

Section J: Investments and Investment Performance
CAPITAL ACCOUNTS (including Income Reserves)

Held on Behalf of:	Cambridge University Endowment Fund	Deposit Account	Other Investments	2006 Total	Net Movement*	2005 Total
	Investments £000	Investments £000	£000	Investments £000	£000	Investments £000
Chest Capital – Fixed Asset Investments	117,260	1,298	28,231	146,789	5,772	141,017
Chest Capital – Endowment Asset Investments	7,720	40	–	7,760	820	6,940
Trust Funds	536,301	8,426	26,355	571,082	89,619	481,463
Specific Endowments	49,385	987	–	50,372	(2,095)	52,467
Specific Donations	4,605	16,008	–	20,613	(2,725)	23,338
General Donations	10,006	27,855	328	38,189	4,681	33,508
Building Funds	1,775	15,857	–	17,632	(1,856)	19,488
Self Supporting Activities	12,001	1,724	–	13,725	1,243	12,482
Other Reserves	520	157,420	–	157,940	91,090	66,850
Total University Funds	739,573	229,615	54,914	1,024,102	186,549	837,553
Gates Cambridge Trust	–	1,746	–	1,746	1,054	692
Cambridge European Trust	2,084	1,555	–	3,639	994	2,645
Cambridge Commonwealth Trust	44,159	4,236	–	48,395	3,639	44,756
Cambridge Overseas Trust	10,559	4,890	–	15,449	1,351	14,098
Cambridge Assessment	65,784	28,267	–	94,051	(6,332)	100,383
Cambridge Foundation	201	1,633	–	1,834	(3,064)	4,898
Total Group Funds	862,360	271,942	54,914	1,189,216	184,191	1,005,025
Associated Bodies:						
Cambridge Veterinary School Trust	–	1,029	–	1,029	(220)	1,249
Other Associated Bodies	8,450	3,168	–	11,618	1,499	10,119
Total Funds Held on Behalf of Above	870,810	276,139	54,914	1,201,863	185,470	1,016,393
Represented By:						
Property	123,190	–	22,363	145,553	5,653	139,900
Securities	669,249	–	32,199	701,448	65,900	635,548
Money Market Investments	31,000	276,139	–	307,139	69,032	238,107
Cash in Hand and at Investment Managers	47,371	–	149	47,520	44,779	2,741
Other	–	–	203	203	106	97
Total	870,810	276,139	54,914	1,201,863	185,470	1,016,393

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

INCOME ACCOUNTS

	Cambridge University Endowment Fund Investments £000	Deposit Account £000	Other Investments £000	2006 Total Income £000	2005 Total Income £000
Distributed to Investors:					
Chest Capital – Fixed Asset Investments	3,978	30	1,481	5,489	5,486
Chest Capital – Endowment Asset Investments	262	29	–	291	254
Trust Funds	17,317	1,223	675	19,215	17,357
Specific Endowments	791	276	–	1,067	1,611
Specific Donations	159	669	–	828	858
General Donations	352	895	37	1,284	1,331
Building Fund Endowments	54	551	–	605	983
Self Supporting Activities	415	74	–	489	470
Other Reserves	17	955	–	972	912
Total University Income	23,345	4,702	2,193	30,240	29,262
Gates Cambridge Trust	–	58	–	58	48
Cambridge European Trust	68	43	–	111	94
Cambridge Commonwealth Trust	1,498	235	–	1,733	1,728
Cambridge Overseas Trust	358	196	–	554	540
Cambridge Assessment	1,865	879	–	2,744	4,108
Cambridge Foundation	7	159	–	166	179
Total Group Income	27,141	6,272	2,193	35,606	35,959
Associated Bodies:					
Cambridge Veterinary School Trust	–	47	–	47	51
Other Associated Bodies	840	142	–	982	607
	840	189	–	1,029	36,617
Balance transferred from Capital Accounts	(1,946)		(73)	(2,019)	1,012
Total Income Distributed to Investors	26,035	6,461	2,120	34,616	37,629
Dividends and Interest Receivable	20,162	6,833	712	27,707	30,722
Rents Receivable and other net income etc	7,671	–	1,481	9,152	8,594
Property & Other Expenses	(697)	(2)	–	(699)	(227)
Management Fees	(1,056)	(369)	(73)	(1,498)	(1,401)
Bank & Other Charges	(45)	(1)	–	(46)	(59)
	26,035	6,461	2,120	34,616	37,629

Section J (continued): Investment Performance

Long-term investments are held in the Cambridge University Endowment Fund (CUEF). The Investment Objectives for the CUEF 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 CUEF (including property) over the 49 year period since it was established in its present format is shown below. The securities portfolio was managed throughout the year by F&C Asset Management Limited, with property investments managed by LaSalle Investment Management Limited, and private equity investments managed by Cambridge Associates.

CAMBRIDGE UNIVERSITY ENDOWMENT FUND: FORTY-NINE YEAR RECORD

Year ending 31 July	Capital £000	Funds introduced/ (withdrawn) (a) £000	Unit value £	Number of units 000	Net income £000	Distribution per unit (pence)	Income surplus/ (deficit) £000	Dividend yield on unit %	Earnings yield on capital %	Retail Prices Index Jan 1987 = 100
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	643,865	21,948	26.01	24,754	21,845	104.00	(3,264)	4.18	3.68	186.8
2005	747,316	(859)	30.20	24,742	28,524	110.50	1,076	4.25	4.43	192.2
2006	870,810	40,805	33.60	25,914	26,035	114.00	(1,946)	3.77	3.48	198.5

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

As at 31st July	2006	2005
	%	%
Equities – UK	43.7	45.7
Equities – Overseas	23.2	23.8
Property	14.8	15.2
Fixed Interest – UK	7.7	8.7
Fixed Interest – Overseas	2.2	3.2
Cash	8.4	3.4
	100.0	100.0

RESULTS FOR THE YEAR 2005/2006

- CAPITAL VALUE per unit increased to £33.60 (2005: £30.20)
- GROSS DISTRIBUTION per unit up from 110.50p to 114.00p, giving a yield of 3.77% on initial value.

RELATIVE PERFORMANCE

measured by WM Co. to 30 June 2006

	Total Return %		Total Return % (excl Property)	
	CUEF	WM Charity University Average	CUEF	WM Charity University Average
2006	16.7%	16.2%	17.3%	16.0%
2003–2006 (3 years annualised)			15.2%	15.2%
2001–2006 (5 years annualised)			5.3%	4.6%

The total return of the Amalgamated Fund including property has only been calculated by WM from July 2005.

WM ASSESSMENT OF PERFORMANCE

Features in 2006

<i>Positive</i>	The main driver of performance was Stock Selection, especially that of UK equities.
<i>Negative</i>	Asset Allocation was marginally negative as a result of being underweight in UK equities and cash and overweight in overseas equities.
<i>Long Term</i>	The fund, excluding property, showed outperformance over 1 and 5 year periods by 1.3% and 0.7% respectively.

RELATIVE PERFORMANCE (PROPERTY)

measured by Investment Property Databank against their Index

The table below shows the University's property investments' historical performance since 1995 compared with the IPD Monthly & Annual Indices

Table 1: Fund Performance	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Fund Total Return	8.3	13.9	9.3	13.1	12.9	8.1	10.7	12.1	18.9	21.6
IPD Annual Universe	10.8	17.8	12.3	15.2	11.6	7.0	9.5	10.6	18.0	19.4
IPD Monthly Index	9.4	15.5	12.2	14.2	10.5	7.2	9.9	11.3	18.2	18.3

Source: IPD

SHORT TERM INVESTMENTS

Short-term investments are also held in a pooled deposit fund and are managed by Barclays Global Investors, Tradition Uk Ltd and 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*.