Target Source Media Pension Scheme

Statement of Investment Principles

This Statement of Investment Principles ("the Statement") has been prepared by Dalriada Trustees Limited ("the Trustee") for the Target Source Media Pension Scheme ("the Scheme").

This document has been produced by the Trustee after considering advice from Mark Garnett of Advisory Investment Services Limited ("AIS").

It has been prepared to comply with Section 35 of the Pensions Act 1995 as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

Target Source Media Pension Scheme

September 2024

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Introduction

This Statement sets down the principles governing decisions about investments for the Scheme and supersedes any previous Statements prepared for the Trustee.

In preparing this statement, the Trustee has obtained and considered written professional advice and recommendations from AIS who is the Trustee's appointed investment consultant. AIS is authorised and regulated by the Financial Conduct Authority ("FCA"). It is confirmed to the Trustee that it has the appropriate knowledge and experience to give the advice required by the Pensions Acts.

The Trustee will review this Statement every 3 years. If there are any significant changes in any of the areas covered by this Statement, the Trustee will review this statement and update it as necessary. Any changes made will be based on written advice from a suitably qualified individual.

The Scheme is a defined contribution scheme. The Trustee's investment powers are set out in the Trust Deed and Rules and subsequent amending deeds. This Statement is consistent with those powers.

Investment Objectives

Generally, the ultimate objective of any (legitimate) pension scheme is to provide an income in retirement for its members which reflects the level funds paid into members' individual accounts and the returns achieved from the investment funds held.

Dalriada was appointed trustee to the Scheme by Order of The Pensions Regulator ("TPR") amid concerns as to how the Scheme was being managed by the former trustees and, further, that members may have been victims of a pensions scam.

At the time of its appointment, the Scheme and, consequently, the members had already suffered a significant loss in the value of the investments entered into by the previous trustees.

One of the concerns that TPR had was that the incumbent trustees had invested assets in inappropriate and unorthodox investments without taking appropriate advice, as required by pensions legislation. These assets were generally illiquid and/or of uncertain value. Where the Trustee is not in a position to currently realise some or all of those assets, these are set out in Appendix B. This Statement only applies to those assets that the Trustee has been able to recover and realise such that they are capable of being invested in accordance with this Statement. As and when the Trustee is able to recover and realise these unorthodox investments, such funds will be invested in line with this Statement.

The Trustee's aim is to recover what funds it can for members, resolve any associated tax or legal issues and, thereafter, to allow members to transfer the value of their pension pots to alternative, more appropriate arrangements and wind-up the Scheme at the earliest opportunity. Given the level of uncertainty over the value of the assets of the Scheme the Trustee is not currently in a position to settle benefits from the Scheme, but even if it was, it is not intended to offer members decumulation options under the Scheme. Given the irregular nature of the Scheme, the time frame for this is uncertain and may extend to a number of years.

In so far as it is possible to do so, the Trustee will invest the available assets to secure a return over cash, with a lower level of risk. The tolerance to capital losses is minimal, accepting there will be drawdowns on the capital value, not least to meet ongoing expenses.

The Trustee's key objectives for the Scheme's investment strategy, to the extent possible given the particular circumstances of the Scheme, are therefore to:

- ensure that the investment strategy is consistent with relevant legislation/regulations, the Scheme's Trust Deed and Rules and best practice and that there is sufficient flexibility to react to legislative/regulatory changes;

- give members a reasonable, stable investment strategy, that targets some return over cash whilst protecting against further capital loss as a result of investment performance;

- be mindful of the Scheme's costs which currently are borne by the members;

- use diversification where appropriate to reduce investment risk when practical and cost effective to do so;

- monitor the level of ongoing governance costs against the anticipated overall governance budget.

Following a review of the investment strategy, the Trustee amended the investment strategy in 2022, to take account of the high inflationary environment and increased bond yields at that time, and to make allowance for the expected time horizon to the wind-up of the Scheme.

The investment strategy incorporates the Trustee's objective to make an application on behalf of the Scheme for compensation from the Fraud Compensation Fund ("FCF") and then, if successful, distribute the compensation to members along with the invested assets, before winding-up the Scheme.

After considering the independent investment advice of AIS, the Trustee decided to adjust the investment strategy so as to increase the proportion of cash held within the strategy based on the expected time horizon to wind-up of the Scheme, which is dependent on an estimate of the period to a determination of a claim on the FCF. The adjustment to the investment strategy is included in Appendix A.

The Trustee's objective in amending the Scheme's investment strategy was to gradually reduce the volatility in the Scheme's asset portfolio as the Scheme approaches wind-up, so as to increase the protection against capital loss as a result of investment performance.

As the Scheme has received initial compensation from the FCF, the expected time horizon to wind-up of the Scheme is assumed to be approximately 12 months. Therefore, in accordance with the investment strategy, the Scheme's assets will be held exclusively in cash.

The Trustee will regularly monitor the investment strategy against these objectives.

Appendix B sets out the list of the unorthodox investments, which are held by the Trustee. The irregular nature of these investments has resulted in the Trustee seeking independent investment advice. That advice has been to realise the unorthodox investments as soon as possible. The Trustee will report on the(se) asset(s), but the(se) investment(s) will fall outside this Statement of Investment Principles.

Investment Responsibilities

THE TRUSTEE

Under the legal documentation governing the Scheme, the power of investment is vested in the Trustee. Therefore, the Trustee is responsible for setting the investment objectives and determining the strategy to achieve those objectives. The Trustee sets the overall investment target and then monitors the performance of the investment managers against that target. In doing so the Trustee considers the advice of its professional adviser(s), who it considers to be suitably qualified and experienced for this role.

Their duties and responsibilities include but are not limited to:

✓	Regular review and approval of this Statement and monitoring compliance with this Statement
✓	Appointment, removal (where applicable) and review of the investment managers or investment adviser(s) and their performance relative to relevant benchmarks
✓	Assessment of the investment risks run by the Scheme
✓	Monitoring and review of the investment objectives and the investment strategy implemented to meet those objectives

INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustee has appointed AIS as its investment adviser. AIS provides advice when the Trustee requires it and/or when AIS feels it suitable to do so. Areas on which it can provide advice are as follows:

✓	Setting investment objectives, where relevant
✓	Determining the investment strategy to meet those objectives
✓	Determining suitable funds and investment managers

It should be noted that the Trustee retains responsibility for all decisions.

Any services provided by AIS will be remunerated on either a time cost or fixed fee basis.

AIS does not receive any commission or any other payments in respect of the Scheme for investment services that will affect the impartiality of their advice.

The Trustee is satisfied that this is a suitable adviser remuneration structure.

INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustee, after considering suitable advice, has appointed BlackRock and Legal & General Investment Management as the manager of the assets held by the Scheme, all of which are held on the Mobius Life investment platform.

The investment managers are detailed in Appendix A to this statement. The investment managers are authorised and regulated by the FCA and are responsible for stock selection, asset allocation and the exercise of any voting rights. All the managers are remunerated by fund-based charges on the value of the Scheme's assets that they hold.

DEFAULT ARRANGEMENT

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023 introduced disclosure requirements for Trustees of all trust-based occupational defined contribution pension schemes. This requirement states that the Trustee must state their policy on investing in illiquid assets for their scheme's default arrangements.

The Scheme, however, does not have a default fund for ongoing accrual. It is not a qualifying scheme within the meaning given by section 99 of the Pensions Act 2008. The Scheme is not used to meet any auto-enrolment obligations and no contributions are being paid into the Scheme. The Scheme's assets are made up solely by way of member transfer payments into the Scheme.

The Scheme did not, and does not, offer a Default Lifestyle Strategy and did not offer members any real choice as to how their funds were invested.

However, despite not being required to meet this new requirement for the reasons set out above, we can confirm that the investment strategy for the Scheme does not include any allocation to illiquid assets.

Beyond those set out in Appendix B as noted in the previous section, the Trustee only invests in bonds and cash, which are both liquid asset classes that can be readily realised, if necessary.

Setting the Investment Strategy

INVESTMENT STRATEGY

The Trustee will look to implement a strategy that satisfies the risk and targeted return requirements and which it considers appropriate for the members collectively. The strategy is to use a combination of cash and short-dated corporate bonds, denominated in sterling, which in combination are targeted to achieve the Investment Objectives.

The strategy will be reviewed from time-to-time by the Trustee to take into account various considerations such as material depletion of scheme funds, changes in legislation and regulations and developments in investment products.

TYPES OF INVESTMENT

The Scheme's assets (beyond those set out in Appendix B) are invested on behalf of the Trustee by BlackRock and Legal & General Investment Management, through the Mobius Life platform, with underlying investment managers.

Beyond those investments set out in Appendix B, the Trustee only invests in asset classes, including but not limited to bonds and cash. The use of derivatives is as permitted by the guidelines that apply to the pooled funds.

BALANCE BETWEEN DIFFERENT TYPES OF INVESTMENT

The Trustee is aware that the appropriate balance between different types of investments will vary over time and the asset allocation may change depending on the investment environment.

The Trustee has considered the merits of both active and passive management for the different elements of the asset allocation and selected suitable types of management for each asset class. The managers are shown in the Appendix A.

EXPECTED RETURN ON INVESTMENTS

The Trustee has noted the long-run relationships that exist between the real and nominal net returns from the two asset classes and have noted the different expected risk/return characteristics of the different asset classes.

In particular, that bonds can be expected to deliver a higher return than cash, but that corporate bonds are a more volatile asset class in terms of market returns.

REALISATION OF INVESTMENTS

The Scheme's assets are invested in pooled vehicles, which in turn invest in securities traded on recognised exchanges. The Scheme's investments can generally be readily realised, if necessary.

FINANCIALLY MATERIAL CONSIDERATIONS FOR INVESTMENT STRATEGY

The Trustee has, to the extent possible given the particular circumstances of the Scheme, considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine the investment strategy over the length of time it is anticipated the Scheme will remain ongoing.

The Trustee believes that, to the extent possible given the particular circumstances of the Scheme, financially material considerations (including climate change) are allowed for when setting the investment strategy.

To invest in the best financial interests of the beneficiaries, the Trustee has elected to invest realised assets through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest or of the unorthodox investments held by the Scheme, as set out in Appendix B. However, the fund managers listed in Appendix A and the investment consultant are expected to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Scheme’s assets are subject to the investment managers’ own philosophy and processes to ESG issues. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies will also be reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories to the United Nations Principles of Responsible Investment (‘UN PRI’) or other similarly recognised standard.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors, including climate change, could impact the Scheme and its investments;

- Use ESG ratings information (where available) to assess how the Scheme's investment managers take account of ESG issues; and

- Request that all of the Scheme's investment managers share information about their ESG policies and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustee determines that financially material considerations have not been factored into the investment managers’ processes, it will take this into account on whether to select or retain an investment manager.

NON-FINANCIALLY MATERIAL CONSIDERATIONS

The Trustee has not considered non-financially material matters in the selection, retention and realisation of investments.

STEWARDSHIP

The Trustee’s policy on the exercise of rights attaching to investments, including any voting rights, is that these rights should be exercised by the investment managers on the Trustee’s behalf, having regard to the best financial interests of the beneficiaries.

The investment managers should engage with companies to take account of ESG factors in the exercise of such rights as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers’ voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustee also expects the fund managers to engage with investee companies on the capital structure of those companies and their management of conflicts of interest.

If the policies or level of engagement are not appropriate, the Trustee will engage with the investment managers, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustee will review the investments made with the investment manager.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) AND CLIMATE CHANGE RISKS

There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. The Trustee has considered ESG issues, including climate change, as part of the investment process.

INVESTMENT MANAGER ARRANGEMENTS

Incentives to align investment managers investment strategy and decisions with the Trustee's policies

The Scheme invests in pooled funds. The Trustee acknowledges the funds' investment strategy and decisions cannot be tailored to the Trustee's policies. However, the Trustee sets its investment strategy and then selects managers that best suit its strategy, taking into account the fees being charged, which acts as the fund managers incentive.

The Trustee uses the fund objective/benchmark as a guide on whether the fund's investment strategy is being followed and monitors this regularly.

Incentives for the investment manager to make decisions based on assessments about medium to long-term financial and nonfinancial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustee selects managers based on a variety of factors including investment philosophy, and process, which it believes should include assessing the long-term financial and non-financial performance of the underlying company.

The Trustee also considers the managers voting and ESG policies and how it engages with the company, as it believes that these factors can improve the medium to long-term performance of the investee companies.

The Trustee will monitor the fund managers' engagement and voting activity on an annual basis as they believe this can improve long-term performance. The Trustee expects their managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as cash and bonds, as they may not have voting rights.

The Trustee acknowledges that in the short-term, these policies may not improve the returns it achieves, but do expect those companies with better financial and non-financial performance over the long-term will lead to better returns for the Scheme.

The Trustee believes the annual fees paid to the fund managers incentivises them to execute their investment policies consistently, as the longer the units are held the larger the income to the investment manager.

If the Trustee feels that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies

The Trustee reviews the performance of each fund quarterly on a net of fees basis compared to its objective.

The Trustee assesses the performance periods of the individual funds over at least a 3-5 year period, or over a market cycle if appropriate, when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The fund managers' remuneration is a percentage of the assets held in each fund so the amount each manager receives is based upon the value of assets held with them. The remuneration paid out by the Scheme will depend upon the asset allocation. The charges are considered as part of the manager selection process. The charges are monitored regularly with the help of its investment consultant to ensure they are in line with the Trustee's policies for each fund. The Trustee believes that its and each fund manager's goals are aligned.

How the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee monitors the portfolio turnover costs on an annual basis.

The Trustee defines target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manage. This is monitored on an annual basis.

The Trustee has delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to their investment consultant.

The duration of the arrangement with the asset manager

The Trustee plans to hold each of its investments for the period which the Scheme expects to remain ongoing, but will keep this under review.

Changes in investment strategy or change in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

Risks

The Trustee is aware and seeks to take account of a number of risks in relation to the Scheme's investments. Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed. Overall, the Trustee measures and monitors its risks by receiving monitoring reports which report on the performance of their assets and their managers. The key risks and the policies are as follows:

Inflation risk	This is the risk that the investments don't provide a return above inflation, eroding the purchasing power of the pension pot. The Trustee is not explicitly targeting a rate of return in excess of inflation. Despite experiencing a low inflationary environment for the majority of the last 25 years, the Trustee is aware of the impact of inflation. The Trustee considers that the need to minimise any downside risk and protect capital, as far as possible, is a higher priority for the Scheme than seeking above inflation returns. This will be kept under review.
Concentration Risk	This is the risk that the investment manager invests in a concentrated portfolio of individual stocks or securities. It is managed through the diversification of the Scheme's assets across a range of different funds with different underlying securities, and different investment managers.
Investment Manager Risk	This is assessed as the deviation of actual risk and return relative to that specified in the investment manager's objectives. It is measured by monitoring on a regular basis the actual deviation of returns relative to investment manager's agreed objectives and an assessment of factors supporting the managers' investment process.
Conversion Risk	This is the risk that the value of a member's pension falls significantly in the period leading up to retirement relative to their chosen retirement option to purchase an annuity, drawdown or take cash. This means the value of the pension pot does not move in line with annuities, or the value at retirement used to drawdown or take as cash will be smaller than expected. To the extent that investment strategy is low risk in any event, the Trustee considers the risk of the value of a member's pension falling significantly close to retirement is small. In any event, the intention is to wind the Scheme up and members transfer their benefits before they approach retirement age (accepting there may be some members already approaching retirement age).

Risks continued…

Liquidity Risk	The risk is managed by having a suitable amount of readily realisable investments. The Scheme invests in assets that are invested in quoted markets and are readily realisable as the Trustee feels suitable given the Scheme's cashflow.
Currency Risk	The Trustee is able to invest in assets and currencies that are not denominated in sterling, so they can be exposed to currency risk depending on the investment choices.
Loss of Investment Risk	There is a risk of loss of investment by each investment manager and potentially the custodian. This includes losses beyond those caused by market movements (e.g. losses caused by fraud). The Trustee undertakes regular reviews of the internal controls and processes of the investment manager.

Compliance

The Trustee confirms that it has received and considered written advice from AIS on the establishment and implementation of their investment strategy.

Copies of this statement and any subsequent amendments will be made available publicly on the Scheme's website.

The Trustee will monitor compliance with this Statement at least every three years. This will include a review of the suitability of the investment strategy on an ongoing basis and consideration of the continued suitability of the appointed investment managers.

Agreed as final version on behalf of the Trustee of the Target Source Media Pension Scheme
Dated: 27 September 2024
Version: 1

Appendix A

The Trustee has invested the Scheme assets with BlackRock and L&G Investment Management. Mobius Life provides investment administration for the Scheme and so carries out the day-to-day management of the underlying investment managers, through a series of reinsured funds.

It is the Trustee's intention that the first £85,000 of the Scheme's assets will be held in cash in the Scheme's bank account (i.e. Tier 1 investment strategy), with such sum above £85,000 as required to pay the annual fees held in the L&G Cash Fund (i.e. Tier 2 investment strategy), and the balance of the Scheme's assets to be applied to the Tier 3 investment strategy of 90% in short-dated corporate bonds and 10% in cash.

Following an adjustment to the investment strategy in January 2022, the Trustee's intention is to increase the cash proportion of the Scheme's asset allocation as the Scheme approaches wind-up (following an application for compensation to the FCF), by adjusting the Tier 3 investment strategy accordingly.

STRATEGY – Tier 2

The strategy targets cash returns and is invested in a fund as below:

Name	Objective	Allocation	Risk Profile	Active/Passive investment
L&G Cash	To perform in line with 7 Day GBP LIBID, without incurring excessive risk	100.0%	Low	Active

STRATEGY – Tier 3

The strategy targets cash plus returns and is invested in a series of funds. It is made up of the following funds in the allocations as below:

Name	Objective	Allocation	Risk Profile	Active/Passive investment
L&G Cash	To perform in line with 7 Day GBP LIBID, without incurring excessive risk	10.0%	Low	Active
L&G Short Dated Sterling Corporate Bond	To track the total return of the Markit iBoxx Sterling Corporates 1-5 Index	30.0%	Lower	Passive
BlackRock Sterling Corporate Bond 1-5 years	To track the total return of the Markit iBoxx Sterling Non-Gilt 1-5 Index	60.0%	Lower	Passive

STRATEGY – Tier 3 Adjustment based on Time to Wind-up

As the Scheme progresses towards winding-up – with the progress of an application for compensation to the FCF being an important consideration as to the timescales – the strategy in Tier 3 will be adjusted as below:

Name	% Allocation based on estimated Years to Scheme Wind-up				
	1.0 yrs	1.5 yrs	2.0 yrs	2.5 yrs	3.0+ yrs
L&G Cash	100%	77.50%	55.00%	32.50%	10.00%
L&G Short Dated Sterling Corporate Bond	0%	7.43%	14.85%	22.28%	30.00%
BlackRock Sterling Corporate Bond 1-5 years	0%	15.08%	30.15%	45.23%	60.00%

From time to time the Trustee may, after taking appropriate investment advice, postpone the implementation of a Tier 3 Adjustment in response to changes in prevailing market conditions.

CHARGES

The charges are as below:

Name	Fund Manager Charge	Additional Expenses	Mobius Life	Effective total annual fund charge
L&G Cash	0.05%	0.00%	0.04%	0.09%
L&G Short Dated Sterling Corporate Bond	0.14%	0.0216%	0.04%	0.2016%
BlackRock Sterling Corporate Bond 1-5 years	0.04%	0.0149%	0.04%	0.0949%

Appendix B

The Scheme owned a series of unorthodox investments, as described listed below.

- Approximately £79,000 of Scheme funds was paid to a bank account based in Poland. These funds were purportedly invested in a company called Black Bull Investments Ltd. Due to insufficient documentation it is not clear what then happened to those funds and the Trustee does not expect to recover these funds.

- Approximately £514,000 was paid into a bank account based in the Czech Republic, which were purportedly in respect of an investment into a company called Breder Transact Ltd (now B Transact Ltd). These funds were co-mingled with other funds held in the same account, meaning a full trace of those funds beyond Breder Transact was impossible. B Transact Ltd was dissolved in February 2023, so these funds will not be returned to the Scheme.

- In addition to the above, a small number of members transferred their pension benefits into a bank account belonging to the Scheme's employer - Target Source Media Ltd ("the Employer"). The Trustee has subsequently confirmed that those funds were paid on to Black Bull Investments Ltd, Breder Transact Ltd, and payments totalling £27,000 were also made to a company called Music Up Ltd which, at the time of the reported investment, was a failing company and was subsequently dissolved in May 2018.