



THE UNIVERSITY
of ADELAIDE

2020 ENDOWMENT FUND INVESTMENT REPORT

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 2020.

Fund governance and management

The University's Endowment Fund has an established Investment Advisory Committee (IAC), 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 Committee members during 2020 were:

- Mr Peter Siebels – Non-Executive Director;
- Mr Con Michalakis – Chief Investment Officer, Statewide Super;
- Mr Richard Smith – former Chief Executive Officer, Funds SA (retired);
- Ms Aisling Freiheit – Investment Director, Wellington Management Australia;
- Ms Jay Yang – Investment Consultant;
- Dr Jean Canil - Senior Lecturer, Finance, University of Adelaide; and
- Mr Tony Mitchell – Chief Financial Officer, University of Adelaide (Chair)

In early 2021, Peter Siebels retired from the Committee and Ken Williams has been appointed.

Performance reports are provided monthly by fund managers and a summary performance report is provided quarterly to each meeting of the University Finance and Infrastructure Committee – a Standing Committee of the University's Council - to ensure timely monitoring.

Independent investment consultants Willis Towers Watson have been engaged to provide ongoing asset allocation, manager selection 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 has been 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.

The IAC provides an annual report to Council summarising activity undertaken during the preceding 12 months, to continually progress adoption of the ESG Investment Principles.

Fund objectives and strategy

The Fund has an objective of paying regular disbursements, with a long term real return target of 4% per annum (i.e. a target return of 4% above consumer price inflation), after fund manager fees.

A growth biased investment strategy has been adopted, with approximately 80% invested in growth assets and 20% in 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 will vary from year to year in line with changes in broader financial markets.

It is possible at times that returns may be lower than the target, or for returns

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to be negative. However due to the long term nature of the Funds investment, any negative returns are expected to be more than offset by gains over time.

Following recommendations made by the IAC in consultation with Willis Towers Watson, the portfolio was adjusted in 2020, in that the Fund invested in Fulcrum's Risk Premia Fund (RPF), as a replacement for the funds previously allocated to the GMO Real Return Fund. Fulcrum RPF invests in a number of alternative risk premia and trading strategies, all of which are expected to have a low correlation to equities and bonds, hence providing the Fund's portfolio with greater diversification. The current investment managers are now Funds SA, Fulcrum Asset Management 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 investment.

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,
- 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 income 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% 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 fees

Fees are payable to the fund managers as a percentage of funds under management. The weighted average fee paid to the fund managers is 0.75% 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 2020, the Fund consisted of 551 individual projects totalling \$344.5 million. These monies are pooled together to form the Fund.

In 2020, the Fund generated growth of \$30.6 million, consisting of \$7.7 million from 21 new donations, \$9.8 million deposits to existing funds and revaluation of \$13.2 million. From that it distributed \$11.9 million to 387 individual research, prize and scholarship projects throughout the University.

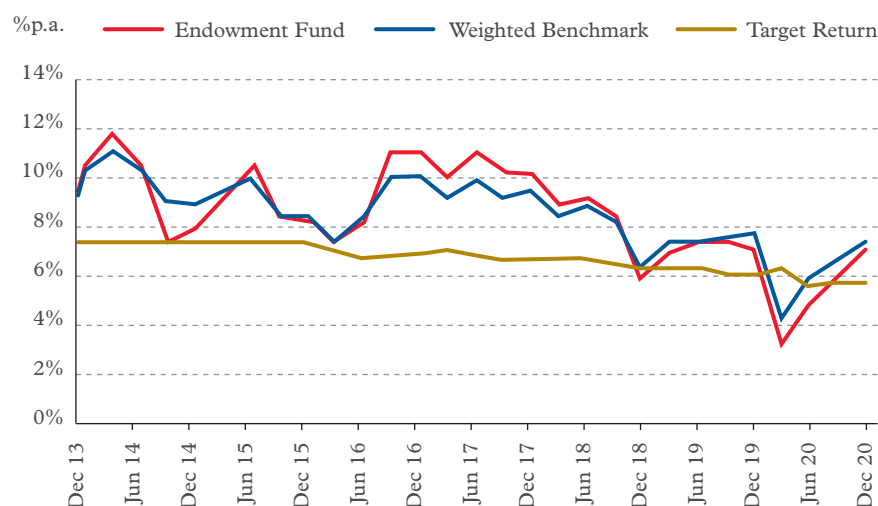
For the period ended 31 December 2020 the Fund returned 3.7% (after fees), with strong returns in the second half of 2020 following the impact of the COVID-19 pandemic to global markets.

Historical fund performance

(net of investment fees)

3 Years	5 Years	7 Years	10 Years
5.7% p.a.	7.1% p.a.	6.9% p.a.	7.7% p.a.

Rolling return (annualised) of the fund over five years



The weighted benchmark is calculated using Endowment Fund's target asset allocation and the associated industry benchmarks for returns in each of those asset classes.

Target asset allocation

The following table demonstrates the target asset allocation of the Fund, based on the strategies adopted by the Fund's investment managers.

22%	Developed Market International Equities
19%	Fixed Interest
14%	Australian Equities
8%	Property
8%	Alternative Risk Premia
5%	Hedge Funds
5%	Inflation Linked Securities
5%	Commodities
4%	Emerging Market Equities
4%	Credit Strategies
3%	Infrastructure
3%	Private Equity
1%	Cash

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The value of investments can fluctuate. Past performance is not necessarily indicative of future performance.

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Published March 2021 CRICOS 00123M

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