

Invested Assets

Market value £10.1m (31 July 2016)

Current Mandate

Objective

The objective is to provide a balanced return between income and capital growth with a low to medium level of risk.

Performance Measurement

The bespoke Abertay Benchmark is defined as :

- 50% FTSE All Share Index (Total Return)
- 50% UK Government Gilts Index (Total Return)

Whilst quarterly investment performance information is provided as a matter of course, the focus is on assessing investment performance over 3 to 5 years. This is agreed as the correct time horizon for an actively managed portfolio of this type.

Restrictions

- 1) At least 50% of the equity investments must be in collective funds (unit or investment trusts).
- 2) Direct equity purchases can only be made into constituents of the FTSE 350 Index i.e. the 350 largest UK quoted companies.
- 3) Within the Endowment Fund, the equity investments must be entirely in collective funds.
- 4) If direct equities are purchased in the General Fund it is expected that the number of direct equity holdings would be about 20 to achieve adequate spread.
- 5) Investment must be on a socially responsible basis. No direct equity holdings permitted in organizations whose main activity is the manufacture or promotion of alcohol, tobacco, gambling or armaments. [extended to fossil fuels]
- 6) No equity investment is to exceed 10% of the total value of either portfolio at the time of purchase without specific approval.

Approach

Single investment manager (Speirs and Jeffrey) who make investments in equities and bonds on our behalf based on the investment mandate.

Portfolio Construction Ranges (do not go beyond without specific approval):

Cash	0-10%
Gilts/Fixed Interest	40-60%
Equities	40-60%

Proposed Mandate

Objective

A diversified portfolio (into asset classes other than just equity and bonds) to increase expected returns while reducing volatility.

Performance Measurement

Target return of CPI +3-4% per annum with some capital volatility (equity type returns with lower risk).

Longer-term investment horizon.

Restrictions

Investment manager must be a signatory to the United Nations "Principles of Responsible Investment".

No direct equity holdings made by Abertay permitted in organizations whose main activity is the manufacture or promotion of alcohol, tobacco, gambling or armaments of fossil fuels.

It would be challenging to replicate the current policy on a fully "look through" basis as there are few (if any) funds available in all asset classes that would also contain all or some of the same restrictions as the University.

Proposed Approach

One of more Diversified Growth Funds (DGF). These target growth through investing in a range of asset classes provided in a single fund. The University achieves economies of scale as it will be part of a larger DGF.

Treasury Assets

Market value £10.7m (31 July 2016)

Current Mandate

Objective

- Ensure that sufficient liquidity exists within the University to meet its [capital] funding requirements.
- Ensure working capital and other operational cash needs of subsidiaries are appropriately funded.
- Management of surplus cash.
- Manage foreign exchange and interest rate risks (including any tax impact)

Funds placed on bank deposit (<1 year).

Performance Measurement

n/a

Restrictions

The time and monetary limits of bank deposits are:

	Fitch Long Term rating or equivalent	Money Limit	Time Limit
Banks 1 Higher Quality	A-	£5m	1 year
Banks 1 Lower Quality	BBB-	£1m	Overnight
Banks 2 – part nationalised	N/A	£5m	1 year

Approach

Bank Deposits:

- Current account
- Instant access account
- Range of notice accounts from 1 month to 365 day durations.

Proposed Mandate

Objective

- Ensure that sufficient liquidity exists within the University to meet its [capital] funding requirements.
- Ensure working capital and other operational cash needs of subsidiaries are appropriately funded.
- Management of surplus cash.
- Manage foreign exchange and interest rate risks

Funds placed on bank deposit (<1 year) and fixed income (return focused) funds.

Performance Measurement

Target nominal return of cash +2-3% per annum with low capital volatility.

Shorter-term liquidity horizon.

Restrictions

The time and monetary limits of bank deposits:

	Fitch Long Term rating or equivalent	Money Limit	Time Limit
Banks 1 Higher Quality	A-	£5m	1 year
Banks 1 Lower Quality	BBB-	£1m	Overnight
Banks 2 – part nationalised	N/A	£5m	1 year

University to keep a balance of 3 years net cashflow requirements in bank deposits, whilst holding the balance in a return focused fund.

Fund manager must be a signatory to the United Nations “Principles of Responsible Investment”.

Proposed Approach

Absolute Return Fixed Income fund (ARFI). These aim to deliver a positive return in all market environments by using a range of fixed income instruments. They are designed to offer a relatively stable and low volatility investment.

Bank Deposits:

- Current account
- Instant access account
- Range of notice accounts from 1 month to 365 day durations.