

## **CHEAD Investment Policy 2023-24**

The Board of Trustees should review and consider whether, during the past year, the financial, regulatory and competitive environment in which the charity is placed has changed significantly to warrant any changes to the current investment policy.

### **1. Introduction**

1.1 The Council for Higher Education in Art and Design (CHEAD) is an incorporated charity, whose purpose is to advance education for the public benefit by promoting knowledge and understanding of art and design within higher education institutions.

1.2 CHEAD has annual income from membership fees and a smaller sum raised through events. The Charity's reserves policy is to hold six months of planned expenditure as reserves to ensure continued financial security and to provide for contingencies.

1.3 CHEAD has funds excluding reserves, available for investment. A portion of these reserves has been identified as long-term reserves, with the remainder being held as short-term reserves, to meet unanticipated cash flow needs. The long-term reserves should be invested to grow at least in line with inflation, the short-term reserves should be invested emphasising certainty of value.

### **2. Investment Objectives**

2.1 CHEAD seeks to produce the best financial return within an acceptable level of risk.

2.2 The investment objective for the long-term reserves is to generate a modest return to support the on-going activities of CHEAD.

2.3 The investment objective for the short-term reserves is to preserve the capital value with a minimum level of risk. Assets should be readily available to meet unanticipated cash flow requirements.

### **3. Risk**

3.1 Attitude to risk

CHEAD is reliant on membership subscriptions income for its activities.

Investment assets are held as reserves.

The key risk to the long-term reserves 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 short-term reserves are held to provide financial security and may be

required at short notice. As such capital volatility cannot be tolerated and investment of these assets should be focused on minimising this.

### 3.2 Assets

CHEAD's assets can be invested in the following assets classes: cash, bonds, equities and structured products.

### 3.3 Currency

The base currency of the investment portfolio is Sterling.

Short term reserves should be held in Sterling.

### 3.4 Credit

The Charity's cash balances should be deposited with institutions with a minimum rating of A-

## 4. Liquidity Requirements

4.1 Income from the long-term reserves will be used to fund the Charity's activities.

4.2 Due to the nature of the reserves, the board wish to keep at least 50% of the long-term reserves in investments that can be realised within twenty-four months. All of the short-term reserves should be realisable within one to three months.

## 5. Time Horizon

5.1 The Charity has divided its reserves into those expected to be held for a long-term time horizon and those that may be needed in the short term.

## 6. Ethical Investment Policy

CHEAD is committed to ensuring that it makes all investment decisions responsibly and in ways that are consistent with its mission and values.

CHEAD's ethical investment policy is based on the premise that it should reflect the values it holds as a charity and sector representative.

CHEAD will review whether any investment is contrary to these guiding principles and monitor the operation and effectiveness of the policy on an annual basis.

6.2 The Charity's ethical investment policy precludes direct or indirect investment in companies that generate more than 10% of revenues from alcohol or tobacco.

## 7. Management, Reporting and Monitoring

7.1 The Charity has taken the decision to manage its own investments and will convened a working group to review all policies and decisions made in relation to

investments. The Charity has nominated a list of authorised signatories, two of which are required to sign instructions.

7.2 The working group will provide the following information on an annual basis: valuation of investments, transaction report, cash reconciliation, performance analysis and commentary.

7.3 Performance of the long-term reserves will be measured against inflation and agreed market indices. The return of the short-term reserves will be monitored against benchmark cash rates. The level of capital volatility will be monitored to ensure the risk profile remains appropriate for the Charity.

## **8. Approval and Review**

This Investment Policy Statement was prepared by the Director of Membership and Operations to provide a framework for the management of its reserves. It will be reviewed on an annual basis to ensure continuing appropriateness.