



THE UNIVERSITY
of ADELAIDE

Endowment supports physics research

When Peggy Barker came to Australia as a Colombo Plan scholar in 1963 she gained an education in science and married fellow science graduate Tony Barker. With distinguished careers in science, mathematics and agriculture, both Peggy and Tony were active members of local and international communities.

After Tony's untimely death in 2006, Peggy decided to establish the Barker Tong Scholarship in Physics by making an endowment gift to the University to support the Scholarship in perpetuity. The scholarship supports postgraduate students studying a PhD in physics with a preference for theoretical physics.

"Both Tony and I won scholarships which helped us with our studies. I wanted to give back to the University and provide financial assistance to make it easier for a postgraduate student to focus on their research in physics," says Peggy.

Peggy says that she has been made to feel very involved in her philanthropic cause and urges others to see the value in supporting an institution that has played a significant part in shaping their careers and lives.

"The thought that my small act of philanthropy could one day possibly contribute to another Nobel Laureate from the University is rather exciting."



"Receiving the Barker Tong Scholarship has allowed me to be involved in research activities that would otherwise be much more difficult to take part in as a student. In the first year of my PhD candidature this has already proven invaluable.

I am so grateful for this fantastic opportunity and will continue to benefit in the years ahead."

Dylan Harries
Scholarship recipient

Further enquiries

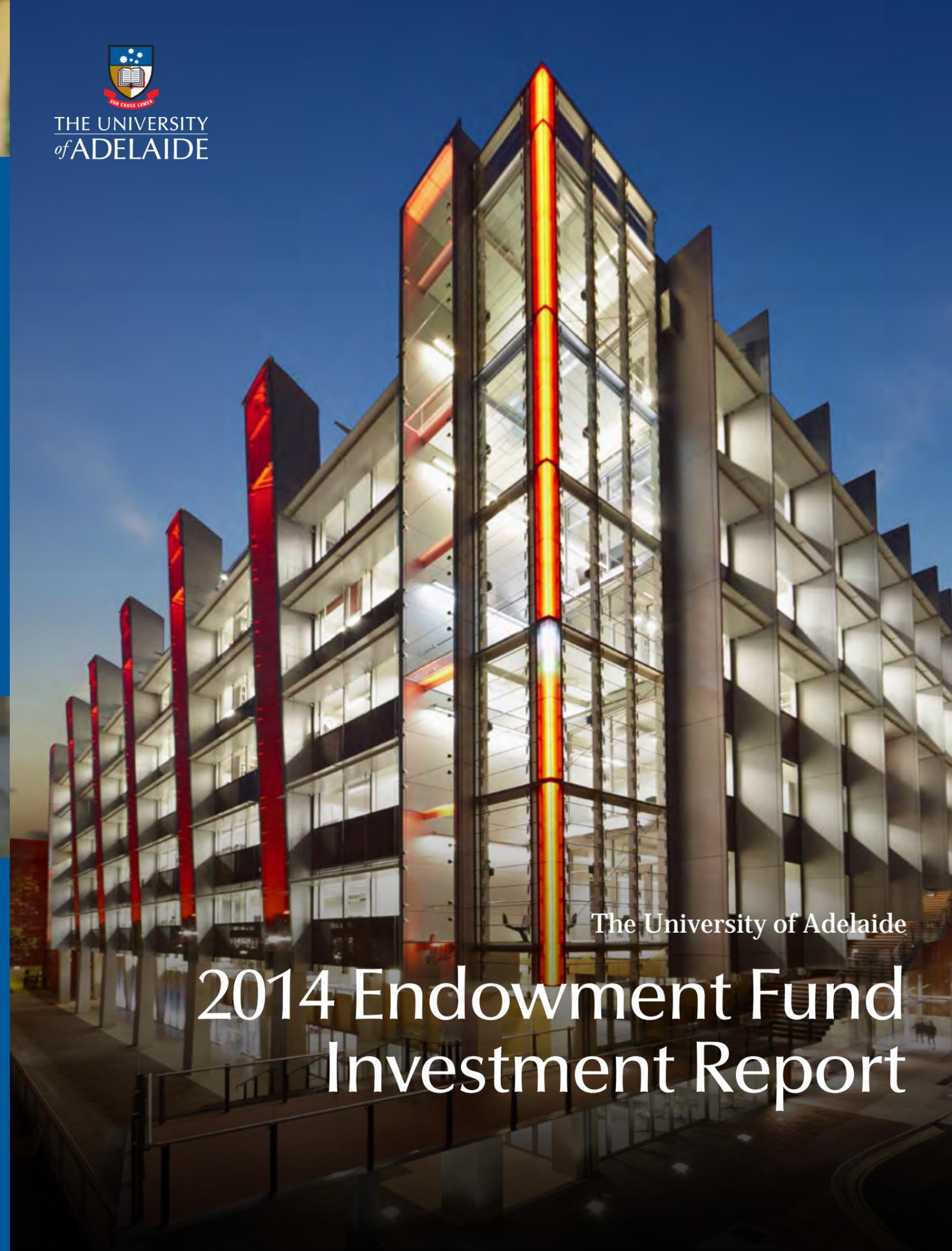
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Front page photo: *Inglami Wardli* building – Kaurna for 'place of learning or enquiry' (Faculty of Engineering, Computer and Mathematical Sciences).

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The University of Adelaide

2014 Endowment Fund Investment Report

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seekLIGHT

2014 Endowment Fund Investment Report

The University of Adelaide was established in 1874 with distinctive features: a student body of democratic breadth, a staff of international distinction, a spirit of freedom to investigate new fields, a sense of importance to the community and a goal to prepare educated leaders.

Since its establishment the University of Adelaide has been amongst Australia's leading universities contributing to the wealth and wellbeing of South Australia and Australia as a whole across many fields of endeavour.

Through the generosity of its benefactors and alumni, the University has established an Endowment Fund (the Fund) which provides income for a wide range of University purposes including the funding of research projects, prizes to students and scholarships.

In 2012, the University developed its strategic plan for the next decade. The Beacon of Enlightenment outlines the University's goals and intentions in a rapidly changing environment. The University draws strength from its founding values to fulfil future research and teaching aspirations. It faces resourcing challenges with imagination and the University aspires to win major support from alumni and philanthropic supporters in delivering its vision.

To assist with reaching the University's goals and intentions, the key financial objective established for the Fund is designed to provide long-term capital growth as well as a stable annual income stream in perpetuity.

This report provides an overview of how the Fund is managed and a summary of its performance.



Investment Committee (L-R) Mr Richard Smith, Mr Con Michalakakis, Mr Ken Williams, Professor Warren Bebbington, Mr David Hill, Mr Tony Mitchell.

Fund governance and management

In 2014, following a review of the objectives, management and governance structure of the University's endowment investments an Investment Committee was formed. The Committee has been appointed by the Vice-Chancellor and President to oversee all investment related activities for the Fund and to make recommendations to the Vice-Chancellor and President regarding changes to the Fund's investments.

The Investment Committee members as at 31 December 2014 were:

- > Mr David Hill
Chief Operating Officer, Deloitte
- > Mr Con Michalakakis
Head of Investments, Statewide Super
- > Mr Richard Smith
Chief Executive Officer, Funds SA
- > Mr Ken Williams
Non-Executive Director
- > Mr Tony Mitchell
Chief Financial Officer, University of Adelaide (Chair)

Performance reports are provided monthly by fund managers and reports are provided to each meeting of the Finance Committee – a Standing Committee of the University's Council – to ensure timely monitoring.

Independent asset allocation consultants Towers Watson have also been engaged to provide ongoing asset allocation and governance advice.

Environmental and social governance

The University has a strong commitment to, and investment in, environmental issues through its Environment Institute and other dedicated education and research initiatives including the highly successful campus-based Ecoversity program.

We also host the Institute for Mineral and Energy Resources which is leading research in the mining and energy sectors and addresses scientific, technological, environmental and social challenges in those fields. In our investments – as in our research and education – we do not believe that one is necessarily inconsistent with the other.

Investment in the Fund is through a combination of managed funds and direct investment in Australian listed equity investments. Currently we have no plans for divestment but this is reviewed regularly and thoroughly with the assistance of our professional fund managers and asset allocation consultant.

Fund objectives and strategy

The Fund has an objective of paying regular disbursements with a long term real return target of 5% p.a. plus CPI (after fund manager fees).

A growth biased investment strategy has been adopted with approximately 80% growth assets and 20% defensive assets. This strategy is consistent with the Fund's

objective of providing both long-term capital growth and a current income stream through exposure to a diversified investment portfolio.

Actual returns over time will vary depending upon movements in the Australian and international share markets as well as changes in property, bond and cash returns. It is possible at times that returns may be lower than the quoted expected rate range, or for returns to be negative. Due to the long term nature of the investment any negative returns are generally off-set by gains over time.

The funds are professionally managed with the current investment managers being Mercer Investments (Mercer) and Macquarie Private Portfolio Management (Macquarie), both highly regarded fund managers.

Mercer is a multi-manager investor that adds value through selecting the best fund managers for individual investment sectors. Macquarie is an active risk-controlled investment manager that makes direct investments on behalf of the University in Australian equities and fixed interest investments.

The differing strengths of each investment strategy have also provided the Fund with reduced financial risk through diversification of investments.

Capital growth and distributions

Distributions of up to 5% are calculated as at 31 December of each year. This distribution may be taken as income to fund research projects, prizes and scholarships or re-invested back into the Fund. The income distribution at 5% was advised by the fund managers as being the maximum amount that could be provided as income without the risk of eroding the capital base over the longer term.

Actual investment earnings for the year (after deducting fund manager fees and any interest distribution) are reflected in the capital value of the investment as capital growth. For example, if the annual return of the Fund is 12%, up to 5% will be distributed as income and the remaining balance of the year's earning will be reflected as capital growth. If the annual return is 2%, up to 5% will continue to be distributed as income and the value of the underlying investments will be reduced. As set out above, the income distribution may be re-invested back into the Fund if not required immediately.

Investment and management

Fees are payable to the fund managers as a percentage of funds under management. Both managers also have entry and exit spreads. The fee structure is at a significant discount to what would ordinarily be charged for smaller investments. The weighted average fee paid to the fund managers is 0.7% p.a. of capital funds invested. The University does not levy any additional fees to those charged by the fund managers.

Fund highlights

As at 31 December 2014, the Fund consisted of 475 individual projects totalling \$238.9 million. These monies are pooled together to form the Fund.

In 2014, the Fund generated growth of \$19.6 million (+9.79%) and distributed \$7.8 million to 178 individual research, prize and scholarship projects throughout the University.

The Fund performance for the past five years is outlined in the table below.

Long-term fund performance results

Year	2009	2010	2011	2012	2013	2014
Performance (after fees) % p.a.	22.64	3.6	-5.39	16.55	22.16	9.79

Over the previous five and ten years the Fund has returned an average of 8.03% p.a. and 9.34% respectively.

Our current fund managers were appointed in March 2009 and since that time they have provided investment returns of 14.4% (Mercer) and 11.4% (Macquarie) post-tax (including franking credits). This compares to the Fund annual investment return target of 7.5% since the appointment of the fund managers.

2014 Asset allocation (\$ million)

