

## Investment Beliefs and Objectives

### Introduction

This document sets out the investment beliefs and objectives adopted by the Investment Sub Committee of 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 return for the assets that exceeds CPI +3% p.a. over the medium term (3-5 years)
- Target a 1 Year Value at Risk<sup>1</sup> ("VaR") of less than 20%
- Ensure that at least 60% of the University's invested assets are readily accessible within 30 days' notice
- Implement restrictions that reflects the University's Policy for Socially Responsible Investment
- Make a positive contribution to environmental and social impact through wherever possible investing in UNPRI compliant funds and considering investments in other assets that deliver financial and non-financial benefits

### 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
- There is a risk that assets may fall in value and some periods of *underperformance* relative to benchmark can be tolerated

### Socially Responsible Investment

The University invests in line with the [Policy for Socially Responsible Investment](#) and believes that:

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<sup>1</sup> The Value at Risk level of 20% means that there is a 1 in 20 chance that the investment portfolio will lose more than 20% in any one year period

- 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