

Investment policy

New funds come in with each annual event and are scheduled for payment as grants within five to six years. Therefore there is permanent core capital which can prudently be held in longer term assets to achieve an enhanced level of return.

The overall objectives of the investment policy are:

1. To maintain the value of the portfolio as part of the commitment to the "Comic Relief Promise".
2. To maximise the return consistent with the first objective, with an expectation that the return on investments over a rolling five year period will exceed the expected return on balances held in cash only.

The trustees aim to minimise risk as far as possible, in line with the above objectives, but recognise that some risks are necessary in order to achieve the optimum return. The investment of core capital will be assessed over a time span of at least five years.

The Investment Committee, which comprises City professionals whose expertise covers the range of relevant knowledge and skills, monitors the asset allocation of the portfolio and the performance of individual fund managers on an on-going basis and recommends to trustees such changes as they may consider appropriate.

As stated earlier in the report this policy is still in place, but trustees have overridden it for the time being and set in place an income target of £5million which will present a different risk profile to that envisaged by the policy as set out above. However the expectation remains that the return on investments over a rolling five year period will exceed the expected return on balances held in cash only.

Investment performance

The investment policy target of outperforming cash has meant that the portfolio has always been constructed in a risk averse way. That construction has served its purpose in the period under review. The portfolio had suffered losses in the year to 30 September 2008 but a small gain was achieved in the 10 months to 31 July 2009 despite the continuing volatility in the markets. The Investment Equalisation Fund which had been established by trustees to protect the General Fund from investment losses had fallen to £2.6million by 30 September 2008. At 31 July 2009 the balance in the Fund had increased to £2.8million. This balance is still a long way off the target figure but it does continue to afford a degree of protection to the General Fund.

The performance of the portfolio is monitored by WM Company (WM) and is included in their survey of c260 charity investment portfolios. In their quarterly report to 30 June 2009 WM reported that the portfolio had achieved an annualised return of 0.5% over a three year period with an absolute risk factor of 5.7. By way of comparison the WM survey of all the charities they measure achieved an annualised loss of 3% over the period with a risk factor of 13. This performance put Comic Relief in the top 5% of charities measured by WM over the period. The trustees were also pleased to note that the performance was both a higher return and a lower risk than the strategic asset allocation the portfolio is measured against, and that therefore the advice of the Investment Committee to move away from the benchmark had improved performance while taking less risk. Over the five year rolling period to 30 June 2009 which is the period referred to in the investment policy, the portfolio achieved a return of 5.1% against a return of 4.5% for cash and therefore continued to achieve its target.

The portfolio changed considerably over the 10 months, both to reach the income target now set by trustees and also to take advantage of some particular investment opportunities. In broad terms investments in equities rose from 40% of the portfolio in September 2008 to 48% in June 2009, bonds have risen from 26% to 43%, while property and fund of hedge fund investments have fallen from 10% and 18% respectively to 6% and nil. The delivery of the investment policy and targets, together with the diversified nature of the portfolio and the use of managed retail funds to achieve them, are such that the use of screening for environmental or ethical purposes is not used.

The trustees are very grateful to the Investment Committee for their advice, work, time and commitment to help steer Comic Relief through one of the most volatile and difficult investment periods ever faced by the charity.