

A woman with long dark hair is shown from the chest up, holding a black mobile phone to her ear with her right hand. She is wearing a light-colored, button-down shirt. The entire image is covered with a semi-transparent pink overlay. The text is positioned in the upper left area of the image.

The University of Dundee Superannuation & Life Assurance Scheme

Statement of Investment Principles

As at September 2024

SPENCE

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Executive Summary

This Statement of Investment Principles ("the Statement") has been commissioned by and addressed to the Trustees of the University of Dundee Superannuation & Life Assurance Scheme ("the Scheme").

This document has been prepared by Simon Cohen of Spence and Partners Limited ("Spence"), in his capacity as appointed Investment Consultant to the Scheme.

It has been prepared to comply with Section 35 of the Pensions Act 1995 as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005, and as amended by subsequent regulations.

For the purposes of this report, the University of Dundee (the Sponsoring Employer) is referred to as the "Employer".

Introduction

This Statement sets out the principles governing decisions about investments for the Scheme and supersedes the previous statements prepared by the Trustees of the Scheme ("the Trustee" or "Trustees").

In preparing this Statement, the Trustees have:

1. Consulted with the Employer, although responsibility for maintaining this Statement and setting investment policy rests solely with the Trustees.
2. Obtained and considered written professional advice and recommendations from Spence who are the Trustees' appointed investment consultant.
Spence is authorised and regulated by the Financial Conduct Authority ("FCA"). It has confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required by the Pensions Acts.

The Trustees will review this Statement at least once every three years to coincide with the triennial actuarial valuation or other advice relating to the statutory funding requirements. If there are any significant changes in any of the areas covered by this Statement, the Trustees will review it without further delay. Any changes made will be based on written advice from a suitably qualified individual and will follow on from consultation with the Employer.

The Scheme is a defined benefit ("DB") plan. The Trustees' investment powers are set out in the Trust Deed and Rules dated 7th April 2014 and subsequent amending deeds. This Statement is consistent with those powers.

This Statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates) and Scheme Funding legislation.

Investment Objectives

The Trustees' overall investment policy is guided by the following objectives:

- | | |
|----|---|
| 1. | To ensure the Scheme is able to meet the benefit payments promised as they fall due from a combination of investment returns and planned contributions. |
| 2. | To seek to achieve a level of investment return which mitigates the cost of the Scheme to the Employer over the long term having regard for the Employer's covenant. |
| 3. | To achieve a level of investment return which is consistent with that assumed in the Recovery Plan from the most recent Actuarial Valuation. |
| 4. | To achieve a balance between return seeking asset assets and liability matching assets consistent with the profile of the members of the Scheme and the profile of the liabilities. |

The Scheme Actuary has confirmed during the process of revising the investment strategy that the investment objectives and resultant strategy are consistent with the actuarial valuation methodology and assumptions used in the statutory funding objective.

Investment Responsibilities

The Trustees

Under the legal documentation governing the Scheme, the power of investment is vested in the Trustees. Therefore, the Trustees are responsible for setting the investment objectives and determining the strategy to achieve those objectives. It sets the overall investment target and then monitors the performance of its investment managers against the target. In doing so the Trustees consider the advice of its professional advisers, who it considers to be suitably qualified and experienced for this role.

Its duties and responsibilities include but are not limited to:

- Regular approval of this Statement and monitoring compliance with this Statement
- Appointment, removal (where applicable) and review of its investment managers or investment adviser and their performance relative to relevant benchmarks
- Assessment of the investment risks run by the Scheme
- Monitoring and review of the asset allocation

Investment Consultant's Duties and Responsibilities

The Trustees have appointed Spence as its investment consultant. Spence provides advice when the Trustees require it and/or when Spence feels it suitable to do so. Areas on which it can provide advice are as follows:

- Setting investment objectives
- Determining strategic asset allocation
- Determining suitable funds and investment managers
- Managing cashflow

It should be noted that the Trustees retain responsibility for all decisions.

Spence is remunerated on either a fixed fee or time cost basis.

Spence does not receive any commission or any other payments in respect of the Scheme for investment services that will affect the impartiality of its advice.

The Trustees are satisfied that this is a suitable adviser compensation structure.

Investment Managers' Duties and Responsibilities

The Trustees, after considering suitable advice, have appointed various investment managers to manage the assets of the Scheme.

The underlying investment managers are detailed in Appendix 1 of this Statement. These investment managers are authorised and regulated by the FCA and are responsible for stock selection, asset allocation (if managing a multi-asset portfolio) and the exercise of voting rights. All the underlying managers are compensated by fund based charges on the value of the Scheme's assets that they hold.

The Scheme's agreed asset allocation is defined in the Appendix.

Setting the Investment Strategy

The Trustees have determined its investment strategy after considering the Scheme's liability profile, its own appetite for risk and the views, risk appetite and covenant of the Employer. It has also received written advice from its investment consultant.

Types of Investment

The Scheme's assets are invested with various investment managers.

The Trustees are permitted to invest across a wide range of asset classes, including but not limited to equities, bonds, cash, property and alternative asset classes. The use of derivatives is as permitted by the guidelines that apply to the pooled funds. The Trustees understand that some asset classes provide a better match to the liabilities than others.

The Trustees will monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio.

Balance Between Different Types of Investment

The Scheme invests in assets that are expected to achieve the Scheme's objectives detailed previously. The allocation between the different asset classes is shown in the Appendix of this Statement.

The Trustees have considered the merits of both active and passive management for the different elements of the asset allocation and selected suitable types of management for each asset class. The current managers are shown in the Appendix.

From time-to-time the Scheme may hold cash and therefore deviate from its strategic asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected events.

The Trustees may also hold insurance policies which are for the benefit of certain members to match part, or all, of their liabilities.

Expected Return on Investments

The Trustees have noted the long-run relationships that exist between the returns from different asset classes and has noted the different expected risk/return characteristics of the various asset classes.

In particular, the Trustees have noted that equities can be expected to deliver a greater long-run real return (over price inflation) than that expected from corporate bonds, fixed interest gilts, index-linked gilts or cash but that typically equities are the most volatile asset class in terms of market returns on an annual basis.

The diversified growth fund is expected to achieve a return broadly in line with the equity markets over a full market cycle, with reduced levels of volatility relative to equities. The Trustees' chosen policy is to achieve a balance between stabilising the Scheme's funding level and pursuing higher expected returns to improve the Scheme's funding level.

Realisation of Investments

The majority of the Scheme's assets are invested in pooled vehicles, which in turn invest in securities traded on recognised exchanges. The Scheme's investments can generally be readily realised, if necessary. The Scheme has an allocation to illiquid holdings, the redemption restrictions on these investments have been reviewed. The Trustees, with help from their investment consultant, will re-assess the continued suitability of these illiquid holdings going forward and will make redemptions if deemed appropriate.

Financially Material Considerations

The Trustees have considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. The Trustees acknowledge that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustees expect its investment managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustees accept that the Scheme's assets are subject to the investment managers' own policies on socially responsible investment. The Trustees will assess that this corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustees will only invest with investment managers that are signatories for the Principles of Responsible Investment ('PRI') or other similarly recognised standards.

The Trustees will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors, including climate- and nature-related risks and opportunities, could impact the Scheme and its investments;
- Use ESG ratings information provided by its investment consultant to assess how the Scheme's investment managers take account of ESG issues; and
- Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustees determine that financially material considerations have not been factored into the investment managers' processes, it will take this into account on whether to select or retain an investment.

Non-Financial Material Considerations

The Trustees have not considered non-financially material matters in the selection, retention and realisation of investments.

Stewardship

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustees' behalf, having regard to the best financial interests of the beneficiaries.

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustees believe this will be beneficial to the financial interests of members over the long term. The Trustees will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustees also expect the investment managers to engage with investee companies on the capital structure and management of conflicts of interest.

If the policies or level of engagement are not appropriate, the Trustees will engage with the specific investment manager, with the help of its investment consultant, to influence the investment manager's policy. If this fails, the Trustees will review the investments made with the investment manager.

The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code and expects investment managers to adhere to this where appropriate for the investments that they manage.

Investment Managers' Arrangements

Incentives to align investment managers' investment strategies and decisions with the Trustees' policies

The Scheme invests in pooled funds and so the Trustees acknowledge that the funds' investment strategies and decisions cannot be tailored to the Trustees' policies. However, the Trustees set its investment strategy and then select managers that best suits its strategy taking into account the fees being charged, which acts as the investment managers' incentive.

The Trustees use the fund objective/benchmark as a guide on whether its investment strategy is being followed and monitors this regularly.

Incentives for the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustees select managers based on a variety of factors including investment philosophy and process, which it believes should include assessing the long term financial and non-financial performance of the underlying companies that they invest in.

The Trustees also consider the managers' voting and ESG policies and how they engage with a employer as it believes that these factors can improve the medium to long-term performance of the investee companies.

The Trustees will monitor the managers' engagement and voting activities on an annual basis as it believes this can improve long term performance. The Trustees expect its managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustees acknowledge that in the short term, these policies may not improve the returns they achieve, but does expect that investing in those companies with better financial and non-financial performance over the long term will lead to better returns for the Scheme. The Trustees believe that the annual fee paid to the investment managers incentivises them to do this.

If the Trustees feels that the investment managers are not assessing financial and non-financial performance or adequately engaging with the companies that they are investing in, it will use these factors in deciding whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for asset management services are in line with the Trustees' policies

The Trustees review the performance of each fund semi-annually on a net of fees basis compared to its objective.

The Trustees assess the performance of the funds, where possible, over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The investment managers' remuneration is considered as part of the manager selection process and is also monitored regularly with the help of its investment consultant to ensure it is in line with the Trustees' policies.

How the Trustees monitors portfolio turnover costs incurred by the investment managers, and how it defines and monitors targeted portfolio turnover or turnover range

The Trustees monitor the portfolio turnover costs on an annual basis.

The Trustees define target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manager. This is monitored on an annual basis.

The Trustees have delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to its investment consultant.

The duration of the arrangement with the investment managers

The Trustees plan to hold each of their investments for the long term but will keep this under review.

Changes in investment strategy or changes in the view of the investment managers can lead to the duration of the arrangement being shorter than expected.

Risks

The Trustees are aware and seeks to take account of a number of risks in relation to the Scheme's investments. Under the Pensions Act 2004, the Trustees are required to state its policy regarding the ways in which risks are to be measured and managed. Overall, the Trustees measure and monitors its risks by receiving semi-annual monitoring reports which report on the performance of its assets, its managers and the movements in the Scheme's liabilities. The key risks and the policies are as follows:

Solvency and Mismatching Risk	This is measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities. The risk is managed by setting a scheme specific asset allocation with an appropriate level of risk.
Concentration Risk	This is measured by comparing the underlying asset allocation to the strategic asset allocation. It is managed through the diversification of the Scheme's assets across a range of different funds with different investment styles and underlying securities, and different investment managers.
Investment Manager Risk	This is assessed as the deviation of actual risk and return relative to that specified in the investment manager's objectives. It is measured by monitoring on a regular basis the actual deviation of returns relative to investment manager's agreed objectives and an assessment of factors supporting the managers' investment process.
Sponsor Risk	This is assessed as the ability and willingness of the Employer to support the continuation of the Scheme and to make good any current or future deficit. This is managed by assessing the interaction between the Scheme and the Employer's business, as measured by a number of factors including the creditworthiness of the Employer and the size of the pension liability relative to the Employer. The Trustees use an independent external covenant assessor to monitor this risk.
Liquidity Risk	<p>This is monitored according to the level of cashflows required by the Scheme over a specified time period. The Scheme's administrators will assess the cash requirements to limit the impact of cashflow requirements on the Scheme's investment policy.</p> <p>The risk is managed by having a suitable amount of readily realisable investments and by holding a certain level of cash type assets. The Scheme generally invests in assets that there are invested in quoted markets and are as readily realisable as the Trustees feel suitable given the Scheme's cashflow position and the expected development of the liabilities.</p>
Currency Risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in non-sterling assets or via currency investment. Some currency hedging might be used to manage this risk.

Loss of Investment Risk

There is a risk of loss of investment by each investment manager and potentially the custodian. This includes losses beyond those caused by market movements e.g. losses caused by fraud. The Trustees undertake regular reviews of the internal controls and processes of the investment managers.

Environmental, Social and Governance (ESG) and Climate Change Risks

There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. The Trustees have considered ESG issues including climate change as part of the investment process.

Compliance

The Trustees confirm that it has received and considered written advice from Spence on the establishment and implementation of its investment strategy.

The Trustees confirm that it has consulted with the Employer regarding its strategy.

The Trustees will monitor compliance with this Statement annually. This will include a review of the suitability of the investment strategy on an ongoing basis and consideration of the continued suitability of the appointed investment managers.

NAME (block capitals)

[REDACTED]

Signed

[REDACTED]

Signed for and on behalf of the Trustees of University of Dundee Superannuation & Life Assurance Scheme

Date of Signing:

[REDACTED]

Appendices

Appendix: Strategic Asset Allocation

The Scheme has a strategic asset allocation as set out in the table below:

Portfolio	Portfolio Allocation	Control Range	Asset Class	Asset Class Allocation
Leveraged Liability Driven Investment ("LLDI") & Cash	38.0%	N/A	LLDI & Cash	38.0%
Leveraged Synthetic Equity	10.0%	+/- 3%	Leveraged Synthetic Equity (unhedged)	5.0%
			Leveraged Synthetic Equity (hedged)	5.0%
Private Credit	12.0%	N/A	Private Credit	12.0%
Diversified Alternatives	12.0%	N/A	Diversified Alternatives	12.0%
Diversified Growth Fund ("DGF")	13.0%	+/- 4%	DGF	13.0%
UK Corporate Bonds	15.0%	+/- 4%	Short Duration Credit	15.0%
Total	100%			100%

Notes: Due to the infrequent pricing of the Private Credit Fund, the Scheme's asset allocation can only be accurately assessed on a quarterly basis.

Rebalancing and Cashflow management

The Trustees recognise that the asset allocation of investments will vary over time due to market movements. The Trustees seek to keep the asset allocation in line with its benchmark but is cognisant of the costs of rebalancing.

The Trustees may wish to use a nominated default fund for disinvestments, where appropriate, so as to improve efficiency around the disinvestment process and to provide cash in a timely fashion. The Trustees will take advice from the Investment Consultant on the suitability of the default fund on an annual basis. Should there be a significant change to the Scheme's assets or strategy during that period the Trustees may re-assess the suitability of the default fund.

Collateral Management

When an LDI or Leveraged Synthetic Equity fund passes through a lower or upper leverage threshold, LGIM, as fund manager, is required to either de-leverage that fund by requesting additional capital or re-leverage the fund by returning capital. On the following page, indicative movements to trigger a re-leveraging or de-leveraging event is set out for both the LDI and Leveraged Synthetic Equity funds. The fund manager has a collateral waterfall process to deliver on this objective.

The waterfall structure is shown below for both the LDI funds and the Leveraged Synthetic Equity Funds.

Fund	Order of Call
LGIM - Short Dated Sterling Corporate Bond Index Fund	1 st
LGIM – Dynamic Diversified Fund	2 nd

LGIM Matching Core LDI Funds	Indicative Lower Leverage Limit	Indicative Upper Leverage Limit
LGIM Fixed Short Fund	2.5	4
LGIM Fixed Long Fund	2	3
LGIM Real Long Fund	2	3

LGIM Synthetic Equity Funds	Indicative Lower Leverage Limit	Indicative Upper Leverage Limit
Leveraged Synthetic Equity (unhedged)	2	4
Leveraged Synthetic Equity (hedged)	2	4

The manager will trigger a re-leveraging or de-leveraging event for any of the above funds if the leverage of the fund becomes outside the indicative ranges noted above.

Investment Managers

The table below shows the investment managers that the Trustees have appointed to carry out the day-to-day management of the assets, as well as the funds that they manage, their benchmarks and relevant objectives.

The underlying investment managers' performance will be monitored on a quarterly basis.

Underlying Investment Manager	Fund	Benchmark	Objective
Legal & General Investment Management	Matching Core Funds	An investible index of gilts and swaps	Hedging
	Short Dated Sterling Corporate Bond Index Fund	Markit iBoxx Sterling Corporates 1-5 Index	Track Benchmark
	Dynamic Diversified Fund	Bank of England Base Rate	Outperform benchmark by 4.5% p.a. gross of fees over a full market cycle
	Leveraged Synthetic Equity Fund (hedged)	Markit World Equity Hedged Leveraged	Track Benchmark
	Leveraged Synthetic Equity Fund (unhedged)	Markit World Equity Unhedged Leveraged	Track Benchmark
Aberdeen Standard Investments	Multi-Sector Private Credit Fund	SONIA	Outperform benchmark by 3.0% p.a. gross of fees over a full market cycle
Partners Group	The Partners Fund	n/a	Absolute Return Objective of 8% p.a. net of fees over a 5+ year period

The underlying investment managers' performance will be monitored on a semi-annual basis.

The Scheme provided a facility for members to pay additional voluntary contributions (AVCs) to enhance their benefits at retirement. The AVCs are provided by Prudential.

Fees

The fee arrangements for the investment managers are summarised below:

Investment Manager	Fund	Annual Management Charge
Legal & General Investment Management	Matching Core Funds	0.200% p.a. of the first £7.5m, plus 0.170% p.a. of the next £20m, plus 0.150% p.a. of the balance above £27.5m
	Short Dated Sterling Corporate Bond Index Fund*	0.115% p.a.
	Dynamic Diversified Fund	0.380% p.a.
	Leveraged Synthetic Equity Fund (hedged)	0.250% p.a. of the first £25m, plus 0.200% p.a. of the balance above £25m
	Leveraged Synthetic Equity Fund (unhedged)	0.250% p.a. of the first £25m, plus 0.200% p.a. of the balance above £25m
Aberdeen Standard Investments	Multi-Sector Private Credit Fund	0.320% p.a.
Partners Group	The Partners Fund**	1.500% p.a.

*This fee includes a discount negotiated by Spence.

**Excludes 12.5% performance fee incurred if fund performance exceeds a high-water mark.

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