

# **The Thomson-Leng Superannuation Fund**

## **Statement of Investment Principles – September 2019**

### **1. Introduction**

DC Thomson & Co Pension Trustee Limited (“the Trustees”), the Trustee of the Thomson-Leng Superannuation Fund (the “Fund”) has drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (the “Act”) and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Fund’s investments.

In preparing this Statement, the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited (“Mercer”). In addition, consultation has been undertaken with DC Thomson & Company Limited (the “Sponsoring Company”) to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Fund’s investment arrangements and, in particular, on the Trustees’ objectives.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees and is driven by their investment objectives as set out below.

The remaining elements of policy are part of the day to day management of the assets which is delegated to a professional investment manager, William Thomson & Sons. The format of this Statement is designed to provide a logical statement rather than an ordered response to the Act. The Trustees believe, however, that it incorporates a response to all the requirements of the Act.

### **2. Investment Objectives**

The Trustees’ primary objective is to make sure the Fund can meet its obligations to the beneficiaries of the Fund. At a minimum this means paying members the value of their accrued account increased in line with the Fund’s investment income at retirement. Discretionary contributions may also be allocated to member accounts by the Company in order to help member accounts reach aspirational levels although this is not guaranteed.

Accordingly, the key long term objective of the Trustees is to generate a strong return on investments with an emphasis on income generation.

The Trustees have also considered the need for liquidity within the investment arrangements to ensure they can pay benefits as they fall due and the need to understand the future cashflow profile of the Fund when agreeing to proposed discretionary increases.

### **3. Risk Management and Measurement**

There are various risks to which any pension scheme is exposed. The Trustees’ policy on risk management over the Fund’s anticipated lifetime is as follows:

- The Trustees understand that taking some investment risk, with the support of the Sponsoring Company, is necessary to maintain the Fund’s funding level and meet

their objectives. The Trustees recognise that equity (and other growth asset) investment will bring increased funding level volatility but are comfortable investing in such assets in the expectation of maintaining the current funding level surplus over the long term.

- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Fund's accruing liabilities as well as producing more volatility in the Fund's funding position.
- The Trustees have delegated asset allocation decisions to their investment manager. The asset allocation has been set so that the expected return on the portfolio is sufficient to meet the objectives outlined in Section 2.
- The Trustees recognise the risks that may arise from a lack of diversification of investments. The investment manager aims to ensure the asset portfolio in place results in an adequately diversified portfolio. To help the Trustees ensure the continuing suitability of the current investments, the manager provides the Trustees with regular investment reports.
- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees. The Trustees recognise that the use of active management involves such a risk. However, the Trustees believe that this risk is outweighed by the potential gains from successful active management.
- Investment may be made in securities or investment trust vehicles that are not readily realisable but will always be balanced by more liquid direct equity investments which are readily realisable.
- The Trustees also recognise the risk that members could retire earlier than anticipated putting pressure on the Fund if aspirational account levels are to be achieved while maintaining a strong funding position. To manage the potential funding and liquidity risks that may result from this risk, the Trustees will consider future expected cashflow analysis from the Scheme Actuary when the Company proposes discretionary contributions each year. This will inform whether any changes to the investment strategy could be appropriate.
- Responsibility for the safe custody of the Fund's assets is delegated to the investment manager and all quoted assets are held in a designated nominee account by Meadowside Nominees Ltd..

#### 4. **Investment Strategy**

In line with the investment management agreement the Trustees delegate all day-to-day investment decisions to their investment manager, as detailed in section 5.

The Trustees are satisfied that the broad mandate given to the manager is sufficient to allow the manager to meet the Fund's objectives, but will reconsider the mandate guidelines from time to time.

## 5. **Day-to-Day Management of the Assets**

The Trustees invest the assets of the Fund in a segregated portfolio of investments managed by William Thomson & Sons. The Trustees are satisfied that the spread of assets by type and the investment manager's policy on investing in individual securities within each type provides adequate diversification of investments.

The manager has full discretion subject to the following guidelines from the investment management agreement:

- a) In general, to maintain a suitable and balanced portfolio of investments in company stocks and shares, debentures, gilts, warrants, investment trusts and cash deposits as appropriate;
- b) To achieve a balance between capital growth and protection of the value of the portfolio and the income generated from the portfolio; and
- c) In general, investments will be in "readily realisable investments", which broadly means company stocks and shares, debentures, gilts, warrants, investment trusts and cash deposits. However, some investments which are not readily realisable investments may be made which may be difficult to dispose of or value. However all investments are to be suitable investments for Trustees of a pension scheme, with due regard to the terms of the Deed of Trust, legislation etc.

The investment manager is regulated by the Financial Conduct Authority ("FCA") and has day to day responsibility for the investment of the Fund's assets. As required by the Financial Services Act 1986, the Trustees have entered into a signed Agreement with the manager.

This document provides important protections for the Fund itself and for the Trustees. It sets out the terms on which the assets are managed, including the investment brief, guidelines and restrictions under which the investment manager works.

## 6. **Realisation of Investments**

The manager has discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.

## 7. **Responsible Investment and Corporate Governance**

The Trustees believe that Environmental, Social and Governance (ESG) factors can have an impact on investment risk and return outcomes.

The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have given their appointed investment manager full discretion in evaluating ESG factors and exercising the voting rights and stewardship obligations attached to the investments, for the Fund's directly held securities. They also recognise that as the investment manager invests the Fund's remaining assets in pooled funds and investment trusts, these assets are subject to the Responsible Investment and Corporate Governance policies of the individual underlying investment managers.

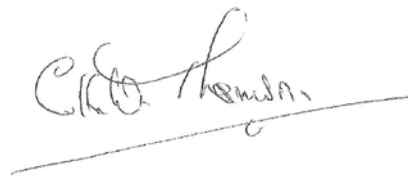
**8. Member Views**

Members have a variety of methods by which they can make views known to the Trustees and these would be considered in the selection, retention and realisation of investments.

**9. Review of this Statement**

The Trustees will review this Statement in response to any material changes to any aspects of the Fund, its liabilities, finances and the attitude to risk of the Trustees and the Sponsoring Company which they judge to have a bearing on the stated Investment Policy.

Any change to this Statement will only be made after having obtained and considered the written advice of someone whom the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

A handwritten signature in black ink, appearing to read 'C. Thomson', is written over a horizontal line.

**Signed on behalf of DC Thomson & Co Pension Trustee Limited, the Trustee of the Thomson-Leng Superannuation Fund**

25<sup>th</sup> September 2019  
**Date**