

NEWTON

Investment
Management

➤ **BNY** | INVESTMENTS

The 2024
Newton Charity
Investment
Survey

October 2024



BROADER HORIZONS

Unlock opportunity

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Welcome

The 2024 Newton Charity Investment Survey

The Newton Charity Investment Survey, now in its 11th year, covers diverse topics within the management of charitable portfolios, and provides an industry benchmark to see how aligned your investment experience and intentions are with those of your peers.

As in each previous iteration, Newton Investment Management has conducted a survey among leaders and decision-makers in the UK charity sector.

The survey explores:

- the effect of major economic and geopolitical issues on UK charities
- the diminishing impact of the cost-of-living crisis on charities' operations, administration and fundraising abilities, demand for their services, and their short and long-term financial planning
- charities' thoughts and plans regarding longer-term issues including cybersecurity and climate change
- the ways in which charities are adapting their investment strategies and expectations around investment returns in a time of continued uncertainty
- changes to charities' asset allocation and the shift away from UK equities
- the changing nature of the sector's relationship with exclusion policies, environmental and social responsibility, sustainable investment, and net zero
- expectations around and experiences of diversity within the sector, as well as the insights of faith-inspired charities

This year's sample includes

73 CHARITIES

with a combined

**£2.3 BN
IN ASSETS**

About this research

The sample in this year's survey includes 73 charities with a combined £2.3 billion in assets. Fieldwork took place between 30 April and 9 July 2024, with a record date for data regarding annual investment performance of 31 March 2024.

Last year, the sector appeared to be on the path to recovery after several challenging years dominated by the Covid pandemic and the cost-of-living crisis.

In 2024, there are signs of continued progress, moving further away from the hardships of the last half decade.

Cost-of-living and inflationary concerns are on the decline again this year as the sector looks towards longer-term issues, including climate change, the impact of geopolitical turmoil, diversity in the sector, and wider investment resilience.

However, while its impact has declined, inflation remains the concern that almost all charities are thinking about, even if they may be less worried than they were last year.

The future is coming into sight, but today's pressures remain a concern and continue to act as a drag on futureproofing in the sector.

2024 has been a more successful year for charities' investments. Investment returns are on the up across our sample and medium-term expectations are improving, but continued uncertainty around longer-term performance and pressures on withdrawal rates indicate continued expectations of volatility.

Elsewhere, the ability of investments to meet charitable needs remains in flux, while shifts in asset allocation show the investment environment has yet to settle, and that UK equities are continuing to lose their allure.

The sector's engagement with environmental, social and governance (ESG) considerations and net zero remains strong, although both approach and understanding are still evolving. Divestment appears to be more popular, while the use of exclusions continues to divide the sector and is having a small, but growing, impact on investment performance.

Knowledge around net zero and its incorporation into investment management has room for improvement, and has faced downward pressure, likely owing to continued uncertainty around medium-to-long-term investment performance.

Historical trends around diversity in the sector remain unchanged. This year has seen little movement in levels of diversity on charitable boards, though charities are taking a wide range of actions to improve diversity, indicating the potential for greater change in the future.

Now in its second year, our series of questions around the role of faith in the sector continues to provide insights into this well-established subset of UK charities, with this year's survey showing evidence that faith-related issues around investment have taken less precedence over investment performance and communication over the last 12 months.

The sections in this survey report focus on:

Dealing with today and preparing for tomorrow

- The major issues concerning charities
- Preparing for tomorrow

Adjusting to the new normal: charity investments in 2024

- Investment returns and portfolio withdrawals
- Investment strategy
- Asset allocation

Investing responsibly – ESG, exclusions and net zero

- ESG and responsible investment
- Exclusions
- Net zero

Diversity and faith in the charity sector

- Diversity
- Faith

“

The future is coming into sight, but today's pressures remain a concern and continue to act as a drag on futureproofing in the sector.

”

Executive summary



Broader horizons

This year's survey suggests that, while still a concern for charities, the impact of the cost-of-living crisis and inflation on the charity sector is starting to ease, though there is continued pressure from increased demand for charities' services.

Nevertheless, charities are adjusting their focus to longer-term issues such as climate change, cybersecurity, diversity and broader investment resilience. Although today's challenges remain a concern, the future is coming into sight.

21%

of charities report experiencing no impact from the cost-of-living crisis on their activity

The impact of the cost-of-living crisis on charities appears to be easing this year.

The proportion of charities experiencing no impact from the cost-of-living crisis on their activity has almost doubled from 11% last year to 21% this year. 60% of charities have seen no lasting impact on their investment policy.

58%

of charities have seen an increase in demand for services this year

Despite the decline in concern and impact from the cost-of-living crisis, demand for services has risen.

58% of charities have seen an increase in demand for services this year, broadly in line with last year. Much of this continued increase has fallen on smaller-to-medium-sized charities, with smaller charities roughly twice as likely to have seen an increase in demand compared to larger organisations.

67%

of charities surveyed have reviewed their investment policy statement post CC14

Following the Charity Commission's publication of its new CC14 investment guidance for trustees, the response of charities has been mixed.

Two-thirds (67%) of charities surveyed have reviewed their investment policy statement post CC14; however, of those, only a third have made any changes, possibly indicating that while concern about longer-term issues is on the rise, action on these may be slowed by more current concerns.

21%

of charities report annual investment returns of 9-12%

Investment returns have improved significantly this year, telling a more positive story about the investment environment for the sector.

Reports of investment performance of below 3% have fallen dramatically, from 70% of respondents last year to only 14% this year. Meanwhile, there has been significant growth in the number of charities reporting returns of 3-6%, from 24% last year to 38% this year; but the largest rise has come from charities seeing returns of 9-12% – up from 3% to 21%.

61%

of charities did not set a withdrawal rate

Charities continue to show uncertainty in terms of what they consider to be a suitable long-term withdrawal rate.

Responses about what is considered to be a balanced long-term withdrawal rate remain mixed, with a quarter of respondents indicating that they 'don't know'. It is therefore perhaps unsurprising that 61% of charities did not set a withdrawal rate; however, this is down from 70% last year.

22%

The proportion of assets allocated by charities to UK equities

This year, there has been a marked decline in charities' allocation to UK equities.

While allocations to most asset classes have not seen significant changes this year. UK equities saw a noticeable fall to 22%, which is the lowest-ever level in our reporting. This was largely offset by an increase in allocation to alternatives.

57%

of charities have an exclusion policy

The use of exclusion policies by charities has declined this year.

The proportion of charities with an exclusion policy in place has fallen from 64% last year to 57% this year; however, this figure remains in line with previous years. 17% of respondents with an exclusion policy report that it has negatively affected performance, and a further 3% report a positive impact on performance.

91%

of charities believe that ESG factors are important

After a drop in the reported importance of ESG investment factors last year, charities' concern about the issue has risen again this year.

The proportion of respondents that believe that ESG factors are important has grown to 91%, compared to 86% last year. Within this is a major rise in the proportion of charities saying it is 'very important' – back up to 49%, after a fall to 37% last year.

38%

of charities surveyed are committed to a net-zero target

The proportion of charities with net-zero commitments has fallen this year.

38% of charities surveyed are committed to a net-zero target, down from 48% last year. In addition, 28% of charities say that net zero is not incorporated into the management of their investments, and a further 29% do not know how it is incorporated.


46%

of charities feel diversity is adequately reflected in their trustee board

There has been a minor uptick in charities that feel diversity is adequately reflected in their trustee board, from 42% to 46%.

However, levels of actual representation within boards have remained stagnant once again. Nevertheless, charities are focusing on a wide range of recruitment efforts in order to improve diversity.





Dealing with today and preparing for tomorrow

Part 1:

The major issues concerning charities

Part 2:

Preparing for tomorrow

Counting the cost

Over the last four years, the charity sector has been faced with numerous crises, and our reports have reflected that. These have ranged from the short-term – and the subsequent lingering – impacts of the Covid-19 pandemic on the charity sector to the wide-ranging effects of the cost-of-living crisis on both beneficiaries and charities themselves.

Last year, Covid-related concerns diminished, with more pressing economic issues coming to the fore.

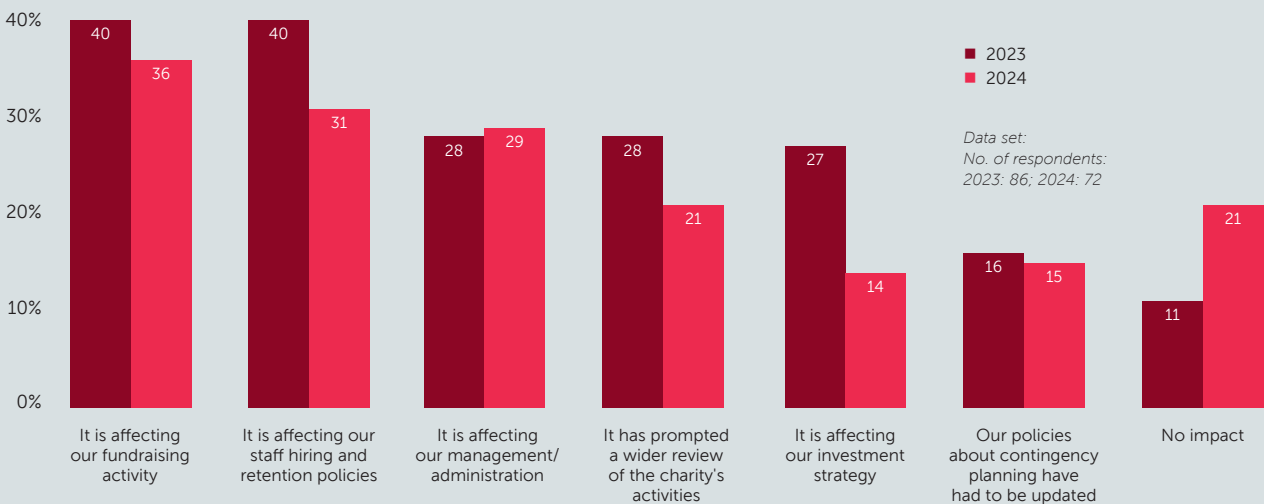
In 2024, while the effects of those crises have by no means disappeared, there are signs that the sector may be moving away from its near half-decade state of perma-crisis, and instead is looking further out towards longer-term issues.

The top-line trend we have seen in this year's reporting is the marked decline in most, albeit not all, of the impacts of the cost-of-living crisis on charities' activity. Its effect on staff hiring and investment strategy has declined significantly – by as much as half for investment strategy.

Meanwhile, there have been smaller declines in charities conducting contingency planning and activity reviews as a result of the cost-of-living crisis. Its effect on fundraising activity has also fallen by a small margin, though fundraising remains the activity affected most.

Management and administration is the only area for which the proportion of charities feeling the impact of the crisis has risen this year, up marginally from 28% in 2023 to 29% this year. Notably, the proportion of charities reporting no impact from the crisis has almost doubled, now representing over a fifth of the total sample. ¹

¹ What impact, if any, has the continued cost-of-living crisis had on your charity's activity over the last year?





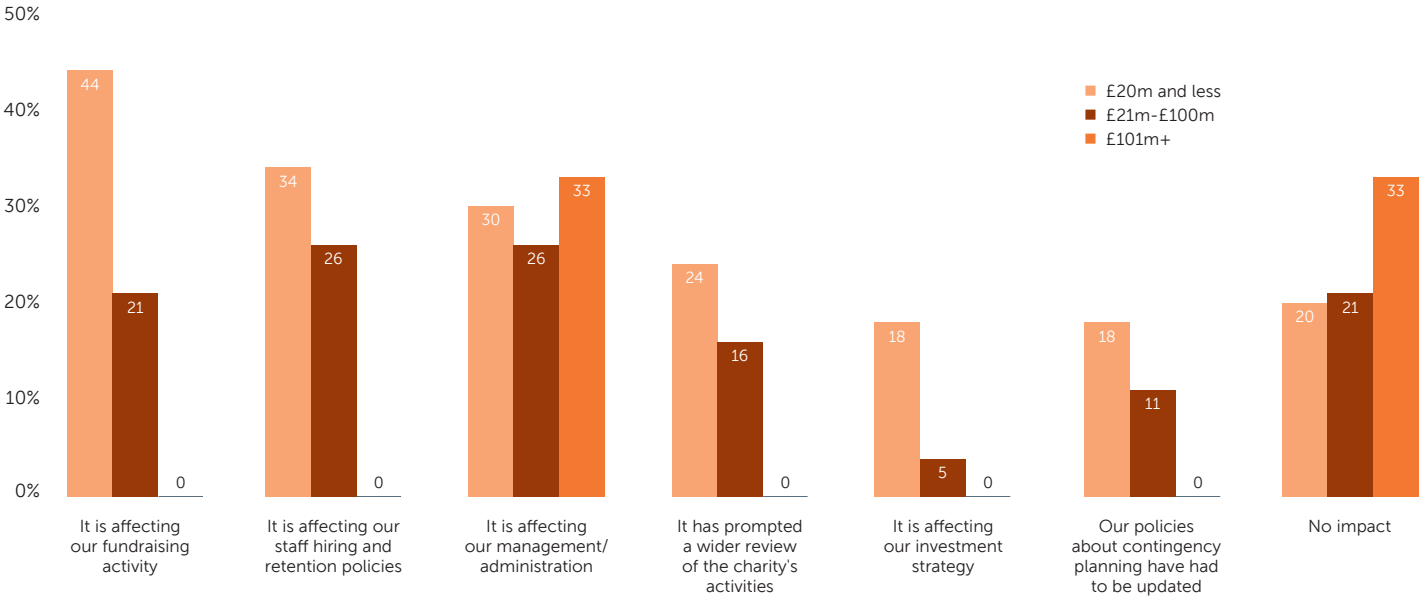
“
The continued impacts of the crisis are primarily being felt by smaller charities with assets under management below £20m.
”

However, this decline in concern about the cost-of-living crisis does not tell the full story across the sector. As in previous years, the continued impacts of the crisis are primarily being felt by smaller charities with assets under management below £20m.

On the other hand, larger charities with assets of over £101m have seen greater effects from the crisis on their management and administration. Nevertheless, these larger charities are the most likely to have experienced no impact from the cost-of-living crisis this year. While the impact of the crisis

on the sector is continuing to dissipate, it is the smaller charities that are facing the longest recovery. ²

² What impact, if any, has the continued cost-of-living crisis had on your charity’s activity over the last year?



Data set: No. of respondents: 2023: 86; 2024: 72



58%

of charities report an increase in demand for their services – with smaller charities facing the brunt of the extra demand

The long-term effect of the cost-of-living crisis on the demand for charities' services remains.

2024 is the third consecutive year in which the majority of charities surveyed have seen an increase in demand for their services, reported by 58% of charities, just below the 59% reported in 2023.

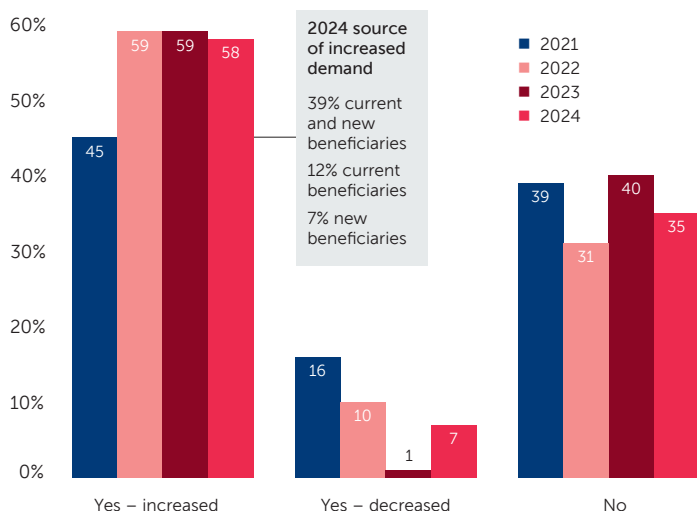
Much of this rise in demand has come from charities facing increased demand from both existing and new beneficiaries, implying wider need across society and increased need from existing users of charity services.

There has, however, been movement at the other end of the spectrum this year, with a larger proportion of charities noting a decrease in demand –

up to 7% from a record low of 1% in 2023 – though this remains a minority.

Once again, it is smaller charities facing the brunt of the extra demand, with charities with assets under management of over £101m roughly half as likely to have seen an increase in demand, and with over two-thirds of these charities having seen no change in demand this year. ³

³ Have you seen a change in demand for your charity's services?



Data set: No. of respondents:
 2021: 82; 2022: 91; 2023: 86; 2024: 72



Data set: No. of respondents:
 2024: 72

60% of charities reported no lasting impact from the cost-of-living crisis on their investment policy

The impact of the cost-of-living crisis on charity investments has seen a marked decline this year, with its impact on investment strategy having fallen by almost half.

Just under two-thirds (60%) of charities reported no lasting impact from the crisis on their investment policy, while among the remaining 40% of charities, the response has been diverse.

25% of charities surveyed are re-evaluating their reserves policy, with others reconsidering asset allocation (17%), reviewing risk (8%), or considering switching to a total-return policy (6%). ⁴

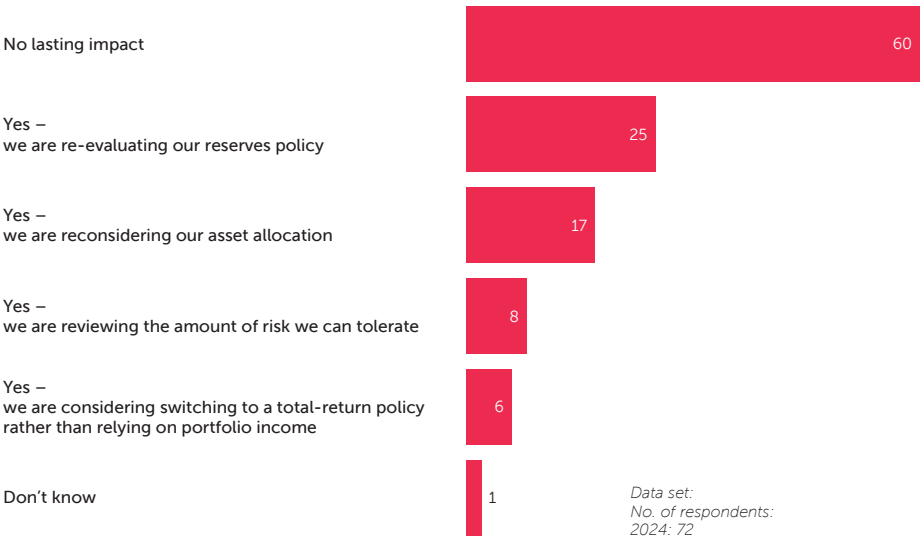
Looking beyond the cost-of-living crisis, concern has also fallen across many other issues, especially worries related to inflation.

The proportion of charities that are 'very concerned' about inflation has fallen from 66% last year to just over a third (38%) in 2024, while other major concerns have seen less dramatic falls.

The top three most common concerns are now rising salaries and the cost of hiring (43%), cybersecurity and online threats (39%), and inflation (38%).

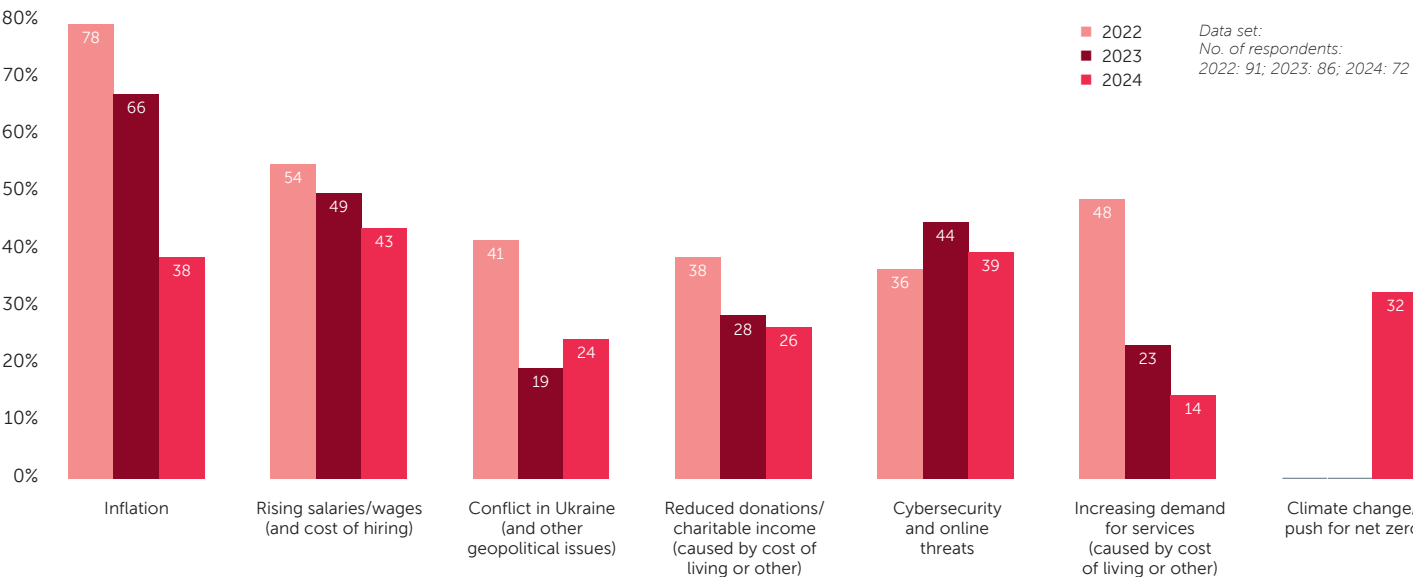
Meanwhile, concern about increased demand for services is now at its lowest-ever level, at just 14% of charities. ⁵

4 Has the cost-of-living crisis had a lasting impact on your investment policy?



38% of charities are 'very concerned' about inflation – down from 66% last year

5 How concerning are these issues to you when thinking about your charity? (Percentage saying 'very concerning')



“

Even as inflationary concerns decline, and as the UK's inflation rate stands well below the astronomic figures seen in late 2022 and early 2023, it remains a drag on charities, and a key worry. ”

Once again, this top-line set of responses may not tell the whole story. While concern about inflation has declined significantly, it remains a unifying issue across the sector. When asked to outline their three greatest concerns regarding their

investments, inflation stands as by far the most common answer for charities, surpassing other issues such as returns and value.

Even as inflationary concerns decline, and as the UK's inflation rate stands well below the astronomic figures seen in

late 2022 and early 2023, it remains a drag on charities, and a key worry.

The cost-of-living crisis is moving into many charities' rearview mirrors but it is not out of sight quite yet. ⁶

⁶ What are the greatest fears/concerns for your charity's investments?

INFLATION
GEOPOLITICS RETURNS
REPUTATION CLIMATE CHANGE PERFORMANCE VOLATILITY INCOME
RESERVES MARKETS WAR LIQUIDITY MANAGERS ESG CRASH GOVERNANCE CASH
DIVERSIFICATION EDUCATION ETHICS EQUITIES FAILURE GOVERNMENT GROWTH INTEREST RATES
MARKET FAILURE POLITICAL RISK PROPERTY UKRAINE VALUE

ACTIVE BAD DECISIONS BEAR MARKET BONDS CAPITAL PRESERVATION CAPITAL VALUE CHANGE CHINA COST OF LIVING COSTS CURRENCY RATES
DECREASED INCOME DEMAND DIVIDENDS ENVIRONMENT FALL IN VALUE FEES FISCAL DEFICITS FOSSIL FUELS FUNDING GAZA GLOBAL ECONOMY INJUSTICE
INVESTMENT FADS LIQUIDITY LOCATION MANAGERS MODERN SLAVERY NET ZERO PANDEMIC POLICY PORTFOLIO PROPERTY MARKET RECESSION RISK PROFILE
SAFETY SLOW GROWTH SOCIAL CARE SUPPORT TAX THEFT TRANSPARENCY UK ECONOMY UK ELECTION US ELECTION US RETURNS VALUE FOR MONEY

Policy agendas



While current concerns about the impact of the cost-of-living crisis are on the decline, 2024 sees longer-term concerns continue to grow in importance for UK charities. Concerns about issues such as climate change/the push for net zero, and cybersecurity and online threats, have remained relatively steady, while geopolitical concerns have risen compared to last year.

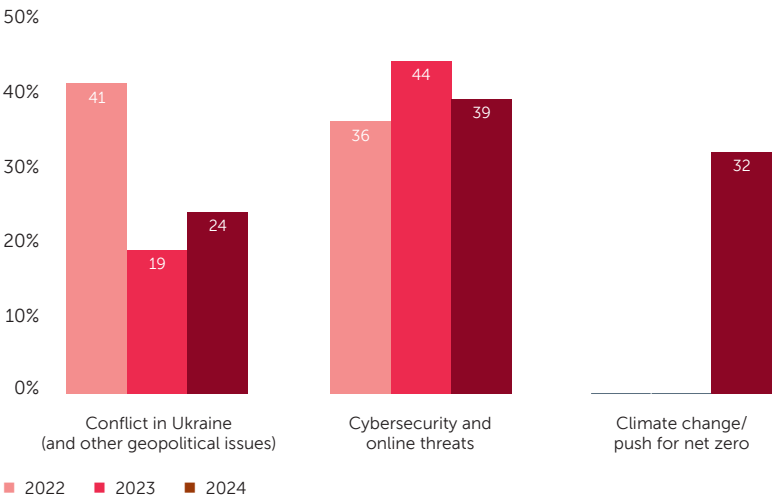
“
2024 sees longer-term concerns continue to grow in importance for UK charities.”

Cybersecurity, despite declining slightly from 44% in 2023 to 39% in this year’s reporting, now stands as the second most commonly selected concern, while climate change is now the fourth most commonly selected response.

Concern about geopolitics, while only selected by just under a quarter of charities, and still well below the level seen when Russian first invaded Ukraine in 2022, is also on the rise.

As charities continue to see issues relating to the cost-of-living crisis dissipate, it appears that they are continuing to look towards the longer-term issues – both close to home and further afield. ⁷

7 How concerning are these issues to you when thinking about your charity? (Percentage saying ‘very concerning’)



Data set: No. of respondents: 2022: 91; 2023: 86; 2024: 72



Broader response of charities to the new guidance has been mixed, and may indicate that action in response to longer-term issues has been slowed by more immediate concerns related to economics.



Nevertheless, this longer time horizon of concern is not always manifesting in action, as responses relating to the Charity Commission's new CC14 investment guidance for charity trustees indicate.

This guidance, which includes new advice on investment policy statements, suitability and reviews, outlines the impact of new regulation and legislation around lawful investments, as well as wider guidance around reviewing investments in light of reputational or environmental, social and governance (ESG)-related risks.

32%

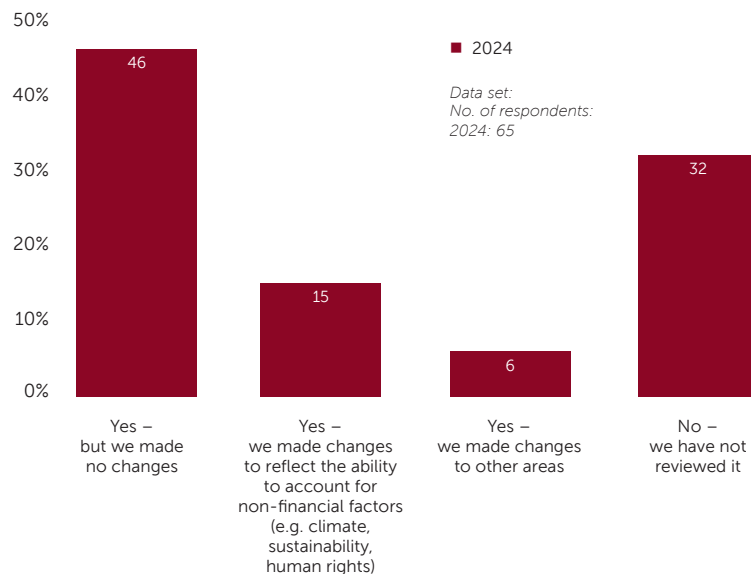
of charities have *not* reviewed their investment policy despite the CC14 update

While 90% of charities surveyed have an investment policy, and so meet that recommendation of CC14, the broader response of charities to the new guidance has been mixed, and may indicate that action in response to longer-term issues has been slowed by more immediate concerns related to economics.

Two-thirds (67%) of charities surveyed have reviewed their investment policy statement post CC14; however, of those, only a third have made any changes.

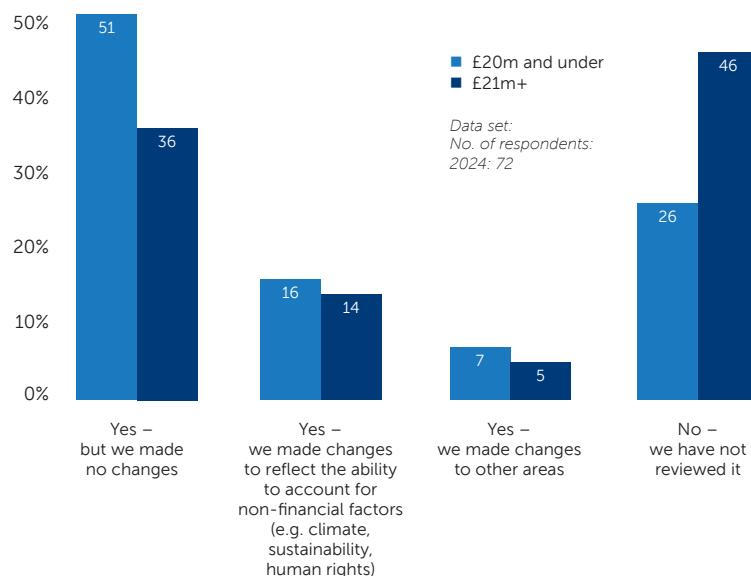
In what could be another reflection of the more immediate pressures that do remain, 32% of charities have *not* reviewed their statement despite the CC14 update, and this figure is even higher (46%) among charities with assets under management of over £21m. ⁸ ⁹

8 Have you reviewed your investment policy statement following the Charity Commission's update on CC14 in the autumn of 2023?



9 Have you reviewed your investment policy statement following the Charity Commission's update on CC14 in the autumn of 2023?

By charity size





Adjusting to the new normal – charity investments in 2024

Part 1:
Investment returns and portfolio withdrawals

Part 2:
Investment strategy

Part 3:
Asset allocation

Ins&outs

As charities continue to adjust to the new normal of a post-Covid world and a cost-of-living crisis recovery, how are their investments being shaped, and, in turn, responding to the events of the last year? The sector remains volatile, but there are signs that both recent investment performance and charities’ longer-term views on the investment environment are becoming more positive, certainly compared to what has been, without a doubt, several years of lacklustre performance.

In terms of investment returns, 2024 presents a significant improvement compared to the figures we saw in last year’s reporting. The proportion of charities reporting investment performance of less than 3% over the last year has fallen considerably.

In 2023, charities reporting returns of less than 3% represented 70% of our sample; in 2024 this figure has fallen to 14%. This still represents a concerningly large proportion of charities, but stands as a huge improvement, especially when we look at the reporting of returns of less than 0%, which has fallen from 35% of the sample in 2023 to only 4% this year.

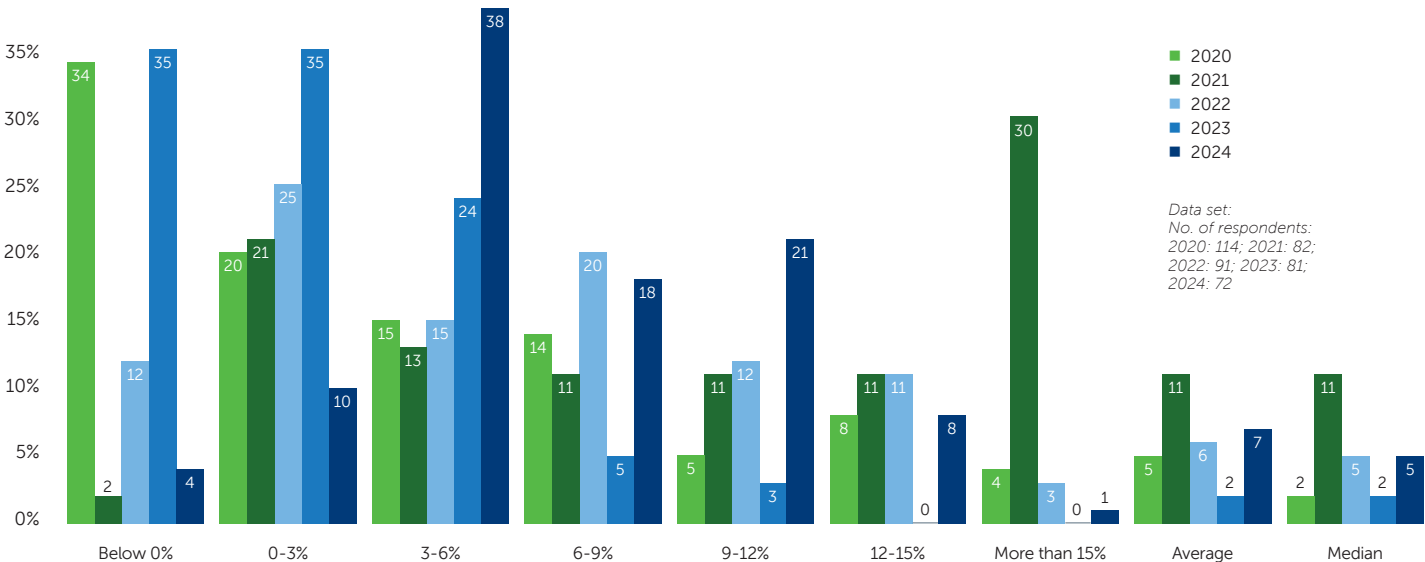
At the other end of the scale, charities reporting annual returns of between 3-15% now make up 85% of the sample, up from just under a third in 2023.

Significant growth has been seen in charities reporting returns of 3-6% (from 24% in 2023 to 38% this year), but the largest rise has come from charities seeing returns of 9-12% this year – up from 3% to 21%.

Average returns are also on the rise – growing to 7% from the record low of 2% last year. ¹⁰

21%
of charities report investment returns of 9-12%

¹⁰ What was the approximate total percentage performance gain/reduction in your investment portfolio’s value – like for like – in the year to 31 March 2024 (i.e. discounting any additions/withdrawals made in the period)?



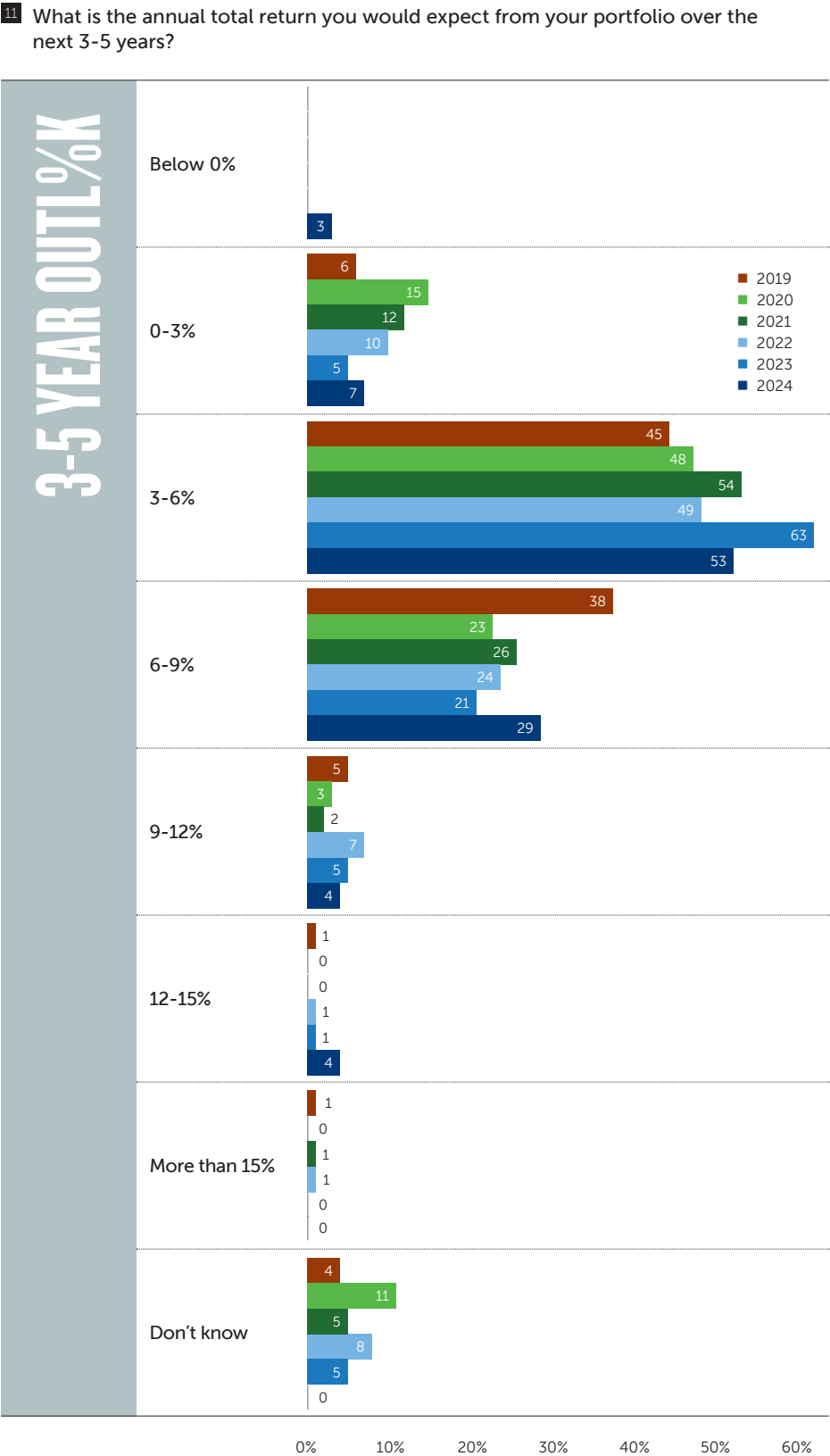
Looking further forward at charities' expectations of medium-term (3-5 year) returns, the outlook is more muted – though still an improvement compared to 2023's reporting.

Charities expecting annual returns of between 3-15% has remained stable at 90% of the sample. However, within that, there has been some movement.

A ten-point drop in those expecting returns of between 3-6% has driven a ten-point increase in charities expecting higher returns of between 6-15%, indicating a more positive shift in expectations for the sector.

Yet, on a more negative note, there has been a minor rise in charities expecting poor returns of between 0-3% – up to 7% from 5% in 2023 – and also in charities expecting negative returns. ¹¹

90%
of charities expect
annual returns
of between
3-15%



Data set: No. of respondents: 2019: 102; 2020: 114; 2021: 82; 2022: 91; 2023: 81; 2024: 72



Just over a third of charities in this year's sample have set a withdrawal rate, an increase from 2023, when this figure stood at a quarter of charities.



Portfolio withdrawal rates remain diverse for the sector, with no clear common rate among those charities with a set withdrawal rate, and with continued movement compared to last year.

Just over a third of charities in this year's sample have set a withdrawal rate, an increase from 2023, when this figure stood at a quarter of charities.

However, within that sub-sample, there is little agreement as to where to set rates. 2024 has seen an uptick in withdrawal rates below 4% – reflecting a decline in both withdrawal rates of 4-4.9% (down from 8% to 4% this year) and in charities not setting a rate.

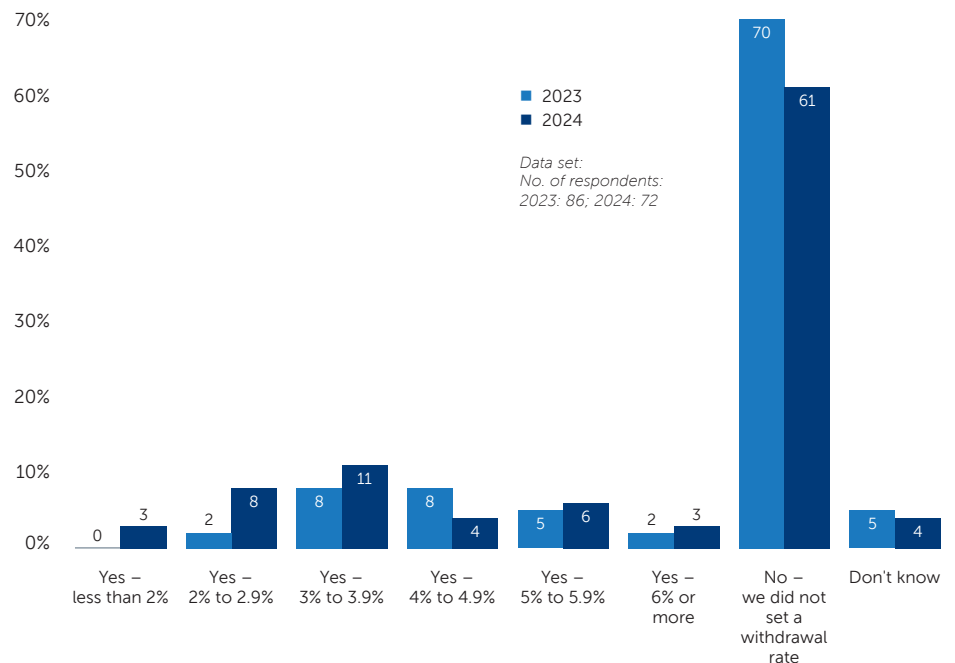
Nevertheless, answers remain well distributed across the range of rates. ¹²

These mixed responses across the sector are also present when asking charities what they consider to be a balanced rate of withdrawal over the longer term.

Answers in this year's survey remain diverse – as in previous years – though there has been a noticeable decline in charities answering with higher rates of 5% or more.

Together with what is a further rise in the proportion of charities that do not know what a balanced withdrawal rate

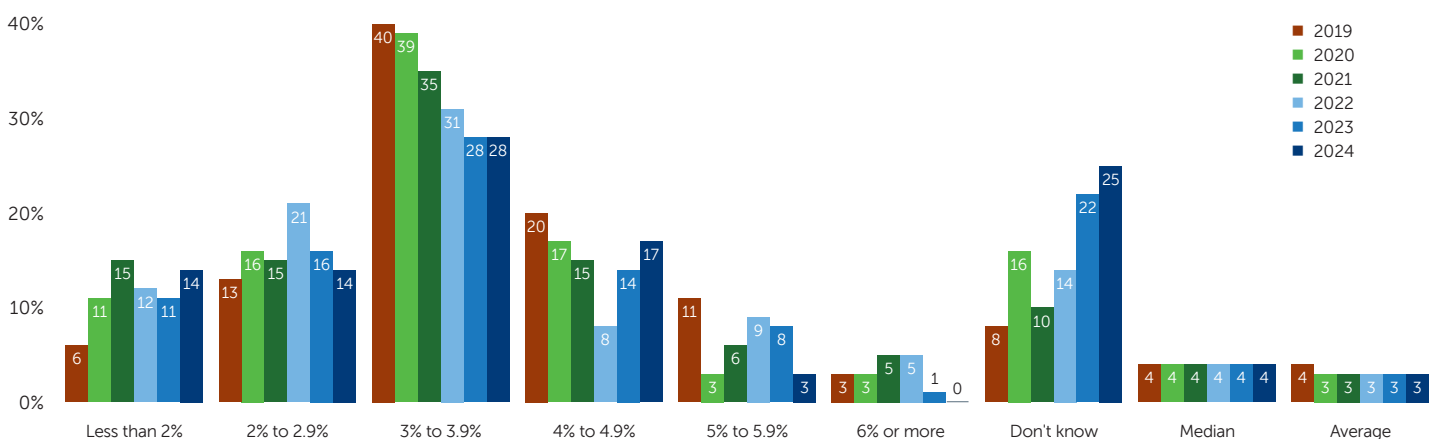
¹² Did you set a withdrawal rate on your investment portfolio over the last year?



might be, now representing a quarter of all charities, these shifts may reflect continued uncertainty about longer-term economic circumstances, with that uncertainty in turn affecting charities' own ability to plan for the future. ¹³

25% of charities do not know what a balanced withdrawal rate might be

¹³ What do you consider to be a sustainable/balanced withdrawal rate (comprising income and/or capital) from your portfolio over the long term to ensure that your portfolio does not reduce in value in real terms (i.e. after inflation is factored in)?



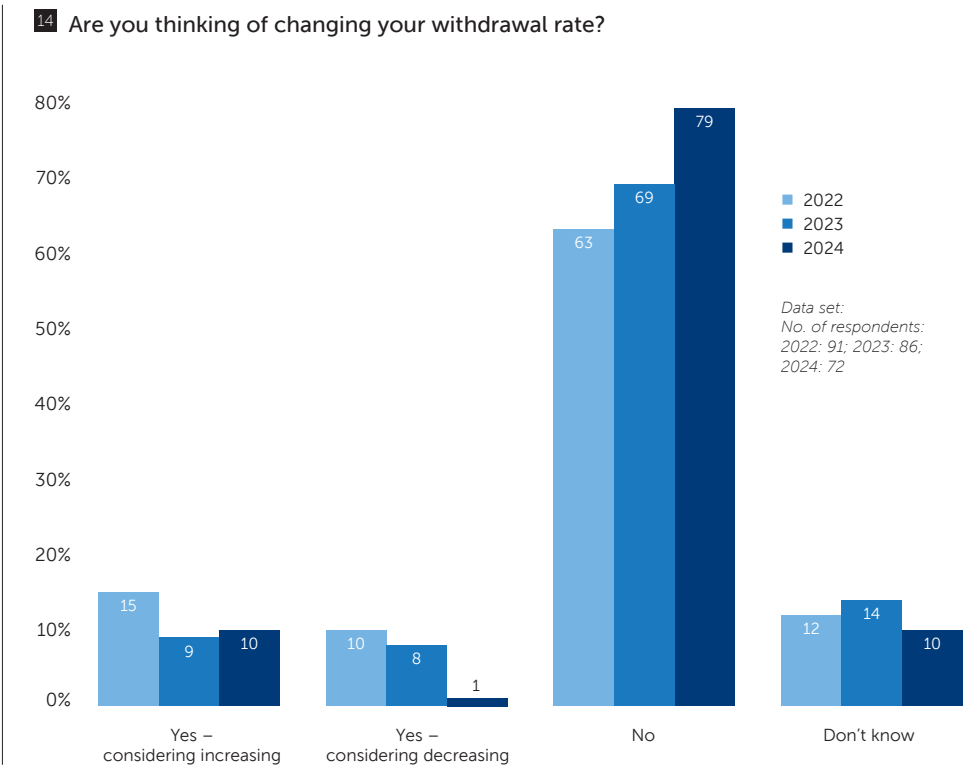
Data set: No. of respondents: 2019: 102; 2020: 114; 2021: 82; 2022: 91; 2023: 86; 2024: 72

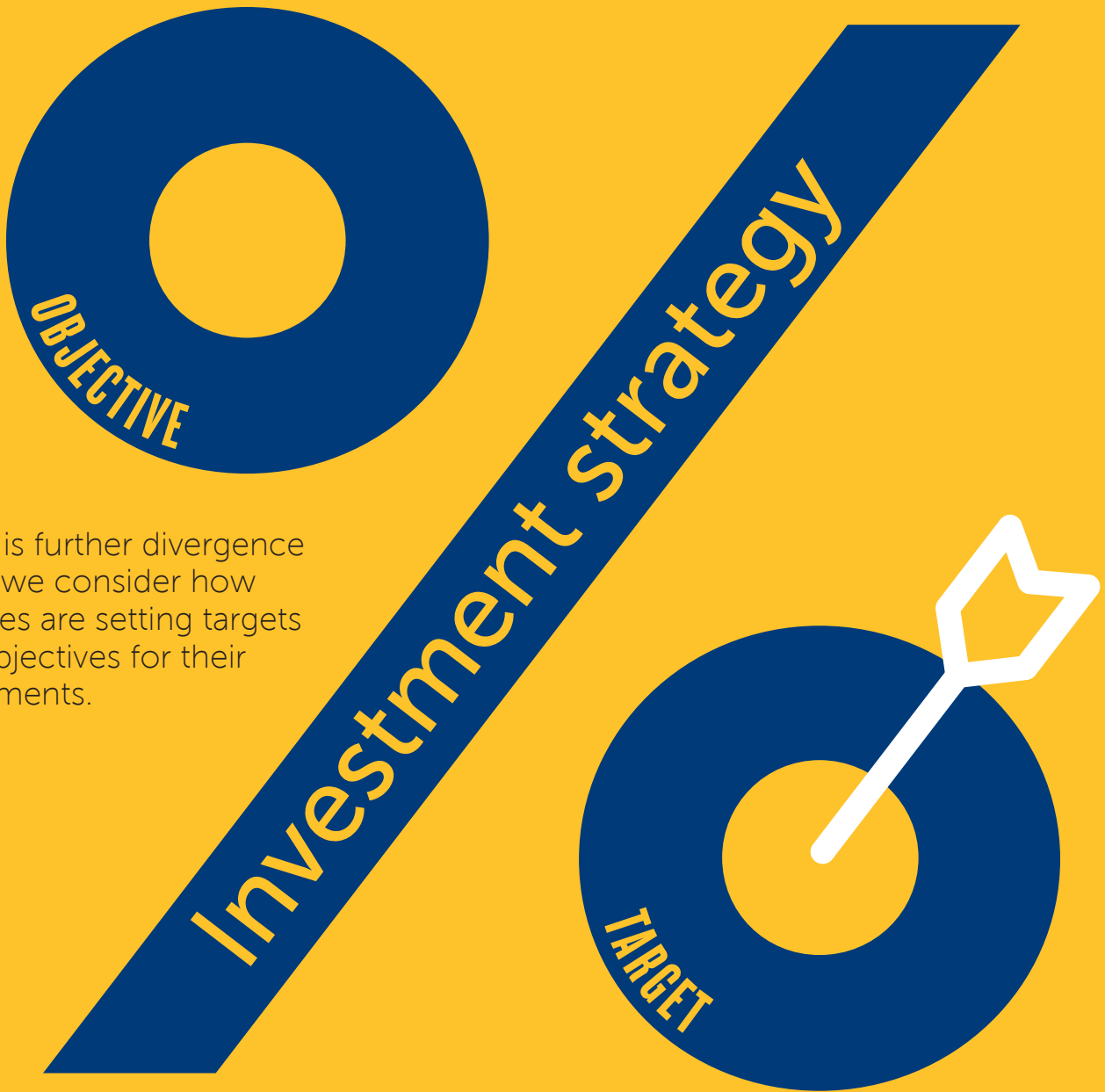
79% of charities do not expect to change their withdrawal rate

The proportion of charities not expecting to change their withdrawal rate has risen sharply – up once again to 79% from 69% last year.

Among those charities planning to change rates, the vast majority are expecting to increase them.

With certainty over long-term withdrawal rates scarce within the sector, the decision of charities not to change rates in the immediate future may be a result of charities themselves having already revised rates down to the lowest possible level, rather than a lack of action. ¹⁴



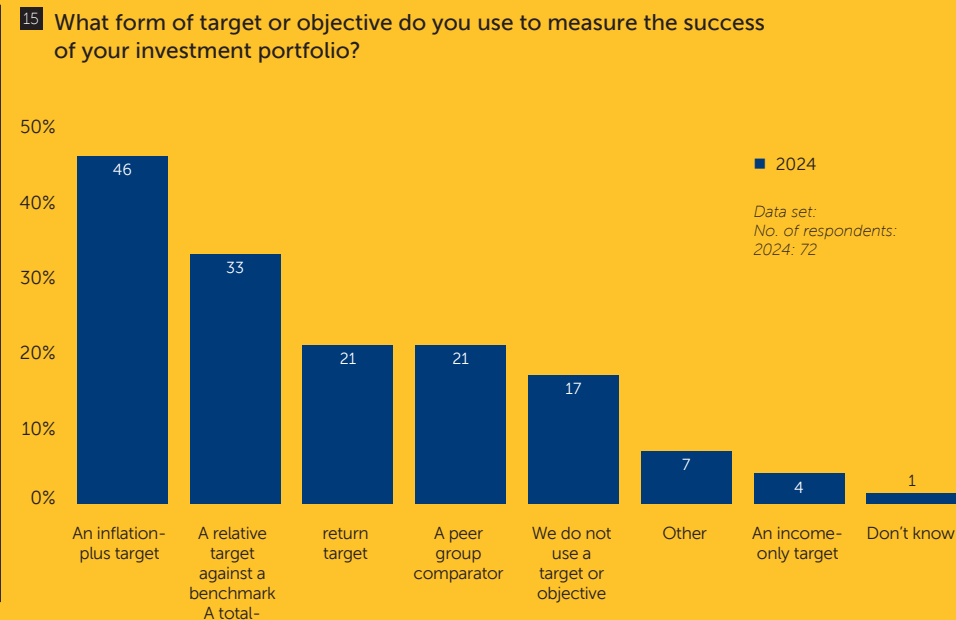


There is further divergence when we consider how charities are setting targets and objectives for their investments.

Inflation-plus targets remain the most common approach to measuring performance, with just under half (46%) of charities operating with one – well above the 21% that make use of a total-return target and the 4% with an income-only target.

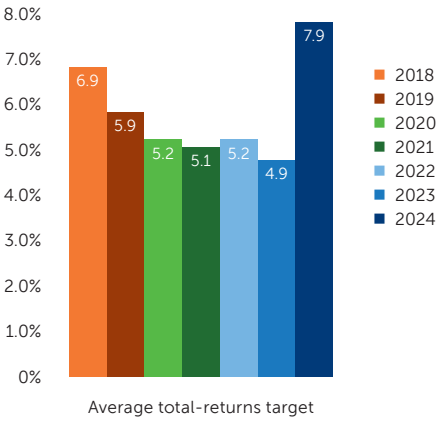
Nevertheless, other forms of objective or target are also used, with a third implementing a relative target against a set benchmark, 21% a peer group comparator, and a further 17% setting no target at all.

Many charities are making use of multiple targets or objectives. ¹⁵



Among charities with a total-return target, the average target set has risen significantly this year to almost double the level seen in 2023 – now at 7.9%. ¹⁶

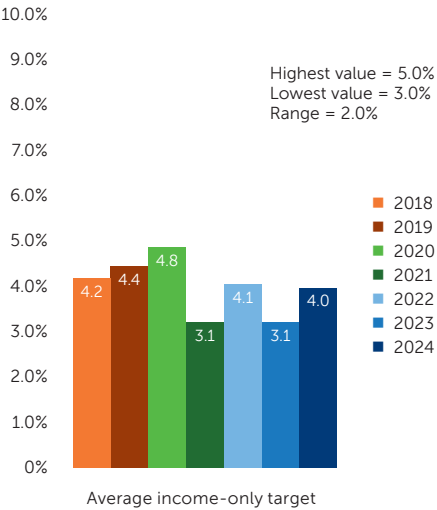
16 What is the total-return target as a percentage of portfolio value?



Data set: No. of respondents:
2018: 41; 2019: 43; 2020: 41; 2021: 35; 2022: 38;
2023: 29; 2024: 15

Within the small cohort that use income-only targets, the figure has stayed roughly stable – up to 4% from 3.1% seen last year. ¹⁷

17 What is the income-only target as a percentage of portfolio value?



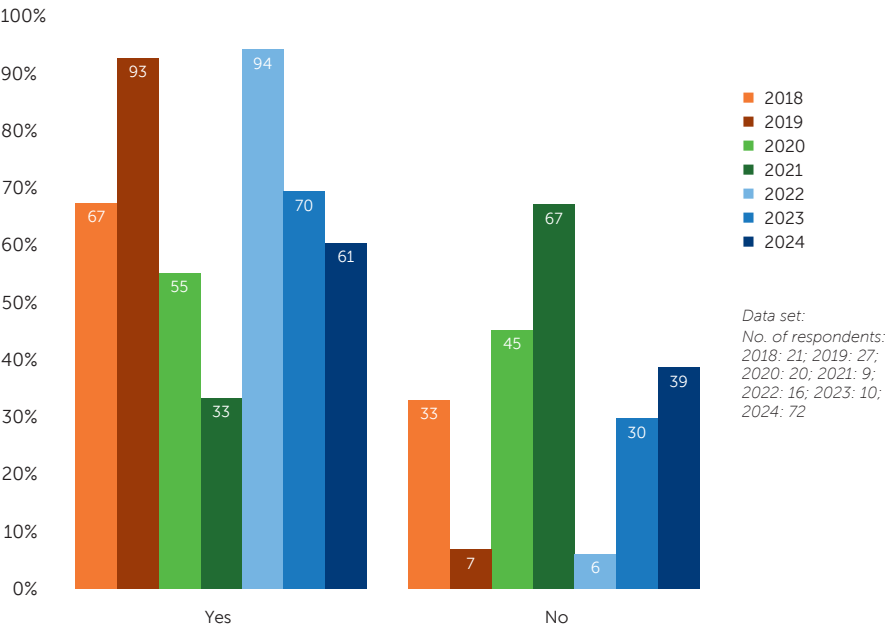
Data set: No. of respondents:
2018: 21; 2019: 26; 2020: 20; 2021: 9; 2022: 16;
2023: 10; 2024: 2

Note: Response of 100% removed from mean calculation.

We also see continued fluctuation in the ability of charities' investments to meet their charitable needs in this year's survey, though charitable spending appears to have been largely unaffected by these variations.

The proportion of charities reporting that the income produced by their investment portfolios is able to meet the obligations and commitments of their charity has fallen again this year, and now stands at 61% – only marginally above the level seen in 2020, although still well above the nadir of 33% seen in 2021. ¹⁸

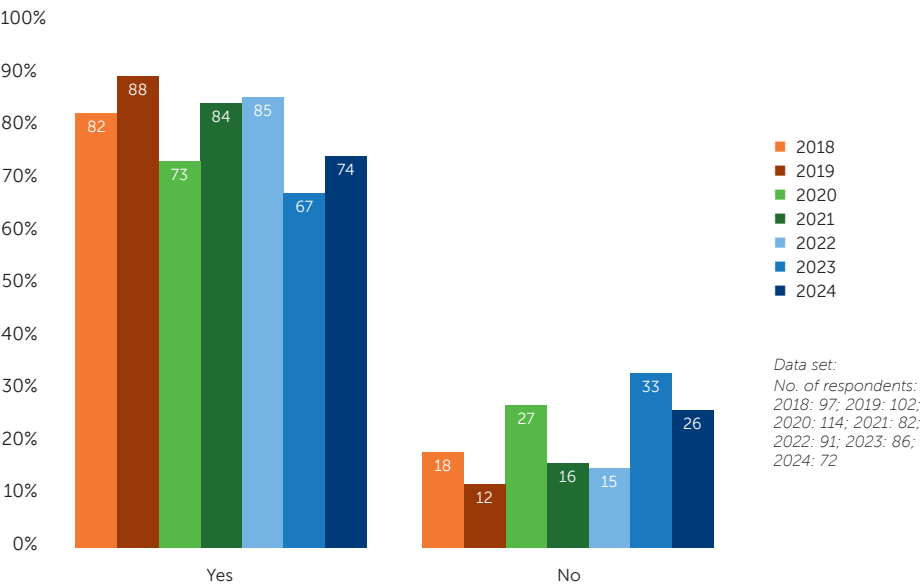
18 Do you feel that the income produced by your investment portfolio is sufficient to meet the obligations and commitments of your charity?



Data set:
No. of respondents:
2018: 21; 2019: 27;
2020: 20; 2021: 9;
2022: 16; 2023: 10;
2024: 72

On the other hand, there is more stability, and even improvement, in the ability of total returns to meet the same obligations and commitments – with the proportion of charities that feel that their total returns are sufficient having risen this year to just under three quarters (74%) of the sample. Between the two measures, no clear picture is emerging – reflecting the continued disparity of experience seen elsewhere in the survey. ¹⁹

19 Do you feel that the total returns of your investment portfolio are sufficient to meet the obligations and commitments of your charity?



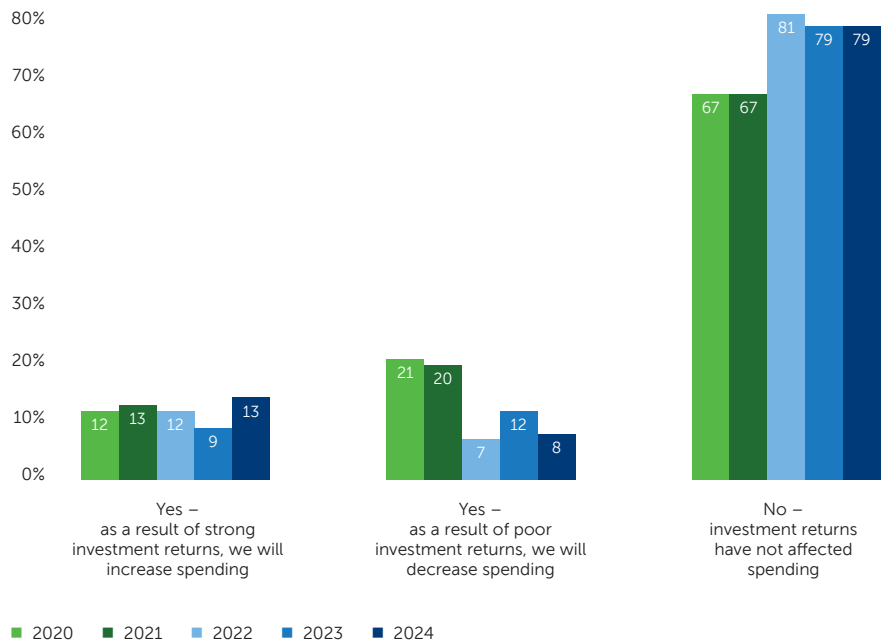
Data set:
No. of respondents:
2018: 97; 2019: 102;
2020: 114; 2021: 82;
2022: 91; 2023: 86;
2024: 72

79% of charities reported no impact from investment performance on their level of spending

More positively, the impact of investment returns on charitable spending has remained level this year, with 79% of charities reporting no impact on their level of spending over the reporting period.

Among the 21% of charities that have experienced an impact on spending, this year stands as one of the few in which the majority of affected charities have seen a positive effect – with the improved investment performance helping support an increase in spending. ²⁰

²⁰ Has your investment performance affected spending?

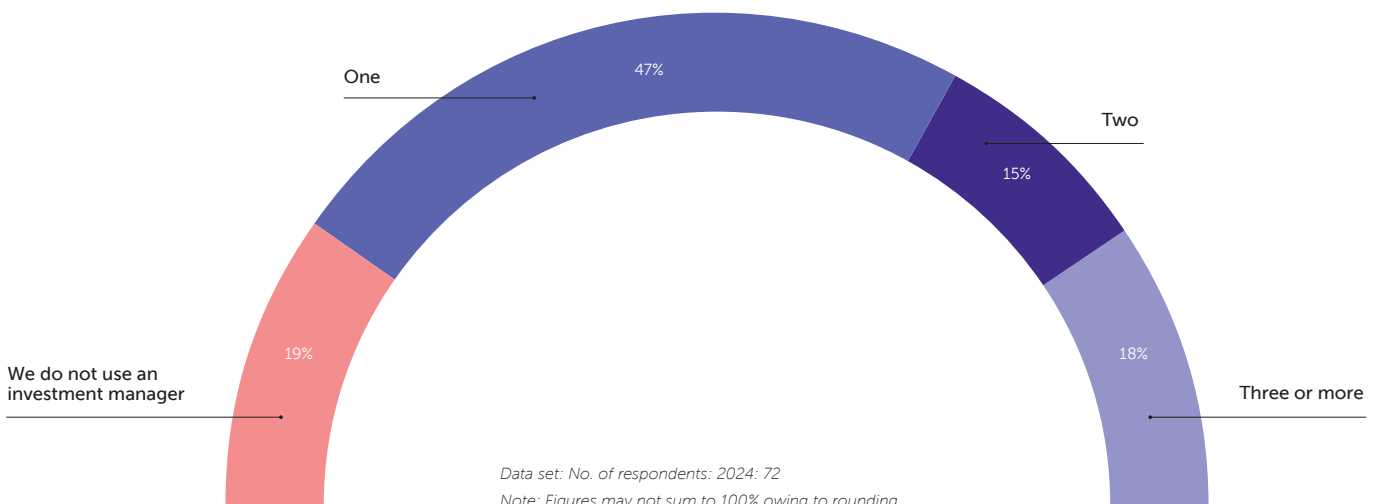


Data set: No. of respondents: 2020: 114; 2021: 82; 2022: 91; 2023: 86; 2024: 72

Investment managers continue to play an important role in how charities are approaching their investment strategy, with only 19% of charities in the sample not making use of an investment manager. Of the remaining 81% of charities, 47% have a single manager, 15% use two managers, and 18% make use of three or more managers. ²¹

81% of charities make use of an investment manager

²¹ How many investment managers does your charity use?



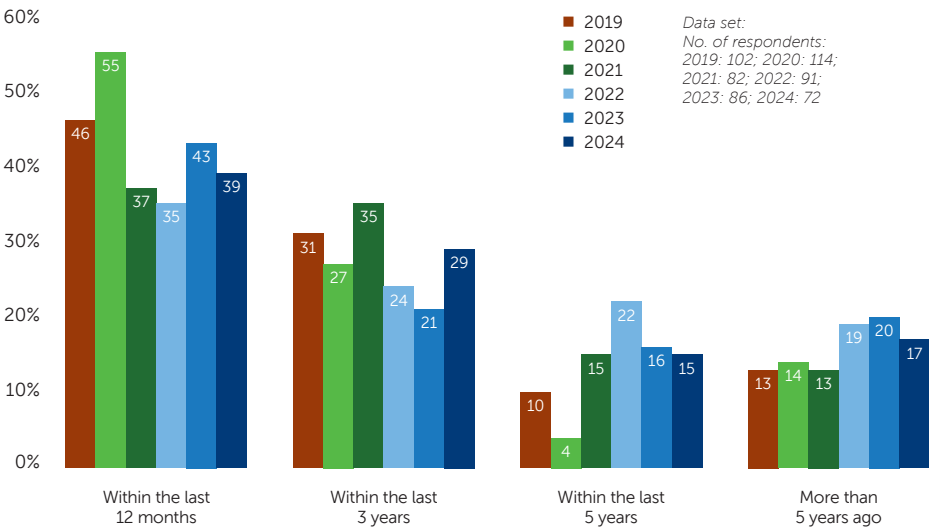
Data set: No. of respondents: 2024: 72

Note: Figures may not sum to 100% owing to rounding.

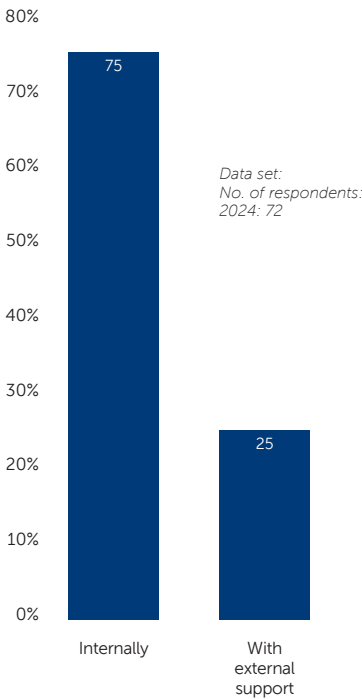
68% of charities have conducted an investment manager review within the last three years

In line with the disparity in the sector uncovered elsewhere in this year's report, the time frame of investment manager reviews is a wide one. 68% of charities have undertaken a review within the last three years, but longer-term time frames are also common. A significant majority (75%) of charities are conducting these reviews in-house. ²² ²³

²² When did you last review your investment management arrangements?



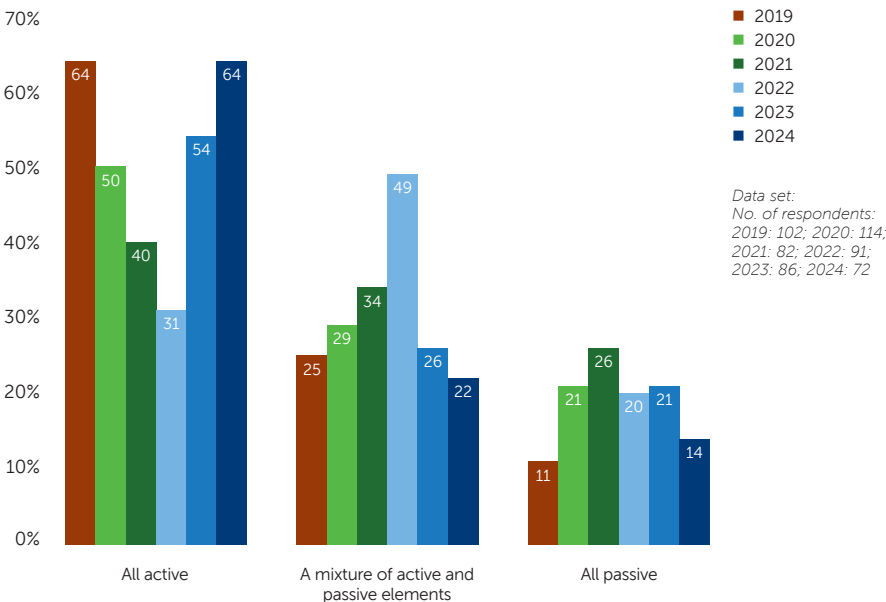
²³ Was this review conducted internally or with external support?



In terms of the management of portfolios, active management is on the rise this year. 86% of charities are incorporating some form of active management (up from 80% in 2023) and a record 64% of charities are using active-only portfolios – matched only by the level seen in 2019. ²⁴

64% of charities are using active-only portfolios

²⁴ Is your portfolio actively or passively managed?



Allocation

Historically, asset allocation within charity investments has been an area of relatively little change from year to year. This year’s responses have not followed the same trend.

Alternatives	18%	♦8%
Property	5%	♦1%
Overseas bonds	4%	–
UK bonds	12%	–
Overseas equities	39%	♦1%
UK equities	22%	♦7%

A marked decline in the proportion of UK equities included within charity portfolios represents the most significant change in asset allocation seen in the 11-year history of our survey.

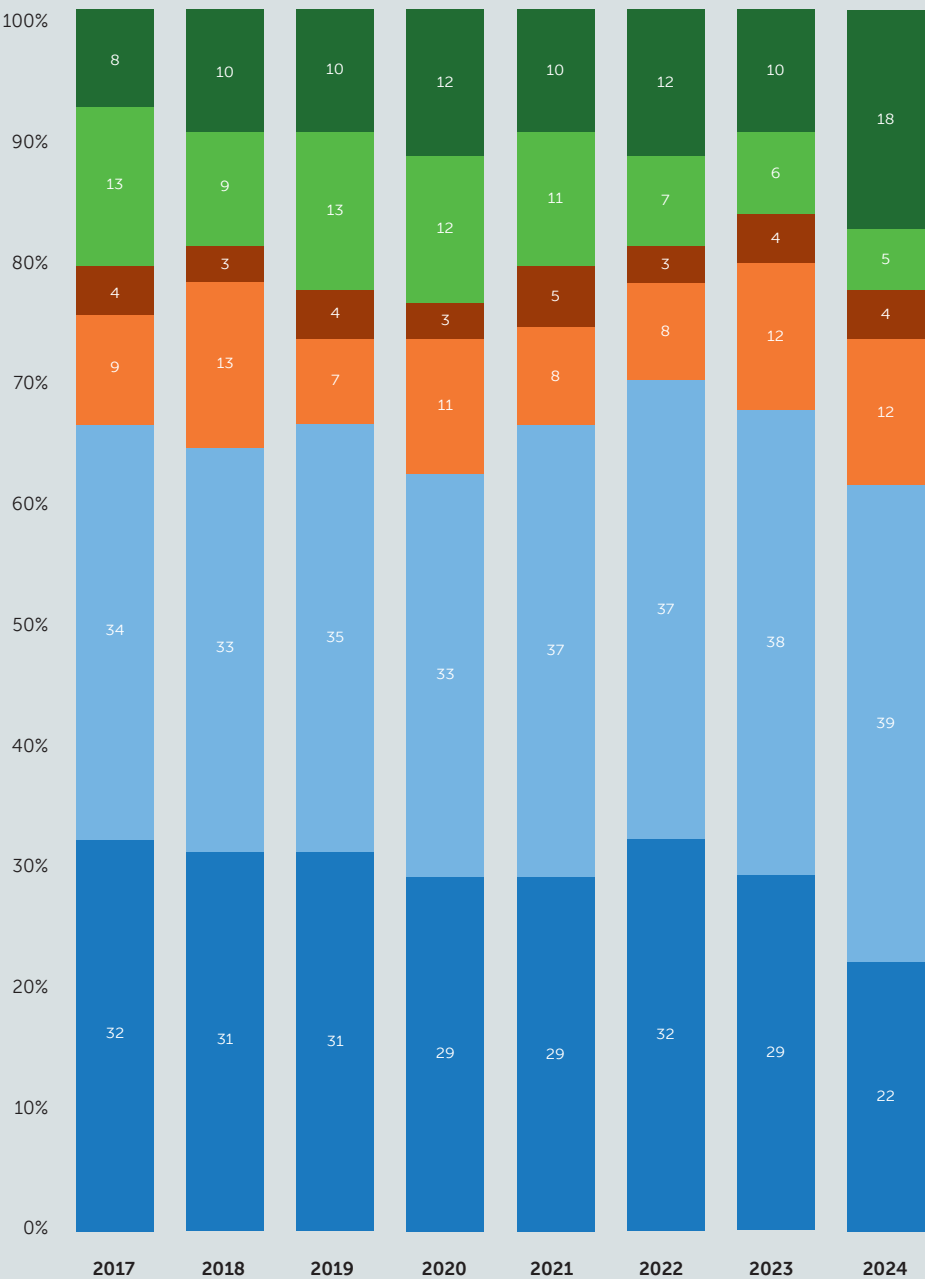
After fluctuating between 29% and 32% of asset allocations across the sector in previous years, this year the level of UK equities present in portfolios has fallen to just 22% – possibly a sign of the sector moving away from relatively underperforming UK-based investments.

Hopes for improvements in both the UK’s economic outlook and its investment landscape may reverse this trend in years to come, but for now, this year represents a marked step change in the role of UK equities within charity portfolios.

Allocations to most other asset classes have remained relatively stable with little change within overseas equities, UK and overseas bonds, and property.

There has been a noticeable rise in the use of alternative investments – up from 10% to 18% – which have filled the gap created by the decline in the use of UK equities. ²⁵

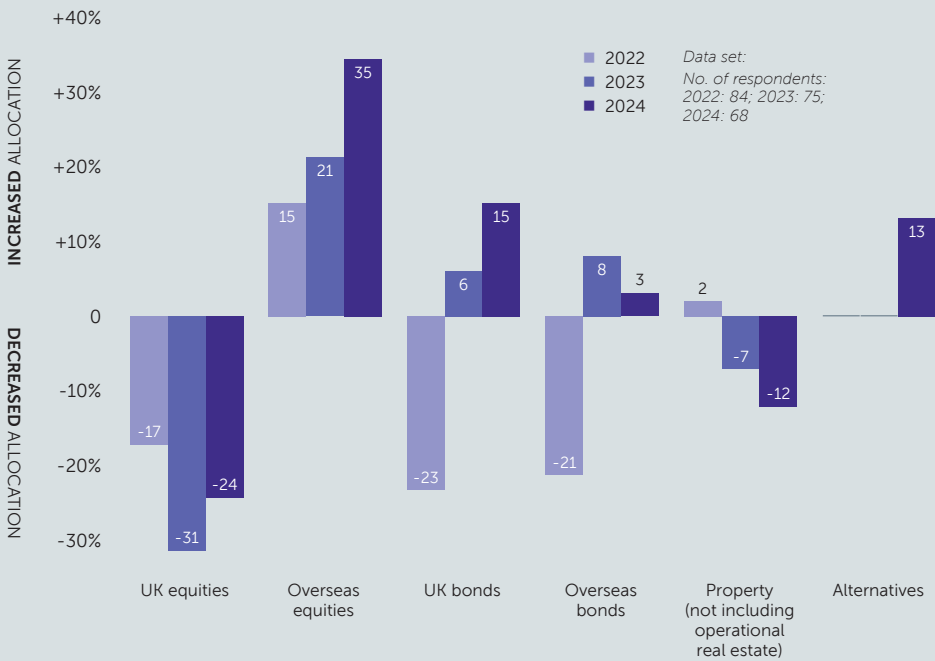
²⁵ Approximate allocation across different asset classes in percentage terms



Data set: No. of respondents: 2017: 82; 2018: 93; 2019: 98; 2020: 105; 2021: 77; 2022: 86; 2023: 75; 2024: 64
Note: Figures may not sum to 100% owing to rounding.

A more nuanced story emerges when we look at net changes in asset allocation. UK equities have also declined here, with a net year-on-year decrease of 24%; however, this is less negative than the net decrease seen in 2023, indicating that the decline in the overall allocation to UK equities has been some time in the making. Property has also seen some divestment this year, with a net decrease of 12%, while there has been strong growth in the net investment in overseas equities, UK bonds and alternatives.²⁶

26 Has there been any net increase or decrease in your portfolio’s allocation to these asset classes in the 12 months to 31 March 2024?



+35% net increase in allocation to overseas equities

-24% net decrease in the use of UK equities in portfolios

Prior to 2024, alternative asset classes were separated out; therefore there is no historical trend data for alternatives.

There is no clear single reason among charities as to why these changes have been made – with six options being selected by at least 5% of charities. Among these relatively wide-ranging answers, three do stand out: investment manager choice remains the strongest driver, selected by 31% of charities; increasing returns was chosen by 24%; and 19% indicated that changes were made to reflect a change in overall investment strategy.²⁷

“There is no clear single reason among charities as to why these changes have been made – with six options being selected by at least 5% of charities.”

27 If there were changes to your asset allocation in the year to 31 March 2024, what were the reasons for this?



Data set: No. of respondents: 2020: 105; 2021: 79; 2022: 84; 2023: 75; 2024: 68

* 'We haven't rebalanced following a period of divergent returns' was added as an option in 2021. ** 'Investment manager choice' was added as an option in 2022.



Investing responsibly – ESG, exclusions and net zero

Part 1:
ESG and responsible investment

Part 2:
Exclusions

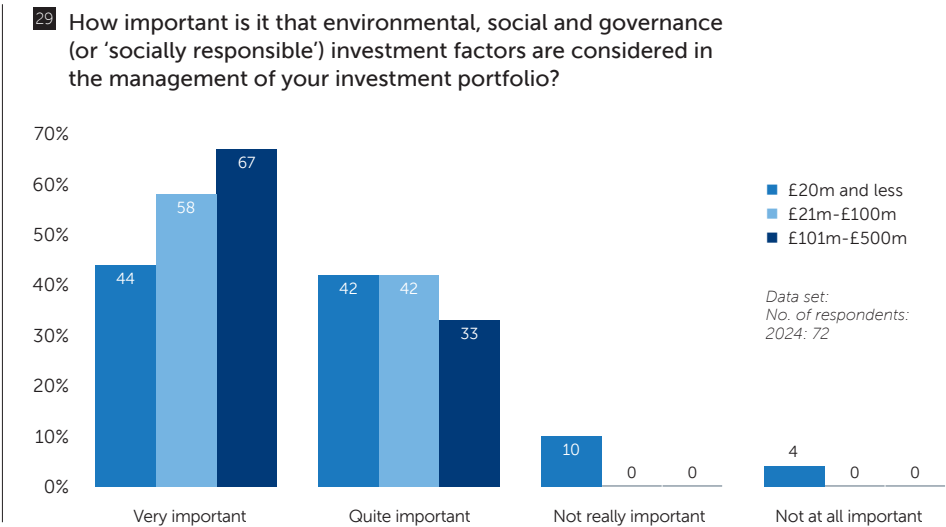
Part 3:
Net zero

ESG matters

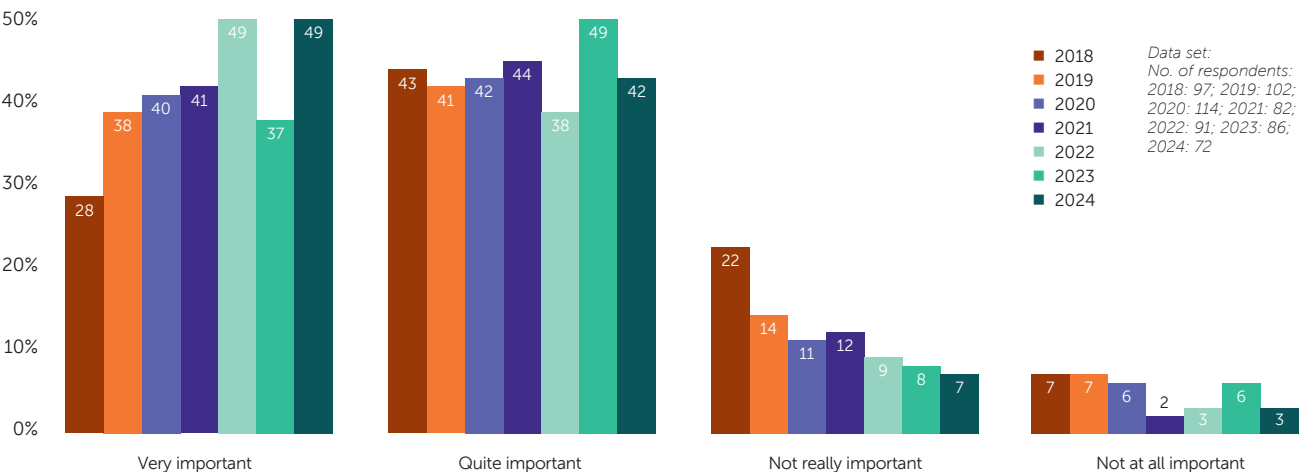
After a noticeable decline in the importance to charities of environmental, social and governance (ESG) investment factors last year, 2024 has seen a marked recovery.

The proportion of charities that feel ESG factors are very or quite important to their investments is up to 91% from 86% last year. Interestingly, we have seen a major rise in the proportion of charities deeming it ‘very important’ – back up to the record high of 49% last seen in 2022, and well above the 37% seen last year. ²⁸

As in previous years, larger charities with assets under management above £101m are most likely to consider ESG factors to be very important – likely a reflection of the increased scrutiny larger charities often find themselves under. ²⁹



28 How important is it that environmental, social and governance (or ‘socially responsible’) investment factors are considered in the management of your investment portfolio?



“

This year continues the long-term upward trend in divestment and exclusions from fossil-fuel investing.”

While the importance of these issues is once again on the rise, charities remain split on how best to apply ESG principles, especially in regard to companies or investments that may score badly on ESG metrics.

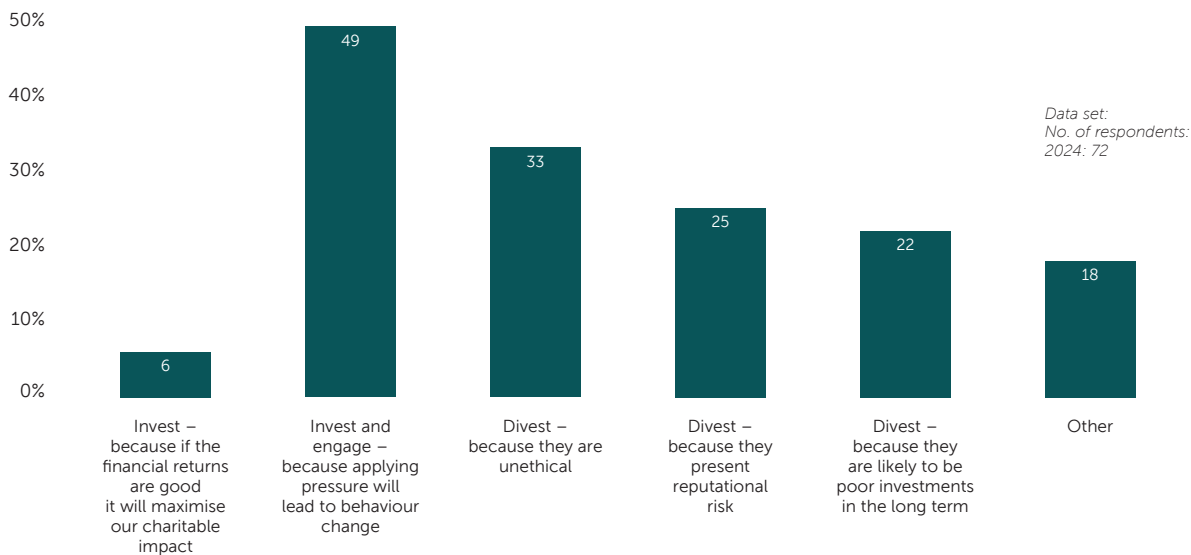
With charities able to select multiple responses this year, the most common single answer was ‘invest and engage’ – selected by just under half of all responding charities.

Choosing to look beyond poor ESG scores and focus on financial returns alone remains a rare pick, selected by just 6% of charities, while the ‘divest’ block made up of the three varied divestment options stand as the largest group of aligned responses – each selected by between a fifth and a third of respondents. ³⁰

49%

of charities choose to invest and engage with companies which score badly on ESG metrics

³⁰ What approach do you think you should take if a company scores ‘badly’ on ESG criteria?



This year continues the long-term upward trend in divestment and exclusions from fossil-fuel investing.

The proportion of charities excluding some fossil-fuel investments is now up to a record high of 36% – matched by a decline in charities that have not debated the issue or have debated it but have not divested. ³¹

36%

of charities exclude some or all fossil-fuel investments

³¹ Which of the following best reflects your trustees’ position on fossil-fuel-free investing?



*New option for 2024.

Within the cohort of charities that are excluding fossil-fuel investments, we have also seen a continuation in the trend towards a wider scope of divestment, with 15% of charities that exclude some form of fossil fuels now excluding all extraction industries and related companies. This is up from 13% last year, though still below the peak of 23% seen in 2022.

More significant growth has been seen among charities that have excluded all extraction industries but not related companies, which now stands at a high of 54%, representing an eight-point year-on-year rise. ³²

Hesitation remains, however, among those charities that have yet to debate the issue or that have not yet taken action around fossil fuels.

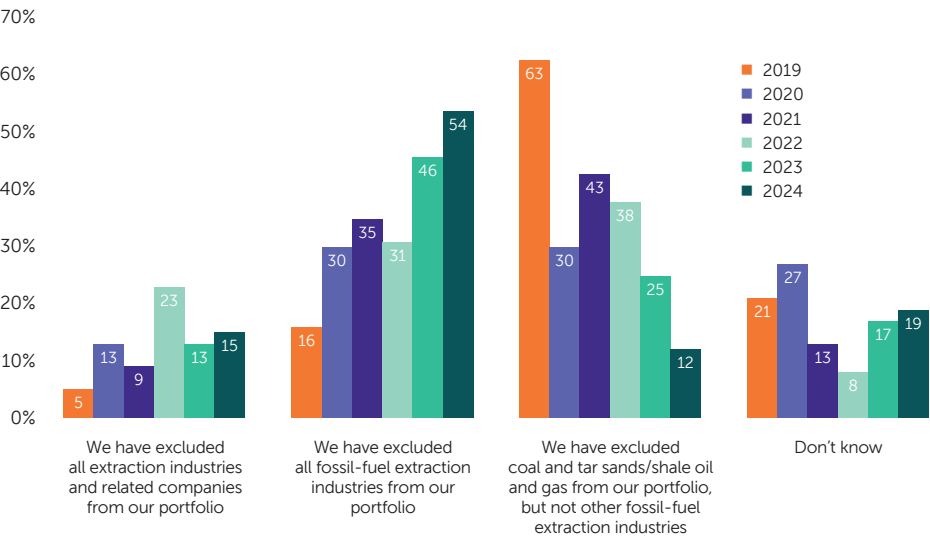
Over two-fifths (41%) of charities that have debated the issue but not taken action now have no plans to debate it again in the future, a six-point year-on-year rise, and while the proportion planning to revisit the topic in the next year has remained broadly in line with historical trends, we have seen a decline of almost half among charities looking to review fossil-fuel investing in a year or more.

39%
of charities yet to debate fossil-fuel-free investments expect to do so within the next few years

This lack of movement around fossil fuels may reflect the continued volatility in wider markets and for medium-to-long term economic expectations among many charities, with further exclusions a risk some may look to avoid for the time being. ³³

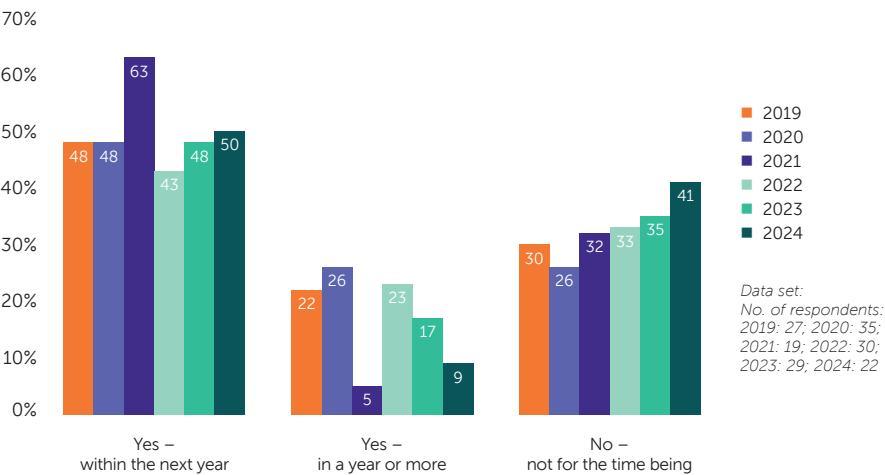
Among those charities yet to debate the issue, while 39% now have plans to debate it within the next few years, up from 36% last year, around two-thirds still have no plans to do so. ³⁴

³² Which of the following describe how you have excluded fossil-fuel investments from your portfolio?



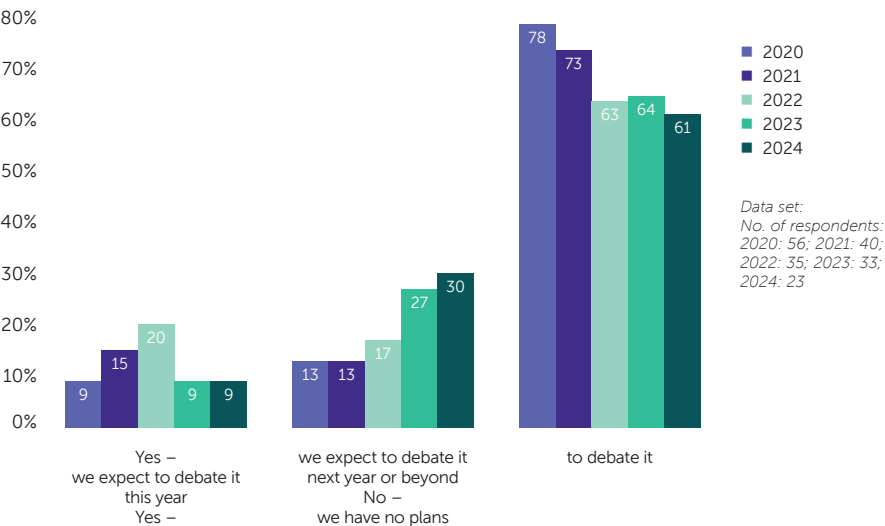
Data set: No. of respondents: 2019: 19; 2020: 23; 2021: 23; 2022: 26; 2023: 24; 2024: 26

³³ Do charities that have debated fossil-fuel-free investing but taken no action have plans to revisit the topic in the future?



Data set:
No. of respondents:
2019: 27; 2020: 35;
2021: 19; 2022: 30;
2023: 29; 2024: 22

³⁴ Do charities that have not debated fossil-fuel-free investing have plans to debate it?



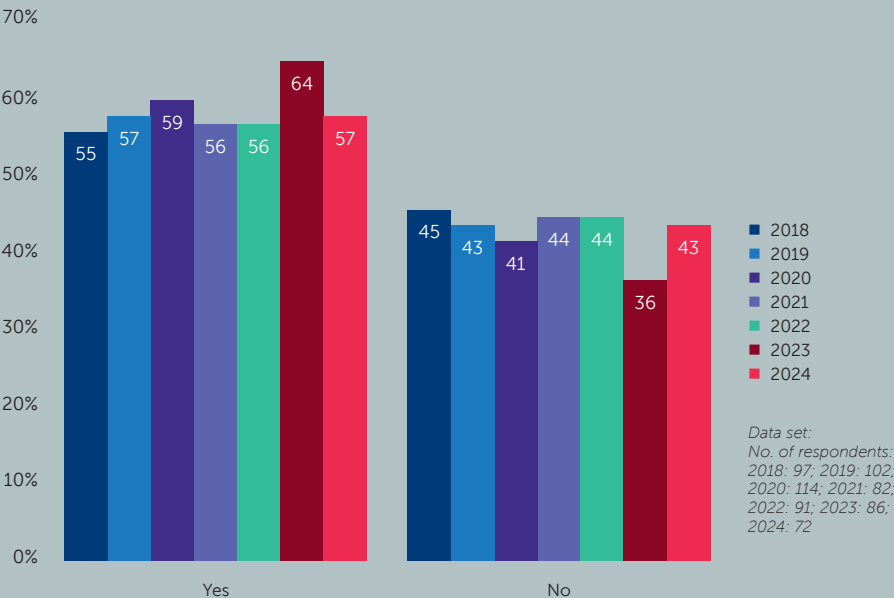
Data set:
No. of respondents:
2020: 56; 2021: 40;
2022: 35; 2023: 33;
2024: 23



Exclusion zone

Wider investment exclusions remain a key topic for charities this year, and while there has been a decline in the proportion of charities with an exclusion policy in 2024, down to 57% from a peak of 64% last year, the figure remains in line with the historical average. ³⁵

³⁵ Does your charity have an exclusion investment policy?



57%
of charities operate
an exclusion investment
policy

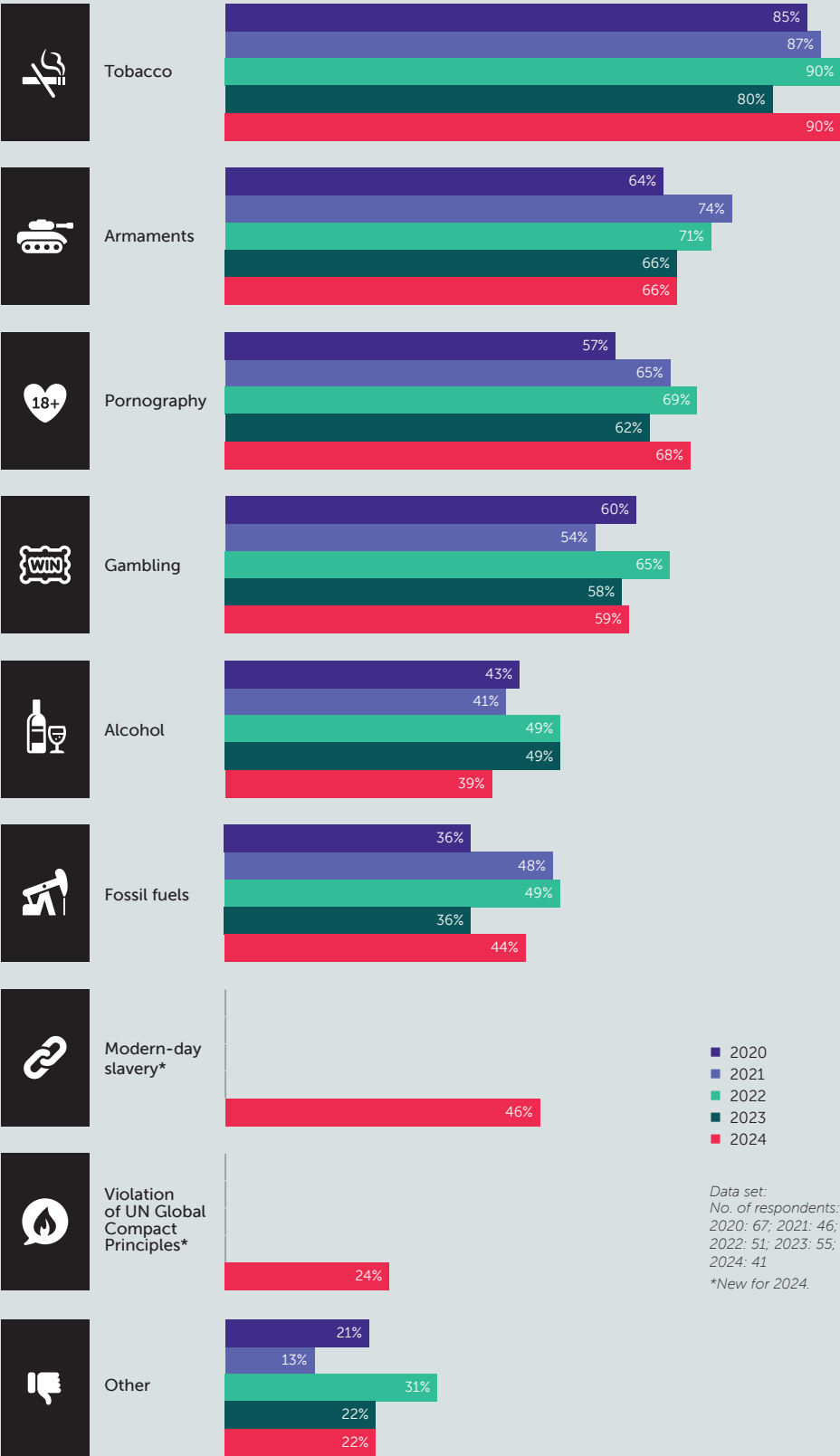
The areas that these exclusion policies are targeting have also remained in line with the levels seen in previous years.

All forms of exclusion have either risen by small margins or stayed stable compared to last year's figures, with the notable exception of alcohol, which has fallen from being included in 49% of exclusion policies last year to only 39% in 2024.

Additional answer options for this year have also shown a strong response – 46% of charities with a policy exclude companies or regions accused of modern-day slavery, and a further 24% exclude investments in violation of the UN Global Compact Principles. ³⁶



³⁶ Which, if any, of the following areas are covered by your exclusion policy?



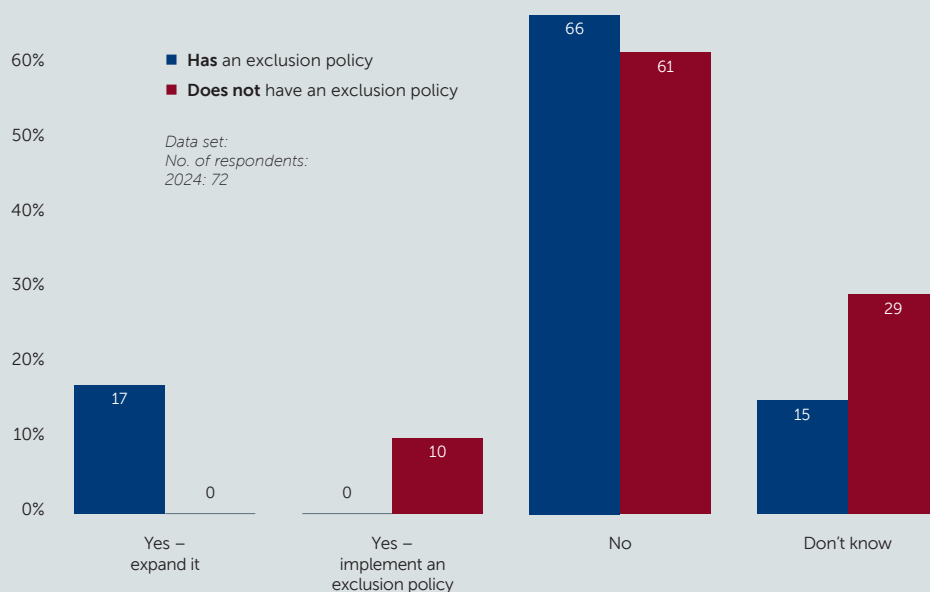
61%

of charities without an exclusion policy are not planning to implement one

This year, fewer charities have plans to expand existing policies or implement new ones – 66% of charities with a policy are not looking to expand it and a further 61% of charities without a policy are not planning to implement one.

Nevertheless, 17% of charities with a policy are looking to expand it in the future, while 10% of charities without exclusion policies in place plan to implement one. ³⁷

³⁷ Do you have plans to change your exclusion policy or implement an exclusion policy if you do not already have one?



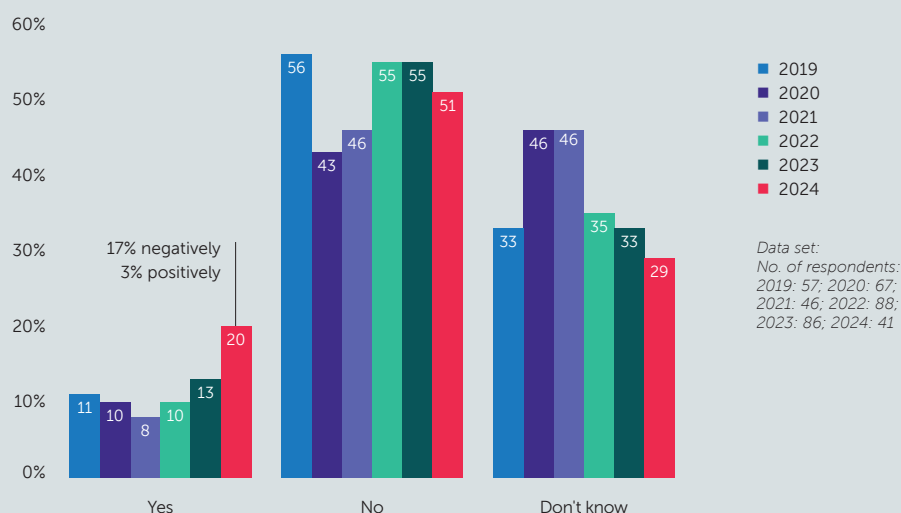
As in previous years, the impact of exclusion policies on investment performance remains relatively minor, with 51% of charities with a policy noting no impact, slightly down compared to last year, and 29% not certain of any impact.

For the 20% of charities that have experienced some sort of impact on performance, for the majority this has been negative – only 3% have seen a positive impact, whereas 17% have seen a negative one. ³⁸

20%

of charities report an impact on performance from having an exclusion policy

³⁸ Have your exclusions affected performance?



CO₂oling off?



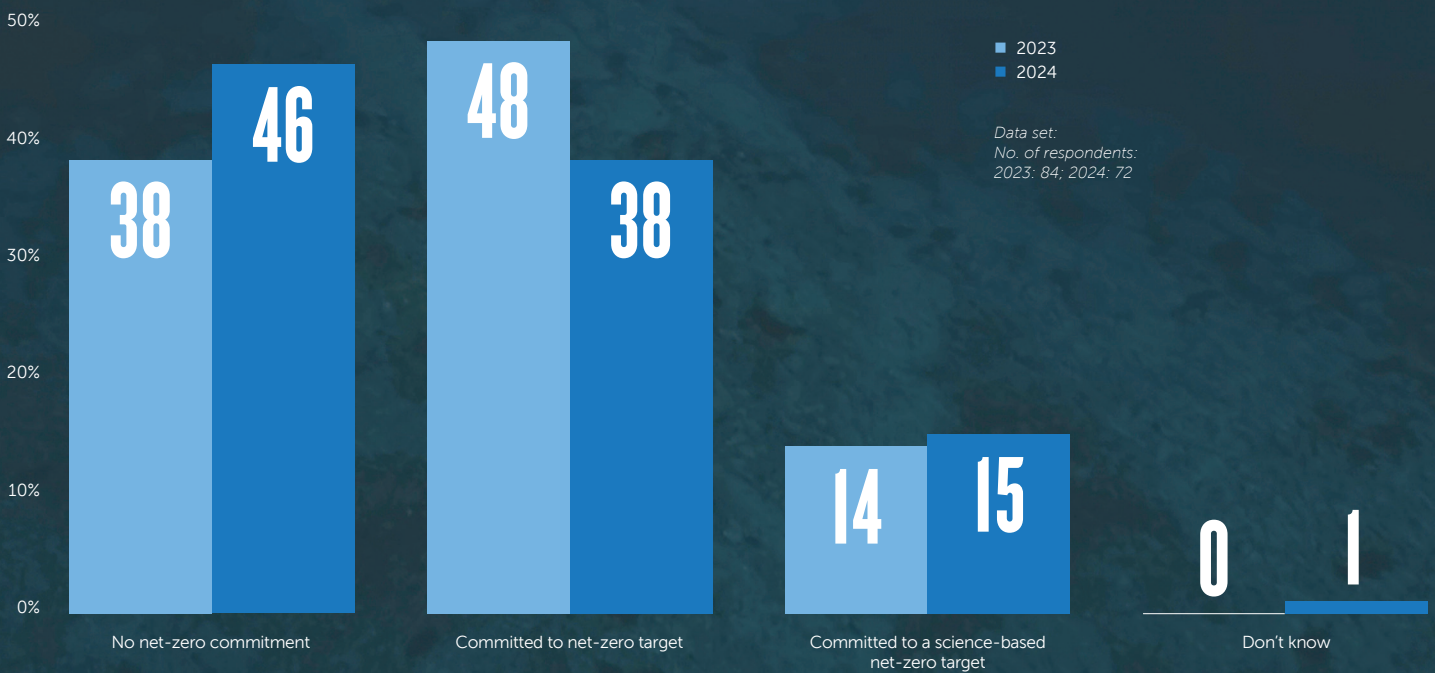
There has been less positive movement this year in terms of net zero, with a decline in the proportion of charities in this year's sample that are committed to a net-zero target. That figure has fallen to 38% in 2024, down from 48% last year. ³⁹

However, this year marks the first in which our sample includes a charity that has achieved its net-zero target.

48%
↓
38%

Reduction in charities
that are committed to
a net-zero target

39 Which of the following most closely describes your charity's net-zero commitment?



“
Overall, net zero is not a major concern
when it comes to investments for
over half of charities surveyed.”

The incorporation of net zero into the management of charity investments remains disparate, with no clear agreement on the best method of incorporating it.

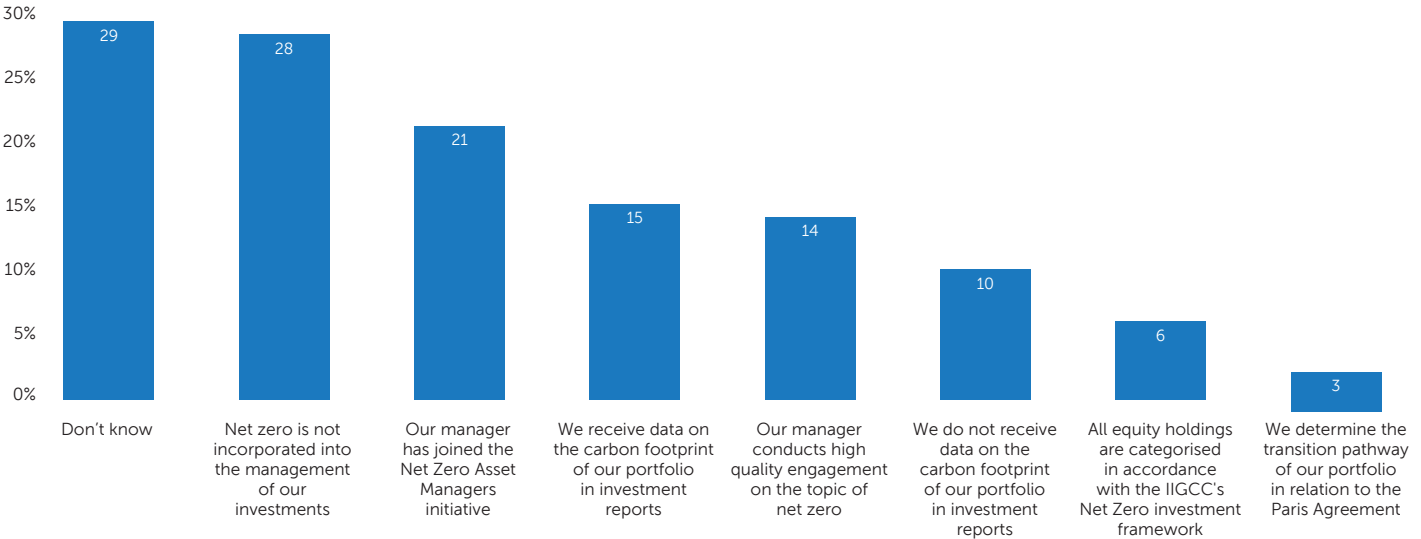
The single most common response by charities to the question of ‘how is net zero incorporated into the management of your investments?’ was ‘don’t know’, which could be a reflection of the

slow uptake of CC14-related reviews and revisions explored earlier in this report.

Of the other responses, a further 28% of charities noted that net zero was not incorporated into their investment management in any form, indicating that, overall, net zero is not a major concern when it comes to investments for over half of charities surveyed.

Other responses are diverse, with no single answer selected by more than a quarter of charities. However, the use of managers that are members of the Net Zero Asset Managers initiative was selected by 21% of charities.⁴⁰

40 How is net zero incorporated into the management of your investments?

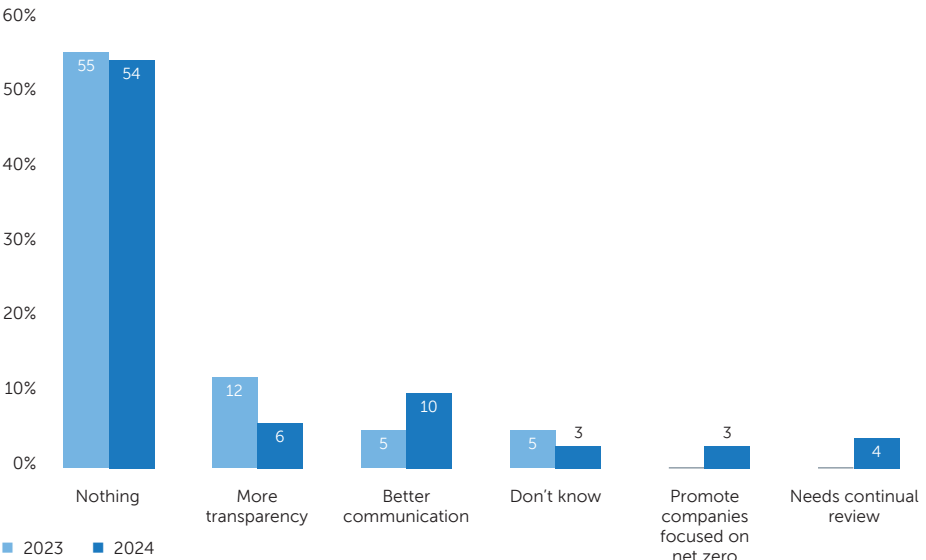


Additionally, there is minimal concern about the need to expand the incorporation of net zero into investment management, suggesting that this is not merely about charities not yet incorporating net-zero considerations into their investment management approaches.

Over half (54%) of charities have no further requests of their investment managers concerning net zero.

Nevertheless, 10% of charities indicated that better communication from their investment manager regarding net zero would be beneficial.⁴¹

41 Is there anything else you would like your investment manager or internal investment management team to do concerning net zero?





Diversity and faith in the charity sector

Part 1:
Diversity

Part 2:
Faith

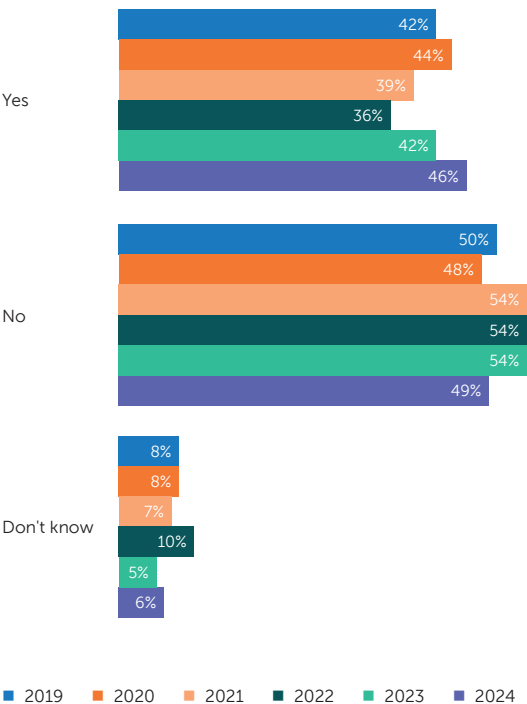
Inclusion zone



2024 represents the second year in a row in which the proportion of charities that feel diversity is adequately reflected on their trustee boards has risen – up to a record high of 46% of charities surveyed.⁴²

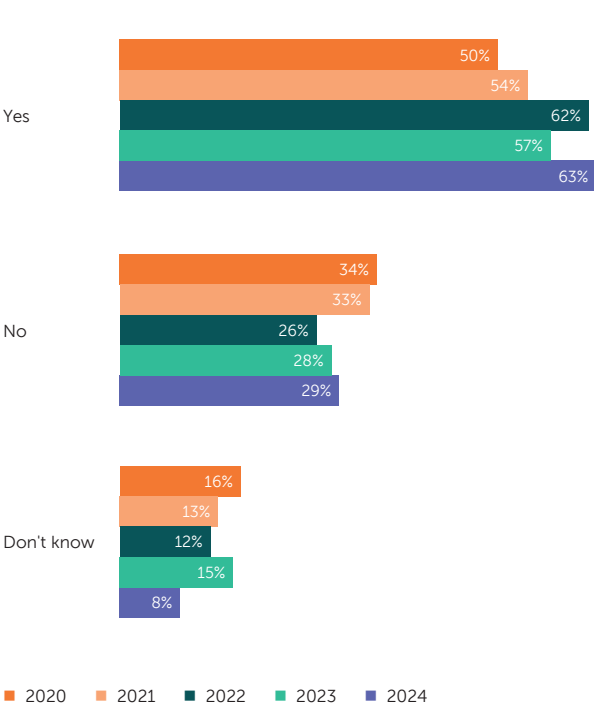
This year also marks a rise in the proportion of charities that think it is important that their investment managers or providers demonstrate diversity themselves – also up to a record high of 63%, just above the level seen in 2022.⁴³

⁴² Do you think diversity is adequately reflected on your trustee board?



Data set: No. of respondents:
2019: 102; 2020: 114; 2021: 82; 2022: 91; 2023: 86; 2024: 72

⁴³ In your opinion, is it important that your providers or investment managers demonstrate diversity?



Data set: No. of respondents:
2020: 114; 2021: 82; 2022: 91; 2023: 86; 2024: 72



While the proportion of charities that believe diversity is adequately reflected on their board has risen, the percentage of black and minority ethnic board members has remained largely stagnant. ”

However, the importance of diversity to charities and their own perceptions of diversity on their boards do not appear to be directly reflected in reported diversity within trustee boards themselves.

While the proportion of charities that believe diversity is adequately reflected on their board has risen, the percentage of black and minority ethnic board members has remained largely stagnant, rising only one point to 13% and only just above the figures seen in the last four years.

Meanwhile, this year has seen small declines in the proportion of women and people aged under 40 represented on charity trustee boards. ⁴⁴

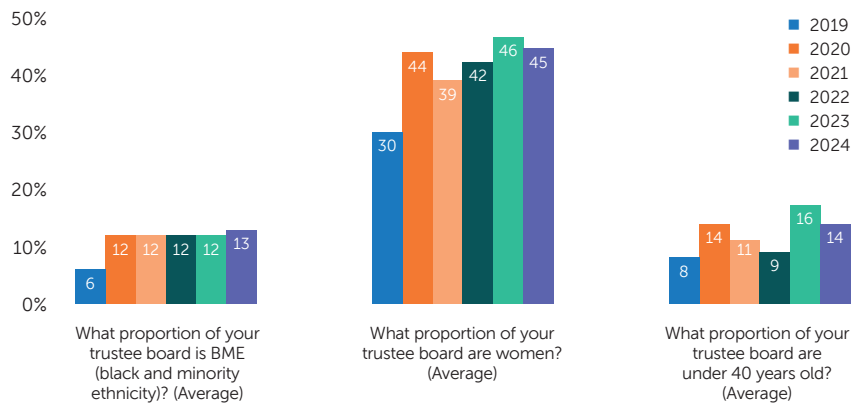
There has also been a small decline in the proportion of charities that think it is important that trustee boards reflect their beneficiaries and their requirements, although the 78% of charities that believe this is still well above the levels seen in every year prior to 2023. ⁴⁵

67%

of respondents believe that their trustee board already reflects their beneficiaries and their requirements

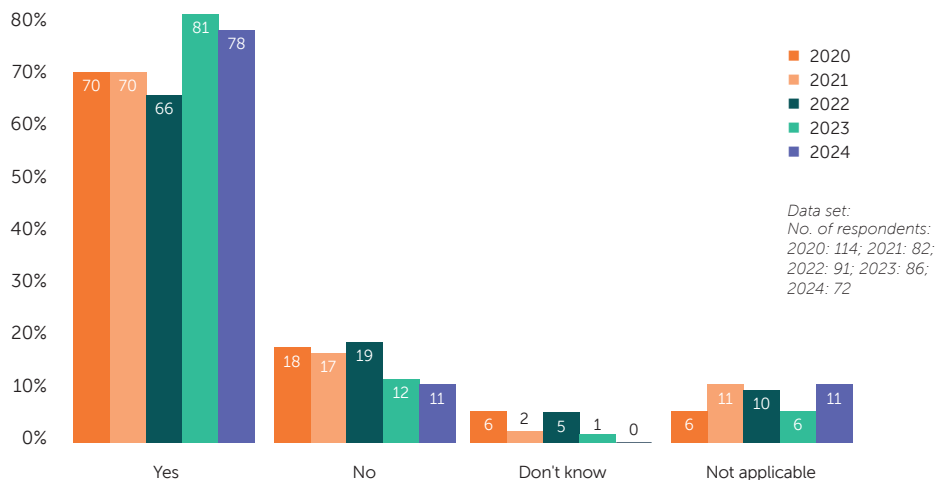
Positively, 67% of respondents believe that their trustee board already reflects their beneficiaries and their requirements, suggesting longer-term positive shifts around diversity in recent years. ⁴⁶

⁴⁴ Representation on trustee boards



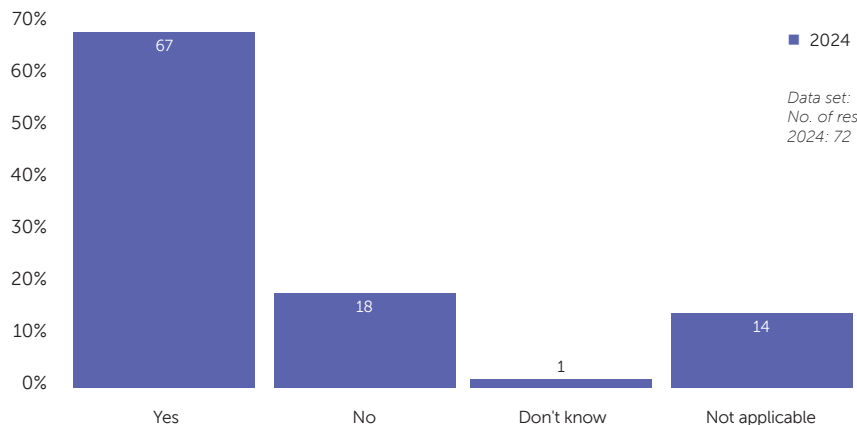
Data set: No. of respondents: 2019: 102; 2020: 114; 2021: 82; 2022: 91; 2023: 86; 2024: 72

⁴⁵ In your opinion, is it important that your trustee board reflects your beneficiaries and/or their requirements?



Data set:
No. of respondents:
2020: 114; 2021: 82;
2022: 91; 2023: 86;
2024: 72

⁴⁶ In your opinion, does your trustee board reflect your beneficiaries and/or their requirements?



Data set:
No. of respondents:
2024: 72

While diversity on trustee boards themselves remains slow to change, there are indications that charities are engaging with a wide range of recruitment efforts and actions to bolster diversity over the long term.

This may go some way to explaining why perceptions of self-reported diversity appear to be outstripping actual changes in diversity – for the moment at least, with charities acting on the issue, even if those actions do not yet appear to have filtered through into broader change.

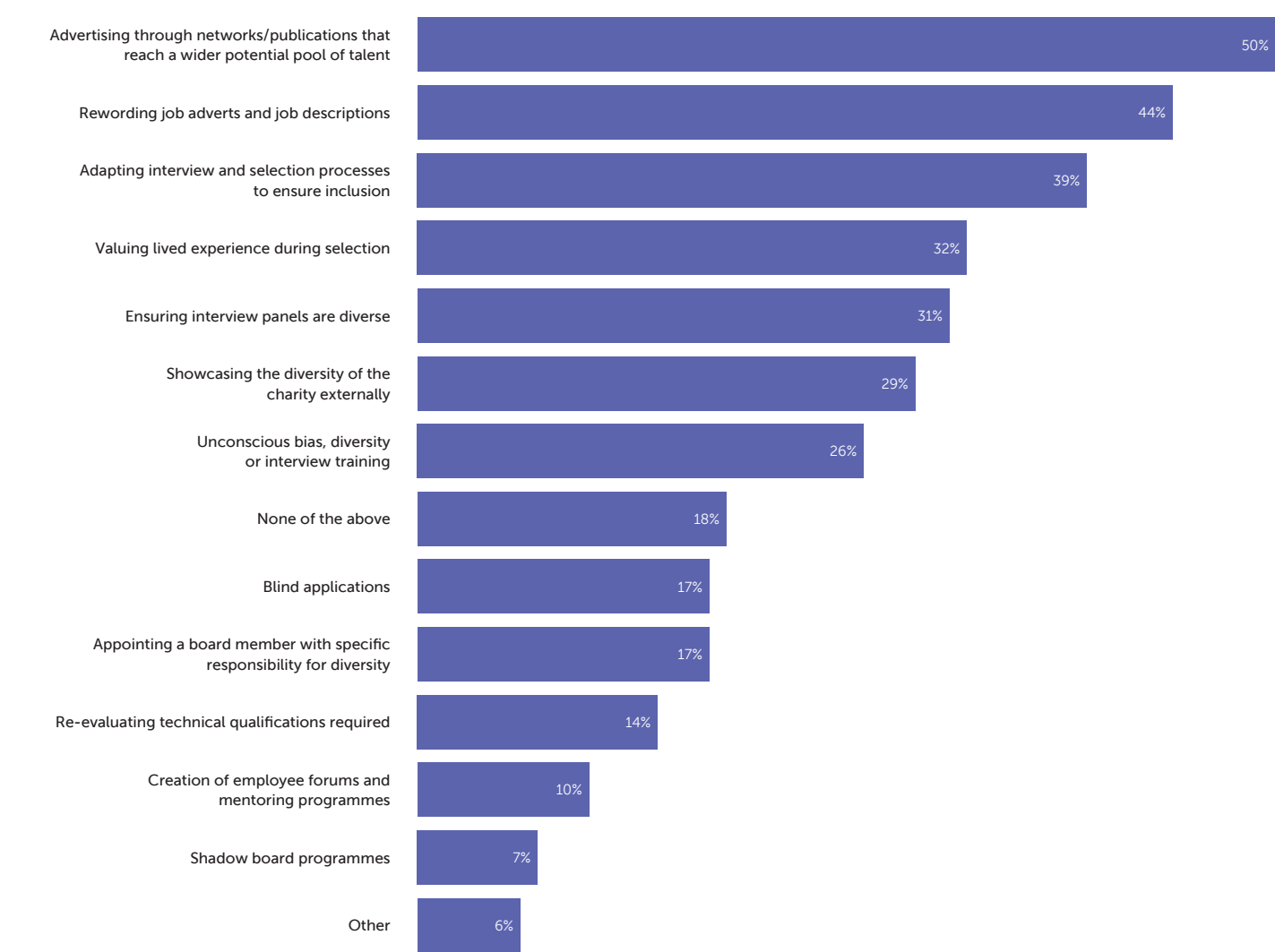
Of the diversity-related actions and engagement options included in our

questionnaire this year, only two, ‘shadow board programmes’ and ‘employee forums and mentoring programmes’, were being undertaken by 10% or less of respondents, with several engaged with by at least a third, or more, of charities.

Advertising through networks/publications to bolster diversity on boards stands as the most common option, selected by half of charities, but other actions, including adapting interview and selection processes and the rewording of job descriptions, were also regularly selected. ⁴⁷

“While diversity on trustee boards themselves remains slow to change, there are indications that charities are engaging with a wide range of recruitment efforts and actions to bolster diversity over the long term.”

⁴⁷ Is your charity taking any of the following actions to increase diversity within its trustee board?

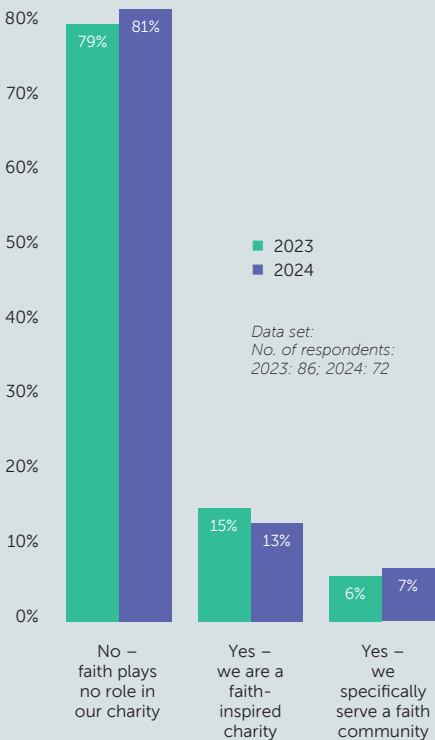


Data set: No. of respondents: 2024: 72

Charitable spirit

Now in its second year, the survey's set of faith-related questions shows that the representation of faith within the charity sector remains fairly stable, with a fifth of charities once again either inspired by a faith or specifically serving a faith community. ⁴⁸

⁴⁸ Does faith play any role in your charity?

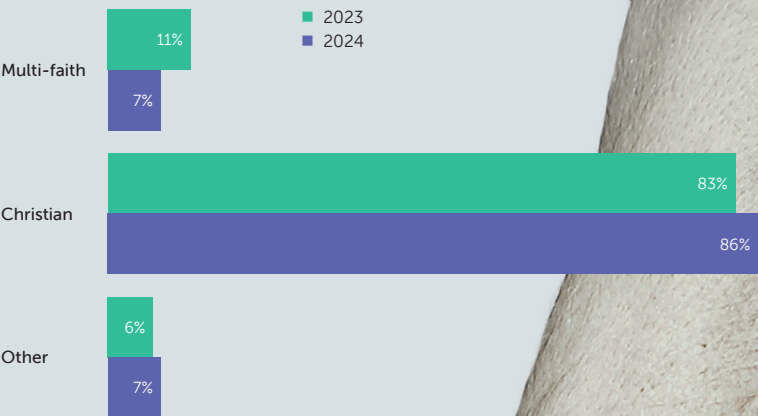


Note: Figures may not sum to 100% owing to rounding.

Of these charities, a majority once again represents the Christian faith community, accounting for 86% of faith-related charities in 2024, a minor rise on the 83% seen last year.

Multi-faith charities (7%) are the largest non-Christian cohort. ⁴⁹

⁴⁹ What faith group or religious values does your charity represent?



Data set: No. of respondents: 2023: 18; 2024: 14

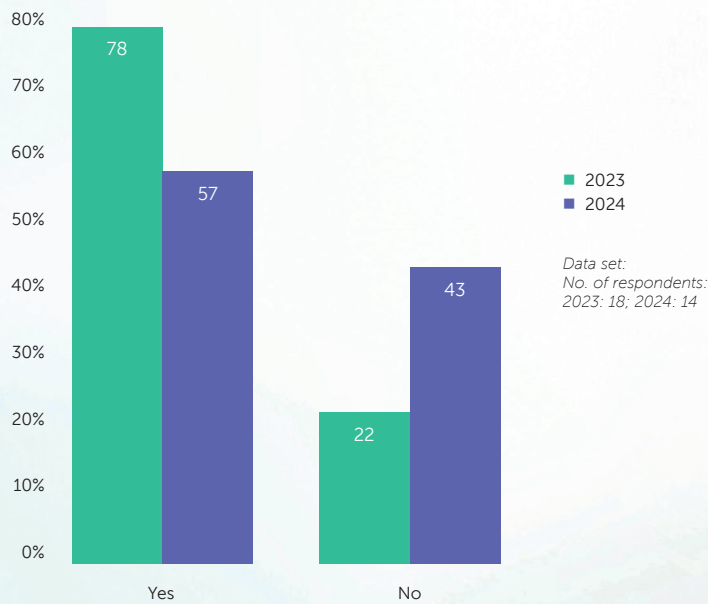
57% of faith-related charities have an investment policy that reflects principles, restrictions or methodologies consistent with their faith

Where we have seen movement for faith-related charities is in the importance that they place on their faith being reflected in their investments and investment management. While the majority of these charities do still have an investment policy that reflects principles, restrictions or methodologies consistent with their faith, this figure is considerably lower than the level seen in 2023 – standing now at 57%. ⁵⁰

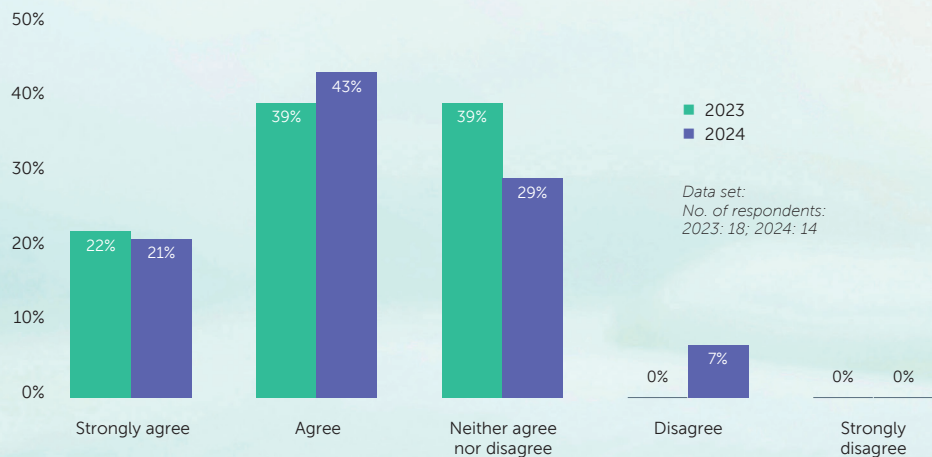
64% of charities agreed that the investment management sector sufficiently caters to faith-inspired charities

However, that appears not to be a reflection of failings within the investment management ecosystem, but rather a reduction in faith-related restrictions on investments within our sample this year. 64% of charities agreed that the investment management sector sufficiently caters to faith-inspired charities, up slightly compared to last year. ⁵¹

50 Does your investment policy include principles, restrictions or methodologies consistent with your charity's faith?



51 To what extent do you agree that the UK investment management sector sufficiently caters for your charity's faith-inspired investment requirements?



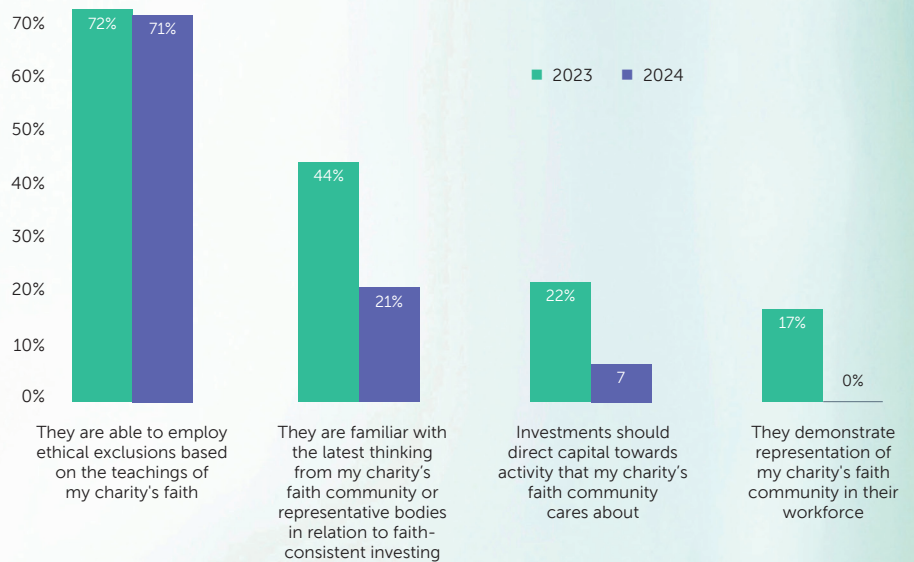
71% of faith-related charities require investment managers to invest in line with their faith-related exclusion policies

Faith-related requirements of investment managers also appear to have been relaxed somewhat in this year's reporting.

Faith-related exclusions remain a core request, with 71% of faith-related charities requiring investment managers to invest in line with their faith-related exclusion policies.

Nevertheless, other requirements have seen noticeable declines, especially around faith-reflective diversity within investment management workforces and directing capital towards charities' faith community interests. ⁵²

52 What are the most important requirements you have of your investment manager that are inspired by your charity's faith?



Data set: No. of respondents: 2023: 18; 2024: 14

Aside from explicitly faith-related requests, faith-related charities understandably appear focused on broader improvements to their investment management that align with wider concerns across the charitable sector, around communication, ESG-related investing, and a focus on longer-term and emerging issues. ⁵³

53 What changes or improvements would you like to see among UK investment managers that would support your charity's faith-inspired investment requirements?





More about the 2024 survey

Methodology

In line with the previous ten years of the Newton Charity Investment Survey, data was collected using an online questionnaire. Fieldwork took place between 30 April and 9 July 2024, with a record date for annual investment performance data of 31 March 2024.

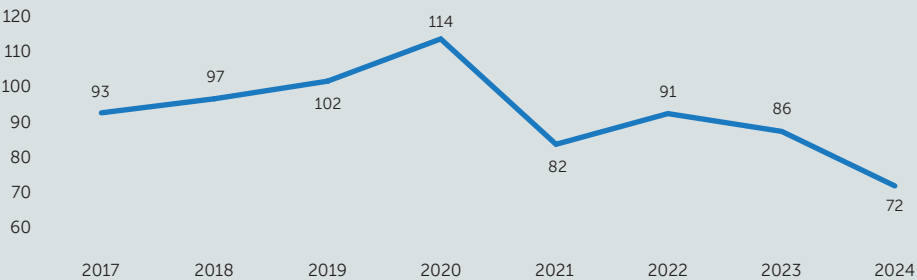
Sample details

The number of responses to this year’s survey stands at 72 – a decrease from the 86 responses seen in 2023. With the respondent level still below the pre-pandemic peak, this represents a further year in which external pressures appear to be placing a burden on trustee workloads and their capacity for participation. **A**

The total investment assets held by charities within the final sample decreased to £2.3 billion in 2024, down from £3.3 billion in 2023. While this drop continues the trend seen in recent years, it can be attributed to the absence of any ‘super large’ charities (assets of £1 billion or more) in this year’s sample rather than any significant change in broader sample make-up.

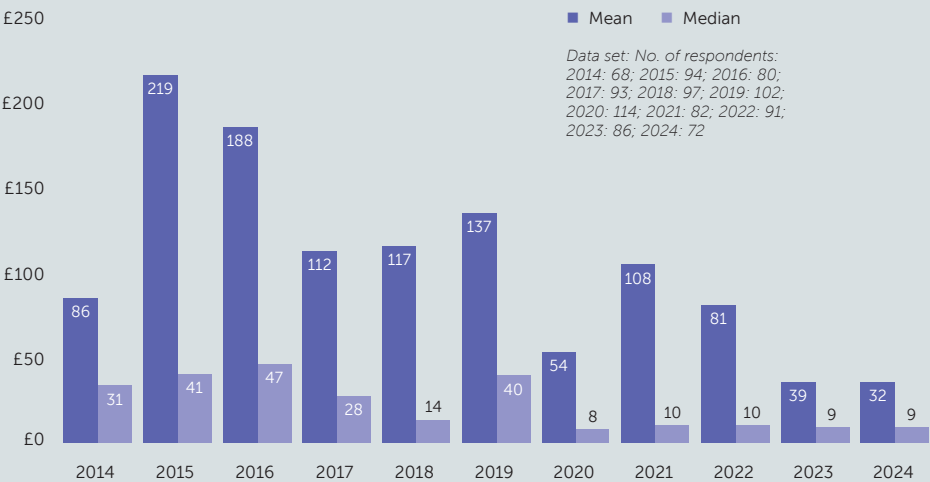
The average charity in this year’s survey has assets of £32 million under management, down from £39 million in 2023. While the upper bounds of our sample have reduced, the median assets under management have remained largely in line with the last four years of surveys at £9 million. **B** **C**

A Annual sample size (number of charities)



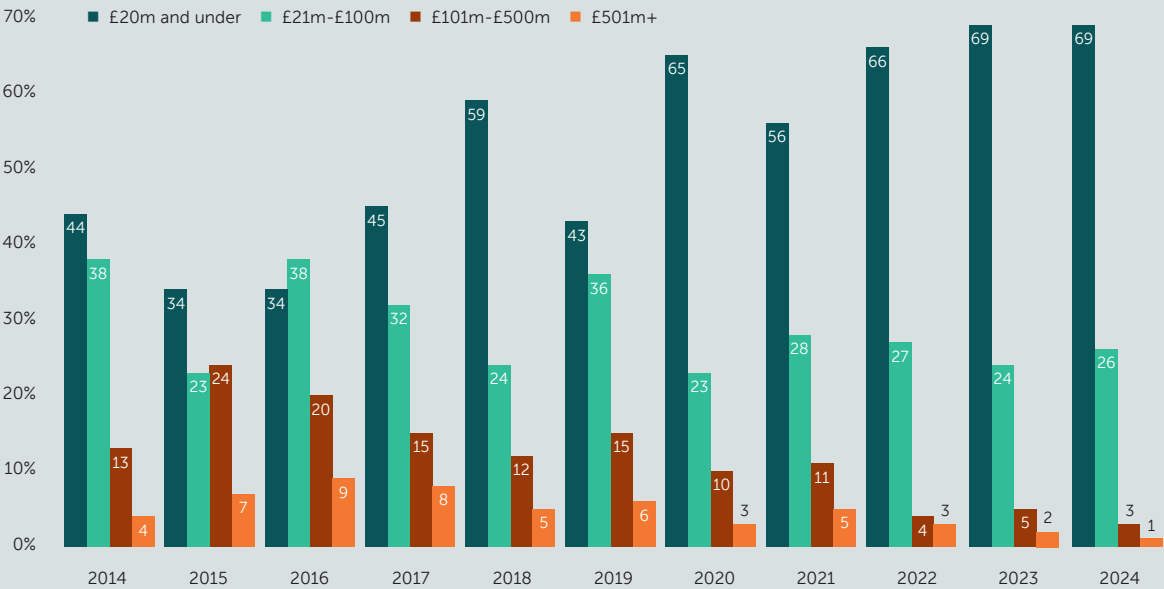
Data set: No. of respondents: 2017: 93; 2018: 97; 2019: 102; 2020: 114; 2021: 82; 2022: 91; 2023: 86; 2024: 72

B Mean and median assets under management 2014-2024 (£ millions)



Data set: No. of respondents: 2014: 68; 2015: 94; 2016: 80; 2017: 93; 2018: 97; 2019: 102; 2020: 114; 2021: 82; 2022: 91; 2023: 86; 2024: 72

C Charity size distribution 2014-2024



The 2024 distribution of charities by the size of their assets is:

£20m and under	69%
£21m-£100m	26%
£101m-£500m	3%
£501m+	1%

Data set: No. of respondents: 2014: 68; 2015: 94; 2016: 80; 2017: 93; 2018: 97; 2019: 102; 2020: 114; 2021: 82; 2022: 91; 2023: 86; 2024: 72

Appendix – More about the 2024 survey

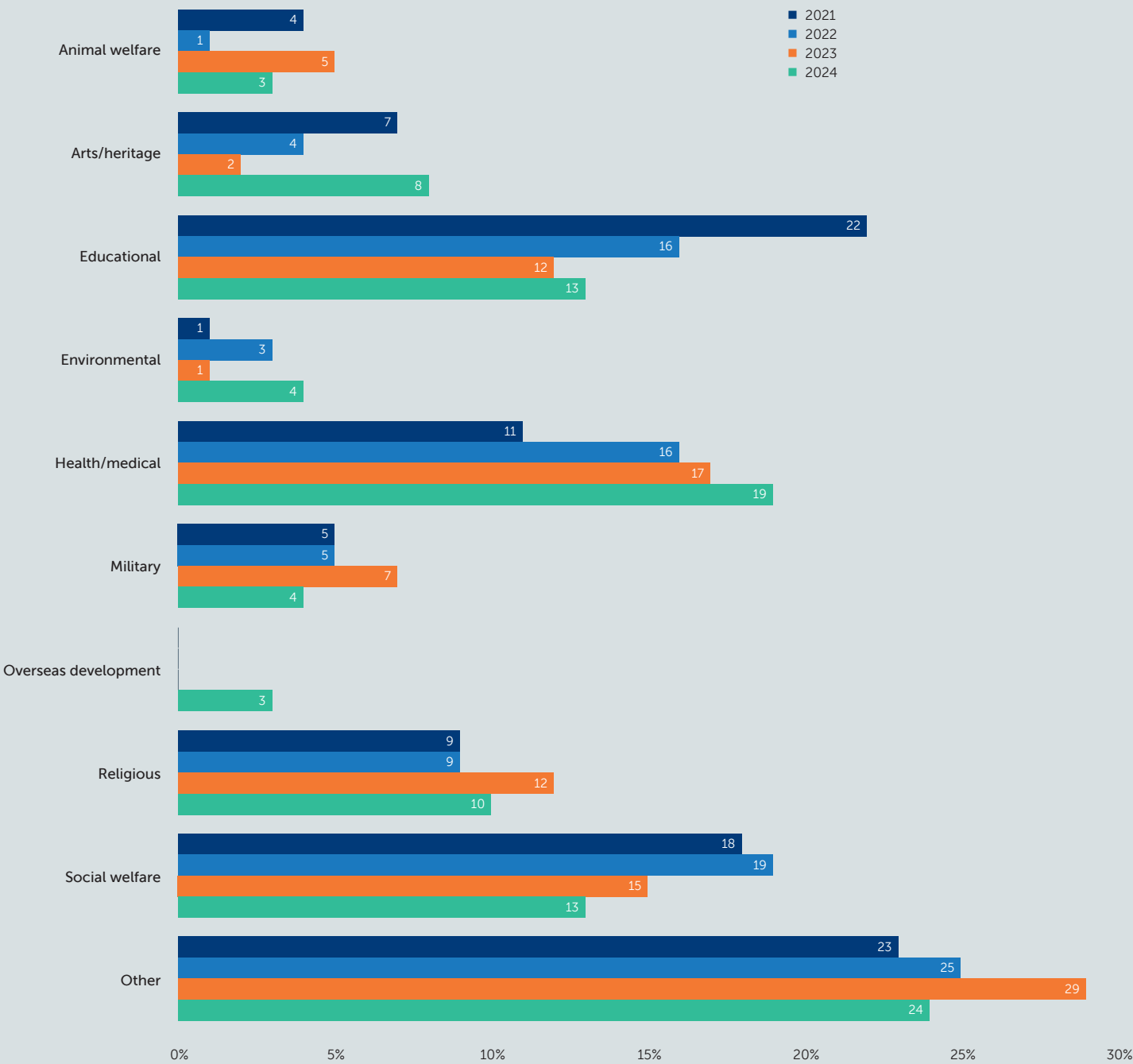
The breakdown within charity size has also remained largely consistent this year, with just over two-thirds of our sample holding assets of £20 million and under.

Charities with assets under management of between £21 million and £100 million make up a further quarter (26%) of the sample, with larger charities of £101 million or more in assets representing the remaining 4%.

This year, health and medical charities remain the most prominent in the survey, representing 19% of respondents. Social welfare and educational charities each represent 13% of respondents. ^D



^D Charity type 2021-2024



Data set: No. of respondents: 2021: 82; 2022: 91; 2023: 86; 2024: 72

Contact us

Now that you have read our review of the survey, we would be delighted to hear your views.

Charity investors

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Important information

These opinions should not be construed as investment or any other advice and are subject to change. This document is for information purposes only. Any reference to a specific security, country or sector should not be construed as a recommendation to buy or sell investments in those securities, countries or sectors.

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Broader horizons

The Newton Charity Investment Survey provides insight into charities' investment practices and portfolios, including trend analysis of changes year on year. In particular, the data allows you to see how aligned your investment experience and intentions are with those of your peers.

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Unlock opportunity