



Investment Policy

Finance Services

April 2022

Investment Policy

UNIVERSITY OF EXETER
INVESTMENT POLICY

Approved by Council on April 2022

1. Scope

1. The University invests funds in several ways:

Type of Investment	Explanation	Governance
General Funds	Surplus cash arising from the normal operations of the University, usually short-term in nature, managed to ensure working capital requirements are met, seeking a return while preserving capital.	Treasury Management Policy
Endowments	Funds managed <i>in trust</i> in accordance with any specified restrictions in use and/or in the preservation of capital or otherwise, determined by donors. Endowments are either: - Permanent (where the capital must be preserved) or - Expendable (where the capital must be applied)	Investment Policy <i>(ie this document)</i>
Subsidiary Undertakings	Investments in subsidiary companies undertaking non-primary purpose activity, in order to protect the University's charitable status and for the efficient arrangement of the University's tax affairs.	Case by case basis, driven by a business plan with Council approval.

1.2 This policy does not cover investments made by the Exeter Retirement Benefit Scheme which is a legally separate trust created to manage the pension assets and benefits of certain University staff.

1.3 When the University receives gifts and donations it will classify them in combination of:

- University general income: *an unrestricted donation or a restricted donation that is likely to be fully spent within 5 years*
- University research income: *a donation whose terms restrict the gift for a specific proposal that satisfies the Frascati definition of research*
- Permanent Endowment: *a restricted or unrestricted donation where the University is required to preserve the original capital gift in perpetuity*
- Expendable Endowment: *a restricted endowment that is unlikely to be spent in less than 5 years*

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- 1.4 This Investment Policy applies to funds classed as permanent or expendable endowments.

2. Introduction

- 2.1 The University of Exeter is an exempt charity, established by Royal Charter, whose purpose is the advancement of knowledge. The Royal Charter sets out an objective of the University:

To act as Trustees or Managers of any property, endowment, legacy, bequest or gift for purposes of education or research or otherwise in furtherance of the work and welfare of the University which can lawfully be transferred to the University and to invest any funds representing such property, endowment, legacy, bequest or gift if not immediately required in such stocks and securities including the purchase of land as the University may think fit.

- 2.2 University trustees act as stewards of endowment funds, undertaking to past, present and future donors to preserve and use funds in accordance with their wishes.

3. Responsible Investment and Engagement

- 3.1 Council adopt a responsible approach to investment and take ethical considerations into account in investment decisions whilst ensuring there is no significant detrimental impact on the investment return.

- 3.2 Specifically the University will only invest in entities that exhibit best class standards of behaviour and performance in a broad range of environmental, social and governance (ESG) issues using both positive and negative screening methodologies developed and deployed by its fund managers. This approach signals the University's ethical values whilst encouraging entities to adopt high and improving standards of ESG behaviour which the University believe will generate superior long-term financial returns. .

- 3.3 Environmental, social and governance (ESG) is a term that embraces a basket of issues illustrated in the table below:

Environmental	Social	Governance
<ul style="list-style-type: none">• Climate change• Carbon emissions• Pollution• Deforestation• Sustainability	<ul style="list-style-type: none">• Human Rights• Slavery• Child labour• Health and safety• Employee relations• Animal welfare• Arms and Ammunition	<ul style="list-style-type: none">• Bribery and corruption• Executive pay• Board diversity• Transparency

- 3.4 The University, or its appointed fund managers, will not invest in assets, stock or sectors which conflict with the University's objectives set out in its Royal Charter.

- 3.5 The University will not invest in sectors or entities that Council may proscribe from time to time. Council have determined that it will exclude investments in entities that produce tobacco and entities that are involved in the extraction of fossil fuel.¹

¹ A revenue threshold of 5% will apply, meaning that entities, such as groups, will be excluded where their turnover exceeds 5% from proscribed activity.

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- 3.6 Absolute exclusions are kept to a minimum as it is Councils preference to adopt a progressive policy based on investing in entities that exhibit high standards of performance on a range of ESG issues, combined with a policy of engagement (via its appointed fund manager) to drive improvement in ESG performance.
- 3.7 The University's fund managers will proactively engage with entities through direct engagement with companies on particular issues, for example via dialogue with company boards, proactively tabling resolutions and voting at AGMs. Fund managers are also expected to collaborate with other members of the responsible investment community to leverage impact on critical issues.
- 3.8 The University will publish a list of its full investments as an appendix to its Investment Policy in the interests of transparency, updating this each year.
- 3.9 Any member of the University (staff, students and alumni) may make representations to the University with respect to specific investments that they regard as being contrary to the University's values or objectives. Such representation should be made in writing (or via e mail) to the Chief Financial Officer and Executive Divisional Director of Finance, Infrastructure and Commercial Services setting out an evidential based case. The Executive Director will present such cases to the University's Investment and Endowment Group for consideration.
- 3.10 The University requires its fund managers to:
- be signatories to the United Nation's Principles for Responsible Investments and to comply with the Financial Reporting Council's UK Stewardship Code
 - Periodically report on the composition of the University's portfolio the fund managers ESG policies and engagement activities and compliance to the UN PRI principles.

4. Investment Objective

- 4.1 The investment objective of endowment funds will be to achieve an absolute rate of return deemed achievable in the market place and sufficient to fulfil the charitable objectives of the donation, taking into account the University's ESG requirements, risk and any requirements to preserve capital.
- 4.2 The absolute return target is inflation+4% (net of fees) over a rolling five-year period. Inflation is defined as the Consumer Price Index.

5. Spending Rule for Permanent Endowments

- 5.1 The University operates a total return approach to the disbursement of permanent endowments, setting a spending rule based on total return, enabling income and capital gains to be applied to charitable purpose.
- 5.2 The current total return spending rule is 4% applied to the three-year historic average capital values of permanent endowments as at 31 July of each year. This rate of withdrawal is the rate deemed the sustainable withdrawal rate whilst preserving the real value of capital. The spending rule creates an annual budget allocation that is allocated to the relevant activity within the University's budget.

6. Risk

- 6.1 The University relies on generating a defined level of financial return to fund charitable activity in fulfilment of the wishes of past, present and future donors. The three key risks are inflation, fluctuations in capital values and currency risks.
- 6.2 Inflation risk is addressed through setting an appropriate absolute return target and an appropriate spending rule (for permanent endowments) aimed only distributing (spending) sums that protect the real value of capital.
- 6.3 Permanent endowments, whether restricted or not, are expected to be preserved in perpetuity, allowing a long-term time investment horizon and accepting a higher degree of market volatility and therefore capital risk. The permanent nature of these endowments means short term capital volatility and is not considered a risk. However, permanent endowment balances may include an element of unapplied total return which can be spent and this element is exposed to capital risk.
- 6.4 Expendable endowments are generally intended to be spent over a shorter-term horizon (usually meaning under three years) so the investment of such funds needs to ensure they are not unduly exposed to capital risk.
- 6.5 The Chief Financial Officer and Executive Divisional Director of Infrastructure and Commercial Services will determine what proportion of unapplied total return permanent endowment funds and expendable endowment funds that can be exposed to capital risk (eg invested in equities) taking into account expenditure and liquidity requirements.
- 6.5 Currency risk will be managed by the University's Fund Manager who may elect to use currency hedging instruments if deemed appropriate.

7. Liquidity

- 7.1 The University will set its endowment funded expenditure budgets on the basis of the agreed spending rule set out in this policy. This will be funded from the total return – income and capital appreciation.
- 7.2 Permanent funds are intended to be held in perpetuity so liquidity requirements are not great. Expendable endowments are intended to be spent over a period of time (normally over 5 or more years) so require a higher level of liquidity.
- 7.3 At least 80% of the combined portfolio should be held in funds that have the capability of daily liquidity.

8. Governance, Management and Reporting

- 8.1 Council will delegate to Finance Dual Assurance the oversight and monitoring of the execution of its investment policy and the performance of its appointed fund managers. Finance Dual Assurance may make recommendations to Council to change fund managers if and when appropriate.
- 8.2 An Endowment and Investment Group assists Finance Dual Assurance in monitoring the performance of the University's fund managers. This group will meet with Fund Managers at least twice a year to review ESG and financial performance and engagement activity. The group may have internal and/or external experts co-opted on to it, and will include the Presidents of the two student unions (or their nominees).
- 8.3 The Chief Financial Officer and Executive Divisional Director of Finance, Infrastructure & Commercial Services will prepare an annual report to Council on endowment investments,

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setting out the value of investments, their performance, ESG characteristics and fund manager engagement activity, highlighting any issues Council to enable members to fulfil their fiduciary duties, legal obligations with respect to investments as well as compliance with the policy.

- 8.4 The Chief Financial Officer and Executive Divisional Director of Finance, Infrastructure & Commercial Services will publish this Investment Policy, along with an annually updated list of all investments held by the University's fund manager, to promote transparency. This is available via the following link on our website – www.exeter.ac.uk/departments/finance/aboutus/about/investmentpolicy/
- 8.5 The Chief Financial Officer and Executive Divisional Director of Finance, Infrastructure & Commercial Services will have responsibility for responding to questions and queries arising from members of staff, students or alumni.

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University of Exeter Endowments Holdings as at 31st July 2022

Please note that the following information is valid as at 31/07/2022.

The provision of this information does not constitute a recommendation, investment advice, nor financial promotion. Holdings are subject to change without notice and their accuracy and completeness cannot be guaranteed. No part of this document may be reproduced in any manner without Rathbones prior permission.

STOCK NAME	Value %	Valuation Group
ABERDEEN STANDARD FUND MGRS Gbl Index Lkd Bond S Instl Inc	1.49%	Overseas Index Linked Govt Bonds
ACCENTURE PLC New A Class Shares	1.01%	North American Investments
A2D FUNDING PLC 4.75% Bonds 18/10/2022	0.30%	UK Investment Grade Bonds
A2 DOMINION HOUSING GROUP LTD 3.5% Bonds 15/11/2028	0.27%	UK Inv Grade Bonds - Higher Quality
ANSYS INC USD0.01 Common Stock	0.83%	North American Investments
APTIV PLC USD0.01 Common Stock	0.92%	North American Investments
ASML HOLDINGS NV EURO0.09 Shares (Post Split)	0.95%	European Investments
ASSA ABLOY NPV Ser B Shares	0.97%	European Investments
ASTRAZENECA PLC USD0.25 Ordinary Shares	2.72%	Pharmaceuticals & Biotechnology
AVIVA PLC 6.125% Sub Perp RegS	0.75%	UK Investment Grade Bonds
BELLWAY PLC 12 1/2p Ordinary Shares	0.80%	Household Goods & Home Construction
BROWN ADVISORY FUNDS US Sustainable Growth C Inc	4.44%	North American Investments
CHARITIES PROPERTY FUND Property Fund Income	1.96%	Property Funds
CIVITAS SOCIAL HOUSING PLC 1p Ordinary Shares	0.68%	Real Estate Investment Trusts
COATS GROUP PLC 5p Ordinary Shares	0.80%	General Industrials
CT LUX III Responsible Gbl EM Equity R Acc	2.09%	Emerging Market Investments
CT UK ICVC V Responsible Gbl Equity SC2 Inc	2.53%	Global Investments
DECHRA PHARMACEUTICALS PLC 1p Ordinary Shares	0.70%	Pharmaceuticals & Biotechnology
DEXCOM INC USD0.001 Common Stock	0.90%	North American Investments
DIAGEO PLC 28 101/108p Ordinary Shares	1.86%	Beverages

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DIGITAL 9 INFRASTRUCTURE PLC NPV Ordinary Shares	1.18%	Infrastructure Funds
ECOFIN US RENEW INFRASTRUCTURE USD0.01 Ord Shs (GBP)	0.72%	Infrastructure Funds
EDWARDS LIFESCIENCES CORP USD1 Common Stock	0.78%	North American Investments
EURO INVESTMENT BANK 3.75% MTN 7/12/2027	0.28%	UK Inv Grade Bonds - Higher Quality
EXPERIAN PLC USD0.10 Ordinary Shares	1.41%	Industrial Support Services
FDM GROUP HOLDINGS PLC 1p Ordinary Shares	0.69%	Software & Computer Services
FORESIGHT SUSTAINABLE FORESTRY 1p Ordinary Shares	0.92%	Infrastructure Funds
GCP INFRASTRUCTURE INV LTD 1p Ordinary Shares	1.41%	Infrastructure Funds
GENUIT GROUP PLC 0.1p Ordinary Shares	0.60%	Construction & Materials
GREENCOAT UK WIND PLC 1p Ordinary Shares	1.20%	Infrastructure Funds
GSK PLC 31 1/4p Ordinary Shares	1.45%	Pharmaceuticals & Biotechnology
HALEON PLC #1.25 Ordinary Shares	0.31%	Pharmaceuticals & Biotechnology
HALMA PLC 10p Ordinary Shares	1.53%	Electronic & Electrical Equipment
HANNON ARMSTRONG SUST INFRA USD0.01 Common Stock	0.74%	North American Investments
HERALD INVESTMENT TRUST PLC 25p Ordinary Shares	1.38%	UK Investment Companies
HILL & SMITH HOLDINGS PLC 25p Ordinary Shares	0.74%	Industrial Engineering
HOME REIT PLC 1p Ordinary Shares	1.58%	Real Estate Investment Trusts
HYDROGENONE CAPITAL GROWTH PLC 1p Ordinary Shares	0.54%	UK Investment Companies
IMPAX ASSET MGMT GROUP 1p Ordinary Shares	0.79%	Investment Banking & Brokerage
IMPAX FUNDS (IRE) PLC Environmental Mkts X Acc (GBP)	1.59%	Global Investments
IP GROUP PLC 2p Ordinary Shares	0.94%	Investment Banking & Brokerage
JANUS HENDERSON INVESTMENTS Gbl Sustainable Equity I Inc	2.64%	Global Investments
JOHNSON MATTHEY #1.101698 Ordinary Shares	0.66%	Chemicals
JUST GROUP PLC 7% Sub 15/04/2031	0.23%	UK Investment Grade Bonds
KELLER GROUP PLC 10p Ordinary Shares	0.68%	Construction & Materials
KREDITANST FUR WIE 0.875% Gtd Snr 15/09/2026	0.38%	UK Inv Grade Bonds - Higher Quality
LEGAL & GENERAL GROUP PLC 2 1/2p Ordinary Shares	1.50%	Life Insurance
LEGG MASON GLOBAL FUNDS Clearbridge US Eqty Sust S Hgd	3.51%	North American Investments
LIONTRUST INVESTMENTS LTD Sust Future Eurp Growth 2 Acc	1.60%	European Investments
LLOYDS BANKING GROUP PLC 10p Ordinary Shares	1.39%	Banks
LONDONMETRIC PROPERTY PLC 10p Ordinary Shares	0.98%	Real Estate Investment Trusts

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MAYFAIR CAPITAL INVEST MGMT Property Inc Trust For Charity	3.88%	Property Funds
M&G PLC 5p Ordinary Shares	1.12%	Investment Banking & Brokerage
MICROSOFT CORP USD 0.00000625 Common Stock	2.31%	North American Investments
MIROVA FUNDS Global Green Bd HSIA Acc (GBP)	0.87%	Overseas Investment Grade Bonds
NATIONAL GRID PLC 12.431289p Ordinary Shares	1.82%	Gas Water & Multi-utilities
OCTOPUS RENEW INFRA TRUST PLC 1p Ordinary Shares	1.02%	Infrastructure Funds
ORSTED AS DKK10 Shares	1.00%	European Investments
PGH CAPITAL LTD 6.625% Gtd Sub Nts 18/12/2025	0.51%	UK Investment Grade Bonds
PRUDENTIAL PLC 5p Ordinary Shares	1.05%	Life Insurance
RABOBANK NEDERLAND 4.625% Bonds 23/05/2029	0.80%	UK Investment Grade Bonds
RATHBONE UNIT TRUST MGMT Ethical Bond S Inc (GBP)	1.97%	UK Investment Grade Bonds
RELX PLC 14.44p Ordinary Shares	1.38%	Media
RENEWABLES INFRASTRUCTURE GRP NPV Ordinary Shares	1.21%	Infrastructure Funds
RENEWI PLC #1 Ordinary Shares	0.86%	Waste & Disposal Services
ROCHE HOLDINGS AG Genusscheine NPV Shares	1.05%	European Investments
SCHRODER INVESTMENT MGMT Global Energy Transition Q Inc	1.75%	Global Investments
SMITH (DS) PLC 10p Ordinary Shares	0.94%	General Industrials
SMITH & NEPHEW PLC USD0.20 Ordinary Shares	1.07%	Medical Equipment & Services
SPIRAX-SARCO ENGINEERING PLC 26.9230769p Ordinary Shares	1.59%	Industrial Engineering
SSE PLC 50p Ordinary Shares	1.23%	Electricity
STERIS PLC USD0.001 Ordinary Shares	0.79%	North American Investments
STEWART INVESTORS Asia Pacific Sust B Acc (GBP)	1.89%	Asia Pacific Investments
TOMRA SYSTEMS ASA NOK0.50 Shares (Post Split)	0.85%	European Investments
TREASURY 7/8% Green Gilt 31/07/2033	0.69%	UK Conventional Government Bonds
UNILEVER PLC 3 1/9p Ordinary Shares	2.23%	Personal Care Drug & Grocery Store
VESTAS WIND SYSTEMS DKK0.20 Shares (Post Split)	0.85%	European Investments
VISA INC USD0.0001 Common Stock	1.70%	North American Investments
VODAFONE GROUP PLC USD0.2095238 Ordinary Shares	0.95%	Telecommunications Service Provider
XYLEM INC USD0.01 Common Stock	0.83%	North American Investments
SWISS RE AG CHF0.1 Shares	0.46%	European Investments