

INVESTMENT POLICY



Current version in effect from: 14 Apr 2022
Approved by Council: 12 Mar 2014
Revised by Council: 28 Nov 2018, 10 Mar 2021, 12 May 2021, 13 Apr 2022

1. Aims and Rationale

1.1 This Policy's objectives are:

- a) To invest nominated funds of the University ("reserves") in order to grow the real (inflation-adjusted) value of capital over the long term, with a target of delivering an investment return of Consumer Price Index plus 3% over 5 years
- b) To consider returns on a total return basis comprising capital growth and income generation. The investments must optimise returns to allow for future initiatives of the University, mitigating the risks of the University, and the relevant time frame in which they may be called upon.
- c) To invest reserves in a way that is consistent with the Ethical Investment Policy Statement (see Schedule 1).
- d) To invest reserves in a way to which Governments, donors and other stakeholders cannot reasonably object.

1.2 Factors taken into consideration in setting this Policy include:

- a) Nature and value of investments (including liquidity, marketability, and diversification) and associated risks of such investments.
- b) Purposes for which reserves are held and the investment time frame.
- c) Issues affecting an investment and its value, including tax, costs, expenses, foreign exchange and potential for capital gain and loss.
- d) Inflation and its impact on the future purchasing power of the reserves.

1.3 The University acknowledges that asset values of growth assets may decline in real terms from time to time but expects that over a normal investment cycle of five to seven years the initial capital in real terms will be maintained as a minimum performance requirement.

2. Scope

2.1 This Policy applies to any fund of the University (established under Regulation 44: Funds Governance or otherwise) which has been deemed by the University Council in the Fund Record or other governing instrument to have a long-term investment horizon. These funds are listed in Schedule 3.

2.2 Sections 7.3, 7.4 and 8 of this Policy do not apply to Fund Record 11: Building Fund. The assets of Fund Record 11: Building Fund are wholly invested with an Approved Fund that does not allow the University to alter the asset allocation. This approach supports the Council's decision to draw down the funds in Fund Record 11: Building Fund until it is exhausted.

- 2.3 All other funds of the University must be invested in cash or term deposits with Australian licensed and regulated banks and Authorised Deposit-Taking Institutions (ADIs) in accordance with section 7.2 of this Policy.

3. Delegations

- 3.1 The University Council has ultimate responsibility for ensuring that the investment of funds is properly managed.
- 3.2 This Policy may only be amended by the Council.
- 3.3 The Council delegates authority to the Finance and Risk Committee (FRC) to develop and implement broad operational guidelines and strategies for the management of these funds within the approved policies.
- 3.4 The Council delegates authority to FRC:
- a) To make and execute investment decisions utilising approved funds, within the tolerance bands set in this policy.
 - b) To instruct the Office of the Vice Chancellor (OVC) to attend to settlement of these decisions.
 - c) To instruct the OVC to manage cash and deposits in accordance with this policy.
- 3.5 The FRC is required to make recommendations and reports to the Council in relation to the following matters:
- a) Changes to the Investment Policy
 - b) Changes to asset allocation and bands
 - c) Changes in risk environment
 - d) Pre-approval of any transfers out of the General Reserve Fund
 - e) Any other relevant matters as required.
- 3.6 In order to meet these objectives, the FRC has the following functions:
- a) Monitor and report at least quarterly on the value, transactions and on the performance of the investment portfolio and Approved Fund Managers.
 - b) Review the investment portfolio against asset class benchmarks and bands as designated in the Investment Policy on a quarterly basis, and recommend changes as required.
 - c) Nominate specific Fund Managers for approval by Council ("Approved Funds").
 - d) Apply for and redeem investments in Approved Funds and authorised deposits.
 - e) Comply with all relevant investment policies and guidelines.
- 3.7 The OVC is to be responsible to the FRC for the day-to-day administration of the investment portfolio in accordance with instructions from the FRC. Actions decided

upon by the FRC are usually implemented by the Financial Controller. Specific responsibilities of the Financial Controller include:

- a) Ensuring that the Vice-Chancellor is kept informed of relevant details and issues relating to the investment portfolio in a timely manner.
- b) Preparing quarterly investment performance reports for the FRC and working with the FRC to prepare its quarterly reports to the Council.
- c) Preparing asset allocation compliance reports for the FRC.
- d) Executing resolutions of the FRC.
- e) Managing the relationship(s) with the Fund Manager(s).
- f) Identifying from Tax Statements issued by Approved Funds any franking credits available for refund and submit the appropriate claims to the Australian Taxation Office.
- g) Managing cashflows, deposits and term deposits with the ADIs in accordance with the general instructions or guidelines from the FRC.

4. Risk Management

4.1 The FRC must prudently invest funds with a long-term investment horizon having regard for all aspects of risk, particularly:

- a) Compliance and reputational risk
- b) Manager risk
- c) Investment risk
- d) Liquidity risk
- e) Foreign exchange risk
- f) Inflation risk

4.2 Funds which have a long-term investment horizon possess an above-average ability to take risk in its objective to grow the real value of its capital over time. The key task for University's investment portfolio is to adopt appropriate investment strategies for the protection of both capital and income generation, without substantially risking the capital value of the portfolio. This translates into the following broad objectives:

- a) To invest in assets within legal and regulatory constraints.
- b) To diversify the investments across asset class and Fund Managers to ensure a 'risk adjusted return' consistent with the risk profile of the University and the stated investment objective return in 1.1.a) above.
- c) To assign responsibility to approved Fund Managers by investing in Approved Funds.

- 4.3 The totality of the funds reserved under this Policy are not high enough to be able to award individual investment mandates with an investment management company, hence the fund's reserves are expected to be managed by investments in:
- a) At call and term deposits with Australian banks which have been approved by the Council on the recommendation of the FRC.
 - b) Investments in collective investment schemes ("Approved Funds") which have been approved by the Council on the advice of the FRC.

5. Liquidity

Liquidity is an important factor in considering the extent of the reserves invested for the long term. The minimum amounts of liquidity (invested in cash and term deposits) for these long-term investing funds are shown in Schedule 2.

6. Reinvestment and Drawdown

Other than when funds are required to be drawn from the portfolio, income received must be reinvested.

7. Strategic Asset Allocation (SAA)

7.1 The University accepts that over the long term (periods of 10 years or more), a risk and return trade-off exists across asset classes.

7.2 Investments are permitted in the following asset categories:

- a) Low risk:
 - i) Cash deposits invested with Australian licensed and regulated banks and deposit taking institutions.
 - ii) Term deposits invested with Australian licensed and regulated banks and deposit taking institutions.
- b) Moderate risk:
 - i) Australian Government, corporate bonds, and managed fixed interest securities.
 - ii) Property and infrastructure investments.
- c) High risk:
 - i) Australian and international equities.

- 7.3 The following SAA and asset class benchmarks and bands (range) are approved under this Policy. These ranges provide for changes in the investment environment and enable the FRC to tilt the portfolio based on the conditions of the prevailing market and economic conditions at a given time.

Asset Class	Long Term	
	Target allocation	Tolerance Bands
Cash/Fixed Interest	30%	15-35%
Property and Infrastructure	5%	0-10%
Australian Equities	35%	30-40%
International Equities	30%	25-35%
Total	100%	

- 7.4 The allocation to each asset class and/or Approved Fund must be reviewed regularly by the FRC and adjusted if necessary.

8. Tactical Asset Allocation

- 8.1 The University accepts that investment markets may harbour imbalances which may lead to tilting the portfolio away from the SAA ranges. Such tactical decisions may enhance the long term returns of the university.
- 8.2 Taking the balance between short term risks and long-term risks into account, the appointed Fund Manager may deviate from the strategic asset allocation within the tolerance range included in the asset allocation table above.
- 8.3 Where an exposure reaches the maximum allocation, it must be rebalanced back to the long-term target allocation in the most effective manner by the FRC but within 9 months.

9. Fund Managers

- 9.1 The investments covered by this Policy must only be managed by an external Fund Manager of a collective investment scheme or by the FRC making approved interest bearing deposits.
- 9.3 Approved Funds may include a single asset class or multiple assets classes.
- 9.4 Fund Managers are expected to provide general reporting on each Approved Fund's investment performance and income received.

10. Appointment of Fund Managers

- 10.1 Approved Funds are recommended by the FRC for approval by the Council and recorded in Schedule 3 to this Policy.
- 10.2 The FRC recommends the Approved Fund for approval to Council, using information and research provided by the Fund Manager and from other appropriate sources.
- 10.3 The manager of each Approved Fund must:
- a) Hold an appropriate Australian Financial Services Licence.
 - b) Demonstrate a long-term track record in constructing portfolios (in asset classes relevant to the proposal). Particular attention is to be paid to risk management and return.
 - c) Demonstrate that they have a track record and the necessary investment processes to comply with the University's ethical investing policy (Schedule 1).
- 10.4 Approved Funds must be reviewed by the FRC every two years based on their continuing to meet the guidelines set out in this policy and the performance of the overall portfolio against the key benchmarks.
- 11. Date of next review**
- 11.1 This policy is to be reviewed no later than 31 December 2022.

INVESTMENT POLICY

SCHEDULE 1 – ETHICAL INVESTMENT POLICY STATEMENT

Approved by the Council: 10 Mar 2021

Revised by the Council: 9 Mar 2022



1. Introduction

- 1.1 Sustainability is a key priority for the University and this extends to the sustainable investment of funds. The Ethical Investment Policy Statement aims to ensure that investments match the priorities and values of the University. The University's intention is to invest in a better global future by:
- a) delivering strong returns through involvement in companies which improve quality of life and provide environmental benefits, and
 - b) avoiding unnecessary risk to capital from involvement in companies that create ethical risk.

2. Investments

- 2.1 The University is committed to sustainable investment by positively supporting investments in sustainable companies and by establishing restrictions on some types of investments.
- 2.2 Investments made by the University must be aligned with this Policy Statement and the University's Approved Funds must adhere to it.

3. Ethical investment

- 3.1 The University is committed to sustainable and ethical investments in the management of its investments.
- 3.2 Given the funds available for investment, it is difficult for the University to specifically tailor individual company investments to meet its Ethical/Environmental, Sustainable or Governance (ESG) requirements. Adherence to this Policy Statement is therefore largely dependant on the appointment of Approved Funds with strong ethical and responsible investing policies aligned to the University's values.
- 3.3 The University aims to manage its investments through well-managed companies that provide products or services that encourage sustainable use of resources and are set to benefit from a shift towards environmentally sustainable development.
- 3.4 Any Approved Funds must have processes to restrict investments in any company that it believes should be prohibited on the grounds of ESG factors. The University welcomes Approved Funds prohibiting investments in companies which are materially involved in the production or manufacture of goods and services including but not limited to:
- a) tobacco
 - b) fossil fuels
 - c) gambling
 - d) pornography

- e) armaments
- f) animal cruelty
- g) companies that display unethical behaviour
- h) companies that are involved in questionable practices.

4. Proxy Voting

- 4.1 The University expects its Approved Funds to vote on all resolutions put to shareholders in line with the principles of sustainable investment.

5. Due diligence

- 5.1 The University Council has delegated the due diligence process of identifying suitable Ethical Approved Managers to its Finance and Risk Committee.

- 5.2 Before Council approval is given to any Approved Funds, it must receive a report from the Finance and Risk Committee that:

- a) demonstrates how the proposed fund manager meets the requirements of the Investment Policy sections 9 and 10
- b) demonstrates how the proposed fund manager meets the requirements of this Policy Statement.

Areas to be covered in this report may include but are not limited to:

- c) membership of the Responsible Investment Association of Australasia
- d) signatory to the United Nations Principles for Responsible Investment
- e) screening processes to eliminate prohibited companies, and to include companies because of their positive impact or social benefit that would not be selected for inclusion on purely financial grounds.

- 5.3 The Finance and Risk Committee must, as part of its monitoring of Approved Funds, review annually each fund manager's portfolio to ensure alignment with this Policy Statement.

6. Representation

The Ethical Investment Policy Statement must be published on the University's website with contact details in order to enable members of the University to engage with it.

7. Review

The Ethical Investment Policy Statement must be reviewed at least once every two years by the Finance and Risk Committee resulting in a report and recommendation to the Council.

Next review due: 31 December 2023

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SCHEDULE 2: UNIVERSITY FUNDS APPROVED FOR LONG-TERM INVESTMENT

Approved by the Finance and Audit Committee: 23 Aug 2021, 31 Mar 2022

Approved by the Finance and Risk Committee:

<i>Fund</i>	<i>Governing Instrument</i>	<i>Minimum Liquidity</i>
Building Fund	Regulation 44: Fund Record 11 Building Fund	\$0
General Reserve Fund	Regulation 44: Fund Record 4 General Reserve Fund	\$500,000
Janette Gray RSM Fund	Regulation 44: Fund Record 9 Janette Gray RSM Fund	\$20,000

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SCHEDULE 3: APPROVED FUND MANAGERS

Approved by the Council: 23 Aug 2021

1. Approved schemes

Alphinity Sustainable Share Fund

Australian Ethical Emerging Companies Fund

Candriam Sustainable Global Equity Fund

Nanuk New World Fund

Stewart Investors Wholesale Worldwide Sustainability Fund

U Ethical Growth Portfolio

U Ethical Australian Equities Trust (Wholesale)

U Ethical International Equities Trust (Wholesale)

U Ethical Diversified Income Trust (Wholesale)

Warakirri Cash Deposits Trust