A. Co-Investment Policy

Contents

1 Purpose of the Investment Policy Statement

The investment policy sets forth the process that the Foundations have adopted to make investment decisions with regard to their medium to long term assets. This policy identifies the investment risk, goals and objectives of these monies. It sets out the decision-making process for selecting investment managers and specifies the procedures together with the relevant measurement indices to be used in assessing ongoing investment performance. The investment objectives and goals will be used as the basis for evaluating future investment performance and reviewed annually by the Co-Investment Committee.

2 Policy Decision

The Foundations have made the decision to set up a Co-Investment Committee to represent each Foundation and carry out the due diligence to co-ordinate the appointment of Investment Managers to invest the monies on a discretionary basis. The Co-Investment Committee delegates to the Investment Managers the fiduciary day to day responsibilities for investing and managing the assets in accordance with this policy statement.

The role of the Co-Investment Committee in regard to the objectives, responsibilities principles and practice are detailed in the attached document 'Co-Investment Policy Terms of Reference'.

3 Records

The Co-Investment Committee will meet quarterly or more frequently if appropriate and maintain records of all decisions relating to the choice and ongoing monitoring of the investment funds including investment risk. Minutes shall be taken of all formal meetings, attendees, matters discussed and decisions reached. The minutes shall document investigations, facts and the reasoning that went into the making of such decisions and retain records of any supporting documentation.

The Investment Managers will provide valuations quarterly or on request and attend Co-Investment Committee meetings as required. Valuations and other documents may also be made available via the online portals of the Investment Managers.

The Investment Managers will provide quarterly progress reports and an annual review, or more often as requested. The Investment Managers will forward contract notes for all transactions to a representative of each Foundation if required.

The Co-Investment Committee will retain a minuted record showing that this policy statement has been implemented throughout the year and reviewed annually.

4 Investment Philosophy, Objectives, Constraints and Goals

The investments will be selected from a wide range of asset classes so as to allow for diversification and cover a broad spectrum of risk/return in order to maximise the performance in accordance with the level of risk determined by the Foundations. The Investment Managers have the freedom to purchase individual shares or collective investment funds and allocate the monies on a discretionary basis in order to provide long term income and growth.

The investment goal is for the capital to return a minimum rate net of fees above inflation as measured by Consumer Price Inflation (CPI) over rolling periods of 3 to 5 years to equate to a Total Return of 4% above CPI. The Foundations recognise that markets do rise and fall and will monitor the investment performance against the MSCI PIMFA Balanced Total Return Index and the ARC Charity Index ('Steady Growth') These benchmarks together with any proposed by the Investment Managers will inform the Co-Investment Committee of the relative quality of the Investment Managers.

Taking Charity Commission guidelines into account, the Foundations acknowledge the importance of aligning our approach to investment practices with our missions and values. In doing so, we aim to generate positive social and environmental impacts, contribute to a sustainable world, and ensure long-term financial performance. [1]

The Co-Investment Committee expects the Investment Managers to respect that these are charitable funds, to be aware of the issues involved and avoid making investments in controversial assets. In particular, the Foundations require our investment managers to screen out investments in companies that generate 10% or more of their revenue from the following activities:

- Adult entertainment
- Manufacture of indiscriminate armaments & civilian firearms
- Gambling
- Tobacco production, distribution and retail

[1] It is our intention to ensure all of our investments, whether direct or via funds, meet the proposed FCA 'Sustainable Improvers' category subject to final confirmation of those standards, expected in 2024.

Moreover, unless otherwise agreed, we expect our investment managers to be signatories of the UN Principles of Responsible Investment. To monitor responsible investment practices, investment managers will provide annual reports to the Co-Investment Committee detailing their approach to responsible investment.

The Foundations are conscious of the threats that climate change poses to our communities. We expect our investment managers to be participating in Climate Action 100+, an investor-led initiative focused on enhancing climate change governance, emissions reduction, and climate-related financial disclosures. We will also review our policy on investing in companies whose principal source of income is derived from the extraction and processing of fossil fuels annually.

In the event that a donor requests an ethical or sustainable policy in respect of their donation or a participating Foundation wishes to increase their exposure to an ethical or sustainable investment, that Foundation will work with our appointed Investment Managers to identify a suitable option.

5 Investment Risk

The Co-Investment Committee will review risk every year, and not less than every five years a sub-committee drawn from members of the Co-Investment Committee and comprising at least one, maximum two, member(s) from each Foundation, will undertake a risk assessment based on recognised industry criteria, with input as appropriate from the Investment Managers.

This will inform overall asset allocation policy for the portfolio and provide an indication of the possible fall in capital resulting from the accepted level of risk. The risk rating should be formally reported to the Co-Investment Committee, understood, amended if appropriate and adopted, subject to approval by the board of each Foundation.

6 Investment Manager Diversification

The Co-Investment Committee has made the decision to choose more than one Investment Manager so as to introduce an element of diversification to the management of the monies.

This is of particular relevance given that the total invested is approximately £50m (December 2023).

It is recommended that each Foundation use a minimum of two and a maximum of three investment managers and that, where practical, endowment assets should be split equally between the appointed managers.

CCLA's original appointment as Investment Manager was a consequence of the Community First Endowment Match Challenge initiative. This relationship is managed by UK Community Foundations (UKCF) and not individual Community Foundations. Individual Foundations are permitted to place additional assets with CCLA if appropriate.

The Co-Investment Committee will take into account the assets managed by CCLA when assessing the suitability of the overall portfolio.

7 Selection and Monitoring of Investments

When selecting an Investment Manager, the Co-Investment Committee should consider the Manager's ability and understanding of the objectives, goals and charitable nature of the Foundations. The Co-Investment Committee should have an understanding of the likely volatility of the portfolio, the Manager's ability to make decisions and review the mix of the whole portfolio. In addition, the competitiveness of the Manager in regard to fees should be considered and the impact of underlying collective investment fees that may or may not be included in the portfolio. Consideration shall be given to the organisation's size, structure and history, management profile, past performance, investment philosophy, staff experience and depth of research capabilities.

The Co-Investment Committee shall evaluate the performance of the existing Investment Managers at least annually with comparisons against the relevant indexes. Following twelve months of underperformance against the primary benchmark, currently Consumer Price Inflation + 4% pa, the chair of the Co-Investment Committee will request from the Investment Manager a written explanation for the underperformance.

Following a further twelve months of underperformance i.e. after two consecutive years, the Investment Manager will be notified formally that improvement is required and will be asked for a plan showing how this will be delivered. No new funds will be directed to the Investment Manager until the necessary improvement has been achieved.

Following a third year of underperformance i.e. after three consecutive years, the Co-Investment Committee will undertake a full review, which may result in termination of the Investment Manager's contract.

The Co-Investment Committee reserves the right to vary these procedures should the circumstances require it.

8 Additional Guidelines

For clarity this investment policy only applies to those monies the charity has designated as medium to long term funds. This policy does not apply to cash held on deposit for working capital or day to day cash flow needs.

9 Review, Revise and Adoption of the Investment Policy Statement

The Co-Investment Committee can amend this policy statement at any time as it deems necessary or the Trustees of the participating Foundations determine.

This investment policy statement has been prepared by the Co-Investment Committee of the Devon, Dorset, Somerset and Wiltshire Community Foundations and has been approved by the boards of each of these Foundations.

THIS UPDATED DRAFT WAS PRESENTED TO CO-INVESTMENT COMMITTEE IN DECEMBER 2023 WITH A VIEW TO BE FORMALLY ADOPTED BY ALL COMMUNITY FOUNDATIONS IN THE CO-INVESTMENT COMMITTEE BY JULY 2024

Approved by:

Devon Community Foundation	Date
Dorset Community Foundation	Date
Somerset Community Foundation	Date
Wiltshire Community Foundation	Date