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## **Statement Of Investment Principles**

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Author: Steven Simpson, chief executive  
Version: 1:0

Date: 7<sup>th</sup> June 2023  
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The trustees have prepared this document after consultation with the investment manager, having regard to the Trustee Act (2000) and in accordance with guidelines issued by the Charity Commissioners (CC14: Charities and investment matters). The ultimate decision and responsibility for investment policy rests with the Trustees.

The investment objectives are:

- a) The generation of sufficient income to allow the charity to achieve its objectives.
- b) The generation of sufficient capital growth to ensure the charity's future is secure.
- c) To balance income and capital growth.
- d) To avoid undue investment risks which could jeopardise the objectives above.

The trustees have decided that holding three distinct and diverse portfolios mitigates the risk and impact of either cash flow shortfalls or capital erosion. To this end the trustees hold the charity's assets in a combination of equities and securities, commercial and residential property and cash investment accounts.

### **Responsibilities**

1. The trustees have appointed a financial investment manager (Evelyn Partners) who has been given a discretionary mandate to manage the equities and securities portfolio on the charity's behalf.
2. The trustees will monitor the performance of the portfolio against an agreed benchmark methodology.
3. The financial investment manager will meet the trustees twice a year in order to review the portfolio, assess performance and discuss/agree appropriate strategy.
4. The trustees have appointed property investment managers to manage its commercial (Cottons Chartered Surveyors) and residential (Robert Powell Chartered Surveyors) investment property holdings and to give advice on any alteration to those respective portfolios.
5. The property investment managers will attend all meetings of the Property Committee and report on collections, arrears, voids, portfolio management issues and developments.
6. The appointments of the investment and property managers will be reviewed from time to time but at least every ten years.

### **Stock Market Investments**

The trustees' policy is to invest in an appropriate mix of real assets i.e. equities, fixed interest securities, alternative assets and monetary assets. Trustees recognise that the returns on equities, while expected to be greater over the longer term than those of fixed

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interest and monetary assets, are likely to be more volatile. Investment in a mix of asset classes should nevertheless provide the levels of return required and mitigate volatility for the Trust to achieve its objectives.

The investment manager is responsible for carrying out all day-to-day investment decisions including acquisition and realisation of investment.

With regard to risk:

- The trustees are not risk averse but require protection of the charity's assets; as such they have given the investment manager a balanced mandate. This means that although the charity's risk approach is categorised as 'growth' the investment manager will seek to achieve a balance between capital growth and income generation.
- The investment manager is required to exercise this power to give effect to the principles as contained in this statement and, in particular, must have regard to the need for diversification and suitability of investments selected.
- If any single stock or pooled vehicle holding (including cash) accounts for more than 5% of the value of the portfolio, the investment manager should bring this to the attention of the trustees to discuss whether this should be maintained.
- The trustees do not wish to participate in any underwriting arrangement.
- The trustees do not wish to hold direct investments quoted on Plus markets.
- The trustees understand that this mandate will typically lead to c. 65% of the portfolio being invested in equities.
- The trustees understand that in extreme circumstances, statically in one out of any average ten years this strategy could lead to up to 17.5% of the value of the portfolio being lost in a single year however, the trustees understand that actual performance may vary.
- The trustees anticipate that over longer-term timeframes this strategy will lead to growth of CPI + 2.5% (annualised)

The appointment of the investment manager will be reviewed from time to time by the trustees based upon results of their monitoring of the overall service, performance, the investment process and the manager's compliance with the requirement of the Trustee Act 2000 and the guidance of the charity commissioners.

Although the interests of the charity's beneficiaries are best served by seeking to obtain a sound financial return from a suitably diverse portfolio of investments, the investment manager will have due regard to not investing in those assets which could be detrimental to the objectives and aims of the charity. The trustees have considered the need for an ethical investment policy and have decided that no ethical restriction is currently required.

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However, the trustees do endorse the principle of 'responsible investment' and encourage the investments manager to make responsible investment decisions based on the long-term sustainability of the investments. This stance will be reviewed from time to time.

### **Investment Property**

1. The trustees seek to establish a heavily residentially weighted property portfolio. The trustees are aware that this creates the danger of exposure should residential property markets fail; however, the trustees feel that foreseeable market circumstances pose a more definite risk to commercial property. In addition, the trustees have noted that residential properties offer a better balance between short-term yields and long-term capital growth.
2. The trustees seek to maximise the returns from rents considering local conditions; all tenancies shall be filled on this basis and charitable activity such as subsidised or in-kind rents will not be agreed.
3. The trustees believe that the charity's property must be well maintained in order to attract higher rents, maintaining the value of the investments and fulfilling its obligations as a landlord.
4. The property managers attend four Property Committee meetings each year in order that they can give regular reports to the trustees regarding arrears, collections, voids, maintenance and all matters relating to tenancies and leases.
5. Once a year the investment property managers will present an annual review of the property portfolio to the trustees, who will agree an investment property strategy for the following 12 months.
6. Expenditure must comply with the charity's Financial Rules and Regulations.

### **Cash investments**

1. The Charity's cash surplus will be invested in three places:
  1. COIF Charities Deposit Fund
  2. Scottish Widows Deposit Account
  3. Charity Bank high Interest bond account

In addition, the charity holds £221,000 in cash and £221,000 in easily liquidated investments for its extraordinary repair/cyclical maintenance fund. This fund is used to cash-flow the 'usage' replacement of the almshouses' equipment and furnishings.

2. The charity shall hold sufficient cash to meet its anticipated investment priorities, reserve policies and key risks in its NatWest current account and a combination of the cash funds detailed above.