

2ND QUARTER • 2023

UK FOUNDATIONS AND ENDOWMENTS

COMPARATIVE ASSET ALLOCATION AND TOTAL RETURN

DATA COLLECTION

Included in this analysis for the quarter ended 30 June 2023 are 19 UK-based foundations and endowments. The average market value of participating UK foundations and endowments was £298.3 million, and the median market value was £110.8 million for the quarter ended 30 June 2023.

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. An asset class is assigned to every investment product, fund, and vehicle that a client is invested in. 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 include 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. Nine institutions reported an allocation to 'other', which represents a fund that invests across multiple asset classes/strategies.

PRIVATE INVESTMENT PERFORMANCE REPORTING METHODOLOGIES

Of the 12 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 2023 include marketable asset performance for 1 April 2023 to 30 June 2023. The private investment portion of the investment pool is represented by a flat return (0%) for 1 April 2023 to 30 June 2023.



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,

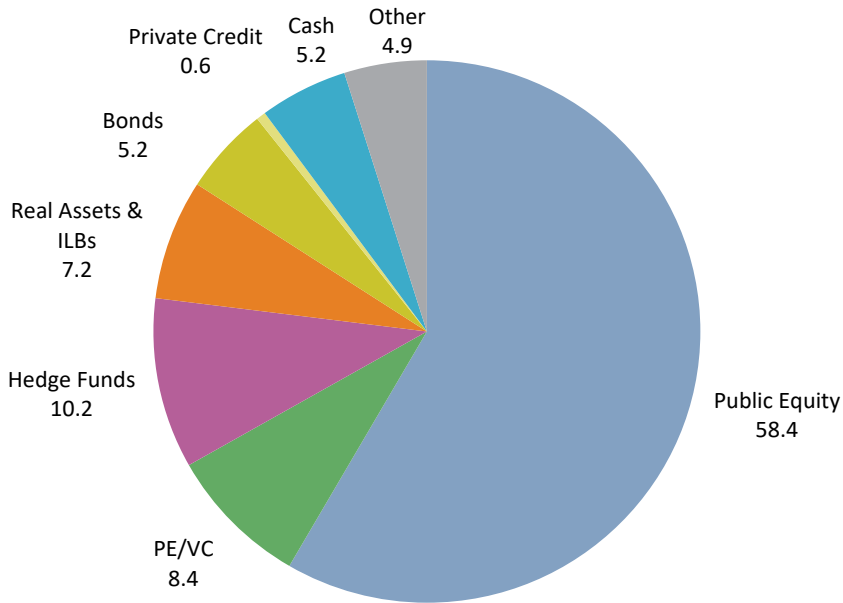
R_f is the arithmetic average of UK three-month Libor (risk-free) quarterly returns, and

S_p is the quarterly standard deviation of composite quarterly returns. ■

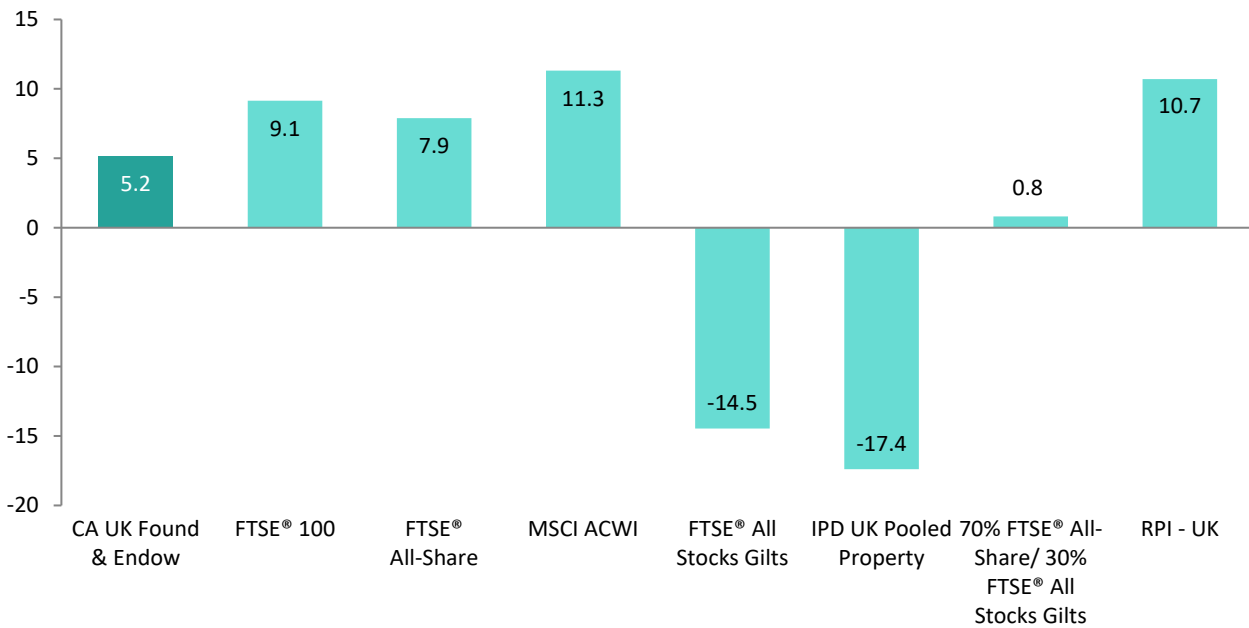
FIGURE 1 INVESTMENT POOL MEAN ASSET ALLOCATION AND TOTAL RETURN

Period Ended 30 June 2023 • Percent (%)

Mean Asset Allocation (n = 19)



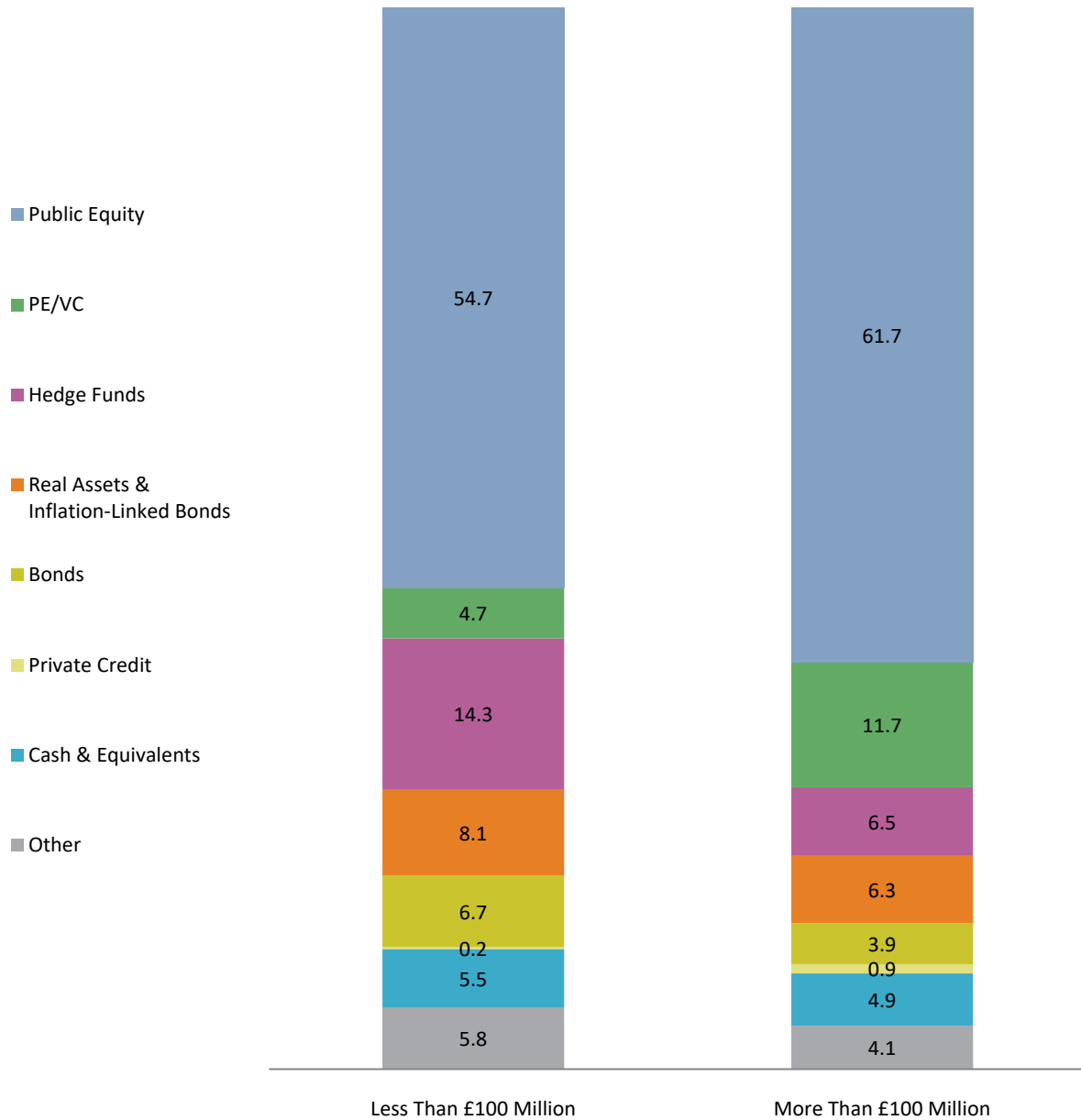
One-Year Nominal Mean Return and Relevant Benchmarks (n = 19)



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 2023 • Percent (%)



	Less Than £100 Million	More Than £100 Million
Public Equity	54.7	61.7
Hedge Funds	4.7	11.7
Distressed Securities	14.3	6.5
Private Equity/Venture Capital	8.1	6.3
Real Assets & Inflation-Linked Bonds	6.7	3.9
Bonds	0.2	0.9
Cash & Equivs	5.5	4.9
Other Assets	5.8	4.1
<i>n</i>	9	10

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

FIGURE 3 DETAILED ASSET ALLOCATION BY ASSET SIZE

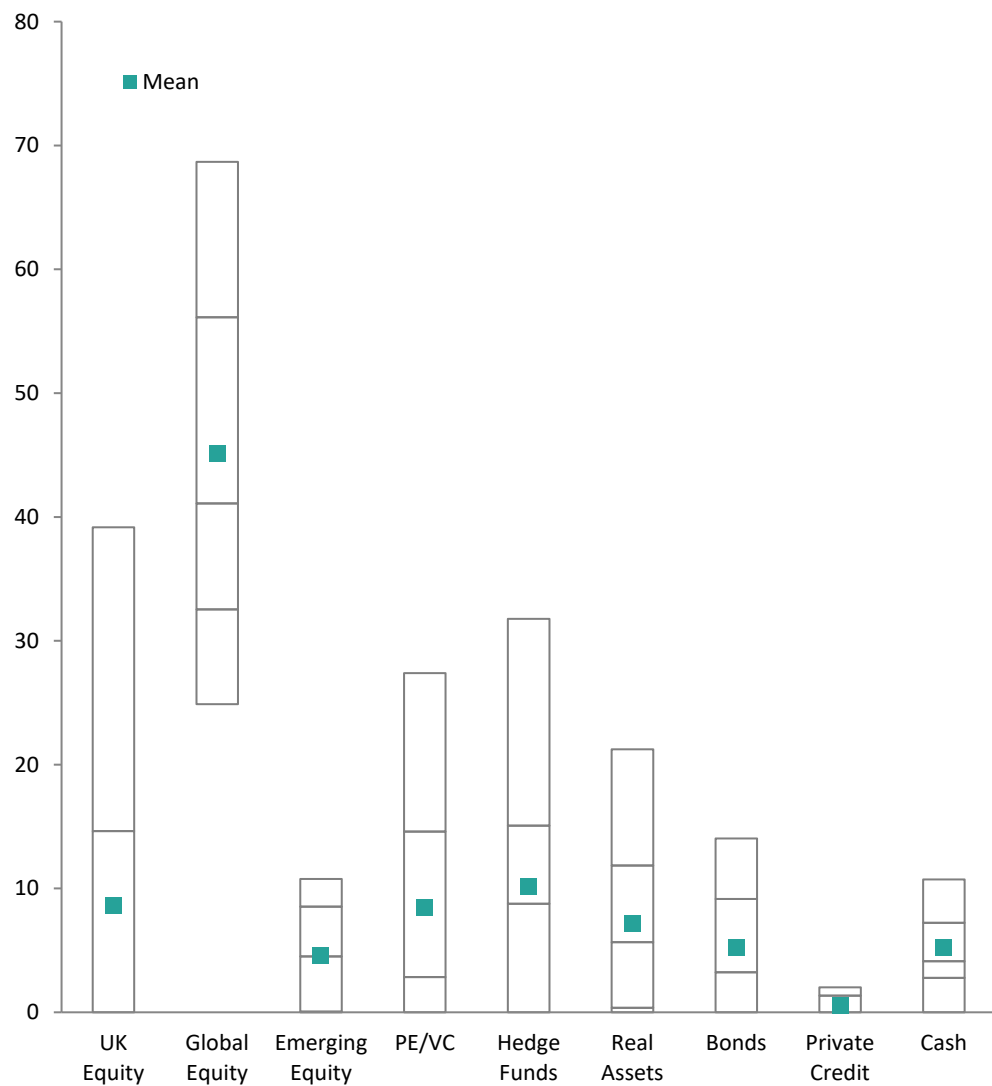
As at 30 June 2023 • Percent (%)

Asset Class	CA UK Foundations & Endowments (n = 19)		Less Than £100 Million (n = 9)		More Than £100 Million (n = 10)	
	Mean	Median	Mean	Median	Mean	Median
Public Equity	58.4	63.0	54.7	62.3	61.7	66.6
UK Equity	8.7	0.0	6.3	0.0	10.8	0.0
Global Equity	45.1	41.1	44.2	41.1	46.0	43.1
Emerging Markets Equity	4.6	4.5	4.2	4.5	4.9	4.2
Private Equity/Venture Capital	8.4	2.8	4.7	0.0	11.7	7.0
Non-Venture Private Equity	3.2	1.0	2.5	0.0	3.7	3.8
Venture Capital	4.4	0.0	1.6	0.0	6.8	0.4
Other Private Investments	0.9	0.0	0.6	0.0	1.2	0.6
Hedge Funds	10.2	8.8	14.3	14.1	6.5	4.4
Long/Short Hedge Funds	4.0	0.0	4.4	0.0	3.7	1.8
Absolute Return	5.6	3.5	8.9	11.9	2.6	1.2
Distressed Securities	0.5	0.0	1.0	0.0	0.1	0.0
Real Assets & Inflation-Linked Bonds	7.2	5.7	8.1	5.7	6.3	5.3
Private Real Estate	1.1	0.0	0.3	0.0	1.8	0.0
<i>Private Partnerships</i>	0.3	0.0	0.3	0.0	0.2	0.0
<i>Direct Property Holdings</i>	0.8	0.0	0.0	0.0	1.6	0.0
Public Real Estate	2.2	0.0	2.7	0.0	1.8	0.0
Commodities	0.8	0.0	1.7	0.0	0.0	0.0
Inflation-Linked Bonds (UK)	0.0	0.0	0.0	0.0	0.1	0.0
Inflation-Linked Bonds (ex UK)	1.3	0.0	1.3	0.0	1.3	0.1
Private Oil & Gas/Natural Resources	0.3	0.0	0.4	0.0	0.1	0.0
Public Energy/Natural Resources	1.4	0.0	1.7	0.0	1.2	0.0
Bonds	5.2	3.2	6.7	6.2	3.9	2.6
UK Bonds	1.0	0.0	1.5	0.0	0.5	0.0
Global Bonds	3.9	2.0	4.7	0.0	3.1	2.6
High-Yield Bonds	0.4	0.0	0.5	0.0	0.2	0.0
Private Credit	0.6	0.0	0.2	0.0	0.9	0.7
Cash & Equivalents	5.2	4.1	5.5	4.1	4.9	4.4
Other Assets	4.9	0.0	5.8	0.0	4.1	0.6

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

FIGURE 4 ASSET ALLOCATION DISTRIBUTION

As at 30 June 2023 • Percent (%)



	UK Equity	Global Equity	Emerging Equity	PE/VC	Hedge Funds	Real Assets & ILBs	Bonds	Private Credit	Cash
5th Percentile	39.2	68.7	10.8	27.4	31.8	21.2	14.0	2.0	10.7
25th Percentile	14.6	56.1	8.5	14.6	15.1	11.9	9.2	1.3	7.2
Median	0.0	41.1	4.5	2.8	8.8	5.7	3.2	0.0	4.1
75th Percentile	0.0	32.5	0.1	0.0	0.0	0.4	0.0	0.0	2.8
95th Percentile	0.0	24.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mean	8.7	45.1	4.6	8.4	10.2	7.2	5.2	0.6	5.2
<i>n</i> = 19									

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

FIGURE 5 SUMMARY OF INVESTMENT POOL RETURNS

Periods Ended 30 June 2023 • Percent (%)

Nominal Total Returns

	Latest Quarter	CYTD	Average Annual Compound Nominal Return			
			One Year	Three Years	Five Years	Ten Years
CA UK Foundations & Endowments						
Mean	0.5	3.0	5.2	6.7	5.8	7.6
Median	0.7	3.3	5.8	6.4	5.8	7.2
High	1.8	6.1	9.1	9.7	8.8	9.8
5th Percentile	1.5	5.5	7.6	9.2	8.5	9.7
25th Percentile	1.1	4.2	6.9	8.3	7.1	8.9
75th Percentile	-0.2	1.5	3.6	5.3	4.2	6.5
95th Percentile	-0.4	0.6	1.1	3.9	3.8	5.6
Low	-0.7	0.5	-0.4	3.7	3.2	5.3
<i>n</i>	19	19	19	19	19	15
Benchmarks						
FTSE® 100	-0.3	3.2	9.1	10.9	3.6	5.9
FTSE® All-Share	-0.5	2.6	7.9	10.0	3.1	5.9
MSCI ACWI	3.3	7.8	11.3	9.9	8.9	10.7
FTSE® All Stocks Gilts	-5.4	-3.5	-14.5	-11.5	-4.2	0.3
IPD UK Pooled Property	0.4	0.2	-17.4	3.4	2.2	6.3
RPI - UK	2.5	4.4	10.7	8.7	6.0	4.2

Real Total Returns

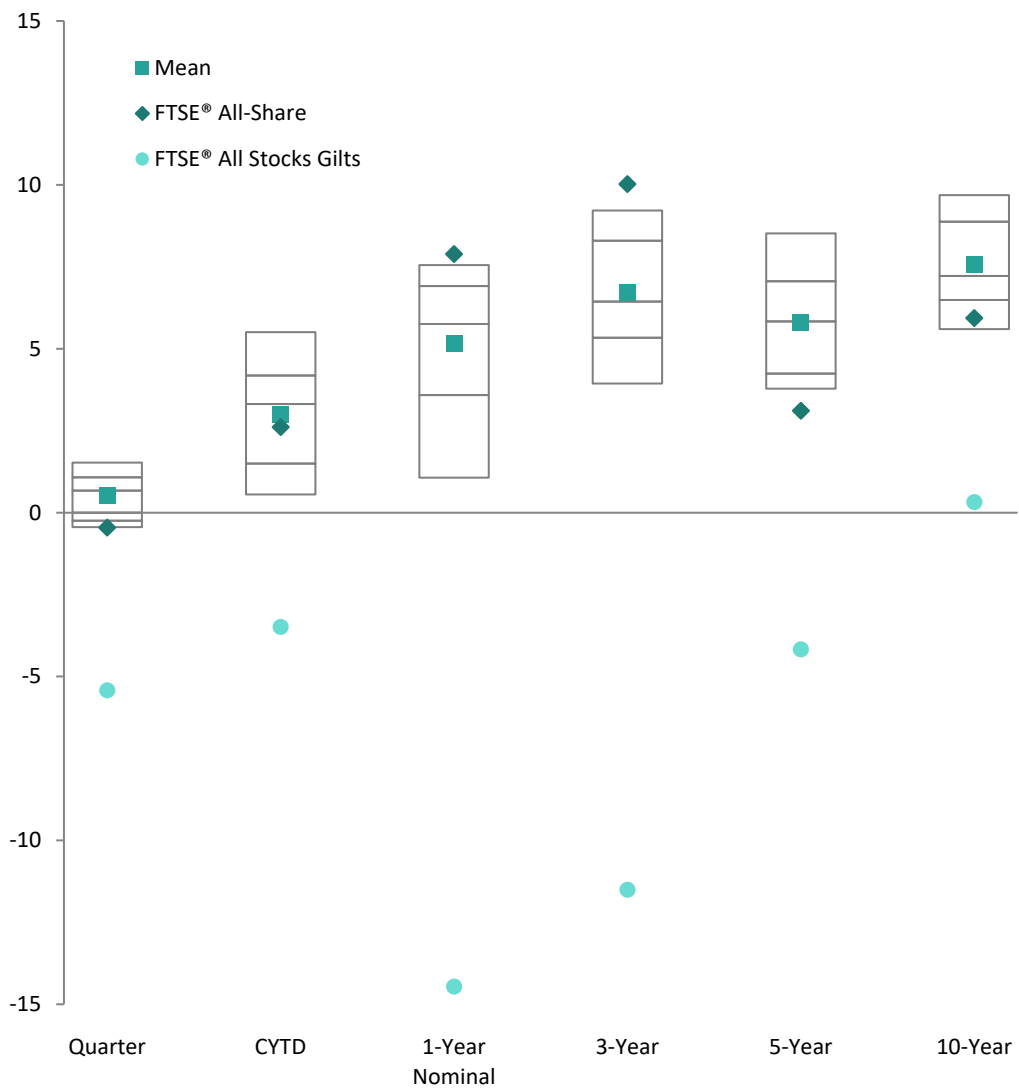
	Latest Quarter	CYTD	Average Annual Compound Real Return			
			One Year	Three Years	Five Years	Ten Years
CA UK Foundations & Endowments						
Mean	-1.9	-1.4	-5.0	-1.9	-0.2	3.3
Median	-1.8	-1.1	-4.5	-2.1	-0.1	2.9
High	-0.7	1.6	-1.5	0.9	2.7	5.4
5th Percentile	-1.0	1.0	-2.8	0.4	2.4	5.3
25th Percentile	-1.4	-0.2	-3.4	-0.4	1.0	4.5
75th Percentile	-2.7	-2.8	-6.4	-3.1	-1.6	2.2
95th Percentile	-2.9	-3.7	-8.7	-4.4	-2.1	1.4
Low	-3.2	-3.8	-10.0	-4.7	-2.6	1.0
<i>n</i>	19	19	19	19	19	15
Benchmarks						
FTSE® 100	-2.7	-1.2	-1.4	1.9	-2.3	1.6
FTSE® All-Share	-2.9	-1.8	-2.5	1.2	-2.7	1.7
MSCI ACWI	0.7	3.2	0.5	1.1	2.8	6.2
FTSE® All Stocks Gilts	-7.7	-7.6	-22.7	-18.6	-9.6	-3.7
IPD UK Pooled Property	-2.1	-4.1	-25.4	-4.9	-3.6	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 2023 • Percent (%)



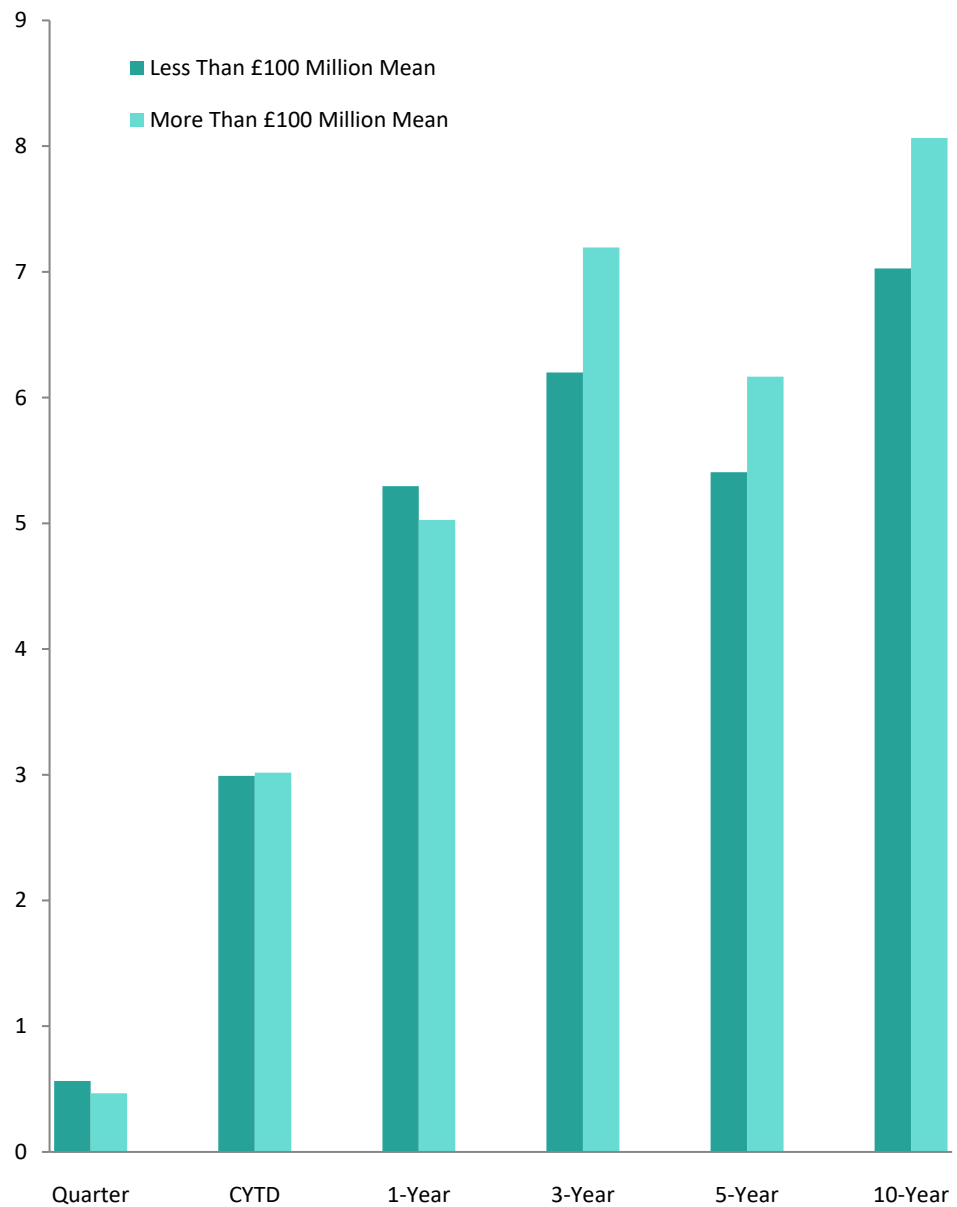
	Quarter	CYTD	1-Year Nominal	3-Year	5-Year	10-Year
5th Percentile	1.5	5.5	7.6	9.2	8.5	9.7
25th Percentile	1.1	4.2	6.9	8.3	7.1	8.9
Median	0.7	3.3	5.8	6.4	5.8	7.2
75th Percentile	-0.2	1.5	3.6	5.3	4.2	6.5
95th Percentile	-0.4	0.6	1.1	3.9	3.8	5.6
Mean	0.5	3.0	5.2	6.7	5.8	7.6
<i>n</i>	19	19	19	19	19	15
FTSE® All-Share	-0.5	2.6	7.9	10.0	3.1	5.9
FTSE® All Stocks Gilts	-5.4	-3.5	-14.5	-11.5	-4.2	0.3

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 2023 • Percent (%)



Less Than £100 Million

Mean	0.6	3.0	5.3	6.2	5.4	7.0
Median	0.7	3.1	5.7	6.1	4.8	6.7
<i>n</i>	9	9	9	9	9	7

More Than £100 Million

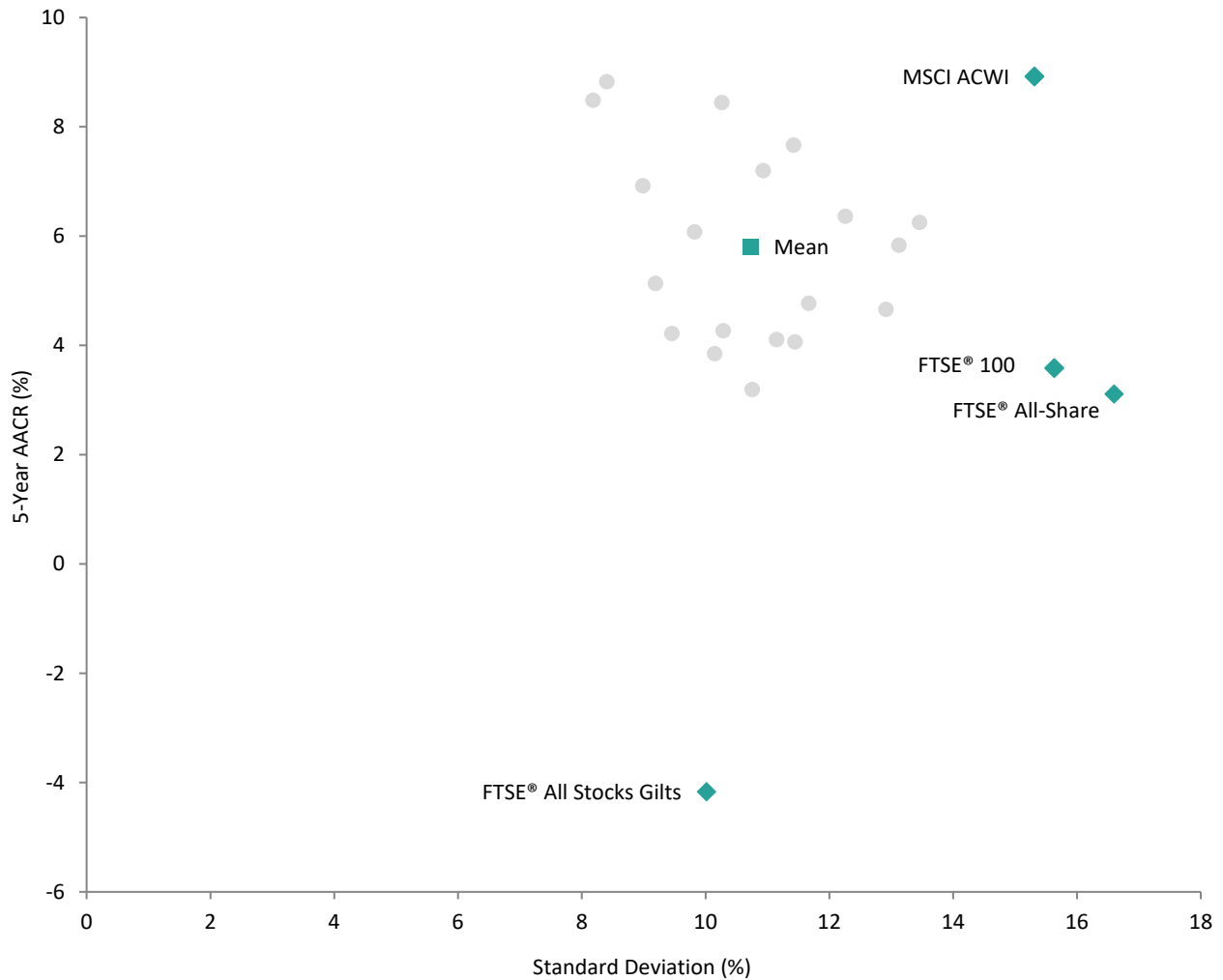
Mean	0.5	3.0	5.0	7.2	6.2	8.1
Median	0.3	2.6	5.8	7.2	6.0	7.8
<i>n</i>	10	10	10	10	10	8

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 2023



	5-Year AACR ¹	Standard Deviation ²	Sharpe Ratio ³
Mean <i>n</i> = 19	5.8	10.7	0.51
FTSE® 100	3.6	15.6	0.25
FTSE® All-Share	3.1	16.6	0.22
MSCI ACWI	8.9	15.3	0.58
FTSE® All Stocks Gilts	-4.2	10.0	-0.46

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.

¹ Five-year geometric average annual compound returns.

² Annualised standard deviations are based on last five years of quarterly returns.

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

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