Finance and Resources Committee 29 July 2010

Review of Investment Fund Management

Executive summary and recommendations

Introduction

Rensburg Sheppards Investment Management Ltd. were first appointed as HPC's investment fund managers in 2005 and have held the appointment since then, subject to an annual review of their performance by the Finance and Resources Committee and the Committee's decision on whether to recommend Rensburg Sheppards reappointment to the Council.

Although the annual charges from Rensburg Sheppards is below the tender process threshold, it may be an opportunity to review how the investment funds are managed and see if the risk of value fluctuations can be reduced.

As an initial start point, we have looked at the annual accounts of a number of other regulators to see how they manage investment funds (appendix a).

Background

A copy of the investment policy that was approved by the Finance and Resources Committee on 6 February 2008 can be seen in appendix b.

A copy of HPC's financial reserves policy can be seen in appendix c.

Rensburg Sheppards charge a commission of 0.5% on the value of funds managed.

Decision

It is proposed that the Finance and Resources Committee consider a number of options rather than a straight forward comparison of services and costs from other investment fund managers.

There is potential volatility in holding a portfolio that contains stocks and shares which may result in the value of investments decreasing. The fluctuations are outside of the control of HPC management and dependant on numerous factors.

The Committee may wish to consider:

<u>1. Cease using the investment funds and hold the money in cash on deposit at a bank.</u>

The best rate of interest HPC are currently receiving is 1.1% gross on £3m held on deposit for 3 months at Lloyds. We may be able to increase this slightly with an additional £2m, but this would not be significantly increased. The interest received from the cash on deposit is paid gross and liable to tax as investment income.

The latest inflation rate from National Statistics Office, the CPI annual inflation, the Government's target measure – was 3.2 per cent in June, down from 3.4 per cent in May.

Using this approach would give an erosion of the real value of money held over the long term. It is unlikely that the gross interest rate would be higher than the inflation rate.

<u>2. Continue with the present arrangements but put the work out to tender.</u>

If the Committee decides to continue with a diverse portfolio which includes a range of investments such as bonds, stocks and shares then it may wish to consider putting this out to tender.

<u>3. Move the funds currently invested and place the money to government bonds or securities.</u>

Advice would need to be sought and may require an investment fund organisation to manage the funds.

<u>4. Investigate any other possible risk free and tax efficient options.</u>

Advice would need to be sought and may require an investment fund organisation to manage the funds.

If the Committee decides to put the work out to tender, it may wish to consider the opportunity for each bidder to give a presentation on the benefits and shortcomings of options 2 to 4 above as well as their own pitch for the contract. The following organisations are offered as potential bidders for the work:

CCLA
Coutts & Co.
Epworth
Jupiter
Newton
Rensburg Sheppards

A limited amount of information for each, downloaded from the internet, together with their website addresses are attached in appendix d.

The proposed approach to tendering is described in appendix e and a suggested timetable can be found in appendix f.

Subject to the Committee's decision from the above list of options, and the number of responses from interested parties, a panel will review and draw up a shortlist of suppliers. The selected firms will then each be asked to make a presentation to the Finance and Resources Committee at the November meeting. The selected organisation will then be recommended to the Council for appointment.

Background information

None.

Resource implications

None.

Financial implications

Attendance allowance and expenses for shortlisting Panel meeting (if applicable).

No direct additional cost to HPC.

Appendices

a. Other regulators approach to investment funds
b. HPC investment policy
c. HPC reserves policy
d. Summary information on potential bidders
e. Proposed tender approach
f. Timetable for tendering process

Date of paper

16 July 2010

Appendix a

Investment funds identified from the annual accounts of other regulators

A review of the latest annual accounts from a number of other regulators has revealed the following investments on the balance sheets/ statements of financial position.

The General Dental Council as at 31 December 2008 had £169k invested in Securities and Unit Trusts.

The General Medical Council has £25m of funds placed as cash deposits.

The Architects Registration Board places it investment funds in fixed interest UK Gilts.

No investments were shown in the accounts of the following regulators:
Nursing & Midwifery Council, General Social Care Council, General Teaching Council for England, General Chiropractic Council,.

Appendix b

HEALTH PROFESSIONS COUNCIL (HPC)

INVESTMENT POLICY
(Approved by Committee 6 Feb 2008)

1 INTRODUCTION

HPC commenced operations on 1st April 2002 inheriting the net assets and reserves of the Council for Professions Supplementary to Medicine (CPSM).

The value of the investment portfolio (managed externally) at 1 April 2002 was £2.15M, exclusive of cash balances held for investment.

The 31 August 2005 market valuation of the funds managed by Carr Sheppard Croswaithe Ltd[1] (CSC) totalled £1.54M, after withdrawals of £800k for special project funding since 2002 (LISA and Park House renovations) and a further £250k in May 05 to assist in purchasing Purbrook & Eyres Ltd share capital to acquire the 22-26 Stannary St building space.

2 INVESTMENT POLICY

2.1 **To invest surplus funds in income and capital growth-generating investments, without putting those funds at undue investment risk and without "locking up" the funds when they are needed to run the business i.e. ensure funds aren't locked up for a longer duration than HPC's cash-flow needs, or aren't invested in items that are difficult to convert into their cash equivalents at current market valuation.**

Potential income-generating investments include things like cash term deposits, bonds, equities paying dividends and property, if rental income is obtained from it. Potential capital-growth investments include things like equities (share price increases), real estate (capital value increases), collectibles and bullion such as gold and silver.

Such investment types each have different levels of risk and return, different types of professional expertise required to select, manage and realise the value from them.

2.2 **To utilise a combination of indirect and direct investment methods for investing surplus funds, where appropriate internal control can be maintained, where appropriate external investment expertise can be leveraged and where investment risk can be better diversified or minimised.**

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[1] Carr Sheppard Croswaite Ltd (CSC) is a private client investment management business (fund management firm) with offices in London, Reigate, Farnham and Cheltenham. At the time of writing, CSC had £6.1B funds under management (£5.9B at 31 May 05) and on 6th May 2005 were taken over by Rensburg Sheppards PLC Group (www.rensburg.co.uk). Rensburg Sheppards PLC at the time of writing had more than £10B of client funds under management (uncluding the CSC share).

An example of *indirect investment* is outsourcing the investment and management of an investment portfolio (e.g. real estate, shares and bonds) to one or more professional fund management firms. An example of *direct investment* is the Finance Dept instructing a trading bank to place surplus cash in the commercial money market for a fixed term. A second example is the HPC choosing to buy London commercial property (Park House and Stannary St, Kennington) to meet its office space needs.

<u>Indirect investment</u>
Typically done by utilising the professional expertise of external fund managers, to ensure funds transferred to them are invested in a diversified portfolio (a mixture of various shares and fixed income products, in different countries, sectors and institutions within a given sector). Fund managers typically charge an annual management fee to administer the portfolio, typically 1-5% of the fund value per annum, regardless of fund performance.

It is important that where HPC uses one or more external fund managers, that they are of sound commercial standing (solvent and reputable) and that regular fund performance reporting occurs. There are two aspects to this – firstly, regular fund reporting at financial month end, to allow timely market valuation of the fund value in the HPC balance sheet. And secondly, at least quarterly sector-benchmarking on fund performance (fund % returns considering both capital and income gains, less fees charged to administer those funds).

Where funds are provided to an external firm of fund managers, they may at times "cash up" some of the equities or bonds and invest in the Money Markey in the short term, to position themselves for purchasing further shares or bonds at cheaper prices. Unless they retain the freedom to act tactically, their ability to generate fund returns that are attractive to HPC will be diminished.

<u>Investment risk minimisation through diversification</u>
Investment risk and return in global capital markets with fast information flows (about price and risk changes) are inherently linked. Some types of investment risk can be minimised by diversification - essentially "not putting all your eggs in one basket". Some risk diversification can be achieved by investing in different, unlinked investment types (property, fixed income, equities) and by diversification within a given investment type e.g. where the fund manager buys shares in a range of companies.

However, within an investment type such as equities, some risk cannot be eliminated no matter how many share types are invested in. For example, the risk that the share market as a whole might suddenly crash is difficult to avoid, other than by buying hedging instruments (the value of which increases as the market value of the underlying products reduce) or avoiding investment in those markets entirely.

<u>Inter-relationships</u>
Investment returns and risk need to be assessed in relation to the HPC Reserves policy and Five Year Plan for assumed fee changes i.e. the three are inter-connected. To elaborate, in the medium term, if fees are not able to rise to offset cost increases, but ongoing compliance with the agreed Reserves policy is maintained, then investment returns need to rise.

However, higher investment returns will typically involve incurring increased investment risk (more value volatility and/or greater potential for losses).

Short term money market investments
As well as the approx £1.8M investment portfolio managed by professional funds managers, cash funds (typically £1-2M) are invested directly in the short term in income-generating money market deposits, corporate bonds and a Business Reserve account.

Corporate Bonds versus the Money Market
At the time of writing, Nat West Corporate Bonds could only be invested for a minimum term of three months, while equivalent-yield money market investments could be made for a minimum of one week. Given the lack of an HPC overdraft facility and cash-flow forecasting uncertainty, surplus cash is being invested in the Business Reserve Account and money market account, earning indicative rates of 2% and 5.75% per annum respectively.

Credit Rating of Financial Institutions for Direct Investments
2.3 **Our policy is to directly invest cash reserves in products offered by financial institutions with a Standard and Poor's Credit Rating of at least AA minus (Moody's Credit Rating of AA2) and where the interest rates are market-competitive.** For example, Nat West bank where money market investments are held at the time of writing, have this rating. The HPC obtains three rate quotes from 3 financial institutions with at least the above credit rating, to ensure rates received are market-competitive.

3 ETHICAL POLICY
Because HPC is a health regulator, the investment portfolio fund managers have been requested not to invest in companies trading in tobacco products, alcohol production or gambling.

4 FEES
Because of the relatively small size of funds placed indirectly, HPC has limited ability to negotiate fees outside the standard terms. Rensburg Sheppards fund managers are remunerated purely by commissions on transactions. Rensburg Sheppards have confirmed a commission basis of 0.5% on the value of funds managed. This is a £9k annual fee for managing £1.8M investment portfolio funds.

5 BENCHMARKING
Notwithstanding the fund management sector performance indicators outlined in the quarterly valuations provided by Rensburg Sheppards, HPC reserves the right to undertake a review of the performance of the portfolio using other means.

The Fund Manager is invited to attend at least one Finance and Resources Committee meeting per year (more if the Committee requires it so) to provide a summary report on fund performance and address any questions the Committee may have relating to the funds under indirect management.

6 REPORTING
The professional fund manager provides a detailed report to the Finance Department at the end of each month. This forms the basis of the balance sheet valuation of the investments at month end and provides details of all investments in the portfolio (holdings, additions, disposals). Market

Valuations are also sought on a periodic basis, on commercial property investments managed directly by the HPC. For details of how commercial property is reported in the HPC balance sheet, please refer to the Notes to the Annual Financial Statements.

Appendix c

HEALTH PROFESSIONS COUNCIL (HPC)

RESERVES POLICY

INTRODUCTION
HPC commenced operations on 1st April 2002 inheriting the net assets, general funds and revaluation reserves of the Council for Professions Supplementary to Medicine (CPSM). A private meeting of the Council in October 2004 ratified the September 2004 proposed policy that sufficient Reserves should be held to cover three months overheads. The Reserves policy was last approved by the Finance and Resources Committee in November 2005.

1.0 Reserves definitions

Reserves have been defined as accumulated profits (surpluses) that have been retained by a company (the organisation), plus any surplus from the revaluation of assets, plus any share premium. Reserves belong to shareholders (stakeholders) and are part of shareholder's funds.

In s92 (c) of the Company's Act 2006, reserves are referred to indirectly as follows; the amount of the company's net assets is not less than the aggregate of its called up share capital and undistributable reserves. s831 (4) defines undistributable reserves as the share premium account plus the capital redemption reserve plus the amount by which accumulated unrealised profits exceed its accumulated unrealised losses plus any other reserve that the company is prohibited from distributing.

A useful guide for HPC would be the define reserves as the sum of Investments and Working Capital, as this is readily convertible to cash in the short term.

2 RESERVES POLICY

2.1 **That HPC maintain a Reserves level that is a MINIMUM of three average months budgeted operating expenses.**

2.2 **That HPC maintain sufficient Reserves to fund the replacement of assets (purchased or leased) that are used in the business for ongoing operations.**

By definition, assets have a useful economic life greater than one year. They are depreciated over their useful life e.g. four years for most computer assets. If HPC needs to replace those assets at the end of their economic life to at least maintain existing services and service levels, sufficient reserves must be built up to do so. As HPC grows in size, the investment in assets increases, so the level of Reserves must increase to ensure the assets can be replaced.

2.3 **That sufficient Reserves be held to preserve operating flexibility within the business to handle external "shocks".**

HPC develops annual and Five Year Plans based on the most likely and agreed targets for the business. However, some external events may arise with rapid and significant impacts on HPC operating activities that are outside the plans. Examples include; lost legal cases, legislative penalties and costs imposed on HPC by central government agencies, the unanticipated withdrawal of a profession and/or sector-restructuring.

If HPC has a significant level of Reserves built up, these will in the short term provide "bridging finance" to handle such "shocks". A significant level of Reserves also generates income (interest income etc) to help "smooth out" and delay Registrant fee price increases.

2.4 **That the Reserves Policy be viewed in the context of the Five Year Financial Plan "bottom line" surpluses/deficits and the Investments Policy.**

Arguably, the Reserves policy both influences and is influenced by the Five Year Financial Plan. To elaborate, if high Reserves levels are to be built up or maintained, this will drive the need to increase fee income (find more fee-paying Registrants and/or raise fee prices). Similarly, if a Five Year Plan is agreed, Reserves levels will be an output of this. If those levels conflict with the prevailing Reserves policy, the policies will need to change, to produce an alignment.

Reserves levels will also be a function of volatility in the value of the things comprising those reserves. Regarding relative volatility (uncertainty) over the next 12 months, share, bond and property market values are considerably more volatile than fee income, especially fee income relating to the existing professions that HPC regulates.

Regarding the relationship between the Reserves Policy and the Investments Policy, in the medium term, if fees are not able to rise to offset cost increases, but ongoing compliance with the agreed Reserves policy is maintained, then investment returns need to rise. However, higher investment returns will typically involve incurring increased investment risk (more value volatility and/or greater potential for losses).

Finally, it is worth noting that if HPC's underlying cash-flows become highly volatile, then either HPC needs an overdraft (indicative interest rates are about 2 percentage points about the Bank of England base rate), or the Reserves "buffer" in the absence of a bank overdraft, needs to be correspondingly higher.

Appendix d

CCLA Investment Management Limited (CCLA)

(www.ccla.co.uk)

Welcome to CCLA

Specialist investment management for charities, faith organisations, and local authorities

CCLA provides the broadest range of funds designed specifically for charities.

We are owned entirely by our charity, faith and local authority clients. We manage our business exclusively for their benefit. This puts us in a unique position to help not-for-profit organisations achieve their aspirations and enable trustees to meet their obligations.

As pioneers of ethical and responsible investment, we are committed to pushing forward a positive agenda for change on behalf of our clients.

We invest money for more charities than any other fund manager in the UK.** We do not offer services to private individuals.

CCLA Investment Management Limited (Registered in England No. 2183088) is authorised and regulated by the Financial Services Authority.

**Source: Charity Finance Magazine

Charities

Having managed funds for charities, large and small, since 1958 we know that needs vary widely and can be complex. Short-term obligations have to be met and longer-term spending has to be planned for. Getting the right balance is the key to success.

To reflect this, we have developed a range of funds which provides great flexibility and choice. Our funds are designed to be used on their own or in combination to match your charity's individual requirements. There are, however, common features to everything we do.

Prudence	Our investment philosophy and process reflects the requirement of charities for prudent and conscientious stewardship of their money
Diversification and risk control	Our funds provide a broad, well diversified spread of investments and risk is carefully controlled
Ethical and responsible investment	To view the recent client driven changes to our policies please click here..
Tax efficiency*	Our funds enjoy tax free charitable status and we

pay income gross so you do not have to make tax reclaims

We also offer segregated investment management for larger funds.

Who can invest?

Any charitable organisation defined within the meaning of the Charities Act 1993 can invest in the COIF Charity Funds, provided their powers permit.

* Please be aware that the tax position may change in the future. Investors should obtain their own tax advice in respect of their own position.

Local Authorities

CCLA has been appointed by the Local Authorities' Mutual Investment Trust (LAMIT) to manage and administer the Local Authorities' Property Fund.

LAMIT was established around 30 years ago to provide investment services for local authorities in the UK. It is controlled by Members and Officers appointed by the Associations of Local Authorities in England, Wales, Scotland and Northern Ireland and by Trust Members representing the Funds' Unitholders.

Local Authorites' Property Fund

- High quality, well-diversified commercial and industrial property portfolio
- Focus on delivering attractive income
- Actively managed to add value
- Usually held with other investments such as equities, bonds and cash to give a broad spread of assets and achieve combined income and growth objectives

The Fund offers all the advantages of a professionally managed property portfolio, with broadly diversified exposure to high quality properties in the strongest areas of the market. By investing in the Fund, you avoid the potential problems, costs and administrative difficulties of investing in properties directly yourself. CCLA is well established in this market with over 30 years' experience of property investment.

Who can invest?

Local Authorities in England, Wales, Scotland and Northern Ireland can invest in the Fund. The minimum initial investment in the Fund is £250,000 after which you can invest sums of £10,000 or more.

<u>Coutts & Co</u>
(www.coutts.com)

<u>About Coutts</u>

Modern times

Throughout the 20th century, Coutts opened more branches. The first West End branch outside 440 Strand was opened in 1921 in Park Lane. It was not until 1961 that the Bank moved outside the capital, opening its first out-of-town branch at Eton. Coutts embraced modern technology, becoming one of the first banks to bring in machine-posted ledgers at the end of the 1920s . In 1963 it was the first British bank to have a fully computerised accounting system. In 1987, Coutts gained international representation when Coutts established operations in Geneva. In October 1990, Coutts and NatWest decided to strengthen their representation internationally and the Coutts Group was created when subsidiaries already owned by Coutts and NatWest (including Handelsbank) were merged.

The acquisition of the NatWest Group in 2000 established Coutts as the private banking arm of <u>The Royal Bank of Scotland.</u>

RBS Coutts

On 1 January 2008, Coutts international businesses were branded RBS Coutts: a new brand for a private bank that brings together a unique combination of attributes.

It is the size and strength of RBS Group, together with Coutts experience and sound investment philosophy, that makes RBS Coutts one of the leaders in international private banking. These solid foundations provide our clients with sophisticated and individual wealth management, personally.

Coutts acquired Bank von Ernst in 2003 and together with RBS Coutts now has offices around the world.

<u>Charities</u>

Coutts has worked alongside charities for over 200 years. Clients trust our understanding of the issues they face and how to overcome them.

Maximising resources, minimising risk

Our charities team understands the need to maximise the value of your charity's resources while controlling risk. Alongside our charity banking services, we can help develop a strategy that enables your charity to achieve your financial goals, and advise on such issues as trustee appointments, fundraising, and events for trustee boards.

Understanding the challenges of your charity

Investment management

Our investment management approach reflects your charity's desire to maximise value and control risk. Each investment management specialist will help build a diverse portfolio which may include equities, bonds, cash, and alternative investments.

Alternative Investment strategies

Our alternative investment strategies can potentially improve the overall performance of your portfolio, while reducing risk.

We have market-leading expertise and experience in providing alternative investments. We can give you access to globally diversified investment techniques and opportunities which are specially designed to:

- Reduce volatility and improve returns
- Preserve your capital
- Use diversification to increase performance

We employ a multi manager approach, using some of the world's leading alternative investment managers who have been chosen for their expertise in specific markets. We constantly monitor our managers to ensure that they meet the performance guidelines we set.

Epworth

(www.epworthinvestment.co.uk)

About Epworth

- SPECIALIST FUND MANAGERS
- STAFF
- Charity investment specialists
- Ethical investment specialists
- Low risk strategies

Mission

- to provide a high quality investment service seeking above average returns
- to follow a discipline in which the ethical dimension is an integral part of all investment decisions
- to construct investment portfolios consistent with the moral stance and teachings of the Christian faith
- to encourage strategic thinking on the ethics of investment
- to be a Christian witness in the investment community

LOW RISK STRATEGIES

Epworth is committed to delivering a high quality investment service providing an attractive balance of risk and return.

ETHICAL DIMENSION

Epworth seeks both superior returns and improved ethical standards. Our approach of avoiding investments in particular businesses and encouraging better practices in others can help trustees hold investments that do not conflict with the aims of their charity.

CHARITY SPECIALISTS

Our 50 years of charity and church investment experience leaves us ideally positioned to meet charity investment needs.

POOLED FUND SIMPLICITY

The Affirmative Common Investment Funds offer simple and effective pooled investment funds offering reduced risk through diversification; simple administration; income paid gross and low fees.

LOW FEES

Epworth believes that a high quality investment service need not come at a high price.

	Management % p.a.	Corp. Trustee % p.a.
Affirmative Equity Fund	0.25	0.04
Affirmative Fixed Interest Fund	0.20	0.04
Affirmative Corporate Bond Fund	0.25	0.04
Affirmative Deposit Fund	0.20	0.02

UNIQUE CHRISTIAN PERSPECTIVE

Our services are built upon the 50 years of Church investment experience of the Central Finance Board of the Methodist Church (CFB). An innovator in socially responsible investment, Epworth enables the CFB's expertise and services to be offered to the wider charitable world. Our ethical perspective has a broad appeal to conscientious investors within the secular and Christian world.

Investment Ethics

At the heart of our business

Balancing opportunity with integrity

Epworth is committed to seeking both superior returns and improving ethical standards.

Positive approach

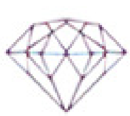
We seek to improve the ethical profile of our portfolios by avoiding investments in particular businesses and encouraging better practices in others.

Company engagement

We view our investments as long term partnerships with company managements. We engage in constructive dialogue and practise active voting to challenge social, environmental and ethical considerations.

Integrated process

Ethical research integrated with financial analysis is key to our investment process. Fund managers are responsible for both financial and ethical analysis.



Clear policy

Comprehensive policy statements and position papers offer a reference for clients and a clear focus for fund managers.

Theological grounding

The Ethics Advisory Committee provides a unique and robust mechanism for testing ethical investment decisions against theological principles.

Ethics and your charity

Our approach to ethics helps trustees to avoid conflict between the aims of their charity and their investments.

Client input is actively encouraged. It helps us gain an understanding of the issues that are of greatest concern to clients and encourages deeper analysis.

Reporting of ethical issues is standard alongside regular performance and financial analysis.

Policy summary

We **exclude** securities issued by organisations whose business is wholly or mainly involved in:

- Alcohol
- Armaments
- Gaming
- Pornography
- Tobacco

We **engage** and act to **improve** the performance of companies in a range of issues including:

- Environmental performance
- Corporate governance
- Children's issues
- Supply chain
- Medical and food safety
- Human rights

Policy statements & position papers >

A Growing Consensus

Global Networks

Active membership of global networks and partnerships provide a powerful united voice when dealing with multinational corporations and assist us and our clients to make informed ethical investment decisions.

Research support

Our internal expertise is supported by a balanced range of ethical investment research services.

Jupiter Investment Management Group Limited

(www.jupiteronline.co.uk)

About Jupiter

Established as a specialist investment boutique in 1985, Jupiter has since grown into one of the UK's leading investment houses with a long standing reputation for achieving outperformance within a broad variety of portfolios. We currently manage assets spread across a range of funds and segregated mandates for private clients, charities, individuals and institutions.

There are many different providers of investment management solutions in the UK offering a wide array of products and services and it is difficult to know who you can trust with managing your assets.

Jupiter has gained a reputation for achieving outperformance across a broad variety of portfolios specialising in different markets, including UK equities, Europe, global financials and emerging Europe. In recognition of our commitment to long-term outperformance Jupiter Unit Trust Managers has won over 200 awards in recent years.

In August 2009, Old Broad Street Research (OBSR) awarded Jupiter the 'Outstanding Investment House' Honour in the OBSR awards 2009. OBSR is a highly-regarded fund rating agency and this prestigious award is designed to reward strong, consistent performance over the long term.

*As at 31 August 2009

Our services

We are committed to managing money on your behalf and our team philosophy is structured to meet a range of your investment needs.

Focused - A pure investment business:
Jupiter is renowned for its investment outperformance across many fund types and we use the same investment philosophy when managing your assets.

Personal - A dedicated investment manager:
We provide you with an experienced and dedicated investment manager who will take the time to fully understand your objectives before constructing a portfolio aimed to meet them. All our investment managers are motivated to make a positive difference to the wealth of our clients and each have been employed for their investment expertise and approachability.

Flexible - Ongoing management:
Through regular communication you will be aware of all investments made on your behalf. Recognising that your needs will change over time we ensure that portfolios are monitored on a regular basis and adjusted to closely match your objectives. Your investment manager will be available to review and discuss your investment needs as

and when you wish.

Transparent - Regular reporting:
It is important to us that you are kept informed of your investment performance through regular reports, quarterly updates and a full year-end accounting package. Our online valuation service is updated daily and you can always contact your dedicated investment manager should you have any questions or require a report outside of the reporting cycle.

Charities

Focused
Jupiter has been managing portfolios for charity clients since the company was established over 20 years ago. Our clients are drawn from across the charity sector including education, religion, health, conservation and culture. They encompass both large national charities and small local ones. We currently manage assets for charities and private clients, many of whom have been loyal clients for a number of years.

Understanding
Awareness of our clients' changing needs is what we believe to be the key to our success. Through membership of governing bodies such as the Charity Finance Directors Group, we ensure we are up-to-date with the important issues affecting our charity clients. Many of our team are trustees themselves and have a thorough understanding of the issues facing charities.

Charity clients use our services in order to achieve the aims of their organisation. Generating income to fund ongoing commitments has to be balanced with growing capital for future needs.

Investment commitment
Whilst each Charity clients' objectives are unique, some of the key client objectives that we aim to deliver are:

- required levels of income generation
- preservation and growth of real value through long-term capital appreciation
- management of risk in line with your requirements
- investments in line with any ethical requirements

The value of investments can fall as well as rise.

SRI investing
Jupiter has been at the forefront of investing within ethical and environmental guidelines for more than 20 years. We are able to offer our clients tailored solutions to their SRI requirements covering the whole spectrum from negative screening to positive engagement.

Investment driven
Our discretionary investment management service for Private Clients and Charities has a minimum investment level of £500,000.

Newton Investment Management Limited
(www.newton.co.uk)

About Newton

Newton Investment Management is a London-based, global investment management subsidiary of The Bank of New York Mellon Corporation. With assets under management of over £42bn (as of 31 December 2009), Newton provides a broad range of award-winning investment products and services to a wide range of clients, including pension funds, charities, corporations and individuals.

Our global, thematic approach to investment has been highly regarded for over 30 years and has proved to be invaluable in overcoming the short-term uncertainties that afflict financial markets and challenge investors. As well as our goal of delivering strong risk-adjusted returns, our approach has involved a transparency that is essential in the building of longstanding relationships with our clients around the world.

The key benefit of our global, thematic approach is that it allows us to gain long-term perspective on global financial markets and economies. There is no shortage of information in the modern world, but information without perspective lacks resonance. Perspective is a defining feature of our investment process; it helps us to anticipate how the world will change and it identifies areas of risk and opportunity across the globe.

A central tenet of our approach, which dates back to the inception of the firm, is that 'change leads to opportunity'. The world is changing constantly and it follows that, to be fruitful, an investment approach must be dynamic enough to take advantage of such change. In recent times, the model-driven approaches of some investors, which rely upon backward-looking data, have proved to be unreliable. Our approach, by contrast, is forward-looking and, because it seeks to anticipate change, it is much less likely to be caught out by change.

Our key to preserving perspective is our structure. Our investment managers are backed by strong teams and, in particular, we employ highly qualified career analysts, many of whom have direct experience in the global sectors for which they are responsible. Our global analysts and investment managers sit mainly in one location, London, rather than being spread around the world, and this collaborative arrangement promotes perspective on the investment landscape, strong idea generation and the swift implementation of investment ideas.

Charities

Our specialist charity fund management team is aware of the ever increasing demands placed upon charities and it aims therefore:

- to offer straightforward investment solutions to meet trustees' objectives

- to relieve trustees of the work and worry associated with investment

We manage assets for a wide range of charitable clients. Our clients, whether large or small, benefit from our commitment to maintaining high service standards.

The power of ideas

Newton's sole focus is investment management. Our specialist service combines a thematic investment process, honed since our inception 30 years ago, with substantial in-house research capabilities. Our distinctive, thematic investment approach harnesses our culture of teamwork, perspective and communication to identify powerful investment ideas.

Just as importantly, we have earned a reputation for delivering a high standard of personal service to those who entrust us with their investments.

Discretionary asset management

Newton's discretionary asset management service puts the day-to-day responsibility of managing your investments in the expert hands of our investment managers.

As a Newton client, you would have direct communication with your investment manager to ensure that he/she understands your charity's circumstances and develops an investment strategy that meets its specific requirements. Dialogue is the key to a successful relationship and we encourage regular contact therefore to review strategy, performance and your future plans. This ensures that we continue to manage your charity's investments according to your evolving goals.

Rensburg Sheppards Investment Management Limited

(www.rensburgsheppards.co.uk)

About Rensburg Sheppards

Rensburg Sheppards is a major investment management company. It combines the names and traditions of long-established businesses in London, Leeds and Liverpool, which have their roots in the growth of Britain's industrial and financial wealth during the nineteenth century.

Henry Rensburg started his stockbroking firm after being elected a member of the Liverpool Stock Exchange in 1873. At about the same time Stanley Battye, William Ernest Wimpenny and Abraham Dawson founded their own stockbroking firms in Yorkshire.

During the 1970s the firms of Battye, Wimpenny and Dawson merged and in 1988 the holding company floated on the London Stock Exchange. Soon after, BWD and Rensburg joined forces to create one of the leading investment management firms outside London.

In 2005, the acquisition of Carr Sheppards Crosthwaite saw Rensburg merge with three of the oldest names on the London Stock Exchange, all of whom trace their business origins back to the early nineteenth century.

The past ten years have been a period of unprecedented change for private client investment managers, as old established firms have merged and been taken over. The values of personal service and individual commitment have sometimes been lost in the ensuing corporate rationalisation.

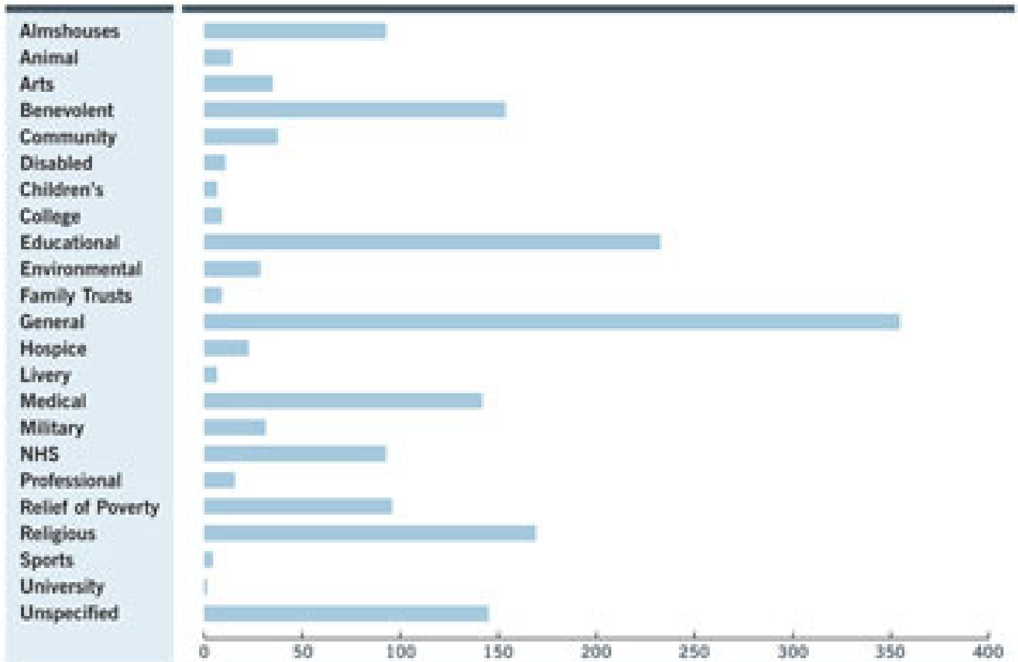
While Rensburg Sheppards is itself one of the results of this process, we have striven successfully to maintain a professional, independent, and service-based culture. We aim to combine old-fashioned standards of service and courtesy with the more modern attributes of a disciplined investment process and efficient technology.

With eleven regional offices throughout the UK, and over six hundred employees we are a fairly large firm but responsibility for investment management is devolved to smaller teams who know their clients and their needs and give a personal service. We believe that this enables us to give you the best of both worlds. You do not become a mere computer number in a vast amorphous organisation but at the same time you have the benefits of the resources of a major group.

Charities

We have been looking after charities for over 70 years and currently manage investments of £1.5 billion* for over 800 charities. Charities are an important and significant part of our business and the fastest growing area. We have a specialist group of five investment managers who are dedicated to looking after charities. The team works closely with the Research team and the Chief Investment Officer, in devising suitable portfolio strategies for clients.

* As at 30th September 2008



Appendix e

Invitation to tender for investment fund manager

The Health Professions Council (HPC) is seeking to appoint an investment fund manager to supply services with effect from 1 April 2011.

The HPC is a UK statutory regulator of 205,000 health professionals. Full details about the organisation can be found on the website www.hpc-uk.org

Based in central London, the organisation has approximately £2million currently to invest.

The successfully appointed company will be required to provide a detailed report to the Finance department at the end of each month. This forms the basis of the valuation of investments in the statement of financial position for HPC. This provides details of all investments in the portfolio (holdings, additions and deposals). There will be a requirement to make regular presentations to the Finance and Resources Committee and/or the Council, at least once per annum.

Funds invested must not be held in companies trading in tobacco products, alcohol production or gambling.

Currently funds are held in a diverse portfolio made up of corporate bonds, stocks and shares, as well as cash.

HPC would be interested to understand how to reduce the risk of large swings in values and would like to here of alternative approaches that could be considered. These may include: putting the funds into government stocks and bonds or any possible risk free and tax efficient options.

The appointment process will be conducted in two stages.

Firstly, providers interested in supplying this service to the HPC will be requested to submit a tender document containing the following information:

- Proposed approach to managing HPC's Investment funds;
- Relevant experience within HPC's sector;
- A minimum of three year's performance history of fund management compared to the market;
- Proposed fees;
- Three other organisations who can be contacted by HPC for references;

Providers should also complete the attached form.

A total of seven hard copies of the tender document should be provided. Faxed or emailed tenders will not be accepted. They should be delivered to the HPC no later than noon on 15 September 2010. Tenders received after this date will not be considered.

All tenders will be reviewed and may be if necessary be shortlisted by a panel consisting of the Chair of Council, the Chair of the Finance and Resources

Committee, one other Council member, the Chief Executive and the Director of Finance. Shortlisted organisations will be informed within five days after the Panel meeting.

Secondly, depending of the number of responses, the shortlisted firms will be invited to make presentations to the Finance and Resources Committee on 22 November 2010.

They will be required to make a presentation to the Committee lasting not more than 15 minutes. The presentation should address the points mentioned above. This will be followed by a questions and answers session. The meeting is expected to last not more than one hour.

It should be noted that:

1. The HPC does not commit itself to accept the lowest, or any, expression of interest submitted.

2. The HPC will not be liable for or pay expenses or losses whatsoever which may be incurred by any tenderer in the preparation of a submission.

3. The contract if awarded will be awarded to the investment fund manager based on the following criteria:

   - Understanding of the HPC
   - Experience of the service provider
   - Cost
   - Service level agreement

4. It is intended that the investment fund manager will be appointed for a period of up to four years, subject to an annual review of the investment fund manager's performance by the Finance and Resources Committee, which will make a recommendation on continuation of the appointment to the Council.

It is anticipated that the selected Investment Fund Manager will be appointed effective from 1 April 2011.

CONTACT INFORMATION	
Name of organisation	
Address	
Status – *eg LLP, Limited.*	
Telephone number	
Website	
Main contact – Name and job title	
Main contact – telephone number	
Main contact – email address	
Approximate travelling time to HPC offices	
Number of employees based at above office	
Copy of organisation chart for relevant part of organisation (please enclose)	
Copy of last 2 audited accounts (please enclose)	

Current full list of charges for managing funds and any volume break points	
What are your disaster recovery arrangements?	
What are your policies on corporate and social responsibility?	
Potential conflict of interest with any of your existing clients	
Provide a copy of your equality and diversity scheme.	

Please return tenders and this completed form to: Marc Seale, Chief Executive and Registrar, Health Professions Council, Park House, 184 Kennington Park Road, London SE11 4BU

Deadline for return is noon on 15 September 2010. Tenders received after that time will not be considered.

Appendix f

Timetable for tendering for internal audit services

2010:

29 July	Finance & Resources Committee consider process
15 August	Write to firms inviting tenders
15 September (noon)	Deadline for tenders to be received by HPC
(Date to be arranged)	Panel meeting to shortlist. Panel's decision to be notified to interested parties within five working days of Panel meeting. Depending on response this stage may not be necessary.
22 November	Finances and Resources Committee meeting to receive presentations from shortlisted firms and to make recommendation to Council on appointment
9 December	Council meeting to consider recommendation on appointment

2011:

1 April	Appointment becomes operational