

ABERYSTWYTH UNIVERSITY INVESTMENT POLICY

SCOPE

This Investment Policy applies to the investment and use of endowment funds which have been permanently endowed to the University for both specific and general purposes.

This policy also applies to any other Investment Assets that the University may acquire.

REVIEW

This policy will be reviewed on an annual basis.

The University staff community may propose amendments to this policy via the Senate or Staff representatives on Finance Committee or Council. The University student community may propose amendments to this policy via the Students' Union Council or the Students' Union representatives on the University's Finance Committee or Council.

POLICY AIM

The Policy seeks to maximise the returns on Investment assets under the University's control subject to limiting the University's exposure risk to an acceptable level. In accordance with the University's risk appetite, this investment policy aims to balance a low-to-medium level of capital risk with the need to generate sufficient income to meet the specific purposes for which the funding was given, both for current purposes and into the future.

The overall objective is to ensure that the University will continue to be able to meet the endowment objectives into the future, in line with the original intentions of the donors.

ROLES AND RESPONSIBILITIES

THE UNIVERSITY COUNCIL

The University Council is responsible for approving, on an annual basis, the Investment Policy, as recommended by the Finance & Strategy Committee

THE FINANCE & STRATEGY COMMITTEE

The Finance & Strategy Committee approves the management arrangements of the University's investments

The Committee receives summary Trust Fund Accounts and Valuations at each meeting

The Committee endorses the Investment Policy on an annual basis and recommends approval to Council

THE INVESTMENT COMMITTEE

The Investment Committee operates as a sub-committee of Finance & Strategy Committee and is responsible for review and oversight of the endowment investment programs of the University.

The Investment Committee is responsible for the monitoring of investment activity. Its specific responsibilities relating to investment management as set out in the term of reference include:

1. To agree and keep under review appropriate asset allocation
2. To receive valuations of the portfolio from the Investment Managers and a comparison of performance of the fund against agreed benchmark data
3. To review regularly the performance of the fund manager(s) and report to Finance and Strategy Committee on the performance of the portfolio;
4. To report regularly to Finance and Strategy Committee on the overall performance of the fund manager(s);
5. To make recommendations to Finance and Strategy Committee on the appointment of fund manager(s)
6. To receive Trust Fund accounts
7. To review the University's risk appetite on an annual basis in order to inform the investment brief to the Fund Managers

INVESTMENT ADVISOR

The Committee may engage an independent Investment Adviser to assist the Committee and Staff in developing policies and guidelines, selecting an appropriate long-term asset allocation, selecting an appropriate manager structure, identifying investment managers, evaluating investment performance, and offering other services as requested.

The Investment Committee will make recommendations to the Finance & Strategy Committee regarding the appointment of the Investment Advisor. A tendering exercise will be undertaken at least every four years.

The Investment Committee will review the performance of the Investment Advisor and the terms of their engagement at least annually.

INVESTMENT MANAGERS

The University will employ one or more investment managers to attain its investment objectives.

Investment managers will be appointed on the basis of experience and past record, with the requirements that they be financially secure and capable of serving the University's requirements at reasonable cost. The Committee may delegate the selection, buying and selling of individual securities to qualified industry experts. Each individual investment manager will exercise discretion over assets in accordance with specified investment guidelines.

Fund Managers may utilise futures, options and other derivatives in managing the investment vehicles in which the University invests. Where this is the case, the Investment Committee shall consider the risks and controls in place by reviewing the Fund Managers' derivatives risk statements and obtaining regular reporting of the Fund managers compliance with them.

Investment Managers may be paid performance fees. Where Fund Managers charge performance fees, the Investment Committee will satisfy itself that the structure of the performance fees encourage high performance without promoting excessive risk taking before placing an investment.

INVESTMENT OBJECTIVES

Our Investment Objectives are to:

- Achieve an annual distributable income target of 2% of the value of the Investment Asset per annum, to meet the current needs of the University.
- Achieve a total return on the assets of RPI plus 4% per annum over rolling three year periods, maintaining a suitable profile of investments whilst containing risk to an acceptable level in the context of this return objective.

ASSET ALLOCATION STRATEGY

The Investment Committee has authority to agree the asset allocation strategy and sets the benchmark split of funds between different asset classes.

INVESTMENT RISK MANAGEMENT

Investments shall be made solely in the interests of the University and will seek to maximise returns whilst limiting AU's exposure to risk to an acceptable level.

The Investment Committee will review the forward investment strategies on an annual basis.

Investment risks shall be considered when implementing diversification both within and between asset classes. Risk considered shall include:

- **Market risk** is the risk that movements in the value of the assets as a consequence of market movements are not matched by a corresponding movement in the value of liabilities. Market movements are changes that occur in the economic environment such as changes in interest rates, share prices and foreign exchange rates.
- **Interest rate risk** is a particular market price and arises where a change in the value of the liabilities does not lead to an exactly offsetting change in the value of assets causing the financial position of a business unit to deteriorate or improve.
- **Liquidity risk** is the risk that assets cannot be liquidated in sufficient time to pay the AU's liabilities and arises because of a maturity mismatch between assets and liabilities.
- **Credit risk** is the risk of counterparty failure.
- **Operational risk** is the risk of system/internal control failure.

INVESTMENT PERFORMANCE MONITORING

The Investment Committee will:-

- assess the extent to which each Pool's investment objectives are being achieved;
- monitor asset allocation exposures against ranges and strategic asset allocation benchmarks;
- regularly monitor the performance of the appointed managers against relevant benchmarks including the performance of other relevant professional managers and market related indices;
- ascertain the existence of any particular weakness in appointed managers; and
- regularly assess the ability of each manager to successfully meet each Pool's objectives for the role allocated to the manager.

The Investment Advisor will produce 4 quarterly performance reports and 1 year-end report which will outline the performance of the University portfolio. These reports will be reviewed in each biannual Investment Committees. The information contained in these reports must contain sufficient information to allow the Investment Committee to monitor investment performance as noted above.

FUTURE DONATIONS

Those future gifts that are given to the University to produce income will usually be invested in accordance with this Investment Policy and within the asset allocation strategy prevalent at the time, unless the donor makes specific requests around such investment and the request is approved by the Investment Committee.

STATEMENT OF SOCIALLY RESPONSIBLE INVESTMENT (SRI POLICY)

Aberystwyth University is committed to ensuring that it makes investment decisions responsibly and with integrity.

This Policy for Socially Responsible Investment (SRI) has been developed to allow the University to pursue an ethical approach, whilst minimising any negative impact on its investment returns. Investment decisions informed by socially responsible and ethical considerations will also be mindful of the Charity Commission position that trustees have a duty to maximise returns on investment for charitable benefit.

In endeavouring to invest in the best interest of the University, the Investment Committee have elected to invest the Endowment assets in pooled funds and therefore cannot directly influence the social, environmental and ethical policies and practices of the companies in which the pooled funds invest. As a result, the Investment Committee has delegated the responsibility for these matters to their investment managers.

The University does not intentionally invest directly in organisations with high exposure to activities or substances which are injurious to health, destabilise community cohesion, threaten international stability or contribute to the development and maintenance of poverty, the abuse of children and the use of torture or in organisations that are clearly subsidiaries or closely linked to the organisations described above.

APPENDIX 1 – BENCHMARK ASSET CLASS WEIGHTING

The benchmark split of funds agreed by the Investment Committee (November 2016).

ASSET CLASS	BENCHMARK WEIGHT (%)
UK Equities	25
International Developed Equity	25
Emerging Markets Equity	5
Absolute Return	20
Investment Grade Credit	10
Inflation Linked Gilts	5
UK Gilts	5
Property	5
Private Equity	-
Cash	-
TOTAL	100