The Cambridge University Assistants' Contributory Pension Scheme (the "Scheme")

Statement of Investment Principles (the "Statement")

1. Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The Scheme's assets are held in trust by C U Pension Trustee Limited ("the Trustee") which is responsible for the Scheme. The investment powers of the Trustee are set out in Clause 18 of the Rules of the Cambridge University Assistants' Contributory Pension Scheme dated 5 August 2016 and as amended from time to time.

The effective date of this Statement is 14 May 2019. The Trustee will review this Statement and the Scheme's investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

2. Responsibility for the Scheme's investment strategy

The Trustee is responsible for the investment strategy of the Scheme. It has obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Hewitt Ltd (the "Investment Consultant") who are authorised and regulated by the Financial Conduct Authority.

The Trustee has consulted with the University's Chief Financial Officer acting on behalf of the Principal Employer, prior to writing this Statement and will take the employer's comments into account when it believes it is appropriate to do so.

The day to day management of the Scheme's assets has been delegated to investment managers which are authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the investment managers appointed and is available to the members of the Scheme.

3. Investments Committee

The Trustee has established an Investments Committee to act on its behalf in matters relating to the investments of the Scheme. The Investments Committee operates under Terms of Reference and has been consulted on the drafting of this document.

4. Objectives

The Trustee's objectives for the investment strategy of the Scheme have been set with regard to the Scheme's Statutory Funding Objectives as set out in the Statement of Funding Principles.

The Trustee's primary objectives are:

- "funding objective" - to ensure that the Scheme is fully funded using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the employer;
- "stability objective" – to have due regard to the likely level and volatility of required contributions when setting the Scheme's investment strategy; and
- "security objective" – to ensure that the solvency position of the Scheme (as assessed on a gilt basis) is robust taking into account the strength of the Employer Covenant.

5. Investment Risk Measurement and Management

The Balance Between Different Kinds of Investments

The Trustee recognises that the key source of financial risk (in relation to meeting its objectives) arises from asset allocation. It therefore retains responsibility for setting asset allocation, and takes expert advice as required from its professional advisers.

The Trustee reviews its investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustee takes written advice from its professional advisers regarding an appropriate investment strategy for the Scheme.

A full range of available asset classes is considered. This includes consideration of so called "alternative" asset classes (including property and hedge funds).

Employer Covenant

Risks associated with changes in the employer covenant are assessed by the Trustee on a regular basis. The Trustee recognises the importance of the employer covenant in the ongoing security and solvency of the Scheme and this is reflected in the asset allocation of the Scheme.

Fund Managers

The Trustee monitors the risks arising through the selection or appointment of fund managers on a quarterly basis via investment monitoring reports prepared by its professional advisors. The Trustee has appointed the Investment Consultant to alert it on any matters of material significance that might affect the ability of each fund manager to achieve its objectives.

The Trustee acknowledges that investment returns achieved outside the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than indicated.

The Trustee is also cognisant of the importance of monitoring investment managers' costs, direct and indirect, and tasks its Investment Consultant to track and report on this as part of performance reporting.

For due diligence purposes the Investments Committee typically meets quarterly and aims to see each fund manager at least once per year.

6. Choosing Investments

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustee's objectives.

Assets held to cover the Scheme's technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The Trustee exercises its powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes.

Investment management responsibility is delegated to the investment managers appointed by the Trustee. With regards to the review and selection of investment managers, the Trustee takes expert advice.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and appropriately diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made in so far as they contribute to the reduction of investment risks or to facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

7.Custody

Investment in pooled funds gives the Trustee a right to the cash value of the units rather than to the underlying assets. The managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the fund's assets.

The custodians are independent of the employer.

8.Expected Returns on Assets

Over the long-term the Trustee's expectation is to achieve a return which at least keeps pace with the increase in national average earnings. The Trustee is willing to incur short-term volatility in asset price behaviour with the expectation that over the long term these assets will outperform asset classes which may be regarded as matching the liabilities.

Returns achieved by the fund managers are assessed against performance benchmarks set by the Trustee in consultation with the Investment Consultant.

9.Realisation of Investments/Liquidity

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds).

10. Social, Environmental or Ethical Considerations and Activism

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustee believes that in order to fulfil this commitment and to protect and enhance the value of the Scheme's investments, it must act as a responsible steward of the assets in which the Scheme invests. The Trustee recognises the need to ensure high standards of governance and corporate responsibility in the underlying companies in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Scheme. The Trustee therefore expects the Scheme's investment managers and Investment Consultant to be signatories to the UK's Stewardship Code.

Environmental, Social, and Governance considerations

The Trustee acknowledges that environmental, social and governance (ESG) factors including climate change can negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their Investment Consultant when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments.

Stewardship - Voting and Engagement

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers, as major institutional investors, to:

- engage with investee companies, where appropriate, with the aim to protect and enhance the value of assets;
- exercise the Trustee's voting rights in relation to the Scheme's assets in a way which holds directors of investee companies accountable for long-term and responsible behaviour.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from their Investment Consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly consult with Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

The Trustee is taking a number of steps to monitor and assess ESG related risks as outlined above.

Collaborative initiatives

The Trustee expects the Scheme's investment managers to support collaborative efforts that are in the interests of the Scheme's beneficiaries, as permitted by the relevant legal and regulatory codes.

Reporting

The Trustee expects the Scheme's investment managers to provide:

- a Responsible Investment policy, including details of how they integrate ESG into their investment process and fulfill their stewardship responsibilities through engagements and voting at the underlying investee companies as well as any collaborative efforts;
- an annual report to the Trustee on how this policy has been implemented.

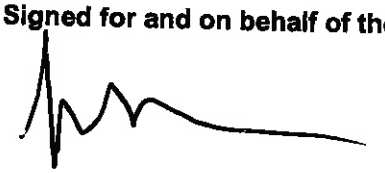
These reports are reviewed annually as part of routine meetings with investment managers.

11.Additional Voluntary Contributions ("AVCs") Arrangements

Some members obtain further benefits by paying AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions.

From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.

Signed for and on behalf of the C U Pension Trustee Limited



Date: 2 September 2019

H R JACOBS

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018