

Case Studies

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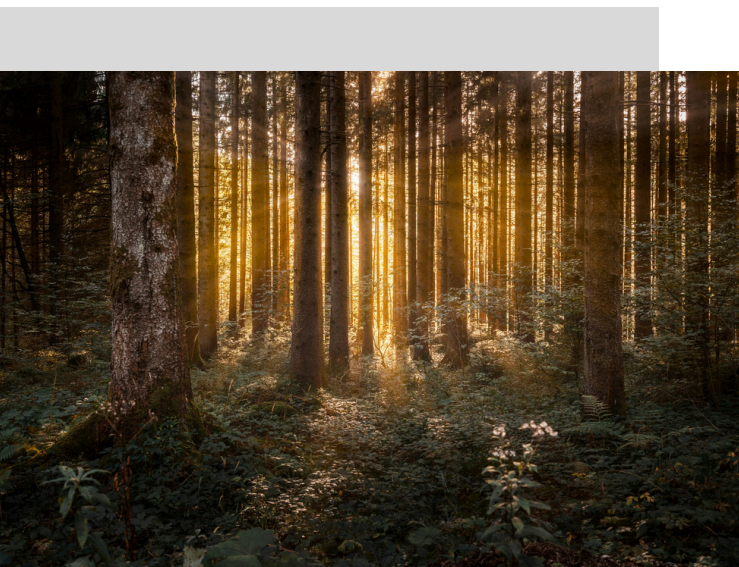
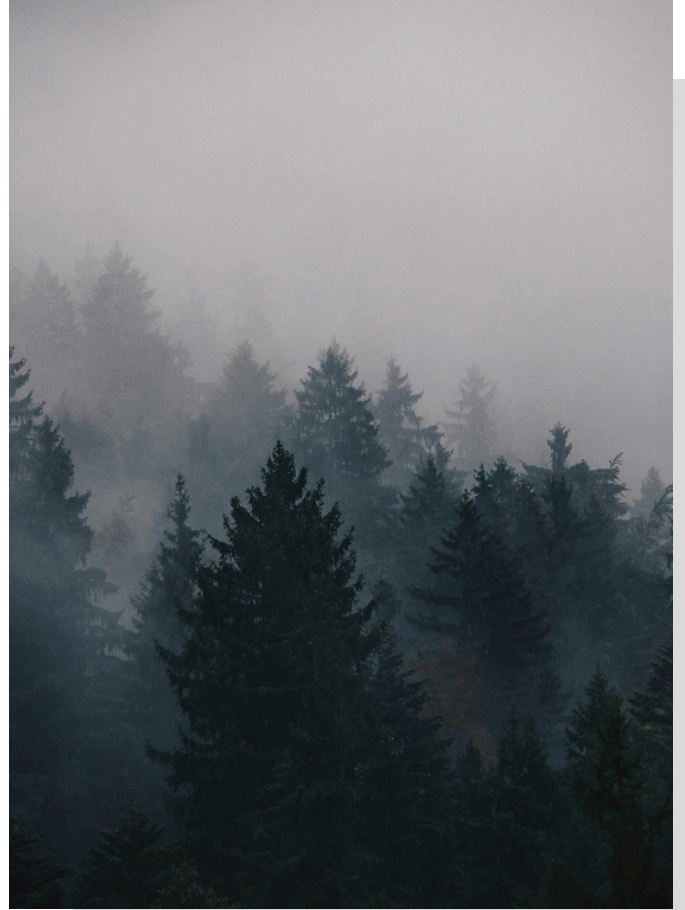
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Case Study 1: Turning a Legacy 80/20 Portfolio into a Twin-Purpose, Passive ESG Engine

FROM ONE BLENDED POT TO A CLEARER STRUCTURE

For years, the charity had treated its investments as a single portfolio: 80% equities, 20% bonds. The blend was a pragmatic simplification – combining a proxy for a 100% equity strategy for the long-term endowment and a more balanced reserves pool. But a routine policy review revealed four underlying issues:

- The **long-term growth prospects** of the endowment were being muted.
- **Liquidity risk** was unaddressed, with all bonds held in long-duration assets.
- The portfolio retained a **UK income bias**, despite limited need for dividends.
- **Responsible investment was being sidelined**, based on a false trade-off: “passive means no ESG.”

The trustees asked whether a more structured approach could better serve both present needs and future goals – without increasing the governance burden.

A TWIN-PURPOSE DESIGN

Working closely with the board, PMCL began by clarifying the charity’s underlying objectives and cashflows. A mapping exercise confirmed that most endowments distributed well below income levels, while reserves could reasonably draw on capital. This allowed a shift to a total-return mindset – removing the need for UK dividend bias.

We restructured the portfolio into two distinct parts:

- **Growth Pool:** Designed for the long-term endowments, this pool moved to global passive equities, with a sleeve of bonds and gilts for diversification and inflation linkage.
- **Liquidity Pool:** Aligned with short-term spending needs, this pool was anchored in short-dated gilts and high-quality sterling credit – assets that can be realised within days.

The charity also wanted to reflect its growing concerns about climate and sustainability - but didn't want to compromise its preference for passive management. A trustee and member survey showed over 90% viewed ESG risk as "very important." We helped demonstrate how ESG-screened and climate-tilted indices could meet their ethical aims at index-level cost.

PLATFORM DUE DILIGENCE AND GOVERNANCE ENHANCEMENTS

We carried out a comprehensive review of passive platforms, assessing tracking accuracy, breadth of ESG index ranges, voting policies, and service quality. Importantly, we examined portfolio-level diversification to avoid hidden risks - such as over-concentration in mega-cap names that often affect ESG passive funds.

The selected platform met the charity's stewardship standards, while keeping total fees below 0.20% p.a.

We then updated the investment policy documents to reflect the new structure - introducing two benchmarks, two risk budgets, and a simple governance table linking liquidity pool size to forecast cash needs. Quarterly reporting now clearly separates the growth and liquidity pools, helping trustees focus meetings on mission delivery rather than mechanics.

TANGIBLE OUTCOMES

The results speak for themselves:

- **Improved growth prospects:** The dedicated global-equity endowment pool is forecast to grow significantly faster than the previous blended model, supporting future scholars and programmes.
- **Liquidity assured:** A ladder of short-dated reserves assets now meets spending calls within three days, avoiding forced sales in downturns.
- **ESG aligned:** The use of climate-tilted and screened indices has enabled ethical alignment without sacrificing cost efficiency.
- **Clearer oversight:** Two mandates, transparent benchmarks, and governance-friendly reporting give the board confidence with minimal administrative complexity.

Case Study 2: Designing a Sustainable Spending Policy for a Permanently Endowed Foundation

BUILDING A FRAMEWORK FOR LONG-TERM GIVING

The foundation in question holds a permanent endowment of a little above £100 million, split between a directly owned local property estate and a global listed portfolio. A period of strong capital gains had encouraged trustees to increase their grant distributions.

By 2024, however, familiar headwinds emerged: persistent inflation, lagging returns from local property, and increasing volatility in listed markets. The board sought an objective framework to understand whether current grant levels could safely be sustained - or even increased - while preserving the real value of the endowment.

A HOLISTIC, EVIDENCE-BASED APPROACH

Our starting point was to bring the entire endowment into a single total-return framework. By modelling rental and dividend income, capital growth, and planned property sales together, we allowed trustees to weigh all funding options on equal footing. This also supported their long-term goal to reduce the portfolio's reliance on property.

Return assumptions were rooted in evidence:

- **Listed assets:** We drew on long-run real-return data from the Dimson, Marsh & Staunton Global Investment Returns Yearbook and consensus outlooks from major investment houses.
- **Direct property:** We built a bottom-up model using more than fifty years of regional real-estate cycles, adjusted for modern-day conditions.

Returns were modelled over rolling five-year periods in monthly steps, capturing a broad range of outcomes that smoothed short-term noise and aligned with the foundation's strategic planning rhythm.

Grant funding was scheduled in layers: rental and dividend income first, followed by a phased sale of designated legacy properties. This approach ensured that current grant levels were met while nudging the asset mix gradually towards greater liquidity and balance.

We then stress-tested the model at two standard deviations below the expected mean return for each asset class. Historical data confirmed that major drawdowns in property and listed equities rarely occurred simultaneously, reinforcing the diversification benefit of the current mix.

A bottom-up forecast of grant programme demand was embedded directly into the model. Joint workshops with finance and programme teams helped build shared understanding and confidence in the outputs.

TANGIBLE OUTCOMES

The project delivered measurable improvements in governance and financial planning:

- **Sustainable rate confirmed:** Trustees formally endorsed a distribution rate that maintains current grant levels without drawing down the unapplied-total-return (UTR) buffer.
- **Buffer protected:** A formal policy was adopted to retain a prudent UTR reserve to absorb periods of weak returns.
- **Clear governance toolkit:** A one-page dashboard now tracks grant affordability, investment returns, and liquidity - with a triennial review cycle, or sooner if pre-agreed triggers are met.
- **Diversification under way:** The first property sales have completed, securing 18 months of grant liquidity and reducing concentration risk.
- **Shared language across teams:** Finance and grant teams now work from the same model, enabling faster, clearer decision-making and strengthening the culture of stewardship.

Case Study 3: Refining a Multi-Asset Sustainability Fund for Higher Return and Lower Cost

WHEN SUSTAINABLE STRATEGY BECOMES OVER-ENGINEERED

The foundation had invested its endowment in a multi-asset fund with a sustainability overlay, broadly allocated as 75% global equities and 25% diversifiers. A routine review of investment policy and manager performance brought three concerns to the fore:

- The fixed-income exclusions appeared to overshoot the charity's own ethical policy, reducing diversification and increasing fees.
- Several alternative impact-labelled holdings were costly and underperforming on a net-of-fee basis.
- Trustees were aiming for higher long-run distributions, but did not have the resources to monitor complex strategies or actively manage liquidity themselves.

The key question: Could we enhance return and reduce cost, without switching manager or compromising ethical alignment?

EVIDENCE-BASED ADJUSTMENTS WITH MINIMAL DISRUPTION

We began with a targeted “gap analysis” of the fund's sustainability policy, comparing it to the charity's ethical guidelines. In the fixed-income sleeve, the fund's house-level exclusions were stricter than needed. Aligning them more closely with the charity's actual policy restored a broader investable universe and reduced vehicle-level fees.

Next, we examined asset allocation. Scenario modelling showed that shifting to an 85% equity / 15% bond mix, while removing costly alternatives, could raise expected real returns by approximately 0.5% per annum, with only a marginal increase in volatility. Simulations dating back to 1987 reinforced the robustness of this approach.

The 15% bond allocation was redefined as a dedicated volatility buffer. This buffer would top up during strong markets (harvesting gains for future liquidity), and provide protection in downturns, meeting distribution needs without selling equities at depressed valuations.

The buffer would automatically reset to 15% when equities reached new highs.

We also addressed the fund's spending policy. The existing 4% flat annual draw on market value had worked well during strong markets, but back-testing revealed vulnerabilities in more volatile conditions. We introduced a Yale-style spending rule, blending 80% inflation-linked and 20% market-value-linked elements, integrated with the buffer to provide smoother, more resilient annual grants.

All recommendations were stress-tested using rolling five-year scenarios with two-standard-deviation downside shocks. These showed a less than 5% chance of eroding real capital - provided the new buffer discipline was observed. Trustees engaged with the modelling directly in dedicated workshops, building confidence in both the new structure and the slightly higher equity stance.

TANGIBLE OUTCOMES

A stay-with-manager approach proved effective. After validating the manager's capabilities, we worked together to implement a bespoke segregated mandate. This removed the most restrictive bond screens, eliminated high-fee alternative allocations, and cut overall fees by around 30 basis points - while retaining key sustainability exclusions.

The new structure delivered clear results:

- **Net-of-fee return uplift:** Expected real returns increased by c.0.5% per annum through improved asset allocation and reduced costs.
- **Simplified architecture:** Two liquid building blocks - global equities and high-quality bonds - replaced a patchwork of niche, expensive funds.
- **Stronger liquidity and oversight:** The volatility buffer and revised spending rule gave trustees clearer levers and better visibility into risk and funding.
- **Manager relationship preserved:** Refining the existing strategy avoided transition risk and maintained a productive long-term partnership.

Case Study 4: Replacing an Incumbent Manager Via a Rigorous, End-to-End Selection Process

FROM CONCERN TO CLEAR DECISION FRAMEWORK

Following a strategic review, trustees identified several weaknesses in the incumbent's mandate:

- **Fees** and net-of-cost returns had slipped behind peers
- **Stewardship** reporting no longer met the charity's ESG aspirations
- There was **limited transparency** on how the mandate was actually run

The board resolved to appoint a new manager and asked PMCL to oversee the process, ensuring it was comprehensive, defensible, and efficient. We began with a facilitated workshop that translated strategic aims into a four-pillar scoring matrix: investment suitability, ESG credentials, service & reporting, and value for money—each with an agreed weighting. This framework became the foundation for every stage of decision-making.

DESIGNING AND RUNNING THE SELECTION PROCESS

We cast the net wide. Using a combination of desktop research, third-party tools such as Morningstar Direct and Sustainalytics, and PMCL's internal charity database, we screened more than forty managers. Nine were long-listed for further engagement based on their strength in core asset classes, cost, and stewardship depth. Each of these nine received a bespoke Request for Proposal (RFP), with questions tailored to elicit detail on portfolio construction, risk management, ESG integration, and full look-through fees. A structured response template ensured results could be compared on a like-for-like basis.

Once responses were in, PMCL conducted quantitative and qualitative analysis using an interactive scorecard. Our team prepared a summary pack for trustees with a clear recommendation to shortlist four finalists. Reasons for excluding the others were documented in full to support future audit.

The final four were invited to interview under a structured agenda. Questions—drafted by PMCL—focused on key governance issues, including behaviour in stressed markets, escalation routes for unresolved ESG engagement, and detail on the proposed service model.

Trustees used the scoring matrix to evaluate responses. A PMCL-facilitated debrief session helped the panel weigh softer factors such as cultural fit and relationship potential alongside technical merit.

FINAL DECISION AND TRANSITION

Drawing on all inputs-proposals, interviews, and clarifications, we delivered a concise recommendation to trustees, including a full audit trail of decisions. Constructive feedback was provided to all participating managers.

With a preferred candidate selected, PMCL negotiated headline fees around ten basis points below the incumbent, delivering a permanent cost saving. We acted as a translator between the charity's ESG, risk and benchmark preferences and the manager's implementation toolkit ensuring the new mandate reflected all necessary specifications.

Transition was carefully managed. In-specie asset transfers were prioritised to reduce transaction costs and market risk. Trade dates were aligned, and any unavoidable cash periods staggered. PMCL co-ordinated all instructions between managers, delivering the client a single, sign-ready transition pack.

Finally, we installed a refreshed Investment Policy Statement and a one-page quarterly dashboard-covering performance, risk, and stewardship-to support long-term oversight with minimal administrative drag.

TANGIBLE OUTCOMES

The result was a more cost-effective solution with improved governance tools:

- **Sustainable cost saving:** A ten-basis-point reduction in fees, directly benefiting future beneficiaries
- **Enhanced stewardship:** The new manager ranks in the top quartile for engagement and provides security-level voting data each quarter
- **Defensible process:** Every step was documented - meeting the Charity Commission's expectations for prudent and transparent decision-making

Case Study 5: A Seven-Year Investment Partnership That Delivered Clarity, Control and Cost Savings

FROM ONE-OFF REVIEW TO END-TO-END SUPPORT

The initial brief was straightforward: the trustees of a charitable foundation wanted an external review of their investment strategy. But after seeing the immediate value of independent, experienced input, they invited PMCL to stay on for a further quarter. That short-term engagement soon evolved into a comprehensive, long-term partnership - one where PMCL now plays a central role in every aspect of the Charity's investment governance and oversight.

Today, PMCL:

- Sets the **agenda** for each Investment Committee meeting,
- Delivers **tailored quarterly reporting** packs (with concise versions for the board and detailed versions for the finance team),
- **Monitors performance** across returns, risk, cost, and stewardship,
- Provides **ongoing induction and modelling support** to trustees and finance staff, and
- Fields **ad-hoc queries** on ESG matters from trustee, auditors, regulators, and journalists.

PRACTICAL, PROACTIVE INVESTMENT GOVERNANCE

At the heart of the partnership is a philosophy of clarity and practicality. PMCL helped the Charity translate its investment objectives into "living" governance documents: a refreshed Investment Policy Statement and forward committee agenda, both revisited annually to stay aligned with evolving goals and regulatory guidance.

Quarterly reports are designed to inform, not overwhelm. Each pack condenses key data on performance, risk, liquidity, and stewardship into a six-page deck, supported by a one-page executive summary. Traffic-light visuals flag emerging issues early, allowing committee time to focus on decision-making rather than data interpretation.

Each spring, a strategic refresh allows the Committee to step back and test assumptions. This forward-looking exercise, which incorporates updated spending plans, market forecasts, and fee benchmarks, has prompted timely adjustments over the years - including a measured rebalancing in response to rising inflation and increased index concentration.

REAL-TIME RISK RESPONSE

The value of strong governance was demonstrated during the early days of the COVID-19 crisis. As markets fell and the Charity's trading income declined, PMCL modelled the feasibility of portfolio-backed borrowing within 72 hours. This enabled the trustees to secure a standby credit facility - avoiding forced sales at the bottom of the market and preserving long-term capital.

MANAGING COSTS AND UNLOCKING LIQUIDITY

A standing manager dashboard ensures that investment providers are regularly assessed on returns, risk, stewardship, and cost. PMCL has successfully renegotiated fees on multiple occasions, resulting in aggregate savings of over 20 basis points - a cumulative saving of more than £500,000, now redirected to frontline grant-making.

Meanwhile, routine reviews of the Charity's cash position revealed idle balances. PMCL worked with the finance team to redesign the cash ladder, boosting deposit rates and incorporating low-risk money market funds. This improved annual interest income without compromising liquidity.

SUPPORTING PEOPLE AND PROTECTING REPUTATION

Alongside the technical work, PMCL supports capacity-building within the organisation. New trustees receive a half-day induction covering fiduciary duties, governance policy, and market context. Finance staff benefit from on-call modelling support, allowing them to focus internal resource where it adds the most value.

PMCL has also been a trusted partner in moments of reputational risk. When a national newspaper raised ESG concerns on a Friday evening, PMCL delivered a comprehensive, evidenced response in time for the Sunday edition.

The journalist used the material verbatim, found no story to pursue, and ran a different example - shielding the Charity from unwarranted negative coverage.

TANGIBLE OUTCOMES

Over the course of the partnership, the Charity has seen tangible results:

- **Efficiency:** Committee meetings now run to time, and internal teams estimate a 40% reduction in time spent on investment administration.
- **Governance:** The Charity moved from an amber to green internal audit rating between 2018 and 2024.
- **Cost-effectiveness:** Over £500,000 saved in investment fees, supporting the Charity's core purpose.
- **Resilience:** The portfolio has proved capable of meeting mission needs even under extreme market stress.

Perhaps most importantly, trustees say that PMCL “put the organisation’s specific requirements first and foremost,” providing advice that is “comprehensive, relevant and full of insight.”

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