Investment Policy

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In developing this policy the University had regard to the provisions of section 40B(1)(b) of the Human Rights Act 2004 (ACT).

PURPOSE:

The purpose of this Policy is to:

- establish a governance framework for the University with respect to the investment of the Fund;
- set out the Investment Mandate of the Fund including its investment objectives and operational guidelines;
- provide investment parameters for the protection of the University's financial assets including to guard against ad hoc investment decisions by the University; and
- enable investment clarity and guidance to the University Council, its Committee members or University management particularly during times of personnel change.

This Investment Policy is the 'Investment Plan' for the purpose of Section 58(1)(d) of the Financial Management Act 1996 and Section 7 of the Financial Management Investment Guidelines 2015.

SCOPE:

This Policy applies to all investable funds that are held and controlled by the University. This will include any funds managed internally by the University, or externally by an appointed Investment Manager.

Preamble

The University is based in the Australian Capital Territory (**ACT**) and is recognised by the Australian Taxation Office as a tax-free entity and a deductible gift recipient. The University Council and management have determined that funds donated or bequeathed to the University and surplus funds, including funds earned from developments on Campus, should be invested in accordance with the Investment Mandate set out in this Policy with a view to maximising the return (after tax) on the Funds, subject to an acceptable risk profile for the University and other constraints specified in this Policy.

Investment Philosophy

The University's investment philosophy is to maximise return on investments over the medium term, whilst maintaining an acceptable level of risk, without jeopardising the ongoing viability of the Fund. This will be expected to provide a return greater than inflation so that the capital base of the Fund will be enhanced over time in real terms.

The University is concerned that it should be seen as a socially responsible institution, and as such it should be a socially responsible investor.

The University will avoid investment opportunities considered likely to cause substantial social injury. In implementing the investment strategy, the University acknowledges the limited transparency of some managed investments and the diverse operations of large corporations may result in outcomes that are inconsistent with the broader ethical and sustainability parameters of the University.

When evaluating the fund managers that may be included in the portfolio, the Investment Manager will take a best endeavours approach to ensure that there is limited exposure to underlying investments inconsistent with this Policy.

Where the Investment Committee concludes an organisation is behaving in a manner inconsistent with this Policy it reserves the right to instruct the Investment Manager to specifically exclude this organisation and all associated holdings from the portfolio.

The University understands and accepts that the exclusion of industries and specific stocks has the potential to limit the investment universe available to the Investment Manager and as such limit the risk adjusted return generated by the Fund.

PRINCIPLE:

1. Investment Objectives

The investment objective of the Fund is to generate total returns (capital and income), that exceed the outgoings of the Fund, and increase the real capital value of the Fund over time. The Fund aims to achieve a real return of 4.0% p.a. over the medium term (5-7 years) after allowing for inflation and Investment Manager costs.

1.1. Liquidity

The University recognises that short term risks may arise from the potential of the Fund to experience a shortfall in the income required to meet expected cash outflows. To offset this, the Fund should maintain sufficient liquidity, taking into account the expected cash flows and costs.

1.2. Diversification

Prudent asset class diversification should be employed to reduce the likelihood of the Fund generating negative returns in a particular year. Appropriate diversification of fund managers and individual security selection will be undertaken to offset investment risk. The Fund's investments should be selected with the aim of limiting the chance of a negative return (in any one year) to once every six years.

1.3. Cash Flows

An objective of the Fund's investment is to generate sufficient income to cover expected outgoings, determined on an annual basis.

2. Investment Manager

The Investment Committee may appoint up to two Investment Manager(s) to assist with the investment and management of the Fund. In such an event, the University, subject to the agreement of the Finance Committee, may enter into an agreement with the Investment Manager(s), directing the Investment Manager to manage the Fund according to the Investment Mandate set out in this Policy.

An Investment Manager must:

- hold an appropriate Financial Services Licence
- have professional indemnity insurance cover, and provide evidence of it upon request; comply with investment requirements imposed by Australian and ACT laws;
- invest in assets in the name of the University and manage the Fund on behalf of the Investment Committee, including sourcing, and making suitable investments in accordance with the Policy;
- keep the Fund under review, including making full or partial realisation of, or exit from investments, and to confer at regular intervals with the Investment Committee regarding the investment management of the Fund;
- exercise all due diligence and vigilance in carrying out the Investment Manager's functions, powers and duties under the Policy; and
- advise the Investment Committee of any breaches of the Investment Mandate and any material matters relating to the Investment Manager that in the opinion of the Investment Manager, should be disclosed to the Investment Committee.

If there are two Investment Managers appointed and both present the same investment opportunity to the University, the University will invest with the Investment Manager who first discussed the opportunity with the University, unless there is a compelling reason not to.

2.1. Investment Manager Performance

The performance of an Investment Manager is to be reviewed on an annual basis. In assessing the Investment Manager's performance, consideration will be given to the following:

- responsiveness;
- proactive approach to investment opportunities; value adding customer service;
- flexible, accurate and timely reporting; and
- and investment performance compared with benchmarks.The University recognises that short-term fluctuations may cause variations in performance and intends to evaluate the Investment Manager's performance relative to their peers and from a medium-term perspective.

3. Investment Guidelines

3.1. Prudent Person Standard

Prudence is to be used by the Investment Committee when overseeing the overall portfolio. Investments will be managed with the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons. This includes having in place appropriate reporting requirements that ensure the

Fund investments are being reviewed and overseen regularly.

The Investment Committee is to oversee the investment portfolio of Fund and ensure that investments are not speculative, but for investment in the spirit of, and in accordance with the Policy. They will consider both the risk and return parameters of the Policy when advising on investment decisions. The Investment Committee will endeavour to ensure that the University avoids any transactions that might harm its reputation.

The Finance Committee will ensure that the Investment Committee has the appropriate mix of skills and experience to fulfil its obligations under this prudent person standard.

3.2. Authorised Asset Classes and Investments

Only investments in the following investment holdings are permitted:

3.2.1.Cash

Cash deposits

Cash Management Trusts/investments with Australian licensed and regulated banks and deposit taking institutions with no less than an AA- credit rating

Term deposits with maturities less than 90 days

3.2.2. Fixed Interest Direct Hybrid Securities

Direct Government and Corporate bonds

Term deposits with maturities greater than 90 days

Managed fixed interest products

3.2.3. Domestic Equities Direct Equities

Managed domestic equities products

Listed Investment Companies Exchange Traded Funds

Listed Real Estate Investment Trusts (REITs)

3.2.4. International Equities Direct Equities

Exchange Traded Funds

Managed international equities products

3.2.5. Property and Infrastructure

Managed REIT products or Managed Property Funds, both global or domestic

Listed Infrastructure assets both global or domestic

Managed Infrastructure or infrastructure products, both global or domestic

3.2.6. Alternative Investments

Managed alternative asset products relating to strategies such as long/short equity, private equity, currency, unlisted property, direct infrastructure, mezzanine finance, distressed debt, hedge funds, catastrophe bonds and commodities

3.3. Asset Allocation Considerations

The following factors are to be considered when determining the asset allocation for the Fund:

- need for sufficient liquidity;
- potential impact of inflation, requiring an exposure to growth assets in order to maintain the real capital value of the Fund over the long term; and
- use of asset allocation bands and tactical asset allocation, to provide for changes in the investment environment.

The actual allocation to cash may exceed the upper range for short periods of time as new cash inflows into the Fund are processed.

The asset allocation parameters are designed to reflect a balanced portfolio. The Investment Manager will provide annually, the proposed target strategic allocation within the range outlined in the table below. Performance against this will be reviewed quarterly.

Asset Class	Range
Cash	0% to 25%
Fixed Interest Domestic	5% to 50%
Fixed Interest Global	5% to 40%
Australian Equities	15% to 50%
International Equities	10% to 50%
Property / Infrastructure	5% to 20%
Alternative Investments	0% to 30%

Note: some property and infrastructure assets are held in asset classes other than Property/Infrastructure.

3.4. Investment Restrictions

There should be no investment in fixed interest investments where the issuer rating is below Investment Grade BBB (minus) rating. Furthermore, the total exposure to global equities, domestic equities and alternative assets (growth assets) shall not exceed 85% of the portfolio investments of the Fund.

3.5. Taxation

The University needs to remain alert to its taxation standing and be prepared to alter investment arrangements should a change occur.

4. Operational Guidelines

4.1. Purpose

The Investment Committee, as an established sub-committee of Finance Committee is an advisory committee to University management.

4.2. Delegated Authorities

With respect to Investment Financial Delegations, refer to the University of Canberra Delegations of Authority Policy and Schedule, F.9.1 and F.9.2 (effective 13 January 2020).

The Investment Manager shall manage the Fund on behalf of the Investment Committee, including sourcing and recommending suitable investments in accordance with the Policy. The Investment Manager is instructed to inform the University's Chief Finance Officer of any investment recommendations and may only execute the transactions with the approval of the Chief Financial Officer.

4.3. Conflicts of Interest

Investment Committee members shall refrain from personal activities that would conflict with the proper

execution and management of the University's investment portfolio. This Policy requires officers to disclose any conflict of interest to the Chief Finance Officer. Independent advisers are also to declare that they have no actual or perceived conflicts of interest.. Independent advisers are also to declare that they have no actual or perceived conflicts of interest.

4.4. Voting

The following guiding principles will apply to voting:

- Voting as a right of a shareholder of an investment will be undertaken by the Investment Manager;
- A vote either 'for' or 'against' can be made by the Investment Manager, except where there is a conflict of interest;
- Voting activity of the Investment Manager will be monitored by the Investment Committee; and
- The University may direct the Investment Manager how to vote at any time.

5. Risk Management

Investments carry a number of risks. The risks of investment will be managed by having a balanced portfolio to manage market risk and to allow real growth of the capital base of the Fund over time and an annual review of strategic allocations to manage liquidity risk.

The University will generally take an unhedged position with regards to currency risk on international securities as this approach tends to improve diversification. However the Investment Manager is to be alert to market conditions where an exchange rate hedge would be expected to add value.

LEGISLATION:

The University must comply with investment requirements imposed by Australian and ACT laws.

DEFINITIONS:

Term	Definition
Credit Rating	with regard to investment choices will reference Standard and Poor's (S&P) ratings.
University	means The University of Canberra including the UC Foundation which forms part of the University.
Fund	means the investment portfolio including the UC Foundation's trust assets available for investment.
Finance Committee	means the committee of the University Council known as the Finance Committee.
Financial Year	means a one-year period ending 30 June.

Inflation	means the annualised CPI figure quoted by the Australian Bureau of Statistics at the end of the June quarter.
Investment Manager	means professional and qualified firms or individuals who are engaged by the Investment Committee to provide investment advice and services under contractual terms.
Investment Committee	means the sub-committee of Finance Committee appointed by the University to oversee the Investment of the Fund.
Investment Mandate	means the Fund's investment objectives and guidelines as provided for in the Policy.
Policy	means this document as amended from time to time and reviewed annually in August.

NOTES:

Due to the nature of the financial markets and the potential for change in the underlying portfolio over time, an annual review of this Policy, including allowable investments will be conducted by the Investment Committee, in conjunction with any Investment Manager.

This review process will also address issues such as the desire to alter the University's investment risk management strategy, alterations to delegated authority, and any additional management information reporting requirements.

Policy Adoption

The Policy adoption and amendments resulting from policy reviews must be recommended by the Finance Committee, for endorsement by the University of Canberra Council.