

Autumn 2011

RATHBONES CHARITY REVIEW

RATHBONES' ANNUAL CHARITY SYMPOSIUM SPECIAL EDITION

IN THIS ISSUE

CHARITY TRIBUNAL UPDATES:
PUBLIC BENEFIT AND BENEVOLENT SOCIETIES

THE GOOD, THE BAD AND
THE BETTER SOCIETY

PENSIONS LEGISLATION

THE ROLE OF ASSET ALLOCATION
IN PORTFOLIO CONSTRUCTION

RATHBONES
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WELCOME TO OUR 2011 AUTUMN CHARITY REVIEW

In September, our Annual Charity Symposium took place in the Merchant Taylor's Hall, Threadneedle Street. Charity trustees, advisers and charity investment managers came together for an afternoon and evening of discussion, debate and illuminating talks by guest speakers from the charity finance world and beyond.

Our chairman, Mark Nicholls, warmly welcomed Merryn Somerset-Webb (editor-in-chief of *MoneyWeek*), Lord Wei (former UK government advisor to the 'Big Society') and four time Olympic gold medallist rower, Sir Matthew Pinsent who spoke about finance, society, and achieving success in the charity sector. The day was ended sharing ideas in the magical open air courtyard where many stayed for the delicious canapés and drinks.

We are already looking forward to next year's Symposium. For those of you who could not join us, videos of the highlights are on our website at: www.rathbones.com/rathbones-annual-charity-symposium-london.

In this issue, we are delighted to feature four guest articles from wide ranging members of the charity industry. Andrew Holt, Editor of *Charity Times* gives us his opinion on the role of the Third Sector in 'The big, the bad and the better society'. Alexandra Casley and Tom Gauterin of Osborne Clarke provide a Charity Tribunal update on the latest public benefit and benevolent society legislation developments. Karen Thompson of PKF looks at ways to respond to sector change and David Perry from Alan Boswell examines workplace pension reform.

I hope you will find these articles helpful and informative.



IVO CLIFTON
Head of charities



GUEST EDITOR



Our guest editor for this edition of Rathbones' Charity Review is:

JAMES BRENNAN,
Investment director

James Brennan recently joined Rathbones from Barings, where he spent four years building their UK charity business with a focus upon absolute return mandates. James has previously worked at Collins Stewart, CCLA and Coutts all in charity focused roles and has fifteen years of investment experience. James is a chartered member of the Chartered Securities Institute, a member of the Charity Investors Group and serves as a charity trustee for a catholic charity.

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2011 CHARITY SYMPOSIUM

MERRYN SOMERSET-WEBB



Meryn Somerset-Webb, editor of *MoneyWeek* and *Financial Times* columnist, opined that the decision as to whether the global economy is in an inflationary or deflationary environment is the most important facing investors. Opposing views on inflation and deflation are creating tension in the markets. If investors knew which would win out, portfolio positioning would be relatively easy.

Somerset-Webb believes that deflationary pressures in the UK economy are profound and persistent. There are deflationary pressures from falling real wages and falling house prices, but perhaps the most important are those from the banking system, which is suffering a perfect storm of low interest rates, shaky balance sheets and increased capital requirements. As a result, there is little chance that banks are going to start to lend again in the near term. Somerset-Webb believes that statistics showing improved lending rates are an illusion: banks are converting overdrafts to loans for smaller companies, extending credit to companies who don't need or use it and counting both of these in their lending statistics. Equally, another banking crisis is emerging in the Eurozone, which will stymie lending further. Without bank lending, the engine of economic growth is gone.

However, just because the environment is deflationary doesn't mean that there aren't still inflationary headaches. Nouriel Roubini, the world's great bear, calls it the 'long stagdeflation'. Somerset-Webb says that food inflation is still an issue, following global droughts. Although oil demand has moderated, prices are unlikely to continue to fall due to supply constraints. The Arab Spring has not finished and it is easy to find plenty of other oil-producing countries that look unstable.

There may be instability in our own country too. Somerset-Webb suggested that people will tolerate many things if they believe there is a brighter future ahead. This period of stagdeflation is reminding people that inequality is rising, incomes are falling and that opportunities for work and betterment are falling away.

She believes that the crisis has brought about a semi-permanent destruction of capacity. People are not starting new businesses because no one will lend them the money to do so. Until the banking crisis is over, much capacity has simply been removed from the supply chain.

It has also eroded trust in politicians and institutions, and by extension currencies and cash. This loss of faith in cash has seen the value of real assets rise and rise. Gold is perhaps the most obvious example, but there are others, notably foreign purchases of London property. If these foreign buyers were really just seeking a safe haven, they would put their money in a sterling bank account. The Chinese super-rich are buying Chateau Lafitte and vintage cars as part of the same phenomenon.

Further down the scale, ordinary investors are finding it difficult to know where to house their savings in the current environment, but some are replicating the buying patterns of the super-rich: antiques have proved popular, as has art.

Somerset-Webb said that we are operating in an environment of high macro-economic risk, where there is deflation and inflation at the same time. It is a completely new environment for investors. She believes the majority of assets – bonds and equities in particular – are overpriced and investors will have to select their investment manager with care to avoid wealth destruction.

“IF WE WANT THINGS TO STAY AS THEY ARE, THINGS WILL HAVE TO CHANGE”

Lampedusa

IVO CLIFTON



Stock and bond markets are volatile and possibly mispriced. There is inflation in food and fuel prices, but deflation in real income and wages. It makes for an environment in which wealth preservation is difficult and making a positive return is even harder. Ivo Clifton, head of the charities team at Rathbones, said that he tries to reach for the wisdom of Lampedusa when investing in this difficult climate.

The textbook answer to the dilemma of wealth preservation is that investors need to accept volatility and invest in real assets, which could be property or equities, and the balance in monetary assets such as gilts. Different time periods will show a variety of outcomes for different asset classes. A fund manager's task is to blend those assets, which may be mispriced for some time, in a way that meets investors' needs.

At the moment, for example, Clifton's biggest dilemma is the outlook for gilt prices. The market peaked at yields of 13%. Today, they are 2.3%, against a long term average of 6-7%. If gilt yields continue to fall, the asset class will have delivered a strong risk-adjusted return. If not, it could lose a lot of money. Investors have historically demanded, on average, 0.8% to 1% more income for holding a corporate bond over a government bond. This is still not at normal levels and as a result Clifton prefers corporate debt to government debt on the grounds that this will normalise.

Clifton said that there have been three broad phases in the UK market since Bernanke's Jackson Hole speech in June last year. In the first six months, equities shot up by around 25%. In the second they traded sideways. In the third, there was the nasty correction seen in August.

The UK market is clearly moved by overseas actions, but there remains a question mark over whether UK investors need to

take additional risk by investing overseas. At the moment, he sees a 7% decline in spending for the UK consumer, therefore the high street and other parts of the domestic economy seem like the wrong place to be invested, but there are opportunities elsewhere in the UK.

Instead of retailers, Clifton likes brands. He points to companies such as Unilever. Unilever has twelve brands with revenues of over €1 billion. Emerging economies are becoming the primary source of revenue for these companies, but they are having to be adaptive because the emerging market consumer is different. For example, in China 45% of handbag sales are to men. Men need to carry cash because they don't tend to have credit cards and handbags enable them to do so.

China has the highest number of self-made female millionaires, who are proving to have a penchant for luxury cars. Maserati has been tapping into this growing market. Diageo has done likewise, rebranding its whisky to reflect Chinese tastes. It is not a one-way story – over two hundred people have been killed in train crashes this year, highlighting the problems of a less well-regulated economy, but there are certainly pockets of growth.

Pearson, a stock held across many of the Rathbone charity portfolios, has also proved to be a solid British business. Over the past ten years, it has transformed itself into a high quality education business. It is earning strong margins and its dividend has doubled since 1999. Its business is now predominantly in the US.

It is opportunities like these that Clifton is seeking out for longer-term growth. He is seeking out overseas growth either through collectives or through companies such as Pearson and Unilever. Forty years ago, John F Kennedy said that the US needed to move very fast even to stand still. He said this when the debt ceiling was \$4.1bn. It now stands at \$16.4bn, meaning investors now have to run even faster.

LORD WEI



After a summer of riots, market disruption and economic dislocation, it is clear that investors are living in troubled times: Lord Wei said that two competing narratives have been formed to explain this dislocation. On the one hand, it is a result of moral deficiency – greedy bankers, corrupt politicians, reckless youths and crooked policemen. On the other it is a result of inequality – a self-serving wealth elite has used the system for its own ends. The first would call for punishment and discipline, the second for protest and retribution.

Wei believes that there are three things that need to happen to build a better society, but it will require a leap of thought for many people. First, there needs to be a recognition of the demographic shift and ageing population. This will require creative, rather than exclusively financial, solutions. He believes the idealistic ‘millennial’ generation could be the perfect group to implement these solutions.

Secondly, there is a need to create a more resilient society. Life is going to be more volatile, perhaps more unequal and people need to look beyond the state and traditional institutional charity for a safety net. They will also need to look beyond the consumer economy to increase wealth.

Finally, Wei spoke of a need to foster a more cohesive society. It is not just a case of tightening belts, but of devising solutions together. Private sector has been pitted against public sector, for example, when people need to think of themselves as citizens working for a common good.

All institutions will have to change to accommodate this new approach, from governments to corporations and beyond. This has implications for charities: Grant money will need to be used

to help charities and social organisations make the leap from the older, baby boomer-driven operating model to one that fits the new, more austere reality. Charities will need different skills and will need to partner with other sectors. They may need to call upon the resources of the newly retired for some of these new skills.

Wei also believes that charities should encourage their financial advisers to bring social investments into their portfolio holdings. He believes that loans to charities and social organisations may be a better risk-adjusted investment than other asset classes. Lending to charities has typically seen lower default rates over the past few years.

Wei suggests that investing a small portion of a charity portfolio in higher risk, higher potential return social investment may also give the sector a boost. He gives the example of impact bonds, social patient equity in early stage ventures, the financing of charitable payments by results consortia or even finding ‘crowdsourced’ way of raising money, such as through Facebook.

There are other trends of which charity trustees should be aware: The growth in China is creating a new generation of wealthy potential philanthropists; there is potential for social technology to be exported, developing knowledge and information platforms for citizen action or donation; finally, there is an opportunity to bring people together through entertainment. The giving of time and money will be about enabling to come together and have fun.

Overall, Wei thinks that the British spirit has proved resilient in the past and will do so again. To revive this spirit, he says, people need to grasp the enormity and urgency of what is going to happen and then adapt to cope and even benefit from those changes.



SIR MATTHEW PINSENT

Sir Matthew Pinsent, winner of four Olympic rowing gold medals, said that rowing offers lessons as to how individuals and teams can operate to generate success. In particular, his experience at the Olympics in Athens – his last gold medal – provided some insight into how people can work together to overcome more difficult conditions.

The winning margin had been narrowing at each Olympics. It started as a 4.99 second gap between gold and silver in Barcelona in 1992. By the Athens Olympics, it was just 0.08 of a second. The race grew more and more competitive and therefore the team had continually to adjust its goals.

Pinsent believes that this goal-setting was a key ingredient of the team's continued success. Everyone on the team had the same ultimate goal – a gold medal in four years' time – but the coach would set the standard for achieving that goal. He said that the team needed to achieve a time of five minutes, forty-five seconds to win. At the time it was faster than the world record. His view was that if every individual did their share, the time would fall into place.

The standard is now five thirty six, which means that if Pinsent were to race to their original time today, they would not be anywhere near the winner's podium.

The coach would measure the group's progress in percentages. One day, they might have rowed at 71% of the winning time, for example. This meant that the team could see its incremental improvement. There was also a lot of focus on small technical improvements. If a small technical improvement is made on every stroke in a race with 250 strokes, it makes a difference.

Equally, everyone needed to focus on their own individual role: Pinsent set the pace for the boat, for example, while James Cracknell was tasked with steering. It was vital to build up trust between the crew members, because each individual had to focus on his own task rather than worry about the actions of another crew member. Everyone needs to understand what the rest of the crew will do in certain situations, what their race plan will be. Also, everyone needed to resist the temptation to try and do everyone else's job when the pressure mounted.

Pinsent said that an important reason for the team's success is that no one wanted to cost the others a medal. The thought that he might make a mistake that meant the others missed their chance of a gold kept him awake far more often than the thought of losing one himself.

A key motivator for Pinsent was that he never wanted to cross the finish line and think he could have given more. At the end of every race, there would be a moment when he had reached an imaginary finish line, but there was still a hundred yards left. In these cases, it was a case of looking three strokes ahead, and then another three strokes ahead. It worked, the team won in Athens.





RATHBONES' ANNUAL
CHARITY SYMPOSIUM



THE GOOD, THE BAD & THE BETTER SOCIETY

by Andrew Holt
Editor of *Charity Times*



ANDREW HOLT ANALYSES THE RAMIFICATIONS OF THE RIOTS, THE IMPACT OF GOVERNMENT CUTS AND THE CHANGING NATURE OF SECTOR FINANCE, AND THE VITAL ROLE TO BE PLAYED BY THE THIRD SECTOR TO ADDRESS THE CHALLENGES AHEAD.

It is axiomatic to state that 2011 has been a difficult year, but as spectres go the riots will leave a haunting memory lingering over the Third Sector. The devastating pictures reminiscent of the destruction of World War II raise some very difficult questions and issues. They are challenging given the riots do not sit easily with the narrative many in the sector like to present, pointing to poverty and government cuts at the heart of all modern evils.

The looters of the latest designer gear and high definition TVs had no thought of government cuts, poverty or discrimination, and it is nonsense to say they did. They were criminals and many thrived on that moniker. What the sector has to try and do is open the Pandora's Box and ask and address why?

On one level, what happened is a sad indictment of years of Labour rule: the rioters were Blair's children; and many were indeed children. In this way, the harsh reality is that during the Blair-Brown years, a culture of welfare dependency deepened, and with that a disconnection to civil society, leading in turn to a culture of moral nihilism manifested in the riots. On this premise, the sector has a tough challenge on its hands. Understandably, many in the Third Sector are unwilling to use the term "broken society" but the reality is that some aspects of our society are not just broken, but as the Prime Minister has rightly noted are in fact sick.

Many educational establishments are failing everybody in this process. The Centre for Social Justice (CSJ) in its report, *No Excuses: A review of educational exclusion*, published in September, exposed the extent to which some children feel unsafe in schools, and the impact of gang culture on their behaviour and education. The report found that children as young as seven are carrying knives in some of Britain's poorest schools, with a profound failure on the part of some schools to respond to disruptive behaviour. The caveat here on poorest schools is vital, as the connection with poverty and societal problems is not broken. Though on another profound thought-provoking level, the CSJ research showed that a child not growing up in a two parent family is 75 per cent more likely to fail at school.

Although dealing with these problems will be extremely tough, the sector is on one level in the ideal, or should that be only, position to address the on-going problems. The problems have been created accidentally by (previous) governments, but the pieces can only be truly pieced together by the sector. In this way, the Big Society lives, and only the Third Sector can really keep it alive.

RADICAL CHANGE

Though the challenges have to be dealt with as the sector goes through massive change. Where we end up is difficult to ascertain, but there is no doubt that in two years time the sector will be dramatically different from what it is now.

On a financial level, radical changes with government cuts can be cited that are to the deep detriment of the sector, but also there exist future social investment opportunities. Firstly, the bad news.

A report, *Counting the Costs* by The National Council for Voluntary Organisations (NCVO) shows that according to the Government's own figures, by studying a detailed analysis of the Government's projected spending plans released from the Office for Budget Responsibility, charities are facing nearly £3 billion in cuts over the spending review period (2011-2015). The report shows: the UK charity sector will lose around £911 million in public funding a year by 2015-16 and cumulatively, charities stand to lose £2.8 billion over the spending review period (2011- 2016).

The learned Karl Wilding, head of policy and research at NCVO, has noted that many charities are unwilling to speak out for fear they will jeopardise other funding streams, while observing naturally this is a significant cause for concern because it will significantly hamper the ability of charities to support those most in need.



VISIONARY IDEAS

There is hope, nevertheless, with new financial initiatives to usher in, what hopefully could be a new era in sector finance. There is the new £10 million fund to find and back innovative new ideas for increasing volunteering and charitable giving which opened in September by Nick Hurd, minister for Civil Society. The Innovation in Giving Fund was announced in the Giving White Paper published in May and forms part of a £34 million package to increase levels of social action. Hurd wants to root out visionary ideas that too often never get the backing they need. The Third Sector has an important role to play in ensuring he succeeds.

There was also the introduction of Social Impact Bonds aiming to invest in social projects to address on-going issues and be paid a return if the projects are successful. Up to £40 million could be raised by four Social Impact Bond pilots launched in Hammersmith & Fulham, Westminster, Birmingham and Leicestershire. These are the first Social Impact Bonds to tackle multiple problems in a family setting. Investors and philanthropists can invest in the bonds which then fund intensive interventions. If they are successful and families are taken out of deprivation and long term dependence on the state, the taxpayer will repay the investments with a decent return. If not, then the taxpayer won't pay.

And recently the Social Investment Business was appointed to run the £24 million Social Action Fund which will aim to support more proven models to help people at all stages of life get more involved in their communities, reach out to people who don't volunteer and build on the momentum of major events including the Olympics and the Diamond Jubilee.

And a new Capital Growth Fund offering grants and loans to social enterprises providing health and social care services in England opened for applications. A total of £12 million capital has been made available via the Social Enterprise Investment Fund (SEIF) to invest in organisations that want funding to support the growth of their enterprises.

Added together, these initiatives make up something fundamentally unique and possibly radical about the shape of sector finances to come.

Though the sector is not short of ideas of its own. In a joint response to HMRC's consultation *A new incentive for charitable legacies* the Charities Aid Foundation, Charity Finance Directors' Group and NCVO gave a cautious welcome to the introduction of inheritance tax relief for charitable legacies which was announced in the Budget.

The group warned, however, that the new measures will only have an impact on those who have already chosen to leave money to charity in their will rather than encouraging more people today to give. Therefore the group has urged the Government to continue looking at other ways of encouraging legacy giving.

SOCIAL FINANCE REGULATOR

And while many are still trying to come to terms with the recent banking ring fencing rules, an Association of Chief Executives of Voluntary Organisations report *Powerful people, responsible society* called on banks to commit to reinvest a minimum of 1% of pre tax profits for social good, and for a new regulatory framework to ensure banks lend to financially excluded communities (including a UK version of the American Community Reinvestment Act).

Moreover, a 'Social Finance Regulator' should be established as well as new laws to open up social investment, said law firm Bates Wells and Braithwaite (BWB) in a new report *Investing in Civil Society*. The report recommended how a social, finance, legal and regulatory regime could be established that would help the government achieve its ambitions of growing the social investment market and making the Big Society Bank, now called Big Society Capital, a success.

The report noted in a key section that it is:

“Perverse that members of the public are largely free to give donations to charities and civil society organisations but are effectively prevented from supporting the majority of civil society organisations by means of investment.”

STRONG FOUNDATIONS

And there is evidence that civil society may not be as badly broken as feared. According to the NCVO, participation is widespread and embedded in British society. *The Pathways through Participation* report released in September, found that people help out in their communities in a huge range of different ways, from volunteering to buying ethical products, depending on what has meaning and value to them. The research, which interviewed 101 people about their life story of participation in areas such as Enfield, Leeds and Suffolk, suggests that there are strong foundations for participation that can be developed and encouraged.

However, it also highlights the need to break down barriers to participation and ensure that everyone gets the most out of their experiences and knows what opportunities there are locally. Some aspects of participation attracted particular criticism, with interviewees who had taken part in formal public consultations almost universally citing their experience as a negative one. People need to feel that their engagement is valued and makes a difference, noted the report.

The report recommends building links between organisations and activities, targeting those who may be excluded from participation because of their circumstances or lack of resources, and providing flexible opportunities which are matched to people's motivations and needs.

Though, like much of the Big Society, it could be said that those participating are of a certain background: white and middle class, who have regularly contributed to the benefit of society and will continue to do so. What is needed now, as the NCVO report recognises, is to expand the big society, to create a bigger-better society, and avoid the worst excesses of the bad society. It is some set of challenges, but the sector is up to meeting those head-on.

CHARITY TRIBUNAL UPDATE

PUBLIC BENEFIT & BENEVOLENT SOCIETIES

This autumn, two highly significant charity law cases will be decided by the Charity Tribunal. The decisions, particularly in relation to the Charity Commission's approach to the public benefit requirement, will have a significant bearing on a very wide range of charities. We will look at the two cases in turn.

PUBLIC BENEFIT

The Charity Commission's guidance on public benefit has proved controversial ever since its introduction, notably the principle that "people in poverty should not be excluded from the opportunity to benefit". This caused particular concern to those charities, such as independent schools, that charge fees.

An application for a judicial review of the Charity Commission's guidance (linked to a request for clarification of the law from the Attorney General) was brought by the Independent Schools Council (ISC) and heard by the Upper Tribunal in May this year. The decision is expected in the next month or so.

The case was originally launched in response to 'public benefit assessments' on a number of charities that charge fees carried out by the Commission in 2009. Of the five schools assessed, two were found not to be operating for the public benefit on the grounds that their fees excluded people in poverty from benefiting. The basis of the assessments appears to have been how many means-tested 100% bursaries were made available by each school, with little or no consideration given to the overall fee levels charged or to the other facilities made available by independent schools to local communities. This took many in the sector by surprise, as it seemed to contradict directly the guidance given by Dame Suzi Leather in her speech to the Headmasters' Conference in 2009, at which she appeared to confirm that 'non-core' elements of this kind would all be taken into account when assessing public benefit.

Furthermore, the Commission was widely criticised by both the ISC and NCVO for the inconsistencies of its approach, and the lack of clarity regarding the actions schools needed to take to ensure that they were delivering public benefit. The questions arising, which related both to schools and to other fee-charging charities such as care homes, included:

- were partial bursaries/reductions sufficient?
- was there a set amount that had to be dedicated to bursaries?
- why were charities given credit for 'discounts' where the balance was paid by others?
- was any account taken of other services and facilities made available to the public?
- was the saving to the taxpayer of the costs involved in education or care a public benefit in and of itself?

Unsurprisingly, the issue has aroused strong feelings on both sides of the debate. The Charity Commission's view is that any benefits provided by a fee-charging charity to those persons unable to afford its fees must be directly related to its objects, and that wider societal benefits (e.g. savings to the taxpayer) are irrelevant. Equally strongly, the ISC's view is that those who pay school fees constitute a sufficiently wide section of the public for the schools to deliver a public benefit by educating their children.

PRINCIPLE 1: THERE MUST BE AN IDENTIFIABLE BENEFIT OR BENEFITS

- 1a) It must be clear what the benefits are
- 1b) The benefits must be related to the aims
- 1c) Benefits must be balanced against any detriment or harm

PRINCIPLE 2: BENEFIT MUST BE TO THE PUBLIC, OR SECTION OF THE PUBLIC

- 2a) The beneficiaries must be appropriate to the aims
- 2b) Where benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted:
 - by geographical or other restrictions; or
 - by ability to pay any fees charged
- 2c) People in poverty must not be excluded from the opportunity to benefit
- 2d) Any private benefits must be incidental

The arguments advanced at the hearing focused on the precise legal issues rather than wider societal approaches to the problem. At the heart of the matter are two issues, raised by principles 2(b) and 2(c) of the Commission’s guidance:

- a) the extent to which charities established for a specific charitable purpose (such as education) also have to relieve poverty, in itself a separate charitable object; and
- b) whether ‘public benefit’ can be delivered if a section of society can benefit, or whether the whole of the public should be able to benefit irrespective of any limits such as the ability to afford fees.

The first of these points seems obvious; not only are the trustees of a charity not required to relieve poverty in addition to their stated charitable objects, charity law actively requires them not to do so. Spending charitable funds on purposes other than those permitted by a charity’s objects is a breach of trust, and one for which the trustees can be personally liable. As things stand, trustees of fee-charging charities are effectively being required to commit breaches of trust without any guidance as to how far this is acceptable, or at what point the Charity Commission would step in. This is plainly unworkable, so the question really being asked – “are charity trustees required to relieve poverty in addition to their main objects” – must surely be dealt with as a matter of degree. If so, it falls within the second point.

The second point is where most of the argument has arisen: what exactly is meant by the notion that a charity must not be set up so as to exclude people in poverty from benefiting? The Commission’s guidance relies on the case of *Re: Resch*, which (it says) confirms that “people on low incomes must be able to benefit” from a charity. It appears that this remark has been taken out of context. In that case, the judge actually said that a charity set up specifically for the wealthy (i.e. explicitly excluding the poor) would not be charitable, but that a charity whose services were by nature expensive would be, provided there was no profit motive involved.

The ISC argues that the Commission’s guidance has wrongly tried to transform criteria that could prevent an organisation from being charitable, into criteria that impose a positive obligation. The law does not say that a charity has to make its services affordable to all, and indeed the costs incurred by many charities would make it commercially impossible to operate without charging fees. The fees charged by charities beyond the sphere of private education (health and social care, for example) would be beyond many people if the cost were not covered by government. That does not, however, prevent the work carried out by those charities from being charitable. Clearly, whether or not an organisation fulfils a charitable purpose and provides a public benefit cannot be determined simply by who pays the bill.

The judgement will hinge on whether people able to afford high school fees constitute a sufficient section of society to enable a benefit to be delivered to the public. Case law suggests that the court cannot require the whole of the public to be able to benefit, but it may need to spell out what it meant by “a sufficient section of society” instead. The Charity Commission has already said that, regardless of the outcome, it will revise its guidance – presumably with the intention of making it

easier to identify when public benefit is delivered, and if any fee reductions are required. The decision is certain to be controversial; the Education Review Group has already said that the idea that people who can afford school fees constitute a sufficient section of the public “leads to the risk of an absurd conclusion”.

BENEVOLENT SOCIETIES

This year’s other major case on public benefit, to be heard in November, also turns on the extent to which a charity’s class of beneficiaries can be restricted while still providing a public benefit. This case has also been prompted by a reference from the Attorney General, and will set a precedent for this area of law for many years to come.

There are approximately 1,350 registered charities which relieve poverty only among groups of people linked to a particular business, association or even family. Of these 1,200 are Masonic charities and 135 are linked to a particular employer.

The reference has been prompted by the attention given to public benefit in the ISC case, since many of the issues – essentially, how big a portion of society needs to be able to benefit for an entity to be charitable – are the same. The Charity Commission has five registration applications that it cannot approve before the decision is made, and the outcome of this case is likely to be heavily influenced by the judgement in the ISC case.

CONCLUSION

Public benefit affects all charities. It obviously applies to those charging fees but, in a time where funding is becoming ever more scarce, it could easily become a live issue for charities who do not yet charge for their services. Trustees should consider this aspect of charity law regularly, and should seek expert advice if they have any doubts.



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ASSET ALLOCATION AND ITS ROLE IN PORTFOLIO CONSTRUCTION

by James Codrington

Investment director

When a charity's investment committee interviews investment managers in a beauty parade, the question is often asked as to how much of a portfolio's return comes from asset allocation. A typical answer might be something in the region of 75%; some investment managers might even quote from a study by three US academics, Brinson, Hood and Beebower,¹ that asset allocation drives 92% of performance.

But what they were actually measuring was how closely funds tracked their (passively invested) benchmarks. They were not trying to explain what portion of return could be ascribed to asset allocation; this question continues to tease academics to this day. More recent studies, for example, by Ibbotson and Kaplan,² suggest that, on average, over 100% of a fund's returns can be explained by asset allocation, with market timing, stock selection and expenses detracting from that return.

Sharpe in 1991 noted that because the sum of all investors is the market, the average performance before costs of all investors must equal the performance of the market - and because costs don't net across investors (you sell to me and incur a cost, I buy off you and incur a cost), the average portfolio return must be less than the market. Sharpe considered that for stock selection to be a big determinant of return, an investor must consistently pick stocks that perform better than average - difficult, though not impossible. For charity investors, income requirements and ethical constraints often militate against a purely passive approach.

This is all mildly interesting but underlines what we already instinctively know: asset allocation is the primary factor in the cumulative long-run return from a diversified portfolio. So should a charity's investment committee then simply pick the best returning asset and put everything in it?

This would be tempting when you look at the long-term returns from UK equities, bonds and cash. £1 invested in equities in 1900 would have grown to £16,972 by the end of 2010, putting bonds and cash in the shade - the return from long bonds would have been £259 and from cash, £201 (note that these figures are with income re-invested; the £16,972 drops to a mere £127 if the dividends had been spent. The figures are even worse for bonds: £1 would have shrunk to a mere 49p if the coupons had been spent. If inflation were stripped out, an initial investment of £1 in equities, with dividends re-invested, would have grown to £241; in long bonds, it would have grown to £3.69. If the income from both had been spent, the equity investment would have become £1.80 and the bond investment, a penny!³).

Such figures suggest that one should put everything into equities - but this would require a strong stomach. The volatility (or standard deviation, the extent to which data are dispersed around the average return) of UK equities over 106 years has

been 20%.⁴ In other words, roughly two-thirds of returns have fallen within plus or minus 20% of the average return (and 95% of returns have fallen within plus or minus 40% of the average return). This is at the lower end of the equity risk spectrum, but even in a lower volatility market such as the UK, movements can be huge: for example, UK equities fell over 50% in 1974 and rose 149% in 1975.⁵ The long-term investor might think that he or she can cope with such volatility. But the longest run

THE LONGEST RUN OF CUMULATIVE NEGATIVE RETURNS FROM EQUITIES HAS BEEN 22 YEARS IN THE UK, 16 YEARS IN THE US, 55 IN GERMANY AND 51 IN JAPAN.

¹ Source: Brinson, Hood and Beebower, "Determinants of Portfolio Performance", Financial Analysts Journal, July/August 1986.

² Source: Ibbotson & Kaplan, "Does Asset Allocation explain 40, 90, or 100% of performance?", Financial Analysts Journal, January/February 2000.

³ Source: Barclays Equity Gilt Study 2011.

⁴ Source: Global investment returns yearbook 2007, ABN Amro, February 2007.

⁵ Source: Barclays Equity Gilt Study 2011.

“*There isn't an investment strategy that can produce the kind of long-term results we've generated at Yale that isn't going to post the occasional negative return... Judging a long-term investment strategy based on the results of a five to six month period is foolish beyond words.*”

DAVID SWENSON,
Investment chief at Yale

of cumulative negative returns from equities has been 22 years in the UK, 16 years in the US, 55 in Germany and 51 in Japan.⁶ This confirms the widely-cited observation that US investors have historically always enjoyed a positive real return as long as they have held shares for at least 20 years; investors in other countries have not been so lucky!

By this stage trustees might do well to consider the Charity Commission's guidance which encourages charities to view their policy statement as “the starting point for any trustee board discussion on investments”, meaning that there should always be a clear outline of what a charity actually wants to achieve, and over what time frame. In the context of investment, aiming towards, for example, the “Education of Poor Scholars” is perhaps less relevant than the recognition that charities have a stream of future liabilities in the same way as pension schemes. Those liabilities are, for example, the salaries of researchers, for a medical charity, or the cost of repairing stained glass windows, for an Oxford college.

Charities and investment managers are therefore increasingly thinking of meeting their liabilities in a more scientific way, namely via targeting a rate of return which will match those liabilities. The need for more consistent investment returns is underlined by the cost of not meeting those liabilities, so the amount of volatility a manager takes on is as important as the returns if we are to achieve any consistency in funding.

How then do we get consistent, positive returns? The standard way to diversify in the past has been to have a portion of bonds in the portfolio, so when equities go down, bonds go up (or at least not down as much). In technical terms, there is a lack of correlation between bonds and equities (correlation measures the extent to which two separate variables move together). But bonds and equities are often not uncorrelated enough to reduce the risk in a portfolio – both asset classes can go down together, and correlations change over time. For example, from 1979 to 1987 and from 1991 to 1997, bonds and equities moved together – they were positively correlated, so there was little point in holding bonds at the expense of equities during these periods.

The increasing correlation between assets in the 1980s and 1990s seemingly rendered active asset allocation obsolete; instead, the practice of following a benchmark seemed entirely rational. But peer group benchmarks simply represent the average asset allocation of a similar group of funds, potentially leading to herd-like behaviour – portfolios follow what everyone else is doing with little relation to a charity's own requirements or risk tolerance, or to the situation where a charity's investment portfolio can ‘outperform’ yet still deliver dreadful returns. Meanwhile, index benchmarks overweight overvalued assets and underweight undervalued assets; capital is being allocated to size, which is the result of past history.

Thus the quest for diversification must take us beyond traditional benchmarks. The example of the Yale Endowment is instructive: in 2009 it had 24% in hedge funds; 24% in private equity, 31% in ‘real assets’ i.e. oil and gas, property and timber, but only 21% in bonds and equities. It achieved a ten year average return of 11.8% versus 1.7% from a 60/40 allocation to US equities and bonds.⁷ However, even the Yale Foundation fell some 25% in the fiscal year to 30th June 2009.⁸ David Swenson, Yale's investment chief, said in his defence that “There isn't an investment strategy that can produce the kind of long-term results we've generated at Yale that isn't going to post the occasional negative return... Judging a long-term investment strategy based on the results of a five to six month period is foolish beyond words.”⁹ This should lead to a more nuanced approach: the achievement of the best available risk-adjusted returns with the possibility of losses in the short term, rather than the ‘absolute return’ mantra that there should never be a negative return. Otherwise investment in ‘safer’ assets to avoid negative returns may provide disappointing capital growth, generally scarcely above inflation, over the longer term.

⁶ Source: Global investment returns yearbook 2006, ABN Amro, February 2006.

⁷ Source: Yale University, 30/06/09.

⁸ Source: Yale University, 22/09/09.

⁹ Source: Bloomberg, 02/01/09.

¹⁰ FSA, Financial Risk Outlook, 31/01/07.

Furthermore, constructing a portfolio of uncorrelated assets should not lead us to think that simply widening the opportunity set will solve all our problems; we should feel no obligation to invest in asset classes if there is no rationale for them, simply to have a 'diversified' portfolio. Indeed, the last four years have tested traditional approaches to diversification to destruction. For example, back in 2007, asset classes which were seemingly uncorrelated (therefore in theory providing diversification), such as property, hedge funds, private equity and corporate credit, were all united in their exposure, in some shape or form, to leverage. The Financial Services Authority noted that "Investments that have been traditionally used to balance portfolios due to their low or negative correlation may no longer necessarily fulfil this role effectively, because they now appear to be moving together."¹⁰ In fact, many hedge funds had become little more than leveraged momentum plays and in 2008 the HFRX Sterling hedged fund of funds index returned -22.9%, little better than long-only equity funds. In short, correlations change over time – so it would have paid a charity at the beginning of 2007 actually to narrow down its assets, rather than have a greater spread in pursuit of diversification.

As Warren Buffett remarked,

“Portfolio concentration may well decrease risk if it raises both the intensity with which an investor thinks about a business and the comfort level he must feel with its economic characteristics before buying into it. Wide diversification is a protection against ignorance.”



ABOUT THE AUTHOR

JAMES CODRINGTON Investment director

James Codrington is an investment director, recently joining Rathbones from Barings, where he was head of charities for nine years. He focused upon absolute return mandates and managed the Targeted Return Common Investment Fund, one of the fastest growing charity funds in recent years.

James previously worked at Deutsche Asset Management, Lazard Brothers and Teather & Greenwood, all in charity investment roles.

From 1988 to 1994, he served in the British Army. James has an MA (First Class) in Modern History from Oxford University, has written numerous articles on absolute return in the charity press and is a regular speaker at charity events and investment conferences.

WORKPLACE PENSION REFORM



by **David Perry**

Head of employee benefits at Alan Boswell Group

The government is bringing in new laws from 2012 that will have a significant impact on most charities in the UK. These changes have been driven by changing demographics and a reduction in the number of UK taxpayers.

It is clear that there will be more pensioners in the future and that those pensioners are likely to live longer; in fact the number of UK citizens over the age of 65 is set to double by 2055. It is also estimated that some seven million people in the UK are not saving enough for their retirement and that 750,000 Employers do not currently offer any form of workplace pension provision. These factors are placing a considerable strain on an already creaking state pension system.

To help alleviate the increasing burden on the system, new employer duties for pensions are to be introduced which will affect all of those charities with one or more employees.

A SUMMARY OF THE CHANGES

The framework for these reforms is already in place and has been sanctioned by the coalition Government so charities will need to:

- Automatically enrol eligible workers into a pension scheme
- Make contributions on their workers' behalf
- Register with The Pensions Regulator
- Provide workers with certain information about the changes and how they affect them

WHAT CHARITIES NEED TO KNOW



WHEN ARE THESE CHANGES HAPPENING?

Employer obligations will be phased in over a four year period, starting with the largest employers and beginning in 2012. Any employer or charity with less than 50 employees will have their staging date set by their PAYE reference number. So you will have to have a Qualifying Workplace Pension Scheme in place and make contributions to it before October 2017 at the very latest.

WHAT ACTION WILL CHARITIES NEED TO UNDERTAKE?

Charities need to assess their workforce, to determine whether or not they have an automatic enrolment obligation. They may also need to provide their workers with certain information, which will require some degree of preparation and effort.

IDENTIFY WHO TO AUTOMATICALLY ENROL

Workers who need to be enrolled are called 'eligible jobholders' and are:

- Aged between 22 and state pension age
- Working, or ordinarily working, in the UK
- Earning above a certain amount (currently proposed to be £7,475 per annum)

CHOOSING A PENSION SCHEME

Charities with an automatic enrolment duty will need to choose an eligible pension scheme and information will be available to help charities make this decision later in the year.

Some charities may be able to utilise an existing scheme or set up a new one with a pension provider and this will be an area where independent financial advice will need to be sought.

In addition, there is the National Employment Savings Trust (NEST). NEST is a pension scheme set up by the Government to ensure that employers, including those that employ low to medium earners, can access pension saving and comply with their automatic enrolment duties.

Whether the scheme an employer uses for automatic enrolment is new or not, it must meet certain, specific criteria set out in legislation.

The scheme cannot:

- Impose barriers, such as probationary periods or age limits for members
- Ask staff to make an active choice to join the scheme or take other action, e.g. having to sign a form or provide extra information to the scheme themselves

MAKE CONTRIBUTIONS

Many charities will have an existing scheme and this will need to be checked to confirm it is suitable for automatic enrolment by a process called certification.

The new rules will require the charity to pay an overall contribution of at least 8% of the workers qualifying earnings, of which 3% of this must be from the charity as the employer.

In most cases, Government tax relief will account for 1% of the total of 8%.

PROCESS ANY OPT-OUT NOTICES

Workers have the right to opt out of the employer's pension scheme and there is a set procedure to follow as detailed on the pensions regulator's website www.thepensionsregulator.gov.uk

OTHER IMPORTANT CHANGES CHARITIES WILL NEED TO IMPLEMENT

- Keep accurate records - as well as the new annual returns to the regulator, specific records must be kept about workers and indeed the pension scheme a charity has chosen to use for a minimum of six years. It will be important to ensure ongoing compliance with these requirements.
- Provide workers with information about the changes, and to retain all personal communications in writing or e-mail. The duty is on the charity to provide the correct information to the right individual at the appropriate time. Someone acting on the employer's behalf such as an Independent Financial Adviser (IFA), pension provider or benefit consultant will be able to provide the information, but it remains the charities' overall responsibility to make sure it is provided on time and is complete and correct.
- In addition to these changes there are a number of anti-avoidance measures in place which the regulator will actively monitor. These relate to making sure that employers avoid incentivising workers not to join the pension scheme amongst other things.

DANGEROUS AUTO-ENROLMENT IGNORANCE IS REVEALED

The majority of employers and charities are still not properly prepared to meet the statutory requirements of auto-enrolment. Research from the Association of Consulting Actuaries finds that two thirds of employers don't yet grasp they will be breaking the law unless they auto-enrol their workers into a qualifying workplace scheme from 2012 onwards.

A poll of 468 employers of all sizes revealed that many do not actually intend to auto-enrol employees into either the National Employment Savings Trust or an employer's scheme. Unfortunately for them, doing nothing is not a viable option.

There is also the issue of voluntary organisations in multi-employer schemes like the Pensions Trust (tPT). Those contributing to defined benefit schemes will see the cost of their provision increased by auto-enrolment. The rules of such schemes mean closing them to new members

will trigger cessation debts even greater than the increased contributions. The cessation deficit will be many times the level of the ongoing deficit and many small charities will be unable to afford this, potentially driving them out of business.

The Department of Work and Pensions is committed to publishing options for reforming the law on section 75 debt by October at the latest, so watch this space.

WHAT SHOULD CHARITIES DO NOW?

Given the fact that it would appear that many charities have not advanced their plans to comply with the new legislations there are some simple steps that they can take.

- Find out their provisional staging date (the date at which they will have had to comply with the new legislation) at www.tpr.gov.uk/staging
- Plan for when they might need their pension scheme in place and take action if necessary to include planning when and how they will assess their workforce
- Budget for these changes
- Look out for further information and guidance from the regulator by signing up to their free email news service www.tpr.gov.uk/news

PROFESSIONAL ADVICE

Pensions are a complex area and advisors who deal with employee benefit issues will be familiar with the challenges that businesses and charities will face in the light of these new laws and regulations. They will be able to:

- Help you to review your existing workplace pension scheme to make sure that it complies with the new requirements
- If you haven't got a pension scheme yet, they can help you to put one in place
- Advise on appropriate arrangements such as salary exchange that can save money and offset the impact that these new laws will have on your charity

What happens next is up to you. Non compliance is not an option as this legislation will be monitored and there will be financial penalties. Alternatively take control of the situation and seek professional advice whilst there is still time.



DAVID PERRY

Head of employee benefits at Alan Boswell Group

David has over 25 years experience in the financial services industry with Equity and Law, AXA and Clerical Medical. David was formerly Chair of the Norfolk branch of the LIA, and is responsible for guiding his firm's strategy through the workplace pension's reform. David is a regular speaker at charity events across the UK, and has written several articles for the charities press.



FACING UP TO CHANGE

New PKF partner Karen Thompson, formerly Chief operating officer & director of resources at FARM-Africa, discusses what charities should do in response to the current sector upheaval.

The year 2011 has been shaping up to be a challenging one for charities and not-for-profit organisations in the UK. The Comprehensive Spending Review is making its impact felt across the whole sector, sometimes directly in terms of funding cuts and increased demand for services, but often in more subtle ways. Charities are being asked to deliver more flexible services, targets and measures of success are being redefined, and staff and volunteers are under pressure both inside and outside work, thanks to the economic environment. For many organisations the final outcome of these external changes is not yet clear. But what is clear is that the environment in which charities operate is changing rapidly, and that they will themselves need to change in response. Planning and delivering organisational change will be crucial to the success of many organisations over the next two to three years.

SHARING SOME EXPERIENCE

Before joining PKF I spent 7 years as finance director and chief operating officer of two international development charities. During that time I helped to steer both organisations through a great deal of change, some of it planned, some forced. What follows are some personal observations arising from those experiences. The list is by no means exhaustive, but I hope it will help those of you who are facing change in your own organisations to steer your way through the process.

1. Define your goals

Set out in one place why you need to change. What are your goals and objectives? What do you plan to do, and how you will know when you have succeeded? Get senior management and trustee buy-in and refer to the planning document often. It is surprisingly easy to lose sight of the bigger picture once a change programme is underway, and this approach will help keep you on track.

2. Set aside resources to make the change

Be realistic about the amount of senior management time required to steer through change. It is a lot – you must find ways to free up their time. Can you bring in additional resources? Can other projects be postponed? Perhaps volunteers and trustees can be mobilised. Freeing up senior time to steer this through is vitally important if you are to succeed.

3. Communicate, communicate, communicate

Agree some clear messages and build plenty of time into your plan to deliver them. Staff, funders and other stakeholders all need to be fully informed if they are to buy into your plans. Change can be unsettling, and you should be prepared for some emotional reactions and for a lot of questions. Keep talking, answer questions, incorporate appropriate feedback and you stand the best possible chance of bringing people onside.

4. Do the important things

There will never be enough time to do everything you plan to – unexpected issues will arise, more change will happen externally, or things will simply take longer than you expected. Review your work plan and identify those things which will cause the greatest risk to the organisation if they are late or remain undone. These are the important things – focus your effort here, monitor progress and get them done. If other things have to wait then so be it.

5. Implement for the long term

Always remember that the change process is a step in the life of your organisation and not an end in itself. Look beyond the change and ask yourself how things will function, what skills and behaviours you will need from staff, and what will constitute success. This will give you the best chance of making decisions that work for both the short and the long term.

6. Take the opportunities as well as mitigating the risks.

Making major changes is risky for any organisation. The temptation can be to focus on mitigating risk, and miss potential opportunities. Make sure your plans are balanced and that you have a good mix of ‘glass half full’ and ‘glass half empty’ people steering the project! This will give you a rounded view.

Also, bear in mind one final reflection. For both the organisations where I worked, change was sometimes quite painful and tiring – however, it taught us some valuable lessons and made us much better prepared to face the future. This is one potential cloud that very definitely has a silver lining, and which if tackled properly can help you build a platform for future success.

DOES YOUR CHARITY CONSIDER ITS TAX POSITION?

by Kerry Clayton
Trust manager

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TRUSTEES ARE AWARE OF THEIR LEGAL OBLIGATIONS TO BOTH PREPARE AND EFFECTIVELY REVIEW THEIR ANNUAL ACCOUNTS. THESE ACT AS A POWERFUL TOOL IN HELPING TO PROMOTE THE CHARITY WHEN ATTRACTING AND SECURING DONORS.

The value of this specialised area of charity accounting needs to be balanced by the governance costs incurred which are borne from charitable funds, ultimately reducing resources available for public benefit. However, while most trustees regularly consider their costs, the opportunity of reclaiming income tax suffered by the charity or its donors may slip the review net.

RECLAIMING TAX ON GIFT AID AND OTHER INCOME

If your charity is recognised by HM Revenue & Customs, basic rate income tax on Gift Aid donations and tax deducted from other income received can be reclaimed, including investment income or tax deducted from income arising on gifts left to your charity by Will.

In addition, Gift Aid donations made in the tax years 2008/09, 2009/10 and 2010/11 qualify for a transitional relief supplement of 2%.

This is by HM Revenue & Customs and automatically added to your Gift Aid tax repayment, subject to appropriate deadlines.

CHARITY FUNDRAISING EVENTS

Trustees often hold events to raise funds but may not be aware that any donations received in addition to the ticket price will qualify for Gift Aid. To ensure the receipt is deemed Voluntary Income, any suggested donation:

- Must not have to be paid in order to attend the event
- The donor must be aware that the suggested donation is not compulsory and that they need only pay the ticket price to attend; and
- The charity must not give any preferential treatment to those who do make a donation. That is, the tickets must be allocated on a 'first come first served basis'

Trustees may consider arranging a 'donation only' event where, providing people can attend even if they opt to pay nothing, all donations will qualify for Gift Aid. However, trustees have legal obligations to safeguard the charity's funds and so the cost of the event must always be covered by the admission price.

THINGS TO CONSIDER

- HMRC has recently issued guidance for school charities relating to Gift Aid. '*Gift Aid & Payroll Giving: a reference guide for school charities*' summarises how Gift Aid and Payroll Giving work and which donations qualify. The guide also includes helpful scenarios such as appeals to fund scholarships and schools fees.
- There are often potential income benefits associated with the Gift Aid scheme.
- Further information, including model Gift Aid declaration forms, are on the HMRC website at www.hmrc.gov.uk

AND FINALLY:

If you have any queries or wish to receive any further details of how Rathbone Trust Company can assist trustees with any administration, tax or accountancy services then please contact:

Kerry Clayton on 0151 236 6666,
or email kerry.clayton@rathbones.com

RATHBONES

CHARITABLE ACTIVITY

JERSEY OFFICE ACTIVITIES by Jonathon Giles, Jersey office

Our primary charity focus for 2011 has been cancer, both care and research, and general healthcare. In May we held a very successful rosé wine tasting evening for ladies across the Jersey finance industry in favour of UK Cancer Research. Held in the idyllic grounds of Longueville Manor, the pink themed event addressed most continents and tastes. We raised in excess of £500 and intend to make it an annual event.

Tim Ford, one of our Jersey-based investment managers, jumped out of a plane at 10,000 feet in early September for CLIC Sargent, the children's cancer care charity.

Whilst parachuting to a beach in Jersey he helped raise £4,000 (although they are still counting).

Additionally we have sponsored a variety of golf days with intermediaries providing a Rathbones team and Rathbones prize for the day. These have supported; Wellbeing of Women, the internationally renowned Durrell Wildlife Trust, and upcoming in October, the Animal Healthcare Trust – which last year raised in excess of £24,000 on the day – so a big target to beat! I must say that with all this practice, our golf is improving but we are still some considerable way away from winning our own prizes!

THE IRONMAN by James Ward, London office

Many of you will say, “What is an Ironman?” Well, it's a 2.4 mile swim, a 118 mile cycle and then a full marathon!

James Ward, one of our London-based investment managers, has been rising early to train and stayed mainly alcohol free since January to compete in the Ironman distance triathlon in Copenhagen. He raised funds for ‘The St.Paul's Money Advice Centre’ where he has volunteered for six years and is run by around twenty volunteers. They help people from all walks of life, from bankers to the unemployed, many with tragic stories of how they ended up in debt and the majority wanting to repay everything.

James helps them work out a budget, contacts their creditors and sets up payment plans. In order to make a bigger impact, they aim to be open during work hours and run workshops in schools. James has managed to raise about £5,000 of vital funds this year and it's great to see the impact this has already made.

James says “I asked a seasoned Ironman for a tip before the race and he said, “just keep moving forward”. I thought about this many times as I raced through dark moments when my body said “stop”. I now say it to my clients at debt advice “just keep moving forward”, you just need to chip away month by month and you will get there! Thanks again to everyone who donated.”

THEATRE ROYAL CLEAN-UP by Tim Bolton-Carter, Winchester office

As part of Rathbones Winchester offices' commitment to the arts and support of the local community, the team from Winchester stepped away from their desks, donned some old clothes and descended upon the Theatre Royal in Winchester run by Live Theatre Winchester Trust Ltd. The team aided in the ongoing rejuvenation project for the Theatre's upcoming autumn season, from cleaning the floors to painting the toilets; everybody rolled up their sleeves.

Although Rathbones Winchester are the principal sponsors of the Winchester Festival – a ten day arts, music and literature extravaganza held each July – the team were keen to make a physical contribution, rather than just donating, and jumped at the chance to do something a bit different. Despite all the hard work, it was an experience that was enjoyed by the whole team and everybody in the Winchester office is very much looking forward to their next opportunity to lend a hand and put something back into the local community.

THE MADHAT CHALLENGE by Jenna McCabe, London office

In our last Charity Review, Edinburgh based investment directors John Gunn and Christopher Godfrey-Faussett were due to start a race across Scotland, one on bike and one by foot. John, who rode around the west coast, just out-cycled Christopher, who spent a long 11 days of running directly from the south to north border.

They have raised over £33,000 for the King's Royal Hussars Appeal, the Borders Children's Charity and Prostate Cancer Scotland.

CONTACT US

If you would like further information or to arrange an initial meeting, please call Jenna McCabe on **020 7399 0195** or email jenna.mccabe@rathbones.com

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