THE UNIVERSITY OF SYDNEY

INVESTMENT PROCEDURES 2022

Issued by:	Chief Financial Officer
Dated:	23 December 2022
Last amended:	19 September 2024
Signature:	
Name:	Wayne Andrews

---

1 Purpose and application

(1) These procedures are to give effect to the Investment Policy 2022 ("the policy").

(2) These procedures apply to all University staff involved in the management of medium-term and long-term investment funds.

(3) The procedures do not apply to University owned real property investments held within the Future Fund or the short- term funds.

2 Commencement

These procedures commence on 23 December 2022.

3 Interpretation

(1) Words and phrases used in these procedures and not otherwise defined in this document have the meanings they have in the policy.

CFO	means the University's Chief Financial Officer.
currency overlay manager	means a specialist appointed to assist the University in managing the MTF and LTF portfolios' exposure to overseas currency for risk and return management purposes.
derivative	means a financial instrument whose value is derived from the value of an underlying asset or security, such as government bond futures and options and share price index futures contracts.
FCT	means Financial Control and Treasury, which is a sub-unit within Financial Services directly responsible for short-term investment funds, and unit registry accounting and banking operations.
low carbon transition	means a shift from an economy which depends heavily on fossil fuels to a low carbon economy.
OGC	means the University's Office of General Counsel

parent and child general ledger account structure	means an accounting framework where the invested funds are quarantined in a centralised structure (parent account) and only spending money is made accessible to the unit holder (child account).
unitised product	means an investment product which is held, traded and priced by units.

4 Investment funds

(1) All asset investments will be managed by external investment managers.

(2) Overseas currency exposures will be managed by specialist currency overlay managers.

(3) Financial limits for ICM to appoint, terminate or transact positions in externally managed funds or mandates will be approved by Senate Finance Investment Subcommittee on an annual basis.

5 External investment managers

(1) ICM will recommend external investment managers to the relevant delegate after taking into account their:

- (a) investment securities selection process, including idea generation, use of research and risk controls;
- (b) style and approach;
- (c) people and team;
- (d) business model, including ownership;
- (e) past performance including fees;
- (f) integration of ESG considerations into the investment process; and
- (g) where overseas currency exposure is involved, currency hedging risks.

(2) ICM will interview short-listed managers and review relevant documentation, using external operational due diligence and legal due diligence expertise, as needed to manage risks appropriately.

(3) The relevant delegate will appoint investment managers after interviews have been completed.

Note: See the *University of Sydney (Delegations of Authority) Rule*.

(4) ICM will monitor all external investment managers with the objective that:

- (a) each manager and its investment strategy will continue to have above average prospects of achieving the investment return objectives; and
- (b) the investment strategy continues to be suitable for the University's MTF and LTF investment portfolios.

(5) ICM will monitor external investment managers on the basis of the criteria specified in sub-clause 5(1).

(6) If there is a significant change in the business, staff or processes of an investment manager, or a material deterioration in performance, ICM may:

(a) redeem funds from the manager; or

(b) in more serious cases, terminate or recommend the termination of a manager, in accordance with the *University of Sydney (Delegations of Authority) Rule*.

(7) ICM may add or subtract funds from:

(a) externally managed funds; or

(b) mandates;

to manage risk or rebalance a portfolio in accordance with the *University of Sydney (Delegations of Authority) Rule.*

(8) ICM will:

(a) provide Senate Finance Investment Subcommittee with a quarterly summary of the review of all external investment managers, including a summary of all transactions instructed and implemented; and

(b) monitor each manager's ESG performance by reviewing an annual survey, by asset class, of ESG approach, capability and performance.

6 Investment products

(1) **Medium term funds portfolio**

(a) **Investment objective** is specified in clause 8(11) of the policy.

(b) **NSW T-Corp nominated statutory benchmark** – the benchmark is the NSW T-Corp Medium Term Growth Facility.

(c) **Asset allocation framework**

(i) The MTF portfolio should be managed to achieve the investment objective across a diversified range of asset classes and strategies.

(ii) The current asset allocation framework and limits are set out in Schedule 1.

(d) **Product structure**

(i) The MTF portfolio is a unitised investment fund category.

(ii) The MTF portfolio is set up under a parent and child general ledger account structure.

(e) **Primary sources of investment funds** comprise philanthropic and other funds that are not preserved but require to be invested for longer than one year.

(2) **Long term funds portfolio**

(a) **Investment objective** is specified in clause 8(10) of the policy.

(b) **NSW T-Corp nominated statutory benchmark** is the NSW T-Corp Long Term Growth Facility.

(c) **Asset allocation framework**

(i) The LTF portfolio should be managed to achieve the investment objectives across a diversified range of asset classes and strategies.

(ii) The current asset allocation framework and limits are set out in Schedule 2.

(d) **Product structure**

(i) The LTF portfolio is a unitised investment fund category.

(ii) The LTF portfolio is set up under a parent and child general ledger account structure.

(e) **Primary sources of investment funds** comprise:

(i) endowment capital;

(ii) other philanthropic funds; and

(iii) the majority of the University's financial discretionary capital.

Note: Real property assets which are also designated as preserved are held separately within the Future Fund.

(f) **Exceptions**

(i) In exceptional circumstances, the Chief Investment Officer, in consultation with the CFO and General Counsel, may determine a specific investment strategy and transition to the LTF portfolio for the investment of large gifts.

7 Investment funds management

(1) **Currency exposure**

(a) Currency exposure will be managed by maintaining an appropriate level of hedging, in accordance with the Senate Finance Investment Subcommittee approved desired currency target ratio, through external currency overlay managers.

(b) The currency overlay managers will be required to report to ICM daily on currency hedging deviations from the approved currency exposure, and ICM will instruct the manager to adjust the hedging or strategy as required.

(c) An externally managed active currency overlay may be deployed to further risk manage the LTF. The Senate Finance Investment Subcommittee will approve:

(i) the manager and strategy; and

(ii) a maximum and minimum notional portfolio size for the strategy, stated in percentage terms and annually approved under the *University of Sydney (Delegations of Authority) Rule*.

(2) **Portfolio emissions and fossil fuels**

(a) The Chief Investment Officer will manage portfolio emissions and fossil fuel exposure by excluding investments in companies or investment managers that are extensively involved in the extraction of, or generation of power from, fossil fuels unless the companies or investment managers can demonstrate their alignment with a low carbon transition.

(b) The Senate Finance Investment Subcommittee will annually review and endorse the methodology for portfolio emissions and fossil fuel divestment.

Note: See the investment methodology for portfolio emissions and fossil fuel divestment, on the staff intranet.

(3) **National Security legislation**

(a) The Chief Investment Officer must not approve investment in companies or investment managers that compromise Australia's national interest or breach national security legislation.

(4) **Annual assessment**

(a) The investment consultant will review the MTF and LTF portfolios annually and report to the Senate Finance Investment Subcommittee.

(b) The review will analyse the portfolios against their stated objectives and assess their structures for any unintended risks.

(5) **Shareholder voting**

(a) Voting rights attached to the University's shareholdings in the equity sector investment funds will be exercised either by its managers or through the appointment of a specialist proxy voting firm.

(6) **Investment performance and reporting**

(a) The custodian will report investment performance results as required by clause 7(4) of the policy.

(b) ICM will use the monthly data provided by the custodian to produce a monthly internal investment performance report showing the investment performance of the MTF and LTF portfolios against their respective benchmarks.

(c) ICM will produce a quarterly report to Senate Finance Investment Subcommittee showing the investment performance for each of the MTF portfolio and the LTF portfolio. This quarterly report will include information on the performance of the asset sectors relative to suitable benchmarks.

(7) **Conflicts of interests**

(a) ICM will conduct an annual review of any actual, apparent or perceived conflicts of interest, as defined in the conflict of interest rule set out in clause 8 of the *External Interests Policy*.

(b) For any actual, apparent or perceived conflicts of interests identified, the Chief Investment Officer will:

(i) record the identified conflict;

(ii) consider whether a conflict management plan is required, in consultation with the General Counsel;

(iii) record any conflict management plan;

(iv) monitor the implementation of any conflict management plan; and

(v) advise Senate Finance Investment Subcommittee.

(8) **Managing modern slavery risk for human rights violations**

(a) The Senate Finance Investment Subcommittee will annually review and endorse the process for managing human rights violations and modern slavery risks, consistent with the *Modern Slavery Policy* and the related

Modern Slavery Act 2018(Cth) among investment portfolio companies held directly in mandates

Note: See the Investment - managing allegations of modern slavery or human rights violations among investment portfolio companies held directly in mandates, on the staff intranet.

(9) **Trading during Christmas shutdown**

(a) ICM will:

(i) advise the custodian in advance of the dates of the University's annual shutdown period; and

(ii) make arrangements with the custodian for any transactions instructed through the shutdown period to be accepted by email from a nominated senior member of the ICM team rather than through the usual electronic test key process.

(b) The settlement instructions for any transactions advised during the shutdown period will be completed by the custodian.

(c) When the University is reopened, the FCT team will email the custodian a set of instructions for any transactions processed by the custodian during the shutdown period.

8 Using the University's investment options

(1) Information for staff on using the University's investment options is available on the staff intranet.

(2) Forms for staff to use include:

(a) unit registry application;

(b) unit registry business case – request for redemption; and

(c) unit registry redemption.

9 Rescissions and replacements

This document replaces the Investment Procedures 2019, which commenced on 18 March 2019, which is rescinded as from the date of commencement of this document.

NOTES

Investment Procedures 2022

Date adopted: 23 December 2022

Date registered:

Date amended: 19 September 2024

Administrator:	Chief Investment Officer
Review date:	
Rescinded documents:	
Related documents:	
	University of Sydney (Delegations of Authority) Rule
	Investment Policy
	Treasury Management Policy
	Treasury Management Procedures

AMENDMENT HISTORY

Provision	Amendment	Commencing
Schedule 2	Asset allocation framework amendments	19 September 2024
Throughout	Administrative amendments to remove the year and policy references	19 September 2024

THE UNIVERSITY OF SYDNEY

SCHEDULE 1: Asset allocation framework for the MTF

MTF

	Diversifier (defence)	CORE Defence	CORE Income	CORE Growth	Diversifier (growth)	Min	TWOAC*	Max
Cash	✓	✓				0%	15%	35%
Debt		✓	✓	✓	✓	0%	70%	90%
Equity			✓	✓	✓	0%	15%	30%
Managed derivatives	✓			✓	✓	0%	0%	20%
Multi-asset	✓	✓	✓	✓	✓	0%	0%	20%
TWOAC*		**60%**	**30%**	**10%**				
Min-Max allocation range	0-20%	30%-90%	0%-50%	0%-30%	0%-20%			

*TWOAC = Target Weight Over A Cycle

Additional asset class constraints	*Min.*	*Max.*
Non-AUD cash	*0%*	*2%*
Non-investment grade debt	*0%*	*30%*
Property and Infrastructure		*0%*
Domestic equities	*0%*	*20%*
Overseas equities	*0%*	*20%*
Emerging market equities	*0%*	*3%*
Private equity		*0%*
Venture capital		*0%*
Long/short equity strategies	*0%*	*10%*
Market neutral strategies	*0%*	*10%*
Commodities	*0%*	*10%*

SCHEDULE 2: Asset allocation framework for the LTF

		CORE						
	Diversifier (defence)	**Defence**	**Income**	**Growth**	*Diversifier (growth)*	**Min**	**TWOAC***	**Max**
Cash	✓	✓				0%	2%	15%
Debt		✓	✓	✓	✓	5%	23%	40%
Real assets			✓	✓	✓	0%	15%	30%
Equity			✓	✓	✓	40%	60%	93%
Managed derivatives	✓			✓	✓	0%	0%	15%
Multi-asset	✓	✓	✓	✓	✓	0%	0%	30%
TWOAC*		**20%**	**30%**	**50%**				
Min-Max allocation range	0%-10%	7%-30%	15%-70%	20%-70%	0%-10%			

*TWOAC = Target Weight Over A Cycle

Additional asset class constraints	***Min.***	***Max.***	**Additional asset class constraints**	***Min.***	***Max.***
Non-AUD cash	*0%*	*5%*	*Venture capital*	*0%*	*10%*
Non-investment grade debt	*0%*	*20%*	*Long/short equity strategies*	*0%*	*10%*
Property	*0%*	*15%*	*Market neutral strategies*	*0%*	*10%*
Infrastructure	*0%*	*15%*	*Commodities*	*0%*	*10%*
Domestic equities	*5%*	*25%*			
Overseas equities	*5%*	*25%*			
Emerging market equities	*0%*	*10%*			
Private equity	*8%*	*30%*			