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150 YEARS

2023

# Endowment Fund Investment Report



# 2023 Endowment Fund Investment Report

We sincerely thank our donors for their generosity and the impact their philanthropy is making in advancing research, supporting student success and creating positive impact for the community. 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 2023.

## Fund highlights

As at 31 December 2023, the Fund consisted of 585 individual endowments totalling \$393.4 million. These monies are pooled together to form the Fund.

In 2023, thanks to the continued generosity of our donors who have made endowed gifts, the Fund received \$9.9 million from 12 new donations and \$3.2 million in deposits to existing endowments and recognised a reinvestment of franking credits and market revaluation gains of \$24.9 million.

After \$10.7 million was distributed to 359 individual research projects, prizes and scholarships throughout the University, the net increase to the Fund was \$27.1 million for the year.

For the twelve months ended 31 December 2023, the Fund returned 6.6% (after fees, excluding franking credits). The investment objectives of the University of Adelaide's Endowment Fund reflect its long-term nature, with the five-year return being 7.1%; and ten-year return at 6.5%.

## Fund governance and management

The governance and investment management structure for the Endowment Fund was reviewed, and a number of changes were implemented throughout 2023.

In February 2023, following an extensive selection process, Frontier Advisors Pty Ltd (Frontier) was appointed as the University's independent asset advisor.

Frontier has a diverse client base, including the University of NSW, Deakin University, Monash University and the University of Tasmania. Frontier has demonstrated significant experience in environmental, social and governance (ESG) investment principles and awareness of the particular sensitivities of the University sector. For the eighth successive year, Frontier was rated at the top of the annual Peter Lee Associates survey as Australia's leading asset consultant overall and, in 2023, was ranked first in nine of fourteen categories measured (and either equal first or second in all others).

Frontier's role is to provide asset allocation, investment manager selection and governance advice. Frontier reviewed the current investment portfolio in relation to performance, fees and responsible investment goals, including ESG principles included in the University of Adelaide *Sustainability Strategy 2030 – Here for Good*. The review also evaluated changes to the Strategic Asset Allocation and provided recommendations to implement the investment strategy.

The University Council approved changes to the Endowment Fund governance structure in June 2023, incorporating responsibilities for overseeing the performance of the Endowment Fund into the Finance Committee's terms of reference to achieve agile decision-making. The Finance Committee, a standing Committee of the University's Council, also provides recommendations to Council regarding

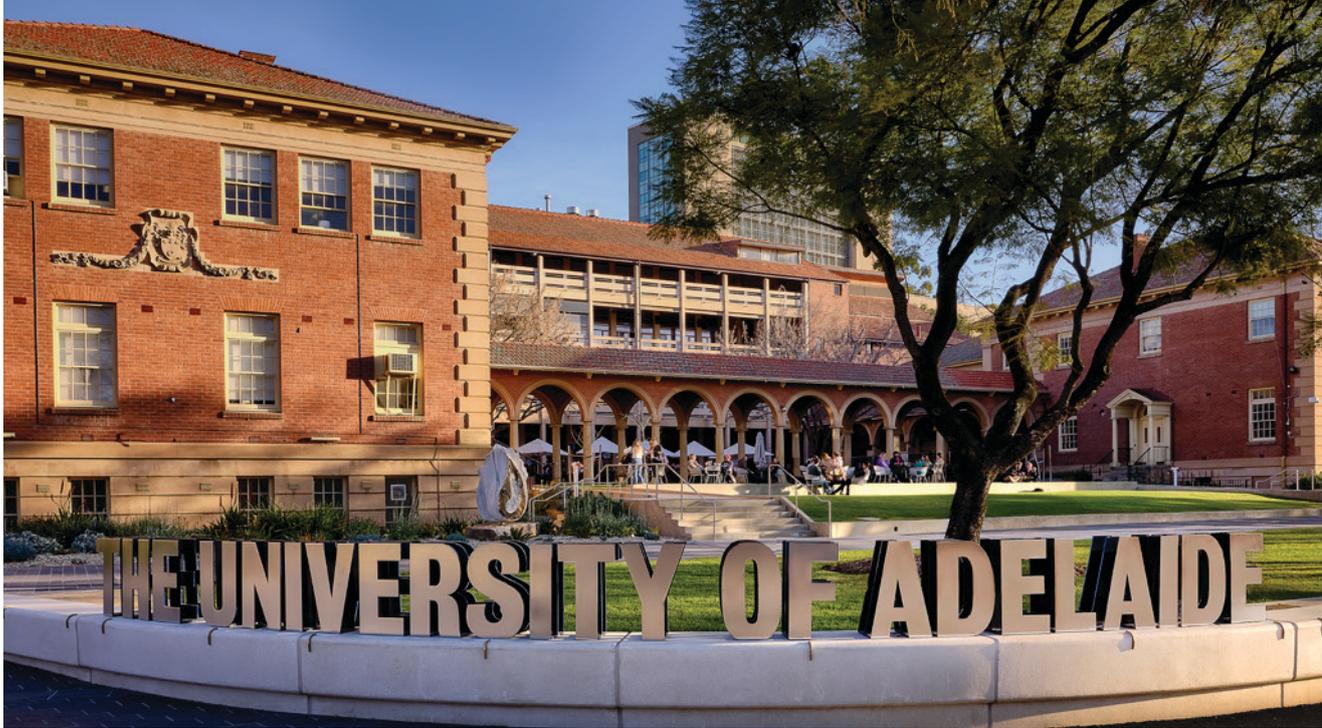
the Fund's investment objectives. The Finance Committee receives advice from Frontier as its independent asset advisor, with the Committee augmented by independent investment industry expertise when considering Endowment Fund investment decisions.

The current investment managers include Funds SA, Fulcrum Asset Management (Fulcrum) and AQR Capital Management (AQR). These fund managers provide monthly performance reporting, which is provided quarterly to the University's Finance Committee by Frontier to ensure timely monitoring.

## Environmental, Social and Governance (ESG)

The University is committed to actively progressing environmental, social and governance objectives, through its significant research, education and engagement agenda and within its direct operating activities. In May 2023, the University published the *Sustainability Strategy 2030 – Here for Good* outlining the University's commitment to a sustainable future and its ambition to lead and deliver positive and sustainable change for good. The Strategy commits to responsible investment by applying strong environmental, social and governance principles across investments with the following objectives:

- To ensure our values are reflected in the University's investment portfolio
- Align our investment approach to the principles of the Strategy



and encourage exclusions or certain investments where there is misalignment

- Update ESG Investment Principles to reflect leading practice, requiring fund managers to be signatories to the United Nations Principles for Responsible Investment or a member of the Responsible Investment Association Australasia (RIAA) and communicate annual sustainable investment disclosures.

The investment approach for the University’s Endowment Fund is aligned with the principles of the ESG Strategy.

The Endowment Fund policy was updated in 2023 to exclude public equities and corporate bonds issued by:

- Any listed company that derives 10% or more of total revenue from the ownership and exploitation of its fossil fuel reserves, including thermal coal, oil, and gas
- Any listed company which manufactures tobacco products
- Any listed company which manufactures controversial weapons (including components produced exclusively for use in controversial weapons) such as cluster munitions, biological/chemical weapons, and land mines

The University is working with Frontier through the transition to the new Strategic Asset Allocation and ensuring compliance with the new policy. The transition is on track to be achieved by the end of 2024.

The current investment managers have ESG policies and are 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 released an Annual Responsible Investment Disclosure, further details can be found on the University of Adelaide website.

### Fund objectives and strategy

The Endowment Fund aims to pay regular disbursements, with a long-term real return target of 4% per annum (i.e. a target return of 4% above the consumer price index), after fund manager fees.

**In 2023 the endowment fund distributed \$10.7 Million to 359 individual research programs, prizes and scholarship awards**

A growth biased investment strategy has been adopted, with approximately 74% of the Fund’s assets invested in growth assets and 26% in defensive assets. This

strategy is consistent with the Fund’s objective of providing long-term capital growth and a current income stream through a diversified investment portfolio.

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 provide the Endowment Fund with reduced financial risk through investment diversification.

### Capital growth and distributions

Distributions of up to 5% are calculated as at 31 December of each year. This distribution may be used 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 Fund’s annual return is 12%, up to 5% will be distributed as income, and the remaining balance of the year’s earnings 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 charge the Endowment Fund any internal administration fees.

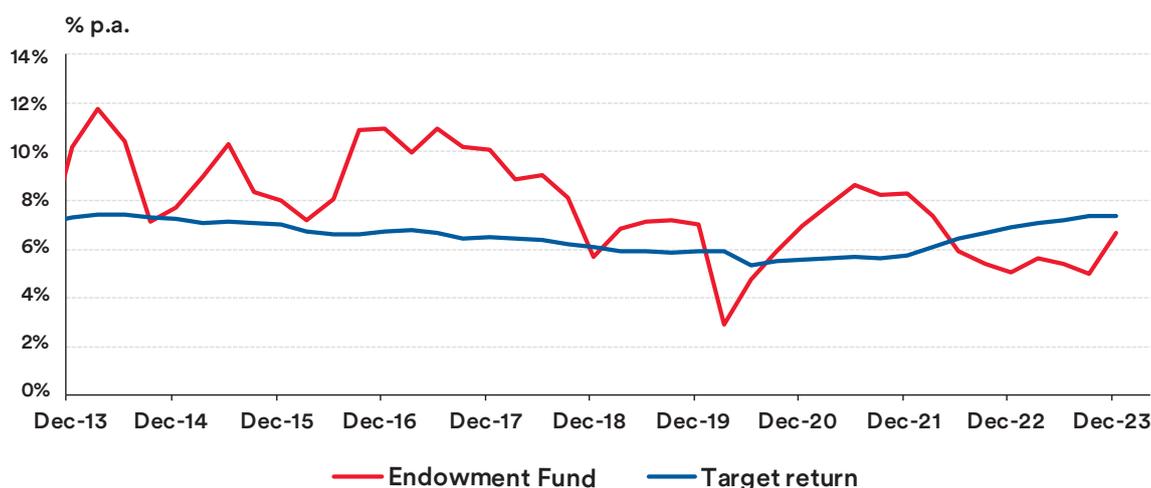
## Fund performance

Historical fund performance  
(net of investment fees and excluding franking credits)

3 years	5 years	7 years	10 years
5.2% p.a.	7.1% p.a.	6.4% p.a.	6.5% p.a.

Please note that as at 30 June 2023 the impact of franking credits for the financial year was an additional 0.2%

## Rolling return (annualised) of the Fund over five years



## Asset allocation

The following table provides the asset allocation of the Fund at 31 December 2023, based on the investment strategies adopted by the Fund's investment managers.

<b>37.4%</b>	Alternatives
<b>21.2%</b>	International Equities
<b>16.1%</b>	Australian Equities
<b>8.1%</b>	Private Equity
<b>7.6%</b>	Infrastructure
<b>7.0%</b>	Property
<b>2.6%</b>	Cash



Vice-Chancellor and President Professor Peter Høj AC with Dr Pamela Wall OAM

## Ian and Pamela Wall Chair in Electrical and Electronic Engineering

South Australian philanthropist Dr Pamela Wall OAM has always made the most of her opportunities and found ways to empower others to do the same. In 2023, already a long-time supporter of research, the arts, students and those with specialist medical needs, Pamela gifted \$5 million to the University to establish an endowed academic chair: the Ian and Pamela Wall Chair in Electrical and Electronic Engineering.

A trained nurse, Pamela left nursing in the late 1950s to support her husband Ian, a recent Electrical Engineering graduate of the University, as he started his business. The Electronics, Instrument and Lighting Company Ltd (EILCO) was founded in 1959.

“The early days of the business were tough. I well remember Ian putting in very long hours, and sharing the bathroom of our first premises with a stray cat and her kittens. But we made the most of the opportunities that came our way,” said Pamela.

By the 1970s, the company – now trading as Codan – expanded to overseas product exports and worked with international humanitarian organisations.

“Ian and I have worked hard, but at the same time have always been aware of helping others,” said Pamela.

“I was on the board of EILCO, and then Codan, for 20 years – and was often the only female board member. The opportunity to join the board was amazing for me. It taught me a lot about people, about business, respect, fairness, progress, and about overcoming adversity.”

Codan continued its path of success throughout the 1980s and 1990s, pioneering equipment including Australia’s first satellite system and the world’s first commercial modem for fully automatic fax and data transmission.

Now retired, Pamela is committed to philanthropy, ensuring that deserving individuals and initiatives are given a chance to thrive. The Ian and Pamela Wall Chair in Electrical and Electronic Engineering is a significant contribution that will further strengthen the ongoing excellence in electrical and electronic engineering at the University, attracting the highest quality academics and students to our institution.

The University has invested an additional \$1.5 million to fund research fellowships or scholarships to support the work of the new Ian and Pamela Wall Chair in Electrical and Electronic Engineering.

## Further enquiries

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### **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.