

## Fellowes Ltd Retirement Benefits Scheme

### Addendum to the Statement of Investment Principles

**Original Statement dated: April 2023**

**Date of Addendum: August 2024**

#### **Purpose of the Addendum**

This Addendum updates the Statement of Investment Principles (SIP) to reflect changes to the Scheme's investment strategy that were agreed in Spring 2024. **The appendices to this document replace the appendices of the current SIP, dated April 2024.**

#### **Changes since the 2023 SIP**

The key changes compared with the SIP dated April 2023 are:

- Restructuring the liability matching portfolio, including an introduction of a small allocation to gilts.
- Increasing the total liability matching allocation.
- Rebalancing the Strategic Asset Allocation of growth assets, including the removal of the BNY Mellon Real Return Fund from the Scheme's assets.

# Appendix 1: The Trustees' Investment Strategy

## Strategic Asset Allocation

In determining the strategic asset allocation, the Trustees view the investments as falling into two broad categories:

1. **Growth Assets** – Assets that are expected to deliver long-term returns in excess of liability growth. The use of Growth Assets is expected to deliver a level of investment returns deemed appropriate by the Trustees given the risk involved.
2. **Liability Matching Assets** – Assets that are expected to react to changes in market conditions in a similar way to the liabilities. The use of Liability Matching Assets is expected to protect the funding position of the Scheme.

At the time of agreeing the strategy, the strategic split of the Scheme's assets between Growth and Liability Matching Assets was broadly 45% Growth and 55% Liability Matching. This split is not regularly rebalanced and will fluctuate over time as market conditions change.

In addition, the Trustees may hold cash in the Trustees' bank account – particularly if it is to be used to make payments due in the short-term.

## Investment Strategy Implementation

The Trustees insure a proportion of the Scheme's pensioner liabilities with Prudential, Canada Life and Aviva. These insurance policies will provide a stream of income in request of names individuals for as long as those individuals are alive. The income received offsets pension payments made from the Schemes to the individuals concerned.

The Trustees have selected funds managed by Legal & General Investment Management (LGIM) and M&G to implement the Scheme's investment strategy. All funds are held via the LGIM investment platform.

AVCs are held in the Prudential With-Profits Fund.

Further details of the investment strategy and the funds used are provided below.

# Appendix 1: The Trustees' Investment Strategy (continued)

## Design of the Growth Asset Portfolio

The strategic allocation for the Scheme's Growth Assets is as follows:

Pooled Fund	Current Strategic Allocation of the Growth Assets
LGIM Future World Global Equity Index Fund	10%
LGIM Future World Global Equity Index Fund – GBP Hedged	10%
LGIM Diversified Fund	20%
M&G Total Return Credit Investment Fund	60%
<b><i>Total Growth Assets</i></b>	<b><i>100%</i></b>

The allocation of the Growth Assets is not automatically rebalanced but will be monitored and rebalanced at the discretion of the Trustees.

## **Appendix 1: The Trustee's Investment Strategy (continued)**

### **Design of the Liability Matching Portfolio**

The Scheme's Liability Matching Assets are invested in the following funds:

- LGIM Matching Core Fixed Long Fund
- LGIM Matching Core Real Long Fund
- LGIM Maturing Buy & Maintain Credit 2030-2034
- LGIM Maturing Buy and Maintain Credit 2035-2039
- LGIM Maturing Buy and Maintain Credit 2040-2054
- LGIM Over 15 Year Index-Linked Gilts Index Fund

The LGIM Matching Core funds are leveraged Liability Driven Investment (LDI) funds which are designed to match the sensitivity of a pension scheme's liabilities to changes in gilt yields and inflation.

The Liability Matching Portfolio is estimated to match around 90% of the sensitivity of the SFO liabilities to changes in gilt yields and inflation.

### **LDI Leverage Management Policy**

In an environment of rising yields, a recapitalisation payment may need to be paid into one or more of the LGIM LDI funds. This will ensure that leverage within the LDI funds remains within a permissible range. The Trustees have provided LGIM with authority to raise money for such a payment by surrendering units from funds in the following order:

- i) M&G Total Return Credit Investment Fund
- ii) LGIM Future World Global Equity Index Fund – GBP Hedged
- iii) LGIM Future World Global Equity Index
- iv) LGIM Diversified Fund

If the leverage of an LGIM LDI fund falls below a minimum threshold, LGIM will make a cash payment from the relevant fund to raise the leverage. The Trustees have provided LGIM with authority to invest any such cash proceeds in the M&G Total Return Credit Investment Fund.

### **Cashflow Management Policy**

Any investments or disinvestments will be made at the discretion of the Trustees, but the Trustees may maintain a Cashflow Management Policy which would record how such payments should be structured. The Cashflow Management Policy would be designed to ensure the allocation of the Scheme's assets remains closely aligned with the strategy described in this statement.

To ensure the Scheme operates efficiently, the Trustees may share the Cashflow Management Policy with the individual(s) responsible for processing payments from the Scheme.

The Cashflow Management Policy would be reviewed from time-to-time by the Trustees and, as a minimum, at least every three years in line with a review of the Statement of Investment Principles. Given that the Cashflow Management Policy would be designed to keep the Scheme's asset allocation aligned with the investment strategy and investment principles described in this statement, the Sponsoring Employer is satisfied that the Cashflow Management Policy can be amended by the Trustees without consulting the Sponsoring Employer.

## Appendix 2: DB Fund Details

This Appendix provides a summary of the funds used to implement the Scheme’s investment strategy. The details provided below were correct as 31 December 2023.

The following points should be noted:

- AMC:** The Annual Management Charge applicable to each fund represents the fee payable to the fund manager. In addition, LGIM charge a platform fee for hosting non-LGIM funds.
- Additional expenses:** These are third party costs associated with the operation of a fund such as fees paid to the administrator, the custodian and the auditor and the costs associated with the use of third-party funds where these are used. The level of the additional expenses may vary over time.

LGIM Maturing Buy and Maintain Credit Funds	
Objective	To capture the credit risk premium within a globally diversified premium of predominantly investment grade credit and to preserve value over the course of the credit cycle by avoiding defaults and securities experiencing a significant decrease in credit quality.
Liquidity	These funds are weekly dealt.
Fee	AMC: 0.15%
	Additional Expenses (approx.): 0.05%

**Appendix 2: Fund Details (continued)**

<b>LGIM Diversified Fund</b>	
Objective	The objective of the fund is to provide long-term investment growth through exposure to a diversified range of asset classes.
Liquidity	This fund is weekly dealt.
Fee	AMC: 0.30%
	Additional Expenses (approx.): 0.05%

<b>Fund</b>	<b>LGIM Future World Global Equity Index Fund</b>	<b>LGIM Future World Global Equity Index Fund – GBP Hedged</b>
Objective	To track the performance of the Solactive L&G ESG Global Markets Index (less withholding tax where applicable) to within +/-0.60% p.a. for two years out of three.	To track the performance of the Solactive L&G ESG Global Markets Index - GBP Hedged (less withholding tax where applicable) to within +/-0.60% p.a. for two years out of three.
Liquidity	These funds are daily dealt.	
AMC	0.225%	0.25%
Additional expenses (approx.)	0.00%	0.01%

## Appendix 2: Fund Details (continued)

LGIM Matching Core LDI Funds	
Objective	To deliver leveraged liability matching.
Liquidity	These funds are weekly dealt.
Fee	AMC: 0.24%
	Additional Expenses (approx.): 0.05%

LGIM Over 15 Year Index-Linked Gilts Index Fund	
Objective	The objective of the fund is to track the performance of the TSE Actuaries UK Index Linked Gilts Over 15 Years Index to within +/-0.25% p.a. for two years out of three.
Liquidity	This fund is daily dealt.
Fee	AMC: 0.10%
	Additional Expenses (approx.): 0.00%

M&G Total Return Credit Investment Fund	
Objective	To provide a total return (the combination of income and capital growth) of SONIA plus 3-5% (gross of fees per annum), over any five-year period.
Liquidity	This fund is daily dealt.
Fee	AMC*: 0.48%
	Additional Expenses (approx.): 0.00%

\*Includes the LGIM platform fee