



CAMBRIDGE AUSTRALIA TRUST ANNUAL REPORT 2009

The Australian Committee of the Cambridge Commonwealth Trust

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Chairman:	Dr Simon Longstaff
Secretary:	Professor Nicolas Peterson FASSA
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Website:	http://www.cambridgeaustraliatrust.org.au

CHAIRMAN'S REPORT 2009



MIXED FORTUNES

The past year has been one of mixed fortunes for the Cambridge Australia Trust (CAT). While the Trust has not been immune from the baleful effects of the Global Financial Crisis (GFC), under the stewardship of our Honorary Treasurer, Professor Allan Barton, and due to the generosity of Australian donors, it has maintained the level of its investment in fine Australian scholars – with 17 new scholars (including 4 Gates and 3 Patrick Moore) due to take up residence, in Cambridge in September of this year.

We have also monitored, with increasing concern, a range of developments that have altered the basis in on which the activities of the CAT have been founded. In particular, we have been dismayed to witness the abolition of the Overseas Research Studentship (ORS) scheme and the egregiously ill-considered policy of the British Government, which from this year has wound back UK Commonwealth scholarships. In the past half century the ORS scheme has enabled more than a thousand excellent students from Australia, Canada and New Zealand to study at Cambridge. Along with

retrograde changes to the operation of the Chevening Awards, all these developments are reminiscent of the policies of the Thatcher Government which made necessary the creation of the Cambridge Commonwealth and Overseas Trusts just over twenty-five years ago.

MIXED EMOTIONS

The past year has also been a time of mixed emotions.

We were greatly saddened by the deaths of two of the CAT's most eminent and committed supporters, Peter Howson and Peter Karmel. The former was the inaugural Chair of the CAT and with great energy, laid the foundations for its continuing success. I remember meeting Peter Howson, in Cambridge, and being struck by his passion for the project and his belief that Australian scholars had much to learn and to contribute at Cambridge. Professor Karmel was a former Vice Chancellor of the Australian National University and as such, actively supported the establishment of a relationship with the CAT that has enabled its work – contributing not only the standing of his institution to the initiative but also bringing his considerable personal presence to bear in support of the CAT's aim and objectives. As noted in my last report, Professor Karmel was Patron of the CAT – only standing down quite recently due to ill health. Howson and Karmel are warmly remembered by us all.

In particular, we have marked the retirement of Dr Anil Seal as Director of the Cambridge Commonwealth Trust. While many have contributed energy, talent, time and money in support of the Trust's objectives, Dr Seal has been

the principal, dynamic force behind its success. Despite his own 'larger than life' personality and extraordinary personal rapport with political and business leaders across the globe, Dr Seal has led the development of the Cambridge Commonwealth Trust (CCT) - and the other Trusts formerly under his care - in a model of understated achievement. Anil Seal has also been a very good friend to Australia. In particular, he has devoted his talent for mixing and matching funding sources in order to leverage the number of Australians supported to a number well beyond what the CAT would have been able to fund, unaided, from its own resources. As Dr Seal retires, we wish him well for the future and hope that his new initiatives will allow him to maintain contact with friends and colleagues in Australia.

While the retirement of Dr Seal has been marked with appreciation, tinged with sadness, there has also been delight in welcoming his successor, as Director of the Cambridge Commonwealth and Overseas Trusts, Mr Michael O'Sullivan. Michael has joined the Trusts from a senior role with the British Council and was kind enough to vary his itinerary, earlier this year, so that he might visit Australia in the course of a more extensive trip to the region. This allowed me to convene, in Sydney, a meeting of the Cambridge Australia Trust's (CAT) Executive so that we might meet Michael and be briefed by him on future plans for the operations of the CCT – especially as they affect Australia. Michael also travelled to Victoria to meet with members of the Victorian Committee, chaired by Richard Dammary.

NEW BEGINNING, ESTABLISHED PRINCIPLES

Mr O'Sullivan confirmed that the changes, referred to above, have indeed prompted much thought about how the operations of the Trust should evolve. In particular, he highlighted the University's concern that it be better able to compete against North American universities that typically award full-cost scholarships at a time well before Cambridge is able to make its offers. Thus, we learned that recent events and new imperatives have acted as a catalyst for significant innovation in the core processes used to select and fund scholars – a process which was applied in the selection of the most recent group of scholars.

In discussions with Michael O'Sullivan, we acknowledged Cambridge's desire to secure the best scholars from abroad and that the timing and structure of offers is perceived, by some, to be the key to competing effectively with the North American universities. Balanced against this, we established that it is essential that the CAT Selection Committee continue to be the final arbiter of who should receive awards using funds provided by the CAT. Given these different imperatives, we agreed to advance the timing of the Australian selection process so as to help facilitate the process in line with the Trusts' preferred timetable.

Our agreement to bring forward, as far as is possible, the Australian selection process forms part of a wider set of agreements reached during our meeting with Michael O'Sullivan, in Sydney, and subsequently confirmed. We are most grateful to Michael and the Cambridge Trusts for honouring and preserving long-standing agreements with Australia – agreements that have been at the core of our promises to benefactors like Dr Orde Poynton, Dr Patrick Moore, Mr Charles Allen, Emeritus Professor Peter Treacy and Dr Barbara Treacy – indeed all who have contributed funds to the CAT.

In summary, our agreement is that:

1. The CCT will maintain the existing funding arrangements by which, as a general 'rule of thumb', the CCT contributes either directly or by way of 'lay offs' two pounds of financial support for every one pound funded by the CAT.
2. The CAT will continue to apply its criteria and processes to the selection of PhD and MPhil scholars. The timing of these processes will be adjusted so as to meet the broader requirements of the CCT (specifically an early round of offers). In order to give effect to this arrangement, the CCT will provide the application papers of prospective Australian PhD scholars – drawn from the list of around 150 persons ranked as being most eligible by the CCT. The Australian selection committee will then rank these applicants and as

-
- appropriate, nominate them for named Awards (e.g. CAT Oliphant, CAT Poynton, etc).
3. CAT will stand ready to assist in the selection of the Gates awards.
 4. The CCT will maintain the current nomenclature for scholarships funded by the CAT.
 5. The CAT will examine the benefits of moving towards a more common 'brand'.

The essence of our position is that we would like to have the widest possible field of Australian scholars from which to make a selection – a vital element in our plans further to develop the CAT.

Cambridge is a wonderful institution with a history that naturally attracts many of the best and brightest. However, we believe that the quality and vitality of Cambridge's intellectual life is a direct product of the University's capacity to attract and sustain a diverse population of scholars from around the world. For twenty-five years now, the Cambridge Trusts have been able to leverage every available pound to the point where we understand that, collectively, they currently support nearly two thousand scholars in residence. More than anything else, it is access to this rich 'melting pot' of people and ideas that makes Cambridge an attractive place to be for gifted Australian scholars – amongst others.

Beyond enjoying the practical benefit of access to a talented and diverse community of scholars – made possible by leveraging every pound of income, we have been inspired by the distinctive ethical approach, lying at the heart of the Trusts' approach. We have understood the guiding principle to be that each university department, each college, each scholar (indeed all 'stakeholders') should carry as much of the funding burden as they might reasonably bear so as to make the limited funds available to the greatest number. That is, the operations of the Cambridge Trusts have been predicated on an assumption that, as a matter of prudence and justice, the burden of funding should be widely distributed, and borne according to means. As such, the work of the Cambridge Trusts has been understood to be a shared responsibility – rather different in character

to that in which there is a sharp division between donor and recipient.

That said, the new economic realities and the competitive pressures affecting all universities, including Cambridge, are such that a range of new measures is being developed in order to position the CCT (and associated Trusts) for the future. The CAT looks forward to working with Michael O'Sullivan in order to extend the model of effective collaboration that has been an important feature of the relationship between the CAT and CCT over many years.

PREPARING FOR GENERATIONAL CHANGE

As noted in my last report, the CAT has an ambiguous legal structure – which requires it to rely on the extraordinary goodwill of the Australian National University (ANU) that has, until now, received and managed most of the funds donated to support the work of the CAT. The implications of this ambiguity were discussed at the last AGM and it was agreed that although the issues have been canvassed in the past, the matter again needed further investigation. This task was taken on by the Chair of the Victorian Committee, Richard Dammery – a partner at Minter Ellison. Although the AGM approved funds to pay for the required legal advice, Richard undertook to deal with this matter on a *pro bono* basis. We thank him and Minter Ellison for their generous contribution. Richard has undertaken discussions with the ANU, has investigated a range of options and has developed a draft constitution that could be adopted by the CAT should it wish to clarify its legal status and become a corporation limited by guarantee. The proposed constitution and the implications of its adoption will be a subject for further discussion at this year's AGM.

Members of the Victorian Committee have also taken up the task of developing and publishing core content for the new CAT website. When complete, this will provide a platform for all CAT scholars and more generally will be made available to the Cambridge Societies with a view to their using its enhanced functionality to streamline their own operations.

It should be noted that the CAT largely depends on the interest, support and efforts of volunteers. We are currently in something of a 'phase change' when a series of older contributors are moving to retire from active engagement. As with the retirement of Anil Seal, this change occasions a mixture of celebration for contributions made and sadness at the loss of immediate and ongoing contact. However, there are also important practical considerations that need to be addressed – not least the need to recruit and inspire a new generation of people to carry on and develop, perhaps in new directions, the work of the CAT. Renewing and revitalising the CAT through the recruitment of new people who are willing to assist its work will be a major focus on the year ahead. In turn this will require us to consider how best to structure the operations of the CAT so that it can respond to contemporary challenges and opportunities.

A NOTE OF THANKS

Thanks should be extended to members of the Trusts' selection committees. The national selection committee's membership is comprised of Professors: John Love (Chair) with Jan Anderson, Henry Bennett, Andrew Dzurak, Gillian Russell and Andrew Holmes; all supported by Nicolas Peterson as Secretary. They have been joined in their work by a committee, convened in Victoria, to select scholars applying for the Patrick Moore one year

awards. Selectors for the Patrick Moore awards were: Charles Allen, James Forrest, George Lefroy and Nicolas Peterson. Finally, Anna Lee, from Clayton Utz, chaired the committee that ranked the Frank Downing Law Prize candidates. In all cases, members of the Selection Committees responded to the new timing requirements without sacrificing any of the quality that they (and their predecessors) have brought to the process over many years.

Likewise, I would like to acknowledge the support given to the CAT by members of State Committees which, although formally independent, enjoy an organic and lasting relationship with the CAT. It is a signal achievement that so many have maintained energy and enthusiasm over such a long period and for a cause where the benefits are often intangible and a long time in the making.

Finally, I would like to acknowledge the superb support given to the Trust by Liz Walters and my colleagues on the Executive, Professors Allan Barton and Nicolas Peterson. As I have reported in previous years, the bulk of the work done at a national level is done by these three, dedicated people.

Simon Longstaff

Honorary Chairman, Cambridge Australia Trust

28 July 2009

TREASURER'S REPORT FOR 2009

World financial market recovered significantly in 2009, though not quite to the 2008 peak. However they remained volatile throughout most of the year, incurring regular weekly oscillations because of large overseas flows into and out from the Australian markets. The ANU Long Term Investment Portfolio (LTIP) in which the CAT funds are invested along with other University investment funds, performed well over the year, generating a return of 19.9%. It was ranked number 15 out of 103 investment funds covered in the Super Ratings (SR) survey. The LTIP is a prudently managed fund which is diversified over a range of investments [Australian equities, overseas equities, property trusts, fixed interest bonds, alternative investments (direct property, infrastructure, private equity and early stage companies)] and cash balances in order to ensure greater stability in the returns.

FUND PERFORMANCE

The ANU Fund returned 19.9% in 2009 compared with the SR median return of 16.1%. For longer periods, the ANU return was 0.71% for 3 years (SR -1.81%) and ranked as number 14 performer; for 5 years 7.99% with number 2 ranking (SR median 4.9%); and 7 years 9.4% again with number 2 ranking (SR median 6.9%). All major asset categories in the Fund outperformed the market averages. The Fund remained in the top quartile of high returns with low risk throughout the 7 year period, thereby highlighting the shrewd management of the Fund.

FINANCIAL STATEMENTS FOR 2009 (WITH 2008 FOR COMPARISON)

All income and expenses are recorded on a cash flow basis, and adequate cash balances are maintained throughout the year to meet the major scholarship maintenance payments payable to the Cambridge Commonwealth Trust each February, and to enhance stability in the returns.

OPERATING CASH FLOW STATEMENTS FOR YEAR ENDED 31 DECEMBER

	<u>2009 \$</u>	<u>2008 \$</u>
<u>Income</u>		
Donations	544,665	1,095,169
Investment Income	245,721	294,004
CCT Admin Contribution	22,810	22,366
<u>Total Income</u>	<u>\$813,196</u>	<u>\$1,411,539</u>
<u>Less Expenditures</u> ⁽¹⁾		
Scholarship Expenses	599,630	426,493
Publishing and Printing	2,917	3,652
Travel and Accommodation	4,720	9,218
Database Development	4,208	8,203
Other Expenses	2,387	2,503
Realized Exchange Gains/Losses	2,489	-11,248
<u>Total Expenditures</u>	<u>\$616,351</u>	<u>\$438,821</u>
<u>Surplus for Year</u>	<u>\$196,845</u>	<u>\$972,718</u>

- (1). Note that no Secretarial Expenses were charged to the Fund for 2008 and 2009 as the ANU did not request their reimbursement in time to include in the financial statements. They are to be charged in 2010.

STATEMENT OF ASSETS AND ACCUMULATED FUNDS AS AT 31 DECEMBER

	<u>2009 \$</u>	<u>2008 \$</u>
<u>Assets</u>		
Investments	4,818,636	3,715,044
Cash	967,213	1,365,391
<u>Total Assets</u>	<u>\$5,785,849</u>	<u>\$5,080,435</u>
<u>Accumulated Funds</u>	<u>\$5,785,849</u>	<u>\$5,080,435</u>

As is evident from the Cash Flow Statement, donations income declined significantly in 2009 because of the financial crisis occurring throughout the Western World, to \$544,665 from \$1,095,169 in 2008. The donation from the Poynton Bequest declined to \$385,000 from \$498,000 in 2008. However several private donations were most generous, including \$75,000 from Professor Jan Anderson to establish the new Newnham Scholarship, \$23,000 from Mr Charles Allen, \$8,000 from Mr Patrick Moore, and \$12,000 from Professor Peter and Dr Barbara Treacy for the Oliphant Scholarship. As well, \$32,153 was received from alumni for the 800th Anniversary Scholarship, \$3,000 from Mr C Trott for the Downing Scholarship, and eight donations totalling \$5,600 for the Caius Scholarship. The Trust sincerely appreciates these donations and thanks all donors for their generous support in funding the scholarships.

Likewise, investment income for 2009 declined to \$246,000 from \$294,000 in 2008 because of the world financial crisis.

Notwithstanding the above, the total funds of the Trust increased from \$5,080,435 to \$5,785,849 over the year. This occurred because only one year's expenditure is made for PhD scholarships annually, and funds for the remaining two years must be kept in the corpus to meet the future payments.

Allan Barton
Honorary Treasurer
Cambridge Australia Trust

THE CAMBRIDGE AUSTRALIA TRUST IS GRATEFUL TO THE FOLLOWING DONORS
FOR THEIR GENEROUS SUPPORT TO THE 800TH ANNIVERSARY SCHOLARSHIP APPEAL

Donations of \$1,000 and over

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 Dr S Barrett VIC
 Prof A Barton ACT
 Dr E Brooks VIC
 Mr M Gregson VIC
 Mr W Hayward NSW
 Dr G Lefroy VIC
 Prof J Love ACT
 Mr N Minogue NSW
 Mr B Myer VIC

Donations \$200 up to \$1,000

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**Summary of Donors to the
800th Anniversary Appeal**

	<u>No. of Donations</u>
VIC	55
NSW	10
ACT	9
SA	5
QLD	1
Total	<u>80</u>