

Investment Procedure

Section 1 - Summary

(1) This Procedure outlines the process of monitoring and evaluating Victoria University's (VU, the University) investment funds and should be read in conjunction with the Investment Policy.

Section 2 - Scope

(2) This Procedure applies to University Finance staff, Council and its sub-committees, of the University involved in the management of investment funds.

Section 3 - Definitions

(3) Nil.

Section 4 - Policy / Regulation

(4) See [Investment Policy](#).

Section 5 - Procedures

Part A - Summary of Roles and Responsibilities

Roles	Responsibilities
(5) Finance and Investment Committee	<ul style="list-style-type: none"> a. Under its Terms of Reference, the Finance and Investment Committee shall "oversees the investment of all monies of the University (including monies held in trust), and recommend to Council on any changes to the University's Investment Policy". b. Finance and Investment Committee has the responsibility to: <ul style="list-style-type: none"> i. Provide oversight and stewardship of the University's investment funds. ii. Assess the University's investment risk and return profile and approve the University's investment objectives based on advice from the appointed Investment Manager and the University management. iii. Evaluate and approve the University's investment asset allocation ranges based on advice from the appointed Investment Manager and the University management. iv. Monitor investment performance against the University's Investment Policy and Procedure requirements, and in particular against the established University's investment objectives and principles. v. Assess and approve the appointment and termination of the Investment Manager.

<p>(6) Chief Financial Officer</p>	<p>a. The CFO, acting in accordance with the applicable University's Delegations and Authorisations Policy and associated schedules of delegation, has the responsibility to:</p> <ul style="list-style-type: none"> i. Implement the University's Investment Policy and Procedure. ii. Implement the minuted decisions of the Finance and Investment Committee in relation to the management of the University's investment funds. iii. Determine the appropriate level of assets to be held as investment funds from time to time, and invest surplus funds in accordance with the University's Investment Policy and Procedure. iv. Withdraw invested funds to the extent necessary to meet the University's liquidity requirements and budgeted expenditure requirements. v. Withdraw and invest funds to the extent necessary to implement written urgent advice from the Investment Manager, provided that the asset allocation to individual sectors remains within the approved asset allocation ranges. vi. Determine and approve the investment procedures required to support the implementation of the University's Investment Policy.
<p>(7) Investment Manager</p>	<p>a. Subject to the terms of the applicable contractual arrangement, the University's appointed Investment Manager has the responsibility to:</p> <ul style="list-style-type: none"> i. Manage and invest the University's investment funds in accordance with the University's Investment Policy and Procedure. ii. Make recommendations to University management and the Finance and Investment Committee around the University's investment strategy, investment objectives and strategic asset allocations, and make decisions on fund manager selection. iii. Provide reporting on investment performance. iv. Apply prudent standards of judgement, compatible with the skill and expertise of a professional in the business of portfolio management.

Part B - Procedures

Structure of Investment Portfolios and Investment Objectives

(8) The University will identify separate and distinct purposes for the funds available for investment and manage them as an independent investment portfolio.

(9) The University has determined the following separate investment portfolios are to be established:

- a. Treasury Operations Portfolio (TOP) - This portfolio is focused over the short term, with an investment horizon rolling over 12 months.
- b. Longer Term Investment Portfolio (LTIP) - This portfolio is currently focused over the medium term, with an investment horizon of around 2 to 4 years.

(10) The CFO, in consultation with the Finance and Investment Committee, will determine the appropriate level of assets to be held as investment funds within the portfolios from time to time, taking into consideration liquidity and expenditure requirements.

Treasury Operations Portfolio (TOP)

(11) This portfolio is to be managed in a risk-averse manner. The basis for an investment of this portfolio is that a loss of capital over a financial year would be undesirable. This portfolio is managed to minimise the risk of negative return over any financial year. However, given the recognition that in extreme market conditions, a negative return is possible.

(12) This portfolio is to be managed on a 12-month investment horizon.

(13) The investment objectives for this portfolio are:

- a. Investment returns: To manage the cash and cash-like investments specific to upcoming spending requirements.
- b. Risk: The likelihood of returns being lower than inflation is to be negligible. There is minimal appetite for negative returns.
- c. Constraint: Liquidity will be managed to meet the spending requirements as they arise.
- d. Performance measurement: To achieve, over rolling one year periods, an average before fees and taxes annual

return that is at least equal to the benchmark return.

(14) Consistent with the nature of the portfolio and its investment objectives, the Treasury Funds will be invested for up to 24 months in the strategic asset allocation, as shown in Schedule B (below).

Longer Term Investment Portfolio (LTIP)

(15) A longer term investment horizon applies to this portfolio, to obtain a rate of return that is 2.0% above the rate of inflation (as measured by CPI) after fees and taxes. Despite this objective, a decline in market value in any one year should not be a major concern provided the investment risk objective is met.

(16) The LTIP is held to meet:

- a. the adequate levels of capital reserves to safeguard the long term viability of the University.
- b. the strategic planning initiatives of the University, including capital works and restructuring opportunities.
- c. the supplemental income funding for strategic, operational initiatives.
- d. the preservation of the real value of capital for trust and endowment funds.
- e. the annual cash distribution requirements of trust and endowment funds for the payment of scholarships.

(17) The investment objectives for the portfolio are:

- a. Investment return: To achieve a rate of return that is 2.0% above the rate of inflation (as measured by CPI), over rolling three year periods, after fees and taxes and incorporating franking credits. The probability of achieving CPI + 2.0% over the long term should be at least 55%.
- b. Income return: To achieve a level of income that is at least 3.0% per annum.
- c. Risk: The likelihood of negative return will be no more than 1 in every 4.5 years.
- d. Performance measurement: Over rolling three year periods, achieve an average before fees and taxes return that is at least equal to the benchmark return. The benchmark return will be calculated as the weighted average of the strategic benchmark weights using returns of the asset class benchmarks, as stated in Schedule A (below).

(18) The risk profile of the University has been determined to be moderate, with an allocation to growth assets of around 50%. Consistent with the nature of the funds, risk profile and the investment objectives, the strategic asset allocation is shown in Schedule B2 (below).

Authorised signatories

(19) The positions within the University that are authorised signatories for approved investment transactions are documented in the University's [Delegations and Authorisations Policy](#) and associated schedules of delegation.

(20) The Investment Manager requires that any two authorised signatories sign an authority to proceed or trading instruction to make or redeem investments on behalf of the University for all Investment Transactions, in accordance with the University's Investment Policy and Procedure.

Administration

(21) In respect of the administration of the University funds:

- a. All investment assets must be held in the name of Victoria University and its subsidiaries (as applicable) who will retain full legal ownership.
- b. All correspondence and documents relating to the investments of either portfolio may be held by the Investment Manager who will be obliged to provide full access and transfer of this information upon request.

Reporting

(22) The Investment Manager will prepare and provide comprehensive monthly reporting to University management and quarterly reporting to the Finance and Investment Committee. The Finance and Investment Committee will

provide an investment performance report to the Council as and when required by Council.

(23) The reporting to be provided by the Investment Manager to include:

- a. The return on an investment expressed as a percentage.
- b. The return on each portfolio compared to its benchmark return.
- c. The return on each portfolio compared to its peer median return where the peer measure is taken from the relevant Chant West Implemented Consulting Survey universe.
- d. The percentage of exposure to each asset class compared to the target allocation as determined by this policy, including any comments on the major movements or any major disparities.
- e. Any other data required by the Finance and Investment Committee.
- f. The Investment Manager will report on Ethical, Social and Governance, (ESG) matter such as engagement activities, proxy voting and the ESG ratings of the investment vehicles in which the University is invested on an annual basis.

Schedule A: Performance Benchmarks

Sector	Benchmark
Russell Australian Responsible Investment ETF	Russell Australia ESG High Dividend Index
Russell Australian Shares Tracker Fund	S&P/ASX 300 Accumulation Index
Russell Global Opportunities Fund \$A Hedged	MSCI ACWI Index — 100% \$A Hedged - Net
Russell Global Opportunities Fund	MSCI ACWI Index — Net
Russell Multi-Asset Income Strategy Fund	CPI + 2%
Russell Multi-Asset Factor Exposure Fund	MSCI ACWI Index — 100% \$A Hedged - Net / MSCI ACWI Index — Net
Russell Tax Effective Global Shares Fund	MSCI ACWI Index — Net*
Vanguard International Property Securities Index Fund \$A Hedged	FTSE EPRA/NAREIT developed ex Australia rental index \$A hedged
Vanguard Australian Property Securities Index Fund	SAP/ASX 300 A-REIT Index
Russell Global Listed Infrastructure \$A Hedged	S&P Global Infrastructure Index \$A Hedged
Russell Multi-Strategy Volatility Premia Fund	Bloomberg AusBond Bank Bill Index
Russell Australian Bond Fund	Bloomberg AusBond Composite 0+ Yr Index
Russell International Bond Fund \$A Hedged	Bloomberg Barclays Global Aggregate Bond Index - \$A Hedged
Russell Global Bond Fund \$A Hedged Duration Hedged	Barclays Global Aggregate Bond Duration Hedged Index AUD Hedged
RIC Global Bond Fund USD Hedged	Bloomberg Capital Global Aggregate Bond Index - \$US Hedged
Russell Australian Cash Enhanced Fund	Bloomberg AusBond Bank Bill Index
Amundi Absolute Volatility World Equities Fund \$A Hedged	Bloomberg AusBond Bank Bill Index
Russell Global High Yield Fund	Bank of America Merrill Lynch Global High Yield 2% Constrained
Russell Emerging Markets Debt Local Currency Fund	JP Morgan GBI-EM Global Diversified Index
Russell Unconstrained Bond Fund	Bloomberg AusBond Bank Bill Index
Russell Floating Rate Fund	Bloomberg AusBond Bank Bill Index

Schedule B: Asset Allocation Ranges

B.1 Treasury Operations Portfolio

Sector	Strategic Allocation	Ranges
Australian Cash at Bank, including at-call and term deposit	50%	25%-100%
Russell Australian Cash Enhanced Fund	50%	0-75%

B.2 Longer Term Investment Portfolio

Sector	Strategic Allocation	Ranges
Australian Equity	33.6%	25%-45%
International Equity (includes emerging markets)	5.7%	0%-40%
International Equity \$A Hedged	2.2%	0%-40%
International Property \$A Hedged (listed)	2.3%	0%-40%
Australian Listed Property	0.8%	0%-15%
Growth Alternatives	3.4%	0%-25%
Australian Bonds	18.4%	30%-90%
International Bonds	17.3%	30%-90%
Australian Cash	11.3%	30%-90%
Defensive Alternatives	5.3%	0%-25%

Status and Details

Status	Current
Effective Date	22nd July 2019
Review Date	22nd July 2022
Approval Authority	Vice-Chancellor
Approval Date	22nd July 2019
Expiry Date	Not Applicable
Accountable Officer	Lucy Franzmann Chief Financial Officer
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