

2ND QUARTER • 2021

# 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 2021 are 26 UK-based foundations and endowments. The average market value of participating UK foundations and endowments was £281.5 million, and the median market value was £128.3 million for the quarter ended 30 June 2021.

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 and 2, public equity includes all long-only public equity assets; hedge funds include long/short hedge funds, absolute return, and distressed securities invested through a hedge fund structure; 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, and public energy/natural resources; and bonds includes UK bonds, global ex UK bonds, and high-yield bonds. In Figures 3 and 4, UK equity includes funds/managers that have a majority of their exposure to the United Kingdom; emerging markets equity includes funds that invest solely in emerging markets regions; and global equity includes all other public equity funds. Seven institutions reported an allocation to 'other', which represents a fund that invests across multiple asset classes/strategies.

**PRIVATE INVESTMENT PERFORMANCE REPORTING METHODOLOGIES.** Of the 15 foundations and endowments in this analysis with an allocation to private investments (approximately 1% of the total investment pool or greater), all report private investment performance using a flat basis methodology. Total investment pool returns for second quarter 2021 include marketable asset performance for 1 April 2021 to 30 June 2021. Private investment portion of the investment pool is represented by a flat return (0%) for 1 April 2021 to 30 June 2021.

**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:

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

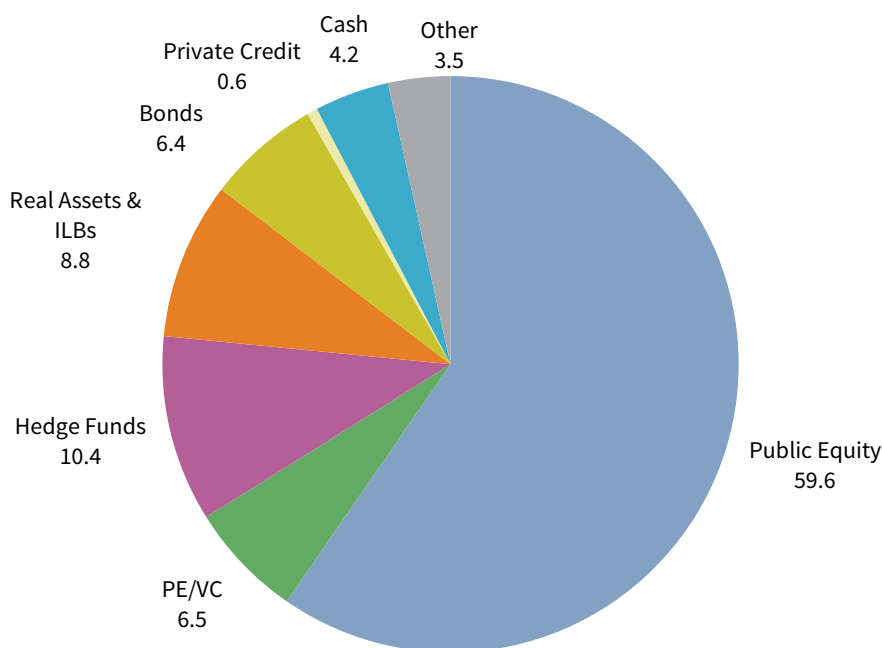
Where:

- $R_p$  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 2021 • Percent (%)

**Mean Asset Allocation (n = 26)**



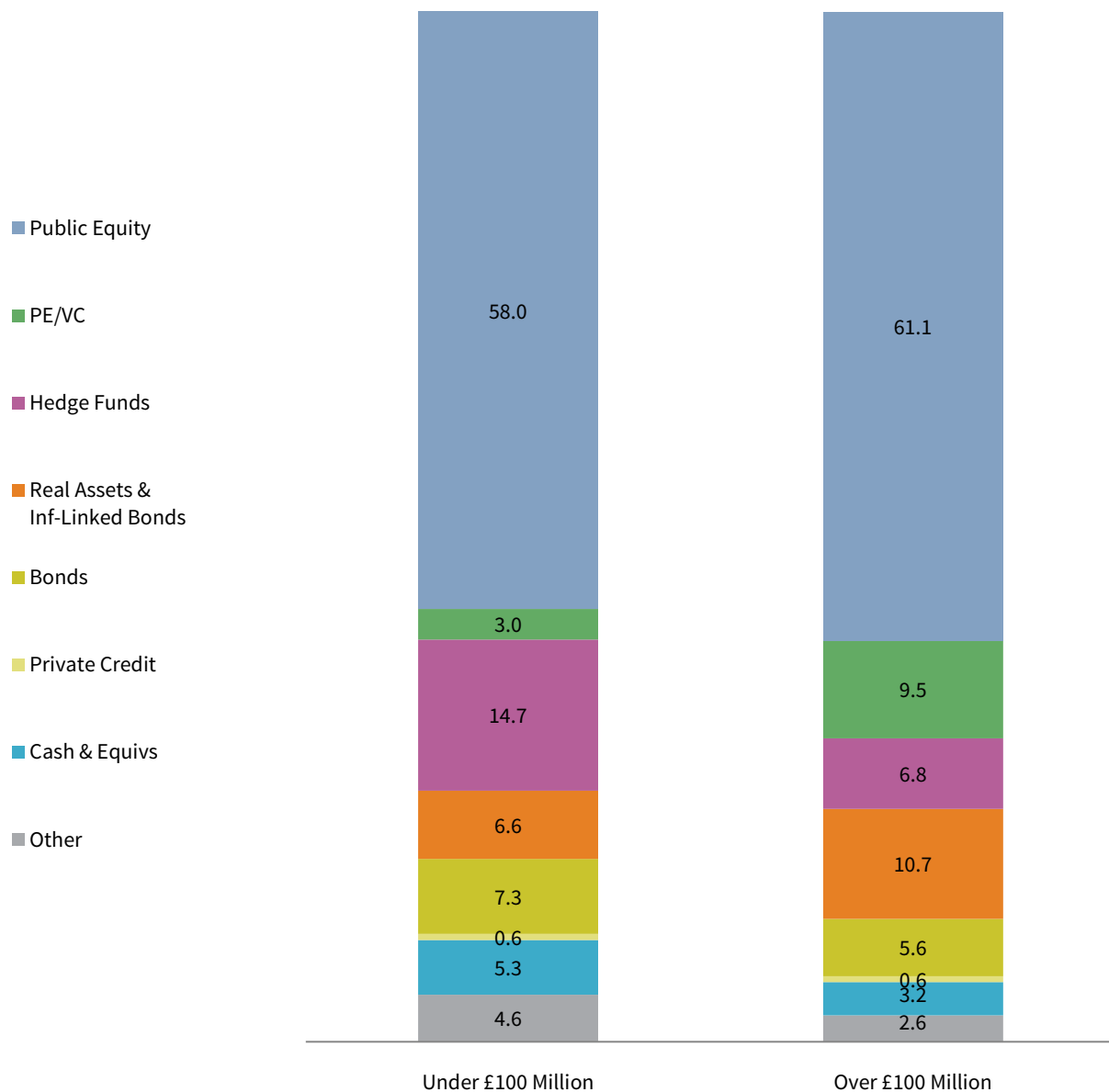
**One-Year Nominal Mean Return and Relevant Benchmarks (n = 26)**



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 2021 • Percent (%)



Public Equity	58.0	61.1
PE/VC	3.0	9.5
Hedge Funds	14.7	6.8
Real Assets & Inflation-Linked Bonds	6.6	10.7
Bonds	7.3	5.6
Private Credit	0.6	0.6
Cash & Equivalents	5.3	3.2
Other	4.6	2.6
<i>n</i>	12	14

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

### FIGURE 3 DETAILED ASSET ALLOCATION BY ASSET SIZE

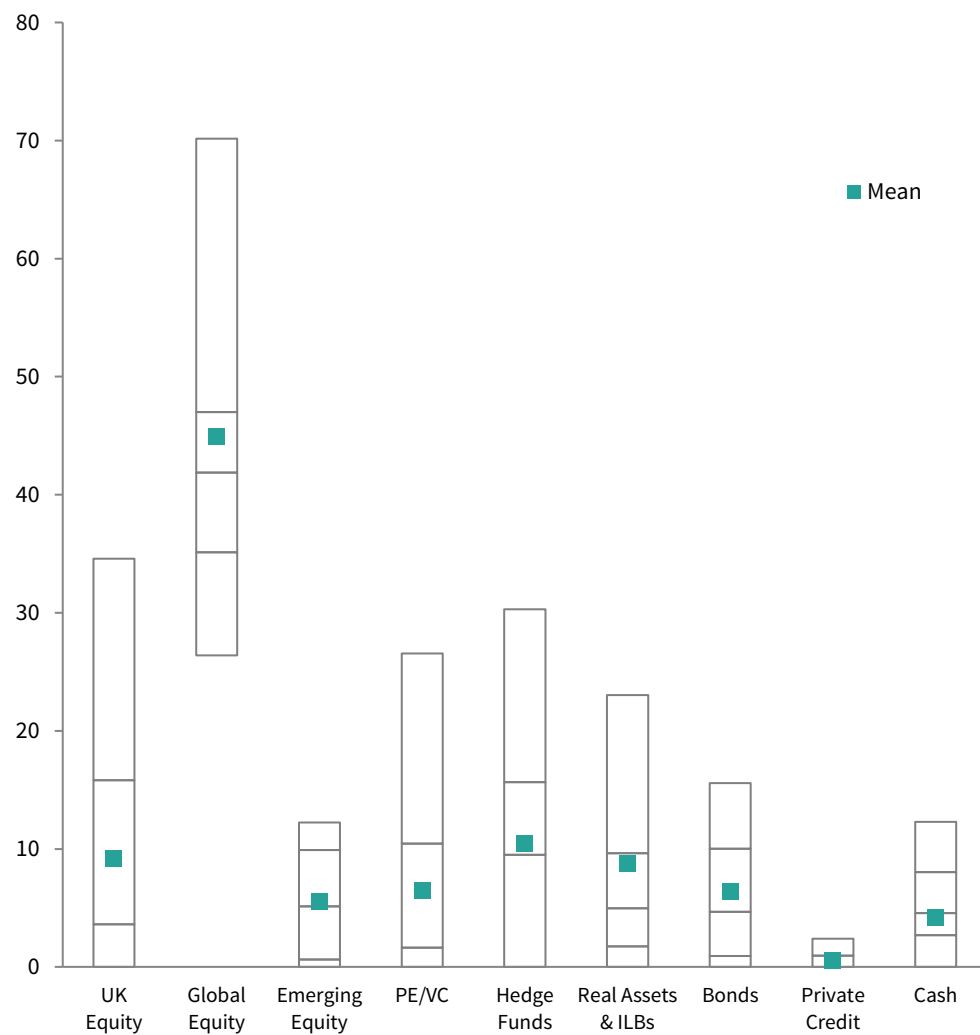
As at 30 June 2021 • Percent (%)

Asset Class	CA UK Foundations & Endowments (n = 26)		Under £100 Million (n = 12)		Over £100 Million (n = 14)	
	Mean	Median	Mean	Median	Mean	Median
<b>Public Equity</b>	<b>59.6</b>	<b>64.7</b>	<b>58.0</b>	<b>59.9</b>	<b>61.1</b>	<b>65.7</b>
UK Equity	9.2	3.6	9.9	11.4	8.5	0.0
Global Equity	44.9	41.9	42.5	42.4	47.0	37.6
Emerging Markets Equity	5.6	5.1	5.6	5.8	5.5	4.1
<b>Private Equity/Venture Capital</b>	<b>6.5</b>	<b>1.6</b>	<b>3.0</b>	<b>0.8</b>	<b>9.5</b>	<b>1.7</b>
Non-Venture Private Equity	2.9	0.0	1.9	0.0	3.7	1.1
Venture Capital	2.8	0.0	0.6	0.0	4.8	0.0
Other Private Investments	0.8	0.0	0.5	0.0	1.0	0.1
<b>Hedge Funds</b>	<b>10.4</b>	<b>9.5</b>	<b>14.7</b>	<b>14.3</b>	<b>6.8</b>	<b>2.9</b>
Long/Short Hedge Funds	4.8	0.0	5.7	0.0	4.0	0.0
Absolute Return	5.4	4.0	8.5	9.8	2.8	1.2
Distressed Securities	0.3	0.0	0.4	0.0	0.1	0.0
<b>Real Assets &amp; ILBs</b>	<b>8.8</b>	<b>5.0</b>	<b>6.6</b>	<b>5.0</b>	<b>10.7</b>	<b>4.9</b>
Private Real Estate	3.1	0.0	0.2	0.0	5.6	0.0
<i>Private Partnerships</i>	0.2	0.0	0.2	0.0	0.2	0.0
<i>Direct Property Holdings</i>	2.9	0.0	0.0	0.0	5.5	0.0
Public Real Estate	2.8	0.0	3.4	0.0	2.2	0.0
Commodities	0.5	0.0	1.0	0.0	0.2	0.0
Inflation-Linked Bonds (UK)	0.3	0.0	0.4	0.0	0.1	0.0
Inflation-Linked Bonds (ex UK)	1.1	0.0	0.9	0.0	1.4	0.4
Private Oil & Gas/Natural Resources	0.2	0.0	0.3	0.0	0.1	0.0
Public Energy/Natural Resources	0.8	0.0	0.4	0.0	1.1	0.0
<b>Bonds</b>	<b>6.4</b>	<b>4.7</b>	<b>7.3</b>	<b>8.0</b>	<b>5.6</b>	<b>3.4</b>
UK Bonds	0.7	0.0	0.2	0.0	1.2	0.0
Global Bonds	5.5	4.7	7.1	8.0	4.2	3.4
High-Yield Bonds	0.1	0.0	0.0	0.0	0.3	0.0
<b>Private Credit</b>	<b>0.6</b>	<b>0.0</b>	<b>0.6</b>	<b>0.0</b>	<b>0.6</b>	<b>0.0</b>
<b>Cash &amp; Equivs</b>	<b>4.2</b>	<b>3.6</b>	<b>5.3</b>	<b>4.1</b>	<b>3.2</b>	<b>3.6</b>
<b>Other Assets</b>	<b>3.5</b>	<b>0.0</b>	<b>4.6</b>	<b>0.0</b>	<b>2.6</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 2021 • Percent (%)



	UK Equity	Global Equity	Emerging Equity	PE/VC	Hedge Funds	Real Assets & ILBs	Bonds	Private Credit	Cash
5th Percentile	34.6	70.2	12.2	26.6	30.3	23.0	15.6	2.4	11.4
25th Percentile	15.8	47.0	9.9	10.5	15.7	9.6	10.0	1.0	7.1
Median	3.6	41.9	5.1	1.6	9.5	5.0	4.7	0.0	3.6
75th Percentile	0.0	35.1	0.6	0.0	0.0	1.8	0.9	0.0	1.8
95th Percentile	0.0	26.4	0.0	0.0	0.0	0.0	0.0	0.0	-0.9
Mean	9.2	44.9	5.6	6.5	10.4	8.8	6.4	0.6	4.2
<i>n</i> = 26									

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

## FIGURE 5 SUMMARY OF INVESTMENT POOL RETURNS

Periods Ended 30 June 2021 • Percent (%)

### Nominal Total Returns

	Latest Quarter	CYTD	Average Annual Compound Nominal Return			
			One Year	Three Years	Five Years	Ten Years
<b>CA UK Foundations &amp; Endowments</b>						
Mean	4.9	8.3	18.6	8.6	9.6	8.6
Median	4.6	7.6	17.5	7.8	9.1	8.1
High	8.2	15.7	30.1	14.5	15.1	12.3
5th Percentile	7.7	11.4	25.0	13.7	13.8	11.0
25th Percentile	5.9	9.3	22.2	10.9	11.0	9.4
75th Percentile	3.8	6.9	16.1	6.9	8.0	7.4
95th Percentile	3.2	6.4	13.2	5.4	7.2	6.8
Low	2.8	6.1	12.1	5.1	6.5	6.8
<i>n</i>	26	26	26	26	23	20
<b>Benchmarks</b>						
FTSE® 100	5.7	10.9	18.0	1.1	5.6	5.6
FTSE® All-Share	5.6	11.1	21.5	2.0	6.5	6.4
MSCI ACWI	7.3	11.1	24.6	12.8	13.9	11.6
FTSE® All Stocks Gilts	1.7	-5.7	-6.2	3.0	2.0	4.7
IPD UK Pooled Property	2.3	4.4	6.0	9.5	9.0	2.2
UK 3-Month Libor	0.0	0.0	0.1	0.5	0.5	0.6
RPI - UK	2.4	2.9	3.9	2.6	2.9	2.6

### Real Total Returns

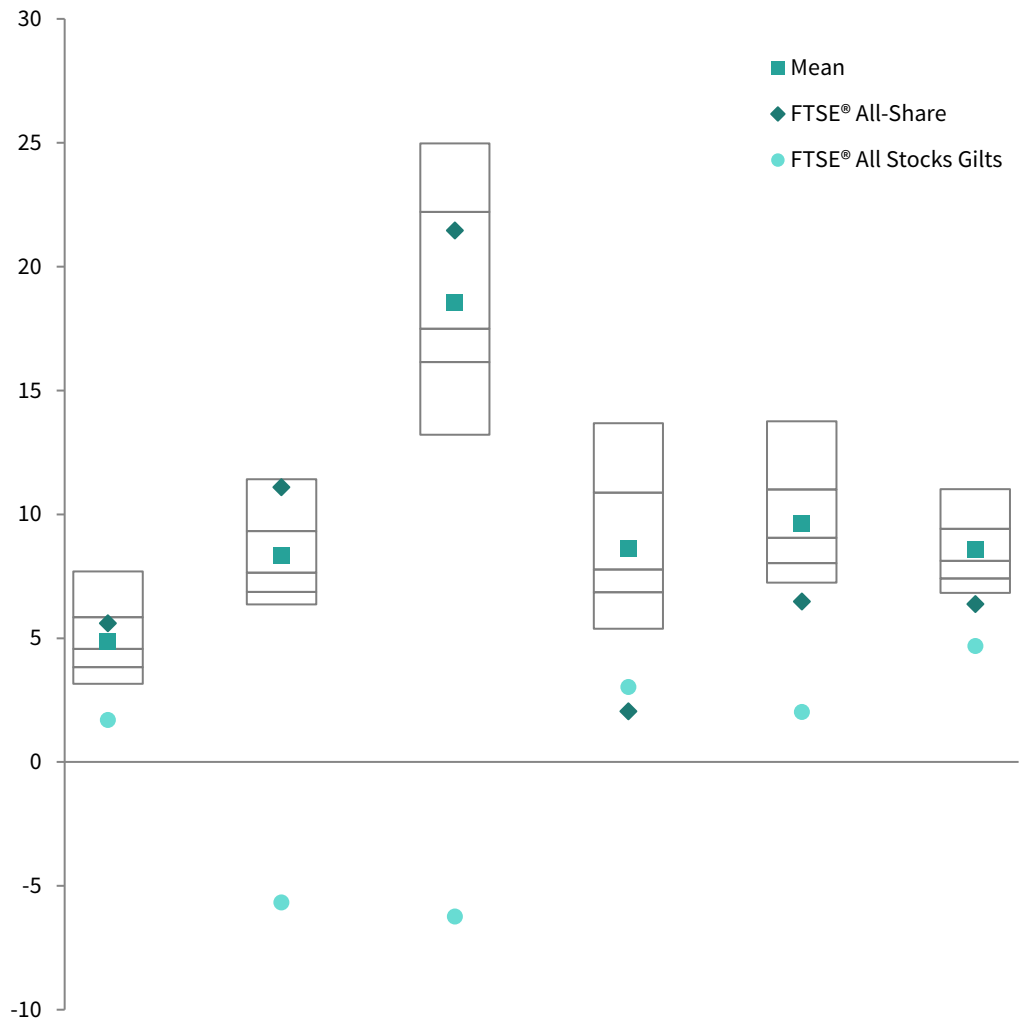
	Latest Quarter	CYTD	Average Annual Compound Real Return			
			One Year	Three Years	Five Years	Ten Years
<b>CA UK Foundations &amp; Endowments</b>						
Mean	2.4	5.3	14.2	5.9	6.5	5.8
Median	2.1	4.6	13.1	5.0	5.9	5.4
High	5.7	12.4	25.3	11.6	11.8	9.4
5th Percentile	5.2	8.3	20.3	10.8	10.5	8.2
25th Percentile	3.4	6.2	17.7	8.1	7.8	6.6
75th Percentile	1.4	3.8	11.8	4.2	5.0	4.7
95th Percentile	0.8	3.4	9.0	2.7	4.2	4.1
Low	0.4	3.1	8.0	2.4	3.5	4.1
<i>n</i>	26	26	26	26	23	20
<b>Benchmarks</b>						
FTSE® 100	3.2	7.8	13.6	-1.5	2.6	3.0
FTSE® All-Share	3.1	7.9	16.9	-0.5	3.4	3.7
MSCI ACWI	4.8	8.0	19.9	10.0	10.6	8.7
FTSE® All Stocks Gilts	-0.7	-8.3	-9.7	0.4	-0.9	2.0
IPD UK Pooled Property	-0.1	1.4	2.1	6.7	5.9	-0.4
UK 3-Month Libor	-2.3	-2.8	-3.7	-2.0	-2.4	-2.0

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 2021 • Percent (%)



	Latest Quarter	CYTD	1 Year	3 Years	5 Years	10 Years
5th Percentile	7.7	11.4	25.0	13.7	13.8	11.0
25th Percentile	5.9	9.3	22.2	10.9	11.0	9.4
Median	4.6	7.6	17.5	7.8	9.1	8.1
75th Percentile	3.8	6.9	16.1	6.9	8.0	7.4
95th Percentile	3.2	6.4	13.2	5.4	7.2	6.8
Mean	4.9	8.3	18.6	8.6	9.6	8.6
<i>n</i>	26	26	26	26	23	20
FTSE® All-Share	5.6	11.1	21.5	2.0	6.5	6.4
FTSE® All Stocks Gilts	1.7	-5.7	-6.2	3.0	2.0	4.7

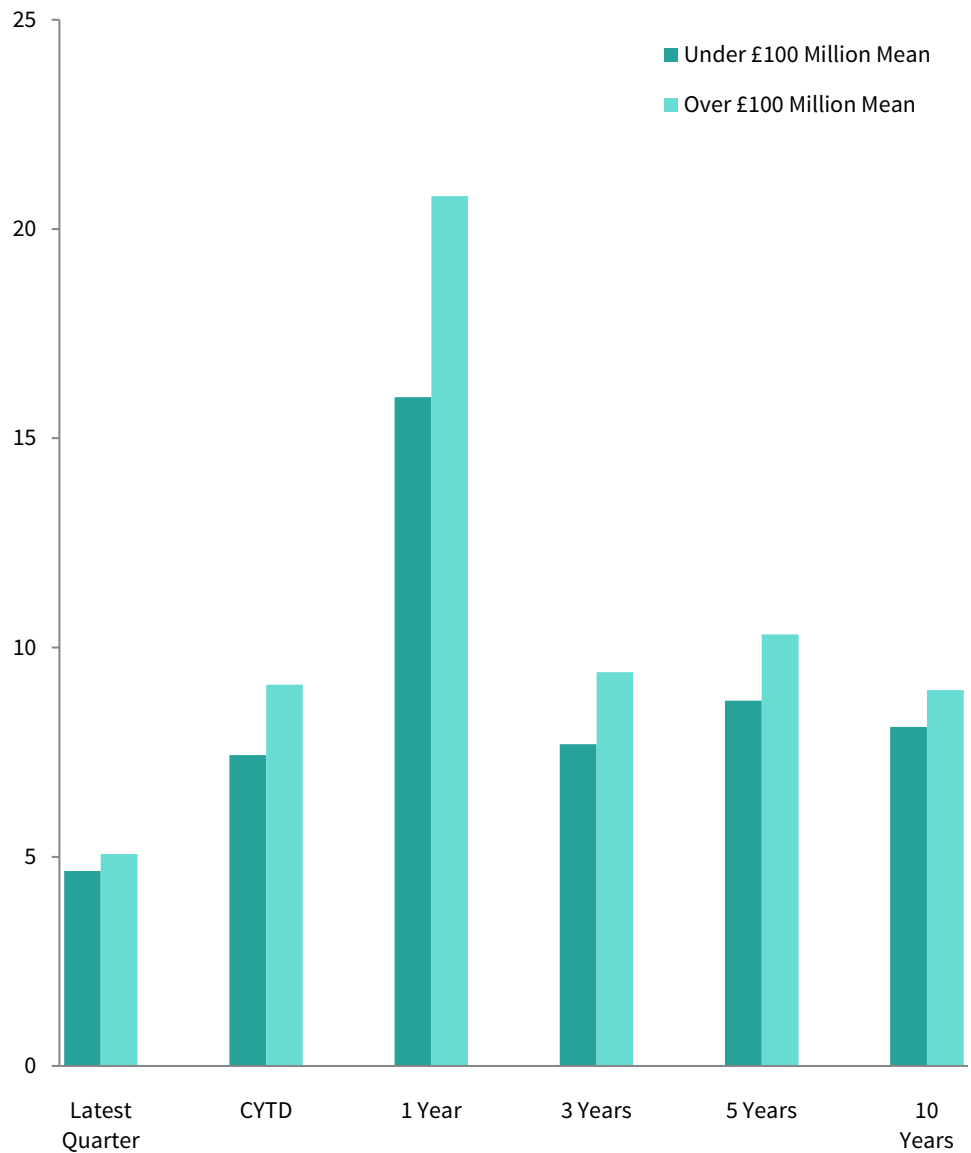
Sources: UK foundation and endowment data as reported to Cambridge Associates LLC. Index data are provided by FTSE International Limited.

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



## FIGURE 7 NOMINAL TOTAL RETURN SUMMARY BY ASSET SIZE

Periods Ended 30 June 2021 • Percent (%)



### Under £100 Million

Mean	4.7	7.4	16.0	7.7	8.7	8.1
Median	4.1	7.1	16.2	7.6	8.2	7.9
<i>n</i>	12	12	12	12	10	9

### Over £100 Million

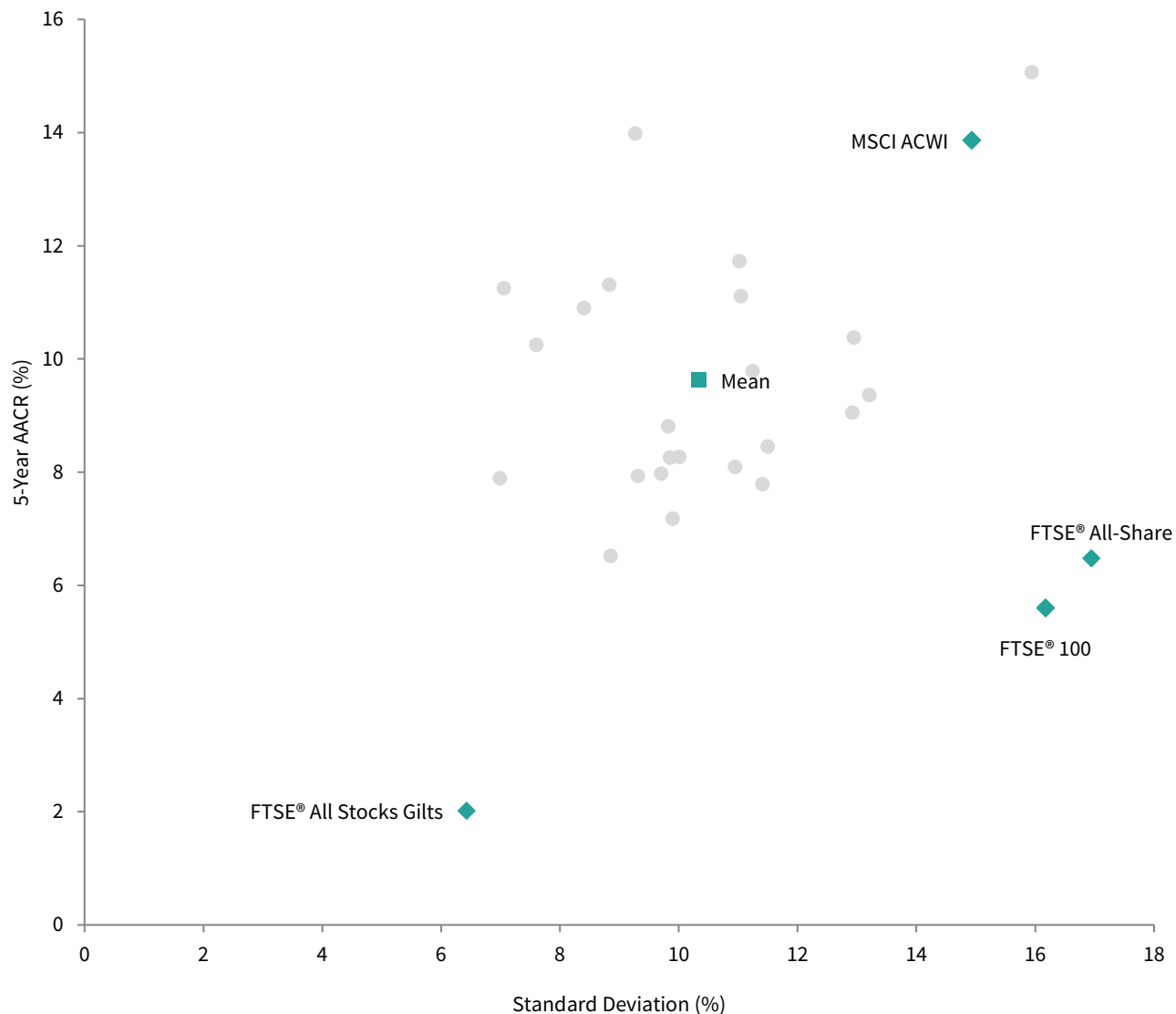
Mean	5.1	9.1	20.8	9.4	10.3	9.0
Median	5.1	9.0	21.8	9.1	10.4	9.4
<i>n</i>	14	14	14	14	13	11

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 2021



	5-Year AACR <sup>1</sup>	Standard Deviation <sup>2</sup>	Sharpe Ratio <sup>3</sup>
Mean <i>n</i> = 23	9.6	10.3	0.93
FTSE® 100	5.6	16.2	0.39
FTSE® All-Share	6.5	16.9	0.43
MSCI ACWI	13.9	14.9	0.92
FTSE® All Stocks Gilts	2.0	6.4	0.26

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

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

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

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