Statement of Investment Policy

- Aims and objectives.
- Special preferences and constraints.
- Risk profile and Time horizon.
- Asset allocation.
- Reviews and reporting.

The services of Key Financial Reporting also include an objective method for analysing and reviewing investment performance against the benchmark set by the Investment Policy statement. **Thus we enable fiduciaries to demonstrate compliance under the Act.**

More Information

For more information, or to discuss how the expertise of Key Financial Reporting can assist you, please contact **Daniel Reynolds** at the address details below or by email: daniel.reynolds@key-trust.com

This note is given on the basis that no liability is accepted for any errors of fact or opinion and that professional advice must be obtained before applying the information to particular circumstances.

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UK Trustee Act 2000

UK Trustee Act 2000

The Trustee Act has significant implications for trustees in England and Wales. This guide provides brief practical guidance on the investment management issue, but trustees must always take legal advice if they are uncertain as to how the Statute impacts any particular situation.

The Act imposes:-

1. A new statutory **Duty of Care** applying to all trustees;
2. A new and wider **General Power of Investment;**
3. New rules on the **Appointment of Nominees, Custodians and Investment Managers.**

Trustees generally are required to consider the following steps:-

- Review the trust's aims and objectives.
- Decide which, if any, of their responsibilities are, or should be, delegated to outside agents.
- Review the investment management, nominee and custodian agreements to ensure that they comply with the rules.

Trustees of charitable trusts must act in accordance with guidance provided by the

Charity Commission on the selection and appointment of custodians and nominees. This includes:-

- Checking that the investment advice is provided by someone who is qualified to give it.
- Preparing, review and revise as necessary the trust's investment policy statement.
- Reviewing and agreeing the asset allocation with the investment manager in the light of any change in the objectives and investment policy.
- Checking that the investment manager has agreed in writing to comply with the investment policy statement and will also comply with any subsequent revisions.
- Setting appropriate benchmarks and regular review dates.
- Ensuring that there is a record of each stage of the process.

Regular Reviews

Trustees must regularly review their arrangements. In the case of investment management functions, they must consider whether to revise or replace the investment policy statement and they also have a duty to ensure compliance with the statement.

Investment portfolios should be regularly assessed against a suitable benchmark which reflects the investment objectives and risk levels of the trust. The usefulness of the benchmark depends on the extent to which it enables the portfolio to be tailored to the specific requirements of the trustees. Common benchmarks include the Retail Price Index, a single stock market index or a composite of indices.

Remember that quarterly performance-based judgments could result in investment decisions being made which are too short-term.

Investment Policy Statement

Every trust must have a written investment policy statement – a short written statement that explains the investment objectives of the trust. This will help the investment manager to determine a strategy for generating a sufficient return to fulfill these objectives over the short, medium and long term.

The statement should cover:-

- The overall level of return expected and the minimum yield required.

- The income and/or capital requirements.
- The ability to distribute capital in place of income – i.e. total return.
- The nature and timing of any liabilities.
- The liquidity requirement including dates of planned expenditure.
- The marketability of the investments – important if capital needs to be raised quickly.
- The time horizon of the trust - less than five years or long term.
- The time horizon over which performance will be assessed.
- The base currency of the trust.
- The residence and tax status of the trust and the beneficiaries.
- Any Socially Responsible Investment (SRI) constraints.
- Other tax and legal constraints.

The Key Financial Reporting model applies the following format:-

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