The Sons and Friends of the Clergy

Charity Registration Number 207736

Statement of Investment Policy

1. Introduction

The Charity now known as the Sons and Friends of the Clergy was originally founded in 1655 by a group of sons of clergymen and was then incorporated by Royal Charter in 1678. The Royal Charter was amended in 1971 and 2012 and continues to govern the Charity today. The public benefit of the Charity is the prevention or relief of poverty among Anglican clergy and their families. It performs this role primarily by making a wide range of monetary gifts to its beneficiaries in times of financial need.

The overall management of the Charity is vested in the Court of Assistants, otherwise known as Trustees. The Trustees have appointed a Finance and Investment Committee to assist them in their work, and this Committee, alongside other responsibilities, keeps the Charity's investments, including its properties, under review, and makes recommendations to the Court of Assistants.

2. The scope of investment powers

The Charity is permitted to invest its assets without any specific constraint, other than those specified in its agreements with its external investment managers. These managers are referred to in the appendix.

3. Investment objectives

The Charity seeks to achieve the best financial return within an acceptable level of risk. The Charity uses a total return approach, generating its investment return from both income and capital gains/losses. Nonetheless, a reasonable level of income is required to provide the primary funding for the Charity's activities. Consequently, a reasonably long-term approach can be taken regarding investment of the Charity's capital.

4. Attitude to risk

The Charity wishes its assets to be invested using a long-term approach that is expected to outperform the rate of inflation. It is less concerned about short-term capital fluctuations. Investments will be primarily invested in real assets, given their propensity to appreciate above the rate of inflation.
The Charity wishes to have a diversified range of investments in order to reduce the capital risk of a narrower portfolio.

5. Assets available for investment, time horizon and liquidity requirements

5.1 Assets available for investment

Assets are managed externally by a number of investment managers, as indicated in the appendix. There is also some direct investment in properties, but it is the Charity's aim to move away from direct management. Additional cash assets are held directly by the Charity in its bank accounts and at CCLA's COIF Charities Deposit Fund to provide working capital.

5.2 Time horizon

As noted earlier, the Charity can take a long-term approach to investment.

5.3 Liquidity and cash management requirements

As a general guideline, although capital can be used if required, the Trustees have committed to support the ongoing activities of the Charity out of the income from its investments. Consequently, there are no specific liquidity requirements. Nonetheless, given the nature of the investments used, it is expected that these assets could be liquidated within a short period of time if required.

In accordance with the Charity's Reserves Policy, the Charity holds reserves in the form of cash and short term deposits sufficient to cover at least three months of total operating costs, based on average monthly operating costs over the last five years. Remaining reserves represent primarily the assets available for investment. The level of reserves available for investment is reviewed regularly by the Finance & Investment Committee. Any reserves considered to be excess to current operating requirements are usually transferred to one or more of the investment managers, often with the exact timing left to the managers' discretion.

6. Permitted investments including ethical considerations

All standard investments are permitted, both in the UK and outside. These include government and corporate bonds, quoted equities, property funds and alternative investments including hedge funds. Currency and other hedging is permitted, but direct short positions are not.

The Charity does not wish to adopt an exclusionary policy regarding ethical investments, but individual investments may be excluded from time to time if the Charity has cause to do so. It is the Charity's policy to take note of the Church of England's Ethical Investment Advisory Group. *(to be expanded after discussion with Kate Rogers)*

7. Authority to make investment decisions

Day-to-day investment decisions are delegated to the external managers by way of discretionary investment management agreements.

8. Approach to investment

- Given the current size of its assets, the Charity believes that 2-3 managers for investments other than Property strikes the right balance between over-concentration and unnecessary diversification
- The Charity prefers the use of managers with different styles
- While Property is considered a specialist asset class, the Charity favours giving managers discretion to use a balanced approach. This removes the need for the Charity to make tactical asset allocation decisions other than setting long-term overall strategic ranges for each asset class
- Given the size of the Charity's Property assets, a pooled approach is the sensible route other than for those properties owned directly for historical reasons
- The Charity is happy to use either segregated or pooled vehicles outside of Property
- In general the Charity prefers an active as opposed to passive approach to investments but is aware that active managers can underperform the relevant indices
- The Charity reviews management fees on a regular basis. Costs comprise both fees to the investment manager as well as dealing and custody fees.

9. Management of the investments, and performance benchmarks

As noted above, management of the Charity's assets is delegated to the external investment managers, using either segregated portfolios or unitised vehicles. Each manager provides custody of the assets. The Charity has nominated a list of authorised signatories, two of which are required to sign instructions to an investment manager, one of which needs to be a Trustee.

Each manager is set a tailored performance benchmark which it is expected to outperform over rolling five year periods. These are set out in the appendix. Benchmarks were selected at different times. They are designed to complement each other, and to reflect the approach of each manager.

The Charity has set the following asset allocation ranges for the aggregate assets that are managed externally. In the case of Property, this should include the investment properties held directly by the Charity. Overall asset allocation will be reviewed quarterly and action taken if any asset class has moved outside or is close to its permitted range.

Fixed income	0-30%
Equities	60-80%
Property	5-25%
Alternatives	0-10%
Cash	0-5%

10. Monitoring and reporting requirements

External managers are required to provide quarterly valuations of their portfolios, including book costs, market values, expected annual income and performance results against their respective benchmarks. In the case of a segregated portfolio, each change in investment should be reported promptly. In the case of a sale, the report should include how long the investment has been held, and the profit/loss against the original cost. Details of the percentage level of turnover within the portfolio should also be included on a calendar quarterly basis.

Each manager must report to the Finance and Investment Committee in person at least annually. This will provide an opportunity to review performance results, to understand the strategies being followed and to question the managers directly.

A more extensive review should take place every five years to check that the Committee understands correctly the approach used by the manager, and to confirm or otherwise the managers' on-going involvement with the Charity's assets. Fees should also be covered.

The Finance and Investment Committee is to report formally to the Court of Assistants at least annually. This report should cover investment performance, asset allocation strategy and the appropriateness of the Investment Policy statement.

11. Approval and review of the Investment Policy Statement

This Investment Policy statement was prepared by the Finance and Investment Committee on behalf of the Court of Assistants. Its purpose is to provide a framework for the management of the Charity's investment assets. The Committee will review, and if necessary amend, the statement annually.

Approved by the Finance and Investment Committee

Signed
Dated: 13 June 2017
Approved by the Court of Assistants

Signed
Dated: 4 July 2017

Appendix – External Investment Managers

The Charity currently uses three external investment managers: Charles Stanley & Co, Sarasin & Partners and the Charities Property Fund.

Charles Stanley & Co

The Charles Stanley team manages its portfolio using an unconstrained approach. The following two indices have been selected in order to monitor performance over 3-5 year periods:

- The FTSE All Share Total Return Index
- The FTSE WMA Balanced Total Return Index

For this segregated portfolio, the following guideline is in place:

- Holdings in any one company should not exceed 5% in value of the total portfolio managed by Charles Stanley.

Charles Stanley's fees are:

- Annual management fee of 0.20% plus VAT
- Commission of 1.85% on the first £10k, 0.50% on the next £90k and 0.25% on the balance (no VAT)

Sarasin & Partners

Sarasin invest in their own unitised fund, the Alpha CIF for Endowments, which adopts its own ethical policy. The bespoke benchmark used by Sarasin is as follows:

- 8.5% BofA Merrill Lynch Sterling Corporate
- 30% FTSE All-Share 5% capped (Total Return)
- 9% FTSE Gilts All Stocks (Total Return)
- 4% IPD All Balanced Property Funds – One Quarter Lagged
- 15% MSCI AC World ex UK (Local Currency) (GBP)
- 25% MSCI AC World ex UK (Net Total Return)
- 3.5% S&P Developed Property Net Total Return
- 5% UK Cash LIBOR 1 Month (Total Return)

Sarasin & Partners have ranges around the above percentages which they can use if they so wish. For example, Total Bonds and Cash have a range from 7.5% to 40%, Total Equities 20% to 60%, and Property and Alternatives up to 30%.

Sarasin's management fees (including commissions, no VAT payable) are 0.75% on the first £3m, 0.60% on the next £2m, 0.40% on the next £20m and 0.35% above £25m.

Charities Property Fund

The benchmark for the Charities Property Fund is the AREF/IPD All Balanced Pooled Property Funds Index.

CPF's fees are an Annual Charge of 0.50%.