

Investment Policy

Section 1 - Purpose

(1) The function of this policy is to provide a framework for the management of Charles Sturt University's investment portfolio. It is intended to ensure the prudent management of funds giving recognition for reasonable risk and investment returns.

(2) The purpose of the Investment Policy is to:

- a. establish a clear understanding of Charles Sturt University's investment goals and objectives;
- b. define and assign responsibilities for investing activities;
- c. establish an investment strategy including asset allocation, investment horizon, risk and return; and
- d. establish a basis for reporting and evaluating investment performance and compliance with this policy.

Scope

(3) Charles Sturt University (the University) has authority granted by the NSW Treasurer and Minister for Education and Training to exercise investment powers under Part 4 of Schedule 4 of the [Public Authorities \(Financial Arrangements\) Act 1987 No 33](#). The investment activities of the University are constrained by any limitations, caveats or restrictions specified by the NSW Treasurer and Minister for Education and Training and any relevant regulation or motion passed by the University Council or authorised committee of the University Council.

(4) This policy is applicable to all funds under the control of the University including its controlled entities and the Charles Sturt University Foundation Trust.

Section 2 - Glossary

(5) Nil.

Section 3 - Policy

Part A - Objectives

(6) There are four interrelated primary objectives that adherence to this policy is expected to optimise:

- a. stewardship and safety of funds - recognising that all investment activities involve varying degrees of volatility, a primary objective of this policy shall be to safeguard the capital funds in the portfolio over the long term;
- b. return on investment - a primary objective shall be to maximise the return on investments within the risk profile of the policy through appropriate blends of asset class allocations;
- c. maintenance of 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. adherence to the [Responsible Investment Guidelines](#) - investment decisions should reflect the character and

values the University upholds for itself.

Part B - Funds

(7) The University will establish four layers or types of funds to meet its short, mid and longer term cash needs and with an aim to maximise the capacity for investment:

- 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 salaries and other expenses. It will comprise bank accounts and funds held that may be available at-call or within 24 hours;
- b. Short Term Investment Portfolio - this is to support working capital and short to medium term cash flow needs over a one to two year horizon. It will comprise investments with a term up to one year;
- c. Medium Term Investment Portfolio - to support possible medium term cash flow needs of two to four years; and
- d. Long Term Investment Portfolio - this is to support the enduring nature of the University, including long term strategic capital requirements. It comprises investments with a term greater than four years.

(8) The Investment Committee will be provided with an estimate of expected cash flow taking into account grants, investment redemptions, operational and capital expenditure requirements. This will guide the Committee as funds available for investment and the fund to which it might apply.

Part C - Taxation

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

Part D - Roles and responsibilities

(10) Several layers of governance apply and the assignment of responsibility for investment matters in the University are:

- a. University Council
 - i. The Council is responsible under Schedule 2 of the [Charles Sturt University Act 1989 No 76](#) for authorising the investment of University funds. This authority of Council may be delegated in accordance with the Register of Delegations.
- b. Investment Committee
 - i. The Investment Committee is established to exercise the investment functions of Council. It's Terms of Reference and Membership is set out in the [Charles Sturt University Governance \(Investment Committee\) Rule 2010](#).
 - ii. Broadly, the Investment Committee is responsible to the University Council for approving investment policy, the appointment of Fund Managers and advisers as well as the general oversight of investment performance and risk.
 - iii. The Investment Committee may also provide advice to the Investment Management Committee to assist its functioning and the achievement of the investment strategy.
- c. Investment Management Committee
 - i. The functions of the Investment Management Committee are set out in the [Governance \(Investment Management Committee\) Rule 2007](#). In general, the Investment Management Committee (IMC) is responsible for:
 - the formulation and execution of this policy;
 - determination of cash flow requirements and the funds available for investment purposes;

- evaluating and recommending investment Fund Managers and advisers;
- executing investment decisions within delegations and consistent with the provisions of this policy and advice provided by the Investment Committee; and
- measuring and reporting investment performance.

d. Investment Adviser

- i. An Investment Adviser is a contract appointment to provide advice and make investment recommendations on behalf of the University for the assets placed under their control and responsibility as specified in an agreement and in accordance with this Policy.
- ii. The Investment Adviser may utilise a range of options and products in managing the University's investment. Where this is the case, the Investment Committee shall consider the risks and controls in place.
- iii. Subject to agreement, the Investment Adviser responsibilities may include the following:
 - a requirement to abide by standards of ethics, professional conduct and the best interest of the University;
 - portfolio modelling, custody and reporting on investment performance for the responsible portfolios, including valuations on a monthly basis;
 - provision of research, and communication of major or foreseeable changes to the economic outlook, investment strategy, or any other factors that may affect investments, or investment objectives;
 - 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;
 - communication of significant qualitative changes in the investment adviser's organisation that may impact on the provision of advice. i.e. changes in personnel and ownership structure.
 - coordination of reports as required for University statutory and management reporting, including the supply of GS 007 compliant reporting.

e. Investment Fund Manager(s)

- i. An Investment Fund Manager is a contract appointment to provide advice, and act with discretion, to make investment decisions on behalf of the University for the assets placed under their control and responsibility as specified in an agreement and in accordance with this policy. Investments may be managed by professional fund manager(s) either within individually managed accounts under written agreements and with custody held on behalf of the pools through a professional custodian, or within a managed fund.
- ii. Fund managers may utilise a range of vehicles in managing the University's investment. Where this is the case, the Investment Committee shall consider the risks and controls in place.
- iii. Subject to agreement, Investment Fund Manager responsibilities may include the following:
 - a requirement to abide by standards of ethics, professional conduct and the best interest of the University;
 - 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;
 - inform the University regarding any qualitative change in the investment management organisation, i.e. changes in portfolio management personnel, ownership structure, investment philosophy, etc; and
 - provision of reports as required for University statutory and management reporting, including the

supply of GS 007 compliant reporting.

(11) The Investment Management Committee will be responsible for investing cash holdings and short term funds.

(12) The Investment Committee shall determine the allocation and mix of investments between Fund Manager(s) and the Investment Management Committee taking into consideration the objectives of this policy, relative capabilities, cost, cash flow requirements, security and ease of administration of investment by the University.

Part E - General investment principles and ethical standards

(13) In addition to good governance, there is a need to operate with prudence and in accordance with ethical standards. Decisions regarding investments shall be made with judgement exhibiting competence, diligence and integrity. The following standards apply to committee members and fund managers.

- a. Investments shall be made solely in the best interests of the University taking into account the objectives contained in this policy.
- b. Investment analysis and decisions should be made with independent professional judgement and reflect the values, ethics and integrity of the University.
- c. Investments and fund manager appointments to be diversified to achieve objectives and to minimise risk.
- d. Committee members to declare conflicts of interest including the disclosure to the University of material financial interests in institutions or activities that could be related to the performance of the University's investment program. A material financial interest will be deemed to exist by a committee member or regular committee attendee where an amount of \$100,000 or more is invested with any fund manager or adviser used by the University.

Part F - Volatility and risk

(14) The University will seek to maximise returns whilst limiting the exposure of the risk to an acceptable level. It is recognised that in order to achieve the investment objectives, it is understood that investment returns may experience volatility and fluctuations in market value.

(15) Investment risks shall be considered in determining asset allocation and diversification as well as individual investment decisions. Risks considered shall include:

- a. Market risk - is 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. Interest rate risk - 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.
- c. Liquidity risk - is 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.
- d. Credit risk - is the risk of counterparty failure.
- e. Currency risk - is the risk affecting foreign investments due to movement in the exchange rate.

(16) Where an event occurs which is deemed probable to result in a University investment suffering significant loss, the Investment Management Committee has delegation under the [Governance \(Investment Management Committee\) Rule 2007 No. 6](#) to take immediate action 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
Internal Loans to the University	
Realty Assets	Land - Residential and commercial real estate

(17) These may be varied with the approval of the Investment Committee.

Short term investment portfolio

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

Asset Class	Strategic Benchmark %	Ranges %
Current and At Call Accounts	20	10 - 30
Term Deposits and Cash Management Accounts	80	50 - 90
Total	100	

(19) All investments in the Short Term Investment Portfolio are to be invested in Australian deposit-taking institutions (ADI's) registered with the Australian Prudential Regulation Authority (APRA) to operate within Australia.

(20) To ensure diversification and to manage risk, a minimum of 50% of the funds available within the portfolio is to be invested with banks rated as A1+. For those funds in banks rated at less than A1+, no single institution is to have greater than 25% of the residual funds available.

(21) To maximise earnings, the Short Term Investment Portfolio should not have greater than 30% of the funds available across the University investment portfolio, excepting for short duration redemption and awaiting reinvestment.

(22) The investment return objective for the short term investment portfolio is to match or outperform the average return of the Australian Bank Bill Index 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

(23) Strategic asset allocation benchmarks and ranges for the University is as follows:

Asset Class	Strategic Benchmark %	Ranges % or Cap
Australian Listed Shares	10	0 - 15
International Listed Shares	9	0 - 15
Australian Property	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	

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

Long term investment portfolio

(25) Strategic asset allocation benchmarks and ranges for the University is as follows:

Asset Class	Strategic Benchmark %	Ranges % or Cap
Australian Listed Shares	35	15 - 50
International Listed Shares	20	5 - 25
Australian Property	7	0 - 10
Alternative Strategies	8	0 - 10
Australian Bonds and Fixed Income Securities	16	15 - 50
International Bonds and Fixed Income Securities	9	10 - 40
Internal University Loans	2	Capped to \$5M
Realty Assets	2	0 - 10
Cash	1	0 - 15
Total	100	

(26) 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 twelve year periods after deduction of investment fees paid for investment management.

Charles Sturt University Foundation Trust investment portfolio

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

Asset Class	Strategic Benchmark %	Ranges %
Australian Shares, incl. Listed Property Trusts	50	30 - 80
International Shares	10	0 - 25
Fixed Income Securities, incl. Cash	7	5 - 50
Unlisted Property Trusts	15	5 - 25
Infrastructure	9	0 - 15
Alternative Strategies	9	0 - 15
Total	100	

(28) The overall investment return objective for the Foundation portfolio is to achieve an overall disburseable return of CPI plus 4% to reflect the requirements of the Foundation.

(29) The Foundation portfolio will hold up to 10% of holdings to be exclusively for the purpose of capital appreciation.

Specific asset allocation requirements

(30) Each asset class should be diversified amongst Fund Managers with a bias toward investment grade.

(31) 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.

(32) International shares will only be acquired through a Fund Manager or as part of a managed fund. Consideration should be given to hedging the foreign currency exposures associated with international equities. The Investment Committee will seek advice from the Investment Adviser to determine the appropriateness of using hedged investment funds.

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

(34) 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.

(35) Internal loans to the University need to justify a number of principles including:

- a. the loan should be at the average long term benchmark return rate;
- b. that it may contribute Responsible Investment outcomes;
- c. that the purpose for which it is applied can be justified on sound business principles;
- d. that the loan term not exceed a period of seven years; and
- e. that it is in keeping with other broader strategic goals of the University.

(36) Directly held residential property assets are not assets intended for the support of teaching or research activities, although it 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.

(37) The strategic asset allocation benchmark percentages and performance expectations are to be reviewed each year 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

(38) The principal goals of investment performance monitoring are to:

- a. assess the extent to which each pool's investment objectives are being achieved;
- b. monitor asset allocation exposures against ranges and strategic asset allocation benchmarks; and
- c. compare performance of the appointed managers against the performance of other relevant professional managers and market related indices.

(39) 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. Fund

Manager performance will be monitored at least six monthly.

Part I - Reporting and oversight

(40) The Investment Committee will be provided with reports that contains the following detail:

- 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 - investment returns versus performance benchmarks.
- d. Cash flow projections.
- e. Expected economic outlook summary.

Part J - Review of policy

(41) To assure the continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this policy, the Investment Committee will review this policy in full each second year.

Section 4 - Procedures

(42) Nil.

Section 5 - Guidelines

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

Status and Details

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Effective Date	15th June 2020
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