

## **Skipton Mechanics' Institute**

**Charity Registration Number: 529116**

Date of Investment Policy Statement: 29 September 2021

### **1.0 Introduction**

1.1 Skipton Mechanics' Institute is an unincorporated grant making charity established by Trust Deed, whose objects are:

1.1.1 the encouragement and assistance of local organisations and associations, schools and colleges in the area of benefit in the pursuance of studies of or the public performance of or lectures or exhibitions relating to science, literature and the arts;

1.1.2 the promotion of and assistance with the education (including further education) of pupils or past pupils of any school or college in the area of benefit and who are (or their parents are) resident within the area of benefit;

1.1.3 the assistance or any local organisation or association undertaking any form of activity or recreation for young people in the area of benefit;

1.1.4 to make financial grants for such of the above purposes as shall be of a charitable or educational nature;

1.2 The financial objective of the Institute is to maintain the real value of the assets whilst generating a stable and sustainable return to fund grant making. The inflation measure most relevant to the Institute's expenditure is the UK Consumer Price Index (UKCPI).

1.3 The Institute has approximately £680K of investment assets, including £655K in investments quoted on the London Stock Exchange. These are the bulk of the charity's assets and their income and capital appreciation finance the grant making activities.

1.4 The Institute broadly aims each year to distribute grants equivalent to its annual net recognised gains of between £20K and £25K per annum but this can vary from year-to-year depending on grant making opportunities and investment returns.

1.5 The trustees of the Institute have delegated decision making on investment matters to the investment committee.

### **2.0 Investment Objectives**

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

2.2 The investment objective is to generate a return of inflation (UKCPI) plus 4% per annum over the long term, after expenses. This should allow the Institute to at least maintain the real value of the assets, whilst funding annual direct charitable expenditure and other expenditure in the region of 4% per annum.

2.3 The Institute adopts a total return approach to investment, generating the investment return from income and realised 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 Institute will still be maintained in accordance with the investment objective above.

### **3.0 Risk**

#### **3.1 Attitude to risk**

The Institute relies on the investment return to fund grant making. However, grants are generally one-off awards and the number and value of these may vary depending on circumstances. The key risks to the long-term sustainability of the Institute are inflation and securities market volatility, and the assets should therefore be invested to mitigate these risks over the long term. The trustees understand that this is likely to mean that investments will be concentrated in real assets and that the capital value will fluctuate.

The trustees are able to tolerate volatility of the capital value of the Institute, as long as the Institute is able to meet its short-term grant making commitments through either income or liquid capital assets. It is the Institute's policy to at least maintain cash assets to be able to fund grant making for a twelve-month period.

#### **3.2 Assets**

The Institute's assets can be invested widely and should be diversified by asset class, and by security. The assets should comprise of investments such as UK Government gilts or bonds issued by other secure supranational organisations as well as other income producing investments such as reputable corporate bonds and preference shares in large, quoted companies. The balance of the portfolio may incorporate direct investments into shares of large and medium sized quoted companies. Other investments could include index trackers, hedge funds and other collective investment schemes. If deemed appropriate the portfolio could include investment into smaller companies of less liquid type investments which are by their very nature riskier but can offer greater growth potential. However, such investments should only form a relatively small balanced part of the portfolio.

Asset classes could include cash, bonds, equities, property funds, hedge funds, structured products, private equity, commodities and any other asset that is deemed suitable for the Institute.

The Investment Committee are charged with agreeing a suitable asset allocation strategy with the investment managers, which is set so as to achieve the overall Institute investment objective.

The trustees do not wish to invest directly into property.

#### **3.3 Currency**

The base currency of the investment portfolio is Sterling.

Hedging is permitted.

#### **3.4 Credit**

The Institute'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 £85K per institution.

Bond exposure should be focused on investment grade issuers.

#### **4.0 Liquidity Requirements**

- 4.1 The Institute aims to distribute grants of between £20K and £25K per annum. This should on average be funded from incoming resources and net realized gains on disposal of investments.
- 4.2 The trustees wish to keep at least 70% of the assets in investments that can be realised within three months.
- 4.3 To allow for volatility of capital values, the trustees wish to maintain at least 3 years worth of budgeting grant making in cash or lower risk liquid investments.
- 4.4 A minimum of 4% of the total assets should be kept in cash or near cash investments at all times.

#### **5.0 Time Horizon**

- 5.1 The Institute is expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability.
- 5.2 The Institute can adopt a long-term investment time horizon.

#### **6.0 Ethical Investment Policy**

- 6.1 The Institutes assets should be invested in line with its aims. The trustees do not wish to adopt an exclusionary policy, but individual investments may be excluded if perceived to conflict with the Institute's purpose or moral and ethical standards.

#### **7.0 Management, Reporting and Monitoring**

- 7.1 The Institute has appointed a professional investment management firm to manage the assets on a discretionary basis in line with this policy.

Investment managers provide custody of the assets. Managers are required to produce a valuation and performance report quarterly. The institute has nominated a list of authorised signatories, two of which are required to sign instructions to the investment manager.

- 7.2 The Investment Committee has responsibility for agreeing and monitoring the investment assets. The committee meets six monthly to review the portfolio, including and analysis of the 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.

The investment manager is required to report to the investment committee on a six-monthly basis.

- 7.3 The Investment Committee 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.

**8.0 Approval and Review**

8.1 This Investment Policy Statement was prepared by the Investment Committee of the Skipton Mechanics' Institute to provide a framework for the management of its investment assets. It will be reviewed an annual basis to ensure continuing appropriateness.

Signed Chair

Dated

*Sarah O'Keel.*

*14th October 2021.*

Noted by Trustee Board

Dated 29 September 2021