Cripplegate Foundation

Cripplegate Foundation - Investment Policy

Charity Registration Number: 207499

1. Introduction

Cripplegate Foundation is an endowed charity with a total asset base of circa £50m.

The Foundation's investment assets are invested in order to generate a return to support grant making, and the income generated from investments represents approximately 50% of the annual income of the Foundation.

The Foundation aims to distribute approximately 3.3% of the total long-term investment asset value each year to support grant making, this includes income from the permanent endowment, and can be income and capital return from the long-term investment assets. This target has been set based on the strategic asset mix and the Governors believe this is consistent with maintaining the real value of the Foundation's endowment and long-term assets in the future.

Governors of the Foundation are governed by the Trustee Act 2000 which sets out the general power of investment. Governors of the Foundation have delegated decision making on investment matters to the Finance and General Purposes Committee

2. Investment Objectives

The Foundation seeks to produce the best financial return within an acceptable level of risk for the financial assets. The Foundation recognises that all investments have an impact on people and planet, but seeks to understand and minimise any negative impacts of the investment portfolio, investing with the intention of avoiding harm and aligning with our aims to reduce poverty and inequality for our beneficiaries and to achieve better lives for the people of Islington.

Cripplegate Foundation will allocate c5% of its endowment (£2m) specifically towards social investments which deliver a market rate return alongside positive social impacts which support our overarching objective of reducing poverty and inequality. We will seek to identify impact investments which particularly target the UN SDG goals of No poverty, Participation of Women, Sustainable Cities, and Reduced Inequalities.

The Foundation recognises the climate emergency as a key challenge facing society and the beneficiaries of the Foundation in the next decade. As such the Foundation seeks to align with the Paris Agreement on climate change, encouraging our fund managers to reduce the carbon emissions of the investments, and advancing a just transition through engagement and investment in solutions.

2a) Permanent Endowment

The financial objective of the permanent endowment aims to balance the needs of the current and future beneficiaries, and as such, aims to set a sustainable income target, whilst ensuring that the capital is expected to grow in line with inflation over the longer term. The capital remains invested to provide for future beneficiaries and the income is spent on current beneficiaries.

The investment objective is to balance income and capital returns whilst measuring and managing the impact of the investments on people and planet. The assets should be managed to at least maintain the real capital value of the endowment, whilst generating a sustainable level of investment income to support the current charitable activities.

The current (2024) income target is set at £1.5m per annum (a starting yield of 3.3% per annum growing with inflation, and, as such, the overall investment objective can be quantified as inflation plus 3.3% per annum (net of fees).

2b) Impact Investments

The financial objective of the impact investment carve out is to produce the best financial return within an acceptable level of risk while delivering measurable positive social impacts. The target return is set at 3-5% absolute, alongside evidence based impact monitoring.

2c) Short/medium-term assets (unrestricted funds)

The financial objective of the short-term investment assets is to produce the best financial return within an acceptable level of risk. As the assets are expected to be spent over the next 5 years, capital preservation is important.

3. Risk

3a) Attitude to Risk

The Foundation relies on investment returns to fund grant making. As a permanent endowment, the majority of the expenditure is funded from income. As such, volatility of capital values can be tolerated, whereas stability of income is more important. The Foundation have an accumulated income balance which can smooth any short-term income falls, allowing spending to be maintained in most scenarios.

The key risk to the long-term sustainability of the Foundation is inflation, and the assets should be invested to mitigate this risk over the long-term. Governors understand that this is likely to mean that investment will be concentrated in real assets such as equities and property and that the capital value will fluctuate.

3b) Asset allocation

The Foundation's assets can be invested widely, according to the general power of investment, and should be diversified by asset class and security. Asset classes could include cash, bonds, equities, property and alternative assets and any other asset that is deemed suitable for the Foundation.

The Finance and General Purposes Committee have agreed a target strategic asset allocation with the manager of the endowment assets as follows, which is designed to achieve the investment:

	Asset allocation benchmark %	**Asset allocation range**	**Performance Benchmark**
Global Equities	75	65 -85	MSCI AC World
Fixed Income	10	0 – 20	FTA Govt All Stocks Index
Property	10	5-15	IPD Index
Alternatives	5	0-10	Cash +2%
Cash	0	0-10	LIBID 3 months

Asset allocation will vary from this target, because of market movements, or active asset allocation decisions taken by the appointed investment manager.

3c) Investment restrictions

These are as follows:

- No more than 1% of the total capitalisation of any company may be held
- Gearing is not permitted
- No derivatives, futures or stock lending
- No investment in the managers' owners
- Unless prior permission has been given, no more than 10 % of the portfolio to be invested in any one company

The Finance and General Purpose Committee is responsible for identifying and monitoring suitable investment managers and vehicles for the Foundation assets. The performance and ongoing suitability of these managers and vehicles will be appraised on a regular basis.

As stated in Charity Commission guidance CC14, it is the responsibility of Governors to consider whether Cripplegate Foundations investments are suitable and whether they will meet its investment objectives. This means:

- Taking account of investment type and particular investments within that type
- Considering the need to diversify investments
- Taking advice from someone experienced in investment matters (unless it is felt that there is sufficient experience on the Board of Governors)
- Reviewing the investments at appropriate intervals

When deciding if an impact investment is in Cripplegate Foundation's best interests, governors will additionally:

- Decide how the social investment fits with the charity's overall financial position
- Consider the financial and impact return, risk, cost of the investment, liquidity and exit arrangements (taking appropriate external advice)
- Agree how they will measure and monitor performance.

3d) Currency

The Foundation's operations are denominated in sterling and, as such, the base currency of the investment portfolio is sterling. Investment may be made in non-sterling assets.

4. Liquidity Requirements and time horizon

The Foundation has divided its assets into those expected to be held in perpetuity (endowment) and those that may be needed in the next 5 years (short and medium-term investments).

Governors are unable to draw down capital from the endowment and as such there is no requirement for short-term capital liquidity within the endowment investment portfolio.

The short and medium-term assets are expected to be spent within 5 years and are invested in assets with liquidity profiles that match the anticipated draw down requirements. This includes an accumulated income balance that can be called upon in periods of income volatility in order to maintain spending levels.

5. Responsible Investment Policy

The Foundation has adopted a responsible investment policy to ensure that its investments align with its aims. The policy includes

5a) Avoiding harm: through applying the following restrictions:

- Exclude tobacco from the Foundation's investments on the grounds that the London Borough of Islington has the second lowest life expectancy for men in the UK, largely due to tobacco-related illnesses.
- Exclude investment in any company that derives more than 10% of its revenue from gambling.
- Exclude investment in any company that derives more than 5% of its revenue from high-interest-rate lending.
- Exclude investment in any company that derives more than 3% of its revenue from pornography or adult entertainment services.
- Exclude investment in any company that derives more than 10% of its revenue from the production of alcohol.
- Exclude investment in any company that is involved in the manufacture or sale of weapons intended for use by the general public including semi-automatic rifles, firearms or ammunition, or key parts or services for firearms or ammunition.
- Exclude investment in any company that derives more than 5% of its revenue from the manufacture or sale of civilian firearms or related products.
- Exclude investments in any company that derives more than 10% of revenues from fossil fuel, coal and tar sands.
- We aim to exclude corporate issuers deemed to have violated one or more principles of the UN Global Compact (UNGC).

5b) Integration: The Foundation requires the investment managers to integrate environmental, social and governance factors into the investment process in order to avoid harm and benefit stakeholders.

5c) Active ownership: Investment managers are expected to actively engage and vote in order to encourage businesses to make progress towards the sustainable development goals. Where there are specific topics that impact the Foundation beneficiaries, the Foundation will use its influence as a shareholder to seek to represent the beneficiaries e.g. improving lending practices, worker rights. This may involve collaboration with other likeminded asset owners. Where underlying portfolio companies do not sufficiently respond to engagement activity, or the manager is unable to evidence progress against engagement targets, we will seek to encourage divestment from either portfolio companies or ultimately, our holding in the fund.

5d) Climate change: the Foundation intends to align the investment portfolio with the Paris Agreement on climate change and will reduce the overall portfolio carbon emissions and encourage the energy transition, through active ownership and investing in solutions (e.g. renewable energy and infrastructure).

5e) Stewardship: The Foundation expects the investment managers to be signatories to the UK Stewardship Code and UN Principles for Responsible Investing.

5f) Impact investment: The Foundation will look to contribute to solutions to social need through a £2m allocation to impact investments. Selected impact investments will particularly seek to target four sustainable development goals: No Poverty; Participation of Women; Reduced Inequalities; and Sustainable Cities.

6. Management, Reporting and Monitoring

The Governors have appointed an investment manager to manage the Endowed investment assets on a discretionary basis, in line with this investment policy.

The Foundation has nominated a list of authorised signatories, two of which are required to sign instructions to the investment manager.

The manager will provide the following on a quarterly basis: valuation of investments, transaction report, cash reconciliation, performance analysis and commentary.

The Finance and General Purposes Committee have responsibility for agreeing strategy and monitoring the investment assets. The Committee will review the information provided by the investment manager on a regular basis. The investment manager will be required to present in person to the committee on an annual basis.

Performance of the endowment and long-term investment assets will be measured against inflation over the long-term and agreed market indices. The return of short-term reserves will be measured against inflation benchmark cash rates. The Committee will appraise performance over time-horizons appropriate to the investment mandate (rolling 5 years for the endowment, rolling 12 months for the short/medium-term funds). The volatility of capital and income will be monitored to ensure the risk profile remains appropriate for the Foundation.

The performance will be assessed relative to the fees paid, to ensure value for money.

The governors seek to understand the impact of the investments on people and planet and ask the investment managers to measure and report relevant sustainability metrics and active ownership activities at least annually.

7. Approval and Review

This investment policy statement was prepared by Finance and General Purposes Committee of Cripplegate Foundation to provide a framework for the management of its investment assets. It will be reviewed when deemed appropriate, but at least annually.

Approved November 2024