

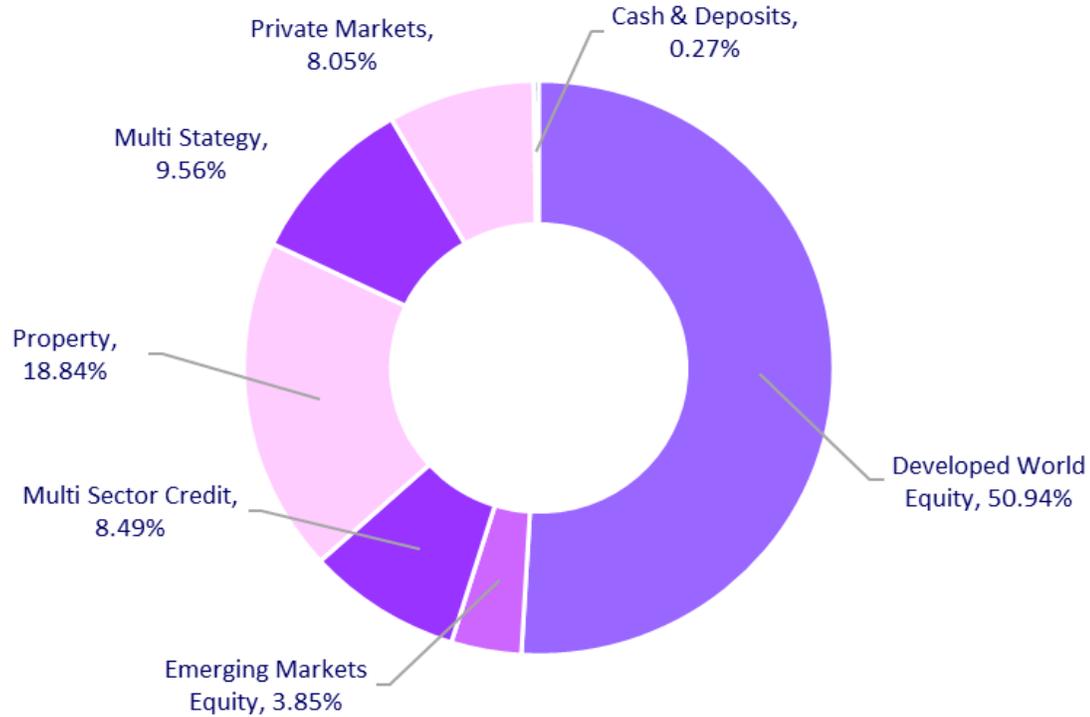


THE UNIVERSITY *of* EDINBURGH
Finance

Endowment Fund Report for the Year to 31 July 2021



Portfolio by Asset Class as at 31/07/21



£10.8m

The value of endowment expenditure in 2020-21

17.78%

The annual return on endowment investments in 2017-18

583

The number of endowments held in the fund

£9.8m

Income generated by the fund for the University

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To view this report on line please visit:

<https://www.ed.ac.uk/finance/accounts/archive>



Performance and Key Performance Indicators

Five Year View	2016/17	2017/18	2018/19	2019/20	2020/21
Market Value	£392m	£424m	£459m	£488m	£565m
Return p.a.	16.75%	10.13%	8.60%	5.72%	17.78%
Number of endowments	623	628	593	580	583
Income yield	£8.5m	£8.7m	£9.2m	£9.4m	£9.8m
Annual expenditure	£9.8m	£9.0m	£8.8m	£10.9m	£10.8m

11.80%

Five-year average annual return from the fund

£173m

Growth of Endowment Fund between 2016-17 and 2020-21 (including new Endowments)

Key Performance indicators	2020	2021
Overall return for year (based on opening assets)	5.7%	17.8%
Yield	2.0%	1.9%
Total charges (capital & revenue)	2,291	2,451
Expenses ratio	0.49%	0.45%
Units at 31 July	10,008,733	10,138,608
Unit price	£46.54	£54.04
Income per unit (p)	93.53	97.04
Number of endowments	580	583



Total Return

University of Edinburgh Endowment Fund		
Year ended 31 July		
	2020	2021
	£'000	£'000
Incoming resources		
Increase in market value of investments	16,932	76,900
Investment income	9,361	9,839
Total investment return	26,293	86,739
New endowments	18,027	1,497
	44,320	88,236
Outgoing resources		
Expenditure	(8,563)	(8,324)
Fund management and custody charges (capital)	(1,333)	(1,243)
Fund management and custody charges (revenue)	(958)	(1,208)
	(10,854)	(10,775)
Net Movement for year	33,466	77,461
Opening Funds as at 1 August	459,869	487,781
Transfers	(5,554)	
Closing Funds as at 31 July	487,781	565,242

	2020	2021
	£'000	£'000
Represented by:		
Equities	245,651	304,791
Multi asset	83,293	98,943
Fixed interest stocks	23,004	24,427
Property	108,279	103,181
Venture capital	9,162	12,682
Bank deposits held at fund managers	1,669	2,422
Bank deposits held by the University	-5,241	1,484
Non-current asset investments	465,817	547,930
Capital Debtor	19,372	17,486
Cash balance revenue	1,814	(1,300)
Current asset - working capital	778	1,126
Total endowment assets	487,781	565,242

Fund Management and History

Investment Committee

The Investment Committee of the University is responsible for the oversight and strategic direction of the endowment investments, including the Andrew Grant Bequest Charity. The University of Edinburgh Court appoints members to the Investment Committee drawn from both Court members and external investment professionals.

- Sets investment policy and strategy
- Determines asset allocation
- Identifies Fund Managers
- Monitors fund performance
- Advises University Court on its investment Programme

Since 2003, the University has had a Socially Responsible Investment (SRI) Policy which has endorsed an approach based on ‘engagement’ with companies on ethical issues. In January 2013 the University became the first in Europe to sign up to the United Nations Principles of Responsible Investment which provides a framework for the University to take environmental, social and corporate governance (ESG) considerations into its investment strategies.

Further information on the remit and role of the Investment Committee is at: <https://www.ed.ac.uk/finance/about/sections/financial-information-reporting-strategy-team/investments-and-endowments/investment-committee>

Investment Committee Members as at 1 August 2020

Richard Davidson (Convener)
Mark Connolly
Dr Jim Roth
Henry Cobb
Doreen Davidson
Carolyn Aitchison
Frank Armstrong
Lee Hamill
Catherine Martin

Fund Managers during 2020/21

Baillie Gifford
Aviva
Hermes
Epidarex
Deaconess
Old College Capital
Northern Trust
M&G
Pentech
Savills
Wellington
Mercer
BlackRock
Nordea

Investment Committee Members as at 31 July 2021

Richard Davidson (Convener)
Mark Connolly
Dr Jim Roth
Henry Cobb
Doreen Davidson
Carolyn Aitchison
Frank Armstrong
Lee Hamill
Catherine Martin

Investment Adviser

Mercer

Custodian

BNY Mellon

Auditors

PricewaterhouseCoopers LLP

Investment Committee - Meetings in 2020-21:

18 August 2020

17 November 2020

16 February 2021

18 May 2021

Unit Price History

The Endowment Fund has detailed historical records which show the value of funds endowed, investment returns and areas of expenditure.

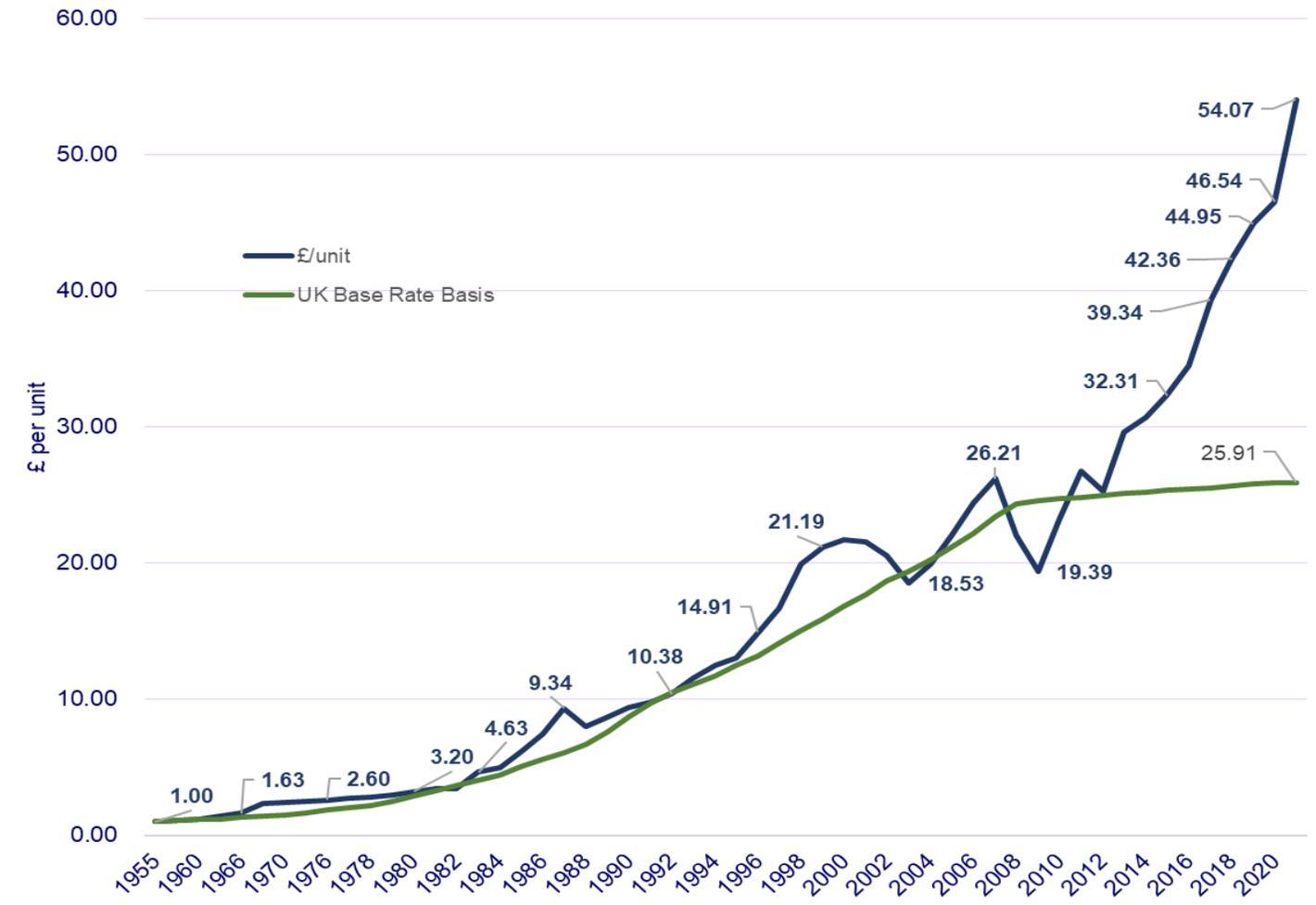
The investment of the University's individual endowments is pooled and the individual endowments participate by holding units in the fund and receiving an income distribution on the units held.

The capital value of the fund and the individual endowments is measured by reference to the unit price and detailed records are available which show the capital growth of the fund for more than 60 years. In addition the fund yields an annual income return.

The fund has a long term relationship with Baillie Gifford Fund Managers who have been providing investment management advice since 1968.



Unit Price Performance to 31 July 2021

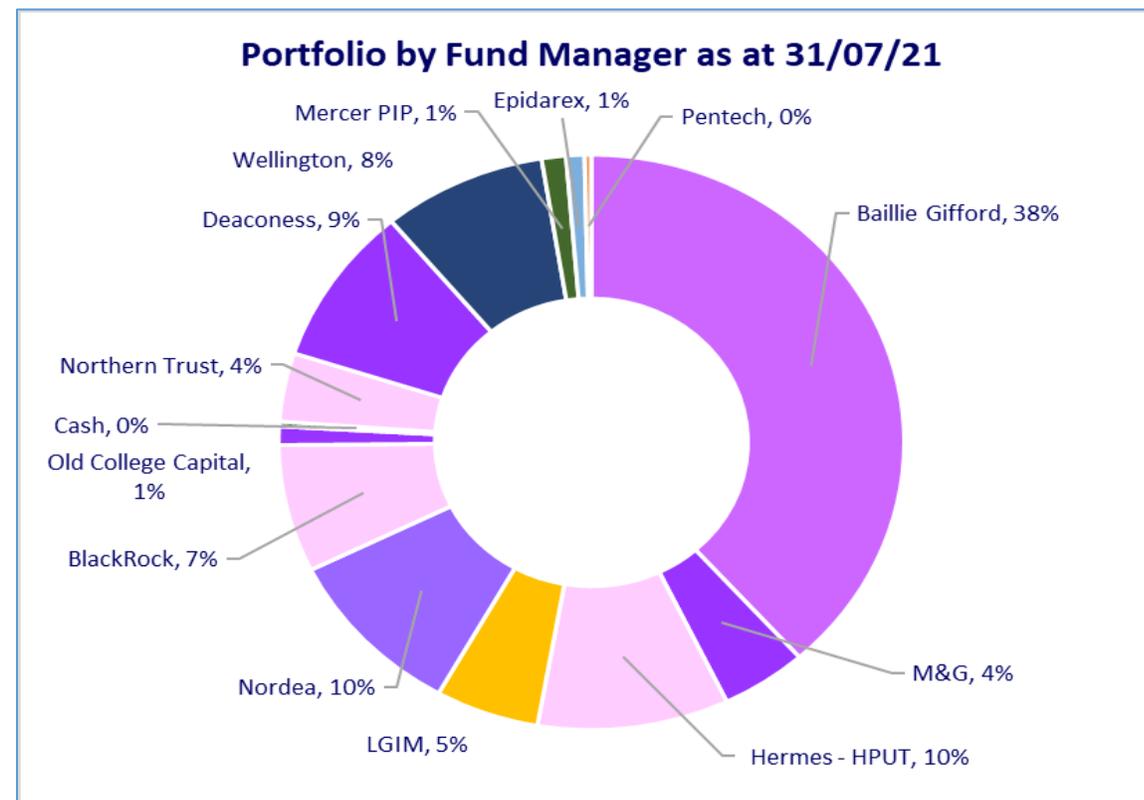


Investment Objective

The investment objective of the Endowment and Investment Fund is to grow the value of the fund and maintain the capital in real terms over the long term whilst providing an annual income yield to support the activities of the numerous endowments.

The Fund's assets are managed by ten external fund managers. There is a commitment to invest further in private equity via Old College Capital which is the venture investment arm of the University of Edinburgh providing growth and development finance into early- and mid-stage spin-out and start-up companies as part of syndicated venture capital rounds. The largest portion of the Fund's assets continue to be invested in equities given their potential for delivering good long term real returns.

Fund Manager Split as at 31/07/21	
Fund Manager	£m
Baillie Gifford	210.5
M&G	24.4
Hermes - HPUT	54.2
LGIM	29.4
Nordea	52.4
BlackRock	39.2
Old College Capital	5.7
Cash	1.5
Northern Trust	21.1
Deaconess	49.0
Wellington	46.5
Mercer PIP	6.9
Epidarex	5.2
Pentech	1.9
	547.9



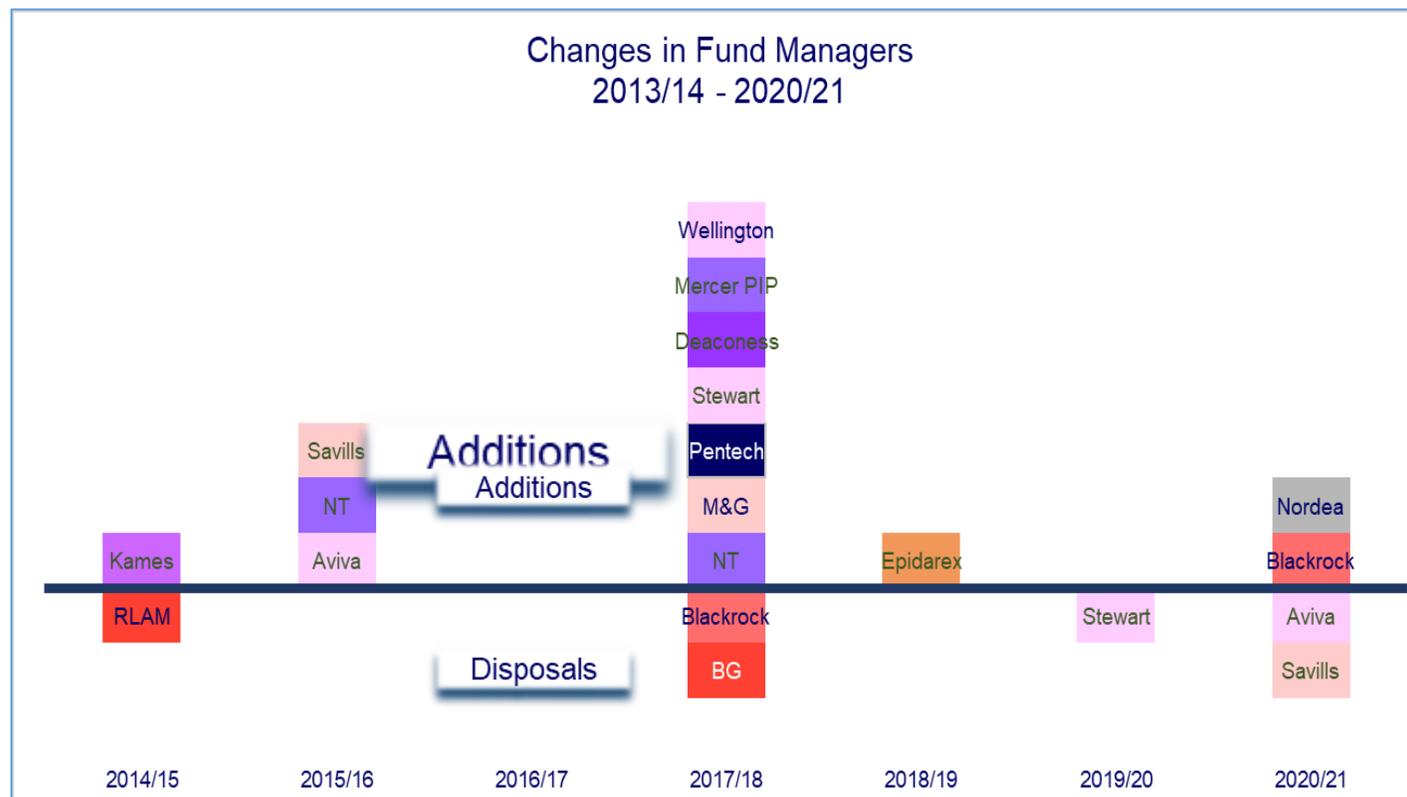
Fund Structure

Baillie Gifford	Global Equity	Edinburgh based independent investment manager. UoE Endowment Fund.
M&G	Private Debt	Wholly owned by Prudential plc. Manager of fixed income, equity and real estate on behalf of Prudential.
Hermes - HPUT	Property	Owned by BT Pension Scheme. Hermes Property Unit Trust.
Wellington	Multi Sector Credit	Independent employee-owned investment firm with >150 active partners. Independent research team incorporating higher level of ESG factors into investment analysis.
Nordea	Multi-Strategy	Nordea Investment Management, founded in 1990 as Unibank Investment Management, is a subsidiary of Nordea AB, a publicly traded holding company.
Mercer PM	Private Markets	Expects to benefit from the global shift towards a lower carbon economy and the need to address resource scarcity issues. Investments include those in renewable and resource management, water infrastructure and energy efficiency.
Savills	Property	Savills Investment Management formed in Dec. 2003 as Cordea Savills. Charities Property Fund.
Old College Capital	Venture Capital	100% University of Edinburgh subsidiary managing venture fund for exploitation of UoE IP.
Epidarex	Venture Capital	Epidarex Fund II is invested through Old College Capital (Strategic Investments). Epidarex invests in early-stage, high growth life science and health technology companies in under-ventured markets within the UK and US.
Aviva	Multi-Strategy	Created following merger of Commercial Union and General Accident and subsequently with Norwich Union. Multi Strategy Target Return Fund (AIMS)
Northern Trust	Emerging Mkts Equity	Norther Trust Corporation, founded in 1889. NT Emerging Markets Custom ESG Equity Index Fund
Deaconess House	Property	University of Edinburgh Investment Property based at Deaconess House, providing UG Accommodation exclusively to UoE.
Pentech	Venture Capital	Pentech Ventures Fund II specialises in seed, start-up, and early venture investments in UK and Ireland. It seeks to invest in businesses with global potential in enterprise software, telecommunications software, internet, mobile, and tech media sectors.
BlackRock	Global Impact Equity	BlackRock was founded in 1988 and has acquired a number of firms, including Merrill Lynch Investment Managers in 2006 and Barclays Global Investors in 2009. The firm has been publically-traded since 1999. It is headquartered in New York and has investment management offices throughout the world.



Investment Objective

% Holdings by Fund Manager					
	31-Jul-17	31-Jul-18	31-Jul-19	31-Jul-20	31-Jul-21
Baillie Gifford	41.2%	36.6%	37.4%	39.2%	38.4%
Blackrock	0.0%	0.0%	0.0%	0.0%	7.2%
Hermes - HPUT	11.2%	11.3%	10.6%	11.1%	9.9%
Deaconess	6.3%	5.9%	6.7%	8.8%	8.9%
Kames Capital	8.3%	0.0%	0.0%	0.0%	0.0%
LGIM	0.0%	0.0%	0.0%	0.0%	5.4%
Nordea	0.0%	0.0%	0.0%	0.0%	9.6%
Aviva	7.7%	7.2%	6.6%	8.8%	0.0%
Northern Trust	16.2%	15.3%	15.3%	12.8%	3.9%
Savills	2.9%	2.9%	2.7%	3.3%	0.0%
M&G	4.6%	4.3%	4.0%	4.9%	4.5%
Cash	0.9%	0.3%	0.5%	-1.1%	0.3%
Wellington	0.0%	7.5%	7.0%	9.0%	8.5%
Stewarts	0.0%	7.4%	7.5%	0.0%	0.0%
VC / Private Equity	0.7%	1.3%	1.7%	3.0%	3.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%



VC / Private Equity includes: Pentech, Old College Capital, Epidarex, Mercer PIP

Market Highlights

Investment Markets

(provided by Mercer, Investment Advisors)

With most economies having re-opened by mid-summer of 2020, global GDP rebounded at a record pace. COVID-19 infections rose again sharply across western countries later in the year, leading to a gradual return of restrictions. At the same time, the start of vaccines being rolled out in late 2020 led to optimism that fuller and more sustainable reopenings could be achieved the following year.

2021 began with lockdowns in numerous countries including the UK as much of the world faced another wave of Covid-19. Nevertheless, gradual vaccine rollout in developed countries drove economic recovery optimism. Political risk declined as Joe Biden was sworn in as US President, despite the incident on Capitol Hill on 6 January, and the UK completed its transition out of the EU without major incidents. Economic data continued to point towards a global recovery but with wide regional dispersions. The recovery started to take shape halfway through 2021 as the successful vaccine roll-out in developed countries made the spread of another more contagious Covid-19 variant less consequential in terms of hospitalizations.

Equity Markets¹

At a global level, developed markets as measured by the FTSE World index, returned 28.0%. Meanwhile, a return of 12.6% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 26.6% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 26.6%. The FTSE USA index returned 29.6% while the FTSE Japan index returned 19.0%. UK Small caps as measured by the FTSE Small Capitalisation index returned 52.6% over the period, driven by large exposures to cyclical stocks that outperformed as the economy began to re-open.

Equity market total return figures are in Sterling terms over the 12-month period to 31 July 2021.

Bonds¹

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned -4.0%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -6.5%. The yield for the FTSE Gilts All Stocks index rose over the year from 0.5% to 0.8% while the Over 15 Year index yield rose from 0.6% to 0.9%.

The FTSE All Stocks Index -Linked Gilts index returned 1.4% with the corresponding over 15-year index exhibiting a return of 1.7%.

Corporate debt as measured by the Bank of America Merrill Lynch Sterling Non-Gilts index returned 1.7%.

Bond market total return figures are in Sterling terms over the 12-month period to 31 July 2021.

Market Highlights

Property²

Over 12-month period to 31 July 2021, the MSCI UK All Property Index returned 10.3% in Sterling terms.

Currencies¹

Over the 12-month period to 31 July 2021, Sterling appreciated by 5.9% against the US Dollar from \$1.31 to \$1.39. Sterling appreciated by 10.0% against the Yen from ¥138.77 to ¥152.59. Sterling appreciated against the Euro by 5.6% from €1.11 to €1.17 over the same period.

¹ Statistics sourced from Thomson Reuters Datastream unless otherwise specified

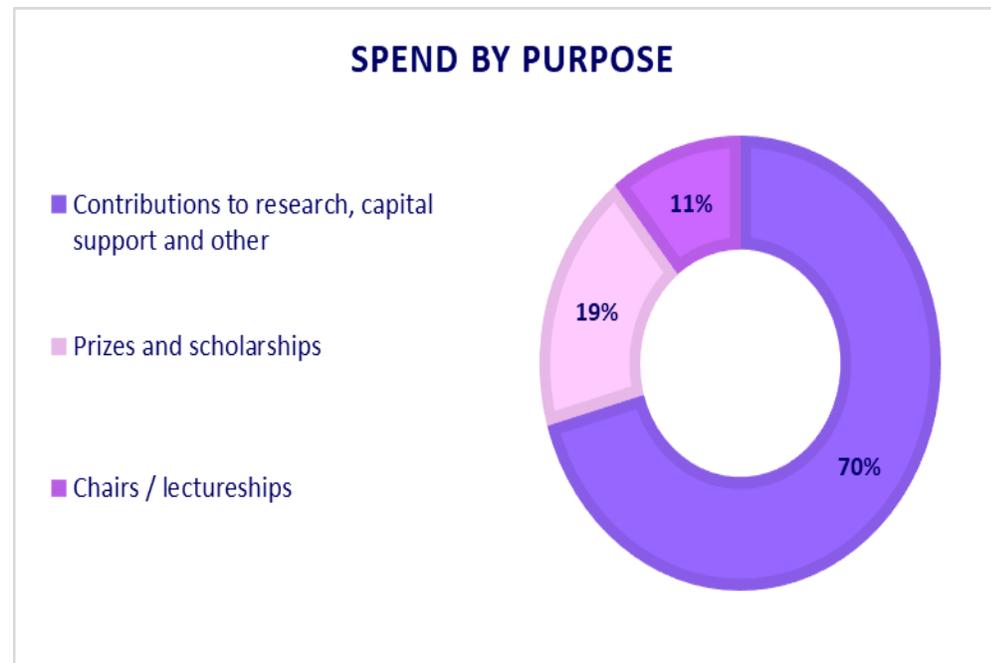
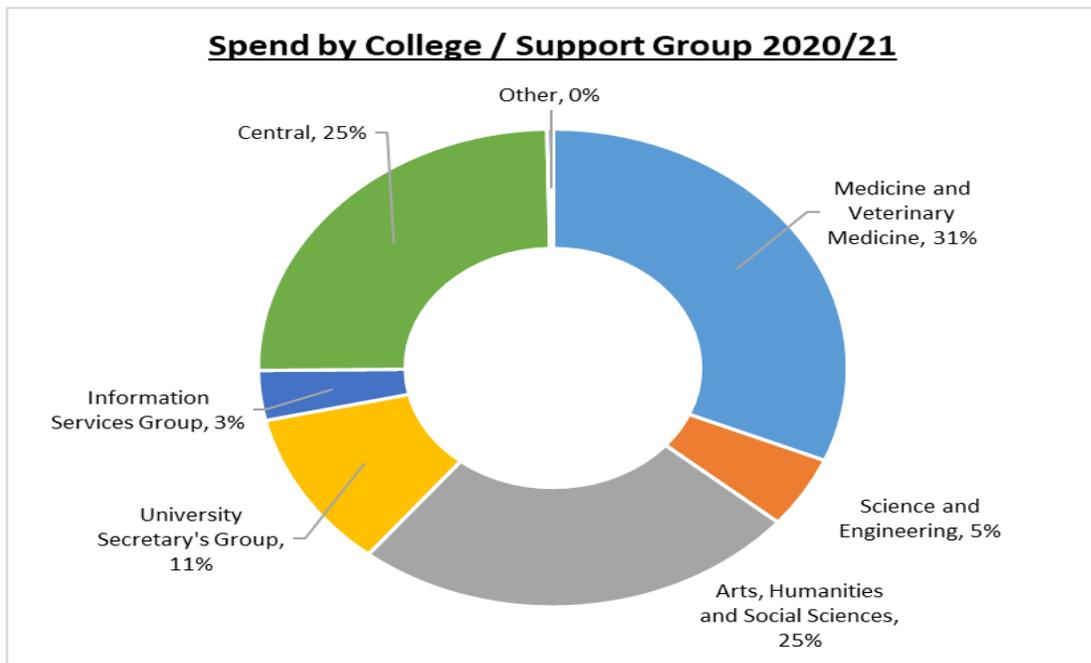
² Statistics sourced from MSCI Investment Property Database

Disclaimer

This does not contain investment advice relation to your particular circumstances. No investment decision should be made based on this information without first obtaining appropriate professional advice and considering your circumstances.



Fund Activity



Total spend by College / Support Group	
	£m
Medicine and Veterinary Medicine	3.0
Science and Engineering	0.5
Arts, Humanities and Social Sciences	2.3
University Secretary's Group	1.0
Information Services Group	0.3
Central	2.4
Other	0.0
Total	9.5

Spend by Purpose	
Contributions to research, capital support and other	6.7
Prizes and scholarships	1.8
Chairs / lectureships	1.0
Total	9.5

Notes