

# Cambridge University Endowment Fund

Tilly Franklin, CEO and Chief Investment Officer

*University of Cambridge Investment Management*



UNIVERSITY OF  
CAMBRIDGE

Investment Management



# Agenda

1. Introduction
2. Investment Strategy
3. Sustainable Investment Strategy
4. Performance
5. Q&A

# Introduction



# The University of Cambridge



**4<sup>th</sup> oldest**  
University in  
the world  
(est. 1209)

**31**  
Colleges

**> 24,000**  
students

**121**  
Nobel  
Prizes

**£30bn**  
contribution  
to UK  
economy

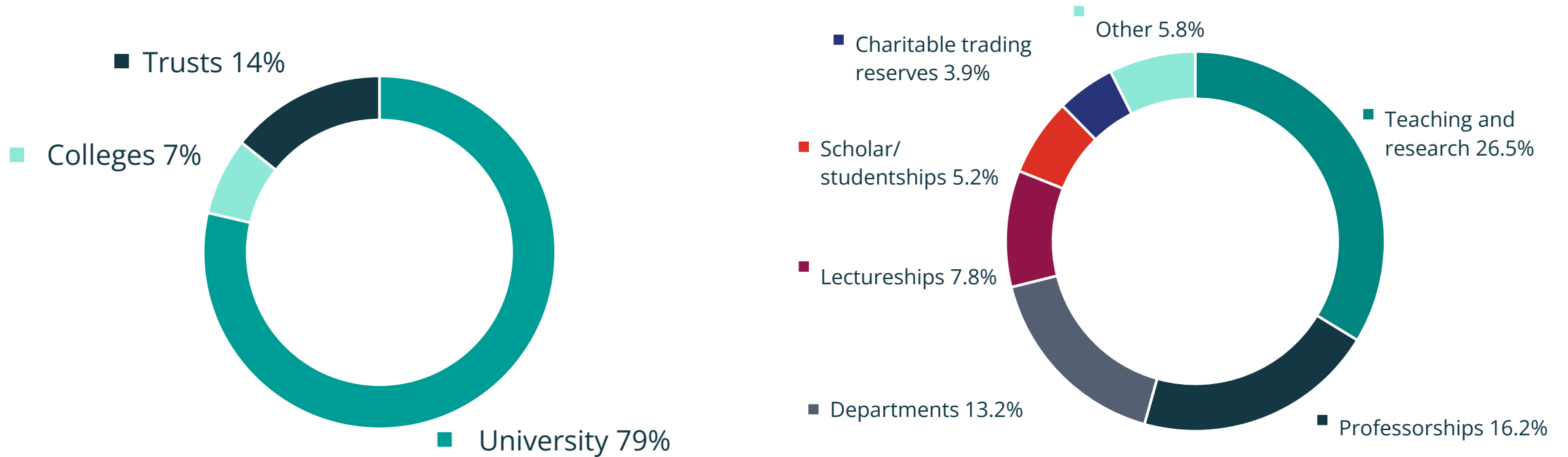
**£4bn**  
Endowment  
Fund

# Cambridge University Endowment Fund Positioning

- **Single, specialist vehicle** designed to combine long-term capital appreciation and reliable cash distribution
- Dedicated team, focused on optimising performance and **stewarding investors' capital over long-term**
- **Excellent access** to what we believe are the world's best fund managers
- Investment strategy **aligned with the University's sustainability objectives**

# CUEF Investors and Beneficiaries

£149m distributed to the University, 15 Colleges and 4 Trusts (y/e 30<sup>th</sup> June 2023)



\*Represents the 78.6% distributed to the University

# Over £1.1 billion distributed over last 10 years

Financial Year 2022-23 Distribution £149m



Source: UCIM Internal Reporting, Annual Report and Accounts

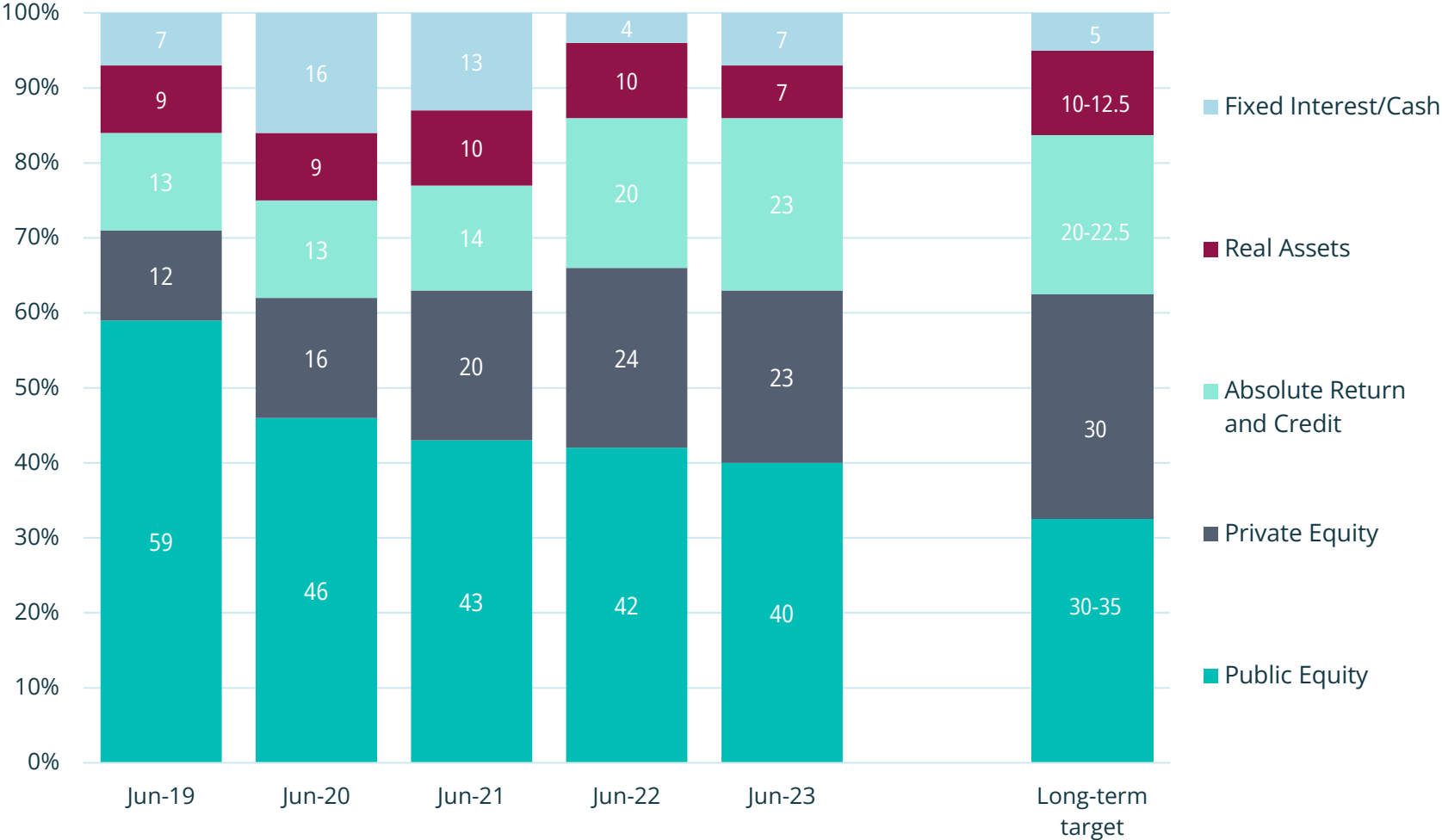
# Investment Strategy



# Investment Strategy

- **Very long-term investment horizon**, consistent with University's long-term goals
- Investment objective to achieve **returns of 5% above inflation** (consumer price index "CPI")
- **"Multi-asset"** - public equity, private equity, absolute return, real assets, cash
- We invest with **third-party managers**
  - *Specialist insights*
  - *Alignment of interests*
  - *Long-term perspective*
  - *Willing to work in partnership and engage in active dialogue*
- **Sustainability** embedded into investment process

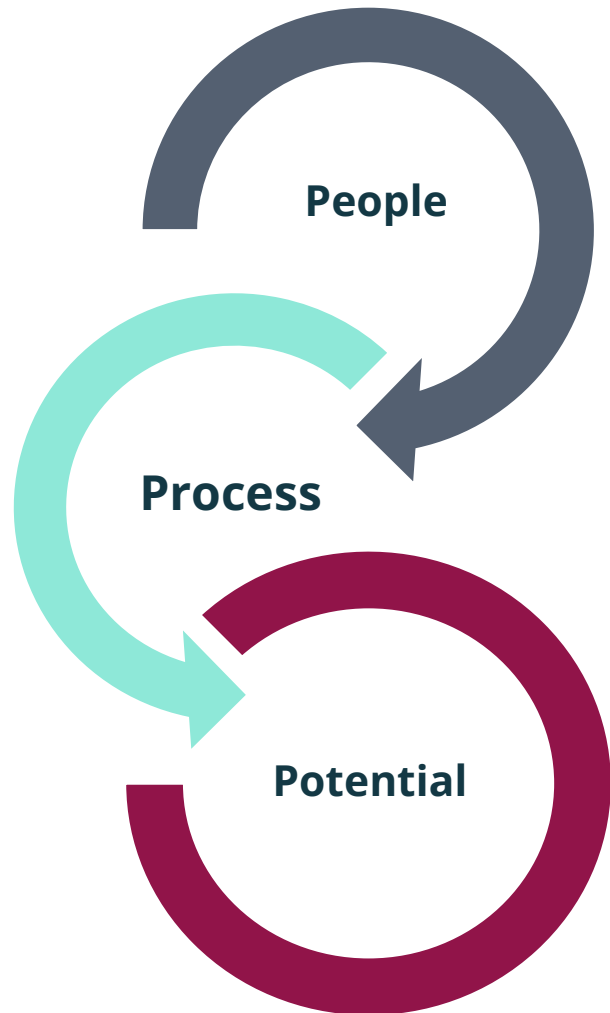
# Asset Allocation Progression



- Asset allocation strategy has been a key driver of performance since 2020
- Public equity allocation has been reduced in favour of increased allocations to private equity and absolute return & credit
- Asset allocation targets were revised in April 2023, approved by UCIM Board

Source: UCIM Internal Reporting 30<sup>th</sup> June 2023

# Manager Selection – Our Approach



- Unique experience or insight
- Team culture and incentives
- Track record

- Investment process and discipline
- Portfolio and risk management
- Approach to sustainability

- Nature of opportunity set
- Source of differentiation
- Alignment of incentives

# Dispersion in Private Equity – Why Manager Selection Matters

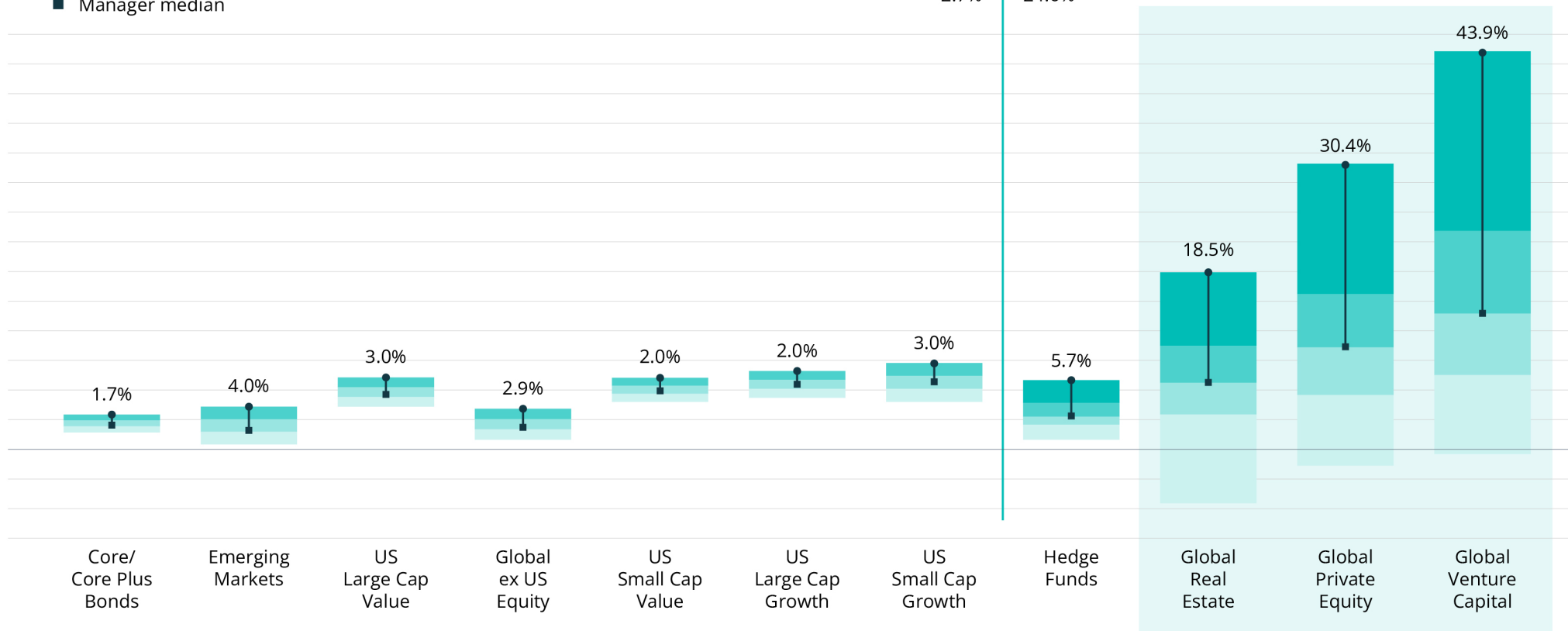
## Average annual manager returns by asset class

1 January 2008 to 31 March 2022

● Dispersion from median to 5<sup>th</sup> percentile  
 ■ Manager median

**Actively managed long-only strategies**  
 Average dispersion from median to 5<sup>th</sup> percentile  
 2.7%

**Alternative asset strategies** (available as active only)  
 Average dispersion from median to 5<sup>th</sup> percentile  
 24.6%



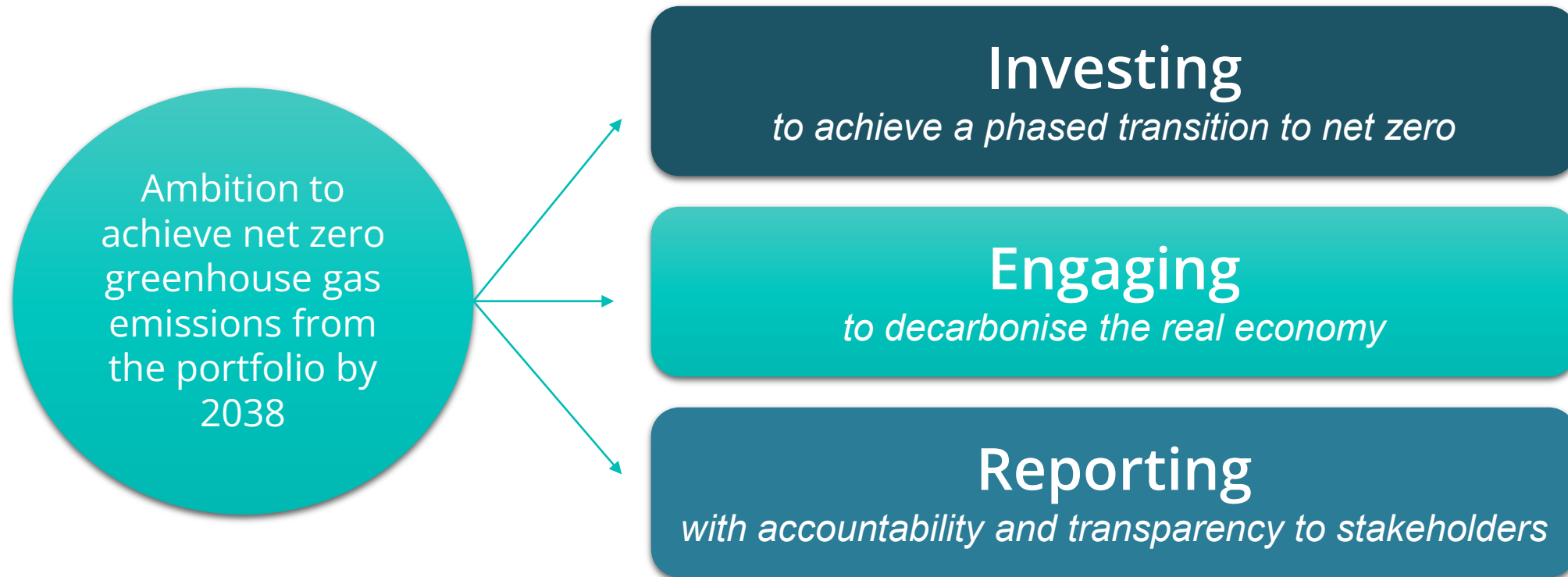
Source: Cambridge Associates



# Sustainable Investment Strategy

# Sustainable Investment Strategy

Our belief is that financial and environmental sustainability go hand-in-hand



# Sustainable Investment Progress

## Investing

- No meaningful exposure to fossil fuels by 2030
- Significant commitments to renewable resources

## Engaging

- Increasingly active measurement and reporting of GHG emissions across asset classes;
- Intensive engagement with fund managers to implement reduction strategies in portfolios;
- Active with key industry bodies such as the IIGCC

## Reporting

- Focus on high levels of transparency with key stakeholders

**Definitions:** IIGCC – Institutional Investors Group on Climate Change

# Executive Education Programme

## “Net Zero by 2038”



3 cohorts  
in 2  
years

18 firms

Total  
\$144bn  
AUM

**Attendees:**

CEOs, Managing Partners, CIOs & PMs



“Your guidance and strategic insight have been instrumental in our net zero journey. Thank you for your invaluable contribution, trust and partnership as we continue working together towards a sustainable future.”

**CIO, US Public Equity Manager**

# Performance

# CUEF Performance vs. Benchmarks

|  | Financial Year:<br>Jul 22 -<br>Jun 23 | Trailing 3<br>Financial Years:<br>Jul 20 -<br>Jun 23 | Trailing 5<br>Financial Years:<br>Jul 18 -<br>Jun 23 | Trailing 10<br>Financial Years:<br>Jul 13 -<br>Jun 23 |
|--|---------------------------------------|--|--|---|
|  | Cumulative                            | Annualised   | Annualised   | Annualised  |
| <b>CUEF</b>                                  | <b>+4.1%</b>                          | <b>+8.8%</b>   | <b>+7.0%</b>   | <b>+9.3%</b>  |
| <b>UK CPI + 5%</b>                           | <b>+13.3%</b>                         | <b>+11.9%</b>  | <b>+9.6%</b>   | <b>+8.1%</b>  |
| <b>"65/35" Benchmark</b>                     | <b>+4.5%</b>                          | <b>+4.8%</b>   | <b>+5.3%</b>   | <b>+7.8%</b>  |
| MSCI ACWI ex. fossil fuels*                  | +11.8%                                | +10.1%   | +9.1%  | +11.1%  |
| FTSE All-Share                               | +7.9%                                 | +10.0%   | +3.1%  | +5.9%   |
| Barclays Global Aggregate Bonds (GBP-Hedged) | -0.8%                                 | -3.5%  | -0.0%  | +1.5%   |
| British Govt Index-Linked Bonds              | -17.0%                                | -12.6%   | -4.3%  | +1.7%   |
| UK Quarterly Property                        | -15.3%                                | +2.4%  | +1.5%  | +6.3%   |

**Data sources:** CPI data from the Office for National Statistics (ONS), CUEF returns calculated based on CUEF Net Asset Value, other data sourced from Bloomberg and UCIM internal reporting.

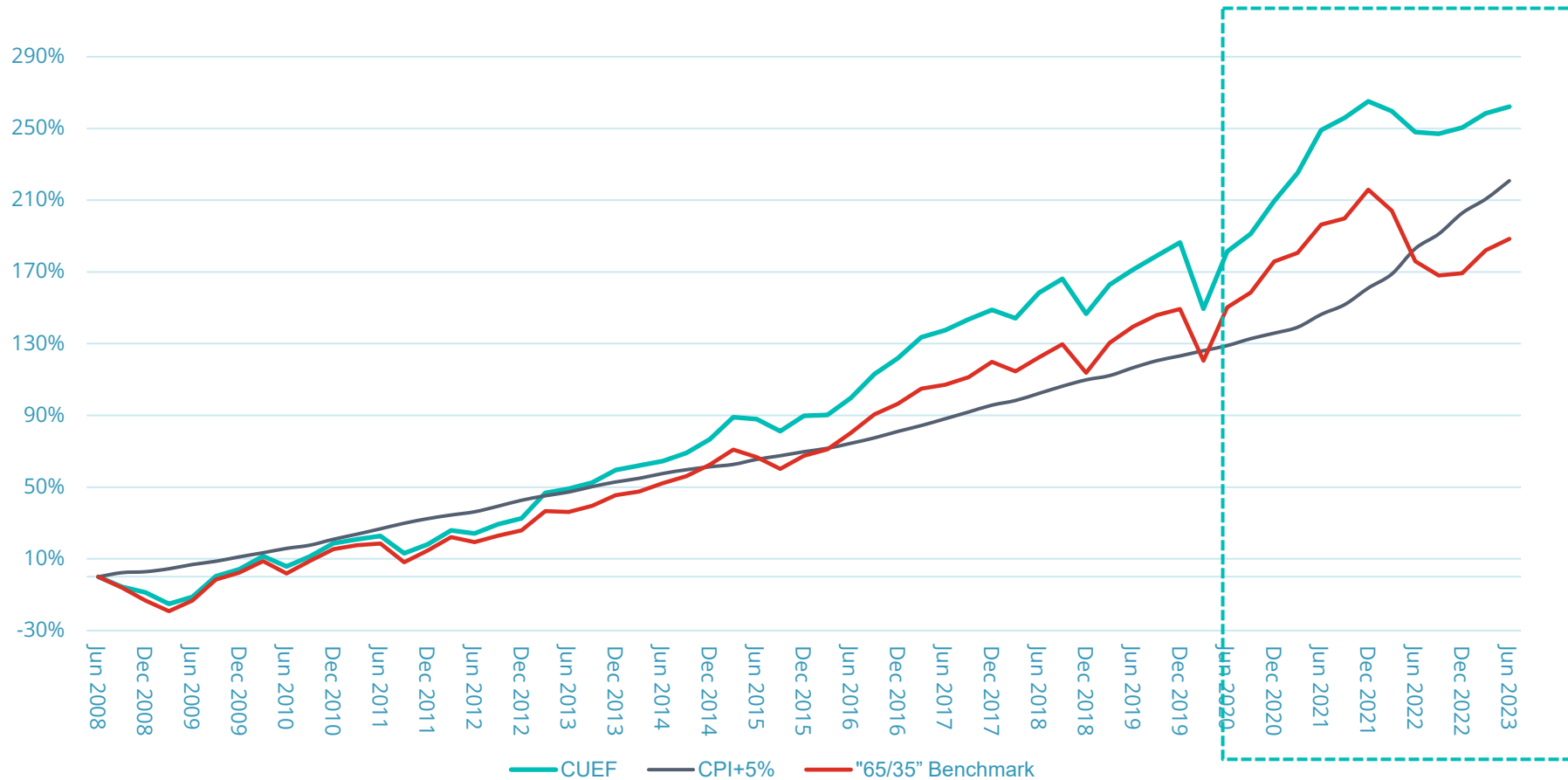
**Notes:**

- CUEF returns are net of fees. All index returns in Pounds Sterling unless stated.
- \* MCSI ACWI ex. fossil fuels data from 1st July 2020 onwards.
- Past performance is not indicative of future returns.

# Strong Long-term Performance

## Total portfolio cumulative net returns since June 2008 (%)

Annualised net return over last ten years: +9.3%



Sources: UCIM, Bloomberg. Past performance is not indicative of future results.

'65/35 Benchmark' consists of: 33% MSCI World Index (GBP-Unhedged) – ex fossil fuels after 1 July 2020, 24% MSCI World Index (GBP-Hedged) – ex fossil fuels after 1 July 2020, 8% MSCI Emerging Markets Index (GBP-Unhedged) – ex fossil fuels after 1 July 2020, 15% Barclays Capital Global Aggregate Bond Index (GBP-Hedged), 10% FTSE British Government Index-Linked, All Stocks (GBP), 10% UK Quarterly Property Index (GBP).



# Outlook

# Considerations

- Continue to position the portfolio to meet objectives through a potential period of higher rates and market uncertainty
- Assess geopolitical risk in China and optimise level of exposure
- Explore opportunities across other emerging markets; identifying the most compelling local manager talent
- Maintain depth of knowledge and trends in emerging technologies
- Determine impact and opportunities from the energy transition
- Ensure liquidity is maintained throughout broad range of future market conditions

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Q&A

Thank you for attending