

LEWIS TRUST GROUP SUPPLEMENTAL PENSION PLAN

STATEMENT OF INVESTMENT PRINCIPLES - IMPLEMENTATION STATEMENT – YEAR TO 30 JUNE 2023

INTRODUCTION

This implementation statement from the Trustee of the Supplemental Pension Plan ('the SPP') aims to facilitate our SPP members' understanding of how the investment principles for the pension scheme are put into practice.

An implementation statement is prepared annually as part of the financial report and accounts and its nature and content will vary as the Trustee and Fund Manager develop its evolving framework.

THE YEAR TO 30th JUNE 2023

Historically the SPP has adopted an investment policy aimed at achieving a long-term investment objective of prudently maximising investment returns (both capital and income appreciation) consistent with an acceptable level of risk, through investment of the pension fund assets primarily in worldwide Government and quoted stock market securities, and cash. The investment portfolio as a whole was well diversified and weighted towards equities offering sound prospects for income and growth of capital value – an objective which served members well over the long-term.

During the year to 30.6.23 the Trustee, with assistance from its professional advisers, reviewed this strategy with the outcome that the SPP has been restructured into three sections with the titles, Westgate GMP Section, Whitford Section and Buckland Section, each with its distinct investment approach. This sectionalisation has been designed to more closely align the SPP assets with the underlying nature and future liability and cashflow profile of the members' respective interests in each of the resultant sections. This is expected to act as a risk mitigation measure and to reduce the effects of future potential market investment volatility for the benefit of members.

The sectionalised revised investment strategies may be summarised as follows;

- The Westgate GMP Section comprises a bespoke fixed income portfolio targeting pre-defined cash flow projections, primarily invested in UK Government bonds with maturities to match the pension payment projections. The revised investments have been implemented from the sales proceeds of the previous equity based investments.
- The Whitford Section investments are also structured as a bespoke portfolio targeting pre-defined cash flow obligations, invested in corporate and UK Government bonds matching the value and timing of the cashflow pension liabilities. This section's portfolio has been established by a cash transfer from the main SPP fund.
- The Buckland Section portfolio has been re-established with the objective of prudent long-term growth of its capital value, and maximisation of long-term overall return with moderate fluctuation in capital value. This significant re-arrangement of investments has been conducted in phases throughout the year to 30th June and was completed in the second half of 2023. Equity investment are largely held through indirect third party funds (previously direct investments) and an element of fixed income investment through UK Government bonds and third party funds has been introduced. At 30.6.23, prior to full completion of the portfolio restructuring, equities accounted for some 83%, fixed income 5% with a 12% cash balance.

In light of the sectionalisation of the SPP, individual section statements of investment principles have become appropriate and are in preparation to replace the SPP's single statement of investment principles previously revised in April 2020. In addition to monthly and quarterly investment reporting, the Fund Manager (Stonehage Fleming Investment Management Ltd) and the Trustee are also progressing arrangements to establish mechanisms for the inclusion of ESG and governance aspects within the management, monitoring and investment performance measurement of the fund portfolios, appropriate to each of the three Sections.