CHESHIRE PENSION FUND

Investment Strategy Statement

April 2020

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1. Introduction

1.1 This is the Investment Strategy Statement (the "Statement" or "ISS") of Cheshire Pension Fund (the "Fund") as required by regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "Regulations").

1.2 Cheshire West and Chester Council is the administering authority of the Cheshire Pension Fund.

1.3 The regulations require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

1.4 The ISS is an important governance tool for the Fund. The document sets out the current investment strategy of the Fund, provides transparency in relation to how the Fund's investments are managed, acts as a high-level risk register, and has been designed to be informative for all stakeholders.

1.5 In preparing this Statement, the Fund has consulted with such persons as it considers appropriate and the document will be updated based on any factors that the Fund considers material to its liabilities, finances or attitude to risk.

1.6 The current regulations require this statement to be reviewed at least triennially but the Fund intends to carry out an annual review and update as appropriate.

1.7 Any feedback or comments on this document should be addressed to the Pension Fund Manager and emailed to: pensions@cheshirewestandchester.gov.uk

2. Investment Objectives and approach

2.1 The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations.

2.2 The Funding Strategy and Investment Strategy are intrinsically linked and together aim to deliver stable and affordable contribution rates for employers.

2.3 The investment objective is therefore to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the scheme. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

2.4 The Fund's investment approach which helps to inform the investment strategy is as follows:

- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.
- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives.
- Environmental, Social and Governance are important factors for the selection and sustainability of investment returns over the long term.
- Value for money from investments is important, not just absolute costs. Asset pooling will help reduce costs whilst providing more choice of investments and will therefore improve Fund returns.
- High conviction active management adds value to returns over the long term.

2.5 A successful investment strategy, delivering strong investment returns over the long term while managing short-term volatility is essential for the ongoing stable operation of the Cheshire Pension Fund. Benefits are fixed and must be paid through a combination of employer contributions, employee contributions and investment returns. Employee contributions are fixed by law, so if investment returns are below expectations, the only source of income to fill the gap is employer contributions, invariably from public sector organisations that are operating under tight financial constraints.

3. Investment Strategy and the Process for Ensuring Suitability of Investments

3.1 Translating the Fund's investment and funding objectives into a single suitable investment strategy is challenging. The key objectives often conflict. For example, minimising the long-term cost of the scheme is best achieved by investing in higher returning assets e.g. equities. However, equity values are also very volatile (i.e. can go up and down frequently), which conflicts with the objective to have stable contribution rates. Achieving greater stability of contributions may therefore be better achieved by a lower allocation to equities but the resulting contributions may be higher in the longer term.

3.2 Additionally, the number of employers in the Fund has increased significantly in recent years meaning that there are groups of employers with different underlying characteristics and with different long term funding objectives. For example, for employers approaching the point where they will leave the Fund, the most important objective may be to protect their funding position by minimising volatility in asset values and this may delivered by an investment strategy with a lower allocation to equities.

3.3 In order that the Fund delivers on its key objectives (ensuring that it takes the appropriate level of investment risk, giving each employer the best opportunity possible to achieve its long term funding objective whilst keeping contributions affordable), the Fund has over the past six years divided employers into four separate groups and operated a distinct investment strategy for each group. This approach was taken to recognise the different characteristics, cash flows, maturity of liabilities and funding levels of different employers.

3.4 Following a review of the current groupings of employers, the Fund has re-organised the employers into the following groups:

- Open Employers
- Academies
- Exiting/Closed Employers
- Exited Employers

3.5 Each grouping will have its own investment strategy with its own strategic asset allocation benchmark. The strategic benchmark is consistent with the Fund's views on the appropriate balance between generating required long-term returns, whilst taking account of market volatility, risk and the nature of the Fund's liabilities.

3.6 The strategic asset allocation at 1 April 2020 for each of the four groups is shown in table 1.

Table 1 – Strategic Asset Allocation

Asset Class	Investment Objective	Investment Strategy (%) Open employers	Academies	Exiting/Closed Employers	Exited Employers
Growth		**50**	**50**	**50**	**-**
Equity	- Exposure to global equity markets - Outperform global equity markets - Contains allocation to active strategies with meaningful outperformance targets	24	24	24	-
Absolute Return	- Provide significant real returns (currently CPI + 5%) - Lower volatility than equities - Low correlation to equities (beta) - Preserve capital at times of stress	6	6	6	-
Illiquid Alternatives	- Long term returns in excess of public equity markets - Access to assets that provide link to inflation - To provide a source of regular cash flow - Includes new allocation to Infrastructure	20	20	20	-
Diversifying & Matching		**50**	**50**	**50**	**-**
Diversifying Fixed Income	- Diversified exposure to global fixed income - Focus on return generation - Flexible duration	20	20	20	-
Low Risk Fixed Income	- Provides diversification and inflation protection	30	30	30	100

The Fund allows asset allocations to fluctuate around the target allocations subject to the tolerances set out in table 2.

3.7 As at 1 April 2020, the Fund believes that the funding objectives of all open employers, academies and exiting/closed employers can be met by the same investment strategy as set out above. However, this will be reviewed annually and it is possible that different investment strategies may be implemented when it is considered appropriate to do so.

3.8 Over the past six years, the Fund has operated a dynamic Risk Management strategy for the major employers in the Fund. This gave the Fund the opportunity to adjust the strategic asset allocation in the event that a group of employers are ahead or behind their funding plan. This mechanism was used by the Fund to ensure that each group of employers continued to take the appropriate level of investment risk, giving each the best opportunity possible to achieve its long term funding objective whilst increasing certainty of cost. The Fund now considers this Risk Management strategy to have delivered its objectives and therefore the automatic de-risking and/or re-risking steps linked to changes in funding levels will cease. All employers formerly governed by the Risk Management strategy have now been allocated to the 'Open Fund' or 'Academies' investment strategies as set out in Table 1 above.

3.9 The performance of each investment strategy will however, continue to be regularly monitored and changes proposed as and when the Fund and its advisors believe changes will improve the chances of employers meeting their funding objectives.

3.10 The Fund is required to monitor its investment strategy relative to the agreed asset allocation benchmark in order to ensure that it remains consistent with the overall objective. The Fund also monitors compliance with this statement and the progress of groups of employers towards their long-term funding objective at least quarterly.

Table 2 – Tolerance Ranges

Asset Class	Open Employers and Academies	Exiting/Closed Employers
Equities	+/-5%	+/-2.5%
Absolute Return	+/-2.5% (rebalancing dependent on magnitude, cost and liquidity)	+/-2.5% (rebalancing dependent on magnitude, cost and liquidity)
Illiquid Alternatives	+/-2.5% (rebalancing dependent on magnitude, cost and liquidity)	+/-2.5% (rebalancing dependent on magnitude, cost and liquidity)
Diversifying Fixed Income	+/-2.5%	+/-2.5%
Low Risk Fixed Income	+/-2.5%	+/-2.5%

3.11 The above tolerance ranges may be relaxed from time to time to allow the Fund to efficiently manage the transition of investment assets to LGPS Central.

3.12 The maximum percentage of assets to be held in each asset class is set out in table 3.

Table 3 – Maximum Allocations

Asset Class	Open, Academies and Exiting/Closed
Equities	29.0%
Absolute Return	8.5%
Illiquid Alternatives	22.5%
Diversifying Fixed Income	22.5%
Low Risk Fixed Income	32.5%

3.13 A fundamental review of the strategic asset allocation is undertaken every three years following the actuarial valuation to provide assurance that the investment strategy is aligned to the long-term funding plan. This review utilises both qualitative and quantitative analysis, and covers:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit /surplus
- An analysis of the order of magnitude of the various risks facing the Fund is established in order that a priority order for mitigation can be determined
- The desire for diversification across asset class, region, sector, and type of security
- The level of cash flow and liquidity required by the Fund.

4. Risk measurement and management

4.1 The Fund assesses risks both qualitatively and quantitatively, with the starting point being the investment strategy review, which is undertaken as a minimum every three years. The Fund's approach to risk is informed by the Pension Fund Committee, its professional advisors and officers of the Fund.

4.2 The key risks that the Fund is exposed to can be grouped under the following headings:

a) Investment
b) Funding
c) Operational
d) Governance

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4.3 These risks are identified, measured, monitored and managed on an active basis with the Pension Fund Manager being responsible for the oversight of this process.

4.4 These risks are summarised as follows:

A. INVESTMENT RISK

4.5 There is a risk of funding levels deteriorating because of a fall in asset values or an unexpected increase in inflation increasing the value of future pensions and benefit payments. For open employers the funding level itself is not an immediate concern as the deficit or surplus will never be crystallised. However, a sustained weakening of the funding position and/or deterioration in the outlook for future returns may eventually feed through into higher employer contribution requirements.

4.6 To give an illustration of the potential scale of these risks, Table 4 below shows how a range of events could impact the funding position of the Fund:

Table 4 – Sensitivity Analysis

Event	Event movement (a)	Possible Impact on Deficit (b)
Fall in equity markets	25% fall in equities	c.£430m
Fall in property markets	20% fall in property values	c.£120m
Rise in Inflation	0.75% increase in long-term inflation expectations	c.£660m
Fall in interest rates	1% fall in interest rates	c.£740m
Active Manager underperformance	3% underperformance from all active managers	c.£80m

(a) One off impact of market changes, broadly equating to a 5% chance of occurring in a one-year period

(b) Figures estimated based on current strategic allocation and total Fund asset value as at 30 September 2019. Assumes index-linked gilts and liabilities are equally sensitive to changes in interest rates and inflation and makes no allowance for sensitivity of other assets, e.g. diversified fixed income, property or infrastructure. Figures assume no “rebound” or “unwinding” of the event movement, which may or may not subsequently occur.

Interest Rates

4.7 Long-term interest rates provide an indicator of future investment returns. Therefore, if interest rates fall, this can indicate that future investment returns are expected to be lower. Lower investment returns would lead to the investment strategy underperforming the funding target. To mitigate this risk, the Fund already has a significant allocation to fixed income assets, such as index-linked gilts and corporate bonds, which increase in value with falling interest rates. This higher asset value helps to protect against a possible reduction in future investment returns on the other assets in the portfolio. The Fund will review this allocation periodically in response to changing market conditions.

<u>Equities</u>

4.8 The Fund holds equities in order to provide the necessary returns to ensure that the Fund remains viable. The Fund believes that the extra returns that are expected to be generated by equities over the long term compensates for the volatility involved in equity investing. The investment strategy is diversified which helps to mitigate equity risk by investing significantly in bonds and alternatives.

<u>Alternatives</u>

4.9 The risks associated with investing in alternative asset classes including absolute return, property, infrastructure and private equity are relevant considerations when assessing the overall level of risk within the investment strategy. The Fund believes that over the long term, alternative asset classes will provide a level of return that compensates for the inherent risk. The additional level of diversification provided by these assets helps to reduce the Fund's reliance on equity returns. At the aggregate Fund level, investing in alternative asset classes reduces the overall level of risk.

<u>Active Manager Risk</u>

4.10 The Fund undertakes extensive due diligence on its appointed investment managers and formally monitors their performance and operation on a quarterly basis. This process is overseen by the Investment Sub-Committee and is advised by Officers and the Fund's advisors.

<u>Liquidity risk:</u>

4.11 The Fund invests in both liquid and illiquid assets meaning that not all assets can be realised at short notice. Given the long term investment horizon, the Fund accepts some liquidity risk given the potential for higher returns. The Fund monitors its liquidity position carefully to ensure that it is not a forced seller of long term assets in order to make day to day payments of benefits. Around 80% of Fund assets are expected to be highly liquid. Investment in cash flow generative assets is undertaken to assist the Fund's cash flow needs.

<u>Exchange rate risk:</u>

4.12 The Fund as a long-term investor can tolerate some short term currency fluctuations, however this is managed carefully by its investment managers who are monitored against Sterling benchmarks and therefore use hedging techniques to contain this risk. The Fund does not at present directly hedge against the risk of foreign currency fluctuations but has the capacity and processes in place to do so if necessary.

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B. FUNDING RISK

4.13 The Fund's investment strategy is a fundamental part of ensuring that affordable contributions can be set in the long term. Employer contribution strategies are aligned with the investment strategy; There are, however, a number of factors that could lead to a disconnect between the investment and contribution strategies. These risks are set out below:

Inflation

4.14 Future benefit payments to be made by the Fund are linked to inflation. Therefore, increases in the rate of inflation will increase the value of payments to pensioners. The Fund invests in assets such as index-linked gilts and property with inflation linked income streams to manage and mitigate this risk.

Demographic risks

4.15 The Fund is subject to a range of demographic risks. A more mature membership base would mean that there were a greater number of pensioner members receiving benefits than active members paying contributions. The projected maturity of the membership base is factored into the investment strategy in order to ensure that as the membership base matures, the fund is invested in the appropriate level of income generating investments or investments that are realisable at short notice and at low cost.

Climate Change Risk

4.16 In its revised Responsible Investment policy, the Fund acknowledges that there may be a significant risk from climate change which could impact on the ability of the Fund to meet its long term liabilities. It has therefore resolved to adopt an evidence based precautionary approach to climate change to monitor and actively manage any identified risks. Further information is included in the Fund's Responsible Investment policy which is attached in Appendix B.

C. OPERATIONAL RISK

4.17 Operational risks arise through the implementation of the Fund's investment strategy. These risks are set out below:

Transition risk

4.18 The Fund may incur unexpected costs in relation to the transition of assets between managers and/or asset classes. When carrying out significant transitions, the Fund takes professional advice and considers the appointment of specialist transition managers in order to mitigate this risk when it is cost effective to do so.

Custody risk

4.19 The Fund must ensure that it retains the economic rights to all Fund assets, when held in custody or when being traded. It does this through the use of a global custodian for custody of assets, the use of formal contractual arrangements for all investments and maintaining independent investment accounting records.

Credit default risk

4.20 A counterparty related to a Fund investment could fail to meet its contractual obligations. The Fund monitors this through robust internal compliance arrangements where applicable, contractual requirement for investment managers to manage counterparty risk on the Fund's behalf and robust due diligence prior to making any investment.

D. GOVERNANCE RISK

4.21 Good governance is an essential part of the Fund's investment strategy and the Fund therefore identifies **poor governance** as a potential risk that can have a detrimental effect on the successful operation of the Fund. The Fund ensures that its decision making process is robust and transparent and this is documented in the Governance Compliance Statement which is published on the Fund's website.

Environmental, Social and Governance risks

4.22 The Fund's investment strategy contains its own policy on Responsible Investment. Non-compliance with this policy would expose the Fund to financial and reputational risk. The Fund believes that effective management of financially material Responsible Investment risks should support the Fund's requirement to protect returns over the long term. The Fund will seek to further integrate Responsible Investment factors into the investment process across all relevant asset classes. Further information on the Fund's approach to managing this risk is provided within the Responsible Investment Policy which is published on the Fund's website and as at Appendix B.

5. Securities Lending

5.1 Securities lending is undertaken in respect of the Fund's directly owned quoted equities holdings through an arrangement with the Fund's Custodian, BNY Mellon. The Fund receives a fee whenever it loans stock out via this arrangement and the income is used to help the Fund meets its liability payments. The Fund's securities lending programme was reviewed by the Investment Sub-Committee in 2018; they examined the potential risks and concluded that sufficient safeguards were in place and that that the programme should continue.

6. Approach to asset pooling

6.1 LGPS Central Ltd ("LGPS Central") has been set up as an arms-length company, accredited by the Financial Conduct Authority, to manage the pooled investment assets of eight LGPS funds across the centre of England.

6.2 The Cheshire Pension Fund is one of the eight partner funds, all of whom hold equal shares in the company. The other partner LGPS pension funds are

Derbyshire, Leicestershire, Nottinghamshire, Staffordshire, Shropshire, West Midlands and Worcestershire.

6.3 LGPS Central started trading on 3 April 2018 and partner funds have started to migrate assets over to the company as and when appropriate investment products become available. As at the end of December 2019 the Cheshire Pension Fund has migrated 15% of its total investment assets to LGPS Central and this percentage will increase as LGPS Central launch more investment products across different asset classes. In respect of migrated investment assets, LGPS Central will assume responsibility for the day to day monitoring of investment performance and the appointment and dismissal of external investment managers.

6.4 The Fund is committed to making a success of LGPS asset pooling in the belief that the Fund will benefit from lower investments costs achieved via economies of scale and greater bargaining power driven through the aggregation of assets. In addition, the Fund will have greater access to a broader range of investable asset classes, including new and innovative products and services. LGPS Central and the partner funds have put in place a robust governance framework to ensure the company operates effectively and delivers timely and transparent reporting to shareholders and client funds.

6.5 The Fund will retain full responsibility and control over its strategic investment allocation policy. Subject to satisfactory due diligence and value for money considerations being satisfied, the Fund intends to eventually invest all its assets with LGPS Central but will maintain some cash balances locally. However, some existing assets held are illiquid and difficult to transfer (e.g. private equity limited partnership holdings and property assets) and these will be evaluated carefully to assess whether best value for money is delivered by the transfer of the assets to LGPS Central or continuing to be held directly by the Fund.

7. Responsible Investment (RI)

7.1 The Cheshire Pension Fund is a long-term investor aiming to deliver a sustainable Pension Fund for all stakeholders.

7.2 Cheshire West and Chester Council, as the administering authority of the Fund, has a fiduciary duty to act in the best, long-term, interests of the Fund's employers and members. The Fund believes that in order to fulfil this duty, it must have a clear policy on how it invests in a responsible manner.

7.3 Responsible Investment is a fundamental part of the Fund's overarching investment strategy as set out in this Investment Strategy Statement – that is to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the scheme. The Fund believes that consideration of Environmental, Social and Corporate Governance ("ESG") factors are fundamental to this, particularly where they are likely to impact on the overarching investment objective.

7.4 The Fund's approach aims to ensure that consideration of ESG factors is embedded in the investment process, utilising the various tools available to manage ESG risks and to harness opportunities presented by ESG factors.

7.5 The Fund's core principles of responsible investment are:

1. We will apply **long-term thinking** to deliver **long-term sustainable returns**.
2. We will seek **sustainable returns** from **well-governed assets**.
3. We will use an **evidence-based** long term investment appraisal to inform **decision-making** in the implementation of RI principles and consider the costs of RI decisions consistent with our fiduciary duties.

7.6 The way in which the Fund ensures that these core principles are met, and how it monitors its own performance is provided within the Responsible Investment Policy presented in Appendix B.

8. Myners Principles

8.1 Although not specifically referenced in the Regulations, the Fund continues to assess its own compliance with the Myners Principles of Good Investment Governance. A statement that sets out an assessment of compliance is presented in Appendix A.

9. Advice taken

9.1 In creating this statement, the Fund has taken advice from its Officers and external advisors.

9.2 In relation to each of the constituent parts, such as the asset allocation and risk mitigation, the Fund has taken advice from its Investment Consultant, Mercer, and the Scheme Actuary, Hymans Robertson. In providing investment advice, Mercer is regulated by the Financial Conduct Authority.

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APPENDIX A
COMPLIANCE WITH MYNERS PRINCIPLES OF GOOD INVESTMENT GOVERNANCE

Principle	Evidence of Compliance
Principle 1 Effective Decision Making: Administering authorities should ensure: • That decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and • That those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	**Compliant** - Decisions are taken by the Section 151 Officer of the Administering Authority, advised by the Pension Fund Committee. - The Section 151 Officer and the Committee has support from Council officers with sufficient experience to assist them. - The Fund is also advised by professional actuarial and investment advisers. - The Committee makes robust challenges to advice and is aware of where potential conflicts of interest may reside within the Committee and in relation to service providers.
Principle 2 Clear objectives: An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers.	**Compliant** - The Fund has established investment objectives, which take account of the nature of Fund liabilities and the contribution strategy. The objectives are set based on advice from the Fund Actuary and Strategic Investment Advisor, which informs the overall risk budget for the Fund. The overarching objective is reflected in the investment mandates awarded to the asset managers. - There is dialogue with admitted bodies within the Fund in relation to the contributions they pay, their capacity to pay these contributions and the level of guarantees they can provide.
Principle 3 Risk and liabilities: • In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default	**Compliant** - The investment strategy is considered in the light of the nature of the Fund liabilities, the timescale over which benefits will be paid, and financial and demographic factors affecting the liabilities, such as inflation and improving longevity - The Pension Fund Committee and

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Principle	Evidence of Compliance
and longevity risk.	Council officers challenged the contribution strategy with the Actuary, in order that it takes into account of risk factors for the Fund including strength of covenant. Discussions have also taken place with admitted bodies in relation to the affordability of contributions and the strengths of their covenants.
Principle	**Evidence of Compliance**
Principle 4 Performance assessment: • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. • Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.	**Partially compliant** - The performance of the Fund and its individual managers are monitored on a regular basis. - The quality of advisers is assessed on a qualitative basis and is subject to periodic retender in order to ensure value for money. - The Pension Fund Committee does not yet have a formal process in place to measure its own effectiveness.
Principle 5 Responsible Ownership: Administering authorities should • adopt, or ensure their investment managers adopt, the Financial Reporting Council's (FRC) Stewardship Code on the responsibilities of shareholders and agents. • include a statement of their policy on responsible ownership in the Statement of Investment Principles. • report periodically to scheme members on the discharge of such responsibilities.	**Compliant** - The Pension Fund Committee encourages its investment managers to adopt the Financial Reporting Council's (FRC) Stewardship Code on the responsibilities of shareholders and agents on the Fund's behalf and all relevant managers comply. - This Investment Strategy Statement includes a statement on the Fund's policy on responsible ownership. - The Fund will publish an annual summary of voting and engagement activity.
Principle 6 Transparency and Reporting: Administering authorities should • act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated	**Compliant** - The Fund maintains minutes of all Pension Fund Committee meetings and documents all key decisions through the EDN and ODN process. Minutes are available on the Fund website. - The Council holds a formal annual meeting for employers and meets periodically with sponsoring employer

Principle	Evidence of Compliance
objectives. • should provide regular communication to scheme members in the form they consider most appropriate.	bodies. - A member representative attends Committee meetings. - The Investment Strategy Statement is published on the Fund's website and is available to members on request. - Other information on the Scheme is available to members on the Fund's website.

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Glossary of Terms

Term	Definition
Absolute return	A fund that aims to achieve a positive return irrespective of movements in the equity and bond markets.
Alternatives	Typically seen as an "unconventional" asset class – i.e. an asset class, other than traditional asset classes such as public equities, bonds, property and cash.
Bonds / Fixed Income	A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate. Seen as a good "matching" asset for a pension scheme.
De-risking	Moving from growth to matching assets to reduce risk.
Diversifying fixed income	A bond like investment that is return seeking and provides a different source of return other than equities.
Equities	A share in a company. Seen as a "risky" or "growth" asset from a pension scheme perspective.
ESG	Environmental, social and corporate governance factors which could impact company performance and therefore investment returns. Examples include (but are not limited to) climate change, workforce issues, remuneration, independence of the board and auditors, board composition and diversity.
Funding basis	The assumptions used by the Scheme Actuary to place a value on the Fund's liabilities (the value of the benefits to be paid out of the Fund).
Funding level	The difference in the value of the Fund's assets and liabilities. Assesses the financial health of the Fund.
Hedging	Currency hedging is an approach that is intended to manage the degree of risk that may be present when engaging in some type of foreign investment strategy. Essentially, the structure of a currency hedging process would attempt to compensate for any shifts in the relative value of the currency types utilized in the investment scheme or the transaction.
High Conviction	High conviction is a style of active management often associated with active equity investment funds. Such managers seek to deploy a high conviction approach over time with the aim of outperforming the benchmark or passive fund equivalent for their target sector.
Illiquid alternatives	An alternative asset which is not easily traded (i.e. cannot be converted into cash quickly or without an impact to the price received)
Liquid asset	An asset which is easily traded (i.e. can be converted into cash quickly and with minimal impact to the price received)