

## INVESTMENT PHILOSOPHY

- Primarily the Trustees have adopted a *medium-term time horizon* in formulating the Fund's investment strategy. This means that the overall success of the strategy will be measured over periods of at least 5 years.
- The *main risks* carried by members of the Fund are:
  - *Inflation risk* - this is the risk that the Fund does not earn a sufficient return to be able to provide a reasonable retirement benefit. The Fund will therefore measure its success by comparing its return relative to inflation over periods of 5 years.
  - *Loss of capital* - it is important that members are provided with an increasing degree of capital security for the 5-year period leading up to retirement age.
- The Trustees have assumed that the most appropriate indicator of investment risk is the age of the member. Younger members are assumed to place priority on management of inflation risk and older members on protection against loss of capital close to retirement.
- To this end the Fund has established 3 separate default portfolios. Younger members will be allocated a portfolio that has the potential to earn returns sufficiently higher than inflation to achieve a reasonable retirement benefit, and older members will be allocated a portfolio that offers a degree of capital protection close to retirement.
- The Fund's investments must be conducted in a manner that is honest, transparent and ethical.