



# St Edmund Hall Endowment – Investment Policy

January 2022

## Background

St Edmund Hall has significant endowment funds available for investment and this Investment Policy is a statement of objectives and principles agreed by the Governing Body on the investment and stewardship of these funds.

The Governing Body is ultimately responsible for oversight of the Hall's investment strategy.

The Governing Body has delegated through the Finance Committee investment decisions to the Investment Sub-committee. Investment management is delegated to authorised investment manager/s regulated by the FCA.

The ISC is responsible for the continual monitoring and review of both the investment performance and compliance with this policy of the Hall's investment manager/s. At the date of this paper the Hall has two investment managers: Oxford University Endowment Management Ltd and Rathbone Greenbank Investments.

## Objectives

The objective of the Hall's investment strategy is to preserve and grow the real value of the endowment over the long term paying due regard to the aims of the Hall's ten year Strategic Plan and the policies of the Governing Body whilst targeting a drawdown requirement of circa 3.5% per annum to sustain core activities, the requirements of trust law and the UK Charities Act, relevant UK government treaty obligations, and changing expectations as regards the Hall's ESG commitments.

The Trustees maintain sufficient liquid reserves to meet any shorter-term requirements.

The long-term objective is to grow the real value of the endowment, which requires protecting the real value of the assets from erosion by the effects of inflation, as defined by CPI.

The Trustees wish to invest on a total return basis, with no preference for capital growth or income.

Referencing these requirements, the overall long-term financial total return objective is at least CPI+4% average annualised.

## Risk Management

The Hall expects to continue in perpetuity and can, therefore, take a very long-term perspective in its investment strategy. The Hall accepts that it will take investment risks to achieve the returns it seeks and that volatility is an unavoidable consequence. The Hall will seek to mitigate the most extreme impact of volatility through diversification. Investment assets are held as endowment funds and the key risk to these long-term reserves is inflation, and the assets should be invested to mitigate this risk over the long term.

## Investment Approach

Assets can be invested widely and should be diversified by asset class and by security. The following guidelines and parameters have been given to the Hall's investment manager/s:

Equity Diversification – To mitigate risk from any specific security, the maximum exposure to a single equity at a time of purchase is 3%. The maximum exposure post-purchase is set at 5%.

Mutual Fund Diversification - The maximum exposure to any one collective investment vehicle at a time of purchase is 10%. The maximum exposure post-purchase is set at 15%. No more than 5% of the total size of any collective investment vehicle can be held within the Portfolio.

Equity Index Tracker Diversification - The maximum exposure to Exchange Traded Funds (ETF's), where the underlying is one of the G10 major market equity indices, is 15% per single investment. Maximum exposure to any other ETF is set at 7.5% per single investment. No more than 5% of the total size of any ETF can be held within the Portfolio. Synthetic vehicles are allowed for obtaining exposure to commodities only with a maximum exposure to a single investment of 5% at purchase and 7.5% post purchase.

The Investment Strategy allows for a wide choice of investments and investment instruments, recognising that financial markets will evolve, adapt and bring forward opportunities that cannot always be anticipated.

The Investment Sub-committee will agree a suitable asset allocation strategy and benchmark for the reserves with the investment manager/s.

## Currency

The base currency of the investment portfolio is Sterling. Within the long-term reserves, investment may be made in non-Sterling assets. Decisions to hedge the currency risk or not is part of the investment process and will remain with the Hall's investment manager/s according to market circumstances. The investment manager/s may use derivatives for the purpose of currency hedging, though derivatives are not expected to be used under normal circumstances for investment purposes.

## Treasury

The Hall's cash balances should be deposited with institutions with a minimum rating of A- or invested in a diversified money market fund. The spread of deposits by counterparty will be continually monitored and reviewed by ISC.

## Liquidity Requirements

St Edmund Hall requires drawings of circa 3.5% per annum to fund the Hall's core activities. A targeted drawdown will be agreed with the investment manager on an annual basis.

Due to the nature of the reserves, the Governing Body wish to keep at least 90% of the non-OUEM long-term reserves in investments that can be realised within three months.

## Ethical / ESG Investment Criteria

The Hall requires its investment managers to invest in companies with a positive ESG (environmental, social and governance) impact. Where part of the portfolio consists of OUEM Funds, the Hall expects the highest standard of investment management. The ISC is cognisant that OUEM, as they report to Oxford University and the Colleges, have strict risk-management ESG criteria which is [publicly reported](#). Rathbone Greenbank will manage the endowment funds by investing in entities that demonstrate 'best in class' employment, environmental and human rights policies and practices within their industry and/or produce environmentally beneficial goods and services.

ESG issues that are deemed relevant to the Hall's long-term investment strategy will be taken into account, whether related to the long-term real value of the endowment and/or the risk factors that may harm or enhance the reputation of the Hall. One such issue is climate change. The Hall will require its investment managers to take this issue into account through:

- Increasing exposure to investments which are *directly* contributing to climate change mitigation or low-carbon energy development and / or investments *indirectly* supporting a low-carbon

economy by reducing their own emissions consistent with a 1.5 degrees Celsius warming scenario or providing technology, products or services that facilitate the transition.

- Engaging with companies and policymakers to encourage actions consistent with transitioning to a low-carbon economy and aligned with the Oxford Martin Principles for climate conscious investment. This will include requesting that entities commit to a credible pathway to net zero emissions by 2050, a profitable net zero business model, and establishing quantitative medium-term targets compatible with the Paris Agreement.

## Restricted investment areas

The Trustees of St Edmund Hall have set the following restrictions for its investments.

- Direct investments in companies that have a record of serious or repeated contraventions of national or international human rights, environmental or employment standards;
- Direct investment in any fossil fuel exploration and extraction companies, including coal, oil and gas exploration and extraction, in addition to a ban on thermal coal and oil sands;
- Direct investment in tobacco companies (as defined by UK Cancer Research);
- Direct investment in companies which manufacture or sell arms that are illegal under the Munitions (Prohibition) Act 2010 or the Landmines Act 1998;
- Direct investment in companies materially involved in the following industries: alcohol, gambling and pornography; and
- Direct investment in pharmaceutical companies who provide products to US states for use in human executions.

The Trustees recognise that ethics are not clear-cut and that difficult judgements need to be made, especially in relation to collective investment schemes.

## Monitoring

The Investment Sub-committee has responsibility for agreeing strategy and monitoring the investment assets, the risk management practices of providers, and the 'fit' between the stated goals and objectives of the investment managers and that of the Hall. The Investment Sub-committee has nominated a list of authorised signatories, two of which are required to sign instructions to the investment managers.

Professional investment management firms have been appointed to manage the assets on a discretionary basis, in line with this Investment Policy.

The investment managers will provide the following information on a quarterly basis: valuation of investments, transaction report, cash reconciliation, performance analysis, market commentary, cost analysis of investment management, along with any other additional reports as agreed.

The Investment Sub-committee will review the information provided by the investment manager at each Investment Committee meeting. The investment manager will be required to present at each meeting, on request.

Performance of the long-term reserves will be measured against the agreed benchmark(s). The return of the short-term reserves will be monitored against benchmark cash rates. The level of capital volatility will be monitored to ensure the risk profile remains appropriate for the Hall.

# Approval and Review

This Investment Policy Statement was prepared by the Investment Sub-committee of St Edmund Hall to provide a framework for the management of its investments.

It will be reviewed on an annual basis to ensure continuing appropriateness.

Policy approved by the Investment Subcommittee for recommendation to Finance Committee and Governing Body approval.

Date: 24<sup>th</sup> January 2022

Next review date: January 2023

## Version Control:

Version	Date Created	Created By	Position	Authorised By
1	October 2020	E Burnett	Finance Bursar	Governing Body 10 <sup>th</sup> February 2021
2	October 2021	E Burnett	Finance Bursar	Governing Body 3 <sup>rd</sup> November 2021
3	January 2022	E Burnett	Finance Bursar	Governing Body 8 <sup>th</sup> February 2022