



THE UNIVERSITY  
of ADELAIDE



2017 Endowment Fund

# INVESTMENT REPORT

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# 2017 ENDOWMENT FUND INVESTMENT REPORT



Through the ongoing generosity of alumni and friends, the University of Adelaide's Endowment Fund has now accumulated capital and earnings of \$293.3 million. It began in 1872 with a bequest for £20,000 from Sir Walter Watson Hughes to support higher education in South Australia, leading directly to the University's foundation in 1874 and its subsequent growth and development to where it stands today.

Secured in perpetuity, the Endowment Fund underwrites core activities and programs, including scholarships, maintenance of heritage buildings and academic fellowships. Since its first foundation gift, the University has produced more than 140,000 graduates, including 103 Rhodes Scholars and five Nobel Laureates.

In the future, the endowment will continue to be critical to delivering the necessary income to achieve strategic goals in a competitive environment.

This report provides an overview of the governance and management of the endowment; and how it has performed in the year ending 31 December 2017.

## Fund governance and management

The Vice-Chancellor and President appoints members of the Investment Advisory Committee, which oversees all investment related activities and makes recommendations regarding the Fund's investment profile.

2017 Investment Advisory Committee members were:

- Mr Peter Siebels  
Non-Executive Director
- Mr Con Michalakos  
Head of Investments, Statewide Super
- Mr Richard Smith  
former Chief Executive Officer,  
Funds SA (retired)
- Mr Ken Williams  
Non-Executive Director  
(resigned 3 November 2017)
- Ms Jay Yang  
Investment Consultant
- Dr Jean Canil  
Senior Lecturer, Finance,  
University of Adelaide
- Mr Tony Mitchell  
Chief Financial Officer, University  
of Adelaide (Chair).

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

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

## Environmental and social governance (ESG)

The University is committed to actively progressing environmental, social and governance objectives, through its significant research and education agenda and within its direct operating activities.

To guide investment decisions, a set of investment principles was developed and approved by University Council. A program of engagement with fund managers has been established, which includes consideration of ESG criteria when making investment decisions.

## Fund objectives and strategy

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

A growth biased investment strategy was 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.

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.

A handwritten signature in black ink, appearing to read 'Tony Mitchell'.

Tony Mitchell  
Chief Financial Officer  
Chair, Investment Advisory Committee

Following recommendations made by the Investment Advisory Committee, in consultation with Willis Towers Watson, our current investment managers remain unchanged and include: Funds SA, Fulcrum Asset Management, GMO and AQR Capital Management. All are 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 each year. This distribution may be taken as income to fund research projects, prizes, scholarships or be re-invested back into the fund depending upon 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%, 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 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 managers is 0.72% per annum of capital funds invested. The University does not levy any additional fees to those charged by the fund managers.

### Fund highlight

As at 31 December 2017, the fund consisted of 507 individual projects totalling \$293.3 million. These monies are pooled together to form the fund.

In 2017, the fund generated growth of \$30.8 million and distributed \$10.5 million to 299 individual research, prize and scholarship projects throughout the University.

For the period ended 31 December 2017 the fund returned 11.5% (after fees).

Fund consisted of

**507**

individual projects  
totalling

**\$293.3  
million**

**\$10.4  
million**

distributed to

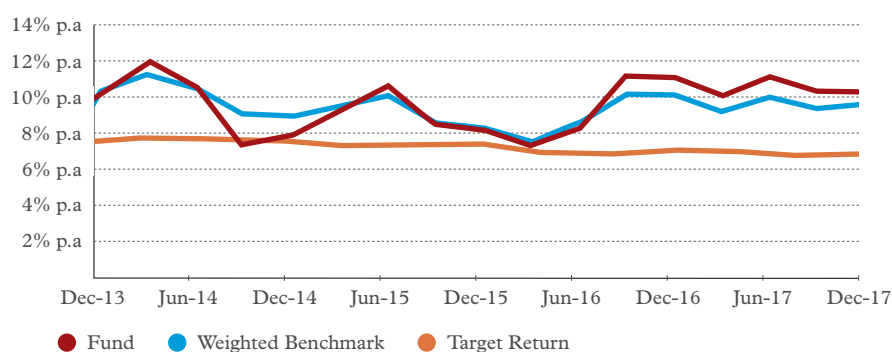
**299**

individual projects

### Historical fund performance

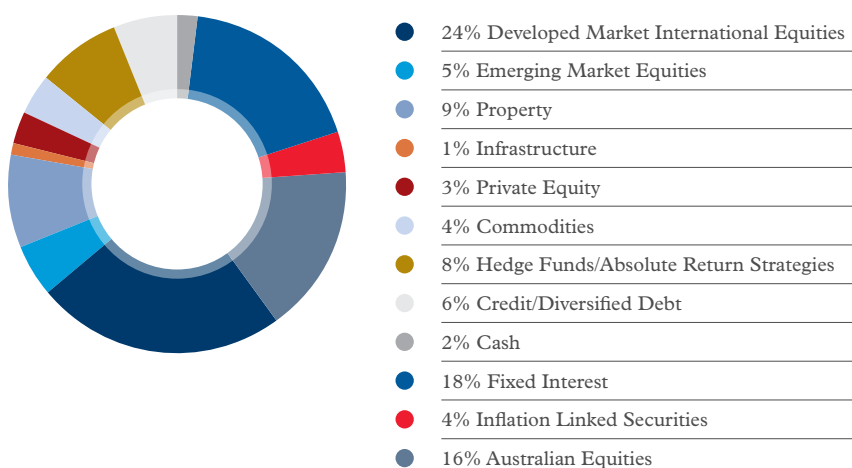
3 Years	5 Years	7 Years	10 Years
7.6% p.a.	10.3% p.a.	8.5% p.a.	5.1% p.a.

### Rolling return (annualised) of the fund over five years



### 2017 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.



# DR RICHARD OERTEL SCHOLARSHIP

To commemorate her late husband's services to the University and interest in the environment, Bronwyn Ellis approached the University of Adelaide in 2016 to establish an endowed scholarship in his memory – the Dr Richard Oertel Scholarship.

Dr Oertel graduated in Science from the University of Adelaide in 1970, followed by First Class Honours in Mathematics and a PhD in Applied Mathematics. He also completed a Graduate Diploma in Computing Science. He had a passion for mathematics and science, and a love for learning that furthered his desire to contribute to this field. This scholarship will enable this to continue in perpetuity.

Bronwyn, also a graduate of the University, wholeheartedly supports these aims.

Bronwyn says, "I wanted the scholarship to continue indefinitely, beyond my lifetime, and to keep Richard's name alive."

The scholarship provides support for commencing undergraduates in the sciences at the University of Adelaide. For a student in financial need, it assists with fees and living costs, for up to three years. By having the gift managed within the University's Endowment Fund, Bronwyn has assurance that this ongoing support is guaranteed.

In 2017, the first scholarship was awarded to Eilish Thomas. Eilish moved from the country to the city to study, which meant enormous change and expense. Growing up in the country, Eilish was always interested in plants, animals and the natural world. This scholarship is allowing her to fulfil her dreams.



“

This scholarship means so much to me. I am honoured to be a recipient. It has, and will continue to help me reach my university goals. It has been a real inspiration to me. I honestly believe scholarships are a model of selflessness and can encourage all recipients to do well. This scholarship has allowed me to focus on my studies and not stress about my finances. Growing up on a farm in the country, money was always pretty tight. I now have the finances to buy books and stationery freely to help my university experience. The scholarship has also enabled me to visit home more often. Thank you so much – this is an amazing gift.”

*Eilish Thomas, second year student,  
Bachelor of Science – Wildlife Conservation Biology*

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## FOR FURTHER ENQUIRIES

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