

## **SOCIETY OF CRYSTALLOGRAPHERS IN AUSTRALIA & NEW ZEALAND INC.**

### **"1987 FUND" INVESTMENTS AT 25 MAY 2021**

#### **History**

In 1987, what was then the Society of Crystallographers in Australia (SCA) hosted the 14th IUCr Congress & General Assembly at the University of Western Australia. The organization of the meeting was managed largely by volunteers, led by Ted Maslen and Syd Hall. Allan White has written that "because of this, with a small but tenuously underwritten budget, the Conference was financially very successful, so much so that it realized a profit of the order of \$100k". The Conference was underwritten by the Society.

In the March 1988 Newsletter (#16) the then SCA President, Peter Colman, noted that "If used wisely, these financial resources could serve the Society in perpetuity", and proposed placing all of the profit in a special fund, drawing only on the earnings to support student attendance at national and international conferences, as well as international speakers at SCA meetings. This fund became the '1987 Fund', independent of the Society's normal budget, and since its inception it has been used along the lines originally suggested. Initially SCA Council appointed two local Trustees for ease of administration, and later augmented this by the addition of a third in 1992, and this role and responsibility has changed hands a number of times over the years.

From the initial investment, the '1987 Fund' evolved dramatically over the ensuing decades, to a small portfolio that was valued at \$2.3 million in May 2020. Cash represented 13% of this amount, but the vast majority - 80% - was in the form of 6000 CSL shares, whose value peaked in February 2020. This lack of diversity in the Fund's portfolio has seen concern expressed at recent Business Meetings. However, contrary to comments made in the SCANZ Newsletter #71 (February 2020), the income from the Fund has been consistently above \$20k per annum for the past decade, increasing annually to a peak of \$32k in 2019. Over the same period the Society has consistently expended less than the Fund is earning, mainly to support Maslen Scholarships and/or '1987 Fund' speakers at its meetings.

#### **Changes**

The desire to capitalise on the high value of CSL shares, and for greater diversification and – hopefully – a greater return from this substantial capital amount has led the Council and Trustees to investigate the Fund's future oversight and management, particularly in the form of professional management. Following many discussions among Council members, as well as due diligence undertaken by the Trustees, a decision was made in June 2020 for the Trustees to engage the services of *Grant Thornton Wealth Advisory Services Pty Ltd* to provide the following:

- **Investment strategy advice**, in the form of a concrete investment plan. The plan included specific asset allocation and investment recommendations aiming to reduce the level of risk inherent in the Fund's current concentrated portfolio of investments, increase the level of income from the Fund's investments, and provide an income stream in perpetuity for the benefit of members. A key part of the plan is the gradual reduction of the Fund's CSL holding.
- **Ongoing advice**, in the form of implementation of the investment plan. This includes portfolio monitoring and administration, video, telephone and email advice to implement the recommendations in a timely manner and, once this process is complete a semi-annual meeting with the Trustees via video conference.

This engagement is for an initial period of 2 years, but can be terminated with 30 days written notice. Both before the commencement of this engagement a year ago, and since that date, the Trustees have formed a very positive working relationship with Joanne Kenderes (Director – Private Advisory, Private Wealth with Grant Thornton), in the form of several zoom meetings, many emails and several phone calls.

In July 2020 shareholdings in the name of the Society were transferred in a straightforward manner to the new investment portfolio, as well as \$280k in cash, thereby closing the Fund's term deposit account held at UniBank. The first phase of implementing the investment plan involved selling all of the CBA, Woolworths, SCentre and Unibail shares (approximately \$180k) and about \$396k worth of CSL shares, followed by purchasing a number of new investments. The ongoing schedule for implementation of the new investment plan involves seven tranches at 3 month intervals, each involving sale of approximately \$230k of CSL shares and increasing investment in alternatives. The

implementation is expected to be completed by the end of 2021. In addition to the provision of quarterly reports on the portfolio, each of the Trustees has online access to the Society's 1987 Fund portfolio via the Powerwrap Wealth Management Platform.

The 1987 Fund still retains the UniBank Everyday Account (637912S1); the current balance is \$18,136.61 after transfer of \$20,000 to SCANZ on 3 April 2021 to underwrite scholarships etc. for CRYSTAL33.

### **Summary from Grant Thornton**

Joanne Kenderes has provided a separate summary of the status of the 1987 Fund, as well as comments on actual income to date, income anticipated for 2021, and that forecast in the future; see below.

Regarding any comparison between previous income and that in her statement, Joanne has provided this helpful clarification:

*"If you were to compare 'like for like' then the portfolio income of \$25,641.71 for the 10 months since inception would be the most direct comparison, except that the bulk of the portfolio's income will be received in the first 2-3 weeks of July. This is because the managed funds make distributions after the end of the financial year. As we established the portfolio at the end of July last year, we are yet to receive any of these distributions. So it is worth noting that \$25k income over 10 months shouldn't be extrapolated to mean \$30k over 12 months, because a large amount of income will be received in the final weeks of our first 12 months of running the portfolio."*

### **Future considerations**

Quite naturally, these substantial changes to the actual 1987 Fund, its ongoing management in professional hands, and anticipation of annual income ca \$70k in the future, raises questions about ways in which the Society might utilise this extraordinary asset in the future, to benefit its membership, and enhance the profile of crystallography in the Australian community. We encourage the Council and broader membership of the Society to give this matter some serious consideration before the next Business Meeting.

Mark Spackman  
Charlie Bond  
Megan Maher

25 May 2021

## 1987 Fund summary and update from Joanne Kenderes

In March of 2020, the Trustees of the 1987 Fund commenced a process of seeking advice on the ongoing management of the assets of the 1987 Fund. The objective being to:

- Diversify the investments of the 1987 Fund so as to reduce the level of risk inherent to having 80% of the portfolio's investments in one company, CSL Limited;
- Provide an income stream of approximately \$60,000, adjusted for inflation, to support the Society's activities in perpetuity;
- Provide an efficient and effective investment structure for the ongoing management structure of the 1987 Fund.

The advice received was to gradually transition the 1987 Fund from predominantly holding CSL, towards a new diversified investment portfolio of which 60% is invested in shares, property and alternative investments, and 40% in bonds and cash. This mix of investments appropriately balances the return objectives of the Fund with a tolerable level of risk, and is expected to generate around \$70,000 per annum in income after fees on average over the long term.

Implementation began in late July of 2020 and is expected to take 18 months, so we are now approximately half way through the process. This gradual implementation process mitigates timing risk, and also gives us the best chance of maximising the capital gain we receive from the sale of the CSL shares, which will also be of benefit to the Society.

Because we are in the process of transitioning the portfolio from one that is dominated by CSL (which pays very little income), to the new diversified portfolio (which generates a higher level of income), and also because dividend payments have been reduced during Covid, in the 2021 year the portfolio will not yet be generating income to its full potential. The transition of the portfolio will be complete by the end of 2021, so the income level in 2022 should be in line with our long-term average estimates. Based on the programme to implement the investments, we estimate that the portfolio will generate approximately \$42,000 of income, after all fees, during 2021. We expect the bulk of the portfolio's income to be received in early July.

Since the inception on 28<sup>th</sup> July to 21<sup>st</sup> May, the portfolio including CSL, has delivered the following returns:

Starting market value	\$2,126,843.24
Realised and unrealised gains and losses	\$104,244.76
Total income	\$25,641.71
Total expenses	(\$13,909.63)
Ending market value	\$2,242,820.08

This equates to a 5.45% return over 10 months.

### Joanne Kenderes

Director - Private Business Tax & Advisory  
Private Wealth

