Quantum Advisory

Statement of Investment Principles

Cardiff University Pension Fund

June 2026

Contents

1. Introduction

1.1. What is the purpose of this Statement of Investment Principles ("SIP")?

This SIP sets out the policy of the Trustee on matters governing decisions about the investments of the Cardiff University Pension Fund (the "Scheme").

The Scheme is a Registered Pension Scheme for the purpose of the Finance Act 2004. The Scheme is a Defined Benefit ("DB") Scheme.

1.2. What is the legal and statutory background to the SIP?

The SIP is designed to meet the requirements of Section 35 of the Pensions Act 1995 (the "Act") and all subsequent legislation, regulations and guidance from the Pensions Regulator applying to UK pension schemes.

The Scheme's assets are held in trust by the Trustee. The investment powers of the Trustee are set out in the Scheme's Trust Deed.

The Trustee operates an Investment Sub Committee ("ISC") to oversee Scheme matters relating to investment. The ISC Terms of Reference outline the powers delegated to the ISC by the Trustee.

1.3. Who has had input to the SIP?

This SIP has been formulated after obtaining and considering written professional advice from Quantum Actuarial LLP trading as Quantum Advisory ("Quantum"), the Trustee's investment adviser, and consulting Cardiff University (the "Sponsoring Employer") as required by the Act and relevant regulations. Quantum has the knowledge and experience required under the Regulations to provide professional advice on the management of the Scheme's investments.

2. Investment objectives and strategy

2.1. Investment policy

The Trustee is aware of the need to invest assets in the best and sole interest of the members and that the powers of investment must be exercised in a manner which supports the security, quality, liquidity and profitability of the Scheme as a whole.

The Trustee recognises that the assets of the Scheme must consist predominantly of investments admitted to trading on regulated markets and investment in assets which are not admitted to trading on such markets must, in any event, be kept to a prudent level.

2.2. Investment objective

The Trustee, with the help of its advisers and in consultation with the Sponsoring Employer, set and implemented the current investment strategy following a consideration of its objectives and other related matters in 2026.

The Trustee noted the need to invest in a manner which helps ensure that the benefits promised to members are provided. Over the long term, this requires that a rate of return is achieved which supports the long-term funding objectives which have been discussed with the Sponsoring Employer. In the short term, it means managing the volatility of assets relative to the value of liabilities, which have bond-like characteristics.

2.3. What risks were considered and how are they managed?

In order to achieve its objectives, the Trustee recognises the need to invest in both "liability matching" and "return seeking" assets (see 2.4). The Trustee identified the following investment risks:

- the risk that investment returns in general will not achieve expectations;
- the risk that an investment manager will not meet its targets;
- the risk that the value of liabilities may increase due to changes in actual and expected inflation and interest rates;
- the risk of mis-match between the value and timing of the Scheme's income and outgoings;
- the risk of a shortfall in the liquid assets held by the Scheme relative to its immediate liabilities;
- the risk that the performance of any single investment within the Scheme's assets may disproportionately affect the ability of the Scheme to meet its overall investment objectives
- the risk of misappropriation, unauthorised use or mis-delivery of Scheme assets; and
- the risk that ESG factors, including climate change, adversely impact the value of the Scheme's assets if this is not given due consideration and/or misunderstood.

The Trustee recognises these different types of risk and seeks to minimise them as far as possible by: the use of regular monitoring of investment performance; maintaining an investment risk register; a deliberate policy of diversification; taking into account the timing of future payments; and regularly reviewing the appropriateness of the prevailing strategy against the Scheme's objectives.

2.4. What is the investment strategy?

In 2026, a new investment strategy was agreed. The strategy aims to deliver an appropriate mix of investments, which support the Scheme's investment objectives. Details of this are set out in Appendix 1.

The investment strategy uses two key types of assets:

- "matching assets": which exhibit characteristics similar to those of the Scheme's liabilities. This includes:
    - Geared liability driven investment ("LDI"): which is designed to hedge part of the Scheme's exposure to changes in inflation and interest rates while still allowing exposure to return seeking assets. An LDI manager has been appointed, via an Investment Management Agreement which was implemented in July 2025, to manage the LDI strategy. Collateral events are automatically implemented by the LDI manager, who moves assets to/from the cash fund as required. These moves are monitored by Quantum and the Trustee. The level of the cash holding is reviewed periodically/as required by Quantum and the Trustee.
    - Cashflow Driven Investments ("CDI"): which are designed to use the returns from corporate bonds to accurately match the Scheme's liabilities.
- "return seeking assets": which target a rate of return in excess of the minimum risk return. Typically, these are equities or a diversified pool of other non-matching assets which, over the long term, might be expected to deliver returns above the minimum risk return.

The Trustee monitors the performance of the Scheme's investments on a quarterly basis. Written advice is received as required from its investment advisers.

It should be noted that; as part of the selection and review of investment managers for the strategy, the extent to which individual investment managers have in place appropriate policies and practices with respect to ESG has been considered. This specifically addresses **financially material considerations** (including, but not limited to, ESG (including climate change)) and **stewardship/voting policies**, and includes assessing screening practices and shareholder engagement, as well as a number of other areas. The Trustee also considers **non-financial factors**, when monitoring and selecting their investments. Further detail on these policies is provided in section 5.2.

2.5. Fund managers, style and target returns

The funds in which the Scheme invests are pooled funds, which the Trustee believes are appropriate given the size and nature of the Scheme. Details of the funds, managers, styles, benchmarks and target returns used by the Scheme can be found in Appendix 1.

2.6. Currency hedging

Currency exposure on overseas investments is hedged back to sterling (where possible) or managed on an active basis in conjunction with the wider strategy of the respective funds.

2.7. Cash flow management

The Scheme invests in CDI which provide a regular stream of income to assist in meeting cash flow requirements.

Any investments are made so as to assist the Scheme in maintaining the strategic benchmark of the portfolio. Investments are allocated to the most underweight funds in sequential order.

Any additional disinvestments required are made so as to assist the Scheme in maintaining its strategic benchmark allocation (excluding the CDI and LDI funds). Disinvestments are made from the most overweight funds in sequential order.

The Scheme's LDI strategy utilises an automatic collateral instruction service, where collateral calls and distributions are automatically disinvested or invested from/into the nominated funds (highlighted in section 2.8).

2.8. Collateral management

The Scheme uses leveraged LDI funds as part of its investment strategy. In order to ensure the level of leverage in these funds remains appropriate (and within the tolerance ranges the LDI manager sets), the LDI manager may "call" for additional collateral to be provided or may return capital to the Scheme. Collateral calls following de-leveraging events will be met using the below collateral order.

1. Insight Liquidity Plus Fund
2. Insight Responsible Horizons Multi-Sector Credit Fund

For re-leverage events, the capital distributed will be distributed into the Insight Liquidity Plus Fund.

The Trustee reviews the level of assets held in the nominated collateral funds periodically and considers rebalancing where appropriate, taking into account the LDI resilience analysis provided in their quarterly LDI resilience monitoring reports.

2.9. Re-balancing

The Trustee reviews the asset allocation and tolerance ranges, set out in Appendix 1, on a quarterly basis and undertakes any re-balancing that is required.

Whilst tolerance ranges have been set, automatic rebalancing following a breach of the tolerance ranges will not be undertaken. The purpose of the tolerance ranges is to help guide discussions around rebalancing.

Furthermore, where possible, the Scheme uses cash flows to rebalance the return seeking portfolio back to the strategic benchmark as detailed in section 2.7.

The LDI and CDI funds may be excluded from this procedure, however the Trustee, with the help of its investment advisers, review these holdings periodically.

3. Additional Voluntary Contributions

Additional Voluntary Contributions are invested in the Fund by purchase of notional units representing the policy of the investment managers investing the Fund assets. Members are offered added years of service in the Fund in exchange for these notional units.

4. Appointment of investment managers

4.1. How many investment managers are there?

Details of the appointed investment managers are outlined in Appendix 1.

The relationship with each investment manager is open ended and is reviewed on a periodic basis. The appointment date of each fund is noted in Appendix 1.

4.2. What formal agreements are there with the investment managers and platform provider?

The Trustee selects investment managers and funds which are appropriate to implement the investment strategy.

The Trustee has signed policy documents and investment management agreements with the investment managers, setting out in detail the terms on which the portfolio is managed, including the need for suitable and appropriately diversified investments.

The Trustee keeps the appointment of all investment managers under review and will seek to replace any managers, or funds, which no longer remain appropriate to implement the Scheme's investment strategy.

4.3. What are the investment managers' responsibilities?

The investment manager is responsible for the day-to-day management of the investments and is responsible for appointing custodians, if required.

The managers are authorised under the Financial Services and Markets Act 2000 to carry out such activities.

Any performance requirements for the managers are detailed in Appendix 1.

4.4. Custodians and administrators

The Scheme's investments are through pooled investment vehicles.

Therefore, with the exception of Insight Investments, where the Trustee was required to appoint Northern Trust following the implementation of the Investment Management Agreement, there is no need for the Trustee to formally appoint a custodian as the Scheme's investments comprise of units held in listed investment vehicles rather than the underlying stocks and shares.

The underlying managers have appointed custodians for the safe custody of assets and these are detailed in Appendix 1.

4.5. What is the Trustee's policy on investment in the Sponsoring Employer?

The Scheme does not directly hold any investments in the Sponsoring Employer.

5. Other matters

5.1. What is the Trustee's policy on the realisation of investments?

The Scheme's assets are held in pooled funds, most of which can be realised easily if the Trustee requires.

The Scheme's cashflow management policy is detailed in section 2.7.

5.2. What is the Trustee's policy on financially material considerations, non-financial factors and stewardship policies?

5.2.1 Financially material considerations

The Trustee acknowledges the potential impact upon the Scheme's investments and members arising from financially material matters. The Trustee defines these as including, but not limited to, ESG matters (including climate change).

Whilst the Trustee has provided the appointed investment managers with full discretion concerning the evaluation of ESG factors, the Trustee has drafted a separate "Investment and ESG beliefs & policies" statement which guides their decision-making on investment managers and fund selection. This statement is available upon request.

The Trustee reviews the investment managers' policies on ESG factors periodically in the following ways:

- direct engagement with their investment managers e.g. at Investment Sub-Committee meetings;
- ESG/Climate metric reporting and advice from their investment advisers, including the provision of an annual report summarising their managers' key policies; and
- reviewing their investment managers' publicly available ESG related publications.

In doing this, the Trustee has determined that ESG is built into the core of their managers' investment processes.

The Trustee expects the investment managers, where relevant, to utilise their position to engage with companies on ESG matters.

The Trustee also considers ESG factors when determining future investment strategy decisions. To date, whilst the Trustee has not established any restrictions on the appointed investment managers, it does have an ESG policy which seeks to minimise exposure to certain sectors it deems unethical/unsustainable.

5.2.2 Non-financial factors

Members are given the opportunity to raise questions and express their views during annual open meetings and through a designated e-mail address managed by the University. These comments are raised with the Scheme's ISC and considered when selecting, retaining and realising investments.

5.2.3 Stewardship

The Trustee acknowledges the constraints it faces in terms of influencing change due to size and nature of the Scheme's investments. It does, however, acknowledge the need to be responsible stewards and exercise the rights associated with its investments in a responsible manner.

The Trustee considers how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) reviewing existing investment managers. The Trustee has provided the appointed investment managers with full discretion concerning the stewardship of their investments. However, the Trustee undertook a review of their stewardship priorities in 2023 and decided to focus on:

- Managing climate-related risks, as it recognises that a rise in global temperatures could have an adverse effect on the Scheme's investments; and
- Board structure, as it recognises that a good level of diversity and independence in company boards can help improve long-term returns for investors.

The Trustee will monitor and discuss instances where the investment managers' voting activity does not align with its priorities and seek to understand the reasons for this in the first instance. The Trustee will then escalate the matter if it persists and may review its holding in the fund if this is deemed appropriate.

The Trustee reviews its investment managers' policies on the exercise of voting rights and monitor their engagement practice and proxy voting activity via their annual reports.

5.3. How are various parties who are involved in the investment of the Scheme's assets remunerated?

Quantum is remunerated on a fixed fee or time-cost fee basis, with budgets agreed for projects where possible.

The Scheme invests in pooled funds. The Trustee notes that the investment strategy and decisions of the fund managers cannot be tailored to the Trustee's policies and the managers are not remunerated directly on this basis. However, the Trustee, with the help of Quantum, set the investment strategy for the Scheme and selects appropriate managers and funds to implement the strategy.

The Trustee does not directly incentivise the investment managers to engage with the issuers of debt or equity to improve their performance. The Trustee does, however, expect the investment managers to participate in such activities as appropriate and necessary to meet the investment objectives of the respective fund. The funds utilised typically include an objective that is expected to result in a positive return over the medium-to-longer term and, as such, the investment managers engagement with the issuers of debt or equity is expected to be undertaken so as to target medium-to-long term value creation.

The Trustee considers the fees and charges associated with each investment before investing.

The investment managers are remunerated on an ad valorem fee basis, which is calculated as a fixed percentage of the total value of the Scheme's funds they hold under management. In addition, the private market assets, which are actively managed, are subject to a performance related fee. This structure has been chosen to align the fund managers' interests and with those of the Scheme.

In addition, the fund managers pay commissions to third parties on many trades they undertake in the management of the assets.

Insight are remunerated on a basis relating to the economic exposure provided. Transaction costs are payable on the implementation of each tranche of LDI coverage.

5.4. Direct investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. When deciding whether to make any new direct investments or terminate any direct investments, the Trustee will obtain written advice from the Scheme's investment adviser. If the Trustee believes that an investment is no longer suitable for the Scheme, it will withdraw the assets from the arrangement deemed to be unsuitable and select a suitable alternative.

The written advice will consider suitability of the investments, the need for diversification and the principles contained in this SIP. The adviser will have the knowledge and experience required under Section 36(6) of the Pensions Act to provide this advice.

5.5. Does the Trustee take any investment decisions on their own?

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions themselves and delegates others.

When deciding which decisions to take, and which to delegate, the Trustee takes into account whether it has the appropriate training and expertise in order to make an informed decision.

The Trustee has established the following decision-making structure:

Trustee

- Set structures and processes for carrying out its role.
- Agree structure for implementing investment strategy.
- Select and monitor planned asset allocation.
- Select and monitor investment advisers and fund managers.
- Select and monitor direct investments.
- Prepare and maintain the Statement of Investment Principles.

Investment adviser will, when requested by the Trustee:

- Advise on all aspects of the investment of the Scheme's assets, including implementation.
- Advise on this Statement.
- Provide required training.

Investment (or fund) managers

- Operate within the terms of the written contracts and agreements.
- Select individual investments with regard to their suitability and diversification for the individual pooled vehicles.
- Ensure the suitability of the chosen benchmark for the respective investment vehicle.

5.6. Capital structure of investee companies

The responsibility for monitoring the capital structure of investee companies (including any relevant developments) is delegated to the investment managers. Investment managers are expected to partake in a sufficient level of monitoring and action that is appropriate to the nature of the mandate.

5.7. Conflicts of interest

The Trustee considers any potential and actual conflicts of interest (subject to reasonable levels of immateriality) at the start of each Trustee and ISC meeting and document these in the minutes.

6. Review

6.1. How often are investments reviewed?

The Trustee reviews the investment strategy alongside triennial actuarial valuations of the Scheme, in line with the Pensions Regulator's Integrated Risk Management approach; but more frequent reviews can occur in light of a material change of circumstances, if required. Any change in investment strategy may necessitate a change in investment managers, regardless of the underlying performance of the funds.

Investment return experience and the performance of individual funds is reviewed with assistance from Quantum each quarter. Managers are reviewed against their agreed performance benchmarks and targets over both short-term and long-term time periods, to ensure they remain appropriate to implement the Scheme's investment strategy.

6.2. How does the Trustee monitor portfolio turnover and costs?

The Trustee has delegated the selection of holdings to the appointed investment managers. The Investment Consultant reviews the portfolio turnover and the associated costs of all funds on behalf of the Trustee on at least an annual basis.

The Trustee has not set a specific portfolio turnover target for each investment manager and recognises that portfolio turnover and costs may vary with market conditions. Each manager has ultimate responsibility for the underlying holdings within their funds and they are expected to change these underlying holdings to the extent required to achieve their investment objectives.

On behalf of the Trustee, the Investment Consultant will compare the annual turnover and associated costs for each fund with previous years to ensure each investment manager's process and philosophy remain consistent.

6.4. How often is this SIP reviewed?

The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Any change to this SIP will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believe to be qualified by their ability in, and practical experience of, financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments; and consulting the Sponsoring Employer.

Appendix 1 – Managers, asset allocation & fund details

Managers and asset allocation

The following table shows the strategic asset allocation for the Scheme. The Trustee monitors the Scheme's asset allocation quarterly. If the allocation to any asset class moves outside the tolerance ranges detailed below, the Trustee will, with the help of their investment adviser, consider rebalancing assets. Performance is reviewed periodically, with assistance from the Scheme's investment adviser as required.

Asset class	Manager	Fund	Asset allocation (%)	Tolerance range (+/-)
Return seeking assets			**45.0**	**--**
Equites	Legal & General ("L&G")	L&G FTSE Transition Pathway Initiative ("TPI") Global (ex. Fossil Fuels) Equity Index Fund – GBP Hedged	12.5	2.5
Diversified Growth	L&G	Dynamic Diversified	10.0	2.0
Alternatives	Partners Group	Generations	12.5	2.5
Multi-Asset Credit	Insight	Responsible Horizon Multi-Asset Credit	10.0	2.0
Matching assets			**55.0**	**--**
CDI Strategy	Insight Investments Management Limited ("Insight")	Maturing Buy & Maintain Credit 2026 – 2030	12.5	--
LDI Strategy	Insight	Partially Funded Gilts and Index Linked Gilts Funds	42.5	--
	Insight	Liquidity Plus		--
Total			**100.0**	**--**

*The matching assets target a c.95% of Technical Provisions liabilities interest rate and inflation hedge as at the implementation date.

Managers and fund details

The table below shows the benchmarks, outperformance targets and custodians for each fund the Scheme is invested in.

Asset class	Fund	Benchmark	Objective / Outperformance target	Annual management fee	Custodian	Date of appointment
Equity	L&G FTSE TPI Global (ex. Fossil Fuels) Equity Index Fund – GBP Hedged	FTSE All World TPI ex All – GBP Hedged	Track the performance of the benchmark (less withholding tax if applicable) - GBP Hedged (with the exception of advanced emerging markets) to within +/-0.5% p.a. for two years in three.	0.203%	Citibank	March 2024
Diversified Growth	L&G Dynamic Diversified	Bank of England Base Rate	Outperform the benchmark by 4.5% p.a. (gross of fees) over rolling 5 years.	0.50%	Citibank	September 2020
Alternatives	Partners Group Generations	N/A	Generate a net return of 7% to 11% pa net of fees over a full market cycle.	1.25%	BNY Mellon	July 2018
Multi-Asset Credit	Insight Responsible Horizon Multi-Sector Credit	SONIA	SONIA +4% p.a. after fees over rolling five-year periods	0.2% on the first £20m 0.4% on the next £5m 0.375% on the next £25m 0.35% thereafter	Northern Trust	January 2025
CDI	Insight Maturing Buy & Maintain Credit fund range	iBoxx GBP Corporates (various maturities)	Provide credit risk exposure through investing in a globally diversified portfolio of non-government bonds and avoiding investment which, are likely to default or experience a significant deterioration in credit quality.	0.15% on the first £50m 0.10% thereafter	Northern Trust	April 2026
LDI	Insight Partially Funded Gilts and Index Linked Gilts Selection LDI Range	N/A	Provide nominal and inflation-linked returns by investing primarily in UK government gilts and index linked gilts, on a partially funded basis	0.06% p.a. on assets invested and a tiered charge on economic exposure (0.060% p.a. on the first £100m, 0.05% p.a. on the next £150m, and 0.050% p.a. thereafter).	Northern Trust Fiduciary Service (Ireland) Limited	August 2021

Cash	Insight Liquidity Plus	SONIA	The Fund aims to provide investors with stability of capital and income through investment in short-term fixed income and variable rate securities.	0.10%	Northern Trust Fiduciary Service (Ireland) Limited	August 2018