

Section E – Investments and Investment Performance

CAPITAL ACCOUNTS (including Income Reserves)

	Amalgamated Fund	Deposit Account	Other Investments	2004 Total	Net Movement*	2003 Total
Held on Behalf of:	Investments £000	Investments £000	Investments £000	Investments £000	£000	Investments £000
Chest Capital – Fixed Asset Investments	90,763	689	32,679	124,130	5,313	118,817
Chest Capital – Endowment Asset Investments	5,976	—	—	5,976	253	5,723
Trust Funds	373,915	5,200	16,192	395,306	25,951	369,355
Specific Endowments	17,730	38,693	—	56,423	21,970	34,453
Specific Donations	2,798	21,462	(229)	24,031	(3,043)	27,074
General Donations	9,069	22,304	—	31,373	(1,364)	32,737
Building Funds	3,384	37,087	—	40,471	(6,973)	47,444
Self Supporting Activities	7,944	773	—	8,717	(22,595)	31,312
Other Reserves	403	57,140	(903)	56,640	35,302	21,338
Total University Funds	511,981	183,347	47,739	743,067	54,814	688,253
Challenge Fund	801	—	801	(750)	1,551	
Total Group Funds	511,981	184,148	47,739	743,868	54,064	689,804
Associated Bodies:						
Cambridge Colleges Federated Pension Scheme	—	—	—	—	(4,300)	4,300
Cambridge Commonwealth Trust	34,260	13,233	—	47,493	8,059	39,434
Cambridge Foundation	156	4,198	—	4,354	2,136	2,218
Cambridge Overseas Trust	8,173	—	8,173	—	(3,265)	11,438
Cambridge University Press Syndicate	12	—	12	—	(10,653)	10,665
Local Examinations Syndicate	67,499	32,445	—	99,944	355	99,589
Malaysian Commonwealth Studies Centre	4,594	—	—	4,594	(561)	5,155
Other Associated Bodies	17,192	6,457	—	23,649	15,980	7,669
Total Funds Held on Behalf of Above	643,866	240,481	47,739	932,086	61,814	870,272
Represented By:						
Property	103,985	—	26,143	130,128	14,771	115,357
Securities	495,502	—	22,447	517,949	33,436	484,513
Money Market Investments	40,925	—	—	40,925	(229,211)	270,136
Cash in Hand and at Investment Managers	3,454	240,481	(2,018)	241,917	241,833	84
Other	—	—	1,167	1,167	985	182
Total	643,866	240,481	47,739	932,086	61,814	870,272

* Net Movement includes purchases and sales of investment holdings and also their revaluation.

INCOME ACCOUNTS

	Amalgamated Fund	Deposit Account	Other Investments Income	2004 Total	2003 Total Income
	£000	£000	£000	£000	£000
Distributed to Investors:					
Chest Capital – Fixed Asset Investments	3,629	30	1,749	5,409	6,119
Chest Capital – Endowment Asset Investments	239	—	—	239	299
Trust Funds	14,245	690	537	15,472	18,486
Specific Endowments	411	796	—	1,207	3,330
Specific Donations	101	690	—	791	
General Donations	389	647	284	1,321	
Building Fund Endowments	326	1,234	—	1,560	1,927
Self Supporting Activities	317	26	—	343	1,157
Other Reserves	16	719	—	735	1,423
Total University Income	19,673	4,833	2,571	27,077	32,741
Challenge Fund	—	—	—	—	39
Total Group Income	19,673	4,833	2,571	27,077	32,780
Associated Bodies:					
Cambridge Colleges Federated Pension Scheme	—	—	—	—	104
Cambridge Commonwealth Trust	1,390	156	—	1,546	1,989
Cambridge Foundation	11	145	—	155	91
Cambridge Overseas Trust	267	170	—	437	456
Cambridge University Press Syndicate	298	—	—	298	514
Local Examinations Syndicate	3,052	1,020	—	4,072	4,168
Malaysian Commonwealth Studies Centre	184	17	—	200	248
Cambridge European Trust	17	40	—	—	—
Other Associated Bodies	217	338	—	555	281
	25,109	6,718	2,571	34,340	40,631
Balance transferred from Capital Accounts	(3,264)	—	—	(3,264)	(8,444)
Total Income Distributed to Investors	21,845	6,718	2,571	31,076	32,187
Dividends and Interest Receivable	16,956	7,059	891	24,906	26,334
Rents Receivable and other net income etc	6,462	—	1,749	8,211	8,885
Property & Other Expenses	(525)	(1)	—	(526)	(1,241)
Management Fees	(1,001)	(338)	(69)	(1,408)	(1,577)
Bank & Other Charges	(47)	(2)	—	(49)	(47)
	21,845	6,718	2,571	31,134	32,354

Section E (continued): Investment Performance

Long-term investments are held in the University's Amalgamated Fund. The Amalgamated Fund's Investment Objectives are:

- (i) **Future growth of income at least equal to the rate of rise in University factor costs;**
(ii) **The maximum total return which is consistent with this objective and with an acceptable risk exposure.**

The record of the Fund (including property) over the 47 year period since it was established in its present format is shown below. The securities portfolio was managed throughout the year by F&C Management Limited and property investments were managed by LaSalle Investment Management Limited.

AMALGAMATED FUND: FORTY-SEVEN YEAR RECORD

Year ending 31 July	Capital	Funds introduced/ (withdrawn)	Unit value	Number of units	Net income	Distribution per unit	Income surplus/ (deficit)	Dividend yield on unit	Earnings yield on capital	Retail Prices Index Jan 1987 = 100
	£000	(a) £000	£	000	£000	(pence)	£000	%	%	
1958	4,518	1,663	0.83	5,553	165	4.25	13	5.00	5.42	12.1
1959	6,576	862	1.03	6,390	276	4.75	10	5.72	6.11	12.3
1960	9,658	1,897	1.22	7,953	358	5.00	37	4.85	5.44	12.5
1961	11,164	570	1.33	8,381	494	5.50	51	4.51	5.11	12.9
1962	11,253	628	1.27	8,876	506	5.75	15	4.32	4.53	13.5
1963	12,543	(103)	1.43	8,803	573	6.00	28	4.72	5.09	13.7
1964	14,458	278	1.61	8,976	627	6.25	59	4.37	5.00	14.2
1965	14,169	334	1.54	9,192	672	6.75	50	4.19	4.65	14.9
1966	15,316	575	1.60	9,552	722	7.00	56	4.55	5.10	15.4
1967	17,346	89	1.81	9,601	761	7.25	43	4.53	4.97	15.8
1968	24,148	(42)	2.52	9,584	844	7.75	70	4.28	4.87	16.6
1969	21,152	406	2.17	9,772	866	8.50	14	3.37	3.59	17.5
1970	20,672	292	2.09	9,912	1,017	8.75	109	4.03	4.81	18.6
1971	25,535	1,012	2.47	10,321	964	9.75	(49)	4.67	4.66	20.5
1972	31,387	825	2.96	10,600	1,024	10.00	(67)	4.05	4.01	21.7
1973	33,048	373	3.08	10,721	1,185	10.50	15	3.55	3.78	23.8
1974	27,205	211	2.52	10,804	1,665	11.50	407	3.73	5.04	27.8
1975	34,547	1,955	3.02	11,445	1,687	12.50	310	4.96	6.20	35.1
1976	41,045	1,220	3.48	11,796	1,808	14.00	180	4.64	5.23	39.6
1977	46,799	3,645	3.66	12,796	2,050	15.50	179	4.45	4.99	46.6
1978	57,831	3,834	4.17	13,877	2,726	19.00	254	5.19	5.82	50.2
1979	58,678	3,035	4.01	14,638	3,601	22.00	416	5.28	6.23	58.1
1980	68,211	1,582	4.55	14,993	4,634	25.00	928	6.23	7.90	67.9
1981	80,129	658	5.30	15,131	4,726	28.00	502	6.15	6.93	75.3
1982	78,769	1,652	5.10	15,451	4,957	31.00	177	5.85	6.19	81.9
1983	109,803	2,591	6.91	15,901	5,367	34.00	4	6.67	6.81	85.3
1984	119,762	5,014	7.21	16,619	5,888	37.00	(242)	5.35	5.36	89.1
1985	138,578	3,337	8.13	17,047	7,101	40.00	318	5.55	5.93	95.2
1986	179,722	4,285	10.24	17,551	7,408	43.00	(99)	5.29	5.35	97.5
1987	239,089	5,286	13.25	18,044	8,470	45.50	308	4.44	4.71	101.8
1988	224,115	9,790	11.86	18,898	9,250	47.75	373	3.60	3.87	106.7
1989	280,607	388	14.82	18,933	11,738	53.50	1,625	4.51	5.24	115.5
1990	280,311	884	14.76	18,990	13,749	57.50	2,801	3.88	4.90	126.8
1991	299,539	4,116	15.52	19,299	13,279	68.40	140	4.63	4.74	133.8
1992	292,879	9,551	14.71	19,913	15,227	73.87	699	4.76	5.08	138.7
1993	496,865	116,221	18.33	27,105	18,313	77.56	(1,279)	5.27	6.25	140.7
1994	555,022	30,959	19.32	28,722	22,840	79.89	326	4.36	4.60	144.0
1995	573,442	(8,655)	20.27	28,286	26,083	82.77	1,787	4.28	4.70	149.0
1996	628,666	11,585	21.81	28,830	28,147	91.24	1,811	4.50	4.91	152.4
1997	616,034	(107,278)	25.61	24,054	24,340	91.45	1,289	4.19	3.87	157.5
1998	646,947	(38,304)	28.67	22,567	25,230	96.03	2,859	3.75	4.10	163.0
1999	665,456	(5,348)	29.72	22,389	27,821	100.98	4,839	3.52	4.30	165.1
2000	728,078	17,019	31.72	22,951	25,174	121.44	(2,529)	4.09	3.78	170.5
2001	702,387	19,074	29.80	23,571	25,682	123.75	(2,930)	3.50	3.40	173.3
2002	590,478	3,786	24.91	23,701	25,921	127.00	(4,055)	4.04	3.70	175.9
2003	595,623	5,093	24.91	23,910	22,423	130.00	(8,444)	5.22	3.79	181.3
2004	663,203	21,948	26.01	24,344	21,845	104.00	(3,264)	4.20	3.68	186.8

Section E (continued): Investment Performance (continued)**ASSET ALLOCATION (INCLUDING PROPERTY)**

As at 31st July	2004	2003
	%	%
Cash	6.9	7.2
Fixed Interest – UK	9.5	11.4
Fixed Interest – Overseas	3.3	3.2
Equities – UK	42.0	40.0
Equities – Overseas	22.2	22.1
Property	16.2	16.1
	<u>100.1</u>	<u>100.0</u>

RESULTS FOR THE YEAR 2003/2004

- CAPITAL VALUE per unit increased to £26.01 (2003: £24.91)
- GROSS DISTRIBUTION per unit down to 105.25p from 114.75p (excluding the special distribution), giving a yield of 4.2% on initial value.

RELATIVE PERFORMANCE (EXCLUDING PROPERTY)

measured by WM Co. for calendar years

	Total Return %	
	Amalgamated Fund	WM Charity University Average
2003	17.3	17.8
1999–2003 (5 years annualised)	2.2	0.4
1994–2003 (10 years annualised)	6.6	5.7

WM ASSESSMENT OF PERFORMANCE

Features in 2003

<i>Positive</i>	Strong performance from stock selection in UK equities and emerging markets equity portfolios was the main contributor to outperformance.
<i>Negative</i>	Asset allocation was negative over the year, underweight in UK equities and overweight in UK bonds.
<i>Long Term</i>	Stock selection was a positive contributor in the UK and Continental Europe, and asset allocation has been marginally positive due to overweighting of cash.

RELATIVE PERFORMANCE (PROPERTY)

measured by Investment Property Databank against their Index

The table below shows the University's property investments' historical performance since 1993 compared with the IPD Monthly & Annual Indices

Table 1: Fund Performance	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Fund Total Return	11.8	10.1	3.5	8.3	13.9	9.3	13.1	12.9	8.1	10.7	12.1
IPD Annual Universe	19.0	12.4	4.5	10.8	17.8	12.3	15.2	11.6	7.0	9.5	10.6
IPD Monthly Index	16.4	15.3	3.2	9.4	15.5	12.2	14.2	10.5	7.2	9.9	11.3
Source: IPD											

SHORT TERM INVESTMENTS

Short-term investments are also held in an amalgamated fund and are managed partly by Barclays Global Investors and partly by the Finance Division of the University Offices. Monthly annualised returns are reviewed by the Finance Committee, together with the Authorised Investment Limits policy. The rate paid to depositors is the mid-point of the Local Authority 7 day rate as quoted daily in the *Financial Times*.