



Dear Members

The Trustees of NR CARE and NRDC Pension Schemes wish to provide you with an update on the Scheme Investments in light of the recent developing situation in the Ukraine and the sanctions being imposed on Russia by the UK government.

World investment markets are reacting to concerns about the economic impact of the war in Ukraine.

As well as the awful human impacts of the ongoing war in Ukraine, investment markets have recently been impacted through the form of negative performance in equity markets and higher volatility (this means prices going up and down in short periods of time) – global equities are down around -11% since the start of 2022 to 11 March. While Russian investments are a small part of broad global equity indices, markets with greater direct and indirect exposure to the region, for example European equities, have been impacted more strongly. You will also have seen Commodities prices, such as oil and gas, have increased significantly as a consequence. Government bond yields have also been very volatile but in general have risen compared to the start of the year.

In general, passive equity index providers (this is where investments track the movement of a particular market such as the FTSE World Share Index for example) have acted to remove Russian stocks from their benchmarks quickly and ‘written down’ their exposure to Russian companies to zero. When possible (as the Russian stock market remains closed), passive managers will sell any holdings in these stocks.

NR CARE-specific

Within the Network Rail CARE growth assets (a mixture of investments aimed at providing returns in line with the Trustees assumptions from the 2019 actuarial valuation), direct exposure to Russia coming into the crisis was limited, at less than 0.06% of total Growth Assets. This very low exposure to Russia predates the current crisis and reflects The Trustees approach to managing ESG-related risks in Scheme’s overall Assets.

In general, coming into 2022, the NR CARE growth assets were invested in a way with the expectation of more volatile market conditions throughout 2022. This led the Trustees and their Investment Managers to make changes to investments targeted at improving the resilience of Growth portfolios against adverse events, such as the recent situation in the Ukraine. Towards the end of 2021 and going into early 2022, we decreased our exposure to equity and credit by around 10% of Growth Assets in favour of alternatives and defensive assets that still aim to provide a level of return in line with the Trustees investment assumptions.

NRDC-specific

As of March 2022, within the default investment strategy for NRDC (which is where many of you invest your funds), there is minimal exposure to Russian and Ukrainian investments, equivalent to c. 0.04% of total assets invested. Outside of the default investment strategy (where members choose their own funds from a range of options made available), there is also only some minor exposure within the following two self-select funds

- Higher Risk Fund: 0.03% of assets invested
- Emerging Market Equity Fund: 0.11% of assets invested

Therefore, overall exposure is minimal for NRDC members and we expect it to continue to reduce over time

in a similar way to NR CARE assets.

Often situations like this can cause members with Money Purchase benefits (such as NRDC) to review whether their current investment strategy is right for them. Please remember that pension savings are a long term investment and members should think very carefully before making a decision in this period of volatility, which in the lifetime of investing for a pension is relatively short term. The Trustee of NRDC strongly recommends that you speak to an appropriately qualified financial adviser if you are considering making changes to your investments before actually doing so.

The Trustees of NR CARE and NRDC along with their investment advisors, continue to monitor the developing situation connected to the Ukraine and Russia and will provide updates to members as and when necessary.

Kind regards

Samantha Pitt
Chair of the Trustees of NR CARE and NRDC