



# THE DOCTORS LABORATORY

Statement of Investment Principles  
for the Trustees of  
TDL Retirement Benefits Scheme  
May 2024

Prepared by

The Trustees of TDL Retirement Benefits Scheme  
with advice provided by Amber River Premier



**AMBER RIVER**  
PREMIER



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## Introduction

### Purpose of a Statement of Investment Principles

A Statement of Investment Principles (SIP) is a written record of the investment strategy that the trustees have agreed is appropriate for the scheme's financial circumstances, objectives and risk profile.

Amber River Premier, the Scheme's investment adviser, will base its investment advice on the information contained in this document and will assume that it is complete and accurate.

We will update this document if, at any time in the future, the financial circumstances, needs, objectives or attitude to risk of the Scheme change significantly, as this may affect the ongoing suitability of the investments.

## Our Investment Philosophy

### Guiding Principle

By managing investment risk and embracing an ethical investment philosophy we aim to enhance the opportunity of achieving sustainable long-term investment growth. By 'long-term' we mean a minimum investment period of five years.

### Investment Policy

We first look to preserve the value of the Scheme assets by managing and minimising the factors that can erode it. We then seek to enhance value through a robust investment policy using sustainable and positive impact investments.

The effects of long-term compounded growth and steady, consistent returns are the best way of growing an investment portfolio.

We believe that strategic asset allocation is the key driver of investment performance.

Diversification of asset classes within a portfolio reduces risk and increases risk-adjusted returns.

By using a wide range of investment funds with different investment strategies we aim to reduce the volatility of the portfolio.

## Portfolio Construction

Our Scheme's investment portfolio uses the four primary asset classes; fixed interest, equities, alternatives and property, and several subgroups that provide additional sector and geographical diversification.

In certain market conditions we may also use specialist funds which employ a variety of techniques to preserve the value of investments even in falling markets.

A further layer of diversification is added by investing in collective (pooled) investment funds.

Although actively managed funds make up the core holding in all our portfolio, we may also use some index tracking funds, where these are appropriate and meet the Scheme's investment criteria.

## Fund Research

We take investment advice from Amber River Premier. Its research involves a combination of factors including software driven analysis and third-party fund research from sources such as Morningstar, Citywire, FE Analytics, Standard & Poor's and Money Management.

In assessing funds for their suitability, Amber River Premier uses a combination of the following criteria:

- environmental, social or governance (ESG) factors
- the consistency of investment performance across several timeframes
- alpha, which is a measure of the fund's over- or under-performance by comparison to its benchmark
- the volatility of the fund, measuring how much the fund's total returns have fluctuated which indicates the level of risk
- Sharpe ratio, a risk adjusted performance measurement
- qualitative evaluation including fund manager tenure, fund size, investment process, external ratings and likelihood of future outperformance

## Background Information

### Scheme Name:

The Doctors Laboratory Retirement Benefits Scheme.

## Financial Investment Objective

To provide sufficient capital and income to pay members' benefits over the long term, from a combination of contributions and investment return, by investing in equities, property or absolute return funds to back the benefits of members yet to retire and government securities and/or corporate bonds via collective investments to back pensioners. The investment philosophy should be aligned to Sonic Healthcare's values.

## Term of Investment

The Scheme will require investment advice for as long as there remain liabilities in the form of members' benefits, both in payment and deferred.

## Cash and Liquidity Management

As an asset class, cash does not produce any real long-term return and is therefore excluded from our investment portfolio except for liquidity purposes.

We will consider holding cash to meet cash liabilities, such as tax-free cash amounts for upcoming retirements, but not as an investment tool given the current level of interest rates.

## Trustees

The current Trustees of the Scheme are:

- Mr David Neep
- Ms Nicola Craig
- Mrs Nita Kargathra

The trustees of the scheme can be contacted via Marina Ferrari using [marina.ferrari@tdlpathology.com](mailto:marina.ferrari@tdlpathology.com) or by calling 020 7307 7373.

Investment decisions are made collectively by the whole Trustee Board, with the option to delegate to an investment sub-committee.

We consider that the selection of asset classes has the greatest effect in meeting our investment objectives and this is agreed with Sonic Healthcare on a triannual basis, in line with the required return to match the liabilities over the longer term.

## Ethical Investment Policy

The investment environment for pension schemes is changing, with more focus placed on investing in companies that have a positive impact, or at least no negative impact, regarding environmental, social or governance (ESG) factors.

Environmental	Social	Governance
Climate change and energy usage	Employee treatment and relation	Board structure
Resource scarcity	Gig economy	Diversity
Supply chain management	Health and safety	Executive remuneration
Waste and recycling	NDA's	Culture
Impact on biodiversity	Social and community impact	Bribery and corruption
	Product responsibility	Vision and strategy
	Workforce diversity	

Whilst the Trustees acknowledge the need to embrace this change and support companies that are helping to meet the world's environmental and social challenges, we also recognise the importance of meeting the financial goals of the Scheme.

All portfolio funds in which the Scheme invests have a stated ESG policy that takes into account the various factors when selecting appropriate companies and will continue to do so.

The Trustees support ESG compliant funds/companies with the preference to invest in collective investments with a stated ESG policy that supports responsible investing.

All decisions made by the Trustees will take in to account the ESG policy of the parent company, Sonic Healthcare, and will be made in line with the sponsor's principles.

## Investment Strategy

### Investment Risk Measurement and Risk Management Processes

There are many risks surrounding investments, and we keep apprised of them by taking advice from Amber River Premier, supplemented by information from regular reports from fund managers. We will assess the following:

**Investment matching risk** - The risk that on a change in financial conditions, asset values and liabilities move substantially relative to one another in a way that worsens scheme funding.

**Investment return risk** - The risk that market returns under-perform the nominal rates required to meet the funding objective.

**Inflation risk** - The risk that the return on markets, after allowing for inflation, is less than expected.

**Investment duration risk** - The risk that the bonds we hold have a shorter term than the length of the liabilities.

**Manager performance risk** - The risk that our chosen managers do not meet our expectations of them.

**Diversification risk** - We will monitor, no less frequently than annually, that our chosen investment managers maintain a proper diversification of assets, invest predominately on regulated markets and, if they use derivatives on our behalf, only do so for the purpose of risk management.

### **Benchmarking**

The returns expected over the long term follow from the funding objective adopted at the last actuarial valuation and are, after investment expenses, as follows:

- **Bonds** - returns in line with the 15-year gilt total return index
- **Equities and Property** - returns in line with the 15-year gilt total return index plus 1%

Funds that invest in combinations of asset classes are expected to produce returns in line with these, weighted in the relevant proportions.

### **Target Return**

The most recent actuarial review of the scheme performed by the Scheme Actuary estimated that a net return of 5.4% is required to match the current and expected future liabilities and this is the current benchmark.

### **Investment Mandate**

Amber River Premier provides an advisory investment management service to the trustees.

An advisory mandate service will allow the Trustees to have control the investment strategy. Using the asset allocation agreed with Sonic Healthcare, Amber River Premier will select the investment products, strategies, styles and services that best reflect the Scheme's financial goals.

These recommendations will then be communicated to the Trustees and will only be executed following our agreement.

### **Agreed Asset Allocation**

Based on the current actuarial assumptions and the target return from the Scheme assets, it was agreed that the following long-term (strategic) asset allocation is the most appropriate for the Scheme's current circumstances:

Asset Class	Long Term Target allocation
Fixed Interest	10%
Equities	55%
Alternatives	35%
Cash	0%
<b>Total</b>	<b>100%</b>

## Asset Classes

The table above shows the broad asset classes into which Scheme's assets will be invested. Some asset classes will include a range of different sub-classes. For example, equities may include investments in a range of geographical locations in both developed economies and emerging markets. Fixed interest may include government bonds from the UK and abroad, index-linked securities, corporate bonds and other financial securities.

The allocation to alternatives can include UK property, infrastructure, leasing companies and absolute return funds, along with structured products whose return will be linked to market indices but will also provide an element of capital protection.

The nature and proportion in each sub-class will vary depending upon factors such as current market conditions, the point in the economic cycle and/or the individual fund manager's view on where money should be invested.

## Tactical Asset Allocation

Investment markets are, at times very volatile, and there may be occasions where it is appropriate to vary the long-term asset allocation shown.

In such circumstances we have agreed that our investment managers may reduce or increase the allocation to one or more of the asset classes shown by up to +/- 5% of the value of the portfolio in order to either protect the portfolio from adverse volatility or to take advantage of a particular opportunity.

The deviations may be more pronounced where significant changes are expected to the scheme, such as the increased cash holdings pending the transfer back to the NHS. Any significant deviations will be covered in the Investment Reports provided at the Trustee meetings.

## Ethical Investment Policy

We will integrate ESG factors directly into the investment process. We will favour those managers that take in to account the factors listed previously and that engage with the companies that they invest in to ensure a positive contribution to society.