

HMS Caroline Investment Manager Tender-
Clarification Questions and Responses v1.

1. Regarding income – is the charity permanently endowed and therefore only able to take income, or can income be supplemented via capital as well should this be required to meet the level of income required?
The Charity has full flexibility to spend its capital as long as this is in the furtherance of its objectives, however the Charity intends to aim to limit spending from capital by maximising income from the operation of the ship as a visitor attraction
2. Confirmation that the Company is willing to appoint more than one manager to the mandate if that is in the best interests of the Company.
The Charity is willing to appoint more than one Manager if they consider this in its best interests, and the Tender specifically gives the Charity the option to do so. However, the base case is, given the size of the portfolio, that one Manager would have a broad enough investment approach to cover all our needs.
3. Confirmation of the reporting requirements – how often would the trustees require reporting, how often would they like in person meetings, is there any particular format the reports should be in to make your lives easier.
The Charity has no prescribed reporting requirements. It anticipates Managers bidding will issue their own reports every quarter. The Charity would aim to hold at least an Annual Review with the Manager. They would prefer this to be face to face, either in Belfast, Portsmouth or at the Managers offices. Video conferencing would be used for other meetings.
4. Can you provide some guidance on your yield expectations to assist us in proposing the most suitable investment strategy? What is the annual spend on maintaining the vessel?
The Charity takes a combined approach and will target a total return from capital appreciation and income. Using historic measures this would be in the range of RPI + 2 or 3% (after fees). The Charity expect to agree with the chosen Manager (s) what targets are appropriate in today's market conditions. They do not have a specific target for income yield. It is planned that within a couple of years the annual spend for maintaining the vessel will be covered from the income generated from operating it as a visitor attraction. The income from the fund will then be reinvested. The anticipated growth of the fund will be used for planned major works e.g. placing the vessel into dry dock every 10 to 15 years.
5. What degree of asset class diversification is required? Would a proposal featuring two asset classes (equities and fixed income) provide sufficient diversification for consideration or would a wider asset class mix be preferable?
The Charity is open to proposals from Managers. They expect that equities and fixed income will make up the majority of the portfolio but, given the long-term nature of the fund, they anticipate Managers may recommend a portion of the portfolio be invested in other asset classes.
6. Are you working with a consultant organisation or independent consultant on this tender? *The Charity took advice from an independent consultant prior to preparing the tender, but no consultant will be working with the Charity in reviewing the proposals from Managers.*
7. Can we set up a quick phone conversation to discuss further?
This would not be possible in the formal tender process, please continue to send in clarification question for responses until the deadline.

Deadline for Clarification Questions for Responses is Friday 10th February 2023 at Midday.