

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 a bi-annual basis by the Investments Committee.

The University staff community may propose amendments to this policy via the Senate or Non-academic Staff members on the Council. The University student community may propose amendments to this policy via the Students Members on the Investments 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 Investments Committee.

THE INVESTMENTS COMMITTEE

The Investments Committee has oversight of and advises the Council on the investment of endowments and the institution's funds, including in relation to the appointment and performance of investment advisors.

The Committee's membership, which includes independent and student representatives, are included within the terms of reference are agreed by Council. Further details can be found in the following link –

<https://www.aber.ac.uk/en/about-us/corporate-information/governance/sub-committees/>

The Committee will publish the University's investment portfolio on the University's website annually.

INVESTMENT ADVISER

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 Council regarding the appointment of the Investment Adviser. A tendering exercise will typically be undertaken at least every four years.

The Investment Committee will review the performance of the Investment Adviser 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 based on a range of criteria, such as, but not limited to, experience, past record, investment philosophy, costs and integration of Environmental, Social and Governance (ESG) considerations, with the requirements that they be financially secure and capable of serving the University's requirements. The Investment 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.

Investment 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 at least £800k p.a. (equivalent to c.2.4% of the value of the Investment Asset per annum as at the review date in 2023) increasing annually in line with RPI, to meet the current needs of the University.
- Achieve a total return on the assets of CPI plus c.2%-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 the University's exposure to risk to an acceptable level.

The Investment Committee will discuss the investment strategy on an annual basis and will formally review the investment strategy every three years.

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

- Market risk is the risk that there are negative movements in the value of the assets as a consequence of market movements. Market movements are changes that occur in the economic environment such as changes in interest rates, share prices and foreign exchange rates.

- **Liquidity risk** is the risk that assets cannot be liquidated in sufficient time to pay the University's liabilities and may arise in part 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 pooled investment fund achieves its objective;
- monitor asset allocation exposures against ranges and strategic asset allocation benchmarks;
- regularly monitor the performance of the appointed Investment 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 Investment Manager to successfully meet their objectives.

The Investment Adviser will produce quarterly performance reports and a year-end report which will outline the performance of the University portfolio. These reports will be reviewed in each biannual Investment Committee meeting. 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)

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

This Statement on SRI has been developed to allow the University to pursue an integrated approach to ESG, whilst minimising any negative impact on its investment returns.

Investment decisions informed by SRI/ESG considerations will also be mindful of the Charity Commission guidance on investment (CC14) that trustees have a duty to further the charity's purpose and make investment decisions to further those purposes.

In endeavouring to invest in the best interest of the University, the Investment Committee elects to invest in pooled funds. The Investment Committee believes that this is appropriate given the cumulative size of the University's assets, the benefits of economy of scale, costs and the governance requirements. The Investment Committee undertook a review of its ESG beliefs and policies in 2023 and seeks to integrate these into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers. The beliefs and policies can be found in Appendix 2.

It should be noted that although the Investment Committee hold these beliefs, in practice it might not always be possible to implement them fully. However, the Investment Committee seeks to use Investment Managers and funds aligned with this policy where possible. The Investment Committee will review these beliefs and policies annually, or sooner if they feel it is required/appropriate to do so.

The Investment Adviser is required to collate and report to the Investment Committee on an annual basis the extent to which the pooled funds align with the beliefs/policies expressed in this Statement. The Investment Committee will raise specific issues that may arise and engage with the Investment Managers, with help from its Investment Adviser.

The University's Investment Managers are signatories to the Principles for Responsible Investment (<https://www.unpri.org/>).

APPENDIX 1 – BENCHMARK ASSET CLASS WEIGHTING

The benchmark split of funds agreed by the Investment Committee (November 2023).

ASSET CLASS	BENCHMARK WEIGHT (%)
Equity (Global and Emerging)	37.5
Private Markets	12.5
Property	10.0
Infrastructure	10.0
Multi-Asset Credit	12.5
Corporate Bonds	15.0
Cash	2.5
TOTAL	100

APPENDIX 2 – ESG BELIEFS AND POLICIES

- The Investment Committee is supportive of the University's SRI policies and net zero by 2030 target and believes that working collaboratively with the University will benefit all stakeholders.
- The Investment Committee believes that ESG risks are financially material. To manage these risks the Investment Committee will use funds that integrate ESG and will consider funds that have explicit ESG objectives, where possible.
- The Investment Committee believes certain sectors/industries have a negative impact on society and/or the environment. Therefore, whilst the Investment Committee delegates specific exclusionary policies to the Investment Managers, the Investment Committee's aim is to minimise/screen out the University's exposure to controversial sectors over time. These include, but are not limited to, fossil fuel industries such as coal and tar sands, unconventional Oil & Gas, Thermal Coal Mining & Power Generation, Controversial Weapons & Weapons Systems, Tobacco, UN Global Compact Violators and those in violation of international law. The Investment Committee will monitor exposure to controversial sectors at their bi-annual meetings.
- The Investment Committee believes that certain markets are more efficient than others and diversification of ESG investing styles is key to managing risk and improving potential returns. The Investment Committee therefore uses a combination of both active and passive investment management.
- The Investment Committee believes that climate risk is a systemic threat that could financially impact the portfolio. In order to manage this risk, the Investment Committee will work towards achieving a net zero portfolio over time, whilst acknowledging the constraints they face in terms of investing in pooled fund arrangements.
- The Investment Committee believes that monitoring climate metrics helps them to understand how exposed the University's investments are to climate risk. The Investment Committee will use a mixture of backward and forward-looking climate metrics to monitor climate risk within the investments.
- The Investment Committee believes that endowment funds generally have an important role to play in facilitating good outcomes for the wider society. The Investment Committee support positive impacts on society through its investments, so long as this does not detract from the ability to meet its investment objectives.
- The Investment Committee believes that being responsible stewards of capital is important not only for the benefit of all stakeholders but for the wider society, however they acknowledge the constraints they face in terms of size and scale. Although, the Investment Committee have provided the appointed Investment Managers with full discretion concerning the stewardship of their investments, they review their Investment Managers' policies on the exercise of voting rights and monitor their engagement practice and proxy voting activity annually.