



# **University of Melbourne Student Union (UMSU)**

## **Investment Policy Statement (IPS)**

Presented on 14 September 2018

### **Version Control History**

<b>Rev.</b>	<b>Ver.</b>	<b>Prepared By</b>	<b>Approved By</b>	<b>Change Summary</b>	<b>Approval Date</b>
0	1	Craig Smith		Initial Release and Accru Input	N/A

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## Background

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With a living history that extends over 130 years, the University of Melbourne Student Union (UMSU) is committed to providing quality experiences on campus that create a community for students, staff and visitors from a wide variety of backgrounds and experiences.

As a non-profit organisation run by students, for students, UMSU provides valuable funding that keeps the arts, representation, advocacy, live music and cultural services alive on campus which improves student experiences at university immeasurably.

UMSU promotes students to immerse themselves in a wealth of cultural facilities and events whilst having access to quality support services. UMSU prides itself on making sure that students have advocacy and representation on campus while making students time at uni fun and enjoyable.

The University of Melbourne provides UMSU with funding quarterly. In addition to this, UMSU also has a significant cash reserve. This cash reserve along with any earnings on these funds will assist funding the activities of UMSU if the University of Melbourne changes the quarterly funding model.

## Purpose of Investment Policy

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This Policy Statement establishes a framework of investment strategy and responsibility, reflecting the investment objectives, risk tolerance and investment constraints and restrictions as determined by UMSU's Student Council.

The purpose of this Investment Policy Statement is to:

- Establish a clear understanding of the investment objectives of UMSU
- Define the responsibilities and duties of the Student Council in managing UMSU's investments
- Establish guidelines for the investable assets of UMSU
- Provide asset allocation investment ranges
- Define permissible and restricted investments
- Define diversification requirements
- Assist the Student Council in effectively supervising, monitoring and evaluating the management of UMSU's investment assets

## Investment Objective

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UMSU's principal investment objectives are to:

- Preserve and maintain the real purchasing power of its assets
- Maximise the return on surplus funds generated from normal operations
- Minimise risk and expenses
- Meet cash flow requirements as and when they fall due
- Not be subjected to large fluctuations in capital values

In support of these principal investment objectives the following return objective and investment time horizon has been confirmed:

Achievement of a total return of 1% above CPI (annualised measure) over a three to five year investment horizon.

This is consistent with the '**Defensive**' risk profile. The defensive portfolio is suitable for investors seeking a relatively low-risk investment. The portfolio will not aim for higher returns if it means that its value may decrease significantly. It is also suitable for investors who have a short-term investment timeframe, as they may need access to their funds within a year.

## Portfolio Investment Policies

### A. Asset Classes and Asset Allocation Policy

The Student Council recognise that the strategic allocation of portfolio assets across broadly defined defensive asset categories with varying degrees of risk, return and return correlation will be the most significant determinant of investment returns and portfolio asset value.

Outlined below are the strategic asset allocation (SAA) guidelines based on long-term trends and factors affecting asset classes with consideration given to investment objectives, time horizons and risk tolerances.

The Student council will review the asset allocation guidelines on an annual basis to ensure they are consistent with the ongoing investment objectives of UMSU.

Asset Class	Sub category	Target (%)	Ranges (%)	Liquidity Requirement
<b>DEFENSIVE ASSET CLASSES</b>				
Cash	<b>Running Capital</b>	45%	10-100%	\$1,500,000
Fixed Interest	<b>Short Term Funding</b> Short Term (< 3 Months)	55%	0-80%	-
	<b>Short/Medium Term Funding</b> Long Term (3 Months to 12 Months)			-
Alternative Income	-	0%	-	-
<b>GROWTH ASSET CLASSES</b>				
Australian Equities	-	0%	-	-
Global Equities	-	0%	-	-
Property and Infrastructure	-	0%	-	-

The asset classes (as detailed above) which the Student Council have deemed suitable and appropriate to form part of UMSU's investment portfolio include:

#### 1. Cash

Readily accessible liquid funds, with no restriction or delay in accessibility, including at call and transactional accounts, high interest online savers and cash management accounts:

Cash deposits are restricted to approved deposit-taking institutions (ADIs as authorised under the Banking Act 1959) with a minimum Moody long term credit rating of Baa3 (above speculative grade, or equivalent), and who are approved under the Australian Government Financial Claims Scheme guarantee.

## 2. Fixed Interest

Fixed Interest includes term deposits of varying maturity terms.

Term deposits are restricted to approved deposit-taking institutions (ADIs) with a minimum Moody long term credit rating of Baa3 or S&P long term credit rating of BBB- (above speculative grade, or equivalent), and who are approved under the Australian Government Financial Claims Scheme guarantee.

## B. Prohibited Investments and Risk Management Constraints

### Prohibited Asset Classes and Investment Types

The following have been classified as prohibited investments and their acquisition is not permitted:

- **Listed investments** - includes listed income securities, convertible preference shares, bond securities, bond funds and fixed interest funds available via the ASX, exchange traded funds, MFunds and managed funds.
- **Derivatives** - includes direct investment into futures, forwards, options, swaps or similarly structured or leveraged products. It is acknowledged that derivatives may be used by a fund manager for the purposes of hedging currency exposures, and this is permissible.
- **Market Sectors Considered Inappropriate for Direct Investment** – The following sectors have been identified as inappropriate for investment:
  - + Banking outside of cash and fixed interest
  - + Fossil Fuel
  - + Pharmaceuticals
  - + Private Security
  - + Defence

It is acknowledged by the Student Council that UMSU is allowed to open and operate bank accounts with institutions that meet the criteria defined in the previous section.

### **C. External Investment Managers**

UMSU's investment objectives are to be met through prudent investing and planning. This needs to be done efficiently and effectively so that while a level of due diligence is retained, the Student Council are not required to spend an undue amount of effort managing the investments compromising delivery of the organisations wide objectives.

UMSU may engage professional advisors to provide advice and management of investments.

The Student Council are permitted to engage external investment advisors to assist with the following:

- Preparation (and updating as required) of appropriate investment policies and guidelines for UMSU,
- Ongoing management of UMSU's investment portfolio, and
- Ongoing administration of UMSU's investment portfolio.

It is the responsibility of the Investment Advisors to:

- Manage the investment assets of UMSU in accordance with the guidelines and objectives outlined in UMSU's Investment Policy Statement
- Provide transactional and performance reporting on a timely basis (as determined by the Student Council)
- Exercise due care and skill in fulfilling their professional obligations

### **D. Authority to Proceed**

The Student Council must provide approval before changes to the Investment Policy Statement can be made. The President, General Secretary and Chief Executive Officer are to sign off on the changes in writing (hard copy or soft copy), after approval from the Student Council.

For funds managed by the external investment managers, the President, General Secretary and Chief Executive Officer must provide written (hard copy or soft copy) approval for the day-to-day maintenance of the portfolio within the Investment Policy statement framework. This includes, but is not limited to:

- Providing approval to rollover or mature a term deposit,
- Transfer of funds from one cash account to another,
- Treatment of a maturing investment
- Managing operational cash flow

For funds managed by UMSU, transfers can be actioned only if the President, General Secretary and Chief Executive Officer provide authority. Bank accounts with external payment capability are to be established with the requirement for 3 signatories.

## E. Liquidity and Distribution

Liquidity refers to how readily investments can be converted to cash without compromising the value of the investment.

When considering investment asset allocation, UMSU must provide for a sufficient level of liquidity to meet its ongoing obligations, including but not limited to;

- Paying UMSU’s expenses
- Providing for distributions to fund various activities

An assessment of forward cash flow is required on a rolling semi-annual basis to ensure sufficient levels of liquidity are maintained to meet UMSU’s obligations.

From time to time UMSU will likely have funds for investment that are surplus to operational needs. The ultimate purpose of these funds is spread across the following areas and associated investment profile:

Purpose	Amount	Proposed Investment Type	Manager
<b>Running Capital</b>	\$1,500,000	Cash	UMSU and External Adviser (if appointed)
<b>Cash Reserve</b> - Terms less than 12 Months	Surplus funds	Cash, Notice Saver Accounts and Term Deposits	UMSU and External Adviser (if appointed)

From time to time the Student Council may review funds available for investment and the broad purpose, with consideration for past practice and investment horizons. This will consider any additional funds that have become available or strategic investments / new projects that may require access to invested funds.

Returns from investments are to be reinvested in line with this Investment Policy Statement.

## Monitoring and Review Process

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### **Performance**

The Student Council will monitor the performance of the investment portfolio against the portfolio's stated investment objectives.

### **Investment Policy Review**

The Student Council will conduct a detailed review and assessment of UMSU's Investment Policy Statement and investment objectives every three years, or earlier as required.

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