



THE UNIVERSITY
of ADELAIDE



2019 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 2019.

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 during 2019 were:

- Mr Peter Siebels – Non-Executive Director;
- Mr Con Michalakakis – 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)

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 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.

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 plus Consumer Price Index (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.

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.

IN 2019, THE UNIVERSITY DISTRIBUTED \$9.2 MILLION TO 345 INDIVIDUAL RESEARCH, PRIZE AND SCHOLARSHIP PROJECTS.

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.

Following recommendations made by the Investment Advisory Committee, in consultation with Willis Towers Watson our current investment managers remain unchanged and 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 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 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% 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 0.78 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 2019, the Fund consisted of 521 individual projects totalling \$326.7 million. These monies are pooled together to form the Fund.

In 2019, the Fund generated growth of \$43.8 million and distributed \$9.2 million to 345 individual research, prize and scholarship projects throughout the University.

For the period ended 31 December 2019 the Fund returned 15.2% (after fees).

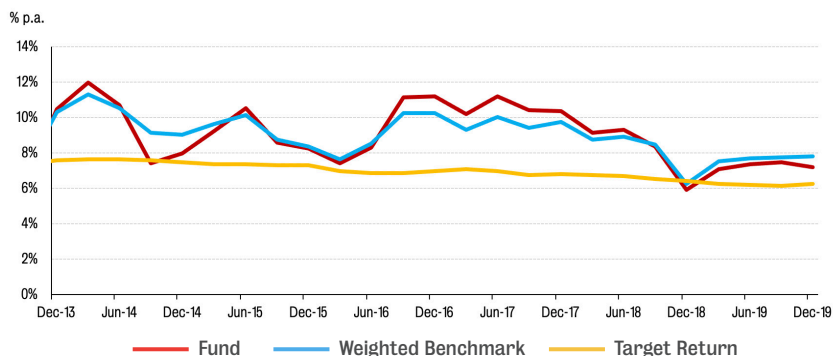
The historical Fund performance is outlined in the adjacent table.

Historical fund performance

(net of investment fees)

3 Years	5 Years	7 Years	10 Years
8.2% p.a.	7.2% p.a.	9.2% p.a.	7.6% 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.

2019 target asset allocation

The following table 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.

25%	Developed Market International Equities
17%	Fixed Interest
14%	Australian Equities
9%	Property
8%	Hedge Funds/Absolute Return Strategies
6%	Emerging Market Equities
5%	Credit/Diversified Debt
4%	Inflation Linked Securities
4%	Commodities
3%	Infrastructure
3%	Private Equity
2%	Cash

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

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