Sons & Friends of the Clergy

Charity Registration Number 207736

Statement of Investment Policy

1. Introduction

The Charity now known as Sons & 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, 2012 and 2017 and continues to govern the Charity today. The public benefit of the Charity is (in relation to Anglican clergy and their families) the prevention or relief of poverty or hardship, and the relief of illness and the promotion of health, whether physical or mental. It currently 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 an 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. At present the Charity generates an income yield from investments of between 3.5% and 4.0%, which is sufficient to fund the charity's grant-making (which is largely discretionary) and overheads. The Charity recognises that if income should fall below these levels, it can maintain its grant-making in the short-term by reducing capital. However, over the medium- and long-terms the charity seeks to maintain the real value of its capital while continuing its charitable activity. It follows that the Charity's investment objective over the medium-term is to achieve a total return which outperforms the rate of inflation (as measured by CPI) by at least 4.0%.

4. Attitude to risk

The Charity wishes its assets to be invested using a long-term approach. It is less concerned about short-term capital fluctuations. The Charity will also seek to manage risk through diversification, although investments will primarily be invested in real assets (equities and property, where our minimum allocation below is 65%), given their propensity to appreciate above the rate of inflation.

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 property investment. Additional cash assets are held directly by the Charity in its bank accounts and in other money market funds 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 Risk, Audit & Finance 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

Subject to the ethical considerations below, all standard investments are permitted, both in the UK and outside. These include government and corporate bonds, quoted equities, property and infrastructure funds and alternative investments including hedge funds and commodity funds. Currency and other hedging is permitted, but direct short positions are not.

Given the aims of the Charity, it is appropriate to invest its assets in line with the teaching and values of the Church of England. The Ethical Investment Advisory Group through its overall Statement of Ethical Investment Policy and detailed policies on specific issues defines the approach of the Church of England to ethical investment.

Consequently, the Charity will not have direct exposure to companies that would be excluded under the EIAG Policies. Similarly, the Charity will consider whether its indirect exposure to such companies is appropriate through any pooled investment fund in which it invests.

The Charity considers that the approaches of its external investment managers to environmental, social and governance (ESG) issues are important. Therefore, in its assessment of external investment managers it will include a review of ESG performance.

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 and the property elements within multi-asset portfolios. 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 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 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 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 Investment Committee

Signed

Dated: 22 November 2018

Approved by the Court of Assistants

Signed

Dated: 4 December 2018