

# Investment Policy Template

The following policy is purely a template and must be tailored to the specific charity.

The Board of Trustees (the “Board”) of the Foundation (the “Foundation”) established its investment Committee (“IC”) in January 20XX by way of board resolution.

Since its establishment, its remit, and mandate have been revised to reflect the evolving investment strategy of the Foundation. This document is to summarise the investment strategy, monitoring and review process in relation to the investments held by the Foundation. The formal powers of the IC are set out in the terms of reference dated XX January 20XX. The power to invest derives from the Charity’s governing document and are set out in Section XX of the Articles of Association.

**Strategic Objective**

It is the aim of the Foundation to build an investment fund of £XXXm through donations from key supporters and capital-growth of funds by 20XX (+5 years). There is a willingness to accept low diversification in the early growth phase.

In the near term the investment objective is to invest for growth without a need to produce income. Longer term (>10yrs) the objective is to provide income to support the Foundation's expenditure programme. The aim is for the portfolio to generate a sterling return of greater than 3% above CPI over a trailing 3-year period.

**Strategy**

The strategy to be used in to attain the strategic objective is to:

- Invest for long term growth, through combination of actively managing existing portfolio augmented by new donations and full reinvestment of portfolio income
- Prudent diversification taking account of Foundation's risk appetite for growth (able to take long term view if funds are not required for short term needs)

- Acknowledge that part of portfolio may be deployed for social investment (with consequential impact on financial returns - with the consent of the Board)
- Ensure liquidity availability as fallback for expenditure commitments in the event that periodic family donations are suspended (a downside scenario)

**Risk**

The Foundation is willing to take considered risks based on the judgement and recommendations of the Investment Committee, in compliance with the guidelines set out within these objectives, when considering the entry into, or the exit from investments. The Trustees are comfortable that the members of the IC have sufficient investment knowledge and expertise to make informed and sensible recommendation in the best interest of the Foundation and for the furtherance of its overall objectives, however for the avoidance of doubt, the power to make investment decisions lays with the Board, and not with the Investment Committee, in accordance with its terms of reference.

The base currency of the investment portfolio is sterling, to be reviewed annually or on certain trigger conditions (defined further below).

1 Marketable & non-marketable investments	Total <£25m	Total >£25m
International equity / International Equity funds		
Private Equity		
International Bond / Funds		
Short term assets (deposits, funds, currency funds)		
Alternative Investments / Structured Products		
Real Estate		
Energy		
Fixed Advances - Lombard - leverage		

2 Position Limit	Total <£25m	Total >£25m
Institutional Limit (any one financial institution)*		
.....		
One equity		
.....		
One single strategy fund		
.....		
One fund of funds or multi strategy fund		

3 Sovereign / Country	Total <£25m	Total >£25m
United States		
.....		
United Kingdom		
.....		
Europe		
.....		
Asia		
.....		
Japan		
.....		
Emerging Markets		

4 Currency	Total <£25m	Total >£25m
US\$		
.....		
Euro		
.....		
Sterling		
.....		
Yen		
.....		
Other		

\*shares held in custody within an institution are specifically excluded. The limit is determined before any leverage.

## Liquidity

The Foundation has an expenditure budget of ca. £Xm per year. The Foundation aims to distribute grants of around £Xm+ per year and has around £Xk of operating costs.

In short terms, liquidity requirements are managed through annual cash donations. Longer term this will be managed through appropriate holdings in very liquid assets and through the preparation and review of cash forecasts.

The Foundation takes comfort from the continued financial support of the donors, which is determined on an annual basis upon preparation and approval of the Foundation's annual budget, the IC shall manage the Foundation's investments to ensure that instant liquidity is not higher than x%. This is on the presumption that the Foundation is operating within a stable global economy.

## Time Horizon

The Foundation is expected to exist in perpetuity. Longer term investments should be managed to meet the investment objective and ensure sustainability.

## Responsible Investment

Investments maintained by the Foundation should be in line with its objectives, which are related to charitable objects. The trustees do not wish to adopt an exclusionary policy / the trustees consider direct investments in the following industries would be against the expectations of stakeholders and therefore not in the best interest of the charity, but individual investments may be excluded if perceived to conflict with the Foundation's purpose.

The IC have agreed that the following non-financial exclusions should be applied to all investments within the Foundation's portfolio:

- No companies associated with any company or individual listed within the United Nation's security council published sanctions list
- No pornography companies
- No companies knowingly exploiting child labour

- No companies convicted of or knowingly carrying out fraudulent or corrupt practices within the last 5 years (subject to a full assessment of such and any regulatory action taken thereto).

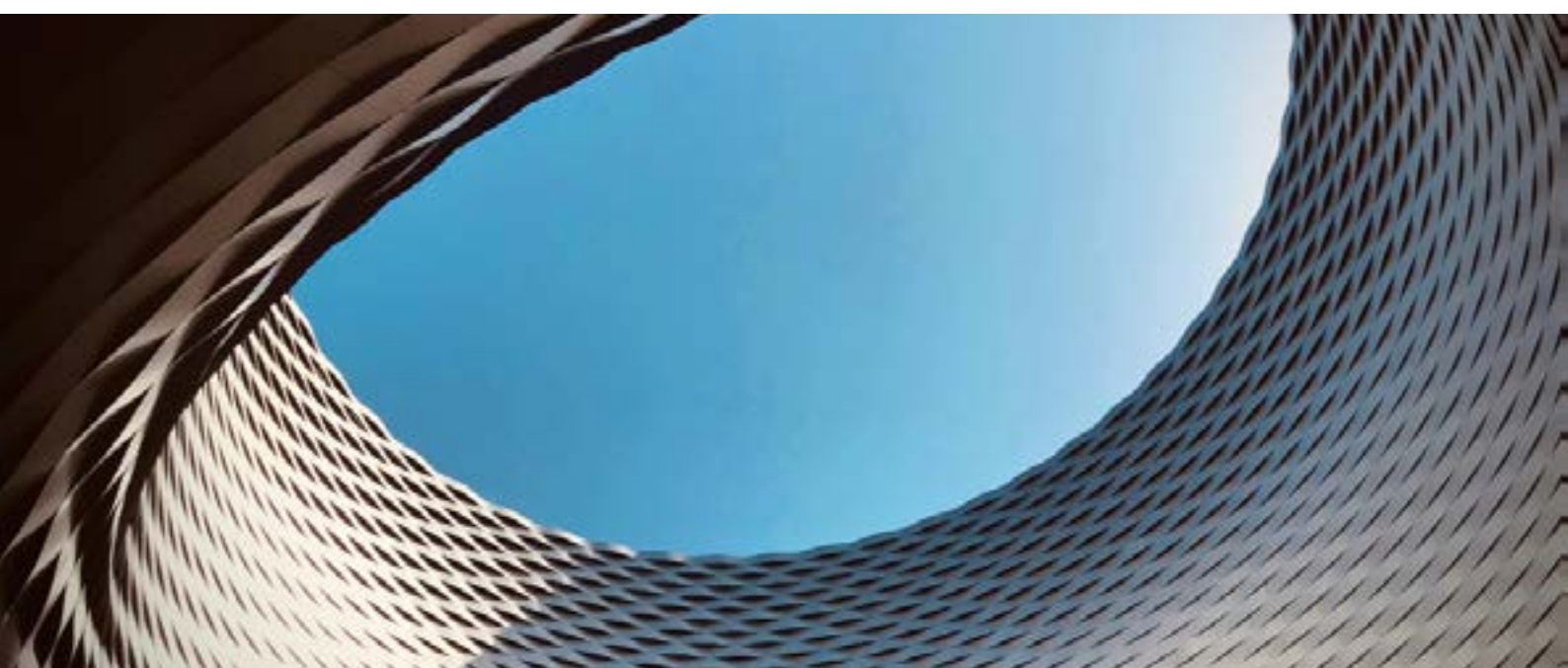
Also, consideration in here should be given to wider ESG matters and whether a fund or investment is required to hold certain ratings.

Although extensive research is conducted prior to recommending an investment opportunity to the IC, it is sometimes beyond the IC's control as to investment decisions made by, for example, underlying fund managers. The IC will however, during its oversight process, consider taking action should it be made aware of any breaches to the above ethical exclusions, and present to the Board for consideration.

## Deviation from Guidelines

The IC has the authority from the Board to deviate from the Guidelines as set out above up to a maximum of X%, before invoking the Breach Management process as set out below, on the basis that the deviation is short term based on short term market movement, rather than a long term position adjustment.

The IC is empowered by the Board of Trustees of the Foundation to research and fully consider a deviation from the Foundation's investment guidelines and restrictions when, in the opinion of the IC, it is critical to the sustainability of the Foundation's objectives as a whole. Such considerations shall be fully documented and circulated to the Board of Trustees for final consideration, to include full rationale for the recommendation to deviate, and background on the event that has triggered the action (for example, a stock market crash or an event that directly affects a specific investment held by the Foundation). No deviation shall be executed by the IC prior to receiving formal approval from the Board.



As an exemption to this condition, the IC has the express authority to increase its instant liquidity position to up to X0% as a defnesive position should they be concerned over the stability of the economy to the extent that liquidity levels may restrict the Foundation's ability to operate.

Should this authority be invoked, a report should be submitted to the Board as soon as practicable following the event, with full rationale behind the decision, along with consideration as to the IC's plan to steer the portfolio back towards its objectives at the appropriate time.

### **Breach Management**

Inevitably movement in market valuations of assets will change the asset allocations on a sector, currency, country and / or investment type basis.

The IC accepts that it is not viable to assess the daily movements to the overall investment position, and therefore have agreed that investment guideline positions as summarised above shall be reviewed during each IC meeting.

### **Management, reporting and monitoring**

The Investment Committee will meet once per quarter, approximately 203 weeks following the end of the relevant quarter, so up to date and relevant performance numbers are for the IC to review.

The IC will also meet in the event of a trigger condition, for example a major currency shift, a market correction or similar event impacting upon the global economy or specifically upon the investments held by the Foundation.

The Foundation's Financial Controller is responsible for producing the performance data required by the IC to properly consider the performance of the Foundation's investment portfolio. The IC shall feedback directly to the Financial Controller should they require any changes to the content or format of the performance reporting.

The decisions made by the IC are documented in minute form as soon as possible following an Investment Committee meeting. Such minutes shall be summarised and included in the board pack presented to the Board of Trustees of the Foundation at each of the Trustee's Periodic Board Meetings and will also be made available for the Trustee's consideration via the Foundation's intranet site.

### **Approval and review**

These Investment Objectives were last approved on XX January 20XX and shall be reviewed by the IC on an annual basis, and upon any trigger event (as referenced above).

**This article should not be dedemed to constitute the provision of financial, investment or other professional advice in any way. Information herein is believed to be reliable but MHA does not warrant its completeness or accuracy.**

### **i How we can help**

This template is designed for information purposes only. Whilst every effort has been made to provide accurate and up to date information, it is recommended that you consult us before taking or refraining from taking action based on matters discussed.



**Sudhir Singh**  
Partner

E: [sudhir.singh@mha.co.uk](mailto:sudhir.singh@mha.co.uk)



**Stuart McKay**  
Partner

E: [stuart.mckay@mha.co.uk](mailto:stuart.mckay@mha.co.uk)



**Nicola Mason**  
Partner

E: [nicola.mason@mha.co.uk](mailto:nicola.mason@mha.co.uk)

**Now, for tomorrow**