

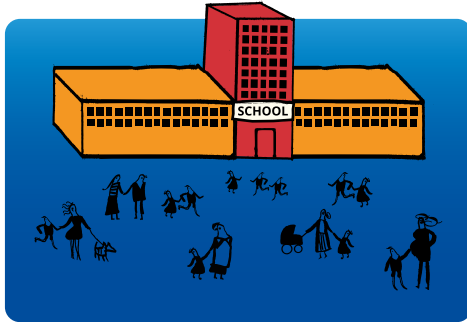
CASE STUDY

INVESTMENT MANAGEMENT FOR AN INDEPENDENT SCHOOL

MAY 2023

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BACKGROUND & OBJECTIVES



Independent school established under a charitable trust.



Received a substantial donation.



Maintain the capital value of the donation but use the income to provide ongoing financial support.

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WHAT WE DID

Before making any recommendations, we took the time to outline all the options available to the trustees, ensuring they **understood the characteristics of the major asset classes** and the **key risks faced by investors**. This included talking through **investment risk, institutional risk and inflation risk**, and how these risks vary between the different asset classes. In general, the riskier the asset, the higher the long-term growth rate has the potential to be.

The trustees then undertook a risk profiling assessment, to ascertain their tolerance for both risk and loss. During our discussions, the trustees also confirmed that they **did not want to invest any of their portfolio in property funds**.

As the investment was for the assets of a school trust, we were looking at a **very long-term timeline** for the majority of the money. However, it was agreed that around 20% of the funds would need to be kept available for short-term access.



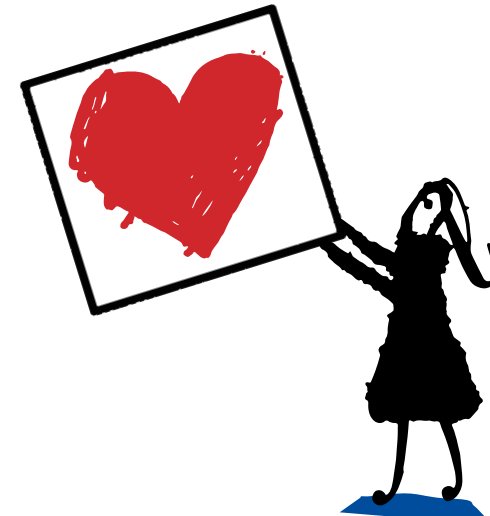
OUR RECOMMENDATIONS

For the best possible chance of achieving **real growth over the long term**, we recommended an entirely **equity-based portfolio** for the majority of the investment. The **20% set aside for short-term needs** would then be invested in a **combination of cash and fixed interest holdings**. It was agreed that collective investment funds (such as unit trusts and OEICs) would be the most appropriate vehicle for the majority of their portfolio, with the exception of gilts, which would be purchased directly.

To ensure the trustees could easily monitor and manage their investments, we recommended the use of a platform, which also allowed the direct purchase of gilts. Using current yields, we estimated the level of income the trustees would receive each year, in order for them to have a clear understanding of what they might receive from their portfolio.

To mitigate the risks inherent in investing money into the market all at once, **we advised the trustees to phase their investment over a period of two years**. By investing on a phased basis, the trustees would retain access to more of their capital for a longer period of time. In addition, they would benefit from any downward turns in the market before each investment (this is known as 'pound cost averaging').

To prevent the school's investments drifting away from the agreed regional and sector allocations, the trustees benefit from a **termly review and rebalancing exercise under the Portfolio 3 service**. These regular reviews also mean the trustees are able to benefit from drawing the profits from good performing assets, while buying weaker assets at lower prices. Longer term this should help to produce enhanced returns.



THE RESULTS



The portfolio is performing in line with expectations and the trustees have been able to fund the projects they had planned.



In addition, the capital value of the original investment has enjoyed significant growth to date, increasing by around 30% over the first four years.

FIND OUT MORE

If you have any questions about our investment methodology, or would like some financial planning or investment advice, the clarity team are here to help.

Please contact your usual clarity adviser, or get in touch using the details below:

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Risk Warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested.

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