Financial Investment Policy

Section 1 - Preamble

(1) Charles Darwin University (‘the University’, ‘CDU’) manages a large number of investment transactions, including surplus funds invested for specified periods and at-call, in accordance with the Australian Accounting Standards, the CDU Risk Appetite Statement, and the decisions of the Finance and Infrastructure Development Committee (FIDC) and the University Council.

(2) The risk associated with these investment transactions is minimised by identifying, categorising, measuring and managing Interest Rate, Credit, Liquidity, Operational and Reputational Risk related to these financial transactions. The focus of the treasury function is to manage risk prudently while operating effectively, efficiently and maintaining accountability in line with the values of the University.

Section 2 - Purpose

(3) This document provides a framework for the management of the University's funds that ensures maximum returns whilst managing an acceptable level of risk.

Section 3 - Scope

(4) This document will apply to:

a. All University staff, members of University Council and its committees, and staff of controlled entities.
b. All funds under the control of the University, including its controlled entities.

Section 4 - Policy

Objectives

(5) In accordance with the broader University strategic objectives, the CDU Risk Appetite Statement, the decisions of the University Council, and on the advice of the FIDC, the University will:

a. Invest surplus University funds to maximise investment returns within the Council's risk appetite, having regard to University financing and operating cash flow requirements;
b. Invest strategically and with due diligence across investment asset classes to diversify the University's investment portfolio having regard to the University's medium and long-term cash flow needs;
c. Ensure there is an adequate internal control framework supporting treasury operations;
d. Produce accurate and timely management information that can be relied on for performance measurement and risk assessment by senior management, Council and relevant sub-committees; and
e. Prioritise environmentally-friendly and socially conscious investments and minimise investments in institutions that may be perceived as exerting foreign interference or engaging in modern slavery or unethical practices.

Investment of Funds

(6) In order to maximise the University's capacity for investment, the University will establish investment funds based on the following needs:

a. Short-term pool (less than 12 months): cash held as required for short term cash flow requirements (working capital) through the forthcoming 12 months;
b. Medium-term pool (1-5 years): funds set aside for planned and provisioned capital expenditure requirements including strategic opportunities and operational investment over the medium term (1-5 years); and
c. Long-term pool (5 years+): Untied capital that is available for longer-term investment, to provide a growing capital base and income stream to assist financial sustainability for the University.

(7) The short-term pool may be managed by the University with cash and term deposits held directly with banks, or by the appointed investment adviser. The medium and long-term pools will be managed by the appointed investment adviser.

(8) Investment Return Objectives of each pool are outlined below.

Short Term Pool

(9) The investment objective of the short-term pool is to ensure capital preservation and liquidity as required to meet the cashflow needs of the University. The investment return objective for this portfolio is to achieve the best at call and term deposit rates available, within acceptable issuer credit ratings, and aligned to cashflow needs.

Medium Term Pool

(10) The investment objective of the medium-term pool is to provide capital preservation and yield enhancement in a risk measured manner over the medium term, whilst also ensuring sufficiently liquidity to meet the planned and provisioned capital expenditure requirements of the University as they arise over the medium term (1-5 years), ideally via aligning call/maturity dates of investments.

(11) The investment return objective for this portfolio is to achieve total returns after fees of the Bloomberg AusBond Bank Bill Index + 1% after fees, over a rolling 3-year period.

Long Term Pool

(12) The investment objective of the long-term pool is to produce capital growth and income to increase the real value of the fund over the long term (5+ years) so that the University is better resourced to achieve its purpose and vision into perpetuity.

(13) The investment return objective for this pool is to achieve total returns (income, franking credits and capital growth) of Consumer Price Index (CPI) All Groups + 3-4% over a rolling 5-year period after fees. In setting the return criteria, it is assumed the expected inflation in Australia will be approximately 2-3% per annum suggesting the pool will be targeting a real return of 5-7% per annum after fees.

(14) Approved investments will be limited to managed investments within the following assets classes. 'Managed Investments' include managed funds (both public and private markets), exchange traded funds, managed accounts and listed investment companies.

a. Government bonds;
b. Credit;
c. Real assets, including property, infrastructure, and/or renewables;
d. Australian equities; and

e. International equities.

(15) The following factors are to be considered when determining the asset allocation for the investment pools:

a. the income tax exempt status of the University;
b. the time horizon for the portfolio;
c. the investment objectives of the portfolio;
d. the capital preservation requirements for the portfolio;
e. the need for diversification across and within asset classes to appropriately manage risk;
f. the need for sufficient liquidity to meet any withdrawal requirements; and
g. the potential impact of inflation, requiring an exposure to growth assets in order to maintain and/or grow the real capital value of the portfolio(s) over the long term.

Investment asset allocation parameters

(16) This section outlines the investment asset allocation parameters for each pool.

(17) The Strategic Asset Allocation (SAA) benchmarks represent the long-term asset allocation that the University and Investment Adviser believe will deliver the investment return objective over the applicable timeframe at an acceptable level of risk. It is understood that with market fluctuations, withdrawals, and contributions, it is unlikely that at any point in time the actual asset allocation will equal the benchmark exactly.

(18) The Tolerance Ranges provide flexibility for tactical tilts to be taken within each asset class as recommended by the Investment Adviser. This may be due to changes in the outlook for a particular investment, asset class and defensive/growth assets more broadly due to changes in the economic outlook. The ranges also provide flexibility for liquidity events such as significant cash withdrawals from or contributions to the portfolio.

Table 1 – Asset allocation benchmark and ranges for the short-term pool

Asset class	Strategic asset allocation (SAA) benchmark	Tolerance ranges Maximum/Minimum
Cash	100%	100%
Defensive assets total	100%	
Total	100%	

Table 2 – Asset allocation benchmark and ranges for the medium-term pool

Asset class	Strategic asset allocation (SAA) benchmark	Tolerance ranges Maximum/Minimum
Cash	10%	0% to 100%
Government bonds	0%	0% to 95%
Credit	90%	0% to 100%
Defensive assets total	100%	
Total	100%	

Table 3 – Asset allocation benchmark and ranges for the long-term pool

Asset class	Strategic asset allocation (SAA) benchmark	Tolerance ranges Minimum/Maximum
Cash	5%	0% to 100%
Government bons	5%	0% to 50%
Credit	20%	0% to 50%
Defensive assets total	30%	20% to 60%
Real assets	10%	0% to 30%
Equities – domestic	30%	20% to 50%
Equities – international	30%	20% to 50%
Growth assets total	70%	40% to 80%
Total	100%	

*It is noted that during a period of gradual implementation from cash, the asset allocation of the long-term pool may sit outside of the tolerance ranges (higher for cash and lower for growth assets).

Responsible Investment Guidelines

(19) The Council has determined that the University's investments must be invested responsibly in line with best practice and the University's values and commitment to sustainability. Specifically, the Council requires the investments of the University to be managed in line with the following guidelines:

Environmental, Social and Governance (ESG)

(20) ESG integration is the systematic inclusion of environmental, social and governance factors into the investment decision-making process by Investment Advisers. The integration of ESG factors is used to enhance traditional financial analysis by identifying potential risks and opportunities beyond technical valuations. The Committee believe that along with economic and market-related factors, ESG factors are important as they can have a long-term impact on how the portfolio performs. Issues to be considered by the Investment Adviser should include (but are not limited to) carbon pollution, environmental track record, labour standards, employee engagement and diversity metrics, organisational governance and Board Structure.

Ethical Investing

(21) By this, the Council means that the University may ‘positively include’ or ‘negative exclude’ exposure to specific holdings, investments or industries based on its alignment or misalignment with our stated values, ethics and beliefs. The Council accepts that the exclusion of specific holdings, investments or industries has the potential to limit the investment universe available and may negatively affect the risk adjusted return generated by the portfolio.

(22) The Council has determined that to ensure that the portfolio reflects the values of the University and is aligned with the interest of its beneficiaries and stakeholders:

a. When investing via Managed Investments in the portfolio, the Investment Adviser will take a best endeavours approach to ensure that there is no exposure via underlying investments of more than 10% in aggregate revenues from fossil fuels, tobacco, gambling or adult entertainment. The FIDC acknowledges this will be undertaken by the Investment Adviser on a quarterly basis with most recent information provided by the fund manager.

Impact Investment

(23) All investments have some level of impact. Impact Investments seeks to invest with the intention to generate positive, measurable social and environmental impact alongside financial return. The Council have determined that it will consider investing in impact investments on a case-by-case basis in accordance with the other parameters within this policy. Impact Investing may occur across any of the permitted asset classes and allowable investments for each pool.

Other Investment Principles & Restrictions

(24) Management of treasury operations and the investment portfolios will be made with judgement exhibiting competence, diligence and integrity. The following principles will apply:

a. Investments must be in a class approved by the Northern Territory Treasurer and will be made solely in the best interests of the University;
b. The use of direct leveraging and direct derivative-based investments is prohibited;
c. no single investment shall exceed 10% of the portfolio at any time other than Cash or bank Term Deposits;
d. No more than 20% of the portfolio should be invested in ‘illiquid’ or ‘semi-illiquid’ investments (liquidity profile of 90 days or longer), excluding term deposits;
e. Cashflows resulting from windfall gain such as sale of assets shall, subject to University Council's approval, be quarantined for investments at no less than 90% of the total amount and the remaining 10% be used for strategic purposes;
f. Investments and the segregation of approval wherever possible will be diversified to achieve the University's objectives and to manage an acceptable level of risk;
g. Independent Internal Audit reviews will be conducted on a cyclical basis as part of the annual Internal Audit Plan. The regularity of such audits will be commensurate with the perceived risk underlying the management of treasury operations; and
h. Key management personnel, including committee members, will declare conflicts of interest including the disclosure to the University of Material Financial interests in institutions or activities that could be related to the performance of the University's investment program.

Appointments and Delegations

(25) The Council has a fiduciary responsibility to ensure that the investment of capital is properly managed. Specifically, the Council is required to:

a. create, maintain and review the Financial Investment Policy and approve any changes;
b. approve asset allocation bands and investment guidelines as part of the policy;
c. appoint members to the FIDC; and
d. approve the appointment or termination of an external Investment Adviser.

(26) The Council has delegated certain authority to the FIDC to oversee the portfolio and to make portfolio-related decisions. The Committee functions include but are not limited to:

a. nominating, and overseeing Investment Advisers as approved by the Council;
b. discussing and approving tactical allocations within the Council's approved asset allocation bands;
c. monitoring and reporting on the performance of the investment portfolio(s);

d. making recommendations to the Council;
e. for approval of any changes to this policy;
f. complying with all relevant investment policies and guidelines; and
g. minuting all Committee meetings, with a clear detail of resolutions.

(27) The Council may appoint an external Investment Adviser to, amongst other things, invest and manage the investments on its behalf. In such an event, the Investment Adviser will be contracted to manage the investments according to this policy.

(28) Particular emphasis will be placed on objectively selecting an Investment Adviser whose business models and approach are highly aligned with the University's interests and who are willing to assist the Council and Committee to build on internal competencies in the relevant specialist areas. Value will also be placed on the capacity for the selected Adviser to provide assistance and advice to the University in enhancing our vision.

(29) The Investment Adviser must:

a. hold an appropriate Australian Financial Services License (AFSL);
b. have professional indemnity insurance cover and provide evidence of it upon request;
c. comply with investment requirements imposed by state or Territory laws;
d. invest and manage the portfolio(s) on behalf of the Council in accordance with the policy;
e. exercise due diligence and vigilance in carrying out their functions, powers and duties under this policy; and
f. keep the portfolio(s)under review and to confer at regular intervals with the FIDC regarding the management of the investments.

(30) The Investment Adviser will provide quarterly reports that include:

a. performance of the portfolio against the investment return objectives;
b. a review of the asset allocation strategy and its appropriateness in light of the changing investment environment, which may lead to rebalancing or tactical tilts; and
c. any investment recommendations.

(31) Investment reports shall be also provided by the investment adviser on a monthly basis or as more frequently requested by the Finance team.

(32) Investment advisers are expected to be available to meet with the FIDC or Council at least once per year in order to provide a review the portfolio structure, strategy, investment performance and to discuss the requirements for the year ahead.

Risk

(33) The University will seek to maximise returns in line with the CDU Risk Appetite Statement and the parameters of this policy and establish management actions to mitigate risk as required. The University, in its investing operations, is subject to the following risks and the appointed investment adviser should consider all these risks in making investment recommendations for the University:

a. Interest Rate Risk where the risk is of a change in the market value of securities held and volatility in interest earnings. To mitigate this risk, the Investment Adviser is required to identify potential risks arising from the outlook for interest rates, and to make recommendations on an appropriate fixed v floating rate / duration strategy;
b. Credit risk where the risk is of counterparty failure. To mitigate this risk, the Investment Adviser will aim to

invest in managed investments that predominantly comprise investment grade instruments, noting credit risk can also mitigated via the diversity of a managed investment compared to direct investment;

c. Liquidity risk where the risk is that an investment cannot be liquidated in sufficient time to pay the liabilities of the University and arises because of a mismatch between assets and liabilities. To mitigate this risk, no more than 20% of the portfolio should be invested in 'illiquid' or 'semi-illiquid' investments, or less where instructed to the investment adviser, to meet anticipated liquidity needs;
d. Concentration Risk where over concentration in an asset class or investment can increase the overall risk of the portfolio and the likelihood of generating negative returns. To mitigate this risk, this policy only prohibits investment in diversified managed investments, and the Investment Adviser is to deploy appropriate diversification across and within asset classes utilising a number of different managed investments, noting no single investment can exceed 10% of the portfolio balance;
e. Manager risk where the that appointed managers (fund managers as opposed to investment advisers) may fall short of performance objectives set for them. To mitigate this risk, the Investment Advisers must deploy careful selection and monitoring of fund managers, backed by research, so that there is sufficient confidence that each manager warrants the allocation of active risk to them;
f. Operational risk where the risk is of financial loss arising from the operational activities of the treasury function;
g. Reputational risk where there is the risk of potential of negative publicity, public perception or circumstances that could negatively impact the University's brand, image and standing. To mitigate this risk, the Investment Adviser must adhere to the responsible investment guidelines in this policy; and
h. Currency risk where investments in securities that are not denominated in Australian dollars carry the risk that movements in the value of the related currencies will impact adversely on the carrying value of the underlying investment. To mitigate this risk, the Investment Adviser is required to identify potential risks arising on international investments from a hedged or unhedged position, and to make recommendations on an appropriate hedging strategy.

Section 5 - Non-Compliance

(34) Non-compliance with governance documents is considered a breach of the Code of Conduct - Employees or the Code of Conduct - Students, as applicable, and is treated seriously by the University. Reports of concerns about non-compliance will be managed in accordance with the applicable disciplinary procedures outlined in the Charles Darwin University and Union Enterprise Agreement 2025 and the Code of Conduct - Students.

(35) Complaints may be raised in accordance with the Complaints and Grievance Policy and Procedure - Employees and Complaints Policy - Students.

(36) All staff members have an individual responsibility to raise any suspicion, allegation or report of fraud or corruption in accordance with the Fraud and Corruption Control Policy and Whistleblower Reporting (Improper Conduct) Procedure.

Status and Details

Status	Current
Effective Date	14th April 2026
Review Date	14th April 2027
Approval Authority	University Council
Approval Date	25th March 2026
Expiry Date	Not Applicable
Responsible Executive	Rick Davies Vice-President Corporate and Chief Financial Officer
Implementation Officer	Rick Davies Vice-President Corporate and Chief Financial Officer
Enquiries Contact	Rick Davies Vice-President Corporate and Chief Financial Officer

Glossary Terms and Definitions

"University" - Charles Darwin University, a body corporate established under section 4 of the Charles Darwin University Act 2003. The University is comprised of the various faculties, CDU TAFE, organisational units, and formal committees, including the governing University Council and Academic Board.

"Governance document" - means policy or procedure published in the Governance Document Library. Policies and procedures are collectively called ‘governance documents’ and are often referred to as ‘policy’ or ‘University policy’.