Statement of Investment Principles – April 2021

Fruit Advisory Services Team LLP Retirement and Death Benefits Scheme – E22307

Aims and Objectives of the Trustees

The Trustees have the following objectives;

- To maximise the pension income and other pension benefits at retirement by taking appropriate risk.
- To aim to reduce volatility in members pension accounts.
- To provide a suitable option for members who do not wish to take an active role in how their pension savings are invested.

The Kinds of Investments to be Held

The Trustees were keen to utilise the knowledge of an experienced investment manager by choosing a pooled investment fund for the default investment. The Trustees also wanted to ensure that volatility was kept to a minimum.

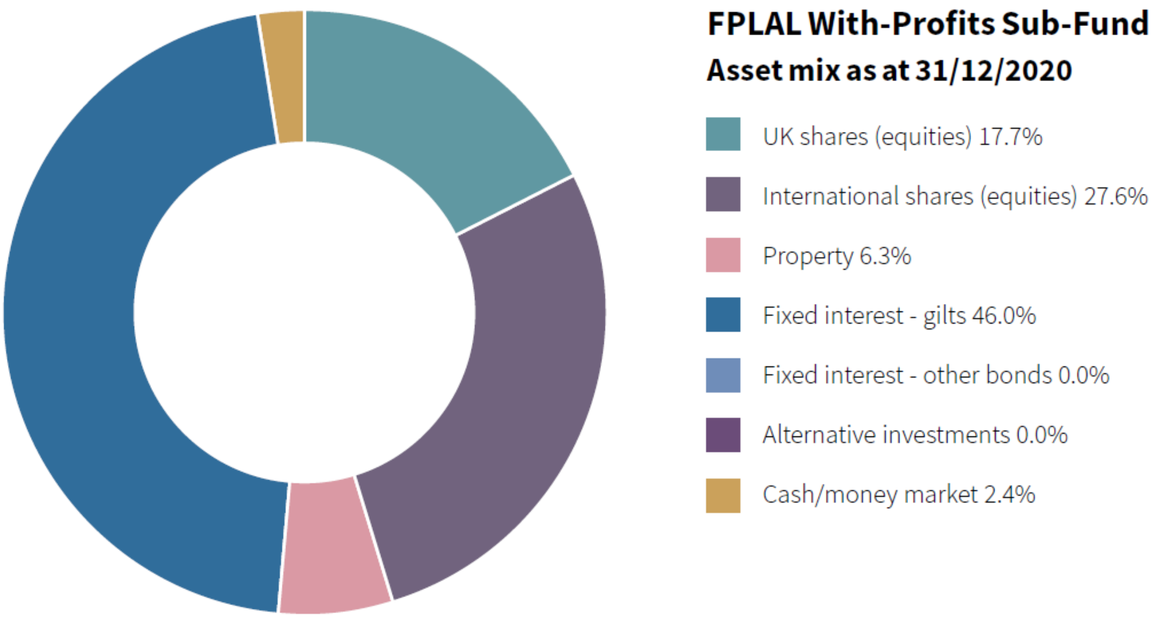
The pooled fund will be a with-profits fund. This type of fund uses a smoothing mechanism so that the value of investments is less volatile than a normal investment fund. The fund does this by declaring regular bonuses in line with the performance of the fund.

The pooled fund will invest in the following assets;

- Shares/equities
- Property
- Fixed interest – corporate bonds (UK and international) and UK Gilts
- Cash/money market

The fund will always hold a mixture of higher and lower risk assets to achieve it's objective.

The Balance Between Different Kinds of Investment



Risks and Risk Management

The below table sets out the most significant business risks alongside the action that has been taken to mitigate these risks;

The risks outlined above are borne uniformly across all policies invested in this fund.

Business risks and mitigating action taken to reduce their impact	
Business risk	***Action taken to reduce impact***
1a) Guarantees built up by regular bonus additions.	Limiting the build up of these guarantees by reducing regular bonus rates. Potentially using derivative contracts to minimise the prospect of guarantee costs and the value of assets backing them diverging due to market movements.
1b) Guarantees associated with with-profits policies, i.e. the guaranteed annuity rates attaching to some policies and other contractual guarantees attaching to most policies.	Explicit reserve set up for contingency. Monitoring and investment strategy to limit the exposure to changes in market conditions.
2) Other miscellaneous business risks impacting the with-profits business, in particular: Investment, Expense, Mortality, Taxation, Reinsurance and Regulatory risk.	Explicit accountabilities allocated to key staff to monitor and manage risks. Expense risk capped by terms of the Scheme.
3) Variances in the value of non-profit business within the Sub-Fund.	A minority of the Sub-Fund liabilities are non-profit. Reassurance to help protect against adverse mortality experience. Investment strategy to limit the exposure to changes in market conditions.
4) Potential compensation claims in respect of allegations of misselling.	The Sub-Fund has been closed to new business for a number of years. Ensuring management actions, where appropriate are consistent with sales literature. Appropriate reserving for potential risk.

The risks above all influence the amount and timing of the surplus that emerges in the Sub-Fund. Target payouts will reflect the impact of the above business risks.

The business risks outlined above are borne uniformly across all with-profits policies in the Sub-Fund.

The Expected Return on Investments

As the default fund is a with-profits fund, the Trustees expect that the smoothing process of this type of fund will keep returns steady, with minimal fluctuation. On the most part, returns should be positive, again down to the smoothing process, however, in a serious market downturn, the value of the investment can drop and returns can become negative.

There is also the added element of a final bonus. This provides the potential for a large additional lump sum to be added to the value of investments upon maturity, either when taking benefits or when transferring to another pension scheme.

The Realisation of Investments

The chosen default fund is priced daily and it is possible to realise the value of an investment in this fund on any working day, subject to a 5-day settling period.

Socially Responsible Investing

The chosen default fund has three parts to its approach to environmental, social and governance (ESG) issues. These are summarised below;

- Integration – the fund manager aims to understand how their chosen investments approach issues like board diversity, governance, climate change and regulatory developments. They aim to integrate these issues into the investment analysis and selection process.
- Stewardship – the fund manager monitors, engages and, where appropriate, intervenes on matters that are related to ESG issues.
- Reform – the fund manager conducts work on reforms and initiatives at local, national and international level to create sustainable financial markets.

Summary

The Trustees believe that the investment strategy outlined in this SIP is appropriate for managing the risks outlined above. By using a pooled fund which is run and managed by a large company with robust policies and procedures in place, this enhances the suitability of the default investment by drawing on the resources and experience of the investment management company that is managing the default fund. The choice of a with-profits fund is also fundamental to achieving one of the Trustees primary goals of reducing volatility for members.

We have relied on details supplied by Aviva to complete this SIP. The information is based on current data.