

# **Bahria University**



## **Investment Policy**

**Bahria University Endowment Fund Trust  
(BUEFT)**

**2019**

Version-2, dated May 16, 2019

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## Record of Amendments

Amendments No	Dated	Authority for Amendments	Articles Amendments

Note: Amendments are to be recorded, across checked and the incorporated in the documents authenticated (with name, designation and signature).

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## **1 Introduction**

- 1.1 Bahria University has an endowment fund named as Bahria University Endowment Fund (BUEF) governed by the Bahria University Endowment Fund Trust (BUEFT).
- 1.2 Most funds are held for long-term purposes and are invested in capital market investments in order to provide a consistent level of annual income enough to meet the requirements of donors, and to protect assets against inflation or deflation.
- 1.3 Endowment funds are categorized as one of the following:
  - 1.3.1 Unrestricted permanent endowment – annual income is not tied to specific purposes and may be used for the general benefit of the University. The capital investment is to be retained in perpetuity and cannot be drawn upon to support expenditure.
  - 1.3.2 Restricted permanent endowment – annual income must be used strictly in accordance with the terms of the fund. The capital investment is to be retained in perpetuity and cannot be drawn upon to support expenditure.
  - 1.3.3 Restricted expendable endowment - annual income must be used strictly in accordance with the terms of the fund, but the capital balance may also be used.
- 1.4 Responsibility for decision making on investment matters has been delegated to the Bahria University Endowment Fund's (BUEF) Investment Committee, created in accordance with para 11 of Bahria University Endowment Fund Trust's (BUEFT) registered trust deed. The Committee is therefore responsible for the selection of external investment managers to manage the long-term investments and for monitoring investment performance against agreed benchmarks, and the code of ethical investment.
- 1.5 The University is governed by the ordinance V of 2000, which sets out the general powers and obligations including the financial ones.

## **2 Investment Objectives**

- 2.1 Endowment funds are invested to produce the best financial return within an established level of risk.
- 2.2 The primary objective is to balance income and capital returns. The assets should be managed to at least maintain real capital value, whilst generating a consistent and sustainable level of investment income to support the current endowment fund activities.
- 2.3 The current income target is set at Karachi Inter Bank Offered Rate (KIBOR) of capital value. Changes to the income target should be informed by market benchmarks.

## **3 Risk**

- 3.1 Attitude to risk
  - 3.1.1 The endowment funds rely on investment income to fund current and future activities. The stability of income is therefore an important requirement and the long term capital value should be protected.

- 3.1.2 The key risk to the long term sustainability of the funds is inflation or deflation and the assets should be invested to mitigate this over the long term. The Committee understands that this is likely to mean that investment will be concentrated in real assets and that the capital value will fluctuate.
- 3.1.3 The Committee can tolerate volatility of the capital value of its investments, as long as current expenditure can be met from investment income and occasional drawdowns of capital may be made to meet the needs of individual expendable endowment funds.

### **3.2 Assets**

- 3.1.4 The endowment assets can be invested widely according to the general power of investment and should be diversified by asset class and by security. Asset classes may include cash, bonds, equities, real estate, mutual funds, hedge funds, private equity, commodities, currencies, metals and any other asset that is deemed by the Committee to be suitable.
- 3.1.5 The Committee may use more than one investment manager, in which case a decision process must then be put in place to deal with the addition of new investments, and capital withdrawals.
- 3.1.6 The Committee may agree to invest in individual or fund-based equity and fixed interest holdings, composite charity funds, or any combination in order to achieve the overall long term University objective of balancing capital and income returns.
- 3.1.7 Within the agreed asset allocation there may be temporary variations, due to market movements.
- 3.1.8 The Committee may agree to vary the allocation on a permanent basis and should consider seeking professional advice to inform this decision.

## **4 Ethical Investment**

### **4.1 Premise**

Bahria University endowment portfolio adheres to our code of ethical investment and embraces the values of the University. The overarching premise is simple – sectors that are Sharia compliant and embrace sustainable practices are more effective stewards of long term capital and, as such, embracing a socially responsible strategy is prudent from both a financial and sustainability perspective.

### **4.2 Investment Exclusions**

The portfolio has an ethical screen to ensure there is no direct investment in tobacco and armaments. Our Investment Committee will continue to respond to the decisions of the University relating to specific exclusions.

### **4.3 Environmental, Social and Governance (ESG) Integration**

Each security and fund within the portfolio are analyzed according to ESG metrics.

Therefore, the University is confident that we are actively seeking to invest in businesses that do not cause explicit environmental damage, discriminate against the individual or violate human rights.

#### **4.4 Engagement**

Through our investment advisors, the University uses its capital to vote on social and environmental issues at Annual General Meetings. The Investment Committee is to receive regular reporting on these engagement activities and their impact on corporate behavior.

#### **4.5 Positive Impact Investing**

4.5.1 The endowment also invests in businesses and sectors which are explicitly aiming to deliver an environmental and social return in addition to a financial return. The University has allocated a proportion of the endowment funds to Impact Investments.

4.5.2 This investment program invests across ten themes:

- a. Clean energy
- b. Sustainable Transport
- c. Food & Agriculture
- d. Waste & Materials
- e. Ecosystem Services
- f. Maritime Science & Technology
- g. Medicine
- h. Education
- i. Health
- j. Financial Inclusion

4.5.3 The Ethical Investment Policy is reviewed annually by the Investment Committee. Activities are reviewed at each quarterly meeting.

#### **4.6 Currency**

The base currency of the investment portfolio is Pakistani Rupee (PKR)

#### **4.7 Credit**

Bond exposure should be focused on investment grade issuers.

Alternative asset classes may be included in the portfolio, but only with the approval of The Investment Committee.

Holdings in individual properties should be investment grade, but this is not a requirement for purchasing a share of a fund.

## **5 Liquidity Requirements**

- 5.1 The University aims to balance the needs of current and future beneficiaries and as such aims to set a sustainable income target, whilst ensuring the capital is expected to grow in line with inflation over the long term.
- 5.2 The University may draw down capital in respect of expendable endowments, and therefore there may be a requirement for some short term capital liquidity within the investment portfolio.

## **6 Time Horizon**

- 6.1 The investment portfolios are expected to exist in perpetuity and investments should be managed to meet the investment objectives and ensure this sustainability.
- 6.2 The University can adopt a long term time horizon.

## **7 Ethical Investment Policy**

- 7.1 The University is committed to investing its endowment funds on a responsible basis, and investment managers are expected to ensure that the selection of investments reflect the ethical values and BU's code of conduct for the financial transactions.

## **8 Management, Reporting and Monitoring**

- 8.1 The Investment Committee is responsible for the selection of investment managers and vehicles to implement the agreed asset allocation strategy, if deemed necessary.
- 8.2 At least twice a year the Investment Committee should undertake a full review of the University's long- term investments, which should include the following:
  - a. An analysis of return, risk and asset allocation.
  - b. A monitoring of performance against agreed market indices, and the University's overall investment objectives of income generation and capital growth.
  - c. A report on investment manager charges incurred, compared to agreed rates

## **9 Approval and Review**

- 9.1 This Investment Policy was approved by Investment Committee. It will be reviewed on an annual basis to ensure that it continues to be appropriate for management of the University's endowments.

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