

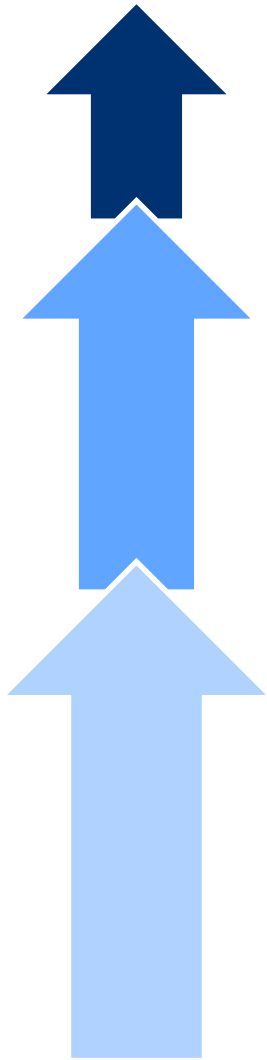


# Wellcome Trust Update Presentation

17<sup>th</sup> December 2019

# Our investment portfolio

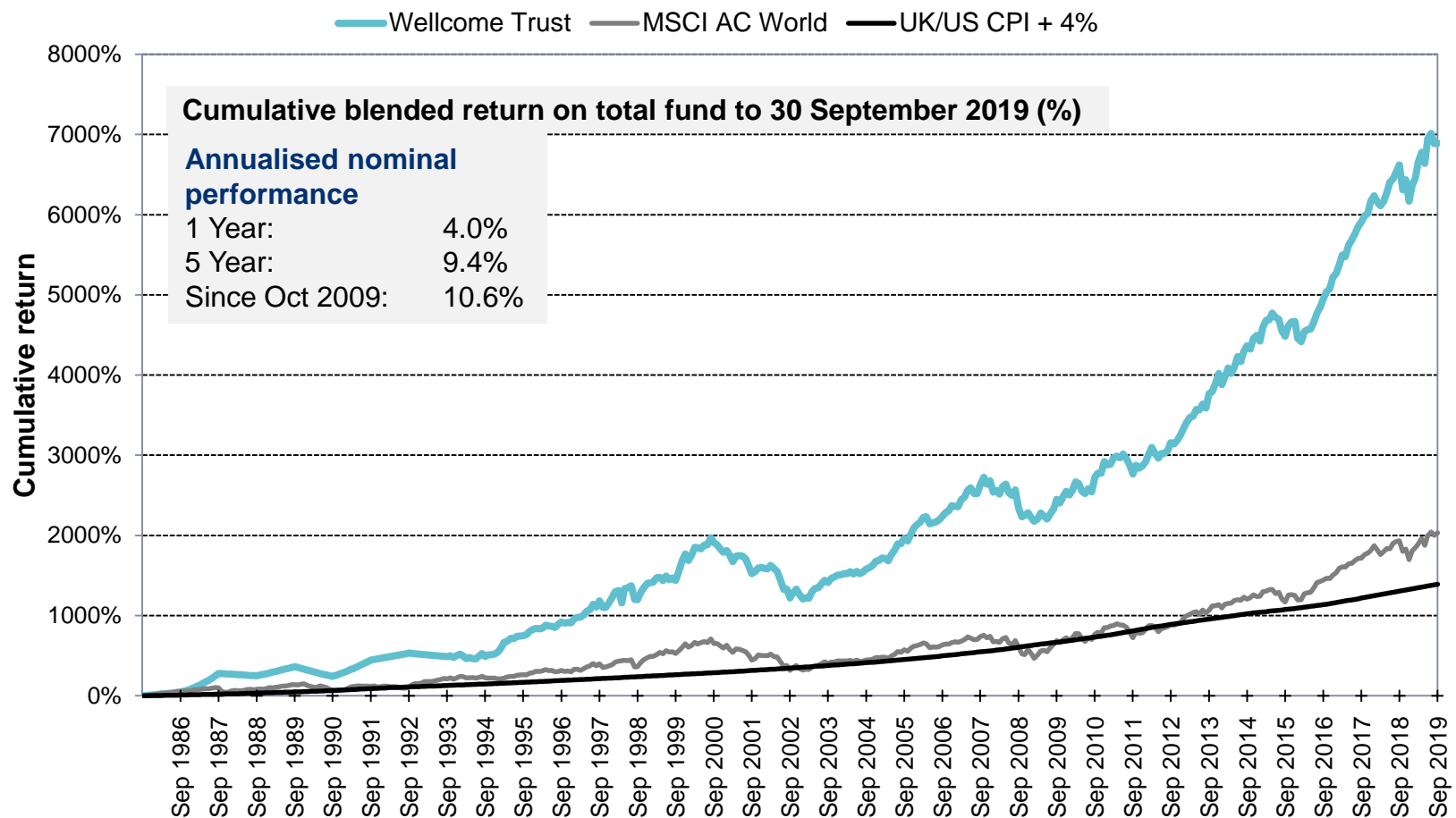
# Our portfolio continues to perform...



- Over the past ten years, the portfolio has delivered a real return after inflation of 184% in Sterling, and our net portfolio value stands at £26.8bn
- We limited the damage to our portfolio from the global financial crisis and have benefited since from the tailwind of rising asset prices
  - Over this period, we have been long equities through both public and private markets
  - This position has served us well given the strength of equity markets and has benefited from extraordinarily low interest rates and active support from Central Banks
- In 2018/19 we recorded a nominal return of 4% in blended currency and 7% in Sterling. After taking account of £0.9bn in charitable cash expenditure over the year, this is equivalent to a gain of £2.1bn gross of liabilities.
  - Our £7.5bn Mega Cap Basket delivered a 10% Sterling return
  - Our predominantly UK property investments were steady, returning 2% in Sterling
  - This was our eleventh successive year of positive returns

Note: Return calculations based on relevant currency; see Wellcome Trust Annual Report.  
Source: Wellcome Trust Annual Report (30 Sept 2019).

# ...and long term returns are impressive...

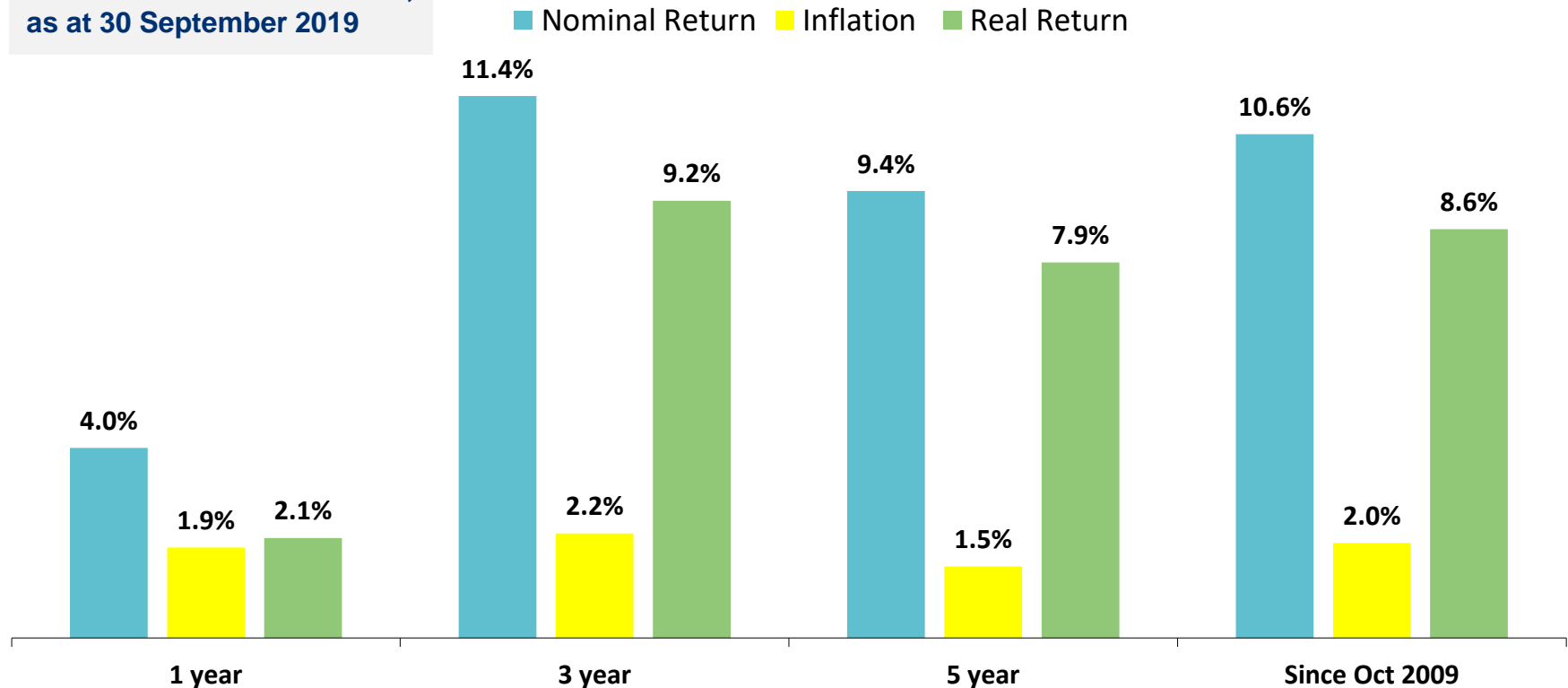


Note: Wellcome Trust performance is measured in £ until 30 September 2009 and 50% £ and 50% \$ thereafter. Inflation is defined as UK CPI until 30 September 2009 and a blend of 50% UK and 50% US CPI thereafter. Note that the target return was UK/US CPI +6% until 30 September 2012. It was reduced to UK/US 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 2019).

# ...increasing our charitable spending power

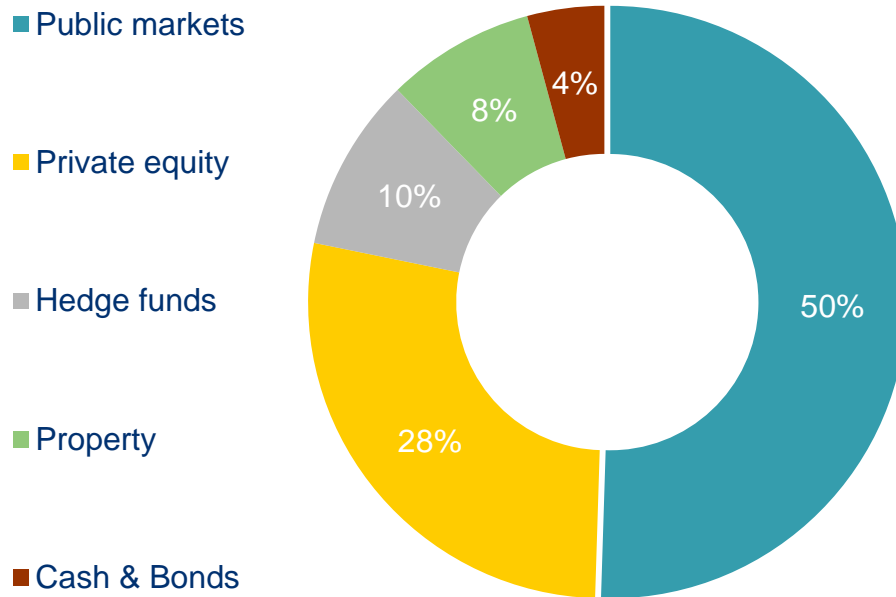
Annualised blended returns,  
as at 30 September 2019



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 2019).

# Our portfolio is diversified by asset class...



- Diversification both across and within asset classes
- In addition to cash equities, we also invest in
  - Currency forwards and options
  - Equity index futures and options
  - Exchange traded individual equity options
  - ETFs

**Our portfolio is well positioned to manage and exploit future volatility in capital markets**

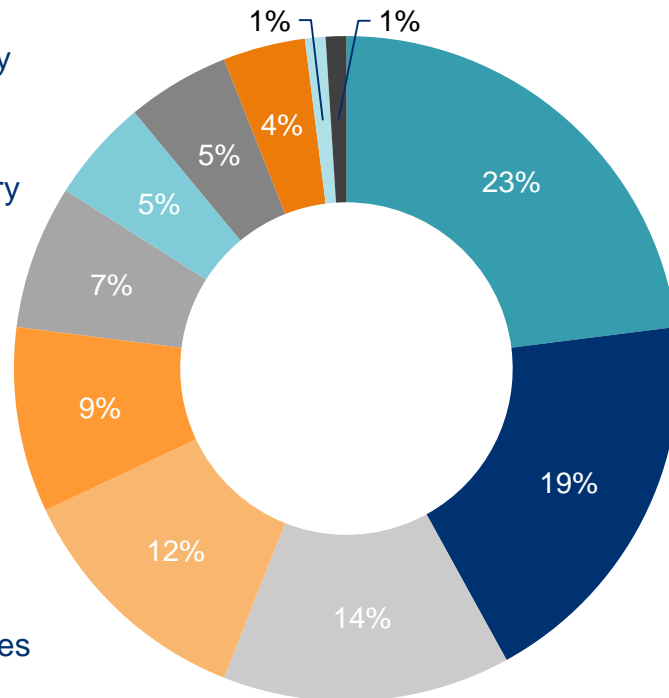
Note: Percentages are rounded.  
Source: Wellcome Trust Annual Report (30 Sept 2019).

# ...and by sector

## Public and private equity sectoral exposure (%)

As of 30 September 2019

- Information Technology
- Financials
- Consumer Discretionary
- Health Care
- Consumer Staples
- Industrials
- Energy
- Real Estate
- Materials
- Communication Services
- Utilities



- Over the year, we have slightly reduced our weighting to the information technology sector.
- Consumer discretionary has been the main beneficiary, although this has largely involved adding to Internet enabled e-commerce, which is closely aligned to information technology.
- We have also added to our healthcare exposure. This is an interesting, attractively valued area within public markets, although in the short term it is likely to be hostage to the US election campaign.

**While we have the flexibility to express sector views, our portfolio remains well diversified**

Note: Percentages are rounded. Excludes cash held at the portfolio level, equity derivatives, f/x positions, hedge funds and property.  
Source: Wellcome Trust Annual Report (30 Sept 2019).

# We manage a significant portion directly...



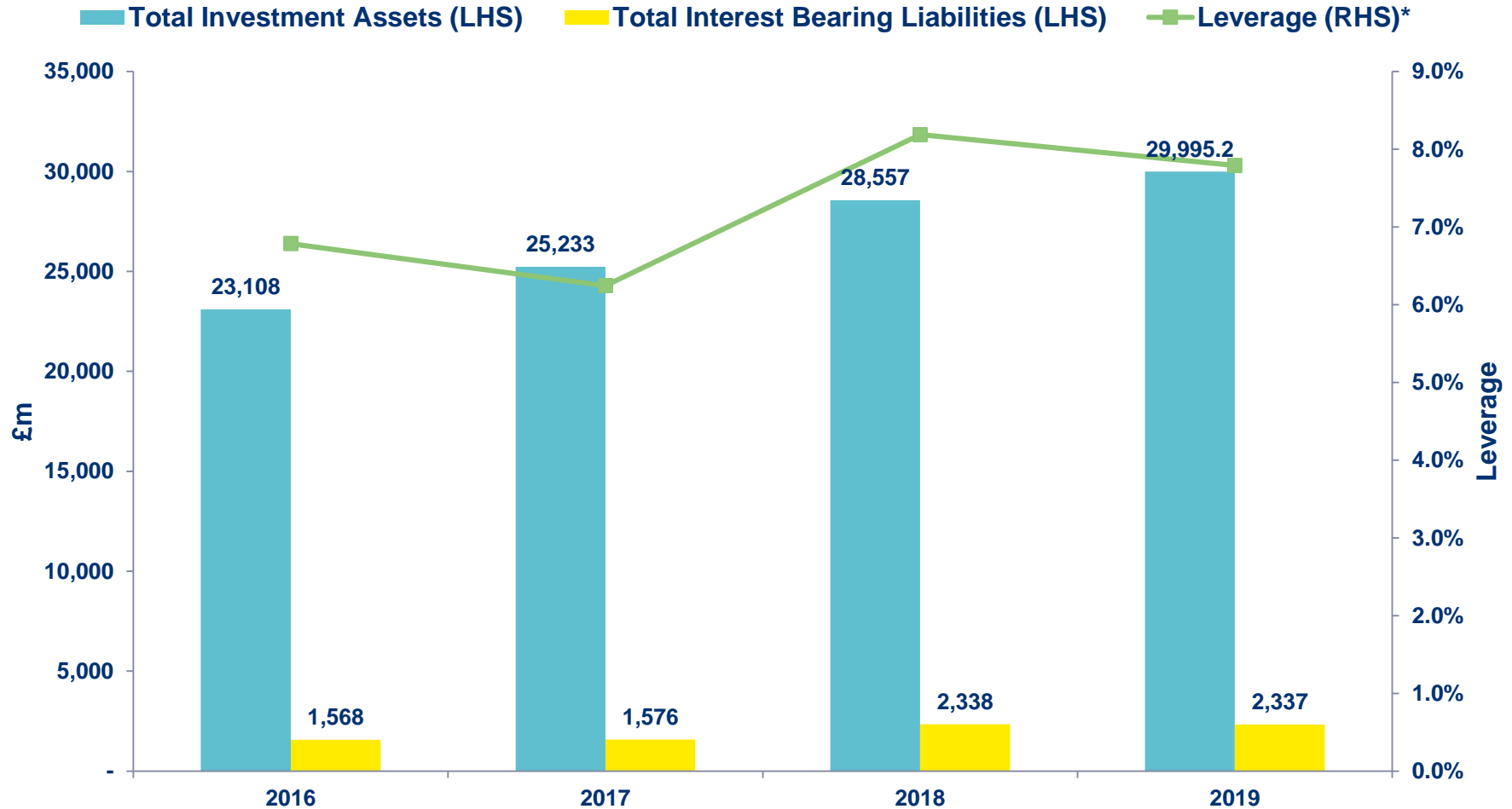
Our Mega Cap Basket contains our direct shareholdings in a diverse subset of the world's largest companies. We hold these stocks with a long term view, leading to very low turnover



# ...including our 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 issue long-term fixed-rate debt, which provides some inflation protection at the margin and creates the expectation of long-term return enhancement
- Foreign exchange management is carried out at the portfolio level, reflecting our views in the context of known exposures from underlying assets
  - We target a minimum 15% exposure to Sterling, which was changed in April 2017 from 25% to reduce our requirement for long Sterling forward positions. We removed our minimum 25% exposure to the US Dollar at the same time.
- We use equity index options and futures to manage equity beta exposure
- We use single stock options to enhance returns and add to our directly owned stocks more cheaply

# Our leverage remains low



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

Source: Wellcome Trust Annual Report (30 Sept 2019).

The net of 'Total Investment Assets' and 'Interest Bearing Liabilities' differs from the £26.8bn net portfolio figure on slide 3 due to the adjustment of £0.9bn to interest bearing liabilities restating them from amortised cost used above to fair value used for portfolio performance.

Note that 2018 'Total Investment Assets' has been restated to include the fair value of Programme Related Investments which were previously excluded.

# We maintain a conservative approach to debt

The size of our portfolio has increased materially since we issued our first bond in 2006, giving us greater scale

We have diversified our asset base over time

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 high

Our debt maturities are spaced so there are no refinancing “cliffs”

# Our team is stable

Our Investments leadership team is comprised of the Managing Partners; Nick Moakes (CIO) and Peter Pereira Gray (CEO) and our five Principals.

Between our Managing Partners and Principals, we have over 100 years of combined experience working at the Wellcome Trust.

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

# Our senior team remains solid...

**Nick Moakes, CFA**  
Managing Partner  
CIO

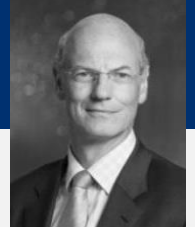


Nick Moakes is a Managing Partner and the Chief Investment Officer of the Investment Division of the Wellcome Trust. He sits on the Investment Committee.

Nick joined Wellcome in 2007 from BlackRock Investment Management where he was Head of the Asia Pacific investment team and Co-Head of Emerging Markets. He graduated with a first class honours degree in Modern History and Economics from Balliol College, Oxford and is a CFA Charterholder.

Nick is Chairman of the Imperial College Endowment and is a Board Member of two listed Investment Trusts. He is a member of the Finance Committee for the Royal Commission for the Exhibition of 1851. Nick is also a member of the Sterling Group of the Brussels based organisation of European Foundation Financial and Investment Officers.

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



Peter Pereira Gray is a Managing Partner and the Chief Executive Officer of the Investment Division of the Wellcome Trust. He sits on both the Executive Leadership Team and the Investment Committee.

Peter is the Chairman of the farming & land management business, Farmcare Ltd, and the UK marina, boatyard and boat storage business Premier Marinas Ltd. Peter is also a Main Board Director of iQ Group, a student housing joint venture with Goldman Sachs.

Peter is a Life Member and past Chairman of the Investment Property Forum, and a past founding and advisory board member and member of the Management Board of INREV. He is a Fellow of the Royal Institution of Chartered Surveyors, an honorary vice president of Cambridge University Land Society and a Life Fellow of the Royal Society of Arts. He is an Advisory Board member and Honorary Fellow of the Institute of Continuing Professional Development and is the current Co-Chair of the Institutional Investors Roundtable.

**Our senior team is highly experienced. Nick and Peter both sit on the Investment Committee. In addition, Peter is on the Wellcome Trust Executive Leadership Team.**

# ...supported by an experienced management team

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



Robert's team covers Wellcome's investments in Private Equity and Residential Property. He is also involved in emerging markets and industrial sector investments across the portfolio. Robert joined Wellcome in 1999 having trained in emerging markets fund management. Robert sits on the board of the Downside Fisher Youth Club. He has a BA in Economics from the University of Exeter.

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



Geoff joined Wellcome in 1998, and is responsible for Wellcome's investments in Equity Long/Short Hedge Funds and Venture Capital Funds, as well as a number of direct stakes in private and public companies. Geoff sits on the Marie Curie Investment Committee. He has a MA (Hons) in Economics from the University of Edinburgh.

**Lisha Patel, CFA**  
Principal, Direct Private & Commercial Property Investments



Lisha joined Wellcome in 2006 and is responsible for Wellcome's Direct Private & Commercial Property investments; she has worked across multiple asset classes. Lisha was previously at Lazard and read Economics & Management at the University of Oxford. She currently Chairs the Investment Committee of Pembroke College, Oxford and is a member of the Investment Committee of the Honorable Society of the Middle Temple.

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



Elaina joined Wellcome in 2010 and is responsible for Wellcome's Absolute Return and Agriculture investments. Prior to joining Wellcome, Elaina worked at Goldman Sachs, before which she read History at the University of Cambridge. Elaina is a Non-Executive Director of Octopus Renewables Infrastructure Trust as well as a member of the Investment Committee for Newnham College, Cambridge and a Trustee of the Wellcome Trust Pension Plan.

**Fabian Thehos, CFA**  
Principal, Public Markets




Fabian joined Wellcome in 2006 and has worked across multiple asset classes including Equity Long/Short Hedge Funds, Venture Capital Funds and direct private investments. Prior to joining Wellcome, Fabian worked at Société Générale in Paris. He holds an MA in Finance and Economics from the University of Mannheim, Germany, and an MBA from ESSEC Business School, Paris.

**Our Investment team is stable and experienced, with significant collective corporate memory**

# We are supported by robust governance

- Our **Board of Governors** comprises a mix of individuals with a wide variety of backgrounds including investment, science, business and public life. It is chaired by Eliza Manningham-Buller. This breadth of skills and experience enables effective decision making and supports appropriate delegation across all of our activities.
  - During the year three governors retired – Anne Johnson, Naguib Kheraj and Alan Brown. In September 2019, the Board welcomed three new governors – Amelia Fawcett, Richard Gillingwater and Cilla Snowball. Elhadj As Sy will join in January 2020. They bring a wealth of commercial and non-profit expertise to the Board and its committees.
- Our **Investment Committee** provides advice and strategic input on the management of our investment portfolio
  - The Committee has oversight responsibility for investment risk and is a sub-committee of the Board of Governors
- The **Audit & Risk Committee** has oversight of the financial statements, including the valuation of the investment portfolio, and of Wellcome's risk management framework. 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 authorities delegated to the Managing Partners
- The Investment Policy is regularly reviewed by the Investment Committee and approved by the Board of Governors, including with respect to asset allocation guidelines

# Conclusion



- Our portfolio continues to make steady gains and performance (net of all fees and costs) stands at record levels



- Our experienced Investment Executive remains stable



- The quality of the assets we own is high



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



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



# Spending policy

# 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 we expect this to grow 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.
- This funding will not be tied so closely to the performance of our investment portfolio, which means we will have more stability and predictability in our support.
- In addition, we fund priority areas and other large-scale, high-impact activities. 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 an additional £100 million to this budget.

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