

Statement of Investment Policy

This document sets out the investment aims of King's College and the policies that guide endowment decision-making. It should be read in conjunction with the College's Statement on Responsible Investment. The Investment Committee shall review and approve any changes to this document. Material changes must be ratified by the Governing Body.

1. Investment Objectives

1.1 Total Return

The endowment's portfolio is managed to maximise total return, which assumes the long-term sources of returns to be from interest, dividends, and realised capital gains. This is achieved through a strategic asset allocation that seeks to optimise return within the College's tolerance for investment risk.

The primary financial objectives of the endowment portfolio are to:

- (a) Preserve and enhance the real (inflation-adjusted) purchasing power of the endowment
- (b) Provide a stream of relatively stable earnings in support of annual budgetary needs

For (a), the College takes the consumer price index (CPI) as its basis for internal cost inflation. For (b), the College's policy (known as the 'Spending Rule') is to target a long-run annual spending rate of 3.85% of the endowment. This figure is gross of fees charged by the College's investment managers and consultants and of the costs of maintaining the College's property portfolio.

Given the above, the College's return objective is defined as:

Attain an average total return of no less than CPI + 3.85%

The College accepts that achieving such returns entails investing predominantly in risk assets whose performance will fluctuate. Returns from the endowment are therefore measured on a trailing five-year basis.

1.2 Donations

The return objective assumes that any unrestricted 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 the Spending Rule and inflation.

1.3 Risk

The College will be advised by its investment consultants regarding suitable asset allocations. Declines in endowment purchasing power that have persisted for less than five years will not result in a major review of the investment strategy, unless they entail peak-to-trough declines exceeding 20% of the endowment. The 20% limit serves as a proxy for the College's tolerance for changes in its financial condition that, however transitory when

viewed in hindsight, would be likely to trigger material changes in the scope and character of its expenditure.

2. Portfolio Asset Allocation

2.1 Structure

The asset allocation of the portfolio should reflect the proper balance of the College's need for liquidity, preservation of purchasing power, and risk tolerance. The portfolio's investments shall be diversified by asset class (e.g. property, equities, bonds, and alternative investments such as private equity, infrastructure, commodities, and hedge funds) and between managers within asset classes.

The purpose of diversification is to provide reasonable assurance that no active manager, class of securities, or individual holding will have a disproportionate impact on the portfolio's aggregate results. 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- and medium-term capital requirements, either for the purposes of strategic investments in property or for the College's capital projects programme.

2.2 Review

The Investment Committee will review the asset allocation annually and from time to time may suggest to the Governing Body a strategic change. It is anticipated that such changes will be infrequent. Tactical changes will be reflected in the minutes of meetings of the Investment Committee.

To support rigorous consideration of the endowment's performance, the investment consultants shall propose relevant benchmarks for assessing the performance of each endowment sub-segment.

2.3 Implementation

Management of the endowment should be delegated to a number of active or passive investment managers and, for property, to a number of agents. Appointment of managers and agents must be made in accordance with the College's Financial Regulations.

3. Governance

3.1 Investment Committee

The Governing Body of the College delegates to the Investment Committee the power to manage the endowment on its behalf. The Investment Committee will act in accordance with instructions approved by the Governing Body and in line with its powers as specified in Statute K. The terms of reference of the Investment Committee may be changed from time to time with the approval of the Governing Body.

3.2 Investment Oversight

The Finance department, working to the First Bursar, provides oversight of the day-to-day activities of the endowment and implementation of the portfolio asset allocation approved by the Investment Committee.

3.3 Reporting

With the College's investment consultants, the First Bursar will provide periodic reporting to the Investment Committee on the endowment's performance. The Investment Committee shall report to the Governing Body at the Annual Congregation and at other times as necessary, in accordance with Statute K.

| Document Details | | |
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