

Investments Policy

Section 1 - Purpose

(1) QUT is a statutory body and invests in accordance with the [Queensland University of Technology Act 1998](#), [Statutory Bodies Financial Arrangements \(SBFA\) Act 1982](#) and [Financial Accountability Act 2009](#), and associated regulations and standards.

(2) Investments are undertaken with the expectation of achieving a financial return through interest or capital growth in order to support the strategic goals of the University and to provide future financial sustainability.

(3) QUT has Category 3 investment power under the [Statutory Bodies Financial Arrangements Act 1982](#).

Section 2 - Application

(4) This Policy applies to all investments undertaken by QUT and the committees and staff who manage the University's investment portfolio.

Section 3 - Roles and Responsibilities

Position	Responsibility
QUT Council	Approves the mix of assets on the balance sheet that the University is expected to hold into the future as part of the financial planning process. Approves the Statement of Responsible Investment.
Finance and Planning Committee	Annually endorses financial institutions that meet the investment parameters approved for University investments. Advises and monitors the performance, associated risks, and management of long-term investments and endowments, including at least one annual presentation to the Committee by the appointed fund manager(s). Reviews the investment objectives (including the risk tolerances and strategic asset allocation) for each of the investment pools at least every two years. Supports the University in the selection of appropriate fund managers, with a formal review of existing arrangements to take place at least every three to five years. Ensures alignment to the University operational and strategic plans when the investment strategy is under review.
Risk and Audit Committee	Evaluates the adequacy and effectiveness of established internal controls and assesses the management of business risks associated with the University investment activities.
Vice-President (Finance) and Chief Financial Officer	Prepares reports on investment performance and financing, and on compliance with relevant legislation and University policy.
Associate Director, Financial Control	Oversees the university's investment and treasury function. Approves new investments within the underlying investment pools. Has delegated authority to approve derivative (hedging) transactions up to the limit of known foreign currency planned expenditures.
Associate Director, Financial Control or Treasury manager	Invests with the approved fund managers and financial institutions up to the limit of available funds.
Fund Manager	Manages and implements the investment strategy, providing analysis and the forward looking risk and return expectations of the portfolio.

Section 4 - Investment Objectives

(5) The overall objective is to ensure sufficient funds are available to support the purpose and strategic plan of the University, and to meet the day-to-day operational cash requirements as and when needed.

(6) QUT's investment activities aim to:

- a. preserve capital and build our long-term asset base for the future;
- b. maintain sufficient liquidity to meet all reasonably anticipated operating cash flow requirements, as and when they fall due; and
- c. maximise returns while effectively managing risk in line with the risk profile and financial planning considerations of the University.

Section 5 - Investment Principles

(7) The investment principles include the following:

- a. To align with the University's appetite for risk.
- b. Maintain appropriate levels of cash reserves to meet business and operating requirements.
- c. Adopt the prudent person standard when managing the University's investment portfolio. Investments are managed with the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons.
- d. Commitment to responsible investment practices and investments are considered in alignment with the ethical values, social responsibility and commitment to environmental sustainability as expressed in the QUT [Statement on responsible investment](#).
- e. Staff involved with the investment decisions must refrain from personal business activity that could interfere with the investment process or impair their ability to make impartial investment decisions.

Prohibited Investments

(8) QUT prohibits the following types of investments:

- a. use of derivatives except in circumstances to hedge against foreign currency exchange risk subject to the requirements of SBFA Act (Part 7);
- b. use of leveraging of an investment portfolio (i.e. borrowing to invest in securities); and
- c. use of the investment portfolio for speculation in high-risk assets that have a substantial risk of losing significant value.

Direct Investments

(9) QUT may receive direct investments such as shares or property through donations, bequests or as a result of research and commercialisation activities. The University's intention is to divest itself of such investments as soon as practicable, though in limited circumstances direct investments may be held for strategic purposes.

Section 6 - Categories of Investments

(10) QUT has three types of investment categories, each with a specific objective and risk profile, to effectively manage the portfolio:

- a. Short term investment.
- b. Long term investment.
- c. Endowment fund.

Section 7 - Short Term Investments

Purpose	Ensure there is sufficient liquidity to meet operating expenses over a short-term horizon. Short Term Investments are intended to provide a source of contingent funding to the operational cash and working capital of the University.
Time horizon	1 year.
Return objective	An annual absolute return figure set each year.
Risk objective	No negative returns in any given year.
Liquidity profile	100% liquid investments.
Source and application of funds	Funds sourced from operating revenue and used for operating expenses. Included in normal operating budget requirements and reviewed on an annual basis to ensure the level of cash reserves is appropriate.
Investment arrangement	Placed in short-term cash investments with appropriately rated financial institutions within the approved investment parameters.

Section 8 - Long Term Investments

Purpose	Long term investments are held to grow the asset base and provide QUT with the ability to finance initiatives that are aligned with its longer-term strategic goals. The University maintains a long-term mindset when making investment decisions regarding the long-term investments and reviews divestment only for long term funding in most instances. In limited circumstances long term investments may be utilised to fund any unexpected shortfall in the University's operating budget as contingent funding if the Short-Term Investments fall below the target level.
Time horizon	10 years.
Return objective	CPI + 3.5% per annum over rolling 10 year periods.
Risk objective	Expected Tail Loss between -15.0% to -20.0% (in any given year).
Risk profile	Approximately 90% allocation to Growth Assets.
Liquidity profile	No more than a 20% allocation to illiquid investments.
Source and application of funds	Current investment balances plus all revenue earned through long term investments being reinvested, alongside any operating margin approved for investment by QUT Council during the annual approved University financial plan.
Investment arrangement	Managed by the fund manager and placed with approved investment manager(s) utilising a diversified strategic asset allocation in line with QUT parameters.

Section 9 - Endowment Fund

Purpose	The Endowment Fund exists to provide for scholarship and grant payments for current and future beneficiaries of the endowments into perpetuity.
Time horizon	15 years.

Return objective	CPI + 4.5% per annum over rolling 15 year periods.
Risk objective	Expected Tail Loss between -17.5% to -22.5% (in any given year).
Risk profile	Approximately 100% allocation to Growth Assets.
Liquidity profile	No more than a 40% allocation to illiquid investments.
Source and application of funds	<p>Funds are sourced from philanthropy and QUT matching donations where applicable. The Endowment Fund is comprised of a number of underlying endowments where:</p> <ul style="list-style-type: none"> • most endowments are intended to be invested into perpetuity; and • a small number of endowments are expected to be drawn down over a long time horizon (10 to 20 years). <p>The distributions from the Endowment Fund are also supported by additional funding from the operating budget, until such time that the Endowment Fund is capable of funding the entire scholarship and grant spending of QUT.</p>
Investment arrangement	Managed by the Fund Manager and placed with approved investment manager(s) utilising a diversified strategic asset allocation in line with QUT parameters.

Section 10 - Reporting

(11) The Vice-President (Finance) and Chief Financial Officer provides reporting to the Finance and Planning Committee and QUT Council regarding performance of the investment portfolio including but not limited by:

- short term investments benchmarked against an appropriate index;
- long term investments measured using the market value of the portfolio (including withdrawals and deposits, and total performance of the portfolio), compared to the Consumer Price Index (CPI) plus a benchmark target return; and/or
- endowment fund measured using the market value of the portfolio (including withdrawals and deposits, and total performance of the portfolio), compared to the Consumer Price Index (CPI) plus a benchmark target return.

Section 11 - Breach of Policy

(12) Any breach of the [Investments Policy](#) must be reported to the Associate Director, Financial Control immediately. Action must be taken to resolve the breach within 24 hours of the breach being detected. The Vice-President (Finance) and Chief Financial Officer reports the breach and actions taken to address the breach at the next available Risk and Audit Committee meeting.

Section 12 - Definitions

Term	Definitions
Investments	Is a downside risk metric which represents the expected return when financial markets are very adverse. It is equal to the average return in the bottom 5% of return scenarios.
Fund Manager	Refers to the primary provider of outsourced investment services, including portfolio management and implementation.
Growth Assets	Are defined as equities, property, infrastructure, non-investment grade credit, and other alternatives.
Illiquid Investment	Are defined as investments that are not publicly traded in sufficient volume to facilitate, under most market conditions, prompt sale without severe market price effect and cannot be liquidated to cash within a six month time horizon.
Expected Tail Loss	Are defined as arrangements that are undertaken or acquired with the expectation of achieving a financial return through interest, profit or capital growth.

Term	Definitions
Investment Manager	Refers to underlying investment management organisations selected by the Fund Manager to implement specific asset class allocations or investment mandates.

Section 13 - Delegations

(13) Refer to [Register of Authorities and Delegations](#) (VC142, C003, VC145, VC146) (QUT staff access only).

Status and Details

Status	Current
Effective Date	29th February 2024
Review Date	1st March 2027
Approval Authority	QUT Council
Approval Date	29th February 2024
Expiry Date	Not Applicable
Policy Owner	Neil Ainsworth Vice-President (Finance) and Chief Financial Officer
Author	Neil Ainsworth Vice-President (Finance) and Chief Financial Officer
Enquiries Contact	Neil Ainsworth Vice-President (Finance) and Chief Financial Officer <hr/> Chancellery Division

Glossary Terms and Definitions

"Fund Manager" - Fund Manager refers to the primary provider of outsourced investment services, including portfolio management and implementation.