Statement of Investment Principles for the Honourable Society of Lincoln's Inn

1. Introduction

This Statement of Investment Principles ("SIP") sets out the high-level policy on various matters governing decisions about the investments of the Honourable Society of Lincoln's Inn and its related trusts (referred to hereafter as 'the Inn').

The assets of the Inn are split across five distinct investment funds (collectively referred to as the 'Funds').

- The Investment Fund
- The Investment Capital Fund
- The Denning Fund
- The Educational Awards Fund
- The Heritage Fund

The Investment Committee of the Honourable Society of Lincoln's Inn is established to manage the assets of the Investment Fund and Investment Capital Fund, as well as to provide advice to the Trustees of the Denning Fund, Educational Awards Fund and Heritage Fund on any decision making relating to the three charitable Funds.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Inn's investment adviser.

The Investment Committee and Trustees will review this SIP from time to time and, with the help of their adviser, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy.

- **Appendix 1** sets out details of the Inn*'s* investment governance structure, including the key responsibilities of the Investment Committee, Trustees, investment advisers and investment managers.
- **Appendix 2** sets out the Investment Committee's policy towards risk appetite, capacity, measurement and management.
- **Appendix 3** sets out more detail on the investment manager arrangements for the Funds, as well as any fund specific guidelines or policies.

2. Objectives

	Investment Fund	Investment Capital Fund	Denning Fund	Educational Awards Fund	Heritage Fund
Fund objectives	Provides a buffer in case of cash requirements and contingency for one off projects. General aim is to achieve a long-term return on the assets, over and above the rate of inflation.	To target a total investment of £30m by 2046. General aim is to achieve a long-term return on the assets of 4.5% pa nominal, allowing for a £125k investment per quarter.	To use the income generated and Fund capital to assist in the provision of scholarships or other awards to promote or aid the legal education of members of Lincoln's Inn and in particular students or pupils.	To use the income generated and Fund capital to assist in the provision of scholarships or other awards to promote or aid the legal education of members of Lincoln's Inn and in particular students or pupils.	To use the income generated and Fund capital to provide money for projects associated with the Inn's historic collegiate buildings (such as restoration works). These projects (and therefore cash requirements) can be for unpredictable amounts and at unpredictable times.
Broad Fund size	£36m	£8m	£9m	£9m	£2m
Key decision makers	Investment Committee	Investment Committee	Trustees *(with support from the Investment Committee)*	Trustees *(with support from the Investment Committee)*	Trustees *(with support from the Investment Committee)*

The Trustees of the Denning Fund, Educational Awards Fund and Heritage Fund have agreed a number of additional objectives for their respective Funds, as detailed below;

	Denning Fund	Educational Awards Fund	Heritage Fund
Fund additional objectives	Have the ability to pay out regular amounts for scholarships (and other grants), therefore requiring the Fund to invest predominately in liquid, marketable and transparent assets. After accounting for disinvestments, maintain the real value of the Fund's assets. This can be done by targeting inflation plus returns, in order to preserve the purchasing power of the Funds. Currently, the long-term inflation rate (as illustrated by CPI) is broadly 3.1% pa (30 June 2024). Maintain reasonable investment management charges and a low governance approach. For example, this could be by investing in predominantly passive funds and by capturing economies of scale (ie avoid spreading the assets across multiple managers and hitting minimum mandate sizes or incurring minimum fees).	Have the ability to pay out regular amounts for scholarships (and other grants), therefore requiring the Fund to invest predominately in liquid, marketable and transparent assets. After accounting for disinvestments, maintain the real value of the Fund's assets. This can be done by targeting inflation plus returns, in order to preserve the purchasing power of the Funds. Currently, the long-term inflation rate (as illustrated by CPI) is broadly 3.1% pa (30 June 2024). Maintain reasonable investment management charges and a low governance approach. For example, this could be by investing in predominantly passive funds and by capturing economies of scale (ie avoid spreading the assets across multiple managers and hitting minimum mandate sizes or incurring minimum fees).	To generate returns in excess of inflation over the long term, in order to maintain the purchasing power of the Fund. Currently, the long-term inflation rate (as illustrated by CPI) is broadly 3.1% pa (30 June 2024). Ensure that the assets of the Heritage Fund are broadly diversified to avoid significant periods of underperformance, and to help ensure that if there is a large and unexpected call on capital there is a choice of assets to disinvest from. Ensure that the assets of the Heritage Fund are liquid enough to provide unpredictable amounts of capital for the Inn at unpredictable times. Aim to maintain reasonable investment management charges, for example by capturing economies of scale (ie avoid spreading the assets across multiple managers and hitting minimum mandate sizes or incurring minimum fees).

3. Investment strategy

The Investment Committee's and Trustees' general aim is to achieve a long-term return on the assets, over and above the rate of inflation. They also require that the investments are transparent, understandable and reasonably liquid.

The strategic allocation

The strategic allocation for the **Investment, Denning, Educational Awards and Heritage Funds** are set out below. Appendix 3 provides more detail on the investment managers and products used. The control range is applicable to each of the four individual Funds.

Asset class	Investment Fund	Denning Fund	Educational Awards Fund	Heritage Fund	*Control ranges*
UK equities	15.0%	15.0%	15.0%	15.0%	*+/-10%*
Overseas equities	37.5%	42.5%	42.5%	42.5%	
Emerging market equities	12.5%	12.5%	12.5%	12.5%	
Corporate bonds	0%-35%	0%-30%	0%-30%	0%-30%	*+/-10%*
Fixed interest gilts	0%-35%	0%-30%	0%-30%	0%-30%	
Index linked gilts	0%-35%	0%-30%	0%-30%	0%-30%	
Diversified growth	0%-35%	0%-30%	0%-30%	0%-30%	
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	

Due to the agreed allocation ranges applicable to a number of the assets, it is not possible to track performance against the above allocation, and therefore the Investment Committee has agreed to adopt the following **performance benchmark**. This benchmark will be quoted in the quarterly performance monitoring report and used to compare the tactical allocation to the performance benchmark.

Asset class	Investment Fund	Denning Fund	Educational Awards Fund	Heritage Fund
UK equities	15.0%	15.0%	15.0%	15.0%
Overseas equities	37.5%	42.5%	42.5%	42.5%
Emerging market equities	12.5%	12.5%	12.5%	12.5%
Corporate bonds	5.0%	5.0%	5.0%	5.0%
Fixed interest gilts	5.0%	5.0%	5.0%	5.0%
Index linked gilts	5.0%	5.0%	5.0%	5.0%
Diversified growth	20.0%	15.0%	15.0%	15.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The strategic allocation for the **Investment Capital Fund** is set out below. Appendix 3 provides more detail on the investment managers and products used.

Asset class	Investment Capital Fund	Rebalancing ranges
UK equities	23.0%	+/- 3%
Overseas equities	58.0%	+/- 5%
Emerging market equities	19.0%	+/- 3%
Total	**100.0%**	

The Investment Committee monitors the asset allocation of the Investment Capital Fund from time to time. The Investment Committee may also proactively move the asset allocation away from the strategic allocation from time to time.

The tactical asset allocation

The Investment Committee and appropriate Trustees have taken the decision to move the Investment Fund, Denning Fund, Educational Awards Fund and Heritage Funds away from their respective strategic allocations.

These Funds have the following tactical allocations and control ranges in place (the rebalancing ranges are applicable to each of the four individual Funds):

Asset class	Investment Fund	Denning Fund	Educational Awards Fund	Heritage Fund	*Rebalancing ranges*
UK equities	15.0%	15.0%	15.0%	15.0%	*+/- 3%*
Overseas equities	37.5%	42.0%	42.0%	42.0%	*+/- 5%*
Emerging market equities	12.5%	13.0%	13.0%	13.0%	*+/- 3%*
Short dated credit	11.4%	20.0%	20.0%	20.0%	*+/- 3%*
Fixed interest gilts	3.1%	5.0%	5.0%	5.0%	*+/- 1%*
Index linked gilts	3.1%	5.0%	5.0%	5.0%	*+/- 1%*
Diversified growth	17.5%	-	-	-	*+/- 5%*
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	***100.0%***

The Investment Committee monitors the **Investment, Denning, Educational Awards and Heritage Funds'** tactical allocations from time to time.

For the Investment Fund, if material deviations from the benchmark allocation occur, and control ranges are breached, the Investment Committee will consider with its advisers whether it is appropriate to rebalance the assets taking into account factors such as market conditions and anticipated future cash flows.

The **Investment Fund** has an agreement in place with Legal & General (its investment manager for the equity and fixed income portfolios of the Fund) that instructs them to manage the portfolios to the allocations set out below.

Asset class	Tactical allocation	Rebalancing ranges
UK equities	18.0%	+/- 3%
Overseas equities	45.0%	+/- 5%
Emerging market equities	15.0%	+/- 3%
Short dated credit	14.0%	+/- 3%
Fixed interest gilts	4.0%	+/- 1%
Index linked gilts	4.0%	+/- 1%
Total	**100.0%**	

The **Denning, Educational Awards and Heritage Funds** have an agreement in place with Legal & General (their investment manager for each Fund) that instructs them to manage the Funds to the allocations set out in the table below.

Asset class	Denning Fund	Educational Awards Fund	Heritage Fund	Rebalancing ranges
UK equities	15.0%	15.0%	15.0%	*+/- 3%*
Overseas equities	42.0%	42.0%	42.0%	*+/- 5%*
Emerging market equities	13.0%	13.0%	13.0%	*+/- 3%*
Short dated credit	20.0%	20.0%	20.0%	*+/- 3%*
Fixed interest gilts	5.0%	5.0%	5.0%	*+/- 1%*
Index linked gilts	5.0%	5.0%	5.0%	*+/- 1%*
Total	**100.0%**	**100.0%**	**100.0%**	***100.0%***

The **Investment Capital Fund** has an agreement in place with Legal & General (its investment manager for the Fund) that instructs them to manage the Fund to the allocations set out below.

Asset class	Tactical allocation	Rebalancing ranges
UK equities	23.0%	+/- 3%
Overseas equities	58.0%	+/- 5%
Emerging market equities	19.0%	+/- 3%
Total	**100.0%**	

4. Considerations in setting the investment arrangements

When deciding how to invest the Inn's assets, the Investment Committee and Trustees consider a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Investment Committee and Trustees have considered the relative importance and magnitude of each risk.

The key financial assumptions made by the Investment Committee and Trustees in determining the investment arrangements (based on assumptions as at 30 June 2025) for average long-term expected returns are as follows:

Asset class	Average long-term expected returns (pa)	Standard deviation assumption (pa)
UK equities	7.3%	19.0%
Overseas equities	7.6%	18.0%
Emerging market equities	8.1%	23.0%
Short dated credit	5.8%	3.9%
Fixed interest gilts	4.6%	12.5%
Diversified growth	6.7%	8.0%
Index linked gilts	4.6%	11.5%

As at 30 June 2025, LCP's standard assumption for inflation was 2.7% (CPI).

In setting the strategy for each of the Funds, the Investment Committee and Trustees (where relevant) took into account:

- The Funds' respective investment objectives, including the returns required;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken; and
- the need for appropriate diversification between different asset classes to ensure that both the Inn's overall level of investment risk and the balance of individual asset risks are appropriate.

Some of the Investment Committee's and Trustees' key investment beliefs are set out below.

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve a return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive[1] management, where available, is usually better value;

[1] Passive management includes a range of rules-based portfolio construction strategies

- responsible investment in well governed companies and engaging as long-term owners can reduce risk over time and may positively impact returns; and
- costs have a significant impact on long-term performance.

5. Implementation of the investment arrangements

Details of the investment managers are set out in Appendix 3.

For each of the Funds, the Investment Committee or the Trustees (where relevant) have signed agreements with the investment managers setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Inn's investments. The managers are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The investment managers to whom discretion has been delegated exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

6. Realisation of investments

The investment managers have discretion over the realisation of the underlying investments within the assets delegated to them (and the liquidity of such investments), as well as through any rebalancing that they have been delegated as noted in Section 3. When appropriate, the Investment Committee or Trustees decide on the amount of cash required for the Inn's commitments and informs the investment managers of any liquidity requirements. In addition, and only where appropriate, income distributing share classes are used to assist with cashflow requirements for the Inn.

7. Environmental, social, governance and ethical considerations

The Investment Committee or Trustees cannot usually directly influence investment managers' policies on ESG and ethical factors where assets are held in pooled funds; this is due to the nature of these investments. The Investment Committee and Trustees consider it is necessary to act in the best financial interests of Inn and therefore they expect, and delegate responsibility to, the investment managers to take account of these issues where they may be financially material, taking into account the nature and time horizon of the investments.

8. Exercise of ownership rights

The Investment Committee or Trustees cannot usually directly influence the managers' policies on the exercise of ownership rights where assets are held in pooled funds; this is due to the nature of these investments. The Investment Committee and Trustees understand that ownership rights will be exercised by the investment managers in line with the managers' general policies on stewardship, which reflect the recommendations of the UK Stewardship Code issued by the Financial Reporting Council where relevant, and which are provided to the Investment Committee from time to time, taking into account the long-term financial interests of the beneficiaries.

SIP signed for and on behalf of the Inn:

Signed: ____

Investment governance, responsibilities, decision-making and fees

The Investment Committee and Trustees of each charitable Fund have decided on the following division of responsibilities and decision-making for the Inn's investments. This division is based upon the Investment Committee's and Trustees' understanding of the various legal requirements placed upon them, and their view that the division of responsibility allows for efficient operation and governance of the Inn overall.

Investment Committee and Trustees

In broad terms, the Investment Committee and the Trustees for their respective Funds, are responsible in respect of investment matters for:

- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- appointing (and, when necessary, dismissing) investment managers and investment consultants;
- taking account of non-financial factors when making investment decisions including a policy on voting rights when appointing investment managers;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- monitoring the exercise of the investment powers that they have delegated to the investment managers; and
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate.

Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments; and
- providing the Investment Committee with regular information concerning the management and performance of their respective portfolios.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Investment Committee/Trustees or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

Investment adviser

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Investment Committee or the Trustees for: advising on the selection, and review, of the investment managers; reviewing the strategy for each of the Funds managed within the Inn; and participating with the Investment Committee and Trustees in reviews of this SIP.

Fee structures

The Investment Committee and Trustees recognise that the provision of investment management and advisory services to the Inn results in a range of charges to be met, directly or indirectly, by deduction from the Inn's assets or via invoice (where applicable).

The Inn has agreed Terms of Business with the investment adviser, under which work undertaken is charged for on a "time-cost" basis unless otherwise stated.

The investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Investment Committee and Trustees to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Investment Committee's and Trustees' view as to the most appropriate arrangements for the Inn. However, the Investment Committee and Trustees will consider revising any given structure if and when it is considered appropriate to do so.

Performance assessment

The Investment Committee and Trustees are satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Investment Committee and Trustees believes that they have sufficient expertise and appropriate training to carry out their role effectively. The Investment Committee will assist the Trustees where relevant.

It is the Investment Committee's policy to assess the performance of the Inn's investments, investment providers and professional advisers from time to time.

Policy towards risk

Risk appetite is a measure of how much risk the Investment Committee and Trustees are willing to bear in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives might be missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Investment Committee and Trustees can tolerate deviation from the long term objectives before attainment of those objectives is seriously impaired. The Investment Committee and Trustees aim to strike the right balance between risk appetite and risk capacity.

The Investment Committee and Trustees consider that there are a number of different types of investment risk that are important to manage and monitor. These include, but are not limited to:

1. Risk of inadequate returns

A key objective is that, over the long-term, the Inn should generate its target return so that it has adequate assets to meet any one-off payments that it wants to make. The Investment Committee and Trustees therefore invests the relevant assets of the Inn to aim to produce a long-term return sufficiently in excess of price inflation. The Investment Committee and Trustees set a strategic allocation and tactical asset allocation that aim accordingly to provide such returns (as set out in Section 3).

2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Inn's assets. The Investment Committee and Trustees believe that the Inn's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Inn's investment arrangements and is monitored by the Investment Committee on a regular basis.

3. Investment management risk

This is the risk that investment management in total fails to meet their investment objectives. This is separate to the risk of setting an asset allocation that does not achieve a sufficient long-term return, which is covered in Section 1 of this appendix. This refers to the potential of underperformance of investment managers.

Prior to appointing an investment manager, the Investment Committee or Trustees (where relevant) receive written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. The Investment Committee monitors the investment managers on a regular basis to ensure it remains appropriate for its selected mandates.

4. Liquidity/marketability risk

This is the risk that the Investment Committee or Trustees are unable to realise assets within a sufficient timeframe to meet the cash requirements, or that the they will become a forced seller of assets in order to meet payments. The Investment Committee and Trustees are aware of the Inn's cash flow requirements and believes that this risk is managed appropriately via the measures described in Section 6 regarding the realisation of investments.

5. Environmental, social and governance (or ESG) risks

ESG factors are sources of risk to the Inn's investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Investment Committee and Trustees seek to appoint investment managers who will manage these risks appropriately on their behalf and from time to time receive reports from their investment advisors on how these risks are being managed in practice in respect of the funds delegated to the investment managers.

6. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation for which it is contractually liable.

The Inn is subject to credit risk because it invests in bonds via pooled funds. In addition, the Inn can be exposed to underlying credit risk within the pooled funds via derivative exposure, which could include options or futures. The Investment Committee and Trustees manage exposure to credit risk by investing in pooled funds that have a diversified exposure to different credit issuers, and only invests in bonds that are classified as "investment grade".

7. Other non-investment risks

The Investment Committee and Trustees recognise that there are other, non-investment, risks faced by the Inn and aims to factor these into decision making where possible.

Investment manager arrangements

Appendix 3

Details of the investment managers used, their objectives and investment guidelines are set out below:

Manager / asset class	Fund name	Objective	Dealing frequency
Legal & General UK equity	UK Index Trust Fund	Provide growth by tracking the performance of the FTSE All Share Index.	Daily
Legal & General Overseas equity	International Index Trust	Provide growth by tracking the performance of the FTSE World (ex UK) Index As at 31 August 2025, the top 5 country allocations were: US (70.3%); Japan (6.4%); Canada (2.8%); France (2.5%); and Germany (2.4%).	Daily
Legal & General Emerging market equities	Global Emerging Markets Index Fund	Provide growth by tracking the performance of the FTSE All-World Emerging Index	Daily
Legal & General Short Dated Credit	Short Dated Sterling Corporate Bond Index Fund	Provide growth by tracking the performance of the Markit iBoxx GBP Corporates 1-5 Index	Daily
Legal & General Fixed Interest Gilts	All Stocks Gilt Index Trust	Provide a combination of income and growth by tracking the performance of the FTSE Actuaries UK Conventional Gilts All Stocks Index	Daily
Legal & General Index Linked Gilts	All Stocks Index Linked Gilt Index Trust	Provide a combination of income and growth by tracking the performance of the FTSE Actuaries UK Index Linked Gilt All Stock Index,	Daily
Troy Asset Management Diversified growth	Trojan Fund	To seek to achieve growth in capital (net of fees) ahead of inflation (UK Retail Price Index) over the longer term (5 to 7 years).	Daily