

# INVESTMENT POLICY

## Purpose

Orthopaedic Research UK (ORUK) is a grant-making charity established to support orthopaedic research and education in the United Kingdom.

The purpose of this Investment Policy is to:

- Provide a framework for managing ORUK's financial assets responsibly.
- Ensure the charity's assets generate sustainable returns to fund annual grant-making.
- Preserve the real value of assets for the long-term benefit of future beneficiaries.
- Balance financial returns with ORUK's ethical standards and charitable mission.

## Investment Policy Scope

As of September 2025, ORUK holds approximately **£29.1m in assets**, comprising:

- £21.2m in stock market investments
- £7.2m in properties
- £0.6m in mixed-motive investments

The charity will invest in a diversified range of asset classes and regions, including equities, bonds, property, cash, and alternative assets where appropriate. All investments must align with ORUK's mission and values.

## Investment Objectives

- To maintain the real value of ORUK's assets while generating sustainable income.
- To support annual grant-making of at least **£500k**.
- To achieve a total return target of **CPI + 4%** over a three- to five-year period.
- To adopt a **total return approach**, using both income and capital, while preserving long-term capital value.

## Risk Appetite

ORUK has a **moderate overall risk appetite**. We accept that investments may fluctuate in value and that short-term volatility is likely, but we expect long-term returns to be positive.

- **Core portfolio:** Managed with a medium-risk profile, balancing income and capital growth.
- **Mission-aligned innovation investments:** In line with our charitable objectives, ORUK is willing to allocate a portion of its portfolio to **high-risk, early-stage startups focused on musculoskeletal health and innovation**. These investments may carry a higher

probability of loss but also offer the potential for transformational impact aligned with ORUK's purpose.

This dual approach allows us to sustain charitable funding while actively supporting innovation in our field.

### Balancing Investment Risk and Return

We will achieve our objectives by balancing risk and return through:

- Diversification across asset classes, managers, and securities.
- A mix of lower- and higher-risk investments.
- Regular portfolio reviews to ensure suitability.

### Amount Available

The amount available for investment is reviewed annually and adjusted where required to ensure ORUK continues to meet its charitable objectives and grant-making commitments.

### Investment Time Horizon

ORUK is expected to exist in perpetuity and therefore invests with a **long-term horizon**, maintaining discipline and focus on sustainable growth and income.

### Liquidity Needs

- Grants of at least **£500k+ per year** will be funded from income and capital.
- Stock market investments can be liquidated at short notice if needed.
- Cash reserves equivalent to **six months of expenditure** will be maintained to cover peaks in payments and overheads.

### Ethical Investment Policy

- Investments must be consistent with ORUK's mission.
- **Tobacco investments are excluded.**
- Trustees may exclude other investments that conflict with ORUK's charitable purpose such as alcohol and arms/defence industry.
- Proactive investments in **musculoskeletal innovation** are encouraged where aligned with charitable impact.

### Decision Makers

**Trustees** are responsible for:

- Approving the investment policy and setting objectives.
- Determining asset allocation.

- Selecting, monitoring, and, if necessary, dismissing investment managers.

### Performance Measurement

Investment performance will be assessed by:

1. Total return relative to **CPI + 4%** over three to five years.
2. Comparison between appointed investment managers.
3. Benchmarks set by each investment manager.
4. Peer group comparisons (ARC cohort of similar charities).
5. Risk-adjusted return measures.
6. **Impact measures** for early-stage mission-driven investments (e.g., contribution to accelerate innovation).

### Reporting Requirements

- Investment managers and investees provide quarterly valuations and reports.
- Trustees review performance quarterly.
- Stakeholders, including donors, beneficiaries, and the Charity Commission, receive annual reports on investment performance.

### Property Investments

- **Furlong House:** Managed as a hedge against risk. A property manager provides valuations every three years and annual tenancy/rental reviews.
- **Sheffield Factory:** Currently leased to JRI. Trustees will decide on renewal, re-letting, or sale with professional advice.

### Investment Managers' Role

Investment managers must:

- Act in ORUK's best interests.
- Manage assets prudently in line with this policy.
- Produce quarterly reports and meet agreed income targets.
- Uphold ORUK's ethical standards.

### Trustees' Responsibilities

Trustees have a legal obligation to:

- Secure the best return within acceptable risk levels.
- Ensure suitability and diversification.

- Seek and consider professional advice.
- Review investments regularly.

### Strategic Planning

- Trustees prepare detailed **annual budgets**.
- Forecasts confirm ORUK's ability to sustain grant-making.
- If short-term pressures arise, trustees may adjust portfolio liquidity.

### Conclusion

This Investment Policy provides a framework for managing ORUK's assets in line with its mission. It ensures that investments generate sustainable returns, maintain long-term capital value, and uphold ethical standards.

Importantly, it also allows ORUK to support **early-stage, high-risk innovation in musculoskeletal health**, directly contributing to our mission of advancing orthopaedic research, education and innovation.

The policy will be **reviewed annually** to ensure it remains appropriate.