

Cambridge University Endowment Fund

Annual Investor
Presentation

7th November 2023



UNIVERSITY OF
CAMBRIDGE

Investment Management



Agenda

1. Introduction and 2022 / 23 Update
2. Investment Strategy
3. CUEF Performance
4. Sustainable Investment
5. Asset Class Discussion
6. Operational Update
7. Q&A

Our Mission

To **serve** the University, Colleges and Trusts by delivering **world-class, sustainable** investment performance.

Introduction

Progress Over Last Three Years

Team

- ✓ Fully built out team; strong culture of support and collaboration
- ✓ Shared understanding and commitment to UCIM Mission, Vision and Values
- ✓ High level of staff satisfaction

Portfolio

- ✓ Steady progress towards long-term asset allocation
- ✓ 66 core managers with high conviction in portfolio
- ✓ High level of engagement with fund managers on sustainability issues

Operations

- ✓ Performance and exposure reporting system fully integrated and automated
- ✓ Robust compliance culture fully embedded; risk management process and updated policies
- ✓ UCIM measuring its own carbon emissions; achieved Silver in Green Impact Awards

Stakeholder Engagement

- ✓ Increased interaction across University, inc. students; annual town hall meetings
- ✓ New UCIM website to support improved understanding of organisation and impact
- ✓ Sustainability strategy now widely understood and accepted internally and externally

New CUEF Governance Structure in Place

Cambridge University Endowment Trustee Body ("CUETB") *(represents the University as trustee of CUEF and sole shareholder of UCIM)*

- Fiduciary duties to all CUEF investors
- Three members appointed by University Council; two members appointed by CUEF investors; one independent member appointed by CUETB
 - Oversees and consults with the Investment Advisory Board and UCIM

UCIM Board

- Governing body responsible for oversight, compliance and risk management of UCIM
- Sub-committees: Remuneration and Nominations; Valuation; Audit, Risk, Compliance and Controls
- Reports to CUETB

Investment Advisory Board

- Committee constituted by the CUETB
- Chair and minimum of 5 independent members
- Consults with CUETB and UCIM on investment strategy and portfolio management

University of Cambridge Investment Management ("UCIM")

- Investment Manager of the CUEF
- Reports to CUEF Investors
- Authorised and regulated by the Financial Conduct Authority

Cambridge University Endowment Fund ("CUEF")

UCIM Team



UCIM Roles and Responsibilities

Investment Team

- Asset Allocation Strategy
- Investment Research
- Manager Selection (Sourcing, Investment Due Diligence, Reference Calls)
- Manager Engagement
- Delivery of Sustainable Investment
- Reporting and analysis

Operations Team

- Investment Operations
- HR
- IT Systems
- Operational Due Diligence
- Internal Reporting and Analysis
- Compliance as FCA regulated entity
- Risk Management and Policies

Investment Team Supported by Deep Expertise - Investment Advisory Board



Sarah Fromson, Chair *

Formerly Head of Risk,
Wellcome Trust
Endowment



Suranga Chandratillake *

GP Balderton Capital,
previously US CTO for
Autonomy



Jim Garman *

Head of EMEA Alternatives
and co-head of Real
Estate, Goldman Sachs
Asset Management

Significant experience and deep
knowledge across asset classes; provide
feedback on investment strategy and
portfolio management.

* University of Cambridge graduate



Andy Golden

President of Princeton
University Investment
Company 1995 - 2023



David Novak

Co-President of PE firm
Clayton, Dubilier & Rice
("CD&R")



Mark Slater *

CEO, Slater investments,
a specialist UK equity
fund manager



Kristen Weldon

Formerly Global Head of
Sustainable Investing,
BlackRock Alternatives
and Partners Capital

Oversight Provided by UCIM Board



Alan Brown
Chair

Chairman of Artemis Investment
Former Group CIO, Schroders
Treasurer and Trustee, The Kings
Fund
Graduated from University of
Cambridge



Tilly Franklin
Executive Director

CEO and Chief Investment Officer,
University of Cambridge
Investment Management



David Hughes
Non-Executive

Director of Finance
University of Cambridge



Elaine Clements
Non-Executive

Non-Executive Director, Invesco
Fund Managers
Non-Executive, Dept. for Energy
Security and Net Zero
Former Group Chief Compliance
Officer, JP Morgan Asset
Management

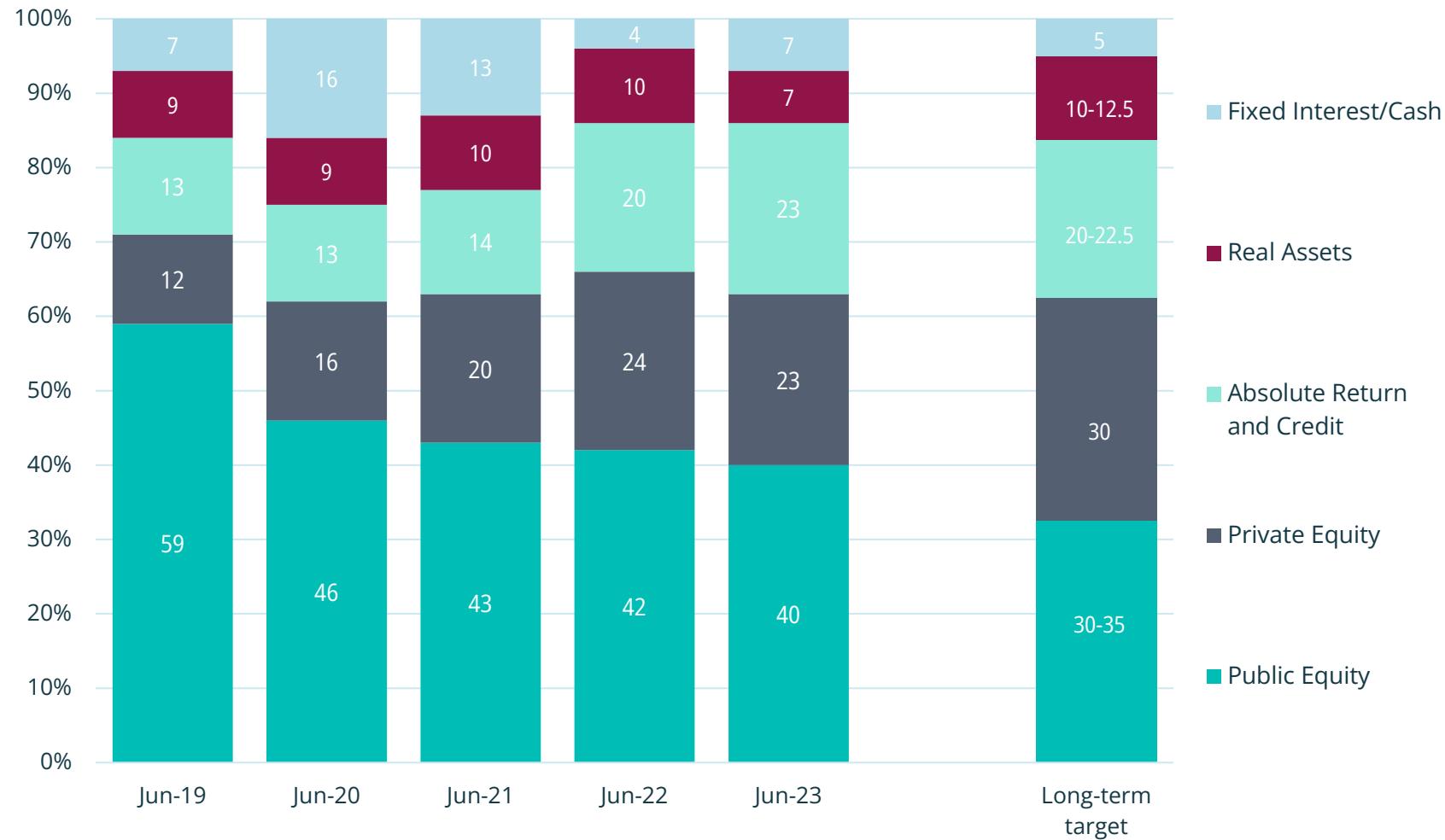
The UCIM Chief Operating Officer, Compliance Officer and Business Support Administrator also attend UCIM Board meetings.

Investment Strategy

Investment Strategy

- A **very long-term investment horizon**, consistent with University's long-term goals
- Investment objective to achieve **returns of 5% above inflation** (consumer price index "CPI")
- We use a **"multi-asset" strategy** (public equity, private equity, absolute return, real assets, cash)
- We **invest with "third-party" managers** (minimal direct investments, e.g., shares in companies)
 - *Specialist insights*
 - *Alignment of interests*
 - *Long-term perspective*
 - *Willing to work in partnership and have an active dialogue with us*
- **Sustainability** embedded into investment process

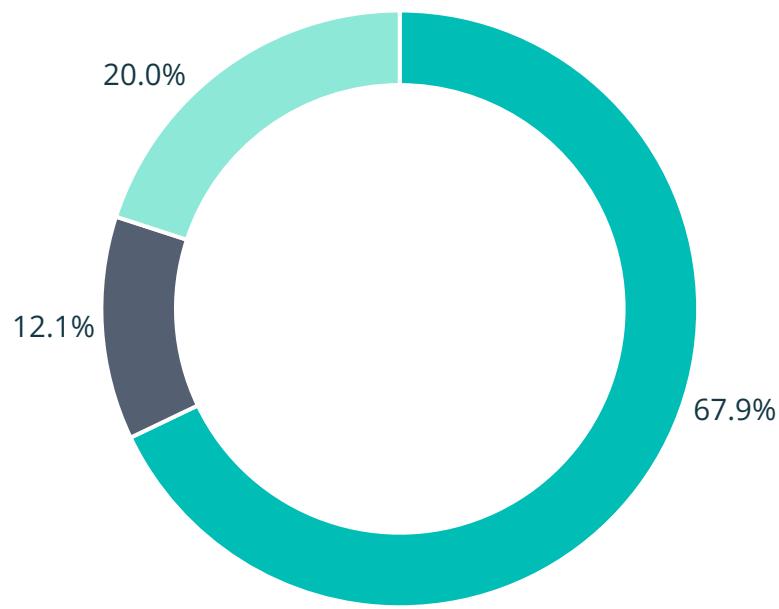
Asset Allocation



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

Portfolio Composition (30th June 2023)

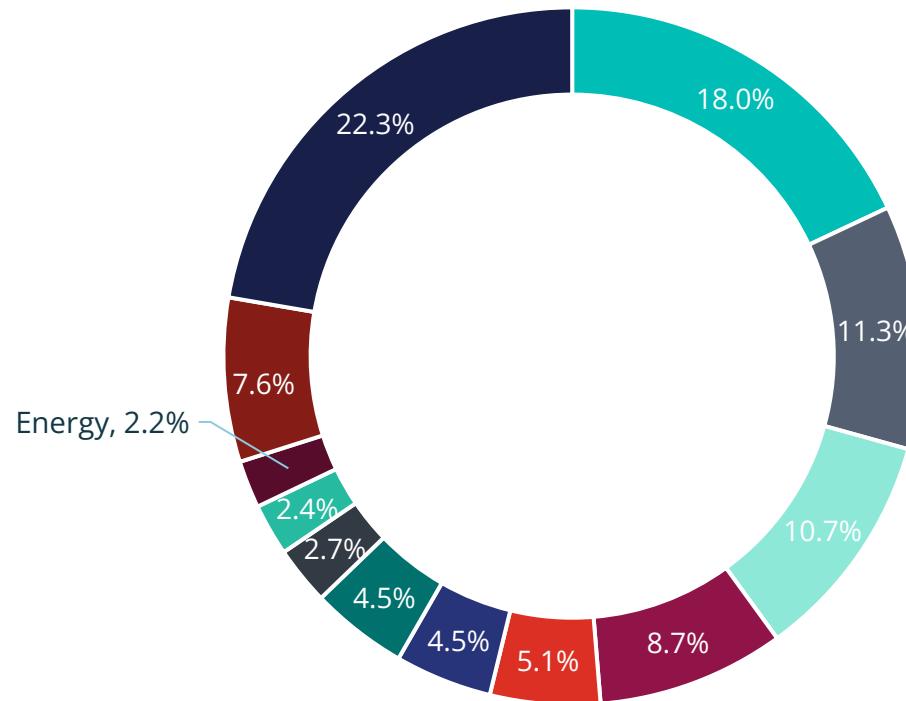
Geographic Exposure



■ Developed Markets ■ Emerging Markets ■ Cash and Other

* Cash and Other includes non-directional exposure via Hedge Funds

Sector Exposure



■ Information Technology
■ Consumer Discretionary
■ Financials
■ Consumer Staples
■ Utilities
■ Real Estate

■ Industrials
■ Healthcare
■ Communications Services
■ Materials
■ Energy
■ Cash and Other

CUEF Performance

CUEF Performance 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%
“65/35” Benchmark	+4.5%	+4.8%	+5.3%	+7.8%

<i>MSCI ACWI ex. fossil fuels*</i>	+11.8%	+10.1%	+9.1%	+11.1%
<i>FTSE All-Share</i>	+7.9%	+10.0%	+3.1%	+5.9%
<i>Barclays Global Aggregate Bonds (GBP-Hedged)</i>	-0.8%	-3.5%	-0.0%	+1.5%
<i>British Govt Index-Linked Bonds</i>	-17.0%	-12.6%	-4.3%	+1.7%
<i>UK Quarterly Property</i>	-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:

- The 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).

- CUEF returns are net of fees. All index returns in Pounds Sterling unless stated.

- * MSCI ACWI ex. fossil fuels data from 1st July 2020 onwards.

Past performance is not indicative of future returns.

CUEF Asset Class Performance vs. Benchmarks

	Financial Year 22/23 Cumulative	Since 1 July 2020 Annualised
Public Equity	+9.9%	+7.1%
<i>MSCI ACWI ex. fossil fuels</i>	+11.8%	+10.1%
Private Equity	-0.7%	+19.0%
<i>CUEF Cambridge Associates PE Composite</i>	-1.3%	+16.7%
Real Assets	-13.7%	+11.3%
<i>CUEF Real Assets Composite</i>	-12.8%	+5.0%
Absolute Return & Credit (Local Currency)	+6.1%	+6.5%
<i>UK 0-1Yr Gilts + 400bps</i>	+6.2%	+4.7%

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.

- 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 which is provided in local currency.

- 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.

Sustainable Investment

Honor Fell

Sustainable Investment Strategy

Reduce emissions in CUEF portfolio **AND** society



Sustainable Investment Progress

Investing

to achieve a phased transition to net zero

Conventional energy fell by 1.6% to 2.2% of total portfolio (MSCI ACWI 4.6%)

WACI* of Public Equity Portfolio - 162.1 tCO2e/£m, 7.9% below MSCI ACWI

Committed over £100m to renewable energy funds since 2021

Definitions: WACI - Weighted Average Carbon Intensity

Data Sources: UCIM internal reporting, Bloomberg

Sustainable Investment Progress

Engaging
to decarbonise the real economy

Emissions measurement in public equity, private equity and real assets

More partners measuring and reporting GHG emissions

Engagement has led to partners creating energy screens for CUEF mandates

Active with key industry bodies e.g., IIGCC and RINU

Completed three cohorts of bespoke executive education programme for partners

Sustainable Investment Progress

Reporting

with accountability and transparency to stakeholders

New UCIM website

Increased engagement with University stakeholders, inc. SU, Green Officers

Annual Sustainability “Town Hall”

Engagement Case Study

Fund Management Partner

- Japanese small to mid-cap public equity fund manager
- The firm had a nascent approach to sustainability and no formal policy
- Prior to investment, the firm had held a natural gas supply company in its portfolio

UCIM Engagement

- UCIM was clear from the outset about its sustainability objectives and criteria; the fund manager appeared willing to engage so conversations continued
- UCIM consistently included discussion of sustainability through the due diligence process
- UCIM requested exclusion of conventional energy from its mandate

Impact

- The fund manager has since published a formal policy on sustainable investment
- It incorporates ESG data into its investment decision making
- It has excluded conventional energy from its investment universe; not only the CUEF mandate

Executive Education Programme

“Net Zero by 2038”

3 cohorts
in 2 years

18 firms

Total
\$144bn
AUM

Attendees:
CEOs, Managing Partners, CIOs & PMs



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

CIO, US Public Equity Manager

Executive Education Programme Case Study

Fund Management Partner

- Private equity firm focused on European companies – over \$6bn under management.
- The firm redefined its approach to sustainability and hired a new Head of ESG and Head of Impact in 2020.
- Before completing the programme only one portfolio company reported greenhouse gas emissions.

Actions Following Programme

- Learnings from “Net Zero by 2038” programme formed key part of new strategy.
- Firm embraced “science-based targets” approach for portfolio companies, encouraging them to set ambitious emissions reduction targets.
- Committed to measuring, managing and reporting emissions.

Impact

- **All** portfolio companies now reporting Scope 1 and Scope 2 emissions.
- One portfolio company became the first in its country to have emissions reductions targets approved by the [Science Based Targets Initiative](#) (SBTI).
- Supported development of key portfolio company into a “circular economy” business, leading to reduced cost of debt and higher valuation multiple.

Firm now internationally recognised for its progress and won numerous industry awards in 2021, 2022 and 2023.

Asset Class Performance and Discussion

Private Equity

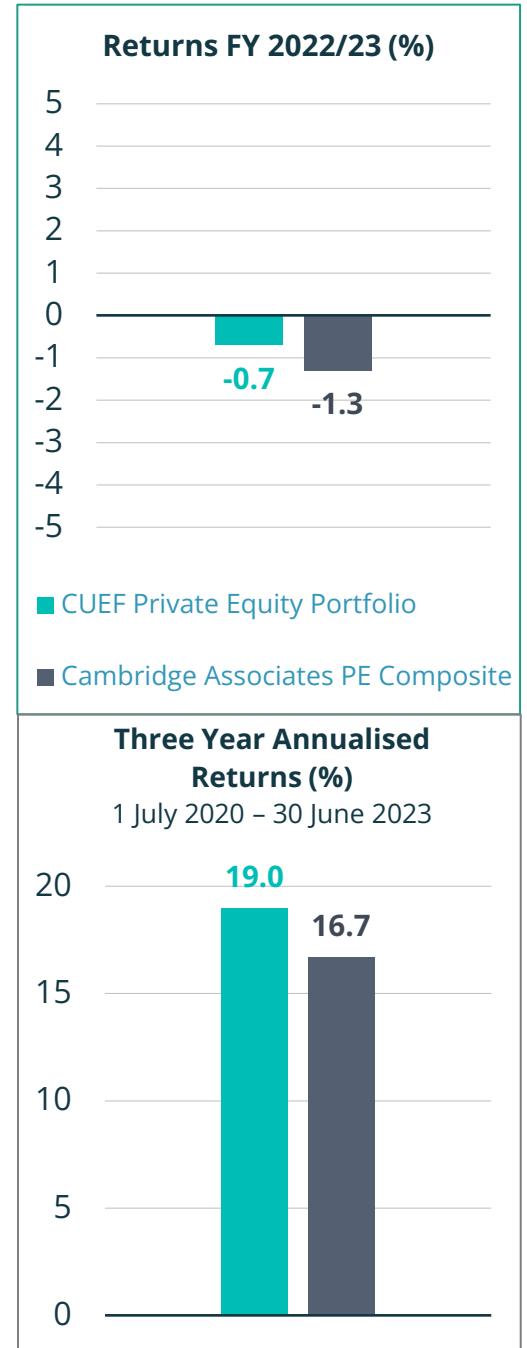
Sam Sturge

Private Equity

- Following several years of high absolute returns, the private equity portfolio generated a return of -0.7% during the financial year.
- Meaningful activity level in year to 30th June 2023 - 9 fund commitments; 3 co-investments (3 new relationships).
- We are continuing to focus on managers differentiated by sourcing models, market, sector and company insights, operational expertise, and strategic capabilities.
- UCIM does not seek to invest in managers reliant on leverage to generate returns.

Data sources: CUEF returns calculated based on CUEF Net Asset Value, other data sourced from Bloomberg and UCIM internal reporting.

All returns are provided in GBP. CUEF returns are net of fees. Past performance is not indicative of future returns.



Manager Selection Case Study (European Buyout)

Objective

- UCIM seeks middle market buyout managers with strong domain expertise and operating capabilities.
- Priority is managers with strong focus on delivering asymmetric returns through disciplined downside protection, combined with transformative value creation agendas.
- Additional focus to identify managers that have integrated environmental sustainability into investment and valuation creation process.

Investment Process

- UCIM typically reviews over 200 buyout managers a year, sourced from network, existing manager relationships, other Limited Partners, intermediaries, and inbound interest based on CUEF's strong brand.
- UCIM team first met this manager in 2019 as they were spinning out of a leading European buyout firm.
- Built relationship over four years, took references from Limited Partners, previous colleagues, other market participants, and company executives.

Result

- In Summer 2023, CUEF committed to the firm's second fund.
- The fund will invest in business services and industrial technology companies in Northern Europe.
- The firm has recently completed its first investment.

Public Equity

Sarah Wood

Public Equity

Full Year 2022-23

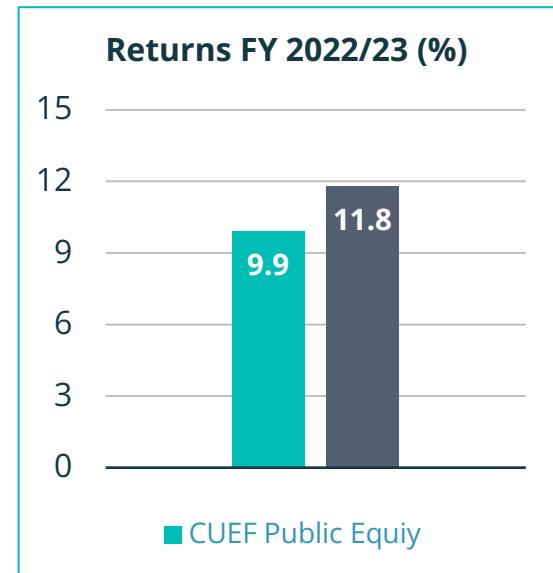
- The portfolio's managers outperformed in both emerging markets and developed markets in FY 2022-23.
- However, overweight exposure to emerging markets, which were weak during the period, detracted from returns.
- One new manager relationship; two redemptions.

Three-year performance

- Strong relative performance in emerging markets was offset by underperformance in developed markets.
- Overweight exposure to emerging markets also detracted from returns.
- Initiated nine new manager relationships and redeemed seven positions since 1st July 2020.

Data sources: CUEF returns calculated based on CUEF Net Asset Value, other data sourced from Bloomberg and UCIM internal reporting.

All returns are provided in GBP. CUEF returns are net of fees. Past performance is not indicative of future returns.



Public Equity Manager Selection – Case Study

Objective

- UCIM identified biotechnology as an attractive market in 2022 - sector witnessed meaningful decline in stock prices, while underlying businesses continued to flourish.
- CUEF had some exposure to biotechnology via an existing manager with concentrated global large-cap portfolio.
- UCIM sought to complement this existing exposure with a small-cap manager.

Investment Process

- Conducted extensive review of the biotechnology landscape.
- Successful managers tend to have deep specialist knowledge, willingness to invest over longer-term, and small enough to remain nimble.
- UCIM was introduced to an exceptional investor with impressive pedigree in both medicine and investing, who had recently started their own firm.

Result

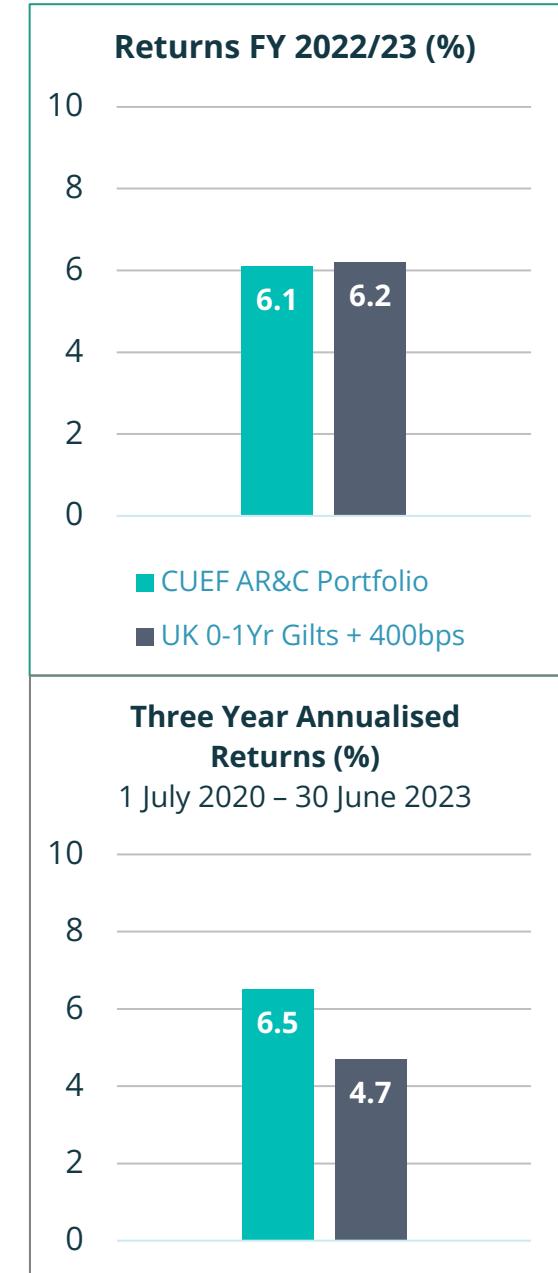
- Following extensive due diligence, UCIM incepted a position in January 2023.
- UCIM is working closely with the manager, supporting the early stages of their sustainability journey.

Absolute Return and Credit

Benoit Ramsay

Absolute Return and Credit

- AR&C portfolio FY performance robust (+6.1%) - driven by contributions across managers (only one allocation materially detracted from returns in the period).
- Following substantial activity to build portfolio 2020-22, activity in past 12 months has been incremental.
- Strong belief that properly constructed hedge fund strategies should benefit from higher interest rate, lower liquidity and higher volatility market environment.



Data sources: CUEF returns calculated based on CUEF Net Asset Value, other data sourced from Bloomberg and UCIM internal reporting.

Absolute Return & Credit returns provided in local currency. CUEF returns are net of fees.

Past performance is not indicative of future returns.

Absolute Return Manager – Case Study

Objective

- UCIM seeks managers with domain expertise in markets where structural characteristics lead to frequent, monetisable mis-pricings.
- Europe's small, illiquid and somewhat fragmented high yield bond and leveraged loan markets are dominated by constrained traditional investors who often conduct limited fundamental research on underlying companies.

Manager Qualities

- UCIM's chosen manager is headed by a highly experienced portfolio manager who combines strong fluency in credit market technical factors with a willingness to carry out meticulous fundamental credit research.
- The firm is willing to participate actively in new issue, stressed, distressed and highly structured segments of the market.
- Importantly, the manager is aware of disadvantages of growing too large within a somewhat illiquid market. The firm's flagship strategy recently hard-closed to new investors at an appropriately conservative size.

Result and Impact

- In late 2022, following substantial widening in European high yield spreads, the CUEF made an opportunistic investment into the firm's long-only strategy, complementing its existing position in its flagship hedge fund.
- Both funds have performed strongly, underpinned by generation of material alpha versus market equivalent benchmark.
- Entry into the firm's long-only fund allowed UCIM to catalyse a step-change in the firm's approach to incorporating environmental sustainability into its process.

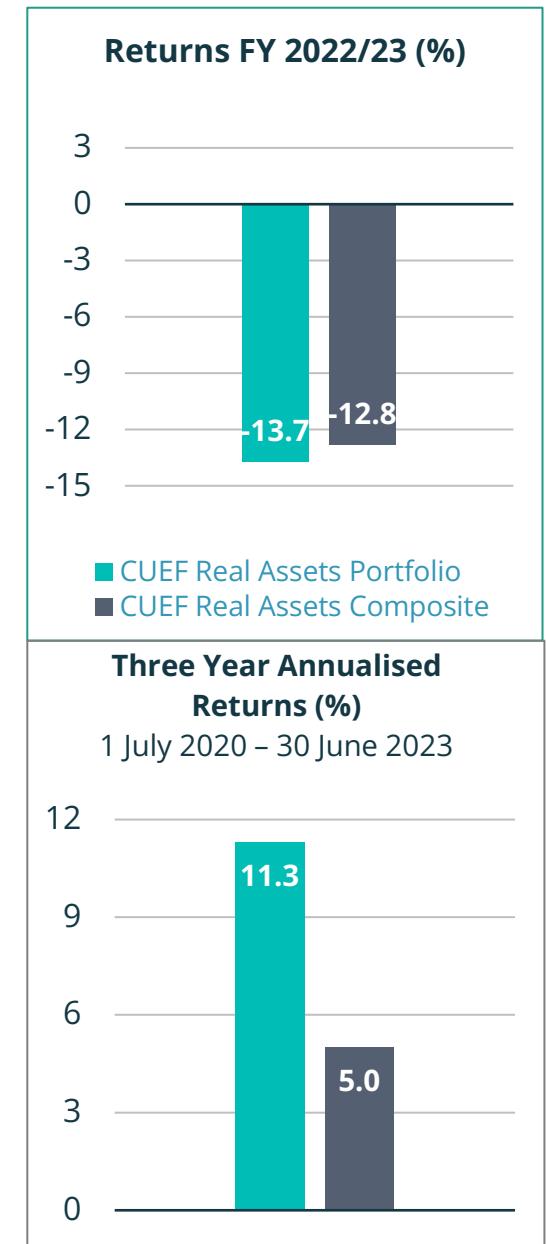
Real Assets

Honor Fell

Real Assets

- The real assets portfolio is currently 7% of the CUEF, slightly below long-term target of 10%.
- The portfolio declined 13.7% over the year, behind its benchmark which fell 12.8%.
- During the year, capital was committed to a new fund raised by an existing European renewable energy infrastructure manager.
- New relationships formed with a forestry and agriculture specialist and a fund manager focused on the energy transition, specialising in mining.
- UCIM has identified residential real estate as an attractive opportunity for new investment over the next 12 months.

Data sources: CUEF returns calculated based on CUEF Net Asset Value, other data sourced from Bloomberg and UCIM internal reporting. All returns are provided in GBP. CUEF returns are net of fees. Past performance is not indicative of future returns.



Real Assets Manager Selection – Case Study

Objective

- UCIM identified **forestry and permanent-crop agriculture** as attractive potential area for investment.
- Managers in this area provide a diversified source of returns, inflation protection and nature-based solutions to climate change.

Investment Process

- UCIM carried out a **global search** to identify a suitable partner, focussing on strategies creating value through new plantations.
- UCIM **reviewed over twenty potential partners** and carried out in-person due diligence visits to forestry and agriculture assets.

Result

- UCIM selected a fund manager with a long track record of global investment in both forestry and agriculture, and a deep understanding of sustainability in the asset class.

Operational Update

Operational Update

Controls and Compliance

Further strengthening our robust control environment through addition of UCIM-specific internal audit function.

Reporting

Exposure and reporting system fully integrated and automated providing daily information; to be extended to include cash flow forecasting to support portfolio management.

Governance

Issued updated Fund documentation in the year largely driven by finalisation of the new Governance structure.

Team

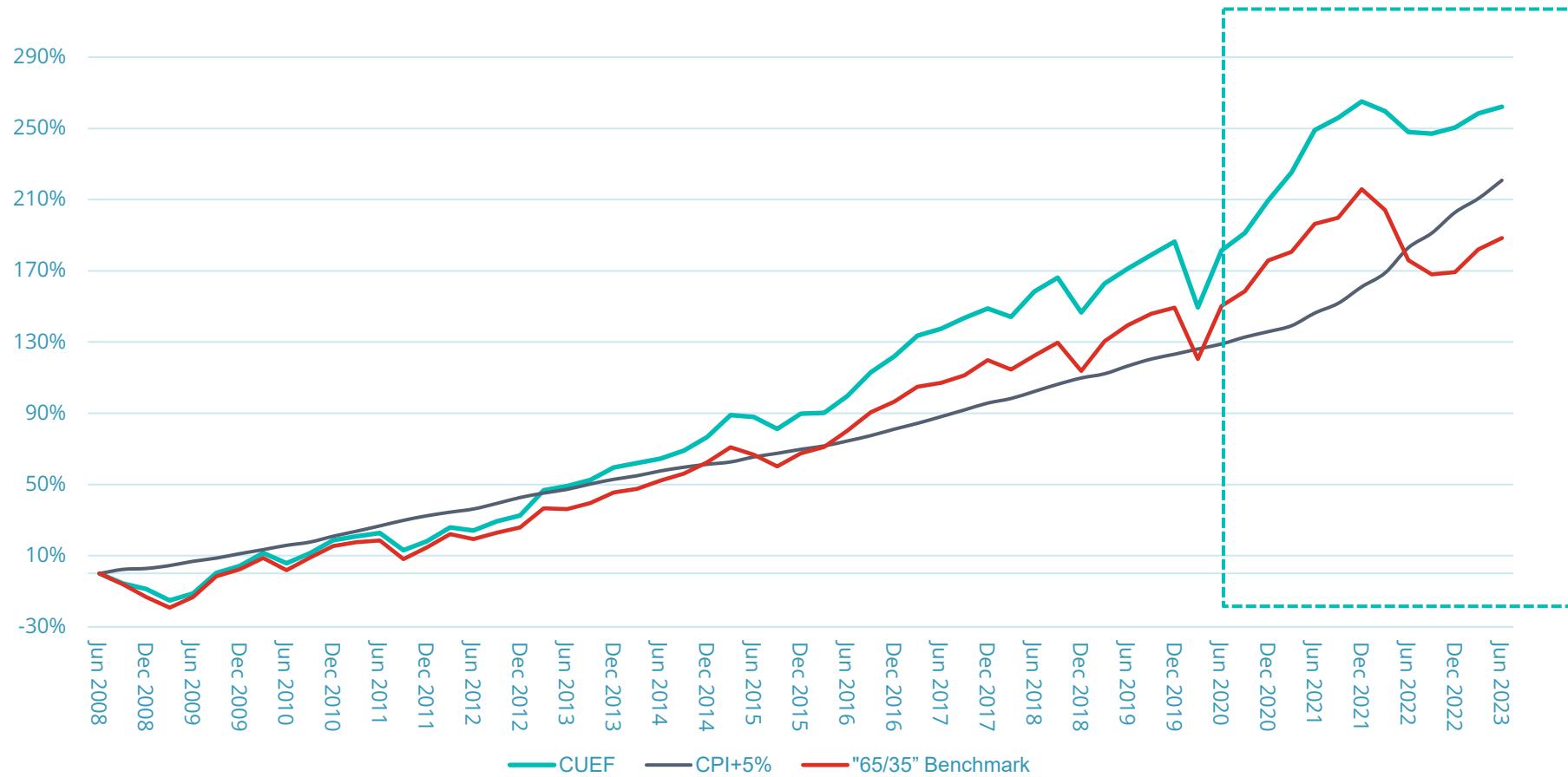
Well established team in place; planning to appoint first investment operations apprentice in next few months.

Summary

Strong Long-term Performance

Total portfolio cumulative net returns since June 2008 (%)

Annualised net return over last ten years: +9.3%



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

The '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).

Priorities 2023 - 2024

- Continue to position the portfolio to meet CUEF objectives through a potential period of higher rates and market uncertainty
- Progress asset allocation towards revised targets
- Maintain cautious approach to China, optimising exposure accordingly across asset classes
- Explore other emerging markets opportunities and identify the most compelling local manager talent
- Maintain depth of knowledge and trends in emerging technologies
- More systematic engagement on sustainability with incumbent managers; focused on core partners by asset class

Over £1.1 billion distributed over last 10 years

Financial Year 2022-23 Distribution £149m



Source: UCIM Internal Reporting, Annual Report and Accounts

CUEF Ideally Positioned for University Investors

- Single, specialist vehicle designed to combine long-term capital appreciation and reliable cash distribution
- Dedicated team, focused on optimising performance and stewarding investors' capital over long-term
- Excellent access to what we believe are the world's best fund managers
- Low fees - annual management charge 16 basis points (FY 2022/23)
- Robust governance structure
- Aligned with the University's sustainability objectives

Important Information and Confidentiality

The information in this presentation is for communication at the Annual Presentation to CUEF Investors on Tuesday 7th November 2023.

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UNIVERSITY OF
CAMBRIDGE

Investment Management

Q&A

Thank you for attending