BRIGHOUSE WEST YORKSHIRE AREA MEETING

Investment Guidelines as at 24th May 2010

The following notes have been prepared at the request of AM Trustees for guidance of AM and LM Treasurers. LMs are advised that any proposed investment worth £2,000 or more should be brought to the attention of AM Trustees for consideration in advance.

1. The fall in interest rates over the past two years has caused considerable reductions in income for most meetings and treasurers are anxious to address this problem.

2. Clearly before an investment is considered a decision has to be made as to the amount of money available having a view as to cash flow requirements over the coming months and a sensible reserve for contingencies.

When making the decision to invest several questions need answering:-

(a) Will the money be secure?
(b) Is the investment required for income?
(c) Is the investment required for capital growth?
(d) Or a combination of b and c above.
(e) Does it matter if the funds are ‘tied-up’ for several years?
(f) Can the funds or part of the funds be readily liquidated.
(g) Is the investment ethical?
(h) What is the risk? Gov. stock low risk - shares high risk.
(I) What is the cost of making the investment?

A. Security

Is the bank, building society, fund etc. well known and well supported. The last thing anyone wants is for the investment vehicle to go bust.

B. Income

Funds invested in banks/building society will generate income and the original capital sum will remain intact. However, certain unit type funds or bonds will pay interest and the capital sum can increase or decrease in value. Similarly with stocks and shares.

C. Capital Growth

When investing in units, shares or stocks etc. values can decrease as well as increase. Certain types of units, known as accumulation units, do not pay out the interest or dividend but re-invest the money so increasing the value of the unit. Hence income or accumulation units.

D. Income and Capital

Clearly the ideal situation would be a good rate of interest plus capital growth. Shares may provide this but be aware of the risk of volatility (more under risk later). Units or unit trusts are less volatile and are well worth considering, e.g. F & C Stewardship Funds, COIF Charities Ethical Investment Funds.

E. Long Term Investments

Many of the Building Societies and Banks are offering 3-5 year deals where the money cannot be withdrawn, and the rate marginal at 3.7% - interest may only be paid at year end so this may affect cash flow in the short term. Rates will probably be much better than this in twelve months time when competition hots up and we come out of recession; so consider holding off making the investment in the short term.

F. Liquidity

Consideration needs to be given as to the liquidity of the investment. In case of need, can funds be readily accessed? With unit trust type investments a proportion of the investment can be sold.

Good advice is 'not to have too many eggs in one basket'. Clearly to invest all spare money in a fixed long term deal which cannot be accessed is not good policy. However, a mixture of cash, short term and long term investments is more prudent.

G. Ethical

When looking for the right investment it is important to maintain the Quaker ethos and consider - does the investment vehicle invest in companies:-
- Supporting oppressive regimes.
- Manufacture of armaments.
- Has significant turnover relating to the production or sale or alcohol, gambling, tobacco or pornography.
- Who persistently violate human rights.

Ethical investment funds are becoming far more popular and have some weight in the market place.

The two funds previously mentioned F and C Stewardship Funds and COIF Charities Investment Fund are considered to be ethical.

H. Risk

Looking at the 'risk scale' cash/government stocks are probably the least risky. Some Government Stocks do carry a good rate of interest but fall foul of the ethical criteria. Whilst shares are the most risky, Unit Trusts fall in the middle, and Building Society/Banks being at the safe end.

(I) Cost

Investments made in Building Societies and Banks are usually free. However, purchases of Shares, Units or Government Stocks do have an initial charge 2-3% of the capital sum (less for Shares and Government Stocks).

Be aware of the small print, e.g. a 3-5 year term with a Bank or Building Society may have a penalty if the investment is liquidated early.

Clearly in making an investment there is a lot to consider, as in many things in life the cautious middle road is perhaps the best advice.

Adopted by AM Trustees on 24/5/10