



THE FREEMASONS' FUND FOR SURGICAL RESEARCH

Investment Policy Statement approved by the Trustees at their meeting on the 8th May 2024

1. Introduction

1.1 The Freemasons' Fund for Surgical Research (the Fund) is an unincorporated grant making charity (registration number 252951) established by a Declaration of Trust made on the 8th May 1967 for the primary purpose of endowing Fellowships in the science of surgery for persons nominated by the Royal College of Surgeons of England.

1.2 The financial objective of the Fund is at least to maintain the real value of the assets whilst generating a stable and sustainable return to fund grant making. The inflation measure most relevant to the Fund's expenditure is the Consumer Price Index.

1.3 Investment assets make up the entirety of the charity's assets and finance the grant making activities.

1.4 The Fund makes an annual grant in two tranches to the Royal College of Surgeons of England for Fellowships. The annual amount paid depends upon relevant circumstances when the decision is made.

1.5 The Trustees of the Fund are governed by the Trustee Act 2000 which sets out the general power of investment, and the Charity Acts of 1993, 2006 & 2011.

2. Investment Objectives

2.1 The Fund seeks to produce the best possible financial return subject to an acceptable level of risk. In order to maintain the portfolio in real terms and produce the requisite returns, a reasonable equity exposure is necessary and so the Trustees are able to tolerate volatility of the capital value of the Fund, as long as the Fund is able to meet its short-term grant making commitments through either income or liquid capital assets.

2.2 The investment objective is to maintain in the long term the real value of assets after grants and expenses.

2.3 The Fund 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 insufficient to meet the budgeted grants, then in the long term the real value of the Fund will still be maintained in accordance with the investment objective stated above. The total expenditure (whether of capital or income) shall not exceed 5% of the capital value of the investments, calculated at the end of the previous accounting period. The emphasis on a total return approach with no overriding requirement for income will be made clear to the investment manager.

3. Risk

3.1 Attitude to risk

The Fund relies on the investment return in order to fund grant making. The key risk to the long-term sustainability of the Fund is inflation, and the assets should be invested to mitigate this risk over the long term. The Trustees understand that this is likely to mean that investment will be concentrated in real assets and that the capital value will fluctuate. As previously stated at 2.1, the Trustees can tolerate volatility of the capital value of the Fund, as long as the Fund is able to meet its short-term grant making commitments through either income or liquid capital assets.

3.2 Assets

The Fund's assets can be invested widely and should be diversified by asset class, by fund manager and by security. Asset classes may include cash, bonds, equities, property, hedge funds, structured products, private equity, commodities, and any other asset that is deemed suitable for the Fund. In the case of direct private equity assets, investment is restricted to 10% of the portfolio value at initial investment. There is no requirement to favour income generating assets.

The Trustees have agreed a benchmark strategic asset allocation as follows, which is set so as to achieve the overall long-term investment aims:

Global Equities	70% (permitted range 55-80%)
Fixed interest	15% (permitted range 5-25%)
Alternative Investments	15% (permitted range 5-25%)
Cash	0% (permitted range 0-10%)

This asset allocation is to be taken by the investment manager as a guide to the volatility that is acceptable and the degree of diversification across asset classes that the Trustees seek. The investment manager may act within the permitted ranges without referring to the Trustees. However, this target strategic asset allocation should be used to define the benchmark for performance reporting purposes.

3.3 Currency

The base currency of the investment portfolio is Sterling. Investment may be made in non-Sterling assets, but the investment manager will recognise the Sterling-based nature of the charity and be mindful of the currency risks they are taking, given that non-sterling assets must be converted to sterling in order to disburse grants. Hedging is permitted.

3.4 Credit

The Fund's cash balances should be deposited with highly rated counterparties in client money bank accounts or in a diversified money market fund. Deposits should be spread between institutions and limit setting and monitoring constantly reviewed. Bond exposure should be focused on investment grade issuers. There is a limit of 5% on sub-investment grade holdings.

4. Liquidity Requirements

4.1 The annual grant can be funded from both income, capital or donations.

4.2 The Trustees wish to keep at least 25% of the assets in investments that can be realised within three months at any one time.

4.3 To allow for volatility of capital values, the Trustees wish to maintain at least 2 years' worth of budgeted grant making in lower risk liquid investments.

4.4 There is no requirement for a portion of assets to be held in cash, over and above the annual need to meet the annual grant distribution.

5. Time Horizon

5.1 The Fund is expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability and consequently can adopt a long term investment time horizon.

6. Ethical Investment Policy

6.1 The Trustees recognise that a balance should be struck between, on the one hand, seeking the best possible return on investments in order to maximise the amount of money available to give in the furtherance of medical research and, on the other hand, investing in a manner consistent with the Funds' aims and avoiding investing in businesses which may reasonably be regarded as undertaking activities which are injurious to individuals or society in general. It is recognised that it is unrealistic to have zero tolerance to holdings in securities due to the way some investments are held within funds and because businesses are reclassified from time to time. Some tolerance of restricted businesses shall be permitted. However, there shall be no direct investment in those businesses which are specified in the following table. Further, the table specifies limits total exposure. The Trustees emphasise that the percentages which are listed are caps on investment, and not targets, and that the limits will be regularly reviewed and, in any event, not less than once in every year with a view to further restrictions being made over time.

	Direct investment		Total exposure overall
Tobacco	No		1%
Gambling	No		1%
Pornography	No		1%
Predatory Lending	No		1%
Fossil Fuels	Yes		5%

6.2 The Trustees recognise that positive ethical investment is a good practice, although regard must be had to the fundamental aim of the Fund to maximise donations to medical research. Investment in positive ESG funds should be made within a range of between 5% and 10% of the portfolio subject to this approach meeting all other investment criteria.

6.3 The Trustees do not consider it appropriate for there to be direct investment in Chinese Government Bonds.

7. Management, Reporting and Monitoring

7.1 The Fund has appointed a professional investment management firm to manage the assets on a discretionary basis in line with this policy. The investment manager provides custody of assets. The manager is required to produce a valuation and performance report on a quarterly basis. The Fund has nominated a list of authorised signatories, two of which are required to sign instructions to the investment manager.

7.2 The Trustees have responsibility for agreeing strategy and monitoring the investment assets. The Trustees meet at least twice a year with the investment manager to review the portfolio, including an analysis of return, risk and asset allocation. Performance is monitored against agreed market benchmarks, and against the investment objectives.

7.3 The Trustees should perform a review of asset allocation strategy, performance, risk profile and achievement of the long term investment objective on an annual basis, and have an investment manager peer group review not less than every 4 years.

8. Approval and Review

This Policy Statement was prepared to provide a framework for the management of the Fund's investment assets. It will be reviewed on an annual basis to ensure continuing appropriateness.