

## Cash Flow Profile and Spending Schedule:

Our cash flow forecasting and modelling is informed by a combination of the bid requirements, Goldman Sachs's experience working with similar clients such as the EEF and analysis of a number of spend down endowments created for Big Lottery Fund.

For modelling purposes, income and expenditure from supplementary funding have not been included.

### Modelling and Portfolio Returns

Cash Flow Profile	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Opening Balance		£200,000,000	£195,076,000	£190,177,200	£174,941,206	£149,281,846	£112,632,635	£85,034,605	£56,491,906	£27,366,456	£12,793,373
Investment Returns (Net)	<b>£27,971,201</b>	£5,076,000	£5,101,200	£4,764,006	£4,340,640	£3,350,789	£2,401,970	£1,457,301	£874,550	£426,917	£177,828
Expenditure	<b>£227,971,201</b>	£10,000,000	£10,000,000	£20,000,000	£30,000,000	£40,000,000	£30,000,000	£30,000,000	£30,000,000	£15,000,000	£12,971,201
Closing Balance		£195,076,000	£190,177,200	£174,941,206	£149,281,846	£112,632,635	£85,034,605	£56,491,906	£27,366,456	£12,793,373	£0
Portfolio Structure (Opening Balance)		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Liquid Portfolio		£20,000,000	£30,186,000	£50,542,195	£71,209,352	£72,192,041	£63,217,168	£64,140,138	£50,102,241	£27,366,456	£12,793,373
Defensive Portfolio		£120,000,000	£102,700,000	£75,175,070	£36,919,132	£37,838,418	£28,731,405	£20,894,467	£6,389,666	£0	£0
Growth Portfolio		£60,000,000	£62,190,000	£64,459,935	£66,812,723	£39,251,387	£20,684,063	£0	£0	£0	£0
Return Modelling		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Liquid Portfolio</b>											
LIBOR Forward Curve		0.75%	1.00%	1.14%	1.20%	1.24%	1.28%	1.32%	1.35%	1.38%	1.41%
Deposit Ladder Premium		0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.00%
Net Return Assumption (Fee 0.02%)		0.93%	1.18%	1.32%	1.38%	1.42%	1.46%	1.50%	1.53%	1.56%	1.39%
<b>Defensive Portfolio</b>											
Average Portfolio Duration		5 Years	5 Years	4 Years	4 Years	3 Years	3 Years	2 Years	1 Year		
GILT Forward Curve at Duration		1.24%	1.40%	1.40%	1.57%	1.57%	1.73%	1.73%	1.89%		
Corporate Spread over GILT at Duration		1.21%	1.21%	1.12%	1.12%	0.99%	0.99%	0.84%	0%		
Net Return Assumption (Fee 0.20%)		2.25%	2.41%	2.32%	2.49%	2.36%	2.52%	2.37%	1.69%		
<b>Growth Portfolio</b>											
Modelled Moderate Medium Term Return		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%				
Net Return Assumption (Fee 0.35%)		3.65%	3.65%	3.65%	3.65%	3.65%	3.65%				
<b>Total Blended Return</b>		<b>2.54%</b>	<b>2.61%</b>	<b>2.51%</b>	<b>2.48%</b>	<b>2.24%</b>	<b>2.13%</b>	<b>1.71%</b>	<b>1.55%</b>	<b>1.56%</b>	<b>1.39%</b>

## Goldman Sachs - Portfolio Proposal

Liquidity Portfolio	Defensive Portfolio	Growth Portfolio	Overall Portfolio
<b>Investment Strategy</b> <b>Objective:</b> To provide liquidity, security and diversification to fund programme commitments and the operating expenses of the Fund. <b>Implementation:</b> A ladder portfolio of term deposits to provide rolling liquidity and term premium, complemented by a Money Market Fund for daily liquidity.	<b>Investment Strategy</b> <b>Objective:</b> Capital preservation, income and asset/liability matching of cash flows. <b>Implementation:</b> A customised, investment grade fixed income portfolio, managed on a 'buy and maintain' basis within a separate account for full flexibility, control and transparency.	<b>Investment Strategy</b> <b>Objective:</b> To provide access to a wider range of investments to increase the overall return of the Fund before it needs to be de-risked. <b>Implementation:</b> A moderate risk, discretionary portfolio, potentially with an absolute return overlay and rolling credit-facility.	<b>Investment Strategy</b> <b>Objective:</b> To achieve a 2.00% nominal return over the life of the Fund to protect the real value of the capital. This should be achieved with the minimum amount of risk possible within an ethical framework that protects reputations risk and aligns with the Serious Violence Strategy.
<b>Fees</b> <b>Advice Fee:</b> 0.05% p.a. on Money Market Fund allocation only. <b>Product Cost:</b> 0.15% p.a. on Money Market Fund only.	<b>Fees</b> <b>Management Fee:</b> 0.20% p.a. which includes the underlying implementation costs of the fixed income portfolio.	<b>Fees</b> <b>Management Fee:</b> 0.35% p.a. <b>Product Cost:</b> Approx. 0.40% p.a. dependent upon implementation e.g. active/passive mix.	<b>Fees</b> Estimated at 19.6bps p.a. over the Fund's life. We believe however that the 7bps growth portfolio product costs could be mitigated by active manager and tactical tilt returns.
<b>Net Return: 1.37% p.a. average over Fund life.</b>	<b>Net Return: 2.30% p.a. average over Fund life.</b>	<b>Net Return: 3.65% p.a. average over Fund life</b>	<b>Net Return: 2.07% p.a. average over Fund life</b>

**Ethical Implementation:** 1. Value alignment through exclusionary screen, 2. Positive ESG integration, 3. Thematic tilts consistent with the Serious Violence Strategy.

**Liquidity Facility:** A beneficial overlay to the entire strategy may be a liquidity facility to avoid drawing down on the portfolio when it is disadvantageous to do so. Goldman Sachs will explore the appropriateness of this facility for the Fund.