

INVESTMENT POLICY

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This policy will be reviewed every year and at every review the policy will be shared with the full Board of Trustees.

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1. Background

At Spurgeons, the Christian faith means we use all that we have and are, for the benefit of children and young people who are vulnerable because of their families' circumstances.

2. Investment Objectives

The Charity will invest to the benefit of its Charitable Objectives which are carried out in the context of the Charity's Christian Foundation and history and are for the public benefit, which is to advance in life and help children and young people, their families and carers who are in need of care and protection, in particular but not exclusively, by the provision of education, support services, social care, maintenance, vocational training and financial assistance.

In order to achieve this, it will seek to produce the best financial return across all assets, with an acceptable and appropriate level of risk as outlined below.

It will also endeavour to invest according to its Ethical Investment Policy Statement where this is in line with its Charitable Objectives and provides a suitable rate of return to the benefit of those served by the Charity.

3. Governance

In accordance with the Trustees Act 2000, and in line with “Charities and investment matters: a guide for Trustees” (CC14), the Trustees have been vested with the powers to make investment decisions in accordance with the Trust deed and relevant legislation.

The governance of Spurgeons investments is overseen by Spurgeons Finance Committee. The Finance Committee makes recommendations to the board for the Trustees ultimate decision.

Investment fund management is delegated to an authorised professional investment manager, regulated by the FCA.

The Discretionary Investment Manager (DFM) appointed is Rathbone Greenbank and the Independent Financial Adviser appointed is Crowe FPUK. Goodsir Commercial are the appointed Consultants on property.

When and where appropriate, the Board will set up sub-committees to discuss and manage its investments through either an Investment Committee or a Property Committee and it will appoint suitably qualified Trustees or advisers to those Committees.

4. Risk Appetite

The Board has agreed that its overall risk appetite in relation to its entire investment portfolio is low to medium.

Risk should be considered in terms of the type of investment assets invested in e.g. property, managed funds, equity, corporate bonds, gilts etc, the mix of investment assets, the global spread, volatility and liquidity of investments.

Spurgeons holds a mixed portfolio (see below and Appendix 1) as part of staying within the agreed risk appetite approved by the Board.

5. Time Horizon and Liquidity Requirements

Spurgeons holds its investments to both generate a short-term return to fund ongoing activities and to ensure the sustainability of the work of Spurgeons for the longer-term.

Due to the nature of the contracts with local councils and service providers and the new strategy being rolled out, funds are required:

- i) In the short term to fund working capital.
- ii) Over the next 1-5 years to fund potential investments in new initiatives.

- iii) In the long term to provide ongoing income and capital growth to meet Spurgeons long term objectives.

Therefore as stated below there are annual income withdrawal targets set for both the investment fund portfolio and the property rentals. Any further withdrawals will be agreed by the Trustees and discussed with the Property Consultants or Investment Fund Managers with six months notice.

6. Investment Portfolio and Mix

The Investment Portfolio currently comprises directly held Investment Property, an Investment Fund Portfolio and Cash (see Appendix 1).

The investment properties have largely accumulated as a result of historical legacies. The cash balances have accumulated as a result of large contracts with council and service providers in conjunction with preparations to invest in a new strategy.

Given the high level of legacy property and the significant changes to the property portfolio over the coming year, Spurgeons do not aim to set an overall portfolio investment asset mix as previously done. Instead, each aspect of the portfolio will be managed in line with Spurgeons risk appetite and to a set target return and compared to relative industry benchmark(s).

Further, given the current and future spread of the Charity's assets and the intention to purchase a number of care homes for children, the Charity will have a significant direct exposure to property. Consequently, there should be little or no exposure to property within the managed investment fund portfolio.

7. Portfolio Management and Objectives

a) Investment Fund Portfolio

The fund is managed by Rathbone Greenbank with whom we have a discretionary retail client relationship contract.

The investment managers are instructed to select investments and to give primary consideration to the prospects for capital growth over the medium to long-term through a combination of capital growth and reinvested income (total return). The investment manager(s) will aim to outperform the chosen benchmark agreed for the portfolio, reflecting the asset allocation employed and aiming to meet the below targets:

- i) The long-term investment reserves have a total return target of

- CPI plus 3% per annum (net of fees).
- ii) The long-term investment reserves have a distribution target of £150,000 per annum, assuming 3% growth and ideally not eroding capital

In order to have the potential for investments to maintain, and possibly increase, their value over the medium to long term, investments will be made, either directly, or indirectly, in real assets. The long-term investment reserves will be managed in line with the overall objectives as stated but with the aim of:

- Limiting volatility to 4-14%. In addition, the Trustees would look to reconsider the investment strategy if the value of the portfolio was to increase by more than 10-20% or decrease by more than 5-12% in a rolling 12 month period.
- Having a mix of equity, fixed interest, securities and cash in line with the ratio of a low to medium risk portfolio as agreed with the Investment Manager.
- Having a mix of pooled funds and directly held investments where advised as appropriate by the Investment Manager.
- Spurgeons aim to hold around 60-70% of long-term investment reserves in equities. This meets the risk level of low to medium. The split of equity will be between UK and Global according to risk and growth preferences.

Investments will be benchmarked annually against the ARC Charity Steady Growth benchmark for comparison of shorter-term performance whilst maintaining a focus on the long-term real return objectives.

Diversification

The Trustees recognise that there are risks from putting a large proportion of the funds into a single investment; and will seek to diversify the portfolio across assets classes and investment fund managers of pooled funds, where appropriate.

Currency Risk

The base currency of the portfolio will be Sterling.
Currency hedging is permitted.

Liquidity Risk

The majority of the investments should be invested in liquid market assets which can be realised in less than three months.

Investments with liquidity of greater than three months may be considered by the Trustees and approved on a case by case basis, but these assets should not comprise more than 15% of the total investment portfolio.

Counterparty risk

In order to minimise the likelihood of an investment business defaulting on its contractual obligations, the Trustees will invest only with reputable firms that are regulated in the UK and covered by an appropriate compensation scheme.

This is in line with current holdings and recommendations by Crowe, the IFA for Spurgeons,

b) Property

The management of these has been outsourced to Goodsir Commercial on an annual contract.

- 1) The target rental income is 4.5% - 5.5% per annum before fees, based on market values.
- 2) There is no standard benchmark for property income, however, from time to time, Spurgeons will seek out market research or ask the Property Managers to review comparisons of returns within different geographical areas or against a property fund.

There is no standard guide or benchmark for capital growth on properties. As such, Spurgeons will not use one measure or set a specific target. However, as with income above, from time to time, Spurgeons will seek out market research or ask the Property Managers to review comparisons of capital growth within different geographical areas.

Valuation risk

Some assets (such as property) can only be valued based on the valuer's opinion which may be different from the actual value realisable. If investments of this type are to be made then regular valuations will be obtained

The property portfolio will be managed in line with the overall objectives as stated but with additional aims to:

- i) Strive to be a good and ethical landlord to all of their tenants.

There is no specific code of conduct defined for being a good and ethical landlord. However, Spurgeons will always seek to go beyond legal requirements and to be fair, open and reasonable in any dealings with their tenants.

- ii) Apply its ethical policy to those it rents its properties to.

c) Cash

This is managed internally, in line with the Treasury Management Policy, with the aims of:

- i) Holding sufficient cash to working capital and any significant strategic investment needs over the next three years.
- ii) Diversifying risk across multiple institutions, with cash held in at least two AA3 credit rated banks, minimising the impact of an institution defaulting.
- iii) Ideally no more than 50% will be held in one institution, although this will need to be balanced with the practicality of the charity's operation and managing significant short term fluctuations as properties are bought and sold.

8. Ethical Investment Policy

Spurgeons will invest in line with the Baptist Union ethical investment policy.

Any deviation from the policy should be discussed by the Trustees and recorded as evidence of agreement together with the rationale for the deviation.

Trustees will ask their Investment Managers to highlight any changes in the policy annually and to confirm that they are adhering to the guidelines.

Annual reports from the investment managers will be requested on their ethical approach to areas such as modern slavery etc as deemed appropriate by Trustees.

9. Reporting

Trustees will receive a quarterly update report on the performance in each key area of investment (the investment fund, property and cash) along with an annual report. In addition, the Trustees will meet with the Investment Managers at least annually.

10. Review period

The Finance Committee will perform an annual review of its investment portfolio

and Crowe will also carry out an annual review of the portfolio.

Investment managers will be reviewed periodically, with a formal tender process considered every five years.

This investment policy will be reviewed annually.

Appendix 1

Assets as at 31 March 2022:

Asset	Value	Percentage of portfolio	Risk Profile
Cash	£7,571,665	34.01%	Low
Managed Fund (including Equities, Gilts, Corporate Bonds)	£5,193,692	23.33%	Medium
Property	£9,494,999	42.66%	Medium
Total	£22,260,356	100.00%	