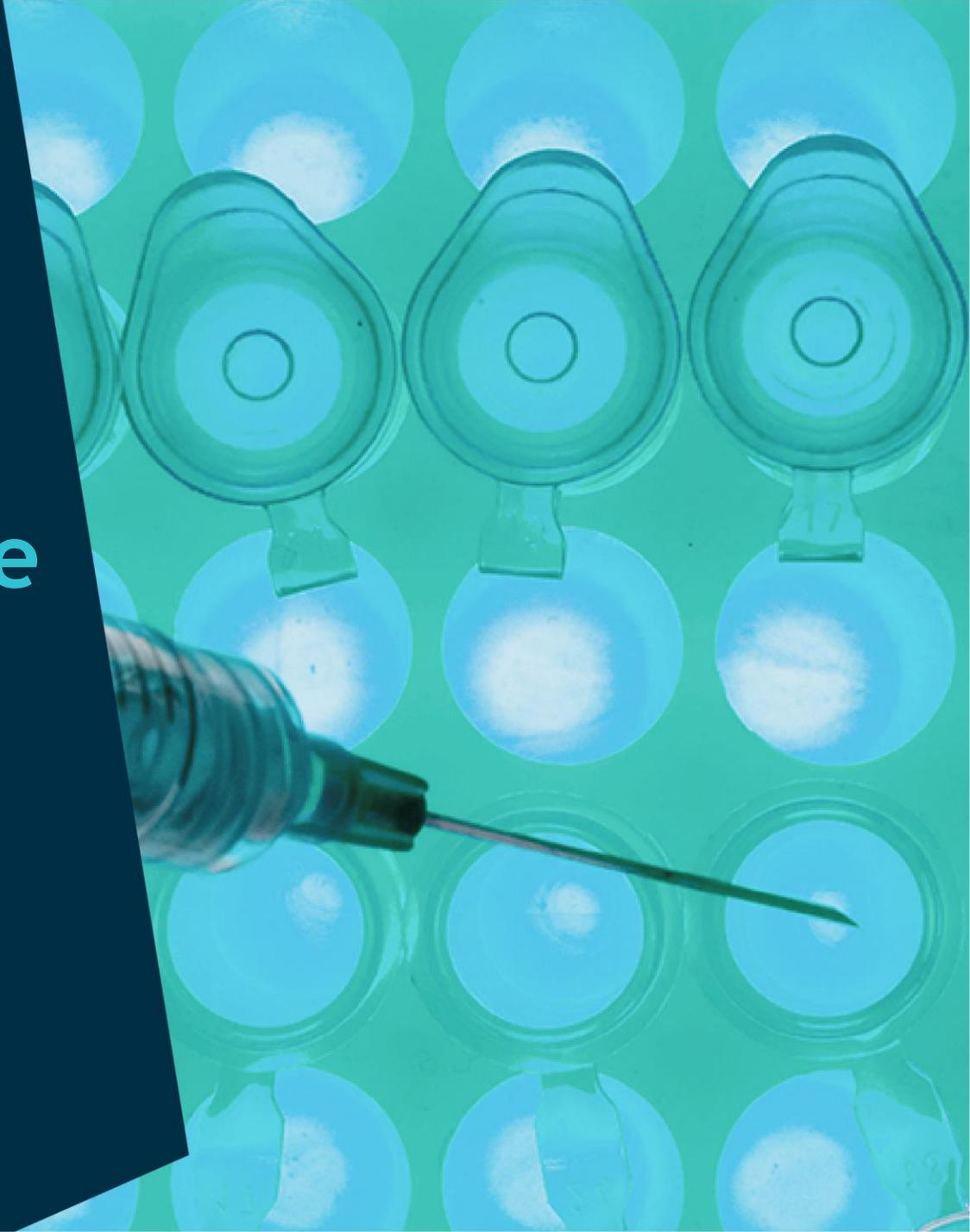




---

# Wellcome Update Presentation

11<sup>th</sup> January 2022



# Today's Speaker & Content Overview

**3** Wellcome Trust Overview

---

**5** Investment Portfolio

---

**12** Debt Management

---

**18** Charitable Funding

---

**21** Environment, Social and Governance

---

**25** Concluding Remarks

---



**Nick Moakes,  
CFA**

Managing Partner  
CIO

---



—  
01

# Wellcome Overview



# Wellcome Trust Overview

- A politically and financially independent global charitable foundation
- Supports science to solve the urgent health challenges facing everyone
- Strategy includes grant funding, advocacy campaigns and global partnerships
- Funded by its £38.2bn investment portfolio, with a long-term investment horizon
- Seeks to maximise risk-adjusted returns from a globally diversified investment portfolio
- Committed to maintain real purchasing power of charitable funding over time
- Increasing emphasis on sustainability and energy transition when assessing investments

**£38.2bn**

Net Portfolio  
Value

**37.4%\***

Nominal Return FY  
2020/21 (Blended  
Basis)

**£1.2bn**

Charitable  
Expenditure FY  
2020/21

**12.7%\***

Trailing 10yr Real  
Return (Blended Basis)

Source: Wellcome Trust Annual Report (30 Sept 2021). \*Blended currency return is measured 50% £ and 50% \$.



—  
**02**

# Investment Portfolio



# The Portfolio Continues to Perform ...



Over the past ten years, the **portfolio has delivered a real return after inflation of 293% in Sterling**, and the **net portfolio value stands at £38.2bn**



This period has benefited from the tailwinds of historically low interest rates, rising asset prices, and strong support for markets from Central Banks

- Over this time, we have been long equities through both public and private markets, which has served us well
- However, the post- Covid-19 world is likely to involve some tough choices for policy makers
- We continue to **focus on ensuring that Wellcome is well placed for more difficult times** and has **ample liquidity for the foreseeable future**



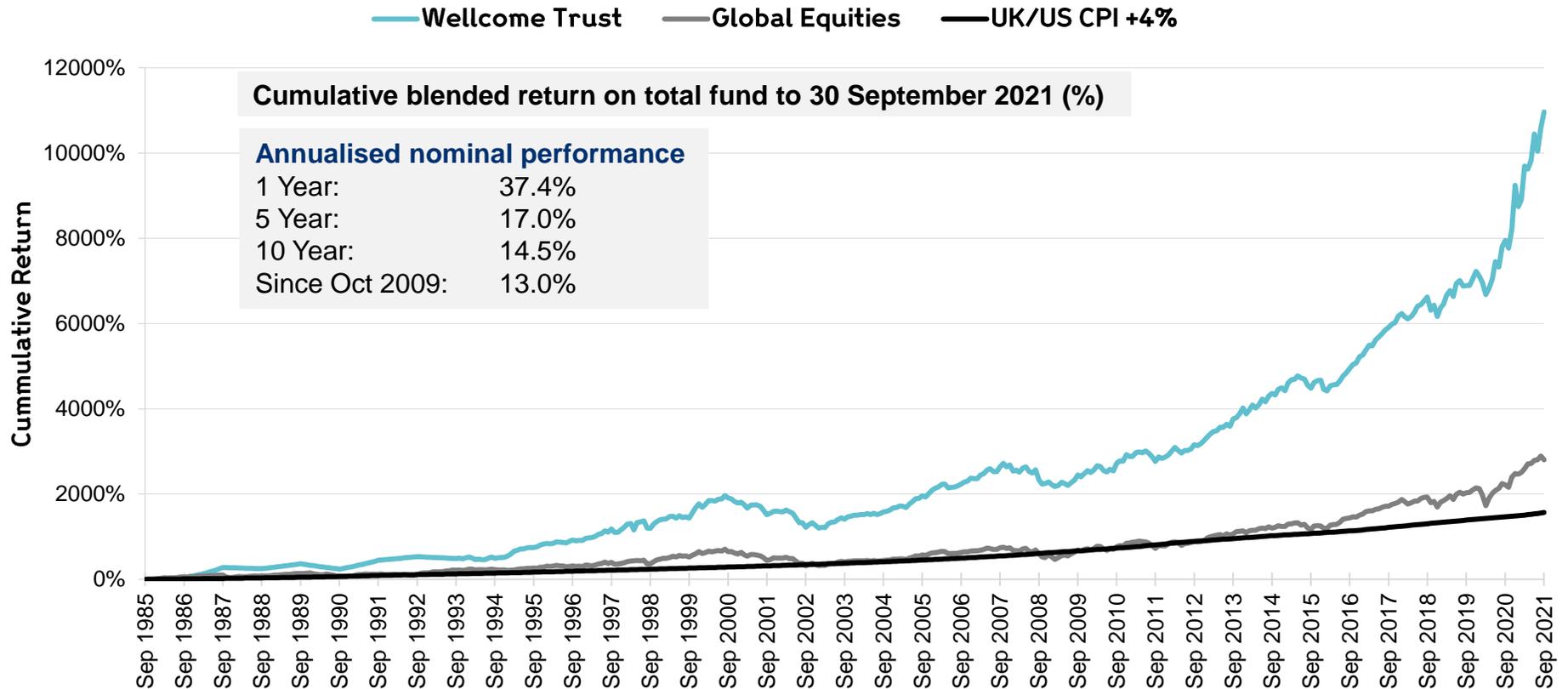
2020/21 saw our strongest investment returns since 1995, when Wellcome plc was sold to Glaxo. The portfolio generated a **nominal return of 37.4% in blended currency** and **34.5% in Sterling**. After taking account of £1bn in charitable cash expenditure over the year, this is equivalent to a gain of £10bn gross of liabilities

- Private equity (PE) has been by far the best performing part of the portfolio this year, with an overall return of 72.6%. All parts of the PE portfolio had positive results, but the stand-out performers were venture capital and our directly held PE positions.

**Significant growth in portfolio value with 13 consecutive years of positive returns**

*Note: Return calculations based on relevant currency; see Wellcome Trust Annual Report (30 Sept 2021). Blended currency return is measured 50% £ and 50% \$.*

# ... with Impressive Long-term Returns...

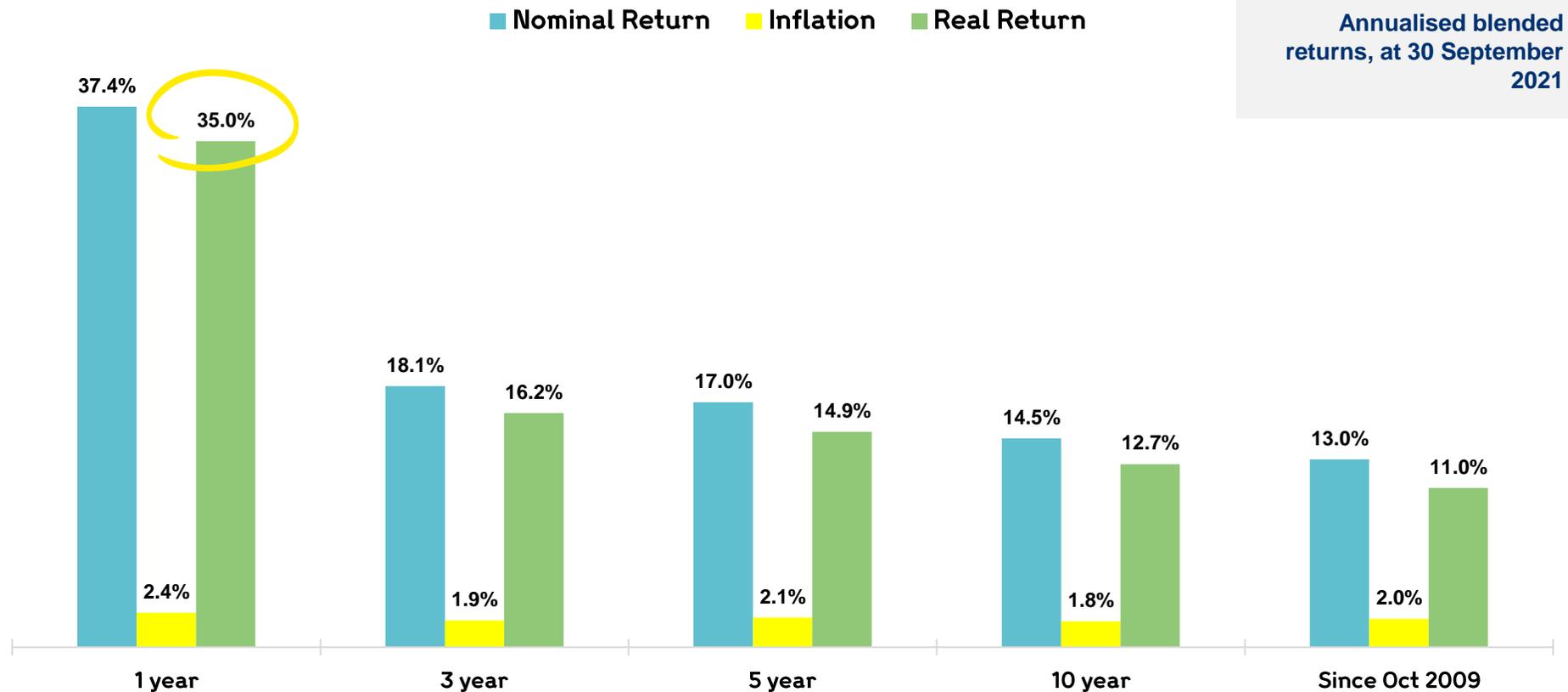


**Long term investment horizon and ability to tolerate short term volatility underpins historical success of investment portfolio**

*Note: Wellcome Trust performance is measured in £ until 30 September 2009 and 50% £ and 50% \$ thereafter. Inflation is defined as UK CPI until 30 September 2009 and a blend of 50% UK and 50% US CPI thereafter. Note that the target return was UK/US CPI +6% until 30 September 2012. It was reduced to UK/US CPI +4.5% between 1 October 2012 until 31 December 2017, and then changed to UK/US CPI +4% from 1 Jan 2018.*

*Source: Wellcome Trust Annual Report (30 Sept 2021).*

# ... Increasing Our Charitable Spending Power



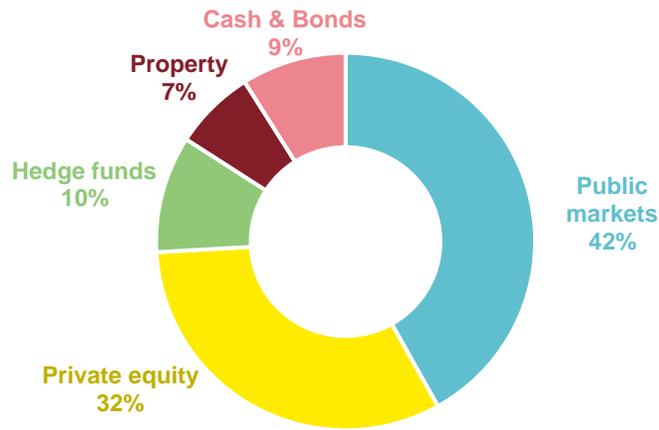
Strength of investment approach demonstrated through periods of market volatility

Note: Wellcome Trust performance is measured 50% £ and 50% \$ from 1 October 2009. Inflation is defined as a blend of 50% UK and 50% US CPI from 1 October 2009.

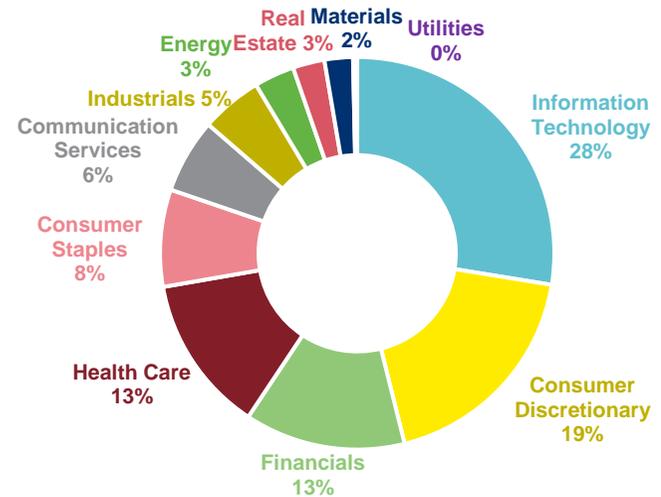
Source: Wellcome Trust Annual Report (30 Sept 2021).

# A Globally Diversified Portfolio...

By Asset Class



By Sector (of Public and Private Equity Exposure)



- The portfolio is diversified both across and within asset classes
- The portfolio's exposure to public equities as a proportion to total assets reduced through FY 2020/21 due to the strong performance of our private investments.
- Our exposure to private equity increased due to exceptional performance. The largest part of our private equity exposure is venture capital, which continues to benefit from rapid technological innovation and a structural shift to the digital economy.

- There has been little change to our public and private equity sector positioning over FY 2020/21. Exposure to information technology sector increased slightly from 25% to 28%, while consumer discretionary (which includes e-commerce) exposure remains at 19%.
- While healthcare and consumer staples have performed relatively poorly, there are some pockets of value which we have added to. We have increased our healthcare exposure slightly to 13%.

The investment portfolio is well positioned to weather future volatility in markets

Note: Percentages are rounded.

Source: Wellcome Trust Annual Report (30 Sept 2021).

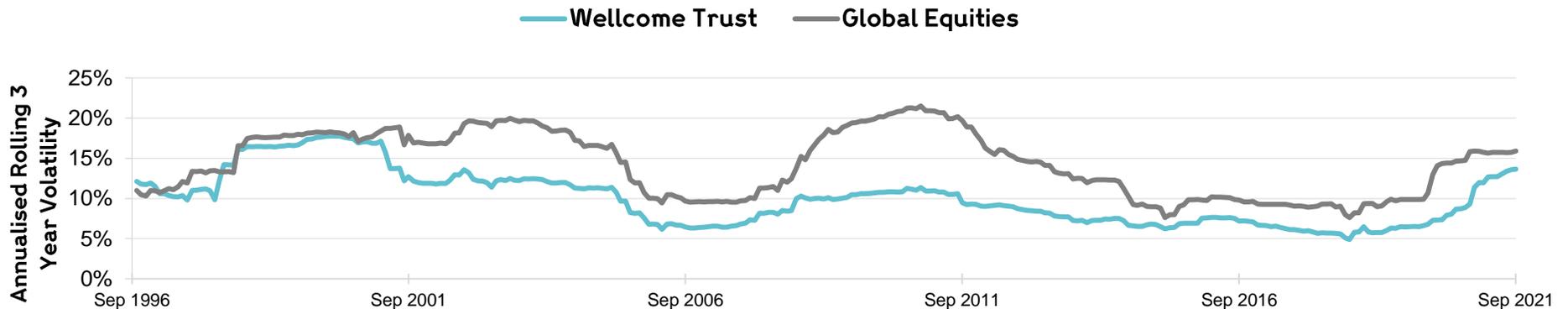
# ... Pro-Actively Managed to Mitigate Market Volatility



## A Proactive Portfolio Overlay Strategy

- Our macro overlays are integrated with our underlying portfolio management
  - Views are driven by fundamental economic and financial considerations, and positions are held for much longer than is typical in the market
- We did not use equity futures or options this year, preferring instead to gently sell underlying holdings into strength
- We issue long-term fixed-rate debt, which provides some inflation protection at the margin and creates the expectation of long-term return enhancement
- The portfolio is **invested globally with no home country bias**. The Board of Governors resolved to remove the 15% minimum Sterling limit during the year.
  - Portfolio exposure to Sterling at 30<sup>th</sup> September 2021 was 12.5%
- Foreign exchange management is carried out at the portfolio level, reflecting our views in the context of known exposures from underlying assets

With Diversified Asset Classes, Volatility of the Investment Portfolio Remains Lower than that of Equity Markets



We invest with a long-term time horizon, leading to low turnover. Portfolio diversification and selective use of overlays dampens volatility.

Note: £ used until 30 September 2009 and 50% £ and 50% \$ thereafter.

# Wellcome has been at the Centre of the Global Pandemic Response

**We are dedicated to improving health** and we fund health-related research across the world

**Wellcome has played a key role in the global pandemic research response**

**We are active participants in CEPI, (which Wellcome helped to found), Gavi and the WHO.**

**Some examples of Wellcome's role in the global pandemic response:**



The Covid-19 Therapeutics Accelerator (CTA) started in March 2020 with support from Wellcome, Mastercard and the Bill & Melinda Gates Foundation. In its first year, the **CTA committed over \$90m to clinical trials, therapeutic candidate discovery research, platforms to collect real-world evidence and data, and extra manufacturing capacity**



Wellcome is part of the **Access to Covid-19 Tools (ACT) Accelerator**, which was set up by the WHO to ensure **global equitable access to the best vaccines and treatments**



The **RECOVERY trial**, which Wellcome supports through core funding and grants, has been at the **forefront of testing potential treatments** and identifying those that are effective at reducing the severity of illness people experience.



The Wellcome Sanger Institute is providing **large-scale, high-throughput genome sequencing and analysis of the Covid virus**, alongside many other avenues of research to support the pandemic response in the UK and internationally. This has not stopped other programmes of research from continuing, including work on human and animal genetics.

**Wellcome's vision to support science to solve urgent health challenges facing everyone has never been more critical**



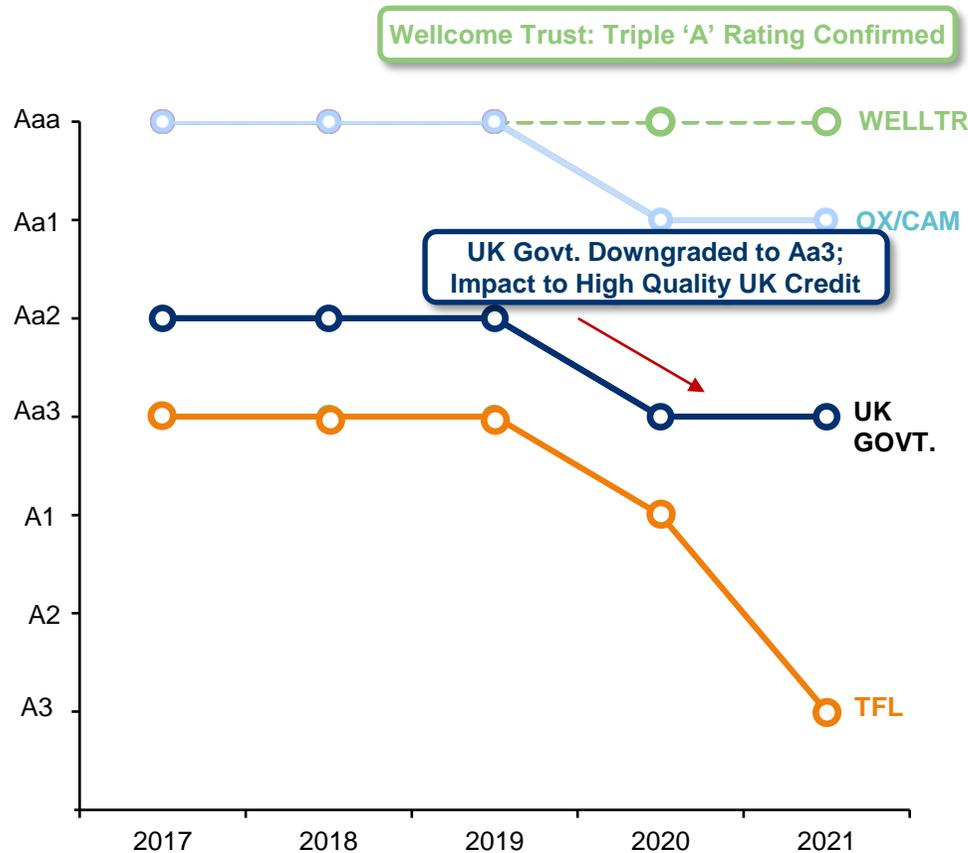
—

03

# Debt Management



# Stable Triple 'A' Credit Rating Over Time



## MOODY'S

"We consider Wellcome to have **limited exposure to the credit profile of the UK sovereign**... It is able to maintain its global profile in the event of sovereign distress and is insulated from any liquidity stress specific to the UK. Wellcome's exceptional liquidity levels provide a significant cushion in the event of any sovereign-imposed capital controls." **Moody's Credit Opinion on Wellcome Trust Limited, 19-Jul-21**

## S&P Global Ratings

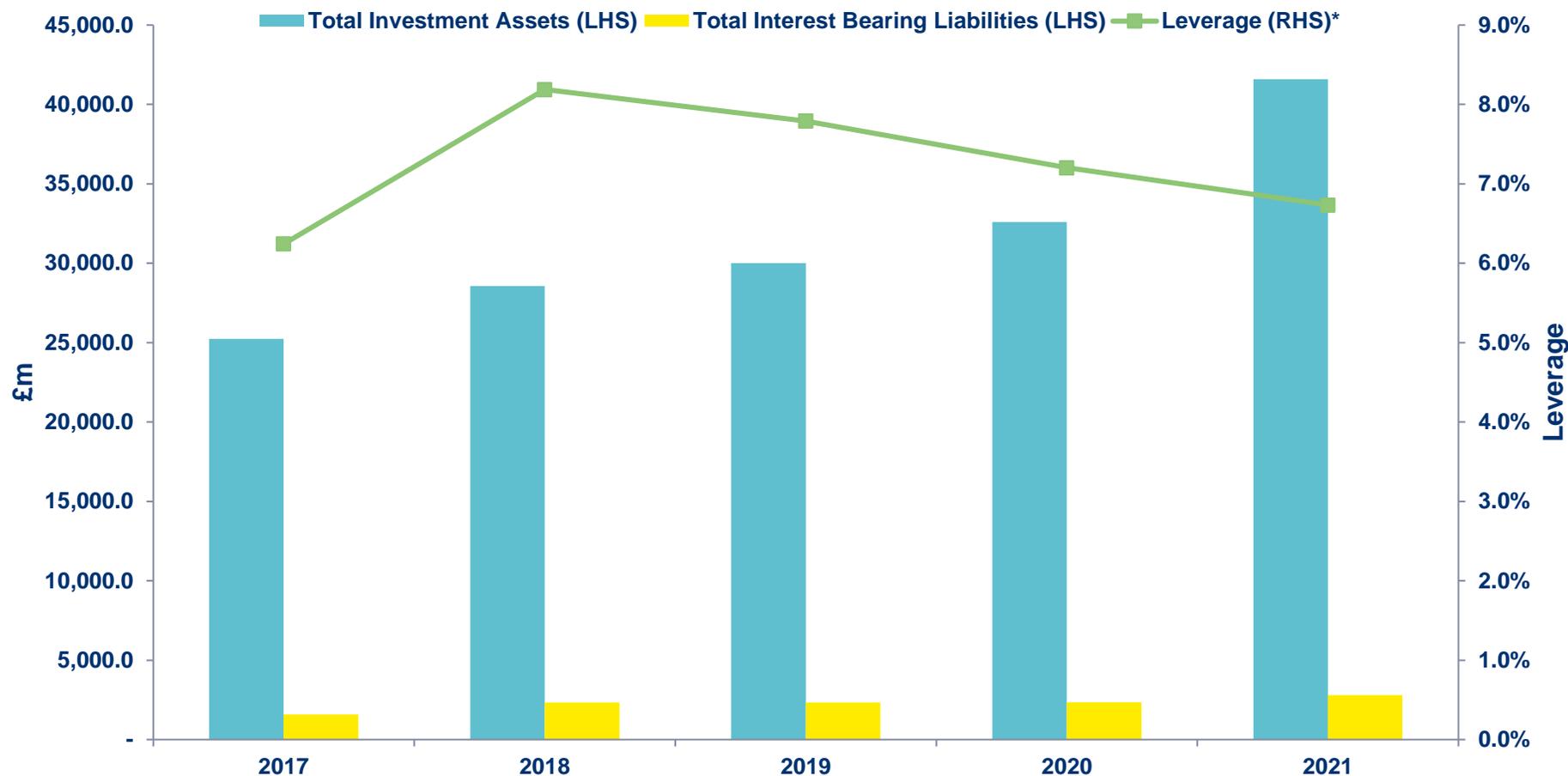
"Our ratings on Wellcome are higher than our ratings on both the U.K. (AA/Stable/A-1+) and the U.S. (AA+/Stable/A-1+)... We also consider **Wellcome to be independent from the UK and US governments**. It has considerable flexibility to reduce grants without endangering its charitable status. Additionally, we see the risk of negative intervention by the government as low."

**S&P Research Update on Wellcome Trust, 28-Jan-21**

As set out in our investment policy, Wellcome is committed to maintaining its triple 'A' credit ratings

Source: Moody's Website. Moody's Credit Opinion Update of Wellcome Trust Limited, 19-Jul-21. S&P Research Update of Wellcome Trust, 28-Jan-21.

# Our Leverage Remains Low



**Low leverage with significant investment assets to support liabilities**

\*Leverage is defined as Total Interest Bearing Liabilities divided by Total Investment Assets.

Source: Wellcome Trust Annual Report (30 Sept 2021); Wellcome Trust Annual Reports, 2017, 2019 & 2020.

The net of 'Total Investment Assets' and 'Interest Bearing Liabilities' differs from the £38.2bn net portfolio figure on Slide 4 due to the adjustment of £0.6bn to interest bearing liabilities restating them from amortised cost used above to fair value used for portfolio performance.

# We Maintain a Conservative Approach to Debt



The size of the investment portfolio has increased materially since we issued our first bond in 2006



We have diversified our asset base over time



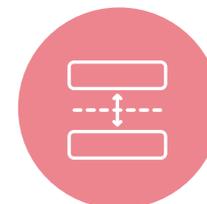
Proactive liquidity preservation by forecasting liquidity flows over the next 5yrs and ensuring that projected cash flows do not fall below 2% of gross portfolio value over this period



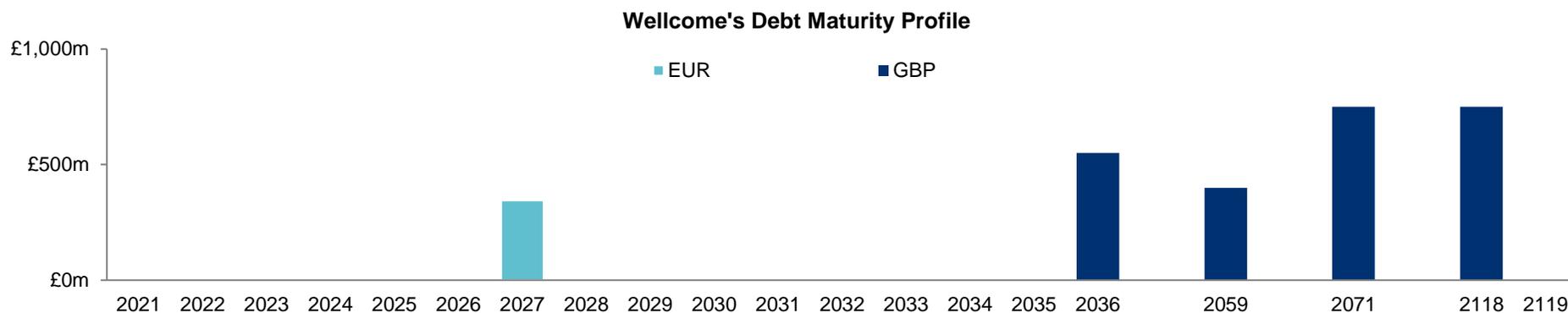
Our performance through financial crises over the last 15 years has demonstrated our ability to weather difficult market conditions with low volatility



Our focus on cash flow, coupled with the low and fixed interest rates on our bonds, ensures that our debt servicing capacity remains exceptional



Our debt maturities are spaced so there are no refinancing "cliffs", and on 28 May 2021, Wellcome's 4.750% Guaranteed Bond issued in 2009 matured and was repaid in full



**Conservative debt management with focus on cash flow to support liquidity**

# Our Team is Stable



**Nick Moakes, CFA**  
Managing Partner  
CIO



**Peter Pereira Gray, FRICS**  
Managing Partner  
CEO, Investments



**Robert Coke**  
Principal, Buyout &  
Residential Property



**Geoffrey Love**  
Principal, Venture Capital &  
Equity Long/Short Investments



**Lisha Patel, CFA**  
Managing Director, Direct Private, Co-  
Investments &  
Commercial Property Investments



**Fabian Thehos, CFA**  
Managing Director,  
Public Markets



**Elaina Elzinga, CFA**  
Principal, Absolute  
Return

Our Investment leadership team is comprised of the Managing Partners, Nick Moakes and Peter Pereira Gray, our Managing Directors and Principals. Lisha Patel and Fabian Thehos were recently promoted to Managing Directors

Between our leadership team, we have over 115 years of combined experience working at Wellcome.

Our strategy remains to hire good people at junior levels and promote them through the organisation (all of our Principals joined as Analysts), although we are not averse to hiring excellence at a senior level

Experienced investment leadership team underpins professional and robust management of investment strategy

# Our Governance Process is Robust

- Our **Board of Governors** is formed of individuals with a wide variety of backgrounds including investment, science, business and public life. It is chaired by The Hon. Julia Gilliard, former Prime Minister of Australia, who succeeded Baroness Eliza Manningham-Buller in April 2021.
  - Professor Sir Michael Ferguson recently stepped down as Deputy Chair and will be succeeded by Professor Fiona Powrie. Moreover, three new governors, Professors Arup Chakraborty, Gabriel Leung and Ijeoma Uchegbu have joined the Board over 2020/2021.
  - This breadth of skills and experience enables effective strategic decision making and supports appropriate delegation across all of our activities
- The **Investment Committee's** role is to act as an oversight and advisory body on investment matters
  - The Committee has oversight responsibility for investment risk and is a sub-committee of the Board of Governors
- The **Audit and Risk Committee** reviews Wellcome's position on internal controls and compliance, in addition to its corporate risk register. It is also a sub-committee of the Board.
- We maintain an **Investment Policy**, which describes return expectations and the relationship between risk, return and charitable spend, in addition to:
  - The roles and responsibilities of the Board of Governors and Investment Committee in overseeing the investment portfolio
  - The authority delegated to the Managing Partners, Managing Directors and Principals
- The Investment Policy is regularly reviewed by the Investment Committee and approved by the Board of Governors
  - It is available on our website



—  
**04**

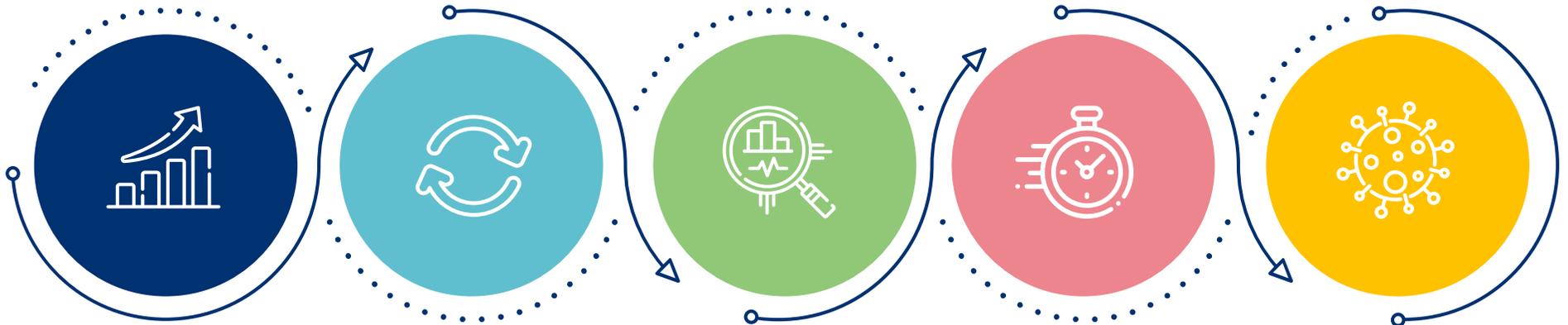
# Charitable Spending



# Our Charitable Spending Policy

## Our Focus

- Maintaining the real purchasing power of our charitable funding over time
- Ensuring our long term financial position is secure and our spending levels are sustainable, including preserving the value of the investment base



We established a baseline expenditure level of £900m in 2017/18 (when we implemented a revised methodology for defining our future charitable expenditure plans), and this has grown in line with inflation on an annual basis, accepting that the phasing of some of our larger awards will mean that this is averaged over a five-year period

We continue to review expected future investment returns and cashflows

Our baseline expenditure is not directly tied to the annual performance of our investment portfolio, which means we will have reasonable stability and predictability in our future levels of support

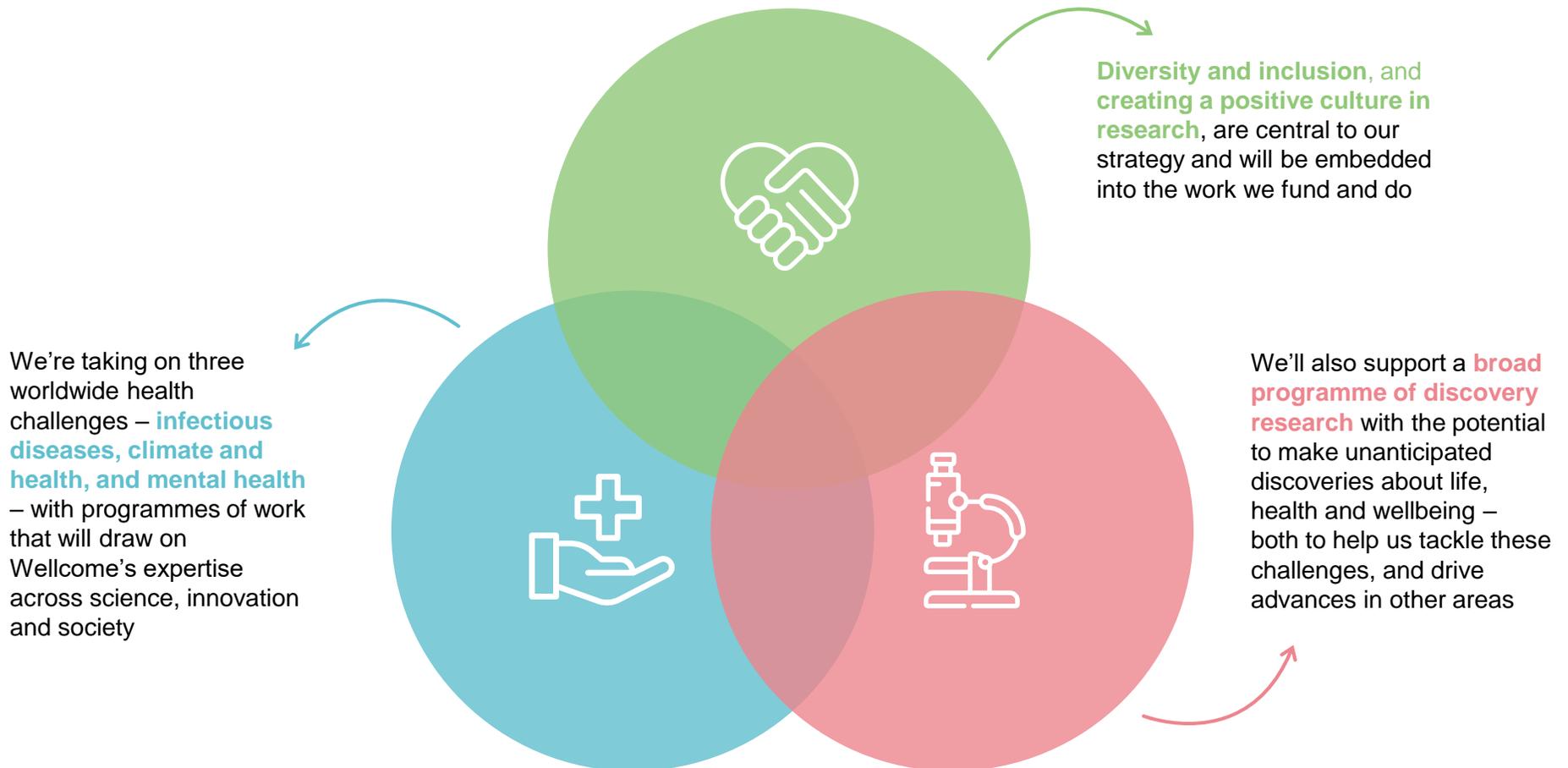
In addition, we occasionally fund other large-scale, high-impact activities that have a time-limited duration. We add to this funding only when the investment portfolio performance is sufficiently strong, subject to annual review

This year, the Board of Governors agreed to allocate £750m to this budget and anticipate to allocate another £250m the following year. **Having spent around £5bn on charitable activities over the past 5 years, our financial planning is now based on spending around £16bn over the next 10 years.**

Considerable expenditure flexibility supports stability and predictability of future cash flows

# Our New Vision

Wellcome announced a new vision and strategy in October 2020.  
Wellcome **supports science to solve the urgent health challenges facing everyone.**





—  
**05**

# Environmental, Social and Governance



# ESG Responsibility at Wellcome

Wellcome places **increasing emphasis** on **environmental, social and governance matters** and has **various policies and practices** in place that span these areas

## Investment Portfolio

- The investment team believe a **key factor** in the **evaluation of investments** is whether **companies and fund managers** can maintain a **strong societal license to operate** and **generate sustainable returns**
- Climate change and energy transition will have a financial impact on multiple sectors over the very long term
- The investment team has **increased efforts to analyse this impact on Wellcome's portfolio**
- In 2021, **Wellcome announced a pathway to net zero emissions for its investment portfolio, which it aims to achieve by 2050 (further information overleaf)**



## Employment & Inclusion

- As part of Wellcome's new Vision and Strategy, **Equality, Diversity & Inclusion underpin the focus to support science** to solve the urgent health challenges facing everyone
- **Six Staff Networks to ensure inclusiveness**
  - The Disability Interest Group | Interfaith at Wellcome | Parent and Carers Network | LGBTQ+ | Wellcome Race Equity Network (WREN) | Women of Wellcome
- LGBTQ+ network supported the **development of trans-inclusion policy in June 2020**
- **Anti-racism principles and guidelines** were published in June 2021.



## Climate Change & Energy Transition

- **Committed to keeping the rising global average temperatures this century to less than 2°C above pre-industrial levels**
- Working towards **meeting TCFD reporting requirements**
- Since Oct-2019, Wellcome started to **offset its own business travel carbon emissions**
- Since Oct-2019, **electricity for offices and Wellcome Collection library has been 100% renewably sourced**
- **Grants policy in place to support grantholders offset travel-related carbon emissions**



## Health & Environment

- In response to the Covid-19 pandemic, Wellcome was clear to staff that their **family, friends and caring responsibilities took precedent over their work**
- **All employees received their usual pay while lockdown measures were in place**
- After offices were closed, **Wellcome's office buildings became a respite centre for NHS Staff**
- Staff training in mental & physical health first aid
- Health & Safety Teams, and COVID-19 Incident Management Teams to ensure support maintained through the pandemic, both in the office and working at home



# Our Net Zero Pathway

by 2050...



## Aim to Achieve Net Zero Emissions for the Investment Portfolio

- Applies to Scope 1 and 2 emissions from its directly and indirectly held assets
- In respect of its indirectly held assets, the target applies on a look-through basis to portfolio companies that are held by third party managers
- Where appropriate, the Wellcome Trust will consider Scope 3 emissions for certain assets where it might have some influence over these, but these will not contribute towards its overall target

### Measuring

A **staggered approach** to measure the investment portfolio's absolute emissions, such that a **baseline is set only after emissions can be reliably determined for a majority of its assets**



### Challenges

- **Pace of the progress** towards the net zero target will **differ for different parts of the investment portfolio**
- There will be **adoption and execution challenges specific to the respective asset classes**



### Action

Wellcome has joined the **Institutional Investors Group on Climate Change** to aid its **engagement efforts** and to ensure that it is part of the dialogue to **establish common measurement and disclosure standards**



### Reporting

Wellcome will **report on the percentage of the investment portfolio (by value) with a company-reported net zero target**, the percentage of the investment portfolio (by value) with a **science-based net zero commitment**, and the percentage of the investment portfolio (by value) with a **near-term science-based target**



### Engagement

Wellcome encourages companies in which it invests and its external investment managers to align to the **Financial Stability Board's Task Force on Climate-related Financial Disclosures**, the global standard for climate-related disclosure

### Net Zero



Wellcome's net zero pathway reinforces the long-term investment horizon of the investment portfolio and the Investment Team's focus on generating sustainable returns

# Our Diversity & Inclusion Commitments

by 2026...



**30%**

of Wellcome staff to be from Black, Asian and Minority Ethnic (BAME) communities, across all levels of seniority. And 15% disabled, reflected across all levels of seniority



**75%**

of senior leaders to demonstrate they have met inclusive leadership criteria in their performance reviews



**80%**

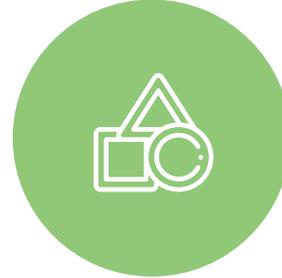
of BAME and disabled staff to feel that Wellcome is an inclusive organisation

by 2031...



## Inclusive Employer

By 2031, Wellcome staff will be representative of the places in which Wellcome works, be able to be themselves, and be supported to be their best



## Inclusive Funder

By 2031, people funded by Wellcome will be more representative of the global population, able to be themselves, and supported to be their best



## Inclusive Research, Design and Practice

By 2031, all Wellcome funded research will be inclusive in both design and practice, to help drive better science and more equitable health solutions

Diversity, inclusion and research culture is central to Wellcome's strategy and will be embedded into the work we fund and do



---

06

# Concluding Remarks



# Conclusion



We have enjoyed an exceptional period of net returns and the portfolio assets are at record highs



Our experienced investment team remains stable



The quality of the assets we own is high



Those assets contribute towards a cash flow profile that is strong and expected to grow



We continue to maintain our financial discipline and our outstanding debt remains low



---

# Wellcome Update Presentation

11<sup>th</sup> January 2022



This document contains statements that are, or may be deemed to be, “forward-looking statements” which are prospective in nature. These forward-looking statements may be identified by the use of forward-looking terminology, or the negative thereof such as “plans”, “expects” or “does not expect”, “is expected”, “continues”, “assumes”, “is subject to”, “budget”, “scheduled”, “estimates”, “aims”, “forecasts”, “risks”, “intends”, “positioned”, “predicts”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words or comparable terminology and phrases or statements that certain actions, events or results “may”, “could”, “should”, “shall”, “would”, “might” or “will” be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements are not based on historical facts, but rather on current predictions, expectations, beliefs, opinions, plans, objectives, goals, intentions and projections about future events, results of operations, prospects, financial condition and discussions of strategy.

By their nature, forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the control of Wellcome Trust. Forward-looking statements are not guarantees of future performance and may and often do differ materially from actual results.

Neither Wellcome Trust nor any of its subsidiaries or officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. You are cautioned not to place undue reliance on these forward-looking statements which only speak as of the date of this document. Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation (including its implementation into UK law), the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), Wellcome Trust is not under any obligation and Wellcome Trust and its subsidiaries expressly disclaim any intention, obligation or undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This document shall not, under any circumstances, create any implication that there has been no change in the business or affairs Wellcome Trust since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for any securities. The making of this presentation does not constitute a recommendation regarding any securities.