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# CAPITAL-BACKED JOURNEY PLAN

## Presentation to the A.C.A.

January 2022

**Strictly private & highly confidential**

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# REGULATORY NOTICE

Please note that this document does not amount to a recommendation to purchase or acquire a share or interest in the opportunity discussed and you should undertake your own due diligence before deciding whether to invest.

It is emphasised that this document is provided to you relying upon your acknowledgement and acceptance that it is exempt from the general restriction in Section 21 of the Financial Services and Markets Act 2000 relating to the communication of invitations or inducements to engage in investment activity because you have professional experience in matters relating to investments i.e. you are an investment professional falling within Article 19 (disregarding Paragraph (6) of that Article) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (‘the Order’).

The communication is directed only at such persons and the investment opportunity is only available to such persons. It should therefore not be relied or acted upon by those who do not satisfy the relevant definition in the Order.

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# OVERVIEW OF THE CAPITAL-BACKED JOURNEY PLAN (“CBJP”)

## Not a consolidation model

Each CBJP is a separate arrangement with no consolidation of assets or liabilities

- Capital buffer is ring-fenced for each scheme.
- Scheme governance remains in place and unchanged.
- CBJP terms can be tailored for each case.

## Capital in addition to covenant

Under the CBJP delivery model, the sponsor remains attached to the scheme

- De-risking is capital-driven, not return-driven.
- Allows endgame to be accelerated.
- Capital, plus returns and fees to our advisers are locked in to the vehicle until maturity.

## A bridge, not a destination

The CBJP provides a bridge to the preferred endstate of the scheme and sponsor, for example:

- Buyout
- Superfund
- Long-Term Funding Objective

The typical term is 5 to 7 years, where this is agreed up front and we commit to meet that timeline.

## Trustees maintain control throughout

All terms including the investment mandate are agreed with the trustees at outset and locked in for the journey

- Any variation requires prior trustee consent.
- Quarterly reporting throughout the journey includes key metrics to demonstrate compliance with the mandate.
- Trustee has ongoing right to recall assets on a material breach of the contract.

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# HOW DOES THE CAPITAL-BACKED JOURNEY PLAN WORK?

## 1 SET UP

Bespoke vehicle created with investment strategy and target agreed at outset

**80% TO 90% FUNDED***

- CBJP vehicle created.
- Scheme assets and investor capital are placed in the vehicle.
- All assets are invested in a portfolio designed to meet specific objectives.
- Objectives, controls and investment strategy are agreed between trustees and Portunes** at outset.

## 2 OPERATE & MONITOR

Selected asset strategy delivers returns required to meet objectives over the typical CBJP term of 5 to 7 years

- Trustees draw down cash as needed to pay benefits.
- Regular reporting is provided on vehicle performance:
    - Progress relative to journey plan
    - Capital buffer tracking
    - Hedge effectiveness (rates and inflation)
    - Liquidity provision
- Capital is topped up by Portunes on adverse asset performance.
- Any changes to the investment strategy are subject to prior Trustee review and consent.

## 3 PAY OUT

Trustee receives assets from the vehicle to meet target outcome

**TARGET ACHIEVED**

- Trustees' entitlement is determined e.g.
    - Buyout price (market auction)
    - Self-sufficiency (calculation)
- Trustees draw down cash from vehicle as determined.
- Only once entitlement is paid in full can remaining assets pass to Portunes.

* Funding level relative to agreed CBJP target (e.g. buyout, self-sufficiency)
** Portunes Capital Limited is the operating vehicle for the CBJP proposition.

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# BENEFITS OF THE CAPITAL-BACKED JOURNEY PLAN

## FOR MEMBERS

- A shorter, more certain path toward security of benefits
- Capital support that supplements that of the sponsor
- Exposure to sponsor risk is removed more quickly

## FOR TRUSTEES

- Simplified investment governance and liquidity management
- Contractual protection against under-performance
- All powers and discretions operate unchanged

## FOR SPONSORS

- A contracted, fixed timeline to achieve the endpoint
- "First loss" external capital to protect against market losses
- Sponsor funding that is fixed at outset

*"I've been impressed by the Capital Backed Journey proposition and am pleased that, having taken the plunge, we remain well ahead of target in achieving all that we set out to achieve. The Scheme and its members are now in a very secure position, the sponsor is no longer at risk from its legacy defined benefit scheme and the quantity and quality of communication and updates from the Aspinall & PwC teams has been very high"*

Antony Miller, 2020 Trustees, and trustee of the scheme that entered in to the first CBJP transaction, in Q2 2020

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