Pension Fund Investment Sub Committee

14 September 2015

Statement of Investment Principles

Recommendation

That the Pension Fund Investment Sub-Committee approve the Statement and make any comments.

1 Introduction

1.1 Following the appointment of Partners Group and Standard Life Capital Partners to invest in infrastructure, further work is required to update the Fund's documentation. The Statement of Investment Principles has been amended to reflect the change in asset allocation.

1.2 Further amendments have been made to reflect the changes made to the Legal and General mandate into fundamental indexation.

2 Revised Edition of the Statement of Investment Principles

2.1 The revised SIP is shown in **Appendix A**.

Background Papers

None

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Warwickshire Pension Fund

Statement of Investment Principles

1 Introduction

Warwickshire County Council (the “Authority”) has drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Authority has consulted with such persons as it considers appropriate including obtaining advice from its consultants in preparing this Statement.

Overall investment policy falls into two parts: strategic management and day-to-day management. The strategic management of the assets is fundamentally the responsibility of the Authority (acting on advice as it deems appropriate) and is driven by its investment objectives as set out in Section 3 below. The day-to-day management of the assets is delegated to the investment managers

Annex 1 shows how the Warwickshire Pension Fund currently complies with the Principles for Investment Decision Making in accordance with the CIPFA guidance published in 2009 and in accordance with SI 3093 (2009).

Annex 2 sets out the role of the investment consultant.

Annex 3 sets out the day to day investment management arrangements.

2 Overall Responsibility

Warwickshire County Council is the designated statutory body responsible for the administration of the Warwickshire Pension Fund on behalf of its constituent scheduled and admitted body employers. The responsibility for the Fund is delegated through the Staff and Pensions Committee to the Pension Fund Investment Sub-Committee.

The Pension Fund Investment Sub-Committee consists of five County Councillors who are advised by the Council’s investment consultant (Hymans Robertson), its independent adviser (Peter Jones) and officers of the County Council. The Board is responsible for:

- Setting investment policy;
- Appointing suitable investment managers to implement the investment policy;
- Reviewing and monitoring investment performance.

The day-to-day monitoring of investment managers is delegated to the Head of Finance who also has a statutory duty to ensure that proper financial arrangements are in place to manage the Fund. The Pension Fund Investment Sub-Committee meets four times a year or more frequently as necessary. The active investment managers will attend these Board meetings on a regular basis.

The Pension Fund Investment Sub-Committee takes account of the views of stakeholders

3 Investment Objectives and Risk

3.1 Investment Objectives

The Authority has set the objective to be at or above a 100% funding level in order that it is able to meet its current and future liabilities. It also has an objective to maintain a stable employer contribution rate that is as low as possible. In order to meet these objectives, a number of secondary objectives have been agreed as follows:

(i) Seek returns that are consistently strong and outperform or match those available in the major investment markets and are comparable with other institutional investors.

(ii) Emphasise investment in markets that over time are likely to give better returns relative to the liabilities.

(iii) Acknowledge the risks of investing and have regard to best practice in managing these risks.

(iv) Have sufficiently liquid resources available to meet the Fund's current liabilities as they fall due.

(v) For the assets of the Fund, in aggregate to outperform the benchmark set out in 3.3.

3.2 Risk

The Fund is exposed to a number of risks which pose a threat to the Fund meeting its objectives. The principal risks affecting the Fund are

Funding Risks

- Financial mismatch –
    - The risk that Fund assets fail to grow in line with the developing cost of meeting liabilities.
    - The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.
- Changing demographics –The risk that longevity improves and other demographic factors change increasing the cost of benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the liabilities.

The Authority measures and manages financial mismatch in two ways. As indicated above, it has set a strategic asset allocation benchmark for the Fund. It assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to the Fund's liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Authority keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.

The Authority seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.

- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates

The Authority manages asset risks as follows. It provides a practical constraint on Fund investments deviating greatly from the intended approach by setting itself diversification guidelines and by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Authority's expected parameters.

By investing across a range of assets, including quoted equities and bonds, the Authority has recognised the need for some access to liquidity in the short term.

In appointing several investment managers, the Authority has considered the risk of underperformance by any single investment manager.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.

- Credit default - The possibility of default of a counterparty in meeting its obligations.

- When carrying out significant transitions, the Authority takes professional advice and considers the appointment of specialist transition managers.

The Authority monitors and manages risks in these areas through a process of regular scrutiny of its providers and audit of the operations they conduct for the Fund.

3.3 Investment Strategy

The Authority sets a long-term investment strategy (the mix of asset types) to have regard to the Fund’s liability structure and the investment objectives above. This is reviewed at least every three years, after each actuarial valuation. The Authority believes that the following investment strategy is currently appropriate for controlling the risks identified in 3.2, given the liability profile of the Fund and its financial position.

Asset Class	Index-Tracking	Active Managers	Alternative Assets	Total (%)
UK Equities	8.00	15.00		23.00
Overseas Equities	11.50	15.00		26.50
European	*6.50*	*2.50*		*9.00*
North American	*0.00*	*9.00*		*9.00*
Far East/Emerging Markets	*5.00*	*3.50*		*8.50*
Fundamental Global Equity	5.00			5.00
Property			10.00	10.00
Hedge Funds			5.00	5.00
Private Equity			4.00	4.00
Infrastructure			4.00	4.00
UK Corporate Bonds	10.00			10.00
UK Fixed Interest	2.50			2.50
UK Index-Linked	5.00			5.00
Absolute Return Bonds		5.00		5.00
Total	42.00	35.00	23.00	100.00

4 Management of the Assets

Detail on the individual investment manager mandates and other pooled investments are provided in Annex 3.

4. 1 Investment Restrictions

The investment managers are required to comply with LGPS investment regulations. All investment managers are permitted to utilise derivatives in the efficient management of portfolios.

The investment managers’ investment decisions are further constrained by a maximum 5% limit on any single investment.

4.2 Realisation of Investments

In general, the Fund’s investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. The majority of the Fund’s investments may be realised quickly if required. Some of the alternative investments and property may be difficult to realise quickly. However, in aggregate, the combined weight of illiquid assets in the Fund benchmark is around 18% of Fund assets. Further, the Fund has adequate cash flow including investment income to cover benefits without the need to realise assets.

4.3 Expected Return

The strategic benchmark is expected to produce a return in excess of the rate of return assumed in the Actuarial valuation.

4.4 Monitoring and Review

The performance of the Fund's investment managers is independently measured by BNY Mellon Asset Servicing, a subsidiary of the Authority's global custodian, on a quarterly and annual basis. They provide quarterly and annual performance reports to the Authority.

In addition, the Authority meets the main active investment managers at least once a year to review their actions together with the reasons for the background behind the investment performance. The investment managers also provide monthly and quarterly reports and give additional presentations to the Authority as appropriate.

Hymans Robertson is retained as investment consultant to assist the Authority in fulfilling its responsibility for monitoring the investment managers.

The Authority reviews the Fund's asset allocation between the managers on a quarterly basis.

The Authority also monitors the transactions costs of the investment activity of the fund managers.

5 Social, Environmental and Ethically Responsible Investment

- The Authority believes that environmental, social and corporate governance (ESG) issues can have a material impact on the long term performance of its investments. The Authority believes that its primary concern is its responsibility to safeguard the best financial interests of beneficiaries.
- The Authority is a signatory to the FRC's Stewardship Code, and as such expects its investment managers to take account of ESG considerations as part of their investment analysis and decision making process.
- The Authority will monitor its investment managers in this regard and as part of the regular monitoring process will hold its managers to account.

6 Exercise of voting rights

The Authority will be an active owner and will exercise its ownership rights in order to protect the long term interests of the Fund. This will be achieved by exercising voting rights and regular monitoring of the engagement activity of their investment managers.

A specialist advisory firm has been appointed to assist the Fund with its approach to voting.

7 Stocklending

The Authority's policy on stock lending reflects the nature of the mandates awarded to investment managers, which include both pooled and segregated mandates.

Within segregated mandates, the Authority has absolute discretion over whether stock lending is permitted. The Authority permits stock lending in their active mandates (MFS and Threadneedle).

The manager(s) of pooled funds may undertake a certain amount of stock lending on behalf of unitholders in the fund. If a pooled fund engages in this activity, the extent to which it does so is disclosed by the manager. The Authority has no direct control over stock lending in pooled funds. The Authority is comfortable that the extent and nature of this activity is appropriate to the circumstances of the Fund.

8 Fee Structures

8.1 Rationale for Fee Structure

The investment managers and investment consultant submitted fee structures for the Authority's consideration. The Authority has reviewed the nature of these fee structures and is satisfied that they are appropriate.

8.2 Investment Consultant Fees

Hymans Robertson fees are either based on fixed quotes for particular projects or, more normally, on a time cost basis.

8.3 Manager Fees

Manager fees are based on a percentage of assets managed. (In the case of private equity and hedge fund investments there is a performance-related fee element).

9 Compliance with this Statement

The Authority will monitor compliance with this Statement annually. In particular, as part of the external audit of the fund written confirmation is obtained from the investment managers that they exercised their powers of investment with a view to giving effect to the principles contained in the Statement so far as is reasonably practicable. The Authority undertakes to advise the investment managers promptly and in writing of any material change to this Statement.

10 Review of this Statement

The Authority will review this Statement in response to any material changes to any aspects of the Fund, its liabilities, finances and its attitude to risk, which it judges to have a bearing on the stated Investment Policy. This review will occur no less frequently than every three years to coincide with the actuarial valuation.

PRINCIPLES FOR INVESTMENT DECISION MAKING

The Myners report on Institutional Investment in the UK was published in 2001, and included ten principles of good investment practice. The Local Government (Management and Investment of Funds) Regulations 2002 required Administering Authorities to publish the extent to which they complied with these principles.
In 2007 a review was conducted, and the outcome was that the ten principles were updated to reflect the findings of the review.
Six (modified) principles replaced the original ten and the LGPS regulations 2009 require the Administering Authority to publish the extent to which they comply with these six principles.

Principle 1: Effective Decision-Making

Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.

Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Best Principle Guidance
- The board has appropriate skills for, and is run in a way that facilitates, effective decision making.
- There are sufficient internal resources and access to external resources for trustees and boards to make effective decisions.
- It is good practice to have an investment sub-committee, to provide the appropriate focus and skills on investment decision-making.
- There is an investment business plan and progress is regularly evaluated.
- Consider remuneration of trustees.
- Pay particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).

Evaluation of Compliance
- **Full compliance. The Fund has a dedicated Investment Sub-Committee that is supported by suitably experienced officers and an independent adviser. All members of the Sub-Committee are offered training and are required to comply or explain. A formal forward looking business plan is published annually. This includes a timetabled programme of tasks concerning the investment advice and actuarial processes for the Fund.**

Principle 2: Clear Objectives
Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

Best Practice Guidance

- Benchmarks and objectives are in place for the funding and investment of the scheme.
- Fund managers have clear written mandates covering scheme expectations, which include clear time horizons for performance measurement and evaluation.
- Trustees consider as appropriate, given the size of fund, a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates.
- Consider the strength of the sponsor covenant.

Evaluation of Compliance

- **Full compliance. Fund objectives are set out in the Statement of Investment Principles. Fund managers operate to detailed written mandates that give clear investment objectives and timescales for measurement . A customised benchmark has been adopted based on asset/liability studies undertaken by the Fund's investment adviser. Control ranges are in place consistent with performance targets to which the fund managers should work. Management styles and the impact of investment management costs are considered at the time of the regular procurement exercises.**

Principle 3: Risk and Liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Best Practice Guidance

- Trustees have a clear policy on willingness to accept under-performance due to market conditions.
- Trustees take into account the risks associated with their liabilities' valuation and management.
- Trustees analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities.
- Trustees have a legal requirement to establish and operate internal controls.
- Trustees consider whether the investment strategy is consistent with the scheme sponsor's objectives and ability to pay.

Evaluation of Compliance

- **Full compliance. Asset allocation forms part of the customised benchmark proposed by the Fund's investment advisor following an asset/liability study and consulted on by the Fund's actuary and independent advisor, and then recommended to the Investment Sub-Committee. Fund managers have discretion to position their portfolios around their agreed benchmark within ranges set out in the SIP, consistent with the performance objectives of the Fund. Whilst the Fund's aspiration is that the active managers will outperform their benchmarks at all times, allowance is made for the managers to have periods of underperformance, while delivering good performance over the long term.**

Principle 4: Performance Assessment

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisors. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Best Practice Guidance

- There is a formal policy and process for assessing individual performance of trustees and managers.
- Trustees can demonstrate an effective contribution and commitment to the role (for example measured by participation at meetings).
- The chairman addresses the results of the performance evaluation.
- State how performance evaluations have been conducted.
- When selecting external advisers take into account relevant factors, including past performance and price.

Evaluation of Compliance

- **Full compliance. Performance of the Fund, and Fund's investment managers, is monitored quarterly. Monitoring of past performance and price of all external service providers and advisers is undertaken annually.**

Principle 5: Responsible Ownership

Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such responsibilities.

Best Practice Guidance

- Policies regarding responsible ownership are disclosed to scheme members in the annual report and accounts or in the Statement of Investment Principles.
- Trustees consider the potential for engagement to add value when formulating investment strategy and selecting investment managers.
- Trustees ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company.
- Trustees ensure that investment consultants adopt the ISC's Statement of Practice relating to consultants.

Evaluation of Compliance

- **The Fund has signed up to the Financial Reporting Council's Stewardship Code, and a statement is on the Fund's website.**
- **All of the Fund's investment managers (with the exception of the private equity and hedge fund managers) are signatories to the Stewardship Code**
- **The Fund has appointed Manifest Voting Agency to undertake voting services.**
- **The Investment Sub-Committee has already adopted the Institutional Shareholders' Committee Statement of Principles.**

Principle 6: Transparency and Reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
Trustees should provide regular communication to members in the form they consider most appropriate.

Best Practice Guidance:

- Reporting ensures that the scheme operates transparently and enhances accountability to scheme members and best practice provides a basis for the continuing improvement of governance standards.

Evaluation of Compliance

- **Full compliance. Details of the Fund's communication policy is published on the Pension Fund website, together with the actuarial valuation, annual report of the fund, funding strategy statement, governance compliance statement, governance policy statement, statement of investment principles and Myners compliance statement. A summary of the annual report is made publicly available**

Role of Investment Consultant

Hymans Robertson LLP are employed as Investment Consultants to the Fund. The Investment Consultant provides advice to the Authority but does not have responsibility for decision making in any areas. The role encompasses, but is not limited to, the following areas:

i. assistance in helping the Authority formulate investment objectives;

ii. advice on Investment Strategy;

iii. advice on devising an appropriate investment manager structure;

iv. assistance in selecting and monitoring of investment managers.

Investment Management Structure

Having taken advice from its investment consultant, the Authority decided to implement a specialist manager structure. The approach allows the selection of "best in class" managers in each region or asset class, which should lead to superior performance. A specialist structure is less exposed to the performance of any one manager and hence reduces the probability that a poor manager selection detracts from overall performance. A further advantage of this approach is that the investment managers have been selected so that they are unlikely to apply the same investment themes or process and so this provides an additional level of diversification.

Main Assets

The Authority invests the main assets of the Fund in portfolios operated by external investment managers. The Authority is satisfied that the spread of assets by type and the investment managers' policies on investing in individual securities within each type provides adequate diversification of investments. The investment managers are required to comply with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The managers appointed are listed below.

Manager	Role	Target
BlackRock Global Investors ("BGI")	Passive Multi-Asset Portfolio	18.0
Threadneedle Investments ("Threadneedle")	Active UK Equity Portfolio	14.0
MFS Investment Management ("MFS")	Active Global Equity Portfolio	13.5
Legal and General Investment Management ("LGIM")	Passive Multi- Asset Portfolio	21.5
Legal and General Investment Management ("LGIM")	Passive Fundamental Global Equity Portfolio	5.0
Schroder Investment Management ("Schroder")	Active Property (Multi-Manager) Portfolio	5.0
Threadneedle Investments ("Threadneedle")	Active Property Portfolio	5.0
Blackstone Alternative Asset Management ("Blackstone")	Active Fund of Hedge Funds Portfolio	5.0
HarbourVest	Private Equity	4.0
J P Morgan Asset Management (UK)	Absolute Return Bonds	5.0
Partners Group	Infrastructure	2.5
Standard Life Capital Partners	Infrastructure	1.5

(The State Street UK Equity mandate will reduce over time as the private equity and infrastructure mandates are gradually established).

The investment managers' mandates are as follows:

BlackRock : Passive Multi-Asset mandate

The details of the multi-asset passive mandate are as follows:

	Benchmark (%)	Index
UK Equities	22.0	FTSE All-Share Index
European (ex UK) Equities	15.0	FTSE AW Developed Europe (ex UK) Index
North American Equities	4.0 *	FTSE AW USA Index FTSE AW Canada Index
Japanese Equities	9.0	FTSE AW Developed Japan Index
Pacific Basin (ex Japan) Equities	8.0	FTSE AW Developed Asia Pacific (ex Japan) Index
Emerging Markets Equities	3.0	S&P IFC Investable Composite Index (ex Malaysia)
UK Corporate Bonds	9.0	iBoxx Sterling Non Gilts All Stocks Index
UK Fixed Interest Gilts	3.0	FTSE UK Gilt All Stocks Index
UK Index Linked Gilts	27.0	FTSE UK Index Linked All Stocks Index
Total	**100.0**	

* split between the US and Canada in proportion with the FTSE AW Developed North America Index

State Street Global Advisors: Passive UK equity mandate

The details of the UK equity mandate are as follows:-

	Benchmark (%)	Allowable Range (%)	Index
UK Equities	100.0	+/- 5.0	FTSE All-Share Index
Cash	0.0	+/- 5.0	

The performance target for the State Street mandate is to match the FTSE All Share Index (gross of fees) over one-year rolling periods.

Threadneedle Investments: Active UK equity mandate

The details of the UK equity mandate are as follows:-

	Benchmark (%)	Allowable Range (%)	Index
UK Equities	100.0	+/- 5.0	FTSE All-Share Index
Cash	0.0	+/- 5.0	

The performance target for the Threadneedle UK equity mandate is FTSE All Share Index +2.0% per annum (gross of fees) over rolling three-year periods.

LGIM: Passive Global Multi-Asset mandate

LGIM will be expected to maintain the overall Fund benchmark, excluding the proportion of the assets invested in 'alternative assets', by rebalancing its assets under management, i.e., LGIM will act as a "Swing Manager" on behalf of the Fund. Therefore, the ongoing asset allocation will vary. Due to the nature of the Fund's investment in alternative assets, the allocations to Schroder, Threadneedle (Property), Blackstone, JP Morgan, the Fundamental Index mandate and the private equity and infrastructure managers are monitored separately.

LGIM will make use of the following funds to carry out this role.

	Index
UK Equities	FTSE All Share
European (ex UK) Equities	FTSE AW Europe Developed (ex UK) Index
North American Equities	FTSE AW Developed North America Index
Pacific Basin (ex Japan) Equities	FTSE Asia Pacific Developed Pacific (ex Japan) Index
Japan Equities	FTSE AW Japan Index
Emerging Markets Equities	FTSE AW All Emerging Index
UK Index-Linked Gilts	FTSE A Index Linked All Stocks
UK Corporate Bonds	iBoxx Sterling Non-Gilts All Stocks Index
UK Fixed Interest Gilts	FTSE A UK Gilts All Stocks
Total	

Within each class of assets, LGIM will be expected to track the relevant benchmark index within agreed tolerance limits.

LGIM: Passive Fundamental Equity Portfolio

The details of the passive global fundamental equity mandate are as follows:

	Benchmark (%)	Allowable Range (%)	Index
Global Equities	100.0	+/- 5.0	FTSE RAFI All-World 3000 Index
Cash	0.0	+/- 5.0	

LGIM will be expected to track the relevant benchmark index within agreed tolerance limits.

MFS: Active Global Equities

The details of the global equity mandate are:

	Benchmark (%)	Allowable Range (%)	Index
Global Equities	100.00	+/- 5.0	MSCI AC World Index
Cash	0.00	+/- 5.0	
Total	**100.00**		

The out-performance target for the global equity mandate is 1.5% per annum (gross of fees) over rolling three-year periods above the return of the index

Schroders: Multi-manager Property

The details of the multi-manager property mandate are:

	Benchmark (%)	Index
Property Multi-Manager	100.0	AREF/IPD UK Pooled Funds Index – All Balanced Funds Weighted Average
Total	**100.0**	

The out-performance target for the property mandate is 1.0% per annum (net of fees) over rolling three-year periods above the index return. Schroder has the discretion to invest in European property up to 20% value of the portfolio.

Schroder has the discretion to use derivatives in the management of the fund.

Threadneedle: Property

The details of the property mandate are:

	Benchmark (%)	Index
Property	100.0	AREF/IPD UK Pooled Funds Index – All Balanced Funds Weighted Average
Total	**100.0**	

The out-performance target for the property mandate is 1.0% per annum (net of fees) over rolling three-year periods above the index return.

Threadneedle has the discretion to invest in European property as part of this mandate.

Blackstone: Fund of Hedge Funds

The details of the fund of hedge funds mandate are:

	Benchmark (%)	Index
Fund of hedge funds	100.0	UK LIBID 7 Day Notice
Total	**100.0**	

The out-performance target for the fund of hedge funds mandate is 6% per annum (net of fees, in Sterling terms) over rolling three-year periods above the index return.

HarbourVest: Fund of Private Equity Funds

The details of the fund of private equity funds mandate are:

	Benchmark (%)	Index
Fund of private equity funds	100.0	MSCI World Index
Total	**100.0**	

The out-performance target for the fund of private equity funds mandate is 5% per annum (net of fees) over the life of the programme.

JP Morgan: Absolute Return Bonds

The details of the absolute return bond mandate are:

	Benchmark (%)	Index
Strategic Bond Fund	100.0	LIBOR
Total	**100.0**	

The performance target for the absolute return bond mandate is +3% p.a. (gross of fees) over a rolling 3 year period

In addition, Standard Life and Partners Group have been chosen as providers of pooled infrastructure funds for the Fund.