

The Dunhill Medical Trust

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Our charitable aims and investment objectives

The aims of the Trust are focused on funding the best of the UK's academic and clinical research into understanding the mechanisms of ageing and treating age-related diseases and frailty and supporting community-based organisations that are working to enhance the lives of those who need extra support in later life. We rely on the return from our investments to finance our activities, specifically to achieve the following priorities:

- to ensure we can continue to fund and support operationally the Trust's grants programme over the long term;
- to support, invest in and work with other organisations which share our aims.

We are prepared to consider investing in enterprises which aim to generate social and environmental returns in line with our mission and the work of our award-holders, even if they are not expecting to generate market-level financial returns.

We aim to maintain the real value of our capital base over the long-term. Accordingly, we target a real return of 4.5% per annum, which is consistent with our level of annual expenditure.

We use a rolling three-year period to determine the funds available for distribution to smooth out any short-term performance volatility. We are prepared to accept a short-term reduction in the real value of our endowment in order to maintain our desired level of expenditure.

We have adopted a strategic asset allocation, which we implement through a series of different mandates with external fund managers. We expect these managers to add value through active management of the portfolio.

We take a total return approach, which means that we have no specific separate return target for income or capital gain, although we would reasonably expect a yield of c.2% on the portfolio as a whole.

Responsible and sustainable investment

We take a long-term approach to our investments and therefore wish to invest responsibly and sustainably and in a way that does not conflict with our charitable aims.

Our name is often mistakenly associated with the tobacco industry, which is a clear conflict with our charitable aims in medical research and healthcare. While our founder was a member of the Dunhill family which founded the eponymous luxury goods brand which included sales of tobacco products, the original endowment was a personal bequest from Herbert Dunhill's estate and not in the form of a donation or legacy from the family business. That bequest has been invested in a range of collective funds in the global investment markets ever since and no direct investments in tobacco have been made. The Board has now taken the decision to avoid investment in tobacco¹ using the definition supplied by the Joint Protocol of Cancer Research UK and Universities UK on Tobacco Industry Funding to Universities. It is currently over-seeing a managed divestment of any remaining holdings within the pooled funds in which it is invested.

We believe it is in our long-term financial interests and the interest of society as a whole to ensure that investment risks and opportunities associated with environmental, social and governance (ESG) issues are properly managed. We will therefore seek to:

- follow best practices in ESG risk management and ensure that our fund managers take ESG issues fully into account in their investment process;
- engage through our fund managers with companies, as appropriate, to try and encourage improvement in practices;
- require each of our external fund managers to regularly report back on their ESG risk management, engagement and voting activities;
- avoid investing in organisations and projects which conflict with our aims.

Managing risk

We recognise that our return target is ambitious and therefore a long-term approach which is accepting of short-term volatility is likely to be required.

We ensure that individuals with relevant expertise are co-opted on to our Investment Committee and employ the services of an independent investment advisor.

Our portfolio is well diversified and split over a range of different fund managers with differing styles. We receive reports from, and meet regularly with, these managers and require our independent investment advisors to have robust procedures in place for monitoring their financial and non-financial performance.

We avoid over-dependence on specific companies, geographical markets or industry sectors.

¹The Joint Protocol of Cancer Research UK and Universities UK on Tobacco Industry Funding to Universities defines "Tobacco Company" as a company, entity or organization (or groups or combinations of the same) whose business other than for an insignificant part (less than 10% of its revenue), is the development, production, promotion, marketing, or sale of tobacco in any country of the world, or is a subsidiary or a holding company or affiliate of the same. E-cigarette companies which are fully or partially owned by the tobacco industry are also considered tobacco companies under this definition.

We have an above-average tolerance for risk and while we are comfortable with the level of risk inherent in equity markets, we keep our strategic asset allocation and all our investments under close review.

We avoid speculative and opaque investments that we do not understand.

We are unlikely to be in the position of being a forced seller to meet our financial commitments, which rarely extend beyond three years. However, we would expect the majority of our assets to be held in cash, relatively liquid equities and fixed income instruments. These are unrestricted assets, the value of which greatly exceeds current annual grants distribution, annual running costs and other financial commitments.

Managing performance

Investment performance is measured against the real return objective, the strategic asset allocation and individual fund manager benchmarks.

We take a long-term view of performance, appropriate to our above-average risk tolerance and time horizon. While we monitor our holdings carefully, with formal review by our Investment Committee quarterly, we are not focussed on short-term volatility. Where the portfolio value deviates too far from the desired target, a strategic review of the investment approach and/or the spending plans may be triggered.

Each of our investment managers is required to provide quarterly reports of performance on the portfolios they manage, together with contextual market commentary. In addition, they are required to make presentations to the Investment Committee on a rolling basis to enable the Committee to interrogate the reports and express any concerns.

Reporting

We report publicly on our investment activity in the following ways:

- we publish our Investment Policy on our website;
- details of the funds in which we invest and their recent performance is detailed in our Annual Report and Accounts, again, published on our website.