

Investment Policy Statement

Charity Commission Registration Number: 1169089

1 Introduction


- 1.1 NextEnergy Foundation (“the Foundation”) is an incorporated grant making charity. The objects of the charity are for the public benefit to further such purpose which is exclusively charitable under the laws of England and Wales as the Trustees see fit from time to time.
- 1.2 The NextEnergy Foundation has an endowment fund (“the fund” or “the investment portfolio”) whose financial objective is to generate a nominal return to supplement grant making from capital.
- 1.3 The Foundation is expecting to receive approximately £500,000 per year for the next four years into the endowment fund. This represents the bulk of the charity’s assets and will be used to finance grant making activities.
- 1.4 The Foundation aims to distribute grants of 1/5th of the endowment received in each year, including accrued income, every year. This can vary from year to year depending on grant making opportunities and investment returns. Any part of the endowment not distributed through grants will be invested.
- 1.5 The Trustees of the Foundation have delegated decision making on the fund’s investment matters to its Investment Committee (“the Committee”).

2 Investment Objectives

- 2.1 The Foundation seeks to produce the maximum financial return for its investment portfolio consistent with commercial prudence and within an acceptable level of risk.
- 2.2 The investment objective is to generate a financial return that will at least perform in line with the Asset Risk Consultants’ PCI Cautious peer group benchmark. This should allow the Foundation to maximise the potential for grant making beyond the next four-year funding period, possibly with a view to extending this beyond an initial 5-year period.
- 2.3 The Foundation adopts a total return approach to investment, generating the investment return from income and capital gains or losses. It is expected that if in any one year the total return is negative an adjustment to annual grant making may be made.

3 Risk

- 3.1 Attitude to risk – Any investment returns on the endowment fund provide a supplementary source of funds for the Foundation’s grant making activities. However, grants are generally one-off awards and the number and value of these may vary depending on circumstances. The key risk to the sustainability of the Foundation is capital losses over the 5-year period, and the assets should be invested in a way to reduce this risk. The Trustees understand that this is likely to mean that investment will be concentrated in nominal assets, such as short-term bonds, and that the capital value will fluctuate.



The Trustees are able to tolerate volatility of the capital value of the Foundation, as long as the Foundation is able to meet its short-term grant making commitments through liquid capital assets and accrued income.

- 3.2 Assets – The Foundation's endowment fund assets can be invested widely and should be diversified by asset class, by manager and by security. Asset classes could include cash, investment grade bonds, equities, property, hedge funds, structured products, private equity, commodities, open and closed ended funds, and any other asset that is deemed suitable for the Foundation, respecting principles indicated under Clause 3.1 above.
- 3.3 The Foundation's assets will not be invested in derivative instruments other than for hedging purposes. No more than 5% of the total portfolio may be held in a single direct equity investment.
- 3.4 Programme Related Investment / Mixed Motive Investment / Social Investment – The Foundation has not undertaken to make non-Financial Investments through the endowment fund. However, it remains open to opportunities should they present themselves. Non-Financial Investments include investments which may produce a financial return as a consequence of furthering the Foundation's mission, as set out in Clause 6.
The Investment Committee is charged with agreeing a suitable asset allocation strategy with the investment managers, which is set to achieve the overall endowment fund's financial objective. This strategy will be duly communicated to the Board of Trustees by the Investment Committee.
- 3.5 Currency – The base currency of the investment portfolio is Sterling, although modest grant making may be made in Euros. Investment may be made in non-Sterling assets but should not exceed 40% of the total investment portfolio value.
- 3.6 Credit – The Foundation's cash balances should be deposited with institutions with a minimum rating of A Bond exposure should be limited to investment grade issuers.

4 Liquidity Requirements

- 4.1 The Foundation aims to distribute grants of 1/5th of capital per annum. This will be supplemented by any income and/or capital returns in the period.
- 4.2 The Trustees wish to keep all assets in investments that can be readily realised within one month.
- 4.3 To allow for volatility of capital values, the Trustees wish to maintain one year's worth of budgeted grant making in cash or lower risk liquid investments.

5 Time Horizon

- 5.1 A short-term time horizon means up to one year. A medium-term time horizon means 1-5 years. A long-term time horizon means more than 5 years.
- 5.2 The Foundation has an initial grant making cycle of 5 years, from each endowment capital inflows. Any excess funds at the end of this period may form part of a new grant making cycle. Investments should be managed to meet the investment objective and with consideration of the grant making cycles time horizon.
- 5.3 The fund can adopt a short- to medium-term investment time horizon.



6 Ethical Investment Policy

- 6.1 Where possible, the assets in the Foundation's endowment fund should be invested in line with its mission, which is to participate proactively in the global effort to reduce carbon emissions, provide clean power sources in regions where they are not yet available, and contribute to poverty alleviation. The Trustees do not wish to make investments perceived to conflict with the Foundation's mission.
- 6.2 So long as not detrimental to the financial return, the Foundation seeks to achieve positive social and environmental impact through investment. Attention is paid both to the products and services provided by the underlying companies held in the portfolios, but also their business practices in accordance with Clause 6.1.
- 6.3 The Foundation's approach to ethical investing is to only invest in companies and assets that have demonstrable high standards of governance and contribute to creating a more socially and environmentally sustainable world.

7 Management, Reporting and Monitoring

- 7.1 The Foundation has appointed one professional investment manager to manage the assets on a discretionary basis in line with this policy. Investment managers provide custody of assets. Managers are required to produce a valuation and performance report quarterly. The Foundation has nominated a list of 2 authorised signatories who are required to sign instructions to the investment manager.
- 7.2 The Foundation has appointed an Investment Committee which has responsibility for agreeing strategy and monitoring the investment assets. The Committee meets bi-annually to review the investment portfolio, including an analysis of return, risk and asset allocation. Performance is monitored against agreed market benchmarks, including the Asset Risk Consultants' PCI Cautious peer group benchmark as set out in Clause 2.2.
The investment manager is required to present to the Investment Committee on a bi-annual basis.
- 7.3 The Investment Committee is to report formally to the full Board on at least an annual basis. This report should include a review of asset allocation strategy, performance, risk profile and consistency with the long-term investment objective.

8 Approval and Review

- 8.1 This Investment Policy Statement was prepared by the Investment Committee of the NextEnergy Foundation to provide a framework for the management of its endowment fund assets.
- 8.2 It is effective from March 2023 and will be reviewed on an annual basis to ensure continuing appropriateness.

Approved by the Investment Committee



Michael Bonte-Friedheim
Endowment Fund Investment Committee Member
NextEnergy Foundation

8/3/23

Date

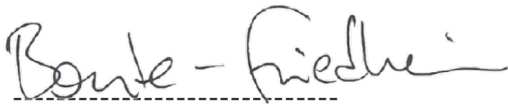


Edward Caley
Endowment Fund Investment Committee Member
NextEnergy Foundation

08/03/2023

Date

Approved by the Trustees



Michael Bonte-Friedheim
Trustee
NextEnergy Foundation

8/3/23

Date



Aldo Beolchini
Trustee
NextEnergy Foundation

16/3/23

Date



Abid Kazim
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Date



Giulia Guidi

Giulia Guidi
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Date