

## **TEX HOLDINGS PENSION SCHEME**

### **STATEMENT OF INVESTMENT PRINCIPLES**

The policy of the Tex Holdings Plc Pension Scheme Trustees is, with appropriate advice, to invest as follows:

- (a) in U.K. equities, overseas equities, U.K. fixed interest securities, overseas fixed interest securities, property and cash.
- (b) such that the balance between these investment classes will take account of the strength and reflect the nature of the liabilities of the fund in relation to the minimum funding rate.
- (c) to balance these investment classes such that the expected return on the portfolio will meet the Trustees' required returns. Relative returns may change, and the Trustees will review their expectations on a regular basis.
- (d) such that the risk of any one class of investment will be mitigated by combining assets to arrive to an acceptable level of overall return.
- (e) generally, funds will be fully invested, except for where cash is needed for outgoings, or when stock market circumstances suggest this would be unwise.
- (f) principally be invested in Sterling denominated assets, but with a balanced weighting of major international currencies.

The appendix covers the following issues in more detail:-

- (1) The choice of investments
- (2) The balance between investment
- (3) The expected return on investments
- (4) Risk
- (5) Realisation of investment
- (6) Social, Ethical & Environmental Factors.

## **APPENDIX**

### **1) The choice of investment**

The investments held by the Scheme are to be similarly in line with those held by major U.K. pension funds.

No investment in bonds or securities will be made without seeking the advice of independent stockbrokers or other professional advisors and informed sources. Stock dealings are customarily handled through Redmayne Bentley (Stockbrokers) in Cambridge.

A percentage of the fund will be held with external investment houses. The performance of funds is carefully monitored by the Trustees by looking at comparisons with other investment houses and performance against the FTSE all-share index, in both the long and short term, to ensure an average top quartile performance.

It is the overall objective of the Trustees that the portfolio of direct investments held by the Pension Scheme will be weighed in favour of U.K. listed equities.

### **2) The balance between investments**

The allocation between the assets identified should recognise the relative strength of Tex Holdings Plc Pension Scheme. While returns on equities are more variable than those on bonds, the return per unit of risk has been higher and is expected to remain so. The liabilities of the fund are Sterling based. Accordingly, it is expected that the largest based asset class will be U.K. listed equities with an exposure to non-U.K. equities and overseas bonds and property to increase return and reduce volatility of capital and income.

### **3) The expected return on investment**

The investment return required is to meet the Fund's liabilities, which are linked to RPI and wage inflation. The history of investment over the long term shows that these liabilities can be met through a diversified portfolio containing the assets discussed under section 1 of this appendix.

The real return on investment in the Tex Holdings Plc Pension Scheme would be expected to be at least in line with the average returns from the external investment houses.

#### **4) Risk**

The degree of risk tolerable in meeting these requirements may be considered at the absolute and relative level. Volatility of returns from equities is higher than that of fixed interest. In the U.K., return for risk calculations show that given the extent of correlation between bonds and equities, even low risk investors could have held only equities. Assets such as emerging market equity can be justified by their added return and diversified risk exposure.

The Tex Holdings plc Pension Scheme Trustees' policy will be reduced volatility by investing in all of the assets discussed on a measured and proportionate basis.

#### **5) Realisation of Investment**

The Trustees review their holdings regularly, and with appropriate professional advice, decide when investments should be realised. The Trustees react sensibly to recommendations regarding specific holdings received from any of their retained brokers. The Trustees do not anticipate a high turnover in their investment portfolio. Cash will be retained at a level to meet near term predictable outgoings.

#### **6) Relationship with Asset Managers**

The Trustees monitor the arrangements with relevant Asset Managers, both in regard to performance and cost. The Trustees maintain flexible contractual arrangements and are not tied to long term obligations, so as to optimise the net financial results for Scheme members.

#### **7) Social, Ethical & Environmental Factors**

With regard to the selection, retention and realisation of investment, the Trustees take account of social, ethical and environmental considerations to the extent they believe that these factors impact on financial performance. The Trustees are cognizant of the growing importance of climate change factors and their impact on the investment universe. The Trustees are favourably inclined to invest in companies with high standards of social and environmental standards, who have a vision of the long term consequences of corporate activity.

With regard to the exercise of rights (including voting rights), the Trustees as set out in its publicly stated policy, consider the corporate governance of each investee company. Votes are, where practicable, cast in line with the Trustees understanding of corporate governance, and with due regard to the maximisation of financial value for the Pension Scheme.

**Agreed by the Trustees  
13th March 2020**