

QUILTER CHEVIOT
INVESTMENT MANAGEMENT

Achieving financial and societal returns: Are all charitable and social investment returns equal?

26 January 2017

Chair

Anne-Marie Piper, Head of Charities, Farrer & Co.

Panel

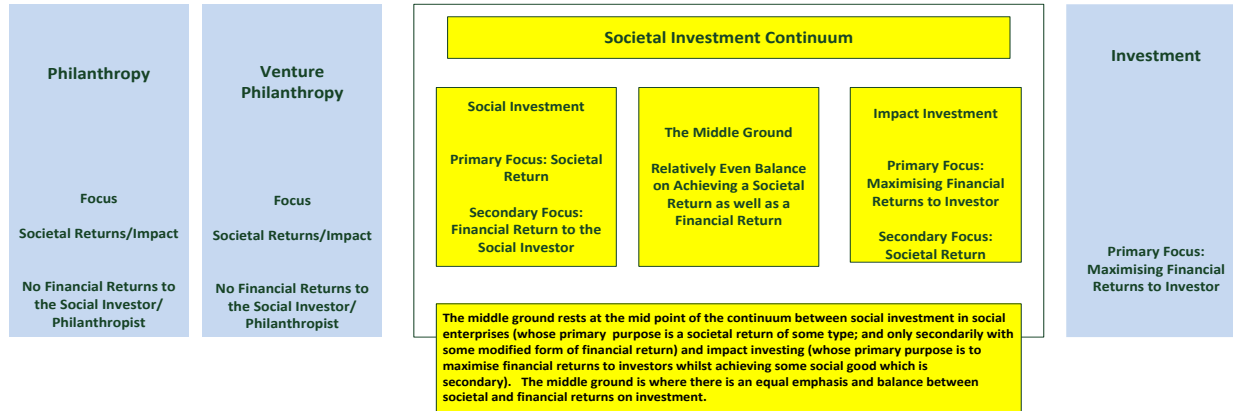
William Reid, Head of Charities, Quilter Cheviot

Keith Ward, Head of Social Impact Advisory, RSM

Hilary Evans, Chief Executive, Alzheimer's Research UK

Paul Blyth, Investment Director, Panahpur

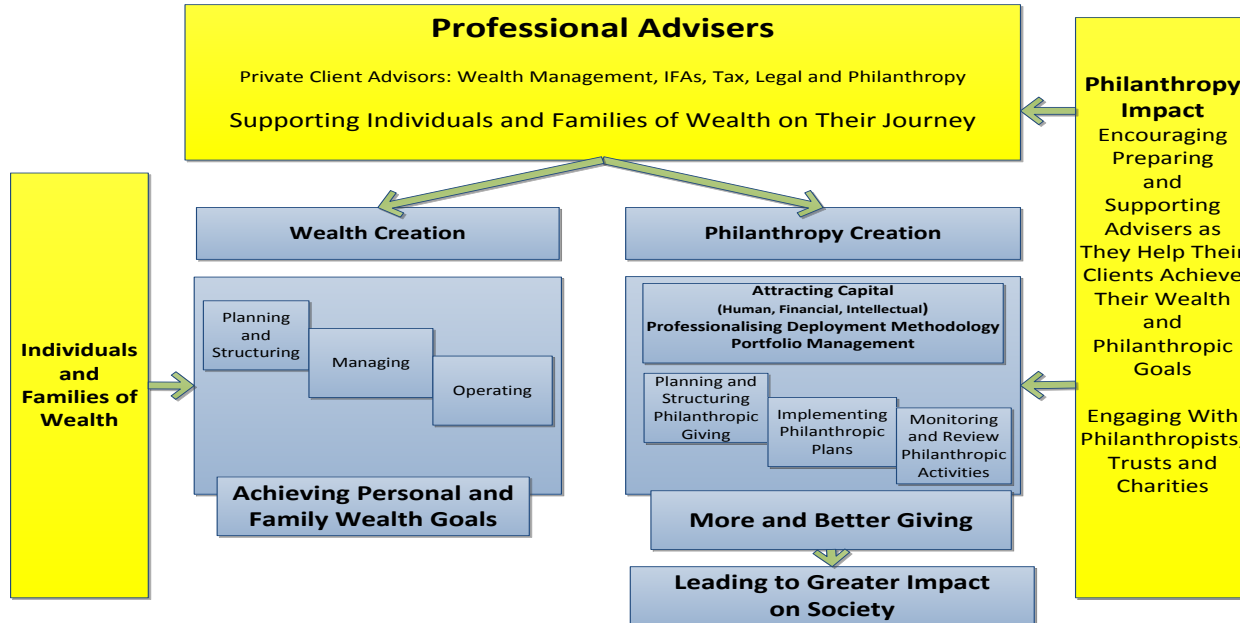
Philanthropy Impact Investment Continuum



The chart above reflects returns from the perspective of the investee and their impact - societal and/or financial.

Investors including intermediaries would decide on the appropriate investment mix depending on their objectives for capital and their values.

Donor Journey





Financial investment v societal investment

Keith Ward

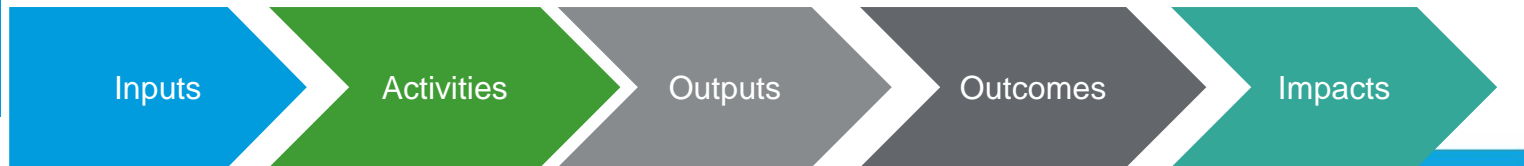
Head of Social Impact Advisory - RSM

RSM consultancy – social impact advisory

- RSM is one of the leading firms of chartered accountants involved in measuring social impact.
- It's All About Me
 - First social impact bond for voluntary adoption agencies working with local authorities.
 - £5m fund to support challenging adoptions.
- Contributed to the European Commission review of social impact.
- Carried out over 50 social impact reviews, including:
 - national and local charities
 - evaluations of local authority arms length/partnership leisure trusts;
 - healthcare evaluations – Horder Healthcare, Carers Support Centre;
 - social housing.

Social Impact – What is it?

- The impact of your actions on society; impact can be value created or a cost saved!
- **Value created:** community of volunteers, social interaction, tenant 'wellbeing', maintaining/increasing local spending, higher levels of educational attainment
- **Cost saved:** maintain a tenant in their own home, deferring cost of residential care, family ↓ reduced anxiety, reduced mental health costs, reduced reliance on welfare, reduced visits to GP/A&E.
- It can be identified, mapped, measured, recorded, modelled and evaluated or it can just be used to tell a story.



Social impact is a powerful tool

- It can methodically demonstrate, in a comparable way, the huge difference philanthropic support makes - it can shine a unique light and be used to differentiate funding applications
- So why not universally applauded and used up and down the land?
- Is it robust enough to support real funding decisions – or is it too judgemental?

There are many challenges....

1. It is subjective – people like black and white
2. Multitude of approaches
3. Understand the theory of change & managing expectations
4. Proxy values and ease of calculation
5. Develop financial proxies
6. Building an evidence base
7. Difficulties in getting started
8. Is it right?

But may be if we compared to financial statements....

- Financial statements only claim to be true and fair.
- Financial statements have transparent assumptions – look at any pension note!
- Auditors define materiality – what the accounts may be wrong by before it affects your view!
- ***If social impact reports shouted out this number is not correct, but it gives a unique insight into what has happened – would they gain greater legitimacy...and usage!***

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Hilary Evans
Chief Executive, Alzheimer's Research UK

What does Alzheimer's Research UK do?



1. FUND
research
to defeat
dementia



2. INFORM
the public about
dementia and involve
them in studies



3. CAMPAIGN
to make dementia
research a
national priority

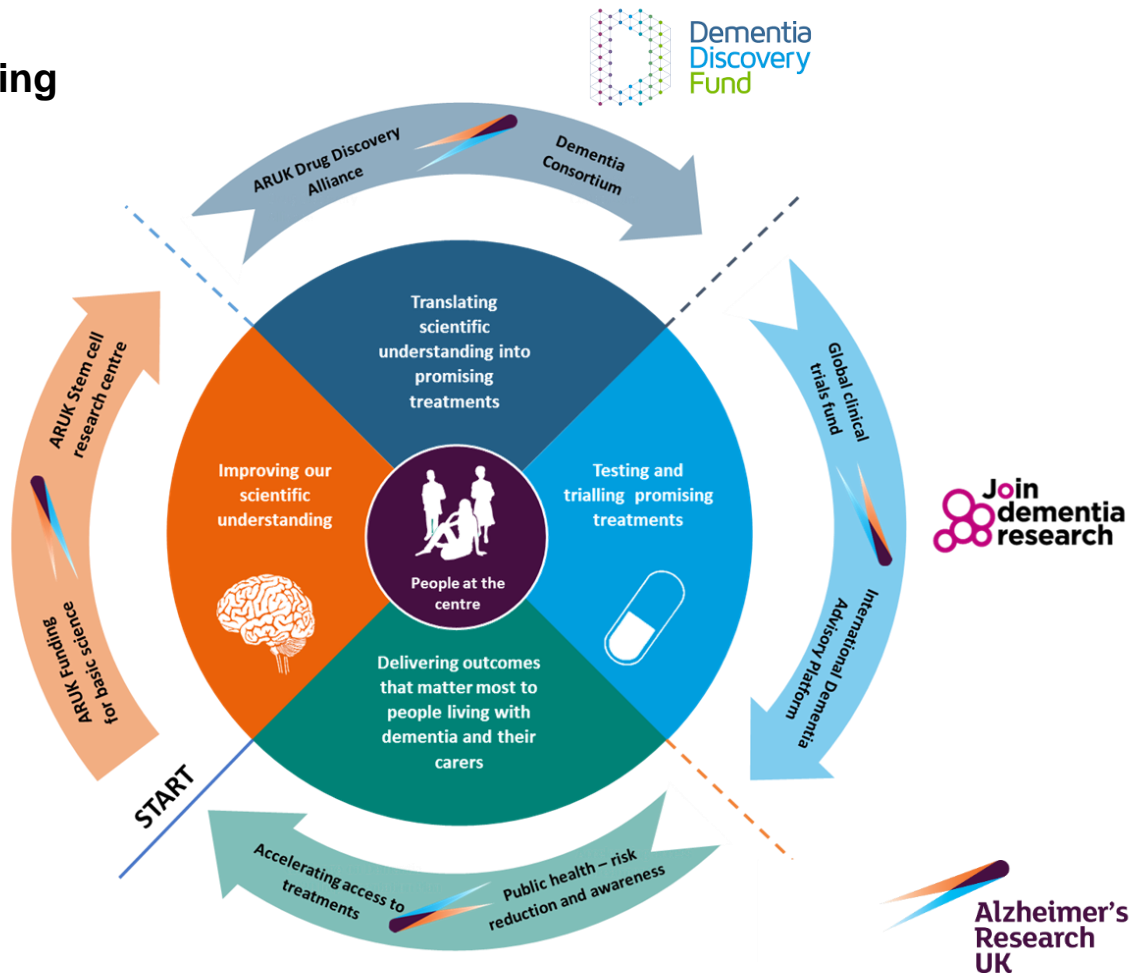
A world free from the fear, harm and heartbreak of dementia

ARUK Projects – creating opportunities

BRAINS FOR DEMENTIA RESEARCH

Increasing knowledge - Finding a cure

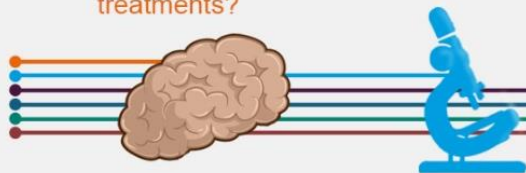
A partnership between Alzheimer's Research UK and Alzheimer's Society
in association with the Medical Research Council



1 Making a discovery

Understanding the biology of diseases that cause dementia.

- Is this process important in the disease?
- Could it be a target for new treatments?



3 Searching for compounds that hit the target

Libraries of chemicals are screened to find those that could be developed into experimental drugs.



5 One step towards the clinic

Hit compounds go through many rounds of tweaking and re-testing.

- Does it work in a living system?
- Does it have good drug properties?



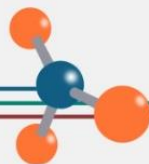
2 Validating the discovery

Potential targets are studied more closely.

- What does the target do?
- Can we test it in the lab?

4 Developing hits to leads

Hit compounds are modified by chemists to improve their properties and activity.



6 Clinical trials

Potential new treatments must pass through three phases of clinical trials in people to test if they are safe and effective.

Where is Alzheimer's Research UK making a difference?



Our **grant schemes** fund all stages of the process with many focusing on the earliest discoveries.



Our **Drug Discovery Alliance**, **Dementia Consortium** and **Stem Cell Research Centre** focus on turning these discoveries into promising leads.



Our **Global Clinical Trials Fund** has the potential to take the best leads into the clinic.

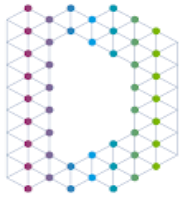
Dementia Consortium

Spotted opportunity – lack of investment from Pharma

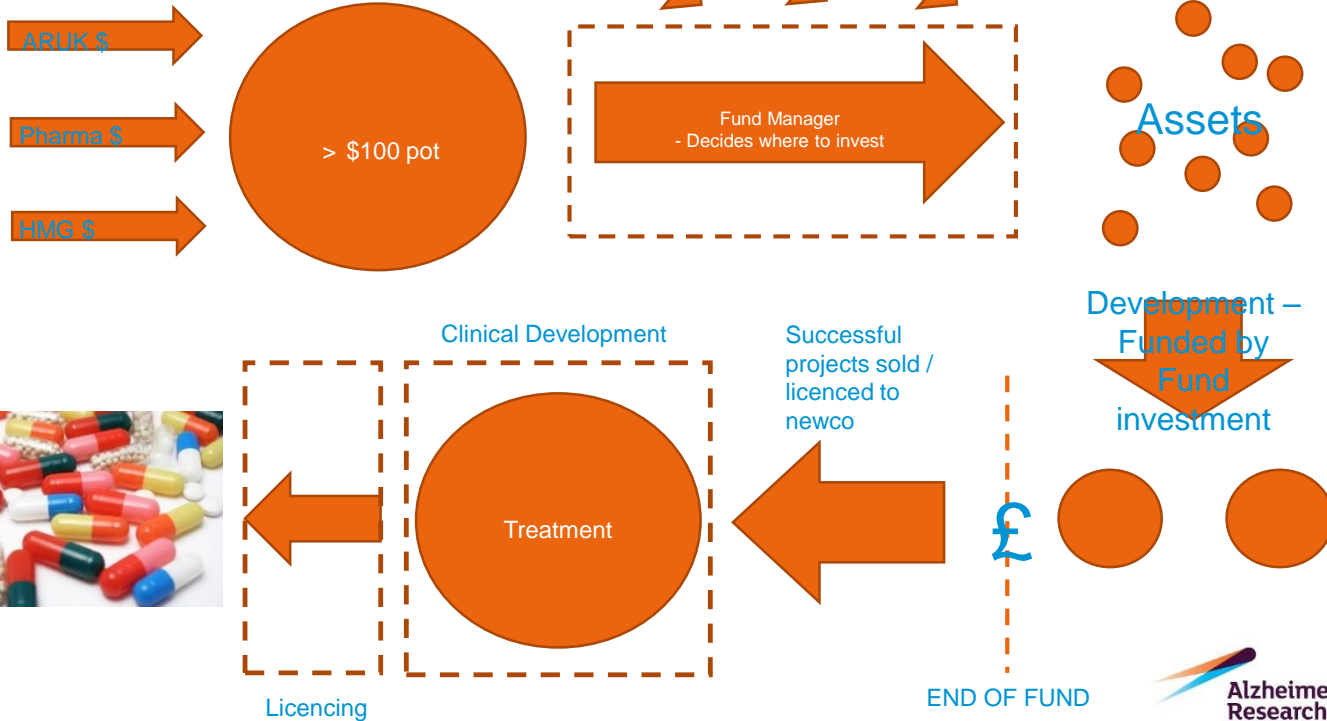
Potential for future IP



DEMENTIA
Consortium



Dementia Discovery Fund





First for dementia

- Important and highly challenging area
- Focus on increasing investment / success in field

Risk sharing

- Attraction for pharma

Fund manager – SVLS

High calibre, proven track record of deal sourcing and success

Programme Related Investment (PRI) – fulfils charity remit

ARUK INVESTMENTS

ARUK Investments

- The number of research commitments which we can make is governed by our reserves policy which does not allow us to over commit.
- Our reserves policy requires us to hold sufficient working capital to cover six months operating costs and a minimum of twelve months research commitments or a maximum of twenty four months research commitments.
- Key driver is using expert advisers to advise on which investments to make having given them detailed guidance within a policy on acceptable risk and ethical guidelines.
- Importance of high quality Advice and strong Treasurer to head charity Investment Committee.

Ethics of Charity Investment

Charity Commission encourages ethical policy.

If the Trustees decide they are going to have an ethical policy they have to be able to demonstrate why they are investing in that way. The law permits the following reasons:

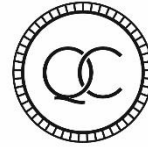
- A particular investment conflicts with the aims of the charity.
- The charity might lose support or beneficiaries if it does not invest ethically.
- There is no significant financial detriment.

Thank-you



Alzheimer's
Research
UK

The Power
to Defeat
Dementia



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