

Stratford Town Trust Investment Policy – September 2021

Short Term (less than three years) Objective

The short-term investment objective is to ensure that the Trust has sufficient liquidity to enable it to fund its planned spending on charitable activities and meet its overhead costs as they fall due.

Medium to Long Term Objective (3 to 10 years)

The medium to long-term investment objectives, as measured over a 10 year rolling period, are to achieve a balanced return from the overall portfolio such that: for the combined portfolio of all the charities there is an expectation of net income yield being not less than 4.4% pa and that the capital value grows at least in line with inflation (RPI). Net income is defined as gross income less all direct costs i.e., fees, repair costs, legal/advisor fees. **(4.4% is weighted average of property 4.98% plus quoted investments 3.2%).**

Long Term Objectives

The endowment investments are expected to exist in perpetuity and should be managed to meet the Trusts' investment objectives and ensure their sustainability.

Policy requirements are:

- Investment Policy is a fundamental building block of the Trust's overall strategy.
- Mitigate any exposure to any one class of investment.
- Internal monitoring of investments to occur quarterly.
- When appropriate dispose of underperforming investments, after appropriate review, professional advice, due diligence and approval.
- All equity investments will be invested in funds, rather than directly into shares.
- Total return is not an approach which Guild, College and STT have chosen to adopt and this stance will continue to be reviewed on an annual basis.
- Reinvestment of proceeds following disposal of endowed investments should be decided on a case by case basis, ensuring investment objectives are met.
- Objective is to reduce the proportion of physical property held over a period of time.
- The Trust will not invest in speculative property developments.
- To review the Trust's position on social investments on an annual basis.
- Ongoing, commission an investment policy and fund manager review every 5 years (next equity review in 2022, as previous report finalised March 2016).
- Review long term property portfolio strategy to ensure maximising income and capital appreciation of property portfolio. Strategic review was undertaken in Spring 2020, and the resulting recommendations were included in the Trust's strategic plan for 2021- 25.

The investment strategic objectives in the Trust's 2021-25 strategic plan are:

- Develop a property strategy with a more focused approach to reduce our High Street exposure.
- Restore gross income to 2019 levels.
- No further purchases of retail properties. Any sales from the endowed portfolio must be reinvested in either property funds or equities.
- Optimise mix of equity versus physical property over the longer term.

	INVESTMENT CATEGORY						
Investment Type	Preferred Range %	December 2020 %	Target Yield %	Yield Benchmark	Target Capital Return	Capital Return Benchmark	Delegation of Transaction
Physical Property	50 - 70	62.8	4.98%	IPD	RPI	IPD	FIP Recommend Board Approve
Property Funds		6.0	4.98%	IPD	RPI	IPD	FIP Recommend Board Approve
Equity Funds	30 – 50	31.0	3.2%	** ARC Steady Growth for College & Guild And Arc Balanced Charity for STT	RPI	RPI + WM	FIP Recommend Board Approve
Cash Funds	none	0.2	n/a	n/a	n/a	n/a	Hoff & CEO Approve & notify Board
Total	100	100	4.44%	-	RPI	-	-

** ARC have replaced WM as the peer performance measurement indices.

IPD = Investment Property Database

RPI = Retail Price Index

ARC = Asset Risk Consultants

September 2021

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