10 Conflicts of Interest

The Trustees maintain a separate conflicts of interest policy and conflicts register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, while also setting out a process for their management.

11 Duration of Investment Arrangements

The Trustees are a long-term investor and have not set an explicit target to review the duration of its arrangements with the Investment Manager. However, the arrangements will be reviewed in conjunction with any review of the investment strategy.

12 Incentivisation of Investment Manager

The Investment Manager is primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustees do not directly incentivise the Investment Manager to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the Investment Manager is selected so that, in aggregate, the risk-adjusted returns produced are expected to meet the Trustees' objectives.

Neither do the Trustees directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

13 Portfolio Turnover Costs

The Trustees expect the Investment Manager to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.

The Investment Manager can provide information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.

14 Monitoring

The Trustees employ Broadstone to assist it in monitoring the performance of the Scheme's investment strategy and Investment Manager.

The Trustees receive quarterly reports from the Investment Manager and meet with its representatives periodically to review their investment performance and processes.

The Investment Manager will supply the Trustees with sufficient information each quarter to enable them to monitor financial and non-financial performance. The Trustees and Broadstone will monitor the Investment Manager's performance against their performance objectives.

The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

The Trustees will consider on a regular basis whether or not the Investment Manager remains appropriate to continue to manage the Scheme's investments.

15 Review of Statement

The Trustees will review this Statement if there is a significant change in the Scheme's investment strategy or a significant change in the regulations that govern pension scheme investment.

For and on behalf of the Trustees of the St Ann's Hospice Pension Scheme

Date: 11.11 24.

Appendix A Investment Strategy Implementation Summary

A.1 Target Asset Allocation

The Target Asset Allocation for the Scheme's assets is as follows:

Asset Class	Target Asset Allocation
Corporate bonds	50%
Liability Driven Investment (LDI) solution	50%
Total	**100.0%**

The LDI solution includes holdings in LDI funds, gilt funds, index-linked gilt funds, secured finance funds and cash funds. The balance between the funds will vary over time. The target is indicative only and the underlying objective for these assets will be to maintain the target hedging levels, which protect against changes in long-term interest rates and inflation expectations.

The balance between the corporate bond funds (within the Insight Maturing Buy & Maintain Bond Fund range) will vary with market conditions and over time (as the funds mature). The balance of funds will be reviewed periodically relative to the target asset allocation, as well as meeting the Scheme's short-term cashflow requirements.

A.2 Investment Manager

The Trustees entered into a contract with Insight Investment Management Limited (Insight) in June 2022. The Investment Manager undertakes day-to-day investment management of the Scheme's assets.

The Investment Manager is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

A.3 Strategies and Funds

The Trustees use the following funds operated by the Investment Manager:

Asset Class	Funds
Corporate bonds	Insight Maturing Buy & Maintain Bond Funds
Liability Driven Investment (LDI) solution	Insight Fully Funded Gilt and Index-Linked Gilt Funds Insight Partially Funded Gilt and Index-Linked Gilt Funds Insight Inflation Focus Funds Insight Global Asset Backed Securities Fund Insight Liquidity Plus Holding Fund Insight Liquidity Holding Fund

A.4 Target Hedging Ratios

The target hedging ratios against the interest rate risk and inflation risk associated with the Scheme's funded Technical Provisions are summarised below:

	Target Hedging Ratio
Long-term interest rates	100%
Long-term inflation expectations	100%

The composition of the holdings within the hedging assets may be rebalanced from time to time to meet the target levels of hedging set out above.

A.5 Fund Performance Benchmarks and Objectives

The Insight Maturing Buy and Maintain Bond Funds have an objective to capture the yield on a diversified portfolio of predominantly investment grade corporate bonds.

The Insight Fully Funded Gilts and Index-Linked Gilts invest in a range of nominal and index-linked bonds issued by the UK government. The funds are expected to provide a gross of fees return in line with the total return on these specific securities (assuming the securities are held to redemption).

The Insight Partially Funded Gilt and Index-Linked Gilts invest in a range of nominal and index-linked bonds issued by the UK government, including derivatives. The funds are expected to provide a gross of fees return in line with the total return on these specific securities (assuming the securities are held to redemption), after allowing for the cost of the leverage.

The Insight Global Asset Backed Securities Fund invests in relatively high quality, liquid, credit-based securities that offer a yield premium above cash. The Fund is expected to provide a return above 1 month SONIA (cash) over a credit cycle (gross of fees).

The Insight Liquidity Fund and Insight Liquidity Plus Fund aim to provide investors with stability of capital and daily liquidity. In addition, they seek to offer a return comparable with short-term sterling interest rates.

A.6 Investment Management Charges

The annual management charges for each of the funds used, based on the assets under management at the date of this Statement, are given below:

Fund	Annual Management Charge
Insight Maturing Buy & Maintain Bond Funds	0.15% p.a.
Insight Fully Funded Gilt Funds	0.05% p.a.
Insight Partially Funded Gilt Funds	0.06% p.a. (of liability hedge exposure)
Insight Inflation Focus Funds	0.065% p.a. (of liability hedge exposure)
Insight Global Asset Backed Securities Fund	0.35% p.a.
Insight Liquidity Plus Holding Fund	0.10% p.a.
Insight Liquidity Holding Fund	0.08% p.a.

A.7 Additional Voluntary Contributions (AVCs)

There is no AVC facility available under the Scheme.