Investment Policy Statement

Approved on: 1st July 2019

By: The Trustees

CUMBRIA
COMMUNITY FOUNDATION

Investment Policy Statement

1 Introduction

1.1 The Cumbria Community Foundation ("CCF") is a grant making charity established by Trust Deed, whose aim is to improve the quality of community life, mainly in Cumbria. Its trustees ("the Trustees") have approved this Policy Statement after receiving advice from its Management and Finance Committee and its Investment Committee.

1.2 CCF and other trusts of which CCF is the corporate trustee (together here referred to as "the Foundation") have over £10m of investment assets ("the Assets").

1.3 The financial objective of the Foundation is to generate a stable and sustainable return on the investment of the Assets to fund grant making and to support the operational costs of the organisation whilst maintaining the real value of the assets.

1.4 To achieve the objectives set out in 1.3 above the Foundation aims to draw down a percentage of the value of the Assets at the commencement of each financial year (inclusive of any cash then held by its investment managers). The amount of drawdown will vary from year to year depending on grant making opportunities and past and projected investment returns (including capital appreciation and dividend income).

2 Investment Objectives

2.1 The Foundation seeks to produce the best financial return within an acceptable level of risk.

2.2 The Foundation relies on the investment return to fund grant making. The key risk to the long term sustainability of the Foundation is inflation, and the Assets should be invested to mitigate this risk over the long term.

2.3 The investment objective is to generate a total return of inflation, as measured by the Consumer Prices Index (CPI), plus a minimum of 3.5% per annum over the medium to long term, after expenses – the Target Return.

2.4 The Foundation now adopts a "total return" approach to investment, and is happy for the investment return to be generated from income and capital gains. It is expected that if in any one year the total return is insufficient to meet the budgeted grant making expenditure, the trustees would still be able to meet the budgeted grant making expenditure (if they wished to do so), having regard to the aim that in the longer term the real value of the Assets shall still be maintained in accordance with the investment objective above. The Investment Committee will be required to test this sustainability at not less than annual intervals over rolling 5 year periods and report to the Trustees or the Finance and Management Committee in the event of any major (i.e. exceeding 10%) short term reduction of capital value or notable disparity between the Target Return and the return actually achieved (either overall or in the case of any one Investment Manager).

3 Risk

3.1 Attitude to Risk

The Trustees realise that there is risk attaching to any investment and accept that, even within a generally conservative investment approach, a moderate level of risk is necessary to achieve potentially higher returns. They also understand that (except in exceptional circumstances) this is likely to mean that investment will mainly be in the form of quoted securities and that the capital value will fluctuate.

3.2 Risk Tolerance
Given the long term nature of the Assets, the trustees are able to tolerate volatility in the capital value of the Assets, as long as the Foundation is able to meet its short term grant making commitments through either income or liquid capital assets.

3.3 Capacity for Loss
Nevertheless, the Foundation has a limited capacity for absolute loss, in percentage terms, as it will not necessarily be able easily to make up sustained/crystalised losses in the short term, or perhaps at all. This would damage its ability to continue to undertake grant making at a level that stakeholders might expect.

3.4 Overall Risk Level
The Management and Finance Committee, having undertaken a standard risk profiling exercise, and taking into account 3.1 to 3.3 above, have advised the Trustees to accept an assessed risk level of 7 on a scale of 1 to 10, where 1 is the lowest risk (Nil) and 10 is the highest, and would direct the Investment Managers to take into account the answers to the various questions in the design of their asset allocation.

4 Investment of Assets

4.1 The Foundation's assets can be invested widely and should be diversified by asset class, by manager and by security. Asset classes could include, inter alia, cash, near-cash instruments, bonds, equities, property funds, hedge funds, structured products, private equity, commodities and any other asset that is deemed suitable for the Foundation. The use of derivatives should be limited to hedging identified risk(s) in, or to, the portfolio.

4.2 Time Horizon
The Foundation is expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability. Accordingly, the Foundation can adopt a long term investment time horizon.

4.3 Currency
The base currency of the investment portfolio(s) is to be Sterling. Investment may be made in non-Sterling denominated assets. Currency hedging is permitted.

5 Liquidity Requirements

5.1 The Foundation aims to distribute grants of a minimum of 3.5% of the value of the Assets per annum. This can be funded from both income and capital.

5.2 The Trustees wish to keep at least 50% of the Assets in investments that can be realised within three months and to allow for volatility of capital values.

5.3 The Trustees wish to keep less than 20% of the assets in illiquid assets.

6 Ethical Investment Policy

6.1 The Assets should be invested in accordance with good practice recommended by the Charity Commission. The Trustees do not wish to adopt an exclusionary policy, but would wish to avoid investment in companies whose activities seem likely to be in conflict with any of the relevant charitable objectives or which would pose a reputational risk.

7 Management, Reporting and Monitoring

7.1 The Investment Committee will appoint more than one professional investment management firm to manage the Assets on a discretionary basis in line with this policy. Investment managers provide custody of assets and are required to produce a valuation and performance report quarterly. The Trustees have nominated a list of authorised signatories, two of which are required to sign instructions in relation to the movement of cash to the investment manager.

7.2 Each investment manager is required to present to the Investment Committee on an annual basis.

7.3 The Investment Committee has responsibility for applying this strategy, if thought fit, recommending amendment of this strategy and monitoring the overall performance of the Assets. The Committee meets six monthly to review the portfolio(s), including an analysis of return, risk and asset allocation. Performance will be monitored against agreed market benchmarks, and against the Target Return over the medium term, by which is meant, in normal market conditions, rolling 5 year periods.

7.4 The Investment Committee is to report half yearly to the Management and Finance Committee with a performance update, and on an annual basis with a report that should include a review of asset allocation, strategy, performance, risk profile and consistency with long term investment objectives

8 Approval and Review

This Investment Policy Statement was prepared to provide a framework for the management of the Assets. It should be reviewed on an annual basis by the Investment Committee to ensure continuing appropriateness.

Approved by the Trustees

Signed

Date at Trustees' meeting: **1st July 2019**