

4TH QUARTER • 2018

# UK FOUNDATIONS AND ENDOWMENTS

COMPARATIVE ASSET ALLOCATION AND TOTAL RETURN

## NOTES ON THE DATA

**DATA COLLECTION.** Included in this analysis for the quarter ended 31 December 2018 are 29 UK-based foundations and endowments. The average market value of participating UK foundations and endowments was £261.5 million and the median market value was £121.4 million for the quarter ended 31 December 2018.

The notation of  $n$  denotes the number of foundations and endowments included in each analysis. Returns are denominated in pounds sterling.

Asset allocation is generated using the investment manager structure for each client. Every investment product, fund, and vehicle that a client is invested in is assigned an asset class. Asset classes for a given investment product, fund, or vehicle are maintained across all clients to ensure comparability. The statistics throughout this analysis are calculated on an equal-weighted basis.

**ASSET CLASSES.** In Figures 1–3, global equity includes global ex UK equities (developed and emerging); hedge funds include long/short hedge funds and absolute return (ex distressed securities); private equity and venture capital include non-venture private equity, venture capital, and other private investments; real assets and inflation-linked bonds include public and private real estate, commodities, global inflation-linked bonds, private oil & gas/natural resources, timber, and public energy/natural resources; and bonds includes UK bonds, global ex UK bonds, and high-yield bonds. In Figure 3, global bonds includes global ex UK bonds (developed and emerging). One institution reported an allocation to ‘other’, which represents an allocation to investment managers with a balanced funds strategy.

**PRIVATE INVESTMENT PERFORMANCE REPORTING METHODOLOGIES.** Of the 20 foundations and endowments in this analysis with an allocation to private investments (approximately 1% of the total investment pool or greater), all 20 report private investment performance using a flat basis methodology. Total investment pool return for fourth quarter 2018 includes marketable asset performance for 1 October 2018 to 31 December 2018. Private investment portion of the investment pool is represented by a flat return (0%) for 1 October 2018 to 31 December 2018.



**CALCULATION OF THE SHARPE RATIO.** The Sharpe ratio is defined as the excess return, or the return over the risk-free rate, on a portfolio divided by the total volatility as measured by the standard deviation of the portfolio. The most common approach to measuring risk is by the Sharpe ratio, which shows how much return above the risk-free rate (UK three-month Libor) the investor has earned per unit of risk (defined as standard deviation of returns). The higher the Sharpe ratio, the more the investor has been compensated for each unit of risk taken. The ratio is a measure of reward relative to total volatility. The formula is:

$$\frac{R_p - R_f}{S_p} = \text{Sharpe Ratio}$$

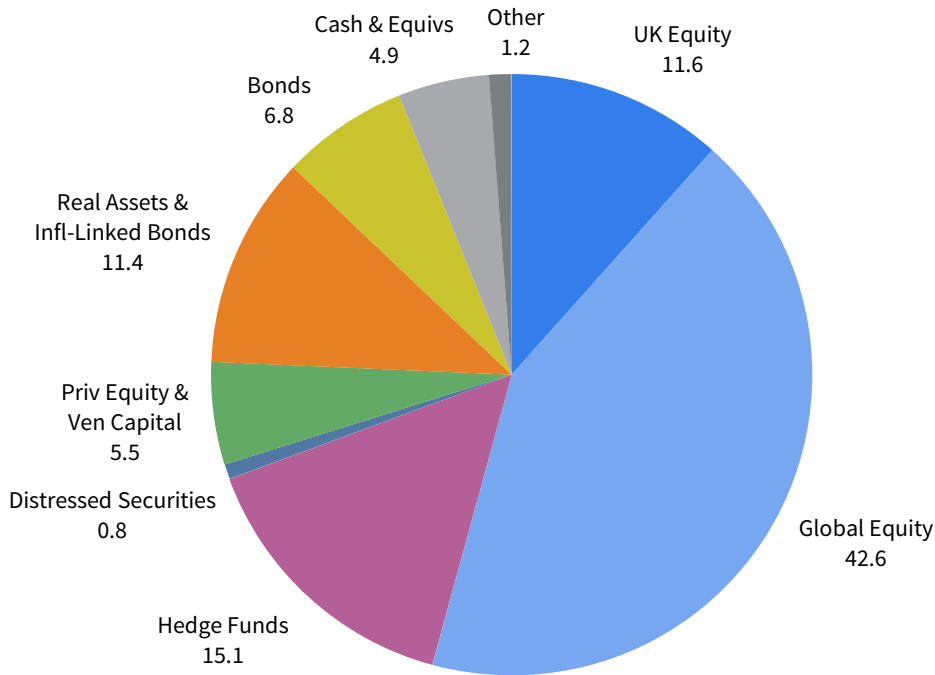
Where:

- $R_p$  is the arithmetic average of composite quarterly returns;
- $R_f$  is the arithmetic average of UK three-month Libor (risk-free) quarterly returns;  
and
- $S_p$  is the quarterly standard deviation of composite quarterly returns. ■

**FIGURE 1 INVESTMENT POOL MEAN ASSET ALLOCATION AND TOTAL RETURN**

Period Ended 31 December 2018 • Percent (%)

**Mean Asset Allocation (n = 29)**



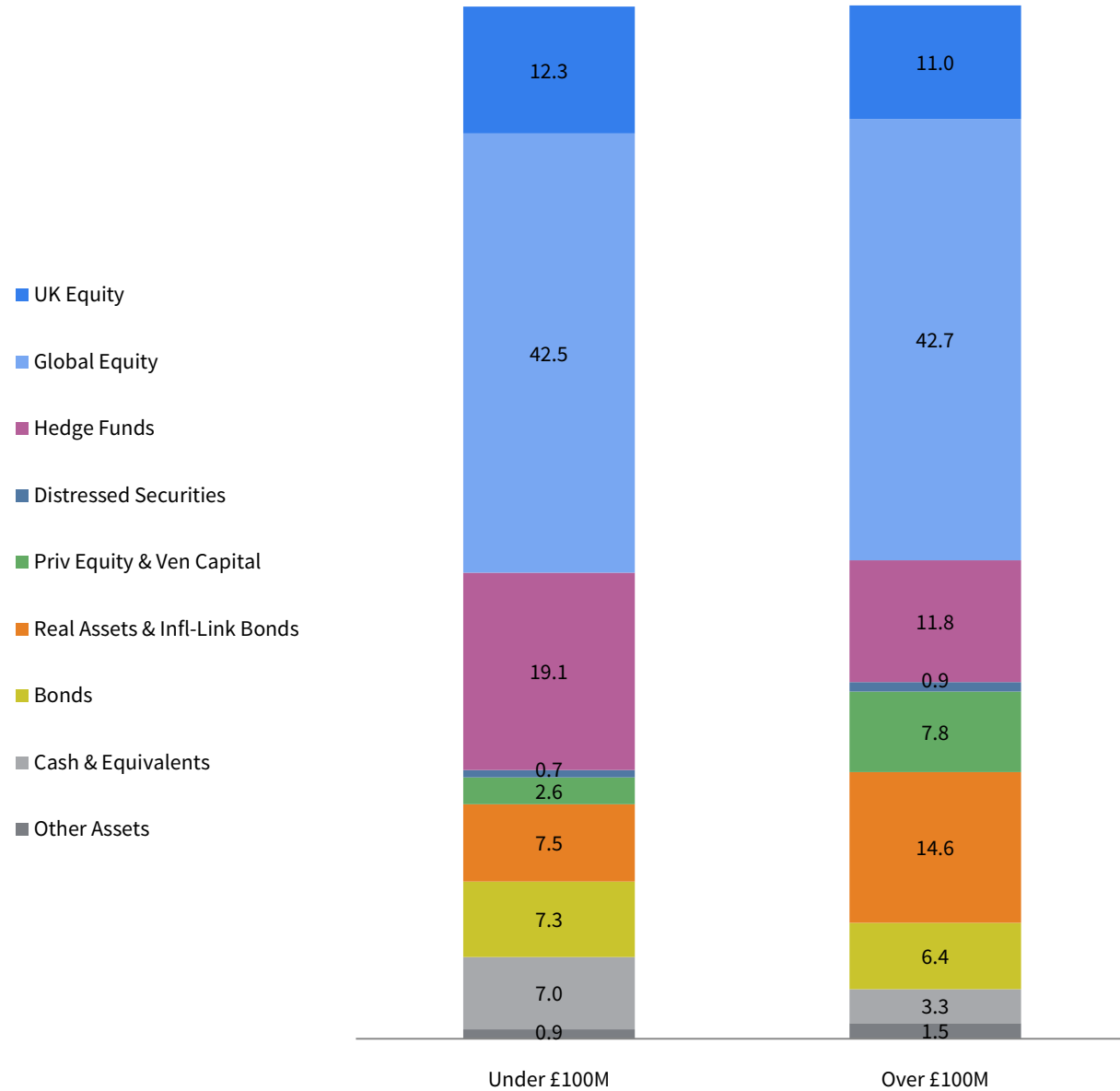
**One-Year Nominal Mean Return and Relevant Benchmarks (n = 29)**



Sources: UK foundation and endowment data as reported to Cambridge Associates LLC. Index data are provided by FTSE International Limited, Investment Property Databank (IPD), MSCI Inc., Thomson Reuters Datastream, and UK Office for National Statistics. IPD data provided 'as is' without any express or implied warranties. MSCI data provided 'as is' without any express or implied warranties.

**FIGURE 2 INVESTMENT POOL MEAN ASSET ALLOCATION BY ASSET SIZE**

As at 31 December 2018 • Percent (%)



UK Equity	12.3	11.0
Global Equity	42.5	42.7
Hedge Funds	19.1	11.8
Distressed Securities	0.7	0.9
Private Equity & Venture Capital	2.6	7.8
Real Assets & Infl-Linked Bonds	7.5	14.6
Bonds	7.3	6.4
Cash & Equivalents	7.0	3.3
Other Assets	0.9	1.5
<i>n</i>	13	16

Source: UK foundation and endowment data as reported to Cambridge Associates LLC.

### FIGURE 3 DETAILED ASSET ALLOCATION BY ASSET SIZE

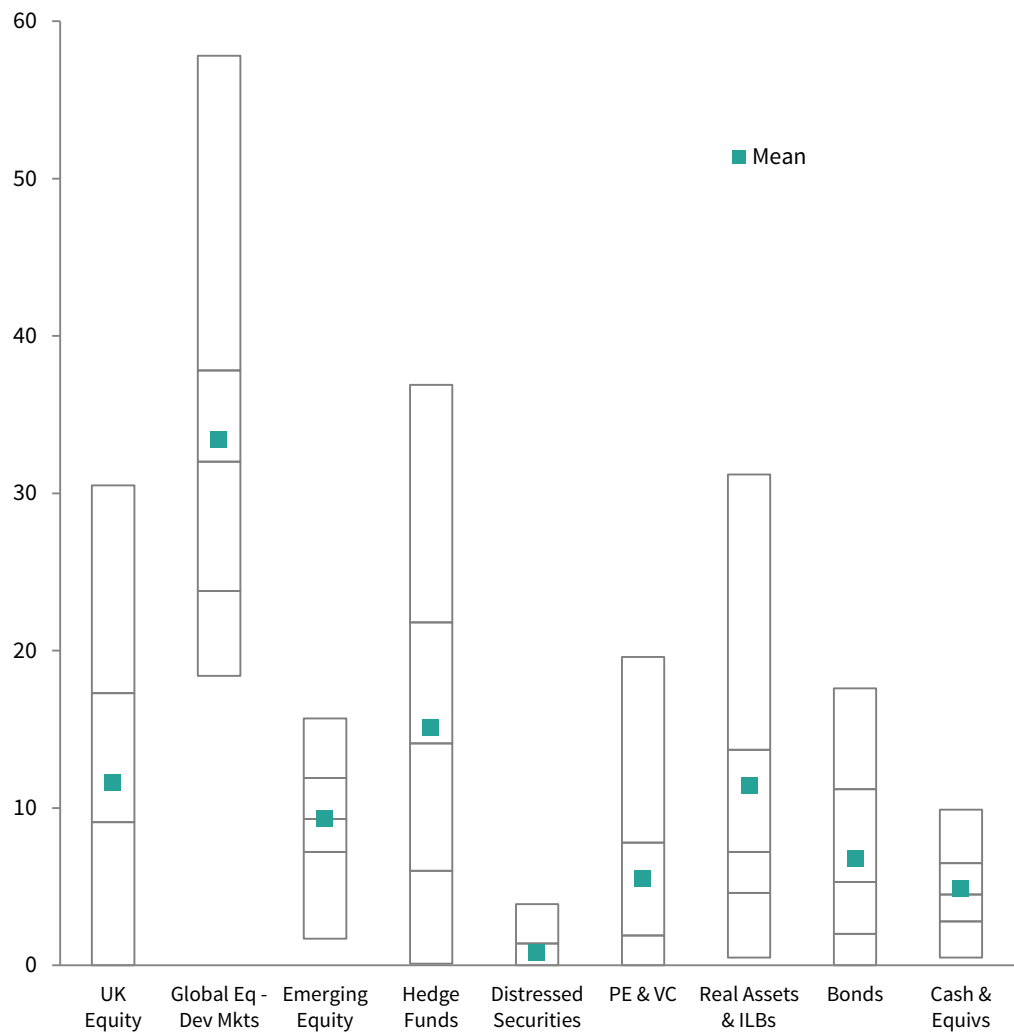
As at 31 December 2018 • Percent (%)

Asset Class	CA UK Foundations & Endowments (n = 29)		Under £100M (n = 13)		Over £100M (n = 16)	
	Mean	Median	Mean	Median	Mean	Median
<b>UK Equity</b>	<b>11.6</b>	<b>9.1</b>	<b>12.3</b>	<b>16.1</b>	<b>11.0</b>	<b>3.2</b>
<b>Global Equity</b>	<b>42.6</b>	<b>42.8</b>	<b>42.5</b>	<b>43.2</b>	<b>42.7</b>	<b>41.3</b>
Developed Markets	33.4	32.0	32.0	33.0	34.4	30.7
Emerging Markets	9.3	9.3	10.5	9.8	8.3	8.8
<b>Hedge Funds</b>	<b>15.1</b>	<b>14.1</b>	<b>19.1</b>	<b>16.4</b>	<b>11.8</b>	<b>9.8</b>
Long/Short Hedge Funds	3.9	1.5	4.2	0.0	3.6	2.2
Absolute Return (ex Distressed)	11.2	11.1	14.9	15.1	8.2	7.5
<b>Distressed Securities</b>	<b>0.8</b>	<b>0.0</b>	<b>0.7</b>	<b>0.0</b>	<b>0.9</b>	<b>0.0</b>
Hedge Fund Structure	0.5	0.0	0.6	0.0	0.5	0.0
Private Equity Structure	0.3	0.0	0.1	0.0	0.5	0.0
<b>Private Equity &amp; Venture Capital</b>	<b>5.5</b>	<b>1.9</b>	<b>2.6</b>	<b>1.8</b>	<b>7.8</b>	<b>4.5</b>
Non-Venture Private Equity	3.0	1.2	2.0	0.0	3.8	2.0
Venture Capital	1.9	0.0	0.2	0.0	3.2	0.0
Other Private Investments	0.6	0.0	0.4	0.0	0.8	0.4
<b>Real Assets &amp; Inflation-Linked Bonds</b>	<b>11.4</b>	<b>7.2</b>	<b>7.5</b>	<b>6.5</b>	<b>14.6</b>	<b>7.9</b>
Private Real Estate	4.2	0.0	0.5	0.0	7.3	0.1
<i>Private Partnerships</i>	0.4	0.0	0.5	0.0	0.3	0.0
<i>Direct Property Holdings</i>	3.9	0.0	0.0	0.0	7.0	0.0
Public Real Estate	4.3	0.0	3.7	0.0	4.9	0.0
Commodities	0.7	0.0	0.9	0.0	0.4	0.0
Inflation-Linked Bonds (UK)	0.3	0.0	0.4	0.0	0.3	0.0
Inflation-Linked Bonds (ex UK)	1.5	0.8	1.6	0.0	1.4	0.8
Private Oil & Gas/Natural Resources	0.0	0.0	0.0	0.0	0.0	0.0
Timber	0.2	0.0	0.2	0.0	0.1	0.0
Public Energy/Natural Resources	0.2	0.0	0.1	0.0	0.3	0.0
<b>Bonds</b>	<b>6.8</b>	<b>5.3</b>	<b>7.3</b>	<b>7.6</b>	<b>6.4</b>	<b>5.0</b>
UK Bonds	1.3	0.0	0.9	0.0	1.7	0.0
Global Bonds	5.3	4.3	6.4	5.7	4.4	4.1
<i>Developed Markets</i>	4.4	3.4	5.1	4.2	3.8	3.3
<i>Emerging Markets</i>	0.9	0.2	1.3	0.0	0.6	0.2
High-Yield Bonds	0.1	0.0	0.0	0.0	0.3	0.0
<b>Cash &amp; Equivalents</b>	<b>4.9</b>	<b>4.5</b>	<b>7.0</b>	<b>5.7</b>	<b>3.3</b>	<b>3.2</b>
<b>Other Assets</b>	<b>1.2</b>	<b>0.0</b>	<b>0.9</b>	<b>0.0</b>	<b>1.5</b>	<b>0.0</b>

Source: UK foundation and endowment data as reported to Cambridge Associates LLC.

## FIGURE 4 ASSET ALLOCATION DISTRIBUTION

As at 31 December 2018 • Percent (%)



### CA UK Foundations & Endowments

5th Percentile	30.5	57.8	15.7	36.9	3.9	19.6	31.2	17.6	9.9
25th Percentile	17.3	37.8	11.9	21.8	1.4	7.8	13.7	11.2	6.5
Median	9.1	32.0	9.3	14.1	0.0	1.9	7.2	5.3	4.5
75th Percentile	0.0	23.8	7.2	6.0	0.0	0.0	4.6	2.0	2.8
95th Percentile	0.0	18.4	1.7	0.1	0.0	0.0	0.5	0.0	0.5
Mean	11.6	33.4	9.3	15.1	0.8	5.5	11.4	6.8	4.9
<i>n</i> = 29									

Source: UK foundation and endowment data as reported to Cambridge Associates LLC.

## FIGURE 5 SUMMARY OF INVESTMENT POOL RETURNS

Periods Ended 31 December 2018 • Percent (%)

### Nominal Total Returns

	Latest Quarter	FYTD	Average Annual Compound Nominal Return			
			1 Year	3 Years	5 Years	10 Years
<b>CA UK Foundations &amp; Endowments</b>						
Mean	-7.2	-5.0	-3.1	7.7	6.8	8.4
Median	-6.7	-4.1	-2.4	7.8	6.6	8.2
High	-3.9	-0.9	3.3	11.7	10.6	10.6
5th Percentile	-4.9	-2.2	3.0	10.1	9.7	10.3
25th Percentile	-6.0	-3.4	-1.1	8.6	7.7	8.8
75th Percentile	-7.5	-6.0	-5.0	6.9	5.8	7.6
95th Percentile	-9.8	-9.0	-8.2	5.3	5.1	7.1
Low	-18.7	-18.0	-15.7	4.1	4.3	6.8
<i>n</i>	29	29	29	26	25	19
<b>Benchmarks</b>						
FTSE® 100	-9.6	-10.2	-8.7	6.8	3.9	8.3
FTSE® All-Share	-10.2	-11.0	-9.5	6.1	4.1	9.1
MSCI ACWI	-10.7	-5.7	-3.8	11.9	9.9	10.8
FTSE® All Stocks Gilts	1.9	0.2	0.6	4.1	5.2	4.5
IPD UK Pooled Property	2.3	4.4	6.0	9.5	9.0	2.2
UK 3-Month Libor	0.2	0.4	0.7	0.5	0.5	0.7
RPI - UK	0.5	1.5	2.7	3.1	2.4	3.0

### Real Total Returns

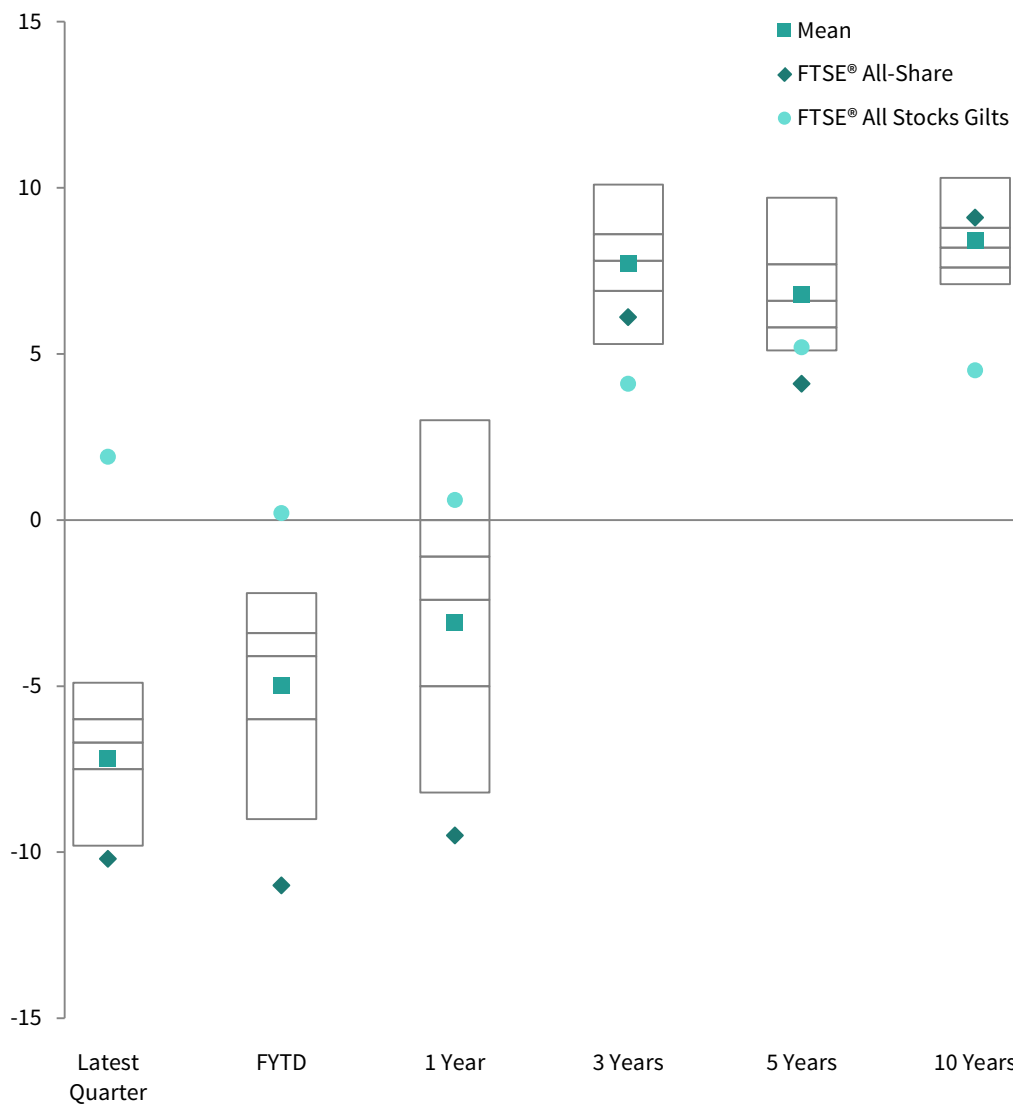
	Latest Quarter	FYTD	Average Annual Compound Real Return			
			1 Year	3 Years	5 Years	10 Years
<b>CA UK Foundations &amp; Endowments</b>						
Mean	-7.7	-6.3	-5.7	4.4	4.3	5.2
Median	-7.2	-5.5	-5.0	4.5	4.0	5.0
High	-4.4	-2.4	0.5	8.3	7.9	7.4
5th Percentile	-5.4	-3.6	0.3	6.8	7.1	7.1
25th Percentile	-6.5	-4.8	-3.7	5.3	5.1	5.7
75th Percentile	-8.0	-7.3	-7.5	3.7	3.3	4.5
95th Percentile	-10.2	-10.3	-10.6	2.2	2.6	4.0
Low	-19.1	-19.2	-18.0	1.0	1.9	3.7
<i>n</i>	29	29	29	26	25	19
<b>Benchmarks</b>						
FTSE® 100	-10.1	-11.5	-11.1	3.5	1.4	5.1
FTSE® All-Share	-10.7	-12.3	-11.9	2.9	1.6	5.9
MSCI ACWI	-11.1	-7.0	-6.3	8.6	7.3	7.6
FTSE® All Stocks Gilts	1.4	-1.3	-2.1	1.0	2.8	1.5
IPD UK Pooled Property	1.8	2.9	3.2	6.2	6.4	-0.8
UK 3-Month Libor	-0.3	-1.0	-1.9	-2.5	-1.8	-2.2

Sources: UK foundation and endowment data as reported to Cambridge Associates LLC. Index data are provided by FTSE International Limited, Investment Property Databank (IPD), MSCI Inc., Thomson Reuters Datastream, and UK Office for National Statistics. IPD data provided 'as is' without any express or implied warranties. MSCI data provided 'as is' without any express or implied warranties.

Note: Real returns are adjusted for inflation as measured by the UK Retail Price Index.

### FIGURE 6 INVESTMENT POOL NOMINAL RETURN PERCENTILES

Periods Ended 31 December 2018 • Percent (%)



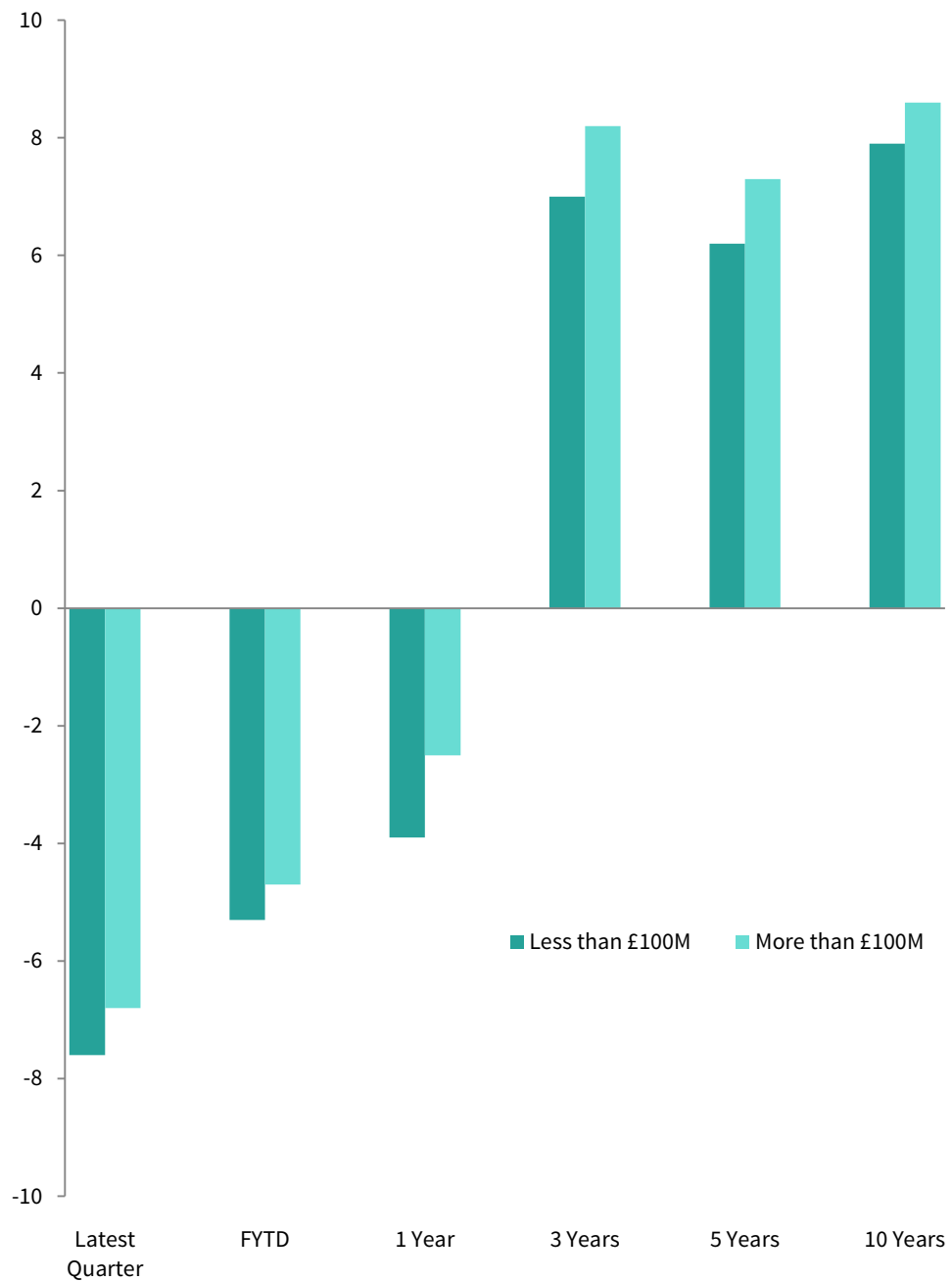
5th Percentile	-4.9	-2.2	3.0	10.1	9.7	10.3
25th Percentile	-6.0	-3.4	-1.1	8.6	7.7	8.8
Median	-6.7	-4.1	-2.4	7.8	6.6	8.2
75th Percentile	-7.5	-6.0	-5.0	6.9	5.8	7.6
95th Percentile	-9.8	-9.0	-8.2	5.3	5.1	7.1
Mean	-7.2	-5.0	-3.1	7.7	6.8	8.4
<i>n</i>	29	29	29	26	25	19
FTSE® All-Share	-10.2	-11.0	-9.5	6.1	4.1	9.1
FTSE® All Stocks Gilts	1.9	0.2	0.6	4.1	5.2	4.5

Sources: UK foundation and endowment data as reported to Cambridge Associates LLC. Index data are provided by FTSE International Limited.  
 Note: Three-, five-, and ten-year returns are annualised.



## FIGURE 7 NOMINAL TOTAL RETURN SUMMARY BY ASSET SIZE

Periods Ended 31 December 2018 • Percent (%)



### Less than £100M

Mean	-7.6	-5.3	-3.9	7.0	6.2	7.9
Median	-6.8	-4.5	-4.1	7.2	6.3	7.9
<i>n</i>	13	13	13	11	10	7

### More than £100M

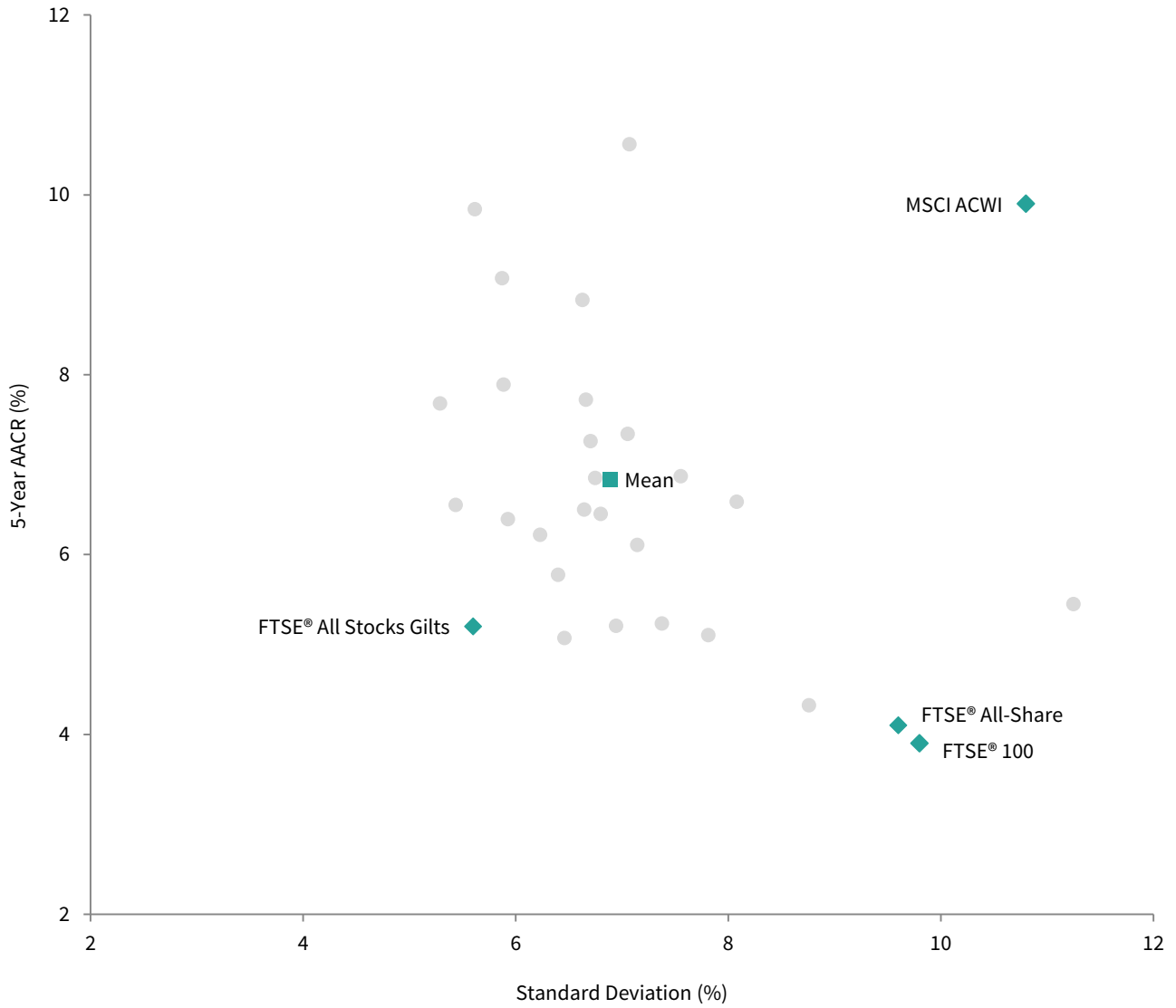
Mean	-6.8	-4.7	-2.5	8.2	7.3	8.6
Median	-6.4	-3.8	-2.2	8.0	7.3	8.6
<i>n</i>	16	16	16	15	15	12

Source: UK foundation and endowment data as reported to Cambridge Associates LLC.

Note: Three-, five-, and ten-year returns are annualised.

**FIGURE 8 STANDARD DEVIATION AND SHARPE RATIO**

Five Years Ended 31 December 2018



	5-Year AACR <sup>1</sup>	Standard Deviation <sup>2</sup>	Sharpe Ratio <sup>3</sup>
Mean <i>n</i> = 25	6.8	6.9	0.96
FTSE® 100	3.9	9.8	0.38
FTSE® All-Share	4.1	9.6	0.41
MSCI ACWI	9.9	10.8	0.89
FTSE® All Stocks Gilts	5.2	5.6	0.85

Sources: UK foundation and endowment data as reported to Cambridge Associates LLC. Index data are provided by FTSE International Limited and MSCI Inc. MSCI data provided 'as is' without any express or implied warranties.

<sup>1</sup> Five-year geometric average annual compound returns.

<sup>2</sup> Annualised standard deviations are based on last five years of quarterly returns.

<sup>3</sup> Sharpe Ratio = (Composite Performance - Risk-Free Rate) ÷ Annualised Standard Deviation. The risk-free rate is the UK three-month Libor.

## PARTICIPANTS

The 29 May 1961 Charitable Trust  
Aberystwyth University  
The Art Fund  
Barts Charity  
Big Win Philanthropy UK  
The Burdett Trust  
Chelsea and Westminster Health Charity  
The Clothworkers' Company  
Comic Relief  
Council for World Mission  
Courtauld Institute of Art  
The Drapers' Group  
Esmée Fairbairn Foundation  
Guardian Media Group  
The Health Foundation  
The Henry Smith Charity  
International Tennis Federation  
Jesus College, Oxford  
King's College London  
The Legal Education Foundation  
Marie Curie Cancer Care  
The Nuffield Foundation  
Paul Hamlyn Foundation  
The Pilgrim Trust  
Royal Literary Fund  
The Society of Merchant Venturers  
Winchester College

*Note: Two participating institutions wish to remain anonymous.*

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