

Enhancing Predictability and Income for a Charity Client

case study

Client profile and challenge:

A charitable trust with significant annual cash outflows required a strategy that could deliver predictable income and reduce volatility. The previous equity-heavy approach created uncertainty in meeting operational needs.

Our approach

Momentum conducted a comprehensive review of the client's investment strategy with two clear objectives:



Enhance predictability of returns to ensure operational stability.



Improve expected returns without increasing risk.

To achieve these goals, we leveraged our **bespoke modelling tool** to perform stress testing and scenario analysis, providing clarity on potential outcomes under varying market conditions. We also reviewed the existing investment policy and recommended a **more diversified portfolio** structure, designed to reduce expected volatility while increasing income reliability.

Key actions

To implement the strategy effectively, we focused on actions that would reduce volatility and enhance income stability:

1

Reduced equity exposure to lower portfolio risk and improve predictability;

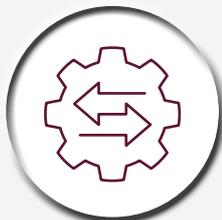
2

Introduced alternative assets such as private debt, infrastructure equity, and asset-backed securities, each selected to deliver contractual cashflows and diversify sources of return;

3

Cashflow-generating investments prioritised to support the charity's operational cash needs. Reduced the extend to which assets may need to be sold to raise cash.

Investment considerations



Low risk of permanent loss

We prioritise investments with minimal risk of fundamental impairment, ensuring that defaults or permanent losses are kept to a minimum. This includes reducing the need to sell assets at depressed prices.



Fundamental rationale

Each asset class must justify its inclusion by offering an attractive risk-adjusted return compared to risk-free alternatives.



Predictable cashflow profiles

Assets were selected for their ability to deliver reliable income streams, critical for meeting operational needs and improving forecasting accuracy.



Diversification beyond capital allocation

We diversified not only by asset class but also by sources of return and risk, reducing reliance on any single market driver.



Illiquidity and complexity premiums

Where appropriate, we captured additional return by investing in assets that reward investors for embracing illiquidity or structural complexity, without compromising overall resilience.

Outcomes

Over 12 months, we worked closely with the client to:

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Rebalancing

Revise the investment policy to reduce reliance on equity returns.

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Liquidity

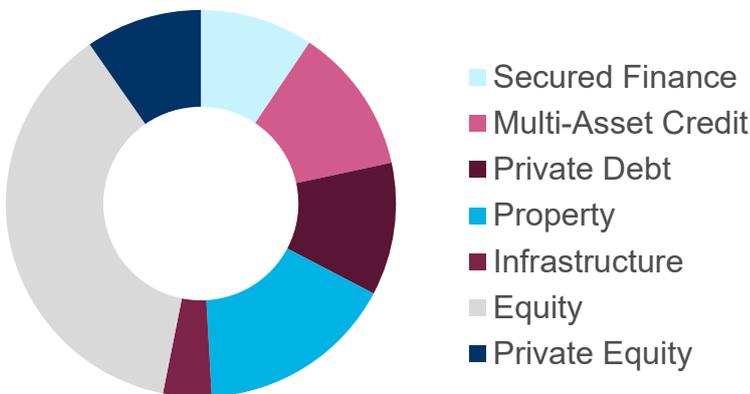
Increase predictable cashflows to meet ongoing operational needs.

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Resilience

Enhance confidence in achieving target returns through bespoke modelling, stress testing and scenario analysis.

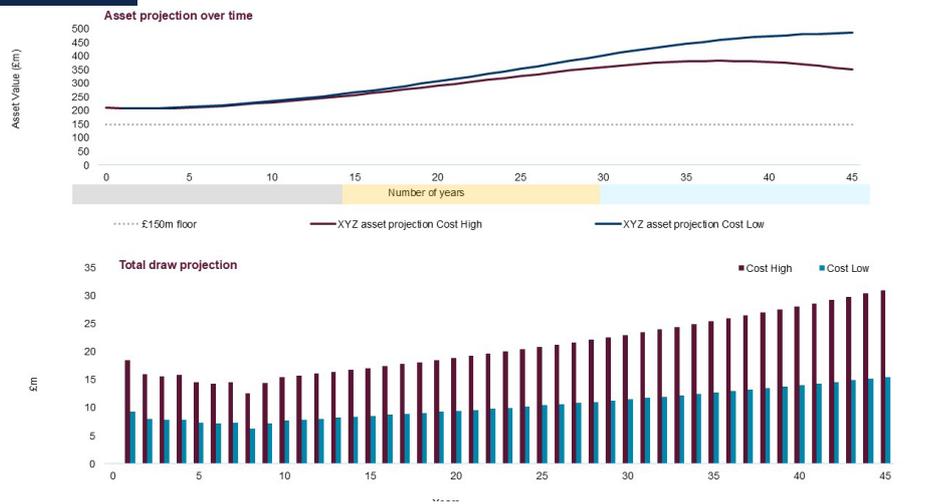
High return and income needs



The result?
A more resilient, income-focused portfolio with diversified sources of return and risk.

Bespoke modelling vs. asset floor

Enhance confidence in achieving target returns through bespoke modelling, stress testing and scenario analysis.



Source: Momentum Global Investment Management. Modelling is illustrative and does not reflect the client's proposed portfolio. Forecasts are not a reliable indicator of future performance.

Why it matters

Q What does this case demonstrate?

A *This case demonstrates the importance of aligning an investment strategy with a charity's cashflow needs. For organisations with significant and recurring outflows, financial predictability is critical to ensuring operational continuity, supporting long-term commitments, and reducing exposure to unpredictable market conditions.*

Q How were these outcomes achieved?

A *By implementing a tailored investment approach focused on generating reliable income and strengthening risk management. This included prioritising predictable cashflows, reducing reliance on volatile return sources, and using detailed modelling and scenario analysis to improve planning certainty.*

Q What was the overall impact for the client?

A *The client gained greater confidence in their ability to meet ongoing financial obligations while improving long-term planning and resilience. This stronger financial foundation helped position the organisation to focus more confidently on delivering its charitable mission, with greater assurance that its funding needs could be met over time.*



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