Selwyn College Cambridge

SELWYN COLLEGE
Charity number 1137517

INVESTMENT POLICY STATEMENT

1. Introduction and governance

1.1. Selwyn College (the College) was incorporated under a Royal Charter dated 13 September 1882 and is registered with the Charity Commission under charity registration number 1137517. The objects of the College are, for the benefit of the public, to provide a college in the University of Cambridge as a place of education, religion, learning and research.

1.2. The College's principal assets are its freehold properties and related equipment, with a net book value of £70.6 million as at 30 June 2024, and its investment portfolio, which was valued at £80.9 million at the same date. Of this sum, £61.3m represents permanent endowment.

1.3. The College's Board of Trustees is the College Council, which itself reports to the College's Governing Body. The Council has delegated oversight of the College's investments to the Investment Committee.

1.4. The College Statutes (21(1)) require the adoption of an Investment Policy, as does the Charity Commission. College Regulations further govern the arrangements regarding management of the Colleges' investments by requiring Council approval of:

1.4.1. the 'request for proposals' document and/or other tender documents as appropriate;

1.4.2. The agreement of which firm or firms are to be engaged by the College, and any key terms of their appointment;

1.4.3. An annual report on the performance of the College's investments, and other investment matters of interest, during the previous financial year.

1.4.4. The Investment Policy, following each review date.

1.5. The Investment Committee meets once a quarter, but may meet more frequently if required and/or make decisions via email circulation.

1.6. The Investment Committee consists of three external members with relevant experience, from a usual maximum of ten members, who are appointed for three years at a time, renewable with the agreement of both parties.

2. Investment objectives

2.1 The College's charitable purposes are to contribute to society through the pursuit of education, learning, research and religion. All of its resources, including its investments, are ultimately applied to this charitable purpose and its core values include freedom of thought and expression and freedom from discrimination, as well as concern for sustainability and the relationship with the environment.

2.2 In respect of the management of the portfolio the Trustees' primary fiduciary responsibility is to protect its long-term value in real terms, and in the context of the agreed attitude to risk set out below, to provide for a target withdrawal rate to support the College's charitable purposes.

2.3 The College consequently seeks to achieve a total return after fees that is at least 3.5% better than inflation over the long-term, as measured by the UK Consumer Price Index (CPI).

2.4 The College has approved a ceiling of 3.5% for annual withdrawals. It currently expects to make withdrawals of approximately 3% per annum to meet its funding needs, these can be from capital or income.

2.5 The College's spending is in sterling and the Trustees monitor exposure to sterling, although it has a global outlook for investment.

3. Attitude to risk

3.1. As an institution which aims to exist in perpetuity, the Trustees see the College's main investment risk as being an erosion over the long term (measured in decades rather than years) in the real value of the College's investment assets and the income which they generate. To mitigate this risk, the Trustees have a policy of investing in well diversified, high-quality assets which provide protection against inflation over the long- term.

3.2. The Trustees are able to tolerate medium term fluctuations in the capital value of these assets, provided they are able to meet their short-term commitments, whether this be through income or capital withdrawals.

3.3. The Trustees delegate the management of the investment portfolios, excluding the investment in the Cambridge University Endowment Fund ("CUEF") to one or two investment management firm(s) approved and regulated by the Financial Conduct Authority (FCA) to improve diversification and reduce risk.

3.4. The College's investment portfolios can be invested widely and should be diversified by asset class and security.

4. Liquidity requirements

4.1. The College aims to maintain at least three months operating expenditure in cash and readily liquid assets in the invested funds, currently estimated at £3m.

4.2. Given the long-term nature of the College's Endowment Funds, the Trustees are prepared to hold long-term, illiquid assets, which may not be readily realisable, as they believe these can offer superior long-term risk adjusted returns. However Trustees would not expect the proportion invested in assets not realisable within 6 months to exceed 25% of the total investment portfolio.

4.3. The College aims to balance the needs of current and future beneficiaries and therefore aims to generate a sustainable level of withdrawals, whilst ensuring the capital keeps pace with UK inflation (CPI) over the long term.

5. Time horizon

5.1. The College has adopted a long-term investment time horizon, considered to be greater than 5 years. The investments should be managed accordingly.

6. Ethical policy

6.1. The Trustees expect the investment managers to behave with integrity, to be fully compliant with all regulatory requirements and to meet the relevant codes of conduct.

6.2. The investment managers must incorporate into their investment process consideration of issues of Socially Responsible Investment (SRI) as well as factors of Environmental, Social and Governance (ESG), alongside other elements which form such a process and which govern subsequent portfolio construction, stock selection and benchmark adoption.

6.3. To ensure that the College's investments do not conflict with its charitable objectives, the Trustees have adopted an ethical investment policy including divestment from any company involved in armaments, from tobacco companies, and from fossil fuel companies, in accordance with the definitions set by our investment manager.

6.4. This also extends to include no meaningful indirect investments in fossil fuel companies.

6.5. The College has a further objective to increase the proportion of its investment portfolio year-on-year in companies and funds which support the transition to a low carbon economy, over and above investments already made.

6.6. It is recognised that the investment manager will need to make judgements on where energy companies are actively transitioning to low carbon energy provision. It is expected that a review of such judgements will form part of routine reports and discussions to and by the Investment Committee.

6.7. The College seeks to hire investment managers with ambitious shareholder engagement goals, including the use of shareholder voting power to support resolutions which are aligned with these policies and against those which are not. The College requires its investment managers to inform the management of companies or collective funds of the reasons why that investment has been sold where these policies had a bearing on that decision.

6.8. This ethical policy applies both to direct investments and to investments in collectives.

6.9. The appointed managers are required to report annually to the Investment Committee on compliance with the College's Ethical Policy.

7. Management, reporting and monitoring

7.1. Oversight of the investment portfolios is the delegated responsibility of the Investment Committee, which includes individuals with relevant experience.

7.2. The Investment Committee reports formally to the Council on at least an annual basis. This report should include a review of asset allocation, performance and risk profile.

7.3. As noted above, the Trustees delegate the management of the investment portfolios, excluding the CUEF investment, to one or two professional investment management firm(s) approved and regulated by the Financial Conduct Authority (FCA).

7.4. The valuation of the portfolios will be reported by the investment managers to the Investment Committee on a quarterly basis. The Investment Committee also requires a written commentary on performance, portfolio changes, liquidity analysis, and Sharpe ratio, and may request other specific data points in future.

7.5. The overall performance of the investment portfolio, net of all investment management fees, will be compared to the UK inflation plus withdrawal rate target (UK CPI + 3.5%) on a rolling 5-year basis.

7.6. The investment manager is also required to show comparative indices, including a peer group index and a composite benchmark, to illustrate the performance of relevant markets and relevant peer groups. These benchmarks and indices are to be agreed with the Investment Committee. It is anticipated that the benchmark indices will be:

  7.6.1. The ARC Charities Steady Growth Index.

  7.6.2. A composite benchmark comprising relevant indices to match the College's strategic asset allocation.

7.7. The Trustees will review the investment management arrangements every five years or earlier if necessitated by performance or other key factors.

7.8. Appointed investment managers will attend meetings with the Investment Committee on a quarterly basis.

8. CUEF

8.1. The College has a significant holding in the Cambridge University Endowment Fund (CUEF), primarily to tap into its expertise and risk management of alternative asset classes, e.g. hedge funds, private equity. This is a fund holding managed for the University of Cambridge, the College relies on this relationship to ensure alignment with its investment values. The CUEF has a long term approach and a target of CPI + 5% in order to fund return to investors of CPI +4%.

8.2. The CUEF will issue valuation reports to the Investment Committee quarterly, one quarter in arrears. This will be presented by the Bursar alongside the information provided in section 7.

9. Date of next review

9.1. This Investment Policy Statement provides a framework for the management of the College's investment portfolios. It will be reviewed on an annual basis each Michaelmas term to ensure it continues to be appropriate.

APPROVED ON 6 May 2025 by the College Council