

The Charity Service – Investment Policy

Approved by the Board of Trustees on 16th May 2023

1. Introduction

- 1.1 The Charity Service ('The Charity') is an incorporated company registered by guarantee and a charity, whose purpose is to benefit any charitable institutions or charitable purposes by the provision of advice and assistance.
- 1.2 The Charity is governed by Articles of Association (last amended on 10th November 2022), which includes a general power of investment.
- 1.3 The Charity holds approximately £5m of funds suitable for investment. These funds include:
 - Unrestricted funds that Trustees have designated for charitable grant making.
 - Donor Advised Funds held as restricted funds, which are used to finance charitable grant making. Although the Charity may accept requests from donors on the management of Donor Advised Funds, the Trustees have full legal responsibility for the management of these funds.
- 1.4 The Charity also acts as corporate trustee for three charities and is responsible for the management of their funds. These include: Manchester and Salford Medical Charities Fund (£0.3m); Chronicle Cinderella Home Fund (£0.4m); and, The Richard Budenberg Charitable Trust (£0.5m). The Manchester and Salford Medical Charities Fund and the Chronicle Cinderella Home Fund are both permanent endowment funds.
- 1.5 The Charity may choose to invest funds with the aim of increasing their value, which will support higher levels of charitable grant making. The level of grant making varies from year to year depending on the grant making requests received from the nominated advisors of the Donor Advised Funds or the Charity's own Grants Committee.

2. Investment Objectives

- 2.1 The Charity seeks to produce the best financial return within an acceptable level of risk.
- 2.2 For funds with a long-term investment horizon (i.e. more than 5 years), the investment objective is to generate a return of at least inflation (as measured by the Consumer Prices Index) plus 4% per annum after expenses.
- 2.3 For funds with a medium-term horizon (i.e. between 3 and 5 years), the investment objective is to generate a return in excess of inflation (as measured by the Consumer Prices Index) after expenses.
- 2.4 In the absence of any specific legal restriction in respect of spending capital or gains, the Charity generally adopts a total return approach to investing, which means returns can be generated from income and capital gains or losses.

3. Risk

3.1 Attitude to risk

- 3.1.1 The Charity pursues long term investment returns to increase the value of its charitable grant making.

3.1.2 The key risk to maintaining the value of funds is inflation and investing assets offers a way to mitigate the corrosive effect of inflation over the long term. The Trustees understand that mitigating the risk of inflation is likely to mean that financial investments will be concentrated in real assets and that the capital value will fluctuate.

3.1.3 The Trustees are able to tolerate volatility in the capital value of the investment assets, as long as the Charity is able to meet its short term grant making commitments.

3.2 Assets

3.2.1 The Charity's investment assets can be invested widely and should be diversified by asset class and by security. Asset classes could include cash, bonds, equities, property, hedge funds, structured products, private equity, commodities and any other assets deemed suitable.

3.2.2 Trustees are charged with agreeing a suitable asset allocation strategy for the financial investment portfolio with the appointed investment managers. The asset allocation strategy should be set so as to achieve the overall investment objective.

3.3 Currency

3.3.1 The Charity's base currency is Sterling.

3.3.2 While investments may be made in non-Sterling assets, the investment manager should take into account that the Charity's liabilities are in Sterling. Hedging is permitted.

3.4 Credit

3.4.1 Funds held in cash by the Charity's investment custodian should be deposited with a view to managing counterparty risk. Acceptable strategies for managing risk include placing funds with institutions with good credit ratings, spreading deposits by counterparty and using diversified money market funds.

4. Liquidity Requirements

4.1 The Charity will periodically make drawdowns from investment assets to fund grant making expenditure. These drawdowns can generally be funded from either or both income and capital.

4.2 The Charity should ordinarily be able to buy or sell investments daily, with settlement and distribution within 10 working days.

4.3 The Charity recognises that some of its investments may hold illiquid underlying assets, such as property or private equity. To ensure good liquidity, the trustees wish to keep at least 70% of its assets in investments that can be realised within three months.

5. Time Horizon

5.1 The Charity will divide its funds into those that will endure over the long term (i.e. more than 5 years), those that will be fully spent within the medium term (i.e. in the next 3 to 5 years) and those that will be fully spent within the short term (i.e. less than 3 years).

5.2 Short term funds should be retained as cash at bank or placed on cash deposit.

5.3 Medium term funds should be invested with the requirement they will at least maintain their real capital value over any 3 year period.

5.4 Long term funds should be invested with the requirement that they will at least maintain their real capital value over any 5 year period, whilst offering better prospects for real growth than medium term funds

6. Ethical Investment Policy

- 6.1 The Charity will pursue an ethical investment policy to ensure that its investments do not conflict with its charitable aims and ethos, and the values of its donors and beneficiaries. The Trustees consider that they might lose donors or beneficiaries if it does not invest ethically.
- 6.2 The Charity will require its investment manager to utilise negative screening to avoid investments in companies that derive more than 10% of their revenue or operating profit from:
- the manufacture and distribution of weapons and weapon systems;
 - the extraction, processing and production of carbon emitting fossil fuels;
 - breeding, rearing or trapping of animals for fur and the retailing of fur products;
 - animal testing for cosmetic purposes;
 - gambling;
 - the production, distribution and retailing of pornography;
 - the manufacture of tobacco and tobacco-related products; and,
 - consumer credit offering excessively high interest rate loans.
- 6.3 The Charity will also encourage (but not require) its investment manager to use positive screening to make investments that promote health and wellbeing, education and environmental sustainability.
- 6.4 The Charity recognises that the negative screening requirements of clause 6.2 will lead to a reduction in the size of the investment universe, which could lead to investment returns that diverge from general market indices over discrete annual time periods
- 6.5 The Charity considers that an ethical investment policy will not be detrimental to long-term financial returns. Indeed, it is the Trustees' belief that socially and environmentally responsible business practices will generate superior financial performance over the long-term.

7. Management, Reporting and Monitoring

- 7.1 The Charity will appoint a professional investment management firm ('Investment Manager') to manage the financial investments on a discretionary basis, in line with this policy.
- 7.2 The Board of Trustees have responsibility for agreeing strategy and monitoring the investment assets. The Board will meet quarterly to review the portfolio, including an analysis of financial return, risk and asset allocation. The Investment Manager will be required to produce a valuation and performance report quarterly for each meeting. Investment Manager performance will be monitored against agreed benchmarks, and against the investment objective of producing the best financial return within an acceptable level of risk.
- 7.3 The Investment Manager will also be required to present to the Board at least once a year.
- 7.4 The Charity will provide the Investment Manager with a list of authorised signatories. All fund withdrawals are to be paid to the Charity's nominated bank accounts.

8. Approval and Review

This Investment Policy Statement was prepared by the Trustees of The Charity Service to provide a framework for the management of its investment assets. It will be reviewed every three years to ensure continuing appropriateness.

Next review due May 2026.