

Information on...

Is your charity thinking with clarity?

Barnett Waddingham's team of highly capable and enthusiastic investment consultants can help your charity's investment committee to review their objectives and monitor their investment strategy.

Clarity of objectives

C Understanding your charity's aim and setting appropriate objectives are the key stages in any investment strategy review. As well as funding expectations, objective setting should also specify any ethical constraints on the charity. Detailed discussions with the trustees are essential at this stage.

Long-term vs short-term

L Most charities have the desire to exist for a long time into the future, while also being concerned about meeting their expected funding demands in the short term. The investment strategy must take into account this balance.

Asset allocation

A Having agreed the objectives, agreeing a target asset allocation follows. Unlike other institutional investors, such as pension schemes who generally focus on moving to lower risk investments over time, charities have more flexibility to consider each asset class on its merits at any one time.

Risk tolerance

R The agreed asset allocation should be commensurate with the charity's tolerance for risk. We have undertaken detailed review work with trustees to help them to understand the risks inherent within their strategy, what non-investment related controls they have to manage risk, and how this might affect the future operation of the charity.

Independent

I There are a range of approaches offered by investment managers to charities, from the "private wealth" approach, to the simple passive fund approach, with a variety of options in between. Whatever approach is taken, it should be commensurate with the trustees' governance budget. Trustees should also regularly review their long-term strategy independently of their investment manager. It is important to take a step back and consider whether the current implementation is appropriate.

Targets and benchmarks

T Part of the trustees' responsibility is to monitor the performance of their strategy relative to their objectives, and the performance of the investment manager(s) over time. To do this it is necessary to set a target which reflects the objectives, and benchmarks against which to measure manager performance.

Your needs

Y We have experience of advising over 40 charities and not-for-profit organisations. As an independent company, we are ideally placed to support your charity with bespoke, non-conflicted and understandable advice.

CLARITY

The Charity Commission published draft guidance in February 2013 which puts focus on the need for charities to take formal advice when considering their investment strategy. Barnett Waddingham's experience of advising charities and not-for-profit organisation can therefore assist trustees in meeting this need.

Our view is that a fund's investment strategy should be fundamentally related to its anticipated distributions, which will vary from organisation to organisation. This is unlike the 'stand-alone' approach of an investment manager whose advice will be centred around the performance and objectives of available investment vehicles. In our opinion, this is only part of the full picture.

Our approach advocates that all three of the following areas are reviewed in setting a charity's investment strategy:

- Agreeing appropriate objectives and then setting an asset allocation to reflect this;
- Investment management styles and benchmarks;
- Finding managers who can implement a strategy which is appropriate to the trustees' risk criteria.

We can assist charities with these three stages, and although trustees often believe that manager appointments are key to investment success, in practice we find that the first two stages are far more important.

We tailor our services to each fund we advise. Services may include some or all of the following:

- Agreeing investment objectives and understanding risk;
- Advice on governance issues (e.g. ethical policy, voting rights and so on);
- Preparation of a statement of investment objectives;
- Consideration of alternative asset classes;
- Setting benchmarks for investment performance measurement;
- Fee negotiation with investment managers (whether existing or new);
- Implementation of investment strategy changes.
- Ongoing performance measurement and analysis of investment manager reports;
- Attending trustee meetings.

"We are a charity with a £25m endowment, the income from which funds our work. Barnett Waddingham have been our investment advisers for the last 8 years. We have greatly appreciated their professionalism, the quality of their advice, their responsiveness to issues and questions we have raised, and above all the performance of our endowment! From time to time they have suggested new ideas and initiatives, and a recent decision to diversify our portfolio was based on a careful and thoughtful presentation by BW of analysis and options."

RAC Foundation for Motoring Ltd

Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively contact us via the following:

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