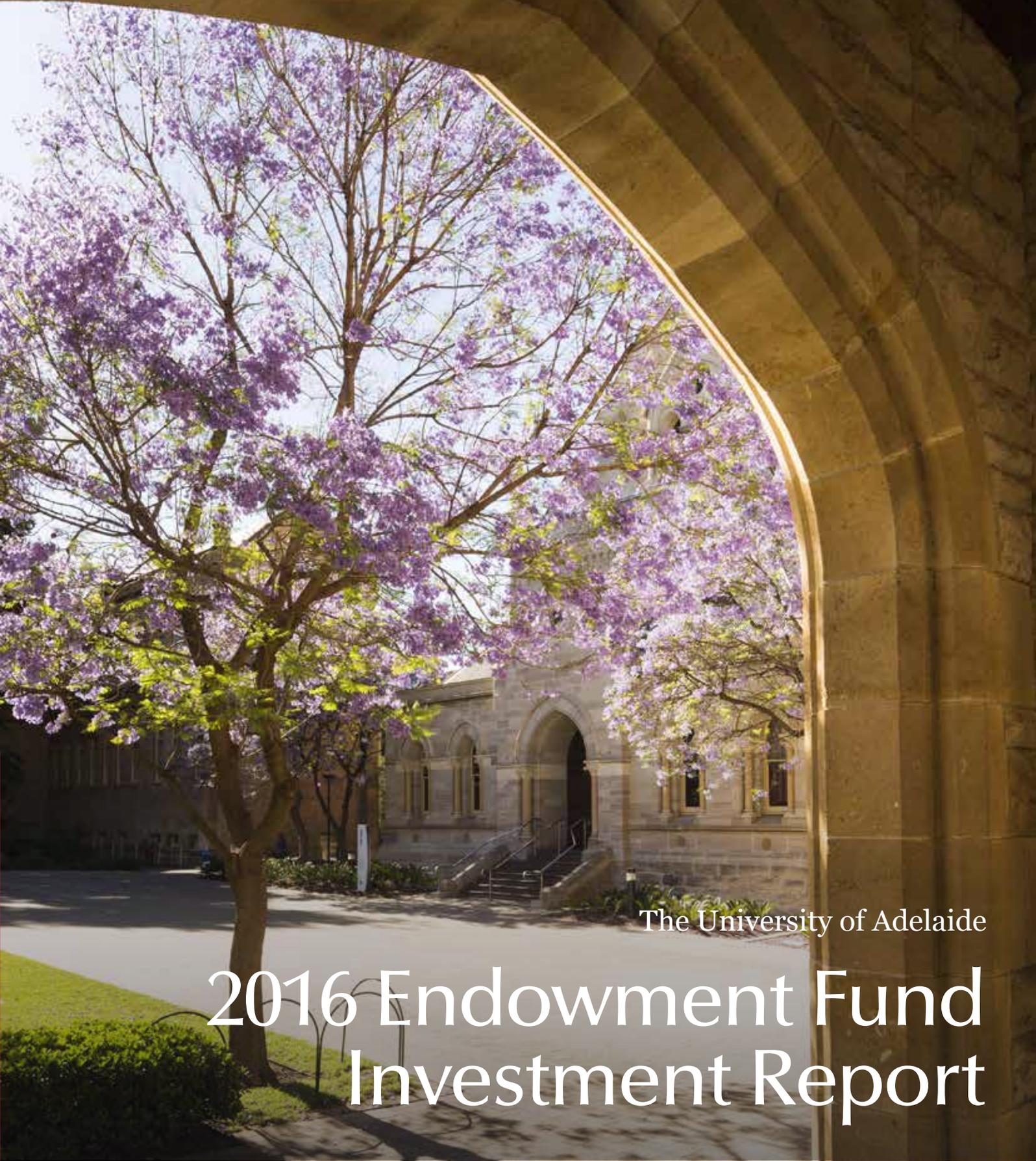




THE UNIVERSITY  
of ADELAIDE



The University of Adelaide

# 2016 Endowment Fund Investment Report

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In 1872, Sir Walter Watson Hughes set a great legacy in motion by gifting a staggering £20,000 to an Adelaide College. His gift so exceeded the college's expectations that its Council decided to found the University of Adelaide.

Today the University is nearing its 150th anniversary, and through the ongoing generosity of our alumni and benefactors, the University's Endowment Fund has accumulated capital and earnings of \$265.7 million.

Endowment Funds are in many ways the lifeblood of universities. Secured in perpetuity, and built on many great legacies, the University of Adelaide's Endowment funds a range of programs; including generous scholarships for students of great potential, the maintenance of our heritage buildings and the establishment of academic Fellowships. This helps to ensure our best and brightest people continue their quest for new knowledge, right here, at the University of Adelaide.

Sir Walter Watson Hughes' benevolence set in motion a University which has had an impact on the lives of over 120,000 graduates, including 102 Rhodes Scholars and five Nobel Laureates. The philanthropic gifts which are today managed within the University's Endowment Fund are supporting vital programs for the University community.

This report provides an overview of how the University of Adelaide's Endowment Fund is managed and a summary of its performance as at 31 December 2016.

## Fund governance and management

The University's Endowment Fund has an established Investment Advisory Committee, with members appointed by the Vice-Chancellor and President to oversee all investment related activities and to make recommendations regarding the Fund's investment profile.

The Investment Committee members as at 31 December 2016 were:

- > **Mr Peter Siebels**  
Non-Executive Director;
- > **Mr Con Michalakis**  
Head of Investments, Statewide Super;
- > **Mr Richard Smith**  
former Chief Executive Officer,  
Funds SA (retired);
- > **Mr Ken Williams**  
Non-Executive Director; and
- > **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 Willis Towers Watson have also been engaged to provide ongoing asset allocation and governance advice.

## Environmental and social governance (ESG)

The University has a strong commitment to, and investment in, environmental and social issues through our learning, teaching and research profile and in particular through the work of our Environment Institute. We also run a range of dedicated campus based initiatives such as the highly successful Ecoversity program.

Investment in the Endowment Fund is managed by professional fund managers, and the University is presently reviewing its ESG policy which includes consideration of the views of the University community.

## Fund objectives and strategy

The Fund has an objective of paying regular disbursements with a long term real return target of five per cent per annum plus Consumer Price Index (CPI), after fund manager fees.

A growth biased investment strategy has been adopted with approximately 80 per cent growth assets and 20 per cent 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.

We expect 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.

During 2016, the University finalised the implementation of changes made to the Fund's strategic asset allocation and fund managers following recommendations made by the Investment Advisory Committee, in consultation with Willis Towers Watson. Our current investment managers are Funds SA, Fulcrum Asset Management, GMO and AQR Capital Management, all highly regarded fund managers. The differing strengths of each investment strategy and fund manager provides the Endowment Fund with reduced financial risk through diversification of investments.

## Capital growth and distributions

Distributions of up to five per cent are calculated as at 31 December of each year. This distribution may be taken as income to fund:

- > research projects
- > prizes
- > scholarships

or be re-invested back into the Fund depending on the Endowment Fund Rules.

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 per cent, up to five per cent 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 two per cent, up to five per cent may continue to be distributed as income and the value of the underlying investments will be reduced. The income distribution may be re-invested back into the Endowment Fund if not required immediately.

## Investment and management costs

Fees are payable to the fund managers as a percentage of funds under management. The weighted average fee paid to the Fund's managers is 0.67 per cent per annum 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 2016, the Fund consisted of 502 individual projects totalling \$265.7 million. These monies are pooled together to form the Fund.

In 2016, the Fund generated growth of \$18.5 million and distributed \$7.7 million to 255 individual research, prize and scholarship projects throughout the University.

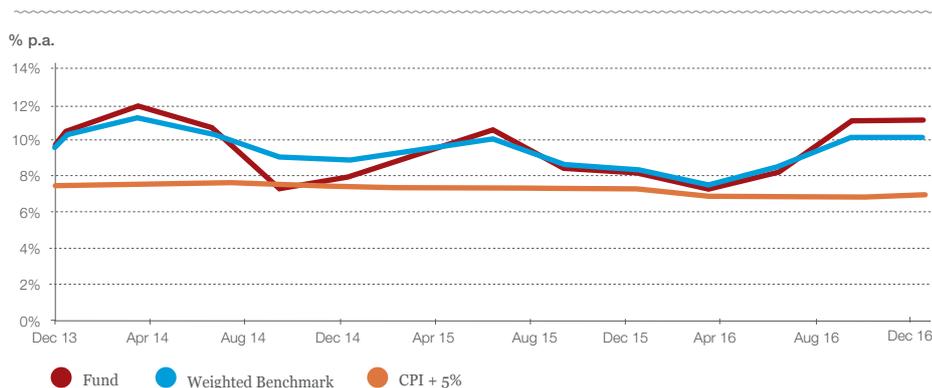
For the period ended 31 December 2016 the Fund returned 7.1 per cent (after fees).

The historical Fund performance is outlined in the table below.

	3 years %	5 years %	7 years %	10 years %
Performance (after fees)	6.7	11.2	7.3	4.5

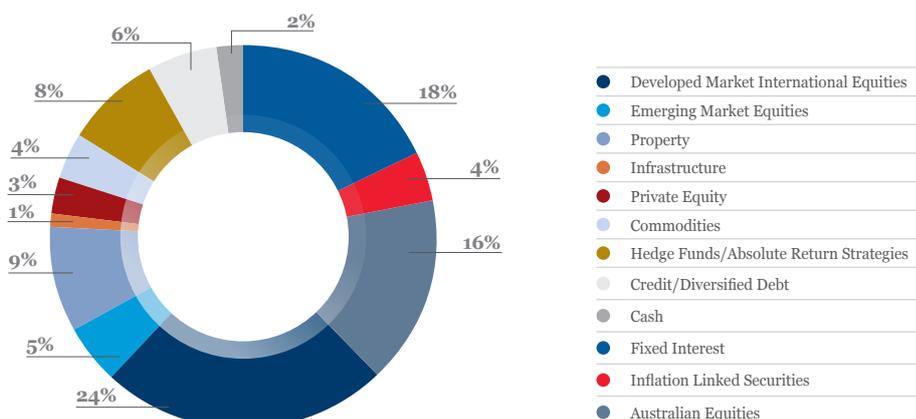


The rolling return (annualised) of the Fund over five years is shown in the following chart:



## 2016 Target asset allocation

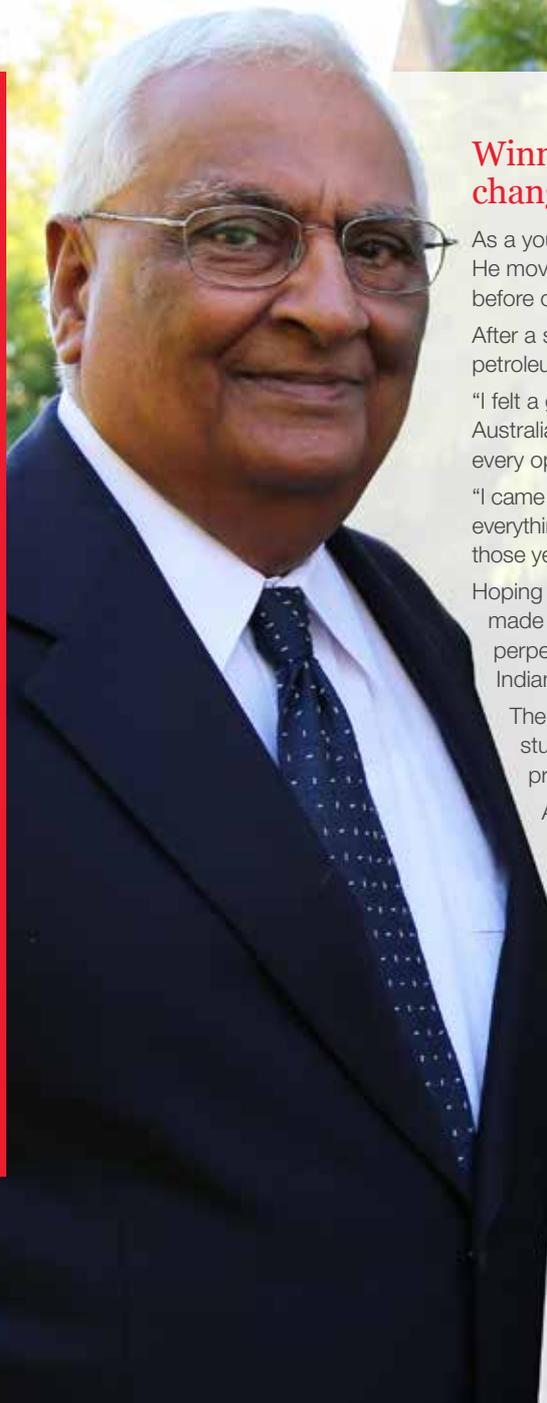
The following chart demonstrates the target strategic asset allocation of the Fund. The portfolio structure provides the Fund with greater diversification and less reliance upon the Australian Equities market with the aim of reducing volatility of investment returns.





**“It is incredibly humbling to have received this scholarship and I am completely in awe of the Khurana family for their generosity. It has been inspiring to be recognised for my hard work. With the gift of this scholarship I have been able to pursue incredible creative opportunities. The Khuranas have inspired me, supported me, encouraged me, motivated me to be the best I can be and as I go forward with my burgeoning career I will be forever thankful and deeply, deeply humbled at the beautiful philanthropy of the Khurana family.”**

**Kelsey Robinson**  
Scholarship recipient



## **Winning a scholarship was a life-changing experience for Ashok Khurana.**

As a young man in India he received funding to study overseas. He moved to the United Kingdom for post graduate studies before coming to Australia to work.

After a successful career as an engineer and academic in the petroleum industry, Ashok decided it was time to give back.

“I felt a great debt to the Indian education system and to Australia for welcoming me as an immigrant and giving me every opportunity in life,” says Ashok.

“I came here with a debt of \$300 and Australia has given me everything – without a sound education which started in India all those years ago, none of it would have been possible.”

Hoping to provide similar opportunities to others, Ashok has made a significant gift to the University of Adelaide to fund in perpetuity the Ashok Khurana Scholarship for Outstanding Indian Students.

The scholarship provides \$25,000 for Indian postgraduate students, funding their airfares, living expenses and providing a 50 per cent discount on their tuition fees.

Ashok also supports the Kamala Khurana Music Scholarship which was established in memory of his mother. The scholarship provides financial assistance for students studying classical music and provides opportunities for them to attend master classes and performances worldwide.

“It is time to give back and help pave the way for students who may not otherwise have an opportunity to advance their career without a scholarship.”

**“ My gift is being managed within the University’s Endowment Fund. The corpus of my gift will be maintained in the Endowment in perpetuity; ensuring the Khurana scholarships will have a life well-beyond mine. They will be enjoyed by many generations to come. ”**

## Further enquiries

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