

# Cambridge University Endowment Fund

## Quarterly Investor Report

Quarter ended 31<sup>st</sup> December 2023  
(Q2 of CUEF Financial Year ending 30<sup>th</sup> June 2024)

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## Fund and Unit Value

Figure 1 below provides the Net Asset and Unit Value for the Cambridge University Endowment Fund for the reported quarter ended 31<sup>st</sup> December 2023 (Q2 of the CUEF Financial Year), compared with the previous quarter.

*Figure 1: CUEF Net Asset and Unit Value*

|                       | Report quarter<br>31-Dec-2023 | Previous quarter<br>30-Sep-2023 |
|-----------------------|-------------------------------|---------------------------------|
| Net Asset Value (NAV) | £4,121 m                      | £4,018 m                        |
| Unit value            | £69.52                        | £67.81                          |

## Chief Investment Officer's Quarterly Review

### Market Overview

The fourth calendar quarter of 2023 saw public equity markets rally significantly, primarily due to the market factoring in expectations of lower interest rates. The MSCI ACWI excluding fossil fuels index gained +11.9% in US Dollars, (+7.2% in Sterling, as the Pound strengthened vs. the Dollar). This rally in public equities was once again driven by the US, and in particular the technology sector (Nasdaq Composite +13.8%<sup>1</sup>; "Magnificent Seven" +12.6%)<sup>2</sup>.

UK equities rose through the period (FTSE 100 +2.3% in Sterling terms) but not at the same pace.

Equally notable was the rally in bond markets in the quarter. The benchmark US ten-year bond yield (which moves inversely to prices) fell by 0.8%, from 4.7% to 3.9%, as traders began to price in a more aggressive expected rate cutting cycle by the US Federal Reserve.

### CUEF Performance Summary

Against this strong market backdrop, the CUEF returned +3.5% for the quarter, compared to a +6.9% increase in the "65/35 benchmark"<sup>3</sup>, which has much larger allocations than the CUEF to the public equity and bond markets that were so strong in the last three months of 2023.

For the 6-month period to December 2023 the CUEF returned +4.9%, more closely in line with the "65/35" benchmark (+5.2%).

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<sup>1</sup> The NASDAQ Composite Index is considered to be a proxy for the US technology sector, due to its high proportion of technology companies.

<sup>2</sup> The "Magnificent Seven" is a recently developed, informal term to group the seven, largest US-listed technology companies – Apple, Alphabet, Meta, Microsoft, Nvidia, Netflix and Tesla.

<sup>3</sup> The purpose of the "65/35" benchmark and the comparison is to provide a measure, over the long-term, of the return that might be achieved were the CUEF to be managed on a passive basis. The composition of the "65/35" benchmark is set out in Appendix 1.

The asset class trends behind the CUEF's performance were consistent through the calendar year 2023. The CUEF public equity portfolio performed well in both absolute and relative terms, based on strong manager alpha. Private equity and absolute return and credit both out-performed their asset class benchmarks, although performance was relatively muted in absolute terms; while the real assets portfolio continued to be held back by the impact of the higher interest rate environment, in line with the asset class.

Performance over relevant time periods and against key benchmarks is provided in Figure 2, below. Performance against a fuller set of benchmarks for comparison purposes is provided in Appendix 1. A breakdown of the Fund's assets by currency, geography, and sector for the quarter ended 31<sup>st</sup> December 2023 is provided in Appendix 2.

A full review of CUEF performance by asset class is provided below.

*Figure 2: CUEF Investment Performance against principal benchmarks*

|                               | Financial Q2 /<br>Calendar Q4<br>1 Oct – 31 Dec<br>2023 | Financial YTD/<br>Calendar H2<br>1 Jul – 31 Dec<br>2023 | 1 Jul 2020 –<br>31 Dec 2023* | Trailing 10<br>Years<br>(1 July 2013 –<br>30 Jun 2023) |
|-------------------------------|---|---|------------------------------|--|
|                               |   | Cumulative  | Annualised                   | Annualised   |
| <b>CUEF</b>                   | <b>+3.5%</b>  | <b>+4.9%</b>  | <b>+9.0%</b>                 | <b>+9.3%</b>   |
| UK CPI + 5%                   | +1.4%   | +3.0%   | +11.0%                       | +8.1%  |
| "65/35" benchmark**           | +6.9%   | +5.2%   | +5.7%                        | +7.8%  |
| MSCI ACWI ex. fossil fuels*** | +7.2%   | +7.2%   | +10.5%                       | +11.1%   |

*Notes:*

- *Past performance is not indicative of future returns.*
- *CUEF returns calculated based on CUEF Net Asset Value and reported net of fees.*
- *Data sources: UCIM internal reporting, Bloomberg, CPI data from the Office for National Statistics (ONS).*
- *\*1<sup>st</sup> 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 composition of the "65/35" benchmark is provided in Appendix 1.*
- *\*\*\* MSCI ACWI data is provided excluding fossil fuels from 1<sup>st</sup> July 2020 onwards.*

# Asset Class Review

Figure 3: CUEF Asset Class Performance

|                                   | Financial Q2 /<br>Calendar Q4<br>1 Oct – 31<br>Dec 2023 | Financial YTD/<br>Calendar H2<br>1 Jul – 31 Dec<br>2023 | Calendar Year<br>12 months to<br>31 Dec 2023 | Since<br>1 Jul 2020 * |
|-----------------------------------|---|---|--|-----------------------|
|                                   |   | Cumulative  | Cumulative                                   | Annualised            |
| <b>CUEF</b>                       | <b>+3.5%</b>  | <b>+4.9%</b>  | <b>+8.5%</b>                                 | <b>+9.0%</b>          |
| Public Equity                     | +7.0%   | +8.7%   | +17.2%                                       | +8.6%                 |
| Developed Markets                 | +9.0%   | +10.8%  | +22.1%                                       | +9.8%                 |
| Emerging Markets                  | -0.3%   | +1.1%   | +2.0%  | +4.6%                 |
| Absolute Return and Credit (LC)** | +2.4%   | +2.1%   | +3.8%  | +6.0%                 |
| Private Equity                    | -0.6%   | +3.4%   | +2.0%  | +17.2%                |
| Real Assets                       | -0.8%   | -0.2%   | -5.5%  | +9.5%                 |

Notes:

- Past performance is not indicative of future returns.
- CUEF asset class returns calculated based on CUEF Net Asset Value, reported net of fees and in £ Sterling, except for Absolute Return and Credit, which is reported in local currency. Some asset class returns are subject to change as various late illiquid asset valuations are received.
- Data sources: UCIM internal reporting.
- \*1<sup>st</sup> 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.
- \*\* Local currency

## Public Equity

The CUEF's public equity portfolio returned +7.0% (in Sterling terms) during the quarter, marginally below the MSCI ACWI excluding fossil fuels index (+7.2%). Strong performance among most developed market managers (+9.0%) was offset by weak returns in emerging markets, primarily due to investors' concerns over economic and regulatory developments weighing on valuations in China.

The strong returns in developed markets during the quarter were, in part, attributable to the CUEF's public equity managers with exposure to the technology sector, with one specialist manager achieving returns of +58.7% for the 2023 calendar year, outperforming very strong sector benchmark performance. The CUEF's specialist biotechnology asset manager also performed strongly (+21.1% for the quarter).

For the second half of the calendar year 2023, the public equity portfolio returned +8.7%, outperforming its benchmark (+7.2%). The geographic drivers of the performance echoed those referenced above, with strong returns in developed markets (+10.8%), offset by weaker performance in emerging markets (+1.1%).

As noted above and previously reported to unitholders, performance in emerging markets has continued to be challenging, particularly in China, where investors remain concerned about geopolitical tensions and economic uncertainty. UCIM believes that the market is currently attractively valued, however, and retains conviction in its two specialist China asset managers.

## Absolute Return and Credit

The CUEF's absolute return and credit portfolio (a subset of the hedge fund universe) is intended to be uncorrelated to equities, reduce volatility and provide liquidity to other areas of the portfolio as needed. With equity and bond markets strong through the quarter, the CUEF's absolute return and credit portfolio performance was steady (+2.4% in local currency; -0.2% in Sterling), marginally ahead of its demanding target ("UK 0-1Yr Gilts + 400bps"; equivalent to +2.3% for the reported quarter).

During the quarter, ten of the portfolio's twelve core managers recorded positive returns in local currency. One manager, which provides US inflation-linked and emerging markets local currency bond exposure, in addition to a volatility-based overlay strategy, benefitted from falling yields and the relatively weak US Dollar, resulting in returns of +8.0% and +6.7% in the CUEF's vehicles. Another strong performer was a distressed credit manager in both its hedge fund (+7.1%) and long-only strategies (+8.0%). On the downside, a legacy real estate credit manager posted negative returns due to lower valuations of its larger assets. While a relatively small position, these declines offset some of the gains elsewhere.

For the second half of the calendar year 2023, the absolute return and credit portfolio returned +2.1% in local currency, lagging the CUEF's target return of +4.5%; held back by the managers referenced above, as well as a hedge fund focused on the financial services sector.

## Private Equity

For the final quarter of the calendar year, the private equity portfolio returned -0.6% in Sterling terms<sup>4</sup> (+2.8% in local currency) compared to -0.9% for the Cambridge Associates preliminary benchmark.

There were no broad trends behind the performance across the CUEF's private equity portfolio during the quarter. One European buyout manager posted returns of +12.3%, driven by the successful sale of a financial planning and wealth advisory business. On the downside, a UK based venture capital firm returned -4.1%, due to a markdown on one of its core businesses, which has encountered aggressive pricing and competition in its marketplace.

Activity levels for both acquisitions and distributions remain muted. Distributions were £22.5 million during the quarter, while capital calls totalled £30.0 million. During the quarter, three new fund commitments were completed.

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<sup>4</sup> Private Equity and Real Assets returns are provisional due to the time lag receiving final valuations at the end of the calendar year. Private Equity and Real Assets Composite Benchmark returns remain subject to change as underlying illiquid indices are finalised.

For the second half of the calendar year 2023, the private equity portfolio returned a provisional +3.4% in Sterling terms.

*To support unitholders' understanding of the CUEF's private equity strategy, a dedicated paper is provided separately.*

## **Real Assets**

The CUEF's real assets portfolio (comprised of real estate and natural resources managers) returned -0.8% in Sterling terms for the reported quarter, ahead of its preliminary composite benchmark (-1.7%).<sup>5</sup>

With the UK commercial property market remaining muted, the CUEF's real estate portfolio was close to flat during the quarter, marginally ahead of the UK MSCI Quarterly Property benchmark (-1.1%). However, rental vacancies remain low in the CUEF's high quality property assets and there are signs of improvement in UK-wide occupier demand. Since the end of the reported quarter, the CUEF's real estate managers have identified several promising and well-valued investment opportunities.

For the second half of the calendar year 2023 the CUEF's real assets portfolio returned -0.2%, in line with composite benchmark. As well as the underlying trends in the UK commercial property sector referenced above, the performance of the CUEF's remaining legacy conventional energy investment detracted from returns, underlining the thesis behind our sustainable investment strategy and the long-term potential of investing in the energy transition. (Further commentary is provided in the Sustainability section below).

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<sup>5</sup> *Private Equity and Real Assets returns are provisional due to the time lag receiving final valuations at the end of the calendar year. Private Equity and Real Assets Composite Benchmark returns remain subject to change as underlying illiquid indices are finalised.*

## Asset Allocation

Figure 4 below shows the actual CUEF asset allocation at the end of the previous quarter 30<sup>th</sup> September 2023 and the reported quarter 31<sup>st</sup> December 2023, as well as the CUEF's long-term asset allocation targets approved by the UCIM Board in April 2023.

*Figure 4 – CUEF Asset Allocation Summary*

|                                     | Last Quarter<br>30 September 2023 | Current Quarter<br>31 December 2023 |             | Long-Term<br>Target Allocation |
|-------------------------------------|-----------------------------------|-------------------------------------|-------------|--------------------------------|
|                                     | %                                 | £                                   | %           |                                |
| <b>Total Equity</b>                 | <b>63%</b>                        | <b>£2,648m</b>                      | <b>64%</b>  | <b>60-65%</b>                  |
| Public Equity                       | 39%                               | £1,667m                             | 40%         | 30-35%                         |
| Private Equity                      | 24%                               | £981m                               | 24%         | 30%                            |
| <b>Real Assets</b>                  | <b>8%</b>                         | <b>£312m</b>                        | <b>8%</b>   | <b>10-12.5%</b>                |
| <b>Absolute Return &amp; Credit</b> | <b>23%</b>                        | <b>£925m</b>                        | <b>22%</b>  | <b>20-22.5%</b>                |
| <b>Cash &amp; Fixed Income</b>      | <b>6%</b>                         | <b>£237m</b>                        | <b>6%</b>   | <b>5%</b>                      |
| <b>TOTAL</b>                        | <b>100%</b>                       | <b>£4,121m</b>                      | <b>100%</b> | <b>100%</b>                    |

*Data source: UCIM internal reporting.*

## Sustainability

During the quarter, the following progress was made against the three pillars of UCIM's Sustainable Investment Strategy:

### **Investing to achieve a phased transition to "net zero"**

As of 31st December 2023, the CUEF's conventional energy exposure was 1.4% (meaningfully below the MSCI ACWI's 4.7%); representing a reduction of 0.2% during the quarter.

### **Engaging to decarbonise the real economy**

*Note this and the following section on "Reporting" includes commentary on the activity and progress subsequent to the conclusion of the financial period covered in this report.*

A key part of UCIM's engagement activity is using the climate and sustainability expertise at the Cambridge Institute for Sustainability Leadership (CISL) to provide a bespoke executive education programme for our fund managers, supporting them to decarbonise their portfolios. The fourth cohort of the "Net Zero by 2038" programme, run in partnership with CISL, commenced on 21st of March for US East Coast-based fund managers with a half-day workshop in New York. The cohort is comprised of nine fund manager partners (four public equity managers, four private equity managers and one hedge fund) who together manage approximately \$100 billion in assets.

The first workshop was well received by delegates, with interesting conversations arising, including about the significant energy requirement for data centres, and the challenges of relying upon carbon capture technology to do the heavy lifting of decarbonising the economy. The programme culminates in a 1.5-day workshop in Cambridge on 30<sup>th</sup>-31<sup>st</sup> May.

As well as these specific activities, UCIM's investment team continued regular dialogue and active engagement with its fund manager partners on their sustainability efforts through the quarter.

### **Reporting with transparency and accountability to our stakeholders**

UCIM held the annual CUEF Town Hall event for students, academics and other members of the University community on Thursday 8th February. The virtual event was attended by over 120 people, followed by a constructive Q&A session. The video replay of the event was posted on the University intranet for those unable to attend.

In February, UCIM participated in the University's Green Careers Fair, organised by Cambridge Zero, holding a session for approximately 30 students on careers in Sustainable Investment. In March, Honor Fell met with representatives from the Student Union, who raised various topical issues.

In May, Honor Fell and Joel Beckman will meet with the University "Green Officers" and other members of the Student Union to explain the CUEF's sustainable investment strategy and answer questions.

## **UCIM Organisational Update**

*Note this section includes commentary on the activity and progress after the conclusion of the financial period covered in this report.*

### **Operations**

In March, we concluded our internal audit planning, with all risk register "owners" contributing to the process. The internal audit plan has been approved by the Audit, Risk, Compliance and Controls Committee ('ARCC') and we believe it will add value to UCIM's operational processes.

A series of meetings with the UIS and external advisers have taken place to support UCIM's application for Cyber Essentials accreditation. Improvements to UCIM's technical infrastructure have taken place and a roadmap has been developed to guide a strengthening of UCIM's data and cyber security.

The UCIM Green Impact team led by Sam Richards has accelerated its progress against various sustainability actions and is aiming to apply for "Gold" status in Cambridge University's environmental accreditation scheme in April 2024 (well ahead of schedule).

### **Team**

In February 2024, we completed the recruitment of a Nigel Hill as a new, additional Non-Executive Director to the UCIM Board. Nigel has over 40 years' experience in the consulting,

investment banking and asset management sectors, bringing valuable support across all areas of operations to the UCIM team. Nigel is a graduate of the University of Cambridge and we are delighted to welcome him to the Board.

We also welcomed Ceema Chhatralia, Executive Assistant, back from maternity leave and we said farewell to Deborah Matthews, who had ably covered for Ceema during her absence.

Alex Sligo-Young, a Senior Investment Analyst, left UCIM in February to take up a new opportunity at a London-based hedge fund. To replace Alex and add further capacity to develop the CUEF's private equity portfolio, we recruited two new Senior Investment Analysts, who will report to Sam Sturge, Director of Private Assets. We look forward to welcoming Jessica Tuck and Toby Hill when they join in June. We are also in the process of recruiting our first Operations Apprentice, who we hope will also join UCIM in the coming months.

Continuing the successful annual summer internship programme, we completed the interview process for the 2024 cohort, with four offers accepted – two interns from the University of Cambridge (focused on sustainable investment) and one each from GAIN (Girls are Investors) and the 10,000 Interns Foundation. We look forward to working with our new interns over the summer period.

## Communications and Engagement

The UCIM investment team reviewed and updated its [Investment Principles](#), which we are pleased to share with CUEF unitholders.

In January, Tilly Franklin, Benoit Ramsay, Honor Fell and Joel Beckman met with a number of Bursars of Colleges not yet invested with the CUEF, for an in-person roundtable update.

In January, Tilly Franklin was interviewed for the ["Capital Allocators"](#) podcast.

Finally, planning has commenced for an inaugural University of Cambridge "Showcase Day" for the CUEF's UK and European fund manager partners, taking place on 19<sup>th</sup> September 2024. The event will demonstrate the impact of their management of the University's capital, with talks from leading academics, with an introduction from the Vice-Chancellor.

## Key dates

| Date                                       | Information   |
|--|---|
| Wednesday 24 <sup>th</sup> April<br>2.00pm | Q2 Investor Call ( <a href="#">Zoom link</a> here and in the calendar invitation circulated). |
| Tuesday 2 <sup>nd</sup> July               | Q3 Investor Report distributed  |
| Wednesday 10 <sup>th</sup> July            | Q3 Investor Call  |

*Financial reports are available on the private "Investor Portal" section of the UCIM website: <https://www.ucim.co.uk/log-in>.*

*If you have yet to register, need support logging in, or for any other information, please email: Joel Beckman, Communications Lead [joel.beckman@ucim.co.uk](mailto:joel.beckman@ucim.co.uk).*

## Leverage

UCIM reports quarterly three actual leverage measures for the CUEF:

- i) the CUEF's own internal method,
- ii) the AIFMD 'Gross' method and,
- iii) the AIFMD 'Commitment' method.<sup>6</sup>

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 2 and 3

As at 31<sup>st</sup> December 2023 the Fund had no leverage under the CUEF's own internal method, and capital commitments outstanding of 18%. The AIFMD leverage ratios were as follows: 'Gross' method 127%, 'Commitment' method 101% excluding capital commitments. To aid investor understanding a breakdown of the main contributors to the actual 'Gross' and 'Commitment' leverage levels is provided in Appendix 3.

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<sup>6</sup> Leverage measures as set out in the Alternative Investment Fund Managers Directive ("AIFMD") 2011/61/EU and the Delegated Regulation 231/2013.

# Appendices

## Appendix 1 – CUEF Performance against Benchmarks

|   | Financial<br>Q2 /<br>Calendar<br>Q4<br>1 Oct – 31<br>Dec 2023 | Financial<br>YTD/<br>Calendar<br>H2<br>1 Jul – 31<br>Dec 2023 | Calendar<br>Year<br>12 months<br>to 31 Dec<br>2023 | Since<br>1 Jul 2020 * | Trailing<br>10 Years<br>(1 Jul 2013 –<br>30 Jun<br>2023) |
|---|---|---|--|-----------------------|--|
|   | Cumulative  | Cumulative  | Cumulative   | Annualised            | Annualised   |
| <b>CUEF</b>                                 | <b>+3.5%</b>  | <b>+4.9%</b>  | <b>+8.5%</b>                                       | <b>+9.0%</b>          | <b>+9.3%</b>   |
| UK CPI + 5%                                 | +1.4%   | +3.0%   | +9.1%  | +11.0%                | +8.1%  |
| “65/35” benchmark**                         | +6.9%   | +5.2%   | +12.7%   | +5.7%                 | +7.8%  |
| MSCI ACWI ex. fossil fuels***               | +7.2%   | +7.2%   | +16.9%   | +10.5%                | +11.1%   |
| MSCI ACWI ex. fossil fuels (USD)            | +11.9%  | +7.5%   | +23.8%   | +11.5%                | +9.1%  |
| MSCI ACWI (USD)                             | +11.1%  | +7.5%   | +22.8%   | +12.1%                | +9.3%  |
| FTSE All-Share                              | +3.2%   | +5.2%   | +7.9%  | +10.1%                | +5.9%  |
| Bloomberg Global Agg. Bonds<br>(GBP-Hedged) | +5.8%   | +3.7%   | +6.2%  | -2.0%                 | +1.5%  |
| FTSE British Govt Index-Linked<br>Bonds     | +8.7%   | +3.6%   | +0.9%  | -10.0%                | +1.7%  |
| MSCI UK Quarterly Property                  | -1.1%   | -1.8%   | -1.5%  | +1.5%                 | +6.3%  |

### Notes:

- Past performance is not indicative of future returns.
- CUEF returns calculated based on CUEF Net Asset Value and reported net of fees.
- Data sources: UCIM internal reporting, Bloomberg, CPI data: Office for National Statistics (ONS).
- \*1<sup>st</sup> 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.
- \*\*65/35" Benchmark consists of:
  - 33% MSCI World Index (GBP-Unhedged) – ex. fossil fuels after 1<sup>st</sup> July 2020
  - 24% MSCI World Index (GBP-Hedged) – ex. fossil fuels after 1<sup>st</sup> July 2020
  - 8% MSCI Emerging Markets Index (GBP-Unhedged) – ex. fossil fuels after 1<sup>st</sup> July 2020
  - 15% Bloomberg Capital Global Aggregate Bond Index (GBP-Hedged)
  - 10% FTSE British Government Index-Linked All Stocks (GBP)
  - 10% UK MSCI Quarterly Property Index (GBP).
- \*\*\*MSCI ACWI data is provided excluding fossil fuels from 1<sup>st</sup> July 2020 onwards.

## Appendix 1 – Portfolio Composition

### Foreign Exchange Exposure – Total CUEF

|                                  | CUEF post FX hedge |                    |                         |
|----------------------------------|--------------------|--------------------|-------------------------|
|                                  | Quarter End        | Financial Year End | Prior Calendar Year End |
|                                  | 31-Dec-23          | 30-Jun-23          | 31-Dec-22               |
| <b>GBP</b>                       | <b>58.0%</b>       | <b>58.8%</b>       | <b>59.1%</b>            |
| <b>USD</b>                       | <b>21.5%</b>       | <b>21.1%</b>       | <b>19.7%</b>            |
| <b>Other Developed Market FX</b> | <b>8.8%</b>        | <b>8.2%</b>        | <b>8.8%</b>             |
| of which EUR                     | 1.9%               | 1.8%               | 2.4%                    |
| of which JPY                     | 3.0%               | 2.5%               | 2.0%                    |
| of which CAD                     | 0.6%               | 0.5%               | 0.5%                    |
| of which CHF                     | 0.6%               | 0.7%               | 0.9%                    |
| of which Other                   | 2.7%               | 2.7%               | 3.0%                    |
| <b>Emerging Market FX</b>        | <b>11.7%</b>       | <b>11.9%</b>       | <b>12.4%</b>            |

### Geographic Region Exposure – Total CUEF

|                            | CUEF         |                    |                         |
|----------------------------|--------------|--------------------|-------------------------|
|                            | Quarter End  | Financial Year End | Prior Calendar Year End |
|                            | 31-Dec-23    | 30-Jun-23          | 31-Dec-22               |
| <b>Developed Markets</b>   | <b>70.0%</b> | <b>67.9%</b>       | <b>70.1%</b>            |
| of which United States     | 32.2%        | 32.0%              | 32.8%                   |
| of which UK                | 19.2%        | 19.0%              | 19.3%                   |
| of which Europe ex-UK      | 11.4%        | 10.7%              | 11.7%                   |
| of which Japan             | 4.5%         | 3.6%               | 3.7%                    |
| of which Canada            | 1.1%         | 0.9%               | 0.7%                    |
| of which Other DM          | 1.6%         | 1.7%               | 1.9%                    |
| <b>Emerging Markets</b>    | <b>11.5%</b> | <b>12.1%</b>       | <b>13.0%</b>            |
| <b>Balance<sup>7</sup></b> | <b>18.5%</b> | <b>20.0%</b>       | <b>16.9%</b>            |

<sup>7</sup> The Balance is predominantly non-directional exposure from the Absolute Return portfolio, a degree of leverage in Equities portfolio, Cash held at both a CUEF level and underlying managers, and a small portion of investments where a lack of data meant it could not be categorised.

## Appendix 1 (continued) – Portfolio Composition

### *Sector Exposure – Total CUEF*

|                        | CUEF        |                    |                         |
|------------------------|-------------|--------------------|-------------------------|
|                        | Quarter End | Financial Year End | Prior Calendar Year End |
|                        | 31-Dec-23   | 30-Jun-23          | 31-Dec-22               |
| Information Technology | 18.3%       | 18.3%              | 20.5%                   |
| Consumer Discretionary | 10.4%       | 10.9%              | 11.1%                   |
| Industrials            | 11.7%       | 11.0%              | 9.0%                    |
| Healthcare             | 8.8%        | 8.7%               | 8.1%                    |
| Real Estate            | 7.9%        | 7.6%               | 8.0%                    |
| Financials             | 6.5%        | 5.1%               | 6.4%                    |
| Consumer Staples       | 4.6%        | 4.6%               | 4.8%                    |
| Communication Services | 4.1%        | 4.6%               | 4.3%                    |
| Materials              | 2.4%        | 2.6%               | 2.7%                    |
| Utilities              | 3.5%        | 2.5%               | 2.8%                    |
| Energy                 | 1.4%        | 2.1%               | 2.8%                    |
| Balance <sup>8</sup>   | 20.4%       | 22.0%              | 19.5%                   |

<sup>8</sup> The Balance is predominantly non-directional exposure from the Absolute Return portfolio, a degree of leverage in Equities portfolio, Cash held at both a CUEF level and underlying managers, and a small portion of investments where a lack of data meant it could not be categorised.

## Appendix 2: 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 reported 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 the 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 the 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 3: Leverage calculations as of 31<sup>st</sup> December 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             |
|--|--|----------------|
| <b>CUEF Net Asset Value</b>                        |  | <b>4,121.3</b> |
| Exclude: Operational CUEF Net Current Assets       |  | 12.1           |
| Exclude: Fixed Interest / Cash Investments         |  | -93.1          |
| <b>Total Exclusions: CUEF own internal method</b>  |  | <b>-81.0</b>   |
| CUEF Total Investment Exposure - 'CUEF own' method |  | 4,040.3        |
| CUEF Net Asset Value                               |  | 4,121.3        |
| CUEF Leverage % - CUEF own internal method         |  | 98%            |
| CUEF Leverage Limit % - CUEF own internal method   |  | 110%           |

| CUEF Leverage - 'Gross' method                                    |  | £m             |
|---|--|----------------|
| <b>CUEF Net Asset Value</b>                                       |  | <b>4,121.3</b> |
| Plus: Adjusted Derivative Positions                               |  |                |
| - Plain Vanilla Options on Futures Contracts                      |  |                |
| - Futures   |  | 168.1          |
| - Currency Contracts  |  | 1,090.2        |
| <b>Total CUEF Investment Position - 'Gross' method</b>            |  | <b>5,379.6</b> |
| Exclude: Operational CUEF Net Current Assets                      |  | 12.1           |
| Exclude: Cash and Cash Equivalents                                |  | -148.2         |
| <b>Total Exclusions - 'Gross' method</b>                          |  | <b>-136.1</b>  |
| CUEF Total Exposure excluding capital commitments- 'Gross Method' |  | 5,243.5        |
| CUEF Net Asset Value  |  | 4,121.3        |
| CUEF Leverage % - 'Gross' method excluding capital commitments    |  | 127%           |
| CUEF Capital Commitments (Private Equity)                         |  | 743.4          |
| CUEF Total Exposure excluding capital commitments- 'Gross Method' |  | 5,986.9        |
| CUEF Net Asset Value  |  | 4,121.3        |
| CUEF Leverage % - 'Gross' method including capital commitments    |  | 145%           |
| CUEF Leverage Limit % - 'Gross' method                            |  | 5,000%         |

| CUEF % Leverage - 'Commitment' method                                  |                 |
|--|-----------------|
|  | £m              |
| <b>CUEF Net Asset Value</b>  | <b>4,121.3</b>  |
| Plus: Adjusted Derivative Positions                                    |                 |
| - Plain Vanilla Options on Futures Contracts                           |                 |
| - Futures  | 168.1           |
| - Currency Contracts   | 1,090.2         |
| <b>Total CUEF Investment Position - 'Commitment' method</b>            | <b>5,379.6</b>  |
| Exclude: Operational CUEF Net Current Assets                           | 12.1            |
| Exclude: Hedging positions   | -1,242.9        |
| <b>Total Exclusions - 'Commitment' method</b>                          | <b>-1,230.8</b> |
| CUEF Total Exposure excluding capital commitments- 'Commitment' method | 4,148.8         |
| CUEF Net Asset Value   | 4,121.3         |
| CUEF Leverage % - 'Commitment' method                                  | 101%            |
| CUEF Leverage Limit % - 'Commitment' method                            | 5,000%          |

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