

2ND QUARTER • 2019

# UK FOUNDATIONS AND ENDOWMENTS

COMPARATIVE ASSET ALLOCATION AND TOTAL RETURN

## NOTES ON THE DATA

**DATA COLLECTION.** Included in this analysis for the quarter ended 30 June 2019 are 29 UK-based foundations and endowments. The average market value of participating UK foundations and endowments was £280.0 million, and the median market value was £134.2 million for the quarter ended 30 June 2019.

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, 2, and 4, 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 18 foundations and endowments in this analysis with an allocation to private investments (approximately 1% of the total investment pool or greater), all 18 report private investment performance using a flat basis methodology. Total investment pool return for second quarter 2019 includes marketable asset performance for 1 April 2019 to 30 June 2019. Private investment portion of the investment pool is represented by a flat return (0%) for 1 April 2019 to 30 June 2019.



**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:

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

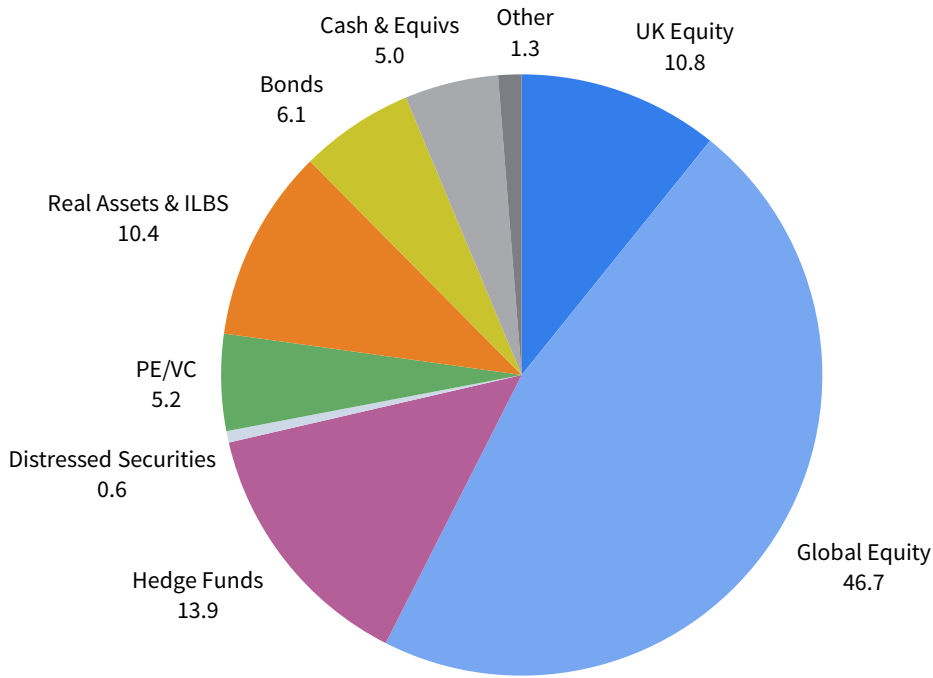
Where:

- $R_p$  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. ■

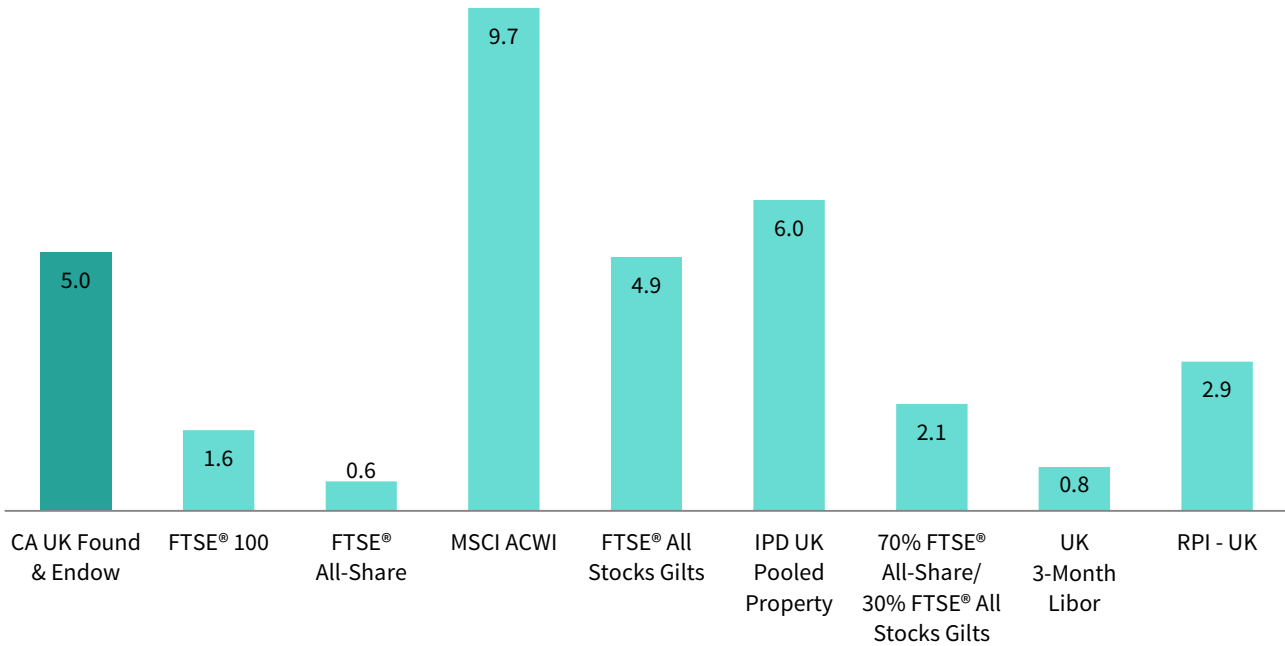
**FIGURE 1 INVESTMENT POOL MEAN ASSET ALLOCATION AND TOTAL RETURN**

Period Ended 30 June 2019 • Percent (%)

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



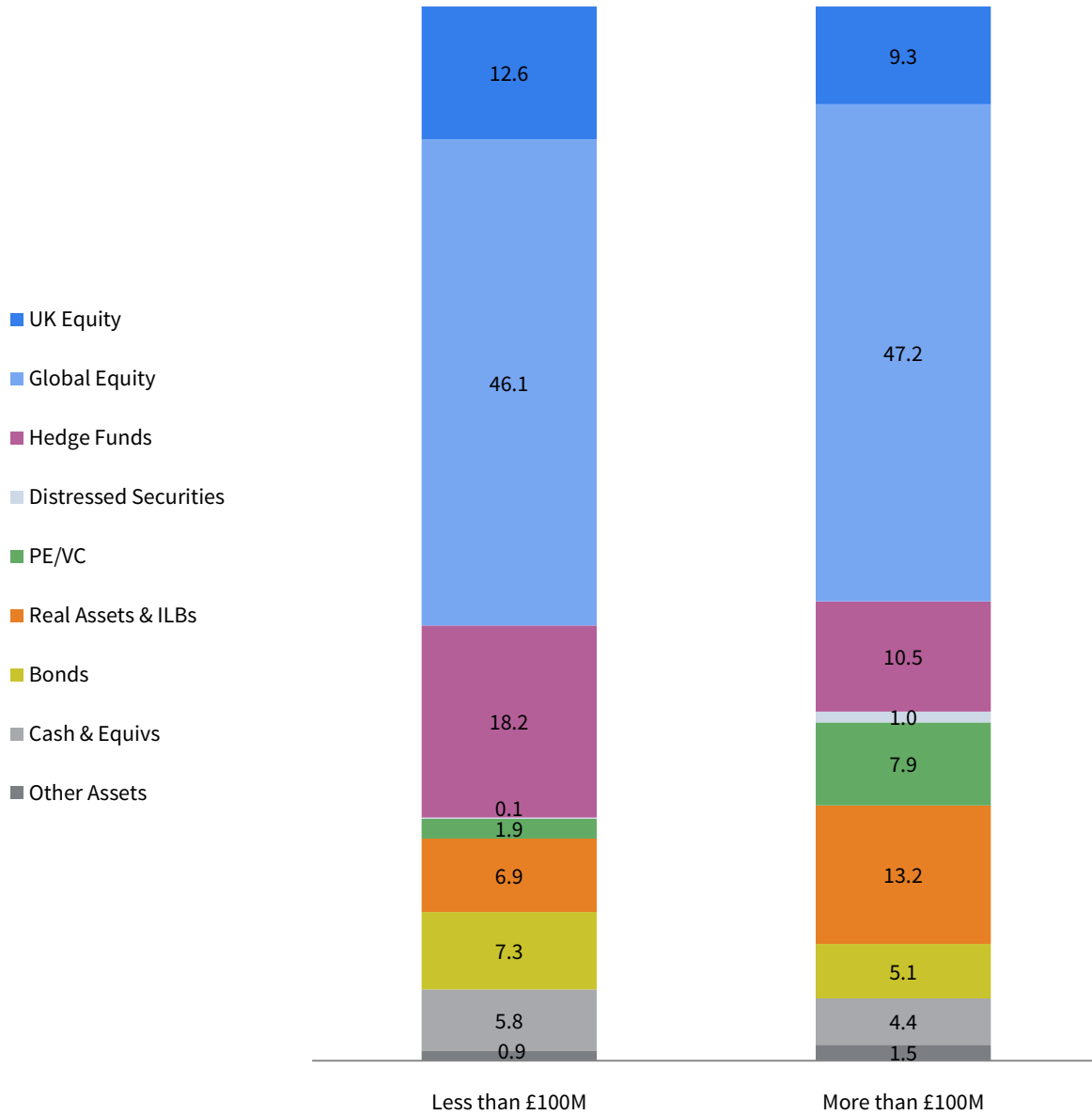
**One-Year Nominal Mean Return and Relevant Benchmarks (n = 29)**



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 30 June 2019 • Percent (%)



|                       |      |      |
|-----------------------|------|------|
| UK Equity             | 12.6 | 9.3  |
| Global Equity         | 46.1 | 47.2 |
| Hedge Funds           | 18.2 | 10.5 |
| Distressed Securities | 0.1  | 1.0  |
| PE/VC                 | 1.9  | 7.9  |
| Real Assets & ILBs    | 6.9  | 13.2 |
| Bonds                 | 7.3  | 5.1  |
| Cash & Equivs         | 5.8  | 4.4  |
| 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

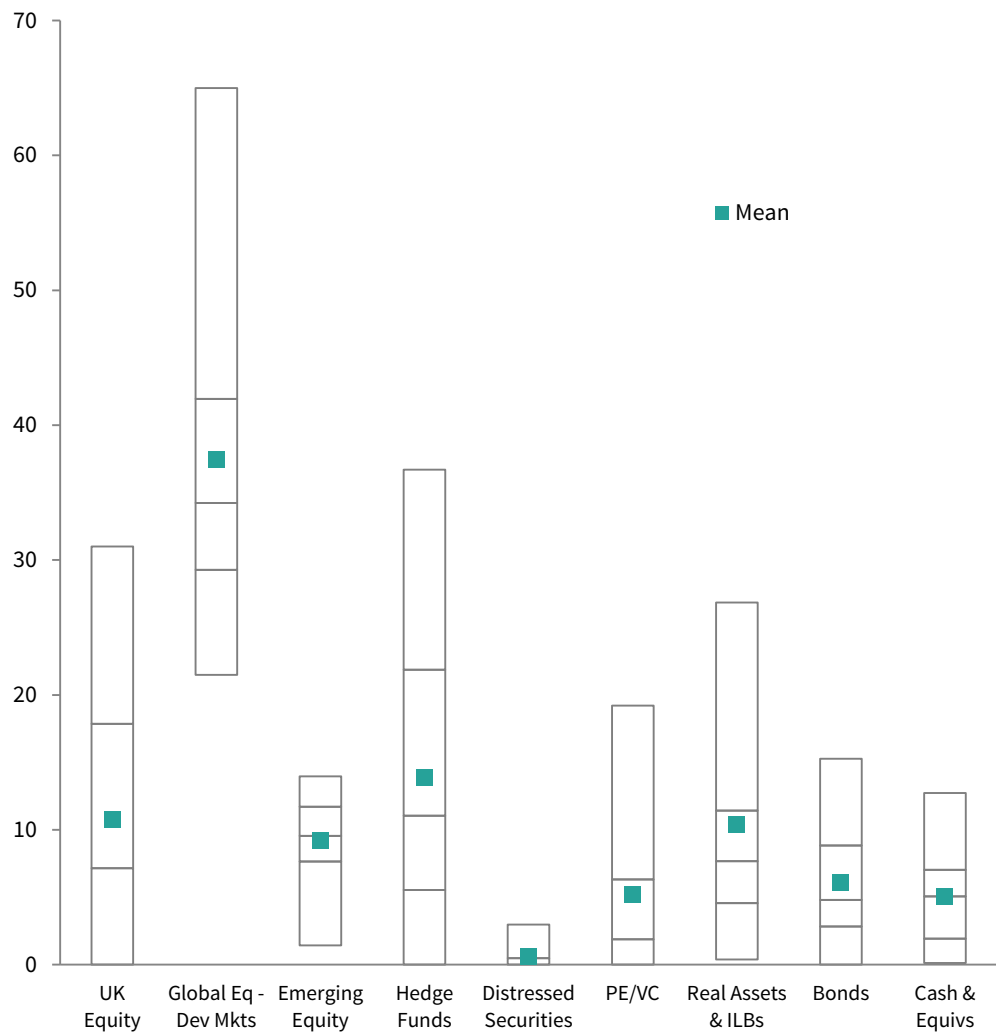
As at 30 June 2019 • Percent (%)

| Asset Class                         | CA UK Foundations<br>& Endowments<br>(n = 29) |             | Less than £100 Million<br>(n = 13) |             | More than £100 Million<br>(n = 16) |             |
|-------------------------------------|---|-------------|------------------------------------|-------------|------------------------------------|-------------|
|                                     | Mean  | Median      | Mean                               | Median      | Mean                               | Median      |
| <b>UK Equity</b>                    | <b>10.8</b>                                   | <b>7.2</b>  | <b>12.6</b>                        | <b>16.7</b> | <b>9.3</b>                         | <b>3.2</b>  |
| <b>Global Equity</b>                | <b>46.7</b>                                   | <b>45.1</b> | <b>46.1</b>                        | <b>46.9</b> | <b>47.2</b>                        | <b>43.8</b> |
| Developed Markets                   | 37.5  | 34.2        | 35.7                               | 37.6        | 38.9                               | 33.9        |
| Emerging Markets                    | 9.2   | 9.6         | 10.4                               | 10.2        | 8.3                                | 8.7         |
| <b>Hedge Funds</b>                  | <b>13.9</b>                                   | <b>11.0</b> | <b>18.2</b>                        | <b>16.0</b> | <b>10.5</b>                        | <b>8.2</b>  |
| Long/Short Hedge Funds              | 3.9   | 1.7         | 4.6                                | 0.0         | 3.4                                | 2.5         |
| Absolute Return (ex Distressed)     | 10.0  | 8.0         | 13.6                               | 14.0        | 7.0                                | 6.3         |
| <b>Distressed Securities</b>        | <b>0.6</b>                                    | <b>0.0</b>  | <b>0.1</b>                         | <b>0.0</b>  | <b>1.0</b>                         | <b>0.0</b>  |
| Hedge Fund Structure                | 0.3   | 0.0         | 0.0                                | 0.0         | 0.5                                | 0.0         |
| Private Equity Structure            | 0.3   | 0.0         | 0.1                                | 0.0         | 0.5                                | 0.0         |
| <b>PE/VC</b>                        | <b>5.2</b>                                    | <b>1.9</b>  | <b>1.9</b>                         | <b>0.0</b>  | <b>7.9</b>                         | <b>6.2</b>  |
| Non-Venture Private Equity          | 2.7   | 1.0         | 1.3                                | 0.0         | 3.8                                | 2.9         |
| Venture Capital                     | 1.9   | 0.0         | 0.1                                | 0.0         | 3.3                                | 0.0         |
| Other Private Investments           | 0.7   | 0.0         | 0.5                                | 0.0         | 0.8                                | 0.3         |
| <b>Real Assets &amp; ILBs</b>       | <b>10.4</b>                                   | <b>7.7</b>  | <b>6.9</b>                         | <b>7.7</b>  | <b>13.2</b>                        | <b>7.5</b>  |
| Private Real Estate                 | 4.2   | 0.0         | 0.7                                | 0.0         | 7.0                                | 0.0         |
| <i>Private Partnerships</i>         | 0.2   | 0.0         | 0.2                                | 0.0         | 0.2                                | 0.0         |
| <i>Direct Property Holdings</i>     | 4.0   | 0.0         | 0.5                                | 0.0         | 6.8                                | 0.0         |
| Public Real Estate                  | 3.6   | 0.0         | 3.3                                | 0.0         | 3.8                                | 0.0         |
| Commodities                         | 0.6   | 0.0         | 1.0                                | 0.0         | 0.3                                | 0.0         |
| Inflation-Linked Bonds (UK)         | 0.3   | 0.0         | 0.4                                | 0.0         | 0.2                                | 0.0         |
| Inflation-Linked Bonds (ex UK)      | 1.3   | 0.6         | 1.3                                | 0.0         | 1.4                                | 1.0         |
| Private Oil & Gas/Natural Resources | 0.0   | 0.0         | 0.0                                | 0.0         | 0.0                                | 0.0         |
| Timber                              | 0.1   | 0.0         | 0.0                                | 0.0         | 0.1                                | 0.0         |
| Public Energy/Natural Resources     | 0.2   | 0.0         | 0.1                                | 0.0         | 0.4                                | 0.0         |
| <b>Bonds</b>                        | <b>6.1</b>                                    | <b>4.8</b>  | <b>7.3</b>                         | <b>5.7</b>  | <b>5.1</b>                         | <b>4.0</b>  |
| UK Bonds                            | 1.0   | 0.0         | 1.0                                | 0.0         | 1.0                                | 0.0         |
| Global Bonds                        | 5.0   | 3.8         | 6.3                                | 5.1         | 3.8                                | 3.4         |
| <i>Developed Markets</i>            | 4.3   | 3.2         | 5.4                                | 4.0         | 3.4                                | 2.8         |
| <i>Emerging Markets</i>             | 0.7   | 0.1         | 0.9                                | 0.1         | 0.4                                | 0.0         |
| High-Yield Bonds                    | 0.1   | 0.0         | 0.0                                | 0.0         | 0.3                                | 0.0         |
| <b>Cash &amp; Equivs</b>            | <b>5.0</b>                                    | <b>5.1</b>  | <b>5.8</b>                         | <b>5.3</b>  | <b>4.4</b>                         | <b>3.1</b>  |
| <b>Other Assets</b>                 | <b>1.3</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 30 June 2019 • Percent (%)



### CA UK Foundations & Endowments

|                 |      |      |      |      |     |      |      |      |      |
|-----------------|------|------|------|------|-----|------|------|------|------|
| 5th Percentile  | 31.0 | 65.0 | 14.0 | 36.7 | 3.0 | 19.2 | 26.8 | 15.3 | 12.7 |
| 25th Percentile | 17.9 | 41.9 | 11.7 | 21.9 | 0.5 | 6.3  | 11.4 | 8.8  | 7.0  |
| Median          | 7.2  | 34.2 | 9.6  | 11.0 | 0.0 | 1.9  | 7.7  | 4.8  | 5.1  |
| 75th Percentile | 0.0  | 29.3 | 7.7  | 5.5  | 0.0 | 0.0  | 4.6  | 2.8  | 1.9  |
| 95th Percentile | 0.0  | 21.5 | 1.4  | 0.0  | 0.0 | 0.0  | 0.4  | 0.0  | 0.1  |
| Mean            | 10.8 | 37.5 | 9.2  | 13.9 | 0.6 | 5.2  | 10.4 | 6.1  | 5.0  |
| <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 30 June 2019 • Percent (%)

### Nominal Total Returns

|   | Latest<br>Quarter | CYTD | Average Annual Compound Nominal Return |         |         |          |
|---|-------------------|------|--|---------|---------|----------|
|   |                   |      | 1 Year                                 | 3 Years | 5 Years | 10 Years |
| <b>CA UK Foundations &amp; Endowments</b> |                   |      |  |         |         |          |
| Mean                                      | 3.8               | 9.9  | 5.0                                    | 8.9     | 8.3     | 9.6      |
| Median                                    | 3.7               | 9.5  | 4.4                                    | 8.5     | 7.9     | 9.5      |
| High                                      | 6.2               | 15.8 | 10.7                                   | 12.9    | 12.0    | 12.7     |
| 5th Percentile                            | 5.7               | 13.9 | 10.4                                   | 11.0    | 11.5    | 12.1     |
| 25th Percentile                           | 4.6               | 11.3 | 6.2                                    | 9.9     | 8.9     | 10.3     |
| 75th Percentile                           | 3.3               | 8.6  | 3.2                                    | 7.7     | 7.4     | 8.8      |
| 95th Percentile                           | 2.2               | 6.5  | 0.9                                    | 7.3     | 6.4     | 7.9      |
| Low                                       | 1.4               | 4.5  | -0.5                                   | 6.8     | 6.3     | 7.7      |
| <i>n</i>                                  | 29                | 29   | 29                                     | 26      | 25      | 20       |
| <b>Benchmarks</b>                         |                   |      |  |         |         |          |
| FTSE® 100                                 | 3.3               | 13.1 | 1.6                                    | 8.9     | 6.1     | 9.8      |
| FTSE® All-Share                           | 3.3               | 13.0 | 0.6                                    | 9.0     | 6.3     | 10.3     |
| MSCI ACWI                                 | 6.1               | 16.3 | 9.7                                    | 13.5    | 12.6    | 13.0     |
| FTSE® All Stocks Gilts                    | 1.3               | 4.7  | 4.9                                    | 2.0     | 5.5     | 5.3      |
| IPD UK Pooled Property                    | 2.3               | 4.4  | 6.0                                    | 9.5     | 9.0     | 2.2      |
| UK 3-Month Libor                          | 0.2               | 0.4  | 0.8                                    | 0.6     | 0.6     | 0.7      |
| RPI - UK                                  | 1.6               | 1.4  | 2.9                                    | 3.3     | 2.5     | 3.1      |

### Real Total Returns

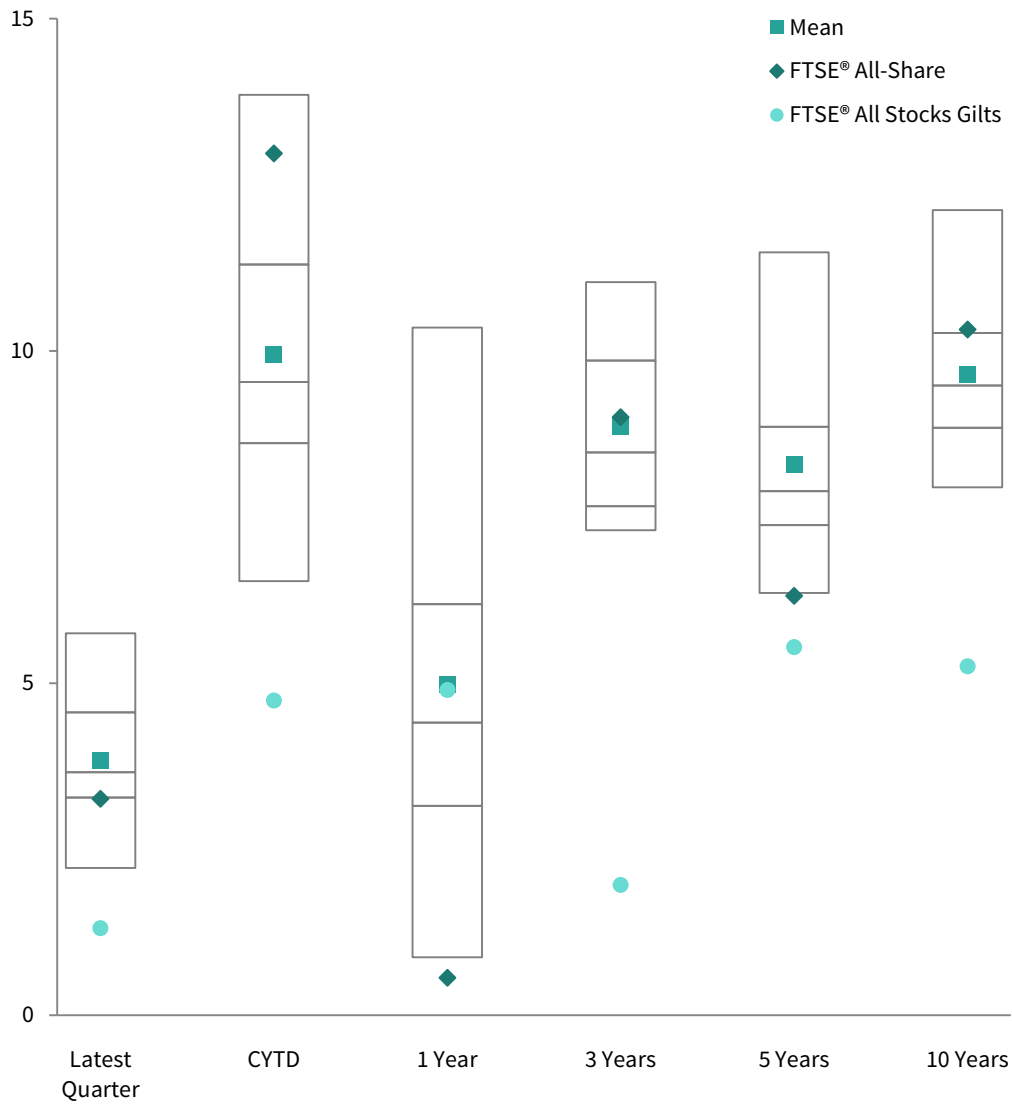
|   | Latest<br>Quarter | CYTD | Average Annual Compound Real Return |         |         |          |
|---|-------------------|------|-------------------------------------|---------|---------|----------|
|   |                   |      | 1 Year                              | 3 Years | 5 Years | 10 Years |
| <b>CA UK Foundations &amp; Endowments</b> |                   |      |                                     |         |         |          |
| Mean                                      | 2.2               | 8.4  | 2.0                                 | 5.4     | 5.7     | 6.3      |
| Median                                    | 2.0               | 8.0  | 1.5                                 | 5.1     | 5.3     | 6.2      |
| High                                      | 4.5               | 14.2 | 7.6                                 | 9.4     | 9.3     | 9.3      |
| 5th Percentile                            | 4.1               | 12.3 | 7.3                                 | 7.5     | 8.8     | 8.7      |
| 25th Percentile                           | 2.9               | 9.8  | 3.2                                 | 6.4     | 6.2     | 7.0      |
| 75th Percentile                           | 1.7               | 7.1  | 0.3                                 | 4.3     | 4.8     | 5.6      |
| 95th Percentile                           | 0.6               | 5.1  | -1.9                                | 3.9     | 3.8     | 4.7      |
| Low                                       | -0.2              | 3.0  | -3.2                                | 3.5     | 3.8     | 4.5      |
| <i>n</i>                                  | 29                | 29   | 29                                  | 26      | 25      | 20       |
| <b>Benchmarks</b>                         |                   |      |                                     |         |         |          |
| FTSE® 100                                 | 1.7               | 11.6 | -1.3                                | 5.5     | 3.5     | 6.5      |
| FTSE® All-Share                           | 1.7               | 11.4 | -2.2                                | 5.6     | 3.7     | 7.0      |
| MSCI ACWI                                 | 4.4               | 14.7 | 6.6                                 | 9.9     | 9.9     | 9.6      |
| FTSE® All Stocks Gilts                    | -0.3              | 3.3  | 2.0                                 | -1.2    | 3.0     | 2.1      |
| IPD UK Pooled Property                    | 0.7               | 2.9  | 3.0                                 | 6.0     | 6.3     | -0.9     |
| UK 3-Month Libor                          | -1.3              | -1.0 | -2.0                                | -2.6    | -1.8    | -2.4     |

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 30 June 2019 • Percent (%)



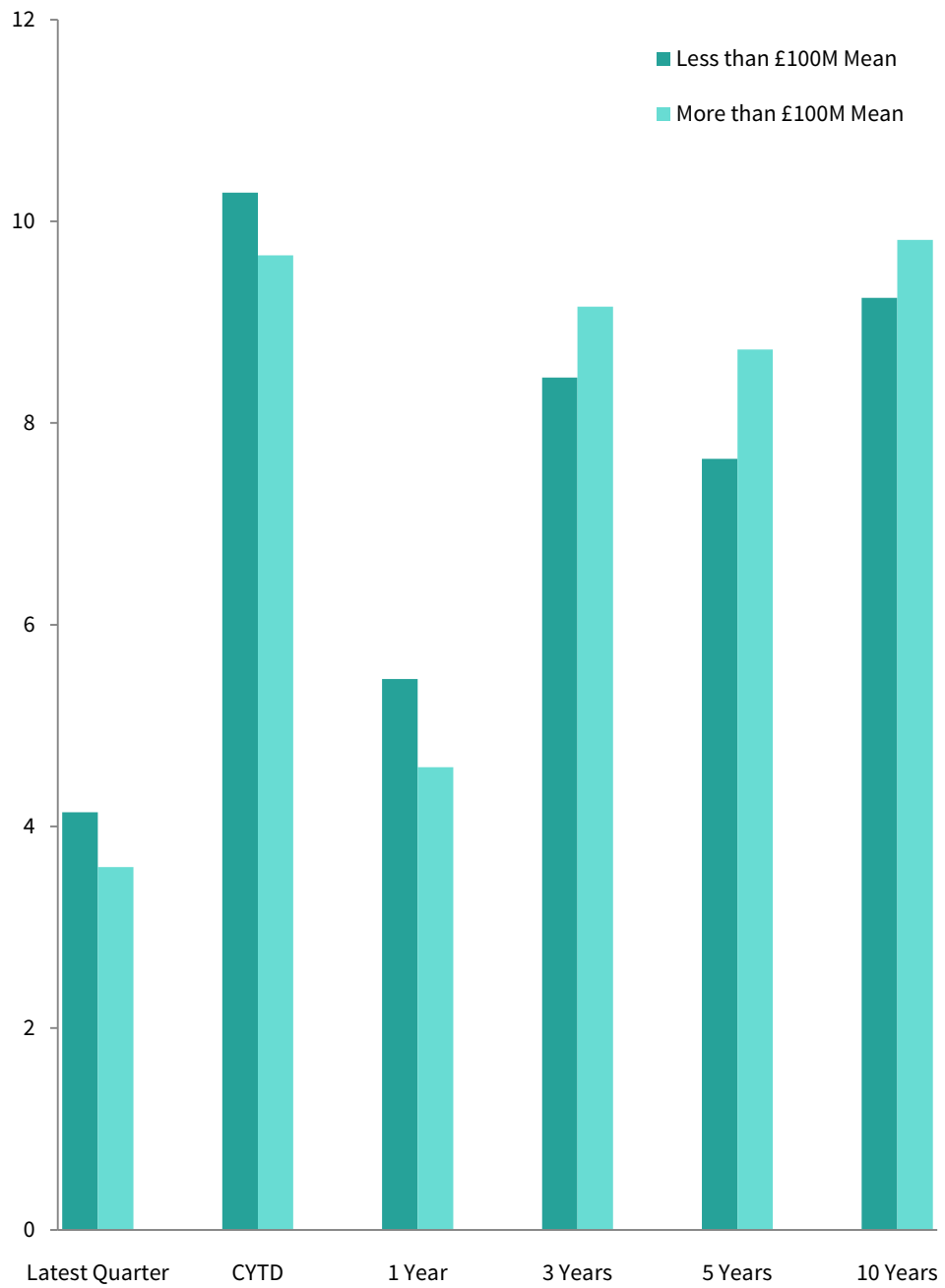
|                        |     |      |      |      |      |      |
|------------------------|-----|------|------|------|------|------|
| 5th Percentile         | 5.7 | 13.9 | 10.4 | 11.0 | 11.5 | 12.1 |
| 25th Percentile        | 4.6 | 11.3 | 6.2  | 9.9  | 8.9  | 10.3 |
| Median                 | 3.7 | 9.5  | 4.4  | 8.5  | 7.9  | 9.5  |
| 75th Percentile        | 3.3 | 8.6  | 3.2  | 7.7  | 7.4  | 8.8  |
| 95th Percentile        | 2.2 | 6.5  | 0.9  | 7.3  | 6.4  | 7.9  |
| Mean                   | 3.8 | 9.9  | 5.0  | 8.9  | 8.3  | 9.6  |
| <i>n</i>               | 29  | 29   | 29   | 26   | 25   | 20   |
| FTSE® All-Share        | 3.3 | 13.0 | 0.6  | 9.0  | 6.3  | 10.3 |
| FTSE® All Stocks Gilts | 1.3 | 4.7  | 4.9  | 2.0  | 5.5  | 5.3  |

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 30 June 2019 • Percent (%)



**Less than £100M**

|          |     |      |     |     |     |     |
|----------|-----|------|-----|-----|-----|-----|
| Mean     | 4.1 | 10.3 | 5.5 | 8.5 | 7.6 | 9.2 |
| Median   | 3.8 | 9.5  | 5.1 | 8.2 | 7.6 | 9.4 |
| <i>n</i> | 13  | 13   | 13  | 11  | 10  | 6   |

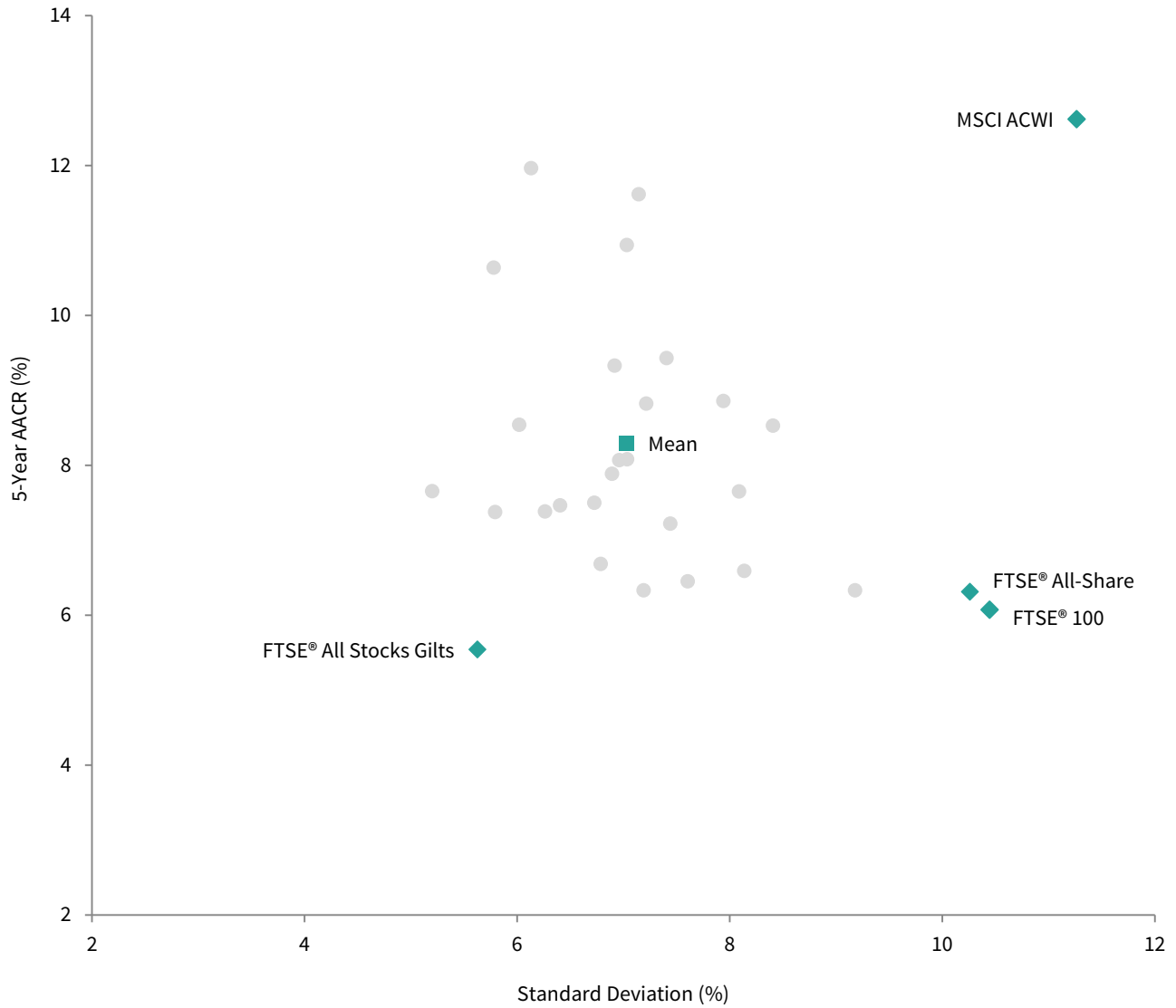
**More than £100M**

|          |     |     |     |     |     |     |
|----------|-----|-----|-----|-----|-----|-----|
| Mean     | 3.6 | 9.7 | 4.6 | 9.2 | 8.7 | 9.8 |
| Median   | 3.5 | 9.5 | 4.3 | 9.2 | 8.5 | 9.7 |
| <i>n</i> | 16  | 16  | 16  | 15  | 15  | 14  |

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 30 June 2019



|                        | 5-Year AACR <sup>1</sup> | Standard Deviation <sup>2</sup> | Sharpe Ratio <sup>3</sup> |
|------------------------|--------------------------|---------------------------------|---------------------------|
| Mean<br><i>n</i> = 25  | 8.3                      | 7.0                             | 1.12                      |
| FTSE® 100              | 6.1                      | 10.4                            | 0.56                      |
| FTSE® All-Share        | 6.3                      | 10.3                            | 0.59                      |
| MSCI ACWI              | 12.6                     | 11.3                            | 1.07                      |
| FTSE® All Stocks Gilts | 5.5                      | 5.6                             | 0.89                      |

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  
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  
Medlock Charitable Trust  
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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