



## Statement of Investment Policy (the “SIP”)

### 1. Introduction

1.1 The Chartered Secretaries' Charitable Trust (“the Trust”) is an incorporated charity, whose purpose is to be by the side of chartered governance professionals and their families through life's challenges, by supporting them when in need and by promoting excellence in governance.

The Trust:

- Serves The Chartered Governance Institute UK and Ireland members, graduates, students, employees, and their families who are in need by providing appropriate assistance; and
- Facilitates research to increase good governance for the benefit of the public and encourages the expertise of those in the field of governance with bursaries and prizes.

1.2 The financial objective of the Trust is to at least maintain the real value of the assets whilst generating a stable and sustainable return of 4-5% p.a. (see section 2.2) to fund grant making. The inflation measure most relevant to the Trust's expenditure is the Consumer Price Index (“CPI”).

1.3 While the Trust does not receive material income from fund raising, corporate partnerships and legacies, expenditure is currently estimated to be £350k per annum, which includes support costs of around £55k per annum. The Charity's reserve policy stipulates a £4m reserve level (see section 3.1).

1.4 The Trust retains approximately £5m of investment assets. The majority of these assets are designated as long-term reserves, with a small amount of assets being held as cash to meet short term cash flow needs. The long-term reserves are invested to grow at a rate in excess of inflation (see appendix) whilst the short-term reserves are invested in short term deposits and cash with a focus on liquidity and capital security.

1.6 The Trustees are responsible for the investment of the Trust's assets and the administration of the Trust. Given the size of the Trust, the Trustees have decided the most cost-effective way of investing the Trust assets is to invest in pooled funds, rather than directly appointing an individual investment manager.

1.7 Decisions about which pooled funds to invest in are made after receiving investment advice from an independent Investment Adviser. Investment management is delegated to authorised professional investment managers, regulated by the Financial Conduct Authority (FCA).

1.8. This SIP takes account of the requirements of The Charities Act 2022 and The Charities Act 2011, as well as the Charity Commission Guidance note CC14.



# The Chartered Secretaries' Charitable Trust

## 2. Investment Objectives

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

While three charitable trusts were brought together on incorporation of The Chartered Secretaries' Charitable Trust in July 2013, the three funds must be discretely held from each other.

In summary, the three distinct charities are:

- *Benevolent Fund*

This provides support to individuals in need along with all support costs.

- *Education and research*

This provides for restricted prizes and for grants to advance education and assist in the undertaking of research in the law and practice of secretaryship and business administration.

- *Prizes*

This provides for named prizes to students undertaking The Chartered Governance Institute UK and Ireland qualifying programme.

Mindful of the objectives and activities of the three charities, the investment approach and expected returns might differ.

2.2 The overall investment objective for the total asset portfolio is to generate a return of inflation plus 4-5% per annum over the long-term, after expenses. This should allow the Trust to at least maintain the real value of the assets, whilst funding annual expenditure in the region of 4-5% per annum (see Appendix for the break-down of returns between the funds).

2.3 For all three funds, the Trust adopts a total return approach to investment, generating the investment return from income and capital gains or losses. It is expected that if in any one year the total return is insufficient to meet the budgeted grant making expenditure, in the long term the real value of the Trust will still be maintained in accordance with the investment objective above.

2.4 The investment objective for the short-term reserves is to preserve the capital value with a minimum level of risk. Assets should be readily available to meet the Trust's cash flow requirements.



# The Chartered Secretaries' Charitable Trust

## **3. Risk**

### **3.1 Attitude to risk**

The Trust relies mainly on the investment return and to a lesser extent on donations and fund raising to fund grant making, prizes and costs. However, grants are generally one-off awards and the number and value of these may vary depending on circumstances. Investment assets are held as reserves.

The key risk to the long-term sustainability of the Trust is inflation, and the assets should be invested to mitigate this risk over the long term. The trustees understand that this is likely to mean that most of the investment will be concentrated in multi-asset funds and that the capital value will fluctuate.

The trustees are able to tolerate volatility of the capital value of the Trust, as long as the Trust is able to meet its short-term grant making commitments through either income or liquid capital assets.

As a measure of risk, the Trustees aim to invest the long-term reserves in such a way as to reduce the probability of the assets falling back by 20% (to £4m) over a three-year period to less than 5%.

### **3.2 Assets**

The Trust's assets can be invested in a range of asset classes, and the Trustees have agreed that in order to meet the risk tolerance referred to in 3.1 they should be diversified by asset class, by manager and by security. Asset classes could include cash, bonds, equities, property, infrastructure, structured products, private equity, contractual income and any other asset that is deemed suitable for the Trust.

The trustees are charged with agreeing a suitable asset allocation strategy with the investment adviser, which is set so as to achieve the overall Trust investment objective.

The Trustees have agreed a target strategic asset allocation as set out in the Appendix, which is set so as to achieve the overall long term Trust investment objective to balance capital and income returns.

Formal rebalancing of the portfolio asset allocation occurs on an annual basis, unless the Trustees believe it is prudent not to do so. In exceptional market circumstances, the Trustees may decide to rebalance on a more regular basis.

### **3.3 Currency**

- The base currency of the investment portfolio is Sterling.
- Investment may be made in non-Sterling assets but should not exceed 70% of the total investment portfolio value.
- Short term reserves should be held in Sterling.
- Hedging is permitted.

### **3.4 Credit**

- The Trust's cash balances should be deposited with institutions with a minimum rating of A- or invested in a diversified money market fund.
- Deposits should be spread by counterparty, subject to a maximum exposure of 25% of the total cash balance per institution.



# The Chartered Secretaries' Charitable Trust

## **4. Liquidity Requirements**

4.1 The Trust aims to distribute expenditure of up to 5% of the Trust's assets per annum, although this will fluctuate year on year depending on the needs of the charity. This can be funded from both income and capital. A target income will be agreed with the investment manager on an annual basis, to enable effective budgeting.

4.2 As a minimum, the trustees require a necessary proportion of investments to be sufficiently liquid (defined as realisable within three months) in order to meet expected expenditure levels as described in 4.1, above.

4.3 To allow for volatility of capital values, the trustees wish to maintain at least 3 years' worth of budgeted grant making in cash or lower risk liquid investments.

## **5. Time Horizon**

5.1 The Trust is expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability.

5.2 The Trust can adopt a long-term investment time horizon.

5.3 The Trust has divided its reserves into those expected to be held for a long-term time horizon and those that may be needed in the short-term.

## **6. Responsible Investment Policy**

6.1 The Trust has adopted a responsible investment policy to ensure that its investments do not conflict with its aims.

6.2 The Trustees monitor the activities and engagements of the investment managers in respect of ESG considerations, including their approach to managing the systemic risks and opportunities inherent in climate change. The Trustees look very favourably upon the United Nations-supported Principles for Responsible Investment (PRI) and encourage investment managers to adopt the principles and be active participants in the responsible investment arena. Furthermore, the Trustees look favourably upon investment managers who:

- have their own responsible investment policy;
- can demonstrate how they integrate ESG issues into their investment decision making process;
- are transparent about voting and engagement practices and explain their rationale;
- seek the views of their clients in relation to ESG issues and engagement activities;
- conduct research on ESG issues;
- make regular and comprehensive reports to clients on responsible investment activities;
- support the public debate and initiatives that seek improvements on salient responsible investment matters.
- are signatories to the UK Stewardship Code (or equivalent code).
- have made a public commitment to the Net Zero Asset Managers initiative.

6.3 The Trustees expect the investment managers to incorporate ESG considerations, including climate change, when selecting, retaining, monitoring and realising investments, where these factors are likely, in the Investment Manager's view, to have a material impact on the performance of the portfolio.



# The Chartered Secretaries' Charitable Trust

## 7. Management, Reporting and Monitoring

7.1 The Trust has appointed professional investment management firms to manage the assets on a basis in line with this policy.

Investment managers provide custody of assets directly or by appointing external custodians who should produce the respective internal control reports. The Trustees expect that the investment manager reviews these reports and has well established custodian monitoring processes. Managers are required to produce a valuation and performance report quarterly. The Trust has nominated a list of authorised signatories, two of which are required to sign instructions to the investment managers.

7.2 The Trustees of the Trust have responsibility for agreeing strategy and monitoring the investment assets. The Trustees meet at least once a year to review the portfolio, including an analysis of return, risk and asset allocation. Performance will be monitored against agreed market benchmarks, and against the investment objective of inflation plus 4% over the long term. Each investment manager is required to present to the investment committee on a six-monthly basis.

7.3 The independent investment advisor is to report formally to the full trustee board on at least an annual basis. This report should include a review of asset allocation strategy, performance, risk profile and consistency with long term investment objective.

7.4 The level of capital volatility will also be monitored to ensure the risk profile remains appropriate for the Trust.

## 8. Approval and Review

This Investment Policy Statement was prepared by the Trustees of the Trust to provide a framework for the management of its investment assets. It will be reviewed on a regular basis to ensure its continued appropriateness.

Approved by the Chairman of the Trustees:

Signed F. E. Curran

Dated 8/2/23



# The Chartered Secretaries' Charitable Trust

## Appendix - Asset allocation

### Strategic benchmark allocation

The Trustees have appointed three investment managers to manage the assets of the Trust.

**Baillie Gifford Multi Asset Income Fund** aims to invest in a broad split with one third of the assets allocated in equities, one third in bonds (including government, investment grade and high yield/emerging markets debt) and one-third in real assets (property, infrastructure).

**CCLA COIF Charities Investment Fund** allocates a majority of the assets in equities with the remaining allocated to property, bonds and other asset classes, which may be either liquid or illiquid in nature.

A more detailed overview of the asset class ranges is presented in the table below.

### Long term Reserve Managers: CCLA and Baillie Gifford

Asset Class	Baillie Gifford	CCLA
	Multi Asset Income Fund	COIF Charities Investment Fund
Global Equities	20 - 65%	50 - 85%
UK Equities	-	50 - 85%
Investment Grade Credit	0 - 50%	0 - 50%
High Yield Credit	0 - 40%	-
Emerging Markets Bonds	0 - 40%	-
Developed Government Bonds	0 - 50%	-
Contractual & Other Income	-	0 - 25%
Infrastructure	0 - 50%	0 - 15%
Property	0 - 50%	0 - 10%
Private Equity	-	0 - 10%
Special situations	0 - 6%	-
Cash	-	0 - 5%
<i>Total</i>	0 - 4%	0 - 10%

(1) Expected asset class ranges based on managers estimates.

(2) Source: Baillie Gifford Investment and CCLA.

**Legal & General Investment Management ("LGIM")** are invested in a Cash Trust. The fund invests in short term deposits, certificates of deposit, government bonds denominated in sterling and repos. The fund is actively managed, with a requirement to maintain a weighted average maturity of less than 60 days and all investments having an investment grade (lower risk) credit rating.



# The Chartered Secretaries' Charitable Trust

## Appendix - Implementation details

### Investments

The Trustees have appointed three investment managers to manage the assets of the Trust, as outlined below, and have agreed the following performance targets with these Investment Managers. Fees charged and other costs incurred are also outlined below:

#### Benevolent Fund

Asset class	Fund Name	Benchmark asset allocation (%)	Manager's Target / Objective	Trustees' target (Gross of fees) p.a.	Annual Management Charge (AMC) p.a.	Additional charges p.a.
Multi-Asset Fund	BG Multi Asset Income Fund	50.0	To provide an attractive, resilient monthly income while protecting both income and capital from the effect of inflation over the long-term.	CPI + 3-4%	0.5%	0.41% Bid-Offer spread 0.01% broker commissions 0.04% transfer taxes/stamp duty
	CCLA Charities Investment Fund - Income share class	50.0	To provide a long-term total return comprising growth in both capital and income, with a long-term total return benchmark of inflation (CPI) +5% p.a. <sup>1</sup>	CPI + 4-5%	0.6%	0.16% Bid-Offer 0.26% PRIIPS (other costs) 0.26% implicit & explicit transaction costs

(1) The comparator benchmark is subject to change.

#### Education and Research Fund, Prizes Fund

Asset class	Fund Name	Benchmark asset allocation (%)	Manager's Target / Objective	Trustee's target (Gross of fees) p.a.	Annual Management Charge (AMC) p.a.	Additional charges p.a.
Multi-Asset Fund	CCLA COIF accumulation units - Accumulation share class	100.0	To provide a long-term total return comprising growth in both capital and income, with a long-term total return benchmark of inflation (CPI) +5% p.a. <sup>1</sup>	CPI + 4-5%	0.6%	0.16% Bid-Offer 0.26% PRIIPS 0.26% implicit & explicit transaction costs

(1) The comparator benchmark is subject to change.