

**University of Bristol**  
**Endowment Investment Policy**  
**January 2017**

**Introduction**

1. The University of Bristol Acts 1960 and 1974 provide for the pooling of the investment of funds and the creation of a Trustee Securities Pool and a General Pool. The value of each pool is divided into investment units. The income of the pools is apportioned among the various endowment and other funds in proportion to the numbers of unit to which each fund is entitled.
2. The assets held by the University's endowment funds should be split into an investment portfolio, in order to generate income and capital growth, and cash deposits held within the University's general bank accounts, to maintain liquidity.

**Endowment Rules**

3. New endowments received by the University are used to purchase units in the fund at a price equal to the current value of a fund unit; that is the total market value of the fund divided by the number of units. Income shall then be added to each fund in proportion to its holding of fund units.
4. Where an endowment is a permanent endowment, only the income generated by the capital may be expended; the capital itself may not be spent. Where an endowment is an expendable endowment, the capital may be spent in accordance with the terms of the endowment. Where the capital portion of an expendable endowment is spent then the number of units held by that endowment fund should be decreased proportionately.
5. If any part of the capital portion of a permanent endowment is expended, notwithstanding the requirement that only the current portion of such an endowment may be spent, then expenditure on that fund should be held in abeyance until the accumulating income received by the fund is sufficient to make good the deficit.

**Investment objectives**

6. The University's endowment investments are held for capital growth. The objective of the endowment investments is that the market value should grow at least in line with inflation.
7. The University's endowment investments are also held to generate an income sufficient to fund charitable activities, as defined in terms of the respective endowments.
8. The amount of cash held by the University's endowment should be reviewed annually by the trustees. The level of cash held within the endowment should be sufficient to cover six months' worth of expenditure incurred by the endowment funds.
9. Endowment investment decisions should aim to optimise the yield of the endowment investments within the context of the University's risk appetite. For this purpose the University's risk appetite is moderate to prudent<sup>1</sup>.

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<sup>1</sup> The following definitions serve as guidance on the University's risk appetite:

**Prudent:** An investment strategy which accepts a minimal risk to capital. A prudent investment strategy will typically target investment vehicles which are guaranteed and highly liquid. These may include certificates of deposit, money market funds, and treasury bonds.

**Moderate:** An investment strategy which accepts some risk to capital but adopts a balanced approach with time scales of typically over 5 years. A moderate investment strategy is likely to include dividend-paying equities.

10. To minimise risk to an acceptable level, any endowment funds should be invested in a diversified portfolio which does not have excessive exposure to any specific sector or industry.
11. Notwithstanding the performance objectives, the investment of the University's endowments in companies, trusts, governments or other institutions must also take into account ethical criteria that align with the University's ethos and purpose.

### **Ethical investment criteria**

12. The University, or its agents, will not invest in endowment funds in entities that:
  - Generates more than 10% of turnover from the production of cigarettes or tobacco products
  - Generates more than 10% of turnover from the production of pornographic material
  - Generates more than 10% of turnover from the manufacture of anti-personnel weapons that may incapacitate or kill civilians, such as land mines and cluster bombs
  - Derives more than 5% of turnover from the extraction of thermal coal or oil/gas from tar sands
  - Are directly involved in the operation of betting or gambling operations
  - Have a record of contravening human rights standards
13. The University will actively manage its portfolio of energy investments, including those in oil and gas, to deliver a material reduction in the carbon emissions from these investments over the next ten years. This will be achieved through mechanisms including active investment in those companies that are industry leading performers in carbon management, investment in companies with strong and deliverable commitments to improving their carbon efficiency and in companies with increased investment focus in non fossil fuel energy providers. Shareholder engagement with energy companies both directly and through shareholder resolutions and other means will also have an important role to play in improving the carbon efficiency of the portfolio
14. Amendments that are required to the portfolio of Endowment investments as a consequence of approving this Policy will be implemented within 12 months of the Policy approval date, subject to market conditions.
15. Where the University currently holds endowment investments in entities which do not comply with the ethical criteria set out in sections 13 and 14 above, the investment will be sold and reinvested in a compliant investment vehicle within 1 year of the approval of this Policy, subject to market conditions.
16. Where the University holds an endowment investment in an entity which falls outside of the ethical investment criteria outlined above then a reasonable grace period will be allowed for the entity to return to a state of compliance. If it becomes apparent that the entity is likely to persist in a state of non-compliance then the investment will be liquidated and the proceeds reinvested in a compliant investment vehicle.

### **Fund Manager**

17. The University should ensure that its fund managers, or any other of its agents, are aware of this policy and have the expertise and capacity to implement it.
18. The University's fund managers should be subject to periodic review to ensure that this investment policy, including its ethical requirements, is being adhered to, and that the service provider represents the best value for money for the University.
19. If it becomes apparent that an alternative provider may be better placed to provide the fund management services in accordance with the University's investment objectives, as defined in this policy, then a retendering exercise should be conducted with a view to replacing the provider.

### **Monitoring & Review**

20. The policy shall be subject to annual review by the Board of Trustees and may be amended at their discretion at any time.

### **Policy Implementation**

21. This policy shall be binding on any staff of the University of Bristol, or their agents, who make investment related decisions on behalf of the University.