

# ALIGNING YOUR INVESTMENTS WITH YOUR VALUES

case study



Redington have provided valuable strategic advice and support. They worked collaboratively with our in-house team and investment committee to help define a set of objectives and constraints to guide investment decision-making and restructure our public equity portfolio.

As a result, the endowment's investment strategy is now more appropriately aligned with our responsible investment guiding principles and mission of the Health Foundation, and we've selected best-in-class managers based on Redington's extensive, independent research.

Joanna Wright, Head of Responsible Investment,  
the Health Foundation

## What was the situation?

In January 2021, Redington were appointed as the investment advisor to the endowment of **the Health Foundation**, an independent charity committed to bringing better health and health care for people in the UK. The Health Foundation sought the services of an investment consultant to help them strike the right balance between growing the value of the endowment assets (consistent with their risk objectives) whilst better aligning their investment strategy and managers with their responsible investment guiding principles and mission of the Foundation.

## What have we achieved?

We guided the Health Foundation through our tried-and-tested ROSIE framework to review their strategic asset allocation (SAA), setting a monitoring framework that identified clear calls to action for the endowment. The agreed SAA allowed the endowment to increase its expected return whilst reducing risk.

The proposed asset classes were also better aligned with the broader responsible investment objectives of the endowment. For example, carbon emissions and climate change stress test results were significantly lower, allowing the endowment to move further toward its 2035 net-zero goal.

We also worked with the in-house team to restructure and implement their public equity portfolio using our preferred managers who demonstrated the strongest levels of expertise, integration and stewardship with regards to responsible investment. The equity portfolio also included a dedicated allocation to a climate impact strategy, sustainable equity strategies and an ESG-tilted passive index fund.

Separately, we're in the process of working alongside the in-house team to align the endowment to organisations consistent with its responsible investment objectives by using engagement to influence corporate behaviour. Having now identified a full list of relevant organisations, we're in the process of conducting a deep dive on these before submitting our recommendations to the Health Foundation's investment committee later in the year.

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### Our ROSIE framework in action

 <p><b>Research</b></p>	<p>We conducted an anonymous survey of key stakeholders to understand their objectives and explore their collective investment beliefs.</p>
 <p><b>Objectives</b></p>	<p>Following analysis of the Research results, we worked with the endowment to set appropriate objectives and constraints. This included a range of traditional investment objectives to ensure the endowment balanced the trade-off between return, risk and liquidity requirements, and responsible investment objectives consistent with the endowment's focus on being a responsible asset owner.</p>
 <p><b>Strategy</b></p>	<p>After the newly proposed objectives were agreed, we based our SAA proposal on achieving them. Within public equities (the largest asset class within the portfolio), we introduced dedicated impact and sustainable investment strategies, and favoured managers with the strongest level of ESG integration. Within the broader SAA, we proposed allocations to social housing and renewable infrastructure to provide the endowment with strategies consistent with its responsible investment guidelines (including alignment with Sustainable Development Goal 3 and 13, and net zero by 2035), whilst also being attractive from a risk/return perspective.</p>
 <p><b>Implementation</b></p>	<p>Implementation of the investment strategy started with the public equity portfolio. We identified several portfolio construction options and managers that met the Health Foundation's investment and sustainability objectives. Over the course of several months, we worked with the in-house team and investment committee to refine the proposed public equity portfolio. We've now implemented the new public equity portfolio and will implement the remainder of the SAA during 2022.</p>
 <p><b>Evaluation</b></p>	<p>N/A – the portfolio is yet to be fully implemented.</p>



Metric	Current SAA	Proposed SAA
<b>Expected Return</b>	CPI + 3.3%	CPI + 3.6% <span style="color: green;">↑</span>
<b>VaR 95</b>	19.6%	19.4% <span style="color: green;">●</span>
<b>Expected Shortfall</b>	24.5%	24.3% <span style="color: green;">●</span>
<b>Equity Beta</b>	0.75	0.72 <span style="color: green;">●</span>
<b>Liquid Asset Stress</b>	72%	61% <span style="color: green;">●</span>
<b>Slow Transition Risk vs 50% VaR 95 Carbon Emissions (tCO2e / EVIC £m)</b>	7.6% < 9.8% 156	5.5% < 9.7% 132 <span style="color: green;">●</span>