

# Investment Policy

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## 1. Objective

The Charity Commission for England and Wales' guidance notes (Appendix 1) suggest any investment policy should address the following considerations:

- the creation of sufficient financial return to enable the charity (together with its non-investment resources) to carry out its purposes effectively, and without interruption, where a charity sets out to provide its services over a period of time
- the maintenance and, if possible, enhancement of the value of the invested funds while they are retained
- the management of risk
- the charity's stance on ethical investments (if any)

The objective of this policy is to set out what Sightsavers is seeking to achieve through the investment of its funds.

## 2. Document history and change control

Date	Action
July 2008	Policy originally approved by Trustees
February 2009	Policy updated based on feedback from an independent review undertaken by Horwath Clark Whitehill
February 2010	Further update by Council
October 2013	Policy updated and approved by Council.
October 2016	Policy updated and approved by Council: <ul style="list-style-type: none"><li>• Revision to asset allocation</li><li>• Update of reserves level to agree with revised reserves policy (Oct 2016)</li><li>• Credit risk has been introduced</li></ul>
October 2018	Policy reviewed and updated: <ul style="list-style-type: none"><li>• Reserves level amended to £7.5mm +/- £1.5mm in line with Oct 2018 policy change</li><li>• Investment asset quantum within the reserves target range rather than targeted at the bottom end of the range</li></ul>

Any changes to this policy must be approved by Council.

### 3. Responsibilities

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The Trustees' power of investment and their duties are defined by the Charity Commission and are incorporated into the updated Royal Charter (Appendix 2).

The Investment Committee as a committee of the Council periodically reviews the investment strategy, monitors investment activities against policy and regularly reviews the performance of the fund managers against benchmarks.

The Trustees have appointed UBS Wealth Management as their fund managers with discretion over day-to-day management of their funds within the investment policy framework.

### 4. Risk management

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There are several risk considerations that the Charity must be mindful of.

**Counterparty risk** is the risk that one of the firms with that Sightsavers does investment business will default on its contractual obligations. Trustees should not lose sight of the possibility of counterparty default and of the need to assess and manage the risk in the context of their particular investment strategy.

**Credit risk** is the risk associated with counterparty default. It is also the risk of a decline in the credit standing of a counterparty.

UBS are mandated not to invest in directly held sub-investment grade bonds.

**Investment risk** is the risk inherent in any investment. The risk may be seen as lying in the failure or under-performance of a particular investment. This risk can be mitigated by having a suitably diversified portfolio. In constructing a portfolio, due consideration should be given to striking a balance between security of return and level of return.

Investments are reported in the accounts in GBP. We do run **currency risk** as an organisation given the majority of income is in GBP with programme expenditure diversified across many countries and currencies. Currency risk is explicitly identified in the reserves policy, and some risk may be mitigated through hedging activity. From an investment perspective, we hold a well-diversified equity portfolio with some significant international exposure.

Maintaining the real capital value of the portfolio can be compromised by **inflation risk**. Inflation considerations are taken into account when constructing the strategic asset allocation. For example, in the current interest rate environment the risk of holding fixed income is a threat to long-term real value

## 5. Reserves

The purpose of holding reserves is to protect the organisation and its charitable activities by providing time to adjust to changing financial circumstances.

As a result of reviewing likely financial impact of key risks on reserves, a median target level of reserves of £7.5mm +/- £1.5mm is assessed as striking an appropriate balance between the need to spend income when received and maintaining operational integrity.

In terms of monitoring reserve levels, it is planned to maintain fixed asset investments within the reserve target range, with the remainder held in cash to provide some liquidity in the reserve holdings. The fixed asset investments will be made up primarily of the investment portfolio held with UBS.

## 6. Investment objectives

- 1) Investment levels are calibrated with target quantum of reserves
- 2) Maintain reasonable levels of liquidity
- 3) Investment returns are maximised at acceptable levels of risk
- 4) Meet ethical standards

Our investment manager's mandate is in line with our investment objectives.

## 7. Investment strategy

In August 2016, UBS completed an asset allocation review and an overall strategic allocation for the investment portfolio was targeted with the fund managers as follows:

Asset class	Strategic allocation	Allowed trading range
Fixed income/cash	25.0%	+/- 7.5%
Equities	52.5%	+/- 7.5%
Real estate	7.5%	+/- 2.5%
Hedge funds	15.0%	+/- 5.0%

The portfolio has a moderate risk profile. In 2016 the portfolio returned 10.2% net of fees and also returned 10.2% in 2017. These are above average returns for the portfolio driven by strong equity performance in both years. Average annual portfolio return (net of fees) in the five years to December 2017 has been in excess of 7.5%.

The UBS view is that the current asset allocation remains appropriate for Sightsavers and they are positive on equities and hedge funds. It is expected we will see more volatility and lower returns in the near term which should favour active fund managers like UBS.

Given adjustment in day-to-day valuations, it is not possible to manage allocations exactly.

The allowable trading range supports day-to-day valuation driven changes in the portfolio mix. It is possible that an extremely volatile market swing could push the portfolio outside of the target range, in which case the Investment Committee would need to assess whether to instruct the fund manager to rebalance the portfolio or report to Council a change to allocation in the light of specific market conditions.

The ranges allow some flexibility for the Investment Committee to agree for the fund managers to amend the asset allocations in light of forecast market conditions without seeking recourse to Council. Note, given these limits it would not be possible for Investment Committee to move outside a moderate risk portfolio (>70% in equities and property).

Short-term swings around target unrestricted reserve levels will be managed with increased cash holdings or borrowings to avoid active trading in and out of investments. There is a secured overdraft facility in place with UBS to facilitate this.

## 8. Reporting

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The Investment Committee receives regular reports from the fund managers. Reporting from UBS in support of Investment Committee performance oversight activities is kept under review to ensure it meets policy objectives.

## 9. Social, environmental and ethical considerations

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The Trustees are aware of their fund managers' attitude to social, environmental and ethical factors with respect to their selection of investments and are satisfied that they are taking a responsible approach.

In endeavouring to invest for the best financial interests of the beneficiaries, the Trustees have elected to invest primarily in pooled funds and cannot therefore directly influence the social, environmental and ethical policies and practices of the companies in which the pooled funds invest. As regards direct holdings in equities, we do not invest in arms or tobacco.

The Trustees have therefore decided not to impose any additional social, environmental and ethical guidelines on their managers.

## 10. Treatment of donated shares

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All shares received from a supporter donation will be sold as soon as reasonably practicable, unless there is a restriction as part of the condition of receipt.

## Appendix 1

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Charity Commission: Charities and investment matters: a guide for trustees  
[www.charitycommission.gov.uk/publications/cc14.aspx](http://www.charitycommission.gov.uk/publications/cc14.aspx)

## Appendix 2

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### Royal Charter: Investment Section

According to the Sightsavers Charter, dated 19 December 1989, The Royal Commonwealth Society for the Blind (Sightsavers) shall have the following powers.

#### **1. To invest the Society's money not immediately required for the Objects in any real or personal property, including shares, securities and other forms of investment, subject to the following:**

- in exercising any power of investment the Trustees must have regard to the standard investment criteria;
- before exercising any power of investment the Trustees must obtain in writing and consider proper advice about the way in which, having regard to the standard investment criteria, the power should be exercised;
- the Trustees must from time to time review the investments of the Society and consider whether, having regard to the standard investment criteria, they should be varied;
- when reviewing the investments of the Society the Trustees must obtain in writing and consider proper advice about whether, having regard to the standard investment criteria, the investment should be varied;
- The standard investment criteria in relation to the Society are:
  - the suitability to the Society of investments of the same kind as any particular investment proposed to be made or retained and of that particular investment as an investment of that kind; and
  - the need for diversification of investments of the Society in so far as is appropriate to the circumstances of the Society.
- The exception is that the Trustees need not obtain such advice if they reasonably conclude that in all the circumstances it is unnecessary or inappropriate to do so; and
- Proper advice is the advice of a person who is reasonably believed by the Trustees to be qualified to give it by their ability in and practical experience of financial and other matters relating to the proposed investment.

#### **2. To delegate the management of investments to a financial expert, provided that:**

- the financial expert is an individual who is an authorised person within the meaning of the Financial Services and Markets Act 2000; or
  - the financial expert is a society or firm or investment bank of repute which is an authorised or exempt person within the meaning of that Act, but excluding for this purpose persons exempt solely by virtue of Article 44 and/or Article 45 of the Financial Services and Markets Act 2000 (Exemption) Order 2001.
  - the investment policy is set down in writing for the financial expert by the Trustees;
  - every transaction is reported promptly to the Trustees;
  - the performance of the investments is reviewed regularly by the Trustees;
  - the Trustees are entitled to cancel the delegation arrangement at any time;
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- the investment policy and the delegation arrangements are reviewed at least once a year;
- all payments due to the financial expert are on a scale or at a level which is agreed in advance and are notified promptly to the Trustees on receipt; and
- the financial expert may not do anything outside the powers of the Trustees.



[www.sightsavers.org](http://www.sightsavers.org)

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