Statement of Investment Policy	
Review Committee:	Governing Body/College Committee/IAC
Review of Policy:	June 2024
Date of Next Review:	Summer 2025 (or earlier if required)
Responsible Officer and Location of Policy:	Bursar The website of the College
Accessible to:	Public document

Revision History

Version	Author	Summary of change	Governing Body approval	Date of next review
	Bursar	Updated to incorporate ethical investment policy.	*GB Minute: 7066(a)* July 2016	
	Bursar	Updated to incorporate update on Private Equity exposure.	*GB Minute: 7136* February 2017	
	Bursar	Updated to incorporate new ESG principles in the policy.	*GB Minute: 7687* November 2019	
	Bursar	Updated to incorporate new responsible investment policy and exclusion of certain companies from the investment criteria.	*GB Minute: 8073(f)* October 2021	
	Bursar	Updated to incorporate Private Placement language, lower drawdown rate and changed Target Investment Return Rate.	*GB Minute: 8196(b)* June 2022	
2.0	Bursar	Updated to include new Strategic Asset Allocations and updating of general language.	*GB Minute: 8560 (c)* June 2024	Summer 2025

1.0 Charity details

Name of Charity: Fitzwilliam College ('Fitzwilliam' or the 'College') in the University of Cambridge (the 'University')

Charity Registration number: 1137496

2.0 Background

2.1 Legal Status

- The College was established under Royal Charter in 1966 with the following objects:
  a) To advance education, religion, learning and research in the University; and
  b) To provide a College wherein members of the University may work for Degrees in the University or may carry out postgraduate or other special studies at Cambridge provided that no member of the College or any candidate for membership thereof shall be subject to any test of a religious, political, or social character.

- All the resources of the College are ultimately applied for this charitable purpose.

- The College is a registered charity, subject to regulation by the Charity Commission for England and Wales under relevant UK legislation. Charity Commission guidance places Trustees under an obligation to:
  a) Establish a clearly recorded and regularly reviewed investment policy. The policy should include such issues as how present and future activities need to be resourced, the level of investment risk they are prepared to accept, and the charity's position on ethical investment; and
  b) Consider whether to delegate the management of the charity's investments to a specialist. This might mean investing in a collective investment scheme such as a unit trust or a common investment fund or appointing a professional investment manager.

- Paragraph 3 of the Royal Charter includes as being within the objects of the College:
  '(e) To apply the moneys of the College including any money acquired or taken over as aforesaid to the purposes of the College with power to invest as prescribed in the Statutes of the College'.

- The relevant Statute is Statute LVII, a copy of which is set out in Appendix 1.

2.2 Development of the College and the Endowment

- The College has a relatively small endowment compared to its peers, and its total reserves are among the lowest of the undergraduate colleges in the University.

- The long-term aim is to raise the endowment to a level which is sufficient to ensure the ability to sustain the independence of the College in the face of external influences especially Government funding of education and research, and the demand for conference facilities.

- The priorities will be to continue to invest in property of the College, teaching, and research resources and to respond to increasing needs for student support.

2.3 The College Investment Fund

- The funds available for investment represent the College's pooled investment fund, which is made up of permanent endowment (from which only the income may be drawn by the College), restricted funds held available for specific purposes and general reserves which provide a contingency against future spending needs. The College may from time to time hold funds on trust for other related organisations, and these will also form a part of the pooled fund.

2.4 Borrowings

£10 million Loan, 2008

- In 2008, a £10m long-term loan was taken out from Barclays Bank PLC (40-year, bullet repayment in 2048, extendable by 10 years, at a fixed rate of 4.93% per annum) (the 'Long-Term Loan') the purpose being "to provide finance for the College's Estate projects and in managing the College's long-term investment strategy".

- The funds were to be used as follows:
  a) To enable the construction of Estate projects to be funded in advance of donations. To the extent that donations are received then funds may be recycled into other construction projects on a similar basis; and
  b) To make investments to defray the cost of interest.

- The level of borrowing the College can take on board is limited by covenants attached to the Long-Term Loan, including one which stipulates that *"the total outstanding borrowings (together with any fixed premium on repayment) of the College and its Subsidiaries shall not any time exceed 50% of the unrestricted funds."*

£20 million Private Placement, 2022

- In 2022, a private placement loan was taken out from Pension Insurance Corporation PLC (50-year, bullet repayment in 2072, unsecured, at a fixed rate of 1.54% per annum) (the 'Private Placement' or 'PP').

- The purpose of the Private Placement was to:
  a) Provide part of the financing for the Estate Masterplan that forms part of the College Plan; and
  b) To refinance a £5 million, five-year unsecure revolving credit facility provide by Barclays Bank that the College took out in October 2020.

- The Private Placement has a financial covenant attached to it, which is:
  'The issuer shall ensure that the ratio of Indebtedness of the Issuer and its subsidiaries (excluding Indebtedness incurred in respect of a Non-Recourse Project Financing) to Gross Assets of the Issuer and its Subsidiaries (excluding any assets which are subject to Security entered into in respect of any Non-Recourse Project Financing) shall not exceed 50% at any time'.

- On 31st July 2024 there were no borrowings apart from the Long-Term Loan of £10m, the Private Placement of £20m and a short-term bank overdraft of £2m with Barclays Bank PLC.

3.0 Investment Policy

3.1 Investment aims and objectives

- The primary investment objective for Fitzwilliam College is to protect the real value (inflation-adjusted) of the capital base and the income generated from it.

3.2 Investment Policy

- The College believes that maintaining a diversified portfolio of high-quality real assets is the appropriate policy to meet the primary objective and to provide protection against inflation risk.

The College portfolio should be diversified amongst instruments, maturities, geography, and sectors, to reduce the overall portfolio volatility and associated investment risks.

- The College investment portfolio (the 'Investments') is divided between:
  a) A Discretionary Investment Portfolio (the 'DIP') managed by professional investment managers; and
  b) Directly held properties (the 'Cambridge Properties' or the 'External Properties').

- Cash or readily realisable holdings will be retained to cover anticipated medium-term needs to protect against the need to realise Investments in times of market uncertainty.

- It is recognised that from time to time the College may come into possession of investments that do not meet its normal criteria through donors. 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 the asset at a time and in a manner of its choosing and reinvest the proceeds in Investments.

3.3 The DIP

- The DIP is managed according to the 'Total return' concept which assumes the long-term sources of spending to be from interest, dividends, and realised capital gains.

- An "income rule", determined by College Ordinance, is used to determine the prudent amount to take as income from investments.

Total Return and drawdown policy

- The investment policy is focused on producing a total return that is consistent with being able to meet a cash withdrawal requirement over a stock market cycle expressed as up to 3.5% of the value of the DIP, calculated on a five-year rolling average lagged by one year.

- The College expects gradually to reduce this rate to somewhere in the range of 3%-3.25% over the next ten years to respond to a lower return outlook.

Target investment return

- The DIP's long-term target investment return (the 'Target Investment Return' or the 'TIP') is defined as an average annual Total Return of CPI + 4.5% (net on investment management fees).

- Achieving such an ambitious objective entails investing in risk assets, whose performance will fluctuate year on year. The success of the investment strategy should therefore be measured over a long-time horizon (5-10 years).

Risk capacity

- In considering its maximum tolerance of loss in the DIP the Governing Body considers that the following factors should be considered:
  a) The risk of breach of the College's bank loan covenants;
  b) The probability of recovery in values over a stock market cycle; and
  c) The effect of the associated loss of income on the College's operations.

Risk appetite

- The College is a long-term investor, and recognises that, over this period, investment risks are necessary to achieve its long-term investment objectives. These risks may include both price volatility and illiquidity.

- The College considers that this is consistent with a willingness to accept, in normal market conditions, a one in 20-year risk of a loss in value of 15% or more in one year, and a one in 100-year risk of a loss in value of 20% or more in one year.

- The College has tolerance for non-GBP risk as the investment in External Properties is already a natural hedge to its GBP spending needs.

- The College has agreed with its investment managers that not less than approximately 50% of the DIP should be in GBP. Because Private Equity investment is made in US$ the College expects that liquid US$ holdings will be sufficient to meet near term capital calls for its Private Equity investments.

Asset classes and asset allocation

- Given the relatively high level of exposure to UK residential property through the External Properties, the College considers that it is appropriate to retain a strong and diversified equity focus in the DIP to generate the return objective.

- The Investment Manager should consider the College's long-term objectives and the risks associated with each investment strategy when implementing a suitable portfolio for the College.

- The Investment Advisory Committee ('IAC') believes that a passive investment strategy in developed markets with strong liquidity is more cost effective than an active strategy.

- Strategic asset allocations ('SAA') have been agreed with the Investment Manager for the DIP, together with tactical ranges within with the portfolio may move on a short-term basis to take account of market conditions.

- The following SAA was approved by the College in November 2023:

Asset Class	**Long Term position**	**Benchmark**
Liquid Assets	55.0%	MSCI World net GBP
Fixed Income/Cash	10.0%	Bloomberg Global Aggregate Corporate(1)
Alternatives	35.0%	
Private Equity	*25.0%*	MSCI World net GBP
Global Infrastructure	*7.5%*	MSCI World Core Infrastructure Net GBP
Global Core Transport	*2.5%*	MSCI World Core Infrastructure Net GBP
TOTAL	100.0%	

Note:
1) Fixed Income benchmark is the Bloomberg Global Aggregate Corporate 1-10 ex JPY Hedged GBP.

- The College will review the SAA on an annual basis, to ensure that it meets the College's investment aims and objectives.

Responsible investment principles and policy

- Fitzwilliam College is committed to ensuring that it makes investment decisions responsibly and with integrity.

- The College adheres to Charity Commission's investment guidance for charity trustees, noting that trustees have a duty to maximise returns on investment for charitable benefit, but also recognising that there are specific situations where trustees may properly allow their investment strategy to be governed by considerations other than the level of investment return.

- The College's investment policy is designed to enable a responsible investment approach, whilst minimising any potential negative impact on its investment returns. The College will seek to be open and transparent about its policy and practice.

- The College believes that, when investing its funds, a high priority must be placed on promoting good standards of environmental, social, and governance ('ESG') behaviour. Accordingly, it expects its appointed investment manager(s), when making investment decisions, to consider the following areas (this list should not be considered as exhaustive);
  a) Protection of the global environment, its climate and its biodiversity including the reduction and future elimination of fossil fuel exploration and production;
  b) Promotion of human rights, including but not limited to the equality of gender, race and sexuality; and
  c) Promotion of good business ethics and good employment practices.

  The College will apply the following to its investments going forward (see time frame below):

  Excluded companies

- The College will not invest either directly or indirectly in the following companies (the 'Excluded Companies'):

  a) Fossil fuels
  - Companies involved in fossil fuels (coal or oil, including unconventional oil and unconventional gas) extraction, processing/refining, and trading; and
  - Companies involved in electricity production with a generation mix dominated by coal, with a carbon intensity >390 gCO2/kWh.

  b) Tobacco
  - Companies involved in the manufacturer of tobacco.

  c) Defence
  - Companies involved in the manufacture of weapons banned by international conventions and other controversial weapons. Weapons are defined as those products, or key basic components of these products, that have been developed for military purposes and designed to injure/kill. These also include tailor-made components that are components that are developed primarily to be integrated into a weapon system.

- In relation to the Excluded Companies, the College will apply a meaningful test of excluding companies where 10% or more of a company's revenue is exposed to the activities.

  ESG scoring of investments

- At least 40% of the College's investments (in those asset classes where an ESG scoring is possible – currently based on MSCI definition) will achieve at least a 'leader' ESG rating ('AAA' and 'AA'). This key performance indicator will be reviewed on an annual basis.

  Time frame for applying the responsible investment policy

- The College will apply its new policy to its discretionary investment portfolio on the following basis:
  a) for the DIP from July 2022 (other than the 'Private Equity' category of investment); and
  b) For Private Equity investments, the policy will apply by 2028 at the latest or as and when the current investments in this asset class mature.

3.4 External Properties

- The External Properties, in normal market conditions, are expected to generate a higher yield and lower volatility than the DIP.

- The External Properties that are used for student occupation represent both a strategic operational asset and an investment for the College. The assets are a part of Investments, as in the opinion of the Governing Body, the External Properties could be sold without catastrophic impact on the College's ability to pursue its core charitable objectives.

- It is expected that the External Properties should maintain their real value over the very long term, although it cannot be assumed that income will keep up with inflation.

- Nevertheless, it represents a substantial exposure to a sub area of the Cambridge property market, and the Governing Body believes such investments should not exceed 50% of Investments.

4.0 Relationship with financial advisors, financial managers, and banks

- In relation to the College's investments, its requirement regarding the financial advisors and managers it works with is that:
  a) They should in their investment strategy reflect the College's responsible investment policy; and
  b) Must demonstrate rigorous implementation of (and preferably be signatories to) the UN Principles of Responsible Investment ('UNPRI') and show their active commitment to the principles through their engagement with invested companies on ESG matters.

- The College expects the banks with whom it works to align with the College's social and environmental values. The College will engage with its banks, regarding these values and especially in relation to fossil fuels lending. The College will explore switching its banking arrangements (where possible) if the activities of the banks with whom it works continue to run counter to the College's values.

- The IAC will require the discretionary investment manager to encourage good behaviour or discourage poor behaviour through screening of public market investments, either positively or negatively or through direct engagement with firms or fund managers. They will be expected to use voting in support of the principles of this policy. The appointed investment manager will be accountable to the College in terms of financial performance and adherence to commitments made on issues of sustainability.

5.0 Responsibilities

- The Governing Body of the College has responsibility for determining policy in relation to the following:
  a) Investment objectives and policy;
  b) Risk appetite;
  c) Strategic asset allocation; and
  d) Appointment of advisors and investment managers.

- The Bursar is accountable to the Governing Body for the performance of the Investments of the College. The Bursar, following the advice of the Investment Advisory Committee, may vary the tactical asset allocation ranges agreed with the Investment Manager.

- The has a duty under Statute LVII of the College to formulate general policy regarding investments, and in doing so to consult a member of an experienced professional adviser drawn from a properly regulated financial or investment organisation. It acts as advisor to the Bursar and to the Governing Body on all matters concerning investment policy.

- The IAC will undertake regular reviews of investment performance through quarterly reports and six-monthly meetings. It will also undertake an annual review of this investment policy and make an annual report to the Governing Body covering its activities and the performance of the College's investments.

6.0 Management Strategy

- The DIP will be managed by specialist professional firms operating under discretionary mandates within the framework of this policy.

- A major part of the DIP will be retained with a single manager to allow a strategic view to be taken of the College's investment needs. Other portfolios may be maintained to:
  a) maintain a view on alternative investment management strategies; and
  b) Reflect short term variations in risk appetite.

- Appropriate benchmarks and ranges will be agreed with each Manager to allow monitoring of performance and to allow tactical movement on the part of the Manager.

- Changes to the benchmarks will only be agreed by the Governing Body. However, the tactical ranges may be varied from time to time by the Investment Advisory Committee.

- Investment manager performance will be formally reviewed on a regular basis, at intervals of not more than five years.

- Professional advisors will be retained in connection with the commercial property portfolio.

Approved by the Governing Body on 12th June 2024

Appendix 1

STATUTE LVII
Of the Application of Capital Moneys and Management of Land

1. The Governing Body shall have power to purchase, retain, sell or transfer property real or personal and securities (which term includes stocks, funds, and shares) of any description on behalf of the College and may also apply moneys to any purpose to which capital moneys arising under the Universities and College Estates Acts, 1925 and 1964, may be applied.

2. In relation to the management, development, improvement, sale, lease, mortgage or other disposition of any land or any estate or interest therein held by the College or to the acquisition of any land or any estate or interest therein, the Governing Body may exercise any power and may carry out any transaction which an individual holding or acquiring such land, estate or interest for her or his own benefit could exercise or carry out.

3. The powers conferred by this Statute shall apply to all endowments, land, securities, property and funds of the College.

4. The Governing Body shall appoint an IAC to formulate general policy regarding investments. This Committee shall consist of at least three members, and in formulating the general investment policy of the College they shall consult a member of an experienced professional adviser drawn from a properly regulated financial or investment organisation.

5.
(a) The Governing Body may apply as income for expenditure so much of the fair value of the property to which this Statute applies as, in its absolute discretion, it considers is prudent in all the circumstances, having regard to the total return achieved and reasonably expected in the long term on the property of the college or, as the case may be, of the Funds to which these Statutes apply.

(b) Any application by the Governing Body under paragraph (a) of this Statute shall in the case of property of the College be made for the purposes of the College, and in the case of a Fund, shall be made for the purposes of that Fund.

(c) Any references in these Statutes or in any Ordinances or Regulations made by the Governing Body to the income or revenues of the College or of any Fund shall include the total sums applied in accordance with paragraph (a) above.

(d) In this Statute

(i) 'fair value' means the amount at which an asset could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale; and
(ii) 'total return' means return in terms of both income, whether received or accrued, and capital appreciation, whether realised or unrealised.