

I E d R F d

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 2022

Fund governance and management

The University's Endowment Fund (the Fund) has an Investment Advisory Committee (IAC) to oversee all investment related activities of the Fund and to make recommendations to the University Finance Committee, a Standing Committee of the University's Council, regarding the Fund's investment profile.

Changes to the Committee members in 2022 included the election of Ms Juliet Brown and the appointment of Mr Peter Prest. Mr Ken Williams retired from the Committee following his appointment as Chair of the University Finance Committee and Ms Stacey Mills (ex officio) departed the University. Ms Juliet Brown was appointed Chair of the Committee in September.

The Committee members during 2022 were:

- Ms Juliet Brown OAM (Chair) – Non-Executive Director (elected September 2022);
- Mr Con Michalakis – Chief Investment Officer, Hostplus Super.
- Mr Richard Smith – former Chief Executive Officer, Funds SA.
- Ms Aisling Freiheit – Investment Director, Wellington Management Australia.
- Ms Jay Yang – Investment Consultant.
- Dr Jean Canil - Senior Lecturer, Finance, University of Adelaide; and
- Mr Peter Prest – Chief Financial Officer, University of Adelaide (ex officio from July 2022)

- Mr Ken Williams – Non-Executive Director (Chair) (retired September 2022)
- Ms Stacey Mills – Chief Financial Officer, University of Adelaide (ex officio to May 2022)

The current investment managers are Funds SA, Fulcrum Asset Management (Fulcrum) and AQR Capital Management (AQR), 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 to ensure timely monitoring.

Independent investment consultants Willis Towers Watson 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 and fund managers have been assessed regarding their ESG criteria and investment principles.

All the investment managers have an ESG policy in place and they are all members of the Principles for Responsible Investing. AQR and Fulcrum are also members of other bodies that promote ESG principles, such as the Carbon Disclosure Project

(CDP), Climate Action 100+ and the Task Force on Climate Related Financial Disclosures (TCFD).

The University is finalising its sustainability strategy and is committed to develop a sustainable investment policy and targets, including the development of a transition and divestment plan, in 2023.

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 the consumer price index), 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.

In 2022 the endowment



Actual returns will vary from year to year in line with changes in broader financial markets and 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 Funds 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 can be re-invested back into the Fund if not required immediately.

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 earnings 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.

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 0.80 per cent per annum of capital funds invested. The University does not levy any fees.

Fund highlights

As at 31 December 2022, the Fund consisted of 574 individual endowments totalling \$366.3 million. These monies are pooled together to form the Fund.

In 2022, the Fund received \$0.9 million from 14 new donations and \$5.9 million in deposits to existing endowments offset by a market revaluation loss of \$174 million.

In addition \$8.1 million was distributed to 373 individual research, prize and scholarship projects throughout the University, resulting in a net decrease to the fund of \$188 million for the year.

In 2022 global markets were volatile with most asset classes reporting negative returns. For the period ended 31 December 2022 the Fund returned negative 4.2% (after fees). The Fund under-performed to its target over the year which has in turn impacted its performance to target returns over longer time periods, however, over a 10 year period it has out-performed the target return by 0.9%. The Fund out-performed its weighted benchmark over the year.

Benchmark asset allocation

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Kurna acknowledgement

We acknowledge and pay our respects to the Kurna people, the original custodians of the Adelaide Plains and the land on which the University of Adelaide's campuses at North Terrace, Waite, and Roseworthy are built. We acknowledge the deep feelings of attachment and relationship of the Kurna people to country and we respect and value their past, present and ongoing connection to the land and cultural beliefs. The University continues to develop respectful and reciprocal relationships with all Indigenous peoples in Australia, and with other Indigenous peoples throughout the world.