

Cole Charitable Trust

Charity Registration Number: 264033

Investment Policy Statement: Agreed April 2024

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, as well as offering support for other charities where the trustees have a particular interest. The Trust has approximately £5 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. In order to achieve this the objective of the investment portfolio is to preserve the real value of the portfolio after inflation for future beneficiaries and to spend any excess returns over and above this 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 trustees have adopted a 'Total Return' approach which means that they are indifferent between income received and capital growth and may choose to withdraw capital to fund grants in the future.
- 2.3. The investment objective is to achieve a total return of income and capital growth of approximately CPI plus 3% per annum over the long term.

3. Risk

- 3.1. The Trust invests to mitigate long term inflation risk. Capital and income volatility is if consistent with expectations.
- 3.2. The investment sub-committee agrees a suitable asset allocation strategy in discussion with the investment manager to achieve the Trust's overall objective.
- 3.3. The Trust's assets are invested widely and 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 Trust. Access to these asset classes is 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. Asset Classes that are not permitted to be included within the portfolio include Structured Products and Hedge Funds or Absolute Return Funds.
- 3.5. The investment sub-committee has specified that all exposure to International Shares should be via passive index tracking vehicles.
- 3.6. Social impact investments should be predominantly focused on the Trust's grant making objectives, whether they be direct or indirect investments. The direct investments may have a lower liquidity and higher risk than the rest of the portfolio. The trustees are aware that an element of financial performance may be sacrificed from these investments in return for generating a positive social impact.
- 3.7. The investment sub-committee is charged with agreeing a suitable asset allocation strategy with the investment manager, which is set with the aim to achieve the Trust's overall investment objectives. This strategy would reflect Brewin Dolphin's Investment Objective

and Risk Classification Category 6 (Moderate Investment Risk); with an Investment Objective of Income and Capital Growth as outlined in their Retail Terms and Conditions.

3.8. 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:

Asset Class	Benchmark Index (6)	Representative Index
UK Equities/Shares	19%	FTSE All Share TR* GBP
International Equities/Shares	49.5%	FTSE All World ex UK TR*
Fixed Income	19%	Various
Cash	2.5%	BofE Base Rate TR*
Alternatives	10%	Various

3.9. Based on the benchmarks, the trustees would expect the investment manager to invest within the ranges shown below for each asset class:

Asset Class	Portfolio ranges
UK Equities/Shares	15% - 25%
International Equities/Shares	45% - 55%
Direct Impact Investments	0% - 10%
Fixed Income	15% - 25%
Cash	0% - 5%
Alternatives	5% - 15%

4. Liquidity Requirements

4.1. The trustees aim to distribute grants from excess returns above inflation in order to ensure the Trust's long-term sustainability, although they exercise discretion in applying this.

5. Currency

5.1. The base currency of the Trust'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 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 manager 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. Whilst the trustees do not wish to adopt an exclusionary policy, individual investments may be excluded if perceived to conflict with the Trust's purposes.

8.2. The trustees wish for the investment manager to report on the carbon intensity scores within the portfolio to monitor the direct equity holdings for their environmental impact. The trustees are aware that the carbon intensity scores available currently only consider scope 1 & 2 carbon emissions and not scope 3. For direct UK investment, exclusions include not directly investing in oil majors and other companies with a very high carbon intensity score.

8.3. The Trust wishes to allow up to 10% of capital in social impact investments based on the following criteria, which align with the grant making objectives of the Trust:

Social Impact Investment Criteria	Geographic Focus of Investment
Social welfare, all age groups	Whilst we work predominantly in the following geographic areas in the UK: Greater Birmingham, Cambridgeshire & Kent, we do not expect our impact investments to be limited to these UK locations
Housing/homelessness	
Community and environmental development	
Opportunities for young people	
Promotion of improved quality of life	
Personal or community empowerment	

8.4. The Trust accepts and understands that some of these social impact investments may have a lower level of liquidity, particularly direct investments, potentially a higher risk profile than the rest of the investment portfolio and could negatively impact the financial performance of the portfolio.

9. Management, Reporting and Monitoring

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

9.2. The investment sub-committee has responsibility for agreeing strategy, and monitoring the investment asset allocation, risk and performance of the investment portfolio. 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

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