

Evli Pankki / Evli Bank – Suomi / Finland

Swiss Universities: Fundraising and Managing Assets

Prof. Dr. Dr. h. c. Barbara Haering

28. Januar 2021

Introduction

- The topic of our discussion today is, to explore, how university fundraising and its structures have changed in recent years. And how universities, as investors, implement strategic allocation – in Switzerland.
- My name is Barbara Haering and I may wear various hats!
 - Vice President of the Board of the ETH-Domain and Chair of the Audit Committee of the Board of the ETH-Domain
 - Chair of the strategic advisory Board of the University of Geneva
 - Member of the Board of TU Dresden and of TU Graz
 - Lecturing at the University of Lausanne in Public Management
 - Head of a private consultancy, based in Zurich, supporting public administrations and universities with regards to their strategic development and quality management.

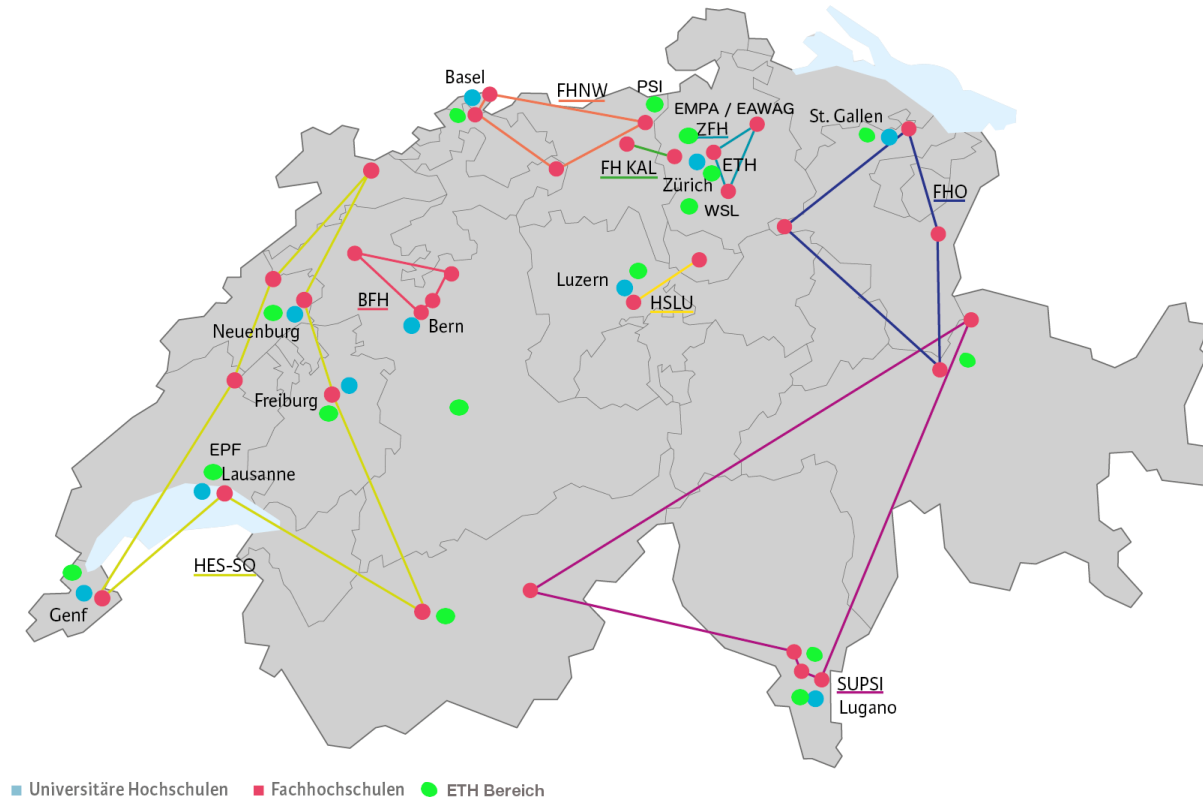


Overview

- Switzerland's university landscape
- ETH-Domain in a nutshell
- Framework for raising funds and managing assets in the ETH-Domain
- Managing assets by a cantonal university
- Conclusions

Switzerland's Divers University Landscape at a glance

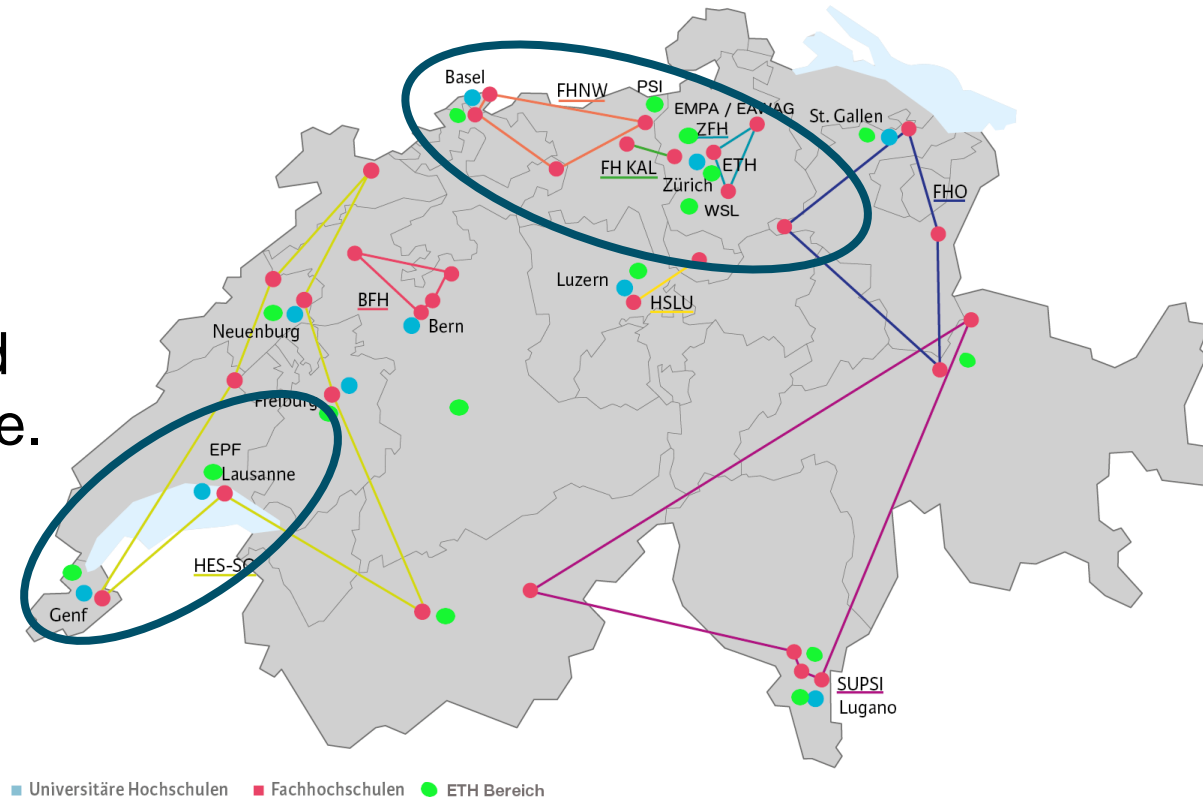
- **10 cantonal universities** run by cantons, supported by the Confederation
 - **ETH-Domain:** 2 technical universities and 4 research institutions run by the Confederation
 - **6 universities of applied sciences:** Networks run (mostly) by intercantonal contracts, supported by the Confederation
- ➔ The Swiss university landscape is coordinated by a federal law.



Two Main Clusters for Science and Innovation in Switzerland

- Two main regional clusters are driving the university landscape as well as innovation in Switzerland.
- **Zurich-Basel:** ETHZ, PSI, EAWAG, EMPA, WSL, universities of Zurich and of Basel, universities of applied science.
- **Arc Lémanique:** EPFL, CSEM, universities of Geneva and Lausanne, CERN.

→ The ETH-Domain is the driving force in both clusters.



The ETH-Domain in a nutshell

- The ETH Domain comprises two technical universities and four research institutes. The six entities are autonomous public-law institutions and have their own legal personality.
 - ETH Zürich: CHF 1'804 Mio¹⁾ / 18'025 students (2019)
 - EPF Lausanne: CHF 1'049 Mio / 9'250 students (2019)
 - PSI: CHF 436 Mio. / Large research facilities, energy research
 - EMPA: CHF 177 Mio. / Material sciences
 - EWAG: CHF 78 Mio. / Aquatic research and services
 - WSL: CHF 91 Mio. / Forest, snow, landscape research & services
- The Federal ETH act plus an vault agreement with the Federal Departement for Finance serve as legal framework for investment guidelines.

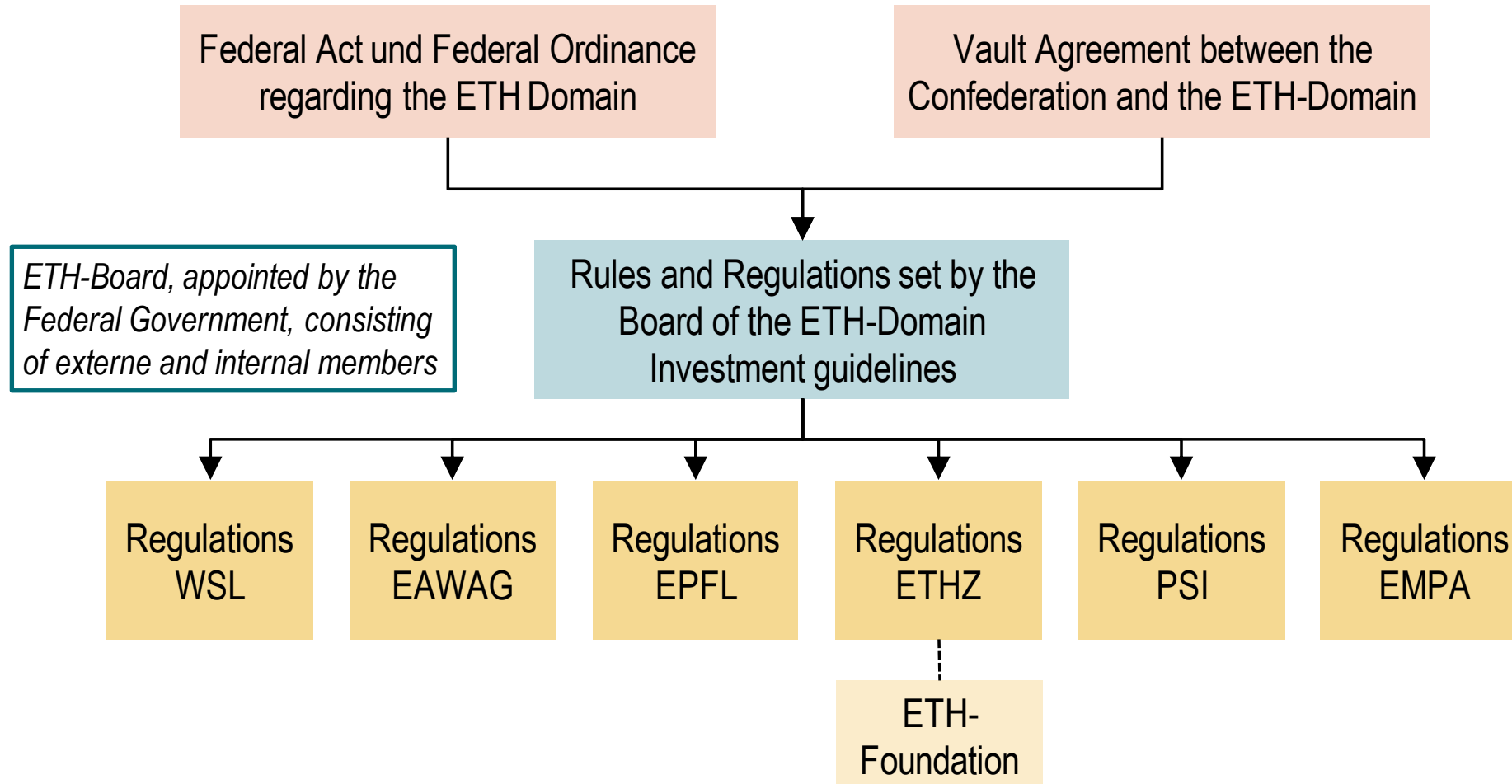


¹⁾ Operating expenses 2019

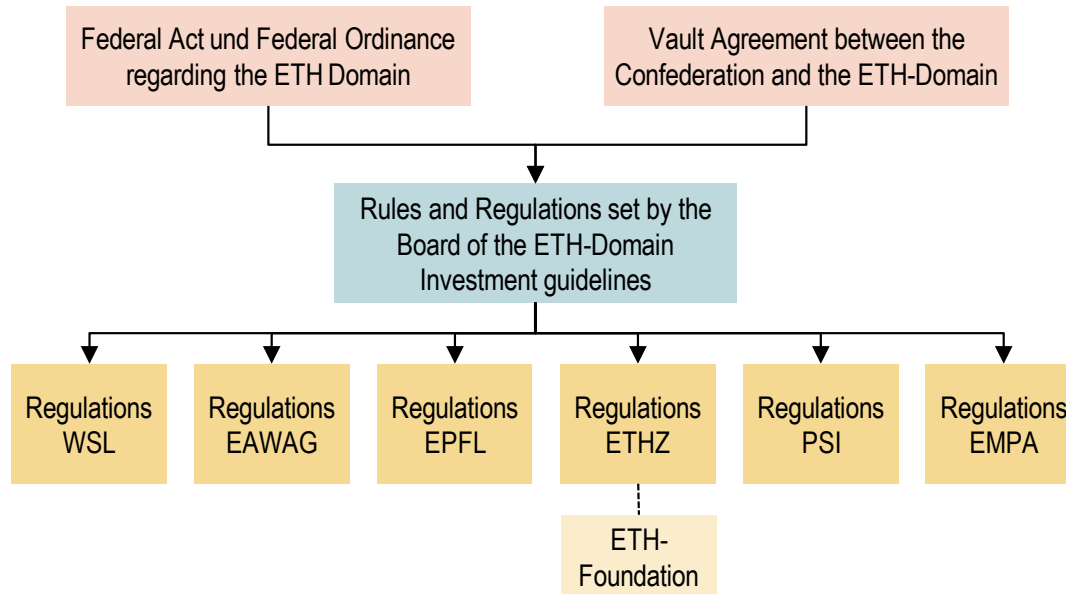
ETH Domain – Key Financial Figures 2019

- | | | |
|--------------------------------|--------|-----------------------------------|
| ■ Operating revenue | 3'675 | CHF Mio. |
| ■ Federal direct contribution | 71,2 % | Base budget |
| ■ Federal research funds | 14,8 % | SNF, Innosuisse, EU-Grants |
| ■ Third party funds | 12.7 % | Projects, services, philanthropy |
| ■ Operating expenses | 3'637 | CHF Mio. |
| ■ Personnel expenses | 65.6 % | |
| ■ Real estate aquisition value | 7.92 | CHF bn. property of Confederation |
-
- | | | |
|-------------------------|-----|-----------------------|
| ■ ETH Zurich Foundation | 553 | CHF Mio. total assets |
|-------------------------|-----|-----------------------|
- As Federal institutes, the institutions of the ETH-Domain benefit from a charitable, non-profit status. In most cases, donations are tax deductible.

Framework for Raising and Managing Assets in the ETH-Domain



Management of Assets in the ETH-Domain: Legal Basis



- The Federal authority manages all liquid assets given directly or indirectly to the ETH-Domain.
- ~35% of other funds may be invested according to the value at risk approach.
- ~65% of other funds must be invested in federal deposit accounts to minimise the risk of high investment losses.

➔ Only 35% of 13% of funds may be invested by the institutions of the ETH Domain themselves.

ETH-Domain: Objectives and Principles Set by the ETH Board

Liquidity, Risk Capacity, Reputation

- The management of financial resources must ensure, that services can be provided on time at any time and must respect the risk capacity of the institution.
- Selection and management of investments must be carried out carefully and in accordance with the exemplary role of the ETH Domain in terms of responsible investing, in order to avoid negative effects on the reputation of the Domain.

Investment Policies

- No direct or indirect Federal funds (taxpayers money) but only third party funds may be invested.
- Funds must be diversified. The institutions are obliged to
 - develop an investment strategy according to their individual risk capacity, which must be determined according to the value at risk-approach.
 - invest responsibly and integrate ESG criteria into the investment process.

ETH Board: Investment Categories, Criteria and Restrictions

- **Categories:** Guidelines regarding investment categories and quantitative limits.
- **Objectives:** Orienting investments towards ESG-criteria, considering ecological, social and corporate governance aspects.
- **Limits:** No investments in companies or countries appearing on a negative list ratified by the Federal Government.

Investment category	Restrictions	
	Minimum	Maximum
Money market investments	0%	100%
Obligations CHF	0%	100%
Obligations foreign currency	0%	30%
Stocks Switzerland	0%	15%
Stocks World	0%	20%
Stocks total	0%	30%
Alternative investments (hedge funds, commodities)	0%	10%
Real Estate Switzerland (indirect)	0%	10%

ETH Zürich: Management of Assets

- Since 10 years the ETHZ applies a systematic proactive investment strategy. This has proven to be a success.
- As managing assets does not belong to the core business of ETHZ and as the asset volume is limited, the management task has been given to professional financial institutions.
- In the course of the years, asset management mandates were given to several banks, selected by public procurement processes – aiming at a diversity of investment strategies (active, passive, sustainable).



- ETHZ is a founding member of Swiss Sustainable Finance. SSF aims at strengthening Switzerland's position in the global market-place for sustainable finance by informing, educating and catalyzing growth.

Portfolio ETH Zurich: Investment Categories (2019)

Investment category	Restrictions		Portfolio ETHZ	
	Minimum	Maximum		
Money market investments	0%	100%	0%	
Obligations CHF	0%	100%	32%	
Obligations foreign currency	0%	30%	10%	
Stocks Switzerland	0%	15%	18%	
Stocks World	0%	20%	24%	
Stocks total	0%	30%		
Alternative investments (hedge funds, commodities)	0%	10%		
Real Estate Switzerland (indirect)	0%	10%	16%	

ETH Zurich Foundation



- The ETH Zurich Foundation supports education and research at ETH Zurich as an independent, non-profit foundation. The Foundation assures
 - Freedom of research and teaching supported by donations
 - Autonomy and independence of ETHZ with regards to donors
 - Transparency and discretion with regards to donations
 - Sustainability in all its actions
- The ETH Zurich Foundation ensures that conflicts of interest are avoided within its organisation and that appropriate measures are in place to prevent conflicts between the personal interests of individuals and the interests of the ETH Zurich Foundation.
- Asset management is distributed among several banks with mandates assuring diversified investment strategies.

Survey by the Audit Committee of the ETH Board 2017

Institution	ETHZ	EPFL	PSI	WSL	EMPA	eawag
Questions/Answers						
1. In the investment of the third party money, do you give your investment committee/advisors/financial managers any guidelines?	Yes	Yes	Yes	Yes	Yes	No feedback
2. If yes, are these related to risk, sustainability, timing (short-, long-term investments, other	risk, sustainability, other (expected target returns/minimal returns)	risk, timing	risk, sustainability, timing, other	risk, timing	See above 1b (transparency, competition, economics and equal rights)	No feedback
3. Regarding sustainability, do you think you should be giving guidelines to your investment committee/advisor/investment manager as to: human rights, environment, corruption, oppressive regimes, "toxic" industries, other	Yes	Yes	No	No	No	No feedback
4. Do you think about the reputation of the ETH Domain regarding the UN's Global Compact and principles of good corporate social responsibility?	Yes	Yes	Yes	No	Yes	No feedback

Important Investments by Pension Fond PUBLICA

- All 22'500 employees of the ETH Domain are insured with the Federal pension fund PUBLICA. They are represented on the investment board of PUBLICA with 2 (of 16) members.
- Also PUBLICA is orienting investments towards ESG-criteria, considering ecological, social and corporate governance aspects.
- Moreover, PUBLICA has been developing a climate-efficient share index to improve climate efficiency by 50% over the entire equity portfolio, without worsening the risk/return- ratio.

PUBLICA	
Aspects	Numbers
Balance sheet total	CHF 41 Billion
Cover ratio	104.1%
Net yield	8.98%

University of Zurich representing Swiss Cantonal Universities

UZH in a nutshell

- UZH is a public-law institution with its own legal personality.
- 27'000 students / 9'250 employees.
- 64% public funds; 36% third party funds.



Asset Management

- Assets of the UZH are managed by the treasury of the Canton of Zurich.
- **UZH Foundation** seeks donations and bequests to achieve its fundamental goal of promoting excellence at the University of Zurich – in specific fields:
 - Digital Society Initiative
 - Cutting-edge Medicine
 - Innovation
 - Academic career development
 - Further projects

Oxbridge: Self-governing Autonomous Charitable Institutions

Oxford Endowment Fund

- Managed by Oxford University Endowment Management Ltd. on behalf of Oxford University and a number of individual colleges.
- **Objectives:** “Maintain and grow the real value of endowments, while providing a stable stream of income, to help our investors achieve their long term aims.” and “to generate a 5% real return over the long term and provide a sustainable income.”
- **Portfolio:** 53% in public equities, 23.4% in private equities, 8.4% in cash, 7.9% in credits and 7.5% in properties.
- Average annualised net return: 9.2%

Cambridge Endowment Fund

- Managed by Cambridge Investment Management Limited, on behalf of the University, colleges and associated charitable trusts
- **Objectives:** “Provide financial support for the University’s research, teaching and other activities” and “achieve long run average annual total return, after all costs, at least equal to the percentage change in the UK Consumer Prices Index for each year plus 5%.”
- **Portfolio:** 46% in public equities, 16% in private investments, 16% in cash, 9% in real assets, 8% in absolute return and 5% in credits.
- Average annualised net return: 11.8%

Conclusions

Fundraising

- Swiss universities are publicly governed and mainly run on the basis of public funding (70 %).
- However, since approximately ten years they are increasing their fundraising to counterbalance stagnating public funding and to increase their autonomy.
- All universities have installed specific offices and some have launched foundations to address donors and to be able to manage assets.

Managing Assets

- Assets of cantonal universities and universities of applied science are managed by public authorities.
- Institutions of the ETH-Domain are allowed to manage a part of their third party funding themselves. Regulations address risk management and ESG-criteria.
- The asset management is delegated to professional financial institutions/banks assuring divers investment strategies.

Literature

- Federal Act on Funding and Coordination of the Swiss Higher Education Sector of 30 September 2011 (as of 1 January 2020) [SR 414.20 - Federal Act of 30 September 2011 on Funding and Coordination of the Swiss Higher Education Sector \(Higher Education Act, HEdA\) \(admin.ch\)](#)
- Federal Act on the Federal Institutes of Technology of 4 October 1991 (as of 1 May 2017) [SR 414.110 - Federal Act of 4 October 1991 on the Federal Institutes of Technology \(ETH Act\) \(admin.ch\)](#)
- Socially Responsible Investments: Costs and Benefits for University Endowment Funds [https://papers.ssrn.com/sol3/Papers.cfm?abstract_id=3446252](#)
- Socially Responsible Investing by Universities and Colleges [https://onlinelibrary.wiley.com/doi/abs/10.1111/fima.12125](#)
- UN PRI: writing a responsible investment policy [https://www.unpri.org/download?ac=5205](#)
- [https://publica.ch/vermoegensanlagen/verantwortungsbewusst-investieren](#)

Impressum

econcept AG
Gerechtigkeitsgasse 20
CH-8002 Zürich
Tel. +41 44 286 75 75
www.econcept.ch

Prof. Dr. Dr. h.c. Barbara Haering
Ethan Gertel, Katharina Brandenberger, Dieter Künzli