



THE UNIVERSITY *of* EDINBURGH
Finance

Endowment Fund Report for the Year to 31 July 2024

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Fund Management and History

The University of Edinburgh had charitable status (No. SC005336) under the legislative framework operative throughout the 2023/24 financial year. The University's endowments are administered as the University of Edinburgh Endowment Fund, overseen by the Investment Committee. Professional fund managers are employed by that Committee on behalf of the University Court.

Investment income is applied for the specific purposes of the relevant endowments, or in the case of other investment funds, for the University's general purposes. All of those purposes are charitable for the purposes of the legislation.

The University of Edinburgh Endowment and Investment Fund ("Endowment Fund") was founded in 1955.

The investment objective of the Endowment 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 total value of the Endowment Fund is £580.4m as at the end of the 2024 Financial Year. The unit price has increased 3.5 per cent from £47.68 to £49.33 giving a fair value gain of £14.5 million.

The Investment Committee of the University is responsible for the oversight and strategic direction of the Endowment Fund 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.

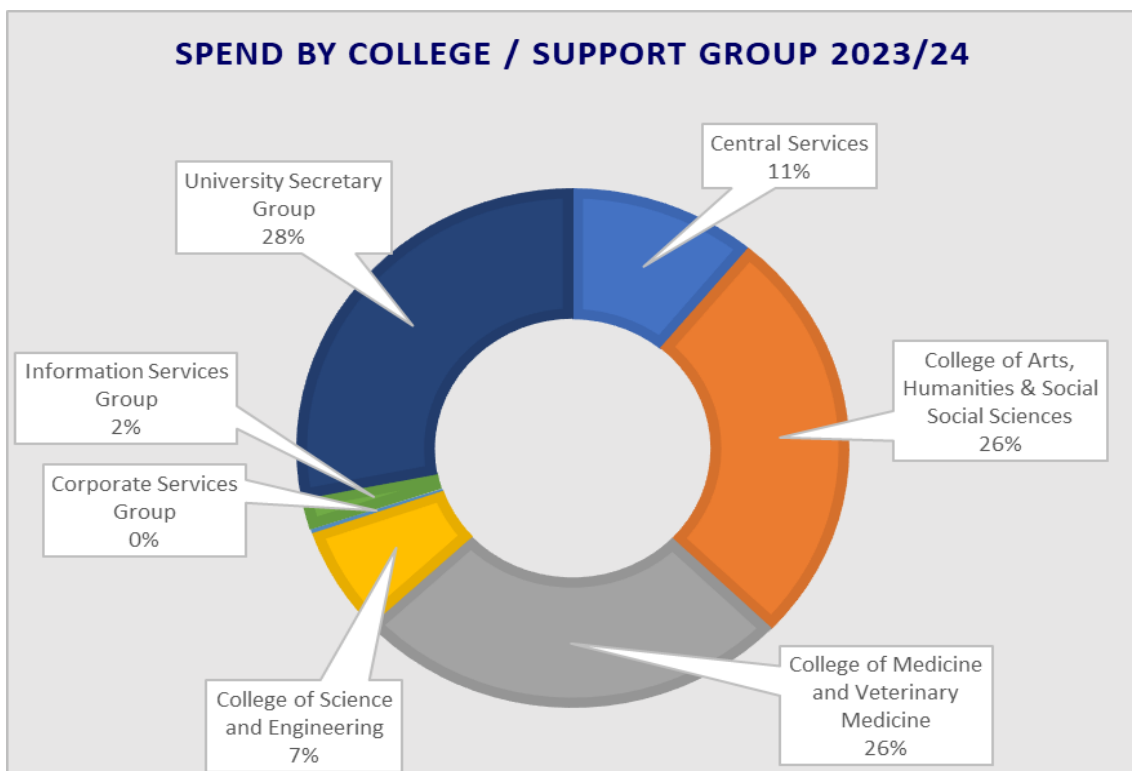
Mercers are consultants to the Investment Committee and the Secretary is the University's Director - Finance Specialist Services.

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.

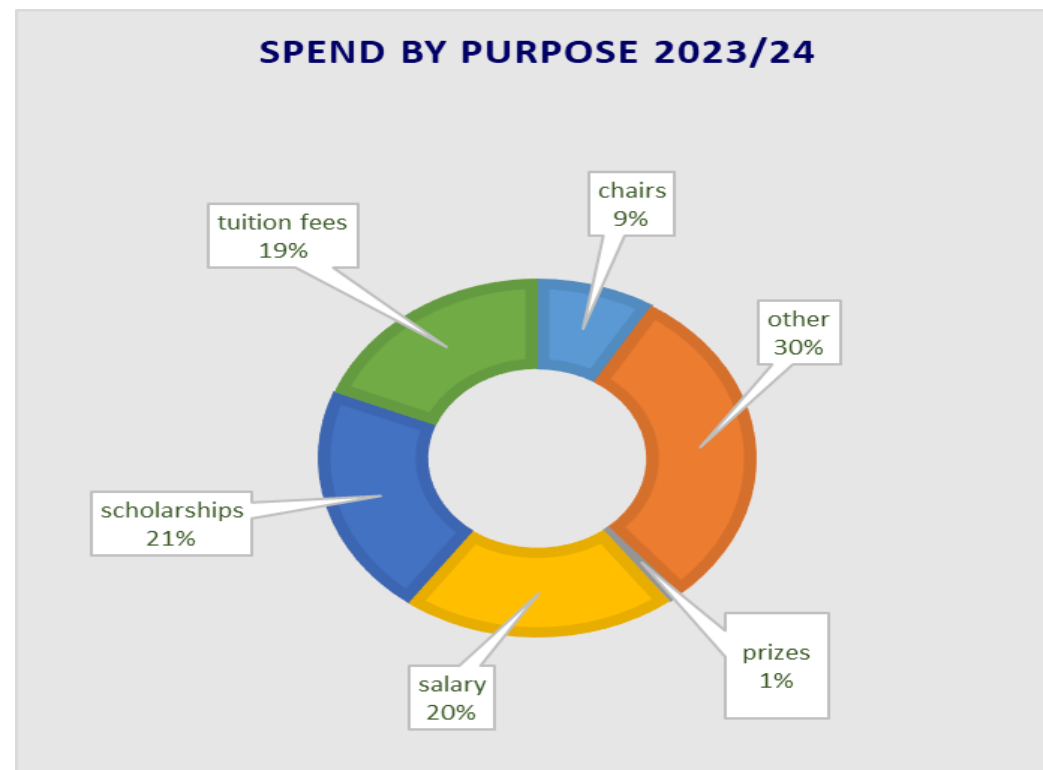
Endowment Fund Financial Highlights

Financial Year	31st July 2024	31st July 2023
Total endowment assets	£580.4m	£559.8m
Endowment & Investment Fund Non-current asset investments	£519.4m	£497.9m
Number of endowments within fund	595	593
New endowments	£5.8m	£45.8m
Investment income	£20.5m	£16.6m
Expenditure	(£20.2m)	(£16.8m)
Unit price (£ per unit)	£49.33/unit	£47.68/unit

Fund Expenditure



Total spend by College / Support Group	
	£m
Central Services	2.2
College of Arts, Humanities & Social Social Scien	5.3
College of Medicine and Veterinary Medicine	5.2
College of Science and Engineering	1.3
Corporate Services Group	0.1
Information Services Group	0.4
University Secretary Group	5.7
Total	20.2



Spend by Purpose	
	£m
chairs	1.8
other	6.0
prizes	0.2
salary	4.1
scholarships	4.2
tuition fees	3.8
Total	20.2

Philanthropy

The impacts of Endowments to further and deepen the charitable activities of the University of Edinburgh go back a long way. All the way in fact. The University itself was founded by an endowment of 8,000 merks left by Bishop Robert Reid of Orkney ‘to fund a College in Edinburgh’, which opened its doors as the ‘Tounis College’ in 1583.

Throughout the course of the University’s 440 year history since, far-sighted individuals across (but also far beyond) the University’s alumni and staff communities have committed generous lifetime and legacy endowment gifts to provide vital funds for the University’s priorities. These have included student support of all kinds, research to make a difference in the world, and the deepening (and sometimes the introduction) of teaching of a wide range of academic fields via funding for academic positions. Others have simply demonstrated their trust and belief in the University’s charitable goals by leaving vitally important unrestricted endowment gifts.

Today’s University warmly thanks those who have prioritised support for our students and researchers to make the world a better place. Should you be inspired by this Report to want to explore the wide range of options for new or deepened endowed giving at different levels and over flexible time periods, we will be delighted to discuss options with you. Our goal is always create a Fund that will have maximum impact over the mid to long term, while fully reflecting the priorities and values of our donors.

Chris Cox, Vice Principal (Philanthropy & Advancement), Chris.Cox@ed.ac.uk

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Investment Committee

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

Investment Adviser

Mercer

Auditors

PricewaterhouseCoopers LLP

Custodian

BNY Mellon

Investment Committee Members as at 1 August 2023

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

Investment Committee Members as at 31 July 2024

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Catherine Martin

Investment Committee - Meetings in 2023-24:

15 August 2023
20 February 2024

21 November 2023
21 May 2024

Investment Objective

The University’s Endowment Fund is invested in the University of Edinburgh Endowment and Investment Fund which is invested with a number of fund managers and in different asset types to diversify risk.

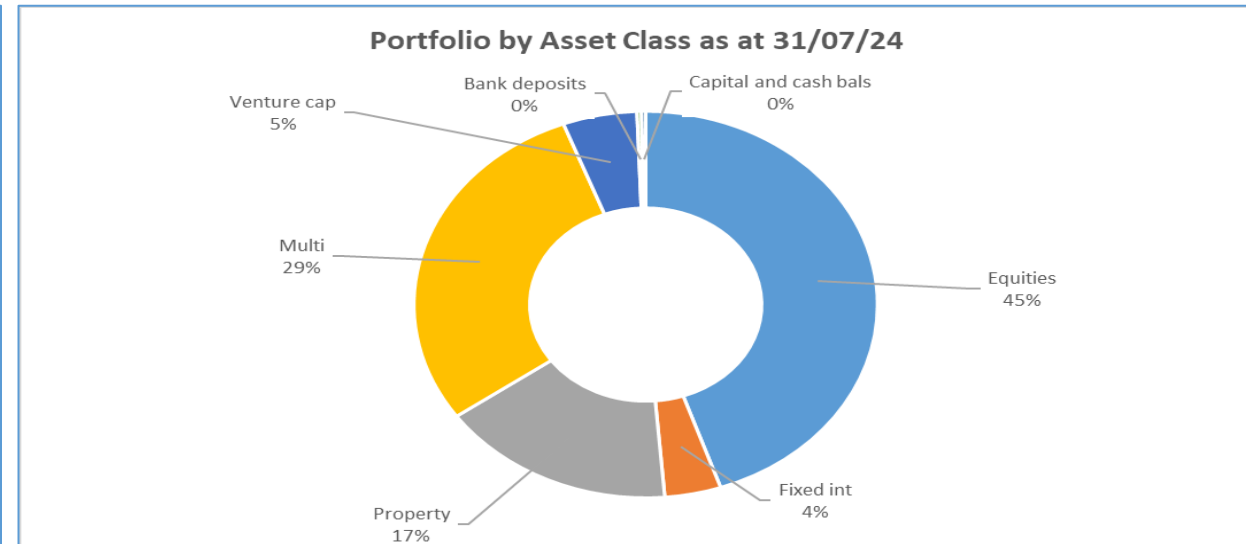
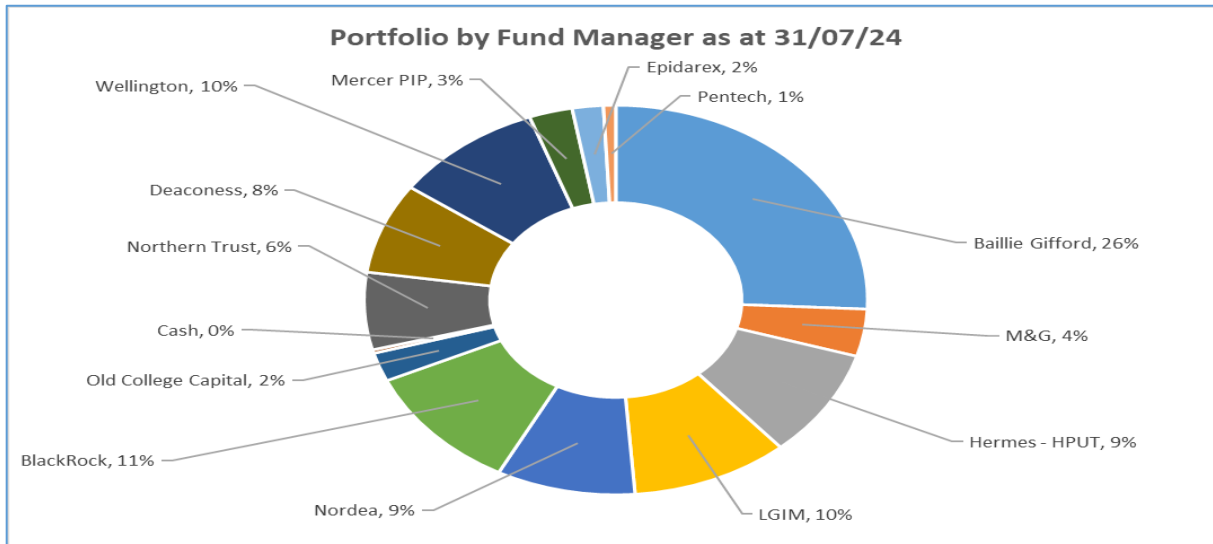
The investment objective of the Endowment and Investment Fund is to grow the value of the fund and maintain the capital in real terms over the long term. The benchmark is to exceed CPI + 4% net of fees over the medium term (3-5 years) whilst providing an annual income yield to support the activities of the numerous endowments.

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 whilst maintaining adherence to the University’s Responsible Investment Policy in acting as a responsible investor.

Fund Manager Split as at 31/07/24

Fund Manager	£m
Baillie Gifford	133.8
BlackRock	54.5
Cash	1.5
Deaconess	39.1
Epidarex	10.4
Hermes - HPUT	46.6
LGIM	52.6
M&G	20.4
Mercer PIP	14.4
Nordea	46.3
Northern Trust	33.3
Old College Capital	12.4
Pentech	4.1
Wellington	49.9
	519.4



Endowment Analysis and Purpose

Endowment Analysis

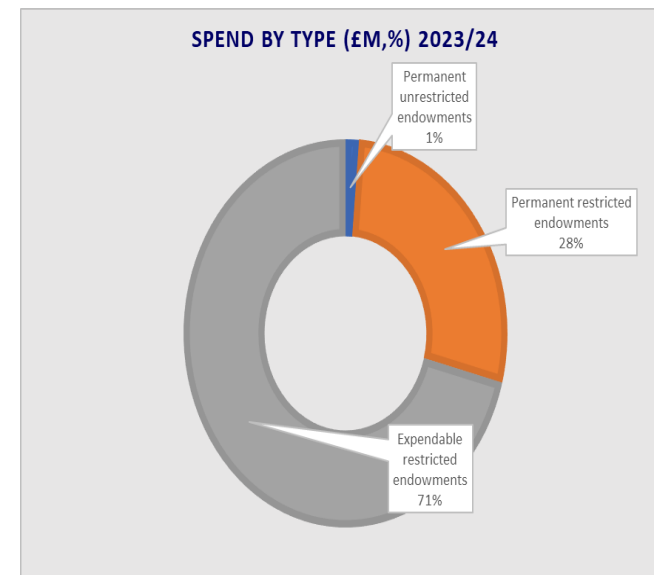
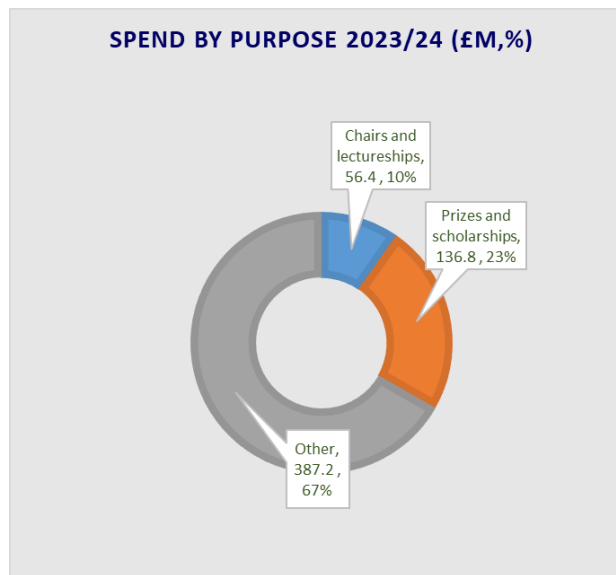
The below table and pie charts provide a breakdown of the analysis by type and of purpose.

Permanent Unrestricted endowments are those where the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.

Permanent Restricted endowments are those where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Restricted Expendable endowments are those where the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.

Endowment analysis by type and purpose						
Type	Permanent unrestricted endowments	Permanent restricted endowments	Expendable restricted endowments	2024 Total	2023 Total	
Purpose	£m	£m	£m	£m	£m	£m
Chairs and lectureships	0.0	10.8	45.6	56.4	68.7	
Prizes and scholarships	0.0	38.2	98.6	136.8	94.6	
Other	7.9	111.9	267.4	387.2	396.5	
Grand Total	7.9	160.9	411.6	580.4	559.8	



Terms of Reference

Investment Committee Terms of Reference

Purpose

To consider the corporate governance, University reputation and other related implications of the University's investments, in particular to consider strategic formulation and risk containment and to review and monitor both long and short-term investments.

Objectives

To manage the investment portfolio asset allocations to deliver the following objectives:

A financial return for the portfolio that exceeds CPI + 4%, net of fees, over the medium term (3-5 years), with dividend yield targeting budgets agreed with the University;

Implement restrictions that reflects adherence to the University's Responsible Investment Policy in acting as a responsible investor (e.g. tobacco, arms, fossil fuels, anti-slavery, conflict minerals);

Make a positive contribution to environmental and social impact through wherever possible investing in ESG (Environmental, Social & Governance) compliant funds and considering investment in other assets that deliver financial and non-financial benefits.

Investment Benchmark

Strategic Benchmark – The Edinburgh Model

The University has delegated responsibility to set the fund’s strategic benchmark to the Investment Committee. The Investment Committee has adopted a bespoke model benchmark for the asset allocation, “The Edinburgh Model”, which aims to use the long term nature of the Fund to improve the risk adjusted returns achieved.

The Edinburgh Model has been developed for the Fund using advice provided by their Investment Consultants. All day to day investment decisions outside any direct investments such as property have been delegated to authorised investment managers. The strategic benchmark reflects the choice and mix of funds in which the Fund invests. The Edinburgh Model is consistent with the Investment Committee’s views on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

The University monitors fund performance relative to the Edinburgh Model. It is intended that the investment strategy will be reviewed at least every three years. In considering the investment strategy, the Investment Committee will seek advice as required.

The Edinburgh Model

Asset Class	Target Allocation	Range
Global Equities	50%	+/- 20%
Property	20%	+/- 10%
Global Fixed Income	10%	0% - 40%
Opportunistic and Alternative Investments	10%	0% - 20%
University-related investments	10%	0% - 10%
Total	100%	

Five Year History

Five Year View	2019/20	2020/21	2021/22	2022/23	2023/24
Market Value (£m)	487.8	565.2	541.0	559.8	580.4
Return p.a. (%)	5.7	17.8	-4.9	-1.9	6.3
Income yield (£m)	9.4	9.8	12.0	16.6	20.5
Annual expenditure (£m)	-10.9	-10.8	-11.7	-16.8	-20.2
Total charges (capital & revenue) (£m)	2.3	2.5	3.0	2.5	2.5
Expenses ratio (%)	0.5	0.4	0.6	0.5	0.5
Unit price (£/unit)	46.54	54.07	49.50	47.68	49.33

4.6%

Five-year average annual return from the fund

£92.6m

Growth of Endowment Fund between 2019-20 and 2023-24 (including new Endowments)



Current Fund Managers

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.
BlackRock	Global Impact Equity World Equity Value Factor ESG	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.
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.
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.
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.
LGIM (via Mercer)	Passive Sustainable Equity	Legal & General Investment Management (LGIM) is one of Europe's largest institutional asset managers and a major global investor. The firm has managed pension fund assets since the 1930's. The index fund product range was established in 1985.



Unit Price History

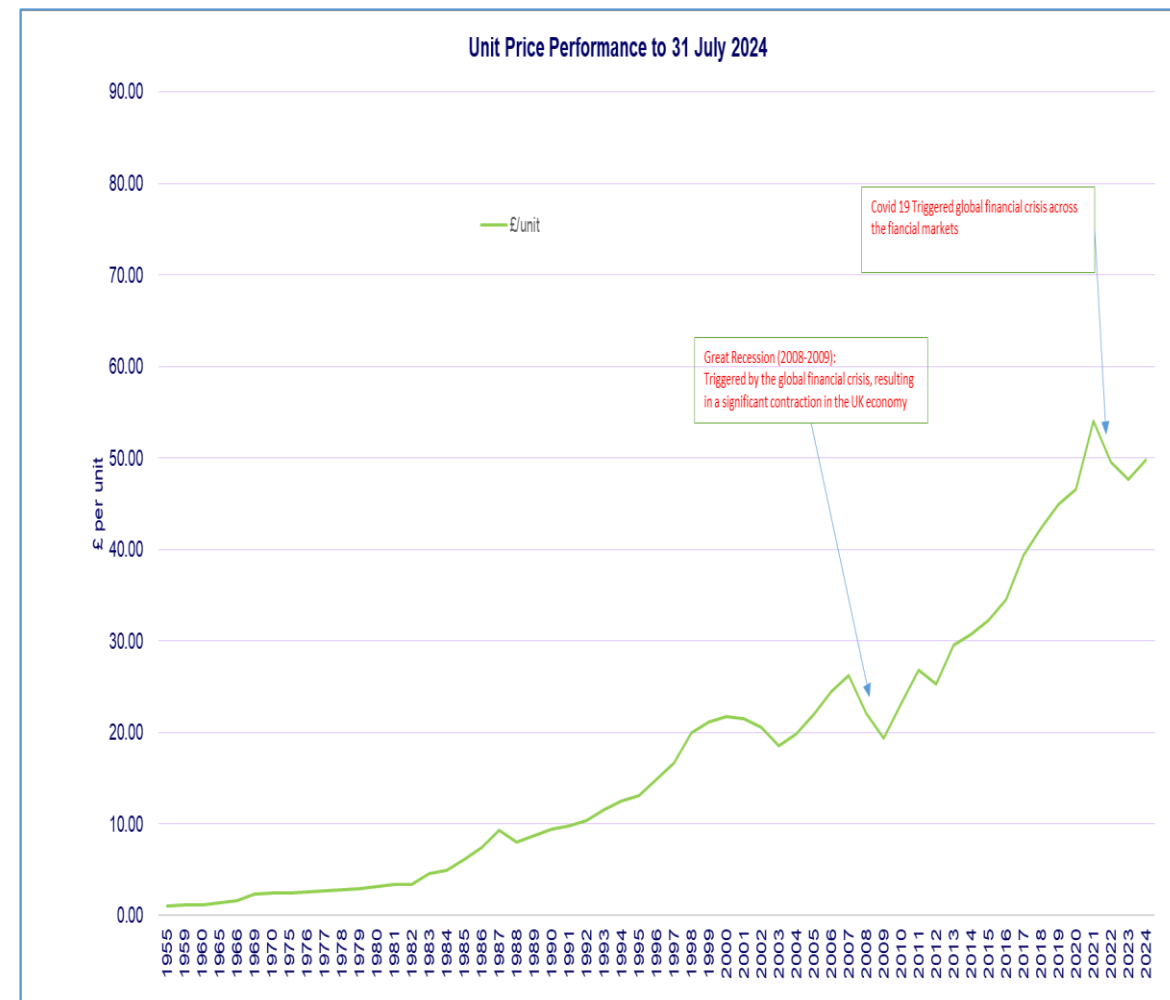
The Endowment Fund has detailed historical records which show the value of funds endowed, investment returns and areas of expenditure.

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.

After a challenging couple of years, the unit price of the endowment fund increased by 3.5 per cent. This year's recovery is welcomed and we are reminded that the endowment fund is invested for the long-term with success measured in decades rather than over a single year.



The unit price is calculated by using the consolidated total fund valuations (these valuations do include income accruals), divided by the total number of units in the Endowment Investment Fund.

Social Responsibility and Sustainable Investment

The University first created a Socially Responsible Investment (SRI) policy in 2003 which was revised in 2006. This policy sought to protect and enhance the long term value of the fund by ensuring the University was a responsible investor.

The United Nations Principles for Responsible Investment

The United Nations-supported Principles for Responsible Investment (PRI) Initiative is an international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices. In implementing the Principles, signatories contribute to the development of a more sustainable global financial system.

The University is following in the footsteps of over 1,000 companies and \$30 trillion of assets from major worldwide funds, representing a growing social conscience to investing responsibly. Edinburgh University became the first in Europe to sign up in January 2013.

In February 2016 the Social Responsibility and Sustainability department took charge of the development of the policy and produced the Responsible Investment Policy Statement. The statement summarises the approach the University takes to responsible investing, and highlights the progress made, along with actions planned, in response to policy decisions and strategic objectives relating to environmental, social and governance considerations.

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