

South London Botanical Institute



SLBI INVESTMENT POLICY

Charity Registration Number: 214251

Date of Investment Policy Statement: 05 June 2017

1. Introduction

- 1.1 SLBI is a registered charity and Company limited by Guarantee established by Memorandum and Articles of Association, whose objective is to further the study of botany and related subjects by the people of south London.
- 1.2 Under the Memorandum and Articles of Association the Charity has the power to make any investment which the Trustees see fit.
- 1.3 The financial objective of the SLBI is to at least maintain the real value of the assets whilst generating a stable and sustainable return to fund part of the charity's activities. The inflation measure most relevant to the SLBI's expenditure is the Retail Price Index.
- 1.4 The SLBI has approximately £600k of investment assets, in managed funds and equities. These are the bulk of the charity's assets and finance some of our activities.
- 1.5 The SLBI aims to raise £20K-£25K from investments to support activities, but this can vary from year to year depending investment returns.
- 1.6 The trustees of the SLBI have retained decision-making on investment matters, with non-professional support from the Treasurer and other members of the Finance & Investment Group. They will take professional advice when reviewing the investments as a whole and as necessary on

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other occasions.

- 1.7 Trustees recognise that diversification and professional management can offer better risk control in both short and longer-term.

2. Investment Objectives

- 2.1 The SLBI 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 plus 4% per annum over the long term, after expenses. This should allow the SLBI to at least maintain the real value of the assets, whilst funding annual expenditure in the region of 4% per annum.
- 2.3 The SLBI 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 expenditure, in the long term the real value of the SLBI will still be maintained in accordance with the investment objective above.

3. Risk

3.1 Attitude to risk

The SLBI relies on the investment return to part-fund the activities. The key risk to the long term sustainability of the SLBI 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 investment 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 SLBI, as long as the SLBI is able to meet its short commitments through either income or liquid capital assets.

3.2 Assets

The SLBI's assets can be invested widely and should be diversified by asset class, by manager and by security. Asset classes could include cash, bonds, equities, property, hedge funds, structured products, private equity, commodities and any other asset that is deemed suitable for the SLBI.

Trustees nominated by the other trustees are charged with agreeing a suitable asset allocation strategy with the investment managers, which is set so as to achieve the overall SLBI investment objective.

3.3 Currency

The base currency of the investment portfolio is Sterling.

Investment may be made in non-Sterling assets, but should not exceed 40% of the total investment portfolio value.

Hedging is permitted.

3.4 Credit

The SLBI's cash balances should be deposited with institutions with a minimum rating of AA or invested in a diversified money market fund.

Deposits should be spread by counterparty, subject to a maximum exposure of £200k per institution.

Cash deposits should be subject to the FCRS guarantee limit, currently £85k.

Trustees do not wish to invest further in bonds, given current conditions.

4. Liquidity Requirements

- 4.1 The SLBI aims to generate investment income of £20-£25K per annum.
- 4.2 The trustees wish to keep at least 25% 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 budgeted income in cash or lower risk liquid investments.
- 4.4 Up to 10% of the total assets should be kept in cash or near cash investments at all times.

5. Time Horizon

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

6. Ethical Investment Policy

- 6.1 The SLBI 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 SLBI's purpose.

7. Management, Reporting and Monitoring

- 7.1 The SLBI has appointed one professional investment management firm (CCLA) to manage some of the assets on a discretionary basis in line with this policy. Investment managers provide custody of assets. Managers produce a valuation and performance report quarterly.
- 7.2 The SLBI is considering appointing either a 2nd investment manager to manage the remaining assets or a single investment manager to manage the entire portfolio on a discretionary basis in line with this policy.
- 7.3 The SLBI has nominated a list of authorised signatories, two of which are required to sign instructions to the investment manager.
- 7.4 The trustees have responsibility for agreeing strategy and monitoring the investment assets.
- 7.5 Nominated trustees form a Finance and Investment Group, which meets six-monthly to review the portfolio to agree strategy and monitor the investment assets and 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 Finance and Investment Group on a six monthly basis (but this does not need to be in person).

- 7.6 The Finance and Investment Group are 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. Approval and Review

This Investment Policy Statement was prepared by the Treasurer of the SLBI to provide a framework for the management of its investment assets. It will be reviewed on a 2-yearly basis to ensure continuing appropriateness.

Approved by the trustees

Signed

Dated

Noted by the

Trustee Board

Dated

Reference Minute

Next review due: 5 June 2019