

Summary of Financial Objectives and Investment Strategy

1. Financial objective

- 1.1. To maintain (at least) the Foundation's endowment in real terms.
- 1.2. To produce a consistent and sustainable amount for expenditure.
- 1.3. To deliver 1.1 and 1.2 within acceptable levels of risk.

2. Capital maintenance

- 2.1. The Foundation seeks to protect its endowment from its current experience of inflation (based on Average Weekly Earnings), and if possible, to grow it by 1% a year.
- 2.2. The Foundation's inflation index is applied to the endowment value of £188,310k (the value on 31 December 2003).

3. Distribution rate

- 3.1. From 2014 the Foundation distributes 4.5% of the average of the previous twelve quarter market values (at 30 June 2013). From 2015 and thenceforth it will increase this sum by its experience of inflation.
- 3.2. Where market values lie outside the indexed base value with an allowance for volatility (+/- 16%) a review of distribution rates will be triggered.

Investment Principles

4. Decision-making and governance

- 4.1. The Investment Committee is responsible to the Trustees for investment decisions. It includes three Trustee members and two independent investment professionals as advisors (who serve for three year terms). The committee is supported by staff of the Foundation. It is advised by investment consultants (appointed by Trustees).
- 4.2. The committee appoints investment managers (and terminates their appointments), recommends to Trustees strategic asset allocations and reviews investment performance.
- 4.3. Investment management is delegated to authorised commercial discretionary managers, properly licensed by the FCA, whose mandates are reviewed regularly.

5. Investment objective

- 5.1. The Foundation requires a diversified portfolio which will provide the best return for an agreed measure of risk and liquidity

6. Ethical and other restrictions

- 6.1. Prohibitions on segregated investment in predominantly tobacco companies (equity or bonds).
- 6.2. Manager recognition of importance of ESG factors in sustainable investing
- 6.3. See full policy on Responsible Investing

7. Asset allocation and ranges

| Asset Class | Target | Range |
|--------------------------|-------------|----------|
| <i>Real Assets</i> | | |
| Global Equities | 70% | |
| Private Assets | 20% | |
| <i>Total Real Assets</i> | <i>90%</i> | |
| Nominal assets | 10% | 8% - 12% |
| <i>Total assets</i> | <i>100%</i> | |

8. Principal benchmarks

- 8.1. Principal measurement is against the Index of Capital Maintenance (see objective 2).
- 8.2. Investment performance will be assessed against total returns relative to a composite benchmark based on asset allocation at the beginning of each period.
- 8.3. Performance is also compared to an appropriate peer group index (previously WM Charities Unconstrained Index)
- 8.4. Individual manager benchmarks are set out below.

9. Manager Structure and benchmarks

| Asset Class | Manager |
|-----------------------|---|
| <i>Real Assets</i> | |
| Global Equities | Arrowstreet, Harding Loevner, Hosking, Orbis, Veritas |
| Private Assets | Various illiquid funds |
| <i>Nominal Assets</i> | |
| Fixed Interest | Objective Completion |
| | |
| Custodian | Northern Trust |

| Asset Class | Benchmark | Target |
|----------------|-----------------------|--------|
| | | |
| Total Equities | MSCI ACWI | + 2% |
| Private Assets | MSCI ACWI | + 3% |
| Fixed Interest | 0 – 5yr ML Gilt index | - |

10. Performance assessment

- 10.1. Performance is assessed in £GBP on rolling twelve quarter periods.
- 10.2. Performance targets are net of fees.

Effective from 1st April 2003
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