JRCT Investment Strategy

Aim and objectives

As a Quaker Trust, JRCT uses its financial resources for radical change towards a more peaceful, equal and just world. Our investments, and our behaviour as an investor, contribute to this aim.

It follows that our investment policy needs to strike the right balance, financially and in terms of Trustee and staff time, between:

- Funding the Trust's grant making programmes over the long term
- Investing in enterprises which seek to realise our aims
- Avoiding investing in corporations whose activities conflict with our aims
- Encouraging business to be ethical, socially responsible and to protect the environment

These four aims are in order of priority, and expanded upon below.

Funding the Trust's grant making programmes over the long term

Given the decision of Trustees at the decennial review in 2008 to continue the Trust for at least the next ten years, we aim to increase our grant expenditure at least in line with the inflation experienced by our grantees and to maintain our capacity to do this over the long term. Our investments therefore need to generate a total return (including capital growth and income) which at least matches inflation. They are weighted towards assets which can be expected to grow their value and the income they generate over time. They are diversified with the aim of avoiding over-dependence on individual companies, industry sectors, geographical markets or asset classes.

We maintain sufficient liquidity to meet our commitments to grantees, staff and creditors for two years ahead.

Our experience over the last 30 years underpins our belief that we do not necessarily need to sacrifice financial returns to invest ethically, but neither will we sacrifice our ethics for financial gain.

Investing in enterprises which seek to realise our aims

We aim to invest in companies which operate with integrity and whose products or services meet the basic needs of people and protect the natural environment on which we all depend.

We wish to invest in companies which offer solutions to problems such as climate change, resource constraints and loss of biodiversity.

We see ourselves as owners of the companies in which we invest and expect to be long term holders sharing the rewards of the success of their activities.

We are interested in assisting the development of alternatives to the dominant, speculative, short term, capital markets. We are prepared to build up our investment to a maximum of 5% of our funds in enterprises which are of sufficient size and which aim to generate social and environmental returns in line with our aims even if they are not expecting to produce market levels of financial returns. We will monitor our experience in this area with a view to increasing our commitment as the scale of social enterprises grows.

Avoiding investing activities which conflict with our aims

We avoid companies materially involved in armaments, alcohol, gambling, tobacco and new generation nuclear power stations, and government bonds issued by states with high military expenditure or oppressive regimes. We avoid extractive industries with poor human rights or environmental practices. We avoid speculative and opaque investments.

We recognise that ethics are not clear-cut and that difficult judgements need to be made. Trustees are assisted by EIRIS research on companies in the portfolio or being considered for it. While on some issues a firm position is taken, on others the degree of a company's involvement in a questionable area is taken into account, along with indications of improving practices and positive features of its activities.

Encouraging business to be ethical, socially responsible and to protect the environment

The Trust engages with companies in the portfolio to try to improve practices and may, in the event of ongoing concerns, sell its shares. We are delighted at the growth of socially responsible investment since we began these practices and are happy to collaborate with other investors, such as our colleagues in the Church Investors Group. On many issues others with stronger voices than ours will lead the engagement.

We wish to continue to lead by example as a responsible investor with the aim of improving corporate governance and social and environmental impacts. We encourage other investors to join us in following best practise as set out in standards such as the UN Principles of Responsible Investment. We believe this to be in the interest of society at large as well as in our long term financial interest.

How we measure success

We aim to maintain the sum available for grants and supporting our programmes in real terms at least at the same level (**sustainable expenditure**). We calculate **sustainable income**, based on market yields adjusted with other economic factors, as an estimate of the amount which could be taken out of our portfolio without reducing its prospects of long term sustainability. We periodically review our sustainable income formula to ensure that it is still valid.

We compare sustainable income and sustainable expenditure annually in November before setting budgets for the following year.

We monitor the market value of the quoted equities and other securities, focusing on returns over a rolling three year period to try to smooth out the volatility of markets. We chart market values against a projection of the desired portfolio value needed to support sustainable income. Where market values deviate too far above or below the desired level a review of investment or spending plans may be triggered. We try to keep alert to possible paradigm changes, which could undermine the concepts on which our strategy is based.

We also pay attention to net asset values where available, and to relative performance compared with other ethical funds and charitable endowments.

We monitor portfolio income and the shortfall between anticipated income and sustainable expenditure. We hold sufficient liquid assets to meet this shortfall for two years ahead.

Performance indicators for external fund managers are tailored to the nature of the fund they run.

Investments managed in-house (Number 2 portfolio) are managed according to the same principles and kept under review.

We maintain and review a risk framework for our portfolio. We limit the size of individual holdings to 10% of the value of the whole portfolio and require fund managers to meet the AAF01/06 standard for internal controls.

We also report to the Trust annually on the non-financial performance of the portfolio, including, for example, decarbonisation of the assets, increases in responsible practices by other investors, growth in social and co-operative enterprises, social and environmental reports from our mission-related investments, and impact of engagement with companies.