

A woman with blonde hair tied back, wearing a teal tank top, black leggings, and climbing shoes, is ascending a white rock climbing wall. She is secured by a rope and a harness. The wall is covered with various colored climbing holds (blue, yellow, red, orange). The background shows a concrete structure and a rope running diagonally across the frame.

# The charity investment 'tipping point'

From cash to investment –  
overcoming the barriers

February 2019

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## Author

Julie Hutchison  
Charities Specialist  
Aberdeen Standard Capital



The fieldwork and analysis for this study was undertaken by the Centre for Charity Effectiveness at Cass Business School. The research team was led by Professor Philip Corr, Professor of Psychology (Behavioural Economics), School of Social Sciences and Alex Skailes, Director, Centre for Charity Effectiveness, Cass Business School at City, University of London.

## Our Thinking: Thought Leadership

Our thought leadership papers deliver thought-provoking analysis of key investment themes. Through focused and unique insights into topical issues, we aim to provide investors with a deeper understanding of the challenges and opportunities within global investment markets.



A woman with blonde hair tied back, wearing a teal tank top, black leggings, and climbing shoes, is ascending a light-colored rock wall. She is using various colored climbing holds (yellow, red, grey) and has a safety rope attached to her harness. The wall is part of a larger structure, possibly a climbing gym or outdoor facility.

## Introduction

The top 5,000 UK charities are sitting on over £16.7 billion of uninvested cash<sup>1</sup>. Many know they have sufficient funds to invest, yet struggle to do so. A 2017 study found that 23% of charities surveyed considered their reserve levels to be “too safe” and recognised unharnessed potential<sup>2</sup>.

What are the barriers to charities adopting an appropriate investment strategy? How can they overcome them?

We commissioned a survey to help charity trustees and finance officers better understand these barriers. The survey identified the steps that charities must take before they reach their optimal strategy. We set out six factors that help explain investment decision making.

Barriers to effective decision making fall into three categories: people; policy & process; and public perception. We provide a toolkit to help charity investors identify their own barriers. This understanding is the first – and most important – step towards investing

<sup>1</sup> Charity Financials Banking Spotlight report, 16 October 2018.

<sup>2</sup> Salway, M. (2017). Social investment as a new charity finance tool: Using both head and heart.



# Executive summary

Trustees have a duty to ensure that charities are invested appropriately.

For charities with more than sufficient cash to meet short-term commitments, investing some of their reserves may well be appropriate. Indeed, not one of the 131 charities surveyed disagreed with the statement: “It makes good sense for a charity to hold investments”. Yet in practice, there are barriers – real and perceived – to moving from cash to investments.

This paper identifies the barriers to setting and implementing an appropriate investment strategy. Individual charities will be on their own investment journey. We define this journey in four steps.

These steps identify:

1. cash needed for operations
2. cash needed in reserves
3. cash available for investment and
4. the need for external help on investment issues.

Many charities get stuck at the third step – the investment ‘tipping point’ – the step when they move from holding cash to investing.

Our survey identified six independent drivers that determine investment decision making. It revealed a range of underlying barriers to investing.

For charities looking to invest for the first time, each will have their own ‘tipping point’. We provide a toolkit to help charities identify their barriers. It is based on eight questions that charities need to ask themselves. Knowing the answers to these questions is the first step towards investing.



# Survey methodology & coverage

Aberdeen Standard Capital commissioned The Centre for Charity Effectiveness at Cass Business School to undertake the fieldwork and analysis that forms the basis of this report.

## Methodology & Coverage

Cass CCE conducted a three-phase research project in July – August 2018. They examined the ‘tipping point’ – when charities move from cash holdings to investments.

The survey explored: attitudes to investment, investment knowledge, governance structures, decision making processes, openness to change, the level of trust in advisors and organisational specifics.

In the **first phase**, charity trustees and finance officers completed a quantitative online survey. Our analysis of the findings revealed six underlying drivers of investment decision making.

The online survey was completed by 131 trustees and finance officers across the UK charity sector. The responses were anonymous so we are unable to provide statistics on the size or location of the charities. However, the large sample size means that we are confident in drawing conclusions that apply across the charity sector.

In the **second phase**, Cass interviewed trustees and finance officers from a range of charities. This included those who do not currently hold significant investments.

The narrative analysis captured the views of 18 charities through 17 interviews. One of the interviewees was a trustee of two charities.

The conclusions were informed by a **third phase**, a literature review of academic and professional sector-specific publications.

## Part I

# The charity investment landscape

## The gap between good intentions and action.

UK charities are sitting on at least £16.7 billion of uninvested cash. Many know they have sufficient funds to invest, yet struggle to do so.

Trustees have a duty to ensure that charities are invested appropriately. For charities with more than sufficient cash to meet short-term commitments, investing some of their reserves may well be appropriate. In practice, there are barriers – real and perceived – to moving from holding cash to investing.

Many charities recognise the value of prudent investment management. They see the opportunity to use environmental, social and governance (ESG) research and ethical screening to align their investment strategy with their cause. However, for many charities, good intentions are yet to be actioned. We find that many charities are in a position to hold investments – indeed, should consider holding investments – but don't.

The charity sector is very diverse. Individual charities will be on their own investment journey. For charities looking to invest for the first time, each will have their own 'tipping point' – the point when they move from cash to investments.

The first step in the journey is to understand their financial position. They must understand their operational needs and establish an appropriate reserves policy. Yet a survey by the Charity Commission in England and Wales found that only 22% of charities polled include the correct levels of reserves in their annual reports<sup>3</sup>. The report "identified a lack of transparency about reserves held and the basis of charities calculations".

Identifying that a charity is in a position to invest does not mean they are ready to take the plunge. In this report, we explore the 'tipping point' that takes charities from cash to investment. We identify the most common barriers to more active engagement with investing, including:

- a lack of knowledge
- fear of reputational damage
- fear of loss
- fear of the regulator and
- a lack of clarity over what their policies allow.

These barriers can lead to inertia or biased choices.

Many charities are looking for guidance and support from professional investment managers. They look to managers who they feel are in harmony with the ethos and objectives of their charity. They want to work with a manager they can truly trust.

This report is designed to help charities identify their own barriers to investment. We aim to equip charities with the right questions to ask themselves. This will put them in a stronger position to develop their investment policy statement. They can then take an informed decision on the correct approach to managing their investments.

"It's not the case that charity trustees in Scotland have a 'duty to maximise financial returns.' An investment doesn't have to make money at any cost. It can provide both financial and non-financial returns but charity trustees have to consider all **relevant factors** and act in the interests of the charity at all times."

OSCR, the Scottish Charity Regulator

"If trustees have considered the **relevant issues**, taken advice where appropriate and reached a reasonable decision, they are unlikely to be criticised for their decisions or adopting a particular investment policy."

Charity Commission, England and Wales

"The charity investment landscape is evolving. It is no longer simply a case of deciding, for example, whether a medical charity should exclude investments in tobacco companies. The challenges of the twenty-first century provide the backdrop to trustee decision making. For example, some trustees are aware of the UN Sustainable Development Goals and are considering a fossil fuel-free approach to investment. Yet, the 'relevant factors' and 'relevant issues' are not static. What's more, they are individual to each charity."

Julie Hutchison, Charities Specialist, Aberdeen Standard Capital

<sup>3</sup> Accounts Monitoring Review. Reserves policies: demonstrating and building resilience. Charities Commission for England and Wales. 21 November 2018.

"It's a bit irresponsible if you get all that money and you don't really look after it; you just leave it in the bank and that's it."

Overseas aid charity, income £10-25 million, investments £1-10 million.





## Part II

# The investment journey – from cash to investment

Our interviews revealed four discrete steps that charities go through on their journey from holding cash to investing. These four steps are combined into a decision tree on page ten.

## Step one

### How much cash do we need to operate?

Charities must start by understanding the cash they require to operate. This calls for accurate budgeting and forecasting. These forecasts should aim to include a longer-term view.

Some charities were uncertain about their future plans. Without this knowledge, it is hard to commit to long-term investments.

Charities stuck at step one could consider improving their financial planning and accounting in order to move forward.

## Step two

### How much cash should we hold in reserves?

**“We’re not where we want to be with our reserves. We’ve got more work to do on that. When we hit that target I suspect that the conversation will come up again.”**

*Health charity, income £1-10 million, no investments held*

Charities need to establish an adequate cash buffer that allows them to remain financially sustainable if things do not turn out as planned. Reserves can also provide the financial flexibility to pursue new opportunities. Their reserves policy must also take account of the risks of inflation.

- 10% of respondents thought: “most of a charity’s funds should be held in cash.”
- 25% of respondents agreed with the statement: “our reserves policy does not enable us to invest significant funds.”

Our interviews reveal that attitudes to reserves are affected by uncertainty over the availability of funding. In addition, those charities with a history of financial difficulties tend to adopt a more cautious approach. This can lead to an overly conservative estimation of reserve requirements.

Some respondents lacked a coherent reserves policy. Others did not understand the policy in place.

Improved financial planning should include establishing an appropriate policy for cash requirements. All charities must explain their policy on reserves in their trustees’ annual report, stating the level of reserves held and why they are held.

## Step three

### The ‘tipping point’ – should we invest our surplus cash?

**“Probably I’d give credit to one of our trustees in particular. He’s been very vocal about not having our cash just sitting around and earning nothing.”**

*Youth services charity, income £10-25 million, no investments held*

Charity trustees and finance officers need to work together to establish an appropriate investment strategy for their surplus cash. For charities with more than sufficient cash to meet short-term commitments, investing some of their reserves may well be appropriate.

Not one of the charities surveyed disagreed with the statement: “it makes good sense for a charity to hold investments”. Yet our survey identified multiple barriers to investing.

- 58% agreed “emotion plays a big part when it comes to deciding on an investment strategy”
- 31% thought “our executive team tend to be very risk averse”
- 63% agreed “other decision makers in my charity do not understand investment matters”

The barriers are down to people, policy & process, and public perception. Addressing these hurdles is the purpose of this paper. In part III, we explore each in detail. In part IV, we provide a toolkit to help charities overcome them.

Charities that establish an appropriate investment policy statement for their surplus cash face one more question, addressed in step four.



#### Step four

#### Should we hire an investment manager?

**“We invited five investment managers to do a short proposal. We sourced them from various places – mainly, I think, through trustees’ knowledge.”**

*Youth services charity, income £10-25 million, no investments held*

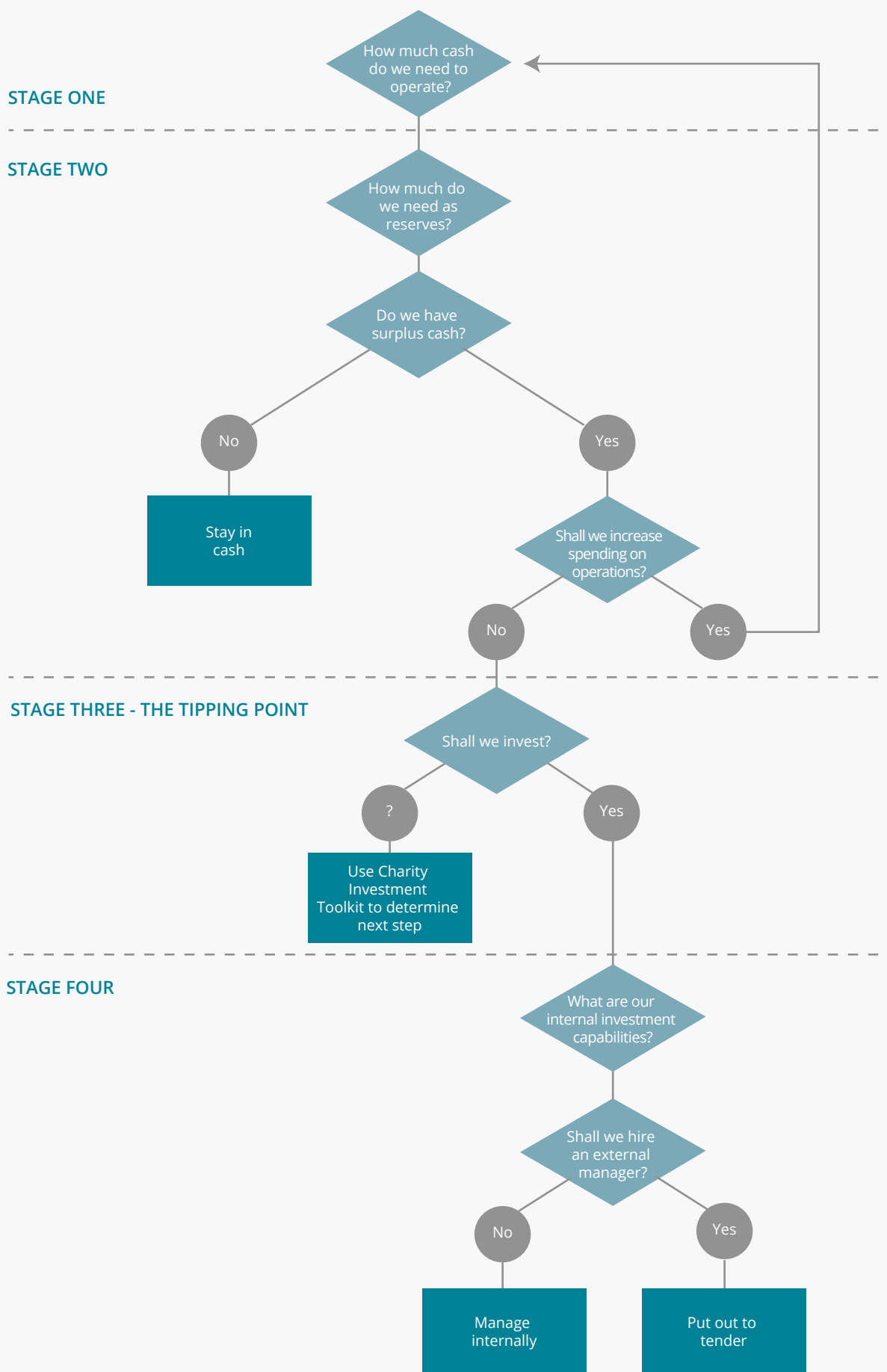
Charities need to understand their own investment capabilities in order to understand what aspects they can responsibly manage themselves and what they should outsource to an expert. There is a wide range of internal expertise: from charities with a part-time treasurer, to those with a finance director, a finance committee, an investment committee or, for the very biggest charities, an in-house investment team. But even the biggest charities will outsource some aspect of their investment management.

Having identified their own capabilities, many charities then look for an appropriate investment manager for their needs. Our respondents look for professionalism, reputation, social responsibility and the ability to communicate effectively alongside value for money. Ultimately, successful relationships are built on trust.



## The investment journey: from cash to investment

The questions addressed during the four stages:



# Six factors explaining investment decision making

Our analysis of the quantitative online survey revealed six independent drivers of investment decision making.

In this section, we describe these factors and provide the underlying data and quotes from our interviews. We split them between three sets of risks and three sets of investor characteristics.

These factors inform a set of questions that charities should ask themselves to understand their own barriers to investing. These questions are combined in Part IV to form a toolkit. This will help identify a path towards better investment decision making.

## Six factors: three risks, three investor characteristics

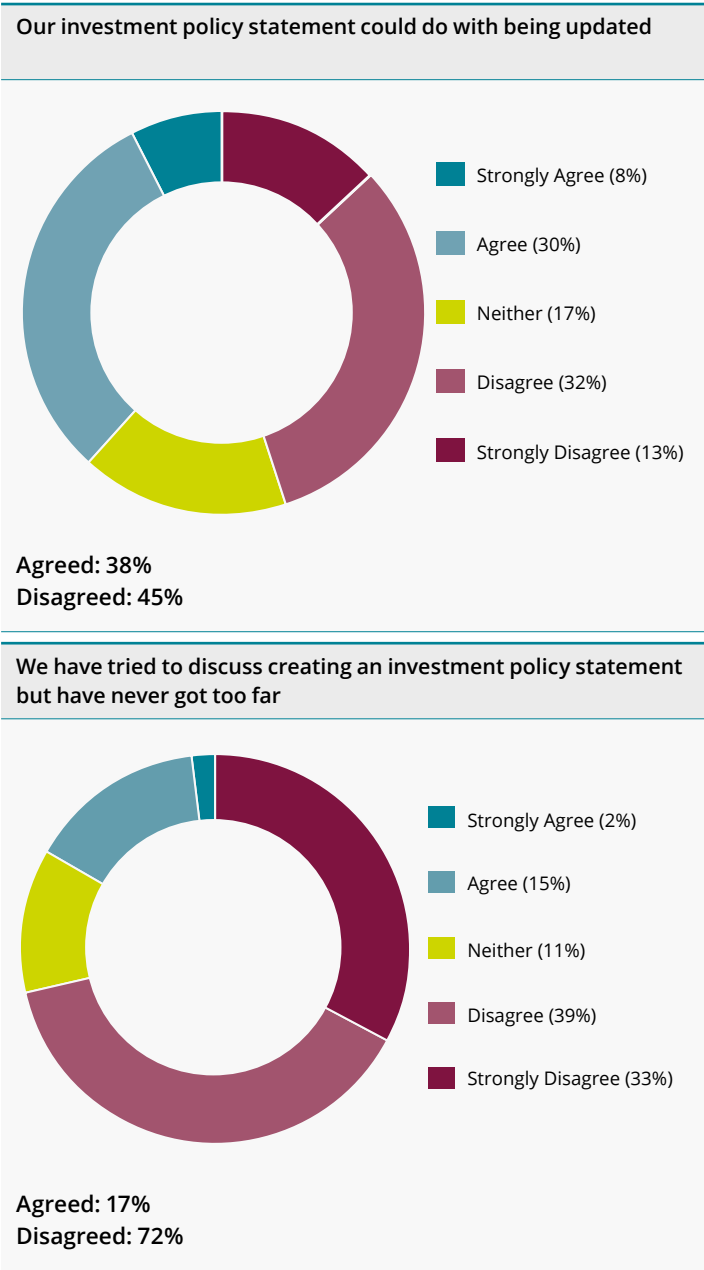
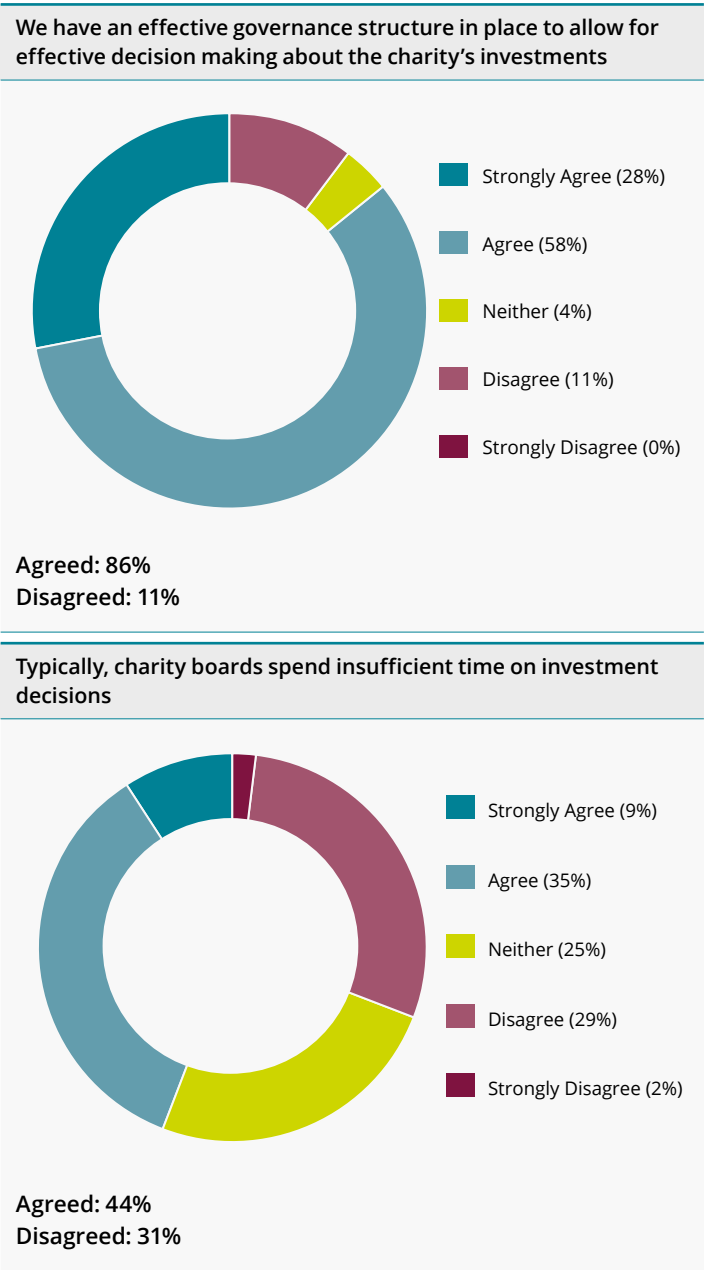
1. Structural risks
2. Human risks
3. Reputational risks
4. Reluctant investors
5. Confident investors
6. Ethical investors

# 1. Structural risks

The responsibility for charity investments sits with a diverse group of people, with differing levels of investment experience. Some of the largest charities have in-house investment capabilities. For the smallest, investments may be the responsibility of a lone treasurer. These differences create different barriers to effective decision making.

Most respondents agreed that they have a governance structure in place that allows for effective investment decisions, although one in ten disagreed. Yet 38% agreed that their “investment policy statement could do with being updated”. 44% of respondents felt they spend insufficient time on investment issues and have little contact with investment firms. 17% stated that they have inconclusive discussions on investment policy. One in ten struggled to agree on the appropriate risk appetite because some trustees think funds should be held in cash.

## Survey findings





## Survey quotes

"We don't have a reserves policy or an investment policy. We do need to develop one and we've committed to the board that we'll do that by the end of the financial year. And we also just put a bid in for some pro bono support to help us do that."

Education charity,  
income under £1 million,  
no investments held.

"So I'm talking to people [trustees and finance officers]... who've sat on a couple of million worth of cash each. But each has vague plans of how they might use it in the future. So neither want to commit to investments whilst they've still got those plans."

Health charity,  
income £1-10 million,  
investments £10-25 million.



## 2. Human risks

While 'structural risks' look at the overall charity, 'human risks' address our individual behaviour. Humans exhibit biases that lead to sub-optimal investment decision making. Our decisions are influenced by 'noise'; irrelevant factors that lead to inconsistent judgements.

Human risks come in two forms.

- As individuals, our investment decisions are affected by our behaviours.
- We may lack the necessary expertise to make investment decisions.

Getting charities to agree on their investment policy is difficult. Emotions play a significant role. They can make people too risk

averse, with over half our respondents agreeing that this is an issue for charity trustees.

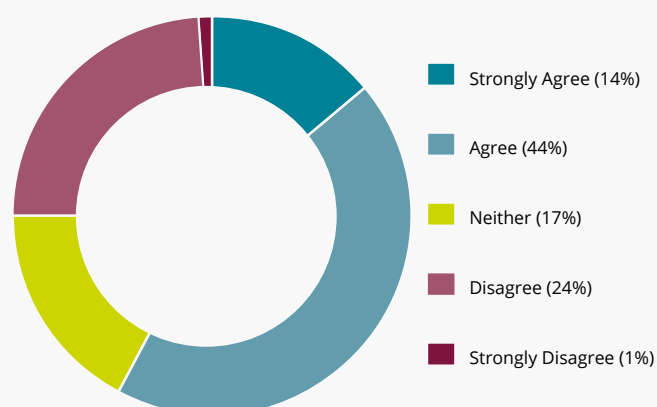
Emotions affect how well people work together. Over a quarter of those surveyed said that getting trustees to agree on investment policy is difficult. One quarter of respondents stated that "decisions need to go through so many people and committees that it takes a long time for any decision to be made". Our interviews revealed tensions between the executive and the board. Some trustees distance themselves from financial decisions.

A lack of investment experience or qualifications can hamper decision making. New ideas are discussed but not within a disciplined process. While 71% of respondents agreed that trustees were suitably qualified to make investment decisions, 62% agreed that other decision makers do not understand investment issues.

Together, these issues mean that investment policies are not agreed or not implemented.

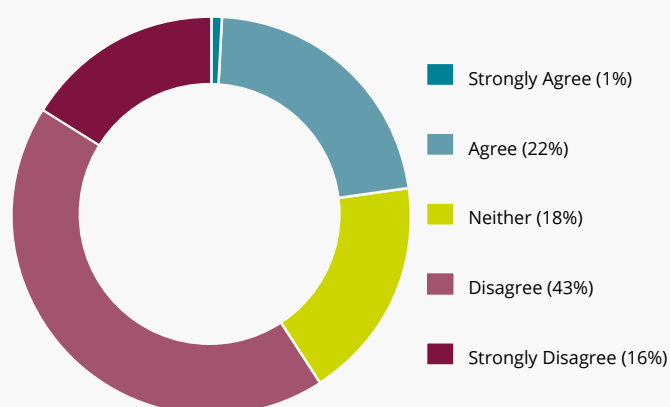
### Survey findings

#### Trustees tend to be very risk averse



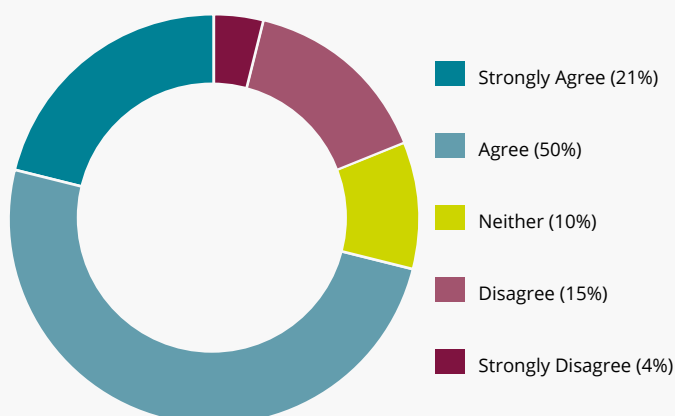
Agreed: 58%  
Disagreed: 25%

#### Investment is a very emotional process



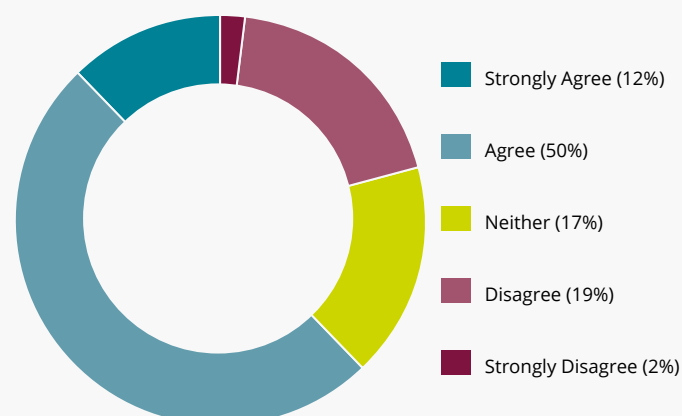
Agreed: 23%  
Disagreed: 59%

#### Our Trustees are suitably qualified or experienced to contribute to financial decision making



Agreed: 71%  
Disagreed: 19%

#### I know that other decision makers in my charity do not understand investment matters



Agreed: 62%  
Disagreed: 21%

### 3. Reputational risks

Charities are conscious of public opinion. 100% of respondents agreed that charities need to be careful as to how they are perceived by the general public. 91% of respondents agreed that there is potential for reputational damage if investments go wrong. This can make them overly risk averse.

This is exacerbated if charities have already experienced a crisis with their investments. There is some evidence that length of trustee tenure is linked to conservative investment decision making. For some charities, this means that the focus is on simply not losing money.

### Survey quotes

"We were hit quite bad[ly] by the Icelandic banking crisis back in 2007-08... I think that's caused a lot of nervousness. That's probably the only real crisis the charity has faced in recent years and we do have lots of trustees that have been with the charity for a long time and it's still in their consciousness."

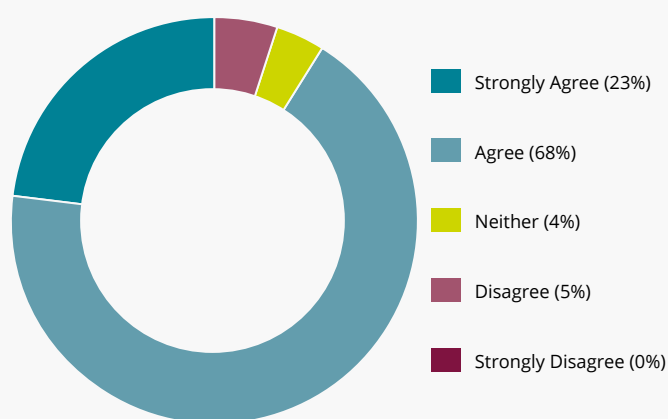
Welfare charity, head of finance, income £50-100 million, investments £50-100 million.

"What is their reputation in the market? Is that a name we would want to be associated with? Because, for us, some of the reputational stuff is very, very important. Well it is for everybody. But for us, we don't want to go on the front page of [a national newspaper]."

Welfare charity, financial controller, income over £100 million, investments over £100 million.

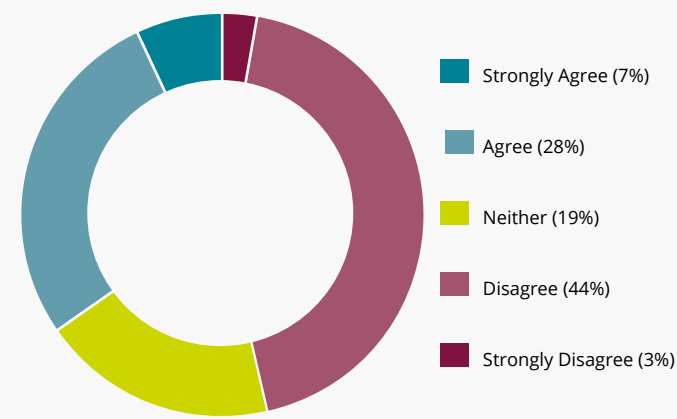
### Survey findings

There could be reputational damage from investments that go wrong



Agreed: 91%  
Disagreed: 5%

I see my role as ensuring that the charity never loses any of its money



Agreed: 35%  
Disagreed: 47%

## 4. Reluctant investors

Some charities are reluctant to engage with investment issues at all. Investments are not seen as a major source of funding. The prospect of investments going down in value in the short term is troubling for more than a third of respondents. Reluctant investors take a shorter-term view of their investments. This reluctance can lead charities to take on too little investment risk, reducing their potential for long-term returns.

This does not appear to be a cost issue, with 81% disagreeing with the statement that “the potential costs of investment outweigh any potential gain”. 78% of respondents understood that investments can be a major source of income for charities.

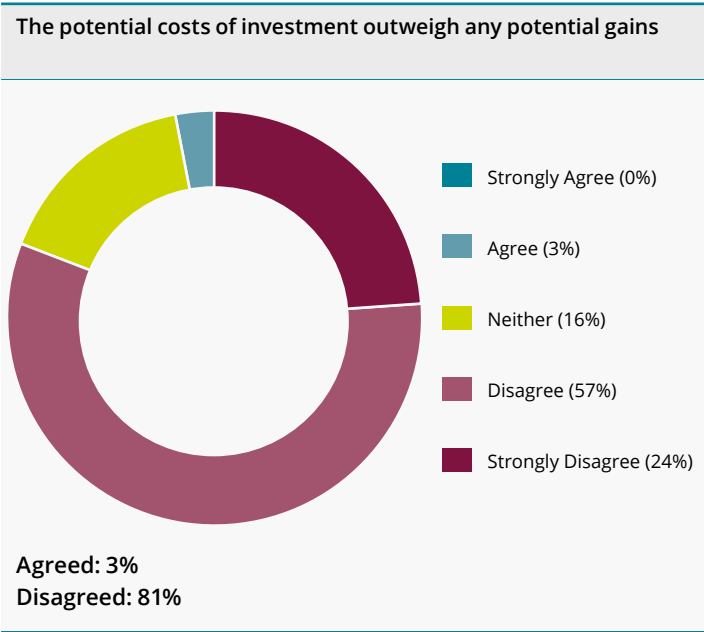
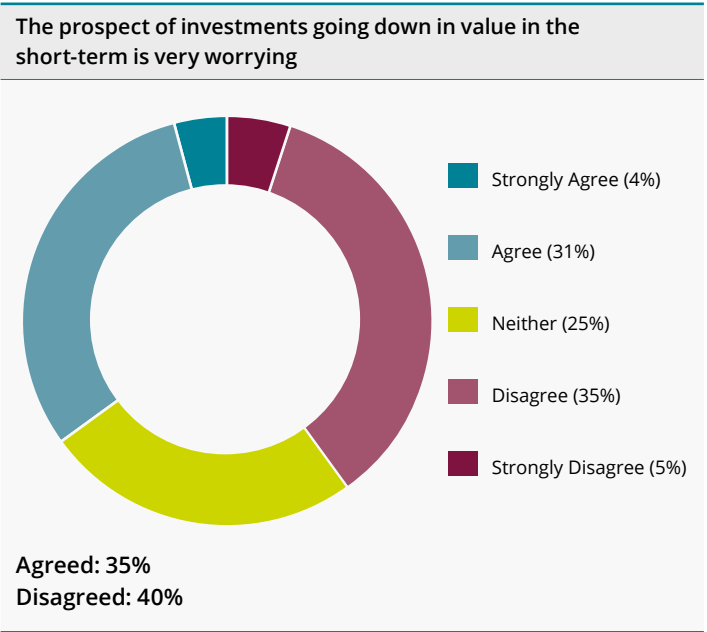
For a quarter of respondents, they felt that “our reserves policy does not enable us to invest significant funds”

## Survey quotes

“Back in the day there were some investments in equity instruments and various funds and things. And my understanding is there was a spell when things didn’t go terribly well. A lot of money was then just put into cash.”

Youth services charity, chair, income £10-25 million, investment amount unknown.

### Survey findings



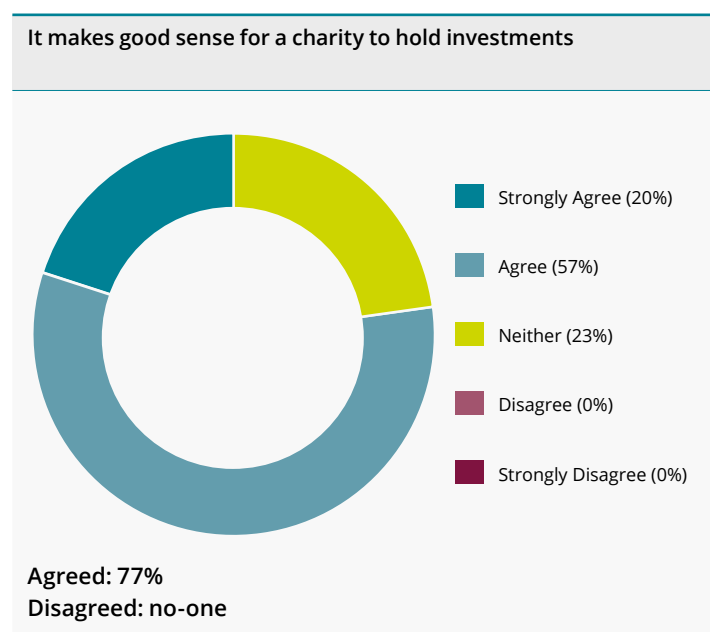


## 5. Confident investors

While 'reluctant investors' are stuck at the start of their investment journey, 'confident investors' are approaching the end. They understand that it makes good sense for a charity with sufficient reserves to hold investments. They have a good knowledge of investment markets. They know the difference between 'risk' and 'uncertainty'. This makes them willing to invest in shares. If they have not got beyond the 'tipping point' yet, it is not due to a lack of appetite for investment risk.

No respondent disagreed that "it makes good sense for a charity to hold investments". By contrast, only 69% stated they "would consider investing in shares rather than cash or bonds".

### Survey findings



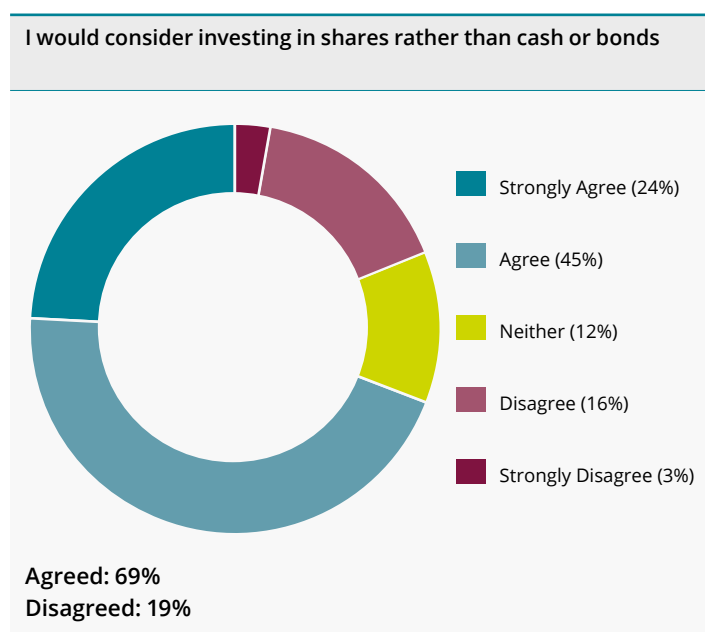
## Survey quotes

"We've just gone through a massive discussion on our investment policy because that's one area of concern that I have. Because, at a very basic level, the money we have in cash is not protected against inflation."

Elderly-care services charity: treasurer, income £1-10 million, no investments.

It is "just building awareness in people that work for charities that, guys, you can do it. You can invest money. It's not something that's left for City people or Wall Street people, you can do it yourself as well. And it's not a dark magic. It's something that – if you don't know how to do it yourself – there is someone who's going to be able to help you with it."

Humanitarian charity, finance executive, income £10-25 million, investments £1-10 million.

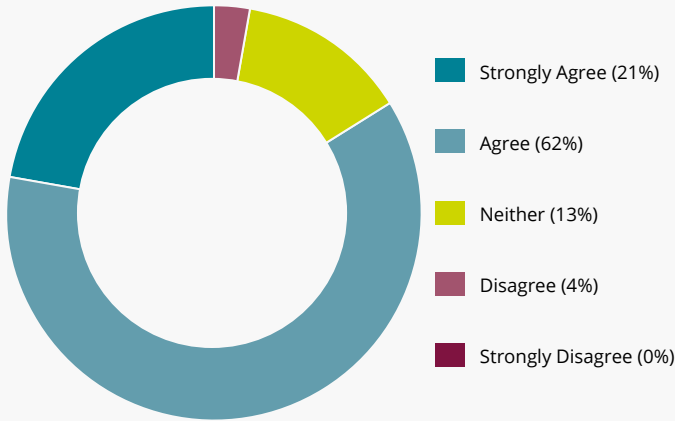


## 6. Ethical investors

Ethical issues are often at the heart of a charity’s mission. Only 5% of respondents disagreed that “ethical considerations should be high on a charity’s list of priorities when investing”. This makes it important to align the investment strategy with the organisation’s overall strategy. ‘Ethical investors’ captures those charity trustees and finance officers who put ethical considerations high up the investment agenda.

They also have a stronger grasp of the risks and opportunities associated with environmental, social and governance (ESG) issues. ESG analysis is a fundamental ingredient in understanding the risks and opportunities of an investment, alongside traditional analysis. Our survey found that larger charities are more engaged with these issues. Charity trustees and finance officers with less investment experience put less emphasis on ethical issues.

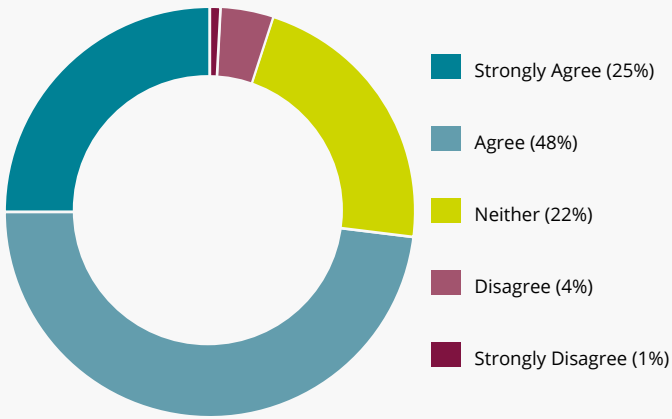
Environmental, social and governmental issues (ESG) are important to the charity



Agreed: 83%  
Disagreed: 4%

### Survey findings

Ethical considerations should be high on a charity’s list of priorities when investing



Agreed: 73%  
Disagreed: 5%

# Narrative analysis – The fear index

Fear was a common barrier to investment across both our quantitative study and our interviews. This fear comes in many forms. We provide quotes from our interviews to illustrate the range of issues that are limiting the appetite for investment risk.

## Quotes

The quotes are selected lines from the answers to these questions rather than a full record.

**Q: What do you think might stop charities from investing in general across the sector?**

A: “The **worry** was that they invested at the wrong stage and they lost money. And the front page of the local paper would be running a story about how [the charity] was mismanaging public money. And that was their **fear**.”

**Q: If there is one thing stopping charities from investing, what would you say it is?**

A: “It’s the **fear** of the unknown if they are not experienced. And sometimes it’s the **uncertainty**. ... There is potentially the **regret** ‘if we use it for investment then I can’t use it for x, y and z.’”

**Q: What would help charities make better investment decisions?**

A: “Internally it’s a lot about culture. If you approach your money with **fear** – like ‘oh my god I’m going to lose it, let me not touch it’ – then you will lose it one way or another.”

**Q: What would help charities make better investment decisions?**

A: “I think that might be the missing piece, just people realising what investment is really about. I mean, a bit of lack of knowledge or just, in general, being **scared**.”

**Q: What would help charities make better investment decisions?**

A: “The **fear** is coming from not knowing your opponent. So, in this case, not knowing a lot about investment.”

**Q: Are you likely to regret the decision to invest?**

A: “Some of it could be just **fear** of the unknown. ‘I’ve never done this before.’”

**Q: What was the impact of selling shares at a loss?**

A: “It provoked some sort of **fear**, in the way of ‘are we doing the right thing?’”

**Q: What do you think might stop charities from investing in general across the sector?**

A: “There was quite a reluctance to spend any of that money and, again, I think it was because of that **fear** of what happened before in a very volatile funding environment.”

**Q: What do you think might stop charities from investing in general across the sector?**

A: “**Fear** of the financial climate.”

**Q: Do you worry about any regret?**

A: “I think finally we’re doing something good with the money and, instead of being **fearful**, I am actually excited.”

**Q: What would it take to shift the perception that investment isn’t safe for charities?**

A: “...Because some charities may get it wrong, they may lose some money but does that mean they need to be at the **front of a newspaper**? With the Charity Commission ... just saying ‘it’s your fault, we never asked you to do this’. And then charities get a **bad name**. So I think it’s just more around all this, regulators becoming comfortable in the first place.”

## Part IV

# The investment journey: the ‘tipping point’ – should we invest our surplus cash?

## Overcoming your investment barriers

In part II, we set out the journey that charities undertake in moving from holding cash to investing. Step three of that journey, the ‘tipping point’, asked the question: “should we invest our surplus cash?” Our survey reveals that many charities get stuck at this stage.

Our analysis helps us understand the specific barriers to progress at this stage. This allows us to pose the questions that charities should ask themselves. The answers help identify what is preventing effective decision making. We group the questions under three categories: people, policy & process, and public perception.

### People

1. Do we have the right level of investment knowledge to contribute to investment decision making?
2. Are we effective in making investment decisions?
3. Are we too risk averse?

The questions on people apply to both individuals and the committees involved in investment decisions. In this context, they address the effectiveness of communication between people – teamwork. Is the committee set up in a way that helps overcome emotional issues? Or tensions between the executive and the board? The answers help reveal an organisation’s culture.

### Policy & Process

4. Do we have an appropriate governance structure?
5. Do we have an appropriate investment policy statement?
6. Do we spend the right amount of time on investment issues?
7. Do we have a clear policy on ethical screening and environmental, social and governance issues?

The appropriate governance structure will depend on the resources available. A charity with an in-house investment team or an investment committee has one set of needs. A charity where responsibility for investment sits with a treasurer or a finance committee has another. This difference becomes more important at the next stage of the journey – what to outsource. But a lack of appropriate policies and processes can prevent charities reaching this next stage.

Ethics and ESG analysis are two distinct issues. ESG analysis is a fundamental ingredient in understanding the risks and opportunities of a company, alongside traditional analysis. By contrast, ethical screening can be used to align investment strategy with the charity’s purpose. It screens out companies or industries whose activities are contrary to the objectives of the charity.

### Public Perception

8. Are we overly concerned about reputational damage?

Charities are more likely to realise they are being overly cautious if this question is posed in the context of their overall investment strategy.

## A toolkit for charity investors

Aberdeen Standard Capital has developed two tools to help charities to progress along their investment journey. They pose the questions that trustees and finance executives must ask themselves to identify their barriers to investing.

First, we provide a flowchart that presents a simple yes/no choice. For some charities, this will quickly establish whether you are ready to invest.

In reality, these are rarely simple yes/no questions. Therefore we also present these issues as a spider chart. This allows for more graded responses – or a combined scoring system for a committee. The picture it paints will allow charities to identify their readiness to invest. It will help identify where the barriers lie.


This will identify the steps you need to take to continue along the investment journey.

## Seeking help

Our toolkit helps charities identify where they need support and guidance. Where can they go for help?

The Charity Commission for England and Wales and OSCR (The Scottish Charity Regulator) provide useful guides on their website. If charities are struggling with their reserves policy, their auditor should be in a position to provide help. Educational institutions and professional bodies provide training on best practice, for governance and financial procedures. A specialist charity investment manager will be able to provide support on a broad range of investment issues.

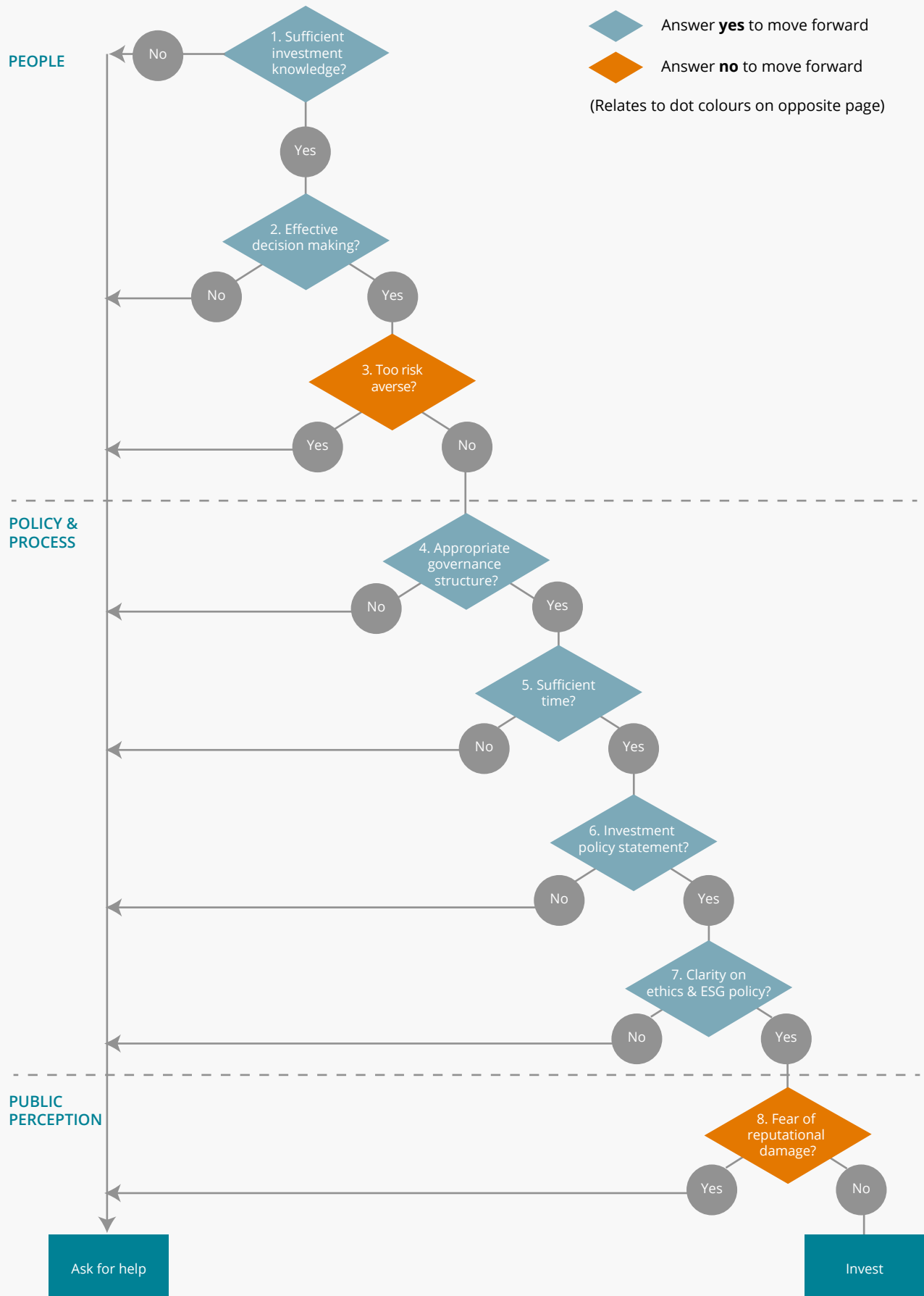


A photograph of a man and a woman standing in a modern building with large glass windows. The man is holding a tablet and showing it to the woman. They are both looking at the screen. The building has a light-colored facade and large glass panels that reflect the surrounding environment. The scene is brightly lit, suggesting daytime. A large white diagonal shape is overlaid on the left side of the image, containing the text.

'Our toolkit will identify the steps you need to take to continue along the investment journey.'

## Identifying the barriers: a toolkit for charity investors

## Eight questions on people, policy &amp; process and public perception

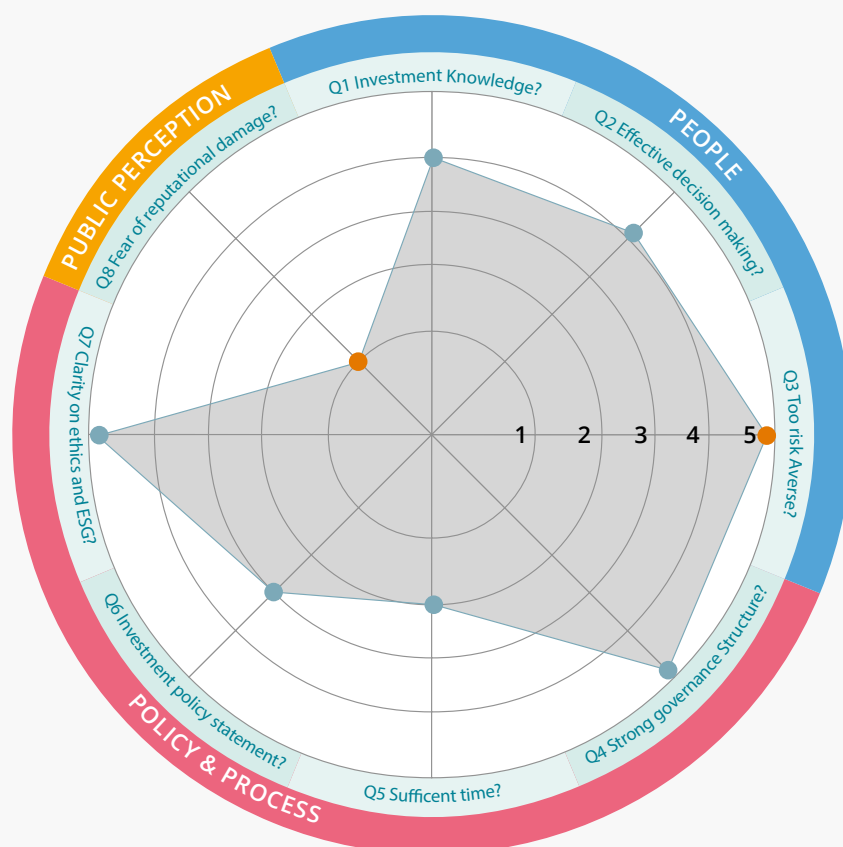


## Identifying your barriers: a toolkit for charity investors

### A tool for charities to identify their barriers to investment

#### Hypothetical example: Sample Charity

Responsibility for Sample Charity investments sits with its finance committee. The charity has a strong governance structure. The members collectively have strong investment knowledge and they work well together, leading to effective decision making. However, they only meet two times a year and their responsibilities include both finances and investment. This leaves little time for the discussion of investment issues. As a result, the Investment Policy Statement has not been updated for a number of years. The charity invested money with a manager that was badly hit by its exposure to US mortgages during the global financial crisis. This episode remains in the collective memory, leading to fear of reputational damage.



High barrier

Neutral

Low barrier

1 2 3 4 5

● Sample Charity

Dot colours explained:

● Example: Q5. Sufficient time? **High** barrier = **low** level of time.

● Example: Q8. Fear of reputational damage? **High** barrier = **high** level of fear.

Source: Aberdeen Standard Capital

# Conclusion

Trustees have a duty to ensure that charities are invested appropriately. For charities with more than sufficient cash to meet short-term commitments, investing some of their reserves may well be appropriate. In practice, there are barriers – real and perceived – to moving from holding cash to investing. This paper provides a framework that helps identify these barriers.

The charity sector is very diverse. Individual charities will be on their own investment journey. We define this journey in four steps. These steps identify:

1. cash needed for operations
2. cash needed in reserves
3. cash available for investment and
4. the need for external help on investment issues.

Many charities get stuck at the third step – the investment ‘tipping point’. They know they have sufficient funds to invest, yet struggle to do so.

Our survey identified six factors: independent drivers that determine investment decision making. We split them between three sets of risks and three sets of investor characteristics. The survey revealed a range of barriers to achieving the right investment outcome.

Fear featured loudly in our survey – fear of loss, fear of reputational damage and fear of the regulator. Less common was

evidence of other appropriate investment concerns: the fear of investing too cautiously and fear that inflation will erode the value of cash held.

For those charities looking to invest for the first time, each will have their own ‘tipping point’ – the point when they move from holding cash to investing.

We provide eight questions that charities need to ask themselves; on people, policy & process and public perception. The answers will help identify their own hurdles. This is the first step in overcoming them.

We combine these questions into a toolkit for charity investors. This tool will help charities identify their own barriers to investment.

Investment involves risk but need not involve fear. By understanding the investment journey – and knowing when help is required – charities can move beyond their ‘tipping point’.







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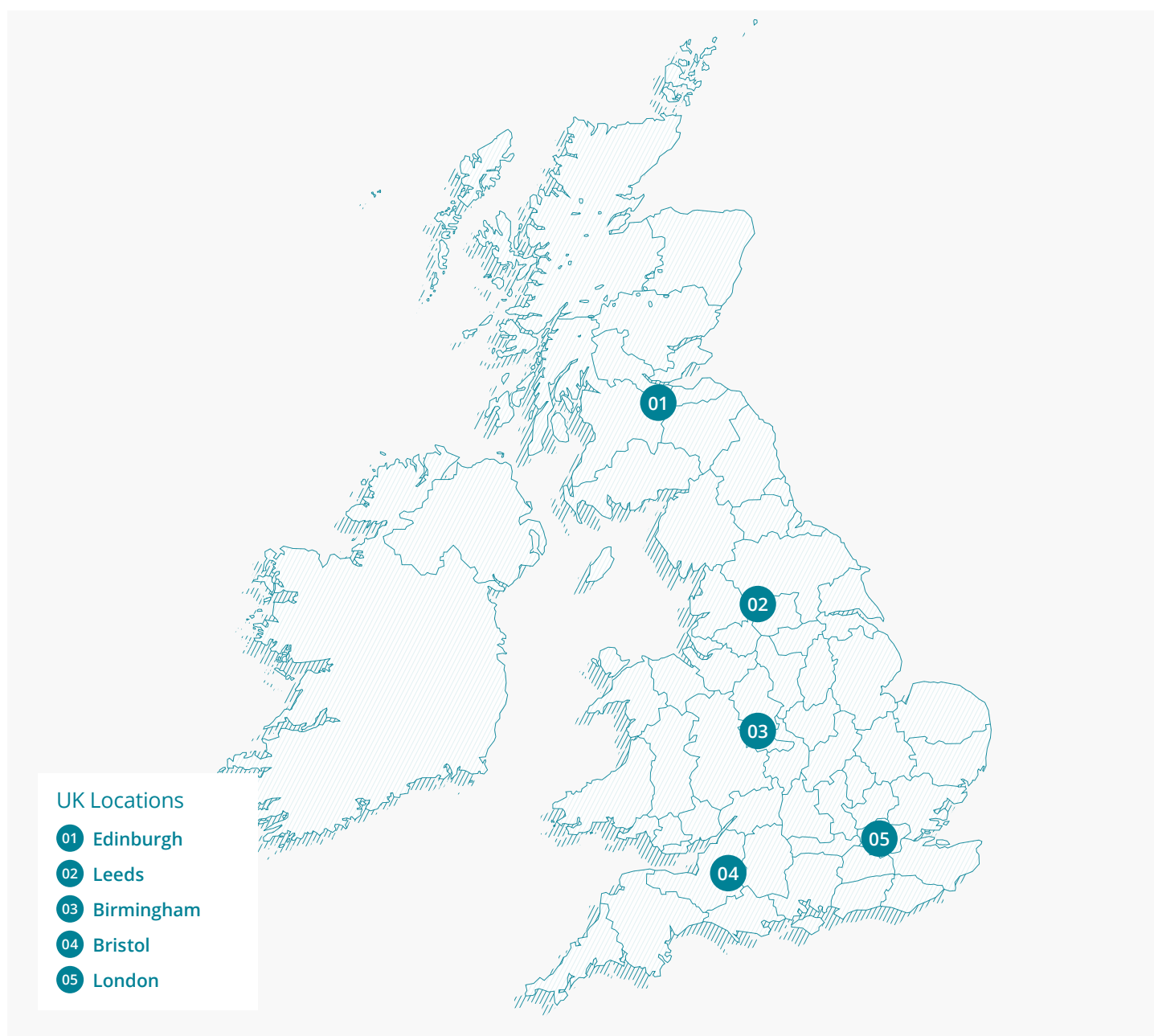
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