

## Summary of Financial Objectives and Investment Strategy

### Objectives

1. Financial Objective
    - 1.1. to maintain (at least) the Foundation's endowment in real terms
    - 1.2. to produce a consistent and sustainable amount for expenditure
    - 1.3. to deliver 1.1) and 1.2) within acceptable levels of risk
  2. Capital Maintenance
    - 2.1. The Foundation seeks to protect its endowment from its current experience of inflation (based on 62% Average Earnings Index and 38% Retail Price Index).
    - 2.2. The Foundation's composite inflation index will be applied to the endowment value of £188,310k (the value on 31<sup>st</sup> December 2003).
  3. Distribution rate
    - 3.1. The Foundation intends to distribute 4% of the average of the previous twelve quarter rolling market values. (4.5% from 2008 for five years).
    - 3.2. Where market values lie outside the indexed base value with an allowance for volatility (+/- 16%) a review of distribution rates will be triggered.
- ### Investment Principles
4. Decision Making & Governance
    - 4.1. The Investment Committee is responsible to the trustees for investment decisions. It includes three trustee members and two independent investment professionals as advisors (who serve for three year terms). The committee is supported by staff of the Foundation. It is advised by investment consultants (appointed annually).
    - 4.2. The committee appoints investment managers (and terminates their appointments), recommends to trustees strategic asset allocations and reviews investment performance.
    - 4.3. Investment management is delegated to authorised commercial discretionary managers, properly licensed by the FSA, whose appointments are reviewed at least every three years
  5. Investment objective
    - 5.1. The Foundation requires a diversified portfolio which will provide the best return for an agreed measure of risk and liquidity
  6. Ethical and other restrictions
    - 6.1. Prohibitions on segregated investment in tobacco companies (equity or bonds).
    - 6.2. No stock lending.

### 7. Asset allocation and ranges

Asset Class	Target	Range
<i>Real Assets</i>		
Global Equities	70%	
Private Equity	10%	+/- 10%
Property	10%	+/- 2%
<i>Total Real Assets</i>	80%	
<i>Nominal assets</i>	10%	8% - 15%
<i>Total assets</i>	100%	

### 8. Principal benchmarks

- 8.1. Investment performance will be assessed against total returns relative to a composite benchmark based on asset allocation at the beginning of each period.
- 8.2. Performance is also compared to the WM Charities Unconstrained Index
- 8.3. Individual manager benchmarks are set out below.

### 9. Manager Structure and benchmarks

Asset Class	Manager
<i>Real Assets</i>	
Global Equities	Acadian, Harding Loevner, Longview, Marathon, Lloyd George
Private Equity	Various
Property	3 pooled funds
<i>Nominal Assets</i>	
Fixed Interest	Objective Completion
Custodian	Northern Trust

Asset Class	Benchmark	Target
Equities	MSCI ACWI	+ 2%
Private Equity	MSCI ACWI	+ 4%
Fixed Interest	5 – 15yr ML Gilt index	-
Property	IPD	-
Cash	30 day LIBID	-

### 10. Performance assessment

- 10.1. Performance is assessed in £GBP on rolling twelve quarter periods.
- 10.2. Performance targets are net of fees

### 11. Effective from 1<sup>st</sup> April 2003.