

INVESTMENT POLICY

A: INTRODUCTION

The Stock Exchange Dramatic and Operatic Society (Sedos) is a charitable incorporated organisation (CIO), whose purpose is (i) to educate the public in the fields of dramatic and musical theatre and to further development of public appreciation of and taste in the said fields and (ii) to give the opportunity for persons interested in the fields of dramatic and musical theatre to participate whether on or off stage in theatrical productions of high quality.

Under article 4(5) of the Sedos constitution, Sedos has the power to “*deposit or invest funds, employ a professional fund manager and arrange for the investments or other property of the CIO to be held in the name of a nominee, in the same manner and subject to the same conditions as the trustees of a trust are permitted to do by the Trustee Act 2000*”.

Sedos has an annual income from ticket sales, programme sales, membership subscriptions, and fees for classes and workshops of approximately £120,000 to £140,000. Annual expenditure is approximately £120,000 per annum, allowing for a small annual surplus of approximately £0-20,000 per annum. Any annual surplus of income over expenditure is applied to the Sedos reserve capital held in an account with Lloyds Bank.

In addition, Sedos has been the beneficiary of the transfer of reserve capital from its predecessor charity vehicle, registered charity 1099443 ('Old Sedos'). The transfer of funds from Old Sedos occurred when Sedos decided to restructure itself as a CIO. The funds from Old Sedos were made up of corporate charitable donations and an individual legacy request Old Sedos transferred approximately £536,000 to Sedos and these funds have been held as Sedos reserves in a bank account with Lloyds Bank, for any unforeseen expenditure and to support Sedos strategic objective of securing long term rehearsal and performance spaces.

Sedos currently holds no reserves outside the funds held in the Lloyds Bank Account.

The Board of Sedos has determined that the sum of up to 70% of the Society's liquid assets (i.e. cash plus investments) should be invested in Rathbones Active Income and Growth Fund. These funds should be invested to grow at least in line with inflation. They are being invested to achieve a return so that they can further Sedos charitable aims. The Board has determined that the investment with Rathbones Active Income and Growth Fund should be a financial investment and should achieve the best financial return within the level of risk considered to be acceptable. Should the investments with Rathbones come to total more than 70% of liquid assets (either through investment performance or a reduction in the society's cash balances) then the portfolio should be rebalanced at least semi-annually.

The Board of Sedos have determined that a portion of reserves within the Lloyds Bank Account will be transferred to Charity Bank where such funds will be invested to directly further the aims of other charitable organisations, as well as achieving a financial return for Sedos. The balance of funds held in the Lloyds Bank Account will be used for the day to day running of Sedos to achieve its charitable purpose.

The Investment Committee review investment decisions at regular meetings. Responsibility for day- to day investment management will lie with an authorised professional investment manager regulated by the FCA. This will be on a discretionary basis.

B: INVESTMENT OBJECTIVES

The Board of Sedos seeks to produce the best financial return within an acceptable, medium level of risk.

The investment objective for the long term investments is to generate a return in excess of inflation.

The investment objective for the short term is to preserve the capital value with a medium level of risk. Assets should be readily available to meet unanticipated cash flow requirements, as well as the anticipated capital expenditure to support Sedos strategic objective of securing long term rehearsal and performance spaces, when such spaces become available.

The Board of Sedos would like to achieve a targeted return of CPI +3% in order to grow assets above inflation.

C: RISK

Attitude to Risk

- Sedos is reliant on legacies and on donations for its activities. Investment assets are held as reserves.
- The key risk to the long term reserves is inflation and the assets should be invested to mitigate this risk over the long term. The Board of Sedos understand that this is likely to mean that investment will be concentrated in real assets and that the capital value will fluctuate. It is recognised that in order to achieve the desired growth of the assets, a medium level of risk will be necessary. The Board of Sedos is comfortable with this. The focus of investment should include consideration for lowering volatility.

Assets

- Sedos assets can be invested widely and should be diversified by asset class and by security. Asset classes could include cash, bonds, equities, property, hedge funds, structured products, private equity, commodities and any other asset that is deemed suitable for Sedos.

Currency

- The base currency of the investment portfolio is Sterling.

D: LIQUIDITY REQUIREMENTS

Income from the long term investments will be re-invested. If there is a shortfall in income outside the investments, the Board may decide to draw down some of the capital, but this is not expected to be a regular occurrence.

E: TIME HORIZON

Sedos expects to hold investments for a long term time horizon of 6 to 10 years.

F: INVESTMENT POLICY

Sedos has adopted an investment policy to ensure that its investments do not conflict with its aims.

As such, Sedos wishes to avoid investments in any companies with a poor environmental record (e.g., recent cautions or convictions for pollution) or in companies who have been sanctioned for human rights abuses.

G: MANAGEMENT, REPORTING AND MONITORING

Sedos has appointed a professional investment management firm, Rathbones, to manage the assets on a discretionary basis, in line with this investment policy. The Board of Sedos has nominated a list of authorised signatories, two of which are required to sign instructions to Rathbones.

Rathbones will provide the following information on a quarterly basis: valuation of investments and transaction report. Rathbones will also provide an annual report.

The Board of Sedos has responsibility for agreeing strategy and monitoring the investment assets. The Investment Committee will review the information provided by Rathbones at their meetings. Rathbones will be required to present in person to the Investment Committee on an annual basis. The Investment Committee will report the value of the portfolio to the Board of Sedos at each Board meeting.

Performance of the investments will be measured against inflation +3% after fees over any rolling five year period.

H: APPROVAL AND REVIEW

This Investment Policy Statement was prepared by the Board of Sedos to provide a framework for the management of its investments. It will be reviewed on an annual basis to ensure continuing appropriateness.

Approved: 15 March 2021