Investment Beliefs and Objectives

Introduction

This document sets out the investment beliefs and objectives adopted by the University of Manchester, in order to help guide and support effective decision-making in relation to the investment of the University's long term invested assets.

Investment Objectives

The objectives for the University's long term invested assets are to:

- Target a financial total return for the assets that exceeds CPI +3% p.a. over the medium term (3-5 years)
- Limit the overall investment risk level so that, based on asset liability modelling, the probability of a fall in portfolio value in excess of 20% is no more than 5% in any given year
- Hold 50% of the University's long term assets in funds which are accessible in less than 30 days' notice and invest a suitable proportion of the other 50% of assets in more illiquid assets to increase the return potential of the overall portfolio
- Optimise the liquidity profile of the assets such that up to 50% of the University's long term assets may be invested in funds which are accessible with greater than 30 days' notice
- Invest in line with the University's Policy for Responsible Investment
- Make a positive contribution to environmental and social impact

Investment Beliefs

The beliefs guiding decision making in relation to the University's long term invested assets are:

- It is appropriate to take *risk* to seek to generate additional *return*
- *Diversification* of assets across asset classes, sources of returns, regional markets and managers' strategies reduces risk and volatility
- An *illiquidity* premium can be earned from holding illiquid assets for the medium to longer-term
- It is possible to *add value* through taking short term *tactical positions* across and within asset classes
- The invested assets face *currency risk* and the University does not wish to take tactical views on exchange rates
- The use of *active management* is appropriate for some asset classes and can deliver superior performance net of fees and costs compared with a passive approach
- In more efficient markets, it may be appropriate to take an index-tracking approach to reduce management fees
- There is a risk that assets may fall in value and some periods of *underperformance* relative to benchmark can be tolerated

Responsible Investment

The University invests in line with the Policy for Responsible Investment and believes that:

- Environmental, Social and Governance (ESG) issues can affect the performance of companies and assets in which the University invests and should therefore be considered in addition to the assessment of value and mitigation of investment risk
- Investments should be consistent with the University’s values and protect the University’s reputation
- It is appropriate to proactively allocate to assets or strategies which take responsible or sustainable themes