

# POLICY 009

Adopted on 26th April 2019, revised 22<sup>nd</sup> May 2021

## INVESTMENT POLICY

### 1 Introduction

- 1.1 Peak & Northern Footpaths Society was formed in 1894 and established as charity number 212219 in 1963. The objects are: creating, preserving and improving open spaces, public access rights and rights of way other than for mechanically propelled vehicles.
- 1.2 The financial objective of the Society is to at least maintain the real value of the assets whilst generating a stable and sustainable return to help fund the running costs of the Society.
- 1.3 The Society has property, investments and cash assets. The property, namely Taylor House, is on the balance sheet at the purchase price of £60k. The deeds are lodged with the Charity Commission Official Custodian. Cash assets consist of instant access, notice accounts and cash term bonds. Equity investments are lodged with our broker. These are the charity's assets that help finance the Society's activities.
- 1.4 The Society has delegated the consideration of investment matters to the Investment Advisory Group.
- 1.5 The Trustees of the Society have the final decision on investment and financial matters.

### 2 Investment objectives

- 2.1 The Society seeks to achieve the best financial return consistent with an acceptable level of risk.
- 2.2 The investment objective is to generate an overall return above inflation over the long term. This should allow the Society to at least maintain the real value of the assets, whilst helping fund annual expenditure.
- 2.3 The Society adopts a total return approach to investment, generating the investment return from income and capital gains or losses.

### 3. Risk

- 3.1 Attitude to risk. The Society relies on the investment return to help fund the day-to-day running costs of the Society. However, signposts, footbridges, memorials and rights of way improvements are generally one off awards and the number and value of these may vary depending on circumstances.

The key risks to the long-term sustainability of the Society investments are, market risk, event risk, inflation risk, interest rate risk, liquidity risk and credit risk for bond investments. In addition, there is implementation risk- i.e. the ability to implement an effective strategy that meets the Society's investment objectives. Manager performance is part of this implementation risk.

Economic recession and climate change are considered a significant event risk.

The Trustees understand that the capital value will fluctuate

The Trustees can tolerate volatility of the investment portfolio value of the Society if the Society is able to meet its short-term commitments through either income or liquid assets.

- 3.2 Assets. The Society's assets should be invested widely and should be diversified by asset class. Asset classes could include cash, bonds, equities, property and any other assets that are deemed suitable for the Society. The Investment Advisory Group is also charged with recommending a suitable equity allocation strategy with our broker, which is set so as to

achieve the overall Society investment objective. Our investment portfolio with our broker is classed as “lower risk” 1 to 3 on a scale 1 to 7. For sustainable/ethical a medium risk level 4 would be acceptable. The investments to be balanced between “growth & income” .

- 3.3 Currency. The base currency of the investment portfolio is sterling. Investments may be made in non-sterling assets.
- 3.4 Cash deposits should be spread, subject to a maximum exposure currently covered by the Financial Services Compensation Scheme at £85k per institution.

#### **4. Liquidity requirements**

- 4.1 To allow for volatility of capital values, the Trustees wish to maintain at least one year of expenses and overheads in cash deposits or lower-risk liquid investments, plus sufficient funds to cover future committed footpath improvements, signpost, footbridge, legal and other projects expenditure. These costs will be ascertained by reference to the Treasurer’s annual cash flow forecast.

#### **5. Time horizon**

- 5.1 The Society is expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability.
- 5.2 The Society will adopt a long term investment time horizon.

#### **6. Management, reporting and monitoring**

- 6.1 The Society has appointed a professional brokering firm by a written agreement to provide custody and a brokering service of the investment assets (excluding the property). This is on an execution only basis at the present time. The broker is required to produce a valuation and performance report quarterly. The cash and cash term bonds will be managed by the Investment Advisory Group. The Society has nominated a list of three authorised signatories, two of whom are required to sign instructions to the investment manager.
- 6.2 The Investment Advisory Group has responsibility for agreeing strategy and monitoring the investment assets. The group will meet every six months or as and when an investment decision is needed, to review the portfolio, including an analysis of return, risk and asset allocation. The group will monitor our investments constantly. They will recommend to the Trustees, if they feel it necessary, selling poor performing investments and reinvesting in a more cautious approach with lower risk, which could include sustainable/ethical investments at a medium risk level.

Minutes of the meeting should be taken and circulated to the other Trustees.

- 6.3 The Investment Advisory Group is to report formally to the Management Committee at least once a year. This report should include a review of asset allocation strategy, risk profile and consistency with the Society’s long-term investment objective. Performance of investments will be measured against the MSCI PIMFA Conservative Index benchmark used by our broker.

#### **7. Approval and review**

- 7.1 This Investment Policy Statement was prepared by the Investment Advisory Group of the Society to provide a framework for the management of its investment assets. It will be reviewed at least annually to ensure it remains appropriate.