

**Community Foundation for Lancashire
Investment Policy and Procedures**

	Standard Criteria
Objective	'Balance' return between income and capital
Risk	Low/Medium
Mandate	Discretionary

Background

- Community Foundation for Lancashire manages a number of funds on behalf of clients. Having consulted with clients our investment policy aims to maximise our ability to make grants without reducing the real terms value of the endowment.
- We recognise that need to provide income for grant-making may compromise some of the capital growth opportunities that are available to us, especially in rising markets. This also needs to be borne in mind when reviewing our performance against external benchmarks which are more likely to place a higher emphasis on growth and a lower emphasis on income.
- The investment parameters are widely drawn to give a degree of discretion to our investment managers. However, we would never expect to hold 100% of the funds in equities, or indeed be significantly higher in overall equities (75%) than our internal benchmark would suggest for any significant period of time,
- We intend to take a medium-term view of performance and are working on a 7 – 10 year time horizon. As such there will inevitably be short-term fluctuations as the markets change. However, once the portfolio settles down we are not looking for a high level of transaction to maximise short-term gain; instead we are taking a lower risk approach through quality stocks to achieve a stronger medium-term position.

Targets

- The portfolio mix will fall within the following broad planning ranges:

UK Equities	35-75
Non-UK Equities	10-30
Fixed Interest	15-35
Other Assets	0-10
Cash	0-20

Benchmark

- We intend to monitor performance against 2 benchmarks, 1 internal and 1 external. The reason for this is that our investment drivers are slightly different from those contained within the standard external benchmarks so we wish to be able to monitor like for like performance (the internal benchmark) but also ensure that we do not lose sight of wider sector performance (the external benchmark).

Appendix C

The internal benchmark will assume the following:

55%	FTSE All Share
20%	FTSE World ex UK
25%	Government Securities All Stocks (Gilts)

The external benchmark will be WM Unconstrained Charity Median.

The bonds held will be of 'investment grade' i.e. BBB or better

Restrictions

- No initial equity investment should exceed 5% of the total value of the funds under management.

Risk Profile

- The trustees recognise the risk associated with investment in mainstream financial markets and accept this risk in return for the prospect of additional returns over longer periods of time. As such, they wish to remain largely invested at all time, subject to cash reserves being held as part of the investment management process and to cover liabilities. The investments of the trusts should be well diversified and include a range of assets including fixed interest stocks, UK shares, overseas shares and alternative investments. Investments in Fund of Hedge Funds are permitted if deemed appropriate.

Review

- This policy statement will be reviewed on an annual basis.
- We would expect the Investment Managers to meet annually with each of the Community Foundation trustees and the Finance & Management Advisory Group, and that these meetings should be roughly 6 months apart.
- The trustees of the Community Foundation and the Finance & Management Advisory Group review investment performance on a quarterly basis.