

## Investment and Treasury Management Procedures

### 1. STRATEGIC PLAN THEME AND COMPLIANCE OBLIGATION SUPPORTED

[Investments and Treasury Management Policy](#)

*Curtin University Act 1966*

*Trustees Act 1962 (WA)*

*Financial Management Act 2006 (WA)*

Strategic Plan Theme: [Sustainable Future](#)

### 2. PROCEDURAL DETAILS

2.1 The University's investment strategy is set out in the Investment and Treasury Management Policy which is formulated by the Finance Committee and endorsed by the Council.

2.2 The University manages its cash and investments through the Short Term Pool and Long Term Pool.

#### Short Term Pool

2.3 The Short Term Pool provides for operational cash needs having regard for quarter to quarter cyclicalities.

2.4 The Short Term Pool will comprise both Operating Account and Investment components to a maximum combined total of \$60m.

2.5 Funds in excess of \$60m will be invested into the Long Term Pool subject to operational cash flow requirements.

2.6 No investments in the Short Term Pool will be invested in assets categorised as Tertiary Liquidity.

2.7 The Short Term Pool will be invested in Authorised Short Term Investments only.

2.8 The Finance Committee may appoint one or more Investment Managers to manage the Short Term Pool.

2.9 Investment Managers must be of Investment Grade counterparties or highly rated by the Investment Consultant.

2.10 The Chief Financial Officer or delegate may appoint one or more Authorised Deposit Taking Institution (ADIs) in managing the University's cash and Term Deposits.

2.11 No more than \$90m of the total of the University's cash in the Operating Account and Investment pools may be invested with any one AA Minimum Rated ADI and not more than \$10m in any other ADI of Investment Grade.

#### Long Term Pool

2.12 The University diversifies its asset allocations under the Long Term Pool, balancing risk and return characteristics, by adherence to the Strategic Asset Allocation (Schedule 1) which is approved by the Finance Committee. The Strategic Asset Allocation covers:

- Asset allocation between various asset classes;
- Asset mix between domestic and overseas investments; and
- Hedged and unhedged funds for overseas investments.

2.13 The Finance Committee may appoint one or more Investment Managers to manage the Long Term Pool.

2.14 Investment Managers must be of Investment Grade counterparties or highly rated by the Investment Consultant.

2.15 No more than 50% of the Long Term Pool assets should be placed with any one Investment Manager.

- 2.16 No more than 20% of the Long Term Pool assets can be invested in assets categorised as Tertiary Liquidity.
- 2.17 In considering risk and return characteristics, the University will have regard for Responsible Investing (Schedule 3).

**2.18 Investment Performance Objectives**

Short Term Pool	Long Term Pool
<ul style="list-style-type: none"> <li>• Achieve a positive return in each calendar year.</li> <li>• Over rolling two year periods achieve an average annual return (after fees) that is in excess of the return on the Bloomberg AusBond Bank Bill Index.</li> </ul>	<ul style="list-style-type: none"> <li>• Achieve a positive return in at least 7 out of every 8 years.</li> <li>• Over rolling five year periods achieve an average annual return (after fees) at least equal to the average increase in the <u>CPI</u> plus 4.0% per annum.</li> <li>• Over rolling three year periods outperform the Pool's long term Strategic Asset Allocation index benchmark return (as outlined in Schedule 2 Benchmark performance indices).</li> </ul>

**Investment Performance Monitoring**

- 2.19 The Finance Committee will monitor investment performance. The principal goals of Investment performance monitoring are to:
- Assess the extent to which the Investment Pool's investment objectives are being achieved.
  - Monitor asset allocation exposures against ranges and asset allocation benchmarks.
  - Compare the performance of the Investment Pools' appointed Investment Managers against the performance of other relevant professional fund managers and market related indices (Schedule 2).
  - Ascertain the existence of any particular weakness in the appointed Investment Manager by monitoring the rating of the appointed Investment Managers.
  - Monitor the level of Responsible Investing of the University's investments.

**Risk Exposure**

- 2.20 Investment Managers may utilise Derivatives in managing pooled investment vehicles in which the University invests. Where this is the case, Finance Committee shall consider the risks and controls in place by ensuring that the statement of compliance, audit report and director's certification of the Derivative Risk Statements (DRS) for each pooled Investment vehicle is sighted by the Investment Consultant and verified to the Finance Committee as compliant.
- 2.21 The level of liquidity of the University's assets will be continuously monitored and assessed to ensure that no more than 20% of Long Term Pool assets are categorised as Tertiary Liquidity and that no Short Term Pool assets are categorised as Tertiary Liquidity.
- 2.22 The level of exposure to Investment Managers will be continuously monitored and assessed to ensure that:
- No more than 25% of total University investments are in the active strategies of any single manager.
  - No more than 50% of total University investments are in the passive strategies of any single manager.
  - No more than 50% of total University investments are in the combined active and passive strategies of any single manager, subject to the individual limits above.

- No more than 15% of total University investments are in any single active strategy.
- No more than 30% of total University investments are in any single passive strategy.
- These limits may be adjusted on a case-by-case basis depending on asset class and/or individual manager considerations.

### **Frequency of Monitoring**

- 2.23 The Finance Committee will monitor investment performance, risk exposure, Investment Managers' performance and level of Responsible Investing at least quarterly.
- 2.24 The Investment Consultant will provide advice quarterly in respect of the performance and continued suitability of externally appointed Investment Managers, the adequacy of the returns achieved by the Investment Pools and the continuing suitability of the investment policy and procedures.
- 2.25 The Investment Consultant will address meetings of the Finance Committee at least once annually to discuss strategy, portfolio activity, review performance and the appropriateness of the Strategic Asset Allocations benchmarks.

## **3. RESPONSIBILITIES**

Key responsibilities are set out below.

### **3.1 Council**

Council is responsible for:

Approving the University's *Investment and Treasury Management Policy*.

### **3.2 Finance Committee**

The Finance Committee is responsible for:

- 3.2.1 Approving the University's *Investment and Treasury Management Procedures*.
- 3.2.2 Advising the Council on the University's Investment strategies and plans and overseeing their implementation.
- 3.2.3 Selecting an appropriate Investment strategy that is in compliance with all applicable legislative and University Policy requirements, including:
- *Curtin University Act 1966*
  - *The Trustees Act 1962 (WA)*
  - *Investment and Treasury Management Policy*
  - *Investment and Treasury Management Procedures*
  - Other relevant University Policies and Procedures
- 3.2.4 Setting the investment performance objectives of the Investment Pools.
- 3.2.5 Setting the target and ranges of each asset class in the Strategic Asset Allocation and the respective benchmark return for performance assessment.
- 3.2.6 Assessing the risk of each asset in the Investment Pools in relation to the overall investment strategy of the University as a whole.
- 3.2.7 Approving the appointment of the Investment Consultant and Investment Managers.
- 3.2.8 Monitoring investment performance by the review of investment reports from the Chief Financial Officer, which may include reports from the Investment Managers and the Investment Consultant on the performance and risk management of the investments.
- 3.2.9 Ensuring that the returns of investment of University funds achieve the investment objectives.
- 3.2.10 Assessing the level of liquidity of each new and existing investment having regard to ensuring that sufficient assets can be readily liquidated, without excessive costs, to enable implementation of asset allocation decisions and to meet cash flow requirements.

### **3.3 Chief Financial Officer**

The Chief Financial Officer is responsible for:

- 3.3.1 Monitoring and reviewing the performance of the University's investment strategy, including the performance of the Investment Managers.
- 3.3.2 Reporting to the Finance Committee at least quarterly on investment performance, investments transactions, rebalancing of strategic asset allocations and Investment Managers' rating.
- 3.3.3 Approving/delegating investment transactions on investments or redemptions as authorised by the Finance Committee.
- 3.3.4 Determining the terms of the appointment of the Investment Consultant.
- 3.3.5 Instructing Investment Managers on specific reporting requirements.
- 3.3.6 Reviewing the *Investment and Treasury Management Procedures* document to ensure that it continues to be appropriate to the University's needs.
- 3.3.7 Should any investment subsequently be downgraded to below Investment Grade or no longer highly rated by the Investment Consultant, the Chief Financial Officer is to provide recommendations to the Finance Committee as to options for disposal. In situations where disposal is not possible, such as absence of a disposal market, options to mitigate risks in retaining the investment and a recommended course of action should be provided.

### **3.4 Director, Financial Reporting**

The Director, Financial Reporting, is responsible for:

- 3.4.1 The day-to-day operation of the investment strategy.
- 3.4.2 The implementation of the investment strategies.
- 3.4.3 Carrying out the investment activities and transactions.
- 3.4.4 Maintaining and ensuring adherence to internal control procedures for Investments.
- 3.4.5 Coordinating reports from Investment Consultant(s) for the Finance Committee.

### **3.5 Investment Consultant**

The Investment Consultant is responsible for:

- 3.5.1 Carrying out services as required by the Chief Financial Officer.
- 3.5.2 Providing advice to the Chief Financial Officer on recommended investment transactions including: withdrawal of assets, investment of funds, rebalancing of strategic asset allocations and the addition or removal of Investment Managers.
- 3.5.3 Providing quarterly written reports on the performance of the Investments and the review of the appointed Investment Managers to the Chief Financial Officer.
- 3.5.4 Recommending the Benchmark Performance Index for each asset class and assessing its appropriateness with the change in economic environment.
- 3.5.5 Providing proactive advice to the Chief Financial Officer and Finance Committee regarding Investment Managers, Investments and related matters.
- 3.5.6 Attending Finance Committee meetings at least once annually to discuss strategy, portfolio activity and review performance. Factors taken into account in these reviews may include investment style, investment performance relative to objectives and peers, and any other factors considered relevant to the Investment Manager's continuing ability to meet its investment objectives.
- 3.5.7 Negotiating with the Investment Manager in discounting manager fees.

## **4. SCOPE OF PROCEDURES**

- 4.1 This procedure applies to those engaged in implementing and monitoring the University's Investment strategy. Typically, this will encompass the Finance Committee, the Chief Financial Officer, Investment Consultants and other Delegated Officers.

4.2 This procedure does not cover direct investment in "spin-off" companies for the purposes of the commercialisation of intellectual property and other direct investments.

## 5. DEFINITIONS

(Note: Commonly defined terms are located in the [Curtin Common Definitions](#). Any defined terms below are specific to this document).

### **AA Minimum Rated**

Means that either Standard & Poor's or Moody's has rated an investment as having a credit rating of AA- or above (Standard & Poor's) or Aa3 or above (Moody's).

### **Authorised Deposit Taking Institution (ADI)**

Means corporations which are authorised under the Banking Act 1959. ADIs include banks, building societies and credit unions.

### **Authorised Short Term Investments**

Means deposits with banks and financial institutions which are regulated against the Australian Prudential Regulation Authority (APRA), cash securities, fixed interest securities and debt instruments. It excludes deposits with banks and financial institutions that are not APRA regulated or securities issued that have underlying futures, options, forward contracts and swaps of any kind.

### **CPI**

Means the compound rate of inflation in the Australian Consumer Price Index for all capital cities as published by the Australian Bureau of Statistics.

### **Derivative Risk Statement (DRS)**

Means the Investment managers' policies in place to cover the use of derivatives, the controls on their use and the procedures for assessing compliance with those controls. These policies and controls are intended to ensure the proper use of derivatives.

### **Investment**

Means placement of centrally managed University funds in assets or items with the intent of generating income, return or appreciation in value. This type of investment is administered by Financial Services.

### **Investment Grade**

Means that either Standard & Poor's or Moody's has rated an investment as having "Investment Grade" credit rating, ie BBB- or above (Standard & Poor's) or Baa3 or above (Moody's).

### **Long Term Pool**

Means the funds that are invested with the intention of achieving returns that are in excess of those of the Short Term Pool. The funds in this pool are intended for strategic purposes.

### **Operating Account**

Means the operating bank account(s) utilised for the purposes of receiving and making operational payments.

### **Primary Liquidity**

Means assets that can be sold within one week without a negative impact on the price.

### **Responsible Investing**

Means the effective management of material financial and reputational risks and opportunities related to environmental, social and corporate governance issues.

### **Secondary Liquidity**

Means assets that can be sold within three months without a negative impact on the price.

### **Short Term Pool**

Means the Investment Pool where excess holdings of cash and investments are held that are not invested in the Long Term Pool. This pool is used to manage the ongoing day-to-day operational and short term cash flows of the University by investing temporary cash surpluses and providing a reserve of funds for operational cash needs.

### **Strategic Asset Allocation**

A portfolio strategy that involves periodically rebalancing the portfolio in order to maintain a long-term asset allocation target.

### **Tertiary Liquidity**

Means assets that are expected to take longer than three months to be sold without a negative impact on the price.

## 6. LIST OF SCHEDULES

Schedule 1 Long Term Pool - Strategic Asset Allocations

Schedule 2 Long Term Pool - Benchmark Performance Indices

Schedule 3 Long Term Pool - Responsible Investing

## 7. RELATED DOCUMENTS/LINKS/FORMS

[Investment and Treasury Management Policy](#)

[Curtin University Act 1966](#)

[Trustees Act 1962 \(WA\)](#)

[Financial Management Act 2006 \(WA\)](#)

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<b>Policy Manager</b>	Chief Financial Officer
<b>Approval Authority</b>	Finance Committee
<b>Review Date</b>	1 <sup>st</sup> April 2023

## REVISION HISTORY

Version	Approved/ Amended/ Rescinded	Date	Committee / Board / Executive Manager	Approval / Resolution Number	Key Changes and Notes
New	Approved	25/06/2014	Council	C 89/14	Attachment B
	Amended	10/09/2014	Council	C 145/14	Attachment B
	Amended	17/11/2014	Finance Committee	FC 57/14	Attachment A to Item 7
	Approved	20/10/2017	Council	C 149/17	Attachment B
	Approved	15/03/2019	Finance Committee	FC 21/19	Attachment B to Item 10 (conditional upon Council's approval of the Policy on 15 <sup>th</sup> May 2019 - C 66/19)