Statement of Investment Beliefs

1. The Fund's investment beliefs outline key aspects of how it sets and manages its exposures to investment risk. They are as follows:

   Financial market beliefs

   - Return is related to risk but taking calculated risks does not guarantee returns. The actual outcome may be higher or lower than that expected.
   - The Fund has a long-term investment horizon and is able to invest in volatile and/or illiquid investment classes in order to generate higher returns.
   - Markets are dynamic and are not always efficient, and therefore offer opportunities for investors.
   - Diversification is a key technique available to institutional investors for improving risk-adjusted returns.

   Investment strategy/process beliefs

   - Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy. Risk should be viewed both qualitatively and quantitatively. Particular focus should be given to the risk of loss and also to the nature and likelihood of extreme events so that the Fund is not a forced seller of assets.
   - Strategic asset allocation is a key determinant of risk and return, typically more important than manager or stock selection.
   - Equities are expected to generate superior long-term returns relative to Government bonds.
   - Alternative asset class investments are designed to further diversify the portfolio and improve its risk-return characteristics.
   - Active management can add value over time, but it is not guaranteed and can be hard to access. Where generating 'alpha' is particularly difficult, passive management is preferred.
   - Operational, counterparty and reputational risk need assessment and management, in addition to investment risk.
   - Managing fees and costs matter, especially in low-return environments. Fee arrangements with our fund managers – as well as the remuneration policies of investee companies – should be aligned with the Fund's long-term interests.
   - The Fund will prefer to invest through its pool, LGPS Central, where they are able to offer a vehicle which offers similar or better risk-adjusted return to what is available elsewhere

Organisational beliefs

- Clear investment objectives are essential.
- Effective governance and decision-making structures that promote decisiveness, efficiency and accountability are effective and add value to the Fund.
- The Nottinghamshire Pension Fund Committee's fiduciary duty is to the members of the Pension Fund and their employers. While they are not trustees, they have trustee-like responsibilities.

Responsible investment beliefs

- Responsible investment is supportive of risk-adjusted returns particularly over the long term, across all asset classes. As a long-term investor, the Fund should seek to invest in assets with sustainable business models across all asset classes.
- Responsible investment should be integrated into the investment processes of the Fund, the Pool, and underlying investment managers.
- A strategy of engagement rather than exclusion is more compatible with fiduciary duty and is more supportive of responsible investment because the opportunity to influence companies through stewardship is waived in a divestment approach. This notwithstanding, our active managers may choose to sell holdings in individual companies whose business models they do not believe to be sustainable.
- Investee companies and asset managers with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events. There is clear evidence showing that decision-making and performance are improved when company boards and investment teams are composed of diverse individuals
- There is risk but also financial opportunity in holding and influencing companies which have weak governance of financially material ESG issues but the potential to improve. Opportunities can be captured so long as decisions are based on sufficient evidence and they are aligned with the Fund's objectives and strategy. The Fund welcomes the global environmental, social and economic benefits that such an approach can deliver.
- Financial markets are likely to be materially impacted by climate change and by the response of climate policymakers. Responsible investors should proactively manage this risk factor through integrated analysis and stewardship activities, using partnerships of like-minded investors where feasible.