UNIVERSITY OF CAMBRIDGE

Investment Management

Cambridge University Endowment Fund

Annual Investment Management Report

Financial Year Ended 30th June 2023

25th October 2023

Important Information

Contents

1. Executive Summary 3
2. Market Overview 5
3. CUEF Performance 6
4. Sustainable Investment Update 7
5. Organisation and Operational Update 8
7. Performance by Asset Class 12
9. Capital and Distribution Flows 18
10. Leverage 18
11. Appendices 20

1. Executive Summary

The Cambridge University Endowment Fund ("CUEF" or the "Fund") is managed by University of Cambridge Investment Management Limited ("UCIM"), a wholly owned subsidiary of the University of Cambridge, whose only client is the CUEF. The CUEF is a dedicated, specialist vehicle, designed to combine long-term capital appreciation and reliable cash distributions for the University, Colleges and Trust investors.

UCIM has a single, dedicated team focused on optimising performance and stewarding CUEF investors' capital over the long-term. The team is fully aligned with the University's sustainability objectives; working with university stakeholders to achieve the ambition for the CUEF to be net zero of greenhouse gas emissions by 2038.

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.

Figure 1 below provides Unitholders with the key data on the net asset and unit value of the CUEF for the last five financial years.

Figure 1: Net Asset Value and Unit Value at 30th June for last five financial years

	2019	2020	2021	2022	2023
Net Asset Value (£bn)	3.4	3.3	3.8	3.8	4.0
Unit Value (£)	58.46	58.41	69.96	67.45	67.59

Source: UCIM reporting. Past performance is not indicative of future results.

For the Financial Year ended 30th June 2023, the CUEF returned +4.1%, representing a marginal under-performance against the CUEF's passive benchmark, which generated a return of +4.5%. The primary reason for this was the CUEF's private equity portfolio, representing approximately 23% of the total fund, which remained broadly flat during a year in which global equities returned over +11% in Sterling terms.

UCIM does not manage the CUEF for short-term or annual returns. However, it is reassuring that this performance broadly matches the passive benchmark in a year when performance across asset classes has diverged significantly (therefore also highlighting portfolio diversification as one of the CUEF's primary benefits).

Looking at a more representative, longer-term horizon, over a 3-year trailing period, the CUEF has delivered annualised returns of +8.8%, outperforming the passive benchmark on a relative basis by 4% per year and capturing 87% of global equity returns (in Sterling), as proxied by the ACWI ex fossil fuels index. The CUEF's one, three, five and ten year trailing annualised performance is set out in Figure 2 below.

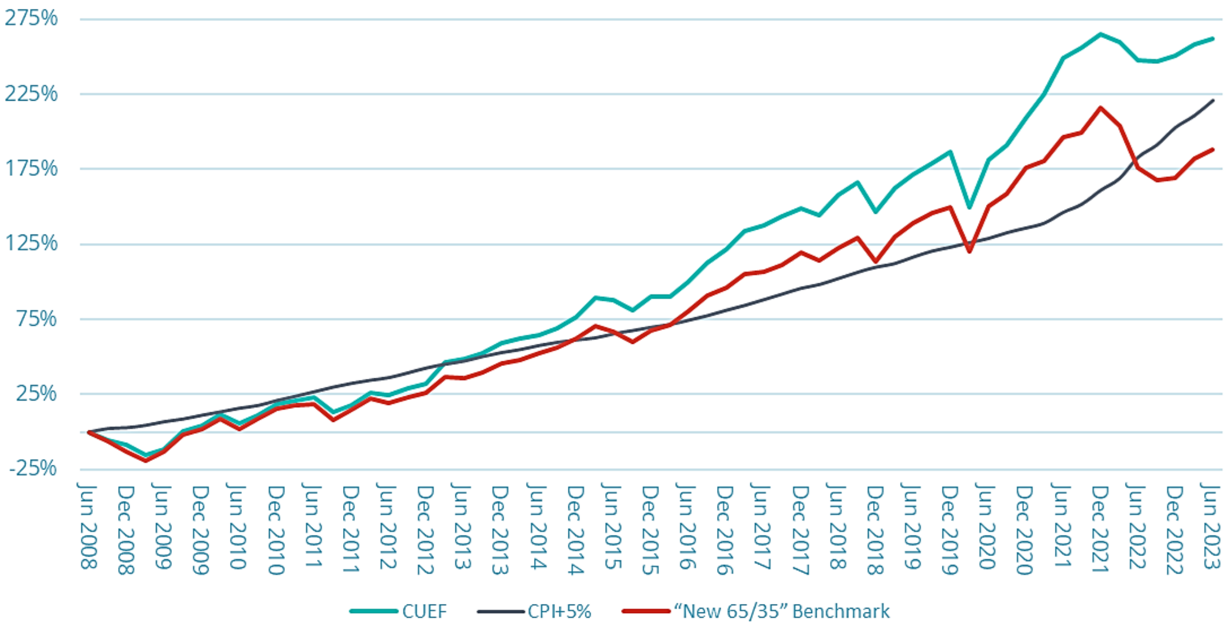
Figure 2: CUEF One, Three, Five and Ten-Year Performance vs Benchmarks

CUEF vs BENCHMARKS	Financial Year Jul 22 - Jun 23	Trailing 3 Financial Years: Jul 20 - Jun 23*	Trailing 5 Financial Years: Jul 18 - Jun 23	Trailing 10 Financial Years: Jul 13 - Jun 23
	Cumulative	Annualised	Annualised	Annualised
CUEF	**+4.1%**	**+8.8%**	**+7.0%**	**+9.3%**
UK CPI +5%	+13.3%	+11.9%	+9.6%	+8.1%
"New 65/35" Benchmark**	+4.5%	+4.8%	+5.3%	+7.8%
"Old 65/35" Benchmark	+3.9%	+4.8%	+5.8%	+8.3%
MSCI ACWI ex. fossil fuels**	+11.8%	+10.1%	+9.1%	+11.1%
MSCI ACWI ex. fossil fuels (USD)***	+17.1%	+10.9%	+8.0%	+9.0%
MSCI ACWI (USD)	+17.1%	+11.5%	+8.6%	+9.3%
FTSE All-Share	+7.9%	+10.0%	+3.1%	+5.9%
Barclays Global Agg. Bonds (GBP-H)	-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.
** 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*
*** 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.*
**** MCSI ACWI ex. fossil fuels data from 1st July 2020 onwards.*

Past performance is not indicative of future returns.

Figure 3: CUEF Long-Term Performance vs. "New 65/35" Benchmark and CPI+5%



New "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)

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

2. Market Overview

Following the sharp fall in the price of global equities in September 2022 due to the ongoing conflict in Ukraine, fears of recession, concerns over high inflation and the ensuing impact of rising interest rates globally, equity markets rallied strongly through the remainder of the CUEF's Financial Year to the end of June 2023. Despite the prevailing economic headwinds, sentiment was supported by stabilisation in the UK following the turmoil of the Liz Truss era "mini-budget" and, globally, investors pricing in a more benign economic outcome.

In public equities, the rally was heavily skewed to a handful of the "mega cap" US technology stocks, in part due to investor exuberance around advances in Artificial Intelligence (the Nasdaq Composite Index, for example, increased +26.1% for the 12 months to 30 June 2023).

In private markets and real estate, higher interest rates have had a more negative impact on valuations and sentiment, with concerns about the implications of increased borrowing costs on leverage and returns weighing on valuations.

3. CUEF Performance

Against this market backdrop, for the Financial Year 2022-23, the CUEF achieved a net return of +4.1% (2021-22 -0.3%). This is slightly lower than the "new 65/35" benchmark (+4.5%), mainly due to the flat performance of the CUEF's private equity portfolio, despite the strong performance of this asset class over the long-term.

Over a three-year rolling period, the CUEF achieved an annualised return of +8.8%, +4.0% higher than the "new 65/35" passive benchmark which annualised +4.8%. Accretive manager selection remains the predominant driver of this outperformance (adding +1.9% to annualised returns).

The CUEF's near term performance is, however, below the long-term investment objective of CPI +5%, reflecting the challenge of meeting "CPI+" objectives for all fund managers in a period of high inflation. Looking beyond one year performance, figures 2 and 3 above shows that the CUEF has achieved this objective on an annualised ten-year basis.

Figure 4 below shows CUEF performance vs. relevant benchmarks for shorter term periods - Q4 of the CUEF Financial Year (Q2 calendar year 2023), the calendar year-to-date (6 months to 30 June 2023), and the CUEF Financial Year (12 months to 30th June 2023). A more detailed analysis of performance by each of the CUEF's main asset classes is provided below.

Figure 4: CUEF Investment Performance vs Benchmarks

CUEF vs BENCHMARKS	Calendar Q2 2023	Calendar Year 2023 To Date	Financial Year 22/23	Since 1 July 2020*
	Cumulative	Cumulative	Cumulative	Annualised
CUEF	**+1.1%**	**+3.5%**	**+4.1%**	**+8.8%**
UK CPI +5%	+3.3%	+5.9%	+13.3%	+11.9%
"New 65/35" Benchmark**	+2.3%	+7.1%	+4.5%	+4.8%
"Old 65/35" Benchmark	+1.7%	+6.0%	+3.9%	+4.8%
MSCI ACWI ex. fossil fuels***	+3.6%	+9.0%	+11.8%	+10.1%
MSCI ACWI ex. fossil fuels (USD)	+6.5%	+15.2%	+17.1%	+10.9%
MSCI ACWI (USD)	+6.3%	+14.3%	+17.1%	+11.5%
FTSE All-Share	-0.5%	+2.6%	+7.9%	+10.0%
Barclays Global Agg. Bonds (GBP-Hedged)	-0.1%	+2.4%	-0.8%	-3.5%
FTSE British Govt Index-Linked Bonds	-6.6%	-2.6%	-17.0%	-12.6%
UK Quarterly Property	+0.2%	+0.3%	-15.3%	+2.4%

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.
** 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.*
*** 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.*
**** MCSI ACWI ex. fossil fuels data from 1st July 2020 onwards.*
Past performance is not indicative of future returns.

4. Sustainable Investment Update

UCIM has continued to make encouraging progress towards its ambition of net zero greenhouse gas emissions from the CUEF portfolio by 2038, in line with the broader operational targets of the University.

As a reminder, the aim is to achieve this ambition through a three-pronged strategy of:

- Investing in renewable energy development and divesting meaningful exposure to fossil fuels by 2030;
- 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.

Progress in the year to 30th June 2023 included the following:

Investing to achieve a phased transition to "net zero"

As of 30th June 2023, the CUEF's conventional energy exposure was 2.2%, meaningfully below the MSCI All-Company World Index level of 4.6% and representing a reduction of 1.6% since 30th June 2022.

UCIM has further embedded sustainability considerations into its investment process through the formalisation of four specific criteria (provided below) by which to assess a new fund management partner. The UCIM team has found these to be helpful and a positive way to engage with partners on sustainability in the early stages of due diligence, and to inform discussion with governing bodies, such as the Investment Advisory Board.

1. Is Net Zero a serious consideration for the senior leadership team?
2. Does the firm have a formal net zero policy or approach in place?
3. Does the firm engage with its portfolio companies on climate change?
4. Is there adequate reporting in place to meet UCIM's requirements?

Engaging to decarbonise the real economy

As a direct result of UCIM's active engagement through the year, a number of fund management partners have made tangible improvements, including creation of new sustainable investment policies; the incorporation of environmental factors into their decision-making; enhanced reporting against sustainability metrics, such as levels of greenhouse gas emissions; and the creation of fossil fuel free funds.

A key part of UCIM's engagement strategy is to educate fund management partners so that they can decarbonise their portfolios; both to support the above-mentioned ambition, as well as for society and the planet. UCIM is proud to be able do this by leveraging the depth of climate and sustainability expertise at the University.

In Spring 2023, UCIM staged the third cohort of its bespoke Executive Education programme, developed and delivered in partnership with the Cambridge Institute for Sustainability

Leadership ("CISL"). 18 firms have now completed the programme, representing approximately $150bn of assets under management.

Based on experience and delegate feedback, UCIM has continued to adapt and improve the programme. This year, a new component requiring participants to provide a final presentation to CISL and UCIM on their proposed activity and path to achieve net zero was added.

UCIM is currently planning the fourth cohort to take place on the East Coast of the US in Spring 2024 – addressing a large prospective selection of partners managing Public Equity, Private Equity and Absolute Return Funds.

Further information on our Sustainable Investment and Engagement progress will be included in the CUEF Annual Review, published in early December 2023.

Reporting with transparency and accountability to our stakeholders

As well as improving the quality of reporting, the UCIM team increased its level of engagement with key stakeholders across the University to improve understanding of the Sustainable Investment Strategy.

In addition to the regular "Town Hall" event, Tilly Franklin, Chief Executive, Honor Fell, Associate Director and Sustainability Lead and Joel Beckman, Communications Lead, attended an in-person meeting with eight college Green Officers in May, coordinated by Cambridge Zero. In February, Tilly Franklin and Joel Beckman also met with two representatives from the Student Union to explain and discuss UCIM's Sustainable Investment strategy. UCIM also contributed to the new University Sustainability Framework as part of the ongoing efforts to map the University's Scope 3 emissions.

As well as being an important feature of the organisation's development, UCIM's internship programme also acts as a valuable engagement activity, allowing students from the University to gain exposure to our Sustainable Investment Strategy. Further information about this year's internship programme is provided below.

5. Organisation and Operational Update

Governance

The Cambridge University Endowment Trustee Body ("CUETB") was inaugurated on 3rd June 2022 and held its first meeting on 4th May 2023. The membership of the CUETB can be found on the University website. Initial discussions with the CUETB have been constructive and UCIM is looking forward to a productive working relationship. The first meeting between the CUETB and unitholders in the CUEF is scheduled for 23rd November 2023.

UCIM Annual Management Charge

UCIM's annual management charge[1] for the year to 30th June 2023 represents 16.1 basis points of the Fund's financial year end net asset value, below UCIM's aim for direct costs to be under 20 basis points.

UCIM Team

UCIM welcomed Sarah Wood to the investment team as Associate Director, Marketable Assets, reporting to Benoit Ramsay and focusing on the management of the CUEF's public equity portfolio. Sarah started in July 2023, joining from public equity manager Mondrian Investment Partners, and is a graduate of St. John's College, Cambridge. Alexis Zhou was appointed as Investment Analyst in September 2022.

A number of team members were awarded deserved promotions in the year. In addition, two members of the investment team passed their respective levels of the CFA qualification.

As part of the now regular summer internship programme, UCIM hosted four interns; two from the University as well as one from the 10,000 Black Interns program and another from GAIN (Girls are INvestors). The Interns carried out independent research projects during their time with UCIM and, as part of our Sustainable Investment Strategy, the two Cambridge interns' projects were specifically focused on sustainability. UCIM is planning the next cohort of interns and a follow-up volunteering event.

In August 2024, one of the sustainable investment interns from the first cohort of this programme in 2021 will join UCIM as a full-time Investment Analyst, when she graduates from the University of Cambridge.

In September, UCIM held its first annual "CUEF Portfolio Review" session, which took place over 1.5 days. The whole UCIM team took part in a holistic review of UCIM's values and vision, team resourcing, decision-making, portfolio and asset class strategies, and sustainable investment strategy. A summary of outputs and actions from this session has been provided to the Investment Advisory Board for discussion at its next meeting.

Communications and Engagement

The updated Information Memorandum and Trust Deed were provided to investors in July 2023.

As well as engaging on the Sustainable Investment Strategy (as described above), this year UCIM has also made a more concerted effort to meet relevant departments, build relationships and improve awareness of how the CUEF supports the University, including a dedicated afternoon of collaboration for the UCIM team with Cambridge University Health Partners (CUHP), attending Innovate Cambridge workshops and the Research Communications Seminar.

---

[1] UCIM's annual management charge represents the operating costs of running UCIM with the main elements being employee costs, property costs, data system costs, and professional services.

In July 2023, UCIM launched a new website to better explain its role as manager of the CUEF and how it supports the University. For security and convenience, CUEF investors will soon be able to access reports and other information through a secure private portal on this website.

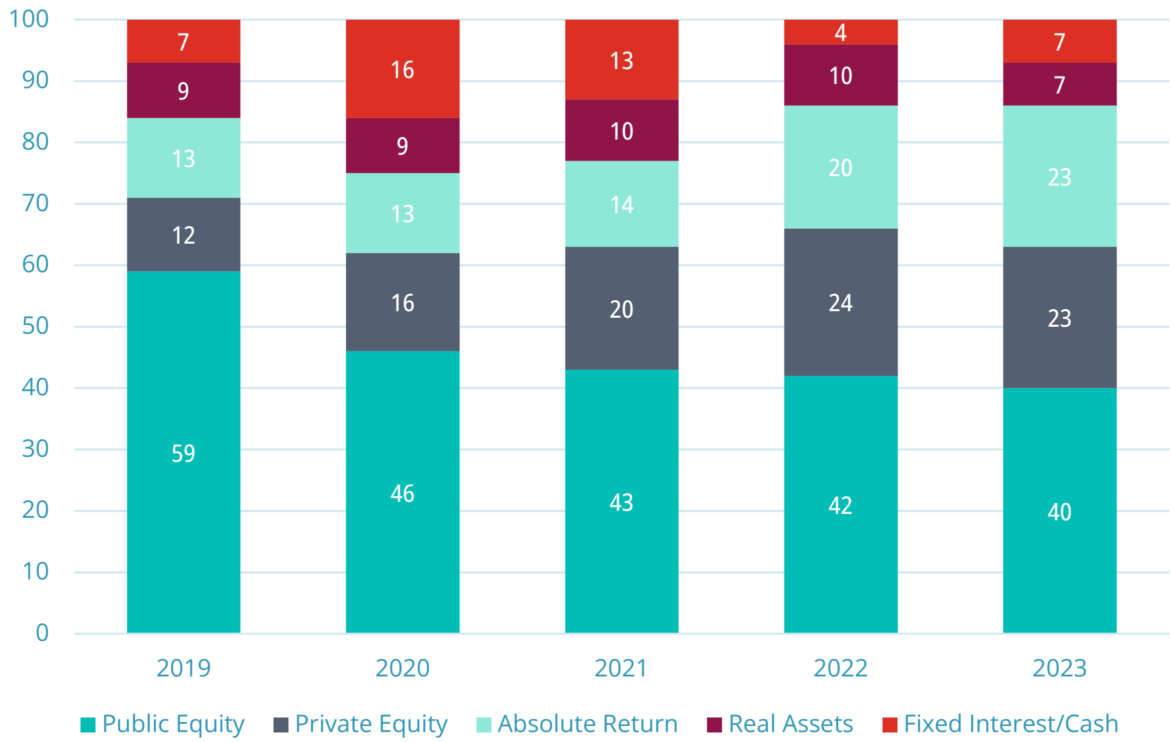
6. Asset Allocation

Asset Allocation as at 30th June 2023

As a reminder, in 2019 UCIM set out an updated asset allocation strategy, advocating a measured reduction in public equity assets in favour of increased allocations to both private equity and absolute return and credit. Private equity is viewed as a key driver of returns in the portfolio, whereas the absolute return and credit sub-portfolio is intended to reduce volatility and provide liquidity to the balance of the portfolio during market corrections.

The implementation of this strategy can be seen in the bar chart below, which shows the development of the CUEF's asset allocation over the last five years, including the allocation as at the Financial Year end on 30th June 2023. Additional comments about allocations by individual asset class are made with the respective sub-heading in "Performance by Asset Class," below.

Figure 5 – CUEF Asset Allocation at Financial Year End (30th June) 2019 – 2023 (% of total portfolio)



Source: UCIM internal reporting.

Amendments to Asset Allocation Targets

UCIM conducts a biennial exercise, evaluating its asset allocation strategy based on long-term forecasts for returns and correlations across asset classes. The most recent review took place in April 2023, resulting in recommendations to achieve greater risk-adjusted returns by incrementally increasing the allocation to private equity compared to public equity; and by incrementally increasing the allocations to the CUEF's relatively uncorrelated absolute return and credit and real assets portfolios. The recommendations were subsequently approved by the UCIM Board, reviewed by the Investment Advisory Board, and communicated with investors in a dedicated section in both the Q3 Investor Report and call.

These amendments are shown in the table below. UCIM began the process of moving the portfolio towards these new long-term targets at the end of Q4 of the 2022-23 Financial Year (quarter ended 30th June 2023), leading to the incremental changes in allocation as at 30th June 2023 reported here.

Figure 6: CUEF Asset Allocation at 30th June 2023 and agreed alterations to the CUEF's long term asset allocation targets

Asset Class	Actual allocation at 30th June 2023	Previous Target Allocation	New Target Allocation
Public Equity	40.1%	40.0%	30.0-35.0%
Private Equity	23.3%	25.0%	30.0%
Absolute Return and Credit	22.6%	20.0%	20.0-22.5%
Real Assets	7.1%	10.0%	10.0-12.5%
Cash and Fixed Income	6.9%	5.0%	5.0%

Source: UCIM internal reporting

7. Performance by Asset Class

Figure 7 below shows CUEF Asset Class performance for the same periods as those in Figure 3 above.

Figure 7 - CUEF Asset Class Performance vs Benchmarks

CUEF ASSET CLASSES vs BENCHMARKS	Calendar Q2 2022	Calendar Year 2023 To Date	Financial Year 22/23	Since 1 July 2020*
	Cumulative	Cumulative	Cumulative	Annualised
CUEF	**+1.1%**	**+3.5%**	**+4.1%**	**+8.8%**
Total Equity: Public and Private	**+1.5%**	**+4.4%**	**+6.0%**	**+10.7%**
MSCI ACWI ex. fossil fuels (“ex FF”)**	+3.6%	+9.0%	+11.8%	+10.1%
Delta	-2.2%	-4.6%	-5.9%	+0.6%
Public Equity	**+2.7%**	**+7.9%**	**+9.9%**	**+7.1%**
MSCI ACWI ex. fossil fuels (“ex FF”)**	+3.6%	+9.0%	+11.8%	*+10.1%*
Delta	*-0.9%*	-1.1%	*-1.9%*	*-3.0%*
of which Developed Markets	+3.4%	+10.1%	+14.1%	+7.8%
MSCI World ex. fossil fuels (“ex FF”)**	+4.4%	+10.2%	+13.8%	*+10.9%*
Delta	*-1.0%*	-0.1%	*+0.2%*	*-3.1%*
of which Emerging Markets	+0.4%	+1.1%	-1.8%	+5.0%
MSCI EM ex. fossil fuels (“ex FF”)**	-2.3%	-0.8%	-3.1%	*+1.5%*
Delta	*+2.8%*	+1.9%	*+1.3%*	*+3.5%*
Private Equity	**-0.7%**	**-1.4%**	**-0.7%**	**+19.0%**
CUEF Cambridge Assoc. PE Composite **	-1.2%	-1.5%	-1.3%	+16.7%
Delta	*+0.5%*	*+0.1%*	*+0.6%*	*+2.3%*
Real Assets	**-3.8%**	**-5.2%**	**-13.7%**	**+11.3%**
CUEF Real Assets Composite **	-0.0%	-0.3%	-12.8%	*+5.0%*
Delta	*-3.8%*	-4.9%	*-0.9%*	*+6.2%*
Absolute Return & Credit (GBP)	**-1.3%**	**-1.6%**	**+3.4%**	**+5.8%**
Absolute Return & Credit (LC)	**+0.3%**	**+1.7%**	**+6.1%**	**+6.5%**
UK 0-1Yr Gilts + 400bps	*+1.6%*	+3.2%	*+6.2%*	*+4.7%*
Delta (vs LC)	*-1.3%*	*-1.5%*	*-0.1%*	*+1.8%*

Data sources:
CUEF returns calculated based on CUEF Net Asset Value, other data sourced from Bloomberg and UCIM internal reporting.
Notes:
** 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.*
*** MCSI ACWI ex. fossil fuels data from 1st July 2020 onwards.*
- CUEF returns are net of fees.
- Past performance is not indicative of future returns.
- All returns are provided in GBP, except for Absolute Return & Credit, for which we provide both GBP and local currency (LC) returns. The latter figures should be compared to the UK 0-1Yr Gilts + 400bps in order to compute relative performance.
- Some asset class returns are subject to change as various late illiquid asset valuations are received.
- Private Equity and Real Assets Composite Benchmark returns remain subject to change as underlying illiquid indices are finalised.

The commentary below provides a summary of performance by asset class for Q4 of the Financial Year 2022-23 (Q2 of the Calendar Year) and for the full Financial Year (12 months to 30th June 2023).

Public Equity

The CUEF's public equity portfolio returned +2.7% (in Sterling terms) in the fourth quarter of the CUEF Financial Year, underperforming its MSCI ACWI ex fossil fuels benchmark (+3.6%). Strong relative performance from the portfolio's emerging markets book (+0.4% in Sterling terms, versus -2.3% for the benchmark) was offset by underperformance in developed markets (+3.4%, versus +4.4%).

During the quarter, the most notable positive contributions within the developed market public equity portfolio by manager came from one partner with strong exposure to the US manufacturing sector and another whose portfolio benefitted from the excitement around the theme of artificial intelligence. Notably, and despite some negative sentiment and depressed valuations; one manager focused on the clean energy transition substantially outperformed its benchmark. A key detractor in this part of the portfolio was the weaker relative performance of a biotechnology specialist fund manager, which had previously generated excellent returns based on the acquisition of one its key holdings.

For the Financial Year 2022-23 as a whole, the CUEF's public equity portfolio recorded a rise of +9.9%. Within developed markets, the portfolio's primary contributors were a US specialist running a concentrated portfolio and a pan-European manager that invests in value companies. In emerging markets, relative performance was strong; the majority of the CUEF's fund managers outperformed their benchmarks.

Although respectable in absolute terms, the portfolio's overall annual performance was -1.9% behind the MSCI ACWI ex fossil fuels (+11.8%); and on an annualised three-year trailing basis, the CUEF's public equity portfolio was -3.0% behind this benchmark. Relative underperformance was primarily driven by the public equity portfolio's overweight exposures to the United Kingdom and emerging markets, which both lagged the broader index over the three-year period, but at current levels UCIM believes these markets are very favourably priced.

Towards the end of the Financial Year, UCIM began trimming back a number of the portfolio's larger holdings in order to marginally reduce the overall size of the public equity book (from 42% of CUEF assets to just under 40%), in line with our recently adjusted asset allocation targets. There were, however, small increases in allocations to public equity managers and sectors where we have high conviction, including a new manager in the biotechnology sector, an existing investor in Japanese "small-cap" equities and the existing manager in Asia Pacific equities (the catalyst for the latter was also the restructure of one of their funds to carve out exposure to energy companies following our active engagement regarding sustainability).

Absolute Return and Credit

While performance in this part of the CUEF portfolio was muted in the fourth quarter, rising a modest +0.3% in local currency terms (or -1.3% in Sterling), for the Financial Year 2022-23 as whole, absolute return and credit grew +6.1% in local currency (+3.4% in Sterling), representing a strong result for this part of the portfolio.

Notable contributors during the fourth quarter were two managers deploying arbitrage strategies in fixed income markets. One financials-focused long-short equity manager detracted from returns during the quarter but contributed positively for the Financial Year as a whole. A tail-risk volatility manager continued to struggle due to low realised market volatility as equity markets rallied, with relative value strategies failing to offset the cost of carrying long volatility positions.

As at 30th June 2023, the Absolute Return and Credit portfolio consisted of twelve core manager positions. Eleven recorded positive returns in local currency for the full Financial Year. The strong financial year performance was made possible by strong alpha generation across these managers, each performing broadly in line with our expectations relative to our initial investment thesis. The largest contributor was a fundamental stressed and distressed credit manager, which benefitted as the market environment became more favourable for the strategy. Conversely, the only detractor was a position with a tail-risk volatility manager.

In line with the updated asset allocation targets (referenced in Section 6 above), at the start of June, UCIM added capital to the more liquid constituents of the Absolute Return and Credit book (broadly pro-rata to their existing size), funded from the public equity trims, as well as excess cash; increasing the allocation from 20% to just under 23% of total CUEF assets.

Private Equity

During the quarter, the CUEF's private equity portfolio declined -0.7% in Sterling terms, modestly outperforming the Cambridge Associates preliminary benchmark return of -1.2%. During the Financial Year 2022-23, the CUEF's private equity portfolio declined -1.4% in Sterling terms, approximately in line with the Cambridge Associates benchmark, at -1.5%.

Whilst the absolute and relative performance numbers through the Financial Year have acted as a drag on overall performance, this should be set in longer-term context: the CUEF private equity portfolio has returned +19.3% annualised over the past three years and has outperformed the Cambridge Associates benchmark return by +2.3% annually. As referenced in the comments regarding the revised Asset Allocation targets above, UCIM continues to believe that Private Equity (both Venture and Buyout) will be a key driver of CUEF returns over the long term.

As per recent reports to CUEF investors, individual private equity fund performance was mixed in Q4 of the Financial Year, with no clear trends, as performance was generally driven by idiosyncratic events across managers' portfolios.

Across the Financial Year overall, notable contributors to private equity performance were several mature mid-market buy-out managers, benefitting from exits or partial exits of their portfolio companies. In contrast, a secondaries specialist with exposure to mature venture capital and growth equity assets was marked down, along with managers exposed to China. Given the wider challenges from higher borrowing costs facing private markets noted above, acquisition activity continues to be relatively muted.

Distributions were £25 million for the fourth quarter of the Financial Year; capital calls for the same period were £38.7 million. For the Financial Year 2022–23, distributions were £103.2 million and capital calls were £132.9 million. This profile is expected to continue as the CUEF builds out its private equity portfolio.

During the fourth quarter, two fund commitments and a co-investment were completed at a combined level of £25 million; bringing the total commitments for the full Financial Year 2022-23 to £188 million, in line with UCIM's target.

Real Assets

The CUEF's real assets portfolio returned -3.8% in Sterling terms in Q4 of the Financial Year 2022-23, behind its benchmark, which was flat for the quarter. For the full Financial Year 2022-23, the CUEF's real assets portfolio recorded a decline of -13.7% in Sterling terms, marginally behind its benchmark, which fell -12.8%.

As noted in the market commentary above, the real assets portfolio is sensitive to the impact of rising interest rates, which have negatively impacted valuations where the CUEF is exposed to UK office buildings. The CUEF's largest real estate investment slightly gained in value during the quarter, however, with increased leasing activity and higher rental rates in its portfolio of industrial estates in South-East England; an encouraging overall signal going forward.

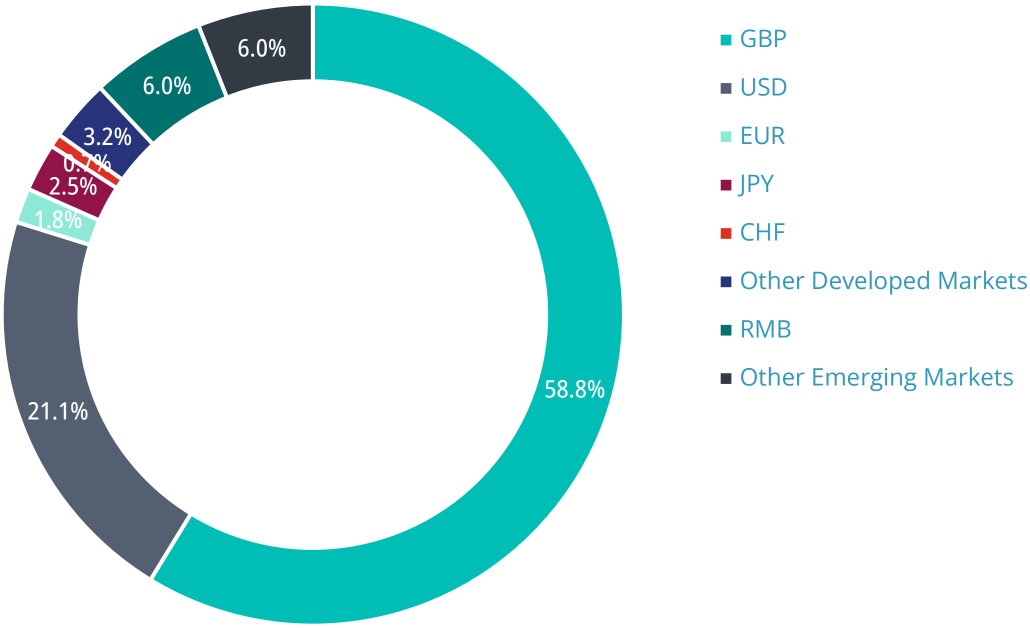
Soft commodity prices had a sizeable impact on the CUEF's natural resources positions, particularly for one legacy investment which was a main driver of the overall decline in the value of the real assets portfolio.

For the full Financial Year, the negative performance was primarily a function of continued rising interest rates, which led to relatively weak performance in all but one real estate manager. The natural resource manager referenced above also declined as a result of the commodity cycle; and was the largest detractor in this part of the portfolio. Pleasingly, the CUEF's position with a European renewable energy manager generated positive returns for the Financial Year.

As at 30th June 2023, the CUEF's allocation to real assets was 7.1%, which is below both the previous (10.0%) and new (10.0-12.5%) long-term asset allocation targets due to a number of asset sales during the period. In the second half of the Calendar Year 2023, UCIM anticipates that that this gap will close based on the pipeline of promising opportunities from managers focused on the London office market and industrial properties.

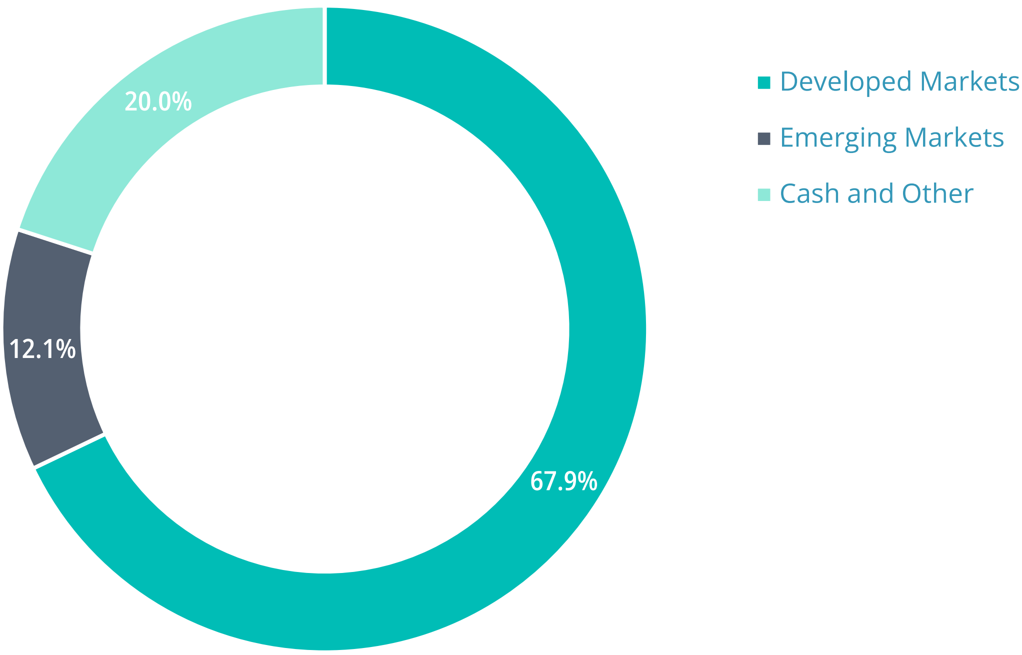
8. Portfolio Composition

Figure 8: CUEF Foreign Exchange Breakdown (%) 30th June 2023



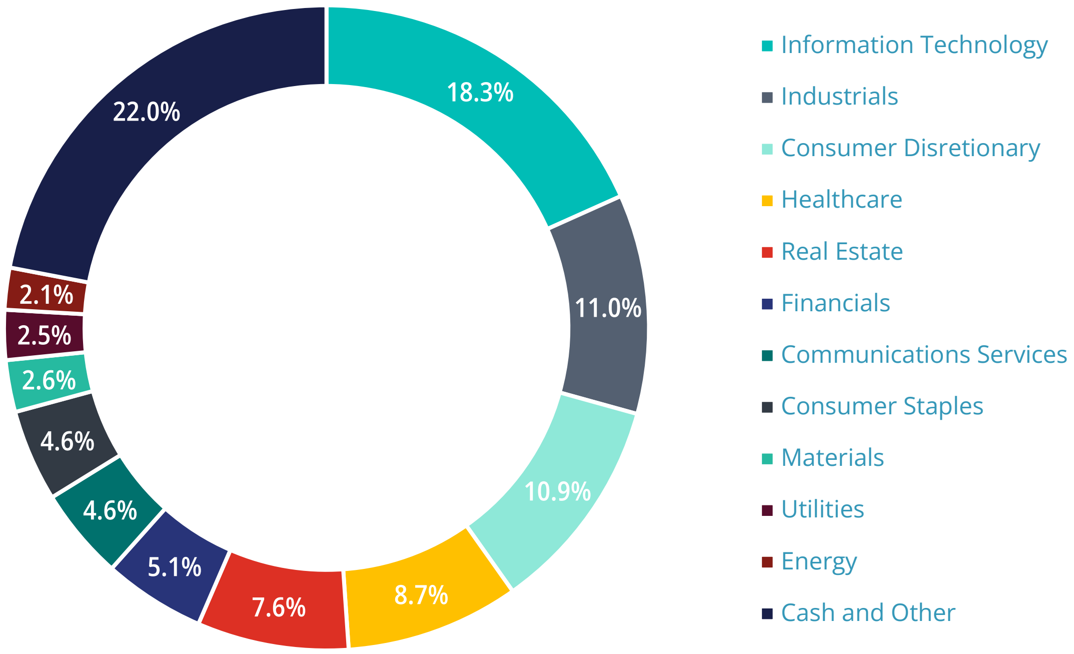
Source: UCIM internal reporting. Foreign currency exposures are based on UCIM estimates of underlying managers' foreign currency exposures, which are aggregated and adjusted for the CUEF's own overlay foreign currency hedge.

Figure 9: CUEF Geographic Split (%) 30th June 2023



Source: UCIM internal reporting. "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 10: CUEF Sector Split (%) 30th June 2023



Source: UCIM internal reporting. "Cash & Other" includes managers with no directional sector exposure due to hedging.

Figure 11: CUEF Top Ten Manager Holdings by Fund Manager (% of NAV) at 30th June 2023

Fund Manager	Mandate	CUEF assets (%)
Manager A	Global long-only public equity, concentrated portfolio of 20-40 stocks	5.06%
Manager B	Global software specialist private equity manager	5.05%
Manager C	Pan-European, long-only public equity manager with value bias	4.29%
Manager D	China focused public and private equity manager	4.11%
Manager E	US focused, long-short public equity manager with robust risk controls	3.90%
Manager F	US focused long-only manager with concentrated portfolio of high-quality companies	3.85%
Manager G	Pan-Asia long-only public equity manager targeting high quality stocks	3.83%
Manager H	Long only and long-short equity manager investing in the energy transition	3.52%
Manager I	Alternative investment manager focused on European credit	2.68%
Manager J	Absolute Return bond investor focused on US municipal markets	2.26%

Source: UCIM internal reporting.

9. Capital and Distribution Flows

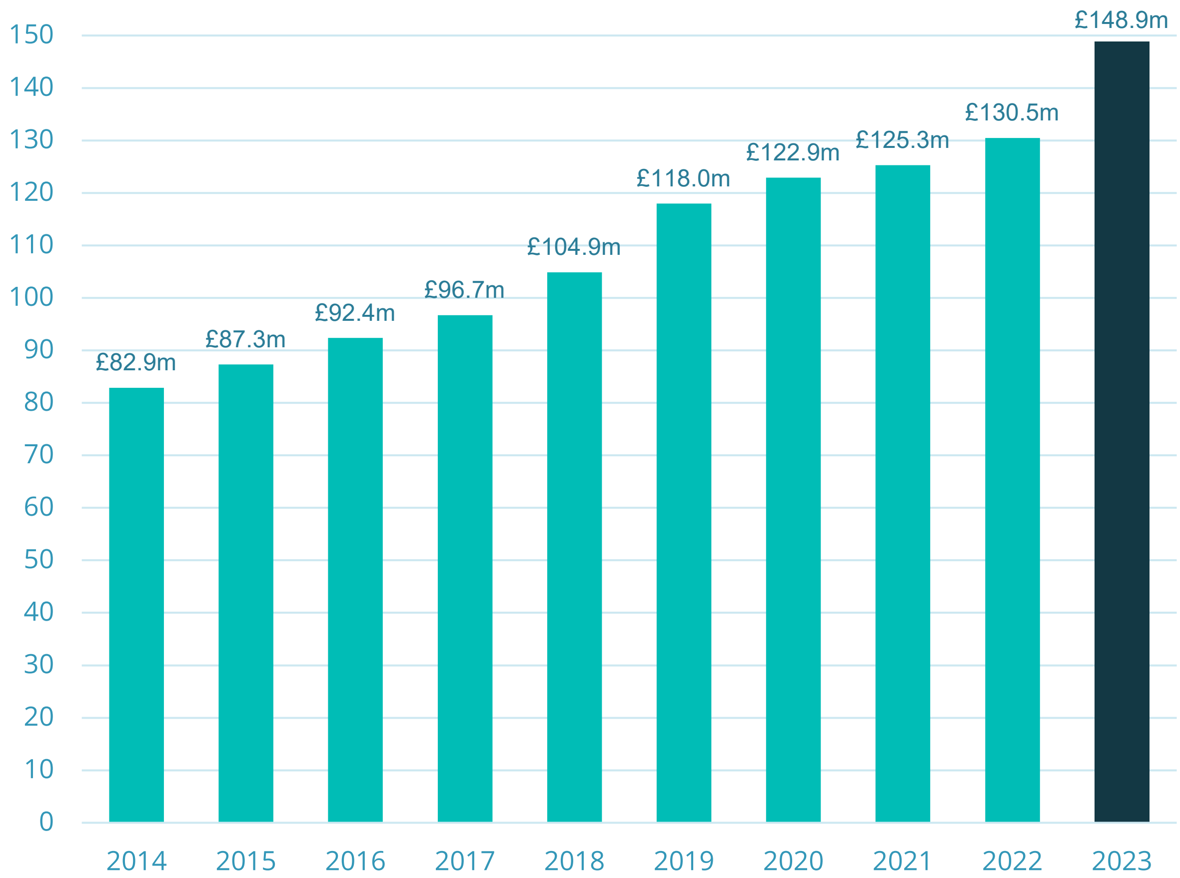
During Calendar Q2 2023, a distribution totalling £38.1 million was made to investors. This outflow was more than offset by capital inflows totalling £46.0 million.

The opening net asset value of the Fund at 1st July 2022 was £3,823 million. Over the course of the year to 30th June 2023, £143.5 million was contributed to the CUEF by investors, including contributions from one new investor, with £5.0 million withdrawn. The total return for the year (net income plus net capital gains) was £157.8million, and distributions were £148.9 million. As a result, the net asset value of the Fund at the end of the year was £3,971 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 2022-23 financial year, the distribution represented 3.9% of the opening fund value.

A further net capital inflow of £34.4 million was received into the Fund on 1st July 2023, which includes £10 million from a new investor in the Fund.

Figure 12: CUEF Distributions (£m) 2014 - 2023



10. Leverage

UCIM reports quarterly three leverage measures for the CUEF:

i) the CUEF's own internal method,
ii) the AIFMD 'Gross' method and,
iii) the AIFMD 'Commitment' method.

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 2023 the Fund had no leverage under the CUEF's own method and capital commitments outstanding of 19%. The AIFMD leverage ratios were as follows: 'Gross' method 145%, 'Commitment' method 99%. To aid investor understanding a breakdown of the main contributors to the actual 'Gross' and 'Commitment' leverage levels is provided in Appendix 2.

11. Appendices

Appendix 1 - 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, UCIM has 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 2023

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	**3,970.5**
Exclude: Fixed Interest / Cash Investments	-137.2
Total Exclusions: CUEF own internal method	**-137.2**
CUEF Total Investment Exposure - 'CUEF own' method	3,833.3
CUEF Net Asset Value	3,970.5
CUEF Leverage % - CUEF own internal method	97%
CUEF Leverage Limit % - CUEF own internal method	110%

CUEF Leverage - 'Gross' method	
	£m
CUEF Net Asset Value	**3,970.5**
Plus: Adjusted Derivative Positions	
- Futures	88.1
- Currency Contracts	1,078.8
Total CUEF Investment Position - 'Gross' method	5,137.4
Exclude cash and cash equivalents	-149.2
Total Exclusions - 'Gross' method	**-149.2**
CUEF Total Exposure excluding capital commitments- 'Gross Method'	4,988.2
CUEF Net Asset Value	3,970.5
CUEF Leverage % - 'Gross' method excluding capital commitments	126%
CUEF Capital Commitments (Private Equity)	762.1
CUEF Total Exposure excluding capital commitments- 'Gross Method'	5,750.3
CUEF Net Asset Value	3,970.5
CUEF Leverage % - 'Gross' method including capital commitments	145%
CUEF Leverage Limit % - 'Gross' method	5,000%

CUEF % Leverage - 'Commitment ' method	
	£m
CUEF Net Asset Value	**3,970.5**
Plus: Adjusted Derivative Positions	
- Plain Vanilla Options on Futures Contracts	0.0
- Futures	88.1
- Currency Contracts	1,078.8
Total CUEF Investment Position - 'Commitment' method	5,137.4
Exclude cash and cash equivalents	-149.2
Exclude: Hedging positions	-1041.9
Total Exclusions - 'Commitment' method	**-1,191.1**
CUEF Total Exposure excluding capital commitments- 'Commitment' method	3,946.3
CUEF Net Asset Value	3,970.5
CUEF Leverage % - 'Commitment' method	99%
CUEF Leverage Limit % - 'Commitment' method	5,000%