

THE ENGLISH SANGHA TRUST

A FAITHINVEST CASE STUDY

JULY 2023

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INTRODUCTION

The English Sangha Trust (EST) is a small, Buddhist nonprofit charity that serves two Buddhist monasteries in England – Amaravati in Hertfordshire, and Cittaviveka in West Sussex, both of which are residential communities of Buddhist monks and nuns. The EST looks after the legal and financial liabilities for those living at both monasteries.

Faced with the evolving needs of their community and a desire to create an Investment Policy and Guidelines (IP&G) statement more in line with their values, the EST chose FaithInvest to help guide them on their journey to greater faith-consistent investing.

'The real engine of the whole process is clear communication, clear expression and very open-hearted listening'

– Ven. Ajahn Amaro, Abbot



INVESTMENT BACKGROUND

The EST has traditionally had a small reserve fund and has therefore tended to maintain short-term portfolios of fixed income investments with three- to five-year time horizons and low risk/return profiles. The short-term portfolios represent a Reserve fund of 50% of assets to cover half its yearly operational expenditure as of 2022, and a Development fund — mostly given for one or more capital projects expected to be completed in the coming three to five years.

Up until 2022, the EST did no long-term investing. However, due to an ageing community, with eight members now over 70, the EST established the 'Samana Care Fund', to support the potentially greater healthcare needs of elderly and infirm monastics in its two communities. The concept was to build up a fund such that the annual total return on investment of this would supplement operational expenditure.

- The investment strategy of the Samana Care Fund was to:
 - Build the fund up over the next 10-15 years to a target value, from an initial contribution, along with annual capital contributions.
 - Expand the IP&G to allow long-term investment in a mixed portfolio of equities and fixed income instruments.
 - Achieve a target annual total return averaging 5% per year after fees, potentially enabling an annual drawdown of investment returns only. Principal could be invaded for *exceptional* care needs, with the view to build the principal back up to the target value.

'We had to go on a journey and FaithInvest's
role in the journey was a really critical part,
giving us perspective at all steps
along the way'

– John Stevens, EST Chair

THE ISSUE

When the EST recognised that the Investment Policy and Guidelines statement (IP&G) covering the management of its funds could be enhanced to have greater alignment with their faith values, the Trust approached FaithInvest for guidance.

The EST had been actively involved and engaged in FaithInvest's network, including FaithInvest's FCI Interest Group, and determined to undertake what became a 15-month process toward a significantly enhanced IP&G statement and allocation to new investments, and new management.

THE PROCESS

The EST and FaithInvest worked closely together to craft an enhanced IP&G, incorporating aspects of faith-consistent investing (FCI) relevant to Buddhism. Elements of the process and items taken into consideration for the short- and longer-horizon portfolios included:

- The monastic community and the EST Board working together, documenting ethical investment parameters, which clarified what they felt aligned with Buddhist principles and values. This represented a process of discernment and reflection to identify the core values they wanted to express through their investments.
- Creating investment screens (positive & negative).
- Developing specific investment parameters and goals around liquidity, risk, and return.
- A portfolio with short-term investments (reserve and capital development funds).
- A portfolio with longer-term investments (The Samana Care Fund).
- Market research on investments that matched the requirements of both portfolios.
- Asset manager assessment and fund analysis.

SHORT-TERM INVESTING

Document: Applying the documented ethical investment parameters. Creating an Ethics, Liquidity, Risk and Return (ELLR) "term sheet" for short-term investing.

Discuss: Examining trade-offs and gaps for exploration of investment options with existing EST banking/investment providers.

Discover: Explore alternative investment solutions, including; UK Community Development Financial Institutions (CDFIs) & Charity CD funds. This led to the development of an Investment Manager & Fund Database (primarily, interest-only CD funds that were FCI compliant)

Decide: Assist the Board in its final review and decision-making process.

To complete the process, the FaithInvest Investment Solutions team worked in close collaboration with John Stevens, the Chair of the EST, and Ajahn Amaro, the Abbot of the Amaravati Buddhist Monastery, who in turn liaised with the full board of Trustees and several of the Monastics whose input and participation were essential in obtaining consensus for a more codified IP&G.

This process occurred over 15 months, involving near-weekly interaction with FaithInvest and sessions at the full quarterly Board meetings dedicated to focusing on specific aspects of the enhanced IP&G.



LONG-TERM INVESTING

Upon completion of the enhanced IP&G, with its clear aspirational parameters, together with clarity on the goal of 5% average annual return, the subsequent phase of the project involved identifying, researching, and interviewing various investment managers, and ultimately selecting one to implement it. FaithInvest's guidance and input was integral to this phase. It involved:

- Market Research — UK/EU based ETFs and mutual funds. Search parameters included 5-star Morningstar Analyst Ratings & the highest Sustainalytics scores.
- Investment manager engagements with eight investment managers, leading to pre-interviews with five.
- Development of a comparison table to assess the market options.
- RFP drafting & submissions.
- Final interviews with three investment managers.
- Recommendation to the Board, which made the final selection of fund manager.

The process involved taking into consideration the relative strengths of various managers, for example all those chosen for review excelled in traditional ethical investments, but only some were actively developing the emergent sector of impact investing. The process also included an openness to looking ahead to future shifts across differing types of investments and across various managers.

'Working the issues back and forth between the trustees and the monastics, with guidance from FaithInvest, was an essential element in the completion of the project'

– John Stevens, EST Chair

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THE OUTCOME

The project's goals were achieved, including:

- A successful review of the EST's Investment Policy & Guidelines statement (IP&G) to determine whether the short-term and long-term investment strategies therein were aligned with the EST's faith values.
- Documentation of the EST's beliefs, teachings and values and how they translate to investment, and upon reflection, making these the core of an updated IP&G, so that both short-term and long-term investment strategies would be aligned with, and in future measured against, those faith values.
- An expanded and refined strategy for the EST's short-term investments.
- An expanded IP&G to allow for the new long-term fund (The Samana Care Fund) and development of an investment strategy for long-term investing.
- An increase from 2.1 to 10 — the highest score possible — on FaithInvest's proprietary faith-investing analytical framework.

Ultimately, a consensus was reached, and the trustees felt confident to adopt a completely overhauled, expanded and transformed investment policy, which codified the strategy for both short-term and long-term investing, and also served as the basis for the evaluation and appointment of the fund manager for assets in the new Samana Care Fund.



REFLECTING VALUES

How Buddhist values are reflected in the new IP&G

The English Sangha Trust stewards donations and assets for the Cittaviveka and Amaravati monasteries. Both monasteries are inspired by the Thai Forest Tradition of Theravada Buddhism, which includes a deep reverence for nature, along with traditional Buddhist values reflected in the Noble Eightfold Path.

In drafting their guidelines, the EST applied both Buddhist values, as captured in the Noble Eightfold Path, and their value of Nature to create ethical investment guidelines that include prioritising investments in companies that 'do not harm the planetary environment through the destruction or pollution of earth, water, air and living creatures' with an extensive list of activities, including mining, forestry and pesticides that are to be fully avoided in their portfolios.

With an eye towards pragmatism, the Trust 'prioritises investing with institutions and in funds' that can meet these guidelines, while balancing financial objectives and constraints, representing an ongoing area of monitoring and work for the Trust.

'The project with the EST provided us with a wonderful opportunity to engage deeply with a committed faith community to provide close support for their faith-consistent investing journey, and we were delighted to be a part of it'.

– Mathew Jensen, FaithInvest's Director
of Investment Solutions

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WHAT WE LEARNED

In the words of John Stevens, EST chair: 'The FCI journey should come from within the faith organisation. It took 15 months of time and presentations at five trustee meetings to evolve a coherent understanding among the trustees and senior monastics.

'During this process, FaithInvest's guidance helped ground the whole process, bringing perspective of the investment industry, and an overall sense that the EST was doing this in-house yet under the guidance of professionals.

'The role of FaithInvest was to guide and give perspective without dominating the process. We view FaithInvest as an organisation that understands the investment landscape and can analyse and compare products, strategies and managers.

'Further, because FaithInvest is connected to a global network of faith organisations already undertaking FCI, they are well positioned to showcase examples of what other FBAOs are doing. Going forward, we know we can rely on FaithInvest for support in the annual reviews with fund managers to assess how the EST's investments compare to the ethics stated in the IP&G.'

FaithInvest's Director of Investment Solutions, Mathew Jensen said, 'The project with the EST provided us with a wonderful opportunity to engage deeply with a committed faith community to provide close support for their faith-consistent investing journey, and we were delighted to be a part of it.'

'Because FaithInvest is connected to a global network of faith organisations already undertaking FCI, they are well positioned to showcase examples of what other FBAOs are doing.'

– John Stevens, EST Chair

GLOSSARY

- *Community Development Financial Institutions (CDFIs)* – Privately-owned financial institutions that focus primarily on personal lending and business development efforts in poorer local communities requiring revitalization.
- *Charity Certificate of Deposit* – A financial instrument where interest is directed to the donor's chosen non-profit.
- *ETF* – Exchange Traded Fund, pooled investment securities that trade on an exchange, typically tracking a specified index.
- *Equities* – The stocks and shares that are issued by a company.
- *Faith-Consistent Investing* – Investment that is made in alignment with a faith's beliefs, teachings and values.
- *Fixed Income* – A class of assets and securities that pay out a set level of cash flows to investors.
- *Investment Policy and Guidelines (IP&G)* – A document created by an investment committee or the leaders of an investment that outlines the parameters under which investments shall be made.
- *Investment Principal* – The original sum committed to the purchase of an investment.
- *Liquidity* – Reference to how easily or quickly an investment can be purchased or sold on the open market.
- *Risk* – The degree of uncertainty that an investment's actual return will deviate from what is expected.
- *Sangha* - A community of practicing followers of the Buddha's teaching, both the ordained community and the extended lay community.



FaithInvest is an international, not-for-profit network for religious groups and faith-based institutional investors. Our aim is to grow the scale and impact of faith-consistent, values-driven investing worldwide for the benefit of people and planet

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