

**RESERVES POLICY OF
THE FISHERIES SOCIETY OF THE BRITISH ISLES (FSBI)
(Registered Charity 256475)**

Prepared by the Honorary Treasurer,
Dr. Gordon H. Copp

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Executive summary

The *Fisheries Society of the British Isles* (the Society) was established as a registered charity with the main purpose of promoting the scientific study of fishes from all forms of aquatic environment. The Society's charitable expenditure was about £250K in 2005, centring around the support of two PhD studentships awarded per year (overall expenditure \approx £109K per annum), small research grants (£20K per annum) and travel grants (£10K per annum). Based on expenditure patterns over the last ten years, the Society is expected to almost double its charitable expenditure over the next ten years. The Society's activities are made possible by four income streams: its journal (rising from £208K in 2006 to £241K in 2008), its market investments (£19K in 2005), its membership subscriptions (£12.5 in 2005, but expected to rise to £18.5 in 2006 due to a rise in subscription rates), and bank interest (about £4.6K in 2005 and expected to increase slightly in future years due to a change to the CAF Bank. The Society's investment portfolio is expected to provide £40,000 to £50,000 per annum, from capital and income, and the purpose of these investments is to build up sufficient investments such that the income generated by the investments fully supports the costs of two PhD studentships per year, and the principal investment itself is sufficient (as a means of self-insurance) to cover the Society's financial obligations (in a closing down process) in the case of any future interruption of income (in particular the *Journal of Fish Biology*). To this aim, the Society has identified £1.3 M as its target sum for total market investments — this amount represents approximately half that required, leaving sufficient scope for a worst case scenario (i.e. a stock market downturn of 50%).

The investment objective of the Society's portfolio is to provide a balance between growth and income generation over the medium to long term using a combination of equities, bonds, commercial property funds, cash and alternative investments, such as fund of hedge funds and private equity funds. A minimum income yield of 3% will be expected from the total portfolio. To facilitate the management of these investments, the Society has appointed an independent financial advisor as its investment manager and granted him discretion to manage their investments, placing no constraints other than those already in existence under Charities Law — the investment manager will be permitted to use his discretion to manage their investments in line with the society's aims and objectives. In general, a medium / balanced risk strategy should be adopted for the future. The time horizon is five to ten years. Overseas exposure and exposure to specialist areas will be obtained through the use of collective investment vehicles, and the asset allocation/strategic ranges envisaged are: UK Fixed Interest (10-30%), UK Equities (40-60%), Overseas Equities (10-20%), Commercial Property (5-15%), Alternative Investments (0-10%), Cash (0-10%). The portfolio performance will be measured against a specialist benchmark based on recognised market indices in the proportions of the initial asset allocation. The allocation of the Society's existing market investments (Fledgling Funds, JPMorgan) may require readjustment towards a lower risk combination. Monitoring of the investments will involve a six-monthly reporting schedule in order to value, review and measure the performance of the portfolio. The investment policy will be reviewed annually. The Society's Council holds regular meetings (April, July and December each year) during which the Society's strategic objectives, its accounts, its reserves policy and the risks faced by the Society are reviewed as part of the Society's auditing and risk assessment procedure.



History of the FSBI

The *Fisheries Society of the British Isles* (the Society) was established as a registered charity with the main purpose of promoting the scientific study of fishes from all forms of aquatic environment. Establishment of the Society took place in the mid-1960s during a series of annual 'Coarse Fish Conferences' held at the University of Liverpool. These scientific meetings provided a forum for informal discussions between the organiser of the conferences, Jack W. Jones, E.D. LeCren, P. Tomblason, L. Mawdesley-Thomas and A.C. Wheeler. These discussions led to the inaugural meeting of the Society on 21 October 1967 at the Zoological Society (London). Jack Jones was elected the Society's first President, and this committee of five people was responsible for guiding the Society during its early years. Subsequent presidents have been E.D. LeCren, R. Beverton, C.E. Purdom, J.H.S. Blaxter, P.J.B. Hart, I. Everson and at present J.E. Thorpe.

The Society is somewhat unusual in that it has a regular, generally predictable income from its principal publication, the *Journal of Fish Biology* (JFB). Sound financial management and a regular income allowed the Society to establish an initial financial strategy, which aimed to acquire sufficient investments to cover the running costs of doctoral studentships awarded by the Society entirely from the profits of the Society's investments. Up to the start of the 21st century, this seemed a feasible investment goal for a small number of PhD studentships. However, the Society is at present funding a minimum of six studentships in any given year, and the dramatic down-turn in the markets in the late 1990s, with subsequent poor market performance, has raised concerns the Society could maintain its original investment strategy. Early in the 21st century, a dispute arose between the Society and the publisher (Elsevier) of the Society's journal and resulted in an extended period of financial uncertainty. The dispute was resolved in the Society's favour, with a considerable lump sum payment received in 2004. This sudden receipt of a large sum of money further emphasized the need for an investment strategy, as recommended by the Society's accountants (J.R. Watson & Co.). Following this advice, the Society's board of trustees (i.e. the 'Council') recommended in April 2005¹ that Council hold a supplementary meeting in July 2005 to discuss the financial strategy.

At the July 2005 meeting², Council recommended that a Reserves Policy paper be prepared so as to outline the Society's future investment and expenditure policy, thus providing greater assurance that the Society is able to fulfil its obligations under extreme circumstances. Other recommendations supported by Council were: 1) the establishment of a grant for undergraduate students to gain fish biology research experience during summer holidays, 2) the advancement of a proposal to establish the 'Wyn Wheeler Research Fund' as a grant available specifically to retired scientists, 3) consideration of additional publishing avenues with Blackwell Scientific (i.e. creation of a companion journal to JFB, and an 'Encyclopaedia of Fish and Fisheries'), and 4) other expenditure areas (i.e. World Fisheries Council).

¹ Minutes of the 80th Council meeting, Wednesday 13 April 2005

² Minutes of 81st Council meeting, Monday 18 July 2005



Why does the Society need reserves ?

The trustees of charitable societies (i.e. the Society's Council members) are under a general legal obligation to apply the income of their charity for its purposes within a reasonable period of receipt. However, it is recognised that a charity may need to retain some reserve of income in order to ensure the continued furtherance of its objectives (text derived from OG 43 B2 guidance notes on charity income reserves at www.charity-commission.gov.uk). In recognition of this possibility, 'Article 2.11' of the Society's constitution³, i.e. its governing document, states that the Society has the power "to invest the moneys of the Society not immediately required for the said objects in or upon such investments, securities or property as may be thought fit, subject nevertheless to such conditions (if any) as may for the time being be imposed". The Society's constitution makes no provision for the conversion of reserves into 'endowment/capital' (accumulation). Indeed, in the only other reference made in the Society's constitution to the investment of funds, 'Article 10 f' states that: "The Society's investments shall be managed by the Treasurer and a sub-committee of Council in consultation with appropriate professional advice".

Traditionally, the Society's reserves have been held principally as market shares in so-called 'blue chip' portfolio stocks. However, the recent period of poor market performance has highlighted four points:

- 1) Despite good performance prior to the late 1990s, market investments are subject to both decline and rise in (capital) value; and as a consequence
- 2) Any strategy to generate income in support of the Society's activities (i.e. fund doctoral studentships) must take into consideration the possible volatility of income derived from market investments;
- 3) In some circumstances, such as experienced in the last few years, the Society's liquidity (bank) reserves have generated a roughly similar proportion of interest, but with the loss in capital limited to that associated with inflation; and
- 4) For a worst-case scenario, i.e. cessation of income from all sources, the Society must be in a position to fulfil all of its financial obligations, in particular its support of doctoral studentships for their full three-year tenure as well as the severance pay to individuals employed or contracted by the Society to assist in carrying out its functions.

As charity trustees who are committed to the responsible undertaking of the Society's activities, the Council has discussed the four financial considerations outlined above, with the obligations and responsibilities included under item 4 being of paramount importance. As part of its assessment of risks and the provision of insurance to cover itself, the Society must consider the various risks to its income streams as well as the relative benefits of commercial and self insurance so as to ensure that the Society's funds are well spent and for their intended purpose. To this end, the aim of this Reserves Policy Statement is to review the Society's income and expenditure, assess the relative merits of commercial and self-insurance, and provide a strategy for the Society's future use of charitable income.

³ The *Constitution of the Fisheries Society of the British Isles, A Registered Charity*, last amended in 1999, with previous amendments in 1992, 1994, 1995 and 1997.



What level of reserves are needed for the Society to carry out its functions ?

Over the thirty-seven years since the Society was established, the number of initiatives within its range of activities has risen dramatically, due in large part to the much greater income received for its journal once this publication had established itself as a major forum for ichthyological research. With this increase in income has come a greater need to establish sufficient reserves to generate income and to act as reserves in the event of 'business interruption'. In looking to the Society's future needs, it is necessary to examine past and projected patterns of income and expenditure.

Past and future income

The Society's main income streams are, in decreasing importance, from JFB profits, market investments, membership subscriptions and bank interest. The Society's share of income from the *Journal of Fish Biology* (JFB) was increased each year since 1996 (Table 1). Profits from the journal have consistently increased each year since at least 1996, with the profit share received from Blackwell Scientific in 2005 being about £287K. However, in 2006 the Society launched a companion journal to JFB, and the start-up costs of this launch are projected (information provided by Blackwell Scientific) to return the Society's profit share back to approximately the 2004 level (i.e. £230K, which is the amount left when the Elsevier past-due profits are removed from the value in Table 1). Nonetheless, a recovery in profit share is projected for 2007 (£228K) and 2008 (£241K).

The Society's market holdings have risen from about £500,000 in 1997 to the current amount of about £780,000, which is about 3% below their peak end-of-year value in 1999. This overall increase has been due in part to share purchases in 1998 (£20,049), in 1999 (£61,000) and to increases in (capital) value due to market recovery. The income generated by these investments has, however, remained relatively constant between 1996 and 2004 inclusive, being on average £19.0K per annum over this nine-year period. Whilst past performance does not necessarily reflect future performance, this level of annual income from market investments would be sufficient to support the full costs of, perhaps, one studentship per year; and the Society has a minimum of six studentships to fund each year (i.e. two studentships awarded per year, each lasting three years). Income from market investments has, however, been sufficient to cover the budget for Travel Grants in six of the last nine years.

Income from membership subscriptions has been more variable, with a progressive increase from 1996 to 2000 followed by a sharp drop in 2001 (due to the Elsevier dispute). The overall mean income from subscriptions in the last ten years has been about £12.5K, however, this amount is expected to rise in 2007, when membership subscription fees will rise from £20 to £30 per annum for Full members, and from £10 to £15 for Associate (student, retired) members.

Income in the form of interest from bank accounts, held at the NatWest Bank, has been averaged about £3.9K per annum (Table 1). The Society's bank holdings, and associated income from interest) increased dramatically in 2004, following receipt of lump-sum settlement payments from Elsevier. Using a 'very rough' performance indicator for income from bank holdings (Table 1), income from the Society's bank



holdings do not appear to have been maximized in the last three years, even with the 2004 holdings value adjusted downwards by £200,000 to account for the late receipt (mid-December) of the final payment. Indeed, some other high street banks offer higher interest rates than the Society has been receiving, and even higher interest rates, as well as lower service charges, can be obtained from the CAF Bank, a subsidiary of the Charities Aid Foundation. The benefit of the higher interest rates is projected to increase performance dramatically (Table 1).

Table 1. Past and future income of the FSBI as of 31 December of each year given, with those for 2006 to 2008 being estimates based on mean values (1996-2005) except for JFB, which are projected amounts provided by Blackwell Scientific. Investment income is estimated as the mean for the previous 10 year period. Subscription income for 2007 and 2008 is based on the new fee levels (£30 for Full and £15 for Associate members), assuming 730 members at the current ratio of Full-to-Associate members). Bank income is estimated for 2006 onwards based on interest rates offered at the CAF Bank, the Society's new bank as of March 2006, with mean balances of £70K in the CAF Cash current account (at 3.13% interest) and £200,000 in the CAF Gold savings account (at 3.88% interest). Banks holdings with the NatWest Bank are given with and a crude performance indicator ($\text{Perf.\%} = \text{end-of-year income} \div \text{end-of-year holdings} \times 100$) — note that the % value for 2004 is based on £356,033 holdings because the second half (£200,000) of the Elsevier payment was received in late December of that year.

Year	JFB	Investment Income	Subscrip. Income	Bank		Perf.%
	Income			Income	Holdings	
1996	97,303	17,833	10,279	2,372	31,781	7.5
1997	127,681	18,776	11,544	4,310	86,240	5.0
1998	139,546	15,146	10,407	7,086	119,280	5.9
1999	156,096	19,465	12,559	3,180	47,127	6.7
2000	162,319	18,162	15,610	4,337	78,893	5.5
2001	183,079	18,811	9,758	4,275	98,120	4.4
2002	189,112	18,838	13,312	2,940	146,274	2.0
2003	217,879	19,946	15,261	1,900	76,129	2.5
2004	675,745	20,031	12,871	4,716	556,033	1.3
2005	286,952	20,287	16,430	15,156	594,468	3.8
2006	208,300	18,977	12,560	9,951	270,000	19.9
2007	228,264	18,977	19,440	9,951	270,000	19.9
2008	241,016	18,977	19,440	9,951	270,000	19.9

Other forms of income are negligible, normally totalling less than £100 per annum, with the exception of 2000, when about £800 of additional income was received in the form of symposium profits.

In conclusion, past income performance suggests that the Society may experience the following trends in its main income streams. Firstly, JFB profits are expected to undergo a slight decrease in 2006 due to the launch of the companion journal to JFB, however a return to the 2004 level of profit share is projected for 2007, followed by a subsequent rise in 2008. Income from market investments have been relatively uniform over the last nine years and unless a dramatic change in the stock market takes place, the Society may expect annual incomes of on average £18.5K in each of the next few years. However, this value may be lower, if the stock market makes a



return to poor performance, or the value may increase as a result of the Society's decision to switch from bank-based to independent financial advice in 2006. Income from bank holdings appears to have been under-performing in the last few years and this, combined with continued dissatisfaction with the quality and range of services provided by the Society's current bank, has led the Society to change to the CAF Bank, a subsidiary of the Charities Aid Foundation, as of March 2006. The higher interest rates are expected to provide greatly enhanced liquidity investment returns.

Past and future expenditure

Despite a respectable programme of grants and fellowships, which averages £146K per annum directly to charitable initiatives, the Society is generally taking in slightly more than it spends (Table 2). Indeed, only in 2003 has expenditure exceeded income, and this is most likely related to irregularities surrounding the dispute with Elsevier, which also manifest themselves in the elevated, knock-on management (mainly legal) costs incurred in 2003 and 2004. The extremely low expenditure-to-income ratio in 2004 resulted from the large income related to settlement payments by Elsevier in July and December of that year. But, the general patterns of income (Table 1) and expenditure (Table 2) suggest that the Society is accumulating income and therefore needs to increase its expenditure on charitable endeavours.

Table 2. Past expenditure patterns (as a proportion of total expenditure), including the annual surplus (i.e. income minus expenditure, round up to nearest 0.1 K) and the expenditure-to-income ratio for the FSBI as of 31 December of each year between 1996 and 2004, with the ratio for 2004 also given (in brackets) based on income excluding the lump settlement payments from Elsevier.

Year	Total expenditure			Surplus (in £K)	Expenditure vs. Income ratio
	(in £K)	% on mgmt	% to Charity		
1996	120.3	7.3	92.7	5.1	0.96
1997	112.3	11.7	88.3	45.7	0.71
1998	110.8	8.3	91.7	54.3	0.67
1999	122.3	9.9	90.1	65.8	0.65
2000	166.1	8.7	91.3	35.1	0.83
2001	198.2	5.6	94.4	17.7	0.92
2002	199.6	8.8	91.2	53.3	0.79
2003	245.2	14.4	85.6	-18.9	1.08
2004	229.4	29.0	71.0	483.9	0.32 (0.83)
2005	261.9	5.7	93.3	2.2	0.77

Projections of future income and expenditure are never easy to make, but in the Society's case, a significant relationship ($P = 0.02$) exists between past income and expenditure, and this relationship is even more significant (Figure 1) if the extraordinary income received in 2004 (Elsevier settlement) is not included. Similarly, both income and expenditure have been increasing over time in a manner that is highly significant (Figure 2). Based on income projections from Table 1, and the mean value for 2004 and 2005 for VAT reclamations, which provide projections of total income in 2006, 2007 and 2008, the relationship (Figure 1) can be used to predict future expenditure in those years (Table 3).

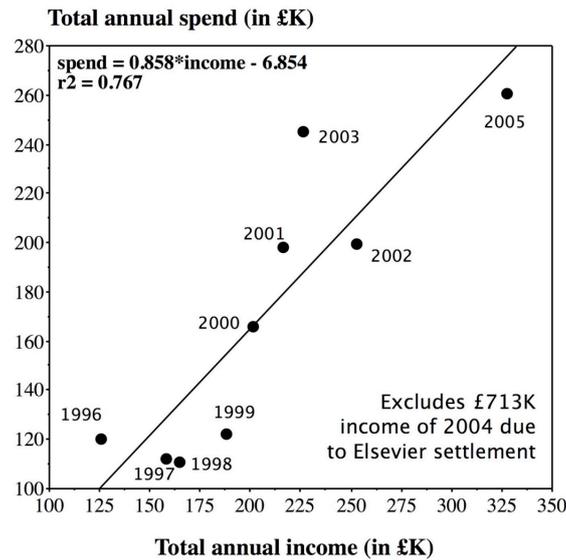


Figure 1. Statistical relationship between the Society's expenditure as a function of its income, based on data extracted from the audited accounts of the Society for the years 1996 to 2003, and the un-audited accounts for 2005 as of 25 November 2005 ($F = 23.074$, $df = 7$, $P = 0.002$). The year 2004 is ignored due to extraordinary income received following the dispute with Elsevier Science.

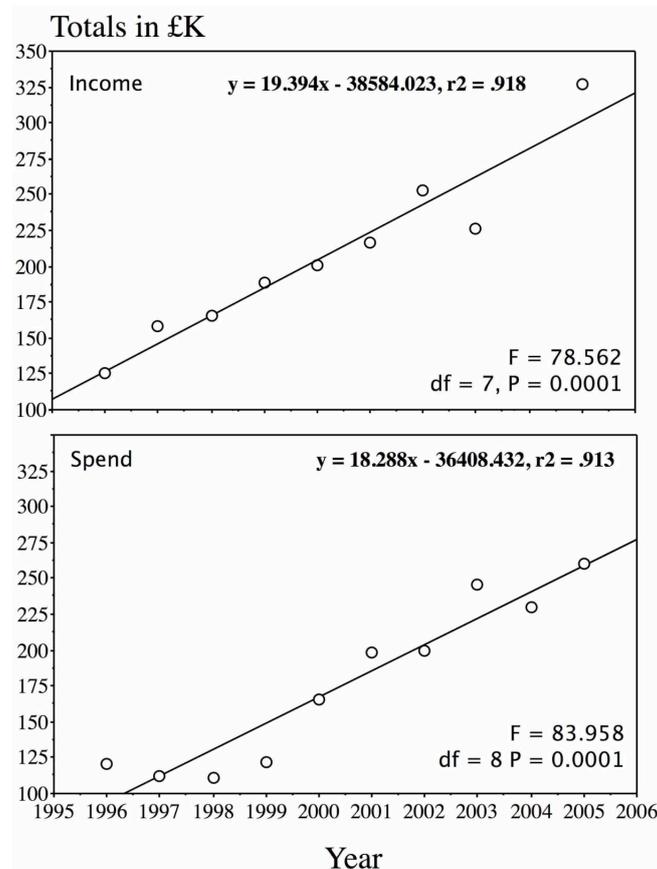


Figure 2. Statistical relationships between the Society's income and expenditure as a function of time. Income for the year 2004 is ignored due to extraordinary income received following the dispute with Elsevier Science.



Table 3. *Realised total income and expenditure (in £K) of the FSBI for 1996 to 2005, with estimates for the next ten years using values from Table 1 for 2006 to 2008 (with VAT reclaim income estimated using the mean value for 2004 and 2005) and for 2009 to 2015 using the formulae given in Figure 2. Expenditure vs. income ratio values are based on the funding of two studentships per year (from Table 2) and those projected for three studentships per year from 2006 (based on current studentship costs).*

	Totals in £K		Expenditure vs. income ratio	
	Income	Spend	2 PhDs/yr	3 PhDs/yr
1996	125.4	120.3	0.96	—
1997	158.0	112.3	0.71	—
1998	165.1	110.8	0.67	—
1999	188.1	122.3	0.65	—
2000	201.2	166.1	0.83	—
2001	215.9	198.2	0.92	—
2002	253.0	199.6	0.79	—
2003	226.2	245.2	1.08	—
2004	713.4	229.4	0.32	—
2005	327.2	260.5	0.80	—
2006	294.9	246.1	0.83	0.84
2007	297.3	248.2	0.83	0.95
2008	310.0	259.2	0.84	1.00
2009	378.5	332.2	0.88	1.01
2010	397.9	350.4	0.88	1.01
2011	417.3	368.7	0.88	1.01
2012	436.7	387.0	0.89	1.00
2013	456.1	405.3	0.89	1.00
2014	475.5	423.6	0.89	1.00
2015	494.9	441.9	0.89	1.00

Using these relationships, and assuming that the patterns of increasing income and expenditure continue in the same manner, both income and expenditure may be extrapolated for future years (Table 3). The previous pattern of under-expenditure of income relative to income (Table 2) can be brought back to unity by increasing the number of studentships awarded from two to three per year (Table 3). The cost of studentships is likely to rise, which suggests that the projections of the expenditure-to-income ratio are biased, but income may also be underestimated, given that the projections are based on a single journal, and future income from publications will derive from two journals.

How the Society will maintain its reserves so as to achieve its objectives

As highlighted above, in the event of a future cessation of income, the Society must be in a position to fulfil its obligations to its members, in particular to any students and employees regularly funded by the Society. There are two means of insuring against events that might adversely affect the Society's income: 1) commercial insurance, and 2) self-insurance. There are few options in the commercial insurance market for the Society's specific needs, mainly because 'business interruption risk' is normally a component of a wider business insurance that covers buildings and contents (but the Society does not own any premises). As a stand-alone form of insurance, 'business interruption risk' is offered by few insurance companies (the



Society's insurance agents have found only one in fact), and the minimum premium is about £40,000 per year regardless of the level of cover (information provided by Westscott Insurance, Dumfries). The alternative is self-insurance, which the Society currently undertakes, whereby the Society's investments and bank reserves act as insurance cover should the Society's normal income streams (in particular the journal) be interrupted or cease.

As has been experienced during the Elsevier dispute, self-insurance is an effective means of ensuring that the Society is able to meet its financial obligations, even in the event of a loss of income. Although self-insurance requires that a considerable amount of the Society's funds are held in (market) investments, rather than being dispersed on the Society's charitable initiatives, these funds serve two complementary purposes, acting as: 1) a reserve in the event of loss of income, and 2) a source of relatively regular income (approximately £18.5K per annum under share allocations and amounts in force in December 2005) that is used for charitable initiatives.

The Society's financial obligations fall into two main categories: 1) employees (including contract based employment, e.g. JFB editors); and 2) grants (including studentships). The amount required for fulfilling employee obligations has been estimated (by J.E. Thorpe) to be about £170K, which is based on the assumption that one-year notice is given (i.e. one year of salary as severance). As for studentships, the amount required, to ensure that all studentships (including those that have been offered, but not yet commenced) are funded through to completion, depends on the number of studentships the Society is funding on an annual basis. In recent years, the Society has funded two studentships per year. However, in 2004 the Society agreed to a deferment of one studentship, with an exceptional supplementary studentship awarded in that year; this has resulted in three studentships being funded in the following year, 2005 (i.e. the two usual appointments, plus the start of the deferred studentship).

The Society's obligations for the 'life-time' of existing PhDs (at the time this report was prepared) is £488,500 — i.e. this is the amount needed in reserve to cover the cost of the Society's studentship commitments. Therefore, the amount of reserves required to cover the Society's financial commitments at present is approximately £660K. However, dramatic market fluctuations during the last five years, in particular decline (of about 35% decrease) in the Society's investments from £809K in 1999 to £535K in 2002, suggest that the Society would be wise to hold sufficient reserves such that a 50% drop in the value of its market investments would not impede the Society from meeting its financial commitments should a cessation of income coincide with a dramatic fall in the stock market, such as was the case during the Elsevier dispute. Therefore, the Society's reserves should be of the order of at least £1.3 M to provide it with adequate cover.

An investment and expenditure strategy

In order to ensure that the Society makes the most effective and reasonable use of the charitable donations it receives, I propose the following policy initiatives as the backbone of this financial strategy.



Continued enhancement of the Society's reserves — The Society's liquidity investments, which were £601K on 24 November 2005, should be reduced in size by about £400K through conversion into market investments, thus enhancing the Society's market investments from about £794K (as of 25 November 2005) to £1.194M. This conversion will take place in due course, normally during 2006, following discussions with independent financial advisors. Council has agreed that the number of studentships awarded will remain at two per year for the foreseeable future, and the expenditure-to-income ratio should be maintained as close as possible to about 85%, leaving about 15% of income for building up the Society's reserves — this is compliant with the Society's long-term aim of eventually being able to fund all of its studentships from Reserves income. These reserves will function both as a form of self insurance (against any future event of loss of income) and as a means of generating income to fund the Society's initiatives.

Adjustment of market investments to improve income generation — The Society's existing market investments (Fledgling Funds, JPMorgan) have been held as 'option 1' (Table 4), which maximizes growth in the capital at the expense of income generation. This allocation is generally viewed as of higher risk than the allocations under options 4 to 7.

Table 4. Allocation options (in % of total portfolio) for FSBI market shares (in £) provided by Flemings JP Morgan Investments, with estimated yield (income in % interest) and associated estimated income (in £) under two scenarios (1 = current portfolio value; 2 = current portfolio value + additional £400,000), the estimated total return (i.e. inflation + real return), real return (i.e. yield + capital growth), and the capital return (i.e. growth in value of share units after inflation loss and income yield have been removed).

Fund	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7
Fledgling UK Equity	90.00%	85.00%	80.00%	75.00%	70.00%	65.00%	60.00%
Fledgling Bond Fund	10.00%	15.00%	20.00%	25.00%	30.00%	35.00%	40.00%
Total Portfolio	788,787	788,787	788,787	788,787	788,787	788,787	788,787
Estimated Yield	2.93%	3.05%	3.16%	3.27%	3.38%	3.49%	3.61%
Est. Income 1	23,143	24,026	24,910	25,793	26,677	27,560	28,444
Est. Income 2	34,879	36,210	37,542	38,873	40,205	41,536	42,868
Est. Total Return	7.63%	7.44%	7.25%	7.07%	6.88%	6.69%	6.50%
Est. Real Return	5.13%	4.94%	4.75%	4.57%	4.38%	4.19%	4.00%
Capital return	2.20%	1.89%	1.59%	1.30%	1.00%	0.70%	0.39%

To facilitate the management of the Society's market investments, Council has appointed Mr. Bill Garrigan of AWD Independent Financial Services as its investment manager and granted him discretion to manage their investments. This management will be undertaken in conjunction with the specialist charities investment firm of Morgan Stanley Quilter. Council has set no constraints other than those already in existence under Charities Law, and the investment manager will be permitted to use his discretion to manage their investments in line with the society's aims and objectives.

In general, a medium / balanced risk strategy should be adopted for the future. The time horizon is five to ten years. Overseas exposure and exposure to specialist areas will be obtained through the use of collective investment vehicles, and the asset allocation/strategic range envisaged is as follows:



	<u>Initial</u>	<u>Strategic Range</u>
UK Fixed Interest	15.0%	10-30%
UK Equities	52.5%	40-60%
Overseas Equities	12.5%	10-20%
Commercial Property	10.0%	5-15%
Alternative Investments	5.0%	0-10%
Cash	5.0%	0-10%

The portfolio performance will be measured against a specialist benchmark based on recognised market indices in the proportions of the initial asset allocation. Council's Finance Committee has decided to enhance the diversity of its investments whilst remaining within the family of investments deemed suitable to charitable associations.

Investment monitoring and review

Monitoring of the investments will involve a six-monthly reporting schedule in order to value, review and measure the performance of the portfolio. The investment policy will be reviewed annually. As part of the monitoring process, AWD and Morgan Stanley Quilter will provide reports on the progress of the Society's current investments as well as comparisons of how the Society's investments would have progressed had the investments remained in their previous investment instruments and allocation.

Arrangements for monitoring and review of the Society's Reserves Policy

The Council holds regular meetings during which financial matters are considered: December (provisional accounts for current year and budget for next year to Council), April (audited accounts to Council) and July (audited accounts to AGM). At each of these meetings, Council monitors progress against the Society's strategic objectives, and as with the Society's accounts, the reserves policy and risks faced by the Society are reviewed annually as part of the Society's annual auditing and risk assessment procedure.