Statement of Investment Principles – Janus Henderson Group UK Pension Scheme (August 2019)

8th Edition

Introduction

1 This document is the Statement of Investment Principles ('SIP') prepared by the Trustee of the Janus Henderson Group UK Pension Scheme (the 'Scheme') in accordance with the requirements of Section 35 of the Pensions Act 1995 as amended and The Occupational Pension Schemes (Investment) Regulations 2005.

2 The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee considered written advice from the Scheme's Investment Consultant (Towers Watson Limited) and consulted with the Sponsoring Employer. The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustee.

Investment managers

3 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

4 The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Scheme's long term objectives, and an acceptable level of risk.

5 The Trustee recognises an investment's financial success is influenced by a wide range of factors including environmental social and governance (ESG) issues (including climate change) and stewardship. The Trustee's policy is that the extent to which social, environmental or ethical considerations are taken into account in these decisions is left to the discretion of its investment managers. However, the Trustee expects that the extent to which social, environmental or ethical issues may have a fundamental impact on the portfolio will be taken into account by the investment managers in the exercise of their delegated duties.

6 The Trustee recognises that active ownership (including the exercise of voting rights and engagement) can protect and enhance the value of investments. The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights.

7 The Trustees recognises the UK Stewardship Code as best practice and encourages its investment managers to comply with the code or explain where they do not adhere to this policy.

8 At present, the Trustee does not explicitly take account of non-financial matters in scheme design or strategy but may consider reflecting specific non-financial considerations in future.

A. Final Salary Section

Scheme objectives

9 The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries ("Members").

10 The investment objectives of the Final Salary Section are to achieve an overall rate of return designed to ensure:

- sufficient resources are available to meet all liabilities as they fall due
- investment returns are maximised at an acceptable level of risk
- volatility in the Scheme's funding level is reduced as far as possible.

In seeking to achieve this objective, the Trustee is mindful of the need to:

- take account of current market conditions when positioning the portfolio at any time
- limit the risk of the assets failing to meet the liabilities over the long term, noting that asset growth is expected to be made up of investment returns plus future contributions.

11 The Trustee will review this objective regularly and amend as appropriate.

Investment strategy

12 The Trustee has received advice to determine an appropriate investment strategy for the Scheme. The Trustee has a desire to diversify its risk exposures and to manage its investments efficiently. The Trustee of the Scheme takes investment decisions as a complete body and has rejected the concept of a formal investment sub-committee, although sub-committees may be formed from time to time to examine specific issues.

13 The investment strategy makes use of three key types of investments:

- using a range of instruments that provide a better match to changes in liability values, which include gilts, derivatives and annuities.
- a diversified range of growth assets to be managed in a Return Seeking Portfolio (RSP)
- actively managed portfolios.

14 The balance within and between these investments will be determined from time to time with regard to maximising the chance of achieving the Scheme's investment objective.

15 The Scheme will hold assets in cash and other money market instruments from time to time as may be deemed appropriate.

16 The Trustee will monitor the liability profile of the Scheme and will regularly review, in conjunction with the Investment Consultant and the Scheme Actuary, the appropriateness of its investment strategy.

17 The expected return of an investment will be monitored regularly and will be directly related to the Scheme's investment objective.

18 The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Scheme's overall investments, where possible. The Trustee, together with the Scheme's administrators, will hold sufficient cash to meet benefit and other payment obligations.

19 The Scheme's assets consist predominantly of investments admitted to trading on regulated markets and investments not traded on such markets are kept to a prudent level.

20 The Scheme does not borrow money or act as a guarantor for the purpose of providing liquidity (unless it is temporary).

Other matters

21 The Scheme is a Registered Pension Scheme for the purposes of the Finance Act 2004.

22 The Scheme's AVC arrangement provides for benefits to be accrued on a money purchase basis, with the value of members' funds being determined by the value of accumulated contributions adjusted for investment returns net of charges. In selecting appropriate investments, the Trustee is aware of the need to provide a range of investment options, which broadly satisfy the risk profiles of all members, given that members' benefits will be directly determined by the value of the underlying investments.

23 The Trustee recognises a number of risks involved in the investment of the Scheme's assets:

Deficit risk:

- is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies.
- is managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

Manager risk:

- is measured by the expected deviation of the return relative to the benchmark set and managed through regular monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers' investment process.

Liquidity risk:

- is measured by the level of cashflow required by the Scheme over a specified period.
- is managed by the Scheme's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity.

Currency risk:

- is measured by the level of exposure to non-Sterling denominated assets.
- the Scheme has exposure to non-Sterling denominated assets through its investment in its two diversified growth funds. The manager of these funds do have the discretion to hedge currency risk as well as taking on active currency positions.

Interest rate and inflation risk:

- is measured by comparing the likely movement in the Scheme's liabilities and assets due to movements in inflation and interest rates.
- is managed by holding a portfolio of matching assets (physical bonds and/or derivatives) that enable the Scheme's assets to better-match movements in the value of the liabilities due to inflation and interest rates.

Political risk:

- is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
- is managed by regular reviews of the actual investments and through the level of diversification.

Sponsor risk:

- is measured by conducting periodic independent covenant assessments and receiving regular financial updates from the Employer
- is managed through an agreed contribution and funding schedule.

Derivatives risk

- Counterparty and operational risk – this risk is mitigated through collateral management, diversifying exposure across counterparties, and the use of robust ISDA, GMRA or other relevant derivatives documentation. This is managed by the Scheme's liability hedging manager.
- Liability risk – pension liabilities can only be estimated and there is a risk of divergence between the performance of the derivatives and the actual value of the liabilities (for example, due to changes in assumptions or demographics). This risk is mitigated by updating the liability hedging benchmark at appropriate regular intervals.

Buy-in insurer risk

- This is the risk that the buy-in insurer fail to pay the benefits secured under the buy-in contract. This is addressed by having selected a regulated insurer, reliance on the insurance regulatory regime and with appropriate termination rights which have been agreed with the insurers and written into the contracts.

B. Money Purchase Section

Scheme objectives

24 The objective of the Money Purchase Section is to provide investment options to allow members to choose those investments which approximate to their anticipated risk preferences at different times in their lives in order to maximise their income in retirement. A secondary objective is to allow members the freedom to vary the levels of risk they are prepared to accept. In seeking to achieve these objectives the Trustee is mindful of the administrative burden of offering multiple options and has therefore limited the number of investment options.

Overall investment strategy

25 After due consideration, the Trustee has chosen pooled funds as the appropriate vehicle for the investment of the Scheme's members' assets, and for the following reasons:

- To achieve greater diversification and access to markets compared to investing directly into these markets;
- Transparency to members of the values of their savings;
- Simplification of administration.

26 Predominantly passively managed funds have been chosen for the Money Purchase Section, as the associated reduction in manager risk is felt to be appropriate to members' risk objectives. This is reviewed for appropriateness by the Trustee periodically.

27 The Scheme also offers a range of lifestyle strategies. The aim of the lifestyle strategies is to provide members with the potential for long-term growth for the majority of their working life before gradually reducing investment risk as members approach their target retirement age.

Default investment strategy

28 The default investment option for the Scheme is the Lifestyle DGF option which initially invests in a diversified growth fund before gradually moving investments to match against annuity purchase at retirement. The Scheme provides alternative lifestyles for those members with a different risk appetite.

29 When designing and reviewing the investment strategy for the default investment option, the Trustee will have regard to the sustainable investment principles outlined earlier in this Statement.

Other matters

30 The Trustee recognises a number of risks involved in the investment of the Scheme's assets:

- Defined contribution schemes place the investment risk with the individual scheme member. The Trustee has put in place a choice of lifestyle investment options, in the belief that this offers the most appropriate balance between risk and reward throughout an individual's membership of the Scheme. For those nearer to retirement, they offer protection against volatility in annuity purchasing power in exchange for potentially lower asset growth.

- Within a particular lifestyle investment option, a transition between asset types has been determined to strike an appropriate asset balance depending on the age of the member.

- In addition to the lifestyle options, members are free to make their own choice of funds (known as a "self-select" option) from a range selected by the Trustee, so as to provide a different spread of investment opportunities more specific to individual needs.

Manager risk:

- is measured by the expected deviation of the return relative to the benchmark set and by monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers' investment process.

- is managed through ongoing monitoring of the actual deviation of returns relative to the benchmark and factors supporting the managers' investment process.

Currency risk:

- is measured by the level of exposure to non-Sterling denominated assets.

- is managed through providing members with a blend of options that invest in Sterling and non-sterling assets.

Inflation risk:

- is the risk that the real value of contributions will erode over time and help lead to an inadequate amount of benefit at retirement. This could be failing to achieve an adequate amount of return in excess of price inflation commensurate with the term of investment.

- is managed by the provision of equity and inflation linked funds.

Political risk:

- is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.

- is managed by regular reviews of the Scheme's investments and through the level of diversification

Pension conversion risk:

- is the risk that the value of a member's account when approaching retirement does not reflect the change in the cost of purchasing an annuity at retirement

- is managed by the provision of the provision of fixed interest gilt and corporate bond fund as strategies that target annuity purchase at retirement.

Capital risk

- is the risk that the member will lose part or all of their investment.

- is managed by ensuring the investment options are appropriately diversified and members are able to construct a balanced and diverse portfolio using a number of different asset classes

31 Members are free to choose how they wish to realise their benefits at retirement. The Scheme rules provide for members to secure their pension at retirement by the purchase of an annuity.

Members can also choose to take their pension as a full lump sum. Should members wish to secure retirement income in a different form, they can transfer their benefits to another pension arrangement.

Signed:

Name: RODDY HARMAN

Date: 20-09-2019

Authorised for and on behalf of the Trustee of the Scheme

Appendix A

Investment Strategy – Final Salary Section

Return-Seeking Portfolio

The Scheme invests in pooled diversified growth funds which make up the Return Seeking Portfolio.

Matching Portfolio

The Scheme invests in pooled liability driven investment (LDI) funds which aim to move in line with the Scheme's liabilities due to changes in interest rates and inflation.

The Scheme also holds a bulk annuity in the form of a buy-in asset, the cashflows from which will match a section of the Scheme's liabilities.

Appendix B

Investment Strategy – Money Purchase Section

The Scheme offers members four lifestyle options, and also a range of funds available through the freestyle options. The default investment option for the Scheme is the Lifestyle Diversified Growth Fund (DGF) option.

Lifestyle	Growth Phase
Lifestyle DGF	80% DGF / 20% Gilts Fund
Lifestyle 100	100% Equity Fund
Lifestyle 80 / 20	80% Equity Fund / 20% Gilts Fund
Lifestyle 60 / 40	60% Equity Fund / 40% Gilts Fund

The at-retirement target for each lifestyle strategy is to hold 25% of the fund in cash and 75% in gilts.

Other attributes of the lifestyle options include:

- Members are able to choose a target retirement date.
- The protection phase will begin 10 years from the target retirement date on all four lifestyle options.
- The default target retirement age will be 60.
- Lifestyle switching will be undertaken quarterly.

No reverse switching (switching back to equities from gilts) will apply throughout the lifestyle option.