



## **INVESTMENT POLICY STATEMENT**

### **1. Introduction**

The principal activity of the charity is to promote aid and assist the objectives, work and business of the Church in Wales generally in the Diocese of St. Davids.

The principal aim of the Board is to generate sufficient income to fund its activities, predominantly the support of ministry within the Diocese, via a mix of Ministry Share, Provincial grants, investment, and other income.

The purpose of this policy statement is to establish a clear understanding of the investment policies, guidelines, objectives and restrictions for St Davids Diocesan Board of Finance.

This statement will outline an overall philosophy that is specific enough for an investment manager to know what is expected but sufficiently flexible to allow for changing economic and market conditions.

Investments are made to produce growth by either capital appreciation or reinvestment of income. Instructions in respect of specific trusts are dictated by the requirements of each individual trust.

The trustees of the Board have delegated decision making on investment matters to the Investment Sub-Committee.

### **2. Investment Objectives**

The Board seeks to produce the best financial return without taking undue risk. The investment objective is to balance income and capital returns.

The assets should be managed to at least maintain the real capital value, whilst generating a sustainable level of investment income to support St Davids Diocesan Board of Finance activities. Where possible, the value of the assets should be enhanced as to at least keep pace with inflation over the longer term.

The Board adopts a total return approach to investment, generating the investment return from income and capital gains or losses. It is expected that if in any one year the total return is insufficient to meet the budgeted expenditure, in the long term the real value of the Board investments will still be maintained in accordance with the above investment objective.

Rathbones has changed the benchmark against which performance is measured to a bespoke benchmark from the FTSE to the WMA balanced index; due to its volatility.

### 3. Risk

The overall investment direction is to maximise the return consistent with the risks that the Board is willing to accept. The Board recognises that risk (i.e. the potential for variability of asset values) and the potential of loss in purchasing power (due to inflation) are present to some degree with all types of investment vehicles.

The Board has accepted a medium degree of risk.

The trustees can tolerate volatility of the capital value if the Board is able to meet its short-term expenditure commitments.

The portfolio should be diversified to provide reasonable assurance that no single class of investment will have a disproportionate impact on the total portfolio. Assets classes could include cash, bonds, equity, property, private equity, commodities and any other asset that is deemed suitable, bearing in mind the ethical restrictions. Bonds and equities must be quoted on a recognised investment exchange and unit trusts and open-ended investment companies authorised under the Financial Services and Markets Act 2000.

In order to meet objective, the Board has determined the following range of asset splits:

Cash	0% - 7%
Fixed Interest	15% - 35%
Equities	53% - 80%

Within the equity allocation, overseas holdings are permitted up to 50%.

Asset mix may be changed from time to time, strategically or tactically, based on the economic and securities markets outlook, as well as income requirements and the Chairman and Vice Chairman of St Davids Diocesan Board of Finance may, if considered appropriate, alter the above range of asset split to react to market forces. The overall risk level of the assets in terms of potential for price fluctuations should not be extreme.

The Investment Sub-Committee are responsible for identifying and monitoring suitable investment managers on a regular quinquennial basis. The basis of the investment managers remuneration will be that detailed at the time of their being appointed investment managers. The advisors should be notified that reasonable notice should be provided to the trustees in the event of the investment managers amending its fee and commission regime.

The base currency of the investment portfolio is Sterling.

### 4. Liquidity Requirements

Investment funds are generally not disinvested, their aim is to provide income and capital growth. Money that is required at short notice is held by the investment advisers and not included in the main portfolio. The Portfolio should not hold any significant amounts in cash unless requested for a specific project.

Monies can only be incorporated into the main portfolio on 1<sup>st</sup> of January, 1<sup>st</sup> of April, 1<sup>st</sup> of July and 1<sup>st</sup> of October in any one year.

Income that has accrued in each month is to be transferred to St Davids Diocesan Board of Finance Legacies bank account within 30 days of the respective month end.

## **5. Time Horizon**

The Board is expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability.

The Board can adopt a long-term investment time horizon.

## **6. Ethical Investment**

As a Christian Church we are tasked to co-operate with God's active presence in the world and with proclaiming the values of the kingdom of God. This means that the Church has a particular interest in promoting all that furthers justice and peace, that enables full human flourishing, that honours creation and that builds creative human communities.

The Church in Wales wishes to have an investment policy that is ethical and consistent with the furtherance of our aims and objectives. The Board believe that it is entirely appropriate and possible to operate such a policy alongside the requirement to achieve the best returns from our investment, and to use investments as an ethical means of contributing to the cost of ministry and mission in the Province.

The Trustee aim is to invest in successful companies that are committed to developing their business in the interests of their shareholders, customers, local communities and employees by operating:

- Responsible employment practices;
- Conscientious corporate governance;
- Policies and practices which demonstrate a proper regard for the environment and for the well-being of the created order;
- Policies sensitive to the human rights and well-being of individuals and communities in which they operate;
- Fair trading practices.

In its policy for investment, the Church in Wales will use its best endeavours not to be associated with companies whose products or policies conflict with these aims or to invest in companies which:

- Are responsible for the wanton despoliation of the environment;
- Are responsible for anything that threatens peace, security and communal well-being;
- Exploit, demean, corrupt or degrade humankind, especially the poor or the financially vulnerable;
- Are indifferent to the well-being of animals.

The Board recognise the complexities surrounding the activities or companies in which it may invest and reserve the right to make investment decisions on a case-by-case basis. The Board will endeavour to engage with companies which are in actual or potential breach of this policy or where concerns exist over environmental, social and governance issues before considering disinvestment.

The Church in Wales wishes to be a well informed and responsible investor, and to this end is represented on the Church Investors Group, which is a means of accessing research, obtaining reliable information, sharing best practice with other member organisations and exercising combined shareholder influence.

A valuable relationship exists between the Investment Committee and the Church in Wales Ethical Investment Group to which the Committee refers problematic cases, and from which it receives an annual report.

The Diocese of St Davids fully concurs with the policy of the Church in Wales as referred to above.

It is Board policy to not normally or knowingly to invest in any company:

- which derives more than 5% of whose turnover derives from pornography, predatory lending activities or the proliferation of armaments.
- which derives more than 5% of turnover from the production or the extraction of fossil fuels.
- Which derives more than 10% of turnover from the production and sale of tobacco, gambling, and alcohol.

## **7. Management, Reporting and Monitoring**

The Board has appointed a professional investment management firm to manage the assets on a discretionary basis in line with this policy. An investment management firm will be required to comply with all applicable laws, rules and regulations.

The investment manager provides custody of assets. They are required to produce a valuation and performance reports quarterly. At the end of each calendar quarter a valuation and accompanying report is to be provided encompassing the following:

- A list of all investments held together with their respective book costs, current market value and estimated income and yield
- A performance analysis for the period covered by the report (quarterly)
- A transaction schedule detailing both purchases and sales
- Details of any non-market transactions and rights issues, capitalisations or other corporate actions
- A detailed review of the market environment for the period including specific comment on the individual holdings in the portfolio and any other economic considerations that are relevant

The Board's Investment Sub Committee is responsible for agreeing strategy and monitoring the investment assets. The Sub Committee meets six times a year to authorise any withdrawals and incorporations and to review the portfolio, including an analysis of return, risk and asset allocation. Performance will be monitored against agreed market benchmarks (Rathbones bespoke balanced).

The investment manager is required to be present at two of the Investment Sub Committee's meetings. In addition to complying with the specific requirements detailed in the investment policy statement the appointed investment manager must pay heed to the general power of investment embodied in Section 3 of The Trustees Act 2000. All investments should be suitable and overall constitute a degree of diversification as required by Section 4 of the Trustees Act 2000.

The Investment Sub-Committee is to report formally to the Board's Executive Committee in their meeting. The trustees are aware that the ongoing review and analysis of investment managers is just as important as the due diligence implemented during the manager selection process.

## **8. Approval and Review**

This Investment Policy Statement was prepared by the Accounts Officer for the Investment Sub-Committee of St Davids Diocesan Board of Finance to provide a framework for the management of its investment assets. The Investment Policy Statement will be subject to reviews as required by the trustees and amendments will be advised in writing to the investment advisors. In any event, the Investment Policy Statement will be reviewed at least once a year to ensure that it remains compatible with the St Davids Diocesan Board of Finance objectives and requirements.

It is anticipated that the investment managers will be formally reviewed every five years, or at such time as deemed appropriate by the trustees.

**Nia Evans BA FCCA  
Accounts Officer**

**Date of Investment Policy Statement: May 2021**