

THE NEW ERA OF CHARITY INVESTING:

MORE DEMANDS
MORE INFLATION
MORE IMPACT

November 2023

Private and Confidential

Certified



WHO IS REDINGTON?

Independent investment
consultant



200+
Employees



£600bn+
Assets Under
Consulting



130+
Clients

Mission-led

100
million

OUR MISSION: To help make 100
million people financially secure —
for the benefit of people and planet

Many well-known charities and
endowments



theguardian

SCIENCE
MUSEUM



JRF JOSEPH
ROWNTREE
FOUNDATION

WHAT'S ON OUR MIND?



WHAT IS THE BIGGEST CONCERN FOR CHARITIES TODAY?

Menti.com

Join at menti.com use code 2853 9397

WHAT'S ON OUR MIND?

**NEED TO BE TRULY
MISSION ALIGNED**

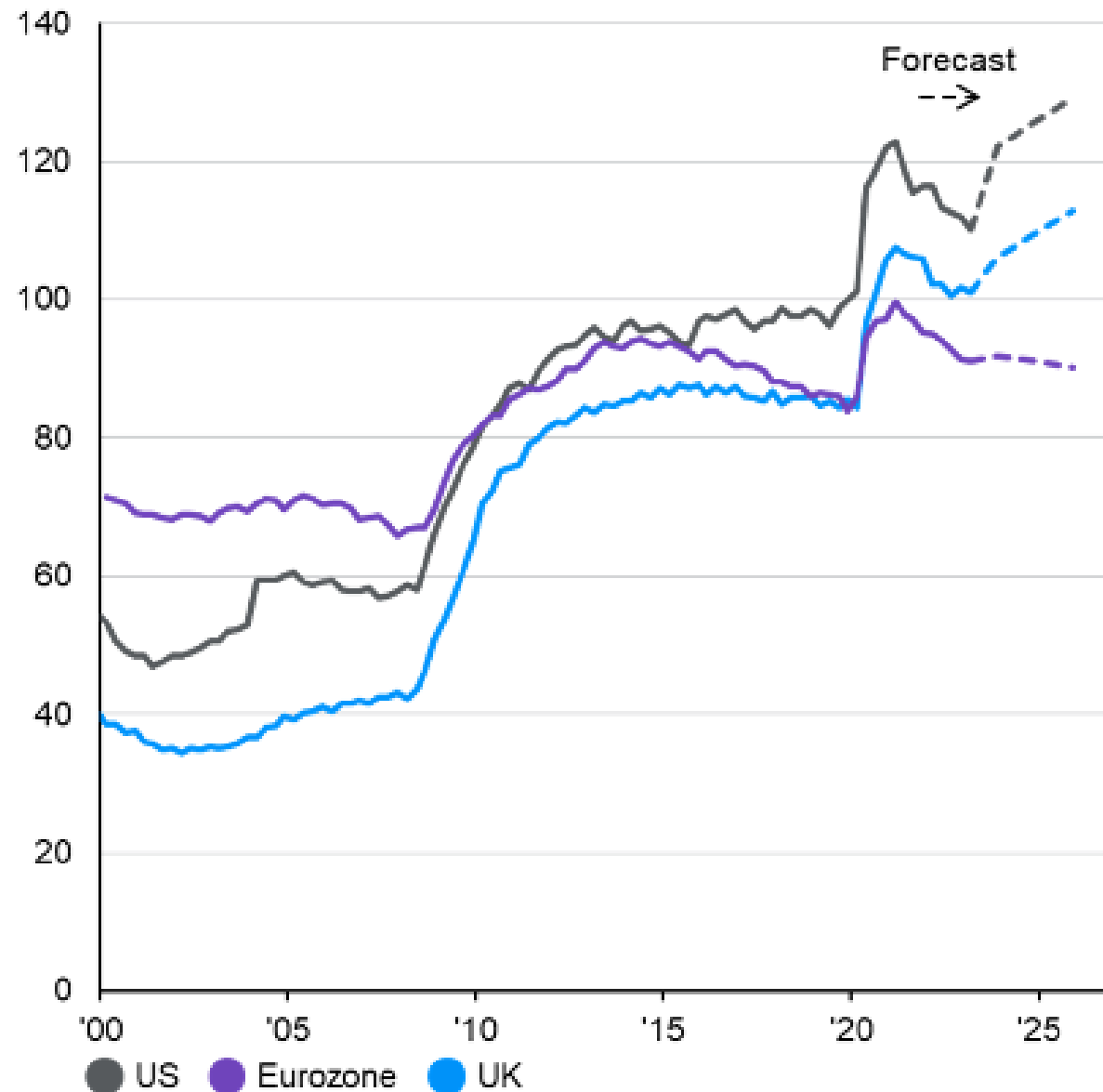
**NEED TO FOCUS ON
WHAT MATTERS**

**NEED ASSETS TO
WORK HARD**

1. BURDEN SHIFTING

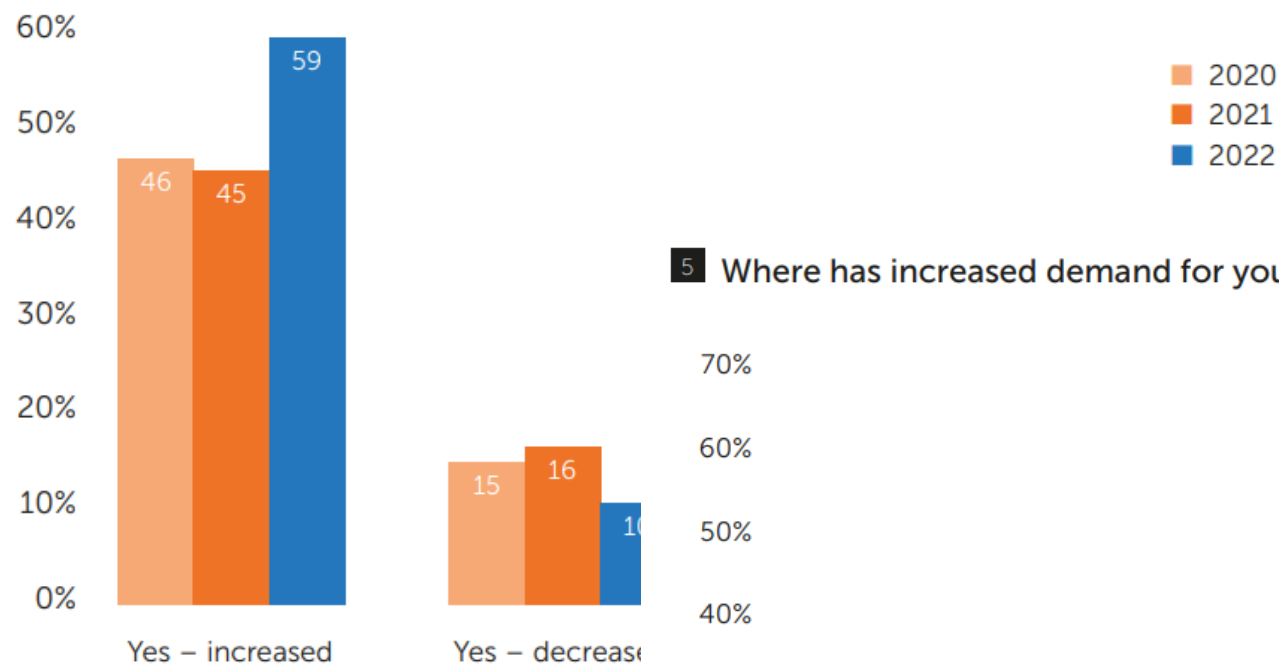
Government Deficit

(% nominal GDP)

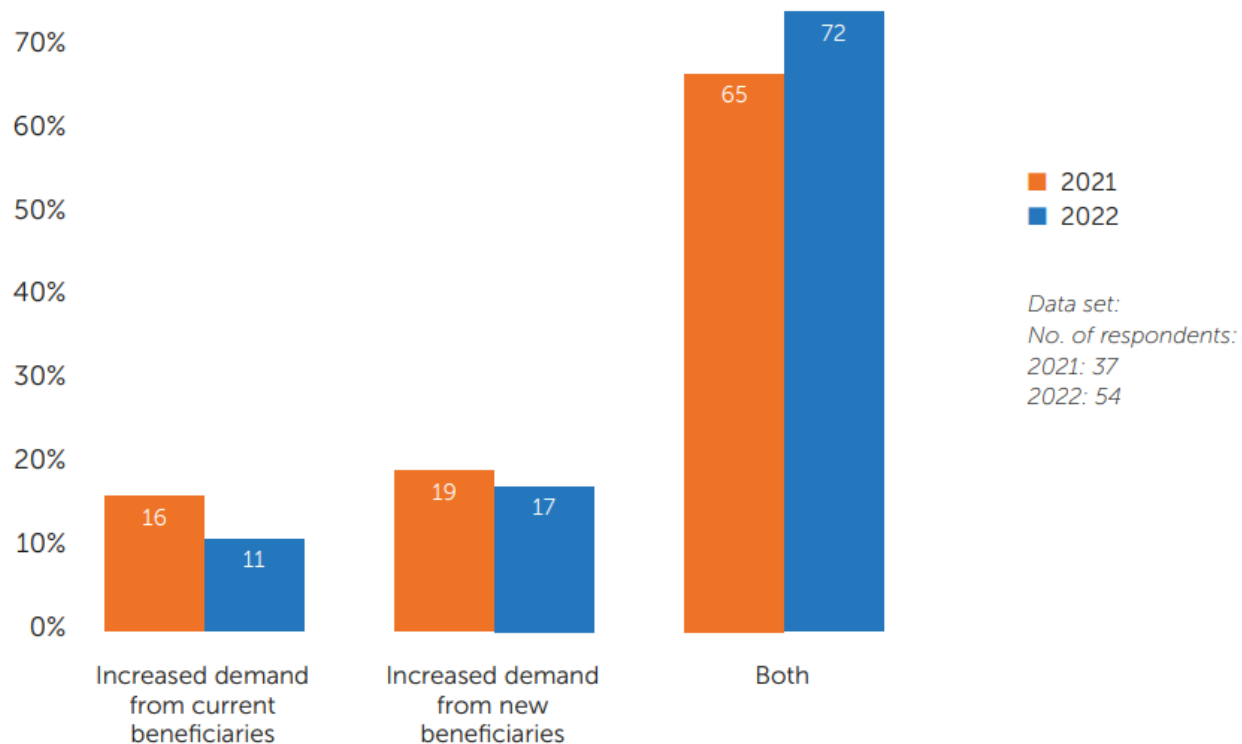


1. BURDEN SHIFTING

4 Have you seen a change in demand for your charity's services?



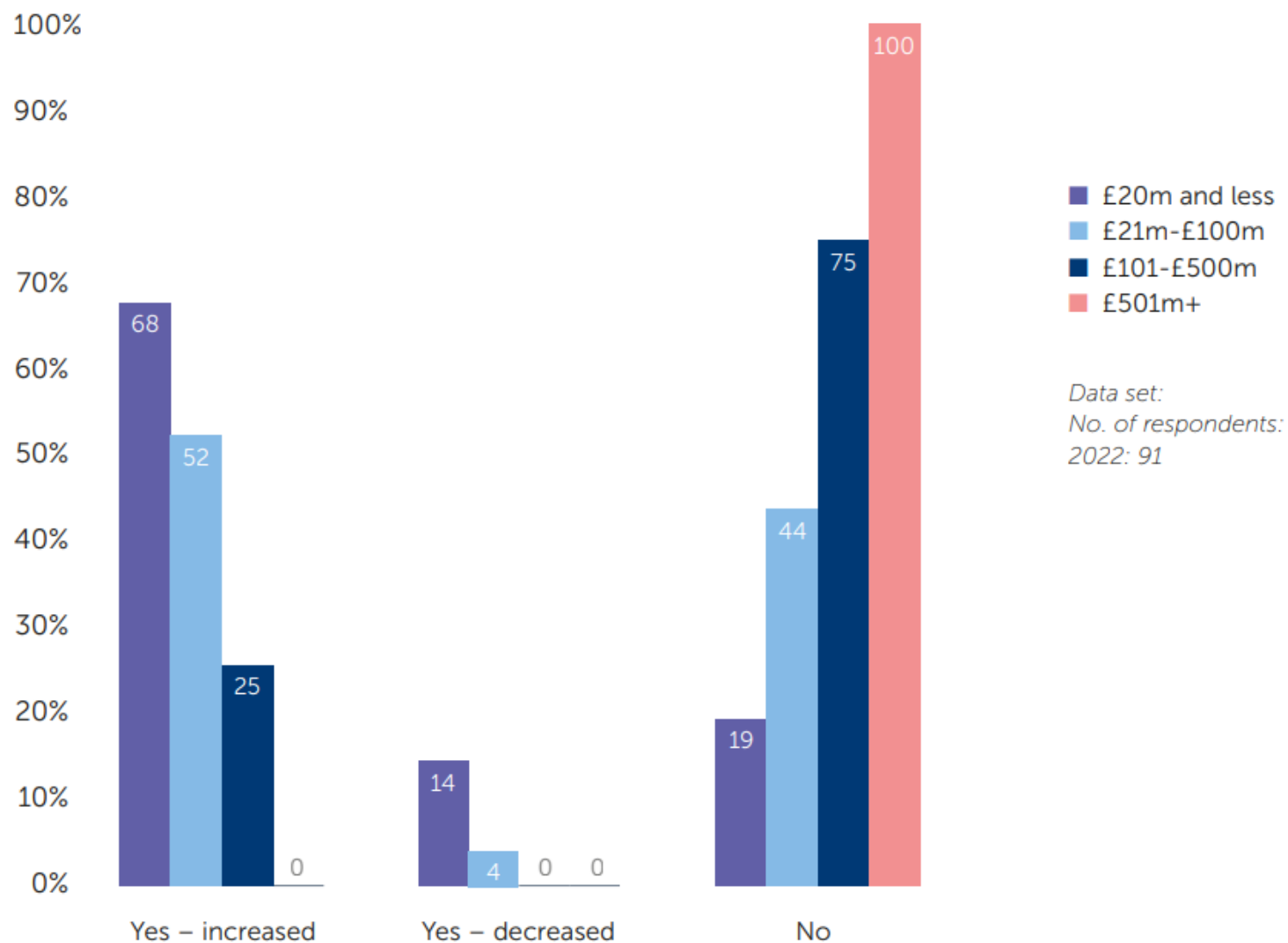
5 Where has increased demand for your charity's services come from?



Source: Newton

1. BURDEN SHIFTING

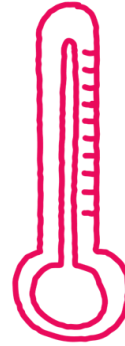
6 Have you seen a change in demand for your charity's services?



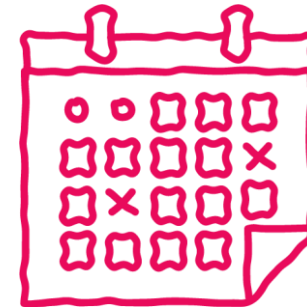
Source: Newton

2. NEW RISKS AND REGULATION

Sustainability Risks



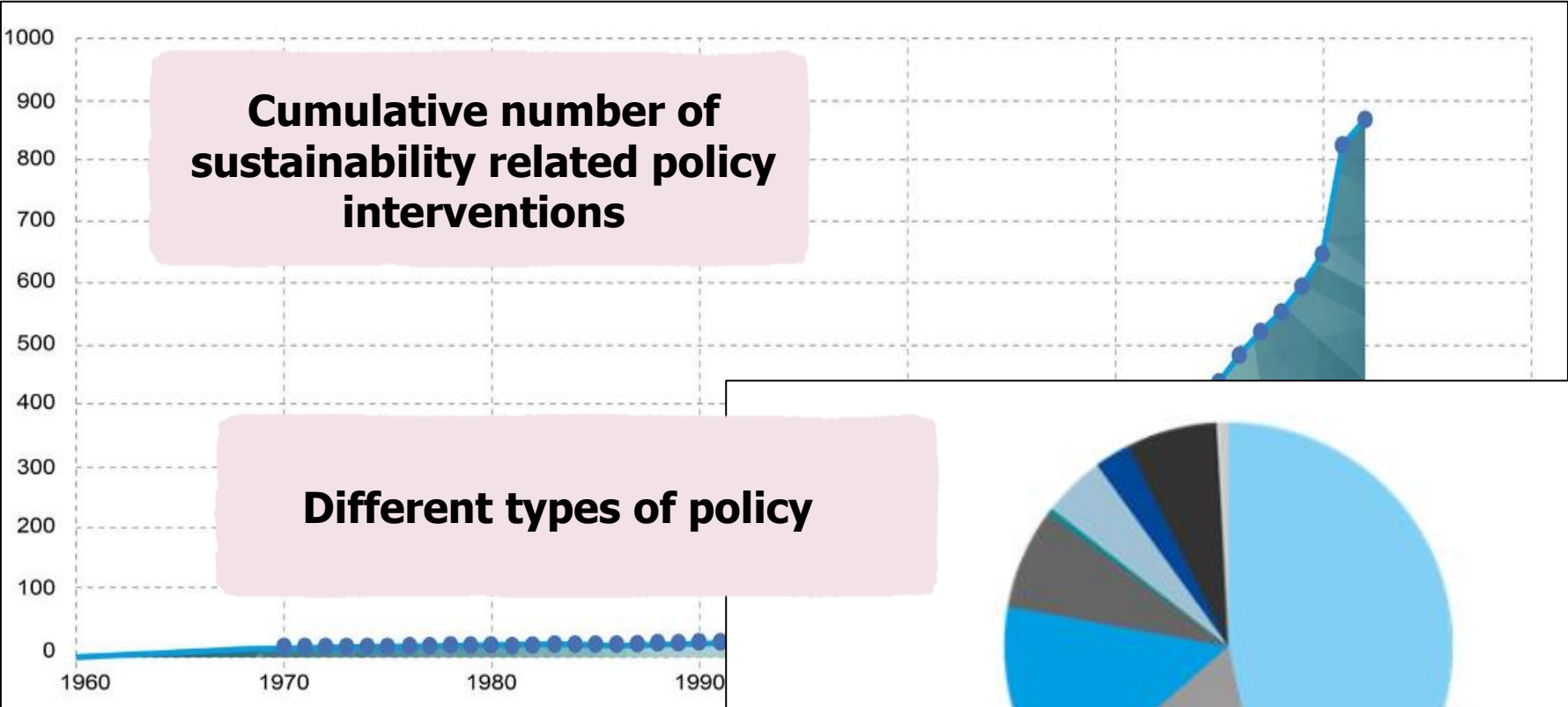
Time Horizon Specific Risks



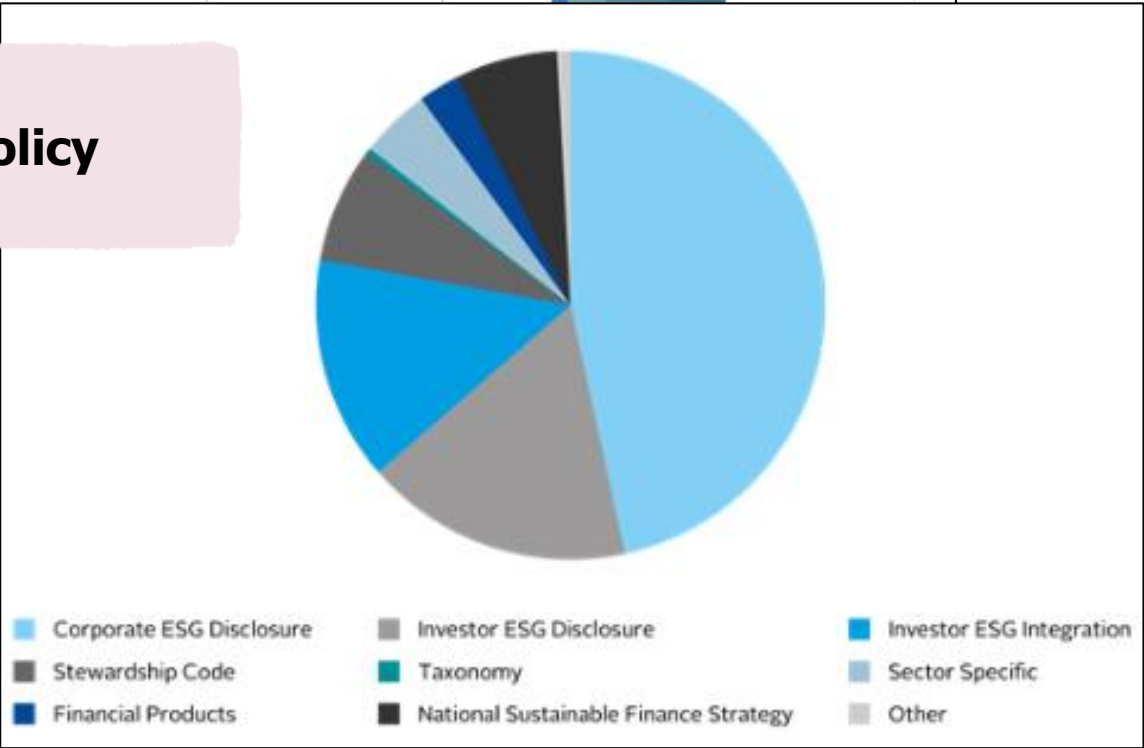
Reputation Risks



2. NEW RISKS AND REGULATIONS



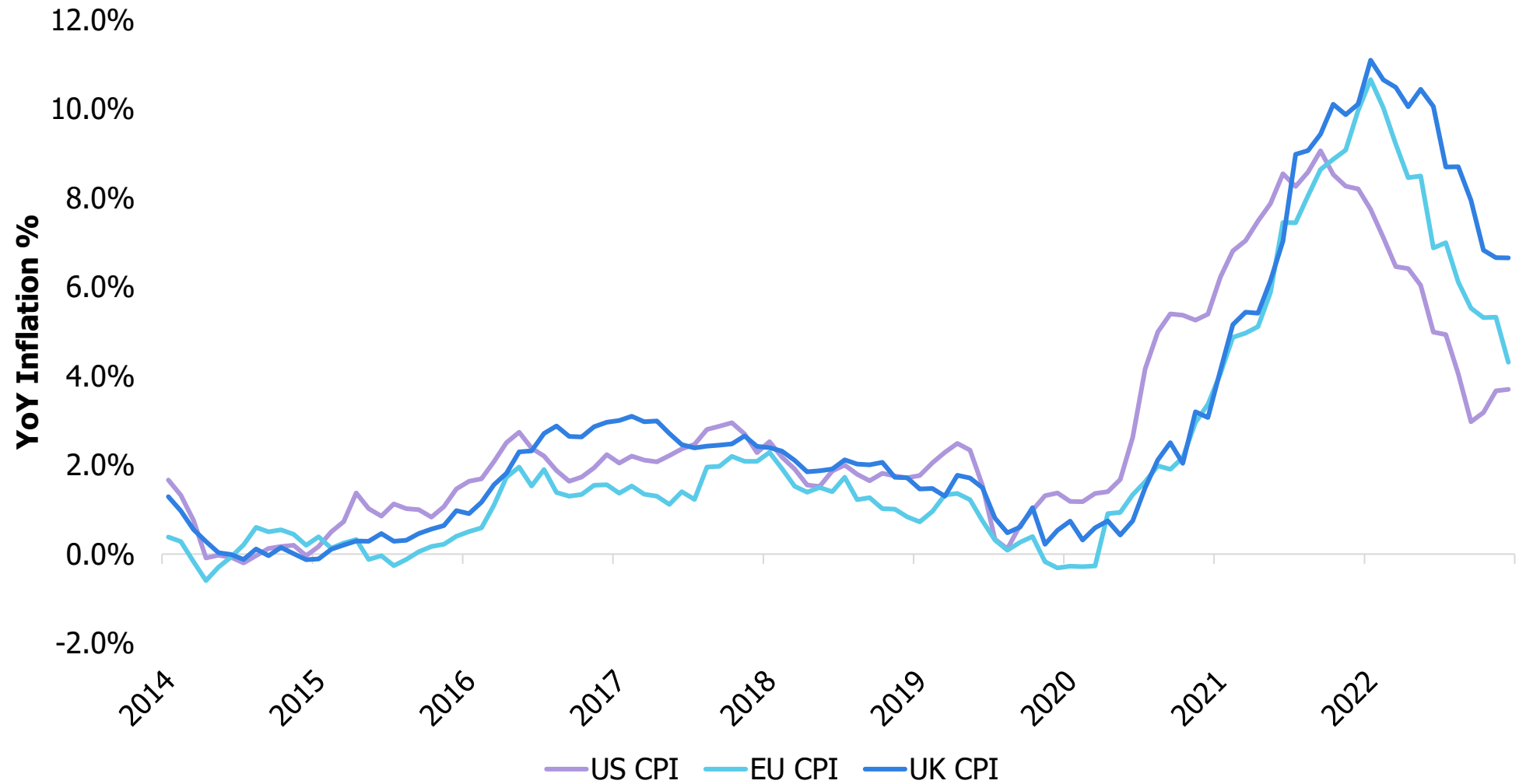
Source: PRI responsible investment regulation database (31 April 2022)



Source: PRI responsible investment regulation database (17 March 2021)

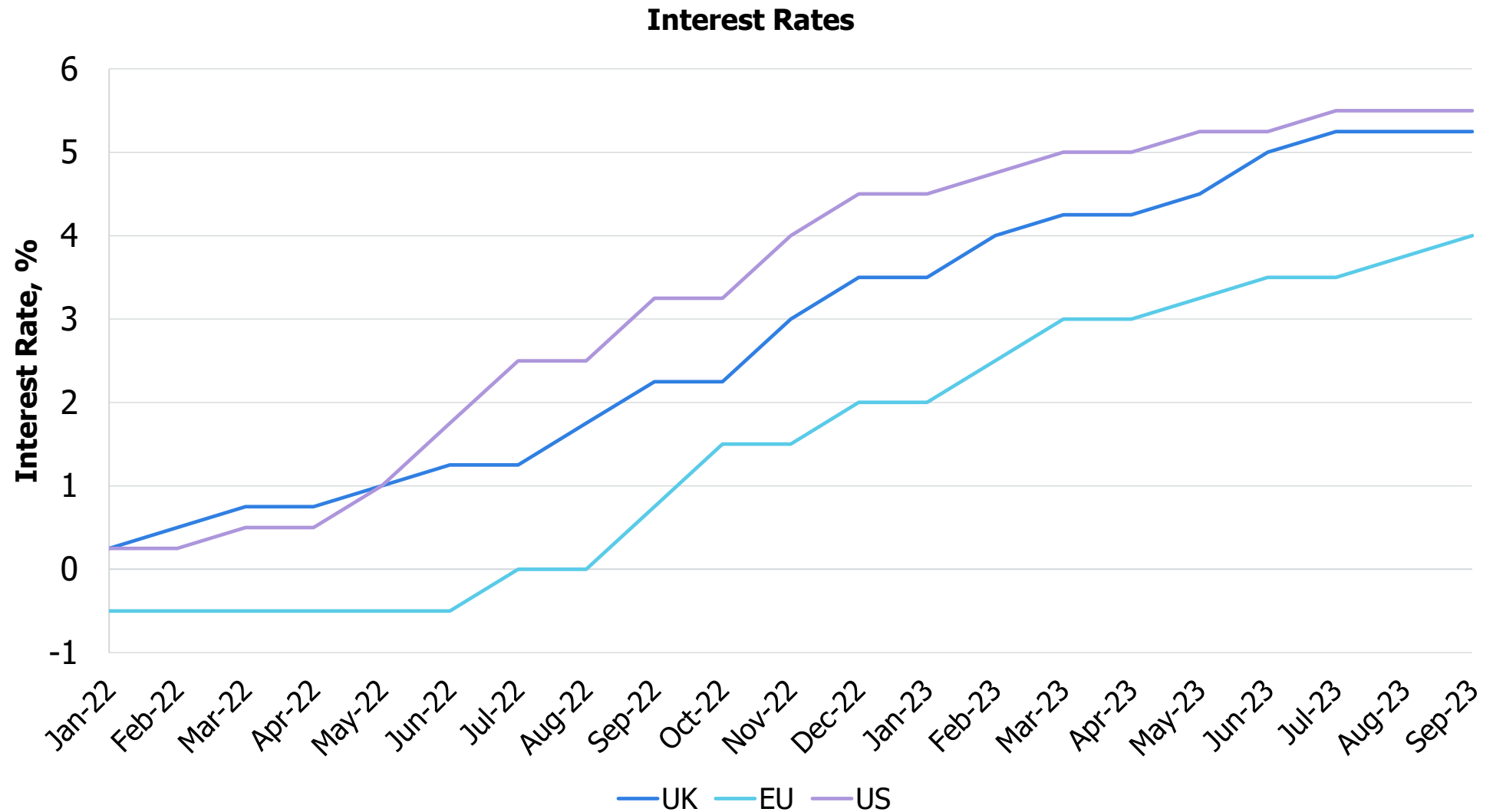
3. HIGHER INFLATION

Inflation



Source: Bloomberg

3. HIGHER INFLATION PAUSE, PAUSE, PAUSE



Source: Bloomberg

SO, HOW CAN WE RESPOND?

#1 Burden shifting

#2 New risks & regulations

#3 Higher inflation

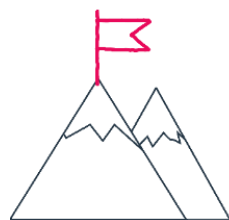
NEED A TRULY MISSION ALIGNED APPROACH

1. SETTING CLEAR OBJECTIVES

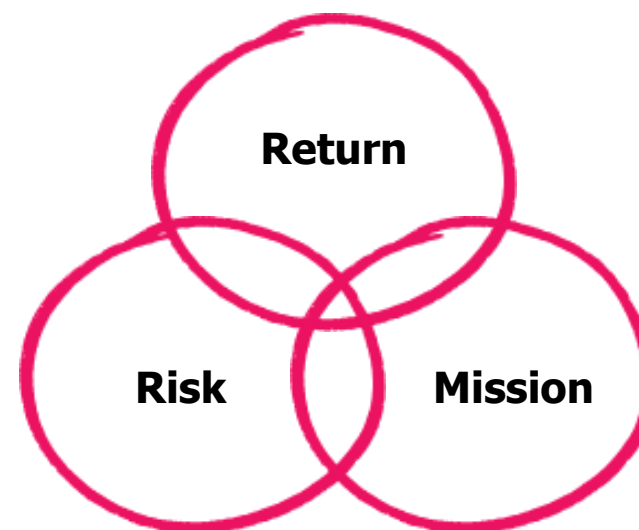
UNDERSTANDING YOUR MISSION



AN INTEGRATED FRAMEWORK



Objectives



Example Objectives & Constraints	Measure	RAG
Investment Objective	Expected Return > Inflation + 3.5%	●
Risk (long term & short term)	Probability of maintaining the real value in 10 years	●
	Limit the risk of short term drawdowns greater than 20%	●
Liquidity	Maintain sufficient liquid assets	●
Sustainable Investment	Align to Paris Agreement – net zero by 2050 or sooner	●
	Demonstrate engagement on most significant issues	●
	Invest in social impact solutions	●

NEED TO FOCUS ON WHAT MATTERS?

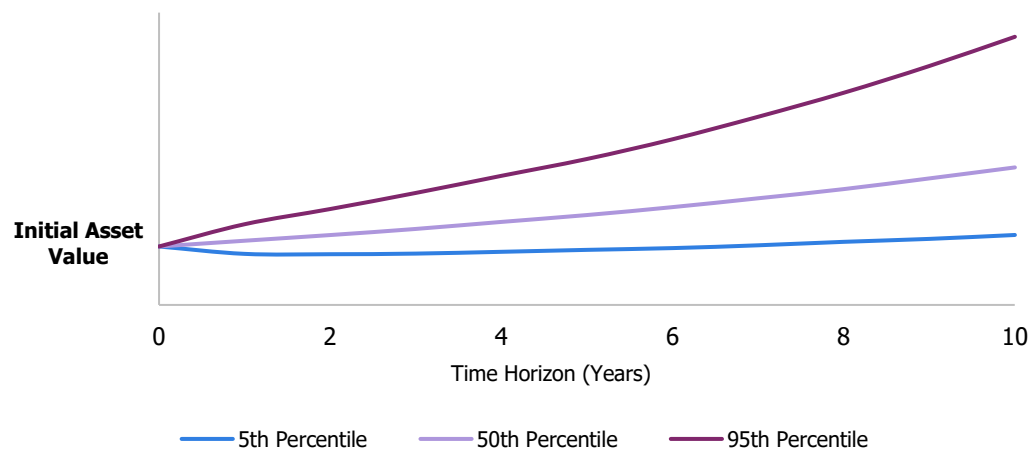
2. MORE DATA, BETTER INSIGHT?

THERE IS A CONSTANT DATA DUMP

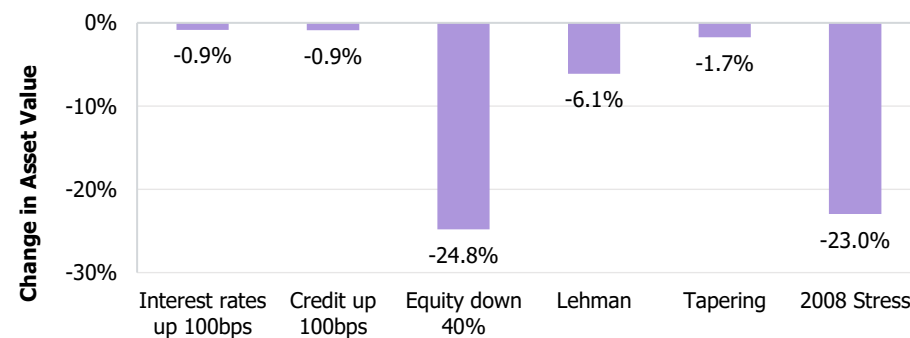


RISK, RETURN, PROJECTIONS...

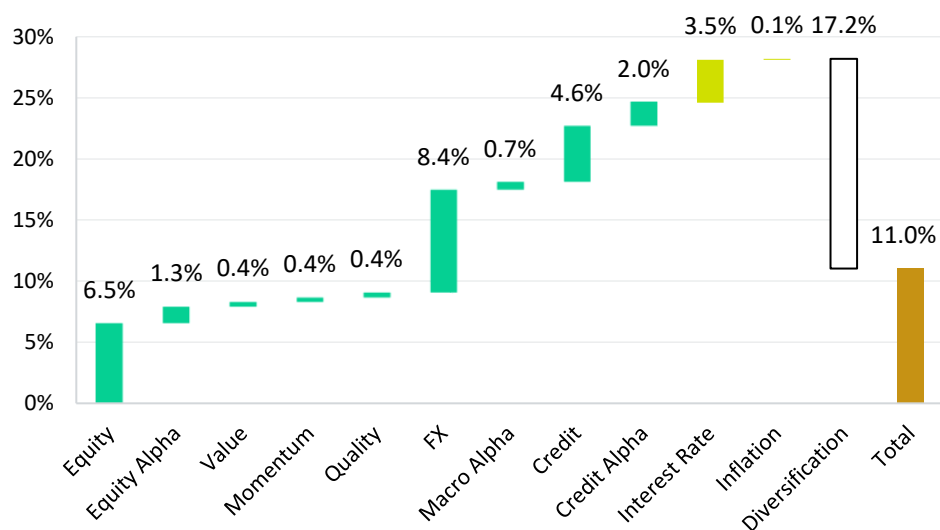
Projection Analysis



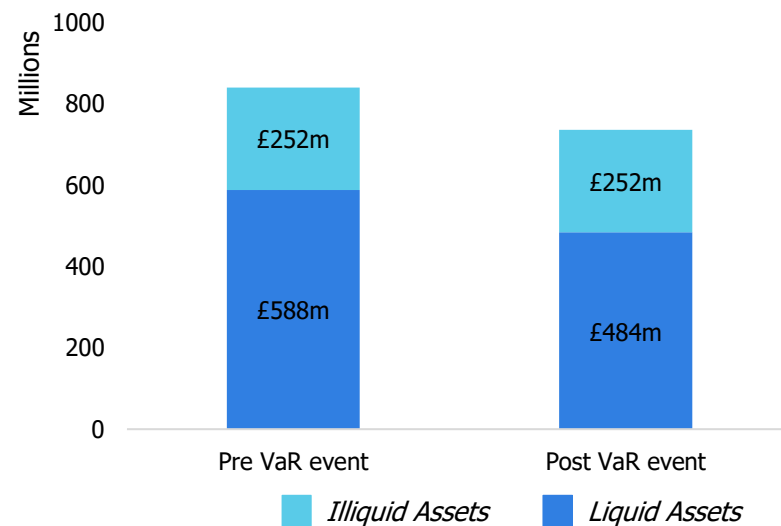
Stress and Scenario Testing



Value at Risk (VaR) 95

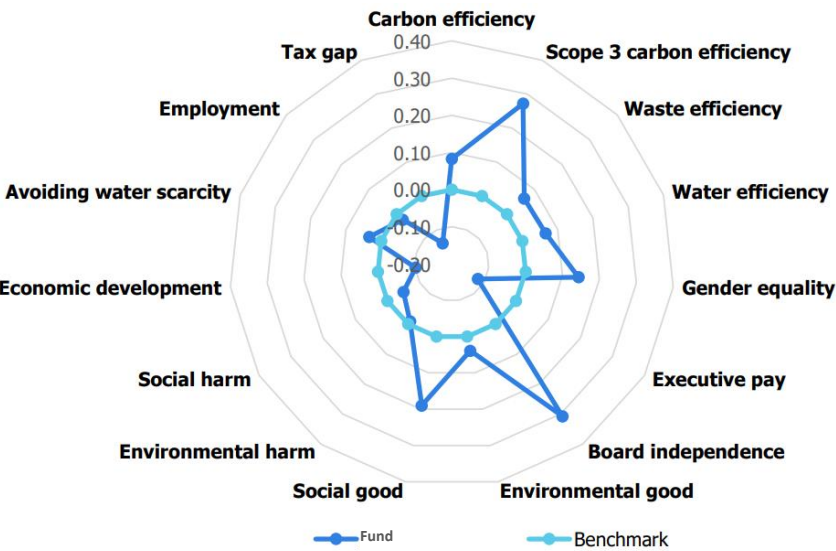


Liquidity Stress

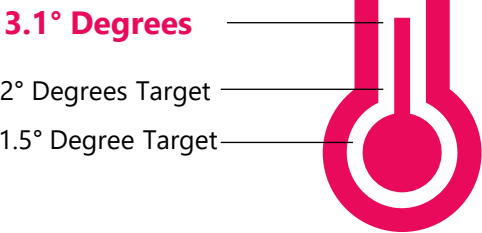


MORE AND MORE ESG DATA...

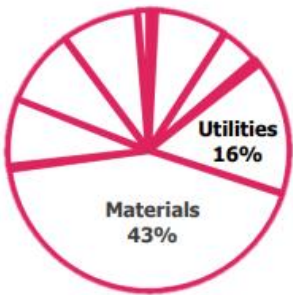
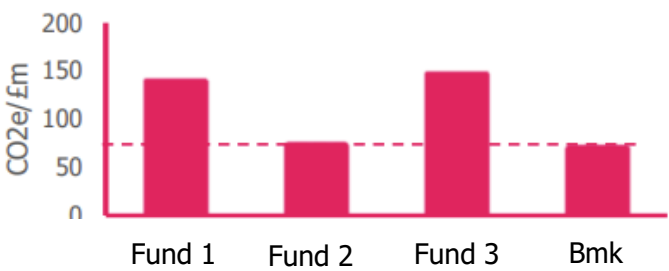
SDG Mapping



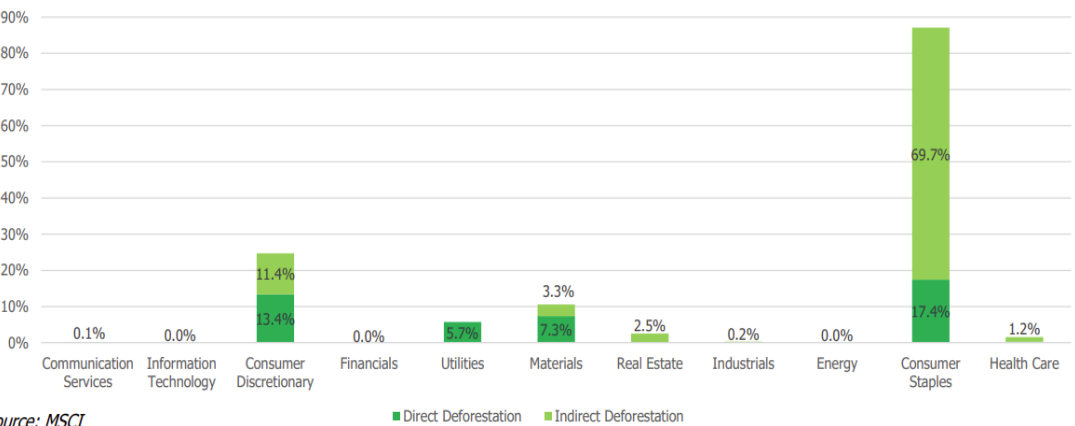
Paris Alignment



Emissions Hot Spots



Deforestation Exposure



Source: MSCI

ASSET MANAGER SUSTAINABLE INVESTMENT SURVEY

HALF OF MANAGERS STILL DON'T HAVE DEI TARGETS



93%
of asset management
firms have a **DEI**
strategy or policy



Fewer than
50%
of managers have
specific targets relating
to any **DEI** factor.

Only
30%
of the strategies
we surveyed
disclose ethnicity
splits within their
investment team.

Those that did on average had:



61%
White/
Caucasian



23%
Asian or Asian
British



2%
Black/African/
Caribbean/
Black British



2%
Mix/Multiple
ethnic groups



4%
Other ethnic
groups and



8%
Non-disclosed

ASSET MANAGER SUSTAINABLE INVESTMENT SURVEY

GAP BETWEEN CLIMATE ASSERTIONS AND ACTIONS CONTINUES TO WIDEN

15% are yet to identify the **largest emitters** in the portfolio.

42% of managers monitor some sort of **Portfolio Alignment metrics**.

85% of strategies now measure climate-related risks and opportunities.

20% of managers still don't measure the **Scope 1 & 2** (direct emissions) of their portfolios.

30% of managers still don't measure **Scope 3** emissions of their portfolios.



MISSION ALIGNMENT

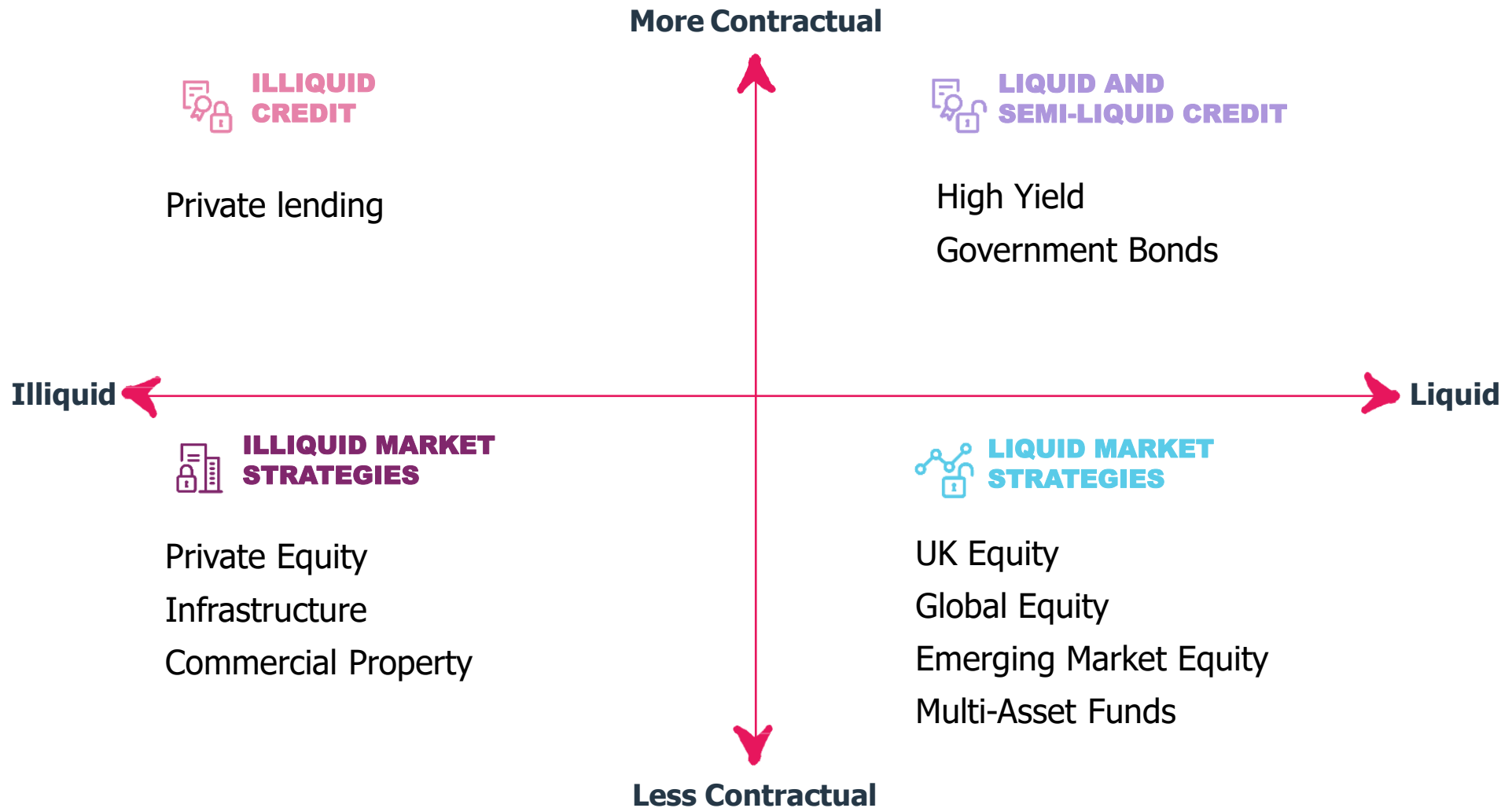


Example Objectives & Constraints	Measure	RAG
Investment Objective	Expected Return > Inflation + 3.5%	●
Risk (long term & short term)	Probability of maintaining the real value in 10 years	●
	Limit the risk of short term drawdowns greater than 20%	●
Liquidity	Maintain sufficient liquid assets	●
Sustainable Investment	Align to Paris Agreement – net zero by 2050 or sooner	●
	Demonstrate engagement on most significant issues	●
	Invest in social impact solutions	●

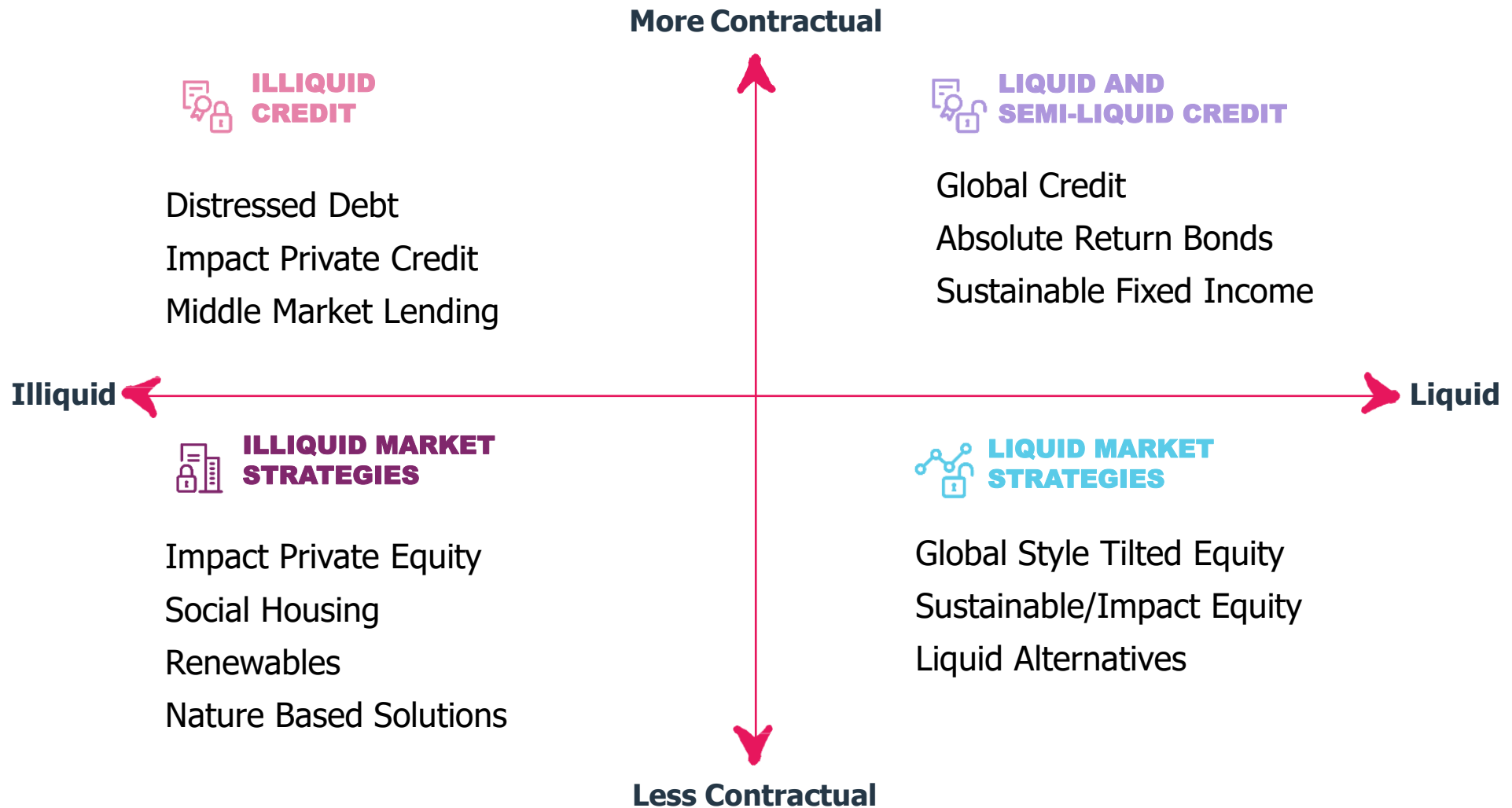
**...NEED ASSETS TO
WORK HARD?**

**3. NEW (AND OLD)
OPPORTUNITIES**

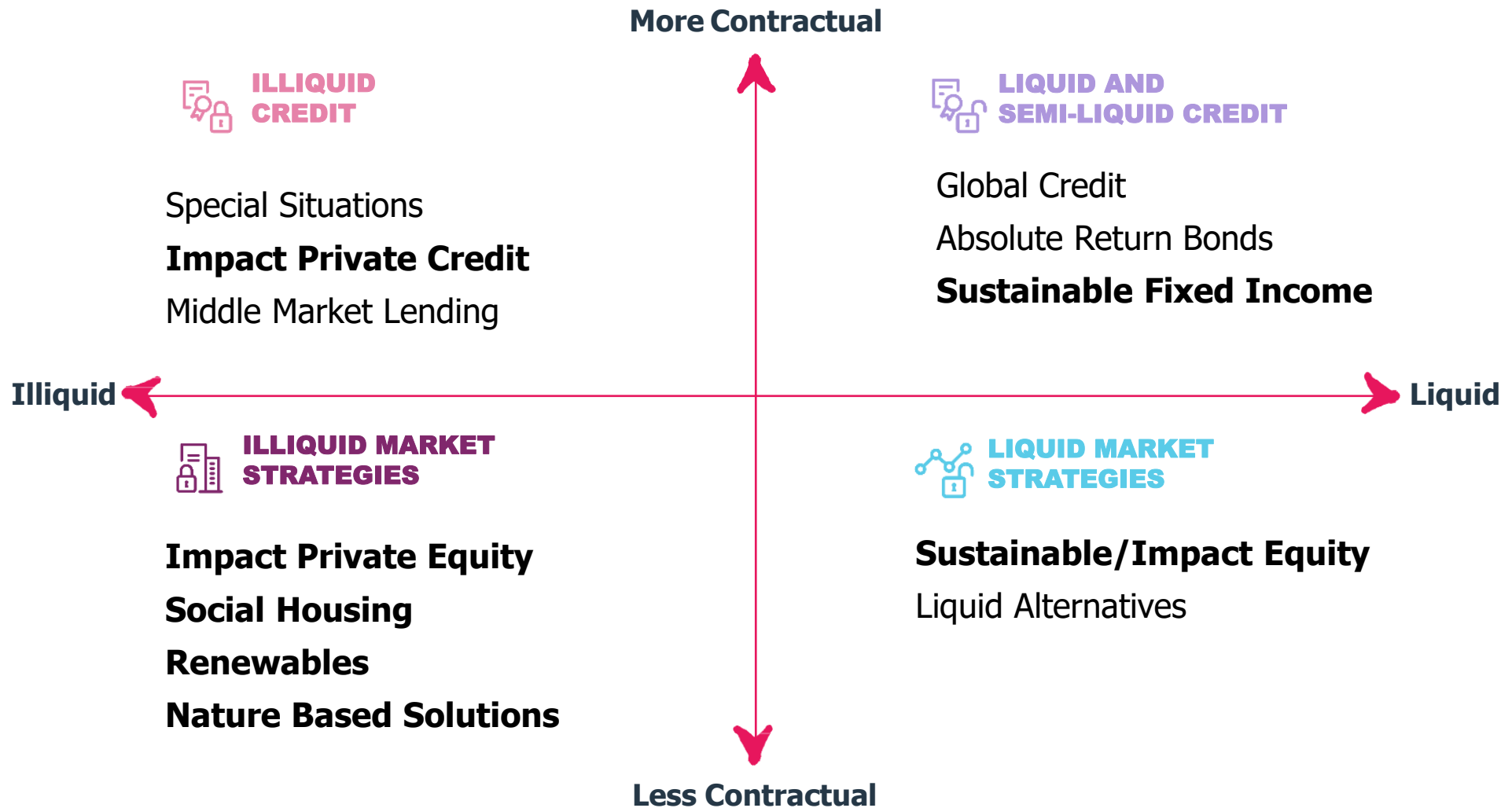
WHAT HAVE CHARITIES BEEN INVESTING IN?



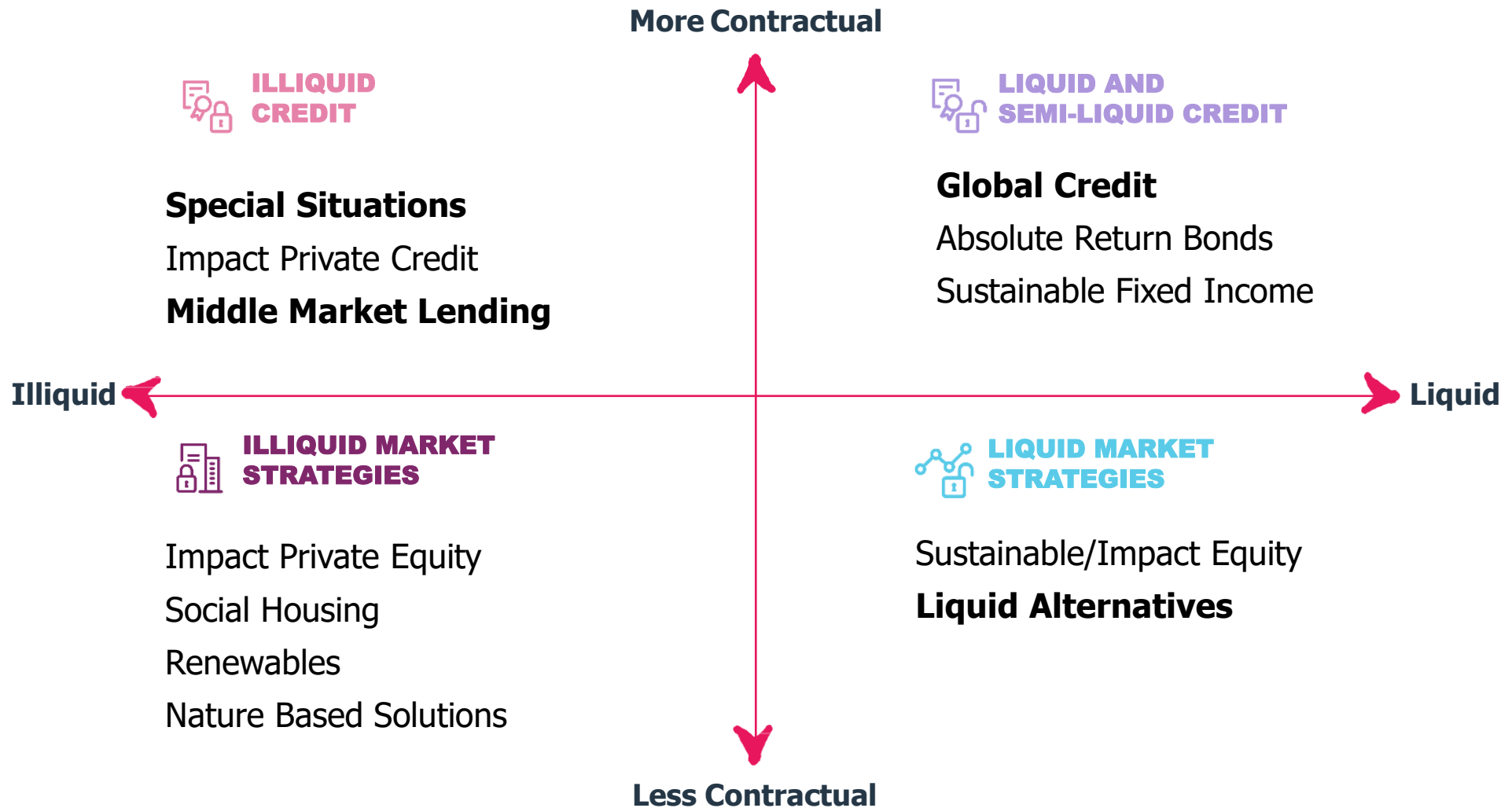
AND, WHAT ABOUT NOW?



AND, WHAT ABOUT NOW?

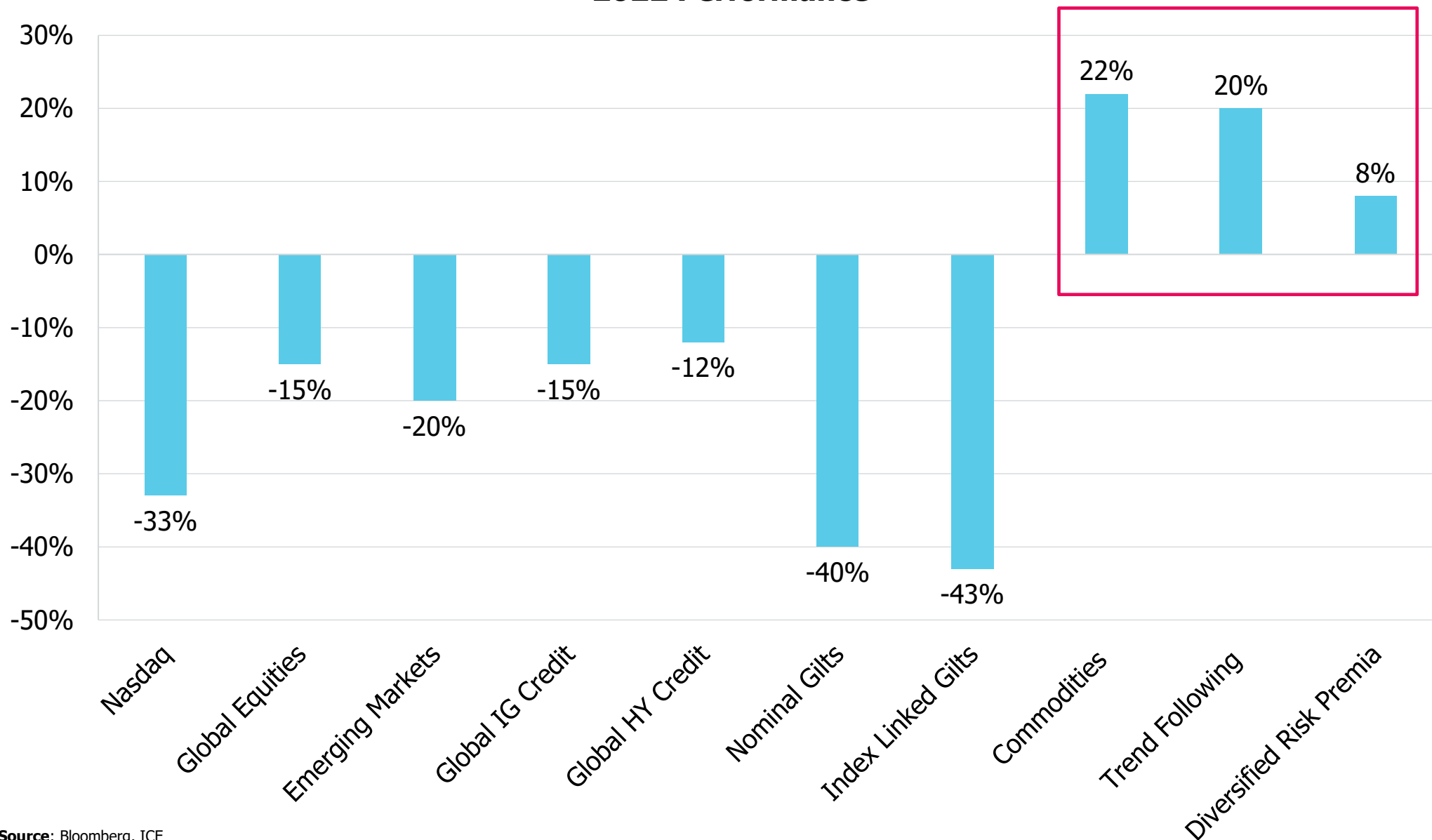


AND, WHAT ABOUT NOW?



LIQUID ALTERNATIVES – BUCK THE TREND

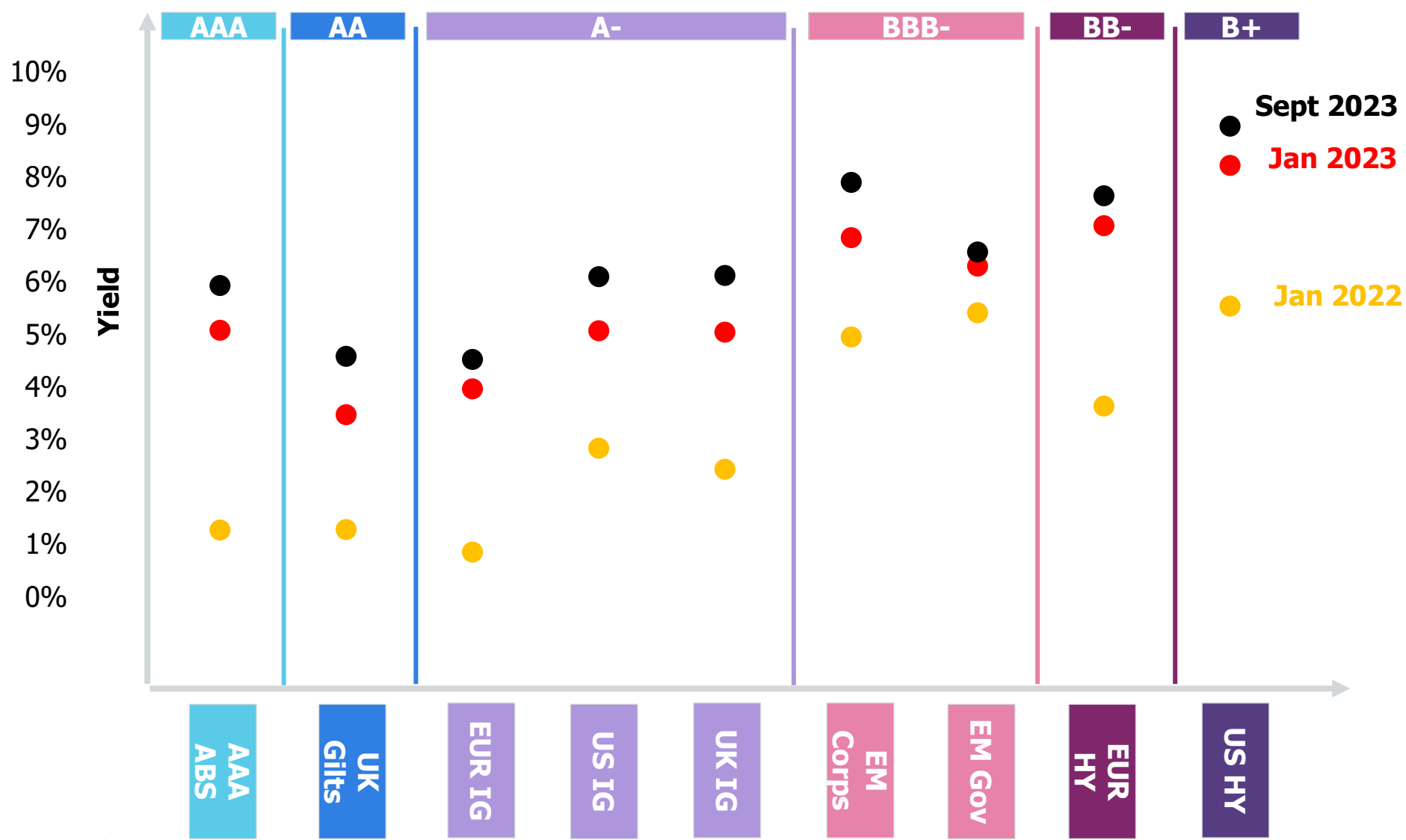
2022 Performance



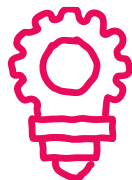
Source: Bloomberg, ICE

FIXED INCOME – BACK IN FASHION

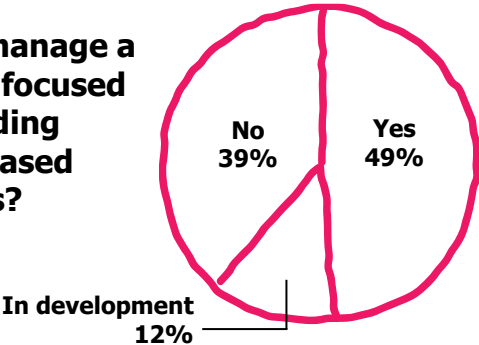
Yield Comparison Along the Credit Spectrum



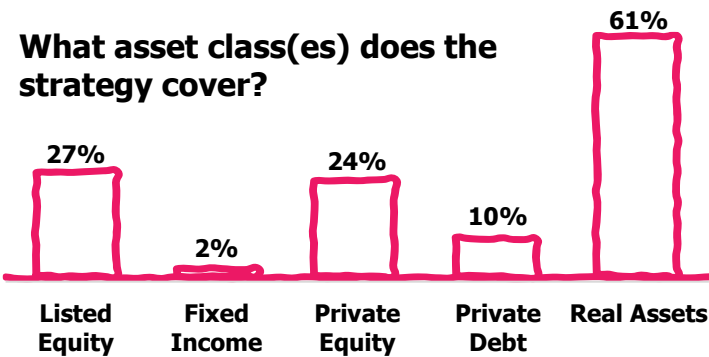
NATURE-BASED SOLUTIONS – THE NEW KID IN TOWN



Do you manage a strategy focused on providing nature-based solutions?



What asset class(es) does the strategy cover?



What are the focus sectors of the strategy (multi-select)?



HOW IMPORTANT WILL THIS ITEMS BE FOR YOU IN 2024?

Menti.com

Join at menti.com use code 2853 9397

WHAT'S IMPORTANT TO US & OUR CLIENTS FOR 2024?

**Mission-aligned
objective setting**

**Diversification &
inflation protection**

**Social impact /
health care private
opportunities**

**Deep dive on multi-
asset managers**

IN SUMMARY...

THE NEW ERA (OR PARADIGM)



?

THE NEW ERA (OR PARADIGM)

MORE DEMANDS, MORE INFLATION, MORE IMPACT

#1

Clarity on long term objectives

#2

Using data to make informed decisions

#3

Accessing the full opportunity set

CONTACTS



Tara Gillespie

Head of Global Assets

T +44(0) 208 132 5753

tara.gillespie@redington.co.uk

Disclaimer

For professional investors only. Not suitable for private customers.

The information herein was obtained from various sources. We do not guarantee every aspect of its accuracy. The information is for your private information and is for discussion purposes only. A variety of market factors and assumptions may affect this analysis, and this analysis does not reflect all possible loss scenarios. There is no certainty that the parameters and assumptions used in this analysis can be duplicated with actual trades. This document is based on information available to Redington Ltd at the date of publication and takes no account of subsequent developments after that data. Further, any historical exchange rates, interest rates or other reference rates or prices which appear above are not necessarily indicative of future exchange rates, interest rates, or other reference rates or prices. Neither the information, recommendations or opinions expressed herein constitutes an offer to buy or sell any securities, futures, options, or investment products on your behalf. Unless otherwise stated, any pricing information in this document is indicative only, is subject to change and is not an offer to transact. Where relevant, the price quoted is exclusive of tax and delivery costs. Any reference to the terms of executed transactions should be treated as preliminary and subject to further due diligence.

Please note, the accurate calculation of the liability profile used as the basis for implementing any capital markets transactions is the sole responsibility of the Trustees' actuarial advisors. Redington Ltd may estimate the liabilities if required but will not be held responsible for any direct, indirect or consequential loss or damage howsoever sustained as a result of inaccuracies in that estimation.

Additionally, the client recognises that Redington Ltd does not owe any party a duty of care in this respect.



Redington Ltd are regulated by the Financial Conduct Authority. Redington Ltd do not advise on all implications of the transactions described herein. This information is for discussion purposes and prior to undertaking any trade, you should also discuss with your professional tax, accounting and / or other relevant advisers how such particular trade(s) affect you. All analysis (whether in respect of tax, accounting, law or of any other nature), should be treated as illustrative only and not relied upon as accurate.

©Redington Limited 2023. All rights reserved. No reproduction, copy, transmission or translation in whole or in part of this presentation may be made without permission. Application for permission should be made to Redington Limited at the following address – Floor 6, One Angel Court, London, EC2R 7HJ.

Redington Limited (06660006) is registered in England and Wales. Registered office: One Angel Court, London, EC2R 7HJ.

Floor 6, One Angel Court, London EC2R 7HJ

+44 (0)20 7250 3331

www.redington.co.uk