



THE UNIVERSITY
of ADELAIDE

2022

Endowment Fund Investment Report



2022 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 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 distributed \$8.1 Million to 373 individual research programs, prizes and scholarship awards.

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 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.

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 \$17.4 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 \$18.8 million for the year.

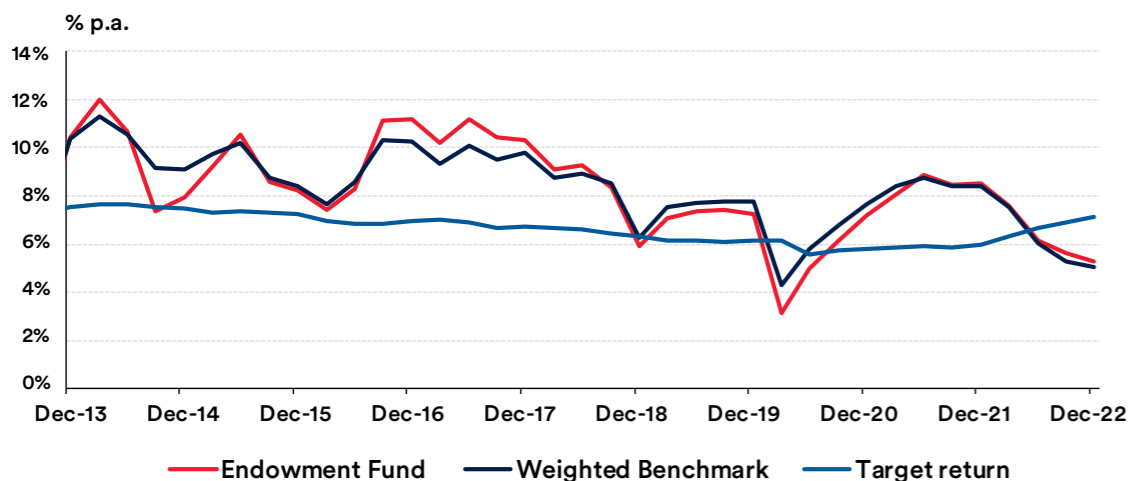
In 2022 global markets were volatile with most asset classes reporting negative returns. For the period ended 31 December 2022 the Fund returned negative 4.2% (after fees). The Fund under-performed to its target over the year which has in turn impacted its performance to target returns over longer time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

Historical fund performance

(net of investment fees)

3 years	5 years	7 years	10 years
4.3% p.a.	5.3% p.a.	6.4% p.a.	7.8% 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.



Benchmark asset allocation

The following table demonstrates the benchmark asset allocation of the Fund, based on the strategies adopted by the Fund's investment managers.

22.2%	Developed Market International Equities
22.2%	Fixed Interest
12.4%	Australian Equities
8.3%	Alternative Risk Premia
6.5%	Property
6.5%	Infrastructure
6.5%	Private Equity
4.9%	Inflation Linked Securities
4.0%	Commodities
3.0%	Emerging Market Equities
2.5%	Hedge Funds / Absolute Return Strategies
1.0%	Cash

Support for future nurses

With its roots going back to the late 1800s, the Nurses Memorial Foundation of South Australia has a long history of playing a pivotal role in advancing the nursing profession through fostering learning outcomes, giving back to community and offering financial assistance.

Originally named the Royal British Nurses Association SA Branch in 1900, the association was the first professional organisation of nurses in the State and is committed to providing support to our State's future nurses.

Betty Khor and Ann Garvie, both former nurses and current trustees of the Foundation, are eager to help the next generation of nursing students, especially those who are relocating from rural and regional locations.

"You have to give back. Nurses need to nurture "their young". We are committed to supporting them in their studies and early career," said Betty.

"We're a charity that is passionate about helping our future nurses by offering prizes and now our first scholarship offered at a South Australian university," Ann said.

The Nurses Memorial Foundation recently donated funds to create an endowed scholarship, the Nurses Memorial Foundation of SA Rural Scholarship, for undergraduate nursing students at the University of Adelaide.

Olivia McInnis, a third-year **Bachelor of Nursing** student, is the inaugural recipient of this highly valued rural scholarship.

Originally from Spring Farm, a small South Australian rural town in the Clare Valley, Olivia relocated to the city to undertake studies at the University of Adelaide.

"I am very grateful for the support and encouragement provided through this scholarship towards my living away from home and study expenses," Olivia said.

Ann Garvie and Betty Khor together with scholarship recipient Olivia McInnis

Further enquiries

The University of Adelaide SA 5005 Australia

enquiries development@adelaide.edu.au

phone +61 8 8313 5800

free-call 1800 061 459

web adelaide.edu.au/give

facebook facebook.com/uniofadelaid

twitter twitter.com/uniofadelaid

snapchat snapchat.com/add/uniofadelaid

instagram instagram.com/uniofadelaid

wechat UniversityOfAdelaide

weibo weibo.com/uniadelaide

Disclaimer The information in this publication is current as at the date of printing and is subject to change. You can find updated information on our website at adelaide.edu.au. The University of Adelaide assumes no responsibility for the accuracy of information provided by third parties.

CRICOS Provider No. 00123M

Australian University Provider No. PRV12105

© The University of Adelaide

June 2023. Job no. UA30772

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.