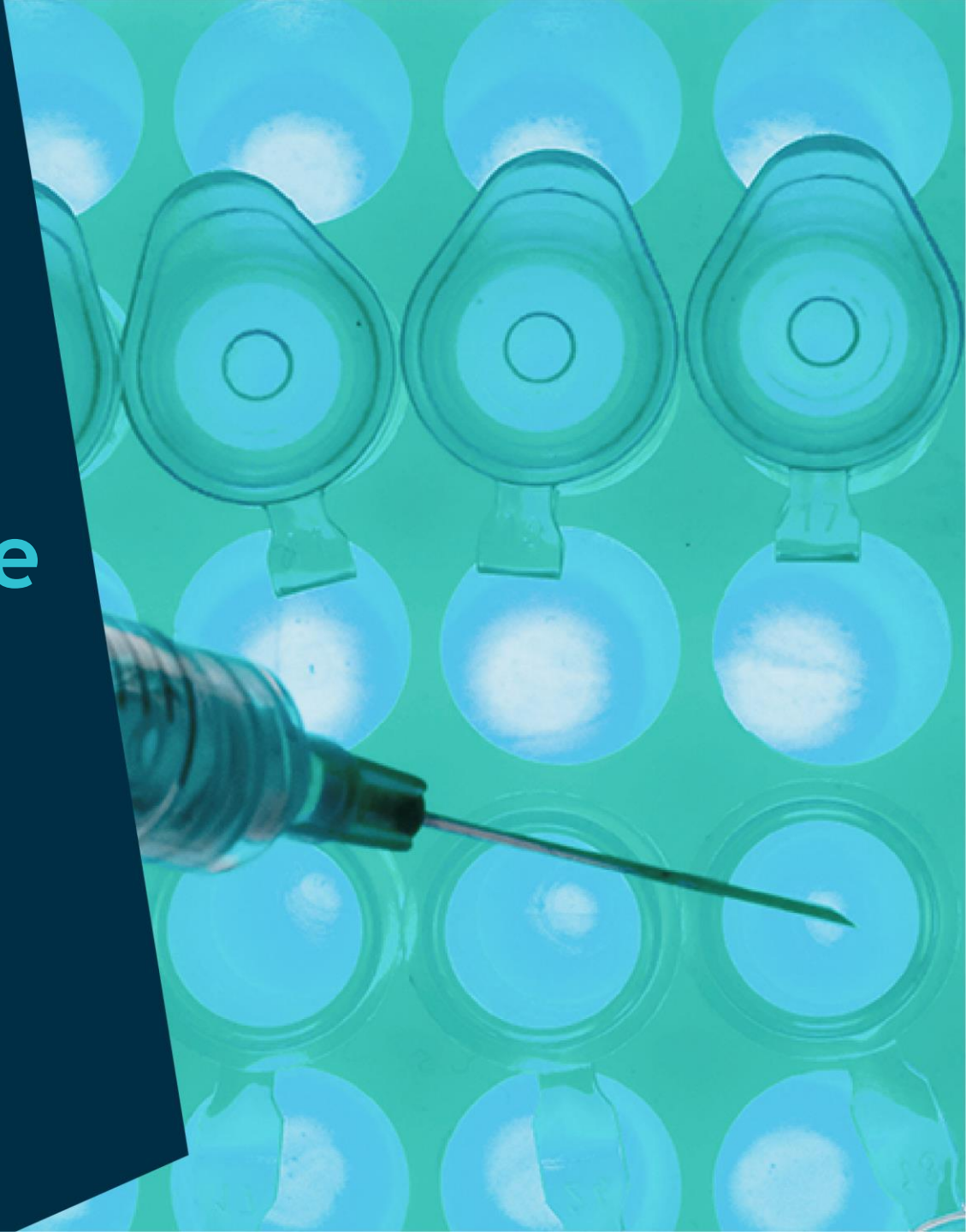




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# Wellcome Update Presentation

10<sup>th</sup> January 2023



# Today's Speaker & Content Overview

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**Nick Moakes,  
CFA**

Managing Partner  
CIO

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01

# Wellcome Overview



# Wellcome Overview

- We are a politically and financially independent global charitable foundation
- We support science to solve the urgent health challenges facing everyone
- Our strategy includes grant funding, advocacy campaigns and global partnerships
- We are funded by a £37.8bn globally diversified investment portfolio, with a long-term investment horizon
- We are committed to maintaining the real purchasing power of charitable funding over time
- We increasingly focus on sustainability when assessing our investments

**£37.8bn**

Net Portfolio  
Value

**1.7%**

Nominal Sterling Return  
FY 2021/22

**£1.0bn**

Charitable Cash  
Expenditure FY  
2021/22

**11.9%**

Trailing 10yr Real  
Sterling Return



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**02**

# Investment Portfolio



# The portfolio remains resilient



Over the past ten years, **the portfolio has delivered a real return after inflation of 251% in Sterling**. The **net portfolio value stands at £37.8bn**.



2022 saw the most challenging conditions in financial markets since the Global Financial Crisis. Rising interest rates and high inflation have caused falls in prices of bonds, credit, and equities.

- Central banks have been the dominant influence on asset prices as they needed to drain liquidity from the global financial system to combat rising inflation.
- We had prepared for this environment by holding fewer equities and more cash.
- We continue to **focus on ensuring that Wellcome is well placed for more difficult times** and has **ample liquidity for the foreseeable future**.

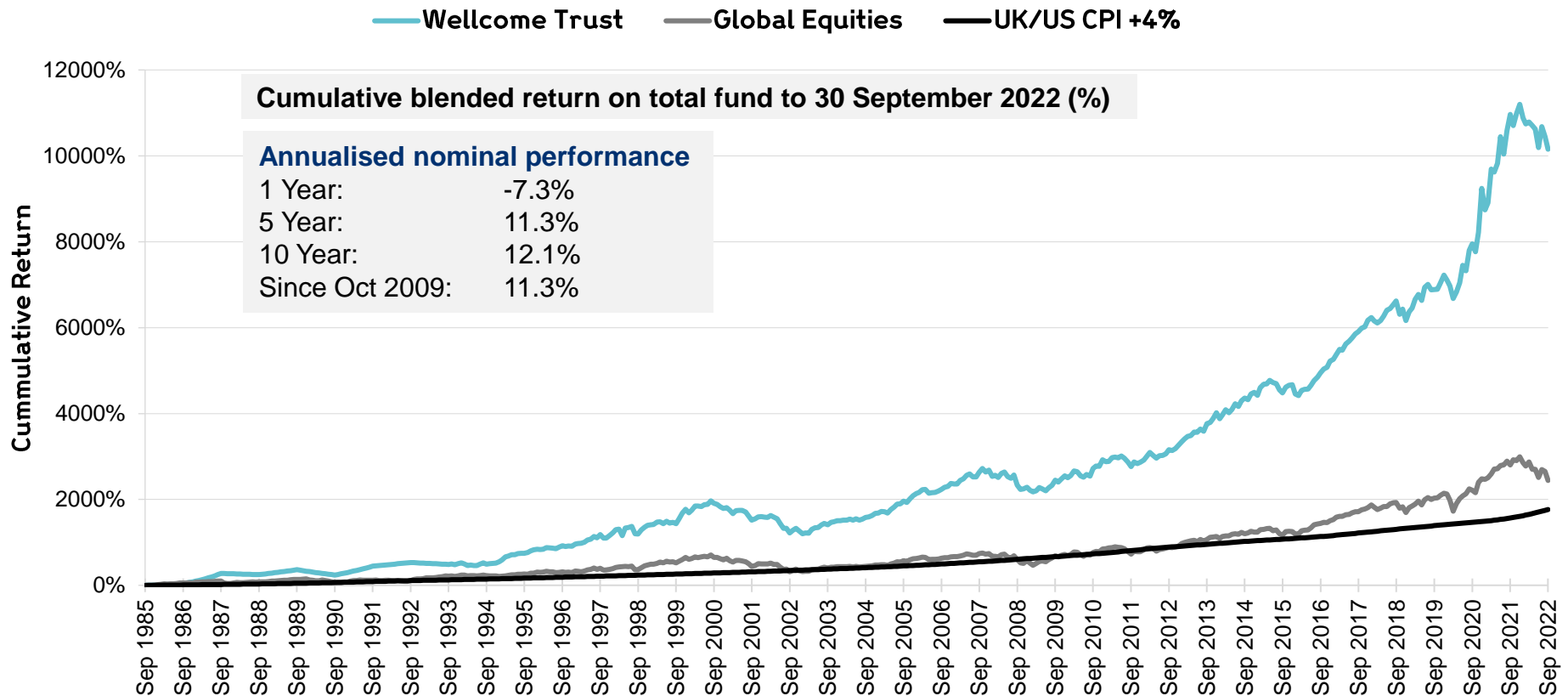


2021/22 saw lower returns in comparison to an exceptionally strong 2020/21. The portfolio returned +1.7% in Sterling and -7.3% in blended currency (in nominal terms). After taking into account £1bn in charitable cash expenditure over the year, this is equivalent to a gain of £0.6bn.

- Our absolute return hedge funds, private equity (PE) and property portfolios delivered positive returns while our public equity portfolio and equity long short hedge funds were weaker, given the weakness in broad equity markets.

*Note: Return calculations based on relevant currency; see Wellcome Trust Annual Report (30 Sept 2022). Blended currency return is measured 50% £ and 50% \$.*

# ... with impressive long term returns

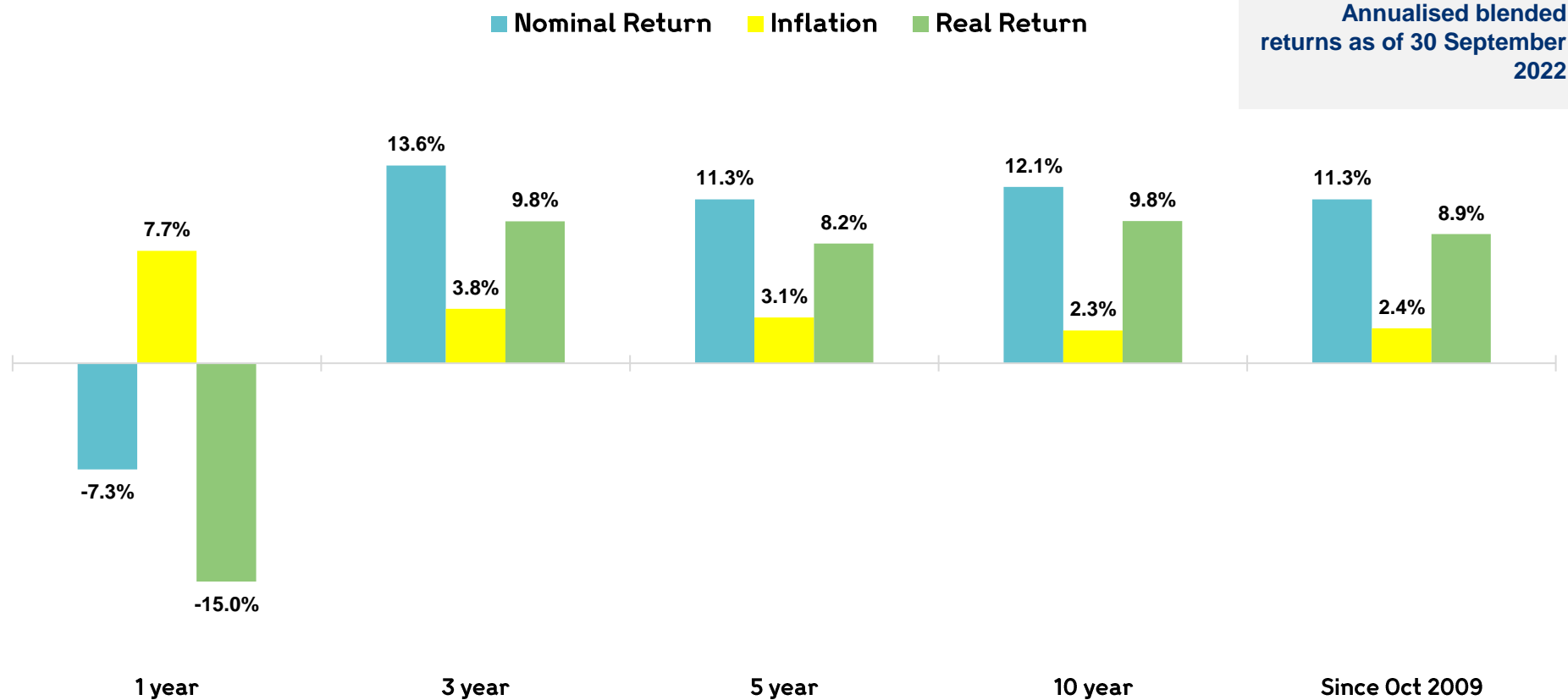


**Long term investment horizon and ability to tolerate short term volatility underpins historical success of investment portfolio**

*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 2022).*

# Despite inflation headwinds, global charitable spending power remains strong



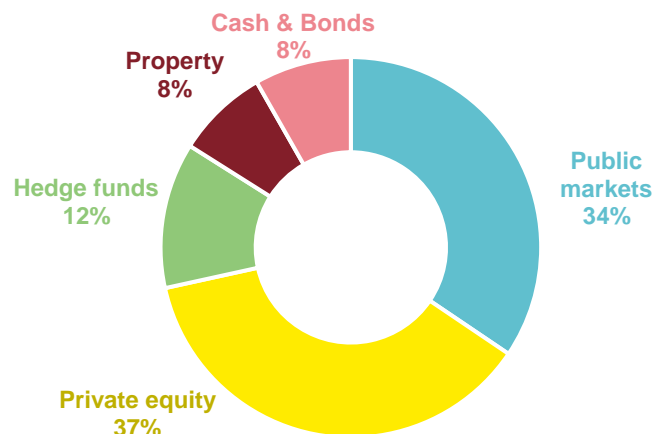
Strength of investment approach demonstrated through periods of market volatility

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 2022).



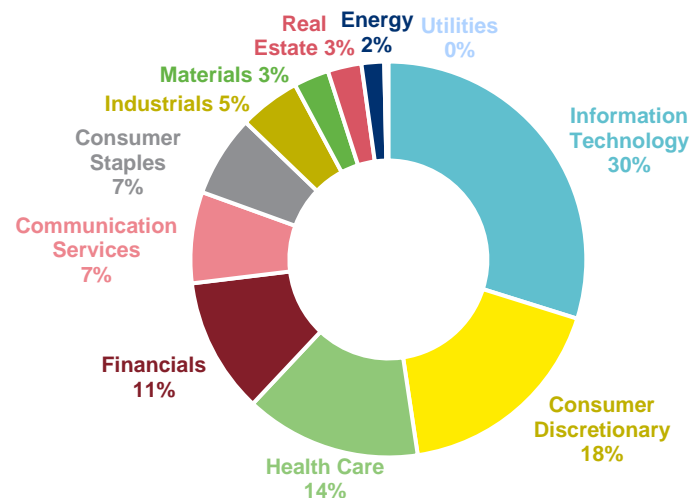
# We have a globally diversified portfolio

By Asset Class



- The portfolio is diversified both across and within asset classes
- The portfolio's exposure to public equities as a proportion of total assets reduced through FY 2021/22 due to the weakness in broader equity markets and our decision to reduce equity holdings.
- Our exposure to cash increased due to our focus on preserving liquidity.
- Given strong performance and allocation decisions, our exposure to private equity has grown. However, experience of previous cycles suggests that there will be a lag as private valuations catch up with movements in public markets, so we expect valuations to continue to come down.

By Sector (of Public and Private Equity Exposure)



- There has been little change to our public and private equity sector positioning over FY 2021/22. Exposure to financials decreased slightly from 13% to 11%, while our exposure to information technology increased from 28% to 30%.
- This was driven by our decision to reduce exposure to companies which are highly dependent on the economic cycle and build positions in companies with clear secular tailwinds.

The investment portfolio is well positioned to weather volatility in markets

Note: Percentages are rounded.

Source: Wellcome Trust Annual Report (30 Sept 2022).



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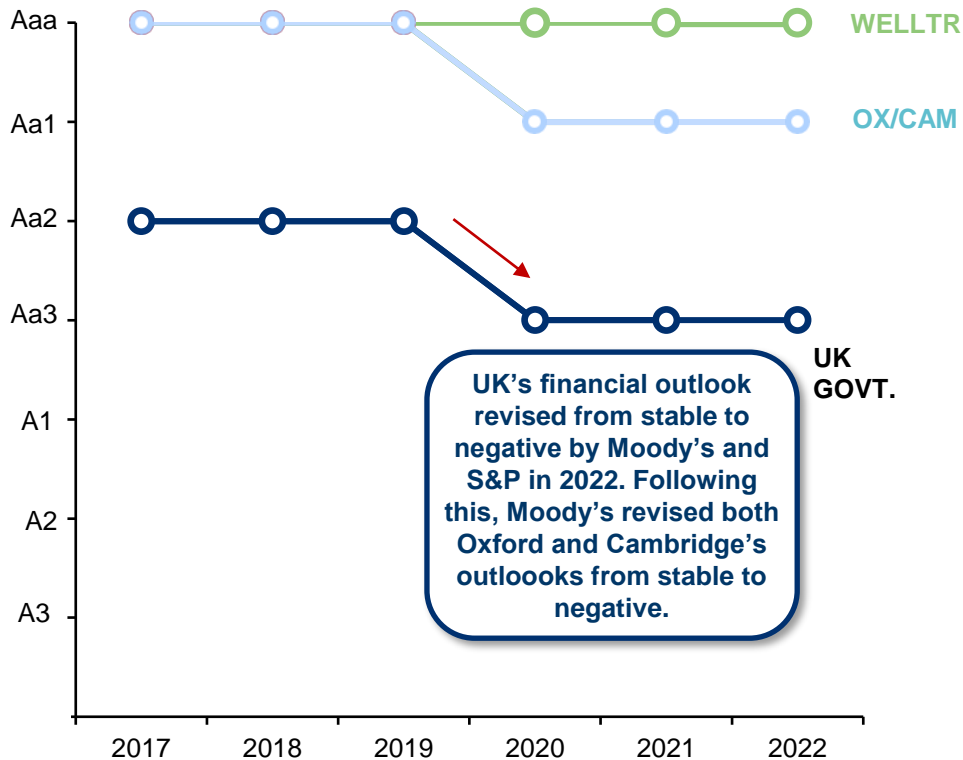
03

Debt  
Management



# Stable triple 'A' credit rating over time

Wellcome Trust: Triple 'A' Rating Confirmed



UK's financial outlook revised from stable to negative by Moody's and S&P in 2022. Following this, Moody's revised both Oxford and Cambridge's outlooks from stable to negative.

## 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, 27-Oct-2022**

## S&P Global Ratings

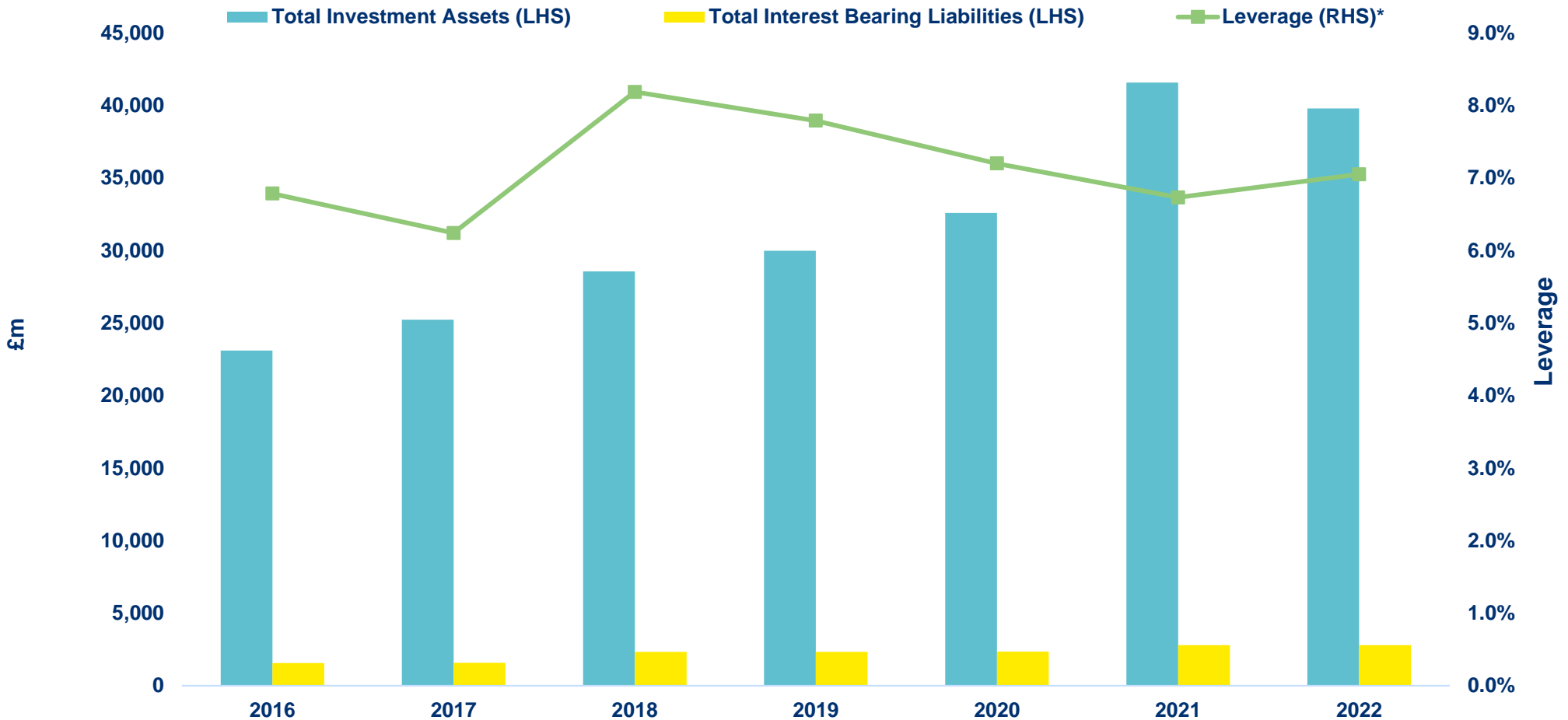
"Our ratings on Wellcome are higher than our ratings on both the U.K. (AA/Stable/A-1+) and the U.S. (AA+/Stable/A-1+)... We also consider **Wellcome to be independent from the UK and US governments**. It has considerable flexibility to reduce grants without endangering its charitable status. Additionally, we see the risk of negative intervention by the government as low." **S&P Rating Report on Wellcome Trust, 24-Feb-22**

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, 27-10-2022. S&P Research Update of Wellcome Trust, 24-Feb-22.



# 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 2022); Wellcome Trust Annual Reports, 2017, 2019 & 2020.

The net of 'Total Investment Assets' and 'Interest Bearing Liabilities' differs from the £37.8bn net portfolio figure on Slide 4 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.

# 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



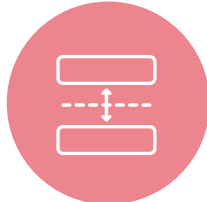
We have been proactive in preserving liquidity by forecasting liquidity flows over the next 5yrs and ensuring that projected cash flows do not fall below 2% of gross portfolio value over this period



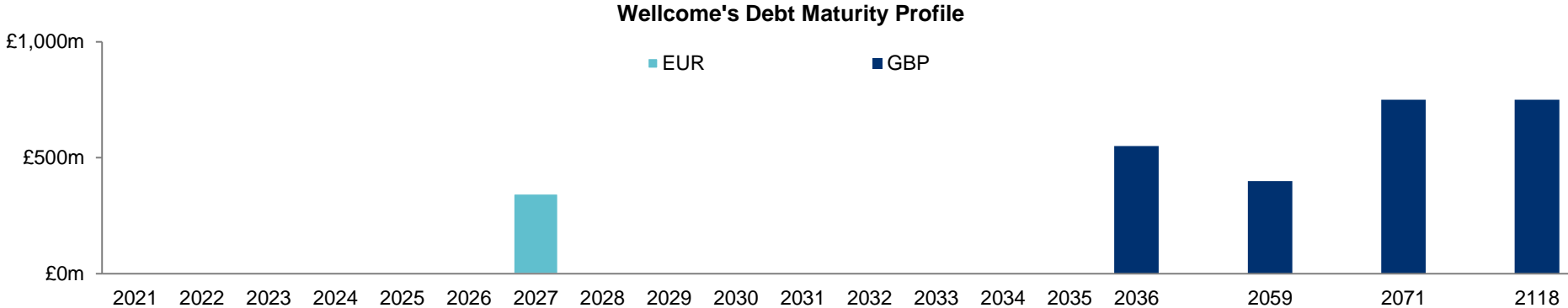
Our performance through financial crises over the last 15 years has demonstrated our ability to weather difficult market conditions



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"



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

# Our team is stable



**Nick Moakes, CFA**  
Managing Partner  
CIO



**Lisha Patel, CFA**  
Managing Director



**Fabian Thehos, CFA**  
Managing Director



**Robert Coke**  
Principal



**Geoffrey Love**  
Principal



**Elaina Elzinga, CFA**  
Principal



**Robert Holl, CFA**  
Principal

Our Investment leadership team is comprised of our Managing Partner, Nick Moakes, our Managing Directors and Principals. Peter Pereira Gray recently retired as CEO of the investments team but continues to serve as an Emeritus Partner and advise the team. Robert Holl was recently promoted to Principal.

Between our leadership team, we have over 110 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

- **Jeremy Farrar's term as Director of the Wellcome Trust will end in February 2023** when he steps down to take up the position of Chief Scientist and Deputy Director General of the World Health Organisation. Paul Schreier, Wellcome's Chief Operating Officer, has been appointed interim Chief Executive Officer, with effect from 25 February 2023. A global search for a permanent CEO began in 2022.
- 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 Gillard, former Prime Minister of Australia.
  - This breadth of skills and experience enables effective strategic decision making and supports appropriate delegation across all 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 the 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 Partner, Managing Directors and Principals
- The Investment Policy is regularly reviewed by the Investment Committee and approved by the Board of Governors.



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**04**

# Charitable Spending

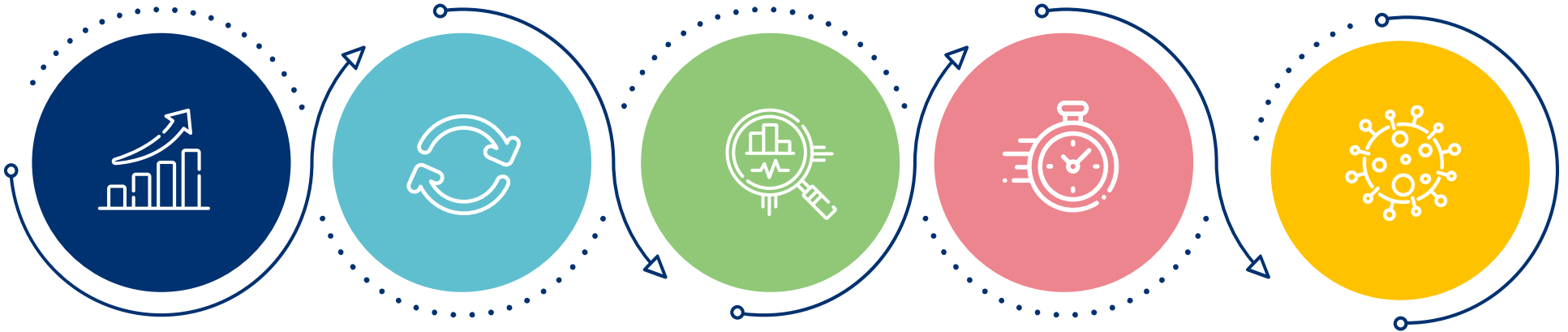




# Our Charitable Spending Policy

## 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



**Wellcome has planned to spend £16 billion on the mission over the ten years from 2022/2023 – almost doubling our support for science to solve health challenges**

While higher inflation will mean that our money can't fund as much work as it otherwise would have done, we are excited at the prospect of what we will achieve

A longer-term planning horizon will enable Wellcome to underpin its longer-term activities and encourage flexibility in the planning process for allocations towards time bound activities

The Financial Planning process considered the minimum level of net investment assets required to fund long term ongoing charitable activities

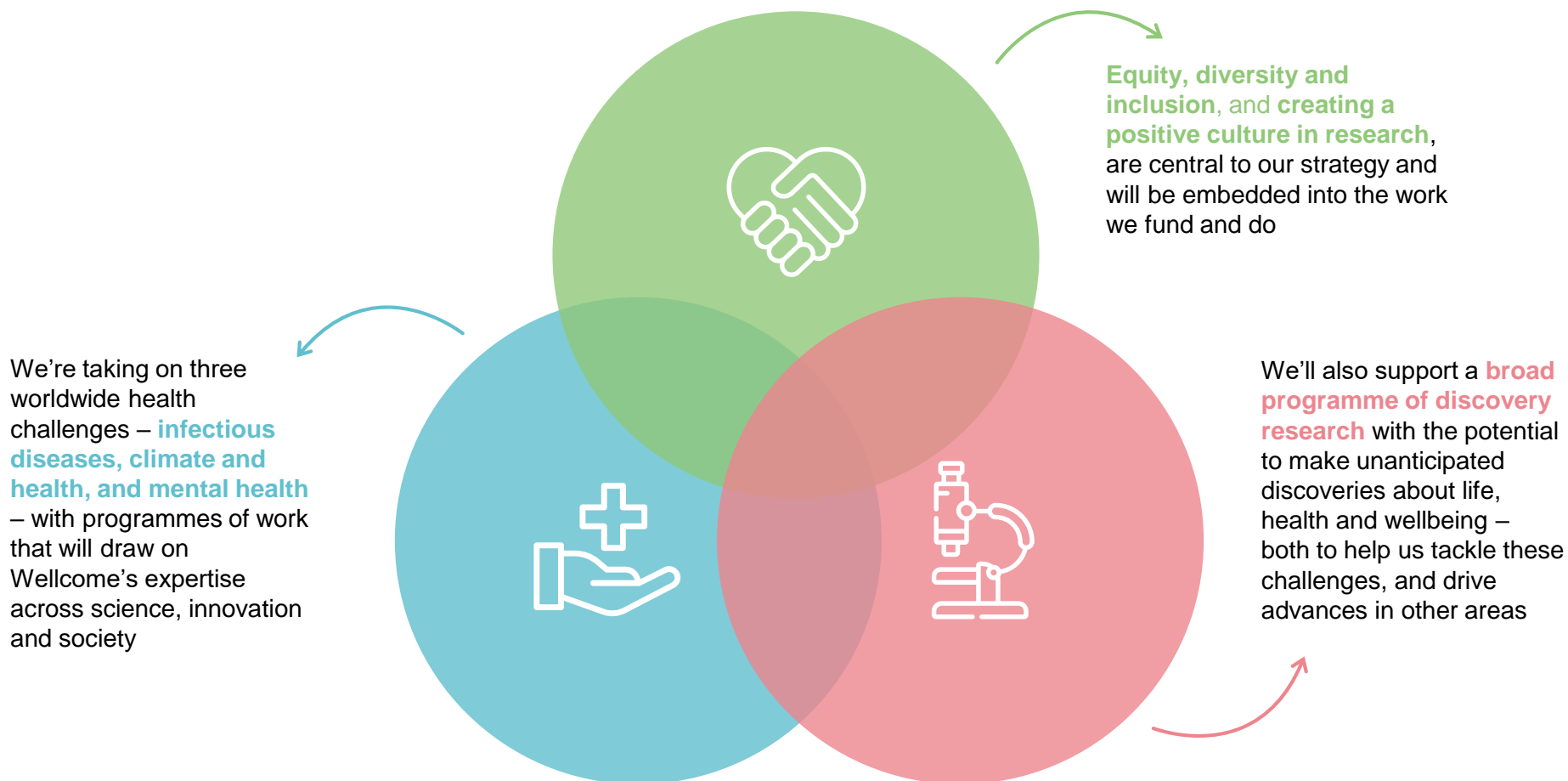
The 10 Year Plan includes flexibility for Wellcome to allocate funding to meet the goals in our Discovery Research and Health Challenge programmes as opportunities arise

Considerable expenditure flexibility supports stability and predictability of future cash flows

# Our Vision

Wellcome **supports science to solve the urgent health challenges** facing **everyone**.

Wellcome announced a new vision and strategy in October 2020 and is making progress towards delivering on this new strategy.





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**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
- The investment team has **increased efforts to analyse this impact on Wellcome's portfolio**
- In 2021, **Wellcome announced a pathway to net zero for its investment portfolio, which it aims to achieve by 2050 at the latest (further information overleaf)**

## Employment & Inclusion



- As part of Wellcome's new Vision and Strategy, **Equality, Diversity & Inclusion (EDI) underpin the focus to support science** to solve the urgent health challenges facing everyone. Wellcome's diversity and inclusion strategy was published in March 2021, setting three stretching goals for 2031, which are detailed on slide 23
- **Anti-racism principles and guidelines** were published in June 2021. In summer 2022, in response to the limited progress on this commitment Wellcome announced a new anti-racism programme with an action plan to drive greater progress
- An **EDI committee** was established in September 2022, who will oversee the progress on anti-racism

## Climate Change & Energy Transition



- **Committed to keeping the rising global average temperatures this century to less than 1.5°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 to offset travel-related carbon emissions**

## Social Responsibility: Our People



- In response to the Covid-19 pandemic, Wellcome was clear to staff that their **family, friends and caring responsibilities took precedence over their work**
- In light of rising costs of living in the UK and elsewhere due to factors including high energy prices, we implemented an **interim pay review in August 2022** and brought forward some of the annual pay award to support staff financially
- Our staff forum, Wellcome Exchange, gathers insights and ideas from around the organisation to help make Wellcome a better place to work

# Our Net Zero Pathway

by 2050...



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

- Applies to emissions from Wellcome's directly and indirectly held assets.
- In respect of our indirectly held assets, the target applies on a look-through basis to portfolio companies that are held by third party managers
- Target applies to Scope 1 and 2 emissions from our assets. However, we are encouraging adoption of science-based net zero targets, which include Scope 3 where these are material

### 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



### Reporting

Wellcome **reports 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**

### 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 is part of 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**



### Engagement

Wellcome engages closely with the managers of our assets. For example, we have sent a letter to our buyout managers detailing "best practice on net zero", and encouraging adoption of this



### 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

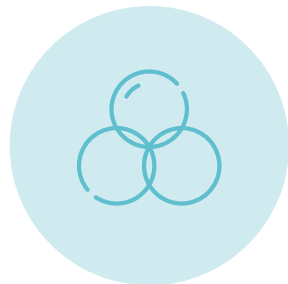
# Our Equity, Diversity and Inclusion Commitments

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%**

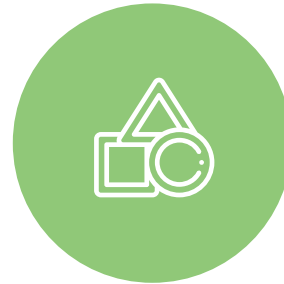
of BAME and disabled staff to feel that Wellcome is an inclusive organisation

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

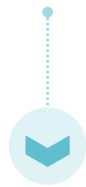


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**06**

# Concluding Remarks



# Conclusion



• Despite market volatility over the past year, long term returns remain strong



• 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





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# Wellcome Update Presentation

10<sup>th</sup> January 2023



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