

# Leeds Community Foundation

## Investment Policy

### 1. Investment Powers

- 1.1 The Leeds Community Foundation (“The Foundation”) is required by the Charity Commission to adopt a prudent approach to investment. This policy document sets out how the Foundation complies with that requirement.
- 1.2 The Trustee Act 2000 gives trustees significant freedom in how they invest but they are required to take advice from a suitably qualified person (who may be a trustee).
- 1.3 The Board of Trustees of Leeds Community Foundation (“The Trustees”) have a wide power of investment conferred upon them by Article 5.12 of the Memorandum of Association namely “to deposit or invest in funds in any manner (but to invest only after obtaining such advice from a Financial Expert as the Trustees consider necessary and having regard to the suitability of investments and the need for diversification”).
- 1.4 The Memorandum also permits the appointment of professional investment managers with delegated powers of investment under the following terms & conditions:
  - 1.4.1 the investment policy is set down in writing for the Financial Expert by the Trustees;
  - 1.4.2 every transaction is reported regularly to the Trustees;
  - 1.4.3 the performance of the investments is reviewed regularly by the Trustees;
  - 1.4.4 the Trustees are entitled to cancel the delegation arrangement at any time;
  - 1.4.5 the investment policy and delegation arrangement are reviewed at least once a year;
  - 1.4.6 all payments due to the Financial Expert are on a scale or at a level which is agreed in advance and are reported regularly to the Trustees on receipt; and
  - 1.4.7 the Financial Expert must not do anything outside of the powers of the Trustees.
- 1.5 The trustees acknowledge that they retain full responsibility for the management of all funds held but have given delegated authority for taking decisions regarding finance (including investment) to the Finance, Audit & Governance Committee (“The Committee”) which is authorised to:
  - Appoint investment advisors and agree their terms of reference and basis of remuneration
  - Invest or withdraw common investment funds

The trustees have given delegated authority to the Chief Executive for the relevant actions set out in this policy document.

### 2. Investment Objectives

The trustees have a responsibility to invest & manage the Foundation’s funds safely and professionally, paying due attention to risk whilst, at the same time, maximising the return on the funds invested. The trustees have declared the following objectives:

- 2.1 Income should be maintained in real terms in order to maximise the income available for the Foundation’s primary objective, the provision of grants. This will also provide the liquidity necessary for payment of grants during each financial year.
- 2.2 The capital value of the invested funds shall be maintained at least in line with inflation.



- 2.3 A reasonable balance between short-term income and long-term preservation of the real value of the funds held shall be established and maintained.

### **3. Investment Portfolio**

- 3.1 As long as a reasonable rate of return can be obtained, funds received to cover staffing & support costs shall be retained in bank accounts to meet current needs. They can be invested in fixed-rate or variable-rate interest-bearing current or deposit accounts in major banks, building societies and other major financial institutions without seeking independent financial advice. Such decisions shall be made by the Chief Executive & the Finance Director. Any interest gained on these funds shall be retained as a contribution towards operating costs.
- 3.2 Funds not required for a minimum period of 3 months may be placed on short-term money markets (monthly/quarterly) in major banks, building societies and other major financial institutions without seeking independent financial advice. Such decisions to be made by the Chief Executive & the Finance Director. Any interest gained on these funds shall be retained as a contribution towards operating costs.
- 3.3 Funds may be invested in social banking initiatives, up to a maximum value of 10% of the Foundation's total investment at the discretion of the Committee.
- 3.4 The Committee will meet quarterly to review the fund balances. On their recommendation, monies may be transferred between accounts or made available for long-term investment. Long-term indicates an intention to hold for at least 5 years.
- 3.5 Emergency meetings of the Committee may be called by any member of the Committee to discuss and agree actions for any items requiring urgent attention. At least 48 hours notice must be given and the quorum rule will still apply. Should actions need to be taken between meetings, virtual approval may be sought in the form of e mail. Virtual approval should follow the same rules as approval at a meeting of the Committee.
- 3.6 Individual endowment funds will be pooled for investment purposes so that all long-term investments are held proportionately on behalf of the relevant endowment funds being administered by the Foundation. All capital profits / losses, realised or unrealised, dividends and interest received will be apportioned to the relevant funds by reference to the ratios subsisting during the period when the interest was earned.
- 3.7 The Foundation has a Share Gift scheme in place with Redmayne Bentley and intends to maintain this for the foreseeable future. This allows the donation and sale of shares directly to the Foundation at no cost to the donor or the Foundation.
- 3.8 Detailed records, complying with relevant Charity Commission requirements and current legislation will be maintained of the funds held by the Foundation.

### **4. Investment Manager**

Any investment managers appointed by the Foundation must have regard to the following criteria:

- 4.1 The suitability of investments of the same type as those to be made or retained.
- 4.2 The suitability of the particular investments that are to be made or retained.
- 4.3 The need for diversification of the investments.



- 4.4 The need for the investments to be marketable, as the trustees would not normally wish to acquire investments where marketability is limited.

In addition, the Appendix to this policy outlines specific criteria for investment for individually appointed managers, where appropriate.

## **5. Investment Strategy and Risk Profile**

- 5.1 In order to fulfil the investment objectives set out in paragraph 2 above, a balanced approach between income and capital shall be adopted.
- 5.2 A long-term investment policy is appropriate.
- 5.3 The trustees wish to adopt a medium risk investment strategy by investing in a suitable mixture of assets classes to provide the required level of return, subject to an acceptable level of risk.
- 5.4 The trustees recognise the need to diversify the cash portfolio and intend to invest the cash in a portfolio of equities, fixed interest, cash and other asset classes.

## **6. Ethical Investment and Other Constraints**

In view of the charity's objects, the trustees have decided not to invest in shares in companies whose primary activity is dealing with tobacco or pornography.

There are no absolute geographical constraints, except that the trustees would not normally consider property investments outside of the United Kingdom.

In order to maintain diversification, the Trustees do not wish to allow any one individual direct equity within the investment portfolio to represent more than 5% of the overall value of the invested funds.

If any investment managers wish to invest in the AIM market they must notify the Foundation in advance to allow Finance, Audit and Governance committee members to declare an interest.

## **7. Performance Reporting**

Investment performance will be monitored on a quarterly basis by way of valuation report provided by the investment managers to the trustees.

The benchmarks and targets by which investment performance will be monitored will be agreed with the investment managers.

The performance of the investments will be looked at on a long-term basis. However, regard will also be had to the performance year to year.

The benchmarks and targets by which the annual performance of the managers will be reviewed will be agreed with the investment managers.

