

Cloudesley

Investment Policy

1. Introduction

- 1.1 Cloudesley is the working name of Charity of Richard Cloudesley (Charity Reg. No. 205959). Richard Cloudesley Trustee Limited is the related Trustee Company (Company No. 7425897).
- 1.2 Cloudesley is a significant grant-making charity in the borough of Islington. Half of the charity's grant-making focuses on its Health and Welfare programmes that support people with health and financial needs in the borough, while the other half supports the Church of England churches in the borough.
- 1.3 At 30 June 2024 the endowment totalled £58.0mn, comprising £29.6mn of properties and £29.8mn of investments offset by £1.4mn of net liabilities, mostly grants committed but not yet paid.
- 1.4 The endowment properties are all on land which was the subject of a gift from the will of Richard Cloudesley in 1517 which resulted in the formation of the charity. As of April 2025, there are 95 residential property units with a variety of tenures in three mansion blocks and elsewhere on the Cloudesley Estate.
- 1.5 Decisions on investment policy are taken by Trustees of the charity on the recommendation of the Finance and Endowment Committee (FEC).
- 1.6 The Trustees have appointed an investment manager, Cazenove Capital, to manage the charity's investments (other than the properties) at their discretion within the parameters of the investment policy. Their performance is monitored by the FEC.
- 1.7 The FEC takes professional advice on the extent and composition of the charity's investment in its property estate as required.

2. Investment Objectives and Overall Principles

- 2.1 The charity seeks to produce the best financial return within an acceptable level of risk. Other relevant factors may be considered insofar as they best help the charity carry out its purposes.
- 2.2 The measure of inflation most relevant to the charity is the consumer prices index (CPI). Trustees compare performance after fees to CPI + 4% over the long term.
- 2.3 The main objective of the endowment is to balance the needs of current and future beneficiaries by maintaining the value of the endowment in real terms to fund grants in perpetuity.
- 2.4 The charity will seek to maintain and increase the level of grants awarded in real terms in future insofar as this remains compatible with section 2.3.

2.5 The charity's investments will be made in a manner which is consistent with the charity's aims and ethos.

3. Risk

3.1 For historical reasons, about half of the charity's assets are represented by residential freehold properties in Islington. While there is some diversity within this asset class, its overall size in relation to the charity's other investments would normally be thought unusual. The charity has taken professional advice on the risks associated with its residential freehold property holding and it is likely that the charity will dispose of properties from time to time as appropriate.

3.2 Within the investment element of the portfolio, further diversification is provided by investing in a variety of asset classes – principally international equities, UK equities and UK fixed interest. Within the property portfolio, limited diversification is provided by differing types of property, including units within the three mansion blocks, houses, and maisonettes.

3.3 The charity's banker is currently CAF Bank. As CAF Bank does not borrow on the intra-bank market, it does not have a credit rating. However, the charity's view is that CAF Bank's financial position is such that it is an appropriate bank for the charity to use, notwithstanding that the charity would ordinarily require cash balances to be deposited with institutions with a minimum credit rating of A-/A3 or invested in a diversified money market fund.

3.4 The charity's current policy is that it will not invest in private equity schemes or hedge funds to help manage liquidity risk.

3.5 The charity will review, at least annually, the risks and manage them as appropriate.

4. Liquidity Requirements

4.1 The charity must generate sufficient funds to cover its grant awards from a mix of income and capital gains.

4.2 To maximise its investment income, the charity will seek to hold the minimum level of cash and deposit account balances which are consistent with the need to make payments of grants and other expenditure in the medium-term.

4.3 To inform the above the Finance Manager will monitor and predict cash flows and present formal reports to the FEC on a quarterly basis. It is recognised that the timing of certain areas of expenditure – for example, church grants – can be difficult to predict and in view of this, a conservative approach to liquidity management and cash flow forecasting is adopted.

4.4 The charity will seek to hold a grants reserve in cash within a 30% range either side of one quarter of the annual grants budget.

5. Property Estate

- 5.1 In recent years the net cash flow from the property portfolio has only been sufficient, broadly, to allow for the maintenance of the properties and for some refurbishments. In future it is important that this element of the endowment can contribute to the aims of the charity to strengthen its grant giving.
- 5.2 The charity's agreed property strategy aims to ensure that the return from the property estate is equivalent to that expected from the charity's investment portfolio.
- 5.3 The charity will not refurbish properties prior to disposal unless professional advice is received that refurbishment is likely to increase the net return from the sale.
- 5.4 The long-term aim is that the property portfolio should be self-sustaining in terms of refurbishment costs.
- 5.5 A full Red Book valuation of the charity's properties will be undertaken at least once every five years and the Estate Managers will conduct an annual desktop appraisal in between these dates.

6. Time Horizon

- 6.1 The charity is expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability.
- 6.2 The charity has a long-term investment horizon.

7. Ethical Investment Policy

- 7.1 The Board has agreed the following Environmental, Social and Governance (ESG) policy to apply to the charity's investment portfolio.

The portfolio will not include any investments in:

- i. the manufacture of tobacco
- ii. companies needlessly emitting excessive quantities of carbon into the atmosphere unless, following engagement, there is evidence these companies are ameliorating their carbon emissions
- iii. companies with more than 5% of their turnover from adult entertainment, alcohol manufacture, armaments, gambling, high-interest lending, production of oil from tar sands, or extraction of thermal coal.

- 7.2 While the charity is not a social landlord, it will seek to manage its properties in an ethical and fair manner. For example, it will: (i) seek to ensure that all employees of

contractors (and sub-contractors) are paid at least the Living Wage while working on the properties; (ii) deal fairly and considerately with its tenants; and (iii) consider issues of sustainability in property matters.

7.3 The charity is a signatory of the Funder Commitment on Climate Change, and to this end has committed to stewarding its investments for a post-carbon future. The detailed commitment states:

We will recognise climate change as a high-level risk to our investments, and therefore to our mission. We will proactively address the risks and opportunities of a transition to a post-carbon economy in our investment strategy and its implementation, recognising that as our decisions can contribute to this transition being achieved.

8. Total Return Approach

8.1 The charity adopted the total return approach to investment in July 2019. Prior to this, only investment income was allowed to be used to fund grants and running costs.

8.2 The initial value of the endowment is known as the **trust for investment**. Its value is maintained by applying an inflationary increase annually using CPI.

8.3 In addition to the investment income referred to in 8.1, the total return approach allows capital gains above the trust for investment – known as the **unapplied total return** – to be used to fund grants and running costs.

8.4 The total return policy – i.e. the total return allocated annually to award as grants – will be set by the Board following advice from the FEC.

8.5 The charity will keep under review the allocation of costs incurred on the administration or protection of the property and investments against the trust for investment.

8.6 The FEC will review this policy annually as part of the budget process and make its recommendations to the Board.

9. Approval and Review

9.1 This policy was approved by the Board at its meeting on 5 June 2025. It will be reviewed by June 2028.