

The Golden Charter Trust

Statement of Investment Principles

I Introduction

1. The Fundamental Purposes of The Golden Charter Trust (“the Trust”) are defined by its Trust Deed: and include *“to ingather, hold, invest and administer the Trust Funds with a view to ensuring that the Trust Funds are at all times sufficient to meet, in full, the anticipated Invoice Costs of all Outstanding Plans and Matured Plans as certified by the Trust’s Actuaries...”* (Consolidated Trust and Governing Deed 2015, Section 4, paragraph 4.1.1).
2. Section 11 of the Trust Deed (“Powers of Trustees”) gives the Trustees powers to invest the Trust Fund in a wide range of different assets. The balance between assets primarily intended to preserve capital, and assets where the primary objective is growth, will be decided by the Trustees acting under advice from the actuaries and investment consultants. A formal review of investment strategy will be carried out at least once a year, in response to the most recent actuarial valuation, or at any other time at the Trustees’ discretion.
3. In accordance with Articles 59 and 60 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (FSMA), the provision of funeral plans backed by investments held in trust is excluded from the regulatory provisions of FSMA subject to certain conditions being met, namely:
 - a) The funeral plan trust must be established in writing.
 - b) More than half of the trustees must be unconnected with the plan provider.
 - c) The trustees must appoint a professionally qualified independent fund manager to manage the assets of the trust.
 - d) Annual accounts must be prepared by the trust and audited by a qualified company auditor.
 - e) At least once every three years the assets and liabilities of the trust must be determined, calculated and verified by a qualified actuary.
4. The Trust is primarily governed by the general principles of Trust Law. In addition, Golden Charter Limited is a registered provider of the Funeral Planning Authority (“FPA”), a self-regulatory body set up by providers in the UK pre-paid funeral plan market. The FPA has certain rules governing membership some of which relate to the Trust and which mirror the mandatory requirements of the FSMA.
5. The Trustees have been advised that it would be in the best interests of beneficiaries and planholders if the investments of the Trust were held within a wholly owned limited company structure. Accordingly, the investments are held by a company, The Golden Charter Trust Limited (“GCTL” or “the Company”). The Trust owns 100% of the shares in the Company, and the Directors of the Company are the same individuals who are Trustees of the Trust.

6. In accordance with FSMA requirements, the Trust has appointed Aubrey Capital Management Limited as the Trust's independent fund manager. The role of the Trust's independent fund manager is to manage the Trust's only directly-owned asset: its shareholding in the Company.

The Trustees define this role as high level supervision (see below, "Trust Funds Governance"). The Trustees have decided as a matter of principle that in order to avoid any conflict of interest, the independent fund manager cannot also manage any of the underlying investments held by the Company. These investments are all managed by underlying investment managers with specific mandates covering particular types of investment.

7. The Trustees have appointed Barnett Waddingham LLP to provide both actuarial advice and investment consultancy services. In appointing Barnett Waddingham, Aubrey Capital Management, and the underlying investment managers, the Trustees have satisfied themselves in all cases that the appointees are qualified and experienced in providing comparable services to clients with objectives similar to those of the Trust.
8. The Trustees give clear mandates to Barnett Waddingham, Aubrey Capital Management and all the underlying investment managers, and will monitor compliance with them. If a breach of a mandate is identified or reported, the Trustees will require an explanation for the breach and an account of any corrective action taken to remedy the breach.
9. The investment consultants will provide to the Trustees each month a statement of the performance of the Trust Fund, and of individual underlying investment managers. The Trustees will formally review performance at least four times a year.

II Trust Funds Governance

1. The Trustees are experienced business people from a wide range of backgrounds. In order to exercise properly their decision making functions, they act under advice from the investment consultants and actuaries, from the independent fund manager, and also from the underlying investment managers who have discretionary powers within the terms of their mandates.
2. The Trustees' responsibilities are governed by the Trust Deed, and by the general principles of Trust Law, whereby the Trustees act on behalf of, and in the best interests of, the Trust's beneficiaries. The primary beneficiaries of the Trust are the funeral directors who undertake to provide funeral services to planholders. The planholders themselves have no direct claim on the Trust, except where the Trustees may be required to refund to them all or part of their contributions to the Trust in the event of a cancellation of the plan.
3. Primary responsibility for oversight of the Trust's investment affairs is delegated to a specialist sub-group of Trustees, the Investment Strategy Group, all of whose members have significant experience of investment business. The Investment Strategy Group has no independent executive authority and all substantive decisions of policy are taken by the Trustees as a whole.
4. In order to meet their responsibilities, the Trustees consult with the actuaries and investment consultants, the independent fund manager, the underlying investment managers, the tax advisers, the legal advisers, and receive written and oral advice as and when required. The Trustees are however ultimately responsible for the decisions they take.
5. The specific investment responsibilities of the Trustees include:
 - a) Determining the investment objectives of the Trust Fund and reviewing them from time to time.
 - b) Reviewing the suitability of the investment policy following the results of each actuarial or investment review by the actuaries and investment consultants.
 - c) Reviewing the SIP from time to time, but at least on an annual basis, and changing it if appropriate.
 - d) Monitoring compliance of the investment arrangements with the SIP on an ongoing basis.
 - e) Assessing the quality of the performance and processes of the underlying investment managers.
 - f) Assessing the quality of process and service provided by the independent fund manager.
 - g) Appointing and dismissing both the independent fund manager and underlying investment managers.
 - h) Reviewing investment management fees and investment management arrangements.
 - i) Reviewing the performance of the investment consultants and actuaries.
 - j) Taking external advice on the optimum tax arrangements for the Trust Fund.
6. The responsibilities of the independent fund manager include:
 - a) Managing the assets of the Trust in accordance with FSMA requirements, subject to prior reference to the Trustees.
 - b) Monitoring both the overall investment strategy of the Trust, and the performance of the underlying investment managers.
 - c) Reporting to the Trustees in writing annually to confirm that the provisions of section III (2) of this SIP with respect to Asset Allocation Strategy (that the Trust fund assets should be "diversified, liquid, and of appropriate investment quality") have been observed during the most recent financial year.

7. The responsibilities of the underlying investment managers include:
 - a) At their discretion, but within any guidelines given by the Trustees, implementing changes in the asset mix and dealing in specific investments.
 - b) Providing the Trustees and the independent fund manager with monthly reports of the assets, transactions, cash reconciliation, performance, actions and any changes in policy or process or tax structure.
 - c) Attending an annual review meeting with Trustees to discuss the performance of their fund, to advise of any significant changes in the investment strategy for their fund and/or in the senior personnel responsible for their fund, to allow the trustees to consider and evaluate the continuing suitability of the mandate for the Trust Fund.
 - d) Reporting immediately to the Trustees and to the independent fund manager any breach of their mandate, and give an account of any corrective action taken to remedy the breach.

8. Barnett Waddingham's role as actuaries to the Trust is dictated in part by the Regulated Activities Order (see above section I paragraph 2), whereas their role as investment consultants is wholly at the discretion of the Trustees. However, taken together under both headings, their responsibilities include:
 - a) Participating with the Trustees in annual reviews of the SIP.
 - b) Advising the Trustees of changes in the funding position of the Trust Fund that may affect how the assets should be invested.
 - c) Advising the Trustees of any changes in the investment environment that could present either opportunities or problems for the Trust Fund.
 - d) Undertaking reviews of the investment arrangements of the Trust Fund including reviews of the asset allocation strategy and the current underlying investment managers, from time to time as agreed with the Trustees.
 - e) Carrying out annual (or more frequently as required) valuations and advising on the financial position of the Trust Fund.
 - f) Conducting regular stress testing of the Trust Fund and advising of possible impact.

9. The Trustees' principal investment objective is to invest the assets of the Trust Fund in such a way as to maximise the likelihood that the returns on the assets (net of CPI, tax and costs), will be sufficient to meet the anticipated invoice costs of all pre-paid funerals sold to date, based on guidance from the actuaries and investment consultants concerning predicted investment returns and the anticipated crystallisation of the liabilities. The Trustees also seek to limit the volatility of the funding position and this is taken into account when considering the required returns.

10. The Trustees are currently under no obligation, either legal or regulatory, to take into account the impact of Environmental, Social or Governance factors (“ESG”) on the Trust’s investments. However, as a matter of good practice they believe that ESG is an important issue for them to address, in order to fulfil their fiduciary duties to the Trust and to the beneficiaries.

To assess the possibility that ESG considerations relating to any current or potential investment holding within any of the Trust portfolios might have such an impact, is part of the analytical work carried out by the Trust’s underlying investment managers. For the Trust itself to undertake this work would be unnecessary and very costly duplication of effort, which would have a negative impact on the Trust and the beneficiaries. For this reason, the Trustees have decided that their ESG policy is one of oversight and high level supervision, namely:

- a) To ensure that, where appropriate, the Trust’s underlying investment managers have an ESG policy which is suitable to the specific assets which they manage.
- b) To review the practical implementation by each manager of its ESG policy by requiring them to address the issue specifically during the annual review meeting with the Trust’s Investment Strategy Group.

For the avoidance of doubt, the Trust’s portfolio of index-linked UK Government bonds is excluded from this policy.

III Asset Allocation Strategy

1. The Trust Fund's long term strategic target is to hold, as its largest asset, a diversified portfolio of index linked gilts, with the balance divided between global equities, diversified growth funds, property, infrastructure assets, corporate debt and cash. This policy has been adopted by the Trustees, under guidance from the actuaries and investment consultants, in the belief that it is the most suitable way for the Trust to fulfil its Fundamental Purposes as defined in the Trust Deed and by this SIP.
2. The Asset Allocation Strategy is designed to ensure that the Trust Fund's assets are diversified, liquid, and of appropriate investment quality. The Trustees monitor the strategy regularly to satisfy themselves that these criteria are being met.
3. The Trustees, in conjunction with the investment consultants, monitor the actual asset allocation of the Trust Fund, and if necessary will instruct the investment consultants to rebalance towards the strategic benchmark either by redirecting incoming or outgoing cashflows or by an internal reallocation of funds between different investment mandates.
4. In addition, the Trustees feel it is appropriate on grounds of risk diversification to set an upper limit of 15% of the total value of the investment portfolio (as measured at the end of each calendar month) to each active mandate i.e. with the exception of the passive mandate for index linked government bonds. If any active mandate exceeds the upper limit, the trustees will consult with their investment advisers on taking steps to reduce that mandate by at least 3% within a timescale that is appropriate to that mandate, taking cognisance of any liquidity constraints that may exist.
5. Monthly valuations from the underlying investment managers are obtained to enable the actual asset allocation to be calculated. The investment consultants liaise with senior management of the Trust to ensure that cashflows are invested or redeemed in accordance with the asset allocation strategy.

IV Strategy Implementation and Investment Managers

1. As noted above (section I paragraph 6) Aubrey Capital Management Limited are the Trust's nominated independent fund manager.
2. The various underlying manager mandates of Trust Fund assets, effective as at 1 April 2019, together with the agreed benchmarks are as follows:

Manager	Mandate	Benchmark
Artisan Partners	Global Equity	MSCI All Country World Index
Aviva Investors	Long Lease Property	50% FTSE 5-15 Year Gilt Index 50% FTSE Over 15 Year Gilt Index
Baillie Gifford	Diversified Growth Fund	Bank of England Base Rate
Columbia Threadneedle	Property Unit Trust (TPUT)	AREF/IPD UK Quarterly Property Fund Index - All Balanced Property Fund Index Weighted Average
Hermes	Multi Strategy Credit Fund	None
LGIM	Index-Linked Gilts	Bespoke cashflow benchmark based on the expected future payments to meet plan payments from the Trust
Partners Group	Infrastructure	None
Ruffer	Real Return Fund	Bank of England Base Rate