UNIVERSITY OF CAMBRIDGE

University of Cambridge Investment Management Limited

Investment Management Report

25th October 2022

Cambridge University Endowment Fund

Investment Management Report

30th June 2022

1. Investment Overview

The Cambridge University Endowment Fund ("CUEF" or the "Fund") is managed by University of Cambridge Investment Management Limited ("UCIM"),[1] a wholly-owned subsidiary of the University of Cambridge whose only client is the CUEF. The investment strategy of the CUEF is primarily to invest through specialist, third-party fund managers in order to access the various asset types and geographies that the Fund targets. A central tenet of the strategy is that well-directed active management allows unconstrained investors with long-term investment horizons to outperform passive investments over time, net of fees, by exploiting the short-term distortions that emerge in financial markets. This contention has been supported by Fund performance over the life of CUEF and aims to enable CUEF to meet its long-term returns objective of CPI+5%, net of fees, to fund distributions to investors of around 4% of the net asset value per year.

The Fund is able to execute this strategy because it has unparalleled access to what UCIM believes are the world's best fund managers who want to partner with the CUEF for several reasons. Firstly, the reputation of the University, and CUEF's mission to serve the University, is very attractive to fund managers who want to invest with a purpose beyond simply making money. Secondly, the Fund represents a stable, long-term, pool of capital which allows managers to exploit market inefficiencies in a way more transient funds might not allow. Thirdly, managers partnering with the CUEF appreciate the fact that they interact directly with UCIM team members responsible for due diligence and asset allocation, rather than with consultants. Finally, at approximately £3.8 billion in size, the Fund is large enough to be a significant investor for most managers, but small enough not to unduly change a manager's investible universe or squeeze out other investors.

The Fund is diversified over five broad asset classes: Public Equity, Private Equity, Absolute Return & Credit,[2] Real Assets, and Fixed Interest/Cash. Because of this diversification, the annualised volatility of the Fund has been approximately two-thirds that of the MSCI All-Country World Equity Index ex-fossil fuels ("ACWI ex-fossil fuels") since 1st July 2020 as measured in Sterling.[3]

Direct investment by the Fund is modest and primarily focussed on positions held to maintain an appropriate level of broad market exposure. These may include, from time to time, real estate, equity index positions, exchange traded funds, and instruments for the management of the Fund's foreign exchange hedge programme.

For the Financial Year to 30th June 2022, the CUEF delivered a net return of -0.3%, which, while below the Fund's absolute target of CPI+5%, was pleasing relative to the CUEF's passive composite benchmark return of -6.9%.[4] This performance provided early evidence that UCIM's strategy of reallocating assets away from Public Equity and into Private Equity and Absolute Return & Credit, incepted in January 2020 and discussed further under "Performance, Portfolio Management, and Asset Allocation" below, helped the CUEF in defending the value of investors' capital in the teeth of very difficult markets.

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[1] Before 18th March 2022, UCIM was formerly known as Cambridge Investment Management Limited ("CIML"), however, the name was changed to better reflect the organisation's relationship with the University.
[2] At the start of the Financial Year to 30th June 2022, UCIM combined the Absolute Return and the Credit Strategies asset classes into a single class for reporting purposes.
[3] Source: UCIM calculations as of 30th June 2022.
[4] The passive composite benchmark is the "New" 65:35 Composite Benchmark as outlined, along with a number of changes to the benchmark to better reflect the CUEF's foreign currency exposure after hedging, in the "Benchmark and Comparison" section below.

2. Sustainability Update

Alongside the strategic shift in asset allocation, UCIM has continued to make encouraging progress towards its ambition to drive the CUEF to net zero greenhouse gas emissions by 2038, in line with the broader operational targets of Cambridge University. The aim is to achieve this goal with a three-pronged strategy of:

- Divesting from all meaningful exposure to fossil fuels by 2030, investing instead in a way that supports renewable energy development;
- Engaging with the CUEF's fund managers; holding them to account on reducing carbon emissions in their portfolios; and,
- Reporting regularly to stakeholders on progress against these aims, so that stakeholders can, in turn, hold UCIM to account.

Specific highlights in the year to 30th June 2022 include the following actions:

- Sustainability has been fully integrated into UCIM's investment process, ensuring consideration of a third-party manager's approach to net zero throughout our due diligence;
- Two cohorts of the "Net Zero by 2038" course, a curriculum specific to the CUEF's investment managers created in partnership with the Cambridge Institute for Sustainability Leadership ("CISL"), have been completed and a third is being scheduled for Q2 2023. Fund managers representing total assets under management of approximately £775 million, or more than one-fifth of the CUEF's net asset value ("NAV") at 30th June 2022, have now attended the course;
- Initial measurements of carbon emissions created by holdings within the CUEF's Public and Private Equity portfolios have been completed, informing discussions with managers about how best to move the CUEF portfolio to net zero;
- The results of the CUEF's measurement exercises have been and will be set out in the Annual Report, ensuring transparency of UCIM's work; and
- The first Townhall for all University stakeholders was held in January 2022, with overwhelmingly positive feedback received.

3. Organisational and Governance Update

With the rebuild of the UCIM team largely complete by the end of the previous Financial Year, this year's focus has been adding additional resources as needed and consolidating the working practises of the organisation. In particular, the team worked hard over the course of the Financial Year to finalise the implementation of a new portfolio management and performance reporting system. To support this effort, UCIM recruited a Performance Analytics Lead, reporting to the Chief Operating Officer, Karen Whinney. Over the summer, UCIM again hosted four interns; two from the University to work specifically on sustainable investment initiatives as well as one from the 10,000 Black Interns programme and another from GAIN (Girls Are Investors). All interns made a strong contribution and reported very positively on their experience.

With the normalisation of working practices as COVID-19 restrictions ended in H1 2022, the UCIM team has returned to working from its Cambridge and London offices at least three days a week. The return to more regular office work and communication between the two offices has been significantly benefitted by the move of the London office to King's Cross in October 2022.

After more than ten years serving on the UCIM (and predecessor) Board, Ross Reason retired as Chairman and non-executive director effective 30th June 2022. Meanwhile, Peter Readman (Chairman) and Richard Foster retired from CUEF's Investment Board effective December 2021. UCIM is very grateful to all three for their many years of dedicated service to the CUEF, particularly during the transition period between 2018 and 2020 and the rebuilding of the UCIM team. The UCIM Board welcomed Alan Brown in April 2022, who formally took over the role of Chairman on 1st June 2022. Meanwhile, Sarah Fromson, who has served on CUEF's Investment Board since 1st January 2021, took over as Chairman in January 2022. Finally, James Garman and Andrew Golden joined the CUEF's Investment Board in September 2022. As ever, we are grateful for the insight and thoughtful contributions of all our board members, who give generously of their time to support UCIM's work managing the CUEF.

The establishment of the Cambridge University Endowment Trustee Body ("CUETB") passed into ordinance following the approval of a Grace on 3rd June 2022. The CUETB will take office from early 2023, and UCIM is confident that it will strengthen the governance model of the CUEF to the collective benefit of all investors.

In order to facilitate the changes in asset allocation outlined in Section 5 below, new investor liquidity terms came into effect 30th June 2021. Under the new terms, beginning 1st July 2021, redemptions are subject to the following restrictions: until 30th June 2026, each investor is able to redeem a cumulative amount up to a maximum of £50 million on pre-existing terms. From 1st July 2026, investors will be able to redeem up to £10 million each year, or up to one-tenth of the account value, if greater. Redemptions will continue to require six months' notice. From 1st January 2021, cash distributions moved from a monthly to a quarterly basis.

4. Market Environment

UCIM does not manage the CUEF on a short-term basis, however, market conditions are continuously monitored. In this context, the outlook for Public Equity remains challenging for a number of reasons. Economic growth has slowed across nearly all major markets as inflation pressures, exacerbated by Russia's invasion of Ukraine, have meaningfully intensified. In turn, most major central banks have adopted robust interest rate tightening policies driving borrowing costs rapidly higher, curbing consumption, and creating uncertainty about future growth. Moreover, higher interest rates have had a dramatic negative impact on the valuation of long-duration assets, while earnings reductions caused by economic uncertainty are driving volatility in public markets.

While UCIM has used recent dislocation in public markets to selectively add to markets like the US, where the CUEF has long been underweight, we are being mindful to concentrate positioning in CUEF's highest-conviction managers where there are clear opportunities to protect capital and generate alpha. At the same time, the reallocation of assets away from Public Equity and into Absolute Return & Credit and Private Equity strategies has, as UCIM hoped, helped protect CUEF assets through the recent public market sell-off. UCIM is more convinced than ever that our strategy of partnering with what we believe to be best-in-class managers, as well as capturing the illiquidity premium offered by longer-duration investments, will ultimately yield world-class returns for its stakeholders.

5. Performance, Portfolio Management, and Asset Allocation

This section incorporates a detailed review of the performance and portfolio management of the CUEF over the Calendar Q2 2022 and full Financial Year ended 30th June 2022.

Performance

Figure 1: CUEF investment performance.

CUEF vs BENCHMARKS	Calendar Q2 2022 Cumulative	Financial Year 2021-22 Cumulative	Calendar Year 2022 To Date Cumulative	Since 1 July 2020* Annualised	Trailing 10 Years (Jul '12 – Jun '22) Annualised
CUEF	**-3.3%**	**-0.3%**	**-4.7%**	**+11.2%**	**+10.8%**
UK CPI + 5%	**+5.3%**	**+14.9%**	**+8.4%**	**+11.2%**	**+7.6%**
"New" 65:35 Benchmark**	-9.3%	-6.9%	-12.7%	+5.0%	+8.7%
"Old" 65:35 Benchmark**	-7.9%	-4.7%	-10.9%	+5.2%	+9.4%
MSCI ACWI ex. fossil fuels	-8.8%	-5.3%	-12.2%	+9.2%	+12.0%
MSCI ACWI ex. fossil fuels (USD)	-15.9%	-16.7%	-21.3%	+7.9%	+9.0%
MSCI ACWI (USD)	-15.5%	-15.4%	-20.0%	+8.8%	+9.3%
FTSE All-Share	-5.0%	+1.6%	-4.6%	+11.1%	+6.9%
Barclays Global Agg. Bonds (GBP-Hedged)	-4.5%	-9.3%	-9.3%	-4.8%	+1.7%
FTSE British Govt Index-Linked Bonds	-17.5%	-16.3%	-22.1%	-10.4%	+3.9%
UK Quarterly Property	+3.0%	+19.1%	+7.8%	+12.6%	+8.6%

Notes: All index returns in Pounds Sterling unless stated.
** 1st July 2020 is the date at which various material changes to UCIM's general portfolio approach (and risk limits) were formally incepted by the UCIM Board, and as such, when the new UCIM team's "track record" is considered to have begun.*
*** The "New" 65:35 Composite Benchmark reflects slight alterations in the construction of this benchmark to better reflect the currency exposure of the CUEF itself. The "Old" 65:35 Composite Benchmark is presented for comparison. Please see further discussion in the "Benchmark and Comparison" section below.*
Past performance is not indicative of future returns.

Calendar Q2 2022 was a period of falling prices across almost all asset classes. Hopes that inflation would prove "transitory" continued to fade in the face of the looming energy crisis in Europe. Interest rate rises continued across most major developed economies and the prospect of a "soft landing" began to seem increasingly remote. As set out above, the Calendar Q2 2022 was a period of weak absolute, but respectable relative performance for the CUEF. The Fund delivered a total return of -3.3% for the quarter, beating the 65:35 Composite Benchmark[5] by 600 basis points.

Similarly, the CUEF's Financial Year 2021-22 performance, at -0.3%, was pleasing relative to the CUEF's 65:35 Composite Benchmark[6] return of -6.9%. The CUEF succeeded in defending the value of investors' capital in the face of very difficult markets. This relative outperformance was attributable primarily to the benefits of the CUEF's diversified asset allocation. Favourable currency effects due to Sterling depreciation also contributed.

Figure 2 on the following page shows CUEF asset class performance during the same periods as those illustrated in Figure 1 above. We then provide our usual detailed asset

[5] Outlined in the "Benchmark and Comparison" section below.
[6] Outlined in the "Benchmark and Comparison" section below.

class commentary, which focusses on performance and other developments both in Calendar Q2 2022 and during the full Financial Year 2021-22.

Figure 2: CUEF asset class performance versus benchmarks.

CUEF ASSET CLASSES vs BENCHMARKS	Calendar Q2 2022 Cumulative	Financial Year 2021-22 Cumulative	Calendar Year 2022 To Date Annualised	Since 1 July 2020* Annualised
Public Equity	**-6.8%**	**-10.1%**	**-11.9%**	**+5.7%**
MSCI ACWI ex. fossil fuels	-8.8%	-5.3%	-12.2%	+9.2%
Delta	*+2.0%*	*-4.9%*	*+0.3%*	*-3.5%*
of which Developed Markets	**-9.0%**	**-10.5%**	**-14.4%**	**+4.8%**
MSCI World ex. fossil fuels	-9.0%	-3.5%	-12.4%	+9.8%
Delta	*+0.0%*	*-7.0%*	*-2.0%*	*-5.0%*
of which Emerging Markets	**+0.8%**	**-9.7%**	**-2.6%**	**+8.6%**
MSCI EM ex. fossil fuels	-3.9%	-14.8%	-7.4%	+3.9%
Delta	*+4.7%*	*+5.1%*	*+4.8%*	*+4.7%*
Private Equity	**+1.4%**	**+17.5%**	**+1.5%**	**+30.4%**
CUEF Cambridge Assoc. PE Composite	+1.6%	+13.9%	+1.9%	+26.8%
Delta	*-0.2%*	*+3.6%*	*-0.4%*	*+3.6%*
Real Assets	**+5.5%**	**+20.6%**	**+11.3%**	**+26.4%**
CUEF Real Assets Composite	+5.9%	+25.7%	+12.9%	+15.5%
Delta	*-0.4%*	*-5.1%*	*-1.6%*	*+10.9%*
Absolute Return & Credit (GBP)	***+2.9%***	***+7.7%***	***+5.3%***	***+7.1%***
Absolute Return & Credit (LC)	**-2.0%**	**-0.4%**	**-1.4%**	**+6.7%**
UK 0-1Yr Gilts + 400bps	+1.1%	+4.0%	+2.0%	+4.0%
Delta (vs LC)	*-3.1%*	*-4.4%*	*-3.4%*	*+2.7%*

Notes: All returns are provided in Pounds Sterling, except for Absolute Return & Credit, for which we provide both GBP and local currency returns. The latter figures should be compared to the UK 0-1Yr Gilts + 400bps in order to compute relative performance.
** 1st July 2020 is the date at which various material changes to UCIM's general portfolio approach (and risk limits) were formally incepted by the UCIM Board, and as such, when the new UCIM team's "track record" is considered to have begun.*
Past performance is not indicative of future returns.

Public Equity

The Calendar Q1 2022 reversal in global equity markets accelerated in the Calendar Q2 2022, with the MSCI ACWI (ex-fossil fuels) returning -8.8% in Sterling (-16.0% in US Dollar terms). Against weak markets, the CUEF Public Equity portfolio outperformed, returning -6.8% during the quarter. The CUEF was helped by its underweight to the US, particularly to US Technology stocks, which continued to fall over the quarter as inflation expectations drove concerns about interest rate rises. Furthermore, some of the unprecedented pressure on raw materials prices, particularly agricultural, food, and precious metals seen in Calendar Q1 2022 started to ease temporarily. UCIM took advantage of the dramatic market dislocation in Calendar Q2 2022 to address meaningfully the CUEF's legacy US underweight and UK overweight positions.

The Public Equity portfolio ended the Financial Year 2021-22 down -10.1% against index returns of -5.3%, recovering some of the underperformance caused in previous quarters by CUEF's high-quality bias and relative underweight to US equities. The second half of the Financial Year 2021-22 saw a dramatic reversal in fortunes for the large-cap US technology stocks that had particularly hurt CUEF's relative performance through Q4 2021, given the Fund's relative under-exposure to these names.

One of CUEF's highest conviction managers, with a portfolio of global, high-quality stocks, contributed strongly to relative returns, outperforming its benchmark by 350bps in Calendar Q2 2022 and 640bps over the Financial Year 2021-22. Meanwhile, the CUEF's UK overweight contributed to overall performance. One UK manager, in particular, outperformed in Calendar Q2 2022, ending the quarter and the Financial Year 2021-22 in positive territory, with absolute returns of +1.3% and +3.2% over those respective periods, generating 630bps and 160bps of alpha, respectively.

Conversely, the sell-off of the biotechnology sector, which started in Calendar Q1 2021 continued through Calendar Q2 2022, with the Russell 2000 Biotech index posting its sixth consecutive negative quarter, ending the quarter down -20.7% and the 2021-2022 Financial Year down -53.4% (in US Dollar terms). Against this backdrop, the CUEF's biotech manager strongly outperformed, posting Calendar Q2 2022 losses of just -1.3% and outperforming the benchmark by +22.7%, measured in US Dollars, over the Financial Year. Similarly, high-growth US technology names accelerated the sell-off which started in Q1 2022, with the NASDAQ benchmark losing -22.3% over the quarter, ending the Financial Year with losses of -30.1% in US Dollar terms. Although the CUEF remains underweight this segment of the market, the absolute losses nevertheless impacted overall performance.

In Emerging Markets, the Public Equity portfolio's two China-focussed managers performed strongly in Calendar Q2 2022 dramatically outperforming their benchmarks over the quarter and the Financial Year 2021-2022.

Two new positions were incepted in the Financial Year: the first, in Calendar Q3 2021, was an allocation to a US-focussed technology manager, while the second, incepted in Calendar Q2 2022, was with a US-focussed manager specialising in smaller companies. One manager was fully redeemed in the period.

Absolute Return and Credit

During a remarkably difficult Calendar Q2 2022 for almost all major asset classes, the Absolute Return & Credit portfolio fell -2.0% in local currency terms (albeit it rose +2.9% in Sterling terms).[7] As a reminder, UCIM manages to local currency returns in this part of the CUEF portfolio, given this sub-portfolio's benchmark, namely "UK 0-1 Year Gilts + 400 basis points per annum," embeds no non-Sterling currency exposure. We believe the portfolio's moderate decline during the quarter represents a robust result, given that most major equity indices experienced mid-teens falls (in local currency), investment grade and high yield credit markets saw drawdowns in the high single-digits, and government bonds suffered materially. Moreover, the HFRI Fund Weighted Composite Index, a broad gauge of hedge fund performance, fell -4.7%.

For the Financial Year 2021-22, the Absolute Return & Credit portfolio returned -0.4% (+7.7% in Sterling terms). Although this represents an underperformance of the +4.0%

[7] Local currency performance is unaudited; calculated by UCIM using valuation and transaction data.

delivered by its aforementioned benchmark, we were satisfied with this result, given the widespread declines experienced by global markets during this eventful twelve-month period.

Five new Absolute Return managers were appointed over the Financial Year as part of a material expansion and re-structuring of this sub-portfolio, which is now complete. Of note, this portfolio now embeds low correlation to equity markets.

At the beginning of Calendar Q2 2022, the CUEF's Absolute Return book consisted of ten core manager positions. During the quarter, five managers recorded positive returns in local currency. Leading the pack were the CUEF's investment in a long-short equity fund specialising in the energy transition (+5.0% in local currency), a US-based volatility arbitrageur (+2.2%) and a European-focussed distressed credit manager (+1.8%).

The Absolute Return & Credit portfolio's overall return was dampened by two out-sized detractors during the quarter. The first was its exposure to US real rates via a long duration US TIPS overlay, housed within a UK-based manager. The second was the CUEF's opportunistic allocation to US distressed and stressed credit drawdown vehicles. Our allocation within this segment remains small but is now growing steadily as CUEF's managers in this space continue to deploy capital into an increasingly attractive opportunity set.

Private Equity

During Calendar Q2 2022, the Private Equity portfolio returned +1.4% in Sterling terms, slightly underperforming the Cambridge Associates composite benchmark return of +1.6%. Performance during the quarter was mixed, with write-downs from Growth Equity investments being offset by strong performance from the Buyout portfolio. Relative underperformance against the benchmark is primarily due to currency effects given the portfolio's overweight to Sterling compared to its benchmark.

The Financial Year 2021-22 performance for the Private Equity portfolio was strong on an absolute and relative basis, however, returning +17.5% in Sterling terms compared to +13.9% for the Cambridge Associates benchmark return. Outperformance was driven by the European Buyout portfolio, which returned +30.4% during the year. A European Software Buyout specialist was the strongest performer during the year, returning +57.1% in aggregate. Meanwhile, the CUEF's two largest positions, a Growth Equity manager and a China specialist manager, detracted from performance, returning -2.6% and -20.8% respectively.

In aggregate, the Growth Equity portfolio returned -3.4% in Sterling terms during the quarter, driven by a US manager specialising in technology as the firm adjusted both its public and private positions down to reflect the significant drawdown in public markets. More positively, we saw encouraging performance from our European Buyout portfolio, with a UK middle-market Buyout manager and a European Buyout manager returning +15.9% and +12.9%, respectively, during the quarter.

The second quarter of the year saw a significant fall in activity on both the acquisition and distribution fronts, as market uncertainty led to a widening of buyer and seller expectations. Distributions fell to £12.6 million compared to £58.8 million in the prior quarter. Capital calls in the quarter were £31.1 million, broadly in line with the last quarter. However, most of these capital calls were used to pay down fund credit facilities rather than a continuation of the investment pace we have seen over the last couple of years.

Commitments to 13 Private Equity managers were completed during the Financial Year 2021-2022, including six relationships new to the CUEF. The majority of these commitments centred on the two key priorities for the year, increasing our allocation to differentiated and high conviction Venture Capital managers and reducing our North American underweight through commitments to operationally focussed North American middle-market Buyout managers. During Calendar Q2 2022, four new commitments were finalised: a $17 million commitment to a North American healthcare Buyout specialist, a $15 million commitment to a European early-stage Venture Capital manager, a $20 million commitment to a North American Venture Capital manager, and a €30 million commitment to a European Buyout manager.

Real Assets

The Real Assets portfolio returned +5.5% in Sterling terms in Calendar Q2 2022, slightly behind its benchmark, at +5.9%. Calendar Q2 2022 absolute performance was primarily driven by significant gains in CUEF's legacy conventional energy investments, as well as a positive early realisation from one of CUEF's new renewable energy managers.

The second quarter capped a strong year of performance in the Financial Year 2021-22 for Real Assets of +20.6%, albeit behind its benchmark's +25.7% return. The Financial Year's strong absolute performance was driven in large part by the CUEF's sizeable southeast UK industrial portfolio, which returned +30.5%, with valuations of the properties propelled by rising rental rates across the portfolio. The CUEF's other UK real estate managers were also positive contributors, albeit in aggregate they lagged the buoyant return of the broader UK real estate market (+19.1%, as per MSCI's UK Quarterly Property Index).

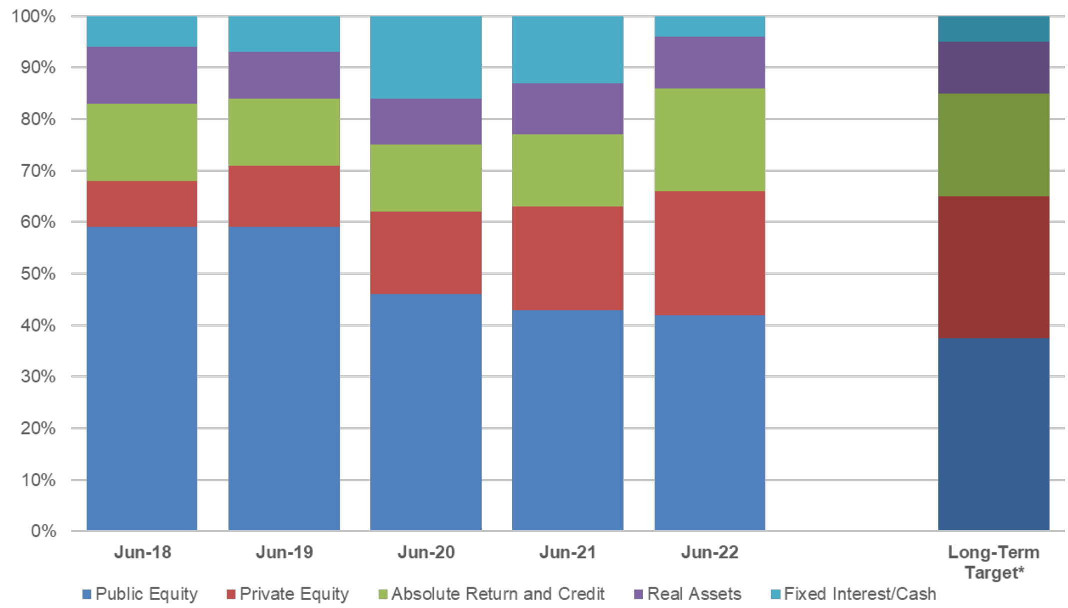
In the CUEF's Natural Resources portfolio, the legacy conventional energy manager, a position now in run-off, and the CUEF's renewable energy manager both posted strong results as the invasion of Ukraine scrambled global commodity markets and made clear the benefits of locally sourced renewable power. Realisations within the legacy conventional energy manager's portfolio contributed strongly in the Calendar Q2 2022. The CUEF expects further reductions in conventional energy exposures in the near- and medium-term, as continued realisations and distributions from the CUEF's legacy positioning reduce overall exposure to oil and gas while also resulting in good returns for the CUEF. Meanwhile, Calendar Q2 2022 realisations by the CUEF's renewable energy manager included the sale of a portfolio of operating solar PV facilities along with a sizeable pipeline of construction-ready and future development assets.

The CUEF's Real Estate portfolio was nearly flat in Calendar Q2 2022, as rising base rates and debt costs began to throw a chill over the investment market. Operational results continue to be strong in CUEF's industrial portfolio, with recent leasing activity exceeding expectations and bringing down the already modest vacancy in the portfolio to less than 5%. Nonetheless, rising capitalisation rates, even for well-leased properties, will likely present headwinds for valuations in the quarters to come. Pleasingly, subsequent to the quarter end, the CUEF fully realised its investment in a complex structured debt investment with the sale of the assets at a premium to CUEF's book value.

Asset Allocation

The current and historic asset allocation, as well as the long-term target allocation, are included in Figure 3 below. The Public Equity portfolio has continued to be reduced over the periods presented, from 59% of the NAV at 30th June 2018 to 42% at 30th June 2022. This reduction has been made in favour of an increased allocation to each of Private Equity and Absolute Return, in line with the asset allocation strategy adopted by UCIM in 2020. The rationale behind this evolution is twofold: firstly, it is intended to drive improved overall returns, derived from the higher return opportunity offered by certain private equity funds, relative to public equities; secondly, the increased allocation to Absolute Return funds demonstrating a low level of correlation with equities is intended to reduce volatility and preserve the purchasing power of the CUEF throughout market downturns.

Figure 3: Evolution of CUEF's asset allocation, % of CUEF (2018-2022).



** Long-term target for Public Equity is 35-40% of the CUEF while the long-term target for Private Equity is 25-30%.*

The Fund targets an exposure to Sterling approximately equal to 60% (with a tolerance range between 50-70%) of the NAV of the Fund. The actual ratio at 30th June 2022 was 60%. Please see Figure 5 in the "Portfolio Composition" section below for further details of the CUEF's currency exposure at 30th June 2022.

Over the course of the last two years, UCIM has materially strengthened the guidelines with respect to Fund liquidity and position sizing to ensure the Fund retains both flexibility and risk control through and beyond the medium-term shift in asset allocation. Moreover, with the recent finalisation of two new credit facilities, the CUEF is now in a position to better manage its liquidity needs if required through the use of short-term borrowing, in line with provisions set out in the Information Memorandum. By way of reminder, the CUEF is permitted to borrow (or overlay leverage through the use of derivative exposure) up to 10% of its NAV. To date, the Fund has always operated without such leverage, and UCIM intends to use the leverage provided by the credit facilities in a very limited and measured manner, primarily to "bridge" redemptions from Public Equity and/or Absolute Return & Credit funds where necessary.

The Fund's asset allocation is reviewed on a quarterly basis at each meeting of the Investment Board. In addition, UCIM carries out a detailed asset allocation study on an annual basis, which is discussed at the spring meeting of the Investment Board.

6. Benchmark and Comparison

The CUEF's primary objective, as set out above, is to return CPI+5%, net of fees, thereby funding distributions to investors of approximately 4% of the Fund value, per annum, as set out in “Investment Overview” above. As a result of market conditions in any given year, however, short-term performance may depart considerably from this level in either direction.

Consideration is also given to a passive “65:35” composite benchmark. The purpose of this comparison is to provide a measure, over the long-term, of the return that might be achieved were the Fund to be managed in an essentially passive fashion. However, in the short-term, this comparison behaves very differently from the actively managed Fund, because the Fund is not invested in the same mix of assets (for example, no gilts were held in the period ended 30th June 2022).

We have recently slightly altered the construction of this benchmark, such that the underlying assets remain largely unchanged, but the underlying foreign currency exposure better reflects the currency exposure of the CUEF itself. Below, we show the construction of the benchmark in both its “New” and “Old” guises for comparative purposes. We will continue to provide both figures to investors going forward but will generally quote (and guide investors toward using) the “New” benchmark.

New:

Public equities	MSCI World ex-fossil fuels[8] (GBP, Unhedged)	33%
Public equities	MSCI World ex-fossil fuels[9] (GBP, Hedged)	24%
Public equities	MSCI Emerging Markets ex-fossil fuels[10] (GBP, Unhedged)	8%
UK property	MSCI UK Property Index (Previously “IPD UK”) (GBP)	10%
World bonds	Barclays Global Aggregate Bonds (GBP, Hedged)	15%
UK index-linked gilts	FTSE British Government Index Linked All Stocks (GBP)	10%

Old:

Public equities	MSCI All-Country World ex-fossil fuels[11] (GBP, Unhedged)	65%
UK property	MSCI UK Property Index (Previously “IPD UK”) (GBP)	10%
World bonds	Barclays Global Aggregate Bonds (GBP, Hedged)	15%
UK index linked gilts	FTSE British Government Index Linked All Stocks (GBP)	10%

7. Long-Term Investment Performance

More recent performance was discussed above, while longer-term performance of the CUEF is shown in this section. As shown in Figure 4 below, for the last ten years, the Fund has produced an annualised return of 10.8%, 3.2% in excess of its current long-term inflation-linked objective (CPI + 5%).

[8] Uses the ex-fossil fuels version of this benchmark after 1st July 2020.
[9] Uses the ex-fossil fuels version of this benchmark after 1st July 2020.
[10] Uses the ex-fossil fuels version of this benchmark after 1st July 2020.
[11] Uses the ex-fossil fuels version of this benchmark after 1st July 2020.

Figure 4: Long-term annualised net returns of the CUEF compared with benchmarks.

	Trailing 1 Financial Year: Jul 21 - Jun 22 Cumulative	Trailing 3 Financial Years: Jul 19 - Jun 22 Annualised	Trailing 5 Financial Years: Jul 17 - Jun 22 Annualised	Trailing 10 Financial Years: Jul 12 - Jun 22 Annualised
CUEF	**-0.3%**	**+8.6%**	**+7.9%**	**+10.8%**
UK CPI + 5%	+14.9%	+9.3%	+8.5%	+7.6%
"New" 65/35 Benchmark*	-6.9%	+4.8%	+5.9%	+8.7%
"Old" 65/35 Benchmark*	-4.7%	+5.3%	+6.4%	+9.4%
MSCI ACWI ex. fossil fuels	-5.3%	+7.9%	+8.7%	+12.0%
MSCI ACWI ex. fossil fuels (USD)	-16.7%	+5.7%	+6.9%	+9.0%
MSCI ACWI (USD)	-15.4%	+6.7%	+7.5%	+9.3%
FTSE All-Share	+1.6%	+2.4%	+3.3%	+6.9%
Barclays Global Agg. Bonds (GBP-Hedged)	-9.3%	-1.7%	+0.2%	+1.7%
FTSE British Govt Index-Linked Bonds	-16.3%	-3.8%	-0.3%	+3.9%
UK Quarterly Property	+19.1%	+7.2%	+6.9%	+8.6%

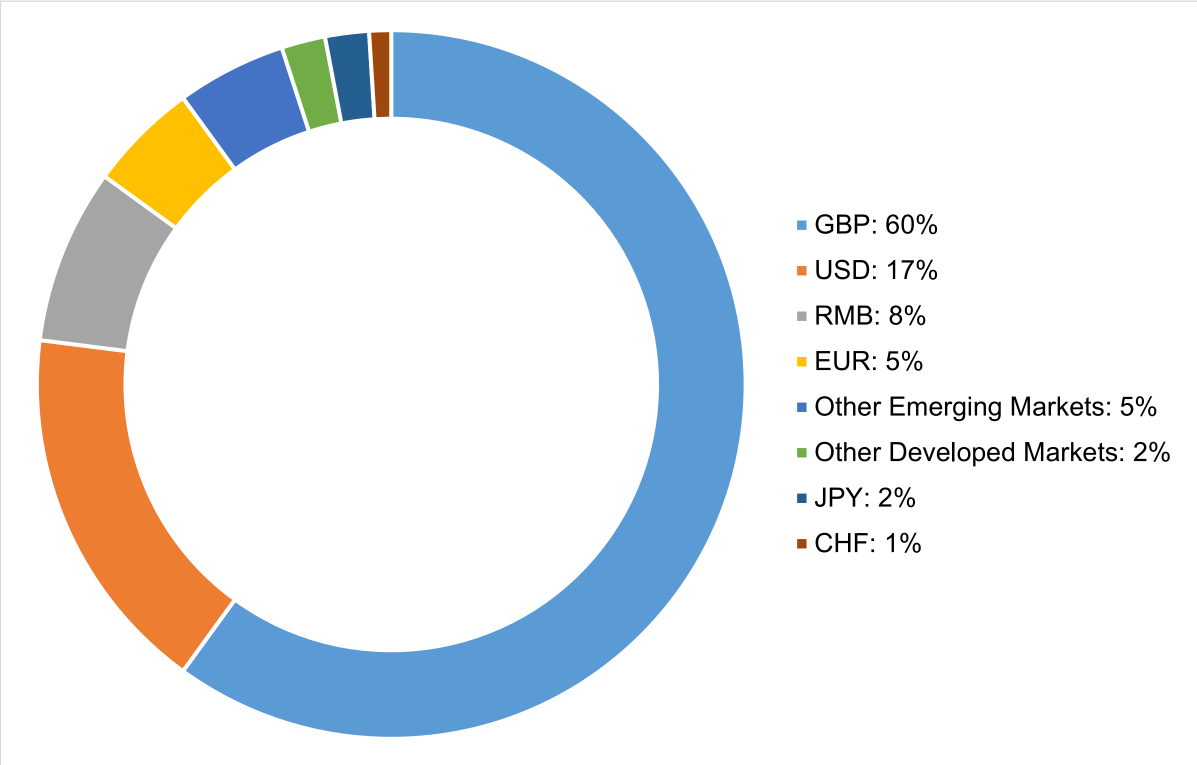
Note: CUEF return, composite and single asset class benchmarks in provided in Pounds Sterling, unless stated.

** The "New" 65:35 Composite Benchmark reflects slight alterations in the construction of this benchmark to better reflect the currency exposure of the CUEF itself. The "Old" 65:35 Composite Benchmark is presented for comparison. Please see further discussion in the "Benchmark and Comparison" section above.*
Past performance is not indicative of future returns.

8. Portfolio Composition

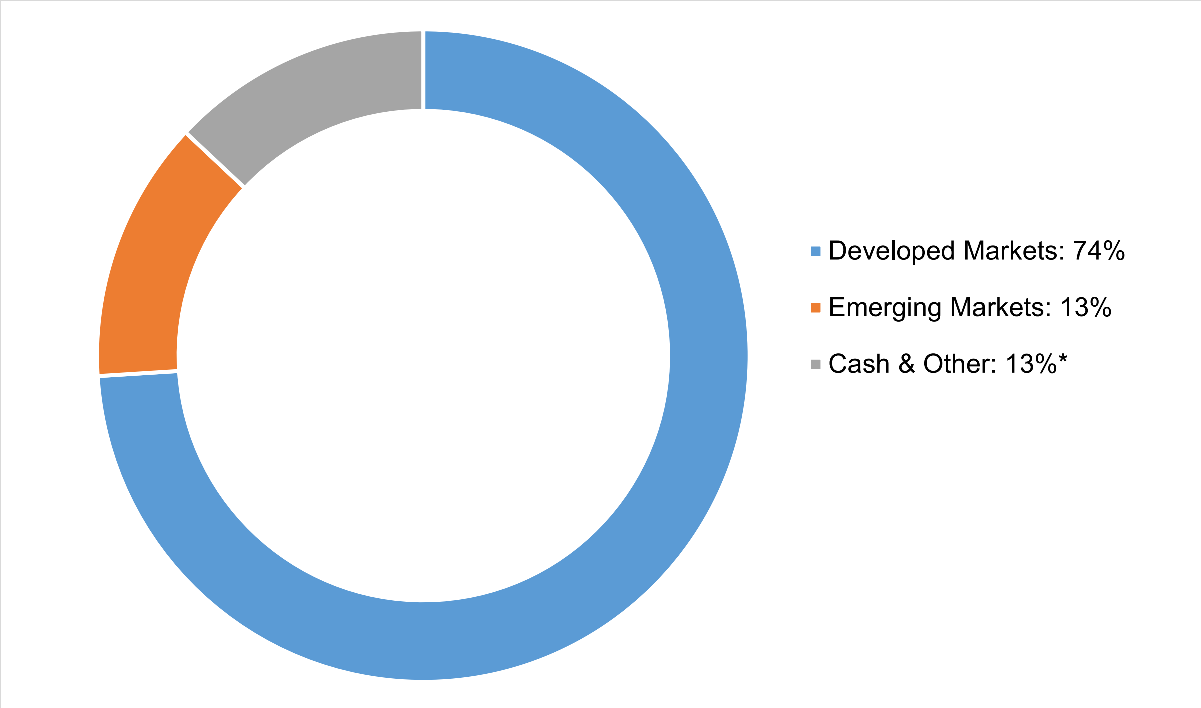
Figures 5, 6, and 7 below show the breakdown of the Fund's assets by foreign exchange, geographic region, and sector.

*Figure 5: CUEF foreign exchange breakdown (%), 30th June 2022.**



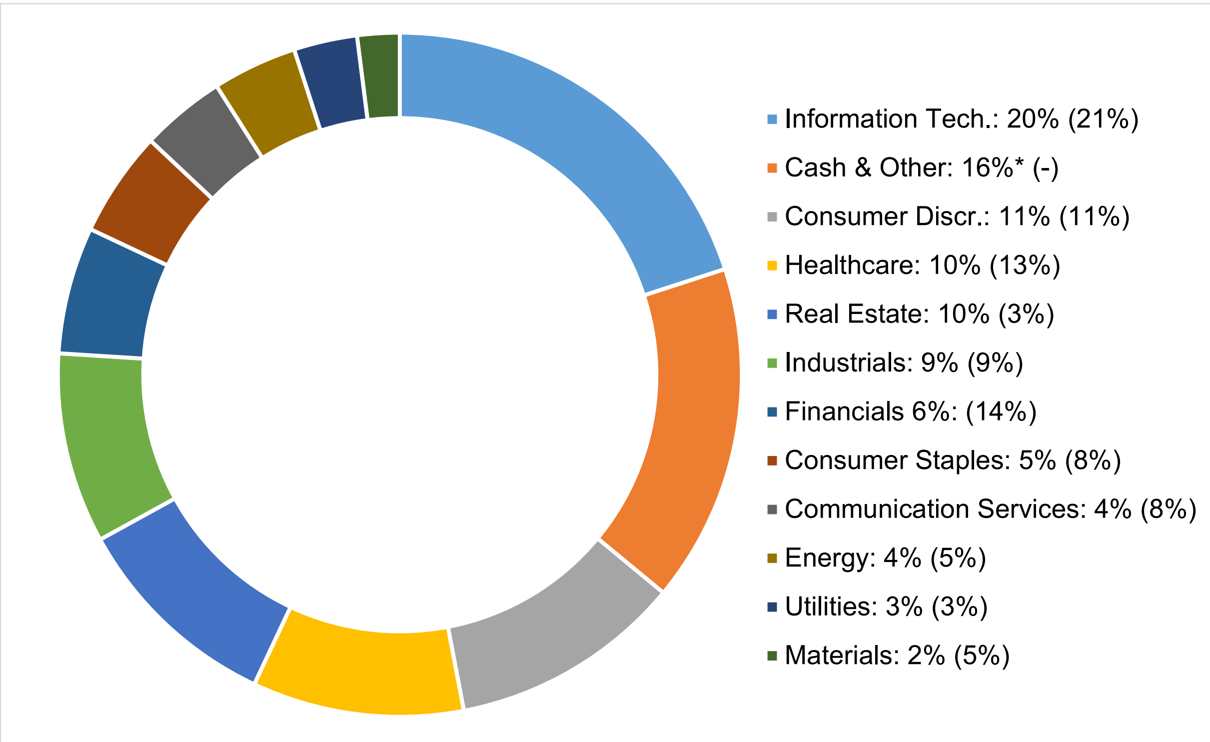
** Foreign currency exposures are based on UCIM estimates of underlying managers' foreign currency exposures, which are aggregated and adjusted for the CUEF's own overlay foreign currency hedge.*

Figure 6: CUEF geographic split (%), 30th June 2022.



** "Cash & Other" is predominantly non-directional exposure from the Absolute Return & Credit portfolio, a degree of leverage in the Public and Private Equity portfolios, and cash held at both a CUEF level and underlying managers.*

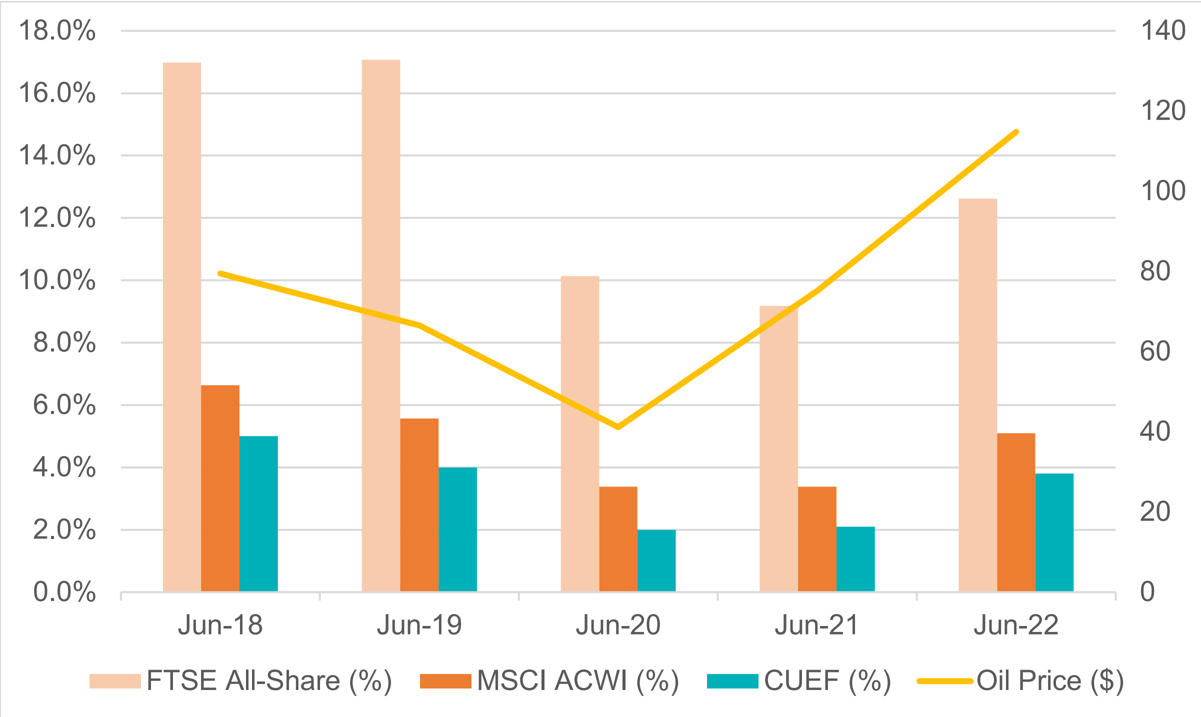
Figure 7: CUEF sector exposure (%), 30th June 2022.



** "Cash & Other" includes managers with no directional sector exposure due to hedging. Numbers in parenthesis represent approximate sector weights of the MSCI ACWI at 30th June 2022, shown for reference only.*

Despite UCIM's actions to reduce exposures to conventional energy, energy increased from approximately 2.1% of the CUEF as of 30th June 2021 to approximately 3.8% as of 30th June 2022. The year-over-year increase was largely driven by the oil price rises, in turn driving strong performance of legacy CUEF conventional energy positions, now in runoff, although some small new investments were initiated by CUEF's Absolute Return managers. While disappointing, it is worth considering that the CUEF still remains very underweight the energy sector relative to both the MSCI ACWI and the FTSE All-Share indices. UCIM remains confident that initiatives being taken across the portfolio mean that conventional energy exposure in the CUEF will continue to reduce over the medium term. Indeed, the CUEF has already received meaningful further distributions from its legacy conventional energy manager following the quarter-end. Moreover, as of 30th June 2022, 1.5% of the CUEF was invested in renewable energy, in support of the aim of allocating significant capital to renewable energy assets which have a return profile appropriate for the Fund.

Figure 8: CUEF energy exposure relative to MSCI ACWI and FTSE All-Share (%) and Oil Price ($, source: Bloomberg), 2018 – 2022.



9. Capital and Distribution Flows

The opening net asset value of the Fund was £3,840 million. Over the course of the year to 30th June 2022, £129 million was contributed to the CUEF by investors, including contributions from one new trust investor, while less than £1 million was withdrawn. The total return for the year (net income plus net capital gains) was -£14 million, and distributions were £131 million. As a result, the net asset value of the Fund at the end of the year was £3,823 million.

Distributions are determined by a smoothing formula, which applied weights of 70% and 30%, respectively, to (i) the previous year's distribution uplifted by CPI + 1% (being an approximation for the increase in University costs) and (ii) 4% of the three-year average of unit capital values. During the 2021-22 financial year, the distribution represented 3.4% of the opening fund value.

10. Leverage

UCIM reports quarterly three actual leverage measures for the CUEF: the CUEF's own internal method, the AIFMD "Gross" method and the AIFMD "Commitment" method.[12] The primary difference between the CUEF's own internal method and that employed by both AIFMD methods is that the latter set incorporates the entire notional value of some of the CUEF's investments; additionally, in the case of the AIFMD "Gross" method, any hedging is disregarded. Further detail regarding the calculation of these measures is included in Appendix 1.

As at 30th June 2022 the Fund had no leverage under the CUEF's own method and capital commitments outstanding of 18% of NAV. The AIFMD leverage ratios were as follows: "Gross" method 155%, "Commitment" method 95%.[13] To aid investor understanding, a breakdown of the main contributors to the actual "Gross" and "Commitment" leverage levels is provided in Appendix 2.

11. Historical Trends

The CUEF Investment Management Report now includes the historical trend information which was previously reported separately. In addition, Appendix 3 to this report provides further charts relating to CUEF unit values and distributions.

[12] As set out in the Alternative Investment Fund Managers Directive ("AIFMD") 2011/61/EU and the Delegated Regulation 231/2013.
[13] This refers to the leverage measures as set out in the AIFMD 2011/61/EU and the Delegated Regulation 231/2013.

Appendix 1: UCIM leverage calculation methods

Since the introduction in 2014 of the Alternative Investment Fund Managers Directive 2011/61/EU ("AIFMD") and the Delegated Regulation 231/2013, we have been reporting three leverage measures in the Investor Quarterly Report, these being calculated leverage in accordance with the "Gross" and "Commitment" methods per AIFMD and in addition, calculated leverage using CUEF's own internal method.

Calculated leverage using the CUEF's own internal method:

The CUEF's own internal method calculates the amount of leverage employed via cash borrowing or negative cash. Having grossed up derivative positions, this leverage is measured by comparing the net asset value of all investments except those in the Fixed Interest/Cash asset class with the total net asset value of the portfolio. So long as the Fixed Interest/Cash class is a positive percentage of the portfolio, there is no leverage in the portfolio using this method.

Calculated leverage using the AIFMD "Gross" method:

The AIFMD 'Gross' method considers the gross investment exposure of the Fund and in this scenario all hedging to protect the portfolio from possible losses is disregarded. In addition, only base currency Fixed Interest/Cash amounts are deducted from the gross investment exposure. In the case of a global fund such as CUEF, where derivative instruments are used to hedge the portfolio, the "Gross" method is particularly sensitive to the following:

1. Foreign Currency Hedges - The Fund holds investments in any currency without restriction and achieves the hedges as necessary by maintaining forward foreign currency contracts. In the case of a forward foreign currency contract, both the Sterling asset and the foreign currency liability are accounted for within Fixed Interest/Cash. Hence entering into such a contract could not increase leverage. However, leverage under the "Gross" method ignores this hedging and grosses up the position. For instance, in a hypothetical example, if all investments in a fund were denominated in foreign currencies and all foreign currency exposure in the fund was hedged, the gross exposure would be 200%.
2. Asset Class Hedges – The Fund may from time to time hold futures contracts based on, for example, equity indices. In this case, the value of the exposure gained is shown gross within the appropriate asset class (for example, Public Equity or Real Assets) whilst the value of the liability to pay for the exposure is shown within Fixed Interest / Cash. The leverage calculation using the "Gross" method grosses up these future positions and counts them as exposure that increases the leverage ratio.
3. Macro Hedges - The inclusion of notional contract sizes in the valuation methodology for interest rate derivatives leads to what can be considered an "overvaluation" of positions and overstatement of leverage. For the purposes of the gross investment

exposure valuation such positions are calculated as follows: ‘Gross’ exposure valuation = number of contracts x notional contract size x market value of underlying asset x delta as per the conversion methodologies under AIFMD Delegated Regulations 231/2013, Annex II.

Calculated leverage using the AIFMD “Commitment” method leverage:

This method considers the gross investment exposure of the Fund as covered above in the “Gross” method but allows reductions for hedging and netting strategies.

Appendix 2: Leverage calculations as of 30th June 2022

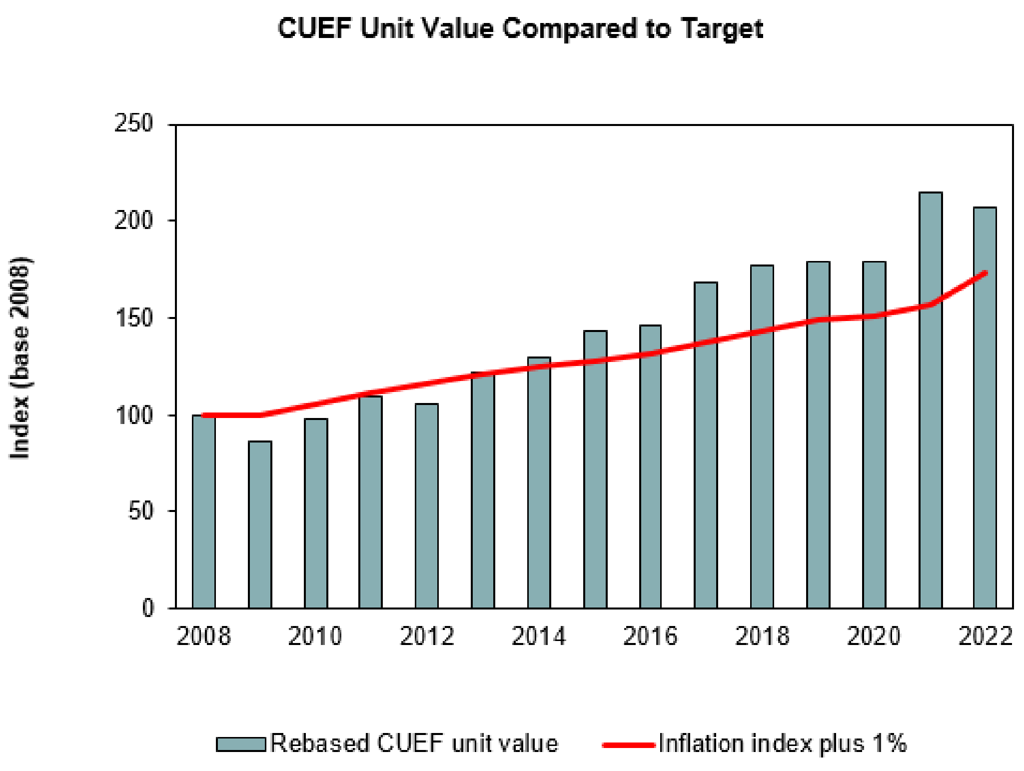
Below is a breakdown of the contributors of the actual gross and commitment leverage levels to aid Investor understanding:

CUEF Leverage - CUEF own internal method	
	£m
CUEF Net Asset Value	**3,823.0**
Exclude: Fixed Interest / Cash Investments	(230.0)
Total Exclusions: CUEF own internal method	**3,593.0**
CUEF Total Investment Exposure - 'CUEF own' method	**3,593.0**
CUEF Net Asset Value	**3,823.0**
CUEF Leverage % - CUEF own internal method	94%
CUEF Leverage Limit % - CUEF own internal method	110%

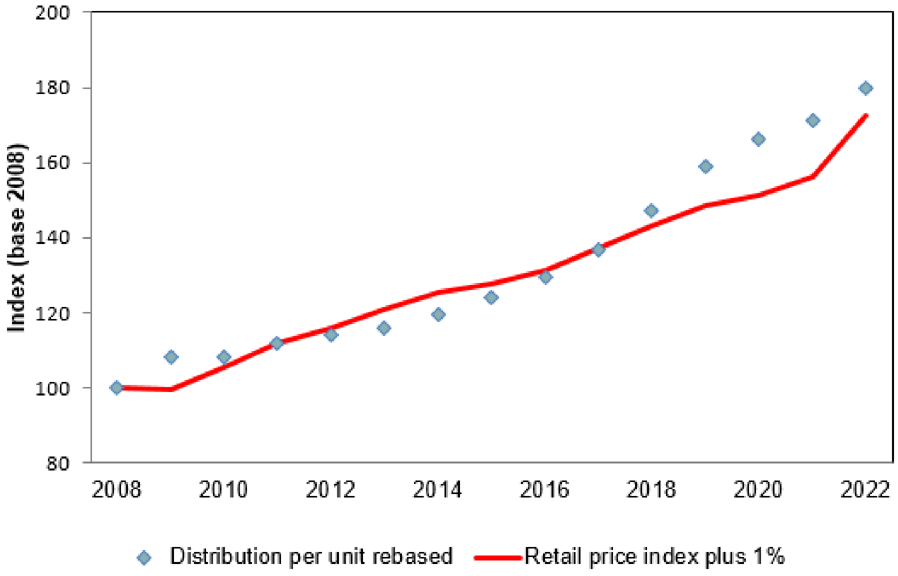
CUEF Leverage - 'Gross' method	
	£m
CUEF Net Asset Value	**3,823.0**
Plus: Adjusted Derivative Positions	
- Plain Vanilla Options on Futures Contracts	52.0
- Futures	182.4
- Currency Contracts	1,436.0
Total CUEF Investment Position - 'Gross' method	**5,493.4**
Exclude cash and cash equivalents	(255.8)
Total Exclusions - 'Gross' method	**(255.8)**
CUEF Total Exposure excluding capital commitments- 'Gross Method'	5,237.6
CUEF Net Asset Value	3,823.0
CUEF Leverage % - 'Gross' method excluding capital commitments	137%
CUEF Capital Commitments (Private Equity)	673.2
CUEF Total Exposure excluding capital commitments- 'Gross Method'	5,910.8
CUEF Net Asset Value	3,823.0
CUEF Leverage % - 'Gross' method including capital commitments	155%
CUEF Leverage Limit % - 'Gross' method	5,000%

CUEF % Leverage - 'Commitment ' method	
	£m
CUEF Net Asset Value	**3,823.0**
Plus: Adjusted Derivative Positions	
- Plain Vanilla Options on Futures Contracts	52.0
- Futures	182.4
- Currency Contracts	1,436.0
Total CUEF Investment Position - 'Commitment' method	**5,493.4**
Exclude: Hedging positions	(1,618.4)
Exclude cash and cash equivalents	(255.8)
Total Exclusions - 'Commitment' method	**(1,874.2)**
CUEF Total Exposure excluding capital commitments- 'Commitment' method	3,619.2
CUEF Net Asset Value	3,823.0
CUEF Leverage % - 'Commitment' method	95%
CUEF Leverage Limit % - 'Commitment' method	5,000%

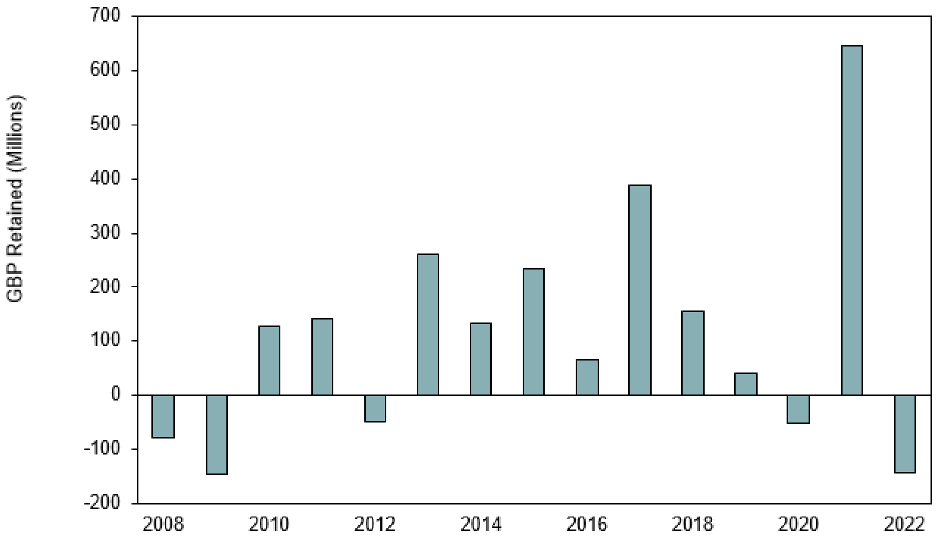
Appendix 3: CUEF historical trends, 2008-2022



CUEF Distribution Per Unit Relative to Target



Total CUEF Return Retained



Appendix 4: Top ten CUEF managers (anonymised), 30th June 2022

Managers	% of CUEF Assets Managed	Mandate of Exposure	CUEF Share of Manager's Total Assets Under Management (%)
Manager A	5.8%	Global, software specialist Private Equity manager.	0.3%
Manager B	5.3%	Global, long-only, Public Equity manager, with a portfolio of 20-40 high-quality stocks.	1.7%
Manager C	5.0%	China-focussed, Public and Private Equity manager.	0.1%
Manager D	4.7%	US-focussed, long-short, Public Equity manager with robust risk controls.	0.7%
Manager E	3.8%	Pan-Asia, long-only, Public Equity manager targeting high-quality stocks.	5.3%
Manager F	3.6%	Pan-Europe, long-only, Public Equity manager with value bias.	15.6%
Manager G	3.2%	US-focussed, long-only manager with a concentrated portfolio of high-quality companies.	3.5%
Manager H	2.8%	UK-focussed, diversified, long-only Public Equity manager.	8.5%
Manager I	2.8%	Global, long-only, healthcare specialist Public Equity manager.	0.6%
Manager J	2.6%	Long-only and long-short equity manager investing around the ongoing energy transition.	5.5%
Cumulative Total	**39.4%**		

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