

11 June 2025

Quarterly Charities Update

HaysMac[✦]



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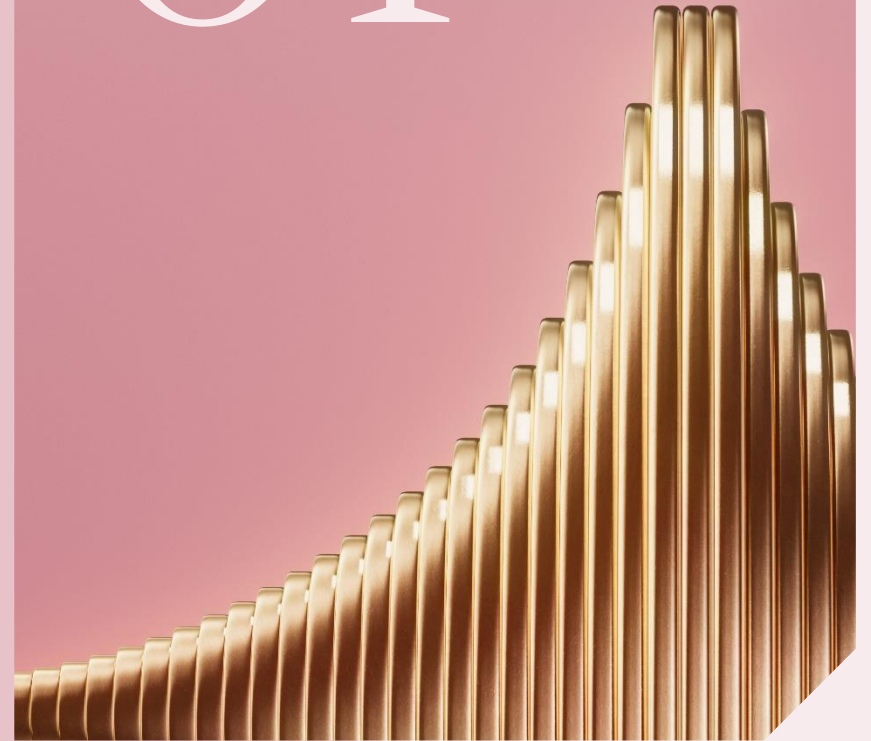
Trump, Tariffs and Turmoil 04

Tom Holbrook, Portfolio Manager and Maisie Hobbs, Portfolio Manager at Cazenove Capital



General Charities update

01



Charity SORP

- Will apply from periods starting on/after 1 January 2026
- Draft was issued on 28 March
- Consultation period ends 20 June
- Final version expected Autumn 2025
- Implementation 1 January 2026



Three Tier reporting

Tier 1: Income up to £500,000.

Tier 2: Income between £500,000 and £15 million.

Tier 3: Income over £15 million.

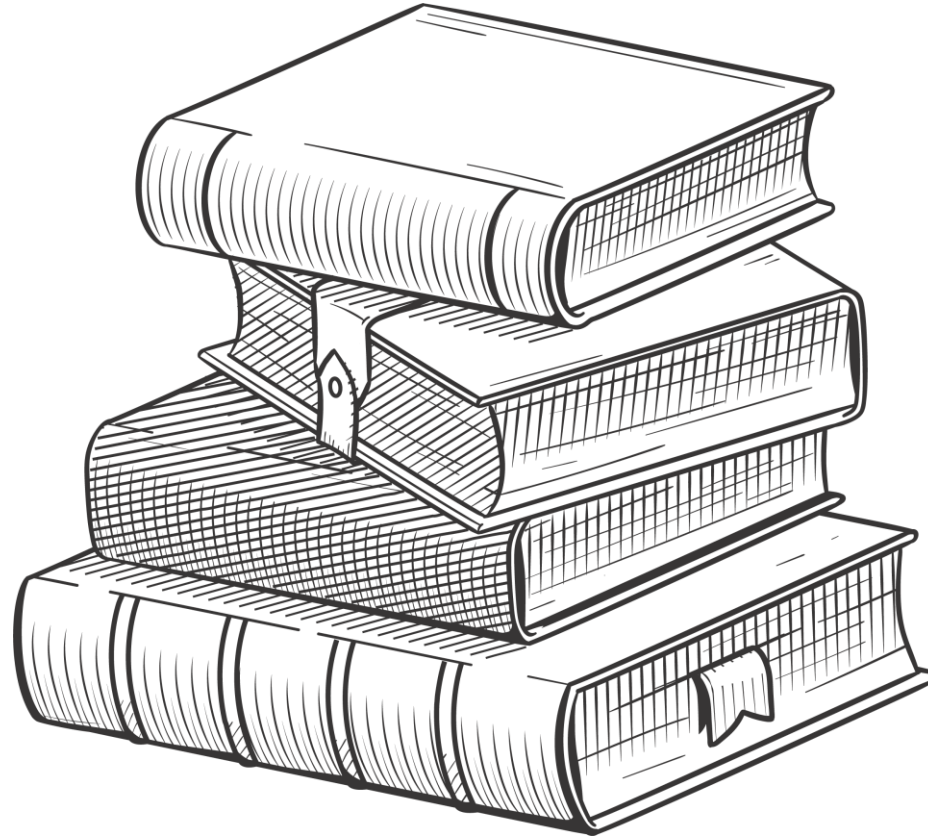
Each tier has different levels of disclosure requirements, with Tier 3 requiring the most detailed reporting.

SORP itself is then drafted to make it easier to identify the different tier requirements



Trustees Report

- Impact reporting
 - Alignment with objectives
 - Indicators of success and societal impact
 - Linking the narrative and the numbers
- Volunteers
 - Role and impact
- Sustainability
 - Environmental and social contributions
 - ESG reporting for Tier Three
 - Further reporting for large companies



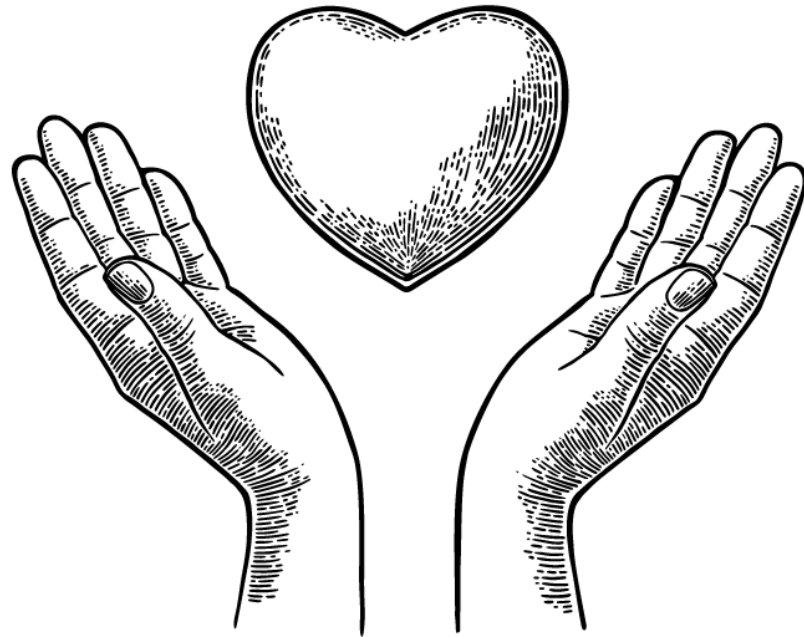
Other changes

- Cash flow statement removed for charities with income under £15 million
- Natural classification of costs on the face of the SOFA for charities in Tier One
- Disclosure of legal powers used to remove capital restrictions or amend purposes of a restricted fund
- Requirement to state where a charity has designated funds that the trustees can remove the designation
- Clarification that KMP costs include employers NIC



Revenue recognition - overview

- Changes has been driven by increased alignment with IFRS 15
- Greater emphasis of contractual vs non contractual income
- Move from entitlement-probability-measurability to performance obligation model (where applicable)
- Clearer distinction between donations, grants and contracts
- Emphasis on when control of resources passes to the charity



Donations, legacies and grants

- Non-exchange transactions – freely given, donor does not receive something of equal value in return
- Need to consider substance of the arrangements
- Income recognised when:
 - Probable
 - Measurable
 - No further performance obligation
- Performance-related grants: Recognise when conditions met
- Legacy income: some further clarity (life interest, subsequent events)
- Donated goods
 - Must be recognised as stock if donated for distribution.
 - Exemption for valuation is available for charities that receive donated goods for resale, but not for distribution.

Contractual income

- Key question – is there a contract or a customer?
- Income recognised based on delivery of performance obligations – will come to five step model shortly
- Need to split contracts if multiple obligations... are there distinct goods/services being provided, or is it a “bundle” which cannot be separated
- Normally unrestricted, but SORP does allow it to be restricted if the contract states this.



Five step model

Identify the contract

Identify performance obligations

Determine the transaction price

Allocate the transaction price

Recognise revenue as and when performance obligations are met

Transition

- Full retrospective
- Modified retrospective;
 - No restatement of comparatives
 - Only applies to contracts not completed by initial application date
 - Cumulative effect of initial application treated as an adjustment to opening reserves
- Implication
 - Need to review all current contracts and income streams
 - Potential need for better income tracking systems where there is significant income from contracts and/or customers – use the five step model
 - Impact on reserves and timing of income – especially if you have bank covenants
 - Governance and audit committees: more scrutiny on assumptions
 - Staff training and policy updates
 - Update income recognition policies in SoFA and notes

Leasing

- Changes
 - For lessors – not very much
 - For lessees:
 - All leases on balance sheet
 - Liability for future payments
 - Asset representing the right to use leased items
 - Finance costs and depreciation instead of rental expenditure



Accounting for leases as a lessee

- **Lease liability**

- Present value of future minimum lease payments
- Discounted using the rate inherent in the lease?
- Discounted using the incremental borrowing rate?
- Discounted using the obtainable borrowing rate?
- Discounted using the deposit rate?

- **Right of use asset**

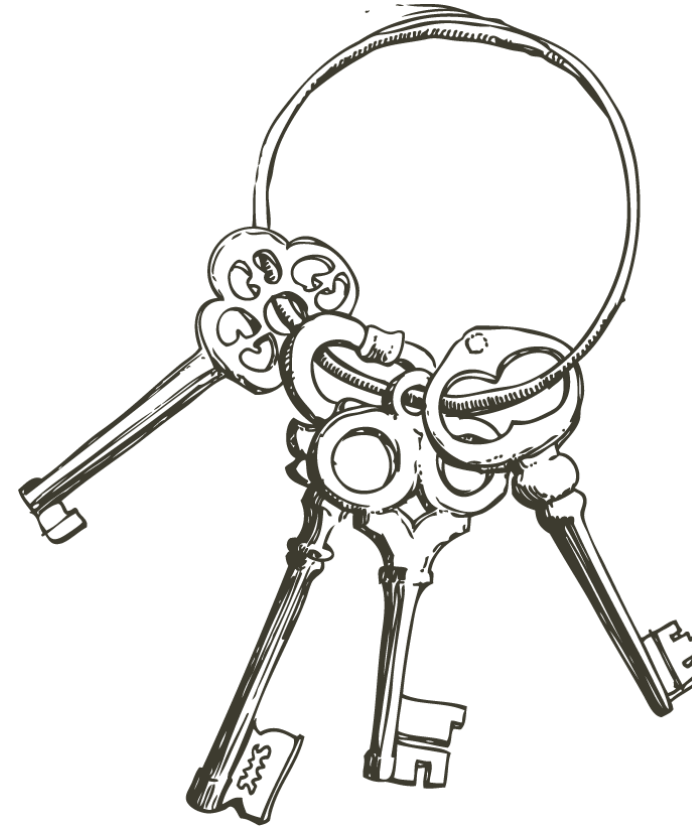
- Lease liability
- Advance lease payments

- **Exceptions**

- Short-term leases
- Low value assets

First year adoption

- No restatement of comparatives
- Lease liability based on remaining lease payments
- Right of use asset adjusted for accrued or deferred lease payments
- Adjustment to opening reserves – lease incentives
- Accounting policy wordings



Latest from the Charity Commission

- **Social media** – Palestinian Refugee Project
- **Responsible management of charity funds** – East London Mosque Trust
- **Charity Times' Annual Conference** – keynote speech from Charity Commission Chief Executive David Holdsworth
- **Updated guidance** on finding and recruiting trustees (CC30)
- **Final judgement** in the Kids Company enquiry

Other news

- CFG Annual Conference Thursday 26 June
- New fundraising code to come into effect November 2025 – as you'll hear about shortly...



Update on the new Code of Fundraising Practice

Hannah Lyons
Partner, Bates Wells
11 June 2025

Fundraising Regulator

Voluntary, independent, non-statutory

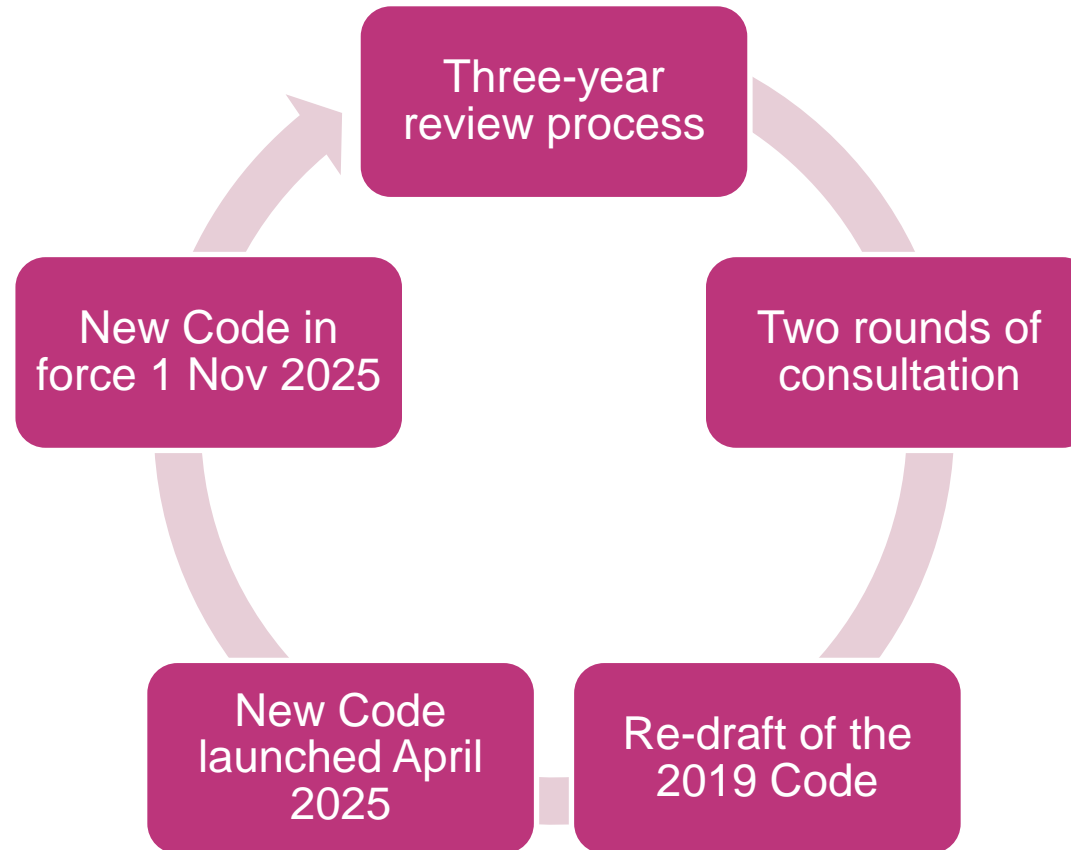
Funded by levy on charities with annual fundraising expenditure of £100,000 or more

Smaller organisations can register to demonstrate commitment to the Regulator's Code of Fundraising Practice

Fundraising Regulator's powers

- **Set and promote standards of fundraising practice** (the Code of Fundraising Practice) in the charitable sector
- **Investigate cases** where fundraising practices have led to significant public concern. All investigations are **made public**, regardless of whether a complaint is upheld
- **Adjudicate complaints** from the public about fundraising practice, where these cannot be resolved by the charities themselves
- Operate a **Fundraising Preference Service** to enable individuals to manage their contact with charities
- Where poor fundraising practice is judged to have taken place, **recommend best practice guidance** and take proportionate **remedial action**
- Has launched a new **self-reporting regime**

Journey to the new Code



What's not changed?

Structure - three parts:

- Standards that apply to all fundraising
- Standards that apply to working with others
- Standards which apply to all fundraising methods

Fundraising Principles - Fundraising activity must be:

- Legal
- Open
- Honest
- Respectful

Most of the content is the same or similar

Status of the Code and who it applies to

What has changed? (I)

45% shorter than current Code:

- Consolidation and stream-lining of Code provisions
- Sign-posting to legislation, codes and and guidance where not lead regulator

Move to a 'principles-based' approach:

- Less prescriptive
- More flexible
- Proportionate
- Future-proof

What has changed (II)

New Code sections:

- **Protecting fundraisers** – section 2.1.2: *“You must take reasonable steps to protect fundraisers from harm and harassment while fundraising...”*
- **Engaging constructively** – section 2.1.3: *“You must respond constructively and within an appropriate timeframe to any enquiries you may receive from [the Fundraising Regulator]...”*
- **Unstaffed collections** – sections 7.5.1 and 7.5.2

Amended Code sections:

- **Changes to provisions on paying fundraisers** – section 2.4
- **Standalone section on fundraising platforms** – section 9
- **Data protection and direct marketing** – section 8

New Code Support Guides

Three new Code Support Guides to help meet the Code in key areas:

1. Documenting your fundraising decisions

- Making reasonable decisions, record keeping, complaint learnings, managing conflicts

2. Due Diligence and fundraising

- Assessing risks associated with fundraising activities
- Due diligence on donors and fundraising partners/ suppliers

3. Monitoring Fundraising Partners

- Agreements with fundraising partners and sub-contracting provisions
- Approaches to monitoring and training
- Complaints handling

A shift in regulatory approach?



GREATER NEED TO INTERPRET THE CODE RULES AND HOW THEY APPLY TO YOUR ORGANISATION E.G. WHAT IS APPROPRIATE, REASONABLE AND PROPORTIONATE IN THE CIRCUMSTANCES? SMALL VS LARGE ORGANISATION, RISK PROFILE OF ACTIVITY ETC.



NEED TO BE ABLE TO DEMONSTRATE WHY YOU THINK FUNDRAISING IS IN-LINE WITH THE CODE, JUSTIFY DECISIONS MADE, AND SHOW THE FUNDRAISING REGULATOR YOUR RECORDS OF THAT DECISION.



FOCUS ON THE 'GOVERNANCE OF FUNDRAISING' – APPROVALS AT RIGHT LEVEL AND DOCUMENTING DECISIONS IN MEETING MINUTES, POLICIES, PROCEDURES, LIAS, RISK ASSESSMENTS ETC.



HAVE REFERENCE TO LAW, OTHER REGULATORY CODES, FUNDRAISING REGULATOR, CIOF AND CHARITY COMMISSION GUIDANCE ETC. TAKE ADVICE IF NEEDED.

Example: How to interpret and comply with the Code

Rule 2.2.2

“You must carry out appropriate due diligence proportionate to the size and nature of the donation, on the potential donor before accepting a donation”

What is appropriate and/or proportionate in the circumstances?:

- Size and nature of the donation in relation to normal fundraising activity.
- Type of donation – small cash donation or large and/or unusual form?
- Type of donor – are there any reputation risks to consider?
- Record process in a due diligence/ acceptance and refusal of donation policy
- Have regard to Code Support Guides and other sector guidance – CIOF and Charity Commission.

How to prepare for the new Code (I)

Familiarise yourself with the new Code and support guides – Section 1 + others

Raise awareness – trustees and key stakeholders

Training on new Code for relevant staff and suppliers

How to prepare for the new Code (II)

Update policies and procedures and training

Review contracts with partners, agencies and suppliers

Consider how you will demonstrate compliance and record fundraising decisions.



Any questions?



Thank you



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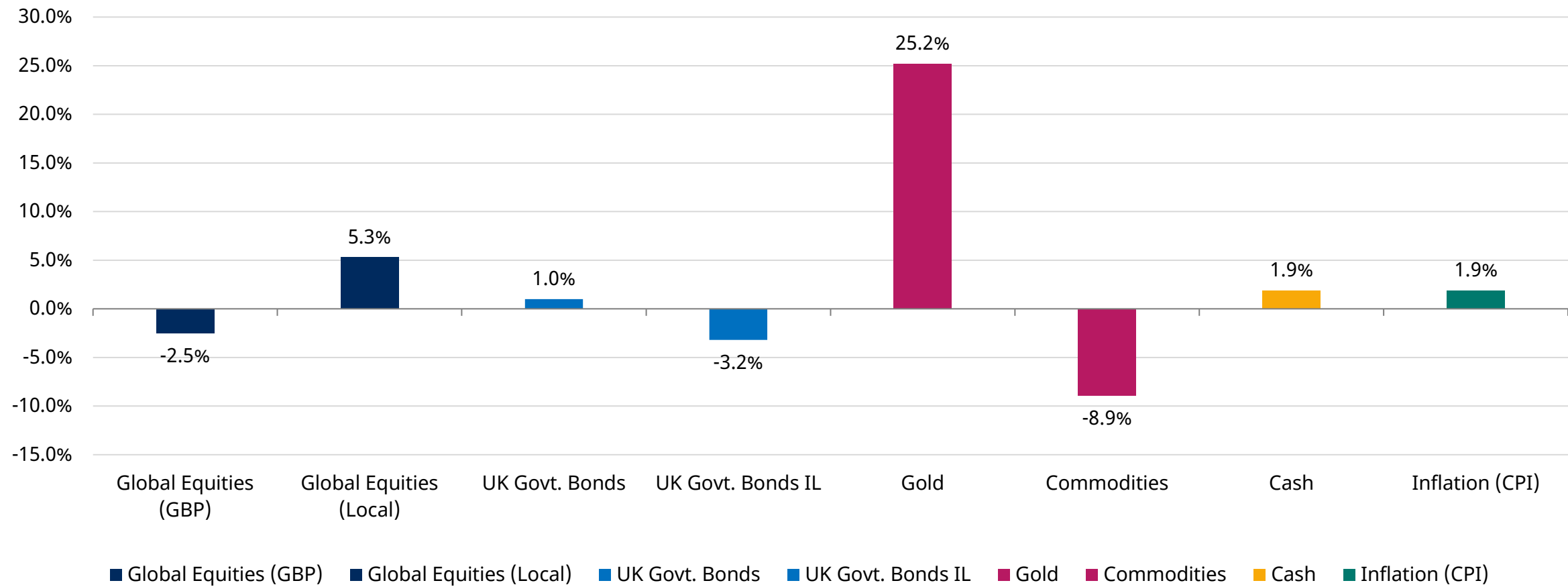
TRUMP, TARIFFS & TURMOIL

Tom Holbrook, Portfolio Manager
Maisie Hobbs, Portfolio Manager

June 2025

Asset class performance

2025 to date...

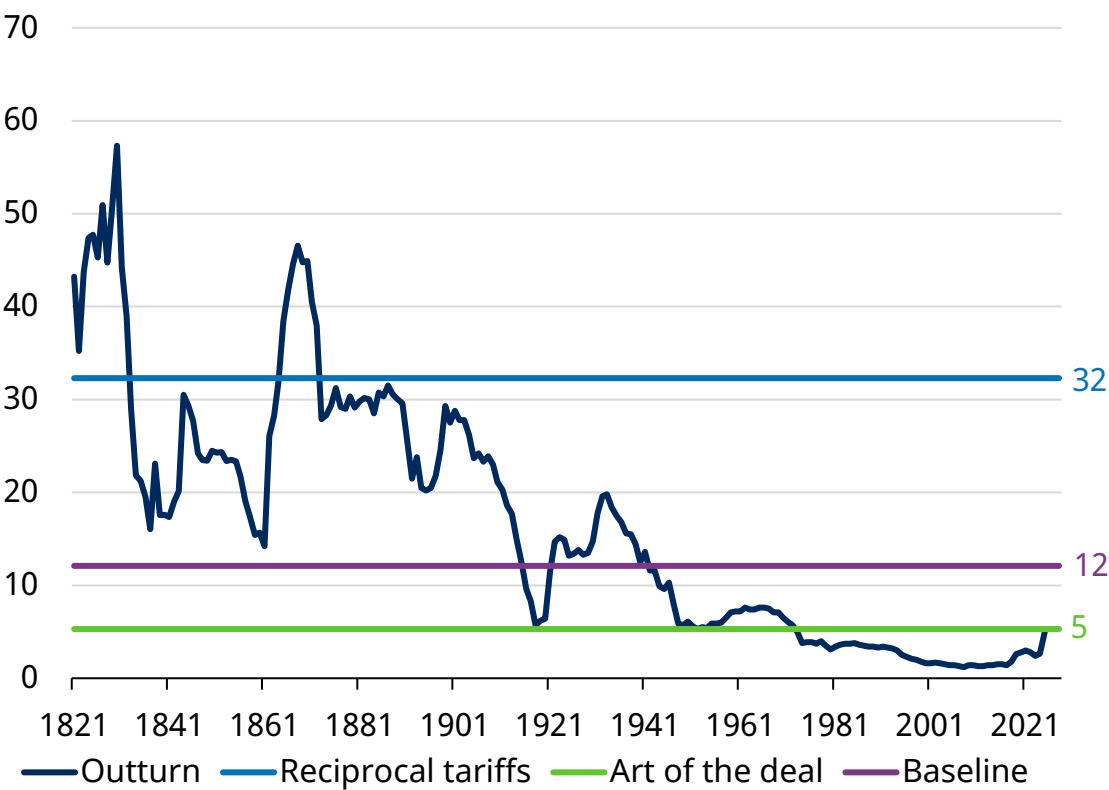


Source: Cazenove Capital. Total return, in GBP net of fees to 31st May 2025. Past performance is not a guide to future performance.

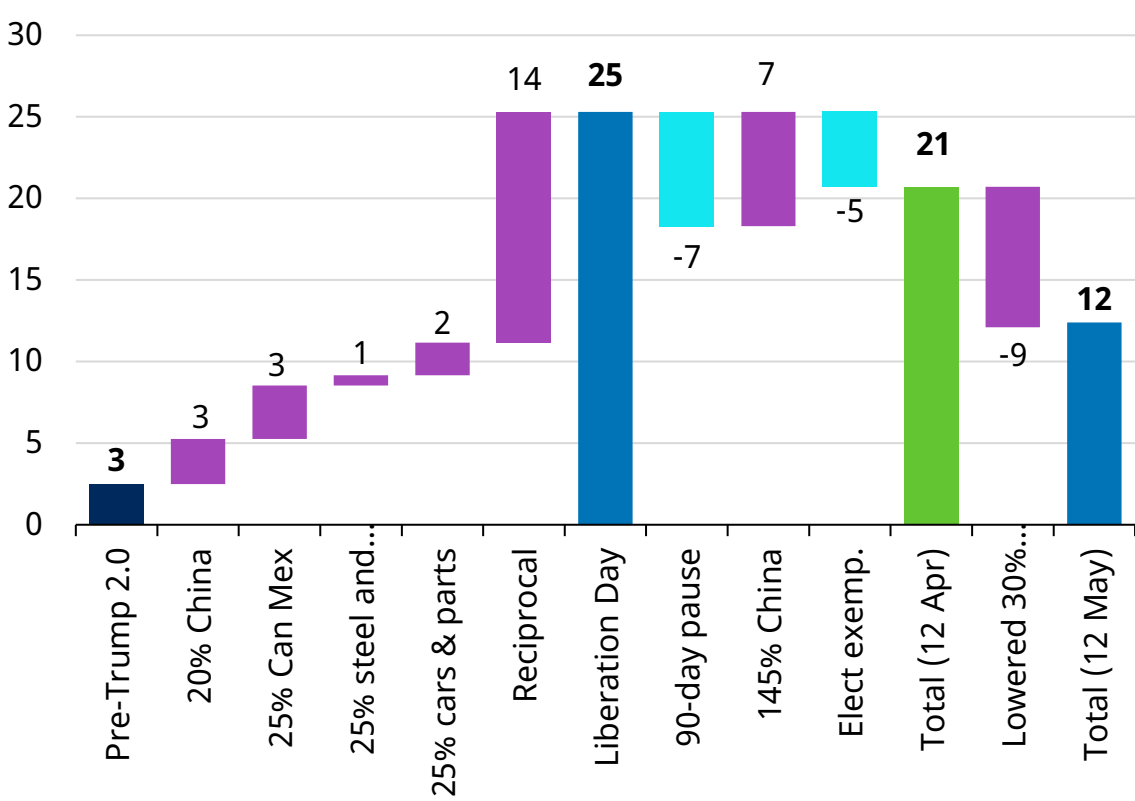
Uncertainty about final tariff rates may drag on activity

Rule of thumb –10% increase in the US tariff rate add 1% to CPI, knocks 0.5% off GDP

US effective tariff rate (%)



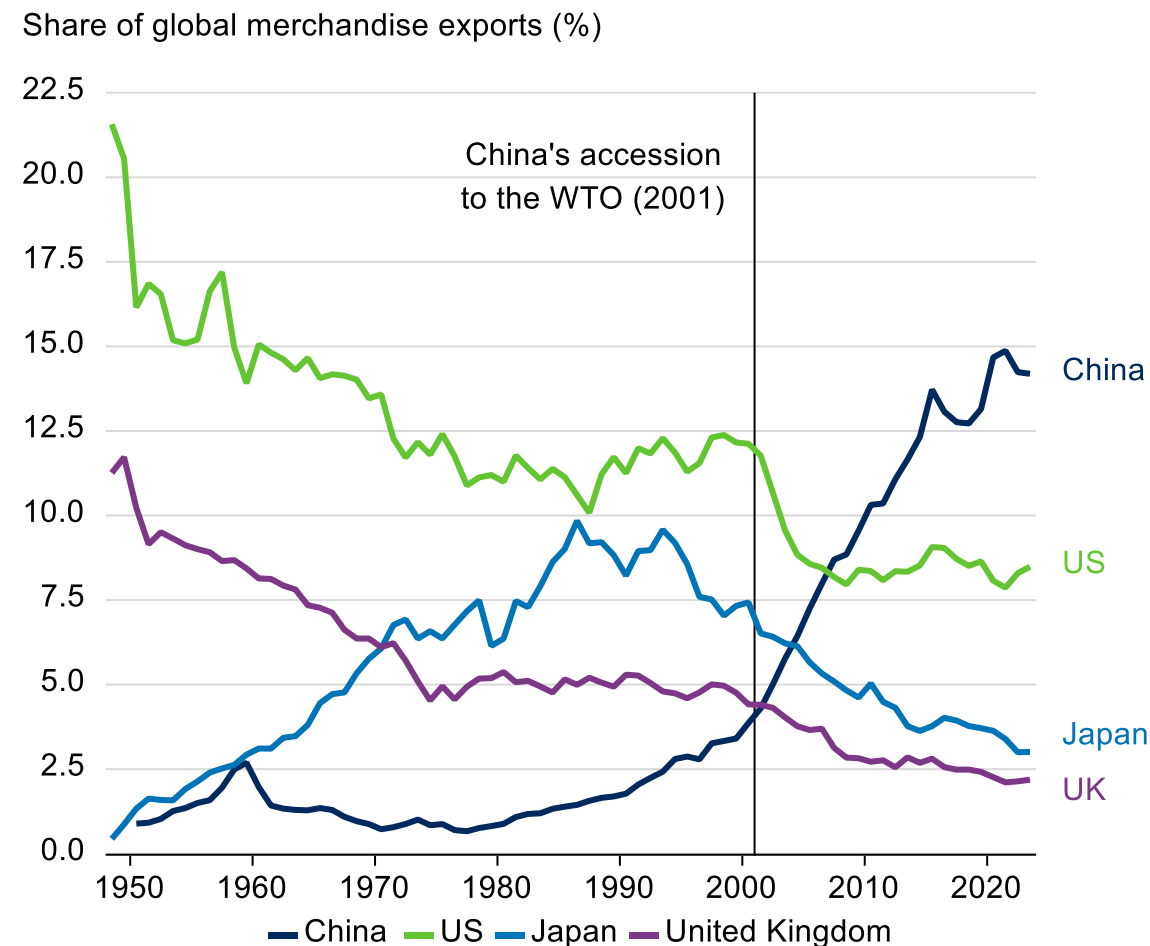
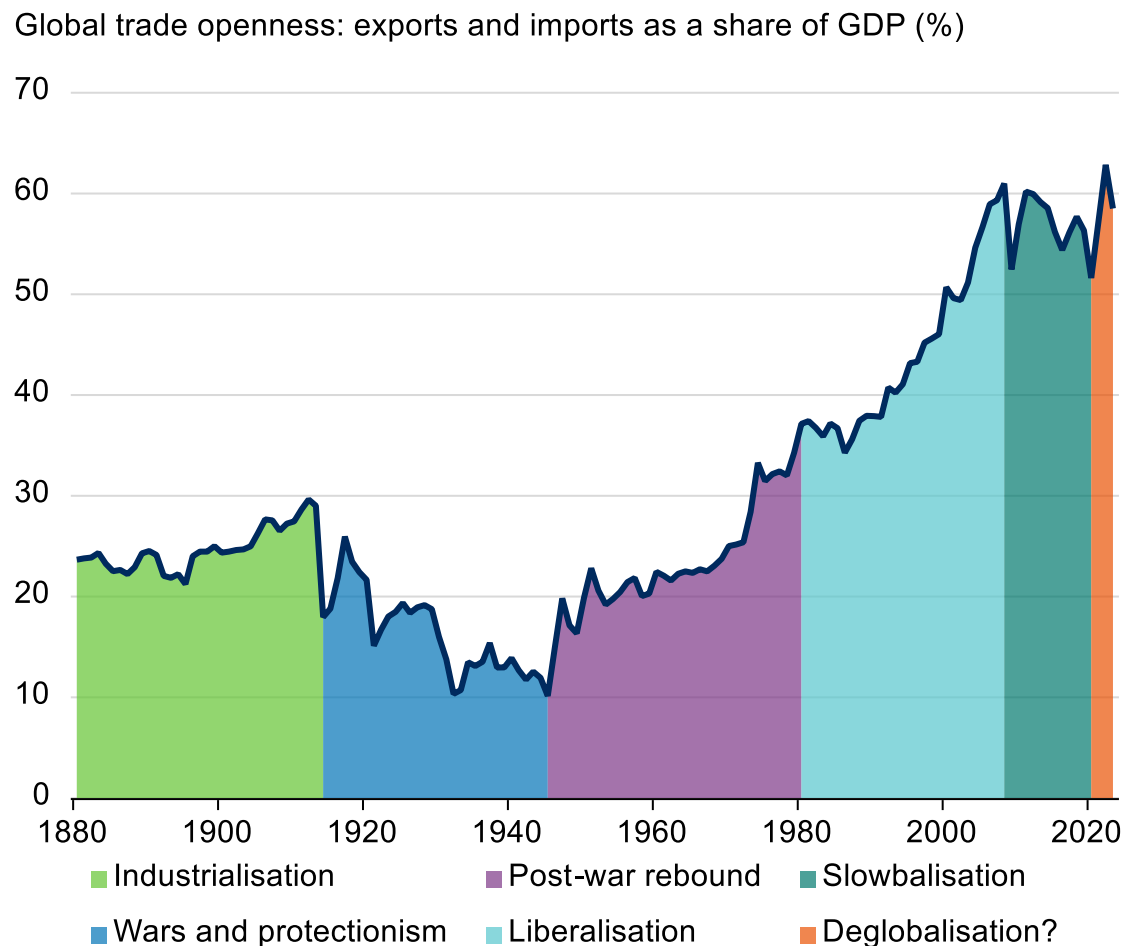
US effective tariff rate (%)



Source: Schrodgers Economics Group, LSEG Datastream. 15 May 2025.

Will Trump 2.0 put deglobalisation in motion?

Global trade openness has increased by nearly 50% since World War II

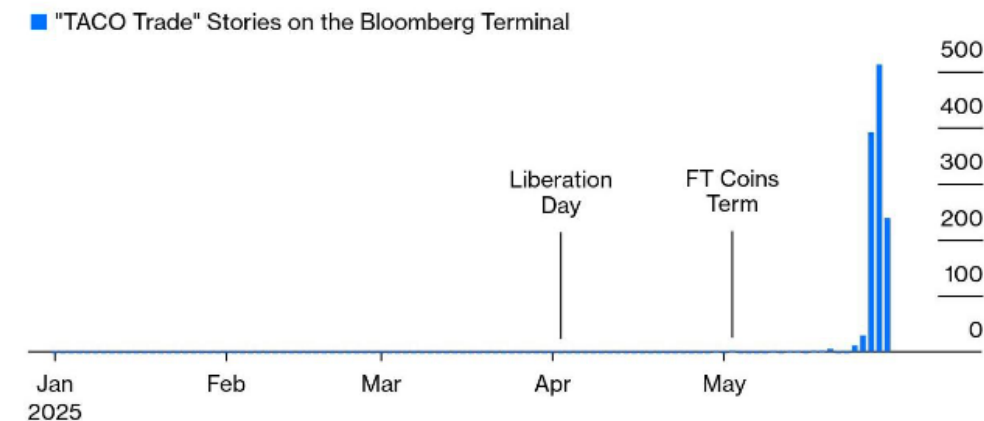


Source: Schrodgers Economics Group, Macrobond. 10 April 2025.

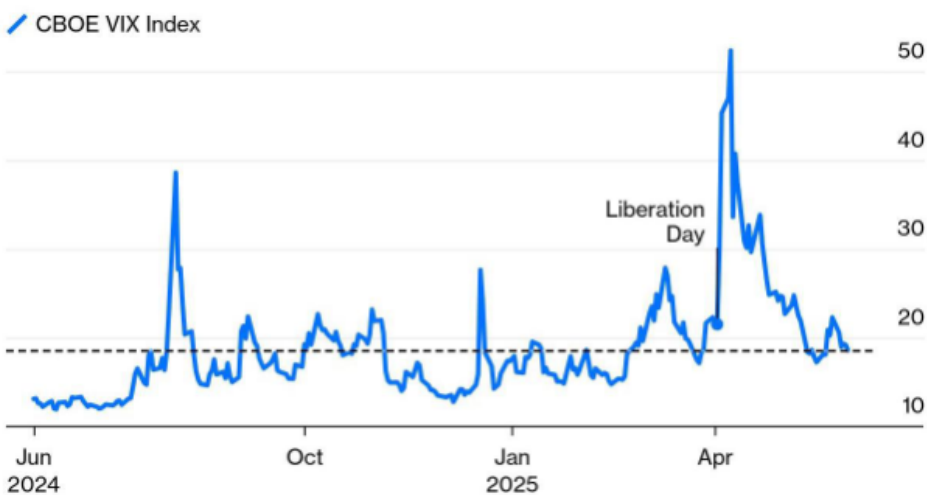
TACOs Take Off

In markets, 2025 is the story of threats made and then rescinded

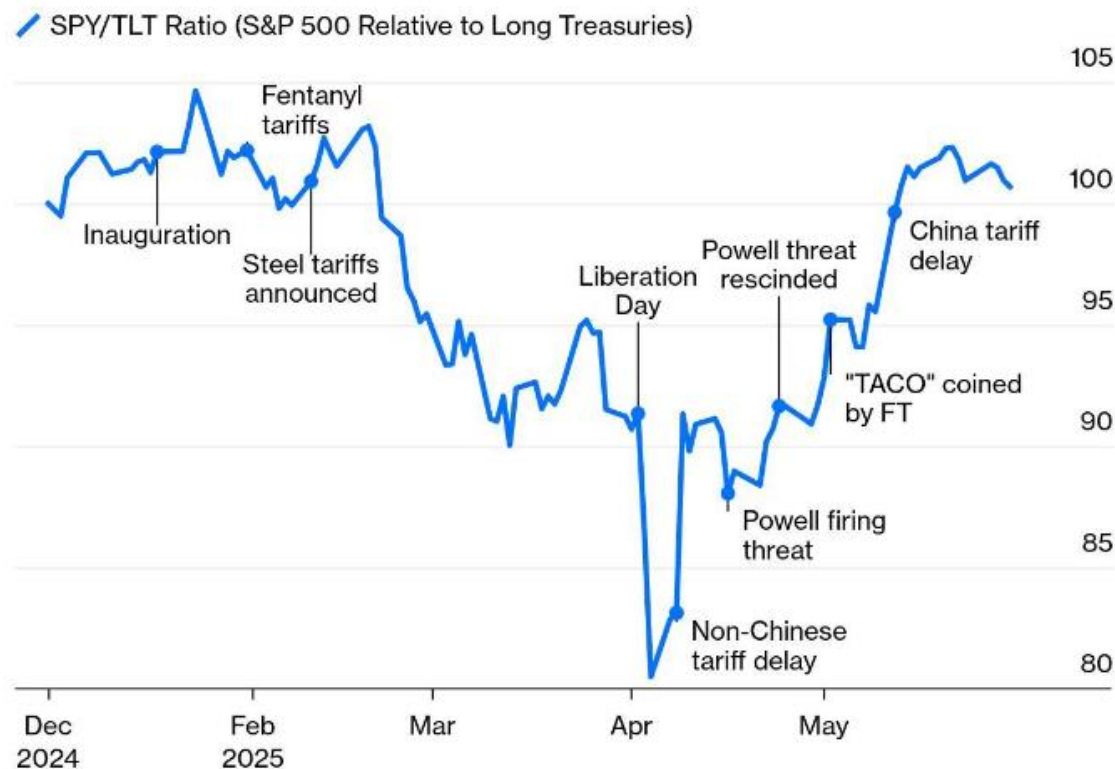
TACO Trade Stories on the Bloomberg Terminal



Crisis? What Crisis?



Five Months in TACO Territory

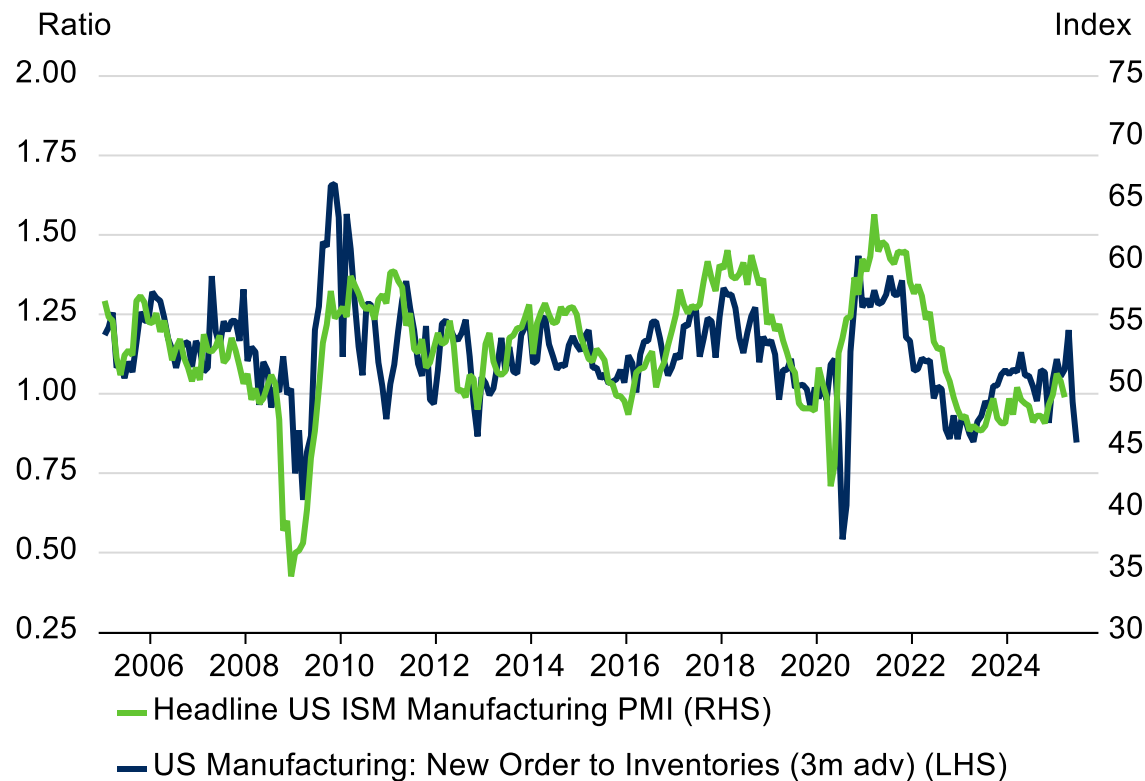


Source: Bloomberg News Trends. The S&P500 relative to Treasuries is normalised at 100 as of 31st December 2024

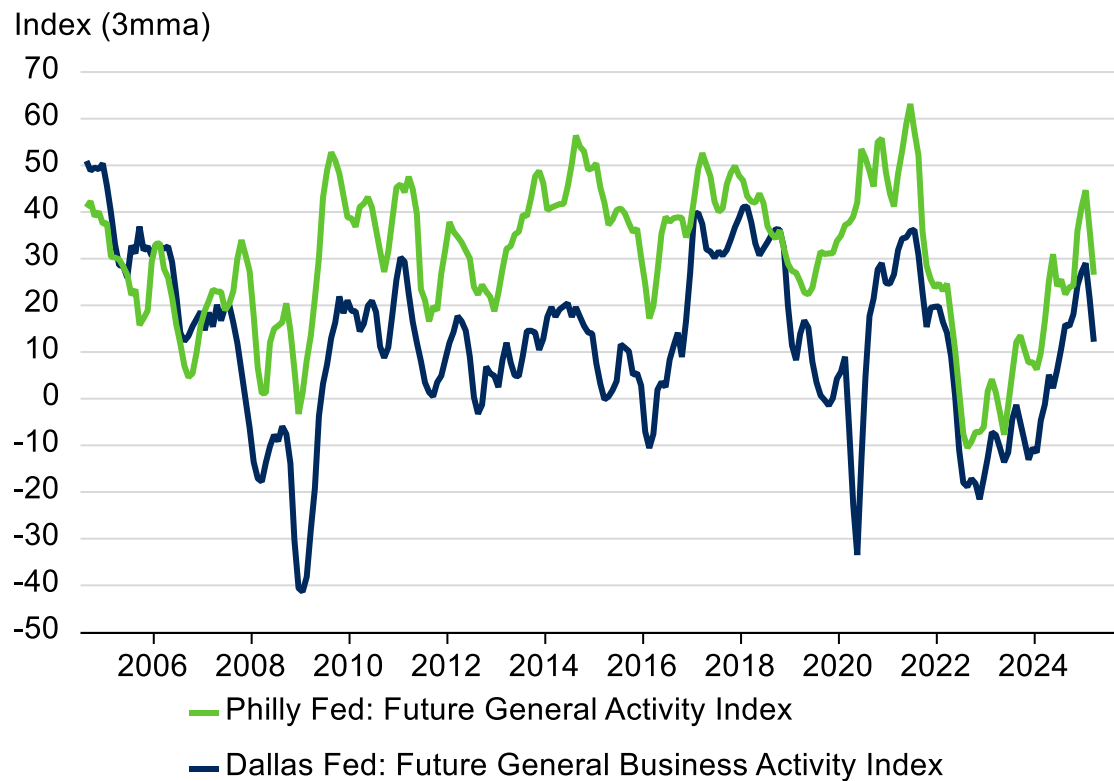
Soft data indicates moderating growth expectations

Uncertainty and impact on confidence could lead to a downward spiral

Is manufacturing activity headed for a slump?



Corporate confidence looks sluggish

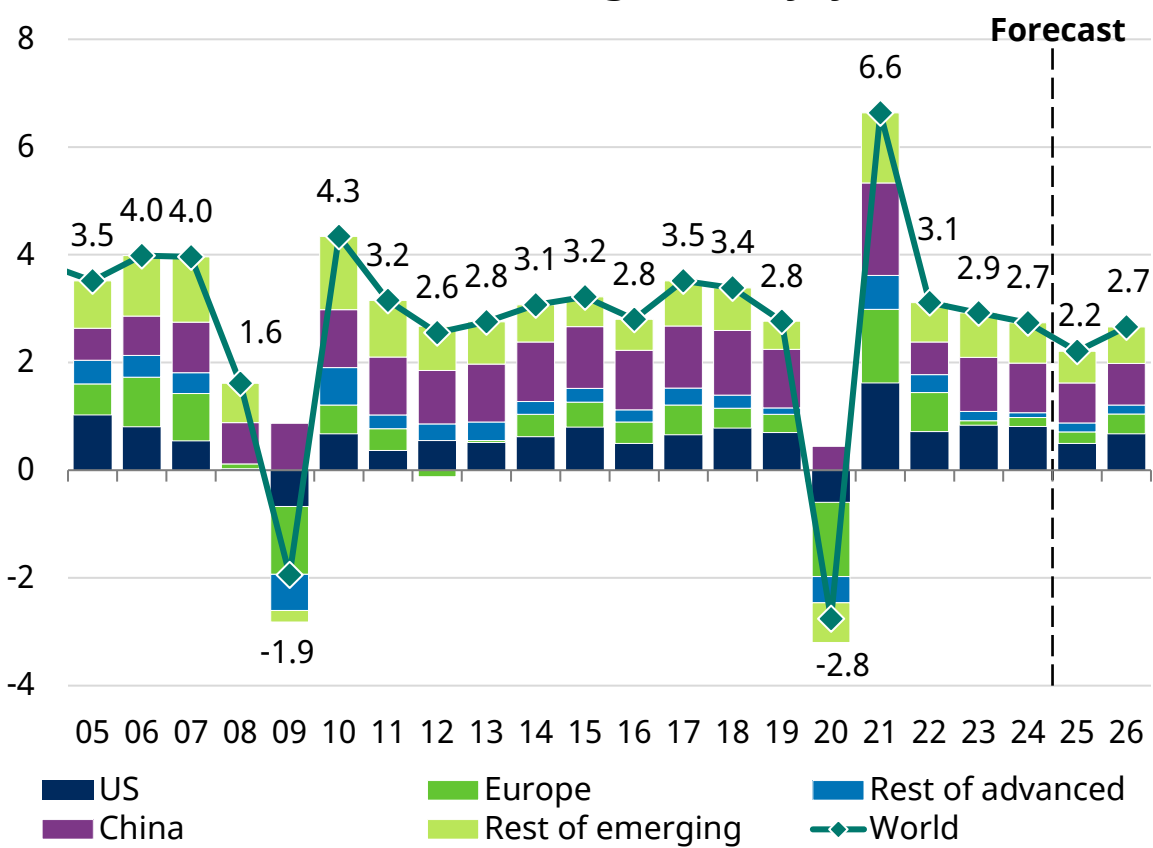


Source: Schroders, Macrobond, Federal Reserve Bank of Dallas and Philadelphia, 10 April 2025.

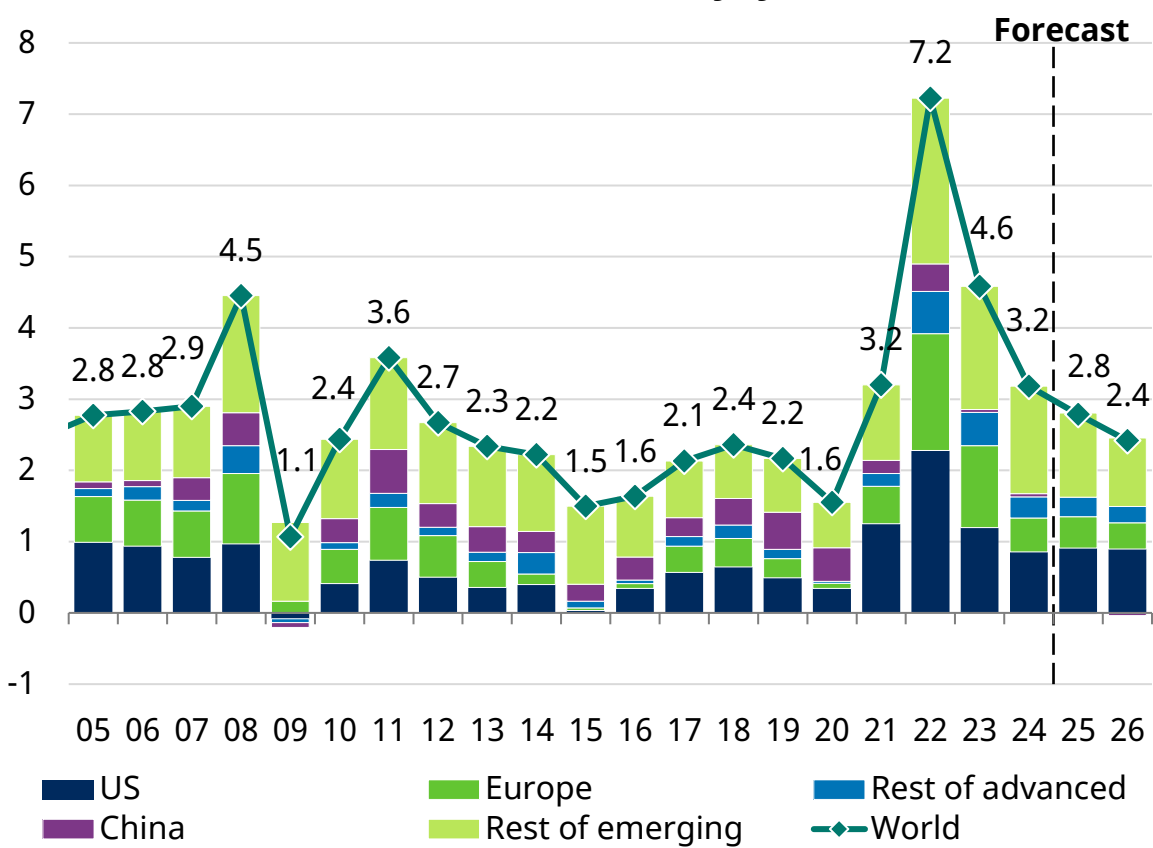
Tariff de-escalation makes a global recession unlikely

Growth set to be a bit softer in 2025, inflation still slowly trending down

Contributions to World GDP growth (y/y)



Contributions to World inflation (y/y)

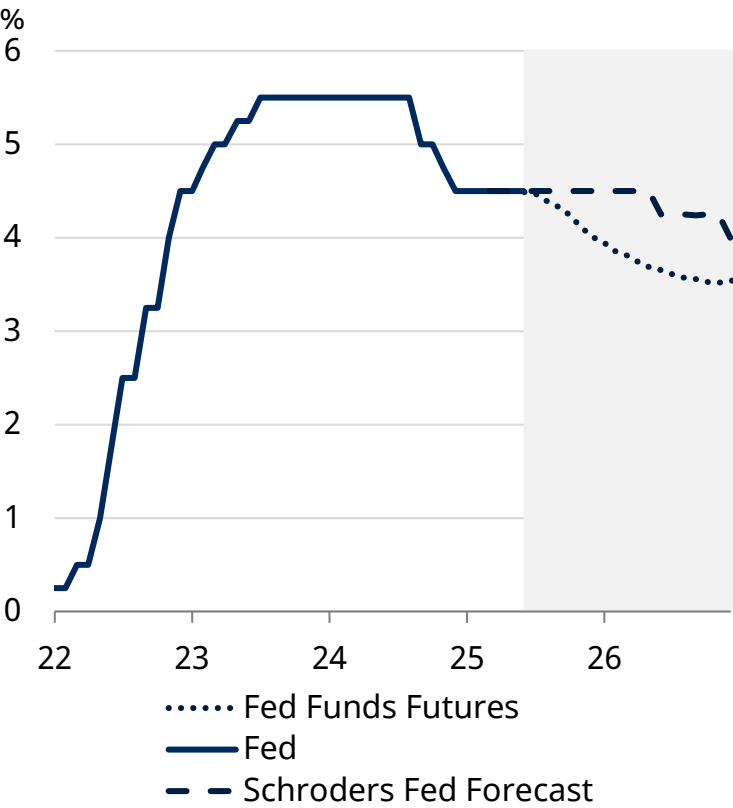


Forecasts included are not guaranteed and should not be relied upon. Source: Schroders Economics Group, LSEG Datastream. 16 May 2025.

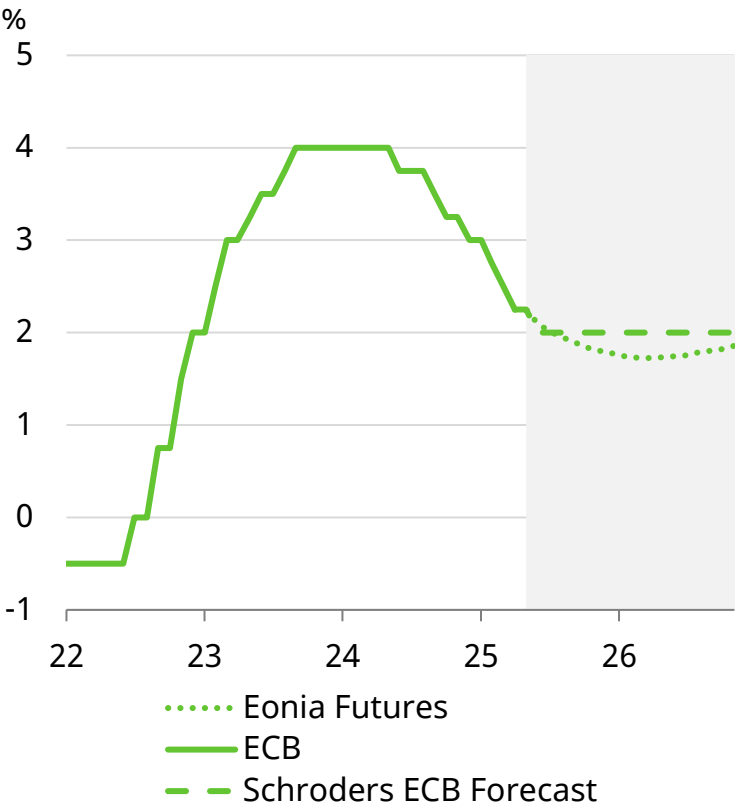
Markets continue to expect rate cuts in 2025

Market pricing for Fed and BoE seems optimistic, ECB in line with our forecast

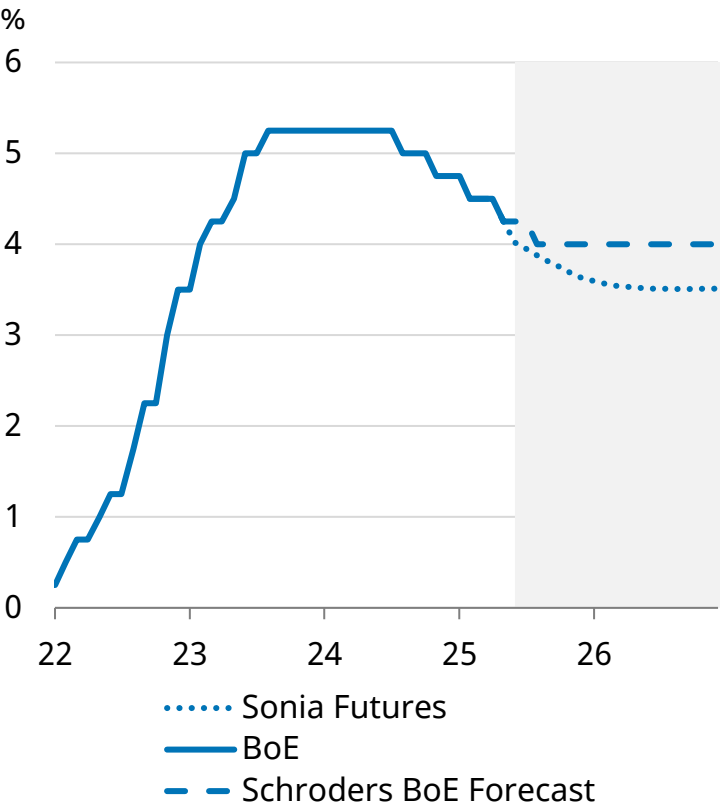
US interest rates forecast vs market



EZ interest rates forecast vs market



UK interest rates forecast vs market

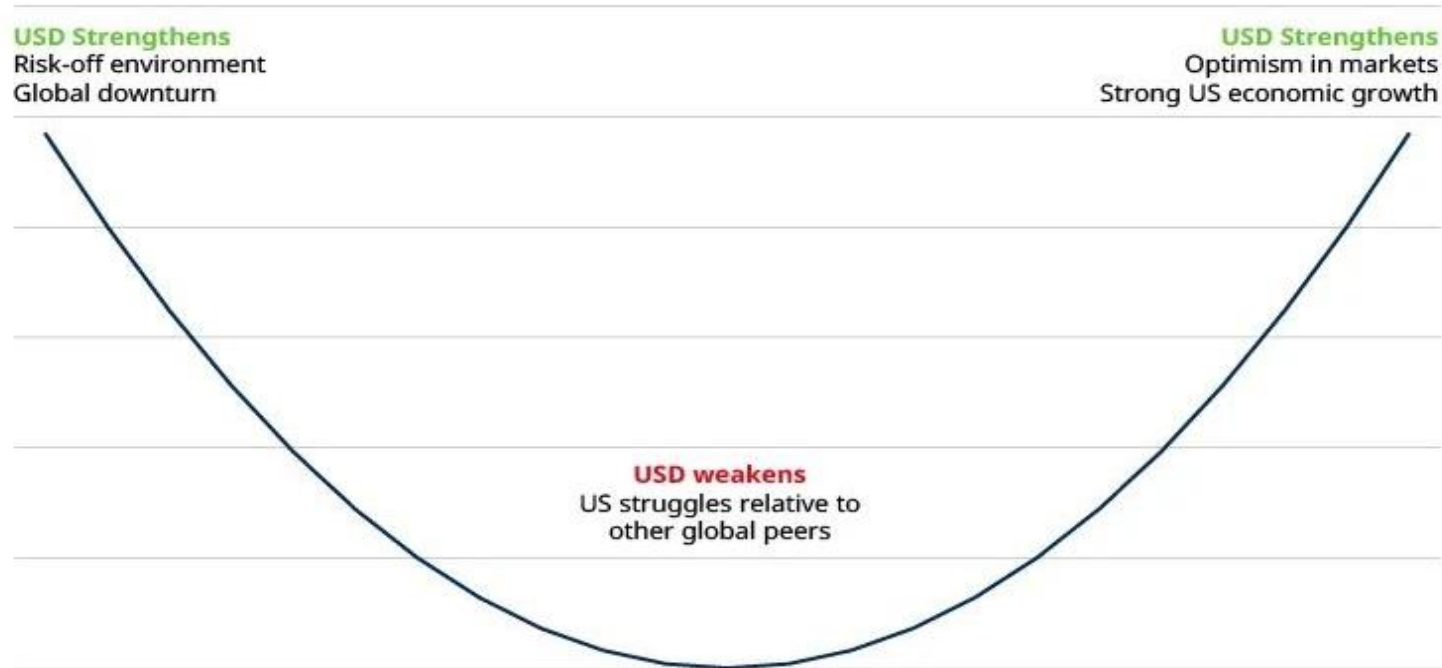


Forecasts included are not guaranteed and should not be relied upon. Source: Schrodgers Economics Group, LSEG Datastream. 16 May 2025.

Is the “Dollar Smile” still intact?

The shift in global trade has raised concerns of a Dollar Frown

The Dollar Smile



Source: The dollar smile is an economic theory that describes the relationship between the value of the US dollar and the economic conditions of the United States. It suggests that the value of the dollar tends to increase when the economy is either very strong or very weak, forming a "smile" shape when plotted on a graph.

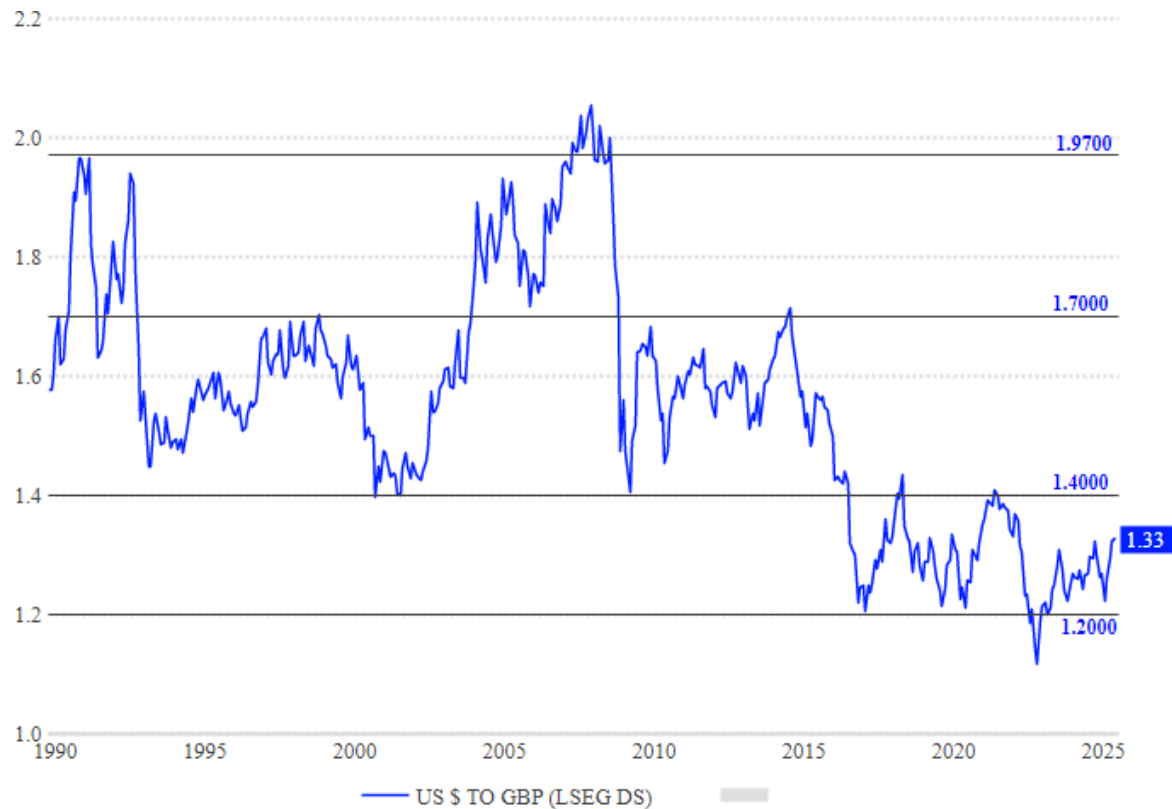
However, the Dollar has already moved significantly

DXY in line with 2023 lows and close to long term averages

The Dollar is now just 4% above its long-term average (on a trade weighted basket basis)



GBP/USD is 17% below its pre-2016 average but is already above its post-Brexit average



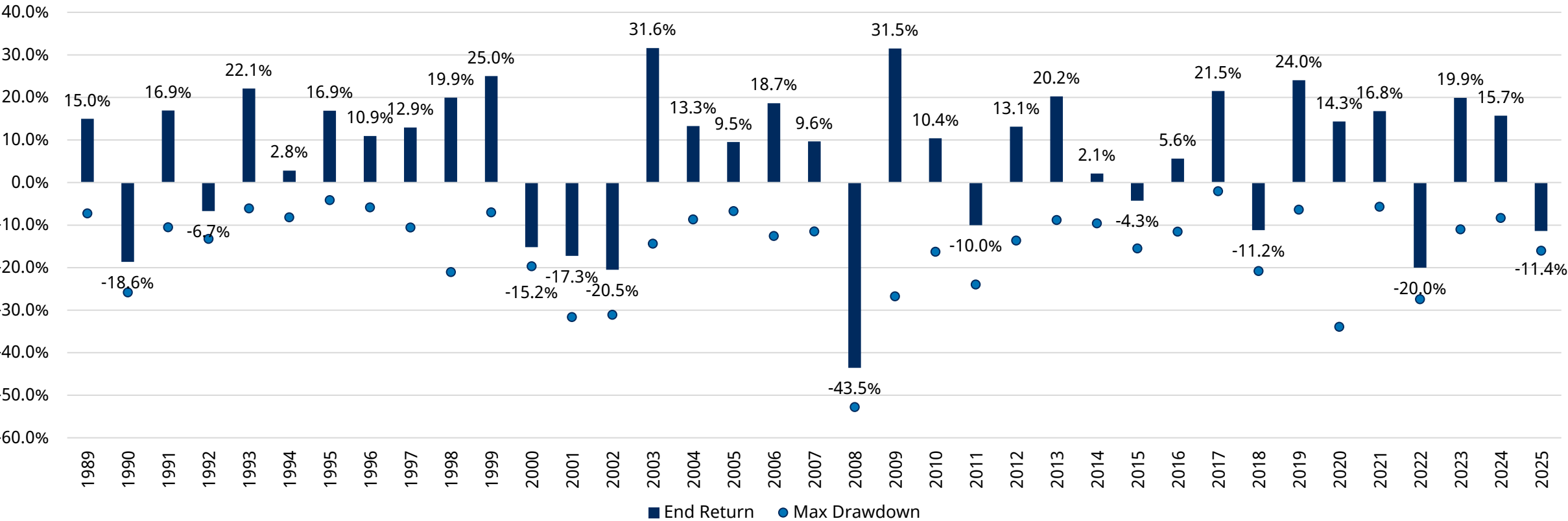
Source: Cazenove, Bloomberg. As of 23rd May 2025. The DXY, or the U.S. Dollar Index, measures the value of the United States dollar (USD) against a basket of six major foreign currencies.

Yearly Performance vs. largest sell-off

Drawdowns of more than 10% are not uncommon

MSCI ACWI

Max Drawdown and Calendar Price Return



Source: Cazenove Capital. LSEG Datastream, as at 7 April 2025 .



STRATEGY

Investment views – equities



Investment positioning

- Equities have benefitted from financial conditions and robust earnings, but tariffs will now likely weigh on growth, supporting a downgrade to neutral
- Significant market moves leave valuations looking cheap (particularly ex-US) whilst sentiment has also shifted to 'fear' levels
- We would be prepared to top up underweight positions if we saw further weakness

Equity

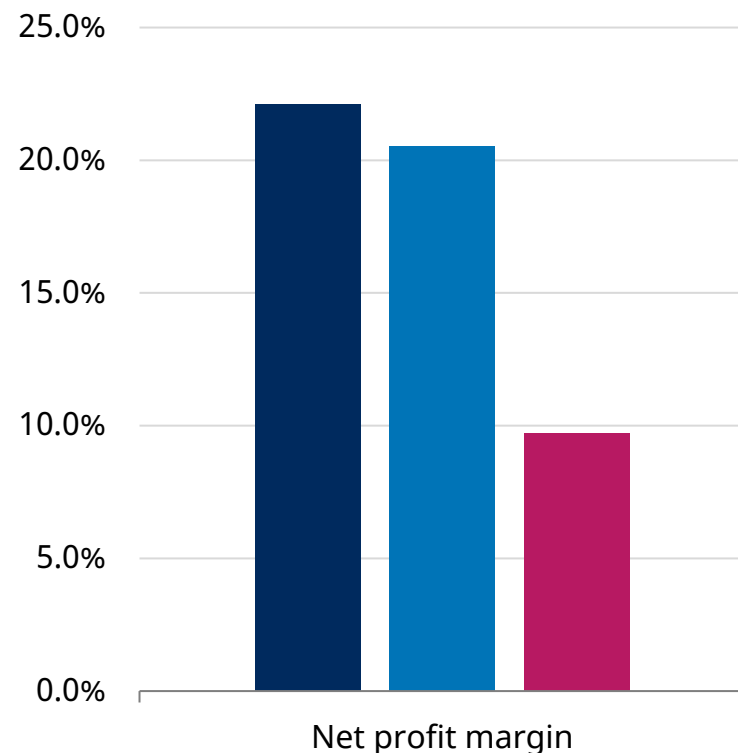


Neutral

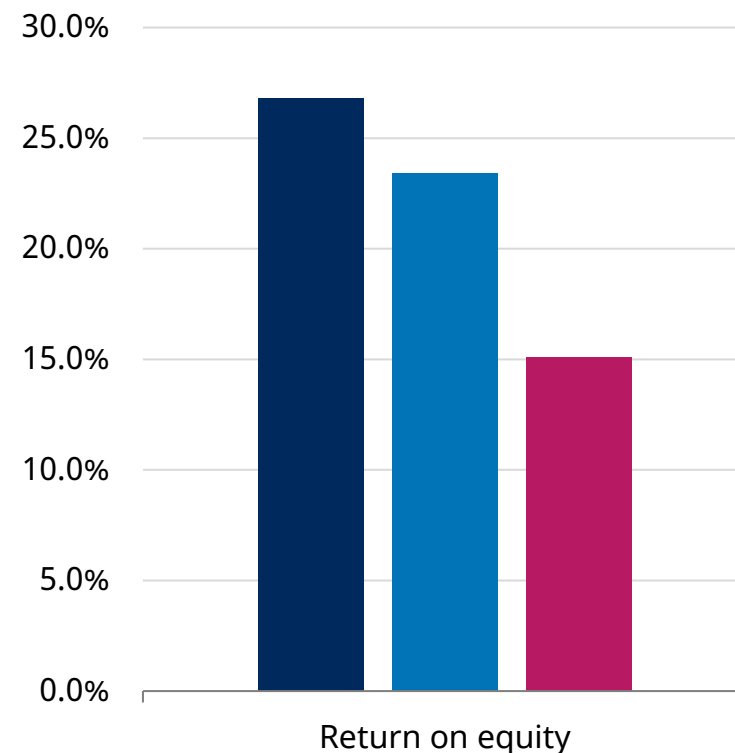
There's value in quality

Focus on profitable companies which can allocate capital sensibly

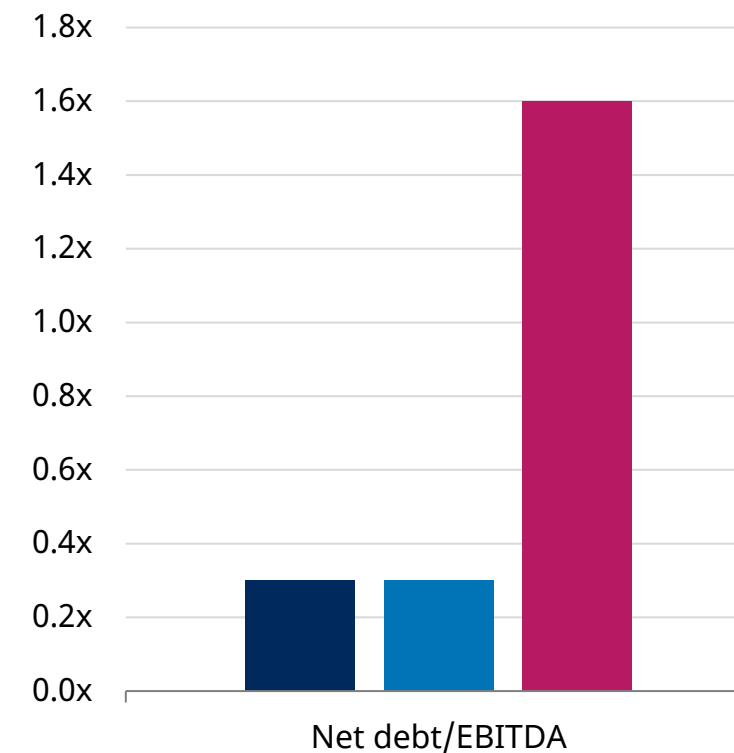
High margins



Superior profitability



Strong balance sheets



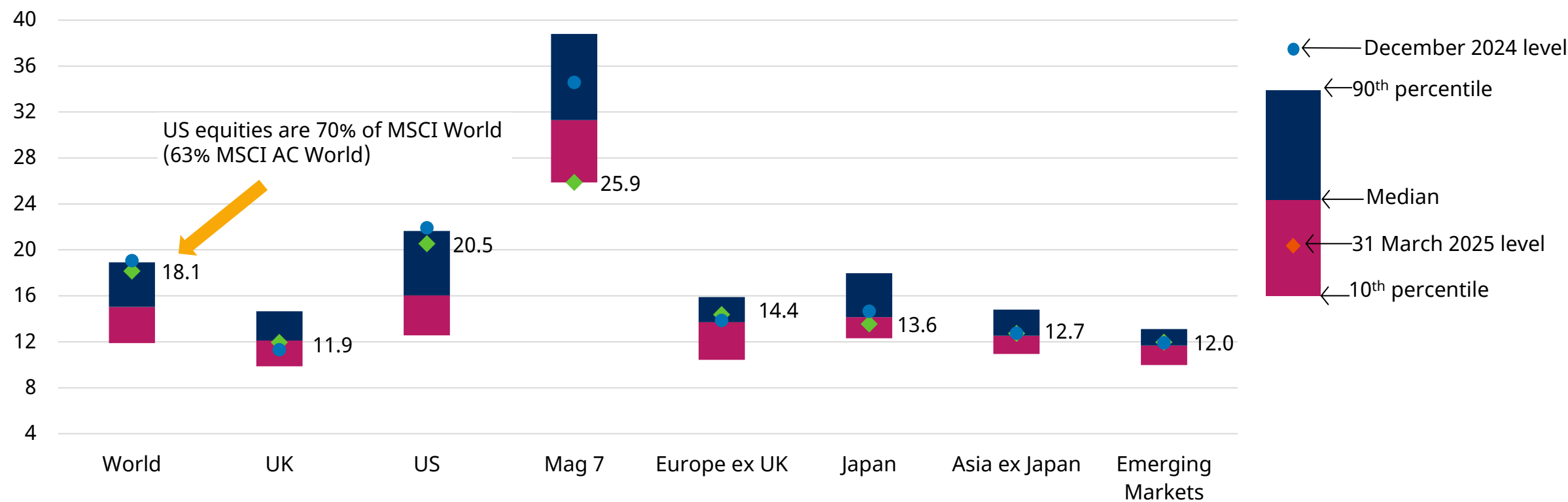
■ Global Core (weighted average) ■ Global Core (median) ■ MSCI AC World

Source: Cazenove Capital. Bloomberg as at 9 April 2025.

Equity valuations are at historic averages outside of the US

And most regions became cheaper outside of Europe and the UK

12m Forward Price to Earnings

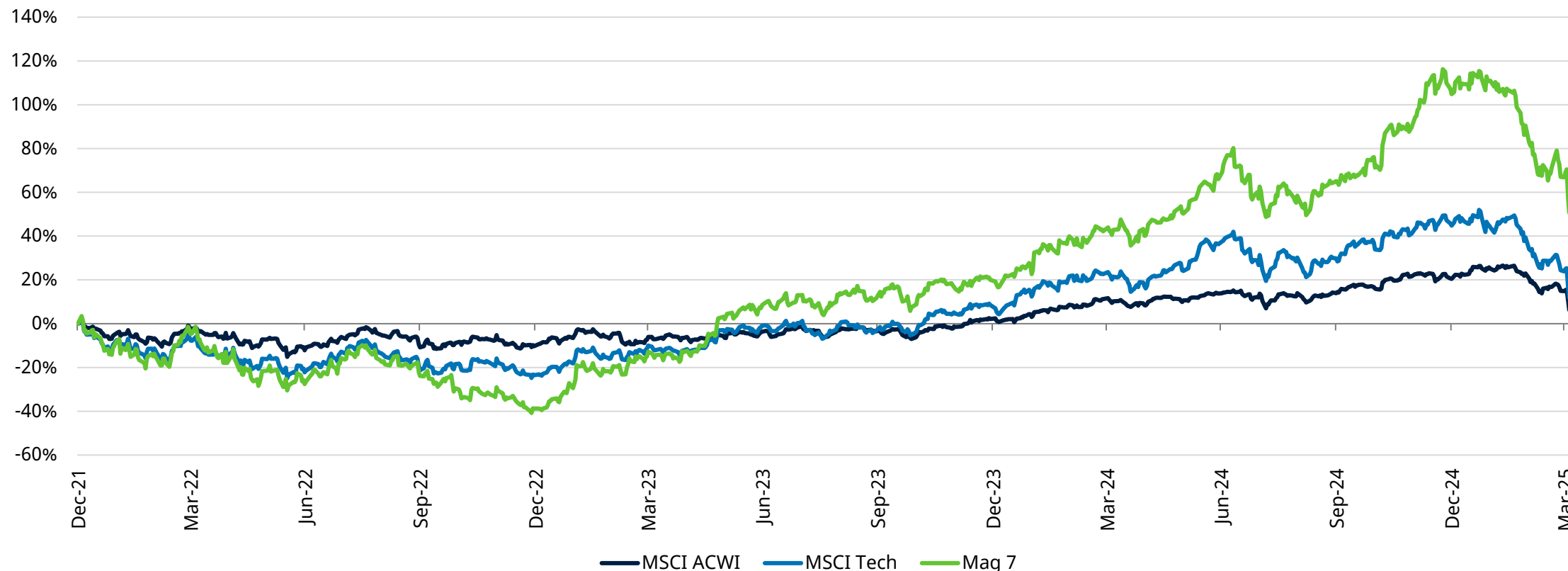


Forecasts included are not guaranteed and may not be repeated.
Source: Cazenove Capital, LSEG DataStream, Bloomberg. 31 March 2025. Mag 7 = A group of large technology companies and include Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. Chart uses 15 years of price to earnings data.

Adding to technology

Recent sell-off provides a buying opportunity

Tech performance since Covid (Dec 21)



Source: Lipper, Schroders, Evelyn, All performance data in GBP to 7 April 2025.

Investment views – bonds



Investment positioning

- Neutral on fixed income with a preference for asset backed securities and a slight bias to shorter dated bonds
- Overweight government bonds for diversification, albeit recognising the risk of higher inflation and government debt levels
- Corporate credit spreads were looking more attractive, and this led us to opportunistically add to high yield credit

Bonds

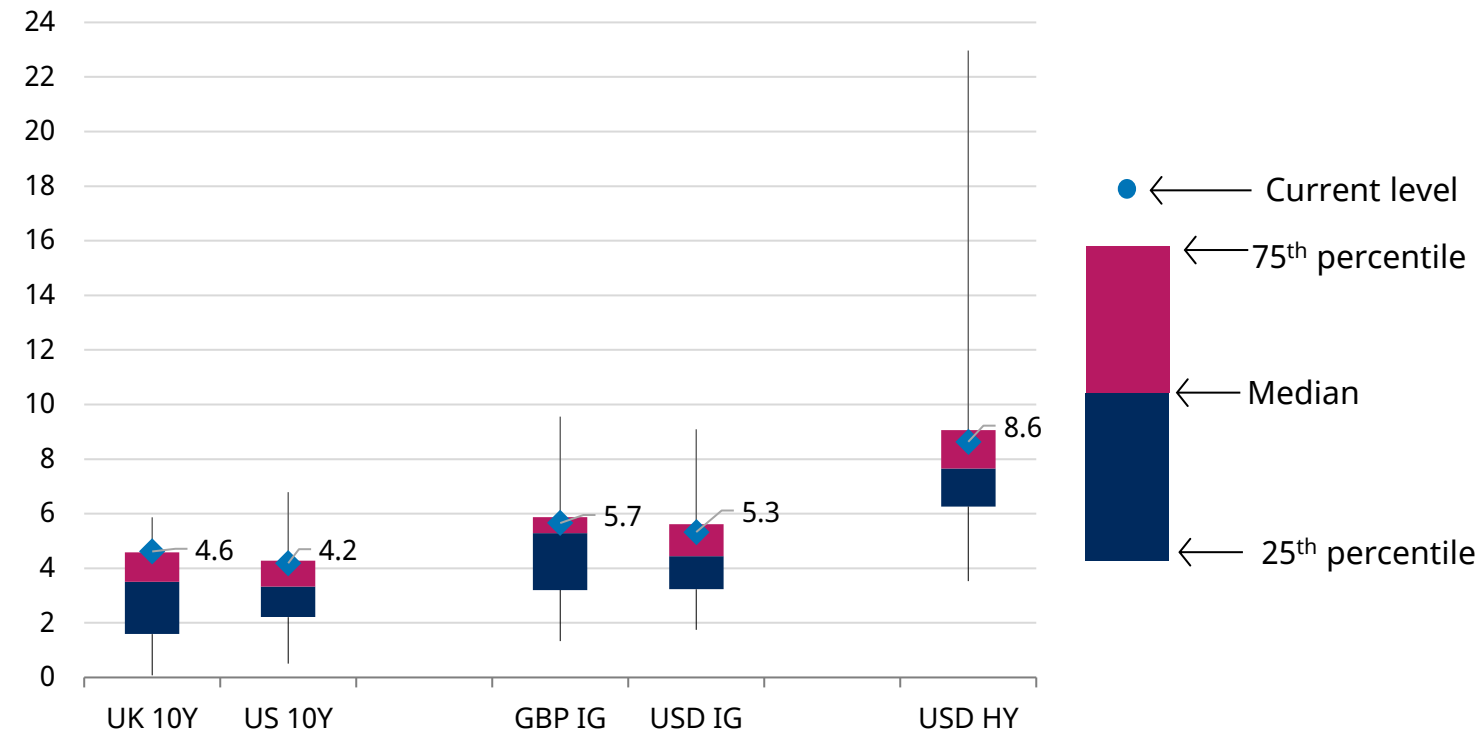


Neutral

An improving environment for bonds

Bonds yields offer attractive yields as well as ballast to equity volatility

All in Yields for Rates and Credit



Source: Cazenove Capital. LSEG Datastream, 7 April 2025 . IG = Investment Grade. HY = High Yield.

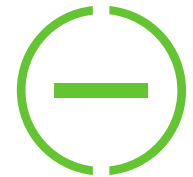
Investment views – alternatives



Investment positioning

- Less supportive environment for alternatives given elevated yields, but gold and commodities continue to look attractive
- Select opportunities in equity long/short and trend following given diversification characteristics
- Long dated revenue streams and income characteristics remain attractive in certain parts of the market

Alternatives

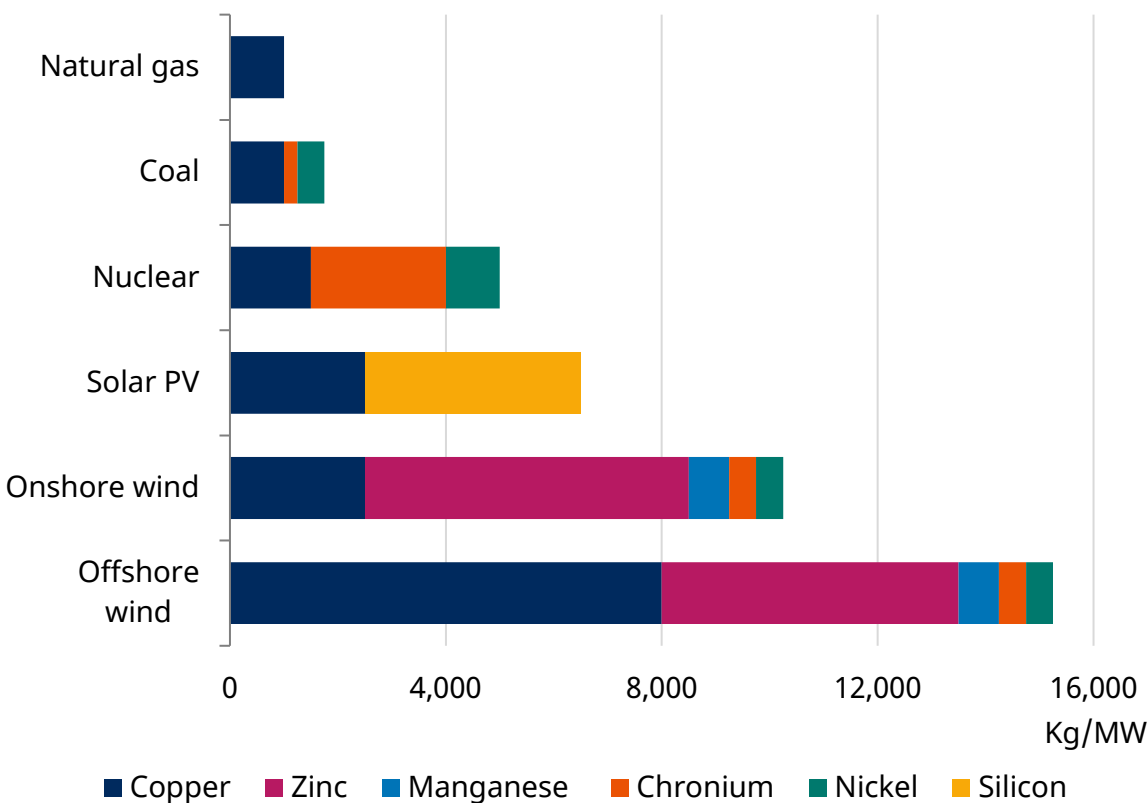


Underweight

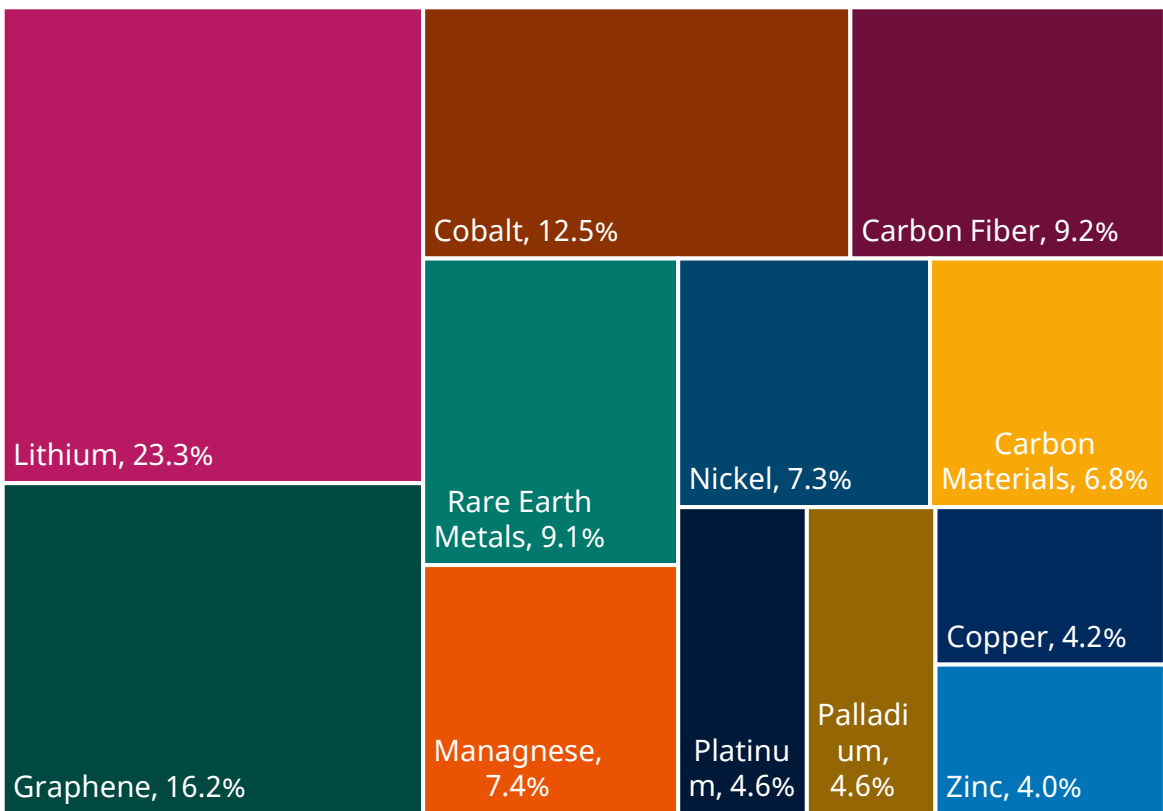
Longer term opportunities in commodity markets

The transition to renewable energy may support commodity prices

Minerals used in Clean Energy Technologies



Forecast annual growth 2021–2029

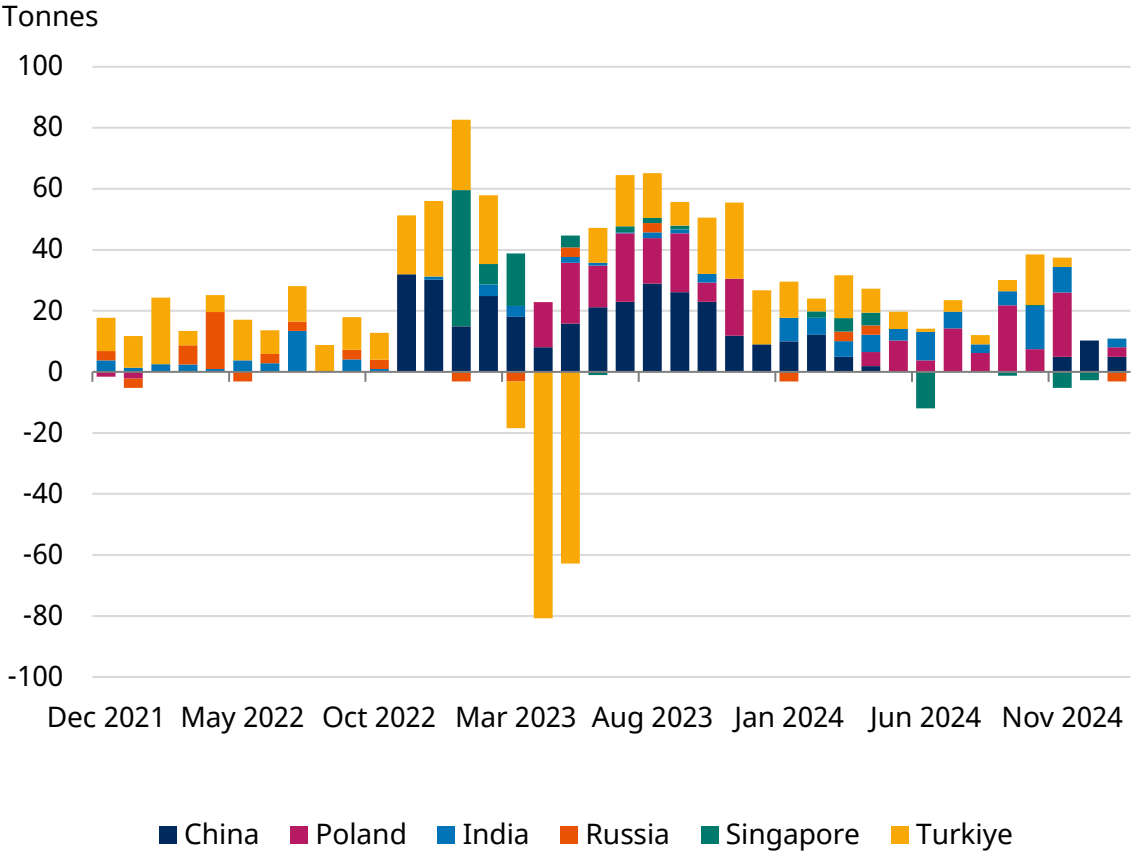


Forecasts included are not guaranteed and should not be relied upon.
Source: VanEck, Cazenove, Lucintel, Business Research Insights, Grandview Research, Fortune, Statista, Visual Capitalist.

Gold continues to shine

Liquidity conditions and demand remain favourable and may have more room to grow

Central banks have been adding to their gold reserves



Gold continues to break all time highs



Source: World Gold Council. Schrodgers Economics Group. 31 March 2025.

Private Assets

Multiple portfolio benefits are driving global adoption



Illiquidity/
complexity premium



Better performance



Low correlation



Solving challenges / Positive
Impact



Diversification



Improved risk/return profile



Access to other industries



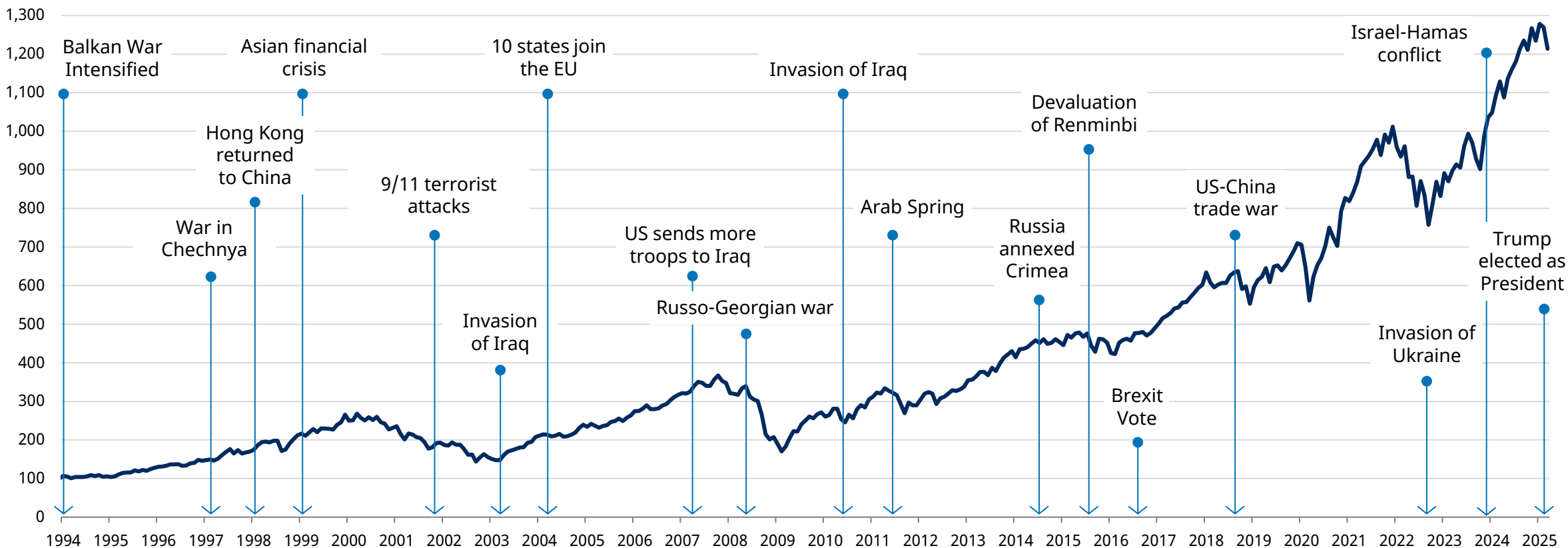
Broader opportunity set

Source: Schroders Capital. Past performance is not a guide to future performance and may not be repeated. The value of an investment and the income from it may go down as well as up and investors may not get back the amount originally invested.

Geopolitical risk is at the highest level in decades

But equities have delivered impressive long-term returns despite geopolitical shocks

Total return of MSCI World Index indexed to 100 (\$)



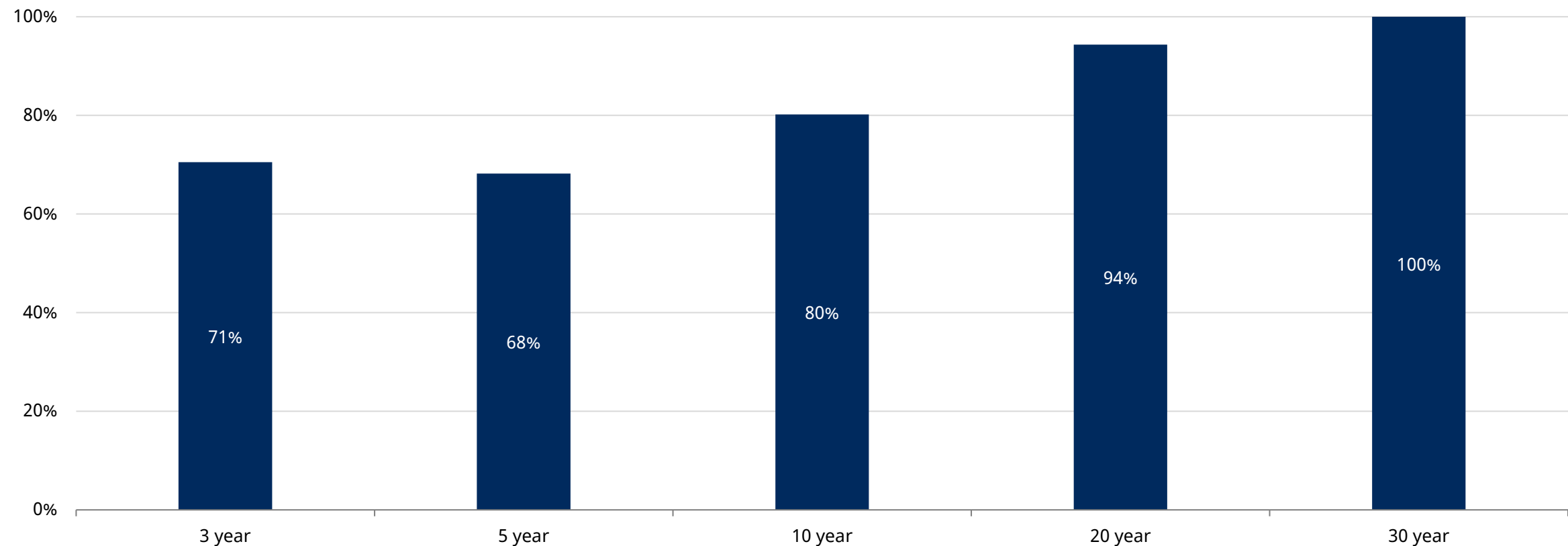
Past performance is not a guide to the future and may not be repeated.

Source: Cazenove Capital, LSEG Datastream.

Performance of the traditional UK Growth portfolio

The traditional portfolio has outperformed in every 30-year period since 1985

Frequency of UK 65:35 Portfolio beats vs. CPI + 4.0% since 1985 over rolling periods



Past performance is not a guide to future performance. Values and incomes can rise as well as fall.
Source: Refinitiv. Data to end August 2023.

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Disclaimers, risk warnings and regulatory status

Risk warnings (continued)

Debt securities: Investments in bonds issued by borrowers with lower credit ratings may result in a greater risk of default and have a negative impact on income and capital value. Income payments may constitute a return of capital in whole or in part. Income may be achieved by foregoing future capital growth.

Emerging markets: There are additional risks associated with investment in emerging and developing markets. These include: higher volatility of markets; systems and standards affecting trading, settlement, registration and custody of securities all possibly lower than in developed markets; lack of liquidity in markets and exchanges leading to lower marketability of securities and greater price fluctuation; significant currency volatility, possibly resulting in adoption of exchange controls; lower shareholder protection or information to investors provided from the legal infrastructure and accounting, auditing and reporting standards.

Unregulated collective investment schemes: Unregulated collective investment schemes and other non-mainstream pooled investments (NMPs) are unlikely to offer a level of investor protection equivalent to that available for UK regulated investments. Such schemes may deal infrequently and may limit redemption, meaning, investors may not be able to have immediate access to their holdings.

Structured products: Structured products are usually issued by financial institutions and in the event of these institutions going into liquidation or failing to comply with the terms of the securities you may not receive the anticipated returns and you may lose all or part of the money you originally invested. If you sell your investment before its maturity date the investment may achieve a price less than the original investment. The performance of these investments may depend on indices and defined calculations which may differ from direct investments.

Gearing: Some of the investments we may make on your behalf could be in investment companies which use gearing (ie. they may borrow money to make further investments) as a strategy or invest in other investment companies which use gearing, such as investment trusts. The strategy which the issuer of such securities uses or proposes to use may result in movements in the price of the securities being more volatile than the movements in the price of underlying investments. Such investments may be subject to sudden and large falls in value and you may get back nothing at all if there is a sufficiently large fall.

Sustainable investing risk: Sustainable investment strategies may have limited exposure to some companies, industries or sectors as a result portfolios may forego certain investment opportunities, or dispose of certain holdings, that do not align with the firm's sustainability criteria. As investors may differ in their views of what constitutes sustainable investing, the portfolio may also invest in companies that do not reflect the beliefs and values of any particular investor.

Impact investing risk: The objective of impact investing aims to select investments that make a positive impact on the planet and people with the majority of portfolio investments aiming to solve the key challenges represented by the UN Sustainable Development Goals (for example, gender equality; affordable and clean energy; no poverty). Such investment strategies may limit exposure to some companies, industries or sectors as a result portfolios may forego certain investment opportunities, or dispose of certain holdings, that do not align with the firm's impact criteria. Impact investments may also potentially be higher risk, less liquid and provide lower returns than the investments selected for broader portfolios with similar risk profiles. As investors may differ in their views of what constitutes impact investing, the portfolio may also invest in companies that do not reflect the beliefs and values of any particular investor.

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Disclaimers, risk warnings and regulatory status

Sustainability including Environmental, Social and Governance (ESG)

SustainEx™ provides an estimate of the potential “impact” that an issuer may create in terms of social and environmental “costs” or “benefits” of that issuer. It does this by using certain metrics with respect to that issuer and quantifying them positively (for example by paying ‘fair wages’) and negatively (for example the carbon an issuer emits) to produce an aggregate notional measure of the relevant underlying issuer’s social and environmental “costs”, “externalities” or “impacts”. SustainEx™ utilises and is reliant on third party data (including third party estimates) as well as Schroders’ own modelling assumptions, and the outcome may differ from other sustainability tools and measures. Where SustainEx™ relies on data and estimates produced by third parties, Schroders seeks to ensure that such data and estimates are accurate, but Schroders cannot and does not warrant the accuracy, completeness and adequacy of such third-party data and estimates. Like any model, SustainEx™ will evolve and develop over time as Schroders continues to assess, refine and add to the metrics and their relative contributions. Generating SustainEx™ scores involves an element of judgment and subjectivity across the different metrics chosen by Schroders, and accordingly Schroders does not accept any liability arising from any inaccuracy or omission in, or the use of or reliance on, SustainEx™ scores. As the model evolves, changes made to how metrics are applied may result in changes to the SustainEx™ score of any issuer and ultimately the overall fund/portfolio score. At the same time, of course, the issuer’s SustainEx™ performance might improve or deteriorate. Schroders’ proprietary sustainability tools including SustainEx™ may not cover all of a fund/portfolio’s holdings from time to time, in which case Schroders may use a range of alternative methods to assess the relevant holding. In addition, certain types of assets (such as cash and certain equivalent securities) are treated as neutral and are therefore not considered by our proprietary tools. Other types of assets such as equity indices and index derivatives may not be considered by our proprietary tools and in such case would be excluded from a product’s sustainability score.

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Company particulars and regulatory status

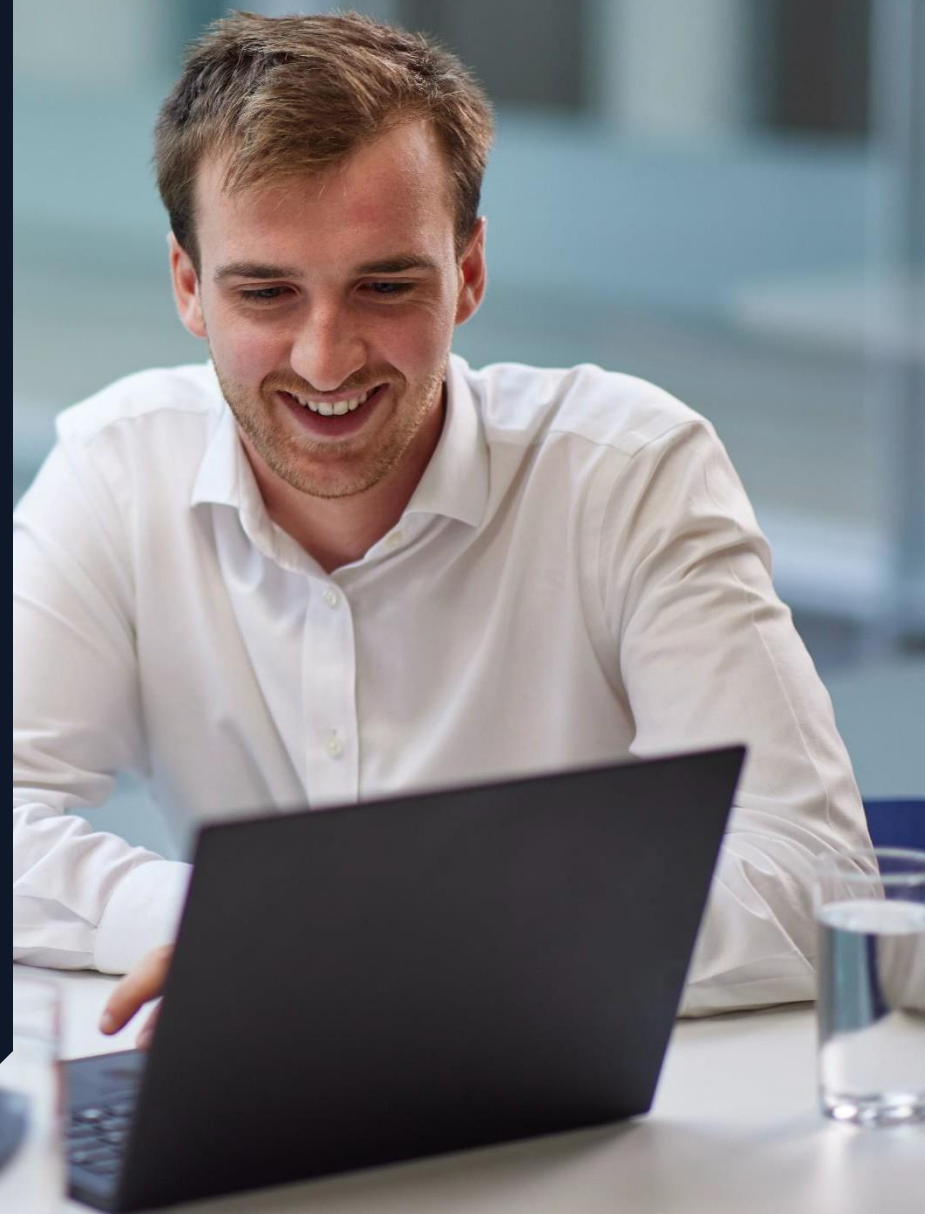
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Thank You

HaysMac[★]





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