

Magnet Group Pension Scheme

Investment Policy Implementation Document – March 2024 (replaces June 2020)

1. Introduction

The Statement of Investment Principles (“SIP”) of the Magnet Group Pension Scheme (“the Scheme”), dated March 2024 and as may be amended from time to time, sets out the guiding principles upon which the Scheme’s investment decisions are based. The purpose of this Investment Policy Implementation Document (“IPID”) is to provide details of the specific investments in place alongside other information relevant to the management of the investments.

Investment policy can be considered in two parts; (1) the strategic management, the setting of which is one of the fundamental responsibilities of the Trustee Directors (“Trustees”) and (2) the day-to-day management of the assets, which has been delegated to professional investment managers.

2. Strategic Management

The Trustees’ key strategic aim is to reduce risk in the Scheme’s assets relative to its liabilities over time.

The table below outlines the strategic allocation to growth and matching assets.

Asset Class	Current Strategy (%)	Range (%)
Growth Assets	25.0	± 2.5
Global Equities (MFS)	12.4	
Cash Margin for Currency Hedging (RLAM)	0.1	
Absolute Return (Ruffer)	5.0	
Multi-Asset Credit (Apollo)	7.5	
Matching Assets	75.0	± 2.5
UK Credit (RLAM)	38.0	
UK Gilt Margin for Currency Hedging (RLAM)	0.3	
Liability Driven Investment (Mercer)	36.7	
Total	100.0	

The Scheme’s investment strategy is implemented using a range of specialist investment managers. The asset allocation of the Scheme is not automatically rebalanced. The Trustees monitor the Scheme’s asset allocation of the Scheme’s investments relative to the strategic target and control ranges outlined above and will consider whether to take action if these ranges are breached or if actual allocations deviate significantly from their targets, considering also other factors including required LDI collateral support. Therefore, the actual allocations will vary from the above due to market price movements and intervals between rebalancing the portfolio.

3. Day-to-Day Management of the Assets

The Scheme's assets are split between those relating to the main Scheme and those relating to Additional Voluntary Contributions ("AVCs").

The Trustees have agreed to delegate the day-to-day management of the main Scheme's assets to five investment managers:

- **MFS Investment Management ("MFS")** – active global equities (including UK);
- **Mercer Global Investments ("Mercer")** – Liability Driven Investment;
- **Royal London Asset Management ("RLAM")** – active UK credit and passive currency hedging;
- **Apollo Management LLC ("Apollo")** – multi-asset credit; and
- **Ruffer LLP ("Ruffer")** – absolute return.

The investments are subject to agreements between the managers, the Trustees and the governing documents for each fund.

Individual mandates are set out below.

MFS (12.4% of total Scheme assets)

Asset Class	Allocation %	Benchmark Index
Global Equities	100	MSCI World (net dividends reinvested)
Total	100	MSCI World (net dividends reinvested)

Assets are invested via a global equity pooled fund.

The Trustees expect MFS to achieve outperformance relative to the benchmark equal to or in excess of 2% per annum before fees over rolling three year periods. Based on historical performance, the Trustees anticipate volatility relative to the relevant index in the region of 3-8% pa.

Mercer (36.7% of total Scheme assets)

Liability Driven Investment ("LDI") Portfolio:

Asset Class	Allocation %	Benchmark Index
Mercer Liability Driven Investment ("LDI") Portfolio	100	Composite of underlying fund benchmarks
Total	100	Composite of underlying fund benchmarks

The Trustees have appointed Mercer to act as discretionary investment manager to implement the Trustees' LDI strategy.

Mercer is mandated, via an Investment Management Agreement ("IMA"), to target hedge ratios of 71% for interest rates and 78% for inflation relative to a Liability Benchmark Portfolio ("LBP") calculated on a gilts + 0.5% p.a. funding basis.

Based on modelling analysis undertaken in 2023 this equates approximately to funded hedge ratio targets of 95% for interest rates and inflation, after allowing for the difference in interest rate exposure provided by the benchmark for the Scheme's investment in the RLAM credit mandate, compared to the benchmark for the proxy corporate bond fund used by Mercer. Hedging analysis and target hedge ratios will be recalibrated periodically.

Subject to any agreed restrictions, the Scheme's assets are invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE") as investment manager of the Mercer Funds.

In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund.

Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day-to-day basis.

The Trustees regularly review the continuing suitability of the Scheme's investments, including Mercer's ability to select, appoint, remove and monitor investment managers. Mercer is regulated by the Financial Conduct Authority.

Within the guidelines set out in the IMA, the Trustees have delegated the allocation of assets within the LDI Portfolio to Mercer.

The individual benchmark index and tracking error targets for each of the funds that may be invested in from time to time (to construct the LDI Portfolio) is set out in the table below.

Fund Name	Benchmark Index	Tracking Error Expectation (% p.a.) ¹
MGI UK Cash	FTSE GBP 1 Month EUR Deposit	0.5
MGI UK Long Gilts	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	Less than 0.25
Mercer Short Dated UK Gilt Fund	FTSE Actuaries UK Up to 5 Year Gilts Index	Less than 0.25
MGI UK Inflation Linked Bonds	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index	Less than 0.25
Mercer Passive Short Dated UK Index Linked Gilt Fund	FTSE Actuaries UK Index-Linked Gilts up to 10 Years Index	Less than 0.25
Mercer Sterling Nominal LDI Bonds	BlackRock Custom Benchmark	Less than 0.25
Mercer Sterling Inflation Linked LDI Bonds	BlackRock Custom Benchmark	Less than 0.25
Mercer Flexible LDI Fixed Enhanced Matching Fund 2	BlackRock Flexi Fixed Medium Index	n/a
Mercer Flexible LDI Fixed Enhanced Matching Fund 3	BlackRock Flexi Fixed Long Index	n/a
Mercer Flex LDI Real Enhanced Matching Fund 1	BlackRock Flexi Real Short Index	n/a
Mercer Flexible LDI £ Real Enhanced Matching Fund 2	BlackRock Flexi Real Medium Index	n/a

Fund Name	Benchmark Index	Tracking Error Expectation (% p.a.) ¹
Mercer Flexible LDI £ Real Enhanced Matching Fund 3	BlackRock Flexi Real Long Index	n/a
Mercer Flexible Enhanced Matching Inflation	As portfolio	n/a

¹. Measured over rolling 5 year periods unless otherwise stated.

RLAM (38.4% of total Scheme assets)

RLAM's appointment is two part. Firstly they manage the Scheme's active credit portfolio and secondly they provide a segregated passive currency hedging service. Details of both mandates are provided below.

Credit Portfolio (38.0% of total Scheme assets):

RLAM actively manage a portfolio of long-dated UK credit in accordance with the following benchmark:

Asset Class	Allocation %	Benchmark Index
UK Fixed Interest Non-Gilts	100	iBoxx Sterling Non-Gilt Over 15 Year
Total	100	iBoxx Sterling Non-Gilt Over 15 Year

RLAM's target is to outperform the composite benchmark return by 0.8% pa (before fees) over rolling three year periods.

Passive Currency Hedging Mandate (0.4% of total Scheme assets):

RLAM provide a segregated, passive currency hedging mandate by way of rolling 3 month forward foreign exchange contracts.

Specifically RLAM hedge 50% of the currency exposures resulting from investments held by MFS (Global Equities) into Sterling. The target amount of hedging for MFS is calculated based on their actual allocation rather than their target allocation. Exposure to foreign currencies is assumed to be in line with the FTSE World Index when determining the appropriate hedges.

Close to each quarter end, forward currency hedges are rolled over and adjusted if necessary. At each month end, new positions will only be established if there is a mismatch between the hedge and the index of more than 5% in value. Rebalancing of the mandate is at the discretion of the Manager.

Liquid assets are held totalling 6% of the value of overseas equity exposure hedged in order to settle 'out of the money' hedges. These assets are held in an overlay account with HSBC and on a quarterly basis the value of the overlay account is reviewed. If the liquid assets held in the overlay account reach 8% of the value of the overseas assets, RLAM will inform the Trustees. On instruction by the Trustees HSBC will return an amount of cash to the Trustee bank account such that the 6% liquid assets balance is re-established. Conversely, if the liquid asset balance falls below 5%, the Trustees are required to provide further liquid assets to re-establish the 6% level in the overlay account.

The overlay account has c1/3rd of its value held in cash and 2/3rds held in long dated UK gilts. RLAM manage the gilts in the overlay account on a buy and hold basis.

RLAM's performance for the currency hedging mandate will be assessed by periodic reviews of their trading efficiency in terms of the rates achieved (including an assessment of market impact) and adherence to target levels of hedging.

Apollo (7.5.% of total Scheme assets)

Asset Class	Allocation %	Benchmark Index
Total Return Fund	100.0	UK SONIA
Total	100.0	UK SONIA

Apollo invest assets via their Total Return Fund. The Trustees expect Apollo to achieve outperformance relative to the cash benchmark equal to or in excess of 6% to 8% pa over a full market cycle with moderate volatility and attractive risk adjusted returns.

Ruffer (5.0% of total Scheme assets)

Asset Class	Allocation %	Benchmark Index
Absolute Return Fund	100.0	UK SONIA
Total	100.0	UK SONIA

Ruffer invest assets via their Absolute Return Fund. The Trustees expect Ruffer to achieve outperformance relative to the cash benchmark equal to or in excess of 4% pa before fees over a rolling five year period.

4. **Cash Flow and Rebalancing Policy**

The policy set out below has the objective of using cash flows in a practical manner to maintain the strategic asset allocation within a reasonable tolerance level.

Unless instructed otherwise by the Trustees (for example if the Scheme has excess liquidity assets), investments/disinvestments are applied by Capita, the Scheme administrator, as follows:

- 25% to/from the MFS Global Equity Fund and;
- 75% to/from the RLAM Corporate Bond Fund,

The Trustees will monitor the relative position of the Scheme's asset allocation compared to the target benchmark via quarterly monitoring reports. If the position is outside the tolerance ranges, the Trustees may choose to rebalance the portfolio.

5. **Additional Voluntary Contributions (“AVCs”)**

The Trustees have appointed Scottish Widows Limited for the investment of AVCs. The Trustees make a range of seven blended funds available for investment by members of the Scheme as follows:

- Nobia Growth Fund;
- Nobia Equity Fund;
- Nobia Diversified Growth Fund;
- Nobia Property Fund;
- Nobia Corporate Bond Fund;
- Nobia Annuity Target Fund; and
- Nobia Cash Fund.

In addition, three lifestyle options are available for members of the Scheme to choose from (Secured Income, Cash and Variable Income)

The Trustees also hold members’ AVCs in a with-profits fund with Prudential as a result of past contributions.

AVC arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remains consistent with the objectives of the Trustees and needs of the members.

Further information on the Scheme’s AVCs is outlined in the Appendix.

6. **Advisors**

6.1 **Custodian**

The role of a custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment managers. The Trustees are not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. Custody of the passive currency hedging mandate managed by RLAM is provided by HSBC.

6.2 **Actuary**

The actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements. The latest Actuarial Valuation was performed as at October 2020 by the Scheme Actuary. The main purpose of the Actuarial Valuation is to assess the extent to which the assets cover the accrued liabilities and agree the employer’s contribution rate.

6.3 **Investment Consultant**

Whilst the day-to-day management of the Scheme’s assets is delegated to investment managers, other investment decisions including strategic asset allocation is taken by the Trustees after taking advice from the Investment Consultant. Mercer Ltd has been appointed for this purpose.

6.4 **Performance Measurement**

Individual fund managers provide information on the performance of the pooled funds in which the Scheme invests. In addition, Mercer, in its capacity as Investment Consultant, provides consolidated performance reporting on a quarterly basis.

7. **Fee Structures**

The investment managers levy fees based on a percentage of the value of the assets under management. The Scheme Actuary and the Investment Consultant work on a combination of fixed fee and time cost basis.

Appendix – AVC Investment Arrangements

The Trustees have appointed Scottish Widows Limited for the investment of AVCs. The Trustees also hold members' AVCs with Prudential as a result of past contributions.

Scottish Widows

The Trustees make a range of seven blended funds available for investment by members of the Scheme as follows:

- Nobia Growth Fund;
- Nobia Equity Fund;
- Nobia Diversified Growth Fund;
- Nobia Property Fund;
- Nobia Corporate Bond Fund;
- Nobia Annuity Target Fund; and
- Nobia Cash Fund.

In addition, three lifestyle options are available for members of the Scheme to choose from (Secured Income, Cash and Variable Income). The underlying allocations for each of the lifestyle options over the switching period at each year end prior to a member's target retirement are outlined below:

Secured Income Option

Years to selected retirement	Nobia Equity %	Nobia DGF %	Nobia Pre-Retirement %	Nobia Cash %
10+	60.0	40.0	0.0	0.0
9	57.0	38.0	5.0	0.0
8	52.5	35.0	12.5	0.0
7	45.0	30.0	25.0	0.0
6	37.5	25.0	37.5	0.0
5	30.0	20.0	50.0	0.0
4	20.0	17.5	62.5	0.0
3	10.0	15.0	67.0	8.0
2	0.0	12.5	71.5	16.0
1	0.0	6.0	73.5	20.5
0	0.0	0.0	75.0	25.0

Cash Option

Years to selected retirement	Nobia Equity %	Nobia DGF %	Nobia Corporate Bond %	Nobia Cash %
10+	60.0	40.0	0.0	0.0
9	57.0	38.0	5.0	0.0
8	52.5	35.0	12.5	0.0
7	45.0	30.0	25.0	0.0
6	37.5	25.0	32.5	5.0
5	30.0	20.0	37.5	12.5
4	20.0	17.5	37.5	25.0
3	10.0	15.0	25.0	50.0
2	0.0	12.5	12.5	75.0
1	0.0	6.0	6.0	88.0
0	0.0	0.0	0.0	100.0

Variable Income Option

Years to selected retirement	Nobia Equity %	Nobia DGF %	Nobia Corporate Bond %	Nobia Cash %
10+	60.0	40.0	0.0	0.0
9	57.0	38.0	5.0	0.0
8	52.5	35.0	12.5	0.0
7	45.0	30.0	25.0	0.0
6	40.0	25.0	35.0	0.0
5	35.0	25.0	35.0	5.0
4	32.5	22.5	35.0	10.0
3	27.5	22.5	35.0	15.0
2	22.5	22.5	35.0	20.0
1	22.5	22.5	30.0	25.0
0	22.5	22.5	25.0	30.0

Switching for each of the lifestyle options outlined above is undertaken on a monthly basis.

Further details on the underlying funds and providers is outlined below.

DAY TO DAY MANAGEMENT OF THE ASSETS

Day to day management of the assets is delegated through Scottish Widows Limited to BlackRock Limited ("BlackRock"), Mercer Limited ("Mercer"), Insight Investment ("Insight"), abrdn plc ("abrdn"), Columbia Threadneedle Investments ("Columbia Threadneedle") and Legal and General Investment Management ("LGIM").

The Trustees are satisfied that the spread of assets by type within each pooled fund and the respective pooled funds' policies on investing in individual securities within each type provides adequate diversification of investments.

Details on the underlying pooled funds within each Nobia blended fund is outlined below.

Nobia Equity Fund

The fund invests entirely in the LGIM 30/70 Global Equity Index Currency Hedged Fund. It aims to track the performance of a composite benchmark as outlined in the table below.

Region	Allocation %	Index
UK Equities	30.0	FTSE All Share
Overseas Equities*	70.0	FTSE All-World ex-UK
Total	100.0	Composite

* 75% of the developed market currency exposure, except where arising from holdings in emerging market securities denominated in developed market currencies, is hedged back to sterling.

Nobia Growth Fund

Manager	Benchmark %	Ranges ±%	Index
LGIM 30/70 Global Equity Index Currency Hedged Fund	60.0	4.0	Composite (see Equity Fund)
Insight Investment Broad Opportunities Fund (IBOF)	20.0	4.0	Quarterly SONIA
Mercer Diversified Growth	20.0	4.0	FTSE GBP 1 Month Euro Deposit
Total	100.0		Composite

Global equities are managed passively, with the aim of tracking the benchmark index. The Insight IBOF is managed actively, aiming to outperform Quarterly SONIA by 4% pa (net of fees over rolling five year periods). The Mercer Diversified Growth Fund is also managed actively, aiming to outperform the FTSE GBP 1 Month Euro Deposit rate by 3.5% p.a. (gross of fees over rolling three year periods).

Nobia Diversified Growth Fund

Manager	Benchmark %	Ranges ±%	Index
Insight Investment Broad Opportunities Fund (IBOF)	50.0	4.0	Quarterly SONIA
Mercer Diversified Growth	50.0	4.0	FTSE GBP 1 Month Euro Deposit
Total	100.0		Composite

The Insight IBOF is managed actively, aiming to outperform Quarterly SONIA by 4% pa (net of fees over rolling five year periods). The Mercer Diversified Growth Fund is also managed actively, aiming to outperform the FTSE GBP 1 Month Euro Deposit rate by 3.5% p.a. (gross of fees over rolling three year periods).

Nobia Property Fund

The fund invests entirely in Columbia Threadneedle's Property Fund. The fund is actively managed and aims to outperform the MSCI /AREF UK All Balanced Quarterly Property Fund Index by 1.0% p.a. (net of fees over rolling three year periods).

Nobia Corporate Bond Fund

The fund invests entirely in abrdn's Corporate Bond Fund. The fund aims to outperform the ICE Bank of America Merrill Lynch Sterling Non Gilts All Stocks Index by 0.8% p.a. (gross of fees over rolling three year periods).

Nobia Annuity Target Fund

The fund invests entirely in LGIM's Future World Annuity Aware Fund (formerly the LGIM Pre-Retirement Fund). The fund aims to provide protection against changes in annuity rates by investing in index-tracking bond funds. The benchmark is a composite of gilts and corporate bond funds.

Nobia Cash Fund

The fund invests entirely in the BlackRock Sterling Liquidity Fund. The fund aims to produce a return in line with the SONIA before fees.

Prudential

Prudential With Profits Fund

The policy guarantees an investment return of:

- 4.75% p.a. in respect of contributions paid in the scheme years ending before 15 March 1997
- 2.5%p.a. in respect of contributions paid in scheme years ending between 15 March 1997 and 30 December 2003 (inclusive), and
- 0.01%p.a. on contributions paid in scheme years after 30 December 2003.

Guaranteed Annuity Rates do not apply. Guarantees are subject to the insurer's continued solvency and also subject to the assets not being disinvested before the member attains the pre-selected retirement age (other than on death).