

# Investment Policy

## 1. Purpose and scope

- 1.1. This policy summarises the approach that the University takes to managing and overseeing the investment of its endowment portfolio. The endowment portfolio consists of funds given to the university by third parties to support its operating activities, normally with particular restrictions or objectives attached to the funding, e.g. research into specific areas, prizes for academic performance, scholarships for particular disciplines or hardship funding. No student tuition fees are included in these funds. Funds are invested in line with this policy, which aims to generate a return which can provide an ongoing stream of funding to support various aspects of University activity. The University's endowments constitute c. 4% of the University's balance sheet assets.

## 2. Principles and legislative context

- 2.1. As a charity, the University's primary duty in relation to its endowment portfolio is to invest the funds and generate a return to be used in furtherance of its charitable objects as defined in the Charter. Within this context, the University must also have due regard to any restrictions or objectives that are attached to particular endowments in line with the Gift Acceptance Policy as well as its responsibilities and approach to responsible investment (see Section 8).

## 3. Roles and responsibilities

- 3.1. The members of the Council of Queen Mary University of London are the trustees of its investments and are ultimately legally responsible for the proper investment and safekeeping of the University's investments.
- 3.2. Council's responsibility is to approve this policy in line with its duties. Finance and Investment Committee make recommendations on the policy to Council, and oversee the operation of investment policy and manages performance.
- 3.3. The funds are overseen by external Investment Managers appointed by and subject to review by the Finance and Investment Committee. The Investment Managers

are required to invest University funds in line with this policy.

- 3.4. The University Finance Department is the contact point for the Investment Managers, maintaining day to day working relationships.

## 4. Time horizon

- 4.1. The time horizon for the investment portfolio is considered to be long term: in investment terms, this is defined as being over ten years.

## 5. Investment objectives

- 5.1. **Minimum investment objective:** The minimum investment objective is to preserve the capital and income in the investment portfolio in real terms after inflation and distributions. The University's measure of inflation is the Consumer Price Index (CPI).
- 5.2. **Distributions:** The endowment portfolio is made up of permanent reserves and expendable reserves. In the case of permanent reserves, only income can be distributed. In the case of expendable reserves, income and capital can be distributed. In total, the annual distribution from the portfolio is approximately £1 million or 2.5% p.a. of the value of the investment portfolio, and comprising around 0.14% of University annual income.
- 5.3. **Total return target:** Given the need to preserve the value of the portfolio after inflation and cover the annual distribution, the portfolio is expected to generate a total return of at least CPI inflation plus 3-4% p.a. over rolling five-year periods.

## 6. Liquidity profile

- 6.1. Although the portfolio has a long-term time horizon, sufficient investments in the portfolio should be easily realisable, so that there is sufficient liquidity to meet any obligations.

## 7. Risk tolerance

- 7.1. A reasonably high level of capital volatility within the investment portfolio is considered to be acceptable given the University's long-term time horizon as it provides sufficient time for any short term decline in capital to be recovered. It is also necessary to accept a reasonably high degree of short-term volatility in capital

values in order to achieve the portfolio's return objectives.

- 7.2. To limit capital and other risks in the portfolio, however, the investment portfolio is well diversified across asset classes and individual investments.
- 7.3. Diversification within the portfolio should be such as to limit the maximum downside risk or potential capital loss in the investment portfolio in any one year in normal market conditions (defined as 98% of the time) to 15-20%. It is accepted that the downside could be greater than this in extreme market conditions.

## **8. Responsible investment policy**

### ***Obligations***

- 8.1. It is the duty of the University to invest in a way that furthers its charitable aims, which is normally achieved by seeking the best financial return from an investment portfolio within the level of risk considered to be acceptable.
- 8.2. The University invests its funds for the long term and expects its investment managers, as part of their normal investment research and analysis process, to take account of environmental, social, and governance (ESG) factors in the selection, retention and realisation of investments. The University therefore explicitly requires its Investment Managers to be signatories to the United Nations Principles for Responsible Investment. The University recognises that ESG factors play a role in determining risk and return and considers that companies' effective management of the risks associated with ESG matters can lead to long term financial benefits.

### ***Mission and Values***

- 8.3. The approach to responsible investment supports the University's mission and its values, as this pertains to the management of University endowments.
- 8.4. The University aims to invest in companies where the activities of the company are, on ethical grounds, consistent with the educational and/or research objectives of the University. The University's approach to responsible investment will be in accordance with the Charity Commission guidelines to:
  - a) avoid direct investments that would for practical reasons conflict with the charitable aims of the University;
  - b) avoid direct investments that might result in alienating supporters or other stakeholders.

## **Criteria**

- 8.5. The University will require Investment Managers to incorporate ESG factors into their selection criteria when choosing new investments and to monitor this on an ongoing basis for existing investments. The overriding obligations of the university as set out above remain in place.
- 8.6. The University expects that all companies invested will be compliant with the United Nations Global Compact Principles which cover human rights, labour standards, the environment and anti-corruption.
- 8.7. The University has consulted with staff and students, and has determined that it will exclude investments in companies which are materially involved\* in the following sectors/areas:
- a) **Tobacco:** companies producing, distribution, retail and supply of tobacco related products.
  - b) **Fossil Fuels:** companies that generate revenue from extraction, production and refining of coal, oil and gas.
  - c) **Nuclear Weapons:** companies that manufacture nuclear warheads or missiles, components, or delivery platforms for use in nuclear weapons
  - d) **Controversial Weapons:** companies with any ties to controversial weapons, including companies involved in the manufacture and production of cluster munitions, landmines, depleted uranium manufacturer, biological, chemical and white phosphorus.
  - e) **Conventional Weapons and civilian firearms:** companies deriving revenue from the production of conventional weapons or from weapons systems, components, and support systems and services.
  - f) **Gambling:** companies involved in gambling-related business activities.
  - g) **Adult Entertainment:** companies involved in the production distribution and retail of adult entertainment materials.
  - h) **Alcohol:** companies involved in the production, distribution, retail and supply of alcohol related products.
  - i) **Predatory Lending Activities:** companies involved in predatory lending practices.

\*The University defines 'material involvement' as a threshold based on company revenues, this will normally be 0-10% and in no circumstances more than 15%. Specific limits are agreed with the Investment Managers for all of the above areas as published in the Annex 2 to this policy.

## ***Engagement***

- 8.8. We expect our investment managers to engage with companies where ESG issues are a concern. We expect them to exercise transparent use of voting rights and informal dialogue to encourage better management of ESG risks and opportunities.

## ***Implementation and monitoring***

- 8.9. In order to implement and monitor adherence to this policy the University will:
- a) Publish this investment policy on its website with appropriate contact details, enabling members of the University's community to have an opportunity to engage with the policy;
  - b) Evaluate investment manager's capabilities in management of ESG issues as a factor when selecting investment managers;
  - c) Issue copies of the policy to the investment managers responsible for managing the University's investments and hold regular meetings to monitor performance and adherence to the policy;
  - d) Publish a list of all investments annually on its website to transparently demonstrate details of socially responsible investments and progress towards divestment aims as set out above;
  - e) Engage constructively and collaboratively with key stakeholders through established fora, including sharing information from, or arranging engagements with, the Investment Managers periodically.

## **9. Strategic assets allocation**

- 9.1. To achieve the required return without taking excessive risk in the investment portfolio, the strategic asset allocation or neutral benchmark for the portfolio has been set with 65% in equities, 20% in bonds and 15% in alternatives. To manage risk to an appropriate level, asset allocation ranges have also been set in each major asset class.
- 9.2. The table below shows the strategic asset allocation, permitted ranges and benchmark indices for monitoring the performance of the portfolio and its managers:

<i>Strategic asset allocation</i> <b>Asset class %</b>	<b>Benchmark</b>	<b>Ranges</b>	<b>Relevant Benchmark indices</b>
Cash	0	0-10	BOE <sup>1</sup> Base Rate
Government bonds	10	5-20	FTSE <sup>2</sup> All Stocks All Gilts Index
Corporate bonds	10	5-20	ML <sup>3</sup> Sterling Corporate Bonds
Global equities	65	50-85	MSCI AC World <sup>4</sup>
Alternatives	15	5-20	CPI <sup>5</sup> inflation +1%
<b>Total</b>	<b>100</b>	--	<b>Composite</b>

### ***Permitted asset classes***

- 9.3. Although the strategic asset allocation assumes investment in sterling bonds, this does not preclude investment in non-sterling bonds on a hedged basis when appropriate in order to enhance returns or limit capital risk.
- 9.4. Alternative investments include property, infrastructure, absolute return, commodity, precious metals and private equity funds.
- 9.5. There are, however, no formal restrictions on investment in specific asset classes.

## **10. Performance monitoring**

- 10.1. The Finance Team and the Finance & Investment Committee monitors the valuation and return on investment holdings, and therefore the performance of the managers of the portfolio against the stated investment benchmark on a regular basis.

## **11. Review process**

- 11.1. Through the above performance monitoring this policy and its implementation is reviewed on an ongoing basis. The Finance and Investment Committee determine when formal reviews of this policy take place, taking into account factors such as material changes to the external environment, but this will be at least every three years as a minimum. Staff and students will be meaningfully consulted as part of this review.

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<sup>1</sup> Bank of England

<sup>2</sup> Financial Times Stock Exchange

<sup>3</sup> Merrill Lynch

<sup>4</sup> Morgan Stanley Capital International All Country World Index

<sup>5</sup> Consumer Price Index

## Annex 1: Glossary of key terms used within this policy

**Asset Classes** – a grouping of investments that share similar characteristics such as behaving similarly and having similar risk profiles, e.g.:

- Equities – stocks and shares or ownership of listed companies that do not pay a fixed return
- Bonds - a loan made for a set period with an agreed rate of interest applied (which may be a variable or fixed rate)
- Cash – deposited cash which is available immediately to fund expenditure
- Alternatives – investments which fall outside the definitions of the traditional asset classes of equities, bonds and cash, typically these are less liquid and would include assets such as property.

**Balance Sheet Assets** – a balance sheet sets out a summary of an organisation’s assets and liabilities for accounting requirements, including items such as buildings, equipment, cash, investments, borrowings, pension deficits.

**Benchmark Indices** – a benchmark index is an independent metric which can be used to compare the performance of a particular asset class or group of investments.

**Capital Volatility** – variations in valuations of investments.

**Distributions** – money drawn from the invested Endowments to fund University operating activities.

**Diversification** – the spreading of investments across a number of different asset classes, sectors and geographic regions to aim to reduce overall risk of significant losses to the overall value of investments.

**Endowment** – financial donations made which are invested, with the aim of generating a return the proceeds of which are used to fund University operating activities.

**Investment Managers** – also known as ‘Fund Managers’ a third party company appointed by the University to make decisions regarding buying, selling and management of the investments of the University Endowments.

**Liquidity** – the ability and time required to convert invested funds into cash to fund expenditure.

**Strategic Asset Allocation** – a long term strategy for the desired split of the invested funds between different asset classes, with ranges targeted for different asset classes.

## Annex 2: Threshold limits agreed with investment managers

The University defines ‘material involvement’ as a threshold based on company revenues, this will normally be 0-10% and in no circumstances more than 15%. Specific limits for different sectors are set out below:

- No direct investment in tobacco production companies. Such investment would be inconsistent with the University’s medical research. Companies generating 10% or more of revenues from the licensing, distributing, retailing, producing and supplying tobacco related business.
- Fossil fuels – defined using MSCI, a global industry-standard ethical investment information provider, to determine what is meant by ‘fossil fuel companies’, and to both quantitatively and qualitatively assess the investable universe of companies against that definition. MSCI define ‘fossil fuel companies’ as those that have proven and probable coal reserves and/or oil and natural gas reserves used for energy purposes. Reserves are considered to be used for energy purposes in the case of companies with the following Global Industry Classification Standard (GICS) classification: (a) Oil, Gas and Consumable Fuels Industry (b) Energy Equipment and Services Industry (c) Utilities Sector (d) Diversified Metals and Mining Sub-Industry. Companies generating 10% or more of revenue from extraction, production and refining of coal, oil and gas.
- Armaments:
  - Conventional Weapons: companies deriving 5% or more from the production of conventional weapons, or those that derive 15% or more aggregate revenue from weapons systems, components, and support systems and services.
  - Nuclear Weapons: no tolerance (0%) for companies that manufacture nuclear warheads or missiles, components, or delivery platforms for use in nuclear weapons
  - Controversial Weapons: no tolerance (0%) for companies with any ties to controversial weapons, including companies involved in the manufacturer and production of cluster munitions, landmines, depleted uranium manufacturer, biological and chemical.
  - Civilian Firearms: companies classified as a “Producer”, or those that derive 5% or more revenue from the distribution of civilian firearms
- Gambling - companies deriving 5% or more revenue from ownership of operation of gambling-related business activities, or those deriving 15% or more aggregate revenue from gambling-related business activities.
- Adult Entertainment - companies deriving 5% or more revenue from the production of adult entertainment materials, or those deriving 15% or more aggregate revenue from the production, distribution and retail of adult entertainment.
- Alcohol - all companies deriving 5% or more revenue from the production of alcohol-related products, or those deriving 15% or more aggregate revenue from the production, distribution, retail and supply of alcohol-related products.
- Predatory Lending – generating 10% or more revenue from predatory lending activities.

## Policy Information and Document Control

<b>Policy title</b>	Investment Policy
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<b>Related policies and procedures</b>	Gift Acceptance Policy
<b>Superseded policies</b>	
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<b>Approval date</b>	27 November 2025
<b>Effective date</b>	From approval
<b>Next review due</b>	As determined by the Finance and Investment Committee, but at least every 3 years (by November 2028)
<b>Policy owner</b>	Thomas Skeen, Director of Finance
<b>Policy contact</b>	Thomas Skeen, Director of Finance

## Version Control

Version	Date	Reason for updates/Summary of key changes