

WHAT DO WE MEAN BY INVESTMENT STRATEGY?

What is Investment Strategy?

Allocation between asset classes

(not decisions about the managers to manage the asset classes)

Why is Investment Strategy important?

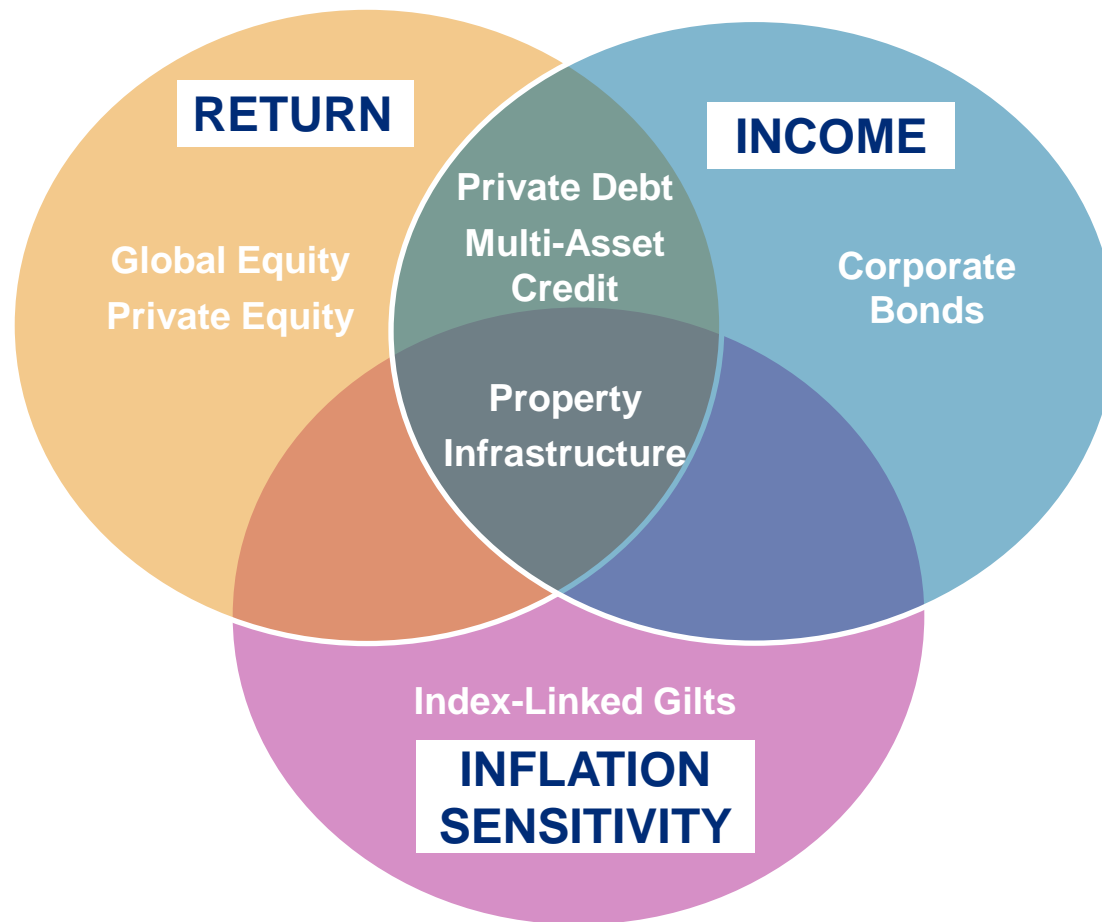
Expected to account for the majority (c.80%) of the asset performance

Different assets have different roles in the portfolio

Why review Investment Strategy?

Provide a Clear Plan	Good Governance During Each Triennial Actuarial Valuation	New Solutions
Changes to the Liabilities	Changes in the Market Environment	Changes to Employers

WHAT ARE THE KEY ASSET CLASSES WE INVEST IN AND WHY?



THE FUND'S ASSETS ARE INVESTED IN A DIVERSIFIED RANGE OF INVESTMENTS WITH THE AIM OF PROVIDING RETURN, INCOME AND / OR INFLATION-SENSITIVITY

WHAT ARE THE FUND'S INVESTMENT BELIEFS?

The Fund has seven key investment beliefs:

1. Our investment strategy should be determined by reference to the Fund's assets, liabilities and our risk tolerances
2. Asset allocation has the greatest impact on the overall risk and return of the Fund
3. It is important to take a long term perspective when considering the investment strategy, but recognise the implications of shorter term market volatility
4. Good governance improves the quality of decision making
5. All investments have a degree of financial risk but we should only accept financial risk where we have a strong belief that we will be rewarded for it.
6. There are multiple risks to which the Fund is exposed and those risks that are not sufficiently compensated should be mitigated, managed or avoided if possible.
7. We should continually consider all risks in our investment process by investing responsibly, including environmental, social and corporate governance factors.

**REGULAR REVIEW OF STRATEGY IS KEY TO GOOD GOVERNANCE
ARE THESE BELIEFS EVIDENCED IN THE STRATEGY?**

WHAT ARE THE FUND'S INVESTMENT OBJECTIVES?

- The long-term objective is for the Fund to achieve a funding level of 100% over a maximum recovery period of **sixteen years from April 2016**.
- A funding level of 100% indicates the Scheme Actuary believes the Fund has enough money set aside to pay its pension promises as they arise.
 - But in assessing the funding level the Scheme Actuary must make a number of financial and economic assumptions which may not bear out in reality.
- A key assumption in assessing the funding level of the Fund is the return that the investments are expected to generate between now and payment of the Fund's pension promises.
- The Fund's investment objective set out in its **Investment Strategy Statement** ("ISS") is to achieve an investment return to match the actuary's long term assumptions over a **sixteen year period from April 2016**.
 - The Fund will target an outperformance of this over 10 years, within a diversified portfolio to stabilise returns and reduce volatility throughout the period.
- The combined manager target investment return for the Fund as a whole is 0.6% per annum ahead of the Fund's customised benchmark return over rolling five-year periods.