

# Investment Policy

## Section 1 - Purpose

(1) The purpose of this policy is to set out:

- a. Charles Sturt University's (the University) investment goals and objectives, and
- b. responsibilities for evaluating the performance of University investments.

### Scope

(2) This policy applies to:

- a. all University staff, members of University Council and its committees, and staff of controlled entities, and
- b. all funds under the control of the University, including its controlled entities and the Charles Sturt University Foundation Trust.

(3) The University Council has authority to make investments under the [Charles Sturt University Act 1989](#). The investment activities of the University are constrained by any limitations specified by the NSW Treasurer and Minister responsible for education, the [Charles Sturt University Act 1989](#) and any relevant regulation or motion passed by the University Council or authorised committee of the University Council.

## Section 2 - Glossary

(4) Nil.

## Section 3 - Policy

### Part A - Objectives

(5) The University's investment objectives are to:

- a. manage investment risks and ensure the long term stewardship and safety of capital funds - recognising that all investment activities involve varying degrees of volatility,
- b. achieve return on investments through appropriate blends of asset class allocations,
- c. maintain liquidity and cash flow - the portfolio should be assembled to ensure that funds are available to meet reasonably anticipated cash flow requirements for near term and longer-term commitments, and
- d. adhere to the [Responsible Investment Guidelines](#) when making investment decisions, in order to reflect the University's values and ethos of 'yindymarra winhanganha'.

### Part B - Funds

(6) The University will establish the following layers or types of funds to meet its short, mid and longer-term cash

needs:

- a. Bank and at-call accounts - to meet the immediate requirements of the University for cash and facilitate the receipt of grants and income and the payment of expenses. This will comprise bank accounts and funds held that may be available at-call or within 24 hours.
- b. Short term investment portfolio - to support working capital and short to medium term cash flow needs of the University over a one to two year horizon. This will generally comprise investments with a term up to 180 days.
- c. Medium term investment portfolio - to support possible medium term cash flow needs of the University of two to four years.
- d. Long term investment portfolio - to support the long term financial health of the University, including long term strategic capital requirements. It may comprise investments with a term greater than four years.
- e. Charles Sturt University Foundation Trust investment portfolio - to responsibly manage investments and donations in order to support the objectives of the Foundation and donors.

(7) The Investment Committee will make allocations to these funds based on the estimated cash flows and other periodical reports as stated in Part I of this policy.

## Part C - Taxation

(8) The University is exempt from income tax. Imputation credits on dividends relating to Australian shares are fully refundable.

## Part D - Roles and responsibilities

(9) Responsibility for investment matters in the University are as follows:

- a. University Council
  - i. The Council is responsible under Schedule 2 of the [Charles Sturt University Act 1989](#) for authorising the investment of University funds. This authority of Council is delegated in accordance with the [Delegations and Authorisations Policy](#) and Delegation Schedule 2 - Finance Delegations.
- b. Investment Committee
  - i. The Investment Committee exercises the investment functions of Council. Its terms of reference and membership are set out in the Charles Sturt University [Governance \(Investment Committee\) Rule 2010](#).
  - ii. The Investment Committee is responsible to the University Council for approving the investment policies of the University, the appointment of investment advisers and fund managers and the general oversight of investment performance and risk (among other things).
- c. Investment Management Committee
  - i. The Investment Management Committee is responsible for the prudent day to day management of the University's investment activities.
  - ii. The specific functions of the Investment Management Committee are set out in the [Governance \(Investment Management Committee\) Rule 2020](#).
  - iii. The Investment Management Committee will be responsible for the investment of funds not invested with external investment fund managers.
  - iv. Upon the occurrence of an event deemed probable to result in significant financial loss for the University, the Investment Management Committee is authorised through this policy to take immediate action to mitigate loss after urgent consultation with the Investment Committee.
- d. Investment adviser
  - i. An investment adviser is an external party engaged by the University to provide investment advice to

the University.

- ii. Investment advisers may be engaged to provide (among other things):
  - advice and recommendations for the University's investment portfolio,
  - research and analysis,
  - reporting on investment performance, and
  - other reporting as required for the University's statutory and management requirements.
- e. Investment fund manager(s)
  - i. An investment fund manager is an external party engaged by the University to invest in, and report on, a selected investment strategy. This may include a managed fund strategy or an individually managed account under written agreement.
  - ii. Investment fund managers may be engaged to provide (among other things):
    - discretionary investment management including decisions to buy or sell individual securities, either directly and/or via specialist investment managers, and to alter asset allocation within the limitations set out in their engagement and this policy,
    - report investment performance results, including the economic outlook relative to the investment, changes to investment strategy, and provision of valuations on a monthly basis, and
    - other reporting as required for the University statutory and management requirements.

## **Part E - General investment principles and ethical standards**

(10) The following principles and standards apply to members of the Investment Committee and members of the Investment Management Committee when engaging in investment activities:

- a. Investment decisions must be made in the best interests of the University.
- b. Investment decisions must take into account the University's investment objectives and the [Responsible Investment Guidelines](#).
- c. A diversity of investments should be held by the University to ensure adequate allocation of risk.

### **Conflicts of interest**

(11) Investment Committee members must declare any material financial interests in the institutions or activities, or any material conflicts of interest, that could be related to the performance of the University's investment program.

(12) In particular, where a member of the Investment Committee has a material financial interest or conflict of interest in a matter being considered or about to be considered at a meeting of the committee, this must be declared as stated in the [Governance \(Declaration of Material Interests\) Rule 2005](#).

## **Part F - Volatility and risk**

(13) As part of its investment strategy, the University will seek to maximise returns whilst limiting exposure to risk to an acceptable level.

(14) Risks to be considered include the following:

- a. Market risk - the risk of movement in the value of the asset that can occur due to changes in the economic environment such as changes in interest rates, share prices and foreign exchange rates.
- b. Inflation risk - the risk of inflation occurring at a higher rate than the growth of the capital of the portfolio.
- c. Income risk - the risk the portfolio does not generate sufficient income to meet income distribution obligations and therefore the University has to draw on capital.

- d. Interest rate risk – which results from changes in the underlying interest rate and can impact on both the market value or the return (coupon, interest or dividend) derived from the investment.
- e. Liquidity risk – the risk that an investment cannot be liquidated in sufficient time to pay the liabilities of the University and arises because of a maturity mismatch between assets and liabilities.
- f. Environmental, social and governance requirement (ESG) risk – the risk an investment may fail to meet certain standards of ESG.
- g. Fund manager risk – the risk external fund managers materially and consistently underperform against the market.
- h. Credit risk – the risk of counterparty failure.
- i. Currency risk – the risk affecting foreign investments due to movement in the exchange rate.

(15) Where an event occurs which is deemed probable to result in a University investment suffering significant loss, the Investment Management Committee has authority under this policy and the [Governance \(Investment Management Committee\) Rule 2020](#) to take immediate action, after urgent consultation with the Investment Committee, to mitigate loss.

## Part G - Asset allocation

### Allowable assets

Cash and cash equivalents	Bank accounts - at call accounts - term deposits
Fixed income securities	Government and government agency securities - bank bills - corporate notes and bonds - tier 1 subordinated debt - derivative credit products - preferred stock - fixed income managed funds
Equities	Australian shares including listed property trusts - share funds - international shares - convertible notes and bonds - convertible preferred shares
Property trusts	Listed property trusts - unlisted property trusts
Realty assets	Land - residential and commercial real estate

(16) The Investment Committee can approve the use of other assets.

### Short term investment portfolio

(17) Strategic asset allocation benchmarks and ranges are as follows:

Asset class	Strategic benchmark %	Ranges %
Current and at call accounts	20	Flexible, conditional on the liquidity requirements of the University.
Term deposits and cash management Accounts	80	50 - 90
Total	100	

(18) All investments in the short-term investment portfolio are to be invested in authorised deposit-taking institutions (ADIs) registered with the Australian Prudential Regulation Authority (APRA) to operate within Australia.

(19) To ensure diversification and to manage risk, a minimum of 50% of the funds available within the short-term investment portfolio is to be invested with banks rated as A1+. The balance may be held in banks rated at A1, with no single A1 institution to have more than 10% of the total short-term investment portfolio. The holdings test is applied at the time of purchase. Equivalent Moody's ratings may be applied.

(20) To maximise earnings, the short-term investment portfolio should not account for more than 40% of the funds

available across the University investment portfolio, except for short durations where redemptions are awaiting reinvestment.

(21) The investment return objective for the short-term investment portfolio is to match or outperform the average return of the RBA Cash Rate over rolling two year periods and after fees paid for investment management. The Investment Committee may determine the benchmark for particular classes of investment or where managed under a fund where this is considered appropriate.

### Medium term investment portfolio

(22) Strategic asset allocation benchmarks and ranges for the University are as follows:

Asset class	Strategic benchmark %	Ranges % or cap
Australian shares, including listed property trusts	10	0 - 15
International listed shares	9	0 - 15
Unlisted property trusts	5	0 - 10
Alternative strategies	6	0 - 10
Australian bonds and fixed income securities	37	20 - 50
International bonds and fixed income securities	11	5 - 20
Cash	22	10 - 45
Total	100	

(23) The overall investment return objective for the medium-term investment portfolio is to match or outperform the average return of 90 day bank bill swap rate (BBSW) + 2.5% over rolling three year periods after deduction of investment fees paid for investment management.

### Long term investment portfolio

(24) Strategic asset allocation benchmarks and ranges for the University are as follows:

Asset class	Strategic benchmark %	Ranges % or cap
Australian shares, including listed property trusts	37	15 - 50
International listed shares	20	5 - 25
Unlisted property trusts	7	0 - 10
Alternative strategies	8	0 - 10
Australian bonds and fixed income securities	16	15 - 50
International bonds and fixed income securities	9	5 - 35
Realty assets	2	0 - 10
Cash	1	0 - 15
Total	100	

(25) The overall investment return objective for the long-term investment portfolio is to match or outperform the average return of CPI plus 5% pa over rolling five year periods after deduction of investment fees paid for investment management.

## Other asset holdings

(26) The University may hold investments that are not held purely for financial gain, but rather may be held for purposes such as involvement in research, development or commercialisation of a new technology, or supporting the business of the University in a non-financial manner. Such investments shall be separately identified as 'other asset holdings' on the register of investments.

## Charles Sturt University Foundation Trust investment portfolio

(27) The strategic asset allocation benchmark and ranges for the Charles Sturt University Foundation Trust (Foundation) is as follows:

Asset class	Strategic benchmark %	Ranges %
Australian shares, including listed property trusts	25	0 - 40
International shares	20	0 - 35
Fixed income securities, incl. cash	15	5 - 50
Unlisted property trusts	25	5 - 35
Infrastructure	5	0 - 15
Alternative strategies	10	0 - 20
Total	100	

(28) The overall investment return objective for the Foundation portfolio is to achieve an overall return of CPI plus 4% pa over rolling five year periods. To reflect the requirements of the Foundation, an annual cash drawdown is also required, and this amount will be determined by the Investment Management Committee in consultation with the investment adviser.

## Specific asset allocation requirements

(29) Each asset class should be diversified amongst fund managers with a bias toward investment grade.

(30) The share portfolio should be diversified with holdings being spread across industry sectors. The Investment Committee may establish sector class allocations to apply and for subsequent review.

(31) International shares will only be acquired through a fund manager or as part of a managed fund.

(32) For fixed income investments, considerations will be given to the rating and duration when making investment decisions.

(33) Unlisted property trusts pertaining to a single property must have an independent property valuation at the time of investment. Unlisted property trusts should be managed by a highly reputable property manager with a long history of success.

(34) Directly held residential property assets are not assets intended for the support of teaching or research activities, although they may temporarily support these functions and other University functions. Such assets must be part of a plan and be capable of being resold. The acquisition and disposal of such assets will require University Council approval and must include an independent valuation.

(35) Consideration should be given to hedging the foreign currency exposures associated with relevant investments. The Investment Committee will seek advice from the investment adviser to determine the appropriateness of using hedged investment funds.

(36) The strategic asset allocation benchmark percentages are designed to be sustainable over time. Performance expectations are to be reviewed as relevant by the Investment Committee. The Investment Committee may determine an alternate benchmark for particular investments where this is considered more appropriate.

## **Part H - Investment performance monitoring**

(37) The Investment Management Committee will monitor investment performance, including the performance of appointed fund managers in relation to the agreement and the objectives of the fund or pool to which it relates. This will include:

- a. assessing the extent to which each pool's investment objectives are being achieved,
- b. monitoring asset allocation exposures against ranges and strategic asset allocation benchmarks, and
- c. comparing performance of the fund managers against the performance of other relevant professional managers and market related indices.

## **Part I - Reporting and oversight**

(38) Periodically, the Investment Committee will be provided with reports from the chair of the Investment Management Committee that contain:

- a. register of investments - including current valuations, acquisitions and redemptions during the reporting period,
- b. asset allocation information - asset values and asset class percentages versus target allocation and ranges,
- c. investment performance - including investment returns versus performance benchmarks,
- d. cash flow projections, and
- e. expected economic outlook summary.

## **Part J - Review of policy**

(39) The Investment Committee will review this policy every second year.

## **Section 4 - Procedures**

(40) Nil.

## **Section 5 - Guidelines**

(41) Refer to [Responsible Investment Guidelines](#).

## Status and Details

<b>Status</b>	Historic
<b>Effective Date</b>	27th August 2021
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<b>Unit Head</b>	Meg McKenchnie Chief Financial Officer
<b>Author</b>	Grant Jones
<b>Enquiries Contact</b>	Division of Finance