CITY OF LONDON CORPORATION PENSION FUND

INVESTMENT STRATEGY STATEMENT

1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and publish a statement of their investment strategy, taking into account guidance issued from time to time by the Secretary of State.

The City of London Corporation is the administering authority of the City of London Pension Fund (the 'Fund') and it has a duty to invest any fund monies that are not needed immediately to pay benefits from the Fund. The purpose of this Investment Strategy Statement (the 'ISS') is to document the principles, policies and beliefs by which the Corporation manages the Fund's investment assets.

The ISS has links with two other key strategic documents, namely:

- The Funding Strategy Statement (the 'FSS'), which sets out the main aims of the Fund and explains how employers' contribution rates are set to achieve those aims.
- The Governance Compliance Statement which sets out the structure of delegations of responsibilities for the Fund.

Both statements are incorporated into the Pension Fund Annual Report.

In formulating this statement the Corporation has consulted with, and received advice from, the Fund's investment consultant, Mercer (the 'Investment Consultant'). The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy.

The Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 comes into force on the 30 June 2026 after which the administering authority will update the ISS. This ISS has been prepared under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

2. Scope

Regulation 7(2) states that the following matters must be addressed within the ISS:

(a) a requirement to invest fund money in a wide variety of investments;

(b) the authority's assessment of the suitability of particular investments and types of investments;

(c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;

(d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

These requirements are dealt with in turn below, following an overview of the Fund's governance arrangements and the links between the ISS and the Funding Strategy Statement.

3. Governance

The City of London Corporation's Court of Common Council has delegated all matters in relation to the management of the Fund to the Pensions Committee (hereafter, the "Committee"). The main areas of investment responsibility include:

- determination of strategic asset allocation;
- determination of portfolio structure; and
- on-going monitoring and evaluation of the investment arrangements.

The Committee consists of up to 6 Members elected by the Court of Common Council, at least one of whom shall have fewer than five years' service on the Court at the time of their appointment and up to three independent members co-opted to the Committee on the advice of the Chamberlain.

Members of the Committee recognise that they have a duty to safeguard, above all else, the financial interests of the Fund's beneficiaries. Beneficiaries, in this context, are considered to be the Fund's members and employers together with local taxpayers.

The Fund, in preparing and reviewing its Investment Strategy Statement, will consult with interested stakeholders including, but not limited to employers, the Local Pensions Board, advisers to the Fund and other parties that it deems appropriate to consult with.

4. Link to the Funding Strategy Statement

The FSS aims to establish a clear and transparent strategy that will identify how participating employers' pension liabilities are best met going forward. To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Thus the main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in this document.

5. Investment Objectives

The Fund's primary long term investment objective is to achieve and maintain a funding level at or close to 100% of the Fund's estimated liabilities; and in conjunction with the funding strategy, to minimise the cost and variability of cost to employers.

In order to meet this primary objective, the Fund aims to:

- Achieve an investment return of at least 6.5% p.a. over a 20-year period (the 'return objective').
- To invest in such a way that the 1-year 95% value at risk is limited to a less than c.20% of Fund assets (the 'risk objective').
- For the assets to deliver an appropriate level of investment income (net of contributions) over the valuation period, which is sufficient to meet member benefits (the 'cashflow objective'). Noting the fund is currently cashflow positive.

- The local investment objective is under review and will be defined following the release of Government guidance and further discussions with the London CIV.

6. Regulation 7(2)(a) - Investment of fund money in a wide variety of investments

The administering authority is exposed to significant risks in discharging its duties. In particular, the Committee is conscious of the risk of failing to provide sufficient investment returns to achieve the targeted funding level and the risk of failing to maintain stable employer contributions by producing excessive volatility in investment returns.

The Committee recognises that diversification is essential to managing portfolio risks and makes use of a full range of investment opportunities. Assets are invested across different asset classes and distinct investment management styles are combined with the aim of securing sufficient returns and reducing volatility. The Committee will also make use of illiquid investments (such as property, private equity and infrastructure), recognising that investors are expected to be rewarded over the long term (i.e. there is a liquidity premium).

The Committee regards its choice of strategic asset allocation as the decision that has most influence on the likelihood of achieving the investment objective. The Committee reviews its strategic asset allocation via periodic investment strategy reviews. In order to ensure that its asset allocation policy remains appropriate, reviews will normally take place every three years. However, if there is a significant change in capital markets, in the circumstances of the Fund or in governing legislation, then an earlier review may be conducted.

The Fund's appointed Investment Consultant supports the Committee in deciding on its asset allocation policy through the provision of professional advice. The Committee further considers the legality of all investments for compliance with the LGPS.

The Committee reviewed the Fund's investment strategy in 2026 following its 2025 actuarial valuation and agreed the target asset allocation strategy set out in the table below.

Asset Class as per Fit for the Future	**Strategic target %**	**Control range %**
Listed Equity	45.0	35.0 – 55.0
Private Equity	2.0	0.0 – 4.0
Private Credit	0.0	N/A
Property / Real Estate	9.0	4.0 – 14.0
Infrastructure	13.0	8.0 -18.0
Other Alternatives[1]	7.0	2.0 – 12.0
Credit[2]	15.5	10.5 – 20.5
UK Government Bonds	7.5	4.5 – 10.5
Cash	1.0	0.0 – 3.0
Total	**100**	

[1]*Other alternatives are investments which do not fit into the other asset classes.*
[2]*Including credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds.*

The Committee's policy on currency hedging is set out below:

- Equities: no explicit currency hedging of non-Sterling exposure.
- Public market fixed income: fully hedged at the fund level.
- Other alternatives: no explicit currency hedging of non-Sterling exposure but fund managers given flexibility to place currency positions where appropriate.
- Private markets: unhedged on non-UK asset exposure.

Treasury Management Policy

In accordance with Regulation 6, the administering authority holds a separate bank account for the exclusive use of the Pension Fund. The Pension Fund has a 1% strategic asset allocation to cash, and the bank account is used to hold sufficient fund monies to manage the operational requirements of the Pension Fund. In accordance with Regulation 6(2), the account is kept by Lloyds Bank, an authorised deposit taker under the Financial Services and Markets Act 2000.

The Committee monitors liquidity to ensure that sufficient cash is available at all times to meet the obligation to pay pension benefits as they fall due and to manage other operational requirements.

The Investment Committee of the City of London Corporation monitors the financial standing and creditworthiness of Lloyds Bank to ensure it continues to qualify as an authorised deposit taker.

Under Regulation 5(1) the administering authority must not borrow money excepted as provided in the Regulations. Regulation 5(2) provides for very specific and limited circumstances where the Fund is permitted borrow monies.

7. Regulation 7(2)(b) - Assessment of suitability of particular investments and types of investments

The Committee considers the suitability of investments in the context of its investment objectives and in relation to the funding strategy for the Fund's liabilities as calculated by the Fund Actuary.

When assessing suitability, the Committee will assess the expected return prospects for investments alongside their risk characteristics, liquidity and cost considerations. Responsible Investment issues and suitability of investment via the London Collective Investment Vehicle (LCIV) are also key factors taken into consideration. Furthermore, the Committee considers the contribution of investments towards overall portfolio performance.

The most recent investment strategy review utilised the following expectations for annualised returns and volatility which are based on the Investment Consultant's long-term capital market assumptions at the time of the most recent investment strategy review (30 September 2025):

Asset class	Arithmetic mean return – 20 years (% p.a.)	Dispersion – 20 years (% p.a.)
Sterling investment grade non-gilts (all stocks) – 5 year duration	5.4	4.6
Sterling investment grade non-gilts (all stocks) – 15 year duration	6.1	5.1
Index-Linked Gilts >5year	5.1	8.7

Global equity	6.2	7.6
Conventional property	7.4	10.6
High lease value property	6.8	9.4
Multi asset funds (modelled as defensive hedge fund)	6.2	7.6
Multi asset credit	6.6	7.3
Infrastructure unlisted equity	7.5	9.7
Private equity	9.8	11.4

Source: Mercer.

The current strategic asset allocation target is expected to deliver an annualised median return of 6.5% p.a. over the long term on a best estimates basis (there is no guarantee this will be achieved and is subject to change). The Committee judges that the current asset allocation strategy is compatible with the Fund's funding target.

The Committee also considers liquidity, and the suitability of particular investments in the context of the Fund's requirement to meet pension obligations as they fall due. The Fund's current strategic asset allocation provides sufficient liquidity to meet pension obligations as they fall due.

The Fund is a participating scheme in the London Collective Investment Vehicle (CIV) Pool. The Fund's assets will be invested via the London CIV, as per the relevant regulations.

The asset allocation strategy is implemented via external fund managers with clear performance targets aligned to the Fund's requirements. The Committee believe the use of active management within the Fund will increase the likelihood that its objectives will be met. The Fund's investment manager structure is set out in Appendix A.

The activities of each manager are governed through written contracts such as policy documents or Investment Management Agreements. This includes details on the portfolio performance objectives, risk limits, as well as information on permissible investments.

The Committee meets a minimum four times per year to review and monitor the ongoing suitability of the Fund's investments in the context of performance and developments in its investment environment. Each investment mandate has a performance benchmark against which performance is measured. The Committee also maintains both an asset allocation and an absolute return performance benchmark at Fund level to monitor the aggregate impact of investment performance and progress against the investment objectives. The Committee also receives annual funding updates from the Fund Actuary.

8. Regulation 7(2)(c) - Approach to risk, including the ways in which risks are to be assessed and managed

The Committee recognises that risk is an inherent feature of investment activity and it has identified several risks that may impact on the investment strategy and the Fund's overall funding level. Key risks are listed below alongside the measures taken to counter and mitigate those risks.

Risk	Mitigation
Asset-liability mismatch risk	A critically important risk is that assets fail to grow in line with the Fund's evolving liabilities. This risk is managed by periodic valuations of the Fund's liabilities and investment strategy reviews which include assessments of the outlook for its funding level and investment strategy. These exercises are mutually constitutive and are supported by appropriate professional advice from the Fund Actuary and the Investment Consultant.
Cash flow risk	The risk that the Fund fails to meet its pension obligations as they fall due is mitigated through the maintenance of adequate liquidity in the portfolio and the monitoring of cash flow requirements.
Active management risk	The London CIV is responsible for managing this risk on behalf of the Fund. The Committee is supportive of the use of active and passive management.
Investment and concentration risk	The Fund is exposed to risk of being excessively concentrated within particular asset classes, sectors, regions, currency and investment styles. The Committee manages this risk through a diversified asset allocation strategy. Actual allocation against the strategic target is monitored on a continual basis.
ESG risks	The Committee acknowledges that environmental, social and governance (ESG) factors pose material financial and non-financial risks to the Fund. The Committee's approach to ESG factors is set out in Section 10 below.
Currency risk	The Committee considers currency risk (the risk of fluctuations in foreign currency rates) as a risk which is difficult to predict. In light of this, and given that investment via pooled funds makes implementing a currency hedging programme operationally complex, the Committee does not hedge its currency exposure. As a long-term investor, the Committee can tolerate short term fluctuations in currency prices.
Counterparty risk	The risk of a counterparty being unable to meeting contractual obligations is managed through appropriate due diligence at the selection stage and the ongoing monitoring of counterparty standing.
Custody risk	The Committee carries out appropriate due diligence when selecting a global custodian and monitors the incumbent's creditworthiness. As the Fund's assets are invested through pooled vehicles this function largely resides with the London CIV.

Inflation risk	The Fund's liabilities are impacted by changes in inflation. A significant proportion of the strategic asset allocation is therefore targeted towards asset classes which provide indirect protection against inflation (such as equities, property and infrastructure).
Transition risks	When transitioning assets, the Fund is subject to various risks including out-of-market exposure, as well as operational and trade execution risks. The Committee looks to ensure that such risks are appropriately assessed and managed, when relevant.

The Committee is aware that these investment-related risks are not the only risks that may impact on the funding level and stability of employer contributions. There are significant demographic and regulatory risks that could impact on the size and profile of the Fund's liabilities, which are set out in more detail in the Funding Strategy Statement.

The Committee maintains a key risk register to maintain oversight of the most significant risk it faces and to identify emerging key risks. The risk register is reviewed at least twice per year and more frequently if there is a material change in the risk environment between reviews.

The identification and management of risks is supported by the provision of regulated investment advice.

9. Regulation 7(2)(d) - Approach to Pooling Investments, including the use of collective investment vehicles and shared service

Under the Government's pooling agenda, administering authorities must pool their assets in order to deliver benefits of scale and collaboration including reduced investment costs and other superior investment outcomes.

The City of London Corporation, along with 31 other London local authorities, is part of the London Collective Investment Vehicle (CIV). The London CIV is operational and has created a platform of sub-funds which span several asset classes. The London CIV has an ongoing process of developing its sub-fund offering to meet the needs of member Funds.

The London CIV is an FCA Regulated fund manager that represents the pooled investments of London Local Authority Pension Funds (including the City of London Corporation Pension Fund) who are the sole shareholders. Executive operations are carried out by the LCIV Company Board which has a duty to act in the best interests of the shareholders. The Chairman of the City of London Corporation's Pension's Committee is a member of the Shareholder Committee which is responsible for scrutinising the actions of the Board amongst other matters. The London CIV also holds a twice-yearly AGM where shareholders can exercise their shareholder powers, review the annual budget and hold the London CIV Company Board to account.

10. Regulation 7(2)(e) - Policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

The Committee has an overriding fiduciary duty to maximise investment returns for the benefit of the Fund's beneficiaries with an acceptable level of risk. The Committee seeks to deliver long-term sustainable returns and recognises that it is consistent with its fiduciary duty to manage environmental, social and corporate governance ('ESG') issues that may be financially material.

Consequently the Committee has a developed a Responsible Investment Policy.

The Committee is committed to being a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term.

The Committee requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all Fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

The Fund expects its investment managers (and specifically the London CIV) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund, including ESG factors.

Effective monitoring and identification of these issues can enable engagement with investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

The Committee recognises that taking a collaborative approach with other investors can help to achieve wider and more effective outcomes. The Corporation is a signatory to the Principles for Responsible Investment (PRI) and is a member of the Local Authority Pension Fund Forum (LAPFF). In this way it joins with other investors in the LGPS and beyond to magnify its voice and maximise the influence of investors as asset owners. The Committee through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests.

The Committee seeks to identify sustainable investment opportunities where aligned with its broader investment objectives.

In making investment decisions, the Committee seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills.

11. Regulation 7(2)(f) - Policy on the exercise of the rights (including voting rights) attaching to investments

The Committee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promote corporate responsibility in the underlying companies in which its investments reside. The Committee recognises that ultimately this approach protects the financial interests of the Fund and its beneficiaries. The Committee has a commitment to actively exercise the ownership rights attached to its investments. This reflects the Committee's conviction that responsible asset owners should maintain oversight of the companies in which they ultimately invest, recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

The Committee delegates voting and engagement to its investment managers and monitors how its investment managers undertake voting and engagement activities in comparison to relevant codes of practice.

Investments made by the Fund through the London CIV are covered by the voting policy of the London CIV. Voting is delegated to the external managers and monitored on a quarterly basis. The London CIV will arrange for managers to vote in accordance with voting alerts issued by the LAPFF as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

In addition, the Fund expects its investment managers and the London CIV to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

Appendix A

Investment Manager Structure

Mapping to Government SAA template	Asset Class	Investment Manager	Target Allocation	Comparator Index
Listed equity			**45.0%**	
	UK equities	Artemis Investment Management LLP		FTSE All Share
	Global equities	London CIV Passive Equity Progressive Paris-Aligned Fund		S&P World Net Zero 2050 Paris Aligned ESG Index
	Global equities	London CIV Global Alpha Growth Fund		MSCI AC World
	Global equities	London CIV Global Equity Value Fund		MSCI AC World
Other Alternatives			**7.0%**	
	Multi-asset	London CIV Absolute Return Fund		SONIA (30 day compounded) + 3%
Credit			**15.5%**	
	Multi-asset credit	London CIV Alternative Credit Fund		SONIA (30 day compounded) + 4.5%
	Corporate Bonds	London CIV Long Duration Buy and Maintain Fund		iBoxx GBP Coll Corp 10+
Infrastructure			**13.0%**	
	Infrastructure	London CIV Renewable Infrastructure Fund*		CPI + 4%
	Infrastructure	IFM Global Infrastructure (UK) LP		CPI + 4%
	Infrastructure	JP Morgan		CPI + 4%
	Infrastructure	DIF Infrastructure IV Cooperatief UA		CPI + 4%
Property			**9.0%**	
	Property	Aviva Investors Global Services Limited (Lime Property Fund)		Gilts + 1.5%
	Property	M&G Investment Management Limited (Secured Property Income Fund)		RPI + 3%
	Property	M&G Investment Management Limited (UK Residential Fund)*		+ 6%

Private Equity			**2.0%**	
	Private equity	Ares Special Situations Fund IV		Broad public equities index
	Private equity	Coller International Partners VII		Broad public equities index
	Private equity	Crestview Partners III LP		Broad public equities index
	Private equity	Exponent Private Equity Partners III, LP		Broad public equities index
	Private equity	Frontier Fund IV		Broad public equities index
	Private equity	New Mountain Capital LLC		Broad public equities index
	Private equity	Aberdeen Capital Partners LLP		Broad public equities index
	Private equity	Warburg Pincus PE XII		Broad public equities index
UK Government Bonds			**7.5%**	
	Index-Linked Gilts	TBC		TBC
Cash			**1.0%**	n/a
Total			**100.0%**	