



University of
St Andrews

Strategic asset allocation and investment strategy

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School / unit	Finance
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Key terms	Financial matters/Donations and investments
Purpose	This strategy outlines and governs the Strategic Asset Allocation and Investment Strategy relating to the University Endowment Funds.

Version number	Purpose / changes	Document status	Author of changes, role and school / unit	Date
1.0	Signed off	Approved	Stuart Halliday, Senior Finance Assistant	27/09/2022

1) Purpose and scope of this strategy

This strategy outlines and governs the Strategic Asset Allocation and Investment Strategy relating to the University Endowment Funds.

2) Investment Strategy

The University of St Andrews is at the forefront of sustainable investing and has a strategy to maintain this leading role as it develops its strategy to deliver a greater positive impact.

At the start of 2022, thanks to prudent management and strong asset class returns over long periods, the quantum of appreciation in the endowment now exceeds that required for short to medium term expenditure.

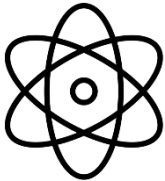

Whilst these funds cannot be diverted away from the Endowment Funds, this has opened up an opportunity to carve out a portion of the endowment (its surplus appreciation) in order to secure a better future for the university and its stakeholders.

Our new structure, established in 2022, will comprise

- a) the **USTA Core Portfolio**, and
- b) the satellite **USTA Impact Portfolio**, designed to
 - support the activities and ambitions of the University by deriving outcomes, aligned to its Sustainable St Andrews strategic pillar and its declared strategy to achieve Net Zero by 2035
 - enable the University to invest in other (including 3rd party) impact investments that may not, on their own, meet the required criteria¹ for the overall endowment fund.

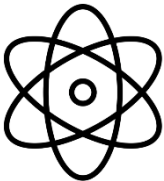

Risk, return and liquidity objectives and results may differ across the two portfolios, so long as, in aggregate, they deliver the Overall Endowment's CPI+4% annualised return target, over the medium term, and uphold our guiding sustainability principles.

Allocation of funds across the portfolios

Portfolio	Fund Size
 Core Portfolio	Calculated as the value of all original endowments, increased by inflation plus a 5% 'buffer' to cover market volatility. This also includes cash to cover approximately 2 years' endowment expenditure (invested in line with the Treasury Management Policy).
 Impact Portfolio	Calculated as the total capital and appreciation less Core Portfolio (the indexed value of the endowments, the cash to cover two years of expenditure and the 5% buffer). (This is the excess return on the endowment fund above the core portfolio).

¹ Endowment criteria is set out in Endowment characteristics table on page 3

The key characteristics of the portfolios are summarised as:

	Financial target	Liquidity	Risk	Impact alignment/creation
Overall Endowment Fund	Average CPI +4% over the medium term of 3-5 years.	A minimum 3 years spend able to be liquidated within 7 days	There is a recognition that risk is required to generate return. ITAG should be comfortable with the risk exposure given the forecast returns and bearing the financial target in mind. The University can accept short term volatility	Impact ambitions are important, but must align to financial return objectives
USTA Core 	As required to meet overall return targets based on forecast return of the Impact portfolio	As required to meet disbursement requirements over the short to medium term	Able to take a level of risk required to meet target financial returns, to be agreed with managers and measured over a defined period	Impact alignment where possible through companies offering solutions to social/environmental challenges. Impact creation via shareholder engagement in listed equities
USTA Impact 	As agreed by ITAG, taking risk, liquidity and impact measures into account	Not necessarily required as core should provide required liquidity. May include illiquid investments	May include higher and lower volatility investments	Targets intentional, measurable impact contribution, with a focus on climate mitigation and adaptation to support the University's Net Zero target

3) Asset allocation and investments

Strategic asset allocation is set by ITAG and endorsed by The Planning and Resource Committee (PARC) on behalf of the University Court. The core investment portfolio, excluding the cash balance held by the University, will be allocated as follows:

Asset class	Target allocation
Global Equity	70% to 80%
Real Assets (Property limited to 1/3 rd)	15% to 25%
Credit & Fixed Income	0% to 10%

Physical property – A small number of local properties are held in trust by the University and are utilised operationally in line with the donors' wishes. They are excluded from the asset allocation noted above.

As funds are allocated to the USTA Impact portfolio, a review of the USTA Core portfolio Strategic Asset Allocation will be undertaken to ensure sufficient return is generated for the Endowment portfolio as a whole.

The Impact portfolio does not have a Strategic Asset Allocation specified.

Where investments are made into externally managed investment vehicles the day-to-day management of said funds is delegated to professional investment managers, who are left to select individual securities or funds at their discretion. Each investment manager is required to manage the assets of the Fund in accordance with agreed guidelines as set out in The Sustainable Investments Policy Statement and this Strategic Asset Allocation and Investment Strategy statement.

Where investments are made directly (limited to USTA Impact Portfolio) ITAG, noting the potential for conflict of interest, will ensure that the appropriate governance, management and oversight processes and controls are in place, including

- approval (as appropriate) by the University PARC and Court
- regular reporting, as required, to PARC and Court, and
- external audit and review.

Reporting will be produced for these investments to replicate (as closely as possible) those report from external investments, including, where appropriate an evaluation of the measurable impact of the investment.

Our strategy permits a wide range of investments and asset classes as regarded as appropriate by ITAG.

Terms of Reference for ITAG are listed in Appendix 1.

Appendix 1

University of St Andrews

Investment & Treasury Assurance Group

Terms of Reference

The parent Committee of the Investment & Treasury Assurance Group (ITAG) is the Planning & Resources Committee (PARC). The primary purpose of ITAG is to ensure that appropriate and effective decisions are taken with regard to the investment and holding of funds under the University's management with due regard to the University's investment policy and the management of risk. In addition, ITAG will ensure cash management is carried out in accordance with the University's Treasury Management Policy.

Remit

1. Within the context of the general investment policy of the University, to monitor the performance of:
 - (i) the University's investment and treasury advisers;
 - (ii) the investment portfolio(s) or holdings under their management; and
 - (iii) any and all University investments and financial holdings not under the management of the investment advisers, and to advise Court and Planning & Resources Committee thereon.
2. To review the appointment of the University's investment and treasury advisers and to make changes to such appointments, as determined by ITAG in line with the Sustainable Investment Policy (SIP) and Strategic Asset Allocation (SAA), reporting as appropriate to the Planning & Resources Committee.
3. To take decisions in relation to the general nature or distribution of the investment portfolio and holdings that are under management with due regard to the management of risk and the general investment policy of the University. Any significant changes to the SIP and/or SAA to be supported and approved by the Principal's Office. This will then go to the next available PARC meeting with the recommendation for approval, prior to implementation.

Members	Until	Status
Andy Goor	n/a	Chief Financial Officer (Convenor)
Jonathan Hewitt	2026	Non-executive member of Court
Jenny Stewart	2023	Non-executive member of Court
Miranda Richards	2025	Associate / External Member
Jessica Cameron	n/a	Alumni / External Member
Calum Graham	n/a	Alumni / External Member
Calli Hopkinson	n/a	Deputy Director of Finance
Lesley Duncan	n/a	Head of Financial Reporting
Stuart Halliday	n/a	Senior Finance Assistant (Minute taker)

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