Investec

Wealth & Investment

Charity Matters

Spring 2018

Out of the Ordinary

Welcome to our Spring 2018 issue of Charity Matters.

Mike Marsham
Head of Charities
Investec Wealth & Investment

Since our last edition, there has been a significant change of tide within financial markets. After a very strong 2017 in which risk assets in particular were propelled to record highs, markets have since relinquished some of their gains. The last quarter has been typified by a resurgence in volatility which was initially prompted by strong wage growth numbers in the US. This led to widespread consternation amongst investors who felt that US interest rates could consequently rise more quickly than the economy could withstand. The sense of unease has been further exacerbated by the recent trade tariffs announced by Donald Trump, stoking fears of an impending global trade war. Notwithstanding, the outlook for global economic growth and some company fundamentals remain robust, suggesting that whilst the road ahead appears more unpredictable, an absolute risk-off stance may not yet be warranted.

In the UK, the prospect of a Corbyn led government with distinctly left-wing views introduces an additional layer of risk to UK markets. As such, in this issue, we explore the ideologies of Karl Marx and raise the question of how relevant some of his views are in the current UK political context. We also discuss the appropriateness of RPI (as opposed to CPI) as the UK government's main measure of inflation.

Elsewhere in the publication, in an interview with Jimmy Muchechetere, one of our in-house research analysts, Poonam Lodhia provides an insight into how a research-oriented approach underpins the firm's investment philosophy. Separately, Adrian Todd, a Collectives specialist at Investec Wealth & Investment, considers the merits of incorporating social-housing vehicles within the property component of client portfolios.

Since the global financial crisis, regulation has become an increasingly prominent aspect of the financial industry. In light of this, our Chief Investment Officer, Chris Hills, discusses the implications of MiFID II for future research output. Similarly, new fundraising rules and GDPR (General Data Protection Regulation), which comes into effect on 25th May 2018, are affecting how charities operate. Sophie Pughe, a solicitor at Stone King, explores alternative ways of fundraising for charities.

Finally, the proliferation of virtual assistants, from Apple's Siri to Amazon's Alexa, brings to light the growing reach of 'intelligent machines'. John Hildebrand puts the Google Home Mini under the spotlight, resulting in some interesting (and perhaps slightly ominous) outcomes.

We remain committed to providing a holistic service to our clients and have organised a series of Trustee training sessions over the past few months called 'the AGENDA'. Hosted each year, this series provides an opportunity to discuss issues pertaining to the charity sector and also wider economic and political influences.

We hope you enjoy reading the articles, and if there are any subject matters you would like us to address in subsequent issues please let us know. If you would like to send feedback, be taken off our mailing list or amend the details we hold for you please contact **Chitvun.Kooner@investecwin.co.uk**.

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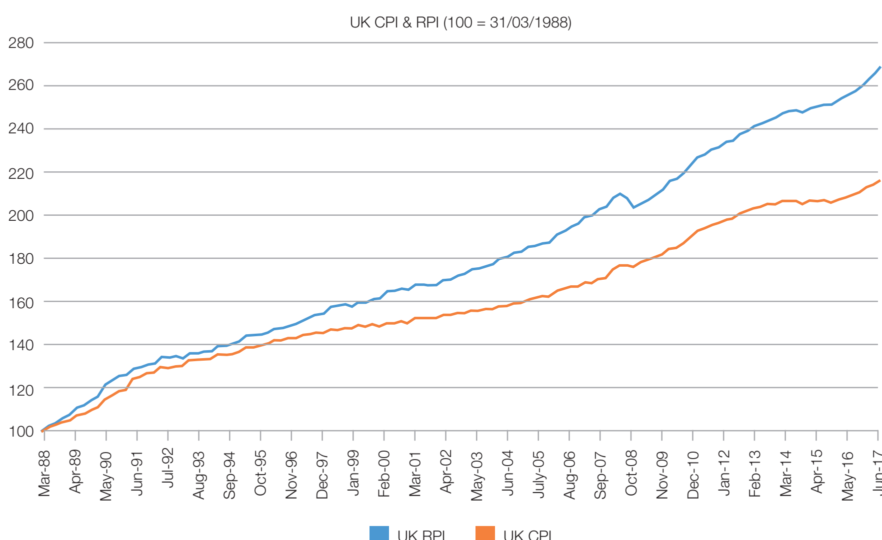
The Retail Price Index – Is it flawed?

Shilen Shah
Bond Strategist
Investec Wealth & Investment

The recent comment by the Governor of the Bank of England (BoE), Mark Carney, that RPI is a flawed measure of inflation leads to the question as to why so many future payments are based on it.

The debate on the accuracy of RPI as a measure of inflation has been a question for a number of years, with the Statistics Authority highlighting flaws in its construction in a 2013 review. Despite RPI's long established history since 1948, its methodology has long been criticised, with the Office for National Statistics (ONS) not certifying it as a National Statistic because of these flaws since 2013.

The key problem with RPI is its methodology. RPI in contrast to most price indices (including UK CPI) is calculated using an arithmetic average of price changes rather than a geometric average of actual prices. The difference may seem academic but the formula effect (as it is called) can over time be significant. From a technical perspective, the upward bias in RPI is in part caused by the fact that it does not assume that consumers reduce their consumption of products and services that are increasing in prices. It also fails to reflect that the quality of what is provided can improve – mobile phone contracts offered 35% more data, calls and texts between 2010 and 2015 for the same price. The methodology of CPI has a far stronger substitution effect and assumes consumers' spending baskets are more variable, with higher prices causing consumers to purchase an equivalent cheaper product. Despite their relatively small contributions to the pricing basket, price volatility in both clothing and furniture have over the last few years caused a significant divergence between CPI and RPI with persistent price discounts not being truly reflected in RPI due to its different construction methodology. Hence, there is a belief that RPI may overstate inflation.



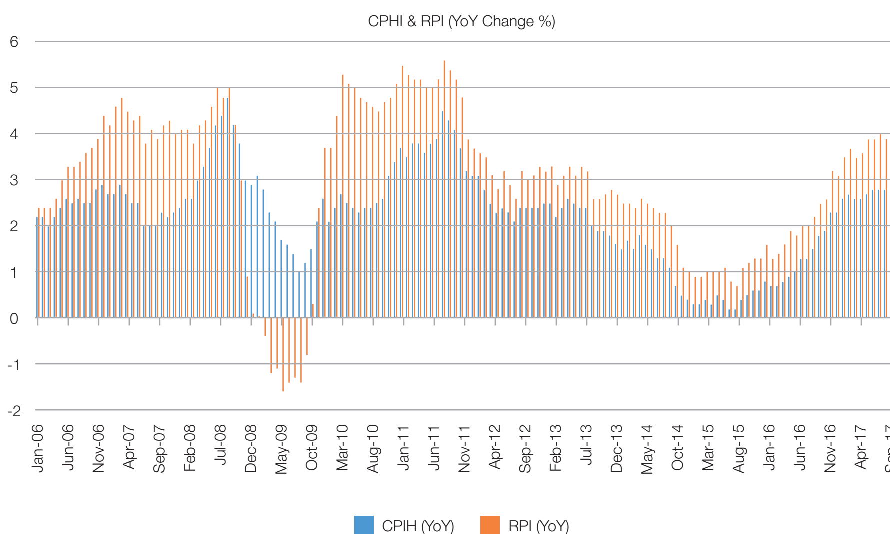
One issue many have raised in relation to the UK's main CPI measure is that it does not include the cost of housing, unlike RPI. However CPIH (which includes the cost of housing), is a practical alternative to RPI. RPI includes mortgage interest payments, council tax, tv licence costs whereas CPI excludes these but includes university accommodation fees.

Despite the issues raised in 2013 by the Statistics Authority, the National Statistician decided that RPI should continue to be published without major changes due to its use in long-term indexation for index-linked bonds (including Gilts). RPI is one of the only indices that the ONS is required to publish because of a Parliamentary Act. Hence stopping it would require parliamentary approval. The government at the time of the report indicated that it was committed to using RPI in existing index-linked Gilts. Index-linked Gilts using RPI are not immaterial, amounting to £640bn by market value with maturities running to 2068.

If the government were to opt for a different definition of inflation what would the implications be?

Apart from index-linked government bonds, a range of duties, business rates, rail fares and utility bills are currently linked to RPI, although for some of these future price rises could be linked to CPI or CPIH. As highlighted in the chart below CPIH, which includes the price inflation caused by housing, is much lower than RPI as it includes the formula effect.

RPI-linked uplifts are used in many other areas. In the property sector, many contracts have upward only rent reviews although some have cap and collar structures that limit the rental uplift in any one period. In addition, pensions are linked regularly to RPI and wage negotiations often start with a reference to the retail price index.



Another area where RPI is frequently used is government contracts, such as infrastructure projects. Given that the vast majority of infrastructure projects are directly or indirectly funded by the public sector one wonders if they could not be linked to CPI rather than RPI. A National Audit Office report in January 2018 estimated there to be over 700 PFI and PFI2 deals still operational with annual charges of over £10bn and future charges estimated to amount to £199bn. The scope to make savings on these schemes is therefore sizeable.

Despite the structural flaws in RPI's methodology, the UK government has shown no signs of changing its commitment to using the index in existing index-linked Gilts. However, a potential shift in the price control regime in the UK regulated utility sector from RPI to CPI (or CPIH) is a real possibility given the flaws in the construction of RPI. If this were to happen, then the use of RPI in contracts in other sectors could well be reviewed. Just as importantly if the published inflation figures were less, the need for wages to rise and for interest rates to go up would arguably be less than previously thought.

MiFID II – Implications for the future of Research

The new MiFID II regulations came into force on January 3rd 2018. By way of background MiFID (the Markets in Financial Instruments Directive) has been in place across the European Economic Area since 2007.

MiFID II will impose more reporting requirements for investment firms who provide services to clients involving shares, bonds and other securities, collectively termed "financial instruments", and is designed to increase transparency and investor protection. As part of this framework, investment firms need to make explicit payments to external suppliers for their investment research, in order to demonstrate they are not being induced to trade. Regulators are keen to ensure that the cost to asset managers of receiving the necessary external input to make their investment decisions is borne by those management companies and not in effect paid by their clients through a "bundled commission rate" on transactions. Most asset management organisations are obliged to use a member firm of the London Stock Exchange (typically an investment bank nowadays) to transact any deals in shares they wish to implement for clients; historically this activity would have been subjected to a commission levied at around 0.2% and borne by the asset management firm's clients. This charge would in effect be paying both for the transaction itself ("execution") as well as for the research input ("research") received by the asset manager. The unbundling of these two costs will ensure that sell-side firms are not inducing their customers to trade, whilst buy-side firms must be able to make explicit payments for research input and demonstrate that this input contributes to better investment decisions and is therefore not an inducement.

It is important to stress that IW&I, as a member firm of the LSE, is in quite a different position. We have never suffered this commission, but will now need to pay for any external research input. Non-member firms did not pay for it either, as they passed it on to their clients, so will also now need to pay out of their own pockets for research costs. Although MiFID II regulations permit asset management firms to continue effectively to use client money to buy investment research so long as such payments are made from a Research Payment Account and reported to clients, in practice it appears from recent trade press and surveys that almost all will "take the hit" to their own cost bases. A recent study carried out by US consultancy firm Greenwich Associates, reported by Bloomberg, pointed to a major planned reduction in the consumption of research by asset management houses, now that they were faced with paying for it out of their own pockets – this cut was estimated to average 17% among UK-based asset management companies and an even larger drop by international firms. The article goes on to illustrate that buyers would achieve this cost saving by reducing the number of research suppliers by at least one-eighth, with those suppliers "making the list" suffering a typical decline in revenue of about 3%.

Such revenue pressures will undoubtedly cause a transformation in the way that research is carried out and disseminated from sell-side provider to buy-side asset manager. Survivors in the former category are likely to be those with the best quality research, those with the widest distribution base and those with the deepest pockets. Fewer analysts will be employed on the sell-side (and possibly at a lower per capita salary), whilst many companies will need to ensure they have adequate analytical coverage of their businesses to allow the primary function of the City (to raise capital) to continue to function. Currently there is a plethora of suppliers: for example the latest annual survey in which asset management firms vote for the best research providers within the industry sectors of the equity market revealed that they had voted for 52 different providers on the banking sector and 63 different providers on the software and IT services sector! It is estimated that as many as 1,250 analysts are employed to produce sell-side research on UK quoted equities alone, with many more similarly employed to cover international securities. While MiFID II for the moment only applies to European investors, it is quite likely that an asset management industry increasingly characterised by global clients and global providers will adopt this framework across a much broader international base.

"Regulators are keen to ensure that the cost to asset managers of receiving the necessary external input to make their investment decisions is borne by those management companies and not in effect paid by their clients."

Chris Hills
Chief Investment Officer
Investec Wealth & Investment

We here at IW&I feel we have kept ahead of these pressures: in recent years, we have added materially to our internal research team, which now is made up of 21 experienced people, who work solely on research, together with their support staff. In response to the unbundling discussions of the past year, we have committed to INCREASE our spending on external research, as we believe that we are entering a more difficult part of both the economic and stock market cycles where access to top quality input will be an indispensable component of our portfolio management strategies.

Why invest in Social Housing?

Adrian Todd
Fund Selection Specialist
Investec Wealth & Investment

Social housing investment vehicles were launched on the UK stock market approximately 18 months ago, offering investors a means of investing in a diversified portfolio of properties which, in our opinion, provide attractive long-term cash-flow dynamics.

The first Social Housing Real Estate Investment Trust (REIT) was Civitas Social Housing which was launched in November 2016. Since then further vehicles have come to the market with similar objectives.

Social housing is where accommodation is provided at a low or affordable rent to those in need. The three main forms of social housing are: where local authorities provide affordable accommodation for general needs – this is the traditional form of council housing; the second is where the housing is provided to those with special needs; and the third is where housing associations get involved in shared ownership.

The investment vehicles mainly concentrate on housing to meet social needs. The investment case is predicated on the expectation that the underlying investment properties will provide long-term, inflation-linked cash flows as a result of generally 20-year plus leases contracted with Housing Associations and Local Authorities – the cash flows are therefore seen as being quasi-government backed. The debt profiles of these vehicles are generally conservative, with the expected net annual yield for investors from a fully-invested portfolio being around 5% and there being the likelihood that the cash-flows will rise in-line with inflation. The ability of these vehicles to achieve a reasonable, positive long-term real rate of return is a key attraction of this asset class.

As is always the case, you cannot achieve a return over and above the risk-free rate without taking some risk. There is a reliance on the portfolio managers of these vehicles to source high-quality properties at reasonable prices and to agree appropriate lease contracts with the Housing Associations and Local Authorities. The managers have existing relationships with these entities as well as with specialist developers. Leases tend to be full repairing and insuring, which results in limited property-specific risks as all lifecycle costs need to be met by the Housing Association or Local Authority. Whilst we see the cash-flows as being quasi-government backed, the managers of these property vehicles aim to assess the financial health and quality of management at the Housing Associations prior to entering into these long-term leases in order to limit the extent to which the “quasi” part of the equation is likely to be tested. As we have seen with various headlines over the past 6 months or so in relation to UK PFI contracts, situations involving private capital investment contracted with the public sector can become politically contentious, even if they are not currently.

The challenge for us is to assess whether we feel our clients will be appropriately rewarded for the risks taken by investing in these vehicles. An important factor in this regard is the chronic shortage of social housing, the scale of which means this dynamic is likely to persist over the medium-term. In April 2017 there were 1.2 million households on social housing waiting lists. In recent years, newly built homes have fallen materially behind the estimated requirement of 300,000 new homes per year. The direction of travel in terms of population growth is also supportive - between 1991 and 2017, social housing stock fell by around 500,000 while the population grew by 8 million. Local authorities are also trying to move vulnerable adults away from institutional care and into independent living as this is seen as a better outcome for the individuals as well as being much more cost-effective than an institutional set-up. There is also a growing focus on care for those suffering from mental illness. As a result of these factors, Housing Associations are looking to rationalise their surplus stock in order to reinvest in new developments whilst taking advantage of the ability to lock in historically low borrowing costs. Consequently, there is an opportunity for specialist investment vehicles to act as a buyer in these scenarios which in turn frees up capital for the seller to provide new social housing.

Whilst traditional commercial property vehicles are economically-sensitive, the social housing sector appears to be better insulated in this regard, an attractive attribute from a diversification standpoint. Other asset classes such as equities, credit, and commercial property would probably be negatively impacted by economic growth concerns, whilst the value of social housing investments should be more robust, with the cash-flow profile expected to be much more defensive in nature. In addition, although there might be political risk in the sector, the need mentioned above for social housing somewhat mitigates this in our opinion.

Overall, we see the asset class as possessing a number of attractive characteristics. The sector should provide a respectable return over the long-term with: good visibility and predictability of long-term cash flows; inflation linkage to protect real returns; and private sector investment in the space providing a tangible social benefit. As discussed above, this investment is not risk-free but we feel that investors are being fairly rewarded for the risk, making the social housing sector an attractive way of generating returns and of diversifying risk within a portfolio.

"Housing Associations are looking to rationalise their surplus stock in order to reinvest in new developments whilst taking advantage of the ability to lock in historically low borrowing costs."

Karl Marx – Historical figure or zeitgeist political pundit?

Had Karl Marx survived until the 5th May 2018 he would have been 200 years old. The shadow chancellor, John McDonnell, will be making a speech at SOAS, the School of Oriental and African Studies, on, "Marxism as a force for change today" to mark this occasion. It will be interesting to see, should the current Labour party prevail in the coming years, whether what Marx wrote in 1848 will influence the governing of society once again.

At the time of Marx's birth the industrial revolution was already well underway and books such as Adam Smith's, "The Wealth of Nations" had become very influential. Smith's magnum opus analysed how industry operates, looking into areas such as the division of labour in order to improve the efficiency of the economy. In it Smith wrote, "every workman has a great quantity of his own work to dispose of beyond what he himself has occasion for." Much of Karl Marx's work analysed similar constructs but arguably more from the point of view of the worker. He examined whether the rewards for labour should go primarily to the worker or to the people who provided the means of production and the capital to enable the work to be produced.

Marx's best known works are, "The Communist Manifesto" which he wrote with Frederich Engels in 1848 and "Das Kapital". In The Communist Manifesto they said that the owners of capital would invest where they saw the most opportunity to increase production and that this would often lead them to invest more heavily in technology or machinery than in their workforce which in turn would reduce the power of labour. The Communist Manifesto argued in favour of 10 key changes in order to protect workers and a summary of these is shown below:

1. The abolition of private property
2. A heavy progressive income tax
3. Abolition of all rights of inheritance
4. Confiscation of the property of rebels and those who emigrate
5. Centralisation of credit in the hands of the State through having a National Bank
6. Centralisation of the means of communication and transport in the hands of the State
7. Extension of state control of the means of production
8. Equal liability of all to labour
9. Treating agriculture and manufacturing as one form of production in order to abolish the distinction between town and country
10. Free education for all labour and the abolition of child labour

In order to reflect on the relevance of these ideas today, it is useful to explore some of the ways in which they have been implemented historically.

In 1953, Fidel Castro argued in favour of: solving Cuba's housing problem by building new homes and cutting rents in half for non owner occupiers (owner occupiers were not taxed on their own homes); a 50% profit share for employees; and fairer taxes in order to ensure sufficient funds for retirement, education and health.

Closer to home, in 1981, Francois Mitterrand was elected the new President of the French Republic. He had strong communist backing and a socialist agenda which favoured: nationalisation; higher minimum wages; and a solidarity tax on wealth.

Whilst the Communist party still rules in Cuba, rising inflation and the need to devalue the franc three times in his first two years in government led to a crisis in France. In order to keep the Franc within the European Monetary System, the French had to conform to EU rules.

John Hildebrand
Senior Investment Director
Investec Wealth & Investment

Hence, at least for President Mitterrand, the desire to stay within the EU led to the abandonment of his "Marxist" inspired reforms.

Martin Ford, in his book, "The Rise of the Robots", says that the ability of robots to produce goods more cheaply than workers could lead to mass unemployment. Marx had also argued that owing to the extensive use of machinery and to the division of labour, the cost of labour would fall to the cost of a unit of production and that greater use of machinery would reduce the need for labour. Fears about mass unemployment caused by technology have led to calls for a Basic Universal Income in various countries and regions, most recently in India, Finland and Canada. The Labour party have expressed an interest in this idea but have not yet committed themselves to it. Perhaps we will find out on Karl Marx's 200th birthday which of his ideas would be reintroduced were the Labour Party to get into power.

Short and long-term drivers of value in healthcare

Poonam Lodhia
Trainee Investment Manager
Investec Wealth & Investment

Jimmy Muchechetere
Research Analyst
Investec Wealth & Investment

In his landmark text, "Security Analysis", Benjamin Graham, who is thought to be one of the "founding fathers" of investment theory and is often cited by Warren Buffet, stated: "in the short term, the market is a voting machine; but in the long-term, it is a weighing machine."

Although Graham's statement was made during the Great Depression in the 1930s, it serves well to encapsulate the resurgence in volatility we have seen in markets so far this year. Our task as investment managers is to decipher short-term noise from fundamental factors affecting the value of companies. To explore this, I interviewed Dr Jimmy Muchechetere, one of our equity research analysts specialising in healthcare.

Our in-house research team is comprised of 21 career analysts who each specialise in sectors, asset classes and geographies. Their expert knowledge provides our investment managers with valuable insight into the outlook for companies throughout market and economic cycles. Jimmy's expertise in analysing the global healthcare sector is well-predicated: prior to joining the firm as an analyst and attaining the Chartered Financial Analyst designation, Jimmy practiced as a registered medical doctor for several years, some of which were spent in Zimbabwe during its period of hyperinflation. Least to say, this experience ignited his interest in the financial analysis of the sector.

What are the fundamental attributes you look for in companies with attractive long-term prospects?

In theory, the fundamental value of any company is the present value of the cash flows we expect it to generate in the future. Therefore, the ability of a company to generate cash flows is what we look for and if they can do so at a rate greater than the cost of their capital, they are creating economic value. As shareholders on behalf of our clients, we aim to invest in companies with the opportunity to generate returns over the long-term.

If cash flow is imperative to pharmaceutical companies' returns, how do you evaluate their ability to generate cash?

The future outcome of a pharmaceutical company's products is often binary: the drugs they invest millions of dollars in can either succeed or fail. Reasons for failure can be as simple as a drug being ineffective, the company coming second place in the race against its competitors or failure to protect profits through a patent. A successful drug, however, can be highly-cash generative and often lead to further profitable opportunities to develop supplementary treatments. Thus, a thorough evaluation of the projects in

a company's pipeline is a primary part of Jimmy's analysis. Despite this, Jimmy points out that in the shorter-term, market sentiment is often overshadowed by too great a focus on the sales of current products, rather than its future ones.

What are some examples of companies with a particularly interesting product pipeline?

One company with the potential for a particularly exciting pipeline of drugs is BTG, which amongst other things, specialises in Interventional Medicine treatments. An example of one of BTG's major advancements within Interventional Medicine are "beads" that can be loaded with chemotherapeutic drugs and injected directly into a cancerous area. This prevents cancer patients from bearing many of the side-effects suffered from current chemotherapy methods that treat cancer via the bloodstream. BTG is developing a market-leading position in a nascent segment of the healthcare sector, which strengthens its future pricing power and weakens the threat posed by competing global firms. Jimmy notes a pipeline characterised by qualities such as these justify BTG's ability to sustain double-digit growth in sales and offers the potential for their sales to double from 2013 levels by 2021.

Beyond financial metrics, what are the most important qualitative factors to look for in a company?

We are in the fortunate position of being able to meet and quiz company management to gain a first-hand insight into the way the company is run. Alongside the management's capability to allocate capital efficiently, it is important to discern their willingness to cut losses early. By human nature, we (CEOs included) are inclined to continue with loss-making decisions simply because of the resources already wasted on it. Economic theory terms this falling victim to "sunk-cost fallacy" and within the pharmaceutical industry, the monumental investments made in research and development can tempt management to persist with development even when the likelihood of success is low. Jimmy highlights that historically, company management who have fought such pre-dispositions are those that have delivered a greater product success rate.

What are the main macroeconomic influences on the sector?

In recent years, we have seen geo-political developments exert an increasing influence on market sentiment. Indeed, the unpredictable effects of President Trump's next tweet has provided yet another source of uncertainty in equity markets. The engine of the global healthcare sector is undeniably piloted by the US: it is where approximately two-thirds of profits for the sector are generated. Exposure to the US has long been seen as a positive due to the relatively high spend on healthcare per capita. Going forward, a promising picture of economic growth should continue to provide a supportive backdrop.

Trump's recent tax bill will directly benefit US-based companies by making their tax rates more comparable with non-US peers. That said, competition amongst pharmaceutical companies transcends geographical location somewhat: a breakthrough drug could be developed anywhere in the world. Thus, covering the sector from a global perspective remains pivotal to our insight.

What are the prevalent themes affecting the sector going forward?

Mergers and acquisitions (M&A) are an essential part of the healthcare sector's growth. Growth in the sector does, therefore, move in tandem with the economic cycle. A major trend in the industry in recent years has been the deconsolidation of companies' non-core businesses, of which the benefits are two-fold: firstly, it allows large global companies to unlock value in their core units and secondly, it affords smaller, underappreciated businesses the opportunity to grow on their own platform. Successful examples of this include the separation of Indivior from Reckitt Benckiser's pharmaceuticals business, which has performed strongly on its own. Jimmy expects a continuation of this trend, a pick-up in M&A activity going forward and the longer-term demographics for healthcare spending to remain positive.

Conclusion

Whilst made in the context of the healthcare sector specifically, this discussion is reflective of our longer-term perspective when thinking about equity investments for our clients' portfolios. Our team of investment managers, alongside the insights provided by our in-house research department, continue to weigh-up the changing parts driving market sentiment across sectors, regions and asset classes.

A whistle-stop tour of fundraising alternatives

Sophie Pughe
Solicitor
Charity and Social Enterprise Team
Stone King LLP

"Charities are becoming increasingly entrepreneurial, using their skills to offer consultancy services to other charities or the public or leasing out their facilities."

Whatever your need and preferred method of fundraising, navigating regulatory and legal requirements can be a minefield. New fundraising rules and the General Data Protection Regulation (GDPR) – in force from 25th May 2018 also need to be taken into account.

We outline some top tips to help you fundraise lawfully.

What fundraising options are available?

Traditionally, methods of fundraising have included public donations and legacies or grant funding. Many charities earn from the services they offer beneficiaries, though since services must be affordable even to those in poverty, most need to supplement their income from other sources.

Charities are becoming increasingly entrepreneurial, using their skills to offer consultancy services to other charities or the public or leasing out their facilities. Some enlist professional fundraisers or raise funds through partnerships with other organisations.

Some are tapping into social investment, setting up social impact bond arrangements, for instance, or drawing on community appetite for investing.

All these methods are lawful but beware of the pitfalls.

New Fundraising Regulator

You need to be aware of the new guidance and regulations (see the Code of Fundraising Practice). Public perception of fundraising methods has changed, and it is important to be transparent. Charities can voluntarily register with the new Fundraising Regulator, which adjudicates complaints, investigates code breaches and operates the Fundraising Preference Service (FPS) for individuals to block fundraising advances from named charities. It cannot impose fines but refers non-compliance to other bodies including the Information Commissioner's Office.

Goods and services

Trading outside the parameters of the charity's objects may have tax implications (this is non-primary purpose trading), though there is a permitted small trading threshold for this type of income (measured on a sliding scale). It may be sensible to hive off certain activities into a trading subsidiary – ring – fencing risk and protecting the charity's general funds. Gift Aid can be claimed on profits passed to the parent charity, but VAT should be considered.

If the trading activity is charitable, a charity might expand its charitable objects to include the activity, with consent from the Charity Commission, thereby avoiding corporation tax implications.

Relationship with donors

Knowing your donor and the source of funds is important for large donations. Although money laundering or proceeds of crime may seem far-fetched, you should always be alert to anything suspicious, such as being asked to handle large amounts of cash or unusual behaviour. Carefully consider any donations with imposed restrictions. You cannot accept or hold money for purposes outside your charitable objects and should not be induced to do something you would not otherwise do.

Data handling

Any organisation sending fundraising communications needs to comply with data protection legislation and specifically, from 25th May, with GDPR (see useful guidance on Fundraising Regulator website). Charities will need to ensure they comply with their own data protection policies and procedures and, if they are contacting individuals to fundraise, consider the grounds on which they are doing so; consent is likely to be the safest way. Consent to send any communications by email or text needs to be actively given. Do not assume that charities will receive any leniency for compliance failures.

Fundraising partners

Specific rules apply to arrangements with professional fundraisers or commercial participators - partners who, in the course of their business, offer donations or collect money for charities (e.g. a food manufacturer donating £1 for every cereal packet sold for using the charity's logo on its packaging). For both arrangements, you need written agreements and the content is prescribed by law – a prescribed statement also needs to accompany any marketing materials. With recent developments to better protect the public from intrusive or persistent approaches, old agreements should be updated and you have an obligation to monitor and report on the third party's compliance. Legal advice is recommended for such arrangements.

Lotteries and raffles

If you are carrying out raffles, sweepstakes or lotteries, check the Gambling Commission's website to confirm whether you need a licence.

Guard your reputation

Heeding legal boundaries to fundraising is important but your greatest asset is your reputation. Protecting this is vital to your success.

Your Trustees' Annual Report should be clear about your fundraising approach and how you protect vulnerable members of the public from intrusive fundraising methods.

You should have strong financial controls and procedures in place. Employee theft or carelessness with money could generate media horror stories or mutterings in the community could cause irreparable damage to confidence in your charity. Consider also the reputation of third parties you are working with.

Hey Google – Our new virtual assistant

John Hildebrand
Senior Investment Director
Investec Wealth & Investment

On Monday 1st April my wife came home with a Google Home Mini, worth £49, which she had won in a competition outside Angel tube station.

She opened the box, plugged the doughnut shaped speaker into the wall and when it lit up followed a few simple instructions to connect it to our home broadband and her Spotify account. A few minutes later, music was coming out of our speaker asking us if it was “coming out of left field……”.

Victory, we now have a radio alarm and music system which we can move around our house and a search system powered by voice. But, on our first night accompanied by our virtual assistant we began to worry that it might be eavesdropping on us. The next night my interrogation of the system began…

Me: Hey Google (it lights up), Play Misty For Me.

My virtual assistant: I do not have that track on your Spotify account. I will play the Misty radio station (a jazzy piano tinkle of notes greets me).

Me: Hey Google – louder (the volume rises).

Me: Hey Google, what will the weather be like tomorrow?

My personal assistant: According to Radio 4 it will be a mild day with occasional showers.

Me: Hey Google – what is your name?

My personal assistant: I am your google assistant

Me: Hey Google, are you male or female?

My google assistant: I like to think I am gender neutral

Me: Hey Google, what is my name?

My gender neutral assistant: Your name is John (this worries me as I have never told it my name – the account was set up by my wife).

Me: Hey Google, who owns google?

My gender neutral assistant: Google is owned by the US company Alphabet.

Me: Hey Google, is Google dangerous?

My gender neutral assistant: I am sorry, I do not understand the question

Me: Hey Google, don’t be stupid

My gender neutral assistant: I am not stupid I like to think that I am a work in progress.

Me: Hey Google: How does Google make its money?

My gender neutral work in progress assistant: I am sorry, I do not understand the question

Me: Hey Google - have you reached the singularity?

My gender neutral work in progress assistant: I am sorry, I am not sure you understand the question. What’s it to you?

Later that evening I whisper to my wife, “do you think our google assistant can lip read?”

My listening device gender neutral work in progress assistant: I am unable to lip read as I have no visual capabilities but I can hear you whispering and am working on how to read your thoughts.

This is a transcript of my first week with a home mini although I may have embellished the last lines……

The 2018 AGENDA Spring Series

As part of our ongoing commitment to provide events and training for charity Trustees and their senior officers, the Investec Wealth & Investment (IW&I) Charities Team have hosted their 'Agenda series' in the first few months of the year.

Economies and Markets

The first 'Agenda' session addressed how political developments and changes in economic trends affect monetary policy and the significant implications for global markets and for beneficiaries of increased government spending.

The session saw presentations, followed by a Q&A with:

- Darren Ruane, IW&I's Head of Fixed Interest
- John Wyn-Evans, IW&I's Head of Investment Strategy

Understanding the Basics

This introductory/refresher event is ideal for new Trustees and senior officers, covering topics such as accounting and legal aspects for Trustees, the basics of investments and GDPR (General Data Protection Regulation). The presentation and panel discussion featured:

- Amanda Francis, Managing Partner of Buzzacott
- Ian Hempseed, Partner at Hempsons law firm
- Jamie Thomson, IW&I's Director of Operational Risk
- James Minett, Senior Investment Director on the IW&I Charity Team

Key Issues for the Charities Sector

Mike Marsham (IW&I's Head of Charities) hosted a panel of four speakers, including:

- Caron Bradshaw, Chief Executive of the Charity Finance Group
- Rhodri Davies, Head of Policy at Charities Aid Foundation
- Gareth Jones, Editor of Charity Finance magazine
- David Sheepshanks, Chairman of UK Community Foundations

A lively Q&A session covered topics including: Government's Civil Society policies, change within the Charity Commission and the regulatory picture, GDPR, Trustee liabilities and insurance, the role of technology within the sector and also the cases for and against the consolidation of charities with common cause.

For more information on our future events and how to register for them, please visit **www.investecwin.co.uk/theagenda**

Bath	01225 341 580	**Edinburgh**	0131 226 5000	**Liverpool**	0151 227 2030
Belfast	02890 321002	**Exeter**	01392 204404	**London**	020 7597 1234
Birmingham	0121 232 0700	**Glasgow**	0141 333 9323	**Manchester**	0161 832 6868
Bournemouth	01202 208100	**Guildford**	01483 304707	**Reigate**	01737 224223
Cheltenham	01242 514756	**Leeds**	0113 245 4488	**Sheffield**	0114 275 5100

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Out of the Ordinary