

THE PORTSMOUTH DIOCESAN TRUST ("THE DIOCESE")

INVESTMENT POLICY

1 BACKGROUND

- 1.1 The powers of investment of the Trustees of the Diocese ("the Trustees") are set out in clause 6 of the Deed of Revocation and Declaration of Trust dated 5 December 2002 (see schedule 1, section 1.1 of the Trustees' Handbook).
- 1.2 These powers are delegated to the Investment Committee constituted in accordance with their terms of reference set out in section 4.1(g) of the Trustees' Handbook. The Investment Committee meets quarterly to monitor investments and to discuss with the investment managers their performance. The Investment Committee reports to the Trustees at each of their meetings.
- 1.3 Day-to-day management of the Diocese's investments is delegated to investment managers under clause 13 of the Deed of Revocation and Declaration of Trust.

2 INVESTMENT MANAGER AND CUSTODIAN

- 2.1 The Trustees have entered into a tripartite agreement with BlackRock Investment Management (UK) Limited (the investment manager) and the Bank of New York Mellon International Limited (the custodian). BlackRock manage the Trustees' assets and Bank of New York retain safe custody of the Trustees' assets.

3 INVESTMENT OBJECTIVES

- 3.1 The current objective of the consolidated portfolios is to maintain a balance between long term capital growth and income growth; a moderate amount of risk can be taken so long as investments have a greater potential for growth over time.

4 NATURE OF FUNDS

- 4.1 The investments of the Diocesan Trust are managed in two portfolios of approximately equal value: the Investment Portfolio and the Charifaith Portfolio. All the investments of the Priests Retirement Fund are held in a separate Charifaith Portfolio.
- 4.2 The Investment Portfolio and the Charifaith Portfolio are both multi asset portfolios with a bias to Equities (UK and overseas) and, in particular, to UK Equities, which on a consolidated basis equates to over 50% of the assets. The next largest asset allocations are cash and UK Fixed Income. In addition, the Trustees have exposure to UK Property, Corporate Bonds and Hedge Funds. The UK Equities in the Investment Portfolio are managed on a segregated basis. All other investments are held in pooled funds.
- 4.3 The Investment Portfolio has two principal investment restrictions. The Trustees prohibit investments in (i) any company with over 10% of turnover from military sales, and (ii) any company conflicting with the sanctity of life. In addition, there are specific

companies in which investment is not permitted (eg BSKyB, Lonmin, SSL International, Trinity Mirror).

4.4 Charifaith was launched in 2006 as a fund that aims to reflect Catholic ethos and teaching (as advised by an Advisory Committee) within its investments and as such it will seek to avoid companies with significant interests in armaments, pornography, tobacco and activities contrary to the sanctity of life. In addition, Charifaith monitors its investments for breaches of core International Labour Organisation (ILO) standards on employment.

5 BENCHMARK AND PARAMETERS

5.1 The benchmarks of the two funds are as follows: Investment Portfolio – 65% UK Equities, 10% Overseas Equities, 18% UK Fixed Interest, 5% Property, 2% Cash; Charifaith Portfolio – 55% UK Equities, 10% Overseas Equities, 20% UK Fixed Interest, 10% Property, 5% Hedge Funds.

5.2 The Investment Portfolio and the Charifaith Portfolio both have permitted investment ranges for each asset class. Typically, the investment manager operates within a 5% range.

6 INVESTMENT TARGETS

6.1 The objective of the Investment Portfolio is to seek to outperform the composite benchmark over rolling three year periods. The objective of the Charifaith Portfolio is to seek to outperform the Charifaith composite benchmark by 1% over rolling three year periods.

7 REVIEW OF POLICY

This policy will be reviewed on an annual basis by the Trustees.

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Right Reverend Roger Francis Crispian Hollis, Bishop of Portsmouth

Dated: 2009