



## **SIDNEY SUSSEX COLLEGE**

### **INVESTMENT POLICY**

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Author:	Bursar
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## Revision History

Version	Author	Summary of changes	Sub-committee Review Date / Council Approved	Date by which next full review is due
1.0	Bursar	Initial draft for discussion		
1.1	Bursar	Revision of draft		
1.2	Bursar	Final draft for approval by Council	6 Feb 2019	Feb 2024
1.3	Bursar	Update of appendix 3 to reflect data in 2018-19 financial accounts	6 Nov 2019	Feb 2024
2.0	Bursar	Review and update of the clauses relating to ethical investing in the light of developments in this area  Update details under section on "Leverage and Loan Covenants" relating to private placement with PIC  Update of appendix 3 to reflect data in 2019-20 financial accounts	4 Nov 2020 / 2 Dec 2020	Feb 2024
2.1	Bursar	Update of appendix 3 to reflect data in 2020-21 financial accounts	3 Nov 2021 / 1 Dec 2021	Feb 2024
3.0	Bursar	Update to paragraph 2 re current strategic asset allocation as agreed by Investment Committee  Update paragraph 7 with details of the policy for Total Return to be implemented from July 2022  Update paragraph 8 to reflect the most recent private placement in May 2021	1 Jun 2022 / 29 Jun 2022	Feb 2024

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## Sidney Sussex College Investment Policy

### 1. Introduction

- 1.1 Sidney Sussex College, the “College”, is a permanently endowed charity established by a Royal Charter dated 25 July 1594.
- 1.2 The College’s charitable objective is to be a place of education, religion, learning and research, and it aims to promote academic excellence and freedom of thought. All the resources of the College are ultimately applied for this charitable purpose.
- 1.3 The College is a registered charity, subject to regulation by the Charity Commission for England and Wales under relevant UK legislation. The trustees of the College are the members of the College Council and are governed by the Statutes and Ordinances of the College. Statute D grants to the Trustees powers to receive donations, make investments and spend money. The related ordinances D,I and D,II (see Appendices 1 and 2) set out how it should be managed.
- 1.4 Charity Commission guidance places trustees under an obligation to establish a clearly recorded and regularly reviewed investment policy. The policy should include such issues as how present and future activities need to be resourced, the level of investment risk they are prepared to accept, and the charity's position on ethical investment.
- 1.5 The College is managing not only its own funds, but also funds given for separate Special Trust Funds. This is done by amalgamating all the investments in securities into one amalgamated fund. All endowment funds are held in the amalgamated fund. The operation of the amalgamated fund is set out in Ordinance D, I.
- 1.6 The College’s total investment assets are held in securities and commercial property. The Commercial Property is a very illiquid asset class and is subject to different investment objectives to those for the securities. As such the investment objectives are set out separately below.
- 1.7 Broadly the College has four categories of investments:
  - Securities portfolio (amalgamated fund) which is managed for long term total return.
  - Commercial property which comprises retail units that are integral to the College site, or student accommodation blocks. The College therefore is unlikely to be able to sell any of this property, so it is managed for income over the long term.
  - Other investments, which have been donated to the College. The College aims to reduce any direct holdings and convert investments into the equity portfolio.
  - Cash
- 1.8 The proportions held in each category change over time as a result of investment performance and operational need.

### 2. Securities Portfolio

- 2.1 The securities portfolio predominantly comprises passive tracker funds managed by BlackRock; specifically in the Charity UK Index Fund and the iShares Developed World Fossil Fuel Screened Fund. There are also investments in the Charities Property Fund.
- 2.2 The College currently adopts three critical principles with regard to securities:
  - Long-term horizon when making investments i.e., preference for equities and other real assets
  - Improve long-term risk adjusted returns by maintaining diversified geographic and sectoral distribution of assets
  - Minimise transaction and management costs i.e., strong preference for investing in quoted equities through low-cost passive funds

2.3 These investments are managed to a single investment objective of seeking to produce the best financial return within an acceptable level of risk by balancing income and capital returns. The assets should be managed to at least maintain the real capital value of the investment, whilst generating a sustainable level of investment income, or total return, to support the current charitable activities.

#### 2.4 Attitude to risk

The College relies on the investment income to fund current charitable activities. The stability of income is therefore important to the College. The key risk to the long-term sustainability of the College's investments is inflation, and the assets should be invested to mitigate this risk over the long term. The trustees understand that this is likely to mean that investment will be concentrated in real assets and that the capital value will fluctuate. The trustees are able to tolerate volatility of the capital value of the investments, as long as there is a stable income, at least maintaining value in real terms.

#### 2.5 Asset allocations

2.5.1 The Investment Committee relies on evidence which shows that over the long-term equities not only outperform inflation, but also provide a higher return than other financial assets such as bonds or cash on deposit. The Investment Committee considers that it is appropriate to retain a strong and diversified equity focus to generate the return objective.

2.5.2 There is a deliberate policy not to change the allocation, or the Investment Managers too frequently. They should be reviewed on a regular, but not frequent basis (at least every 5 years) unless a significant change in financial markets, or a deterioration in the ethical, social and governance ("ESG") performance of the fund manager, or a change in policy by the Investment Committee, triggers an earlier review.

2.5.3 The target asset allocations agreed by the Investment Committee in November 2021 for investments within the College's passive tracker funds are as follows:

UK – BlackRock Charities UK Equity Index Fund	20%
World – iShares Developed World Fossil Fuel Screened Index Fund	80%

2.5.4 Given the College's illiquid direct investment in the Cambridge retail property sector, the Charity Property Fund should comprise no more than 5% of the Amalgamated Fund. The proportions will change over time as a result of investment performance.

2.5.5 The investment in the Charities Property Fund was originally made in October 2000 with 1,060,000 units. A further investment of was made in Q1 2021, and the College currently holds 1,957,023.819 units.

#### 2.6 Currency

The base currency of the investment portfolio is sterling, and this is the currency of the College's liabilities. As such there is an inherent foreign exchange exposure in the underlying assets held in the World tracker fund.

#### 2.7 Ethical Investment

2.7.1 The College adheres to the Charity Commission guidance on ethical investments as a minimum standard but will take additional action on ESG considerations whenever it is possible and effective to do so within the College's fiduciary responsibilities.

2.7.2 The College's current holdings are concentrated in publicly listed companies through passive market tracker funds. Where the College sees that within its fiduciary responsibilities it can contribute to changes in public discourse, it will exclude particular companies or sectors from its portfolio for ESG considerations.

2.7.3 The College aims to appoint investment managers with ambitious shareholder engagement goals and methods, including those that combine divestment and engagement to good effect.

2.7.4 The College's default position will be to expect managers to vote in favour of ESG shareholder resolutions. Investment managers who do not align with these guidelines will be asked to explain

deviations. The College will publicly terminate relationships with investment managers whose voting practices continue to misalign with the College.

### **3. Commercial Property**

- 3.1 The investment property held by the College is comprised of commercial retail units which are on the edges of the main College site, and/or an integrated part of student accommodation.
- 3.2 There are retail units on Sidney Street, Sussex Street and Hobson Street which are all integrated parts of the listed buildings forming the main site. There are also units on King Street, integrated into Cromwell Court, which is a more modern block of student accommodation and is independent of the main College site.
- 3.3 The investment property portfolio was revalued in June 2020 at £17,400k. For accounting purposes this revaluation will take place on a regular basis, normally at least every five years.
- 3.4 The College's Commercial Property portfolio is an illiquid asset. The retail units on Sidney Street, Sussex Street and Hobson Street will be held by the College for the foreseeable future given that they are integral to the main College site. The retail units on King Street would only be sold if the College were to divest itself of the entire Cromwell Court building, including the student accommodation. There are currently no plans to do this.
- 3.5 The investment objective for the commercial property is to adopt an investment strategy which will maximise returns from rental income over the long term.
- 3.6 The approach to property management is overseen by the Investment Committee, and where possible aims to contribute to decarbonisation of the College's estate.

### **4. Other Investments**

- 4.1 The College's holdings in other investments typically result from shares being donated to the College as part of a legacy.
- 4.2 The Investment Committee is committed to liquidate these holdings where possible, and to reinvest the proceeds in the amalgamated fund.
- 4.3 The Investment Committee recommends that the College makes clear to potential donors that any donations received in the form of shares, will normally be liquidated, and then invested in the amalgamated fund, unless by prior agreement of the Investment Committee.

### **5. Cash**

- 5.1 The Investment Committee has agreed that the total cash balance should be split between at least three institutions to balance the risk of an individual institution collapsing.
- 5.2 The College's cash balances should be deposited with UK institutions with a rating description of Upper Medium Grade or higher (equivalent to Standard and Poor's rating of at least A-, or Moody's rating of at least A3) or invested in a diversified money market fund.
- 5.3 Normally no more than 50% of the College's cash balances should be held in one institution.
- 5.4 The credit rating of those institutions that hold funds on behalf of the College will be tracked and regularly reported to the Investment Committee.

### **6. Banking**

- 6.1 The College expects its bank to align with the College's ESG policies. The College will engage with its bank and will aim to switch providers if the bank's activities run counter to the College's values.

### **7. Total Return**

- 7.1 The College has the power to invest on a Total Return Accounting basis and has agreed to implement a Total Return accounting approach from 1 July 2022.

- 7.2 In order to 'smooth' the effects of short-term volatility in asset values, the income spending rule will be based on a three-year rolling average of the quarter-end unit values of the Amalgamated Fund.
- 7.3 In order to provide budget certainty and an opportunity to react to unanticipated changes in market conditions, the rolling average will be lagged by two quarters. As an example, the expenditure in the year 2022-23 will be based on the twelve quarter-end unit values from quarter ending 31 March 2019 to quarter ending 31 December 2021.
- 7.4 The Total Return draw down will be set at the level of 3.2% of the weighted average unit value of the Amalgamated Fund, calculated as above.
- 7.5 The Investment Committee will annually review the level and operation of the income spending rule and provide appropriate advice to Council if any changes are recommended.
- 7.6 The actual level of spending will be determined, subject to this Policy, by Finance and Needs Committee, and ultimately Council, in the process of setting the College budget for the year.

## **8. Leverage and Loan Covenants**

- 8.1 In 2013 a number of Colleges came together to raise some long term debt. A special purpose vehicle, Cambridge Colleges Funding Plc (CCF) was established for this debt issue. It sold private placement notes to investors and then lent the proceeds to the individual Colleges. The participating Colleges are shareholders in CCF. The debt issue completed on the 30 October 2013.
- 8.2 There was a subsequent debt issue through a similar structure, Cambridge Colleges Funding II PLC (CCF II). The debt issue completed on 31 January 2014.
- 8.3 The College owns 5,000 £1 shares in both companies from incorporation. The shares of £10,000 are reflected under 'Other Investments' in the Investment Portfolio.
- 8.4 The College came together with two other Colleges in December 2019 to raise long term debt through a private placement with Pensions Insurance Corporation.
- 8.5 In May 2021, a further private placement with Pensions Insurance Corporation was arranged to raise £10 million of long-term debt.
- 8.6 As a result of these debt issues, Sidney has raised £24.9 million of long-term debt, each debt issue on an interest only basis, with bullet repayment due when the private placement mature, as follows:
- £2.9 million for 30 years at a fixed interest rate of 4.40%, maturing in October 2043
  - £1.2 million for 30 years at a fixed interest rate of 4.45%, maturing in January 2044
  - £2.3 million for 40 years at a fixed interest rate of 4.40%, maturing in October 2053
  - £8.5 million for 44 years at a fixed interest rate of 2.26%, maturing in December 2063
  - £10.0 million for 44 years at a fixed interest rate of 2.24%, maturing in May 2066
- 8.7 These private placements are limited by a loan covenant, which stipulates a financial covenant that the ratio of Net Debt to Net Tangible Assets shall not exceed 50%.

## **9. Management, Reporting and Monitoring**

- 9.1 The Investment Committee is a standing committee of the Council. The constitution and remit are set out in full in Ordinance D, II (see Appendix 2).
- 9.2 Investment Managers will be retained in connection with management of the College's funds. Investment Manager performance should be formally reviewed on a regular basis, at intervals of not more than five years, with more frequent interim reviews of ESG performance.
- 9.3 Professional Property Advisors will be retained in connection with the commercial property portfolio. Professional Property Advisor performance should be formally reviewed on a regular basis, at intervals of not more than five years.
- 9.4 Review of Investment Managers and Professional Property Advisors will be staggered.

- 9.5 Members of the College will be consulted on the College's Investment Policy regularly and may raise particular concerns with the Bursar in the interim.

## **10. Approval and Review**

- 10.1 This Investment Policy Statement was prepared by the Investment Committee of Sidney Sussex College to provide a framework for the management of its investment assets. It will be reviewed on a three to five yearly basis in line with the review of asset allocation (see section 2.4) to ensure continuing appropriateness.

## **11. Appendices**

- 11.1 Appendix 1 – Ordinance D, I – Investment and Expenditure Powers
- 11.2 Appendix 2 – Ordinance D, II – Investment Committee
- 11.3 Appendix 3 – Summary of Investment Portfolio and advisors

**ORDINANCES under STATUTE D****FINANCE AND REMUNERATION**

## ORDINANCE I

(depending from Chapter II)

*Investment and Expenditure Powers**Amalgamated funds*

1. In order to facilitate the management of the property of the College, the Council may, under Statute D,II,8 from time to time resolve that all or any part or parts of the property of the College, including any special trust (a 'trust'), be brought into and managed within one or more amalgamated funds, in accordance with clauses 2-8.
2. Any property may be brought into an amalgamated fund at any time, provided that where property is subject to a trust:
  - (a) which came into operation less than sixty years prior to the proposed amalgamation;
  - and
  - (b) the College is not the sole trustee;the consent of the trustees of that property shall be required.
3. Upon first being constituted, an amalgamated fund shall be held on behalf of its constituent funds in whole units allocated to each fund. The Council shall fix the initial total number of units held by the amalgamated fund, and shall allocate an appropriate number of units to each constituent fund as nearly as possible in proportion to the respective capital investments of each constituent fund in the amalgamated fund.
4. The Council may at any time increase or decrease the size of an amalgamated fund:
  - (a) by adding or withdrawing a constituent fund; or
  - (b) by increasing or decreasing the investment made in it by a constituent fund.
5. Where a new constituent fund is added to an amalgamated fund or the investment made by a constituent fund is increased:
  - (a) the total number of units in the amalgamated fund shall be increased by such number of units which as nearly as possible represents the value of the new investment based on the market value of the existing units; and
  - (b) the constituent fund shall be allocated that number of new units;always provided that the value of the existing units in the amalgamated fund shall not be prejudiced by the issue of such further units.
6. Where a constituent fund is withdrawn from an amalgamated fund or the investment made by a constituent fund is decreased:

- (a) the total number of units in the amalgamated fund shall be decreased by such number of units which as nearly as possible represents the value of the investment withdrawn based on the market value of the existing units; and
  - (b) the constituent fund shall give up that number of units, and the units shall be cancelled; always provided that the value of the existing units in the amalgamated fund shall not be prejudiced by the cancellation of such units.
7. The Council may at any time wind up an amalgamated fund and divide the investments between the constituent funds in proportion to the number of units held by each fund at that time.

#### *Annual dividends*

8. For each amalgamated fund, a dividend *per* unit shall be declared annually and paid out of the fund to all its unit holders for their expenditure, which may include re-investment in the fund.
9. For the purposes of the declaration under clause [8], the Council shall at a suitable time determine the process for calculating the value of the annual dividend; provided that:
- a) dividends shall only be paid out of income received by an amalgamated fund, subject to any exercise of the power under clauses 12-13 of this Ordinance to adopt a total return approach to expenditure; and
  - b) a fund shall not be required to distribute as dividends the whole of the income received in any one year, but may accumulate the whole or part of it from year to year.
10. The annual dividend declared by each amalgamated fund shall be included in the annual College Accounts, as approved by the Council under Statute A,IV,5(d).

#### *Expenditure powers*

11. In the absence of any resolution made by the Council under clauses 12-13, the College shall appropriate for expenditure such sums as are income and not capital receipts in the hands of the Trustees of the College.
12. In order to facilitate the investment and expenditure policies of the College, including the declaration under clauses 8-9 of dividends for unit holders in any amalgamated fund, the Council may at any time resolve to adopt a total return approach to investment and expenditure.
13. In clause [12], 'to adopt a total return approach' means to appropriate annually for expenditure, up to and no more than, as much of the fair value of:
- (a) any amalgamated fund created in accordance with this Ordinance; and/or
  - (b) any property or fund which has not been brought into an amalgamated fund;
- as the Council considers in its absolute discretion is prudent, having regard to the total return achieved and reasonably expected to be achieved in the long-term of the amalgamated fund, or other property or fund, respectively.

14. In clause [13], 'fair value' means the amount at which an asset could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale, and 'total return' means return in terms of both income, whether received or accrued, and capital appreciation, whether realised or unrealised.
15. When making a resolution under clauses 12-13, the Council shall comply with the procedures required by *The Charities (Total Return) Regulations 2013*, and/or with any relevant subsequent legislation. In particular, the Council shall formulate such policies as those procedures require for:
- (a) the initial treatment of the permanent endowment; and
  - (b) the future management of the total return receivable on the amalgamated fund.
16. In exercising its powers under clause 15(b), the Council shall balance the need to fulfil its objects and the objects of any trust at the current time against the need to do so in the future. The management of the total return shall be covered in the College's Investment Policy, which shall be approved by the Council and made available publicly.\*

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\* As amended by the Governing Body on 25 May 2022

ORDINANCE II  
(depending from Chapter II)

*Investment Committee*

*Status and constitution*

1. The Investment Committee shall be a standing committee of the Council, appointed annually, normally at the Annual Council Meeting.
2. The Committee shall comprise:
  - (a) the Master (Chair);
  - (b) Bursar (Secretary);
  - (c) the Treasurer of the JCR;
  - (d) at least four further members, including not less than two Fellows who may be Fellows in Class 4 and at least two external members with appropriate qualifications or experience.An external member is a person who is not a Fellow or employee of the College. The Head of Accounting and Finance shall normally be in attendance.
3. The quorum for the conduct of business shall be four members. It shall meet at least once a term.

*Remit*

4. Within the terms of policies which shall be set by the Council and subject to any specific directions from the Council, the Committee shall have the management of:
  - a) cash, including the investment or realisation of operational cash;
  - b) stocks and shares and other financial instruments;
  - c) investment funds;
  - d) land or any interests in land held for investment purposes.The Committee shall not have responsibility for any other investment not included in categories (a)-(d), above.
5. The Committee shall have discretion to invest or re-invest College property in such assets as it deems appropriate, having regard to any reasonably foreseeable financial risks and returns of such assets. The Committee may delegate to any firm of investment managers or bankers power to effect a specified transaction, or a type of transaction, within the scope of standing instructions.
6. The Committee shall regularly monitor and review the performance of the College investments, assisted by valuations of the portfolio provided by the Bursar. All decisions taken and transactions entered into under clauses [4] and [5] shall be reported in the minutes.

**SIDNEY SUSSEX COLLEGE**  
**INVESTMENT POLICY STATEMENT APPENDIX 3 – JUNE 2021 DATA**

**1. Investment Portfolio**

As at June 2021 the investment assets<sup>1</sup> were split as follows:

	<u>£'000</u>	<u>%</u>
a) Securities Portfolio (Amalgamated Fund)	66,047	65.36%
b) Commercial Property	15,021	14.9%
c) Other investments <sup>2</sup>	2,165	2.1%
d) Cash <sup>3</sup>	17,861	17.7%
<b>Sub-total</b>	<b>101,094</b>	<b>100%</b>

**2. Borrowings**

At 30 June 2021, long term debt was from the Cambridge Colleges Funds (CCF) with a debt issue balance of £6.4 million and the Pension Insurance Corporation (PIC) with a debt issue balance of £18.5 million. Total debt issue was £24.9 million.

At this date, total net assets were £133.6 million. Therefore, the debt to net asset ratio was 18.6% (2019-20: 12.1%). This is well within the loan covenant of 50%.

**3. Advisors**

- 3.1 Fund Manager – In 2019 a full review of Fund Managers was undertaken. It was decided to remain with BlackRock who were the incumbent Fund Manager of the passive tracker funds in which the College's funds are held. This position is under ongoing review subject to BlackRock demonstrating progress in ethical investing.
- 3.2 Professional Property Advisor – Catlings Commercial were appointed for a property service management contract which commenced 1 January 1995. The contract was novated to Cheffins in 2003 when the companies merged. It has been reviewed on a regular basis since then.
- 3.3 Bank – the College currently banks with Barclays Bank PLC.

<sup>1</sup> Consistent with Annual Report and Financial Statements for the year ended 30 June 2021

<sup>2</sup> This primarily consists of shares in individual companies that were left in a legacy to the College. It is the College's policy to divest directly held equity investments.

<sup>3</sup> Cash values were high as at 30 June 2021, with the receipt of the £10 million PIC debt issue in late June 2021. This will be invested over the next twelve months.