Our Investment Beliefs

May 2025

Superannuation Arrangements of the University of London

1. SAUL's Vision

A sustainable, affordable and well-managed Scheme, which is valued by all members and employers alike.

2. Introduction

This document outlines the investment beliefs held by the Trustee.

These investment beliefs are intended to set the background against which all investment related decisions are made for SAUL Start and the DB Plan.

The Trustee reviews its investment beliefs annually.

3. Our Investment Beliefs

Investment Beliefs appropriate to both SAUL Start and the DB Plan:

No.	Investment Belief
1.	**Good governance will increase the chance of success** High quality governance and decision-making processes, along with training on investment issues, increase the chance of success. Decision-making needs to take place where likely to be most effective with appropriate delegation to the Investment Committee and Chief Investment Officer. Diversity of thought and different perspectives enhance and strengthen the governance.
2.	**Setting the investment strategy is more important than manager selection** Setting the default investment option for SAUL Start or the Strategic Asset Allocation for the DB Plan (and managing it against the shape of the liabilities, as well as to meet required returns and within agreed risk tolerances) is more important than selecting the right manager. *In addition, setting a rebalancing policy within the DB Plan, with appropriate tolerances (so as to not incur excessive transaction costs), is an important tool in maintaining the Strategic Asset Allocation and may present opportunities for SAUL to invest in undervalued markets (and take profits from overvalued markets).*

3.	**Invest with a long-term time mindset** The investments should be managed with a long-term mindset, taking into account the member characteristics for SAUL Start and the shape of the liabilities for the DB Plan. As such, it is appropriate to: *i.* *invest in growth assets (for example public equities and credit) as there is a high probability of these delivering better expected returns over a longer time frame, and* *ii.* *consider investments in illiquid assets (for example private equity and infrastructure) to benefit from any illiquidity premia where appropriate and diversification benefits. However, these illiquid allocations need to be scaled according to other requirements – for example, collateral needs, cash requirements and the higher investment management costs need to be considered.*
4.	**Risk management should use multiple lenses** Risk management tools add value to the investment strategy process with multiple risks viewed through multiple lenses.
5.	**Diversification reduces volatility but we shouldn't overdiversify at the underlying portfolio level** Combining assets, whose returns are less than perfectly correlated, reduces the volatility of overall portfolio returns. *Diversification:* *iii.* *should be across asset classes as well as investment managers, where appropriate* *iv.* *should be across regions, countries, markets and sectors* *v.* *can be maintained with an appropriate rebalancing policy* vi. *should be carefully monitored and controlled as over-diversification can lead to diminishing value-add at the portfolio level and could potentially detract value.*
6.	**Sustainability issues can have a material impact on risk and return** A lack of integration of Environmental, Social and Governance (ESG) factors and stewardship can increase risk and negatively impact the value of the investments. The Trustee views climate change as the most significant risk over the long term and believes the portfolio should be positioned in such a way as to be climate change resilient. Climate change risk is also an area of opportunity. As a result the Trustee: *i.* *appoints investment managers that demonstrate robust integration of ESG factors* *ii.* *challenges its investment managers to demonstrate how ESG considerations have been implemented;*

	iii. *encourages its investment managers to proactively engage with companies and policy makers to help manage ESG risks and encourage positive change.* iv. *will consider participating in engagements with companies and policy makers* v. *monitors the risks of, and potential policy responses to, climate change on the portfolio.* vi. *considers the positive impact from investment in low carbon, energy efficient and other climate solutions* vii. *will consider the benefits of exclusion versus engagement, with any action taken on the former discussed with stakeholders.* a. *Has a preference for SAUL Start to invest in funds which allow pass through voting.* b. *has a preference, when collateral levels allow, to hold physical equities within the DB Plan rather than synthetic exposure to permit engagement and voting.*
7.	**Costs matter** Remuneration paid to investment managers and third party advisers should be aligned with the interests of SAUL and aim to provide good value for members and employers. *As such, regular monitoring (at least annually) of investment fees and transaction costs (against performance achieved) should be undertaken to ensure SAUL achieves value for money on its investment mandates.*
8.	**Active management can add value after costs – but not always** I. *Active management can add value over the long term (after accounting for costs), but careful consideration should be given to appropriate benchmarks and outperformance targets* II. *Passive (or synthetic) management is an important tool to gain exposure where active management is not considered appropriate (or suitable active managers cannot be found) acknowledging that benchmark construction can introduce additional risks.*

Investments Beliefs only applicable to SAUL Start[1]

9.	**Options at retirement** The default lifestyle investment option and self-select options should take into consideration how members are likely to use their pension pot as they approach their chosen retirement age.

[1] The Trustee acknowledges that fully aligning the SAUL Start strategy with its beliefs may be challenging due to the use of pooled investment funds. Instead, the focus will be on ensuring the closest practical alignment.

10.	**Members preferences** An appropriate range of investment options will be offered, taking account of both financial and some non-financial views, recognising that members may have different needs, preferences and objectives. A balance should be struck between choice and simplicity such that members do not feel overwhelmed.
11.	**Investment Communication** As SAUL Start is a defined contribution arrangment where members are exposed to investment risk, clear information needs to be made available to members so they can understand and differentiate between the self-select choices and the default arrangement.

Investments Beliefs only applicable to the DB Plan

12.	**Agility is helpful to capture some value in the short to medium term** Fundamental factors drive markets over the long term but SAUL may be able to benefit from mispricings in the short to medium term. Long-term investors such as pension schemes should, therefore, be sufficiently nimble and agile to be able to exploit shorter-term inefficiencies and the Trustee has the appropriate governance structure in place to achieve this. *This does require a long-term perspective, and the Trustee does not look to carry out any short-term tactical trading.*
13.	**We should only take rewarded risks** Over the long term, investment risks that are unlikely to be rewarded, such as currency risk associated with fixed income investments, liability interest rate risk and inflation risk specifically related to the DB Plan, should (where practical and affordable) be avoided, hedged or diversified. *Current implementation implications for thre DB Plan are that the Trustee:* *i. hedges the majority of interest rate and inflation risks within the past service liabilities and, when affordable, the future service liabilities owing to the short-term mark to market of the liabilities at triennial actuarial valuations* *ii. hedges overseas currency risk associated with matching assets* *iii. does not hedge the overseas currency risk associated with growth assets, since it adds to diversification, and* *iv. does not hedge longevity risk (since it is not currently affordable to do so relative to other risk reduction measures).*

	The Trustee also seeks confirmation from time to time (at least as part of the triennial Actuarial Review) from the largest Sponsoring Employers that they are comfortable with the investment risk budget for the DB Plan.
14.	**Appropriately managed leverage can help with risk management** Leverage is an appropriate tool with the DB Plan to facilitate effective risk management and manage the portfolio efficiently. Whilst using leverage creates an element of risk, this can be effectively monitored and managed given SAUL's governance structure.