

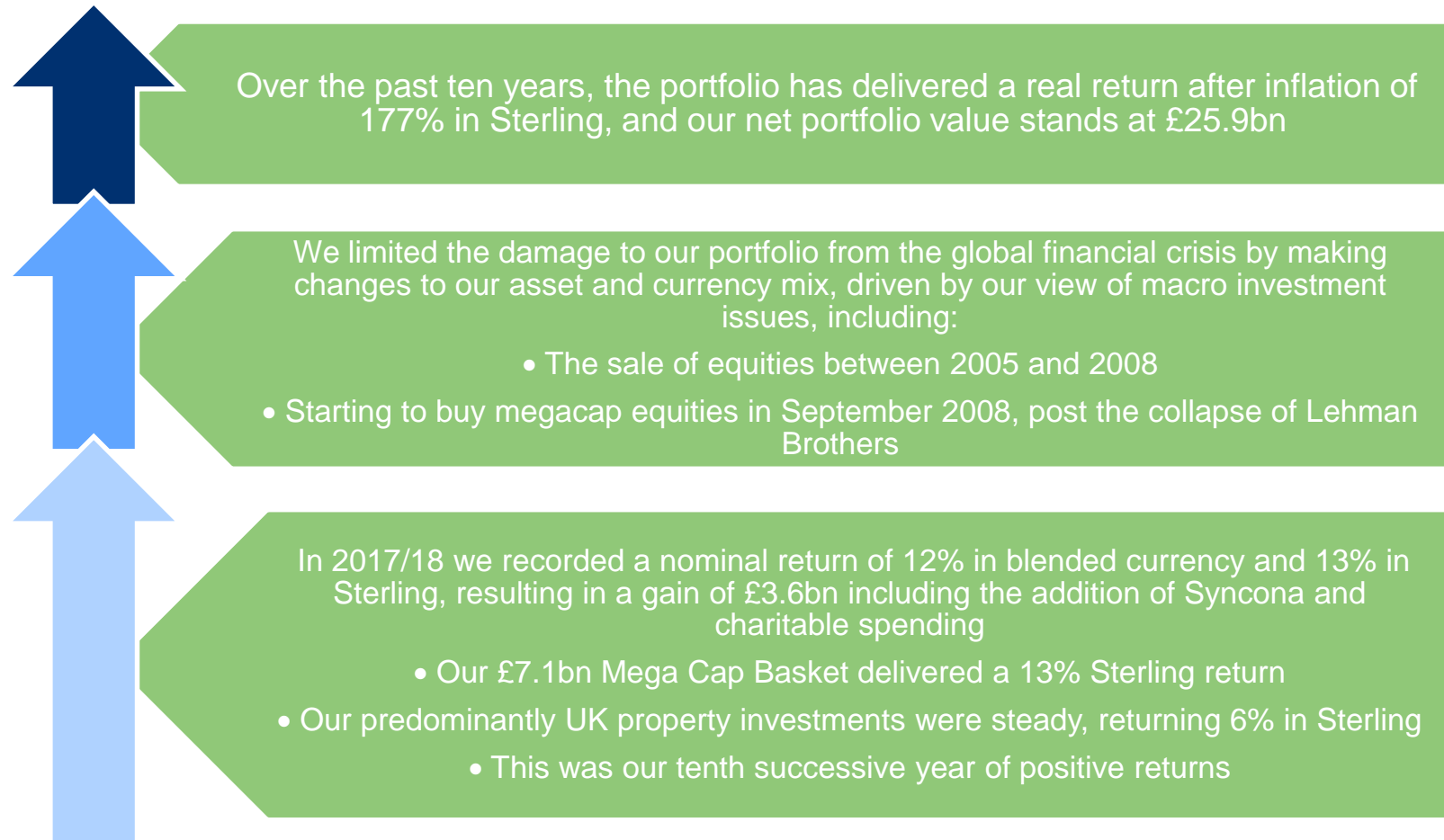


# Wellcome Trust Update Presentation

18<sup>th</sup> December 2018

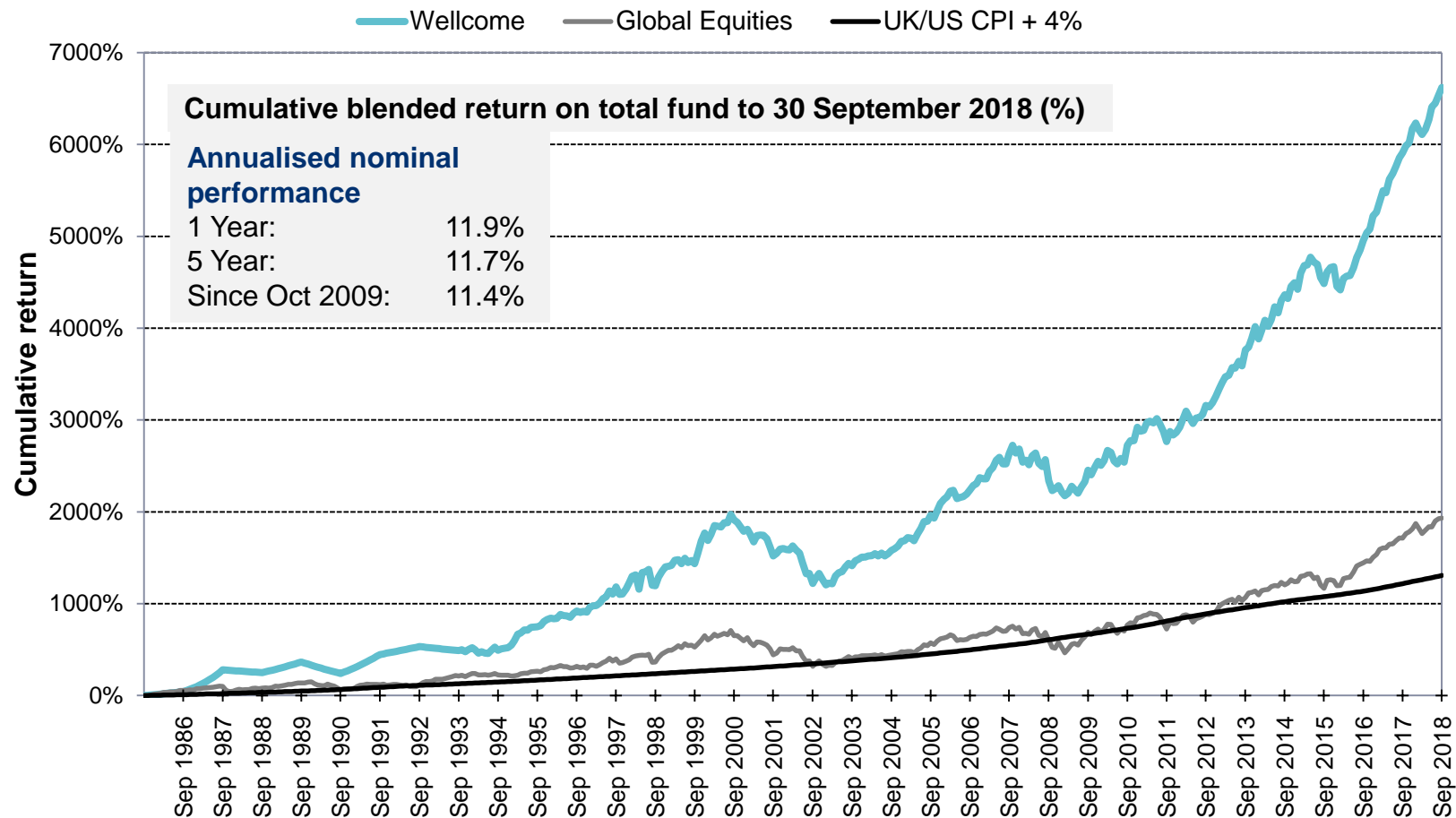
# Our investment portfolio

# Our portfolio continues to perform...



Note: Return calculations based on relevant currency; see Wellcome Trust Annual Report.  
Source: Wellcome Trust Annual Report (30 Sept 2018).

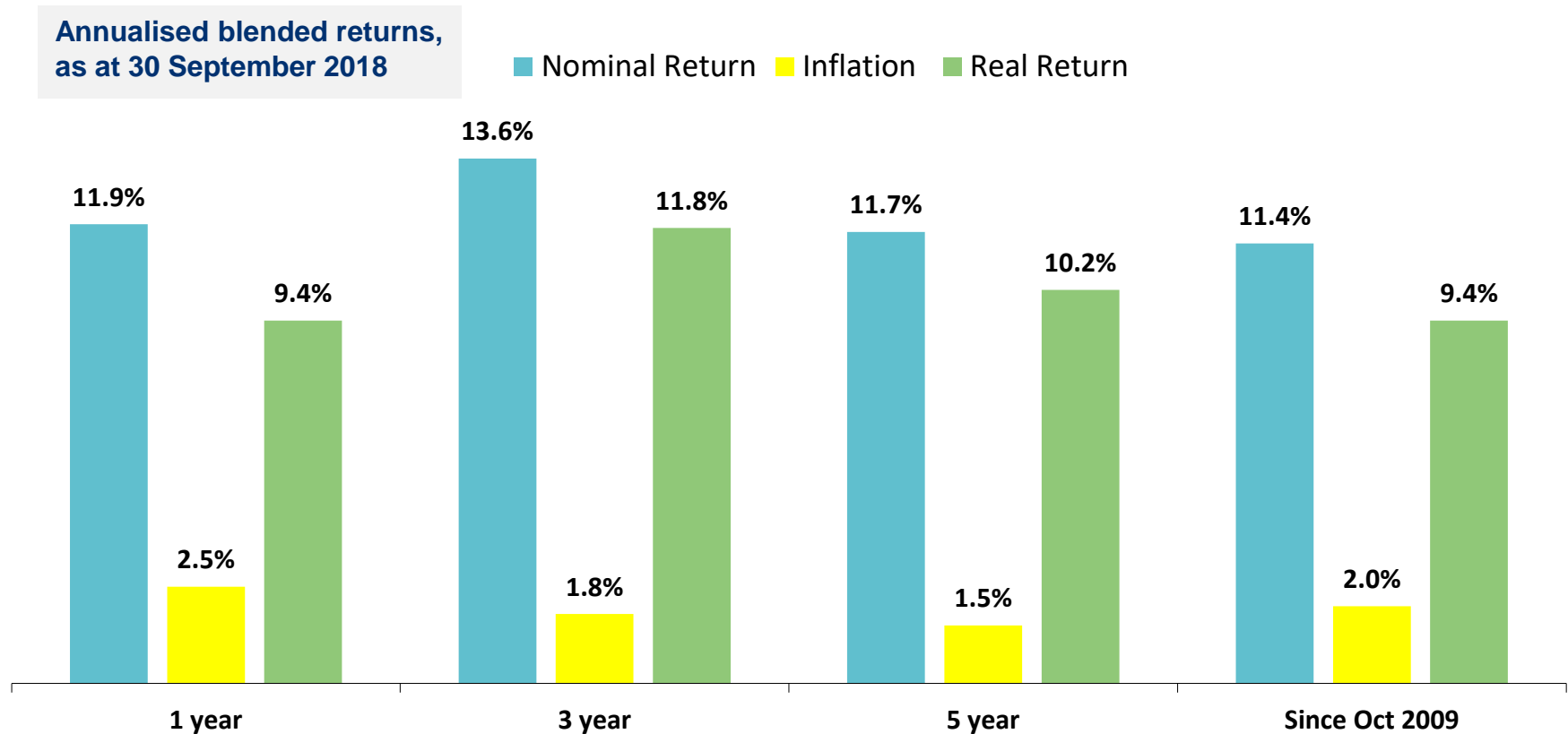
# ...and long term returns are impressive...



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 is UK/US CPI +4% from 1 Jan 2018.

Source: Wellcome Trust Annual Report (30 Sept 2018).

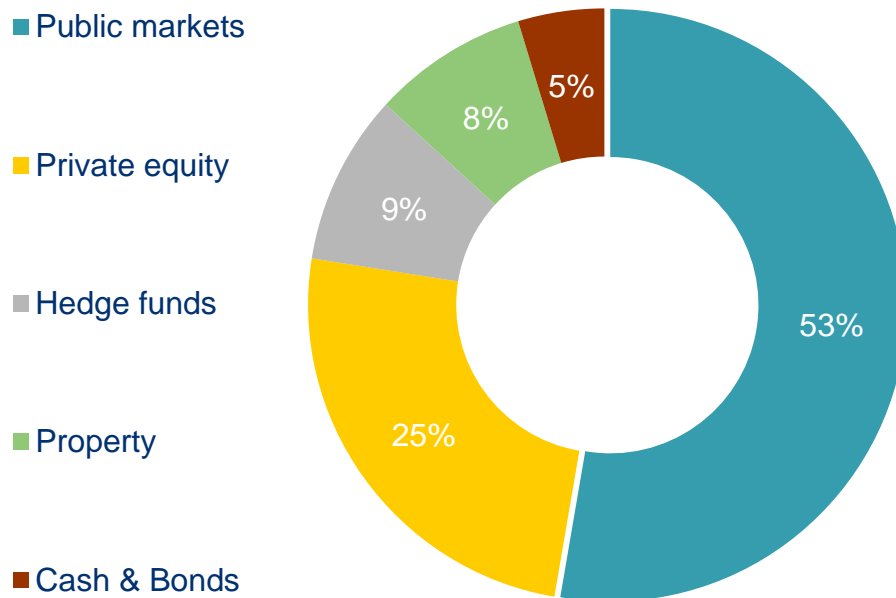
# ...increasing our charitable spending power



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

Source: Wellcome Trust Annual Report (30 Sept 2018).

# 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
  - Exchange traded individual equity options
  - ETFs
  - Exchange traded commodity derivatives

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

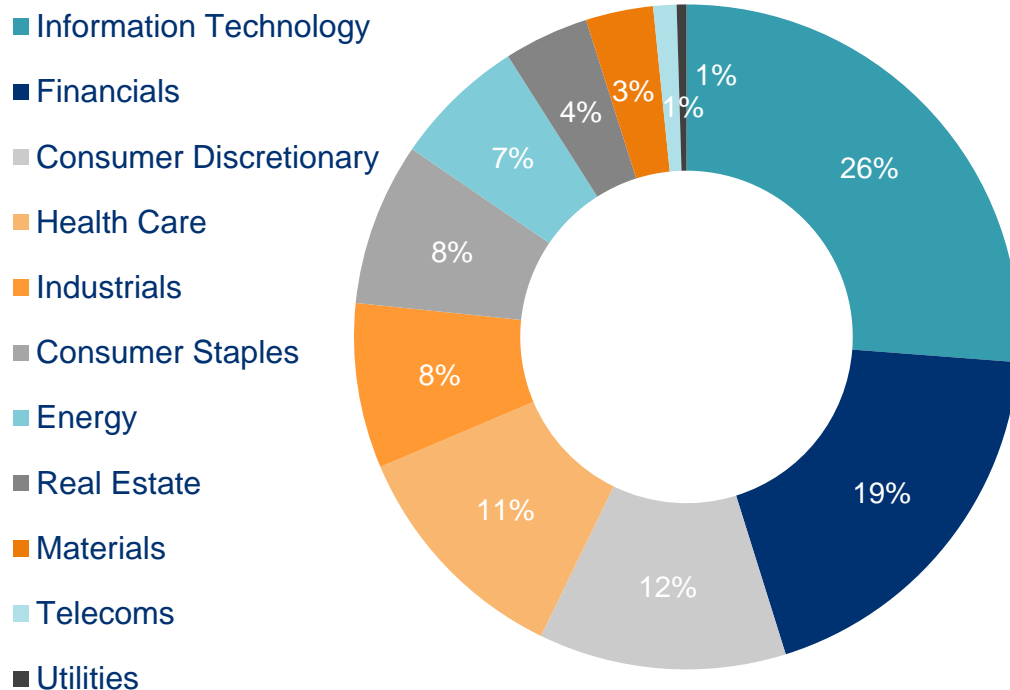
Note: Wellcome Trust performance is measured 50% £ and 50% \$ from 1 October 2009. Inflation defined as a blend of 50% UK and 50% US CPI from 1 October 2009.

Source: Wellcome Trust Annual Report (30 Sept 2018).

# ...and by sector

## Public and private equity sectoral exposure (%)

As of 30 September 2018



- Strong performance from both public and private companies has pushed up our weighting to technology companies. Most of this weighting is concentrated in the US, although there is increasing representation of Chinese technology companies through both public holdings and VC funds
- The financial sector weighting has come down largely due to relatively weak performance, despite rising interest rates, which are typically good for banks and other financial companies

**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 2018).

# 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

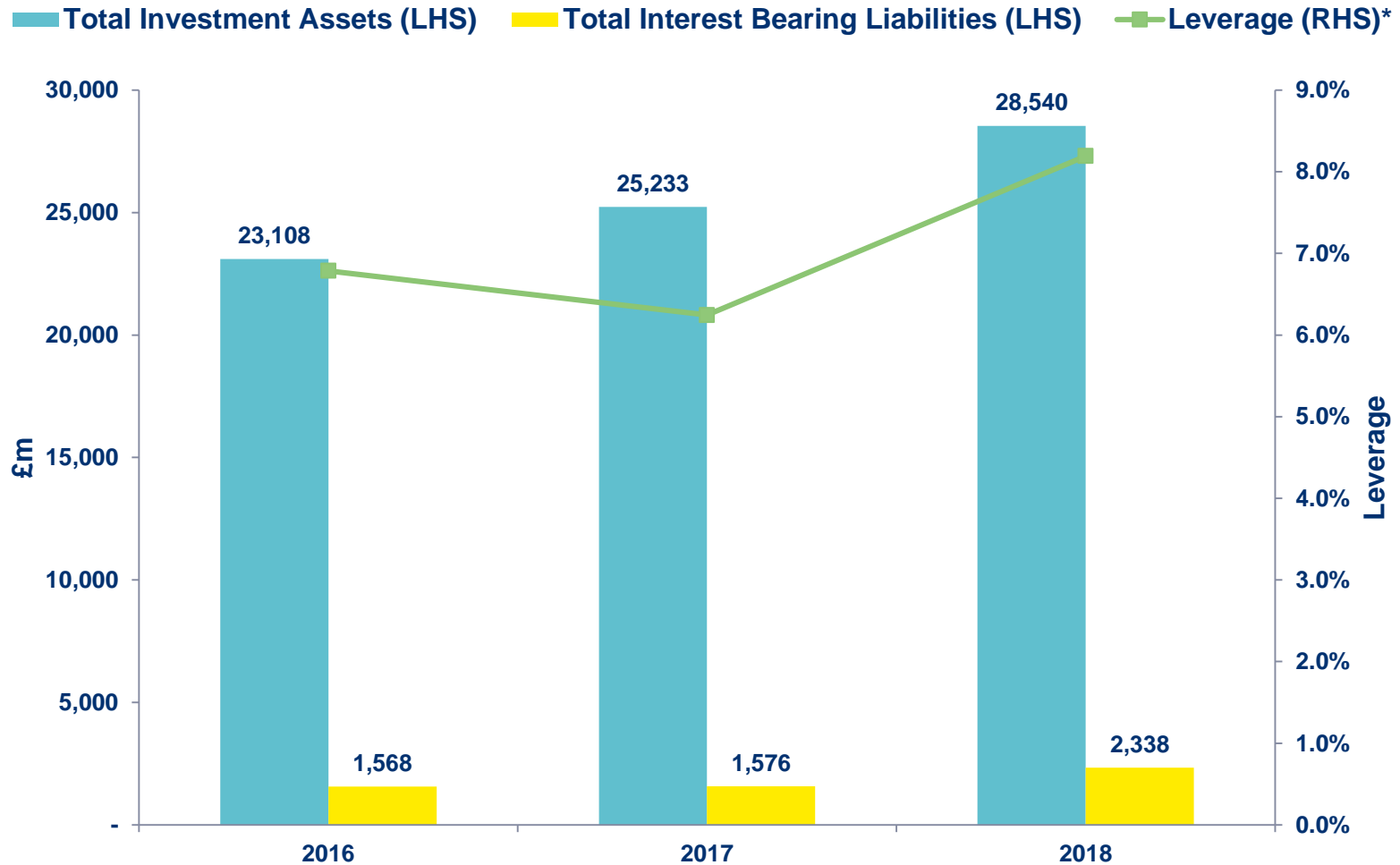
Foreign exchange management is carried out at the portfolio level, reflecting our views in the context of known exposures from underlying assets

- 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 2018).

The net of 'Total Investment Assets' and 'Interest Bearing Liabilities' differs from the £25.9bn net portfolio figure on slide 3 due to the inclusion of fair value adjustment on 'Interest Bearing Liabilities' of £316m ('Interest Bearing Liabilities' are shown at amortised cost not fair value).

# 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

The global financial crisis 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”

# Recent team changes

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.

We have recently re-organised our property team with two Principals taking on separate responsibility for Residential property and Commercial property, amongst other changes to Principals' responsibilities.

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 both the Executive Leadership Team and 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 for two listed Investment Trusts and the UK Investor Forum. He is a member of both the Marks & Spencer Sustainable Retail Advisory Board and the Finance Committee for the Royal Commission for the Exhibition of 1851. Nick is a member of the Sterling Group of the organisation of European Foundations 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 and sits on the advisory board of Stanford University's Global Projects Centre.

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 member of both the Bank of England Commercial and Residential Property Forums, and a Fellow of the Royal Institution of Chartered Surveyors. Peter is 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.

**Danny Truell**  
Emeritus Partner



Danny Truell serves in a diverse range of roles in the investment and charitable community. He is an Emeritus Partner of The Wellcome Trust and sits on the Investment Committee.

Danny is a co-founder and Chair of the Asset/Liability Operating Committee of Pension Insurance Corporation, an insurer with assets exceeding £27 billion. Danny is a World Economic Forum Global Agenda Trustee for Long Term Investing, Infrastructure and Development and has been a co-Chair of the G20/B20 Investment Group. He was, from 2012-14, Chair of the World Economic Forum's Long-Term Investment Council.

Until 2005, he was a Managing Director of Goldman Sachs & Co. in its investment management division. Between 1986 and 1996, his career was focused on investment in Asia. He is a graduate of Balliol College, Oxford University.

**Sarah Fromson, MBA**  
Head of Risk



Sarah Fromson is Head of Risk at The Wellcome Trust and sits on the Investment Committee. She is a non-executive director of the JPM Emerging Markets Income investment trust and of Arrowstreet Capital Partners. She is a Trustee of the Wellcome Trust and GRL pension plans and sits on the Investment Committee of Girton College.

Prior to joining Wellcome in 2008, she was Chief Investment Risk Officer at RBS Asset Management from 2006, after co-leading the long-only and hedge fund manager selection team at RBS (formerly Coutts) from 1996. Sarah graduated from LBS with an MBA and has an MA in Natural Sciences from Cambridge University.

**Our senior team is highly experienced and all sit on the Investment Committee.  
In addition, Peter and Nick are both 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.

**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.

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



Lisha joined Wellcome in 2006. The Direct Private portfolio backs a range of companies from technology and e-commerce businesses to healthcare and financial services investments. Lisha recently assumed responsibility for Wellcome's commercial property portfolio. Lisha also covers public and private investments in the resources sector across the portfolio and has a keen interest in faster growing markets. Prior to Wellcome, she worked at Lazard in their corporate finance practice. Lisha read Economics & Management at the University of Oxford.

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



Elaina joined Wellcome in 2010, and has worked across a range of private market investments including PE and hedge fund relationships. Prior to joining Wellcome, Elaina worked at Goldman Sachs. Elaina read History at the University of Cambridge. She currently sits on the Investment Committee for Newnham College, Cambridge and is 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 long/short equity 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 Baroness Eliza Manningham-Buller

- This breadth of skills and experience enables effective decision making and supports appropriate delegation across all of our activities
- Naguib Kheraj, former CEO of JPMorgan Cazenove and Deputy Chairman at Standard Chartered will be appointed to the Board of Governors on 1<sup>st</sup> January 2019

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
- Professor Mike Ferguson joined the Investment Committee as Deputy Chair on 1<sup>st</sup> January 2018, replacing Dame Kay Davies
- Sir Damon Buffini retired from the Investment Committee in September 2018 and Sir Michael Moritz resigned in March 2018
- The Audit & Risk Committee has oversight of the financial statements 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

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

- From October 2017 we adopted a new approach to how we fund our charitable activities.
- We plan a funding level for our core research and other activities through Science, Culture & Society, and Innovations, of around £900m p.a. (2017 prices) in real terms over a five year period.
- In addition, we plan to provide further funding to support our Priority areas and potentially other large-scale and high impact activities. In our previous annual report we highlighted that we had identified funding of £865m, of which £365m was budgeted to existing priority areas. We will add to this only when the performance of the investment portfolio is sufficiently strong.
- In June 2018, due to strong investment portfolio performance, the Board of Governors approved the allocation of another £200 million to this budget.
- In June 2018, the Board of Governors conditionally approved two new initiatives: a Mental Health priority area and the Leap Fund.
- Our Board of Governors regularly monitors our future spending plans.

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