St. Catharine’s College (“the College”)

INVESTMENT POLICY

I. INTRODUCTION

This Investment Policy governs the management of St. Catharine’s College’s investment portfolio (the “Portfolio”). The Investment Policy should act as the common reference point for material investment recommendations affecting the Portfolio. The Investment Policy is meant to be a long term strategic document and will remain in effect unless altered by the Governing Body.

II. SPENDING POLICY

The Portfolio is managed according to the “total return” concept which assumes the long term sources of spending to be from interest, dividends, and realized capital gains.

The College policy is to target a long run annual **Spending Rate of 3.75% calculated on the average endowment values of the previous 3 years**. 3.75% is the Target Spending Rate, or the amount the College intends to withdraw from the Portfolio annually, expressed relative to a measure of the Portfolio’s market value. If the Target Rate corresponds with the real return on the endowment over a given period, the real value of the spending stream and of the endowment’s assets will have been maintained over that period. **The College expects gradually to reduce this rate to somewhere in the range of 2.75% to 3.75% over the next decade to respond to the lower return outlook**.

The Spending Policy should be reviewed annually to ensure that spending requirements continue to be met by investment returns.

III. FINANCIAL AND INVESTMENT OBJECTIVES

The primary **financial objectives** of the Portfolio are to:

(1) Preserve and enhance the real (inflation-adjusted) purchasing power of the Portfolio, and

(2) Provide a stream of relatively predictable, stable and constant earnings in support of annual budgetary needs.

The College is assumed to suffer a natural inflation rate in its costs that exceeds that in commonly referenced consumer price indices. To reflect this in its financial and investment objectives, the College defines ‘*preserving real value*’ as to increase in value by at least **CPI+0.5%**, the latter being the chosen approximation of the College’s higher inflation rate.

The Portfolio’s **long-term investment objective** is defined as follows:

- **Attain an average annual total return of CPI + 0.5% + Spending Rate;**

Achieving such an ambitious objective entails investing predominantly in risk assets, whose performance will fluctuate year on year. Success of the investment strategy (as per the first objective) should therefore be measured over a long time horizon (5-10 years).

To facilitate monitoring over shorter periods, the College compares total portfolio performance to the MSCI World Index and to a 70/30 Equity/Bond market comparator.

IV. PORTFOLIO ASSET ALLOCATION AND RISK

A. Asset structure

The asset allocation of the Portfolio should reflect the proper balance of the College's need for liquidity, preservation of purchasing power, and risk tolerance. The Portfolio's investments shall be diversified by asset class (e.g. property, equities, bonds, and alternative investments such as private equity, infrastructure, commodities and hedge funds) and within asset classes between managers. The purpose of diversification is to provide reasonable assurance that no active manager, class of securities, or individual holding will have a disproportionate impact on the Portfolio's aggregate results.

B. Asset allocation review

Annually the Investment Committee will reconfirm the asset allocation and consider rebalancing the portfolio, and may suggest to the Governing Body a strategic change from time to time, although it is anticipated that strategic changes will be infrequent. Strategic changes will result in modifications to this Investment Policy. Any tactical changes will be reflected in the minutes of meetings of the Investment Committee.

V. IMPLEMENTATION OF THE ASSET ALLOCATION

Management of the Portfolio should be delegated to a number of active or passive investment managers. The mandates to external managers should fulfil the asset allocation policy and the financial and investment objectives.

VI. DELEGATION OF RESPONSIBILITIES

A. Governing Body:

- Appoint and remove members of the Investment Committee.
- Appoint and remove the Chairperson of the Investment Committee.
- Appoint and remove any Consultants to the Investment Committee.
- Approve recommended investment objectives and policies including the strategic long-term asset allocation.
- Grant any necessary waivers from investment policies or requests for special investment management resources.

B. Investment Committee:

- Investment Committee reports directly to the Governing Body.
- Recommend investment objectives and policies, for approval by the Governing Body.

- Recommend retention or dismissal of outside professionals (investment managers and custodians), subject to approval by the Governing Body.
- Periodic reporting to the Governing Body on the asset allocation and performance of the Portfolio, as well as any other substantive investment matters.
- Recommend to the Governing Body any necessary waivers from this Investment Policy
- Agree specific private equity investments within the agreed asset class limitation

C. Bursar and Staff Involved in Investment Oversight ("Staff"):

- Oversight of day-to-day activities of the Portfolio and the implementation of any changes approved by the Investment Committee.
- Periodic reporting to the Investment Committee and/or Governing Body.

D. Investment Managers:

- Selection of specific portfolio holdings in accordance with the Portfolio's investment policy and manager-specific investment agreements.
- Report the following information at least quarterly (annually for actual property investments): total return net of all commissions and fees, the contents of the portfolio and any additions and withdrawals.

VI RESTRICTIONS

A. Prior to making an investment, the Investment Committee shall decide on the maximum permissible exposure to a single active manager to avoid concentration risk within the Portfolio. The Investment Committee shall also enquire for information on the investor base of that manager, to avoid holding a disproportionate amount of the manager's assets under management.

B. Statement of Investment Responsibility

As trustees of the College, the primary fiduciary responsibility of the Master and Fellows is to maximise the financial return from investments, taking into account the amount of acceptable risk, in accordance with this investment policy. However, there are circumstances, described in Charity Commission guidance and founded in judicial decisions, when the College may balance ethical considerations against its primary fiduciary responsibility.

It is the College's policy to take account of ethical and other issues of social responsibility and the values of the Collegiate University when taking investment decisions. This includes working to address climate change as one of the biggest challenges humanity has ever faced and targeting net zero for St Catharine's College by 2040[1] The College has the ambition to achieve net zero greenhouse gas emissions from its financial investments by 2040 and from its property investments by 2050.
The College's policy is to hire investment managers with ambitious shareholder engagement goals, including those that combine divestment and engagement to good effect. The College's default position expects managers to vote in favour of all environmental and social shareholder resolutions, and to vote against:

[1] https://www.caths.cam.ac.uk/sites/default/files/Environmental%20Sustainability%20Strategy_Feb2022.pdf

- The re-election of directors of non-compliant companies
- Excessive executive remuneration packages and/or executive remuneration packages that do not incorporate social and environmental metrics

Investment managers who do not align with these guidelines will be asked to explain any deviations, and the College will terminate relationships with investment managers whose voting practices continue to misalign with the guidelines.

The College's approach to each asset class is as follows.

Public equity:
The College does not and will not hold any direct investments in fossil fuel, arms, tobacco, child labour or gambling industries.

The College invests primarily through funds and will utilise ESG screening to select funds, including emissions intensity and absolute emissions. Currently the College only holds funds managed by CCLA Investment Management and Legal & General Investment Management (LGIM).

CCLA's COIF Charities Ethical Investment Fund is managed in accordance with an ethical investment policy that is set through consultation with unitholders. This requires CCLA to dedicate capital to positive investments, engage with companies to achieve positive changes in business practice and implement a range of restrictions: no investment in unconventional weapons, electrical utilities that are not aligned with the Paris Agreement, and any companies primarily focussed on oil sands/coal extraction, fossil fuel extraction, armaments, tobacco, alcohol, adult entertainment, and gambling.

The majority of the equity holding managed by LGIM is in the Future World ESG Developed Index Fund which excludes unconventional weapons, armaments, coal, tobacco and perennial offenders of the UN Global Compact. It is tilted towards companies that demonstrate good environmental, social and governance efforts in developed countries. The fund has lower carbon reserves intensity and carbon emissions intensity than its benchmark and follows LGIM's Climate Impact Pledge, an engagement campaign to address climate change with targeted voting and investment sanctions. .

Fixed income:
The College expects its fixed income investment managers to apply the same high quality of engagement as its equity managers. Currently LGIM manages the majority of the fixed income portfolio and adopts the same active ownership approach across all asset classes with an estimated 1250 engagements per annum from the Global Fixed Income team.

Private equity:
The College currently has no plans to make new private equity investments, and is running down its current exposure in this asset class over the next 2-5 years. Private equity is a source of new capital for companies, and the College will ensure that it does not in the future invest in funds that focus on companies whose activities run counter to the environmental and social values of the College.

Real estate investments:

The College's real estate investments should adhere to best practice in environmental sustainability, social equity and responsible corporate governance. The College currently invests in two property funds: the Charity Property Fund and the Property Investment Trust for Charities, both of whom adopt the UNPRI reporting requirements and participate in the Global Real Estate Sustainability Benchmark survey (GRESB).

Land holdings:
The College's agricultural land should be managed to maximise long-term soil health (and therefore carbon sequestration and food production over time) and biodiversity. To achieve this, the College will incorporate into new tenancy agreements its expectation that prospective farm tenants ensure the following:

- No-till or minimum-till practices to increase soil quality and improve carbon sequestration in the soil
- The use of cover crops to minimise soil erosion throughout the winter
- Minimisation or elimination of the use of inputs such as chemical fertilisers
- Maximisation of biodiversity through expanded hedgerows, afforestation or rewilding of low-productivity farmland, and protection of waterways

Banking:
The College expects its bank to align with the College's social and environmental policies. The College will engage with its bank – currently Barclays – on fossil fuel lending in particular, and will aim to switch providers if the bank's activities continue to run counter to the College's values.

Implementation:
The Investment Committee, under the oversight of the Governing Body, is responsible for the implementation of this policy on Investment Responsibility. The Investment Committee will:

- write to its investment managers to ensure that they are aware of this policy, directing them to draw the Committee's attention to any matters expected to result in a conflict with this policy at the earliest practical stage;
- monitor the policies applied by investment managers, with a view to using its influence as a material client of these managers to shape these policies where appropriate; and
- take input/advice on environmental and social matters from students and staff, especially via the College's Green Working Group, on an ongoing basis.

The Investment Committee is responsible for keeping the Statement of Investment Responsibility under review.

VII. MONITORING OF OBJECTIVES AND RESULTS

All objectives and policies are in effect until modified by the Investment Committee, and approved by the Governing Body. They will be reviewed at least annually at a meeting of the Investment Committee for their continued appropriateness.

The Portfolio will be monitored periodically for consistency of each manager's investment philosophy, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. Portfolio results will be reviewed by the Investment Committee on a quarterly basis. **The Portfolio's long term performance relative to the average annual total return investment objective of CPI +0.5%+Spending Rate will be evaluated. Over shorter periods it will also be evaluated with respect to the MSCI World Index and to a 70/30 Equity/Bond market comparator.**

Author:	Bursar
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