

Phonographic Performance Limited 1975 Pension and Life Assurance Scheme

Addendum to the Statement of Investment Principles

Original Statement dated: December 2023

Date of Addendum: December 2024

Purpose of the Addendum

This Addendum updates Appendix 1: *The Trustees' Investment Strategy* and Appendix 2: *Fund Details* to reflect changes made to the Scheme's Liability Driven Investment manager and the structure of the Diversified Credit Fund allocation.

Appendix 1: The Trustees' Investment Strategy

Strategic Asset Allocation

In determining the strategic asset allocation, the Trustees view the investments as falling into two broad categories:

1. **Growth Assets** – Assets that are expected to deliver long-term returns in excess of liability growth. The use of Growth Assets is expected to deliver a level of investment returns deemed appropriate by the Trustees given the risk involved.
2. **Liability Matching Assets** – Assets that are expected to react to changes in market conditions in a similar way to the liabilities. The use of Liability Matching Assets is expected to protect the funding position of the Scheme.

The structure of the Growth Assets has been designed to offer diversification across a range of underlying asset classes. These assets are invested in two types of funds:

- i) diversified growth funds (DGFs); and
- ii) diversified credit funds (DCF).

The structure of the Liability Matching Assets has been designed to reflect the sensitivity of the Schemes' liabilities to changes in gilt yields and expectations of future inflation. The Liability Matching Assets may be invested in three types of funds:

- i) gilt funds;
- ii) leveraged Liability Driven Investment (LDI) funds, and
- iii) corporate bond funds.

The Trustees have agreed a strategic target of 50% Growth Assets and 50% Liability Matching Assets. However, the actual allocation will not be rebalanced automatically and may therefore drift away from the strategic target over time. The allocation may be rebalanced at the discretion of the Trustees.

The allocation to Liability Matching Assets is expected to hedge about 95% of the sensitivity of the liabilities to changes in interest rate and inflation (for this purpose, the liabilities are measured using a gilts + 0.5% discount rate).

Appendix 1: The Trustees' Investment Strategy (continued)

In addition, the Trustees may hold cash, either in the LGIM Sterling Liquidity Fund or in the Trustees' bank account – with the latter typically being used to hold cash required to make payments due in the short-term.

The Trustees will review the strategic asset allocation periodically, and at least every three years, to ensure that the investment strategy remains consistent with the Trustees' funding objectives. As part of such a review, the Trustees will consider the risks associated with the investment strategy.

Investment Strategy Implementation

The funds used to implement the Scheme's investment strategy are set out in the table below.

Fund	Strategic Target
Growth Assets	50%
LGIM Future World Multi-Asset Fund	20%
M&G Total Return Credit Investment Fund	30%
Liability Matching Assets	50%
Insight Maturing Buy & Maintain Credit Funds	18%
Insight LDI Partially Funded Gilt Funds	32%
LGIM Sterling Liquidity Fund	
Total Assets	100%

Notes

LGIM = Legal & General Investment Management

LDI allocation includes holdings in Insight's LDI Partially Funded Index-Linked Gilt Funds.

The Liability Matching Assets will be structured to achieve the target level of liability matching. If this matching can be achieved with less than 32% allocated to LDI funds then the balance of the Matching Assets will be invested in the LGIM Sterling Liquidity Fund.

All funds are made via the Mobius Life investment platform.

Appendix 1: The Trustees' Investment Strategy (continued)

LDI Leverage Management Policy

In an environment of rising yields and/or falling inflation, a recapitalisation payment may need to be paid into one or more of the LDI funds. This will ensure that leverage within the LDI funds remains within a permissible range. The Trustees have provided Mobius with authority to raise money for such a payment by disinvesting the required payment as follows:

- 40% LGIM Future World Multi-Asset Fund
- 60% M&G Total Return Credit Investment Fund

If the leverage of an LDI fund falls below a minimum threshold, LGIM will make a cash payment from the relevant fund to raise the leverage. The Trustees have provided Mobius with authority to invest any such cash proceeds as follows:

- 40% LGIM Future World Multi-Asset Fund
- 60% M&G Total Return Credit Investment Fund

Cashflow Management Policy

Any investments or disinvestments will be made at the discretion of the Trustees, who maintain a Cashflow Management Policy recording how such payments should be structured. The Cashflow Management Policy will be designed to ensure the allocation of the Scheme's assets remains closely aligned with the strategy described in this statement.

The Trustees may share the Cashflow Management Policy with the individual(s) responsible for processing payments from the Scheme.

The Cashflow Management Policy will be reviewed from time-to-time by the Trustees and, as a minimum, at least every three years in line with a review of this statement. Given that the Cashflow Management Policy is designed to keep the Scheme's asset allocation aligned with the investment strategy and investment principles described in this statement, the sponsoring employer is satisfied that the Cashflow Management Policy can be amended by the Trustees without consulting the sponsoring employer.

Additional Voluntary Contributions

The Scheme's AVC arrangements are held with AEGON (formerly Scottish Equitable Life Assurance Society) and Legal & General Assurance Society Limited.

Appendix 2: Fund Details

This Appendix provides a summary of the funds used to implement the Scheme's investment strategy.

The following points should be noted:

- **AMC:** The Annual Management Charge applicable to each fund represents the fee payable to the fund manager. The AMC includes the fee payable to Mobius for accessing a fund via the Mobius investment platform.
- **Additional expenses:** These are third party costs associated with the operation of a fund such as fees paid to the administrator, the custodian and the auditor and the costs associated with the use of third-party funds where these are used. The level of the additional expenses may vary over time.

LGIM Future World Multi-Asset Fund	
Objective	To provide long-term investment growth through exposure to a diversified range of asset classes (excluding physical property) while reflecting significant environmental, social and corporate governance (ESG) issues into the fund's investment strategy.
Liquidity	This fund is daily dealt.
Fee	AMC: 0.33% per annum
	Additional Expenses (approx.): 0.00% per annum

M&G Total Return Credit Investment Fund		
Objective	To provide investors with attractive returns from capital and income from a diversified pool of debt and debt like assets, including but not limited to, debt instruments with a fixed, variable or floating rate coupon.	
Liquidity	This fund is daily dealt.	
Fee	AMC:	0.45% per annum
	Additional Expenses (approx.):	0.00% per annum

Appendix 2: Fund Details (continued)

Insight Partially Funded Gilt Funds		
Objective	To deliver nominal and inflation-linked return through primarily investing in UK government gilts and index-linked gilts, on a partially funded basis.	
Liquidity	This fund is daily dealt.	
Fee	AMC:	0.234% per annum*
	Additional Expenses (approx.):	0.06% per annum

**The weighted average AMC for the Insight Partially Funded Gilts as at 30 September 2024 is shown for guidance. The fund AMC will fluctuate as it is dependent on the leverage of the fund. The AMC is determined by the leverage of the fund multiplied by 0.060% plus the platform fee of 0.075% for LDI funds.*

Insight Maturing Buy and Maintain Bond Funds		
Objective	To seek to generate a return by investing primarily in a portfolio of debt securities. The return is expected to be generated principally from the maturity of investments within each fund.	
Liquidity	This fund is weekly dealt.	
Fee	AMC:	0.225% per annum
	Additional Expenses (approx.):	0.05% per annum

LGIM Sterling Liquidity Fund	
Objective	The fund aims to provide diversified exposure and a competitive return in relation to SONIA (Sterling Overnight Index Average).
Liquidity	This fund is daily dealt.
Fee	AMC: 0.10% p.a.
	Additional Expenses (approx.): 0.01% p.a.