**Investment Policy**

**Sussex East Area Meeting**

**Introduction**

Sussex East Area Meeting (SEAM) is an unincorporated, faith-based association whose object is the furtherance of the general religious and charitable purposes of the Religious Society of Friends.

SEAM has an annual income of some £100,000 and, subject to maintaining the purchasing power of its invested assets, seeks to achieve a balance between income and expenditure. As at 31 December 2017, SEAM had some £1,6 million4,100 invested in property, which is currently considered not available for sale, and some £480,000 in financial assets as described in the Report of the Trustees and Accounts. [All figures given below are as at 31 December 2017]

**Objectives**

All but some £200 of SEAM’s financial assets (excluding cash) are held in unrestricted funds. These funds therefore hold some £480,000 plus some £180,000 in cash when cash reserves held by Local Meetings are stripped out. Some £410,000 of these assets represent the central reserves of SEAM allocated to property maintenance, welfare, education, working capital. A further £250,000 is allocated for forthcoming Meeting House development projects. As these are expended over the next few years, the level of financial assets will need to reduce to a figure in the range £260-300,000. The purpose of these assets will be to generate a steady income to compensate for the effect of inflation on SEAM’s reserves, recognizing that the costs of property maintenance, which forms a substantial part of SEAM’s costs, have been increasing faster than CPI. Hopefully this would over the longer term provide some out-performance to offset the calls made on members to fund SEAM.

The investment policy will need to enable financial assets to be wound down by £180-220,000. The remaining assets should be invested for the longer term. The policy needs also to include divested of charifund units (holding equities) worth around £110,000 which are no longer consistent with SEAM’s ethical policy but without too much change to the diversification of asset classes within the longer term portfolio. The target would be to generate yield of 1.5% real over the longer term, whilst recognizing that this may be constrained by the details of the policy adopted including ethical guidelines.

**Policy**

It is SEAM’s policy to apply those of its assets, for the time being designated by Trustees as available for medium to long-term investment, in ways that are congruent with Quaker leadings as discerned by the Society in Yearly Meeting.

Subject to the paragraph above, it is SEAM’s policy to invest first to preserve the long-term real purchasing power of its invested assets and secondly to achieve a total return to allow an increase in the funds generated for Quaker work.

**Guiding Principles**

SEAM will invest ethically, consistent with its Quaker witness and true to its Quaker testimonies. Trustees are aware that individual Friends may hold views, on financial or ethical aspects of investment, which may not be congruent with actions taken by them. As noted in *Quaker faith & practice* (14.20) in relation to investment matters, Trustees have obligations that may constrain them more, as trustees, than as individuals. So, while Trustees will be sensitive to honestly expressed dissenting opinion, they will put their collective responsibility before their own or others’ personal preferences.

The following five principles, which are the product of Quaker spiritual leadings, inform SEAM’s investment policy.

**1. Truth and integrity**

SEAM expects the enterprises in which it invests to maintain high public standards of honesty and fairness in all their dealings and to demonstrate levels of corporate governance that are among the best in their sector.

**2. Justice, equality and community**

Based on respect for each human being, SEAM seeks to invest in enterprises that avoid the exploitation of employees, suppliers, customers or communities. SEAM will not invest in enterprises whose offerings are predominantly concerned with the bringing to market of goods and services that do harm, such as tobacco, gambling, pornography or alcohol.

**3. Simplicity**

SEAM believes that a simple lifestyle, freely chosen, is a source of strength and that no person’s place in the world should be defined by his or her material possessions. SEAM therefore wishes to support enterprises that address authentic human needs.

**4. Peace**

Peace is a process that calls for practical work as well as for the expressed opposition to wars, armed hostilities or the use of violence in order to resolve conflict. Therefore, SEAM will not invest in those enterprises that engage in the arms trade, the production of weapons or the promotion of violence.

**5. The earth and the environment**

SEAM believes that a proper concern for creation requires environmental stewardship on behalf of all life on earth. Acknowledging that the integrated and complex nature of the modern world requires some accommodation with it while at the same time upholding Quaker principles, SEAM seeks to foster responsibility both to present life on earth and to future generations. As an investor, SEAM seeks to engage with enterprises in order to effect an improvement in their environmental practices but will avoid investing in those enterprises that it considers harmful to the natural world. SEAM will not significantly invest in enterprises that engage in, or have a significant stake in servicing or supporting, the extraction of fossil fuels.

* Where the Investment Manager has doubt concerning the acceptability of any potential investment, he is encouraged to raise this doubt with the Trustees.
* Trustees are required, however, to strike a balance between ethical and risk considerations. The amount of money that SEAM has available for financial investment is such that direct investment in individual organisations would involve significant undiversified risk. Therefore in accordance with the advice given in Quaker faith and practice (14.21) the risk is spread by investing in suitable ethical funds. In the event that suitable ethical funds that fully comply with the policy are not readily available, the Trustees should be consulted on whether the extent of deviation from the policy is acceptable. In essence, the funds selected for investment should avoid the following areas of economic activity are considered unsuitable for investment by SEAM:
  + tobacco
  + alcohol
  + gambling
  + prostitution
  + pornography
  + munitions and related products
  + fossil fuel extraction

**Risk**

Trustees regard SEAM as a medium-risk, long-term investor. The principal risks faced by SEAM are short-term price volatility at a time of disinvestment, a permanent reduction in the capital value of investments, liquidity, inflation, deflation and interest rate volatility. Other risks include counterparty risk and environmental, social and governance risk. The overarching approach to managing these risks will be to hold a portfolio that is well diversified between markets, issuers and counter-parties.

**Time horizon**

SEAM expects that at least £250,000 of the portfolio will remain invested for the foreseeable future, but that a further £190-230,00 will be disinvested within the next three years.

**Currency**

The base currency of the investment portfolio is Sterling. No direct investment in assets denominated in currencies other than Sterling or in assets listed on a non-UK stock exchange is permitted.

**Credit**

SEAM will deposit cash balances with institutions having a rating of the equivalent of A- or better as rated by Moody’s, Standard & Poor’s or Fitch or in a diversified money market fund.

**Liquidity requirements**

All assets should be held in tradeable funds that can be realized should the need arise to drawdown from reserves. Because such calls are always possible, a substantial part of the portfolio should be invested in assets not subject to substantial market volatility (i.e. not equities).

**Approval and review**

This revised investment policy was approved and adopted by Trustees on 21 July, 2018. The policy will be reviewed annually by the Trustees.