

Yorkshire Building Society Pension Scheme

Implementation statement – portfolio turnover review

The Trustee is required to review portfolio turnover annually as part of the implementation statement. In this paper, we have set out the responses received from the Scheme's managers on experienced and expected turnover and outlined the expected range of turnover we would typically see for similar mandates. Where the Scheme has investments in smart beta and passive equity funds, which aim to track a benchmark index, the nature of these funds means that turnover is contingent on the underlying benchmark. Therefore, it is less relevant to track experience versus expectations for such mandates. The turnover of the Scheme's LDI mandate depends on discretionary trading by Insight and can hold short-dated securities. Therefore, we have not provided an expected range of turnover for this mandate. Turnover data can provide a lot of noise as it accounts for money flowing in and out of each strategy, it is defined as:

$$\frac{\text{Lesser of: the value of purchases or the value of sales}}{\text{Average annual market value}}$$

Fund	Experienced turnover in 2024 (%)	Expected turnover (%)	WTW range (%)
AXA Long Term Buy & Maintain Credit Fund	1.4	0-10	<5
BlackRock Emerging Markets Equity Index Fund	5.1	N/A	N/A
BlackRock Short Dated Corporate Bond Fund ¹	63.0	N/A	N/A
BlackRock Strategic Alternative Income Fund ²	N/A	N/A	0 - 5
Insight LDI Fund	N/A	N/A	N/A
HSBC Islamic Global Equity Index Fund	16.1	N/A	N/A
LGIM World (ex UK) Equity Index Fund- GBP Hedged	6.2	N/A	N/A
LGIM Future World Inflation-Linked Annuity Aware Fund	30.1	N/A	N/A
LGIM Pre-Retirement Fund	39.7	N/A	N/A
LGIM MSCI ACWI Adaptive Capped ESG Index	28.8	N/A	N/A
LGIM Diversified Fund	9.3	N/A	30 - 110
LGIM UK Equity Index	14.6	N/A	N/A

¹ BlackRock Short Dated Corporate Bond Fund has a performance horizon of 1-3 years and has a large investment universe given its ability to invest in the full range of available Fixed Income securities globally, including those that are non-Sterling denominated, investment grade or non-investment grade (limited to 10%). To achieve its performance target, the fund is managed dynamically to take advantage of changing market conditions. This means that in periods of volatility or market dislocation, the fund will experience higher turnover. Therefore, the fund does not have an upper or lower limit on turnover.

² BlackRock Strategic Alternative Income Fund is a fully deployed private markets strategy that aims to generate income and preserve capital over the long term. SAIF does not have turnover in the way an active and/or public markets strategy would. The average tenor of investments is over 10 years, with expected holds of 3 to 25 years depending on the strategy and asset itself

Conclusion

Based on the information provided above, we are comfortable with the turnover experienced by the mandates. It appears in line with expectations, and we note no concerns. Whilst reviews of portfolio turnover are required, we would note that reviews of costs (including those associated with trading and turnover) provide a helpful guide to the Trustee regarding whether mandates are engaged in excess levels of trading or fees. The trustees currently review the costs on an annual basis for the DB and DC sections. If the Trustee is comfortable with the review, we have included wording for the Trustee's consideration in Section 3 of the Implementation Statement, SIP policy Section 42 that "The Trustee noted no concerns, and no action was deemed necessary from the review."

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