

Investment strategy, Big Local Trust

Introduction

This investment strategy is for the investment assets of the Big Local Trust (the fund) to provide the resources required by Big Local (the programme), and to manage the assets in a manner that maximises the impact of the funds to enable Big Local areas to extend the life and scale of Big Local beyond 10 years and £1m to each area.

The strategy

Whilst the programme will provide funding to 150 Big Local areas on a delegated basis, for reasons of cost, efficiency, security, governance and risk management, the corporate trustee of the Big Local Trust (the trustee) has decided that the fund will be managed as a single pool of assets under their control ensuring funding is available when required so that Big Local areas can use the funding allocated to them over at least 10 years in line with their Big Local plan and within the lifetime of the programme.

By making use of the scale and duration of the programme, the investment strategy is to provide the best long-term return whilst ensuring that at all times sufficient short-term funds are available to support spending. This will be achieved by investing a high proportion of the fund in cash, fixed income and similar securities, with a smaller portion invested in equities and similar securities in the UK and overseas and property in the UK that are expected to provide a higher return over the long-term.

The investment strategy will be implemented in a controlled way to ensure that risks are appropriately managed and consistent with the objectives of the programme.

Formal restrictions and controls

Reflecting this strategy, there are formal restrictions and controls on the investments which can be held within the fund. These are summarised below:

Cash and near cash

For cash or near cash assets, the minimum allocation is 18 months forward cash requirement for the programme as provided to CCLA from time to time by Big Local Trust. Near cash can include fixed interest instruments maturing within two years. There is no maximum cash or near cash allocation. The current target asset allocation for cash and near cash is 25%.

In terms of individual counterparties, there is no limit to the amount which can be placed with a deposit fund rated AAA by a recognised rating agency.

Deposits with any individual counterparty however must not exceed 10% of the fund. All counterparties will be approved by the trustee.

Fixed interest and similar securities

For fixed interest and similar securities, the maximum asset allocation is the entire fund, less the cash requirement noted above. There is no minimum fixed interest asset allocation. The current target asset allocation for fixed interest and similar securities is 45%.

The minimum credit rating for fixed interest or similar securities is BBB by a recognised rating agency. The fixed interest or similar securities issued by a single counterparty (other than securities issued or guaranteed by the UK Government where there is no limit) should not be more than 5% of the total funds under management at the date of purchase for securities rated A- and above, and 1% of the total funds under management at the date of purchase for securities rated BBB.

Real assets (equities and property funds)

For real asset exposure, the maximum asset allocation is 40% of the total funds under management. No new money can be invested in real assets if they account for more than 30% of the total funds under management. There is no minimum asset allocation to real assets. The equity holdings will be diversified on a geographical and industry basis.

No new money can be invested in equities and similar securities if they represent more than 25% of the total funds under management. No equity or similar security should be more than 1% of the total funds under management at the time of purchase. No new money can be invested in COIF Charities Property Fund if it represents more than 10% of the total funds under management.

These restrictions are as currently agreed and can be altered should the trustees wish to make amendments to their investment strategy.

Ethical and responsible investment

The fund is to be managed to our ethical investment policy by fund managers with good responsible investment credentials. The ethical investment policy will be reviewed and amended by the trustee from time to time, and the fund manager's approach to responsible investment is reviewed annually.

Performance benchmark

The performance benchmark of the fund is Bank of England's Official Rate + 1% p.a.

Reporting

The investment manager of the fund will report to the trustee on a monthly and a quarterly basis, and the trustee will review the investment strategy once a year in line with the trust deed.

Local Trust, acting as the corporate trustee of the Big Local Trust

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