



UNIVERSITY OF  
CAMBRIDGE

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Investment Management

# Cambridge University Endowment Fund

## Investment Management Report

Financial Year Ended 30<sup>th</sup> June 2024

31<sup>st</sup> October 2024

### Important Information

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## 1. Market Overview

The outlook for interest rates continued to be a dominant influence on market sentiment during the 12-month period to 30<sup>th</sup> June 2024 (the CUEF Financial Year). In the third quarter of Calendar Year 2023 (the first quarter of the CUEF's Financial Year), global equity markets dipped due to investors' fears that interest rates might stay "higher for longer". As this fear subsided from October 2023, equity markets regained their positive momentum for the remainder of the calendar year and the first six months of 2024. For the 12 months from 1<sup>st</sup> July 2023 to 30<sup>th</sup> June 2024, the MSCI All Countries World Index (MSCI ACWI) excluding fossil fuels returned +20.9% in £ Sterling.

These returns were primarily driven by very strong performance in US equities, which was in turn concentrated in a small number of US technology stocks, known as the "Magnificent Seven."<sup>1</sup> The returns generated by these seven stocks represented 52.6% of the S&P 500's total returns for the 12 months to 30<sup>th</sup> June 2024. On 30<sup>th</sup> June 2024, the aggregate market value of these seven companies equated to 32.2%<sup>2</sup> of the S&P500 (compared to 27.6% on 30<sup>th</sup> June 2023). Looking at this trend in terms of valuations, the average price-earnings ("PE") ratio<sup>3</sup> of the S&P 500 on 30<sup>th</sup> June 2024 was 25.5x, compared to its 20-year average of 18.8x.

This phenomenon also masked a dispersion in returns across global markets. In contrast to these "mega-cap" US companies, returns in emerging markets continued to be relatively weak, especially in China.

## 2. CUEF Performance

### Net Asset and Unit Value

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 30<sup>th</sup> June for last five financial years*

	2020	2021	2022	2023	2024
Net Asset Value (£bn)	3.3	3.8	3.8	4.0	4.2
Unit Value (£)	58.41	69.96	67.45	67.59	70.89

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

From 1<sup>st</sup> July 2020 to 30<sup>th</sup> June 2024, the value of the CUEF increased by £1.3 billion, net subscriptions were £209 million and total distributions were £570 million, resulting in a Net Asset Value of £4.2 billion on 30<sup>th</sup> June 2024. Unit values incorporate subscriptions to the CUEF and distributions, in addition to returns.

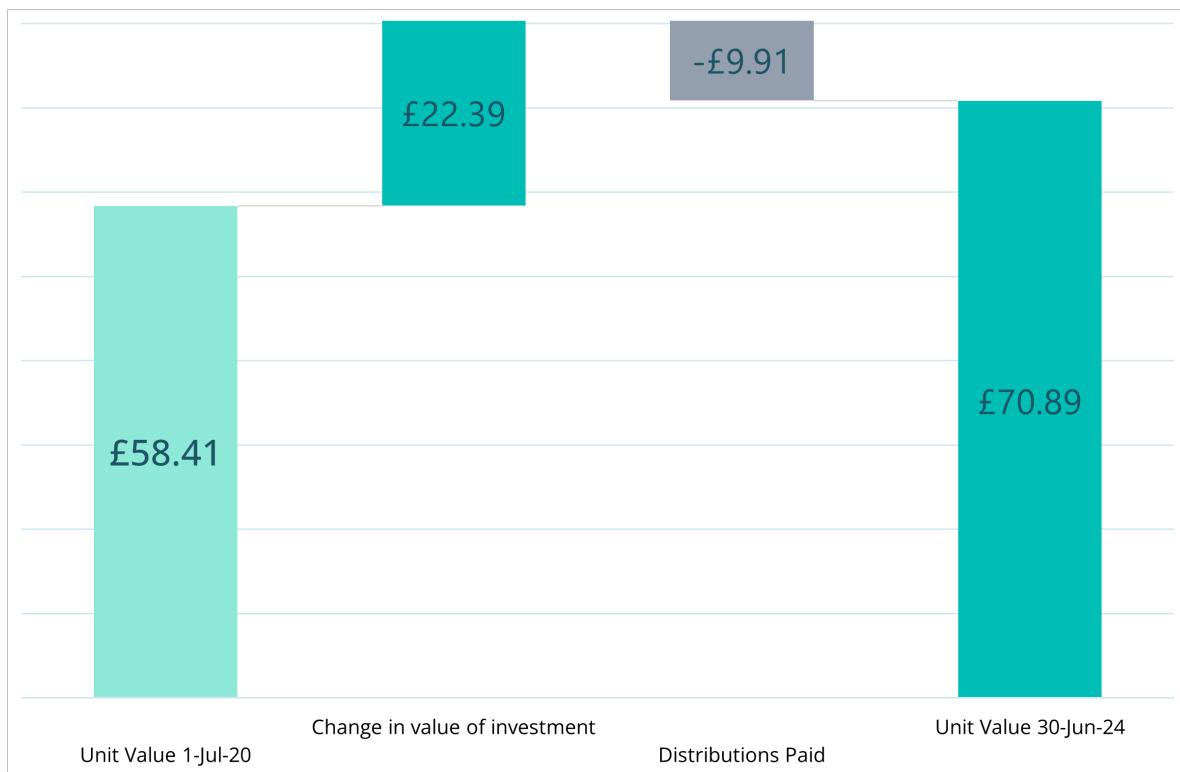
<sup>1</sup> Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, Tesla

<sup>2</sup> Proxied using the SPDR S&P 500 ETF

<sup>3</sup> The price-earnings (PE) ratio is the ratio of a company's share price to its earnings per share (EPS), a commonly used metric to determine the relative value of publicly traded companies

The waterfall chart below (Figure 2) shows the unit value on 1<sup>st</sup> July 2020, the increase in value of investments and distributions paid over five years, and the closing unit value on 30<sup>th</sup> June 2024.

Figure 2: CUEF Unit Value 1<sup>st</sup> July 2020 – 30<sup>th</sup> June 2024 (£)



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

### Financial Year Performance

Against the market backdrop outlined above, for the Financial Year ended 30<sup>th</sup> June 2024, the CUEF achieved a net return of +9.1% (2022-23 +4.1%), 2.0% ahead of the long-term investment objective of achieving returns of 5% over the CPI rate of inflation.

For Q4 of the CUEF's Financial Year (Q2 of the Calendar Year 2024) the CUEF returned +0.3%, the main contributor to this flat outcome was the CUEF's public equity portfolio, which declined -0.4% in £ Sterling terms. This decline was due to the portfolio's lower relative weighting to larger US stocks relative and higher weighting to emerging markets.

Figure 3 below shows CUEF performance vs. relevant benchmarks for Q4 of the CUEF Financial Year (Q2 calendar year 2024), the calendar year-to-date (6 months to 30 June 2024), and the CUEF Financial Year (12 months to 30<sup>th</sup> June 2024), as well as since 1<sup>st</sup> July 2020\*.

Figure 3: CUEF Investment Performance vs Benchmarks

CUEF vs BENCHMARKS	Financial Year	Calendar Year	Financial Year	Since
	Q4 2024	2024 To Date	23/24 (Full)	1-Jul-20 *
	Cumulative	Cumulative	Cumulative	Annualised
<b>CUEF</b>	<b>+0.3%</b>	<b>+4.0%</b>	<b>+9.1%</b>	<b>+8.8%</b>
UK CPI +5%	+2.1%	+3.9%	+7.1%	+10.7%
"65/35" Benchmark**	+2.1%	+8.1%	+13.7%	+7.0%
MSCI ACWI ex. fossil fuels***	+3.1%	+12.7%	+20.9%	+12.5%

**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 £ Sterling unless stated.

\* 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 purpose of the "65/35" benchmark 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 2.

\*\*\* MSCI ACWI ex. fossil fuels data from 1<sup>st</sup> July 2020 onwards.

Past performance is not indicative of future returns.

The primary driver of returns in the Financial Year was the strong absolute performance of the CUEF's public equity portfolio, which represents 40% of the CUEF and returned +14.8% in £ Sterling. Relative performance in public equity was below that of the MSCI ACWI ex. Fossil fuels (+20.9% in £ Sterling) reflecting the fact that the composition of the CUEF's public equity is materially different from that of the ACWI, as noted above.

Returns in the CUEF's private equity portfolio were +6.2% for the Financial Year, ahead of its benchmark (CUEF provisional Cambridge Associates PE Composite +5.3%). Although both returns and valuations in private equity have recently been lower than in public markets, the underlying companies in the CUEF's private equity portfolio continue to perform strongly. Returns in absolute return and credit were +6.4% in £ Sterling terms, fulfilling the role of this asset class to act as a provider of diversification and liquidity for the portfolio. Real assets returns, at +0.4%, reflected the impact of higher interest rates on valuations in UK real estate; again underlying asset performance was positive.

### Three-, Five- and Ten-Year Performance

Given the CUEF's investment objective to achieve returns of 5% above the CPI rate of inflation over the long-term, and the material deviation of the Fund's composition from a "passive" portfolio, UCIM believes returns compared to benchmarks over longer periods provide unitholders a more representative view.

Over a ten-year trailing period, the CUEF has delivered annualised returns of +9.2%, outperforming both its investment objective and the returns that would have been generated by investing in a passive portfolio of equities and bonds. Further, the annualised volatility of the Fund was 68.1% of the MSCI All-Country World Equity Index ex-fossil fuels ("ACWI ex-fossil fuels") as measured in £ Sterling over the ten-year trailing period.

The CUEF's one, three, five and ten year trailing annualised performance is set out in Figure 4 below. The performance of the CUEF over the long-term compared to benchmarks is provided in Figure 5 below.

Figure 4: CUEF One, Three, Five and Ten-Year Performance vs. Benchmarks

CUEF vs. BENCHMARKS	Financial Year 23/24 (Full)	Trailing 3 Financial Years: 1 Jul 21 - 30 Jun 24	Trailing 5 Financial Years: 1 Jul 19 - 30 Jun 24	Trailing 10 Financial Years: 1 Jul 14 - 30 Jun 24
	Cumulative	Annualised	Annualised	Annualised
<b>CUEF</b>	<b>+9.1%</b>	<b>+4.2%</b>	<b>+7.8%</b>	<b>+9.2%</b>
UK CPI +5%	+7.1%	+11.7%	+9.6%	+8.1%
"65/35" Benchmark*	+13.7%	+3.4%	+6.5%	+8.0%
MSCI ACWI ex. fossil fuels**	+20.9%	+8.6%	+11.1%	+12.1%

**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:**

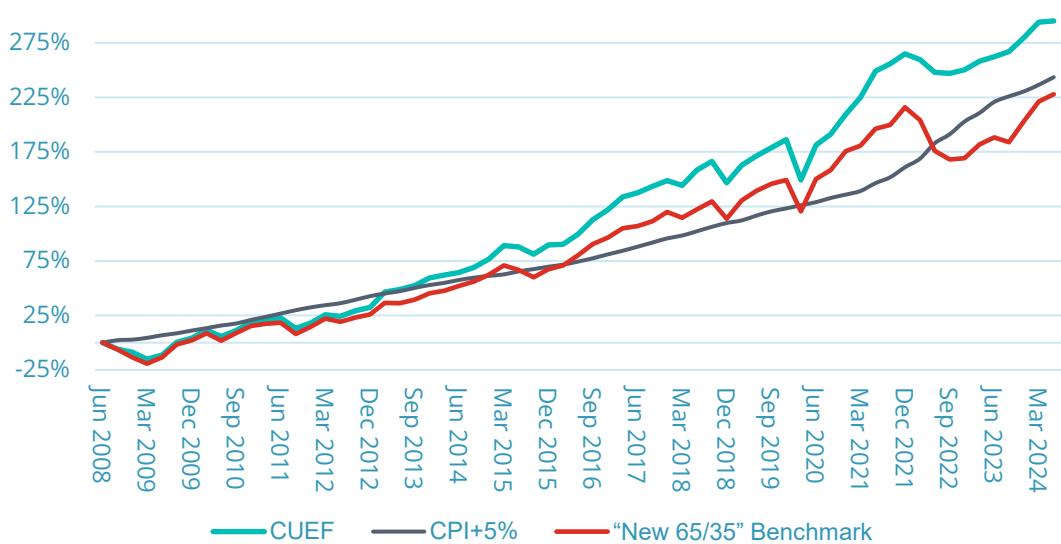
- CUEF returns are net of fees. All index returns in £ Sterling unless stated.

\*The purpose of the "65/35" benchmark 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 2.

\*\* MSCI ACWI ex. fossil fuels data from 1<sup>st</sup> July 2020 onwards.

Past performance is not indicative of future returns.

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



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% Bloomberg 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.

### 3. Performance by Asset Class

Figure 6 below shows CUEF Asset Class performance for the same periods as those in Figure 3 above.

Figure 6 - CUEF Asset Class Performance vs. Benchmarks

CUEF ASSET CLASSES vs. BENCHMARKS	Financial Year Q4 2024	Calendar Year 2024 To Date	Financial Year 23/24 (Full)	Since 1 July 2020*
	Cumulative	Cumulative	Cumulative	Annualised
<b>CUEF</b>	<b>+0.3%</b>	<b>+4.0%</b>	<b>+9.1%</b>	<b>+8.8%</b>
<b>Total Equity: Public and Private</b>	<b>-0.1%</b>	<b>+4.7%</b>	<b>+11.5%</b>	<b>+10.9%</b>
MSCI ACWI ex. fossil fuels ("ex FF")	+3.1%	+12.7%	+20.9%	+12.5%
<i>Delta</i>	-3.2%	-8.1%	-9.4%	-1.6%
<b>Public Equity</b>	<b>-0.4%</b>	<b>+5.6%</b>	<b>+14.8%</b>	<b>+8.9%</b>
MSCI ACWI ex. fossil fuels ("ex FF")**	+3.1%	+12.7%	+20.9%	+12.5%
<i>Delta</i>	-3.5%	-7.2%	-6.1%	-3.5%
of which Developed Markets	-0.4%	+6.4%	+17.9%	+10.2%
MSCI World ex. fossil fuels ("ex FF")	+2.9%	+13.3%	+21.9%	+13.6%
<i>Delta</i>	-3.3%	-6.9%	-4.0%	-3.3%
of which Emerging Markets	-0.6%	+2.5%	+3.6%	+4.6%
MSCI EM ex. fossil fuels ("ex FF")	+5.0%	+8.3%	+12.7%	+4.2%
<i>Delta</i>	-5.6%	-5.7%	-9.1%	+0.4%
<b>Private Equity</b>	<b>+0.4%</b>	<b>+3.2%</b>	<b>+6.2%</b>	<b>+15.7%</b>
CUEF Cambridge Assoc. PE Composite***	+1.1%	+2.9%	+5.3%	+13.9%
<i>Delta</i>	-0.7%	+0.2%	+0.9%	+1.8%
<b>Real Assets</b>	<b>-0.7%</b>	<b>-0.4%</b>	<b>+0.4%</b>	<b>+8.5%</b>
CUEF Real Assets Composite***	+1.9%	+3.0%	+2.0%	+4.3%
<i>Delta</i>	-2.6%	-3.4%	-1.6%	+4.2%
<b>Absolute Return &amp; Credit (GBP)</b>	<b>+1.1%</b>	<b>+4.3%</b>	<b>+6.4%</b>	<b>+5.9%</b>
<b>Absolute Return &amp; Credit (LC)</b>	<b>+1.1%</b>	<b>+3.7%</b>	<b>+5.9%</b>	<b>+6.4%</b>
UK 0-1Yr Gilts + 400bps	+2.1%	+4.3%	+9.0%	+5.8%
<i>Delta (vs. LC)</i>	-1.0%	-0.6%	-3.1%	+0.6%

**Data sources:**

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.

\* 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.

\*\* MSCI ACWI ex. fossil fuels data from 1<sup>st</sup> July 2020 onwards.

\*\*\*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.

- Past performance is not indicative of future returns.

- All returns are provided in GBP, except for Absolute Return & Credit, for which is provided in both GBP and local currency (LC) returns. The latter figures should be compared to the UK 0-1Yr Gilts + 400bps in order to calculate relative performance.

The commentary below provides a summary of performance by asset class for the full Financial Year (12 months to 30<sup>th</sup> June 2024) and Q4 of the Financial Year 2023-24 (Q2 of the Calendar Year).

## Public Equity

For the Financial Year, the CUEF's public equity portfolio generated strong absolute returns of +14.8%, with positive performance across the CUEF's public equity manager roster. Relative returns were below the MSCI ACWI benchmark returns of +20.9%. As noted above, returns in public equity markets have been driven by and concentrated in a small number of very large US technology stocks. To demonstrate the increase in the relative price of US equities, which has accelerated since the start of 2020, Figure 7 below shows the relative PE Ratios for five indices (US, Europe, Japan, UK and China). The CUEF's regional weighting (relative overweight to emerging markets and underweight to the US) therefore acted as a drag on a relative basis.

The portfolio declined -0.4% in £ Sterling terms during the quarter, underperforming relative to the MSCI ACWI ex. fossil fuels index (+3.1%). This subdued performance was a result of weak returns for a number of the CUEF's public equity fund managers, as well as the weightings noted above. The most notable contributors to quarterly returns were US-based managers with exposure to the technology sector.

After a sustained period of investor concern about economic growth in China, the recently announced substantial Chinese government stimulus has been positively received by markets and could provide a tailwind for the CUEF's public equity fund managers in the region during the coming quarters. UCIM believes its public equity portfolio is well-positioned to achieve its long-term returns objectives.

*Figure 7: Price Earnings Ratio of Major Markets, June 2009 – June 2024*



*Data Source: Bloomberg*

## Absolute Return and Credit

The absolute return and credit portfolio seeks to act as a reliable liquidity provider to the CUEF, particularly during periods of market disruption. The portfolio primarily comprises hedge funds with limited correlation to equity markets, but which can generate returns in excess of other low volatility, uncorrelated assets such as cash or short-duration bonds.

For the Financial Year, returns in the asset class were +5.9% in local currency (+6.4% in £ Sterling), representing a solid outcome, albeit below its benchmark (UK 0-1Yr Gilts + 400bps) of +9.0%. Since 1<sup>st</sup> July 2020, the absolute return and credit portfolio has returned +6.4% annualised in local currency, and substantively fulfilled its wider role for the Endowment Fund. Absolute return and credit returned +1.1% in local currency and £ Sterling terms in the quarter, compared to the benchmark return of +2.1%.

For both the Financial Year and the quarter, the same nine of the portfolio's twelve core managers recorded positive returns in local currency. The most notable contributors were three credit hedge funds who benefitted from good operating performance and positive refinancings at a number of their portfolio companies. The main detractors were two volatility-focused managers, which struggled as equity volatility trended lower during the period.

## Private Equity

During the Financial Year, the private equity portfolio returned +6.2%, modestly outperforming the preliminary Cambridge Associates composite benchmark return of +5.4%. The CUEF's private equity portfolio is made up of three categories of specialist managers – buyout, growth and venture capital. Buyout managers were the most significant driver of returns in the Financial Year, with over half of these managers posting double digit returns. A particular highlight was a buyout manager focused on the software sector, which returned +17.9% in the Financial Year. During the quarter, the CUEF's private equity portfolio declined +0.4% in £ Sterling terms, underperforming the preliminary Cambridge Associates composite benchmark return of +1.1%.

Although returns in private equity have lagged those in public equity for the Financial Year (both for the CUEF and respective benchmark indices), the aggregate financial and operating metrics of the CUEF's buyout portfolio continue to compare favourably to the Russell 2000 Index, a comparable index of mid-cap public companies. For the 12 months to 30<sup>th</sup> June 2024, the CUEF's buyout portfolio had achieved significantly higher aggregate levels of revenue growth (+15.5% vs. -3.3%), EBITDA growth (+22.9% vs. -0.7%) and EBITDA margins (+22.1% vs. +10.9%) than the Russell 2000 Index of companies.<sup>4</sup>

Based on this strong underlying performance, and continued conviction in the CUEF's private equity manager roster, UCIM continues to believe that private equity will be a key driver of CUEF returns over the long term. Since 1<sup>st</sup> July 2020, the CUEF's private equity portfolio has returned +15.7% on an annualised basis and has outperformed the Cambridge Associates benchmark return by +1.8% annually.

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<sup>4</sup> Past performance is not indicative of future returns. Sources: UCIM internal estimates, Russell 2000 data sourced from Bloomberg. Note CUEF Buyout portfolio aggregate revenue and EBITDA growth numbers only include those businesses that were in the portfolio on 30th June 2023 and 30th June 2024 (i.e. does not take into account acquisitions and realisations). However, these numbers include both organic and inorganic growth for the respective portfolio companies.

## Real Assets

The CUEF's real assets portfolio (comprised of real estate and natural resources managers) returned +0.4% in £ Sterling terms during the Financial Year, compared to +2.0% for the composite benchmark. During the quarter, the asset class returned -0.7% in £ Sterling terms in the quarter vs. its benchmark, which returned +1.9%.

Having outperformed its benchmark for the first three quarters of the Financial Year, returns for both the quarter and Financial Year were negatively impacted by a significant write down to one real estate vehicle in the fourth quarter. Other core real estate investments generated positive returns and, with a more stable interest rate environment in the UK and encouraging valuations, UCIM remains confident about the potential underlying performance of these assets.

Soft commodity prices impacted underlying company valuations in the CUEF's legacy natural resources fund manager, which posted negative returns for the Financial Year. The manager has exited some of its mature positions, thereby reducing the CUEF's overall exposure to the conventional energy sector. Encouragingly, the performance of the CUEF's two specialist renewable energy fund managers was positive, with one generating returns of +19.6% in £ Sterling terms, for Financial Year, due to several of its early investments being marked up as they progress against their business plans.

## 4. Asset Allocation

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. In April 2023, the UCIM Board approved incremental amendments to the long-term asset allocation targets to support the achievement of greater risk-adjusted returns (shown in Figure 8 below).

*Figure 8: CUEF Asset Allocation at 30<sup>th</sup> June 2024, 30<sup>th</sup> June 2023 and the long-term asset allocation targets*

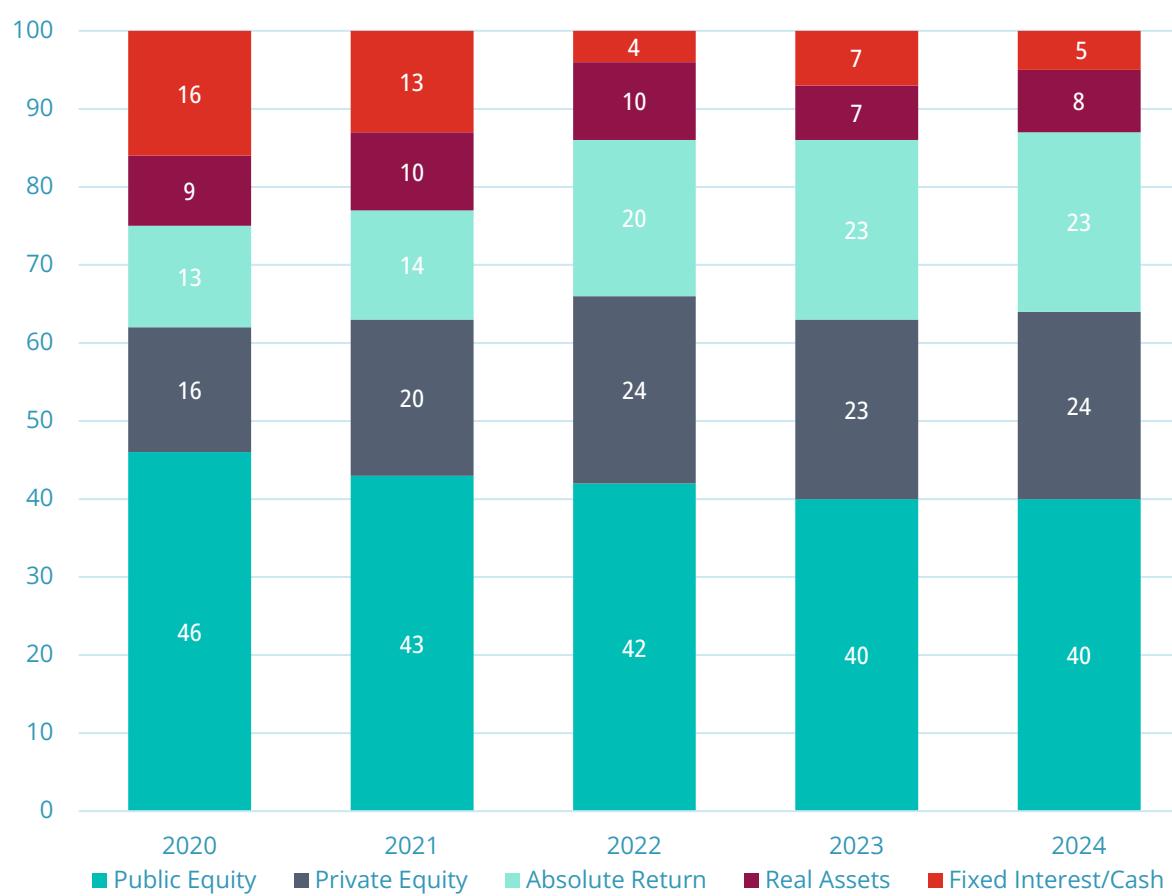
Asset Class	Asset allocation at 30 <sup>th</sup> June 2024	Asset allocation at 30 <sup>th</sup> June 2023	Long-term target allocation
Public Equity	39.9%	40.1%	30.0-35.0%
Private Equity	23.8%	23.3%	30.0%
Absolute Return and Credit	22.6%	22.6%	20.0-22.5%
Real Assets	8.5%	7.1%	10.0-12.5%
Cash and Fixed Income	5.2%	6.9%	5.0%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	

Source: UCIM internal reporting

The implementation of this strategy can be seen in the bar chart (Figure 9) 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 30<sup>th</sup> June 2024.

The CUEF's asset allocation did not materially change in the 12 months to 30<sup>th</sup> June 2024, primarily because inflows from the sale of two non-core private equity fund interests offset capital deployed into the asset class. UCIM continues to make steady progress towards its long-term target allocation. Based on potential forthcoming commitments and capital calls, allocations to both private equity and real assets respectively, are expected to increase during the forthcoming Financial Year.

Figure 9: CUEF Asset Allocation at Financial Year End (30<sup>th</sup> June) 2020 – 2024 (% of total portfolio)



Source: UCIM internal reporting

## 5. Sustainable Investment

UCIM's ambition is for the CUEF to be net zero of greenhouse gas emissions by 2038, through the implementation of a three-pillar strategy:

- Investing in renewable energy development and divesting meaningful exposure<sup>5</sup> 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.

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

As of 30<sup>th</sup> June 2024, the CUEF's conventional energy exposure was 1.6%, meaningfully below the MSCI All-Country World Index level of 4.5% and representing a reduction of 0.6% since 30<sup>th</sup> June 2023.

UCIM measures the CUEF's Weighted Average Carbon Intensity ("WACI") of its public equity portfolio, a commonly used measure endorsed by the Taskforce on Climate-Related Financial Disclosures ("TCFD") that provides insight into emissions as a proportion of revenue. As at 30<sup>th</sup> June 2024, the WACI of the CUEF's public equity portfolio was 99.2 tCO2e/\$m, a reduction of 40% for the year and 23% below the MSCI All-Country World Index.

In 2020, UCIM committed to replacing the CUEF's conventional energy exposure with investments in renewable energy infrastructure, subject to finding investments with a suitable return profile. Since 2021, UCIM has made a total of £100 million in commitments to two specialist renewable energy fund managers, both of which are included in the "real assets" asset class. In addition, the CUEF has exposure to renewable energy through other managers in the portfolio, notably one specialist firm in the public equity portfolio. In aggregate, these commitments represent over 3.3% of the CUEF as at 30<sup>th</sup> June 2024, exceeding the level of conventional energy exposure in October 2020, when UCIM's sustainable investment strategy was announced.

### Engaging to decarbonise the real economy

The strategy of investing "indirectly" with third party fund managers means that, to achieve the CUEF's sustainability objectives, UCIM's primary lever for change is to influence these partners so that they, in turn, engage with the underlying companies in their portfolios. Put another way, UCIM actively encourages partners to be responsible investors, understand the risks and opportunities from climate change, and ultimately, to reduce the emissions in their portfolios.

UCIM has close relationships with the CUEF's fund managers and holds regular meetings with investment partners - sustainability is included as a standing agenda item in all full-length meetings. In the Financial Year ended 30<sup>th</sup> June 2024, UCIM's investment team developed

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<sup>5</sup> Meaningful is defined as exposure of 0.5% of the total net asset value of the CUEF or above.

tailored plans for specific fund managers within each asset class to implement this engagement in a focused and targeted manner.

In the 12 months to 30<sup>th</sup> June 2024, the investment team held 146 of engagement meetings with core partners, of which 76 included specific conversation with fund management partners on their sustainability.

### **Engagement and Voting in Public Equity**

In response to stakeholder feedback and developments in engagement practice in public markets, in 2024 UCIM developed an enhanced approach to engagement with its public equity fund managers. This new approach followed a thorough review of best practise and is being shared with CUEF investors as a separate paper alongside this Investment Management Report as well as being published on the [UCIM website](#).

### **Executive Education Programme for Partners – Net Zero by 2038**

A key part of UCIM's engagement strategy is to provide partners with frameworks and tools to decarbonise their portfolios through a dedicated executive education programme. UCIM provides this bespoke programme in partnership with the Cambridge Institute for Sustainability Leadership (CISL), leveraging the depth of climate and sustainability expertise at the University. The fourth cohort of the programme was completed in the spring of 2024. 26 firms have now taken part, representing, in aggregate, approximately \$250 billion of assets under management. Following this year's programme, one partner has brought forward its net zero ambition to 2038, to align with the CUEF and asked CISL to deliver the programme for its entire team. UCIM is currently planning the fifth cohort to take place in Spring 2024.

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

The UCIM team has continued to pursue an active programme of engagement with stakeholders across the University, to improve understanding of the Endowment Fund and its sustainable investment strategy.

UCIM reaches out to the new Presidents of the Student Union at the start of each academic year to provide an overview of the Fund as well as meeting with the group of elected college Green Officers 1-2 times per academic year. UCIM holds an annual virtual “town hall” event for members of the University community in February, providing an opportunity for everyone to hear directly from the CEO and Chief Investment Officer, and ask questions. The town hall is recorded and made available on the University intranet.

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 actions.

Finally, in April 2024, the investment team updated its [Investment Principles](#), sharing them with unitholders in the CUEF Q2 report. These principles explain UCIM's underlying investment approach, and are underpinned by its values of integrity, collaboration, accountability, intellectual honesty, excellence, and sustainability.

*Further information on Sustainable Investment progress will be included in the CUEF Annual Review, published in early December 2024.*

## 6. Organisational Update

### UCIM Annual Management Charge

UCIM's annual management charge<sup>6</sup> for the year to 30<sup>th</sup> June 2024 represents 14.5 basis points of the Fund's Financial Year end net asset value.

### New UCIM Board Member – Nigel Hill

In April 2024, Nigel Hill joined the UCIM Board as Non-Executive Director. Nigel brings a breadth of operational experience from large global financial services institutions as well as boutique investment management organisations. He has specific expertise in operational change, back-office systems, infrastructure and information systems. Nigel spent eight years at Goldman Sachs Asset Management and eleven years at Credit Suisse Asset Management in senior operational roles. He is currently Chief Operating Officer at RedWheel, an independent investment management business with £18 billion in assets under management. Nigel graduated in Economics from the University of Cambridge.

### UCIM Team

In the 12 months to 30<sup>th</sup> June 2024, UCIM welcomed a number of new team members. In the investment team, Jessica Tuck and Toby Hill joined as Senior Investment Analysts and Kate Pruden, a sustainable investment intern from the first cohort of this programme in 2021 and Cambridge graduate, joined as an Investment Analyst. In the Operations team, Zhe Liu (known as "JJ") joined in the newly formed role of Finance and Operations Analyst, and Elliot Durose joined as UCIM's first Investment Operations Apprentice.

The new team members replace positions vacated by Alex Sligo-Young and Alexis Zhou (Investment Analysts), who were with UCIM for four and two years respectively, and Shiwen Bian (Senior Operations Analyst), who left after more than five years with UCIM, to spend time with her young family.

Over the summer period, we successfully 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). UCIM also supported a project carried out by four students from the Judge Business School, reviewing sustainability data providers, using their findings to help select UCIM's preferred provider.

### Operations

Following extensive preparation, UCIM's first internal audits were completed in summer 2024, covering controls for the portfolio management and performance reporting systems, and internal trading. The audit report was reviewed by UCIM's Management Working Group and the Audit, Risk, Compliance and Controls Committee ("ARCC") of the UCIM Board.

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<sup>6</sup> 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.

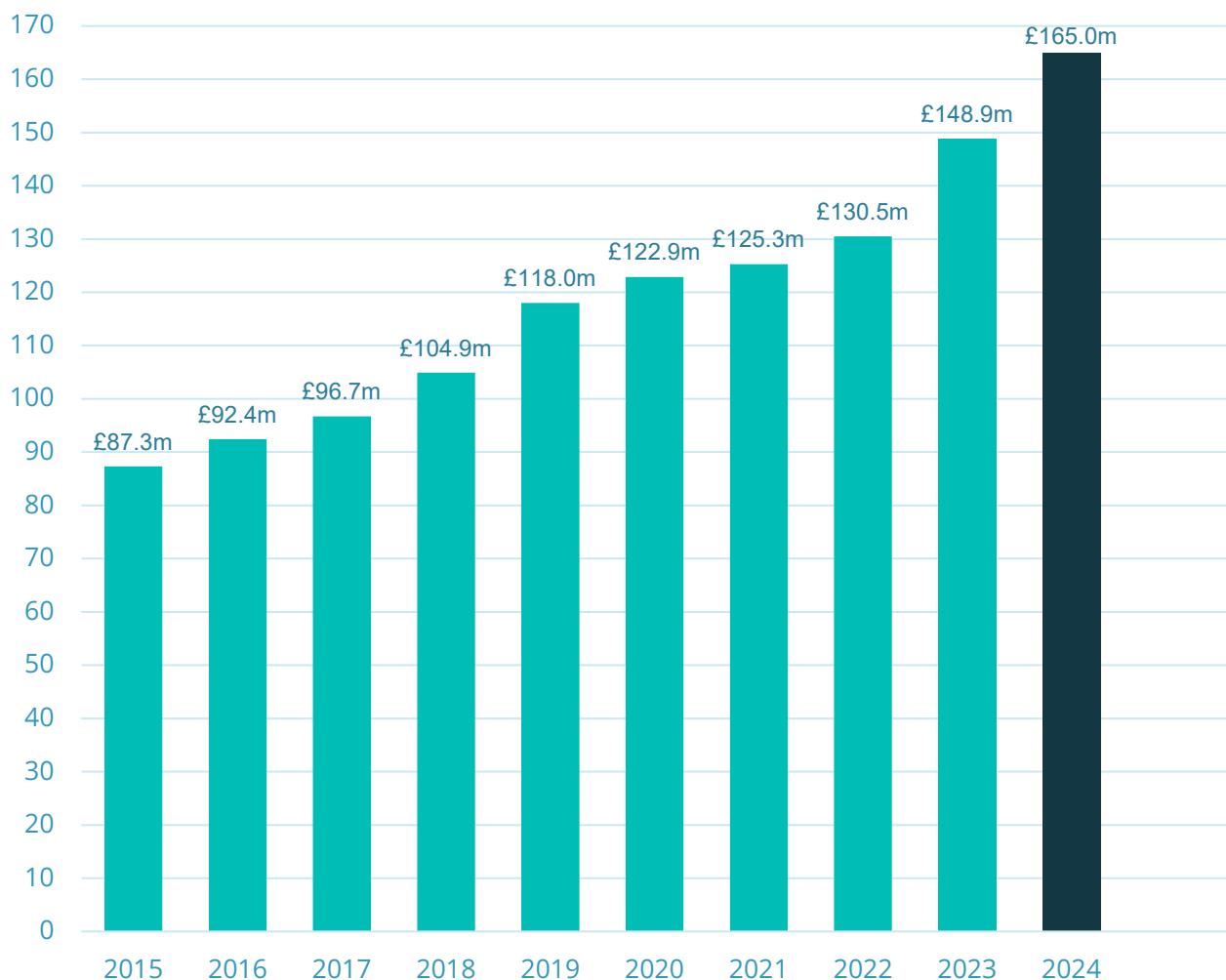
## 7. Capital and Distribution Flows

The opening net asset value of the Fund at 1<sup>st</sup> July 2023 was £3,971 million. Over the course of the year to 30<sup>th</sup> June 2024, £64.9 million was contributed to the CUEF by investors, with £3.0 million withdrawn. The total return for the year (net income plus net capital gains) was £360.5 million, and distributions were £165.0 million. As a result, the net asset value of the Fund at the end of the year was £4,228 million. Sixteen colleges and five trusts now invest in the CUEF, alongside the University.

Distributions are determined by a smoothing formula, which applies 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 backward-looking average of unit capital values. During the 2023-24 Financial Year, the distribution represented 4.2% of the opening fund value.

Post the financial year-end, further net capital inflows of £35.2 million were received into the Fund.

*Figure 10: CUEF Total Distributions (£m) 2015 – 2024*



*Source: UCIM internal reporting.*

## 8. 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 4.

As at 30<sup>th</sup> June 2024 the Fund had no leverage under the CUEF's own method and capital commitments outstanding of 18%. The AIFMD leverage ratios were as follows: 'Gross' method 141%, 'Commitment' method 106%. To aid investor understanding a breakdown of the main contributors to the actual 'Gross' and 'Commitment' leverage levels is provided in Appendix 5.

## 9. Forthcoming Dates

Date	Information
Tuesday 5 <sup>th</sup> November (10.00am Trinity Hall College)	Annual investor presentation
Friday 29 <sup>th</sup> November (10.00am St John's College)	CUETB meeting for Unitholders

*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).*

## Appendices

### 1. The Cambridge University Endowment Fund

The Cambridge University Endowment Fund (“CUEF” or the “Fund”) is a dedicated, specialist vehicle, designed to combine long-term capital appreciation and reliable cash distributions for the University, Colleges and Trust investors.

The investment strategy of the CUEF is primarily to invest through specialist, third-party fund managers to access the 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.

The CUEF 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. UCIM has a single 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.

UCIM publishes the Investment Management Report annually to CUEF unitholders, to provide a detailed update on the financial performance of the CUEF (including asset class performance).

## 2. Additional Benchmarks

UCIM publishes Figure 11 below to provide Unitholders with a fuller set of benchmarks for comparison purposes.

*Figure 11: Long Term CUEF Financial Year Performance vs. Benchmarks*

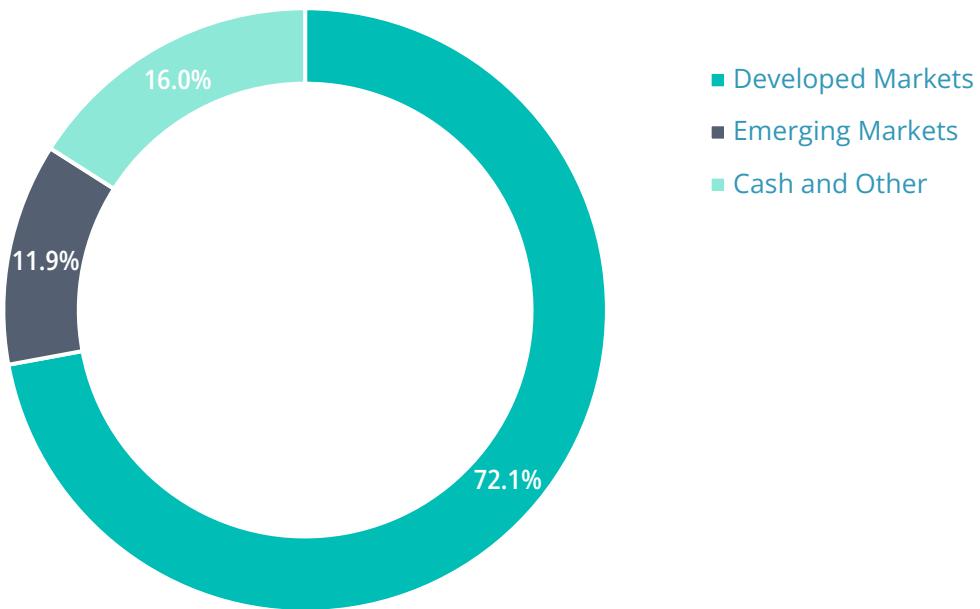
	Financial Year To Date: Jul 23 - Jun 24	Trailing 1 Financial Year: Jul 23 - Jun 24	Trailing 3 Financial Years: Jul 21 - Jun 24	Trailing 5 Financial Years: Jul 19 - Jun 24	Trailing 10 Financial Years: Jul 14 - Jun 24
	Cumulative	Cumulative	Cumulative	Annualised	Annualised
<b>CUEF</b>	<b>+9.1%</b>	<b>+9.1%</b>	<b>+4.2%</b>	<b>+7.8%</b>	<b>+9.2%</b>
UK CPI + 5%	+7.1%	+7.1%	+11.7%	+9.6%	+8.1%
"65/35" benchmark**	+13.7%	+13.7%	+3.4%	+6.5%	+8.0%
MSCI ACWI ex. fossil fuels***	+20.9%	+20.9%	+8.6%	+11.1%	+12.1%
MSCI ACWI ex. fossil fuels (USD)	+20.2%	+20.2%	+5.4%	+10.9%	+8.8%
MSCI ACWI (USD)	+19.9%	+19.9%	+5.9%	+11.3%	+9.0%
FTSE All-Share	+13.0%	+13.0%	+7.4%	+5.5%	+5.9%
Bloomberg Global Agg. Bonds (GBP-Hedged)	+3.7%	+3.7%	-2.3%	-0.5%	+1.3%
FTSE British Govt Index-Linked Bonds	-0.4%	-0.4%	-11.5%	-6.0%	+1.3%
MSCI UK Quarterly Property	+0.0%	+0.0%	+0.3%	+0.9%	+4.6%

*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 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.

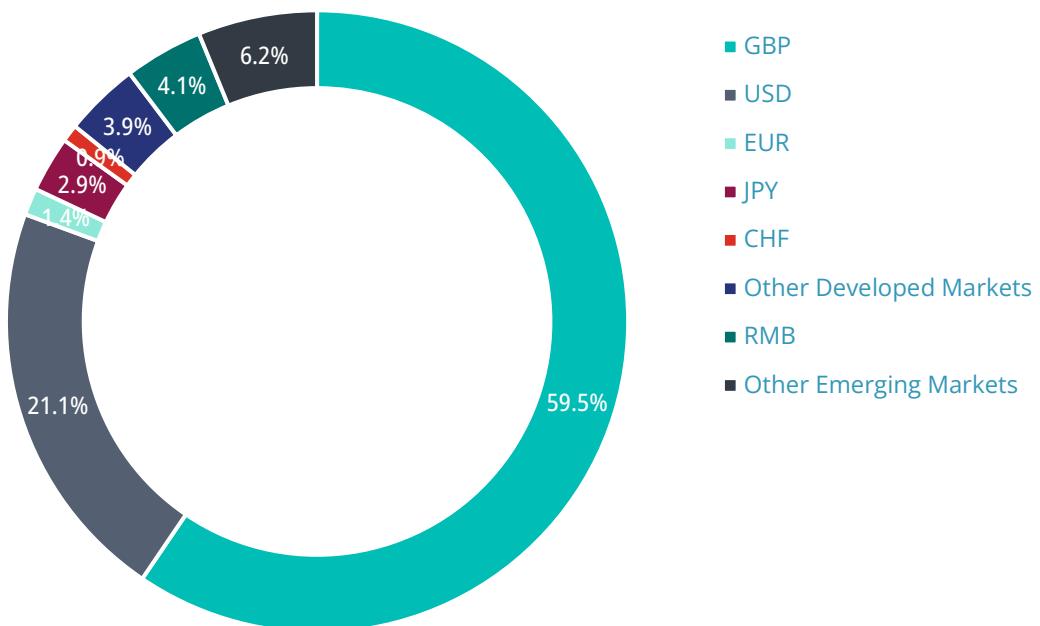
### 3. Portfolio Composition

Figure 12: CUEF Geographic Split (%) 30<sup>th</sup> June 2024

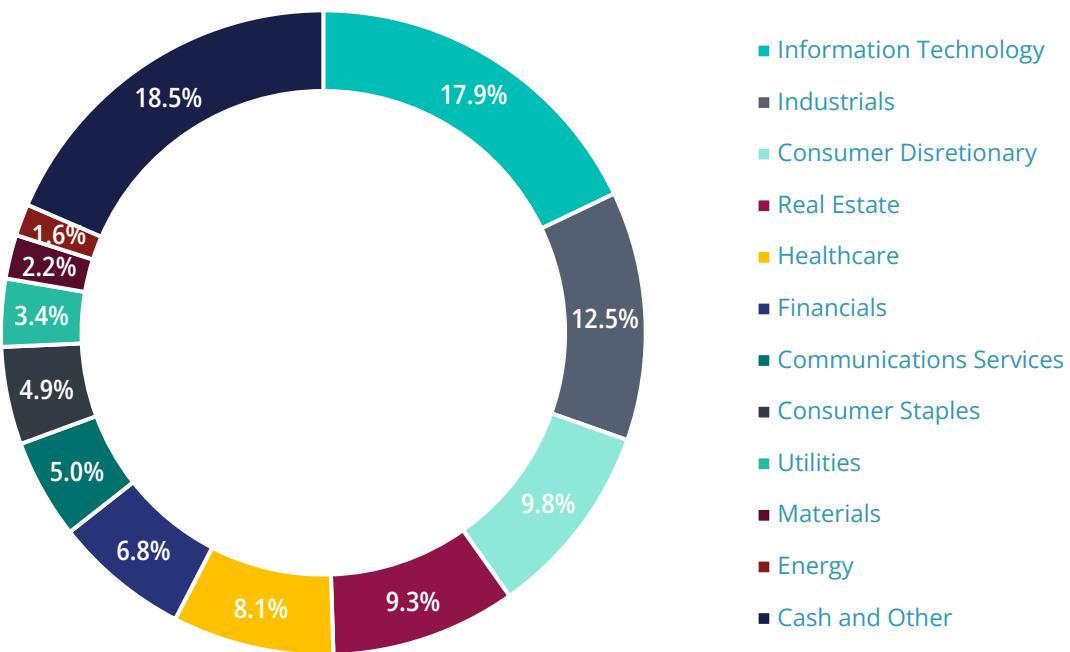


Source: UCIM internal reporting. "Cash & Other" is predominantly non-directional exposure from the Absolute Return & Credit portfolio, a degree of leverage in the Public and Private Equity portfolios, and cash held at both a CUEF level and underlying managers.

Figure 13: CUEF Foreign Exchange Breakdown (%) 30th June 2024



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 14: CUEF Sector Split (%) 30<sup>th</sup> June 2024

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

Figure 15: CUEF Top Ten Manager Holdings by Fund Manager (% of NAV) at 30th June 2024

Fund Manager	Mandate	CUEF assets (%)
Manager A	Long-only public equity fund manager, concentrated portfolio of 20-40 stocks	5.7%
Manager B	Global software specialist private equity manager	4.8%
Manager C	Long only and long-short equity manager investing in the energy transition	4.6%
Manager D	Pan-Asia long-only public equity manager targeting high quality stocks	4.3%
Manager E	US focused, long-short public equity manager	4.2%
Manager F	China focused public and private equity manager	3.8%
Manager G	US focused long-only manager with concentrated portfolio of high-quality companies	3.0%
Manager H	Alternative investment manager focused on European credit	2.8%
Manager I	US focused public equity manager, focused on technology sector	2.3%
Manager J	US focused public equity manager, focused on the biotechnology sector	2.3%

Source: UCIM internal reporting.

## 4. 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.

## 5. Leverage calculations as of 30<sup>th</sup> June 2024

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>4,227.9</b>
Exclude: Operational CUEF Net Current Assets		39.1
Exclude: Fixed Interest / Cash Investments		-160.3
<b>Total Exclusions: CUEF own internal method</b>		<b>-121.2</b>
<b>CUEF Total Investment Exposure - 'CUEF own' method</b>		4,106.7
CUEF Net Asset Value		4,227.9
CUEF Leverage % - CUEF own internal method		97%
CUEF Leverage Limit % - CUEF own internal method		110%

CUEF Leverage - 'Gross' method		£m
<b>CUEF Net Asset Value</b>		<b>4,227.9</b>
Plus: Adjusted Derivative Positions		
- Currency Options		71.0
- Currency Contracts		980.4
- Futures		163.2
<b>Total CUEF Investment Position - 'Gross' method</b>		<b>5,442.5</b>
Exclude: Operational CUEF Net Current Assets		39.1
Exclude Cash and Cash Equivalents		-284.8
<b>Total Exclusions - 'Gross' method</b>		<b>-245.7</b>
<b>CUEF Total Exposure excluding capital commitments- 'Gross Method'</b>		<b>5,196.8</b>
CUEF Net Asset Value		4,227.9
CUEF Leverage % - 'Gross' method excluding capital commitments		123%
CUEF Capital Commitments (Private Equity)		754.5
<b>CUEF Total Exposure excluding capital commitments- 'Gross Method'</b>		<b>5,951.3</b>
CUEF Net Asset Value		4,227.9
CUEF Leverage % - 'Gross' method including capital commitments		141%
CUEF Leverage Limit % - 'Gross' method		5000%

CUEF % Leverage - 'Commitment' method	
	£m
<b>CUEF Net Asset Value</b>	<b>4,227.9</b>
Plus: Adjusted Derivative Positions	
- Currency Options	71.0
- Currency Contracts	980.4
- Futures	163.2
<b>CUEF Total Exposure excluding capital commitments- Commitment method</b>	<b>5,442.5</b>
Exclude: Operational CUEF Net Current Assets	39.1
Exclude hedging positions	-983.4
<b>Total Exclusions - Commitment method</b>	<b>-944.3</b>
<b>CUEF Total Exposure excluding capital commitments- Commitment method</b>	<b>4,498.2</b>
CUEF Net Asset Value	4,227.9
CUEF Leverage % - 'Commitment' method	106%
CUEF Leverage Limit % - 'Commitment' method	5000%

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