

## **POOBI STATEMENT OF INVESTMENT PRINCIPLES**

- 1) This statement of investment principles has been agreed by the Trustees of the Post Office Orphans Benevolent Institute. It sets out the approach and policies relating to the investment and management of its portfolio.

### **Investment Objectives**

- 2) The primary objective is to strike a balance between maximising distributions to support the ongoing activities of POOBI and maintaining the real capital value of the investments over the long term.
- 3) There can be a limited, fixed term deviation from this goal where worthwhile projects can be identified and subject to market conditions at the time.
- 4) POOBI will take income both from the assets held and a 'draw down' on capital i.e. using a total return approach to achieve its annual operating objectives
- 5) POOBI adopts a prudent approach to investment risk. However, given the long term investment horizon, it is willing to accept a higher degree of risk in order to generate the required total return. More specifically, to maintain the real value of the portfolio whilst distributing 3%-4% annually it is accepted the level of risk will be approximately two thirds of the volatility of global equity markets. The assets must be properly diversified and in such a way as to avoid excessive risk concentration in the portfolio as a whole.

### **Asset Structure**

- 6) Following consultation with POOBI's appointed investment manager, the Trustees have agreed a 'central' strategic asset allocation focussed predominately on equities but with a range of other asset classes such as bonds, property, alternative assets and cash. The Trustees believe this asset allocation is suitable for the portfolio in meeting its investment objectives and operating within its risk parameters.
- 7) In managing this asset allocation the Trustees will allow up to a 10% tolerance either side of the central allocation for equities, bonds and alternative assets. Any moves outside this will be agreed directly between the investment manager and the nominated Trustees on a case by case basis.
- 8) POOBI's assets comprise a portfolio that is constructed having a very high regard for the security, quality, liquidity, profitability and responsible nature of the underlying investments. Funds will be invested either directly or indirectly through pooled vehicles in assets that are quoted on regulated markets.
- 9) POOBI will seek to ensure all investments are made responsibly and in holdings where corporate governance is strong.
- 10) POOBI will ensure sufficient cash holdings are maintained so as not force disposal of assets at inappropriate times.

### **Management of Investments**

- 11) The Trustees have delegated some of their investment powers to an appointed investment manager (Cazenove) who is responsible for carrying out all day to

day investment decisions including the acquisition and realisation of investments. Cazenove is required to exercise their powers to give effect to the objectives and principles contained in this statement and, in particular, must have regard to the need for diversification and to the suitability of the investments selected. The Investment Mandate agreed between Trustees and Cazenove sets out a number of the key responsibilities of the Investment Manager.

- 12) The Trustees have reviewed the investment manager's policies on social, environmental and ethical considerations and are aware of the terms under which they operate. Responsibility is delegated to the investment manager for taking social, environmental and ethical policy into account in the selection, retention and realisation of investments and for exercising the rights attaching to these investments.
- 13) Cazenove is paid fees as a percentage of assets under management. Fees are kept under regular review and assessed against both performance and peer group comparisons. The investment manager is retained on a 3 year basis subject to satisfactory performance.
- 14) The Trustees have created an Investment Sub Committee which is accountable for monitoring detailed investment issues and performance. The Sub Committee comprises the Chairman, Secretary, Treasurer and one experienced Trustee. The Sub Committee makes recommendations to the Trustees but all decisions regarding the Plan's investment arrangements, other than those delegated to the investment manager, are taken by the full body of Trustees. This structure has been selected as the Trustees believe retaining control over strategic investment decisions is in the best interests of POOBI.
- 15) Specific training and targeted briefings are available to members of the Sub Committee to raise their expertise in all investment matters. There is a regular dialogue with Cazenove for Trustees to remain updated on current developments.

### **Monitoring Performance and Benchmarks**

- 16) The Investment Sub Committee monitors performance using quarterly valuations and performance reports prepared by the investment manager. There are two formal reviews with the investment manager in Spring and Autumn each year where performance is analysed in detail and any changes of direction agreed. On line valuation services allow Trustees access on a daily basis to interrogate portfolio structure and holdings when required. All Trustees are regularly updated on the performance of the portfolio. This is an agenda item at every Trustees' meeting where the main focus is on the long term performance over a rolling 3 and 5 year period.
- 17) In order to provide an appropriate method of evaluation and comparison, the portfolio's performance is reported against relevant equity and bond indices. Overall, the performance of the portfolio is measured against the key target of CPI +4% (net of fees) and against outperformance of the composite benchmark (net of fees). Risk adjusted returns are analysed on an ad hoc basis.

## **Review**

17) Every 3 years the Trustees, in conjunction with the investment manager, undertake a full review of POOBI's investment objectives, the strategic asset allocation, investment manager performance and the other aspects contained in this statement. When necessary more immediate review and action will be undertaken in light of changed market conditions, performance or revised objectives.

18) From time to time the Trustees may seek external expert advice in order to test the effectiveness of its investment strategy and governance policies.

19) Trustees will ensure transparency to POOBI members of the management and performance of investments. This will be achieved via regular updates on the POOBI website.

**Final Version (6): 15 April 2019**