

Monash University Procedure

Procedure Title	<u>Long Term Investment Pool Procedure</u>
Parent Policy	Investment Policy
Date Effective	16-February-2016
Review Date	16-February-2019
Procedure Owner	Executive Director, Corporate Finance
Category	Operational Procedure
Version Number	1.0
Content Enquiries	Treasury Finance
Scope	All Monash University and Monash University Foundation investment funds.
Purpose	To ensure management of Monash University and Monash University Foundation investments in accordance with Resource and Finance Committee approved objectives and strategic asset allocations.
PROCEDURE STATEMENT	

The long term investment pool is managed externally by appointed fund managers and is made up of the Common Fund, Balanced Fund and Monash University Foundation. Investment governance for Monash University is overseen by the Resources and Finance Committee and the management oversight role has been delegated to the sub-committee known as the Investment Advisory Committee. Investment governance for the Monash University Foundation is overseen by the Foundation Board.

The investment objectives for the Long Term Investment Pool are:

- i. Target an investment return, after costs and tax, of at least CPI plus 4.0 % p.a. over a rolling ten year period; and
- ii. Have a probability of a negative annual investment return limited to one in four years, on average.

Strategic Asset Allocation (SAA): Asset allocations and ranges are determined by the IAC, and monitored at each meeting. SAA categories and ranges are:

Asset Class	Ranges (%)
Australian Equities	20.0 – 50.0
International Equities	20.0 – 50.0
Private Equity	0.0 – 5.0
Property	0.0 – 20.0
Infrastructure	0.0 – 15.0
Debt	5.0 – 30.0

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Cash	0.0 – 10.0
Foreign Currency hedged	5.0 – 25.0

* Excluding the NRAS Loan investment. SAA is based on look-through allocations accounting for any derivatives.

1. Setting Investment Objectives and Strategic Asset Allocations (SAA)

- 1.1. Undertake a review of investment objectives and strategy at least annually with input from external advisors
- 1.2. Quarterly review of SAAs and any proposal from external advisors for rebalancing and/or asset allocation tilts in the context of market conditions, and make decisions regarding appointment/ termination of service providers and redeployment of funds on termination.
- 1.3. Seek agreement for IAC recommended changes in investment objectives and strategy for Monash University investments from the Resources and Finance Committee.
- 1.4. Seek agreement for IAC recommended changes in investment objectives and strategy for Monash University Foundation investments from the Foundation Board.

Responsibility

Investment Advisory Committee (1.1-1.2)
Executive Director, Corporate Finance (1.3-1.4)

2. Monitoring Investment Compliance and Performance

- 1.5. Preliminary monthly investment performance and valuation data to be received by 4th working day of the new month.
- 1.6. Full monthly investment performance reports to be received by 10th working day of the new month.
- 1.7. Quarterly investment performance reports and market commentary to be received by 10th working day of the new quarter.
- 1.8. External fund manager investment performance reports to be analysed and any discrepancies or queries followed up with the appropriate Manager. Note that external advisors receive these reports directly.
- 1.9. Direct investment performance reports for the external advisors including term deposits (short term pool), Sarou Unit trust, investment properties and the NRAS loan.
- 1.10. Prepare investment performance paper quarterly and a review of asset allocations and rebalancing for the next scheduled IAC meeting.
- 1.11. Prepare report on asset allocation vs target ranges quarterly for assessment and/or adjustment for the next scheduled IAC meeting.
- 1.12. IAC meeting report and investment performance report provided to relevant Resources and Finance Committee and the Foundation Board meetings.

Responsibility

Appointed Fund Managers (2.1-2.3)
Funds Manager, Treasury (2.4-2.5 and 2.7)
External Advisors (2.6-2.7)
Executive Director, Corporate Finance/ Investment Advisor (2.8)

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Responsibility for implementation	<p>Funds Manager, Treasury</p> <p>Executive Director, Corporate Finance</p> <p>Senior Vice President and Chief Financial Officer</p>
Status	New
Approval Body	<p>Name: Chief Operating Officer and Senior Vice-President (Administration)</p> <p>Date: 08-October-2014</p> <p>Author: Executive Director, Corporate Finance</p>
Definitions	<p>Common Fund: A pool of tied funds invested with a long term outlook, which may be with one or more fund managers. Returns are distributed to tied fund owners by way of either a pre-determined fixed rate of return or a pro rata allocation of the market return, depending on qualification thresholds and a binding election made by fund owners. Return allocations are explained in the Treasury Management Procedure.</p> <p>Balanced Fund: Acts as the "balancing" account of the University's investments. The Balanced Fund's purpose is effectively collateral for the University's operational cash flow requirements, and allows the University easier and cheaper access to debt capital if required.</p> <p>Tied Funds: Are made up of multiple individual accounts containing philanthropic donations, effectively organised into individual foundations. Investments are split between cash, where the capital is expected to be utilised over the near-term (typically within two to three years) and/or the donor requests a very low risk investment approach, and the remainder which is invested in the "Common Fund" in a balanced portfolio of investments.</p> <p>Monash University Foundation: Is a separate entity with separate ownership of assets. The Foundation's purpose is to maintain and grow a pool of capital that is available to fund services/facilities for the University. The separation of the Foundation provides a clear strategic delineation for its long-term purpose. The separation may also provide benefits in future fund raising efforts.</p> <p>Investment Governance: The Monash University Council has approved a chain of responsibility for investments to the Resources and Finance Committee (R&FC), the sub-committee Investment Advisory Council (IAC), the Senior Vice-President Finance and Chief Financial Officer, and the Corporate Finance Department. The Monash University Foundation maintains a separate Board that has governance authority for the Foundation assets, including investment policy and strategy. Monash University retains the services of an external advisory firm to work with management and provide expert opinions and market research to the IAC.</p> <p>Resources and Finance Committee: Has a governance oversight role approving investment policy and strategy.</p> <p>Investment Advisory Committee: A sub-committee of the Resources and Finance Committee which has a management oversight role, monitoring and reviewing investment relative to strategy, and approving investment manager appointments for both the University and the Foundation.</p> <p>CPI: The % change in the Consumer Price Index as published quarterly by</p>

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	<p>the Australian Bureau of Statistics</p> <p>Investment Objectives: The Long Term Investment Pool is viewed as an investment in perpetuity, aiming to maintain and grow its real income producing capacity to provide a source of funding for University expenditure into the future. The investment objective is to maximise the rate of return within a level of risk over a relatively long time horizon.</p>
Legislation Mandating Compliance	<p>Monash University Act 2009</p>
Related Policies	
Related Documents	<p>Investment Advisory Committee Terms of Reference</p> <p>Resources and Finance Committee Terms of Reference</p>