



2023

# Investment Fund Report

UNIVERSITY of   
TASMANIA

# 2023 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 have a real and enduring impact.**

Through the generosity of our benefactors the University now manages a significant portfolio of philanthropic funds, which continue to provide income that enables us to deliver this mission in tangible ways. This includes the funding of globally significant sustainability projects, including conserving our unique flora and fauna; ensuring student access to education; supporting medical research that makes a difference to Tasmania and the world; and fostering creativity.

To ensure that we continue to meet these challenges and that 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 approximately \$120 million as of 31 December 2023. 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 to further its mission to make a difference for Tasmania and from Tasmania to the world.

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 of 31 December 2023 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 Craig Barling**

University of Tasmania Deputy Vice-Chancellor  
Student Services and Operations

**Mr Ben Rose**

University of Tasmania Chief Financial Officer

**Ms Nadyne Russell**

Secretary

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

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

- a return objective 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% as of 31 December 2023)
- 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.

Other similar institutions with long-term mandates tend to have less ambitious return targets. In consultation with advisers, the University has set a long term 'stretch' target to maximise the likelihood of achieving excess risk-adjusted returns. There is no guarantee that this will be achieved.

Investment decisions are guided by 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, and that accelerates the transition to a zero-carbon economy. With the significant capital investment required to reach net-zero carbon emissions (in accordance with the Intergovernmental Panel on Climate Change), this is considered by many as one of the next great transformations.

The University continues to re-position the investment portfolio and identify opportunities in public and private markets that align with its zero-carbon policy objective whilst maintaining an over-riding focus on preserving and growing the real value of endowments. Private markets are well-suited to support the innovation and change required to generate measurable social and environmental impact, in addition to financial returns and greater diversification. Our investment in these markets, including impact investments, has increased in recent years.

As sustainable investing evolves, the importance of sustainability has become a more fundamental theme affecting risk and returns. However, when evaluating returns, macroeconomic variables can affect the performance of sustainable investments leading to divergence from broader market indices. For example, the exclusion of energy companies is likely to lead to outperformance against market indices in an environment of falling oil prices, but potential underperformance when prices are rising. Furthermore, interest rates and inflation can also influence the relative performance of clean energy investments. Megatrends such as the transition to a lower carbon economy have the ability to reshape markets and potential to provide long-term growth, although this also generates investment risk and uncertainty which needs to be carefully managed.

The University continues to consider opportunities to enhance its portfolio. Ongoing dialogue with our fund managers is key to ensuring the University understands and manages its investments for potential risks, including environmental and social, and to adapt to a complex and changing landscape.

After a turbulent 2022, characterised by high inflation and forecasts of a U.S. recession by mid-2023, the early 2023 collapses of Silicon Valley Bank and Credit Suisse intensified concerns over a wider banking crisis. However, markets rebounded later in the year, despite ongoing adjustments to structurally higher inflation and interest rates.

The global economy displayed resilience throughout 2023, though the outlook for 2024 is still impacted by uncertainties as financial markets seek a new balance. Against this backdrop, the importance of active investment management is becoming increasingly apparent. The US labour market continues to demonstrate strength, bolstering consumer confidence and spending. Although inflation is moderating, it remains a structural concern making the likelihood of more accommodating financial conditions difficult to forecast.

Overall, this shifting economic landscape offers a more favourable outlook than initially expected, reducing the risk of recession, and enhancing growth potential.

However, we remain alert to various risks, including geopolitical instability, vulnerabilities in commercial real estate, and possible missteps in central bank policies.

## Fund highlights

In 2023, a strategic restructuring of the University's investment funds led to the creation of a short-term investment portfolio, managed independently from the long-term portfolio. This provides flexibility in accommodating funds with different time horizons. The short-term portfolio provides near-term liquidity needs for the University and is primarily invested term deposits, while investment funds in the longer-term portfolio are managed to achieve the longer-term objectives of the Treasury and Investment Policy. This change has not impacted endowment funds invested for the long-term which are primarily held in the long-term portfolio.

In recent years, market volatility has been impacted by the global pandemic, increasing geopolitical tension and higher inflation. With negligible exposure to bonds, and a significant allocation to private markets, the long-term endowment style investment strategy has positioned the long-term portfolio for navigating market volatility. Notwithstanding high inflation in recent years, over a 5-year period the long-term portfolio delivered a return of 7.1% p.a. and 8.2% p.a. (excluding cash) against a stretch target return designed for the long term of 8.6% p.a.

The long-term portfolio is diversified across asset classes, public and private, to dampen volatility in difficult market conditions and is aligned with the policy objective to achieve lower volatility than would be experienced by investing solely in the public equity markets. A key focus is on partnering with highly regarded investment managers for the longer term with deep expertise in their chosen market or strategy and across market cycles. Combined with our zero-carbon future objective and an overriding focus on maintaining and growing real value, the long-term portfolio and its approach are customised for the University and may not align with market indices and peers.

## Equities

Australian shares made strong gains in late 2023, with the market benefiting from falling inflation and speculation that domestic interest rates have peaked. Global equity markets also delivered strong gains, but were unbalanced, with the performance of global indices dominated by a handful of technology companies known as the Magnificent Seven (Microsoft, Apple, Alphabet, Amazon, Nvidia, Meta, and Tesla). Technology and related sectors now represent the highest market concentration in decades and is a potential risk. The long-term portfolio's investments in technology through private markets (including venture capital and private equity) provides diversified long-term exposure to the technology thematic.

Public equity holdings have generated strong returns for the long-term portfolio and its overall allocation to equities has remained consistent at around 40%. This includes exposure to domestic and global markets, and some exposure to emerging markets which were impacted by China's economy recovering more slowly than expected in 2023 following the end of COVID-19 pandemic restrictions.

As at 31 December 2023, 40% of the long-term portfolio was invested in public equities with 10% in Australian Equities and 30% in Global Equities.

While maintaining a long-term investment focus, monitoring of fund-manager performance is ongoing and decisions to rebalance our portfolio are influenced by a range of factors and considerations. In 2023, further repositioning of equity investments included additional investments integral for the transition to clean energy and achieving net-zero targets.

### Private Equity

Private Equity has been a growing asset class for the long-term portfolio and is well suited to the fund's 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 and still in the earlier stages of capital deployment. The University has been active in managing its allocation to private equity to benefit from market conditions and attractive investment opportunities. We continue to partner with world-class managers, with significant expertise and resources and 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 2023 and over the longer term, being less sensitive to short-term share market volatility and providing a hedge against inflation. Repositioning of the long-term portfolio'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 and the broader market is driving the overall growth of this asset class.

### Private Credit

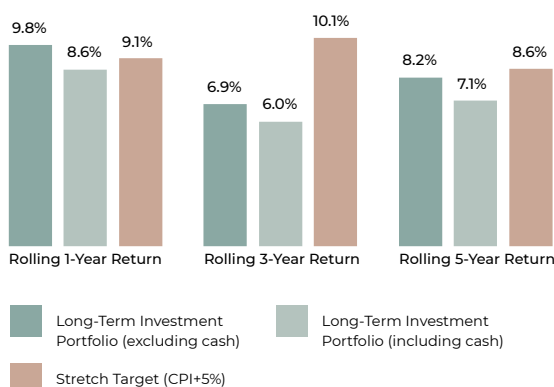
The long-term portfolio's shift from fixed income strategies to senior secured credit investments, as an alternative defensive asset, was a strategic response to various macroeconomic factors and has avoided significant losses experienced in bond markets. The fund is mainly invested in floating rate instruments with short duration and high-quality asset cover. It has continued to deliver strong returns, offers a low correlation to broader equity markets and provides liquidity to the long-term portfolio.

### Cash and cash equivalents

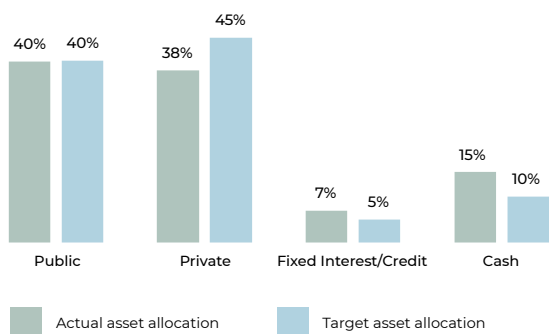
This asset class generated steady returns for the fund during 2023 with rising interest rates. A tactical overweight allocation to cash as at 31 December 2023 considers existing private market investment commitments and associated capital that is expected to be deployed in the short-term.

As outlined in the table below, over a 5-year period, the fund has returned 7.1% p.a. and 8.2% p.a. (excluding cash) against the portfolio's long-term stretch target of 8.6% p.a. in a high-inflation environment

### Fund performance 1, 3 and 5 years



### Asset Allocation as of 31 December 2023



# High-impact medical research scholarship — an enduring legacy

A generous gift from a Tasmanian family trust has created an enduring legacy to benefit the health of Tasmanians across a broad range of medical needs, from fighting heart disease to protecting brain health.

Thanks to a \$3.5 million bequest from the late John How, an endowed scholarship has been established that will support PhD scholarships for medical research long into the future.

The Limestone Valley How Family PhD Scholarship was named after Limestone Valley, the How family's former cattle farm in Mole Creek, Tasmania, and will leave an ongoing legacy that will uplift research across a wide range of medical fields from heart disease to dementia.

The gift makes an important contribution to meeting a very real research need. Heart disease accounts for 34 per cent of all deaths in Australia, making it the leading cause of death. It is chilling to note that one Australian dies from cardiovascular disease every ten minutes. In the case of dementia, it is estimated that by 2050 more than 800,000 Australians will be living with the condition.

Professor Denise Fassett, Executive Dean of the College of Health and Medicine, said the Limestone Valley How Trust donation provides one of the highest value packages of support for outstanding PhD scholars in Australia.

**“These students will accelerate our research efforts in priority areas that are important to the Tasmanian community, including cardiovascular and brain health,” Professor Fassett said.**

“The Limestone Valley How Trust donation has allowed us to create a marquee PhD scholarship ... The package includes increased remuneration, career development opportunities and financial support for the student's project,” she said.

“This investment will allow us to retain the best and brightest in Tasmania, who are often incentivised to study elsewhere, and also provides an opportunity for us to attract the highest quality national and international PhD students to come



and work in Tasmania to support our community-based research initiatives.”

The scholarship provides \$10,000pa for up to 3.5 years and includes \$30,000 of additional funding support, including project and career development.

The scholarship, through the Limestone Valley How Family Trust, honours John How's wishes to support medical research for one or more PhD candidates. It will significantly assist the University in its efforts to support research that will lead to a healthier Tasmania.

The University is extremely grateful for this incredible generosity noting that the significant endowment will contribute towards the University's goal of building a healthier Tasmania, which is one of the pillars of the University's \$50 million, five-year fundraising campaign, *Sustain*.

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

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