INVESTMENT POLICY

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CONTENTS

1. INTRODUCTION 1
2. RESPONSIBILITY 2
3. OBJECTIVES 2
4. COUNTERPART RISK 2
5. COUNTERPART RESTRICTIONS 2
6. ASSESSING LIQUIDITY NEEDS 3
7. INVESTMENT PRODUCTS 3
8. INVESTMENT DECISIONS 4
9. MONITORING & REPORTING 4
10. REVIEW 4

1. INTRODUCTION

1.1 This Investment policy is designed to only apply to short term cash-based deposits and does not apply to any strategy that may be in place or put in place for investing in 'capital at risk' investments.

1.2 Purpose and scope

To set out the processes by which the Trust can invest funds surplus to day-to-day operational requirements and to ensure that investment risk is properly and prudently managed.

In doing so, Trustees must:

- Act within their charity's power to invest.
- Set investment objectives.
- Set the parameters that deposit counterparties need to meet.
- Consider the level of liquid cash required to be held either overnight or within current accounts.
- Approve the type of products that the Trust can invest in and seek external guidance if required.
- Define processes to manage and make investment decisions.
- Monitor and review investments on a regular basis.

2. RESPONSIBILITY

2.1 The Trustees delegate the day-to-day responsibility of managing and implementing the investment policy to the Accounting Officer to ensure investments are managed in accordance with this policy and monitor regularly how the Trust's investments are performing.

3. OBJECTIVES

3.1 To identify a level of funds that can be placed on deposit to generate additional interest income for the Trust in order to support its on-going charitable objectives.

3.2 Any investment decisions must be supported by a cashflow forecast that reduces the risk of the Trust not having the liquidity required to carry out its day-to-day activities.

4. COUNTERPART RISK

4.1 Following the Banking Crisis in 2007/2008, The Bank of England have (through the FSA and latterly, the FCA and PRA) implemented changes to banking regulation and capital requirements of UK FCA registered banks to ensure the stability of the UK Banking system.

As such, the Trust can only make cash deposits with institutions with a UK banking licence regulated by the FCA.

5. COUNTERPART RESTRICTIONS

5.1 The table below shows the levels the Trust can deposit with Institutions carrying a particular credit rating or implied credit rating at the time of deposit.

5.2 The Credit rating or Implied Credit Rating will be checked at the time of placing a deposit with a new institution.

5.3 It is worth noting that Implied Credit Ratings are usually the 'long term' position, however, the Trust will only by depositing 'short term' in deposits with a maturity date or notice period of 12-months or less. It is recognised that the Trust's main current account balance may exceed the deposit limits stated. For the purpose of this investment policy, current account balances are excluded from the counterparty limits detailed.

Ratings comparison supplied by Insignis Cash Solutions

Rating	Moody's Long Term	Moody's Short Term	S&P Long Term	S&P Short Term	Fitch Long Term	Fitch Short Term	
Investment grade: Highest (Triple A)	Aaa	P-1 (Prime-1)	AAA	A-1+	AAA	F1+	Limit +£1.5m per institution (plus interest accrued)
Investment grade: Very high	Aa1		AA+		AA+		
	Aa2		AA		AA		
	Aa3		AA-		AA-		
Investment grade: High	A1		A+	A-1	A+	F1/F1+	
	A2	P-2/P-1	A		A	F1	
	A3	P-2/P-1	A-	A-2	A-	F2/F1	
Investment grade: Good	Baa1	P-2 (Prime-2)	BBB+		BBB+	F2	Limit + £750,000 per institution (plus interest accrued)
	Baa2	P-3/P-2	BBB	A-3	BBB	F3/F2	
	Baa3	P-3 (Prime-3)	BBB-		BBB-	F3	
Speculative grade: Speculative	Ba1		BB+	B	BB+	B	Limit = £0
	Ba2		BB		BB		
	Ba3		BB-		BB-		
Speculative grade: Highly speculative	B1		B+		B+		
	B2		B		B		
	B3		B-		B-		
Speculative grade: Very high risk	Caa1	Not Prime	CCC+	C	CCC	C	Limit = £0
	Caa2		CCC				
	Caa3		CCC-				
Speculative grade: Very near to default	Ca		CC		CC		
			C		C		
			C		C		
In default	C		SD/D	D	RD/D	RD/D	

6. ASSESSING LIQUIDITY NEEDS

6.1 The Trust should ensure that a sufficient balance be held across accounts with short term (Instant or easy access) so that the Trust's financial commitments can be met without the risk of the current account going overdrawn.

6.2 It should also allow enough flexibility to deal with reasonable, one-off events should they occur.

6.3 The Trust's cashflow forecasts will dictate how much is available for investment and for how long.

6.4 The cashflow forecasts should be reviewed monthly as part of the management accounts cycle and on maturity of fixed term deposits.

6.5 It is noted that notice and term deposits will not be accessible before the required notice period or maturity date for any reason.

7. INVESTMENT PRODUCTS

7.1 The Trust can invest surplus funds in a mixture of interest-bearing accounts and money market facilities (where the capital is not placed at risk) including:

- Overnight (instant access/easy access)

- Notice accounts (typically from 30-days to 100+ days)
- Fixed term deposits (typically from 1-month to 12 months)
- Investment maturity dates should not exceed 12 months in term unless funds are held for a specific future product with no risk of requiring access in the meantime.
- It is recognised that funds cannot be accessed before the relevant period of notice is given or, for fixed term deposits, at maturity.

8. INVESTMENT DECISIONS

8.1 The CFO is responsible for producing reliable cashflow forecasts as a basis for decision-making.

8.2 Decisions on investment will be recommended by the Finance Director and CFO, the Accounting Officer is responsible for making investment decisions that comply with this policy.

8.3 Deposit facilities in use by the Trust must be restricted to 'dual control' for the opening of a deposit, placing funds and withdrawing funds. Investments will be authorised by the any two of the following: Accounting Officer or Heads of School.

9. MONITORING & REPORTING

9.1 The CFO will report investments held and the performance of investments against objectives to the Resources Committee termly or when requested to do so. The reporting should include:

- Funds invested
- Maturity dates
- Interest rates
- Latest cashflows showing 12-month liquidity requirements
- Recommendations for the next 3 months.

10. REVIEW

10.1 Trustees should review the Investment policy to ensure it is still fit for purpose annually.