

Subject Investment Strategy
Purpose For Decision
From Marc Stoner, Head of Finance and Resources

If you have any enquiries on this paper, please contact Marc Stoner at marcs@arb.org.uk or on 020 7580 5861

1. Summary

Under the Scheme of Decision Making, the Board are required to set the strategy for its invested funds.

ARB's Investment Broker is James Malcolmson of Quilter Cheviot who will be in attendance at the November Board meeting. It is vital that the Investment Broker gains an understanding of the Board's attitude to risk in order to base his recommendation on the way forward for ARB's invested funds.

ARB's Investment Broker will provide the Board with a report on the overall performance of the portfolio, current market conditions, impact of the recent Bank of England interest rate rise and any recommendations for diversification of the current portfolio based on the Boards current appetite to risk, which is currently low. However, some background information is provided below.

2. Recommendations

It is recommended that:

- i. No changes be made to the Boards current attitude to risk and the strategy should remain as:
 1. Protect the real value of capital
 2. Any growth within the capital should be with lower risk
 3. Maintain required liquidity
- ii. Appoint Quilter Cheviot for a further 12 months

3. Open

4. Contribution to the Board's Purpose and Objectives

In delivering the Act, ARB's objectives are:

Protect the users and potential users of architects' services

Support architects through regulation.

To manage the organisation's finances prudently whilst delivering ARB's statutory requirements and objectives.

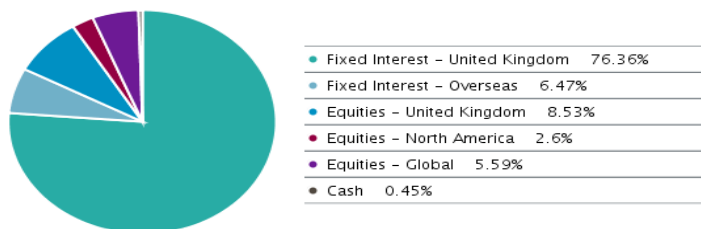
5. Background

- i. At its September 2016 meeting, the Board raised a number of concerns about Brexit, the US presidential election and the ongoing uncertainties and impact on the wider economy. The Board concluded that the Lower/Medium level of risk it had been taking in recent years was now too high in the current economic environment. It was agreed by a majority vote that the strategy should be limited to protecting the real value of capital and maintaining liquidity.
- ii. Following the September 2016 Board meeting, discussions took place with the Investment Broker and Internal Auditors where it became apparent that risk appetite and tolerance was missing from the Board's revised investment strategy and therefore needed to be addressed (which would be required in order to test the market). At its November 2016 meeting, the Board agreed that they would include the following in its Investment Strategy:

- Any growth within the capital should be with lower risk

Annex A, provides further information on the levels of risk categories as outlined by Quilter Cheviot.

- iii. The current value of the assets placed with Quilter as of 6 November 2017 was £6,243,571.
- iv. These assets are split as follows:



- v. The overall yield on the fund is around 1.7% (August 2017). The Investment Broker will provide the Board with latest overall yield at the Board meeting.
- vi. All fees charged by Quilter Cheviot are in line with the agreed fee structure.
- vii. ***Tendering/Market Testing***

Given ARB's low tolerance to risk, testing of the market will commence as opposed to a tendering of the service as there appears to be very little scope for Brokers to compete on apart from the actual fee which is already very low.

We will commence the market testing in the 2nd quarter of 2018, subject to any changes to the Boards existing strategy.

viii. **Liquidity**

ARB currently invests funds that are not required for around 6 – 8 months. This will be dealt with at an operational level and will also be taken into consideration by the Broker prior to making any investment changes.

6. Resource implications

If the Board decides to change its current investment strategy, this may mean that funds need to be sold in order to meet the Boards revised requirements. There will of course be transaction fees associated with any change as well as any impact on the value of such funds being sold. To mitigate any impact on the value overall of the funds, the Broker can time some sales around cash flow requirement.

7. Risk Implications

There is obviously risk in any form of investment but an element of risk should be considered by the Board in order to achieve a return beyond what could be achieved by simply holding cash.

It is important that the Board gives a clear direction to the Broker as to its attitude to risk; the suitability of the different type of investments available; and its capacity for loss.

Given the Board buys in its investment expertise, it should be guided by the advice of the Broker, unless it feels it has a valid reason not to do so and requires further advice.

8. Communication

ARB is committed to seeking cost-saving initiatives to help ensure value for money balanced with prudent management of ARB's financial resources contribute towards maximising cost savings.

9. Equality and Diversity Implications

None currently identified.

10. Further Actions

Commence market testing in quarter 2 of 2018 with an aim to report findings to the Board at its November 2018 Board meeting with a recommendation on the way forward in managing the Boards investment portfolio.