The Robertson Trust: Investment Policy: Listed Securities and Pooled funds

1. Introduction

The Robertson Trust (the Trust) was established in 1961 by the Robertson sisters who donated the shares in the businesses, founded in the 1850s by their grandfather, to the Trust for charitable purposes. When the sisters established the Trust, their purpose was to ensure that the family businesses remained active and independent, and to continue and extend the past support they had given to charities.

Today, the Trust remains the majority shareholder of the Edrington Group, one of Scotland's largest private companies in the Scotch whisky industry. Its portfolio of well-known brands includes The Macallan, The Famous Grouse and Highland Park.

The Trust is one of the largest independent charitable funders in Scotland. Its vision is a fair and compassionate Scotland where everyone is valued and able to flourish. Its mission is to prevent and reduce poverty and trauma in Scotland by funding, by supporting, and influencing solutions to drive social change. The primary themes, through which the Trust's mission is delivered, are education pathways, financial security, work pathways and emotional wellbeing & relationships. Two further cross-cutting themes are in place: the Trust's Climate commitment and EDPR (Equity, Diversity, Participation and Rights) actions.

2. Financial background

The Trust's income has historically been derived primarily in the form of dividend income from its controlling shareholding in the Edrington Group. The Trust may also invest in mixed motive and programme related investments. Oversight of the unlisted shareholding in the Edrington Group and any Social Impact Investments is outwith the scope of this policy.

The Trust has a portfolio of pooled funds. The investment policy contained in this document refers to this portfolio ('the portfolio').

The Trust has now implemented a five-year diversification strategy to spread risk across its income streams whilst maintaining a majority shareholding in Edrington. This strategy has led to the partial sale and company share buy backs of the Trust's

Edrington shareholding, and subsequent investment into the portfolio with the aim of increasing the value of the portfolio of listed securities and pooled funds to a minimum of £500 Million.

The Trust's powers of investment are governed by the Charities and Trustee Investment Act (Scotland) 2005). The Trustees are mindful of their duty under the Act to ensure that the investments are suitable, that there is sufficient diversification, and where appropriate, that advice is taken.

In addition, the Trust is subject to any regulations issued by the Office of the Scottish Charity Regulator (OSCR) and in formulating the investment policy, the Trustees have referred to relevant guidance issued by OSCR.

3. Portfolio objectives

3.1. The primary financial objective of the portfolio is to provide funds for the ongoing operations and grant making activity of the Trust. Over the long term, this means providing a stream of relatively predictable and stable funding in support of annual budgetary needs, and at least maintaining the portfolio's real (inflation adjusted) purchasing power after management expenses and spending.

The Trustees take a '**total return'** view of decisions relating to the investment of the portfolio and to the drawdown of funds from year to year. Hence the amount drawn for expenditure will normally consist partly of 'natural' income (dividends and interest paid out by portfolio holdings), and partly of capital. A target level of total funding for expenditure is agreed each year following discussion with the Trust's investment advisers.

3.2. As a secondary objective the portfolio serves as a contingency fund which may be drawn upon in the event of an unanticipated shortfall in the Trust's other income, or of an urgent need for unplanned expenditure. This purpose, together with the Trustees' wish to retain flexibility over future investment decisions, requires that the portfolio is substantially invested in assets which could be liquidated, if necessary, at short notice. However, it does not require that capital volatility be limited to an extent which would compromise the primary financial objective.

3.3 The regular liquidity needs for ongoing activities are managed through the following priority: Edrington Dividend, the 'natural' portfolio income, cash deposits and finally liquidating the unrestricted capital return element of the portfolio built up in normal market conditions. Cash deposits are held in a

Custodian Money Market Fund as well as several external accounts with the aim of avoiding significant sales of assets in distressed markets. There is currently no set overall amount held in cash – this is determined through proactive cash flow monitoring.

4. Time Horizon

The time horizon of the portfolio is long term, i.e., more than ten years, although, the Trustees may call upon the capital at any time to support the Trust's activity.

5. Ethical and responsible investment

The Trustees want the portfolio to be invested in companies whose business model is sustainable and who are making a positive contribution to society. To this end:

5.1. The Trustees welcome opportunities to invest in funds whose policies and holdings are supportive of the Trust's objectives and values, including funds which take a proactive approach to environmental, social and governance issues, where the risk and return characteristics of these investments are consistent with the portfolio's overall financial objectives.

5.2. It is the Trustees' policy to avoid direct or indirect investment in in any business which is substantially involved in activities that conflict with the Trust's work and objectives. The key areas to be avoided are tobacco, armaments, gambling, pornography, and high interest rate lending to individuals.

5.3. Reflecting the heritage of the Trust, the investment portfolio can have an indirect exposure to the alcohol sector, through the funds in which it invests. Such holdings will be monitored to ensure that meaningful responsible investing policies are in place.

5.4. Reflecting the Trust's values, the Trustees will also avoid direct or indirect investment in companies which persistently fail to meet internationally recognised standards of environmental, social or governance behaviour.

5.5. The Trustees recognise climate change as a profound global threat to communities and individuals and aim to understand and control the portfolio's exposure to climate related risk. For example, they will avoid direct or indirect investment in companies in the most exposed sectors such as fossil fuels who are not properly preparing, or are not able to prepare, for the transition to a low carbon economy. The Trustees will also aim to reduce the portfolio's carbon footprint over time and be Net Zero in terms of carbon emissions by 2040 at the latest.

5.6. In the interests of investment efficiency and diversification the Trustees expect that the portfolio will be at least partially invested through pooled funds, and they accept that these funds may have policies which are not always fully aligned with the Trustees' stated policy. However, the Trustees will consider the ethical and responsible investment policies of pooled funds in making their selection, with the aim of avoiding significant indirect exposure to activities that are contrary to the policy applied to any directly held investments.

5.6 Trustees will engage with portfolio companies on climate, social, and governance issues that are important to the Trust and its stakeholders. "for example we aim to influence large carbon emitters to reduce their impact whilst also engaging with companies to improve their treatment of employees and suppliers towards higher national or global standards". ''

6. Composition, Performance targets and comparators

6.1. The long-term target is the preservation of capital and income in real terms after inflation and distributions: the total return objective is to achieve an average annual total return, net of costs, that exceeds UK consumer price inflation by 4%.

6.2. The Trustees recognise that this is a long-term target that can only be assessed fully over the course of a business cycle, which may be ten years or more. Over shorter time periods, performance will be measured against market index benchmarks and peer group portfolio comparators. Current benchmarks are listed in the table below.

6.3. The investment committee engages in a cycle of face-to-face engagement with Fund Managers to discuss the financial performance of their funds as well as their responsible ESG progress and engagement.

6.4. The portfolio is comprised of several managed funds. To aid the diversification of risk, the maximum size of fund holding is currently set at 20%, with no more than 70% concentrated in the five largest funds and a maximum of 5% exposure to any underlying company across the portfolio.

6.5. The strategic asset allocation across asset classes is reviewed periodically and was last updated in September 2024. This has been designed to reflect the time horizon, liquidity requirements, risk tolerance and other constrains for the portfolio included within this policy.

6.6 Consideration is given on at least an annual basis as to whether any rebalancing is required across asset classes within the strategic asset allocation ranges.

Current strategic asset allocation

Asset Class	Market	Index	Benchmark %	Ranges %
Bonds	Corporate bonds	ML Sterling Corporate Bond	8	6-11
	Government bonds	FTSE All Stocks All Gilts	7	4-10
	Total Bonds		**15**	**10-20**
Equities	UK equities	FTSE All Share	15	10-20
	Overseas equities	MSCI AC World ex UK	55	45-65
	Total equities		**70**	**65-75**
Alternatives	Property	MSCI All Balanced Property	5	0-10
	Other alternatives	CPI +2%	10	0-15
	Total alternatives		**15**	**10-20**

7. Risk Tolerance

7.1. The Trustees recognise that the long-term return target requires a tolerance for reasonably high volatility in capital values over shorter timeframes. When selecting investments and monitoring performance the Trustees seek to understand the risk characteristics of individual holdings and of the portfolio as a whole, with the aim of ensuring that the level of risk is warranted by the expected returns outcome. The current policy assumes a downside risk, for the portfolio of around 20% is acceptable in normal market conditions (95% probability) and low 30% in risk-off markets.

8. Portfolio structure and management arrangements

8.1. The Trustees appoint consultants to advise the Trust on investment strategy and to assist with monitoring performance. Based on this advice the Investment Committee makes recommendations to the Trustees on the implementation of the investment strategy, including asset allocation and the selection of investment managers, and reports to the Trustees on the progress of the portfolio.

8.2. The Investment Committee meets with the Trust's advisers and with investment managers periodically as required to ensure that it remains well informed of portfolio strategy, positioning, and performance.

8.3 The Trustees have appointed a single Investment Custodian to be the primary holder of portfolio assets with investments held separately by exception.

9. Review of policy

This policy shall be reviewed at least annually by the Investment Committee for consideration and approval by the Trustees of the existing policy or a revised policy.

September 2024