

The Old Schools
Trinity Lane
Cambridge
CB2 1TN

To: Unitholders of Cambridge University Endowment Fund

Date: 26 July 2023

Dear Unitholder,

RE Changes to the Cambridge University Endowment Fund (the CUEF)

1. Introduction

1.1 We are writing to you as a Unitholder in the CUEF to inform you of certain changes (summarised below) regarding the CUEF. The changes are reflected in an updated Information Memorandum for the CUEF, which will take effect on 26th July 2023.

1.2 **Please note that no action is required in response to this letter which is for notification purposes only.**

1.3 Capitalised terms used in this letter have the same meaning as set out in the Information Memorandum.

2. Changes to the Information Memorandum

2.1 The Cambridge University Endowment Trustee Body

2.1.1 The University has established a new committee body, the Cambridge University Endowment Trustee Body (**CUETB**) to enhance the governance and increase transparency with regards to the CUEF.

2.1.2 The CUETB was formed to manage the potential conflicts of interest that arose from the University's roles as trustee of the CUEF, parent of the Investment Manager and majority Unitholder in the CUEF, roles which were all previously undertaken by the Council of the University.

2.1.3 In this regard, the CUETB represents the University in its role as trustee of the CUEF and sole shareholder of the Investment Manager. The Council, on the other hand, represents the University as majority Unitholder in the CUEF.

- 2.1.4 The Information Memorandum has been updated to include information about the role of CUETB, and to update the conflicts of interest section to explain how conflicts are being managed now that the CUETB has been established.

2.2 Sustainable investment

As per the existing Information Memorandum, the Investment Manager maintains a Sustainable Investment Policy. Any considerations under this policy are required to be consistent with the Investment Objectives of the CUEF.

Within this context, a few clarifications have been made to the Sustainable Investment section:

- 2.2.1 Definitions have been given to “meaningful” and “significant” in relation to the following sentences:

- (a) Exposure to fossil fuels will be reduced as quickly as possible; the Investment Manager aims for the Property of the CUEF to have no meaningful exposure by 2030; and
- (b) Significant capital will be invested in renewable energy.
- (c) “Meaningful” has been defined as 0.5% by the Investment Manager.
- (d) “Significant” has been defined by the Investment Manager as a level approximately equivalent to the previous exposure to conventional energy within the portfolio (c. 3%).

- 2.2.2 In the Information Memorandum dated February 2022, the Sustainable Investment section provided that:

- (a) Zero fossil fuel exposure in direct holdings will be maintained.

The revised Information Memorandum:

- (b) replaces this with: Zero fossil fuel exposure in direct investments made by the Investment Manager on behalf of the CUEF will be maintained; and
- (c) clarifies that:
 - (i) this relates to direct investments excluding index-based investments entered into by the Investment Manager where no viable screened alternative is available; and
 - (ii) any exposure resulting from direct investments made by managers appointed with discretion to manage segregated

accounts on behalf of the CUEF will be monitored in aggregate and included within the “meaningful” exposure limit.

2.3 **Leverage calculations**

- 2.3.1 As previously notified to you, we are required to calculate the leverage of the CUEF in accordance with AIFMD (as on-shored in the UK).
- 2.3.2 Under the on-shored AIFMD, leverage is calculated by two methods:
- (a) the “Gross” method which gives the overall exposure of the CUEF; and
 - (b) the “Commitment” method which takes into account hedging and netting of positions.
- 2.3.3 In relation to the “Gross” and “Commitment” calculation methods, exposure contained in any third party managed financial or legal structures controlled by the CUEF must be included in the leverage calculation where those structures are set up to increase, directly or indirectly, the exposure at the level of the CUEF.
- 2.3.4 As well as applying the calculation methods mandated by AIFMD, the CUEF has its own internal method to calculate leverage employed via cash borrowing or negative cash. It is this internal calculation method that is used to track and keep the CUEF below its limit on cash borrowings, which is set at 10% of the net asset value of the CUEF (the **Borrowing Limit**).
- 2.3.5 Leverage under the CUEF’s internal method is calculated in the following way: having grossed up derivative positions, leverage is measured by comparing the net asset value of all investments, except those in “fixed interest / cash” asset class with the total asset value of the portfolio.
- 2.3.6 Unlike under the “Gross” and “Commitment” methods described above, the internal calculation method does not include exposures in third party managed financial or legal structures controlled by the CUEF. This means that debt raised in such structures will not count toward the Borrowing Limit, and this has been clarified in the Information Memorandum.

2.4 **Other changes**

In addition to the changes summarised above, we have made a small number of non-material updates to the Information Memorandum, for updating purposes. For example:

- 2.4.1 Certain amendments to the Information Memorandum reflect updates being made to the CUEF’s Trust Deed, such as:
- (a) the Investment Manager (rather than the Trustee) accepts the applications for Units;

- (b) should a Unitholder cease to be an Eligible Investor, the Unitholder would appoint the Investment Manager to redeem all of its Units; and
 - (c) it is up to the Investment Manager whether to accept subscriptions in specie and whether to provide consenting Unitholders with in specie redemptions.
- 2.4.2 The Investment Manager remains the same. However, “Cambridge Investment Management Limited” has changed its name to “University of Cambridge Investment Management Limited”. This change of name is reflected in the Information Memorandum.
- 2.4.3 The name of the “Investment Board” has been updated to “Investment Advisory Board”. This change of name is reflected in the Information Memorandum.
- 2.4.4 The Investment Advisory Board members have changed:
 - (a) Ms Johanna Kyrklund is no longer a member.
 - (b) The members now include:
 - (i) Ms Sarah Fromson, Chair
 - (ii) Mr David Novak
 - (iii) Ms Kristen Eshak Weldon
 - (iv) Mr Mark Slater
 - (v) Mr Suranga Chandratillake
 - (vi) Mr Andrew Golden
 - (vii) Mr James Garman.
- 2.4.5 Unitholder complaints in respect of the CUEF’s operations are to be addressed to the Investment Manager’s Compliance Officer and the CEO and Chief Investment Officer.

3. The Trust Deed

- 3.1 The Trust Deed for the CUEF, which is appended to the Information Memorandum, was last amended in 2013 and this has recently been updated with effect from 24th July 2023. The revised Trust Deed is included in this circulation to Unitholders.
- 3.2 The changes have been made to ensure that the Trust Deed is up to date and consistent with current law and regulation, and how the CUEF is run in practice.
- 3.3 We summarise the main changes to the Trust Deed below:

- 3.3.1 The Investment Manager has been added as a party to the Trust Deed, which is consistent with market practice.
- 3.3.2 The Trust Deed clarifies that the Investment Manager is appointed to provide portfolio management and risk management in respect of the CUEF.
- 3.3.3 Amendments have been made to reflect the division of duties and powers of the Trustee and the Investment Manager. For example, under the original Trust Deed, the Trustee's duties included receiving and dealing with applications, notices, and correspondence in connection with the CUEF and Unitholders. In practice, this is a role which the Investment Manager carries out and thus this has been reflected in the updated Trust Deed.
- 3.3.4 The Investment Manager's powers and duties are stated at Clause 5 of the Trust Deed and include (amongst other things): setting the Investment Strategy of the CUEF; investing the Property of the CUEF having regard to the Investment Objectives; giving instructions to the Trustee in relation to the creation and cancellation of Units; preparing, amending and updating the Information Memorandum and providing the same to Unitholders and prospective Unitholders (subject to the consent of the Trustee in relation to material changes); and any other powers which may be specified in the Investment Management Agreement between the Investment Manager and the Trustee.
- 3.3.5 Clarifications have been made to the Trustee's powers. For example, the original Trust Deed provided that the Trustee had power to borrow or charge the Property of the CUEF for the purposes of the CUEF. The revised Trust Deed clarifies that the trustee's powers include borrowing on a secured or unsecured basis on behalf of the CUEF, giving guarantees on behalf of the CUEF, and / or mortgaging and/or charging some or all of the property of the CUEF for the purposes of the CUEF (including, without limitation, for the purpose of investment).
- 3.3.6 Provisions typically seen in trust deeds of unauthorised unit trusts have been included. For example, the Trust Deed references the appointment of a Depositary and the application of the UK's alternative investment fund managers regime. The original Trust Deed did not do this as the regulatory regime for alternative investment managers came into force after the original Trust Deed was executed.
- 3.3.7 Further changes to the Trust Deed reflect the activities carried out by the Investment Manager. This includes, for example: calculation of the NAV (Clause 11), the acceptance (or otherwise) of applications for Units (Clause 15), and maintaining the register of Unitholders (Clause 18), along with other matters.

3.3.8 Finally, the revised Trust Deed gives Unitholders certain rights that they did not have under the original Trust Deed. For example: a right to inspect the register of Unitholders; and a right for Unitholders to transfer their Units to an affiliated entity that is also an Eligible Investor with the consent of the Investment Manager.

3.4 The above is a summary of some of the key changes made to the Trust Deed but does not detail all changes made to it. We encourage you to read the revised Trust Deed and let us know if you have any questions in relation to it.

4. Next steps

4.1 As previously mentioned, Unitholders are not required to take any action as a result of this letter.

4.2 If you have any questions regarding the contents of this letter, please do not hesitate to contact Karen Whinney on Karen.Whinney@ucim.co.uk

Yours Sincerely



Tilly Franklin

CEO and Chief Investment Officer