



# 2021 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 2021.

## 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. In August, Council adopted the recommendation that the IAC be a sub-committee of the University Finance Committee and chaired by a member of Council on the Finance Committee.

Changes to the Committee members in 2021 included the re-election of Mr Ken Williams and the appointment of Ms Stacey Mills following the retirement of Mr Peter Siebels and Mr Tony Mitchell. Mr Ken Williams was appointed Chair of the Committee in August.

The Committee members during 2021 were:

- Mr Peter Siebels – Non-Executive Director (retired February 2021)
- 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

- Mr Tony Mitchell – Chief Financial Officer, University of Adelaide (Chair) (retired June 2022)
- Mr Ken Williams – Non Executive Director (Chair) (elected February 2021)
- Ms Stacey Mills – Chief Financial Officer, University of Adelaide (elected September 2022).

The current investment managers are Funds SA, Fulcrum Asset Management and AQR Capital Management, all highly regarded fund managers, who provide performance reporting on a monthly basis. A summary performance report is provided quarterly to each meeting of the University Finance 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 have been developed and approved by the University Council.

A program of engagement with fund managers has been established, which includes consideration of ESG criteria



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

All the investment managers have an ESG policy in place and they are all members of the PRI (Principles for Responsible Investing). AQR and Fulcrum are also members of other bodies that promote ESG principles, such as the CDP, Climate Action 100+ and the TCFD.

## Fund objectives and strategy

The Fund has an objective of paying regular disbursements, with a long term real return target of 4 per cent 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.

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

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 individual 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 0.74 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 2021, the Fund consisted of 560 individual endowments totalling \$385.1 million. These monies are pooled together to form the Fund. In 2021, the Fund generated growth of \$49.8 million, consisting of \$3.9 million from 6 new donations, \$6.2 million deposits to existing funds, market revaluation of \$47.1 million and 2 withdrawals totalling \$(7.4) million, the largest of which was \$6.8 million where the investment was transferred to a separate Cash Fund, also managed by the University.

From that it distributed \$9.2 million to 363 individual research, prize and scholarship projects throughout the University, resulting in a net increase to the fund of \$40.6 million for the year.

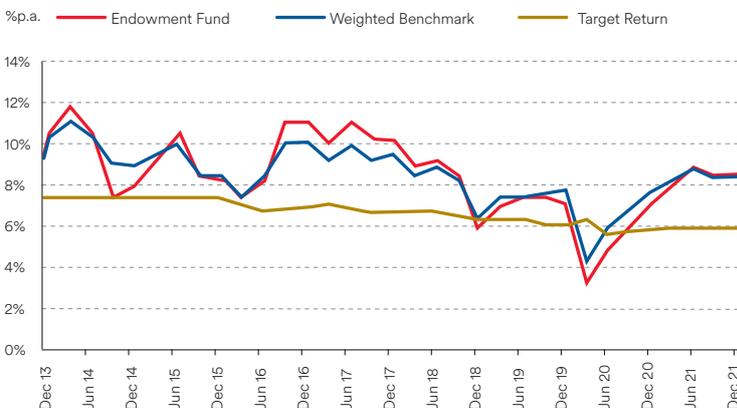
For the period ended 31 December 2021 the Fund returned 14.0% (after fees), with strong returns throughout 2021 as global markets recovered from the impact of the COVID-19 pandemic-out performing its target return (CPI + 4%) by 6.4% over the year and out performing it over all longer time periods. The Fund also out performed its weighted benchmark over the year by 0.7% and remains ahead of it when measured over most longer time periods.

## Historical fund performance

(net of investment fees)

3 years	5 years	7 years	10 years
11.0% p.a.	8.5% p.a.	7.7% p.a.	9.8% p.a.

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



The weighted benchmark is calculated using the 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

## Further enquiries

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