

📍 George Alexander Foundation Scholarship
students: Bianca Jones, Jay Saward,
Catherine Bean, Neve Clippingdale.



2022

Investment Fund Report

UNIVERSITY of 
TASMANIA

2022 Investment Fund Report

Our mission is to make a difference for Tasmania and from Tasmania to the world. Everything we do is shaped by our island home and its distinctive regions, communities and people, with whom we work to achieve a real and enduring impact.

Through the generosity of our benefactors the University now manages a large portfolio of philanthropic funds, which continue to provide income that enables us to deliver this mission in tangible ways. This includes the funding of scholarships and prizes to support our students and ensure the widest possible access to quality higher education, alongside high-impact research projects, and the infrastructure that underpins this.

To ensure this work can be sustained, the key financial objective of the University's investment portfolio is to provide long-term capital growth, as well as stable annual income in perpetuity.

This annual report provides an overview of how philanthropic funds at the University are managed and a summary of their performance. Correspondence relating to individual funds is provided separately to donors, or their nominated representatives.

Funds governance and management

The University's philanthropic funds, including bequests and endowments, total \$106 million as at 31 December 2022. Philanthropic funds established for long-term investment are managed as part of the University's investment portfolio.

The investment portfolio is integral to the University's strategy to strengthen its long-term financial sustainability and is governed by the University's Treasury and Investment Policy. An Investment Advisory Panel, comprising University staff and industry professionals, provides oversight and stewardship of the investment portfolio and advice on investment strategy and policy.

The members of the Investment Advisory Panel as at 31 December 2022 were:

Mr Daniel Minihan

Investment Advisory Panel Chair and Partner,
SW Australia

Mr Dermot Crean

University of Tasmania Co-Chief Investment Officer,
Co-Founder and Director Allbridge Capital

Mr Rohan Boman

University of Tasmania Co-Chief Investment Officer
Boman Asset Pty Ltd

Mr David Clerk

University of Tasmania Chief Operating Officer

Ms Jo Willsmore

University of Tasmania Executive Director
Corporate Finance

Ms Nadyne Russell

Secretary and University of Tasmania
student representative

The University Foundation Committee

The University Foundation Committee (UFC) oversees the University's philanthropic practices and policies. The Committee receives reports on the performance of the fund, providing feedback to University Council through the Chair, Vice-Chancellor Professor Rufus Black.

Fund objective and purpose

The investment strategy has evolved over time towards a longer-term endowment-style model, with a focus on world-class, goal-aligned fund managers and a deep commitment to the transformational energy transition required to achieve a zero-carbon future (in accordance with the Intergovernmental Panel on Climate Change target). The endowment model is used by some of the largest university endowments to achieve returns over a long-term investment horizon with lower levels of volatility through diversification into non-traditional asset classes.

The Treasury and Investment Policy frames the objectives with investment funds managed to achieve:

- a return that is long term and not a year-by-year measure
- a return, after fees, at least equal to the average increase in headline consumer price index plus a margin recommended by the University's investment advisors and approved as part of the annual strategic planning process (headline consumer price index plus a margin of 5 per cent as at 31 December 2022)
- a diversified portfolio that mitigates the risk of a permanent loss of capital
- returns with lower volatility than would be experienced by investing solely in the public equity market
- a zero-carbon future

The University's investments are managed to realise the objectives of endowment funds, and to meet the annual spending requirements (including scholarships, prizes and research).

Investment decisions are guided by the strategic asset allocation and tactical opportunities.

Environmental and social governance

It is becoming clearer that the world is undergoing a period of transformation, driven by technology, demographics, and environmental changes. The University is committed to navigating this change, actively progressing sustainable outcomes with investment decisions governed by policy to achieve a zero-carbon future. Under this policy, the University has no appetite to invest in assets with direct investment in fossil fuels (coal, oil and gas), whether extraction or production, including thermal coal power. It is committed to investing in assets that accelerate the transition to a zero-carbon economy.

The University continues to re-position the investment portfolio and identify opportunities that align with its zero-carbon policy objective whilst maintaining an over-riding focus on maintaining and growing the real value of endowments. During 2022, long-term sustainable investments have diversified across clean energy transition, climate change, sustainable processes and cities, water, food and waste conservation and recycling, transportation and social infrastructure, and the circular economy.

As sustainable investing evolves, the importance of sustainability has become a more fundamental theme affecting risk and returns. The University continues to consider opportunities to enhance its portfolio.

Market update

The dominant driver of markets in 2022 was the historically large and rapid rise in interest rates as Central Banks tightened policy in the face of growing inflationary pressures. The speed and magnitude of the monetary tightening of 2022 were among the most aggressive in history. The impact of the tightening on markets was substantial and pervasive, but its impact on economies is still developing. Major geopolitical events and energy crises added to the volatility. As a result, 2022 was a negative returning year for most major asset classes, particularly listed equities and bonds, resulting in one of the worst periods for markets for some time.

This complex investment environment has challenged the 60/40 equities and bond strategy, which has historically underpinned conservative investment portfolios, but is now experiencing increased volatility.

Fund highlights

Following the significant period of market volatility in 2020 due to the COVID-19 pandemic, the challenging market conditions in 2022 reversed the strong gains experienced in late 2021 (annual return 16.87% as at 31 December 2021).

With negligible exposure to bonds, and a significant allocation to private markets, the Fund's long-term endowment style investment strategy positioned the portfolio for a difficult market.

Over a 5-year period the fund has delivered a return of 5.1% p.a. against a stretch target return designed for the long term of 8.2% p.a. During 2022, over \$7 million was distributed to research, prizes, scholarships and additional University projects.

The portfolio is diversified across asset classes, public and private to dampen volatility in difficult market conditions. A key focus on partnering with highly regarded investment managers for the longer term. These investment managers should have deep expertise in their chosen market or strategy and across market cycles.

Equities

Most equity markets produced negative returns in 2022, with strong performance in the domestic market focused on a small number of sectors such as energy and utilities. As a result, negative returns on the fund's equity holdings were a significant detractor for performance in 2022. However it should be noted that in the Australian market it was difficult to produce overall outperformance which would require a portfolio with a heavy weighting towards energy sector stocks.

The Fund's overall allocation to equities has remained consistent over the longer term at around 40% with exposure to domestic and global markets, including some exposure to emerging markets.

While maintaining a long-term investment focus, monitoring of fund manager performance is ongoing and informs rebalancing decisions. A repositioning of the fund in alignment with the University's zero-carbon future objective has seen significant reinvestment in sustainability focused funds across a range of themes.

New equity investment opportunities continue to be assessed as the market responds to a growing demand for sustainability focused funds.

Private equity

Private Equity has been a growing asset class for the Fund and is well suited to its long-term endowment strategy, providing diversification and exposure to return drivers not available in liquid markets.

Since 2018 this asset class has generated strong returns for the Fund despite a majority of new funds having been invested for less than five years. Overall the asset class delivered a positive return in 2022.

We continue to partner with world-class managers who hold significant expertise and resources, using targeted pools of capital to invest in opportunities across a range of themes aligned with our zero-carbon future objective.

Infrastructure

Unlisted infrastructure has also performed well during 2022 and over the longer term, being less sensitive to short-term share market volatility and providing a hedge against inflation. Repositioning of the Fund's infrastructure investments in recent years has seen longer-term investment in global fund managers that are closely aligned with our zero-carbon future objective.

Significant opportunities exist for investment in infrastructure to respond to the transformational energy transition required to achieve a zero-carbon future. This need is likely to underpin the asset class's future growth.

Private credit

The Fund's transition from fixed income strategies to senior secured credit investments as an alternative defensive asset has avoided significant losses experienced in bond markets. While market volatility has impacted credit values over the short-term, this is not expected to materially impact yield to maturity in the long-term. The Fund is mainly invested in floating rate instruments with short duration and robust asset cover.

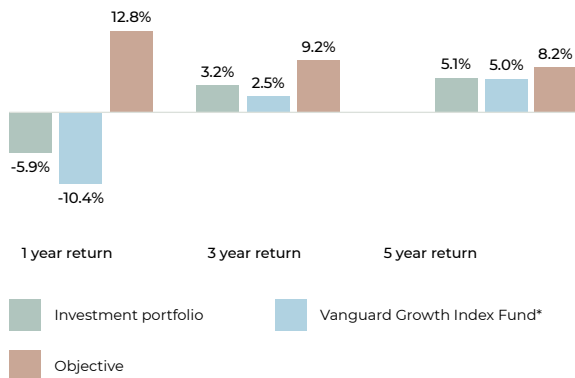
Cash and cash equivalents

This asset class generated steady returns for the Fund during 2022 with rising interest rates and a tactical overweight allocation to cash as at 31 December 2022.

The University continues to focus on positioning the portfolio to be resilient to a range of scenarios while seeking opportunities to generate long-term returns with goal-aligned world-class managers.

As outlined in the table below, over a 5-year period, the fund has returned 5.1% p.a. against the portfolio's long-term return objective. The University also uses Vanguard Growth Index fund as an internal benchmark to monitor performance and has performed well against this in the 1 and 3 year return periods.

Fund performance 1-5 years

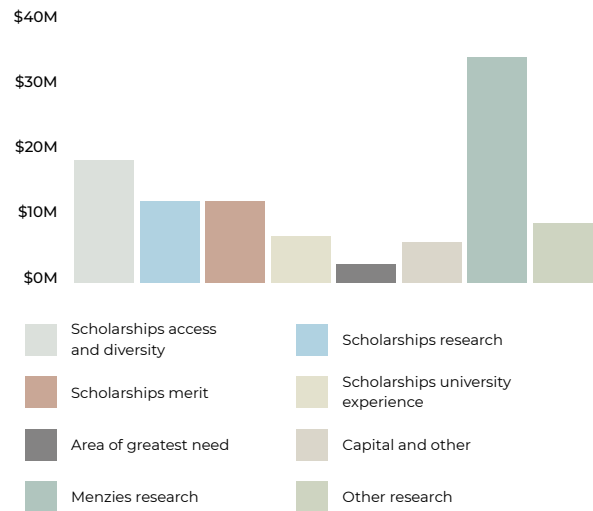


*Vanguard Growth Index Fund – used for internal performance benchmarking

Asset allocation of Investment Fund – as at 31 December 2022



Balance by purpose as at 31 December 2022



Long-term support of students continues in perpetuity

Bonnie Tilley has been a long-term supporter of scholarships for women at the University, a commitment that will now continue in perpetuity after she decided to establish an endowed scholarship.

Bonnie was inspired by her mother's determination to travel from Strahan on Tasmania's West Coast to attend secondary school and then teachers' college on Hobart's Domain. Bonnie attended university herself, completing a Bachelor of Arts in 1955 and a Graduate Diploma in Library Studies in 1978. It is therefore particularly fitting that the scholarships Bonnie supports have a focus on supporting women, particularly those from rural or regional areas, to attend university.

Since 2008, she has supported nine students for all or part of their degrees. She supports two students at a time, for up to four years, including an honours year. The endowed Bonnie Tilley Scholarship for Tasmanian Women will see this generosity live on.

"It has been a privilege to find oneself part of the progress that the students are making," Bonnie said.

Current scholarship recipients are Jordyn Mayne, who is studying a Bachelor of Arts and a Bachelor of Laws, and Brianna Lambert, who is studying a Bachelor of Education with a focus on early childhood.

Bonnie recalls a phone conversation with Brianna, who remarked that she had found it extraordinary that, "Someone who didn't know I existed would make as much of a difference to my life as it has turned out."

Brianna, who lives near Latrobe in northern Tasmania, wrote to Bonnie of her experience as a student teacher: "My placement took place at Mianetta Primary School in Devonport, working with one of the kinder classes... I learned so many skills during my time there and have been invited back to see how the students have progressed over the last term. Thank you for supporting me to have this experience."

Jordyn, likewise, wrote to Bonnie of her appreciation: "I am proud to be studying a Bachelor of Law and a Bachelor of Arts at the University of Tasmania.



▲ Jordyn Mayne with Bonnie Tilley at a scholarship donor thank you morning tea in 2021.

"If you can help two people, significantly help them, it is a privilege to be able to do that."

I have a passion for learning and I want to use my degree to be a voice for people who are not heard in our society. Being a Tasmanian Aboriginal woman, this scholarship has given me the strength to pursue my dreams of being a lawyer or politician.

"Thanks to you, I was able to take one step closer to achieving that goal. I am now four years into my law degree, and I definitely want to pursue a career path in law."

Bonnie said, "If you can help two people, significantly help them, it is a privilege to be able to do that. That is why I am intense about helping to give people the chance to do the particular thing it is that they want to do – to help them along, just that little bit."

For more information about philanthropy at the University of Tasmania, contact us:

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