

Postal Family Fund Statement of Investment Principles

1) This statement of investment principles has been agreed by the Trustees of the Postal Family Fund. It sets out the approach and policies relating to the investment and management of its portfolio.

Investment Objectives

2) The primary objective is to strike a balance between maximising distributions to support the ongoing activities of Postal Family Fund and maintaining a healthy investment portfolio which will allow us to continue to support beneficiaries over the long term.

3) We aim to generate a total return of CPI + 4% (net of fees) over the long term from our investments but can distribute more on an annual basis where worthwhile projects can be identified and where we need to react to environmental circumstances (e.g. cost of living increases). We recognise that this means that the real capital value of our investments may decrease over time.

4) Postal Family Fund will take income both from the assets held and a 'draw down' on capital to achieve its annual operating objectives.

5) Postal Family Fund adopts a prudent approach to investment risk. However, given the long-term investment horizon, it is willing to accept a higher degree of risk in order to generate the required total return. More specifically, it is accepted the level of risk will be approximately two thirds of the volatility of global equity markets. The assets must be properly diversified and in such a way as to avoid excessive risk concentration in the portfolio as a whole.

Asset Structure

6) The Trustees agree to the 'central' strategic asset allocation laid out by the investment managers for their asset fund. This is focussed predominately on equities (70%) but with a range of other asset classes such as bonds (10%), property (10%), alternative assets (8%) and cash (2%). The Trustees believe this asset allocation is suitable for the portfolio in meeting its investment objectives and operating within its risk parameters.

7) In managing this asset allocation, the Trustees will allow a tactical range either side of the central allocation for equities (between 55% and 85%), bonds (between 0 and 20%), property (between 0 and 15%), alternative assets (between 0 and 15%) and cash (between 0 and 15%).

8) Postal Family Fund's assets comprise a portfolio that is constructed having a very high regard for the security, quality, liquidity, profitability and responsible nature of the underlying investments. Funds will be invested either directly or indirectly through pooled vehicles in assets that are quoted on regulated markets.

9) Postal Family Fund will seek to ensure all investments are made responsibly and in holdings where corporate governance is strong.

10) Postal Family Fund will ensure sufficient cash holdings are maintained so as not to force disposal of assets at inappropriate times.

Management of Investments

11) The Trustees have delegated some of their investment powers to an appointed investment manager (currently Cazenove) who is responsible for carrying out all day-to-day investment decisions including the acquisition and realisation of investments. Cazenove is required to exercise their powers to give effect to the objectives and principles contained in this statement and must have regard to the need for diversification and to the suitability of the investments selected. The Investment Mandate agreed between Trustees and Cazenove sets out several key responsibilities of the Investment Manager.

12) The Trustees have reviewed the investment manager's policies on social, environmental and ethical considerations and are aware of the terms under which they operate. Responsibility is delegated to the investment manager for taking social, environmental and ethical policy into account in the selection, retention and realisation of investments and for exercising the rights attaching to these investments.

13) Cazenove is paid fees as a percentage of assets under management. Fees are kept under regular review and assessed against both performance and peer group comparisons. The investment manager is retained on a 3-year basis subject to satisfactory performance.

14) The Trustees have created an Investment Sub Committee which is accountable for monitoring detailed investment issues and performance. The Sub Committee comprises the Chairman, Secretary, Treasurer and one experienced Trustee. The Sub Committee makes recommendations to the Trustees but all decisions regarding the Plan's investment arrangements, other than those delegated to the investment manager, are taken by the full body of Trustees. This structure has been selected as the Trustees believe retaining control over strategic investment decisions is in the best interests of Postal Family Fund.

15) Specific training and targeted briefings are available to members of the Sub Committee to raise their expertise in all investment matters. There is a regular dialogue with Cazenove for Trustees to remain updated on current developments.

Monitoring Performance and Benchmarks

16) The Investment Sub Committee monitors performance using quarterly valuations and performance reports prepared by the investment manager. There are two formal reviews with the investment manager in Spring and Autumn each year where performance is analysed in detail and any changes of direction agreed. Online valuation services allow Trustees to have daily access to interrogate portfolio structure and holdings when required. All Trustees are regularly updated on the performance of the portfolio. This is an agenda item at every Trustees' meeting where the main focus is on the long-term performance over a rolling 3- and 5-year period.

17) In order to provide an appropriate method of evaluation and comparison, the portfolio's performance is reported against relevant equity and bond indices. Overall, the performance of the portfolio is measured against the key target of CPI +4% (net of fees) and against outperformance of the composite benchmark (net of fees). Risk adjusted returns are analysed on an ad hoc basis.

Review

18) Every 3 years the Trustees, in conjunction with the investment manager, undertake a full review of Postal Family Fund's investment objectives, the strategic asset allocation, investment manager performance and the other aspects contained in this statement. When necessary more immediate review and action will be undertaken in light of changed market conditions, performance or revised objectives.

19) From time to time the Trustees may seek external expert advice to test the effectiveness of its investment strategy and governance policies.

20) Trustees will ensure transparency to Postal Family Fund members of the management and performance of investments. This will be achieved via regular updates on the Postal Family Fund website.

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