The GAM (UK) Limited Pension and Life Assurance Scheme

Statement of Investment Principles

May 2021

Introduction

This document constitutes the Statement of Investment Principles (“the SIP”) required under Section 35 of the Pensions Act 1995 (as amended) for the GAM (UK) Limited Pension and Life Assurance Scheme (“the Scheme”). It describes the investment policy being pursued by GAM (U.K.) Pension Trustees Limited, the Trustee of the Scheme (“the Trustee”). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005 (”the Regulations”).

The Scheme Actuary is Andrew Long of Willis Towers Watson and the Investment Adviser is Willis Towers Watson (collectively termed “the Advisers”).

The Trustee confirms that, before preparing this SIP, it has consulted with GAM (UK) Limited (“the Company”) and the Scheme Actuary, and has obtained and considered written investment advice from Willis Towers Watson.

The Trustee is responsible for the investment of the Scheme’s assets and arranges administration of the Scheme. Where it is required to make an investment decision, the Trustee takes advice from the relevant Advisers (and/or a suitably qualified investment professional) to ensure that it is familiar with the issues concerned.

The Trustee sets the investment strategy for the assets of the Scheme.

In accordance with the Financial Services & Markets Act 2000, the Trustee sets a general investment policy, but has delegated the day-to-day investment of the Scheme’s assets to professional Investment Managers. The Investment Managers are authorised under the Financial Services & Markets Act 2000 and provide the expertise necessary to manage the investments of the Scheme competently.

The Trustee will review this SIP at least annually and upon any change in investment strategy. There will be no obligation to change the SIP or any Investment Manager or Adviser as part of such a review.

1. Scheme Governance

The Trustee considers the governance structure that they employ is appropriate for the Scheme, as it allows the Trustee to make important decisions in relation to the investment policy, while delegating the day-to-day aspects to the Investment Managers or the Advisers as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.

The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. It also recognises that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to critically evaluate any advice they take.

The Trustee believes that, given the scale of the Scheme and the number of Trustee Directors, a separate investment subcommittee would not be appropriate. Therefore, all investment decisions are discussed by the whole Trustee body with assistance from the Scheme's Investment Advisers and/or Investment Managers before decisions are taken.

2. Defined Benefit Section

2.1 Investment Objectives

The Trustee's primary objective is to ensure the security of the members' benefits in accordance with the Rules of the Scheme.

Qualitatively, its aim is to invest the Scheme's assets in order to maintain solvency and minimise the risk of having insufficient assets to pay benefits.

In the short-term, this is intended to be achieved through investment in a combination of assets that approximately match the term and the nature of the liabilities and assets which offer prospects of long term growth in excess of the liabilities. It is not possible to match the liabilities exactly over the long term and so longer-term protection of solvency depends on the continued support of the Company, both in terms of its future contributions and its underwriting of the benefits of the Scheme.

The projected long-term cost of the Scheme depends in part on the economic and demographic assumptions, together with the valuation method used to fund the Scheme's benefits.

One of the key economic assumptions is the long-term real rate of return expected to be earned on the Scheme's assets. The investment strategy adopted by the Trustee affect the long-term return achieved, which in turn affects the ultimate long-term cost of the benefits. An investment strategy with a relatively low expected real return would therefore lead to higher anticipated Company contributions.

2.2 Asset Allocation Strategy

The Trustee hedges 42.5% of liabilities (on a gilts flat basis) via an LDI portfolio, representing c.35% of Scheme assets, and invest c.65% of Scheme assets in a portfolio of growth assets. The long-term asset allocation (effective Q4 2017 and amended alongside an update to the IMA with GAM London during Q1 2019) is shown below, and the ranges within which the individual allocations can vary at any time. GAM London has discretion to allocate to assets outside the neutral asset allocation (including but not limited to multi-asset funds, emerging market debt, hedge funds, alternative risk premia, private equity and venture capital) in the "Other" category, which is capped at 20% of the growth portfolio

Asset Class	Neutral Position	Allocation Range
Equities	35%	30% - 40%
Liability Driven Investment (LDI) and cash (managed by BlackRock)	35%	30% - 40%
Corporate bonds	10%	5% - 15%
Long lease property	10%	0% - 15%
Listed Infrastructure	5%	0%- 10%
Private Credit	5%	0% - 10%
Cash	0%	0% - 10%
Other	0%	0% - 10%

The Trustee, in conjunction with the Advisers and Investment Managers, will continue to formally monitor the Scheme's investment performance and actual asset allocation on a quarterly basis.

One of the Trustee's objectives continues to be to hedge against inflation and interest rate risks. This is being addressed through the allocation to LDI assets as part of the long-term investment strategy.

In February 2021, the Scheme invested in a Scottish Limited Partnership arrangement which holds an interest-bearing loan note issued by GAM Holding AG, and is expected to provide 10 years of fixed monthly payments to the Scheme. This investment is excluded from the asset allocation strategy set out above.

Rates of Return

The characteristics of return-seeking and liability matching assets are included in Appendix B.

Diversification

The choice of asset classes is designed to ensure that the Scheme's investments are adequately diversified and liquid. This is to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Diversification is both within and across major asset classes. The Trustee monitors the strategy on a regular basis and no less often than every 12 months to ensure that an appropriate level of diversification is maintained.

Suitability

The Trustee, having taken investment and actuarial advice from Willis Towers Watson as required under the Regulations, believes that the asset allocation strategy is suitable for the Scheme, given its liability profile and other considerations (such as legal and regulatory requirements, and the requirements specified in the Trust Deed and Rules).

Derivatives

Investments in derivatives (including the use of LDI) are only made in so far as they contribute to the reduction of investment risk or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

2.3 Implementation and Investment Managers

The Trustee has delegated the day to day management of the Scheme's assets to GAM London Limited (in respect of the growth assets) and BlackRock (in respect of the new LDI mandate), who are both regulated by the Financial Conduct Authority ("FCA") in the conduct of investment business.

Mandates and Performance Objectives

The Trustee believes that the new long term investment strategy will maximise the likelihood of the Scheme achieving the primary objectives set out in the section "Defined Benefit Section – Investment Objectives". GAM London Limited's Portfolio Management team has full discretion to manage the growth portfolio within the ranges shown in the section "Defined Benefit Section – Asset Allocation Strategy" and Blackrock in respect of the LDI mandate. Value added will be judged by reference to how the overall investment return achieved compares with the aim of the investment strategy as well as an overall benchmark index. This benchmark will reflect the weighted total of the benchmark indices for the underlying funds.

Investment Management Agreements (IMAs)

The Investment Managers have IMAs in place defining the objectives and constraints of their respective mandates. They have also been provided with a copy of this SIP and are required to exercise their powers with a view to giving effect to the principles contained herein and in accordance with the Regulations.

3. Money Purchase Section

The Scheme's Money Purchase Section was closed in September 2020 with all assets and obligations transferred to LifeSight master trust.

4. Monitoring

Investment Managers

The Scheme uses different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee's policies, where relevant to the mandate.

To maintain alignment, managers are provided with the most recent version of the Scheme's Statement of Investment Principles on an annual basis and are required to confirm that the management of the assets is consistent with those policies relevant to the mandate in question.

The Trustee will monitor the performance of the Investment Managers against the respective benchmark index. Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment.

The Trustee will meet regularly with the Investment Managers to satisfy themselves that the Investment Managers continue to carry out their work competently, have the appropriate knowledge and experience to manage the assets of the Scheme and maintain alignment with the Trustee's policies. If the Trustee in conjunction with its Advisers is not satisfied with an Investment Manager it will require that the Investment Manager takes such steps to satisfy it in this respect, or it will remove the Investment Manager and appoint another.

As part of this review, the Trustee will consider whether or not the Investment Manager:

- Is carrying out its function competently.
- Has regard to the need for diversification of investments consistent with the specific fund.
- Has regard to the suitability of each investment and each category of investment, consistent with the Scheme's investment objectives and investment strategy.
- Has been exercising its powers of investment with a view to giving effect to the principles contained in this Statement, so far as is reasonably practical.

For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved financial and non-financial performance over these periods.

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

Advisers

The Trustee will monitor the advice given by the Advisers on a regular basis.

5. Fees and Costs

Investment Managers

The Trustee will ensure that the investment management fees paid to the Investment Managers are consistent with levels typically available in the industry and the nature of services provided.

For passive mandates, or mandates where the Investment Manager is seeking to add incremental value in excess of the performance benchmark, the Investment Manager is remunerated as a set percentage of the assets under management. This is in keeping with market practice.

The Trustee, with the help of its Advisers, monitors the level of transaction costs (including commissions) across the Scheme incurred by each Investment Manager. There is no broad targeted portfolio turnover (how frequently assets within a fund are bought and sold by Investment Managers) which the Trustee adheres to. The Trustee, with the help of its Advisers, will monitor that the level of portfolio turnover remains appropriate in the context of the Investment Managers' strategy and the Scheme's investment strategy.

Advisers

Fees paid to the Advisers are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects.

Administrators

General administration charges are met by the Scheme.

Trustee Directors

Remuneration is paid for the services of an independent Trustee Director, at an agreed rate between the Company and the independent Trustee Director.

6. Risks

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme:

Solvency risk and mismatching risk

- are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities under current and alternative investment policies.

- are managed through assessing the progress of the actual change in the value of the assets relative to liabilities under current and alternative investment policies.

Manager risk

- is measured by the expected deviation of the prospective risk and return, as set out in the manager's objectives, relative to the investment policy.

- is managed by the ongoing monitoring of the investment managers.

Liquidity risk

- is measured by the level of cashflow required by the Scheme over a specified period.

- is managed by the Scheme's administrators and Advisers assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.

Currency risk

- is measured by the level of overseas investment and the translation effect of currencies leading to the risk of an adverse influence on investment values.

- is managed by monitoring the exposure to overseas currencies and through currency hedging (if deemed appropriate).

Custodial risk

- is measured by assessing the credit-worthiness of the custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

- is addressed through investment in pooled vehicles, with the investment managers responsible for selection of suitable custodians. In addition, restrictions are applied as to who can authorise transfers of cash and the accounts to which transfers can be made.

Political risk

- is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.

- is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

Sponsor risk

- is measured by the level of ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.

- is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by the number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the financial strength of the sponsor.

These measures do not render the investment policy free of risk. Rather, the measures endeavour to balance the need for risk control and the need for assets which are likely to achieve the required performance target.

The Trustee continues to monitor these risks.

7. Other issues

Statutory Funding Requirement

The Trustee will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet the statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary.

The Trustee will consider with the Advisers whether the results of these actuarial valuations and funding updates suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement. However, the expectation is that no changes will be made to how the discount rate within the funding valuation will be set and no additional cash contributions will be required beyond that agreed as part of the Recovery Plan when the investment strategy changes are implemented.

Corporate Governance

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the Investment Managers on the Trustee’s behalf having regard to the best financial interests of the members. The Trustee has been made aware of each Investment Manager’s corporate governance policy and have delegated the exercise of such rights to the Investment Managers.

Socially responsible investing, stewardship and sustainability

The Trustee recognises that sustainable investment factors, such as (but not limited to) environmental (including climate change related risks), social and governance (ESG) matters are financially material over the long-term. The Trustee takes account of financially material risks and opportunities in consultation with its advisers and discussion with its existing and prospective investment managers. All risks and opportunities are considered for materiality and impact within a broad risk management framework, which takes account of members’ investment time horizons and objectives.

The Trustee’s policy is that day-to-day decisions relating to the investment of Scheme assets is left to the discretion of its investment managers. This includes consideration of all financially materially factors and other relevant matters, including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings. The Trustee explores these factors with its investment managers to understand how they exercise these duties in practice.

When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with the investment consultant, looks to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant.

The Trustee expects the Scheme’s investment managers to have effective stewardship, both through voting and engagement. The Trustee delegates the responsibility for the stewardship activities (including voting rights and engagement activities) attaching to the investments to the Scheme’s investment managers.

Realisation of Assets

The majority of the assets are held in asset classes that are sufficiently liquid to be realised easily if the Trustee so requires.

UK Stewardship Code

The Trustee recognises the UK Stewardship Code as best practice and encourage its Investment Managers to comply with the UK Stewardship Code or explain where they do not adhere to this policy.

Additional Voluntary Contributions (AVCs)

All money purchase assets and obligations were transferred to LifeSight master trust in September 2020 and no further AVCs are expected to be paid into the Scheme.

Signed on behalf of the Trustee:

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Trustee Director Trustee Director

8. Appendix A – Responsibilities

Trustee

The Trustee of the Scheme is responsible for, amongst other things:

a) Reviewing at least every 12 months the content of this Statement and modifying it if deemed appropriate, in consultation with the Advisers and after consultation with the Company;

b) Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Advisers;

c) Assessing the quality of the performance and process of the Investment Managers by means of regular reviews of the investment results and other information, by way of meetings and written reports, in consultation with the Advisers;

d) Appointing and dismissing Investment Managers in consultation with the Advisers;

e) Agreeing and amending the terms of the Investment Management Agreements with the Investment Managers and terms of appointment of other third parties;

f) Assessing the on-going effectiveness of the Advisers;

g) Monitoring compliance of the investment arrangements with this Statement on an on-going basis;

h) Consulting with the Company when reviewing investment policy issues;

i) Formulating a policy in relation to financially material considerations, such as those relating to ESG considerations;

j) Setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments.

Investment Managers

The Investment Managers will be responsible for, amongst other things:

a. At their discretion, but within the guidelines given by the Trustee, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class;

b. Providing the Trustee with sufficient information each quarter to facilitate the review of its activities, including:

  - a report of the strategy followed during the quarter;
  - the rationale behind past and future strategy;
  - a full valuation of the assets;
  - a transaction report;
  - performance against the benchmark indices;

- corporate actions taken by the Investment Manager.

c. Informing the Trustee immediately of:

- any breach of this Statement that has come to their attention;
- any serious breach of internal operating procedures;
- any change in the senior personnel involved in the management of the Scheme's investments;
- any breach of investment restrictions agreed between the Trustee and the Investment Managers from time-to-time.

Investment Advisers

The Investment Advisers will be responsible for, amongst other things:

a. Assisting the Trustee in reviews of this Statement;

b. Advising the Trustee how any changes within the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested;

c. Advising the Trustee of any changes in the Scheme's Investment Managers that could affect the interests of the Scheme;

d. Advising the Trustee of any changes in the investment environment that could either present opportunities or problems for the Scheme;

e. Undertaking reviews of the Scheme's investment arrangements including reviews of the asset allocation policy and current Investment Managers and selection of new Investment Managers as appropriate;

This role is split at the Trustee's discretion between Willis Towers Watson and GAM London Limited.

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

a. Liaising with the Investment Advisers on the suitability of the Scheme's investment strategy;

b. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels to the Scheme;

c. Commenting on the appropriateness of the investment strategy for the Scheme relative to the liabilities of the Scheme at the triennial valuations;

d. Advising the Trustee of any changes to Scheme benefits, significant changes in membership, contribution levels and funding levels;

e. Advising the Trustee of any significant change in regulatory environment.

9. Appendix B – Asset types

The Scheme's investment portfolio is split between liability matching (low risk) assets, where the focus is on protecting the capital and gaining a modest return (such as cash, gilts and bonds) and return-seeking assets which may be exposed to greater risk, but where the potential return is higher. The Scheme has also invested in a Scottish Limited Partnership arrangement which holds an interest-bearing loan note issued by GAM Holding AG, and is expected to provide 10 years of fixed monthly payments to the Scheme.

Liability matching assets

i. The principal risk for the Scheme is that the assets fail broadly to mirror changes in the value of the liabilities. The aim of liability matching assets is to match the movement in liabilities due to interest rate and inflation changes;

ii. These type of investments should closely match the duration of cashflows;

iii. For the Scheme, there is a large proportion of liabilities with fixed pension increases in payment. Therefore hedging inflation risk is currently less important than hedging interest rate risk. However, the importance of inflation hedging will grow as the Scheme matures and a higher proportion of liabilities become linked to inflation;

iv. Types of liability matching assets include:

- Long dated conventional gilts
- Long dated index-linked gilts
- Interest rate swaps
- Inflation swaps
- Leveraged LDI pooled funds
- Gilt Repos

Return-seeking assets

i. The Trustee's aim is to diversify across different asset classes and into alternatives assets, while striking the appropriate balance between Alpha and Beta returns;

ii. 'Beta' returns refer to the returns derived from market exposure and are therefore relative to the index, whereas 'Alpha' returns refer to the value beyond this, i.e. outperformance of the market.

iii. Types of return seeking assets include:

- UK and overseas equities
- UK and overseas bonds
- Hedge funds
- Property
- Other (e.g. multi-asset funds, emerging market debt, hedge funds, alternative risk premia, private equity and venture capital)
- Diversified growth funds

- Alternative credit
- Infrastructure
- Currency hedging.