


**UNIVERSITY of
TASMANIA** **Investment Policy**

Responsible Officer	Chief Operating Officer
Approved by	Council
Approved and commenced	September 2018
Review by	September 2021
Relevant Legislation, Ordinance, Rule and/or Governance Level Principle	Council Charter Ordinance 5 – Council Committees
Responsible Organisational Unit	Financial Services

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1 Objective

The objectives of this *Policy* are to:

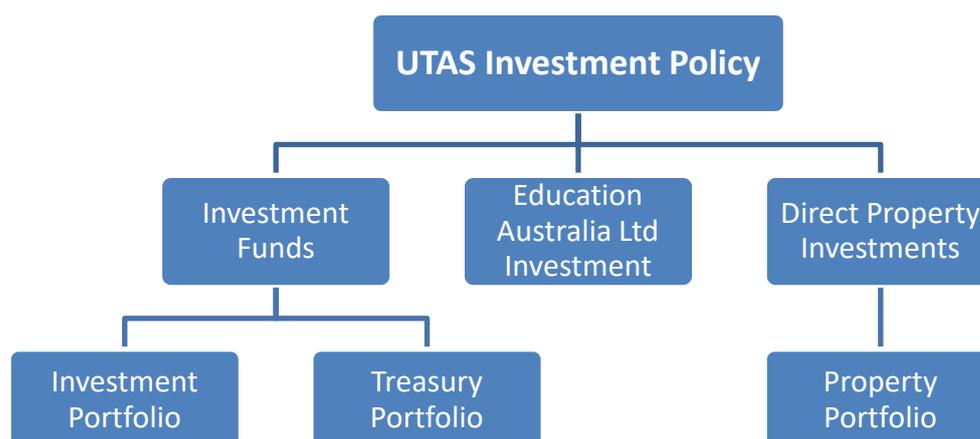
- detail the authority delegated by Council
- provide guidance for the investment and management of the University's Investments comprising the Treasury Portfolio, Investment Portfolio, and Property Portfolio

2 Scope

This policy applies to:

- Council, Finance Committee, University Foundation Committee, Investment Advisory Panel, University Staff and Management and any Investment Advisor/Consultant appointed to provide advice and/or manage funds on behalf of the University
- University of Tasmania funds and funds held on behalf of its controlled entities

2.1 Composition of Investments



3 Policy Provisions

3.1 Investment Advisory Panel

The Investment Advisory Panel (the Panel) has been established to provide advice and support to the Chief Operating Officer (COO) relating to the University's investments.

Finance Committee oversees the activities of the Investment Advisory Panel and appointment of members.

3.2 Investment Funds

The Investment Funds comprise the following portfolios:

- Treasury
- Investment

Investment Funds are to be managed by the COO, with advice from the Panel, in accordance with the cash requirements of the University.

Because of the significant differences in the liquidity requirements and objectives between the Treasury, Investment and Property portfolios, they are to be managed as separate portfolios, with separate Investment Strategy/Asset Allocation benchmarks and ranges.

The overall expected risk should be assessed on an annual basis by the Panel.

3.2.1 Treasury Portfolio

This portfolio provides the University with working capital and is to be managed in a risk averse manner. The basis for investment of these funds is that a loss of capital over a financial year would be undesirable.

The management is undertaken in a manner that minimises the risk of the investment producing a negative return over any financial year. Whilst this is the investment objective, it is recognised that in extreme market conditions, a negative return is possible.

The COO, with advice from the Panel, maintains Schedule A which outlines, in relation to the Treasury Portfolio -

- Allowable investments
- Strategic Asset Allocation and Performance Benchmark

The COO may, on advice from the Panel, amend Schedule A.

Any amendments must be reported to Finance Committee.

3.2.2 Investment Portfolio

A longer-term investment horizon applies to this portfolio. The objective for the portfolio is:

- over rolling five-year periods, to achieve an average annual after fees return at least equal to the average increase in Headline CPI plus 5.0%
- over rolling five years periods, achieve an average before fees annual return that is at least equal to the benchmark return
- to limit the probability of a negative return to be no more than 1 in every 4.5 years

Despite this objective, a decline in market value in any one year should not be a major concern.

The purpose of the Investment Portfolio is to:

- provide adequate levels of capital reserves to safeguard the long-term viability of the University
- enable strategic planning initiatives of the University including capital works and restructuring opportunities
- provide supplementary income funding for strategic operational initiatives
- preserve the real value of capital for trust and endowment funds
- fund the annual cash distribution requirements of trust and endowment funds for the payment of scholarships
- meet operational liabilities including (but not limited to) employee leave entitlements and superannuation commitments and
- meet commitments relating to contracts for research and operational funding

The University engages investment advisor(s) to provide advice relating to the Investment Portfolio.

The COO, with advice from the Panel will mitigate risk with consideration to investment market conditions, including but not limited to:

- Liquidity risks associated with unexpected drawdowns
- Interest rate sensitivities and economic cycles
- Unexpected external shocks to currency, interest rates, geopolitics and
- Experiencing asset class price bubbles and valuations

The COO, with advice from the Panel maintains Schedule B which outlines, in relation to the Investment Portfolio -

- Allowable investments
- Strategic Asset Allocation and Performance Benchmark
- Exposure Levels
- Liquidity Levels

The COO may, on advice from the Panel, amend Schedule B.

Any amendments must be reported to Finance Committee.

3.3 Other Investments

Other Investments are to be managed by the COO, with advice from the Panel.

3.3.1 Property Portfolio

The purpose of this portfolio is to provide a commercial return to the university and provide an exposure to Australian Property.

The Property portfolio includes income generating properties owned by the University and agreed to be reported as part of Investment Funds.

The COO, with advice from the Panel, maintains Schedule C which outlines, in relation to the Property Portfolio -

- Allowable investments
- Strategic Asset Allocation and Performance Benchmark

The COO may, on advice from the Panel, amend Schedule C.

Any amendments must be reported to Finance Committee.

3.3.2 Education Australia Limited

The University of Tasmania is one of 38 Australian Universities with equal ownership in Education Australia Limited, a holding entity for the University sector's investment in IDP Education Limited.

3.4 Responsible Investment

The University is committed to responsible investment. Responsible investment is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and the long-term health and stability of the market as a whole.

University Council approved the adoption of the United Nations supported Principles of Responsible Investing (UNPRI) on 9 May 2014 to guide decisions on ESG issues. The framework is to be utilised as follows:

- Any managed investment fund or fund manager that the University invests through should be a signatory to the UNPRI
- Any managed investment fund or fund manager that is not a UNPRI signatory needs to have equivalent policies in place, and must undertake annual reporting targeted to meet the University's requirements
- Any direct equity investments held by the University are assessed against the underlying principles and where subject to an individual mandate, will endeavour to assess and monitor the entities ESG ratings in accordance with an independent ESG rating agency.

The COO, with advice from the panel, will oversee an annual review of the Investment portfolio to assess its ESG performance.

3.5 Use of Derivative Instruments

Investment in fund managers that use derivatives for the purposes of managing risk, liquidity and transaction costs is permitted. Investments where derivatives strategies are expected to generate a significant portion of the total return are permitted subject to the following conditions:

- the manager has a demonstrated track record of managing the strategy through varying market conditions
- the derivatives exposures are diversified to limit the potential adverse impact of any one derivative position
- overall losses are limited to the amount invested in the managed fund

Exposure to derivatives may only be gained via managed funds, direct investment in derivative contracts is not permitted.

3.6 Delegations

- The authorised signatories for authorising approved investment transactions are set out as below:

- Category A Vice-Chancellor
Provost
Chief Operating Officer
Chief Financial Officer
- Category B Any direct report of the Chief Financial Officer
- Any 2 signatories, provided at least one is from Category A, are authorised to sign any authority to proceed or instruction to make or redeem investments on behalf of the University in accordance with the *Investment Policy*.
- The COO is authorised to:
 - implement any minuted decisions of the Panel
 - invest surplus funds, subject to the provisions of this *Investment Policy*
 - withdraw invested funds to the extent necessary to meet University liquidity requirements
 - withdraw and invest funds to the extent necessary to implement written urgent advice from any Investment Advisor, provided that the asset allocation to individual sectors remains within the ranges specified in this policy
 - immediately report to the Panel any withdrawal or re-investment made under this clause
 - amend the Schedules attached to the *Investment Policy* to reflect minuted decisions made by the Panel.
- The Chief Financial Officer is authorised to:
 - authorise between meetings any investment transaction that is within the *Investment Policy* and recommended by any University-appointed investment advisors, up to a limit of \$250,000 per transaction, and to sign relevant documentation to implement any such transaction.
- The COO or delegate is authorised to:
 - authorise between meetings any investment transaction that is within the *Investment Policy* and recommended by any University-appointed investment advisors, up to a limit of \$500,000 per transaction, and to sign relevant documentation to implement any such transaction.
- The Chair of the Panel or delegate, together with the COO or delegate, is authorised to:
 - authorise between meetings any investment transaction that is within the *Investment Policy* and recommended by any University-appointed investment advisors, up to a limit of \$1,000,000 per transaction, and to sign relevant documentation to implement any such transaction.

3.7 Administration

- The University is to retain full legal ownership or beneficial ownership of assets
- Correspondence and documents relating to the investments of either portfolio may be held by the Investment Advisor(s) who will be obliged to provide full access and transfer of this information upon request
- Investment Advisors may open and operate bank accounts and term deposits on behalf of the University, where approved by the COO with advice from the Panel and where full legal ownership is retained by the University.

3.8 Reporting

Investment Advisor(s) will prepare and provide comprehensive reporting to the COO. The COO will provide an investment performance report to Finance Committee.

4 Definitions and Acronyms

Term/Acronym	Definition
Organisational Unit	College, Faculty, School, Centre, University Institute, other University Entity, Division, Section or University Business Enterprise.
CPI	This acronym refers to the Australian Consumer Price Index, in particular, the headline rate.
Custodian	An external entity responsible for safekeeping investments, and collections and disbursements of related payments and receipts attaching to the investments.
ESG	ESG refers to Environmental, Social and Governance factors
Headline CPI	The Headline Consumer Price Index (CPI) refers to the 'All groups CPI' as published by the Australian Bureau of Statistics (ABS) Australian Bureau of Statistics - CPI
Investment Advisor	The term refers to any party appointed by the University to provide investment advice, including risk profile, asset allocation, specific investments, as well as the ongoing monitoring and review of such advice.
Investment Portfolio	The Investment Portfolio excludes the assets pertaining to the Property Portfolio and Treasury Portfolio.
Property Portfolio	The Property portfolio includes income generating properties owned by the University and agreed to be reported as part of Investment Funds.
UNPRI	United Nations Principles for Responsible Investment http://www.unpri.org/
Treasury Portfolio	The Treasury Portfolio relates to the working capital of the University.

5 Versioning

Former Version(s)	<p>Version 1 – <i>General Funds Investment Policy</i>; approved April 2005 by Council</p> <p>Version 2 – <i>General Funds Investment Policy</i>; approved October 2009 by Council (resolutions: 05/3/37, 05/Circ3/1, 06/3/28, 07/5/16)</p> <p>Version 3 – <i>General Funds Investment Policy</i>; approved April 2010 by Council (resolution: 10/2/31)</p> <p>Version 4 – <i>Investment Policy</i>; approved August 2012 by Council (resolution: 12/6/30)</p> <p>Version 5 – <i>Investment Policy</i>; amendment of delegations; endorsed by Finance Committee 25 February 2013; approved May 2013 by Council (resolution: 13/4/65)</p> <p>Version 6 – <i>Investment Policy</i>; approved December 2015 by Council (resolution 15/8/540). Amended in December 2016 to incorporate Colleges.</p> <p>Version 7 – <i>Investment Policy</i>; approved 31 March, 2017 by Council (resolution 17/2/770).</p> <p>Version 8 – <i>Investment Policy</i>; approved 8 December 2017 by Council (resolution: 1086-2257)</p>
Current Version	Version 9 – <i>Investment Policy</i> (current document)