JLPPT Investment Beliefs for the DC Section

The investment beliefs outlined below have been developed by the John Lewis Partnership Pensions Trust ("the Trustee") of the John Lewis Partnership Trust for Pensions ("the Scheme"), with help from our investment adviser, Hymans Robertson. These investment beliefs reflect the collective view of the Trustee on the appropriate principles behind the construction of the DC Section's default investment strategy and the self-select fund range which we make available to our members.

The strategy and structure of the Scheme's investments is tested regularly to make sure it reflects these beliefs. The beliefs themselves are formally reviewed on at least a three-yearly basis. The beliefs were last tested and updated in June 2024.

Definitions

The following definitions are designed to help the reader interpret the investment beliefs below.

Default investment strategy/strategies (default fund)– the investment strategy or strategies which are designed to meet the needs of the majority of the membership. This is the strategy or strategies where members are invested in (defaulted to) if they don't make an active decision on their investments.

Self- select fund range – the range of funds offered to members who wish to make their own investment choices.

Passive management –where the fund manager seeks to deliver performance in line with the relevant benchmark index

Active management –where the manager seeks to deliver performance above the relevant benchmark index by making active decisions on where to invest.

Illiquid assets/private markets – investments which do not trade on a recognised market exchange, and which may not be able to be sold immediately. Illiquid assets are intended to offer an "illiquidity premium" i.e. a higher return than is generally available from readily tradable markets.

Investment risk – for the purposes of these beliefs, investment risk relates to how much investments can go up and down in the short term.

Equities – shares in companies like Apple and BT which are bought and sold on a stock exchange.

Bonds/debt – loans issued by governments and companies which are bought and sold on a recognised exchange.

Property – mostly investment in commercial properties like offices, shops and industrial units

Infrastructure – investments in physical assets like toll roads and wind farms

Diversified Growth Funds – funds that invest across a range of investment types including, but not limited to, equities and bonds.

Private equity/private debt – as above but investments not traded on a recognised exchange.

Trustee's High-Level Investment Beliefs

The Trustee believes that:

- Equities are expected to outperform the other main asset classes (e.g. property, diversified growth funds, bonds and cash) over the longer term.
- Illiquid assets (such as private equity, infrastructure, and private debt) can potentially provide excess returns compared to their equivalent listed assets (i.e. they have an illiquidity premium) over the long term.
- Investment markets may not always behave in line with long-term expectations in the short term.
- Investment costs reduce the value of DC pension pots, but that lower costs do not necessarily mean a better outcome will be achieved.
- Investment manager performance should be assessed net of (i.e. after) fees and all costs should be carefully managed (for example in making changes to investment strategy).

Investment Beliefs in relation to the Default Investment Strategy

The Trustee believes that:

- The default fund should be designed to meet the needs of the majority of the membership and in particular those members who are unwilling, or feel unable, to make investment choices.
- Taking investment risk (for example by investing in equities) when members are far from their selected retirement date, is expected to be rewarded in the long term, with these investments expected to produce the best long-term returns.
- When members are closer to their selected retirement date (i.e. between around 15 years and 7 years from retirement), there remains a need to generate meaningful returns (i.e. above the rate of inflation).
- In the pre-retirement phase (i.e. from around 7 years from a member's selected retirement date), there remains a need to generate returns above the rate of inflation. However, the asset mix at the point of retirement should reflect what members are expected to do at the point of retirement (e.g. take all of their pension as cash, draw their pension down flexibly etc.).
- More than one default fund may be required to meet the needs of the majority of members.
- Both active and passive management have a place within a default fund. It is possible to identify successful active fund managers in selected asset classes.

Investment Beliefs in relation to the self-select fund range

The Trustee believes that:

- The Trustee should support members who wish to select investments other than the default fund by providing a self-select fund range.
- Both actively and passively managed funds should be considered when providing a range of funds for members to invest in.
- Having too many options may result in members not making a decision. Having too few funds may not meet the needs of those members who chose to self-select.
- Ethical and religious views should be considered when providing a range of funds for members to invest in
- Members should be given the option to select investments whose primary objective is to deliver a positive social and/or environmental outcome.
- Members should be able to change their mind about where their money is invested and therefore careful consideration should be given to the liquidity of all funds within the self-select fund range.