

Investment Policy

Section 1 - Summary

(1) This Policy establishes a framework within which the funds are available for investment to the Victoria University, (VU, the University) and investing, monitoring and evaluating of VU's investment funds.

Section 2 - HESF/ASQA/ESOS Alignment

(2) HESF: Standard 6.2 Corporate Monitoring and Accountability

Section 3 - Scope

(3) This Policy applies to University Finance staff, Council and its sub-committees and the Investment Manager appointed to provide advice and/or manage funds on behalf of VU and its subsidiaries.

Section 4 - Definitions

(4) CPI: This Australian Consumer Price Index, in particular, the headline rate.

Section 5 - Policy Statement

Policy Intent

(5) VU's Investment Policy intends to maximise the investment return on cash balances, reserves and restricted funds, economically and efficiently, subject to an overriding commitment to financial prudence in managing investment funds in accordance with approved investment criteria.

Investment Principles

(6) The Investment Manager will manage and invest the University's funds within agreed mandates and in accordance with the University's Investment Policy and Procedure.

(7) The University's investment funds are to be invested in approved investments. Approved investments include any asset class that has been authorised under the University Investment Policy and Procedure. Approved investments may consist of but are not limited to: Australian shares, international shares (including emerging markets), listed infrastructure and property assets, fixed interest assets, cash and short-term interest-bearing investments and various alternative assets.

(8) Environmental, social and governance (ESG) considerations:

- a. The University is committed to work to improve the health and wellbeing of its local and global communities, the environment and health of the planet. The University seeks to invest as a socially responsible community

member and also to ensure that the investments are consistent with its specific mission and the broader community in which the University operates. The University believes that its fiduciary responsibility to maximise returns, diversify risk and ensure the responsible long term management of its assets. With this responsibility in mind, the University has chosen to have its assets managed by a professional Investment Manager. Given consideration to the current size of assets, it is most practical to have the assets managed within pooled (commingled) vehicles.

- b. The University recognises that when invested in pooled vehicles, the Investment Manager's investment process will determine how it invests. The University engages Investment Managers who incorporate ESG factors into their investment processes. The University recognises that the integration of ESG in the investment process does not necessarily imply the exclusion of particular companies from the investment universe on ethical grounds. However, the integration of ESG requires that the impact of any ESG issues on the value of a company includes the valuation process and an understanding of the long-term sustainability of the company.
- c. The University recognises that socially responsible investing is evolving, and as a result, will be a multi-stage process. Currently, some investment vehicles exist to encourage ethical and socially positive business practices. Where possible, practical and appropriate, investments will be made in such vehicles. Further, the Investment Manager will actively seek to ensure appropriate modifications are made to its investment processes through time to increase its visibility at the security level and continue to raise awareness of ESG issues.
- d. In its commitment to improving the health of the planet, the University aims to reduce the carbon footprint of its investments and where possible, make use of investment vehicles that offer reduced carbon intensity and exposure to fossil fuel reserves (when compared to benchmarks/indexes).

(9) The University wishes to use its tax-exempt status to its investment advantage and accordingly, the Investment Manager should therefore consider the availability of franking credits when determining the investment strategy of the University investment portfolios.

(10) Investment decisions made by the Investment Manager, University staff, Finance and Investment Committee or Council, must be appropriately authorised in line with the applicable University's [Delegations and Authorisations Policy](#) and associated schedules of delegation.

Investment Strategy and Investment Portfolios

(11) The University's investment strategy will be developed in a manner that best balances the University's investment objectives against risk and other constraints.

(12) The University investment funds are to be administered and invested in separate portfolios according to their different investment time horizons and level of risk tolerance.

(13) Due to significant differences in the liquidity requirements and objectives, the investment portfolios are to be managed with separate investment strategies and asset allocations.

(14) The Investment Manager will invest the University's investment portfolios in line with the approved asset allocation ranges.

(15) The University may choose to manage some approved investments internally, without delegating this responsibility to the Investment Manager. This includes when the holding is considered short term, and the sale of the investments and/or transfer to another investment portfolio is not possible or deemed unsuitable.

Dynamic Asset Allocation

(16) It is accepted that over shorter periods, investment markets may be imbalanced in a way that changes the shorter term risk and expected return (relative to the long term) for certain assets. It is accepted that these

imbalances can persist for some time.

(17) It is accepted that the successful use of dynamic asset allocation, tilts from long-term strategic asset allocation, to take account of the valuation imbalances, can add value to the portfolio. Tilts will only be taken where confidence in success is commensurate with the risks involved. The Investment Manager may make short to medium term asset allocation tilts subject to the approved asset allocation ranges.

Risk Management Objectives

(18) The key strategy for the investment portfolio is to adopt appropriate investment strategies to support capital growth and income generation, without substantially risking the initial capital value of the portfolio.

(19) It is expected that the University's investment funds will be prudently managed to have regard for all aspects of investment-related risks. This translates into the following broad objectives:

- a. To invest in assets within legal, policy and regulatory constraints.
- b. Diversify the investments across asset class, manager and product to ensure a 'risk-adjusted return' which reflects the nominated risk profile of the Council and/or its relevant sub-committee.
- c. Ensure that the investment manager(s) appointed by the University operates in an effective and cost-efficient basis and complies with the University's Investment Policy and Procedure.
- d. Delegate investment management responsibility to providers with:
 - i. Integrity;
 - ii. Appropriate expertise and professional skills;
 - iii. Relevant experience in meeting the specific requirements of a University; and
 - iv. Transparent accountability to the Finance and Investment Committee.

Use of Derivative Instruments

(20) Investment Manager is permitted to use derivatives for risk management. Investment Manager will not be permitted to use derivatives to leverage the portfolio.

Specific Liquidity Objectives

(21) Liquidity risk is a significant portfolio risk and is to be managed carefully as follows:

- a. Retain sufficient liquidity to meet the University's cash flow requirements.
- b. Low volatility assets should be considered where asset price fluctuations may otherwise jeopardise meeting cash flow objectives.
- c. Where cash flow is to be met from a managed fund, the investments within the fund must retain liquidity levels commensurate with the timing of cash flow requirements.
- d. Given that unforeseen circumstances may arise, regardless of expected cash flow requirements, it is prudent to limit the use of illiquid assets.

Policy Review

(22) This Policy will be reviewed annually by the Finance and Investment Committee to compare outcomes against its intention. The Policy should be actively updated at least every three years, and changes to the University's Investment Policy are to be approved by Council.

(23) This Policy is to be reviewed sooner than the minimum three year period if there are any major changes in capital markets, the regulatory environment or the investment environment.

Section 6 - Procedures

(24) [Investment Procedure](#)

Status and Details

Status	Current
Effective Date	5th October 2022
Review Date	5th October 2025
Approval Authority	University Council
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Expiry Date	Not Applicable
Accountable Officer	Lucy Franzmann Chief Financial Officer
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