

Investment Policy

1. Introduction

- 1.1. The Cole Charitable Trust is an unincorporated charity established by Trust Deed, which supports social, health and community work in the Greater Birmingham area, Cambridgeshire and Kent and also offers support for other charities where the trustees have a particular interest. The Trust has approximately £3.7 million of assets, which are invested to provide an income for annual grant making.
- 1.2. The trustees aim to balance the needs of current and future beneficiaries. The capital remains invested to provide for future beneficiaries and the income is spent on current beneficiaries.
- 1.3. The trustees are governed by the Trustee Act 2000 which sets out the general powers of investment. The trustees also seek to comply with guidance provided by the Charity Commission.
- 1.4. The trustees have delegated decision making on investment matters to the investment sub-committee. Investment management is delegated to an authorised professional investment manager, regulated by the FCA.

2. Investment Objectives

- 2.1. The Trust seeks to produce the best financial return within an acceptable level of risk.
- 2.2. The investment objective is to balance income and capital returns. The assets should be managed to at least maintain the real capital value of the portfolio over the medium to long-term, whilst generating a sustainable level of investment income to support the current charitable activities.
- 2.3. The current income target is set at £100,000 to £120,000 per annum and as such the overall total return investment objective can be quantified as approximately inflation plus 3% per annum. This target will be reviewed periodically by the investment sub-committee.

3. Risk

- 3.1. The Trust invests to mitigate long term inflation risk. Capital and income volatility can be tolerated if consistent with expectations. However, the stability of income is important to the Trust.
- 3.2. The Trust's assets can be invested widely and should be diversified by asset class. The investment sub-committee agrees a suitable asset allocation strategy in discussion with the investment manager to achieve the Charitable Trust's overall objective.
- 3.3. The charity's assets can be invested widely and should be diversified by asset class, geographical spread, unit and investment trust investment manager and by sector and security. Asset classes that the trustees consider could be included within the portfolio are cash, gilts, corporate bonds, equities, property, private equity, commodities and any other asset that is deemed suitable for the charity.

Access to these asset classes could be achieved directly or via collective investment vehicles such as unit or investment trusts. No single direct equity investment should exceed 5% of the total value of the portfolio.

- 3.4. The investment sub-committee is charged with agreeing a suitable asset allocation strategy with the investment managers, which is set with the aim to achieve the overall charity's investment objectives. This strategy would reflect the Brewin Dolphin's Investment Objective and Risk Classification Category 6 (Moderate Investment Risk); with an Investment Objective of Income and Capital Growth Return as outlined in their Retail Terms and Conditions.
- 3.5. A benchmark index is used as a guide for the structure of the portfolio and provides a ready measure of its performance. The benchmark associated with Risk Category 6 is structured as follows:

	Benchmark Index (6)	Representative Index
UK Shares	40%	FTSE All-Share
International Shares	27.5%	FTSE All World ex-UK Index
Bonds	20%	12.5% FTSE Gilts All Stocks Index 7.5% iBoxx UK Sterling Corporate 7-10 yrs
Cash	5.0%	7-Day LIBOR (London Interbank Offer Rate)
Alternatives	7.5%	2.5% IMA Property 5.0% IMA Targeted Absolute Return

The trustees would not expect the investment manager to invest more than 10 percentage points away from the benchmark allocation for the UK Shares, International Shares and Bonds element of this benchmark and 5 percentage points away from the benchmark for Alternatives and Cash. This means the likely ranges for each asset class would be as shown below:

	Portfolio ranges
UK Shares	30%-50%
International Shares	17.5%-37.5%
Bonds	10%-30%
Cash	0%-10%
Alternatives	2.5%-12.5%

4. Liquidity Requirements

- 4.1. The Trust aims to distribute grants to the level of the income target in 2.3. This will normally be funded from income and distributed half yearly. The Trust only makes grants once in receipt of sufficient income to satisfy the grant and therefore the trustees feel there is no requirement to hold any liquidity outside of the investment portfolio.

5. Currency

5.1. The base currency of the charity's operations and liabilities is pounds sterling and therefore the majority of the investment portfolio should be based in sterling. Investments may be made in non-sterling assets but should not exceed more than half of the total investment portfolio. Where hedging is used by unit and investment trust managers and the price of the asset is based in sterling, this will be considered a sterling based asset.

6. Credit

6.1. Any cash balances held by the investment managers should be deposited with suitable institutions with at least an "A-" investment grade credit rating or better. Similarly, any fixed interest exposure should be focused on investment grade issuers. However, the trustees accept that bond issues that are not rated by credit rating agencies may be included in the portfolio if the investment manager deems them suitable for their purpose.

7. Time Horizon

7.1. The Trust is expected to exist in perpetuity and investments should be managed to meet the investment objectives and ensure this sustainability. Accordingly the Trust adopts a long term investment time horizon.

8. Ethical Investment Policy

8.1. The Trust's assets are invested in line with its aims. The trustees do not wish to adopt an exclusionary policy. However, individual investments may be excluded if perceived to conflict with the Trust's purposes.

9. Management, Reporting and Monitoring

9.1. A professional investment manager, appointed by the trustees, manages the assets on an Advisory Managed basis in line with this policy.

9.2. The Trust investment sub-committee has responsibility for agreeing strategy, and monitoring the investment asset allocation and approving the Investment Manager's recommendations. The investment sub-committee meets annually and a representative of the professional management firm will normally be invited. The meeting will review the portfolio, including an analysis of return, risk and asset allocation, with performance monitored against agreed benchmarks and against the Trust's investment objectives. The sub-committee reports back to the trustees.

10. Approval and Review

This Investment policy statement provides a framework for the management of the Cole Charitable Trust's investment assets. It will be reviewed regularly by the trustees to ensure its continuing appropriateness.

Approved: October 2014
Review Date: May 2024