

Statement of Investments (the “Statement”)

in respect of: the Port of Felixstowe Pension Plan (the “Plan”)

adopted by the Trustee: 22 February 2024



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Chairman**

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This Statement is prepared by Port of Felixstowe Pension Trustee Limited (the “Trustee”), trustee of the Plan, after consultation with Port of Felixstowe Limited (the “Employer”) and having taken and considered appropriate financial advice.

Investment strategy

The Plan’s investments are as set out in Appendix A.

The investments are principally in passive index-tracking funds with BlackRock Investment Management (UK) Limited (“BlackRock”), via an insurance policy, and include allocations to various equity and bond funds. Plan investments are in the process of being further diversified by the inclusion of investments in Insight Investment Limited cashflow driven investment funds and Lazard’s Global Listed Equity Infrastructure Fund..

The Trustee considers that such investments are satisfactory and appropriate to the circumstances of the Plan and will seek confirmation from an appropriate investment adviser prior to approving any material change and in any event at least once every three years.

The assumed returns on the Plan investments are set out in Appendix B.

The principal aim of the Trustee is to ensure that the assets of the Plan are sufficient to meet the Plan’s liabilities as they fall due. In reviewing investment strategy the Trustee will consider the long-term cash flows of the Plan and the need to meet varying liabilities over time, at all times having regard to the strength of the Employer covenant.

The principal risks for the Plan are that the returns on the investments are not as assumed and that the Employer is unable to make good any deficit.

The Trustee, after consulting the Employer and having taken and considered appropriate financial advice, has adopted a long-term target portfolio of 20% return seeking assets and 80% liability matching assets.

If Plan investments have to be realised from time to time in order to meet liabilities, this will usually be done in a way that moves the portfolio weightings at that time towards the target benchmark allocation.

In view of the nature of the Plan’s investments, the Trustee has not established specific investment objectives beyond performance in line with the relevant benchmarks.

In considering Plan funding the Trustee will review and, if appropriate, adjust its strategy having regard to the strength of the Employer covenant.

Given that the majority of the Plan’s investments are in passive index-tracking funds it is not appropriate or possible to set separate requirements in respect of social, environmental and governance considerations, including climate change or ethical considerations. However, the investment managers do communicate its policies on these areas to the Trustee and makes specific reporting available.

Governance

The Trustee has formed an Investment Sub-Committee (“ISC”) to make recommendations to the Trustee in respect of overall investment strategy and the appointment and removal of investment managers and to make delegated decisions in respect of other investment matters. The Terms of Reference for the ISC are attached at Appendix C.

The Trustee board, and more specifically the ISC, consist of individuals with a range of skills, knowledge and experience who are able to challenge advice they receive and ensure that decisions are effective.

Trustee and Employer investment attitudes will be clearly communicated to investment managers and advisers.

The Trustee will regularly review the performance of the Plan’s investments and communicates with investment managers at least once each year.

The Trustee will review its performance, and specifically the performance of the ISC, at least once each year to ensure that decision making and general practice remain effective.

The Trustee will regularly consider compliance with Pension Regulator guidance in respect of investment decisions and governance practices.

Information in respect of the Plan’s investments and advisers will be reported to members by way of the periodic Pensions Newsletter and Summary Funding Statement.

Appendix A – Investments – asset allocation

1. Total portfolio allocation

Asset class	Asset allocation benchmark (%)
Return seeking assets:	
UK equities	7.5
US equities - unhedged	1.0
US equities - hedged	4.0
European equities - unhedged	1.0
European equities - hedged	4.0
Japanese equities - unhedged	0.5
Japanese equities - hedged	2.0
Pacific Rim (ex Japan) equities - unhedged	0.5
Pacific Rim (ex Japan) equities - hedged	2.0
Emerging market equities	2.5
Infrastructure	7.0
Total return seeking assets	32.00
Liability matching assets:	
Corporate bonds	14.0
UK gilts	20.0
UK index linked gilts	25.5
CDI	8.5
Total liability matching assets	68.00

Notes:

- (a) The Trustee maintains a cash fund with BlackRock and may hold up to 10% of the total portfolio in such a fund as an interim holding.

2. BlackRock portfolio allocation and benchmarks

Fund	Fund benchmark index	Benchmark allocation		Range (%)
Bonds		% of bond portfolio		
Aquila Life Corporate Bond	iBoxx £ non-gilts index	24.00		+/- 3.0
Aquila Life Over 15 Years UK Gilts Index	FTSE UK Gilts Over 15 Year Index	33.5		+/- 3.0
Aquila Life Over 25 Year Index-Linked Gilts Index	FTSE UK Gilts Index-Linked Over 25 Years Index	17.50		+/- 3.0
Aquila Life 2027 Index-Linked Gilts Index	T27UNITED KINGDOM 1 1/4 percent IL TREASURY 22/11/27	5.00		+/- 3.0
Aquila Life 2032 Index-Linked Gilts Index	TR32 UNITED KINGDOM 1.25% IL TREASURY 32 GROSS Index	8.25		+/- 3.0
Aquila Life 2040 Index-Linked Gilts Index	TR40 UNITED KINGDOM 0 5/8% IL TREASURY 40 GROSS Index	11.75		+/- 3.0
Total Bonds		100.0		
Equities		% of equity portfolio		
BlackRock Emerging Markets Index Sub Fund	MSCI Global Emerging Markets Index	10.00		N.A.
Aquila Life UK Equity Index Fund	FTSE All Share Index	30.00		+/- 3.0
Aquila Life US Equity Index Fund	FTSE All World USA Index	4.21		+/- 3.0
Aquila Life US Equity Index Fund GBP	FTSE Developed - United States Net TR 95% Hedged to GBP Index	15.79		+/- 3.0
Aquila Life European Equity Index Fund	FTSE All World Developed Europe (ex UK) Index	4.21		+/- 3.0
Aquila Life European Equity Index Fund GBP	FTSE All World Developed Europe Ex UK TR 95% Net Hedged to GBP	15.79		+/- 3.0
Aquila Life Japanese Equity Index Fund	FTSE All World Japan Index	2.11		+/- 3.0
Aquila Life Japanese Equity Index Fund GBP	FTSE Developed - Japan 95% Net Hedged to GBP	7.89		+/- 3.0
Aquila Life Pacific Rim Equity Index Fund	FTSE All World Developed Asia Pacific (ex Japan) Index	2.11		+/- 3.0
Aquila Life Pacific Rim Equity Index Fund GBP Hedged	FTSE All World Developed Asia Pacific Ex Japan Index 95% Net Hedged to GBP Index	7.89		+/- 3.0
Total Equities		100.00		

Notes:

- The performance objective for each fund is to track the benchmark index.
- BlackRock are authorised to rebalance the investments in all equity funds if the actual allocation exceeds the benchmark allocation by the range specified.
- The Trustee may, if the circumstances are appropriate, suspend rebalancing.

Appendix B – Expected returns

The expected return and risk assumptions (10 year median real investment return and 1st year standard deviation assumptions) as at 30 September 2018 are:

	10 year median real return (% per annum)	Annual volatility of returns (% per annum)
UK equities	3.7	18.5
Overseas equities	3.7	20.0
Corporate bonds	0.4	13.7
Long-dated gilts	-0.6	11.6
Index-linked gilts	-0.8	8.6
Real estate (UK property)	2.4	13.2
Inflation (RPI)	3.2	1.4
Inflation (CPI)	2.2	1.5

Appendix C – Terms of reference of Investment Sub-Committee (“ISC”)

Roles and responsibilities

Recommendation to the Trustee

The ISC shall be responsible for making recommendations to the Trustee in respect of:

- the overall investment strategy including the split between return seeking and liability matching assets; and
- the appointment and removal of Investment Managers.

Delegation to the ISC from the Trustee

The ISC shall have delegated authority from the Trustee in respect of all other investment decisions and responsibilities relating to the Plan; including but not limited to:

- implementing overall investment strategy once approved by the Trustee (including any change in the split between return seeking and liability matching assets in connection with the operation of any de-risking policy approved by the Trustee);
- the allocation of assets within return seeking and liability matching portfolios;
- the appointment and removal of Investment Advisers;
- monitoring investment performance;
- monitoring Investment Manager performance against agreed benchmarks; and
- reviewing and updating the Plan’s Statement of Investment Principles to reflect changes in overall investment strategy, appointment or removal of managers, or asset allocation.

Composition and operation of the ISC

Membership

The ISC shall consist of employer nominated, member nominated and independent Trustee Directors. Those Trustee Directors included as members of the ISC should be those with the most appropriate knowledge. The ISC may also include members who are not Trustee Directors.

Chairman

One member of the ISC shall be nominated as its Chairman.

Quorum

Whilst the aim will always be to arrange meetings for all members of the Committee to attend the quorum for any meeting will be at least two-thirds of the ISC membership.

Frequency of meetings

The ISC will from time-to-time consider the most appropriate frequency for scheduled meetings.

Where necessary to allow more rapid decision making additional meetings may be held.

Decisions of the ISC

Decisions will be reached by at least two-thirds of the ISC membership.

Where members cannot attend a meeting in person they may join a meeting by telephone or video conference and will be included in the quorum for that meeting.

If appropriate a decision may be confirmed by written resolution or email with all members of the ISC either signing or responding.

Reporting to the Trustee**Reporting at each Trustee meeting**

At each meeting of the Trustee the Chairman of the ISC will:

- provide feedback on recent ISC meetings,
- outline recent decisions of the ISC,
- set out any changes in asset allocation, and
- make any recommendations to the Trustee.