

Yorkshire Funders -

Reviewing your Investment Policy Statement April 2025



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Agenda

- Essentials of Investment Policy reviews
- Balancing mission with risk and returns
- Alignment of your Investment Policy with your investment portfolio
- Practical Steps for Trustees
- Insights



Reminder of 6 main duties of Trustees

- 1. Ensure your charity is carrying out its purpose for the public benefit
- 2. Comply with your charity's governing document and the law
- 3. Act in your charity's best interest
- 4. Manage your charity's resources responsibly
- 5. Act with reasonable care and skill
- 6. Ensure your charity is accountable



Make decisions – within your powers, in good faith, make sure you are sufficient informed (taking any advice you need), take account of all relevant factors (ignore irrelevant factors), deal with conflicts of interest and make reasonable decisions as a trustee body.

What matters to your charity

Start with your **Purpose, values, and objectives ...**

... then move on to the practicalities of **what, when, and how much?**

- Regular commitments?
- Multi-year funding?
- Capital for projects now and/or for future beneficiaries?
- Environmental, Social and Governance factors how important?
- Stakeholders what do they need, or expect?
- Consider reputational risk of getting it wrong ...



Build your knowledge

- Internally and externally through networks and collaboration
- Understand your finances and strategic priorities
- Look backwards, as well as forwards
- How much could/ should you distribute each year?
- Keeping ahead of inflation and why that is important
- Strike right balance with
 - Short- and long-term needs
 - Financial resilience

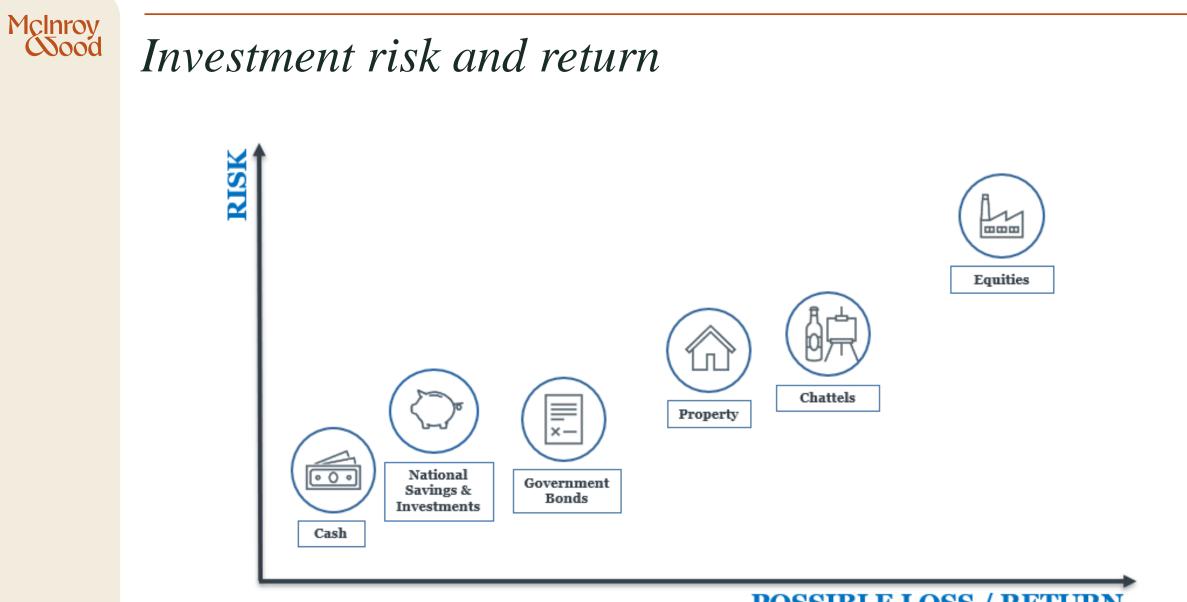


Ask, ask, and ask again ... take professional advice where appropriate

Investment policy review and discussion ...

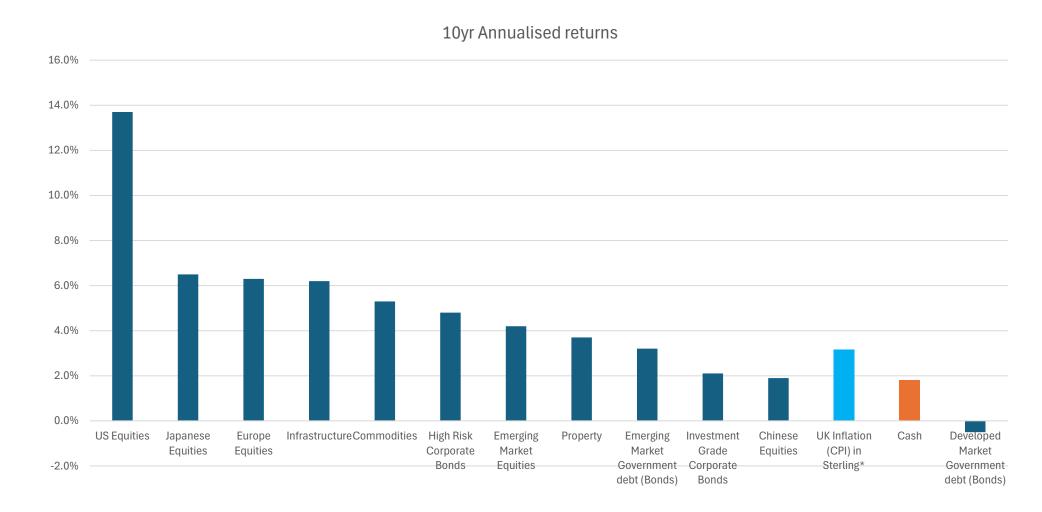
- Discuss the current financial position
- Review investments and past performance in context of future plans
 - 1. Cash balance
 - 2. Reserves policy
 - 3. Investment policy
- Factors to consider
 - Risk
 - Variability of returns
 - Investment options and manager(s)
 - Active vs Passive
 - Funds, direct investments, property, etc
 - Environmental, social, and governance factors





POSSIBLE LOSS / RETURN

Variability of returns

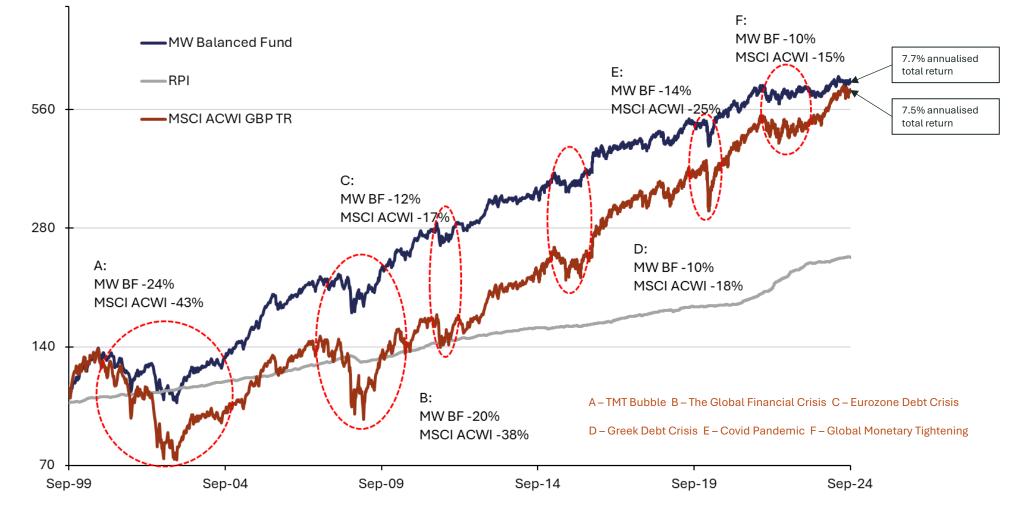


Notes: This chart shows past returns over the 10yr period Jan2025 (in US Dollars) and is not a guide to likely future returns

Source: https://www.blackrock.com/corporate/insights/blackrock-investment-institute/interactive-charts/return-map

Melnroy Benefits of diversification

Total returns, rebased to 100 on 1 Jan 1999 (Log 2 scale)

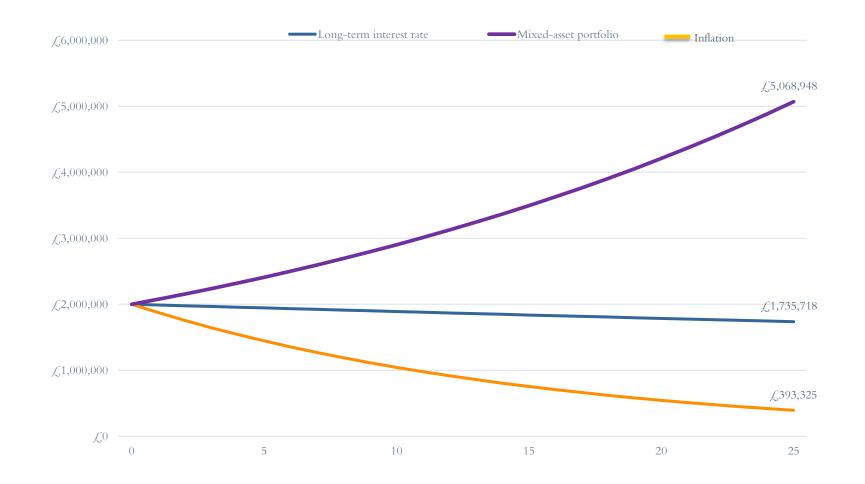


Source : McInroy & Wood, Bloomberg

Note: The objective of the MW Balanced Fund is to preserve and grow the real value of capital and income over time. It is not managed relative to any index, nor is its performance measured against any index. Total returns (net of charges) are expressed as a percentage of UK sterling, including reinvestment of income.

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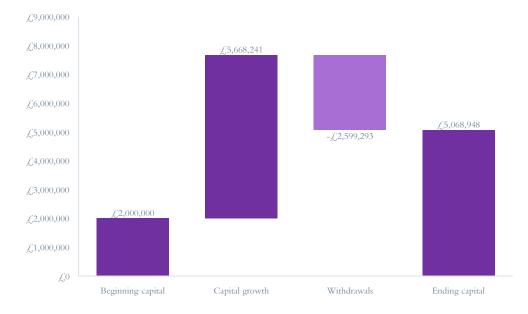
What if ... 25-year time horizon and 3% distributions



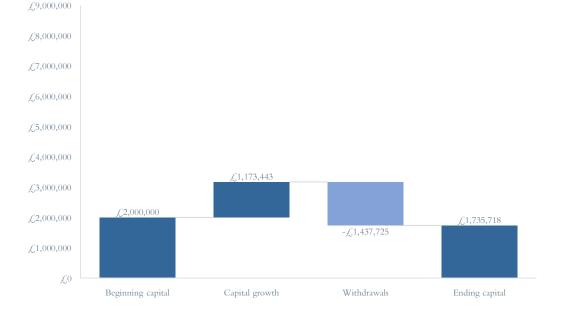
Notes: This is an illustration based on past returns and is not a guide to likely future returns: **Long-term interest rate** is based on average monthly nominal Bank of England base rate of 2.5% from 1999-2024; **Inflation** is based on average CPI of 3.4% from 1999-2024; **Mixed Asset portfolio** uses 7.0% p.a. nominal return. Assumes 3% annual withdrawal at year end. Sources: Bloomberg, ONS.



What if ... 25 years - invest or bank account ?



MIXED-ASSET



LONG-TERM INTEREST RATE

Notes: This is an illustration based on past returns and is not a guide to likely future returns: **Long-term interest rate** is based on average monthly nominal BoE base rate of 2.51% from 1999-2024; Inflation is based on average CPI of 3.40% from 1999-2024; **Mixed Asset portfolio** uses 7.0% p.a. nominal return. Assumes 3% annual withdrawal at year end. Sources: Bloomberg, ONS.

Practical steps for Trustees

- **1.** Introduction & context may include purpose of charity, financial objectives, and a high-level summary of the financial position.
- **2.** *Investment Objectives* may include a specific target for investment returns, clarity on use of income/capital or Total Return approach
- 3. Risk
 - Attitude to risk in general, context of wider financial position.
 - Asset classes acceptable, limitations, and exclusions.
 - *Currency* base currency of portfolio, any limitation on non-Sterling assets.
 - Credit quality framework for cash balances and credit ratings, limits.
- 4. Liquidity requirements
- **5.** *Time Horizon* short, medium and/or long; one strategy or more; linked to spending policy or visibility on income/capital requirements
- 6. Responsible investment policy separate policy or simplified overview, any restrictions
- 7. Performance measurement set framework
- 8. **Reporting and monitoring** set framework and expectations
- 9. Authorisations
- 10. Policy approval and review





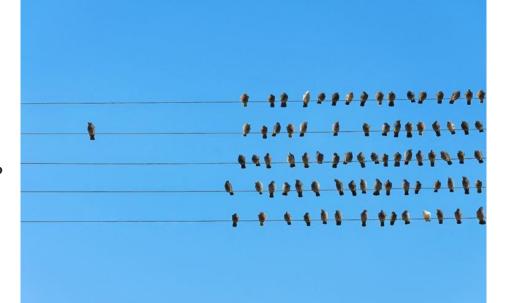
What will work best for your charity ... hand hand hand han hand hand han m AAA. AN AND Wall hand

Framework for measuring success

- **Focus on the actual total returns** i.e. increase in capital and income, against your target return over an average number of years.
- Monitor and measure progress each year, and with medium term view e.g. 5yrs+ for investments.
- **Benchmarks** what's most relevant vs the targeted return e.g. is it inflation plus x% or composite of a range of market indices?
- **Peer group benchmark** useful indication of the range of performance over different periods, actual performance of peers. NB you won't be comparing like with like.
- **Manager review process –** window into the alternatives, and opportunity to really test your options. NB this requires planning and time.

Effective collaboration

- Talk to your investment manager and be curious ...
 - Consistency of approach
 - Ask for insights into what's in the portfolio and why?
 - How is the portfolio protected from risks?
 - Where are the opportunities?
 - How is your portfolio diversified ?
 - 'Total return' approach Pros/cons
 - Environmental, Social and Governance factors what's their approach, how do they engage, what's the impact and is it aligned with your expectations?



Summary

- Remember your duties
- Build your knowledge and understanding
- Seek professional advice
- Find someone you can work with
- Understand what to expect
- Don't be afraid to ask





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