

Investment policy

2016

Introduction

St Luke's Healthcare for the Clergy has a long history of supporting the health and wellbeing of the Anglican clergy. St Luke's supports the physical and psychological health of the clergy in a number of ways, including accessing over 100 honorary consultants, renowned in their specialist fields, who give their time and expertise free of charge. Health care is delivered in a compassionate, confidential and timely way. Feedback tells us that St Luke's is greatly appreciated by members of the clergy and their families who use our services.

Financial background

The majority of the charity's income over the last ten years has come from legacies. This is an inherently volatile source of income, so in order to ensure the continuation of the work of St Luke's, the Trustees' policy is to maintain significant reserves. Voluntary income in some years falls well short of the amount needed to fund the charitable activities and the annual running costs.

While efforts are underway to grow the non-legacy fundraising income, it will take time and the Trustees anticipate that, in the next few years, expenditure from reserves will continue to be required. The Trustees are working towards a situation where they will be able to meet annual charitable expenditure and operational costs of the charity from voluntary income, and only draw down the reserves in exceptional circumstances. The Reserves Policy sets out the Trustees' plans to use reserves to fund charitable expenditure when there is an income shortfall.

As of March 2016, St Luke's has financial assets of approximately £1.8m. Of this, £850,212, representing the proceeds of the sale of the Hospital in 2009, has been maintained as a Permanent Endowment Fund, managed by Brewin Dolphin. Of the £0.95m remaining, approximately £0.75m is to be held as an investment portfolio, also managed by Brewin Dolphin. This portfolio is intended to support the medium term objectives of St Luke's, with commensurately lower risk than the Permanent Endowment portfolio. Finally approximately £200,000 is to be held on deposit, to cover short term needs.

Investment powers

There are no specific restrictions or requirements in the Memorandum and Articles of Association. The Trustees are governed by the Trustee Act 2000 which sets out the general power of investment.

Investment objectives

The charity's investment objective is to maximise the total return of the portfolio over the longer term using a balance of capital growth and income with a prudent level of risk. The investment portfolio does not include any investments in companies associated with tobacco products or the arms trade, in accordance with a decision of the Trustees. At present, no further ethical restrictions apply, although Trustees reserve the right to exclude from the portfolio any investments in companies whose representation might prove damaging, directly or indirectly, to the purposes or reputation of the charity.

Risk

The Trustees have considered the risks inherent in investing a significant proportion of the charity's assets in the stock market. They have considered factors such as diversification, levels of exposure, inflation, currency fluctuation and interest rate. The assets of the charity are invested so as to mitigate these risks. The Trustees consider that the asset allocation strategy used by the investment managers meets the requirements to achieve the overall investment objective.

Liquidity requirements

St Luke's wishes to balance maintaining and enhancing the value of the funds to enable the charity to carry out its purposes in the future versus providing an income to help the charity carry out its purposes effectively in the short term. To this end it maintains cash reserves in the region of £0.2m and an investment portfolio in the region of £1.6m. The Trustees consider that sufficient funds are held at the bank to meet the charity's short-term needs.

Time horizon

The volatility of legacy income means that short-term cash deposits need to be available to meet any annual shortfall in income in the coming years. The charity has been in existence for over 120 years and the Trustees wish to hand the charity on to their successors as a viable long-term provider of health and wellbeing services to the clergy - hence the need to maintain substantial long-term reserves.

Management, reporting and monitoring

The charity's finances are reviewed quarterly by the Trustees at Board meetings. The investment portfolios are managed by the investment company Brewin Dolphin on a discretionary basis. The investment managers provide quarterly narrative and financial reports, which are reviewed by the Trustees at their meetings.

Brewin Dolphin provide information quarterly on the investment portfolios as follows: overall valuation, performance summary against linked benchmark, capital appreciation, income received, and management fees. The Trustees monitor the performance of the investment portfolio against an appropriate benchmark agreed in advance with the investment managers.

The investment managers report to the Trustees annually in person, unless the Trustees become concerned about the performance of the portfolio, in which case the investment managers would report in person to the next Board meeting.

Review

This investment policy is reviewed annually by the Trustees.

Reviewed: 19th June 2017 [date] Next reviewed: June 2018 [date]

Noted by the Board 19th June 2017

Reference Minute 13

