

Composition of the Valuation Investment Strategy (VIS)

Introduction

The Valuation Investment Strategy (VIS) is the investment strategy for the Defined Benefit (DB) part of the scheme that was developed for the most recent actuarial valuation. It is adjusted from time to time to retain consistency with the Integrated Risk Management Framework (IRMF) and the trustee's risk appetite.

For a description of the VIS, please refer to our [Valuation Investment Strategy \(VIS\) for the DB part of the scheme](#).

What is the composition of the VIS?

The high-level composition of the VIS is shown in Table 1, which shows the allocation to the three high-level investment components or building-blocks (which are a combination of portfolio weights and hedge ratios).

Table 1. The composition of the VIS using high-level components.

Components	Portfolio weight ¹
Growth	60%
Credit	20%
Liability hedging ²	
Interest rate hedge ratio	50%
Inflation hedge ratio	50%

¹Portfolio weights do not add to 100%, because liability hedging is shown as liability hedge ratios.

²On a self-sufficiency basis.

We also show the asset allocation breakdowns of the VIS composition in Tables 2 and 3.

Table 2 shows the asset allocation weights only (where we have converted the hedge ratios into LDI asset allocations). Table 3 shows a more detailed breakdown, including sub-asset classes.

Please note, the LDI capital weights in these two tables have been calculated for reference as at 31 March 2023 (the valuation date). However, they will vary over time with market conditions, to retain fixed liability hedge ratios (on a self-sufficiency basis).

Table 2. The composition of the VIS in terms of asset allocation.

Asset class	Allocation
Growth	60%
Credit	20%
LDI ^{1,2}	37%
Funded LDI	32%
Levered LDI	5%
Leverage ²	-17%
Total	100%

¹The LDI allocations provide interest rate and inflation hedge ratios (on a self-sufficiency basis) of 50%.

²The LDI and leverage allocations vary over time with market conditions, to retain fixed hedge ratios (on a self-sufficiency basis). Please note, we assume -12% of leverage within growth assets.

Table 3. The breakdown of the asset allocation of the VIS.

Asset class	Sub-asset class ¹	Comments
Growth	70% Global equity ² 20% Infrastructure ³ 10% Property ⁴	Previously, the growth asset class was split: 90% Equity and 10% Property, where the Equity sub-asset class was split: 70% Developed market ex-UK, 20% UK and 10% Emerging markets
Credit	30% UK credit 30% Global credit 20% Global high yield 20% Emerging market debt	Previously, the credit asset class was split: 40% UK credit, 30% Global credit, 15% Global high yield and 15% Emerging market debt
LDI	98% Index linked gilts 14% US TIPS -12% Nominal gilts	No changes. The allocation to US TIPS is kept fixed at 5% (of total assets). The allocation to index-linked and nominal gilts varies over time with market conditions, to retain fixed hedge ratios (on a self-sufficiency basis)

¹Please note, the sub-asset class breakdown of the VIS has been revised from the July 2024 publication, following approval by the Trustee Board. The sub-asset class breakdown is effective from 1 January 2026.

²Represents listed assets across global developed and emerging markets.

³Represents unlisted assets only.

⁴Represents unlisted UK assets only.

Permitted allocation ranges around the VIS

USSIM has considerable discretion to add value in the investment process by deviating from the VIS. However, USSIM is set risk and return objectives by the trustee in respect of the Implemented Portfolio which pay regard to the level of risk and expected return associated with the VIS.

In practice, this means that there are direct and indirect constraints on the Implemented Portfolio. The main ones are shown in Tables 4 and 5.

The Implemented Portfolio is also constrained in other ways, for example, by virtue of constraints on (i) the level of asset-liability risk (similar to the volatility of the deficit) and (ii) the (very low) probability of running out of collateral and/or cash.

Table 4. Direct constraints on the Implemented Portfolio associated with the VIS.

Component	VIS	Implemented Portfolio range for 'green' status	
		Minimum	Maximum
Growth	60%	52%	72%
Credit	20%	None	None
Liability hedging ²	50% ¹	40%	60%

¹These hedge ratios correspond to an LDI allocation in the VIS of 37% as at 31 March 2023 (giving leverage in the VIS of -17%). The level of LDI allocation varies over time with market conditions and the funding level to maintain the same hedge ratios.

²On a self-sufficiency basis.

Table 5. Indirect (portfolio-driven) constraints on the Implemented Portfolio associated with the VIS.

Asset class	Indirect constraint
Growth	Constrained by the expected return on the Implemented Portfolio not being less than the expected return on the VIS.
Credit	Constrained by the minimum levels of liability hedging and growth assets.
Liability hedging ¹	Constrained by market capacity and by leverage.
Leverage	Constrained by collateral headroom, which depends inversely on the allocation to growth assets.

¹On a self-sufficiency basis.