Jesus College
Cambridge

Investment Policy Statement (IPS)

Revised: June 2021.

Next review date: June 2026.

Review interval: Minimum of five yearly intervals.

Owner: Bursar.

Committees with oversight: Bursarial, Council.

Contents

Preface. This Investment Policy Statement documents the investment aims of Jesus College and the policies to guide endowment investment decision-making, following consideration by the Financial and Property Investment Committees. The Bursarial Committee ("BC") shall review and approve any changes to this document. Material changes must be ratified by the College Council.

I. Key Objectives

A. Overall Objectives. The endowment's portfolio is managed to maximize long-term total return.

In accordance with this, long-term spending from the endowment is constrained to that amount which should be sustainable over the long term, consistent with a target strategic asset allocation that seeks to maximise return, but without excessive risk. Management of the portfolio both overall and within each asset class should be carried out efficiently and with results that are consistent with appropriate benchmarks in each area.

The following paragraphs consider in greater detail how each of these elements has been translated into practice.

B. Expendable Amounts. In order to achieve both reasonable stability in budgeting and a sound balance between near-term and distant spending priorities, the BC has adopted a long-term spending rule: the expendable amount in any given fiscal year shall be limited to 4% of the average quarterly endowment value on a five year trailing basis. For example, the expendable amount for fiscal year ending 30 June, 2015 is equal to 4% of the average endowment values at the end of each of the 20 quarters ending 30 June 2014.

In setting the total return target, the following factors should be taken into account:

- The expected long-term returns from an UK-based endowment investing in a diversified portfolio, taking account of the Risk Parameters
- It is assumed that approximately half of the College's endowment will be invested in property, with a heavy weighting towards the Cambridge area

C. Return Objective. Jesus College's return objective is to preserve and if possible enhance the purchasing power of its endowment assets, net of costs and approved withdrawals, over rolling five-year periods. This goal is synonymous with the pursuit of a time-weighted net return on endowment assets of cost inflation (approximated by CPI+1%) plus Jesus College's long-term spending rate of 4% measured over corresponding five-year periods. This goal assumes that any gifts of capital will be used to grow the endowment assets and therefore are not relied upon to preserve purchasing power of the asset base. The purchasing power of the asset base is thus only preserved as total investment returns replace the effects of net expenditure and inflation.

The College will rely on its investment advisers proposing a suitable asset allocation to achieve these returns, and to inform the College of the risks required to be taken to achieve such returns. The investment adviser will be expected to provide the College with their asset return assumptions in determining an appropriate asset allocation and to have an ongoing responsibility to the College to inform of any changes to these asset return assumptions during the course of their management of the investment assets. In addition, the investment adviser will need to incorporate investment assets held by the endowment such as real estate and private equity that may not be directly under their remit, in determining what they believe to be the correct overall asset allocation for the endowment assets. Total investment return includes income and capital returns. Asset managers will generally be required to retain and reinvest dividends, interest, capital gains and other income, except where required to distribute (e.g. private equity managers) or in respect of rental receipts.

D. Risk Parameters. Jesus College is prepared to incur risks consistent with its pursuit of the return objectives set forth above. Risks come in many forms, but one measure which may be contained through portfolio construction is portfolio return variability. Return variability can be influenced by changing the proportion of the portfolio allocated to asset classes which have had high variability in returns and by blending various asset classes. Variability or volatility of returns rises through bonds to property to hedge funds to public equities and finally to private equity. The College will rely on the investment adviser to provide some measures (and expectation) of risk in relation to the asset allocation of the portfolio on an ongoing basis, so that the College can monitor any significant changes. Given the stated total return target, the expected volatility of the portfolio is not expected to exceed 12%.

The College is a long-term investor and as such has the ability to hold investments that may be less liquid in order to generate returns higher than those generated for more liquid assets and to hold assets through periods of volatility. However, the College wishes to avoid large drawdowns where possible and would expect the investment adviser to advise accordingly should shorter-term risks to the assets in the portfolio arise.

E. Measurement Periods. The adoption of rolling five-year periods for assessment of results reflects a balancing of the linked expenditure and return objectives set forth above with the College's tolerance for unexpectedly poor results. Consistent with the five-year period for assessing results, declines in endowment purchasing power that have persisted for less than five years will not result in fundamental changes to investment strategy, unless they entail peak-to-trough declines exceeding 20%. The 20% limit serves as a proxy for Jesus College's tolerance for changes in its financial condition that, however transitory when viewed in hindsight, would be likely to trigger fundamental changes in the scope and character of its expenditure.

F. Responsible Investment Policy. The College has adopted a Responsible Investment Policy (RIP), which sets out a number of objectives in addition to the Overall Objectives above. In doing so, the College wishes to act as a responsible investor so that its endowment is invested in a way that mitigates the long-term risks that the College faces, reflects the College's purpose and values, and mitigates any significant reputational risks that may result from its investments. The IPS should therefore be read in conjunction with the RIP, which can be found at [insert link].

II. Strategic Asset Allocation

A. Purposes. Jesus College's target Strategic Asset Allocation (SAA) for the Endowment should represents an asset mix that, in the opinion of the advisers, is likely to achieve the expected total return target expected within the risk parameters set forth above.

B. Process. The SAA is reviewed regularly by the Financial Investment Committee (FIC) and modified as needed in light of experience and changing circumstances, based on research and discussion involving FIC members and outside experts. Such discussion focuses on Jesus College's liquidity needs and perceived risk tolerance, as well as the projected behaviour of asset classes.

C. Return Expectations. As per the stated real return objective of 4%, the portfolio returns should be presented and reviewed at least annually, or more frequently should the market conditions change significantly. The investment adviser should present for the FIC to review a breakdown of returns both on a time specific basis (for instance since last review or year to date) and on an annualised basis. The College accepts that the return objective will not always be achieved in any given 12-month period, but should be an annualised long-term return objective.

D. Sub-segment Benchmarks. As a means of promoting regular and rigorous consideration of (1) the endowment's progress toward achievement of its longer-term objectives and (2) investment opportunities and risks confronting Jesus College, the investment adviser shall propose and the FIC shall review the specification of relevant benchmarks for assessing the performance of each endowment sub-segment. The investment adviser shall also provide benchmark returns for sub-segments where no benchmarks exist, e.g, currency.

E. Illiquid Assets. Jesus College may invest in illiquid financial assets (excluding directly held property), defined for these purposes as assets that cannot be liquidated for cash within 52 weeks. A specific percentage for illiquid financial assets has not been set; however, it is expected that the proportion of illiquid financial assets within the Investments Portfolio should not exceed 35%. The liquidity of the College's financial asset portfolio should be sufficient to ensure that cash can be withdrawn from the endowment to cover the expendable amount without triggering the sale of holdings at depressed prices and without leaving the portfolio overly imbalanced. Sufficient liquidity should be available to support the College's short-medium term capital requirements, either for the purposes of strategic investments in property or for the College's capital projects programme.

F. Leverage. The Property portfolio can be geared by up to 35%, which can be utilized to increase returns or as short-term funding for acquisitions or development. Financial assets currently have no borrowing. The utilization of the proceeds of debt funding for financial investments requires the express approval of the Financial Investment Committee and the BC.

G. Currency Management. The College recognises and expects that not all investments will be UK or GBP based, and that non-UK/GBP will provide a level of diversification and potential returns to the portfolio over periods of time. The College will expect the investment adviser to advise on what level of non-GBP exposure is appropriate in order to achieve the stated return objectives. The College would prefer not to have large currency positions separate to investments in underlying assets for hedging purposes, and so where hedging is required would expect GBP hedged versions of investments to be utilised.

H. Trust and Corporate Assets. All financial assets (excluding property) will be co-mingled and invested in the same overall asset allocation. Records will be maintained so as to verify the relative shares of the Trust and Corporate assets, as adjusted for their respective contributions to and withdrawals from the portfolio.

I. Donations.

It is recognised that from time to time the College may come into possession of investments that do not meet its normal criteria through donations to the College. Whilst best endeavours will be made to meet the donor's wishes, such donations will only be accepted on the basis that the College has the absolute right to dispose of an asset at a time and in a manner of its choosing, and reinvest the proceeds in its endowment.

III. Governance and Implementation

A. Governance. The College's Investment Policy operates under the auspices of the College Statute XV, A-C, the key elements of which are:

- The power to invest, acquire and dispose of any 'property' is the responsibility of the College Council
- 'Property' is widely defined to include any type of financial assets, land or buildings
- The endowment shall be operated on a prudent total return basis

The College is a registered charity, subject to regulation by the Charity Commission for England and Wales under relevant UK legislation. The Charity Trustees of the

College are the members of the College Council. Charity law and Charity Commission guidance[1] places the Trustees under an obligation to:

- Establish a clearly recorded and regularly reviewed investment policy
- Consider whether to delegate the management of the charity's investments to a specialist
- Ensure that investments are undertaken in a manner which provides the best financial return, within a level of risk considered acceptable, in support of the charity's objectives.

The Council is not expert in financial investment matters and relies on the advice of the Financial Investment Committee (FIC) and Property Investment Committee (PIC), whose recommendations are considered, in the first instance, by the Bursarial Committee (BC). Professional financial investment and property investment advisers are appointed by the Council, on the recommendation of the FIC, the PIC and the BC, to provide advice and support to the FIC and PIC.

The investment managers for the financial investments shall be on a discretionary basis, allowing them to make investment decisions within the parameters as laid out in this policy, and according to the strategy and tactical guidance as agreed with the FIC. The appointment of the property investment managers is on an advisory basis.

It is the duty of the Bursar, in conformity with the Council's resolutions and under its supervision, to manage the investments and have charge of the financial affairs of the College (Statute XII,C).

B. The Role of the Financial and Property Investment Committees (FIC and PIC). Council sets the objectives and strategy for the College investment portfolio, and appoints the advisers. *The primary role of the FIC and PIC is to advise the Council on this strategy and these appointments*. Strategy review and reappointment of advisers is a single task undertaken periodically, at present every 5 years. The Committees may at any time, however, alert Council to the need for a more urgent review.

The Bursar is charged to execute the agreed strategy and to deliver the planned returns. *The second role of the FIC and PIC is to advise the Bursar on this execution, so assisting them to deliver the planned returns*. In practical terms for the FIC, this second role contains the following components:

- Approving the Strategic Asset Allocation, in order to deliver the expected Total Return target within the Risk Parameters
- Approving any investment in the Cambridge University Endowment Fund (CUEF), receiving reports from CUEF, and reviewing its performance

[1] See Charity Commission Guidance CC14: Charities and investment matters: a guide for trustees

- Approving the selection and de-selection of asset managers proposed by the investment manager. These are triggered by performance reviews, and the periodic need to rebalance the portfolio.
- Scrutinising the quarterly calculations of portfolio performance to highlight matters that require further explanation by the investment manager.
- Providing independent market insight and general investment advice.
- Review any changes to the Investment Policy Statement prior to its presentation to the Council for approval.

C. Discharging the Role. The FIC and PIC discharge their role in 3 ways:

(1) Every 5 years, each undertakes a project to review the investment strategy and appointment of advisers.
(2) At meetings, held at least two times a year at the College or elsewhere, to review performance and plans with the relevant manager.
(3) On a continual basis, individual members of the FIC, PIC and the financial and property investment advisers advise the Bursar on events and developments in markets and institutions.

D. Composition of the Committees. Each of the Committees consists of: independent financial or property experts and practitioners; Fellows and senior members of the College; and the Master and Bursar. The Master chairs the Committee meetings. The Bursar steers the Committee to matters that are of particular interest or concern to Council, and manages the meetings. The financial investment advisers and property investment advisers attend the respective meetings of the FIC and PIC, and brief the Committees on portfolio performance and plans.