

Investment Policy Statement

Introduction

The Trustees of the 'Wells Next The Sea United Charities', take the view that in accordance with the constitution, the financial objective of its investments is to generate a sustainable return to help deliver the objectives of the Charity.

The Trustees also take the view that, where it is possible to do so, the Charity should maintain a level of capital assets that will continue to generate future income to allow it to support these objectives going forward.

Each year, Trustees expect to distribute an amount equal to income, net of costs, earned during the previous year. This includes interest and dividends on investments, donations and subscriptions received, net proceeds from fund raising initiatives and rental income, net of costs, earned from properties held and land let to the Holkham Estate less any sundry costs such as marketing and insurance expenses arising from the Charity's normal course of business.

The Trustees have agreed that as a guide three years' worth of grant making and charity expenditure should be held on deposit as the charities general reserve, but with the flexibility of holding less than this during periods of exceptional grant making and expenditure to meet the charities objectives. The amount held will be calculated as the sum of the last three years' grant budgets that the Trustees have signed off on and will be reviewed and agreed annually.

The Trustees have further agreed to invest an amount of funds (inclusive of 'restricted funds') for income and long-term capital growth. The Trustees have looked to diversify into alternative assets including financial investments and property.

The income generated from these investments, together with fund raising events and donations, will allow the Trustees to meet the Charity's objectives, manage and maintain expenditure and cash reserves.

Reserves Policy

In 2018/19, funds totalling £153,863, were transferred from Wells & District League of Friends to Wells United Charities, are restricted. These funds are to be used solely for grants to appeals that fall within the Wells & District League of Friends objects, i.e. ill health, sickness, disability and old age.

All other reserves of the charity are unrestricted and are available for distribution as the Trustees see fit.

Investment Objective

The overall investment objective is to produce best financial return within a defined and acceptable risk mandate.

In the case of funds invested via Alan Boswell & Company, the objective is to generate a yield in excess of inflation (measured as Consumer Prices Index) of 2% net of charges and taxes, while minimising the risks of capital loss and inflation. This will be achieved through investing in a portfolio that is well diversified by, region, asset class and sector but should also in an ethical and non-controversial mandate. Health and Education are sectors that the charity supports and any controversial investments in these sectors must be avoided. As Trustees we will look to advisers to promote Environmental, Social and Governance (ESG) wherever possible.

The Charity also invests in property, primarily freehold flats and potentially houses, located within Wells-next-the-Sea which, in addition to generating income for the Charity, are used to provide social housing. The Trustees expect a rental yield of 2% net of charges. Exceptional maintenance costs arising from the properties will be funded initially from that year's rental income and otherwise cash reserves. Any depletion in cash reserves resulting from such expenses will be rebuilt from income in the subsequent year.

For the monies assigned for providing grants to meet the Trust's objectives and other cash reserves, we will hold these funds in the Charity's accounts at Barclays, or in Deposit Funds approved by both the Trustees and the Charity Commission.

Trustees expect the investments to yield an income of around 2% of the value of the Charity's assets. The investments to be made are for an indefinite time period and the Trustees will ensure that their ability to meet future planned expenditure is not compromised by over-investment or investing too heavily in illiquid assets.

Risk

The Trustees of 'Wells United Charities' have considered the following risks and mitigations:

- Loss of Purchasing Power – The Trustees are mindful that any investment is to generate a return above inflation over the medium to long-term (5-10 years);
- Investment Market Volatility – Global financial markets rise and fall on a daily basis and we acknowledge that we will expect fluctuations in the underlying values. We will be mindful during a period of economic uncertainty that a pound sold to pay an income payment, is a pound that cannot increase in value when markets recover. We will therefore seek to keep cash deposits available for times when it would be prudent to stop drawing an income.
- Liquidity – The Trustees are mindful that property is an illiquid asset that can take some time to sell. We will therefore ensure that, outside of exceptional circumstances, a minimum of 25% and ideally no less than 30% of the Charity's assets, are invested in cash investments or other investments that can be traded and realised easily.

In order to mitigate against these risks, we will invest monies in a diversified investment strategy that is globally well diversified, holding multiple asset classes from across the world and different sectors.

Liquidity

To counteract any liquidity issues regarding the holding property assets, we have and will continue to review our 'reserves policy' to ensure we hold cash investments to meet our planned expenditure for the next three years. This policy will be reviewed on an annual basis and agreed by the Trustees.

In addition to this the Charity has an investment portfolio that is traded regularly, should it need to sell investments to cover any unforeseen or unplanned expenditure.

With the objective of raising liquidity in exceptional circumstances, Trustees may consider borrowing funds using the Charity's property assets as collateral, in line with The Charity Commission's regulations. Such borrowings would not be expected to be a long term strategy, purely to cover unusual circumstances where exceptional grant making is deemed appropriate and other cash resources are, for any reason, limited.

Requirements for Investment

The Trustees having agreed that we require the following from these investments:

Following the Trustees discussions we have indicated that we require the following from the investment portfolio:

- An income of at least 2% per annum, after taxes and fees.
- Investment to increase in value in line with inflation (as measure by the Consumers Prices Index (CPI)).
- Investment strategy for an indefinite time frame.
- Risk Appetite to be no higher than 'Medium Risk'.
- A preference for investment which are ethically sound and non-controversial, especially with regards to health and education.

We have also identified that we require the following from any investments in property:

- The preference for the locality of the properties should be Wells-next-the-Sea.
- The properties should provide social housing.
- The properties should provide a net yield of circa 2%.

Management, Reporting and Monitoring

All investment decisions will be made by the Trustees collectively with the final decision made by the Chair.

The Trustees have appointed Alan Boswell and Company as investment managers. Performance is monitored against agreed market benchmarks which are to be set by Alan Boswell & Company.

This policy has been approved for issue by the board of Trustees of Wells United Charities.

Cheryl Crawford

Date

Robin Swift

Date