FITZWILLIAM COLLEGE
STATEMENT OF INVESTMENT POLICY

A: Name of Charity: Fitzwilliam College in the University of Cambridge

B: Charity Registration number: 1137496

C: General background

Legal Status
The College was established under Royal Charter in 1966 with the following objects:

(a) To advance education, religion, learning and research in the University.

(b) To provide a College wherein members of the University may work for Degrees in the University or may carry out postgraduate or other special studies at Cambridge provided that no member of the College or any candidate for membership thereof shall be subject to any test of a religious, political or social character.

All the resources of the College are ultimately applied for this charitable purpose.

The College is a registered charity, subject to regulation by the Charity Commission for England and Wales under relevant UK legislation. 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.

- Consider whether to delegate the management of the charity's investments to a specialist. This might mean investing in a collective investment scheme such as a unit trust or a common investment fund, or appointing a professional investment manager.

Paragraph 3 of the Royal Charter includes as being within the objects of the College:
(e) To apply the moneys of the College including any money acquired or taken over as aforesaid to the purposes of the College with power to invest as prescribed in the Statutes of the College. The relevant Statute is Statute LVII, a copy of which is appended to this policy.

Development of the College and the Endowment
The College has a relatively small endowment compared to its peers, and its total reserves are among the lowest of the undergraduate Colleges in the University. The long-term aim is to raise the endowment to a level which is considered to be sufficient to ensure the ability to sustain the independence of the College in the face of external influences especially Government funding of education and research, and the demand for conference facilities. The priorities will be to continue to invest in College property, teaching resources and to respond to increasing needs for student support.

The College Investment Fund
The funds available for investment represent the College's pooled investment fund, which is made up of permanent endowment (from which only the income may be drawn by the College), restricted funds held available for specific purposes and general reserves which provide a contingency against future spending needs. The College may from time to time hold funds on trust for other related organisations, and these will also form a part of the pooled fund.

Leverage and loan covenants
In 2008 a long term loan was drawn from Barclays Bank (40 year, bullet repayment, extendable by 10 years) the purpose being "to provide finance for its construction projects and in managing its long term investment strategy".

The funds were to be used as follows:

1. To enable construction projects to be funded in advance of donations. To the extent that donations are received then funds may be recycled into other construction projects on a similar basis.
2. To make investments to defray the cost of interest.

The level of borrowing is limited by loan covenants, including one which stipulates that "the total outstanding borrowings (together with any fixed premium on repayment) of the Borrower and its Subsidiaries shall not any time exceed 50% of the unrestricted funds." At 31st July 2019 there were no borrowings apart from the loan balance of £10m, and a bank overdraft of less than £1m.

D: Investment Policy

Investment aims and objectives
The primary investment objective for Fitzwilliam College is to protect the real value of the capital base and the income generated from it.

Investment Policy
The Governing Body believes that maintaining a diversified portfolio of high quality real assets is the appropriate policy to meet the primary objective and to provide protection against inflation risk. The College portfolio should be diversified amongst instruments, maturities, geography and sectors, so as to reduce the overall portfolio volatility and associated investment risks.

The College investment portfolio is divided between directly held properties and a Discretionary Investment Portfolio (DIP) managed by professional investment managers. The property portfolio, in normal market conditions, is expected to generate a higher yield and lower volatility than the discretionary portfolio.

Property in Cambridge for student occupation represents both a strategic asset and an investment for the College. The assets considered to be a part of the investment portfolio are those which, in the opinion of the Governing Body, could be sold without catastrophic impact on its ability to pursue its core charitable objectives. It is expected that these assets should maintain their real value over the very long term, although it cannot be assumed that income will keep up with inflation. Nevertheless, it represents a substantial exposure to the Cambridge property market, and the Governing Body believes such investments should not exceed 50% of the total investable portfolio.

Cash or readily realisable holdings will be retained to cover anticipated medium term needs in order to protect against the need to realise investments in times of market uncertainty.

It is recognised that from time to time the College may come into possession of investments that do not meet its normal criteria through donors. Whilst best endeavours will be made to meet the donor's wishes, such donations will only be accepted on the basis that the College has the absolute right to dispose of the asset at a time and in a manner of its choosing, and reinvest the proceeds in the main portfolio.

The Discretionary Investment Portfolio (DIP)
The College has chosen to adopt the Total Return accounting practice for the DIP, in order to allow its fund managers greater flexibility in the range of investments utilised. An "income rule", determined by College Ordinance, is used to determine the prudent amount to take as income from investments.

The investment policy is focused on producing a total return that is consistent with being able to meet a cash withdrawal requirement over a stock market cycle expressed as 4% of the value of the DIP, calculated on a five year rolling average lagged by one year.

i. *Risk capacity*

In considering its maximum tolerance of loss in the DIP the Governing Body considers that the following factors should be taken into account:

- The risk of breach of the College's bank loan covenants.
- The probability of recovery in values over a stockmarket cycle.
- The effect of the associated loss of income on the College's operations.

ii. *Risk appetite*

The College is a long term investor, and recognises that, over this time period, investment risks are necessary to achieve its long-term investment objectives. These risks may include both price volatility and illiquidity.

The Governing Body considers that this is consistent with a willingness to accept, in normal market conditions, a one in 20 year risk of a loss in value of 15% or more in one year, and a one in 100 year risk of a loss in value of 20% or more in one year.

The College has tolerance for non-GBP risk as the investment in Cambridge property is already a natural hedge to its GBP spending needs. It has agreed with its investment managers that not less than 50% of its non-property investments should be in GBP. Because Private Equity investment is made in US$ the College expects that liquid US$ holdings will be sufficient to meet near term capital calls for its Private Equity investments.

iii. *Asset classes and asset allocation*

Given the relatively high level of exposure to property, the Investment Advisory Committee considers that it is appropriate to retain a strong and diversified equity focus in the DIP to generate the return objective. The Investment Managers should consider the College's long-term objectives and the risks associated with each investment strategy when implementing a suitable portfolio for the College. The Investment Advisory Committee believes that a passive investment strategy in developed markets with strong liquidity is more cost effective than an active strategy.

Strategic asset allocations have been agreed with the Investment Managers for the DIP, together with tactical ranges within with the portfolio may move on a short term basis to take account of market conditions.

iv. *Environmental, Social and Governance (ESG) principles*

Fitzwilliam College is committed to ensuring that it makes investment decisions responsibly and with integrity. The College adheres to Charity Commission guidance on ethical investments, noting that trustees have a duty to maximise returns on investment for charitable benefit, but also recognising that there are specific situations where trustees may properly allow their investment strategy to be governed by considerations other than the level of investment return. The College's investment policy is designed to enable a sustainable investment approach, whilst minimising any potential negative impact on its investment returns. The College will seek to be open and transparent about its policy and practice.

The College believes that, when investing its funds, a high priority must be placed on promoting good standards of environmental, social, and governance ('ESG') behaviour. Accordingly, it expects its appointed investment manager(s), when making investment decisions, to consider the following areas (this list should not be considered as exhaustive);

- Protection of the global environment, its climate and its biodiversity including the reduction and future elimination of fossil fuel exploration and production;
- Promotion of human rights, including but not limited to the equality of gender, race and sexuality;
- Promotion of good business ethics and good employment practices;

In recognition of conflict with its objectives and these wider principles, the College will not invest directly and will reasonably minimise indirect investments in:

- producers of high impact fossil fuels (thermal coal, oil sands, shale oil and shale gas);
- tobacco manufacturers;
- manufacturers of civilian firearms, controversial and nuclear weapons.

In relation to investments made through third party fund managers using pooled funds or similar vehicles, the College's requirement is that these must demonstrate rigorous implementation of (and preferably be signatories to) the UN Principles of Responsible Investment ('UNPRI'), and show their active commitment to the principles through their engagement with invested companies on ESG matters.

The Investment Advisory Committee will require its discretionary investment manager to encourage good behaviour or discourage poor behaviour through screening of public market investments, either positively or negatively or through direct engagement with firms or fund managers. They will be expected to use voting in support of the principles of this policy. The appointed investment manager will be accountable to the College in terms of financial performance and adherence to commitments made on issues of sustainability.

E: Responsibilities

The Governing Body of the College has responsibility for determining policy in relation to the following:

- Investment objectives and policy
- Risk appetite
- Strategic asset allocation
- Appointment of advisors and managers

The Bursar is accountable to the Governing Body for the performance of the investments of the College. The Bursar, following the advice of the Investment Advisory Committee, may vary the tactical asset allocation ranges agreed with the Investment Manager.

The Investment Advisory Committee has a duty under Statute LVII of the College to formulate general policy regarding investments, and in doing so to consult a member of an experienced professional adviser drawn from a properly regulated financial or investment organisation. It acts as advisor to the Bursar and to the Governing Body on all matters concerning investment policy.

The Investment Advisory Committee will undertake regular reviews of investment performance through quarterly reports and six monthly meetings. It will also undertake an annual review of this investment policy and make an annual report to the Governing Body covering its activities and the performance of the College's investments.

F: Management Strategy

The DIP will be managed by specialist professional firms operating under discretionary mandates within the framework of this policy.

The major part of the portfolio will be retained with a single manager to allow a strategic view to be taken of the College's investment needs. Other portfolios may be maintained in order to:

- maintain a view on alternative investment management strategies
- Reflect short term variations in risk appetite.

Appropriate benchmarks and ranges will be agreed with each Manager to allow monitoring of performance and to allow tactical movement on the part of the Manager. Changes to the benchmarks will only be agreed by the Governing Body. However the tactical ranges may be varied from time to time by the Investment Advisory Committee.

Investment manager performance will be formally reviewed on a regular basis, at intervals of not more than five years.

Professional advisors will be retained in connection with the commercial property portfolio.

Approved by the Governing Body on 27 November 2019 [GB minute 7687(c)]

Appendix 1

STATUTE LVII
Of the Application of Capital Moneys and Management of Land

1. The Governing Body shall have power to purchase, retain, sell or transfer property real or personal and securities (which term includes stocks, funds, and shares) of any description on behalf of the College and may also apply moneys to any purpose to which capital moneys arising under the Universities and College Estates Acts, 1925 and 1964, may be applied.

2. In relation to the management, development, improvement, sale, lease, mortgage or other disposition of any land or any estate or interest therein held by the College or to the acquisition of any land or any estate or interest therein, the Governing Body may exercise any power and may carry out any transaction which an individual holding or acquiring such land, estate or interest for her or his own benefit could exercise or carry out.

3. The powers conferred by this Statute shall apply to all endowments, land, securities, property and funds of the College.

4. The Governing Body shall appoint an Investment Advisory Committee to formulate general policy regarding investments. This Committee shall consist of at least three members, and in formulating the general investment policy of the College they shall consult a member of an experienced professional adviser drawn from a properly regulated financial or investment organisation.

5.
(a) The Governing Body may apply as income for expenditure so much of the fair value of the property to which this Statute applies as, in its absolute discretion, it considers is prudent in all the circumstances, having regard to the total return achieved and reasonably expected in the long term on the property of the college or, as the case may be, of the Funds to which these Statutes apply.

(b) Any application by the Governing Body under paragraph (a) of this Statute shall in the case of property of the College be made for the purposes of the College, and in the case of a Fund, shall be made for the purposes of that Fund.

(c) Any references in these Statutes or in any Ordinances or Regulations made by the Governing Body to the income or revenues of the College or of any Fund shall include the total sums applied in accordance with paragraph (a) above.

(d) In this Statute
(i) '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
(ii) ‘total return’ means return in terms of both income, whether received or accrued, and capital appreciation, whether realised or unrealised.