



ELY CATHEDRAL

Investment policy

The Cathedral is fortunate in having an investment portfolio, whose purpose is to help fund its activities through the generation of income and to hold reserves for the long term.

Legal and governance framework

Chapter's investment powers are set out in s24 of the Cathedrals Measure 2021. Chapter's investing activities are – among other things – governed by the Trustee Act 2000.

This investment policy is in line with the Charity Commission's guidance "*CC14 – Investing charity money – a guide for trustees*" dated August 2023. It is set in the best interests of the Cathedral and complies with trustee duties and the principles of good decision-making.

Chapter must invest solely with a view to achieving an arms-length financial return. Section 5(8) of the Cathedrals Measure 2021 prohibits Chapter from making "social investments" as defined in s292B of the Charities Act 2011.

Except in certain circumstances, Chapter may only acquire or dispose of land or buildings within the investment portfolio with the consent of the Church Commissioners (s21 & s22 of the Cathedrals Measure 2021).

Chapter is responsible for setting the investment policy. Chapter has delegated monitoring the investment policy to the Finance Committee, in s1.2(viii) of the Finance Committee's terms of reference. The Finance Committee is responsible to Chapter for reviewing the policy annually.

Ethical investment policy

Chapter is acutely conscious that it, and we all, owe a duty to God to act as good stewards of God's creation. God created heaven and the earth and, at the time of the creation, saw that it was good (Genesis chapter 1). God placed Adam into the Garden of Eden "to dress it and to keep it" (Genesis chapter 2, verse 15), which we interpret as a requirement on all Christians to be faithful keepers and stewards of God's creation. Psalm 24 reminds us that the earth is not ours, but God's, saying that "the earth is the Lord's, and the fulness thereof; the world, and they that dwell within it".

It is therefore incumbent on Chapter to manage its investments in accordance with this duty. Thus, the Cathedrals' investment policy is subject to its ethical investment policy, and the latter takes priority over the former.

The Cathedral's ethical investment policy states that:

"The Church of England believes that taking account of environmental, social and governance (ESG) issues is an intrinsic part of being a good long-term investor, for both ethical and financial reasons. The Cathedral has always attached great importance to investing in a way that is consistent with Christian values. The Church of England is a signatory to the UN backed Principles for Responsible Investment (PRI), committing us to incorporating ESG issues into our investment analysis and decision-making process."

The Cathedral's funds are invested in line with the policies of the Church of England's Ethical Investment Advisory Group. These policies are the basis for a distinctly Christian approach to investment, embracing screening, active stewardship, and alignment with the Church's teaching and values. They include:

- (a) restrictions on holdings in companies involved in indiscriminate weaponry, conventional weaponry, pornography, tobacco, gambling, non-military rearms, high-interest rate lending,



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human embryonic cloning, extraction of thermal coal and production of oil from oil sands, subject to revenue thresholds;

- (b) advice on taking positive steps to reflect the Church's teaching and values on a range of issues, including climate change, supply chain ethics and extractives industries.

Furthermore, Chapter's policy is generally not to hold investments in oil or mining companies.

Investment objectives

Chapter's investment objectives are:

- (a) to deliver an annual **total return**, net of fees and costs, of inflation (as measured by the Consumer Prices Index) plus 3.5%. This implies an annual nominal target of 5.5% if inflation is in line with the Bank of England's official target of 2%;
- (b) to generate an **annual income**, which may be applied to short-term Cathedral needs, subject to any legal restrictions. This income is agreed by the Finance Committee on an annual basis as part of the budgeting process; and
- (c) to **preserve the value** of the portfolio in real terms (that is, against CPI inflation).

Risk appetite and tolerance

Risk appetite and tolerance factors apply to buildings and land as well as to financial investments.

Time horizon

The portfolio is invested for the long term (over five years).

Diversification

The portfolio must be well-diversified across asset classes, in line with a standard 'medium' risk profile, so as to limit downside risk in the portfolio. However, Chapter accepts that there may be times of volatility when the downside risk is larger.

Ability to bear losses

Chapter accepts a reasonable level of capital volatility in the portfolio. This is because the Cathedral has a 'moderate' ability to bear investment losses, and falls in the value of the portfolio of up to 35% would not have a material impact on the Cathedral's overall financial position and commitments.

Liquidity

The portfolio must be invested in assets that are easily realisable in normal market conditions. (In addition to the investment portfolio, Chapter holds sufficient cash to meet immediate cash-flow requirements).

Currency

The portfolio must be invested with regard to the fact that Chapter's liabilities are in sterling.

Gearing

Chapter may borrow modestly and selectively to fund investments in buildings and land. Chapter will not borrow to invest in financial investments.

Asset classes

The portfolio comprises (a) buildings and land; and (b) financial investments.

Buildings and land

The portfolio holds (and may acquire or dispose of) land and buildings in Ely (but not beyond).

The assets are directly-owned and held either for functional (charitable) use or let on a variety of leases for rental income. Rent is generally collected by the Cathedral's property agents and passed



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on to the Cathedral after the deduction of management fees. The Cathedral’s investment properties currently consist of: Steeplegate, the Grace Building (6 & 8 High Street and 4 Minster Place), 1-4 Bishop Wynn Close and the Cathedral Centre (which is in functional use).

The policy is to invest in and maintain the fabric of the buildings to a high quality, in order to maximise rental value. Building and maintenance work is undertaken by the Cathedral’s own workforce (with direct costs, but not staff costs, re-charged to the portfolio) or by external contractors.

A professional adviser is appointed for finding new tenants, rent reviews, lease extensions or amendments, any purchases or sales, and other matters. The appointment is formally reviewed at least once every five years. The current adviser is Cheffins.

Many of the land and buildings held in the investment portfolio have historic, heritage and strategic value to the Cathedral, by virtue of being so close to it and potentially having an impact on the setting of the Cathedral. Many are let to King’s Ely. It is therefore accepted and understood that such land and buildings are principally held for their rental income, and that sales of such land and buildings will only be undertaken on an exceptional basis.

When considering acquiring or disposing of land or buildings, Chapter must take into account the likely long-term investment return, taking into account all relevant factors, capital costs, risks, long-term maintenance costs, likely tenancy, income and any impact on property already owned by Chapter.

Financial investments

The portfolio holds (and may acquire and dispose of) financial investments, being stocks and shares, bonds, etc. The portfolio may not be invested in crypto-currencies, derivatives or commodities other than gold. The portfolio may be invested:

- (a) directly in **collective funds** (investment trusts or unit trusts) selected by the Finance Committee and endorsed by Chapter; and/or
- (b) through **discretionary investment management** arrangements with one or more professional investment managers. Any such appointment must be formally reviewed at least once every five years.

At present, there are no collective fund-holdings, and only one manager: Quilter Cheviot.

The manager is required to invest the financial assets in certain broad asset classes with long-term asset allocation benchmarks and within set ranges. The current parameters are set out in the table below:

Long-term asset allocation	Benchmark	Range
Total equities	70.0%	50-75%
UK equities	30.0%	10%-40%
Overseas equities	40.0%	30%-50%
Fixed interest	17.5%	10-30%
UK government bonds	12.5%	5-20%
UK corporate bonds	5.0%	0-20%
Alternatives (including property)	10.0%	0-20%
Cash	2.5%	0-15%



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The manager is asked to estimate the income from the portfolio for the next two complete financial years, to assist the Cathedral with its budgeting.

Performance of the financial investments portfolio is monitored against:

- (a) the overall total return target of CPI+ 3.5% p.a. net of fees;
- (b) the composite market indices for the asset classes shown above; and
- (c) the ARC (Assets Risk Consultants) "Steady Growth" charity index.

The Finance Committee is responsible to Chapter for monitoring the performance of the financial investment manager. To achieve this, the Finance Committee (a) receives quarterly reports from the manager; and (b) holds an annual review with the manager and reports the outcome of the review to Chapter.

**Approved by Chapter
18 March 2024**