

## Working with charities

Could you provide charities with advice?

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This document is for investment professionals only and should not be relied upon by private investors.



# Agenda

What are the learning outcomes for today's session?

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## Introductions

- Meet our speakers

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## The UK charity market

- Size of the opportunity
- How do charities operate?

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## How do charities invest?

- Trustee responsibilities
- Importance of ESG

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## Where do advisers fit in?

- How you can work with trustees

# Meet our speakers

Introducing the experts

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**Lynn Pates**  
CEO  
Charity Intelligence



**Alexander True**  
Business Partner - Charities  
Sarasin & Partners



**Phil Berry**  
Business Development Director  
Sarasin & Partners



**Lynn Pates**  
CEO  
Charity Intelligence

## What are Charity Intelligence and CI Hub?

- A free online resource for charities
- Gives them professional support that matches their specific needs
- Reduces time and costs associated with selecting the right investment manager, lawyer, accountant, or insurance provider.

## About Lynn

- Accomplished Charity Investment Consultant
- Over 25 years' experience working in financial services
- Specialises in the voluntary sector

# Our client base

Heritage in charity investment



## A diversified, global client base

- **Charities & Endowments**

Top 3 investment manager for UK charities\*

- **Institutional and professional clients**

Pension, Sovereign wealth funds

- **Private Clients**

High and Ultra-High Net Worth individuals and families

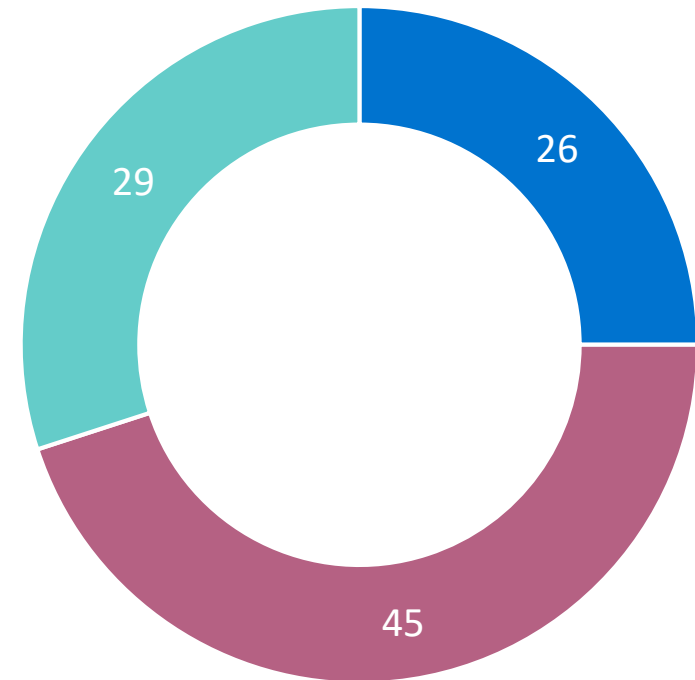
Assets under management: £18.8 billion | Employees: 265

Source: \* Charity Finance, Survey – Fund Management 2022, November 2022.

\*\*Sarasin & Partners LLP, as at 30.06.23 (updated annually)



## % AUM by business area\*\*



■ Private clients ■ Charities ■ Institutional & professional clients

Source: Sarasin & Partners, 30.06.23

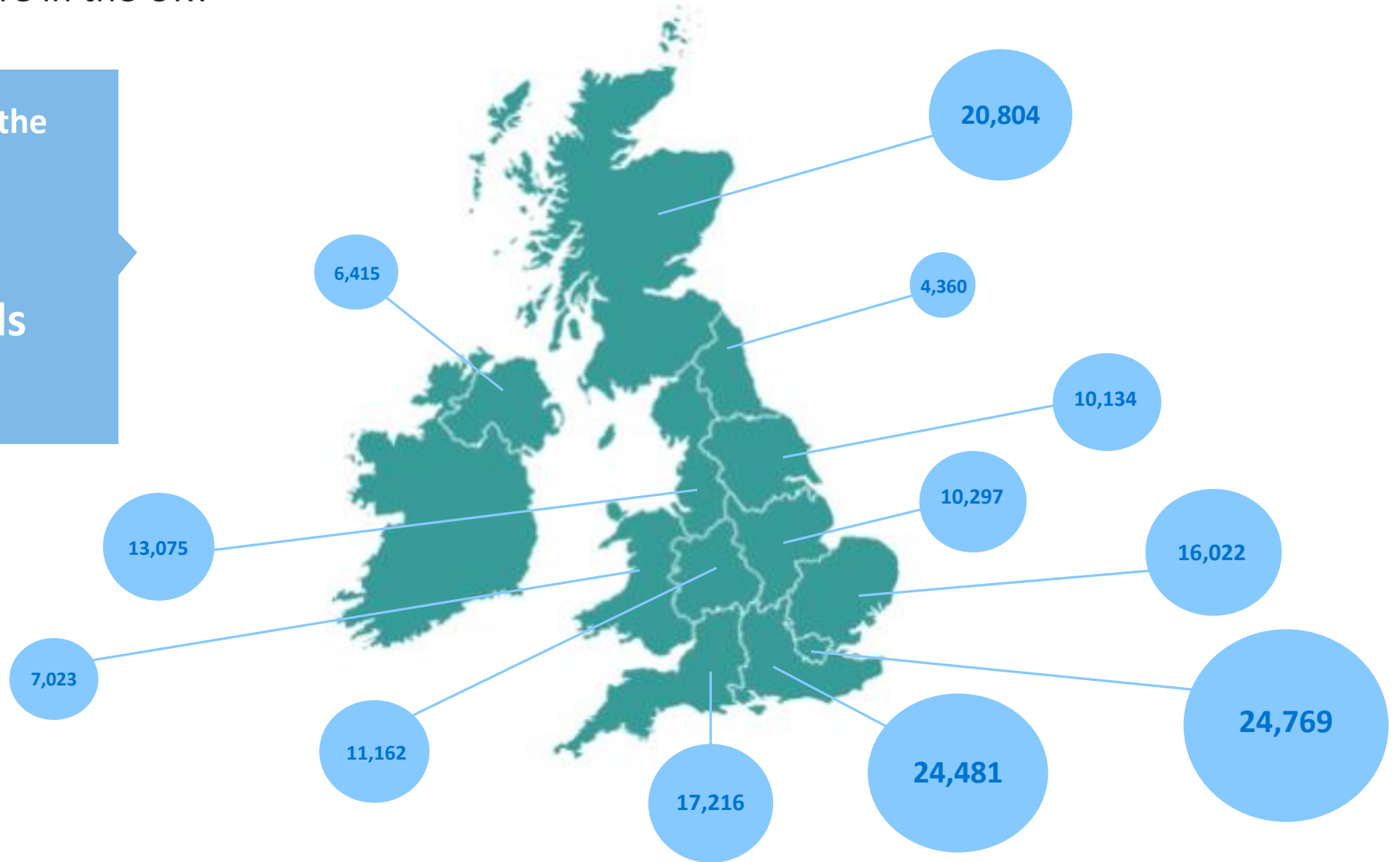
# The UK charity market

# The charity universe

How many charities are there in the UK?

Over 165,000 charities in the UK...

...totalling  
£118.3bn that needs  
investing



Source: Almanac, 2022 & Charity Intelligence

# The sector's reputation is at risk

Fundraisers need reliable financial advice

## NEWS

Home | Cost of Living | War in Ukraine | Climate | UK | World | Business | Politics | Culture | Tech

England | Local News | Regions | Bristol

### Poppy collector Olive Cooke 'exhausted by charity requests'

© 15 May 2015



Press release

### Regulator announces statutory inquiry into The Captain Tom Foundation

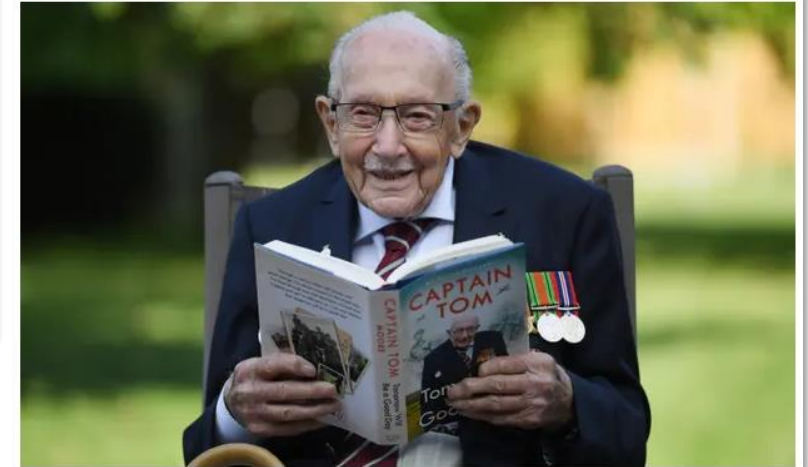
The Charity Commission has opened a statutory inquiry into The Captain Tom Foundation, after identifying concerns about the charity's management, including about the charity's independence from the family of the late Captain Sir Tom Moore and businesses connected to them.

From: [The Charity Commission](#)

Published 30 June 2022

### Trustees of Captain Sir Tom Moore foundation face formal inquiry into charity setup

Charity Commission to investigate concerns family personally profited from charity set up in veteran's name



Sources: The Charity Commission, June 2022; The Guardian, June 2022.  
The Guardian, May 2015; BBC news, May 2015.



# Charities are regulated by a number of different bodies

But they do have investment powers

- Regulated by the Charity Commission, Companies House, HMRC, Fundraising Regulator and ICO
- The Trustee Act 2000 provides charities with wide investment powers via a **'general power of investment'**
- The CC14 was published in August 2023 – clearer guidance for charities on ethical investments
- Apply **Standard Investment Criteria**
  - Are the investments suitable?
  - Are they sufficiently diversified?



# How charities operate


- Custodians are acting in best interest of their beneficiaries
- Different time horizon to consider
- Charities begin and end with spending
- Responsibility sits fully with volunteer trustees
- It's a heavily regulated environment
- Complexity of multiple decision makers
- Different tax implications for each charity
- Cost is a huge consideration

Source: Charity Intelligence, 2023



## Why do charities invest?

# What makes investing for charities different?

- Trustees have certain duties around investment e.g.
  - Act within their power to invest
  - Take account of the need to diversify investments
  - **Take advice from someone suitably qualified** 
  - Explain their Investment Policy Statement (IPS) and Ethical Policy in an annual report
  - Justifiable ESG considerations when investing

**Not all charities are the same - some may have a variety of different stakeholders in the decision making process**

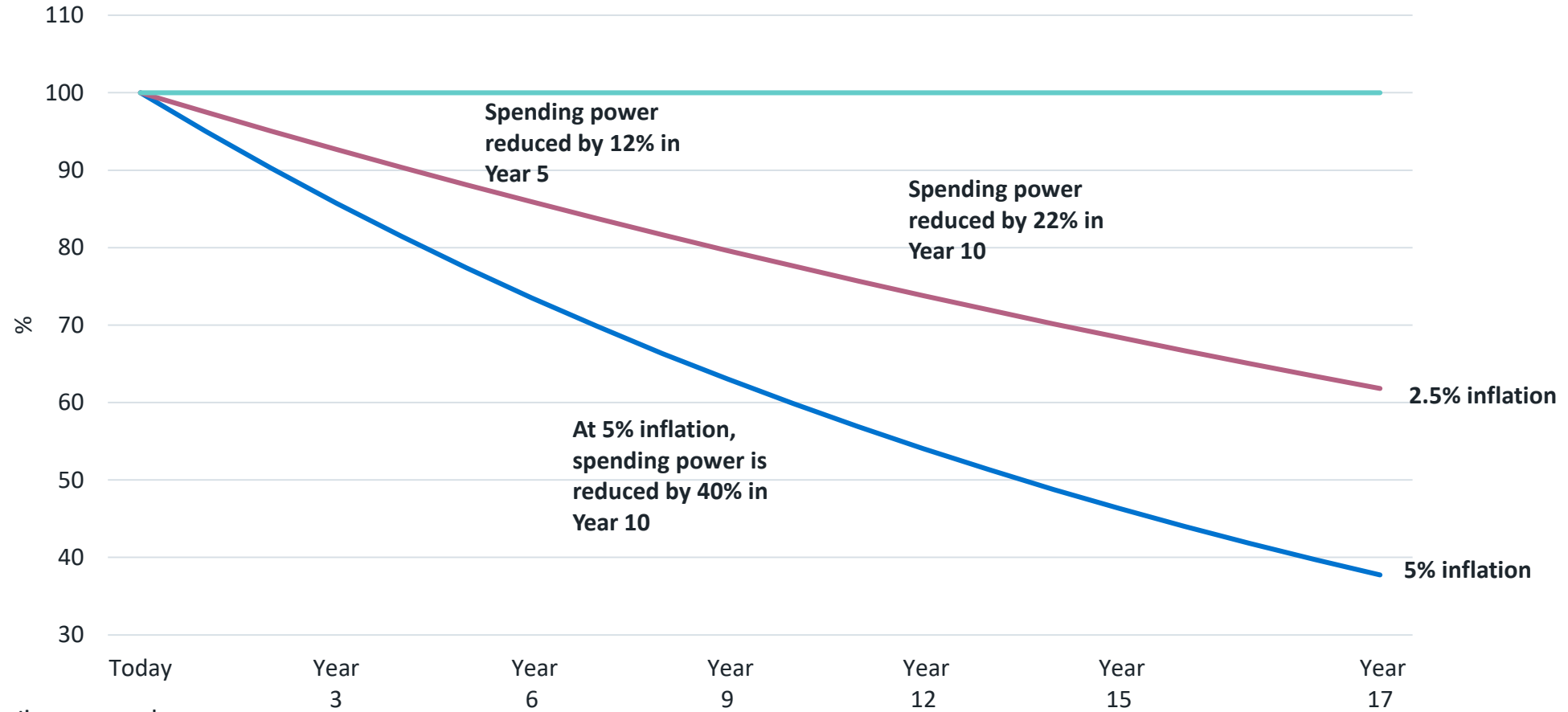
Source: Charity Intelligence, 2023

# The impact of inflation

## A big worry for charities



### Inflationary impact



This chart is for illustrative purposes only.

Source: Sarasin & Partners 2022 Compendium of Investment (updated bi-annually)

# Why do charities invest?

A different set of needs to a retail investor

- **Duty of care to current beneficiaries**
- **Duty of care to future beneficiaries**
- **Maintain purchasing power**
- **Diversify income streams**
- **Increase impact with financial returns**
- **Create & maintain stability**
- **Duty of care to donors**

Source: Charity Intelligence, 2023



# Risk and return characteristics



Strategic asset allocations (%)

Medium  
Term

Long  
Term

Time frame:

18m – 5yrs

5yrs+

Projected total return p.a. %		Income & Reserves Strategy (%)	Endowments Strategy (%)
3.7	Gilts	35.0	7.5
5.4	Corporate Bonds	30.0	7.5
7.4	Equities	20.0	70.0
6.2	UK Commercial Property	-	5.0
6.4	Alternatives	10.0	10.0
2.5	Cash	5.0	-
<b>Total strategy</b>		<b>100.0</b>	<b>100.0</b>
Projected returns (%)	Projected income yield	3.7	2.8
	Trend total annual return	5.2	6.9
	Trend annual 'real' return	1.8	3.9
Key risk metrics (Based on historic index perf.)	Max. annual drawdown %*	-13.5	-24.5
	1 Year 5% Value at Risk (VaR)*	-3.2	-9.6
	Annualised Volatility %*	5.1	10.0

Please note that there are no guarantees that the projected returns will be achieved.

Source: Sarasin & Partners LLP. \* Data since 31.12.05. As at 31.12.22. 95% 1 Year VaR of 10% means that there is a 5% probability that the portfolio will fall in value by 10% or more over any one year period. Therefore, a 10% loss is expected on this portfolio on one year in twenty.

# Butler-Sloss vs. Charity Commission

Recent High Court decision changes the law on trustees' investment approach

## The case:

Brought by the trustees of two general purposes charities who were concerned that adopting an investment policy excluding investments not aligned with the 2016 Paris Agreement would be a breach of their duties because:

- Climate change was not consistent with the charity's objectives
- The exclusion risked diminishing their financial return

## Summary:

- A reinterpretation of a 30-year-old decision, adjusted for climate change concerns
- A reinstatement of the fundamental duty of charity trustees to act in the charity's best interests

There is now [legal precedent](#) for a charity to restrict investments that are not directly related to their objects, if the trustees believe that those restrictions are acting in the best interests of the charity



# Importance of ESG

The power of the investor



# Mission-aligned exclusions remove *some* adverse impacts

## Negative screens



TOBACCO



ARMAMENTS



ALCOHOL



CIVILIAN FIREARMS



GAMBLING



THERMAL COAL



ADULT ENTERTAINMENT



TAR SANDS



ARMAMENTS



PREDATORY LENDING

Source: MSCI data as at 30.08.23

### Quantitative

**Exclude** investment in companies which are materially involved in the production and distribution of **ethically unacceptable products**, including:

- Tobacco (0.6%)
- Alcohol (1.5%)
- Gambling (0.3%)
- Adult entertainment (0.0%)
- Armaments (1.8%)
- Civilian firearms (0.6%)
- Extraction of thermal coal (0.5%)
- Production of oil from tar sands (0.2%)
- Oil and gas (5.2%)
- Predatory lending (0.4%)

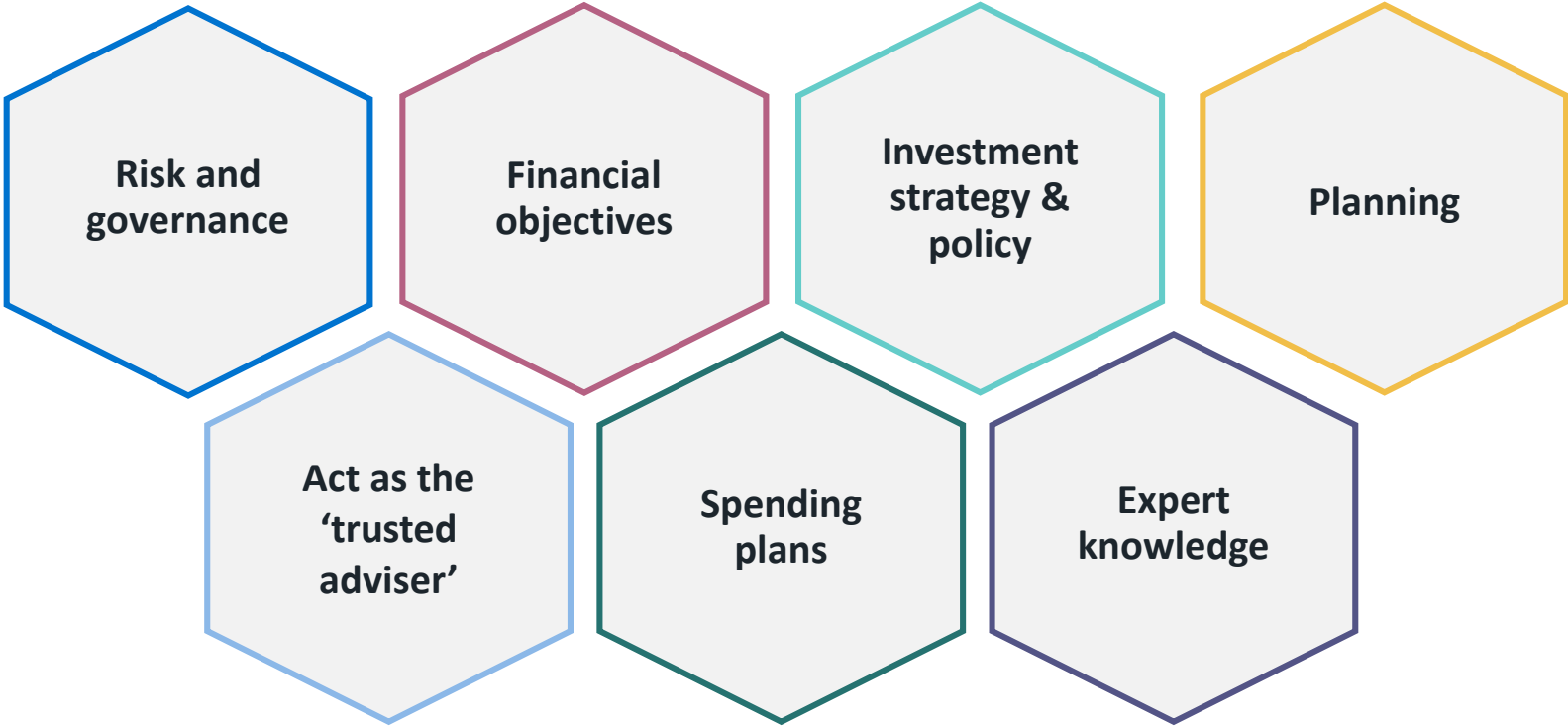


## Where do advisers come in?

# How can you help as a financial adviser?

Services you can offer

Charity trustees need transparency, understanding and clarity



Proactive advice and engagement

# How can we help you?

Use our expertise in the charity sector to your advantage



**Knowledge** and experience dedicated charity specialists!



**Stewardship** – long term global investors with an ownership mindset



**Performance**- ongoing and suitability reviews



**Educational** programme



**Knowledge** guides



**Insights** – The Compendium of Investment



**Research**



**ESG reporting & analysis**



**Portfolio construction and reporting**




Work alongside **you**

# Introducing the Compendium of Investment


Contact your regional representative to receive a copy



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# Important information

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