## Investing in the future

# Oxford Endowment Fund Report 2023

Dorothy Crowfoot Hodgkin Building, Department of Biochemistry



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### Beneficiary: the Kavli Institute for **Nanoscience Discovery**

Oxford's Kavli Institute for Nanoscience Discovery is an interdisciplinary research centre working to solve some of the great challenges of our times by bringing 'the physical sciences into the cell'.

Read more on page 12.

OU Endowment Management (OUem) is authorised and regulated by the Financial Conduct Authority and is an Alternative Investment Fund Manager under the Alternative Investment Fund Managers Directive (AIFMD). We manage The Oxford Funds: Endowment Master (known as the Oxford Endowment Fund, the OEF or the Fund), a collective investment scheme as defined in the Financial Services and Markets Act 2000 and an Alternative Investment Fund (AIF). The Oxford Endowment Fund is a Charitable Unauthorised Unit Trust (CUUT), with a wholly owned subsidiary of OUem (TOF Corporate Trustee Limited) acting as its corporate trustee. The Oxford Endowment Fund operates within a master / feeder structure, with two feeder vehicles. The Collegiate Feeder vehicle is available to the charitable trusts of the University of Oxford, its colleges and associated collegiate entities. It is constituted under the 1943 Trusts Act with the University of Oxford as trustee. The Non-Collegiate Feeder vehicle is a CUUT available to UK charities, with TOF Corporate Trustee Limited as corporate trustee. Our primary focus is on managing permanent capital within the Oxford Endowment Fund; however, we also manage a separate account for the University of Oxford, for shorter term monies. More information about the University's investments is available via the OU Investment Policy Statement.

**University Parks** 



### OU Endowment Management

At OU Endowment Management, we believe charities deserve the highest standards of investment management and we take pride in delivering a straightforward solution through the Oxford Endowment Fund. Our aim is to exceed our investment objective by generating absolute real returns, to help our investors fund their activities for current beneficiaries and future generations.

£3.1bn

Growth through performance since 1 January 2009 Read more on pages 13-14

New College

OUem is a regulated investment manager and our investment strategy is to invest in a global and diversified portfolio of investments. Our primary focus is the Oxford Endowment Fund (OEF or the Fund), and today we manage approximately £6.5bn of assets for 46 investors. Since the Fund opened on 1 January 2009, the Oxford Endowment Fund has an annualised return of 8.6% and has distributed £1.6bn to our investors.

We benefit from the expertise of a longstanding senior team with significant experience in managing permanent capital, and a highly motivated team of investment and finance professionals. We are guided by our investment philosophy, specifically developed to take advantage of our genuine multi-year time horizon, and we only invest in a small number of opportunities that we deem to be the best in the world.

The importance of managing charitable assets in a sustainable manner is deeply ingrained in OUem's investment philosophy and company culture. We have a focus on excellence and innovation through intellectual curiosity, which we combine with experience and patience. As a regulated business, we uphold the highest standards of accountability, and we continue to be driven by the need to make a difference to those institutions that invest with us.

#### Performance to 31 December 2023

The Oxford Endowment Fund has distributed

£1.6bn

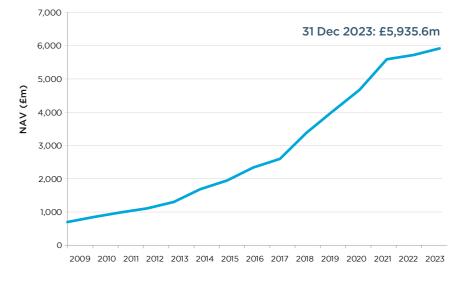
since 1 January 2009

The Oxford Endowment Fund has returned

8.6%

annualised since 1 January 2009

Note: Returns and exposure data shown in this report are for The Oxford Funds: Endowment Master and calculated by OU Endowment Management to 31 December 2023, unless otherwise stated. Returns are time weighted returns, quoted in Sterling and net of all fund expenses, including custody, administration and OU Endowment Management fees.



#### Figure 1: NAV of the Oxford Endowment Fund

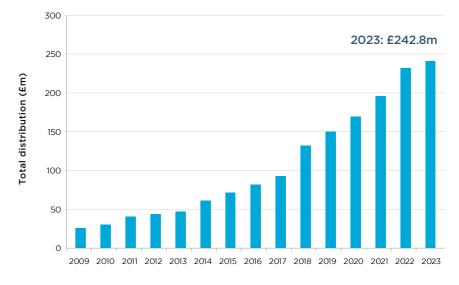
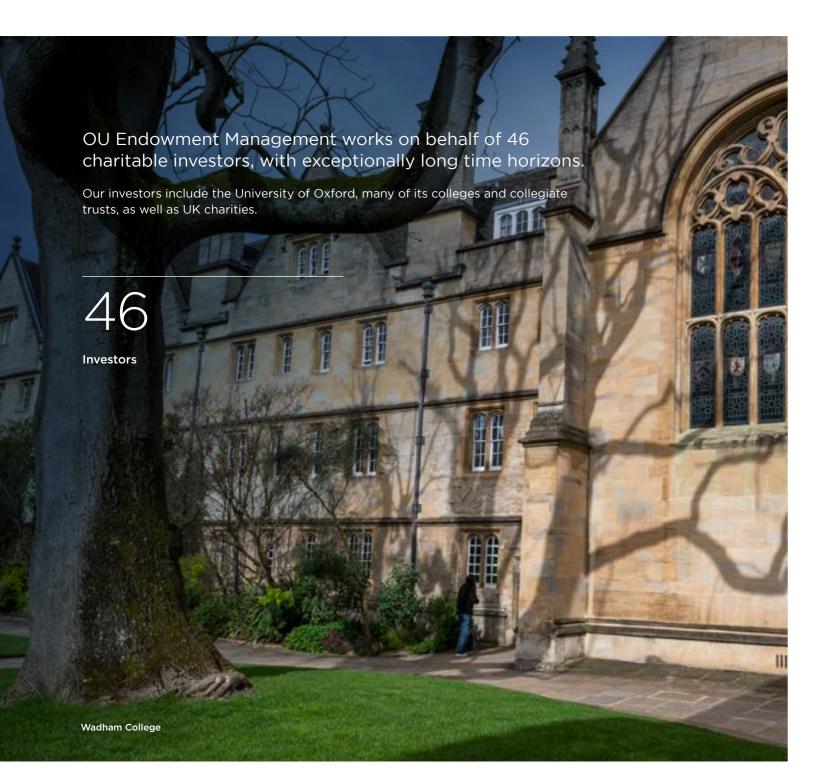


Figure 2: Annual distribution

### Our investors



### Beneficiary: Carmen Jorge Díaz, The Paul Shreder Scholarship

The Paul Shreder Scholarship allows talented musician Carmen to pursue her passion for mathematical physics at doctoral level

Talented musician Carmen Jorge Díaz has been able to pursue her passion for mathematical physics at doctoral level thanks to Paul Shreder's 2018 legacy gift, which is invested in the Oxford Endowment Fund as part of the central University's shareholding.

Music has been a huge part of Carmen Jorge Díaz's life for as long as she can remember. Her mother, also a musician, would play classical music throughout her childhood and it was at the age of six that Carmen decided she would learn to play the violin. After balancing music with studies throughout her schooling, a BSc in Physics at the University of Santiago de Compostela and an MSc in Applied Mathematics and Theoretical Physics at the University of Cambridge, Carmen applied for a DPhil in Theoretical and Mathematical Physics at the University of Oxford. Like many DPhil applicants, Carmen needed a scholarship to take up the place she was offered, and music played an important part in enabling her to follow her passions.

Carmen was awarded the Paul Shreder Scholarship – the legacy of a donor who himself had a passion for both mathematics and music. An Oxford undergraduate in the early 1950s, Mr Shreder studied for a degree in mathematics and taught the subject for most of his career at a boys' school in Ealing. He was also an excellent musician and his wish was to enable a gifted maths student with a love of music to pursue their educational goals at Oxford's Mathematical Institute.

'When I got the letter, I started crying,' says Carmen. 'I called my violin teacher to say: "The funding for my PhD is because of playing the violin" and he started crying as well. It was very emotional because being a musician is tough,



Carmen Jorge Díaz

especially when you're young and you're trying to do your schoolwork, your music work, and sometimes you don't have time for everything.'

Carmen recognises that this particular scholarship is very unusual. 'When I tell some of my colleagues about it, they can't believe it. I wouldn't have been able to afford to do my DPhil otherwise. It was a big relief.'

Carmen was the first recipient of the scholarship and completed her DPhil last year. The importance of maintaining real value of the Oxford Endowment Fund is to ensure that generations to come will have the opportunity to benefit from the endowed funding given by Paul Shreder.

### Investment objective and distribution policy

Managing an endowment is unlike traditional investment management because of the nature of the beneficiaries. For most pools of capital, such as pension funds, the beneficiaries are alive. For endowments, the beneficiaries may not even be born yet.

A careful balance is required between managing the interests of today's beneficiaries with those of future generations. To do this, we need to preserve the real value of gifts donated and invested in the OEF to fund activities and generate absolute real returns. This is different from the vast majority of other investors, who may be concerned with liability matching or beating short term market indices, whether they go up or down.

The Oxford Endowment Fund has distributed

£1.6bn

since 1 January 2009

#### Worcester College

#### Funding charitable activities

Charities depend on philanthropic support to sustain and advance their missions. Donations can often be in the form of endowment gifts – charitable funds held on trust to be retained for the benefit of the charity.

Endowment gifts can be permanent, where the capital may not be spent, or expendable, where the capital may be spent if it is considered to be in the best interest of the trust. Gifts can be unrestricted or restricted to support specific activities or beneficiaries.

A permanent endowment has often been built up over years to support and sustain the mission of the charity. Successful endowment management is designed to ensure these activities can be funded for current beneficiaries and future generations.

#### **Real returns**

For an endowment, it is critical to think about returns in excess of inflation, which are described as real returns. Inflation measures the change in the value of goods and services in an economy versus the value of money. If inflation is generally positive, the relative value of goods and services versus money is rising, and goods appear more expensive. Endowments need to generate positive real returns, so that their purchasing power rises over time rather than falls, and activities endowed today can continue in perpetuity.

#### Setting an investment objective

An investment objective is the targeted average return of an investment over a long period of time. It is not a guaranteed return nor the return expected each year and, over short and medium time frames, the actual returns achieved will vary widely.

When establishing an investment objective the time period is key. Expendable endowment gifts designed to be spent in a short time horizon – say two to three years – are intolerant of wide fluctuations in value. In investment terms, we refer to this as volatility.

Permanent endowments have the ability to withstand higher levels of volatility because each year only a portion of the value is required to be spent by the trust. There is a clear trade off between the requirement for liquidity – the degree to which an asset or security can be quickly bought or sold in the market – volatility and investment return.

Over long time periods, investments in equities have proved one of the most effective ways of generating real returns. Long term studies of UK equities have shown that, since 1900, equities have an average or 'annualised' return of approximately 5% per year after inflation. If, conversely, you had invested in UK government bonds over the same time period, the annualised return would have been less than 1.5% (Source: Dimson, Marsh and Staunton, 2022). These seemingly small differences in annualised returns can make substantial differences when compounded over the long term.

However, these long term average numbers mask significant volatility in year to year returns. This highlights the need to consider volatility, as well as return, when setting an investment objective for endowments that need to produce a sustainable annual distribution.

#### A sustainable distribution policy

Every year, part of the Oxford Endowment Fund's total return is distributed to investors in order to help them meet their spending obligations. The balance is retained to protect the real purchasing power of the Fund for future generations. We have to ensure that the distribution is directly linked to the performance of the Fund, otherwise we could eat into the capital originally invested. While market returns may vary greatly from year to year, our investors' spending requirements are more static. The distribution policy has therefore been developed to ensure that the absolute amount of money received by investors from their holdings is predictable on a year by year basis, regardless of the market backdrop.

#### Investment objective

The Oxford Endowment Fund's investment objective is to produce an annualised real return of 5% in excess of the Consumer Price Index (CPI) over the long term. We aim to achieve an equity-like return while experiencing lower risk, as measured by volatility of returns, than would be associated with an investment in equities.

#### Distribution policy

The distribution policy of the Oxford Endowment Fund is to distribute 4.25% of the average of the past 20 quarters' NAV per unit, subject to a cap of a 10% increase and a floor of the last year's distribution.

### Investment philosophy

At OU Endowment Management, we believe charitable institutions deserve the highest standards of investment management. We never forget our purpose – to maintain and grow the real value of endowments, while providing a stable stream of income, to help our investors achieve their long term aims.

Our investment philosophy enables us to refine the investment universe and identify world class investment opportunities to generate significant real returns. It is built around our three distinct competitive advantages:

- A genuine multi-year time horizon
- Proven access to the world's best investment talent
- Deep experience in managing global, diversified, long term capital for UK charitable investors

As a long term investor, sustainability has always been integrated into our investment approach.



Pursue fundamental investment research Managing perpetuity capital enables us to engage in research and investments that groups focused on short term benchmarking simply cannot. We pursue fundamental investment research across asset groups where we believe tensions, changes or inefficiencies in economies and markets provide investment opportunities. We then find the most appropriate way to pursue these in specific investments in the portfolio.

Partner with exceptional investment groups We believe that, in most circumstances, active management with the right investment group leads to superior returns. We build constructive relationships and interact regularly with managers, partnering for the long term and across market cycles. We look for those who have their own capital at risk on the same terms, seek capital gains and not growth in assets under management, and constrain their focus to areas where they have world class expertise. We expect our investment groups to behave like business owners, with deep fundamental research and understanding of a business and industry giving them credibility with the senior management teams of those companies.

Use multiple drivers of return We believe that owning equity in productive businesses is the best way for us to achieve our investment objective. However, we recognise the cyclical nature of markets, and we also invest in assets where returns are not dependent on the broader equity market cycle, such as Property and Credit & Opportunistic. Alongside this, we diversify the Fund across strategy, geography, sector and duration, meaning there are several independent routes to meeting our return target.

Manage risk holistically Effective risk management is a mindset, ingrained in our company culture and investment philosophy. As part of this, we constantly evaluate a range of metrics and exposures to ensure that our fundamental views produce optimal portfolio positioning. We question how the portfolio might behave in a range of different circumstances through scenario modelling. This prevents us from carrying inadvertent risks in the portfolio and ensures we are ready to adapt to change.

### Asset allocation

Derived from our investment philosophy, our asset allocation is designed to generate significant real returns. This naturally leads to a focus on investments in equities, with property and credit used as diversified sources of return. We refer to these as Risk Assets.

73.5%

Assets held in Equity: Public, Hybrid or Private

Harris Manchester College

It is our belief that there are essentially two main drivers of investment returns across all risk assets: growth or buying at less than intrinsic value. This is true in broad terms for all risk assets: equity (public, hybrid or private), credit and property, and we analyse all investments on this fundamental basis.

In most circumstances, we believe that active management, with the right investment group, leads to superior returns. When working with investment partners, we prefer individuals and groups who have significant proportions of their own personal wealth invested alongside our investors, and where gathering assets is not a priority. We look for groups with deep expertise in their chosen market or strategy, coupled with a stable underlying capital base, allowing them to take long term views. We do not value time spent on the over assessment of benchmarks, and concentrate on managers who are empowered to focus capital in the best opportunities they can find, wherever they might be.

In addition to our Risk Assets, we have an allocation to Cash and Bonds which enables us to balance the overall liquidity profile of the Fund, ensuring we can meet all our short and medium term liabilities, and have the appropriate flexibility to act on opportunities as we see them. Managing risk holistically, we can tilt the portfolio to areas we assess to be more attractive at a particular point in time, depending on our investment views.

#### Equities

Equity investments are used as the principal driver of returns for the Fund. We are agnostic as to how equities are accessed and have the ability to invest across the life cycle of a business in the private or public markets. The aim is to access high real returns, and equities have delivered this over the long term.

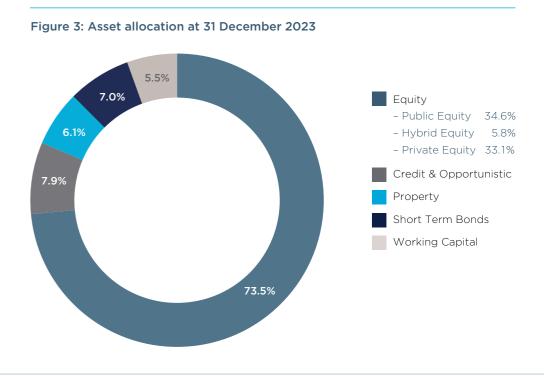
Opportunities in Public Equity are viewed on at least a three to five year basis where there are significant returns available from investing in productive, growing or otherwise valuable corporations globally. We predominantly invest in world class, active investment groups; with passive indices used occasionally as a means to maintain allocation and liquidity. In Private Equity, we focus on groups accessing corporate equity which is not available in the public markets for either a situational or strategic reason. Hybrid Equity comprises investments that have a mix of public and private companies. When choosing investment partners, the team favours: groups who have their own capital at risk on the same terms as investors, seek capital gains and not growth in assets under management, and constrain their focus to areas where they have world class expertise.

#### Credit & Opportunistic

Our Credit managers consist of groups focused on complex, specialist situations working across the credit spectrum. The aim of these investments is to give us access to both regular, performing loans that accrete value regardless of broad economic conditions, and larger payoffs from specific events in more complex or stressed credit structures, with less correlation to equity market returns. This helps diversify the return drivers and provide liquidity in times of equity stress. We also use this area of the portfolio for less obvious, opportunistic investments that do not fit clearly into Equity, Credit or Property. These are typically niche ideas in one-off situations.

#### Property

We have a range of Property investments across the UK which can be broadly categorised as rural, residential, commercial and strategic investments. There is a mixture of direct and indirect property investments. Returns are achieved through a combination of income and capital growth generated from active asset management and long term strategic investment.



### Investment process

Our team has the freedom to make investments today that may not come to fruition during their lifetime. We pursue long term themes across asset groups, where we believe tensions, changes or inefficiencies in economies and markets, provide investment opportunities. We build constructive relationships, partnering for the long term and across market cycles. The stability of the Fund's long term capital helps us secure allocations in the most sought after investment groups.

#### Sourcing

The team is charged with finding and accessing the best investment talent. New ideas are generated from fundamental research projects, peer reviews and from the team's bespoke networks: existing managers, specialist intermediaries and like-minded investors. The Oxford name, reputation, and longevity of capital gives access to many closed and otherwise inaccessible strategies for other investors.

#### Research

As an endowment with a dedicated investment team, we often invest in areas that require complex research prior to investment. This includes looking at emergent or contrarian strategies where standard data is unavailable. Overall, we focus our analysis on constructing an investment thesis outlining an investment's ability to contribute to the long term performance of the Oxford Endowment Fund, what drives this, and setting out the risks to the thesis and the Fund. Before any investment is made, we complete thorough quantitative and qualitative work across investment, operational, ESG (environmental, social and governance) and legal analysis, to ensure an opportunity is appropriate. Finally, we spend considerable time understanding the teams and individuals who will steward the assets and the alignment of interests.



#### Evaluation

Our evaluation process is designed to objectively review an investment's progress against its original investment thesis. We predominantly partner with groups whose investment style is to hold a concentrated number of companies and who engage with their underlying management teams regularly. Ongoing evaluation includes analysis of underlying companies, return objectives, evolving risks, organisational health, and ESG or reputational concerns.

#### **Decision making**

Buy and sell decisions are fuelled by the fundamental research of the investment team, constant evaluation of the Fund's investments, and by ensuring the portfolio has the appropriate overall exposures from a risk perspective.

### Risk management

In order to be an effective long term investor of the charitable assets we manage, risk analysis plays an integral role in our investment decision making and portfolio management. On a dayto-day basis, it is embedded in the investment process and we constantly evaluate a range of metrics and exposures for optimal portfolio positioning.

#### Performance and risk analysis

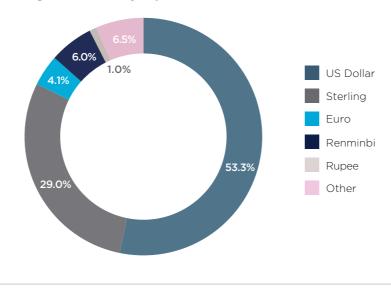
We have a disciplined approach to the number of active relationships with investment groups in the portfolio and an exceptionally high information flow from these groups. We have developed our own in-house performance and risk system that gives us the ability to quantitatively review performance, understand the risks and evaluate investments on a real time basis.

Alongside this, through regular engagement with our underlying investment groups, we can make more qualitative judgements on valuations and market participants' behaviours. We never seek to forecast macro events but we look to position the Fund on the basis of these variations in sentiment.

The effect of a diversified approach is to have engines of return that function across environments. We can manage the sensitivity of the Fund to equity markets by altering both overall equity exposure and the nature of its underlying equity investments.

#### Currency exposure

Currency exposure of the Fund is regularly assessed. We rarely seek to take significant views on currencies; however, from time to time, we have the ability to hedge currency back to Sterling.



#### Figure 4: Currency exposure at 31 December 2023

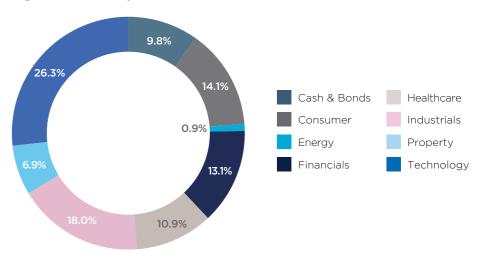
Exeter College

#### Liquidity management

There are other facets of portfolio risk that are important to manage. The liquidity of the Fund is carefully monitored and each year we retain at least the expected value of next year's distribution in Sterling denominated Short Term Bonds, giving effective certainty to our investors of receiving their annual distribution.

#### Sector exposure

The pursuit of key themes means that whilst the Fund is broadly diversified, there is a bias towards certain sectors where we see the highest potential returns. For example, this has led to considerable investment in technology which has been an effective way for us to harness growth in both developed and developing markets. Conversely, we have seen less opportunity for growth over the long term in more mature, capital intensive and heavily regulated sectors such as energy. The sector chart shows estimated look through sector exposure aggregated from all of our investments, and includes where a manager has assets held in cash.

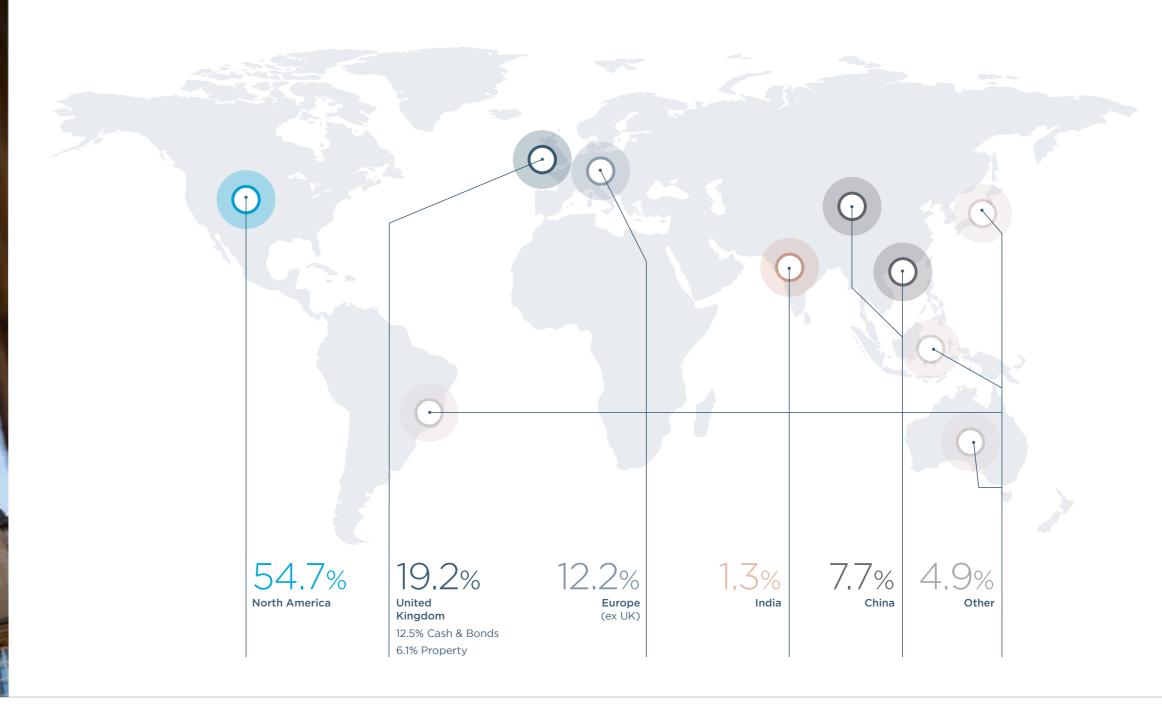


#### Figure 5: Sector exposure at 31 December 2023

### Risk management (cont.)

The geographic exposure of the Oxford Endowment Fund is regularly assessed and managed. The look through geographic distribution of the Fund is illustrated to the right.





Investing in

Engagement

solutions

### Sustainability and ESG

The necessity to live more sustainable lives is one of the most pressing challenges facing society today. Managing perpetuity capital gives us a unique perspective and competitive advantage in this area, enabling us to invest in innovative sustainability solutions.

Aligned with this, we believe that to be a successful long term investor, analysis of environmental, social and governance (ESG) risks should be integrated into holistic risk management. We have robust mechanisms in place to ensure that these risks are fully considered in all investment decisions.

Alongside our investment process on page 8 and broader risk management on page 9, our ESG Principles outline how we systematically integrate the analysis of ESG risks.

By applying a principles based approach, we have developed an appropriate framework to deal with a variety of sustainability and ESG issues, regardless of the sector, strategy or region. These principles are: investing in solutions, screening and due diligence, engagement and collaboration.

ESG principles in practice

2035

Paris-aligned net zero plans

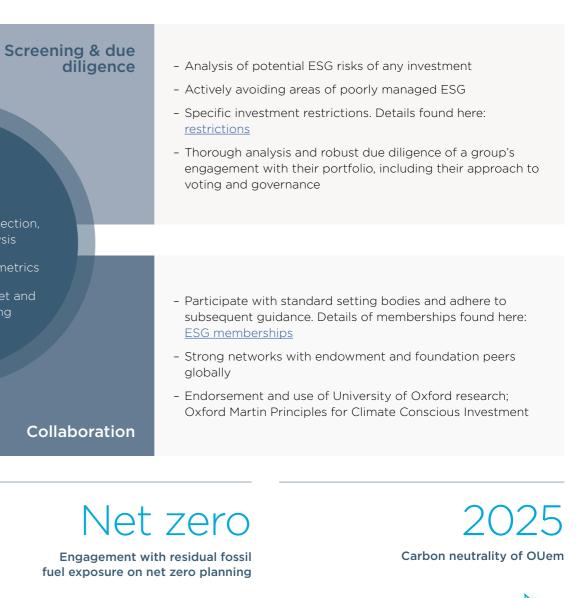
across the Oxford Endowment Fund

- Patient, perpetuity capital to invest in innovation
- Theme of resource efficiency focused on opportunities and innovation in the energy transition
- Portfolio companies leading the net zero transition and sustainability stewardship
- Portfolio monitoring Portfolio wide data collection, collation and analysis Modelling of emission metrics - Focus on strategy specific risks Portfolio net zero target and progress monitoring - Engagement to achieve net zero and biodiversity net gain ambitions across investment groups and their underlying companies
- Ongoing dialogue with groups to encourage effective ESG analysis and reporting
- Further detail on our engagements in 2023 found here: engagement

Zero FF

No direct financing of new fossil fuel developments

St Peter's College



Substantial climate reporting is found on our website: Task Force on Climate Related Financial Disclosure (TCFD) Report

### Beneficiary: the Kavli Institute for Nanoscience Discovery

**Professor Dame Carol Robinson** 

Oxford's Kavli Institute for Nanoscience Discovery is an interdisciplinary research centre working to solve some of the great challenges of our times by bringing 'the physical sciences into the cell'

Established in 2021 by Professor Dame Carol Robinson, Director of the Kavli Institute for Nanoscience Discovery in Oxford, the institute brings engineering, physics and chemistry together with biology. Researchers in the institute work on the premise that by understanding the cell, it's possible to understand it better in disease situations. This allows the Oxford Kavli scientists to exploit their knowledge in different ways and pursue exciting projects.

Examples of these projects include one researching antimicrobial resistance that tracks the movement of bacteria to try to identify them as guickly as possible; their goal is to be able to do so within an hour. Other projects investigate how bacteria die in order to help design new antibiotics or look at depressed brain tissue versus healthy brain tissue, aiming to improve diagnostics and provide more 'intelligent prescriptions'. Brain health is a big theme at the institute, from depression to Parkinson's and Alzheimer's.

Professor Robinson and her own team are focused on antimicrobial resistance and cancer. 'You give drugs and then after a while they stop working. What is the chemistry behind that mechanism that is stopping them working? We've just started looking at how cells change as cancer progresses - not in a physiological way, but more in a chemical way. What are the changes that are happening on the cell surface that mean that cancer cells can become resistant to drugs?'

There is also a great deal of innovation underway in designing new technologies. 'We also have new ways of looking at antibodies and how proteins work with viruses, which means we can hope to stop them in their tracks,' says Professor Robinson.

Interdisciplinary collaboration and research is firmly embedded at the core of the institute. Alongside Professor Robinson, a chemist, the two co-deputy directors represent this, physicist Professor Achillef Kapinidis and bionano engineer Professor Molly Stevens. 'We cover a very broad range of topics and skill sets in this building,' says Professor Robinson. 'It's got to be better than the sum of its individual parts. I'm trying to get across the excitement of science and working with people you don't at first understand. It's often at the interfaces of different disciplines that new discoveries are found.'

Rather than have temporary funding for specific projects, the long term security that a permanent endowment provides enables Professor Robinson to be ambitious in her plans for the Institute and support bold projects, 'there isn't just one disease we are going to tackle. If we have the right technology and the right tools, we can impact any disease'. The endowment is invested as part of the central University's shareholding in the Oxford Endowment Fund, which aims to preserve the real value of endowments, such as the one for the Kayli Institute. over the long term and help them fund their activities for current beneficiaries and future generations.



Professor Dame Carol Robinson in the lab at the Kavli Institute for Nanoscience Discovery

Professor Robinson is pleased with the Kavli Institute's progress to date: 'It does feel to me as though it's going very well,' she says. 'I've heard from other people that there's a growing excitement and they like working here and others would like to work here, so that's how you really know.'

### Performance

The Oxford Endowment Fund aims to preserve and grow the value of charitable endowments, while providing a sustainable income stream.

8.6%

Annualised return since 1 January 2009

# £3.1bn

Growth through performance since 1 January 2009

#### Investment objective

The specific investment objective of the OEF is to grow our investors' capital by an average of 5% per annum in real terms, and to achieve this at a lower volatility than would be experienced by investing solely in the public equity markets. This investment objective is long term and not a year by year measure.

#### OEF annualised net returns to 31 December 2023

	Nominal %	CPI %	Real %
3 years	4.4	6.6	-2.1
5 years	8.0	4.3	3.5
10 years	8.1	2.9	5.1
Since 2009	8.6	3.0	5.5

Note: Returns and exposure data shown in this report are for The Oxford Funds: Endowment Master and calculated by OU Endowment Management to 31 December 2023, unless otherwise stated. Returns are time weighted returns, quoted in Sterling and net of all fund expenses, including custody, administration and OU Endowment Management fees.

Pembroke College

#### Volatility

The three year annualised volatility of the Oxford Endowment Fund has been 5.8%. The volatility of the MSCI World Index, a proxy for global equity markets, has been 11.5% over the same period.

#### Performance

In this section, we outline the progress of the Fund against its long-term objective. In the 15 years since its inception, 1 January 2009, the OEF has returned 5.5% annualised in real terms (8.6% nominal) outperforming its investment objective of 5% real. The power of endowments is the ability to compound capital and provide a growing annual distribution over decades, if not centuries. The cumulative distribution from the Fund now totals £1.6bn, with the payment in 2023 reaching £242.8m, all of which goes to furthering the charitable objectives of our investors.

## The distribution per unit has risen by 90.9%, against cumulative inflation of 54.8% over the same period.

The Fund remains heavily focused on Risk Assets: Equity, Credit & Opportunistic and Property. As outlined on page 8, Equity includes groups investing in public or private strategies, or groups that can invest in both – hybrid. At 31 December 2023, 73.5% of the Fund was invested in Equity with 34.6% in Public Equity, 5.8% in Hybrid Equity and 33.1% in Private Equity.

With global inflation rates falling, equities had a healthy 2023, driven by the strength of US large technology companies, particularly towards the end of the year. In general, developed markets outperformed emerging markets, largely due to the poor performance of China. In contrast, private markets were muted, with deal activity subdued, as they continued to normalise after the valuation excesses of 2020 and 2021. It was a mixed and volatile year for bond markets while UK property conditions remained challenging as the market continues to recalibrate to a new higher interest rate environment. Against this backdrop, the OEF returned 6.8% for the year. The highlight for the year was the strong return from our Public Equity managers, with exceptional performance from our 'core' managers. The Public portfolio remains a focused group of global approaches, supplemented by regional specialists, investing with a bias towards well managed,

### Performance (cont.)

growing businesses with healthy balance sheets and competitive advantages. Since inception, this part of the portfolio has returned 9.8% annualised. Hybrid Equity is currently biotech funds and an established technology specialist. Following a period of challenging shorter term performance for both sectors, this group of managers performed well in 2023, driven by both a longstanding biotech manager and the technology fund. Since inception, this group has returned 18.9% annualised.

In Private Equity, we invest in Control, Growth and Venture strategies, backing experienced investors with targeted pools of capital to invest in specific opportunities. This provides the OEF with access to differentiated equity investment ideas which simply could not be accessed in the public markets. Private Equity remains highly additive with the portfolio delivering an annualised return of 15.0% over 10 years. Recent returns for Private Equity have overall been muted, but the reset in valuations is only to be expected after the extremes of 2020 and 2021. Valuations in Venture and Growth continued to adjust, but our Control funds had decent performance and for this asset class distributions have exceeded capital calls, pleasing in a tough environment for exits. Our portfolio has grown substantially over years of careful development and a large portion of the capital has been invested for less than five years. It takes time and patience to build a Private Equity portfolio.

The purpose of the Credit & Opportunistic asset group is to be a source of return and liquidity in periods of sustained equity market stress and so we are looking for strategies with a return stream differentiated from equity markets. At 31 December 2023, the three year correlation to the MSCI ACWI of this asset group was -0.21 wit a beta of -0.13. Since inception, this asset group has returned 7.5% annualised.

In Property, we have a diverse portfolio of UK holdings, made up of directly owned assets with a mix of strategic and value add strategies and third party funds where we can leverage their resource, industry expertise and access. Our Property investments have returned 7.5% annualised since inception. In 2023, we remained patient for the right opportunities to present themselves in a more muted market.

Throughout 2023, global markets digested heightened geopolitical risk, a weak macro-economic backdrop and higher interest rates. In 2024, alongside these challenges, over four billion people are going to the polls. We believe it will be those investors with a global outlook and flexibility who are best positioned to capitalise on this less certain environment. Our long term themes are intact, and we continue to find attractive investment opportunities. Our competitive advantages, our approach and access, enable us to secure differentiated, high return opportunities across asset groups. The range of OEF investments is significant, and we are confident in our portfolio to deliver against our objectives over the long term.



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Public Equity annualised net returns	
to 31 December 2023	

3 years	1.6
5 years	8.2
10 years	8.6
Since 2009	9.8

#### Hybrid Equity annualised net returns

to 31 December 2023	%
3 years	-4.6
5 years	9.7
10 years	14.0
Since 2009	18.9

#### Private Equity annualised net returns

to 31 December 2023	%
3 years	11.8
5 years	13.1
10 years	15.0
Since 2009	12.6

#### Credit & Opportunistic annualised net returns

to 31 December 2023	%
3 years	6.4
5 years	2.9
10 years	6.1
Since 2009	7.5
Property annualised net returns	
to 31 December 2023	%
3 years	7.7
5 years	5.4
10 years	6.7
Since 2009	7.5

### OU Endowment Management

OU Endowment Management is a regulated investment manager. We have one office and one team, all based in Oxford. Our company mission is to be the leading provider of endowment management services for charitable investors with a long-time horizon who believe in a diversified investment approach and are Respectful focused on achieving absolute real returns.

Committed

Honest

Authonx.

Pessonsible

Of each other and everyone we interact with

### Our Our values culture

#### Honest & authentic

Genuine in all that we do Highest standard of business ethics and governance

#### Responsible

Act in the best interests of investors Focused on solutions Take ownership

#### Committed

To excellence, to making a difference to investors and charities To being best in class

#### Respectful

### We have

Smart people High standards Each other's backs

#### We are

Dynamic and robust Friendly and sociable Straightforward and solution-focused Collaborative problem solvers Intellectually curious

#### Oxford University Endowment Management Ltd

27 Park End Street Oxford OX1 1HU T: +44 (0)1865 632900

#### Photo of Balliol College: Stuart Bebb | All other photos: John Cairns Photography

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