

# British Horseracing Authority Pension Scheme (the "Scheme")

## Statement of Investment Arrangements – March 2023

### 1. Introduction

The Statement of Investment Arrangements (the "Statement") has been prepared by the British Horseracing Authority Pension Scheme Pension Scheme ("the Scheme") to complement the Statement of Investment Principles also dated March 2022.

The purpose of this Statement is to document specific details in relation to Scheme/ investments which are not required to be recorded at a "principle level".

### 2. De-risking Approach

The Scheme's assets are invested within the Dynamic De-risking Solution ("DDS"). Within DDS, the Scheme's funding level (on a "gilts + 0.50% p.a." basis) is monitored with automatic de-risking moves (to reduce the level of investment in growth assets) triggered according to the levels set out in the table below.

Funding Level Band	Trigger to move into Band (Funding Level %)	Target Growth Allocation (% of total assets)
8	-	28.0
9	93.3	26.0
10	94.5	24.0
11	95.7	22.0
12	96.9	20.0

The de-risking strategy is formally reviewed by the Trustees on an annual basis with the assistance of Mercer, to review its appropriateness.

For the avoidance of doubt, once the funding level has moved through a band, the asset allocation will not be "re-risked" should the funding level deteriorate. The investment strategy will be reviewed on an annual basis to ensure that the triggers set remain appropriate and amended if required. In addition, the recalibration will take into account any significant investment and Scheme experience over the year.

### 3. Individual Fund Benchmarks and Tracking Error Targets

Within the guidelines set out in the Investment Management Agreement, the Trustees have delegated the allocation of assets within the Growth and Matching portfolios to Mercer.

Responsibility for monitoring the Scheme's asset allocation and undertaking any rebalancing activity when the range restrictions are breached is delegated to Mercer. Mercer reports quarterly to the Trustees on any breaches to the range restrictions.

<b>Mercer Portfolio</b>	<b>Benchmark Index</b>	<b>Performance Target (%p.a.)<sup>1)</sup></b>	<b>Tracking Error Expectation (%p.a.)<sup>1)</sup></b>
Mercer Passive Fundamental Indexation Global Equity (Unhedged/Hedged)	MSCI Diversified Multi Factor Custom (NDR) Index (Hedged) <sup>2)</sup>	Perform in line with the benchmark	Less than 0.3
Mercer Passive Global Listed Infrastructure Hedged	FTSE Global Core Infrastructure 50/50 Hedged <sup>2)</sup> Index	Perform in line with the benchmark	Less than 0.25
Mercer Passive Emerging Markets Equity	MSCI Emerging Markets (NDR)	Perform in line with the benchmark	Less than 0.3
Mercer Passive Global Low Volatility Equity Hedged	MSCI World Minimum Volatility (NDR) Index Hedged <sup>2)</sup>	Perform in line with the benchmark <sup>2)</sup>	Less than 0.3
Mercer Passive Global Small Cap Equity (Unhedged/hedged)	MSCI World Small Cap (NDR) Hedged <sup>2)</sup> Index	Perform in line with the benchmark	Less than 0.3
MGI Eurozone Equity	MSCI EMU (NDR)	1.0 - 2.0 (gross of fees)	2.0 - 4.0
MGI UK Equity	FTSE-All-Share Net Total Return Index	0.75 – 1.5 (gross of fees)	2.0 - 4.0
Mercer Passive Sustainable Global Equity	MSCI World Index	1.5 (gross of fees)	2.0 - 4.0
Mercer Passive Global REITS (hedged)	FTSE EPRA/NAREIT Developed REITs (NDR) Hedged Index	Perform in line with the benchmark	Less than 0.3
Mercer Synthetic Equity-Linked Real Bonds	As Portfolio	Perform in line with the benchmark	n/a
Mercer Synthetic Equity-Linked Nominal Bonds	As Portfolio	Perform in line with the benchmark	n/a
MGI Emerging Markets Debt Local Currency	JP Morgan GBI-EM Global Diversified Index	0.5 – 1.0 (gross of fees)	1.0 - 3.0
Mercer Emerging Market Debt Hard Currency	JP Morgan EMBI Global Diversified ex CCC	0.5 – 1.0 (gross of fees)	1.0 - 3.0
Mercer Global High Yield Bond (Hedged)	ICE BofAML BB-B Rated Developed Markets High Yield Constrained Hedged Index	0.2 - 0.5 (gross of fees)	0.5 - 2.0

<sup>1)</sup> Measured over rolling 5 year periods unless otherwise stated.

<sup>2)</sup> Hedged indices are proxied by Mercer using local index returns.

Mercer Portfolio	Benchmark Index	Performance Target (%p.a.) <sup>1)</sup>	Tracking Error Expectation (%p.a.) <sup>1)</sup>
Mercer Passive Global High Yield Bond (Hedged)	ICE BofAML BB-B Rated Developed Markets High Yield Constrained Hedged Index	Perform in line with the benchmark	Less than 0.25
Mercer Multi Asset Credit	<b>Reference Index:</b> 50% BofAML Global High Yield Constrained Index 50% S&P/LSTA Global Leveraged Loan Index	<b>Long term primary objective:</b> Cash +3-5% p.a. (net of manager fees)  <b>Medium-term and secondary objective:</b> to achieve better risk-adjusted returns than the reference index	5.0 - 10.0 <sup>3</sup>
Mercer Select Alternatives Strategies	HFRI FoF: Market Defensive Hedged Index <sup>4</sup>	Cash +3% (net of fees)	5.0 - 7.0
Mercer High Income UK Property CCF	FTSE A Over 15 Year Gilts Index	1.0 - 2.0	n/a
Mercer Absolute Return Fixed Income	FTSE GBP 1 Month Euro Deposit Index +1.5% p.a.	Cash +1.5 – 2.5 (gross of fees)	Less than 5.0 over rolling 3 year periods <sup>4)</sup>
MGI UK Cash	FTSE GBP 1 Month EUR Deposit	n/a	0.5
Mercer Private Investment Partners IV - Private Equity	n/a	10.0 – 12.0	n/a
Mercer Private Investment Partners IV - Private Debt	n/a	Cash +7-8% (net of fees)	n/a
Mercer Private Investment Partners V - Senior Private Debt	n/a	Cash +4-5% (net of fees)	n/a
Mercer Private Investment Partners IV - Infrastructure	n/a	7.0 – 10.0	n/a
Mercer Private Investment Partners IV - Sustainable Opportunities	n/a	7.0 – 10.0	n/a
Mercer Tailored Credit Fund 1	No Benchmark Assigned <sup>5</sup>	n/a	n/a

<sup>3</sup> Expressed as expected volatility (annualised standard deviation of monthly returns) ranges given these strategies have a cash plus objective.

<sup>4</sup> This is the short term outperformance target for the strategy, for a long term benchmark please reference the performance target.

<b>Mercer Portfolio</b>	<b>Benchmark Index</b>	<b>Performance Target (%p.a.)<sup>1)</sup></b>	<b>Tracking Error Expectation (%p.a.)<sup>1)</sup></b>
Mercer Flexible Enhanced Matching Inflation	As portfolio	Perform in line with the benchmark	n/a
MGI UK Long Gilt	FTSE A Over 15 Year Gilts Index	Perform in line with the benchmark	Less than 0.25
MGI UK Inflation Linked Bond	FTSE A Over 5 Year Index-Linked Gilts Index	Perform in line with the benchmark	Less than 0.25
Mercer Flexible Enhanced Matching Fixed –Medium and Long	Exact benchmark will be fund dependent	Perform in line with the benchmark	n/a
Mercer Flexible Enhanced Matching Real – Medium and Long	Exact benchmark will be fund dependent	Perform in line with the benchmark	n/a

#### **4. Review of this Statement**

The Trustees will review this Statement in conjunction with any review of the Statement of Investment Principles and without delay after any significant change in investment arrangements.

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<sup>5</sup> This fund is not comparable to a benchmark index due to the nature of buy and maintain strategies, and hence has no quoted benchmark or tracking error target. The fund aims to capture the credit spread premium in the most efficient way by investing in a diversified portfolio of bonds.