Endowment Management and Spending Policy

Section 1 - Purpose

(1) The purpose of the Endowment Management and Spending Policy is to ensure that endowed philanthropic funds are used in such a way as to maximize their benefits for the advancement of education at Australian Catholic University and for scholarship and awards recipients. An endowment is made up of gifts (including will bequests) that are subject to a donor requirement that corpus be maintained and invested to create a stream of income, with a portion of the average investment earnings expended to carry out the specified purpose of the endowment. Endowing a fund is a way that donors can ensure that their gift has a long-term benefit. (There are some exceptions that allow the corpus to be spent; refer to clause (31)).

(2) This Policy will:

a. ensure that the University is responsive to changes in the financial markets to safeguard capital while maximising returns available in the current market climate;
b. achieve stability and predictability in year-to-year spending; and
c. preserve the University's competitiveness relative to other comparable universities; and provide for the periodic review of endowment funds to ensure that the use of such endowment funds are providing the maximum benefit and the objectives of the endowed gift agreements are being fulfilled.

(3) Creating transformative partnerships with donors and securing philanthropic income is a key priority of ACU. Philanthropic donations can significantly impact ACU's research, teaching and learning, the student experience and our ACU communities. We are focussed on donations which will:

a. create the healthcare of tomorrow;
b. open minds through education; and
c. explore ethical questions that support or align with the ACU Mission, Identity and Values.

Section 2 - Scope

(4) This Policy applies to all University staff involved in establishing and managing philanthropic endowed funds.

(5) This Policy does not apply to funds / income management that is not philanthropic.

Section 3 - Definitions

(6) Terms used in this Policy are consistent with the Glossary of Student and Course Terms. In addition, the following words and expressions have the meanings listed below:

Term	Definition
Corpus	the principal of a trust / endowment.
Endowed Fund	an investment fund established by the University for receiving third party donations with the purpose of generating operating income to support scholarships, whilst preserving the capital base (except for amortising endowments where the capital decreases over time). Types of endowments are specified in new gift agreements and include: 1. preserved capital endowment: capital is preserved in perpetuity; and 2. amortising endowment: capital not preserved in perpetuity and where annual return is lower than the amount required for annual distribution, capital can be used for annual distribution.
Restricted Purpose	when spending from endowed fund is tied and allocated to specific purpose. All ACU endowed funds have a restricted purpose.
Distribution or Spending	the annual amount paid out from each endowed fund to fulfil the conditions of each gift agreement.
Consumer Price Index (CPI)	is the Australian All Groups CPI (Percentage Change from Corresponding Quarter of Previous Year; All groups CPI; Australia; Series ID A2325847F) for the 12 months ending December, published by the Australian Bureau of Statistics.
Real Assets	provide potential for uncorrelated or relatively low correlation in returns from financial assets such as equity and bonds and may also serve as a hedge against inflation. Real assets include: real estate, land, precious metals and commodities.
Uncorrelated Assets or Strategies	provide diversification or risk mitigation and / or return benefits and do not clearly align to any of the five identified sources of economic risk of cash, fixed interest (government bonds, credit), real assets, equities). Uncorrelated Assets or Strategies include: Gold, in addition to other alternative investments including but not limited to commodities, currencies and truly uncorrelated hedge fund strategies.

Section 4 - Principles

(7) ACU has established a clear approach to the investment and management of endowed funds and only establishes a limited number of endowed funds. Where a new fund is proposed it must be approved by the Director, Advancement.

(8) ACU will only establish an endowment where there is sufficient capital to support associated administrative costs and where the gift impacts on ACU's research, teaching and learning, the student experience and our ACU communities.

(9) There is a minimum capital outlay required to establish an endowment. For example, when the return is 2% the preferred minimum gift for establishing an endowment fund is $200,000 for an annual $4,000 scholarship payment.

(10) ACU endowed funds' overall return consists of two management / return components:

a. Diversified Investment Yield – with a longer-term focus; and
b. ACU Internal Rate – with a short- to medium-term focus.

The proportion of funds allocated to each component is reviewed periodically.

Section 5 - Diversified Management and Objectives

(11) The investment component will be managed through external investment managers JBWere and overseen by Financial Operations.

(12) The Investment Objectives include:

a. the time horizon for the investment portfolio is in excess of 5 years;
b. the target return for the investment portfolio is an average real return of 3.0% (CPI +3.0%) measured over rolling 5-year periods; and
c. chance of a negative return limited to not more than 1 in 8 years.

Section 6 - Diversified Investment Approach / Strategy

(13) The Strategic Asset Allocation (SAA) has been set to match the agreed risk profile and return objectives and represents the long-term average allocation to each asset class to achieve the investment objectives with minimum risk. A diversified strategy aligns with a balance growth profile.

Asset Class	SAA	Re-Balancing Range
Income Assets	29%	0% - 100%
Cash	3%	0% - 20%
Fixed Interest	26%	0% - 100%
Growth Assets	71%	45% - 75%
Australian Equities	28%	20% - 50%
International Equities	28%	20% - 50%
Real Assets	10%	0% - 20%
Uncorrelated Assets	5%	0% - 15%

(14) The overall performance of the investment portfolio will be benchmarked against the targeted return of CPI + 3% over rolling 5-year periods. Individual asset class performance will be assessed against the following benchmarks:

Asset Class	Benchmark
Fixed Interest	Bloomberg AusBond Composite 0+ Yr TR AUD
Australian Equities	S&P ASX200 Accumulation Index
International Equities	MSCI World ex Aust Acc Ind Gross p A$

Section 7 - Diversified Investment Credit Ratings

(15) Investments within fixed income are to be Investment Grade as classified by Standard & Poor’s (S&P) or Moody’s Investors Service.

Section 8 - ACU Internal Rate

(16) The ACU Internal Rate component is invested with National Australia Bank with 100% in Australian cash and fixed interest. The objective for this component is for capital protection and secure income with the S&P credit risk profile predominantly A and Above (with a lesser amount BBB+).

(17) ACU contributes an additional 1% interest to ACU Philanthropic funds. ACU contribution is reviewed annually and is at the discretion of the Chief Financial Officer.

Section 9 - Ethical Considerations

(18) Investments for both components will only be made with entities that have corporate practices that promote environmental stewardship, consumer protection, human rights, and employee diversity. Investments in the following activities will be specifically avoided:

a. Alcohol;
b. Tobacco;
c. Gambling;
d. Pornography;
e. Weapons; and
f. Fossil Fuels (where a material proportion of revenue is directly received from such activities).

(19) ACU will not knowingly invest in any companies that have exposure to these activities. Screens on the investment portfolio will be run quarterly by the investment manager.

Section 10 - Distribution or Spending

(20) Distributions to be made annually in May.

(21) An endowment can spend from prior years' excess returns, also referred to as spending reserves.

(22) If there are no spending reserves available or when investment returns are low or negative, the distribution of funds will not take place for the dedicated gift purpose (an alternate strategy will be discussed with the donor as outlined in clause (23)).

(23) If there are no spending reserves available, when investment returns are low or negative, or the scholarship / award is unable to be award, ACU will consult with the donor on the best use of the funds including:

a. holding the distribution over for a period;
b. varying the conditions to a purpose closely matching the original apparent intention; or
c. as a last resort, terminating the arrangement. Unless the donor indicates otherwise, ACU will return any unexpended funds (excluding interest).

Section 11 - Roles and Responsibilities

(24) Approval Authority: Vice-Chancellor and President.

(25) Governing Authority: Finance Advisory Group.

(26) Responsible Officer: Director, Advancement.

Section 12 - Other Relevant Stakeholders

(27) Chief Financial Officer.

(28) Associate Director, Financial Operations.

(29) Associate Director, Advancement and Alumni

(30) Senior Foundation Administrator

Section 13 - Review

(31) In line with the Policy Development and Review Policy, this Policy is scheduled for review every 5 years with reference to current economic climate.

(32) Unless otherwise indicated, this Policy will still apply beyond the review date.

Section 14 - Further Assistance

(33) Questions related to this Policy can be directed to Advancement and Alumni or Financial Operations via Giving to ACU Contacts or email: advancement@acu.edu.au.

Status and Details

Status	Current
Effective Date	15th March 2024
Review Date	1st January 2026
Approval Authority	Vice-Chancellor and President
Approval Date	15th March 2024
Expiry Date	Not Applicable
Responsible Executive	Petrus Swemmer Chief Financial Officer
Responsible Manager	Irene Nardone Associate Director, Financial Corporate Services
Enquiries Contact	Financial Corporate Services