Request for Proposals for Investment Services – Frequently Asked Questions

This document provides answers to questions were have received in response to our Request for Proposals for Investment Services. You can read our Investment Policy here.

Should we still apply if our strategy does not have a 60%+ allocation to the UK?

Whilst we understand that we may not find a solution which fully satisfies all our criteria and financial objectives, we may rule out solutions that do not meet or come close to meeting this threshold, This is because we believe the 60% UK markets asset allocation criteria is important for our risk considerations. We are particularly concerned about the potential loss of return from currency risk. But we will look at all aspects of proposals made to judge which best meets the full range of criteria we have set out in our Request for Proposal.

Please note that we have indicated in our Request for Proposal that we are open to currency hedging as a way of mitigating this currency risk, but we would like to know the costs involved in doing so.

We encourage anyone managing an individual fund that does not meet the 60% UK asset allocation criteria but feel they meet our other requirements, to encourage fund of funds or any advisory services who use their fund to consider responding to the Request for Proposals so to include it as part of a wider portfolio.

Is the 60% preference for domestic (UK) markets driven by a risk / portfolio construction consideration, or that your activities are largely UK based and as such prefer alignment of any impactful businesses on this geographic front?

The 60% UK preference is predominantly driven by risk/portfolio construction consideration and the potential loss we might incur as a result of currency movement over the five year period.

When you say you want 60% of assets in the UK – do they mean 60% of equity exposure to be in UK equities, or 60% of overall assets to be in UK based assets? Can we include sterling corporate bonds as UK based assets or do we need to look through to where the underlying issuers are based?

We mean at least 60% of overall exposure to be in UK assets and sterling corporate bonds would count as UK assets.

This is because we are particularly concerned about the potential loss of return from currency risk, rather than for any impact reason. In fact we recognise that diversification outside the UK can help to meet the ethical and sustainability requirements set out in our responsible investment policy. This is also why we have stated in our request for proposals that we are open to currency hedging as a way of mitigating currency risk, though would like to know the cost of doing so.

Should we still apply if we do not meet your risk and return profile? What if our risk profile is lower?

To be clear, we are looking for an expected annual return of 6-7% after costs for this part of our investments and we are looking to achieve this with a *maximum* of 14-15% annualised standard deviation. Whilst we might not find a solution which fully satisfies all our objectives, we are unlikely to accept a solution which is not close to our risk and return profile.

What do you expect your liquidity requirements from year five onwards to look like? Do you envisage all of it being liquidated in one go or more gradually?

We want to be free to use the money in this fund in a different way in five years' time, although exactly what that will look like remains to be decided. So we are not yet certain as to the speed at which we will spend the money at that point or how much might remain invested over a further period. We may therefore rule out proposals that do not meet this liquidity constraint, but we are open to proposals with a more gradual liquidation if supported with an explanation of how this could greatly improve our risk return profile or impact.