

Since my last blog, in August 2017, we have been busy -

- finalising a new strategy for the next three years to 2020
- carrying out a thorough review of our investment strategy
- reviewing all our past giving
- recruiting new Trustees
- engaging intensively with industry colleagues on the industry's strategies in the two key areas of first, people development and training and secondly, equine welfare.
- completing a major revamp of the website and
- organising an Industry Conference on 30th January at the Barbican in conjunction with Liverpool University: 'An Informed future – enhancing industry performance through evidence-based decision-making'

Strategy

Our strategy for the next three years builds on the foundations we have inherited but we hope responds to the positive feedback we have had from extensive stakeholder interviews. In short, we will:

- speed up the funds flowing into the industry; £10 million in cash has been set aside to spend over the next three years provided we can find the right projects
- concentrate our spending in the areas of people – training, development and welfare – and equine welfare
- without becoming a source of core funding, be prepared to fund projects for extended periods – up to five years - to ensure they develop sustainable business models
- consider relaxing the strict criteria that all funds need to be disbursed to another charity, provided they are spent on charitable activity in furtherance of agreed industry strategy in our key areas of focus
- making our balance sheet available for investment in the industry against appropriate investment returns
- be aligned with the industry strategies where they exist and assist closely in their development where needed to ensure we get best value for money
- be more visible and accountable for what we help achieve against simple performance measures.

I hope to distribute our strategy document by the end of the month.

Investment

The Trustees have reaffirmed the status of the charity as an endowment. After setting aside £10 million in cash, the remaining balance sheet of some £83 million is invested in listed securities by four investment firms with contrasting investment styles. They have been tasked with target returns of RPI + 3% p.a., net of costs, which in the recent bull run in equities they have all comfortably exceeded.

We conducted a thorough review with our investment advisers, Weatherbys Bank, of our investment strategy, target returns, expected volatility, number of firms and other aspects. As an endowment our investment strategy should look to maximise returns in the long-term which suggests we should be invested largely in growth assets. But we must also recognise that we need to be prepared to withstand the significant short-term volatility that is implicit in such investments. We concluded that our target returns were compatible with our risk appetite but the decision to encash £10 million to secure funding over a three-year horizon was designed to see us through most likely short-term fluctuation in asset values.

We also agreed to be open to considering investing part of our balance sheet in the industry provided there are appropriate investment cases and corresponding returns. This might comprise for example loan finance for social housing which could substitute for part of the listed fixed interest portfolio or at the other end of the risk/reward spectrum a small allocation to risk equity for early-stage projects designed to benefit the growth of the industry which could substitute for an equivalent portion of our listed equity portfolios. Much would depend on the quality of any investment proposition on which we would of course take independent professional advice.

Analysis of Past Giving

Attached is a summary of all past giving pledged to the end of 2017, which totalled £9.1m, analysed by broad category and, for all sums over £250k, by the recipient. All projects are assessed against agreed deliverables and we use external assessors for the larger grants. A very high proportion of these projects achieve their stated purpose against the agreed criteria. However, a much smaller proportion achieves what could be described as a lasting benefit or legacy in the form of a self-sustaining business model or a resulting action programme beyond our funding period. One of our new objectives is to be prepared to fund projects for longer start-up periods to increase the chance of long-term success and sustainable outcomes.

Another feature is multiple requests for funding in similar or identical areas e.g. for retraining of racehorses at different centres each under separate governance or in developing new models for training of stable staff. In future we would prefer to position our grants within agreed strategies for the industry to avoid fragmenting our giving. We are currently undertaking an audit of past giving and will share the lessons learnt once complete.

Sometimes, our funding is designed as a catalyst for new programmes or can be used to leverage additional funding for the sport. Two grants of which we are particularly proud are firstly the Diversity Study by Oxford University that resulted in an industry response in the formation of a cross-industry group to examine ways of tackling the issues identified and the challenges of diversity within racing and secondly our recent support for the work of the Concussion Foundation that generated £250k match funding for the study of concussion in our sport from the NFL.

New Trustees

We have interviewed a number of people with relevant skills and hope to appoint two new Trustees shortly.

Engaging in industry strategy

I have already mentioned our desire see more compelling strategies being developed within the industry as a whole in the areas where we will focus our giving particularly in relation to industry staff and equine welfare. Without these, we are limited in getting the best value for our funding. There is still too much fragmentation and duplication of activity and an inadequate strategic framework within which we can work. Racing Foundation Trustees and Executives have amassed considerable knowledge which we would welcome contributing to fresh thinking about what are the true unmet needs in these areas and how they can be tackled in a strategic industry-wide fashion where necessary challenging existing delivery models and above all in an evidence-based manner.

We are making a start on this by hosting an industry conference in conjunction with Liverpool University on 30th January, at the Barbican Centre, London, entitled '**An Informed Future – enhancing industry performance through evidence-based decision-making.**' Speakers include University Academics, Nick Rust and current and former Liverpool University Horseracing MBA students. Please see the news pages on our website for further details.

Ian Barlow
Chairman of the Racing Foundation
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