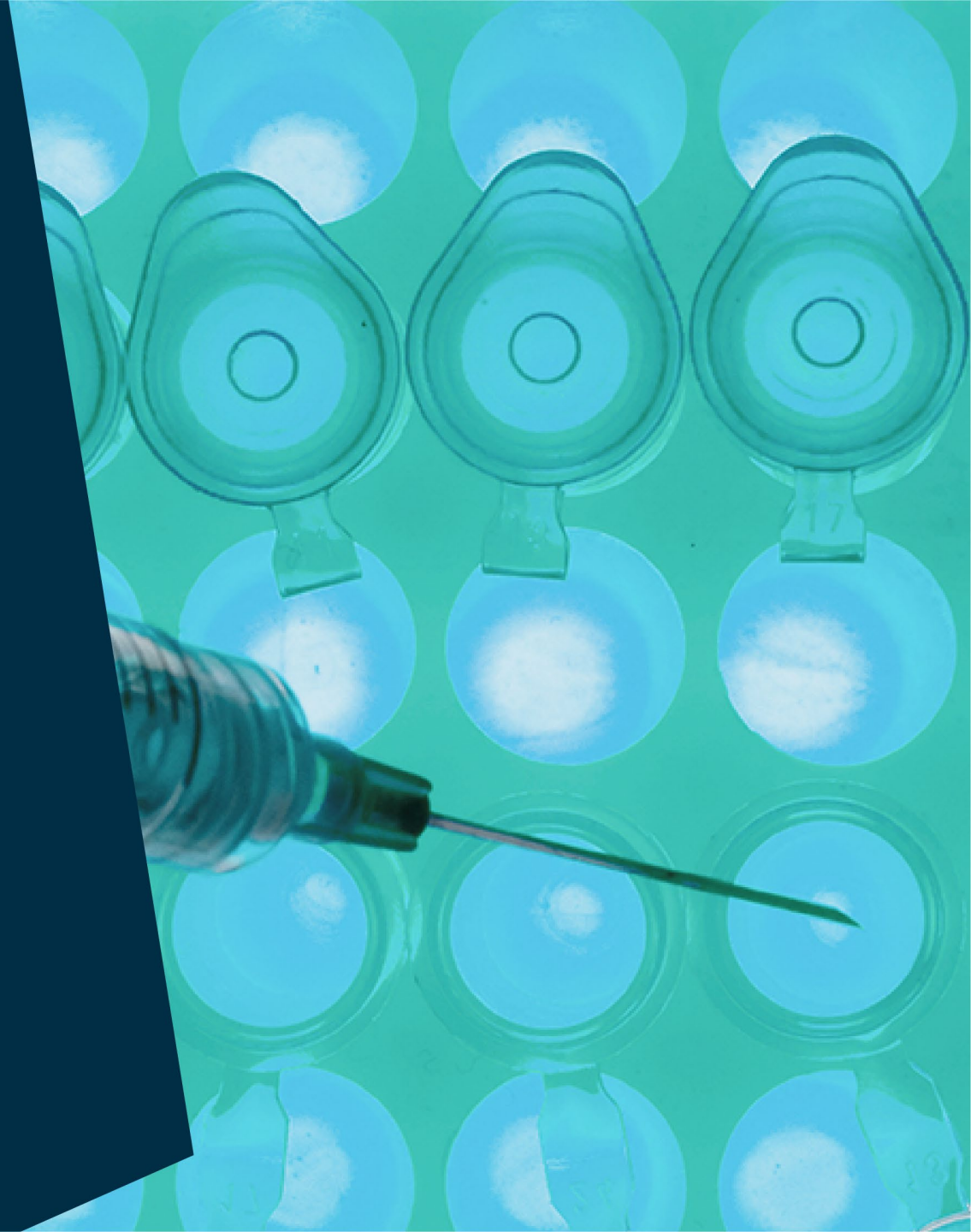




Wellcome Update Presentation

17 January 2024



Today's Speaker & Content Overview

3 Wellcome Overview

5 Investment Portfolio

11 Debt Management

17 Charitable Spending

21 Environmental, Social
and Governance Focus

24 Concluding Remarks



**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 £36.8bn 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

£36.8bn

**Net Portfolio
Value**

0.9%

**Nominal Sterling
Return FY 2022/23**

£1.3bn

**Charitable Cash
Expenditure FY
2022/23**

9.5%

**Trailing 10yr Real
Sterling Return**

Source: Wellcome Trust Annual Report (30 Sept 2023).



02

Investment Portfolio



The portfolio remains resilient



Over the past ten years, the portfolio has delivered a real return after inflation of **+188% in Sterling**. The net portfolio value stands at **£36.8bn**.



The bull market in global bonds decisively ended in 2023, as **interest rates rose across the yield curve**. Bond prices fell sharply but global equities rallied despite the difficult backdrop.

- We are now in a world of **structurally higher interest rates and a highly uncertain economic backdrop**. We expect to see higher volatility and persistently lower returns from most assets for the near future.
- Our primary focus in this difficult environment has been on **maintaining our cash flows**. However, as long-term investors, we are also actively looking for opportunities to **deploy capital into strong assets at attractive prices** to maximise future returns.

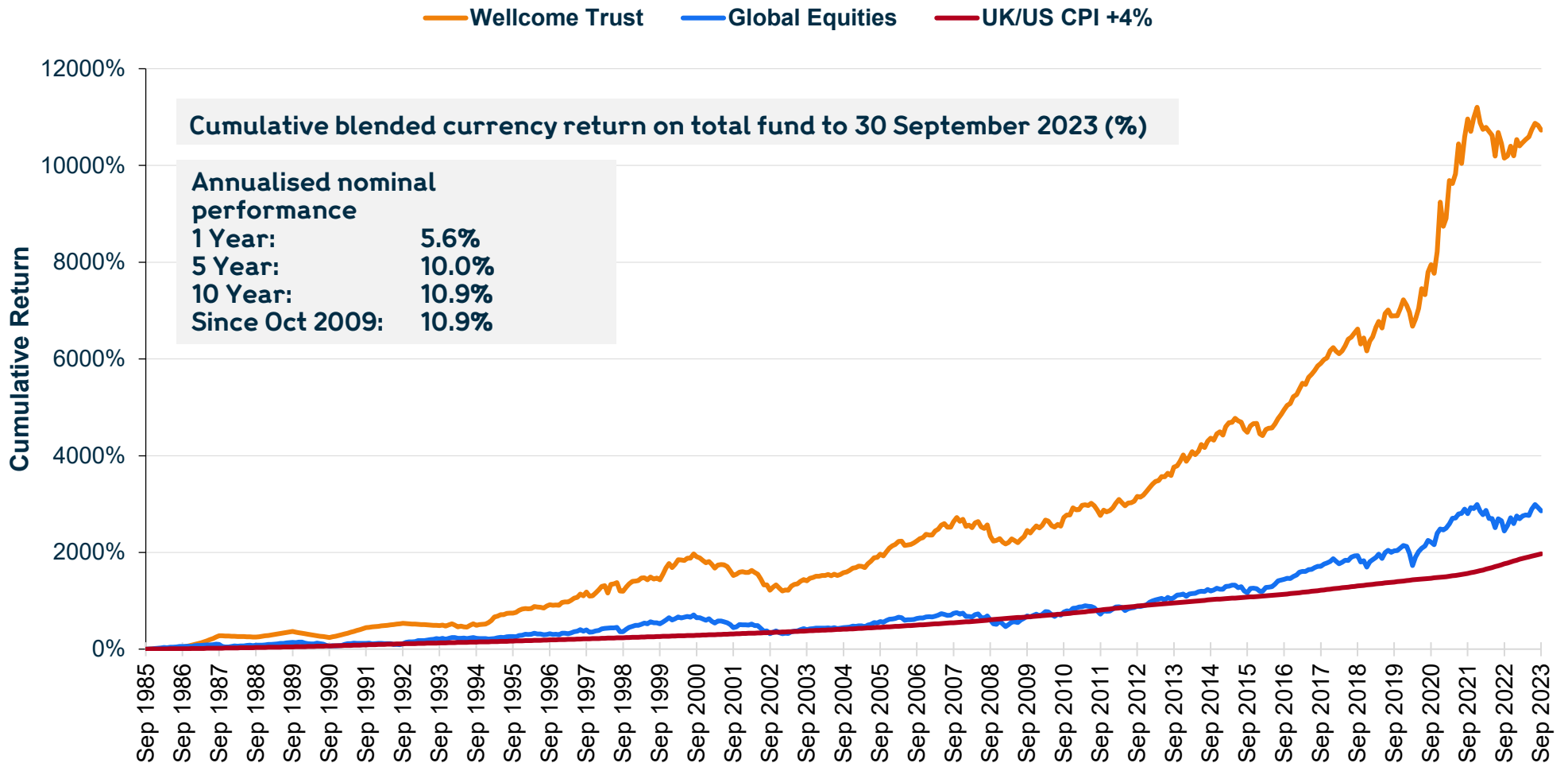


The portfolio returned **+0.9% in Sterling and +5.6% in blended currency** (in nominal terms). After taking account of £1.3bn in charitable cash expenditure over the year, this is equivalent to a gain of £0.3bn gross of liabilities.

- Although our public equity portfolio had a decent year, most of our assets are not invested in public markets so did not benefit from the market recovery.
- Sterling recovered from its lows around the end of our last financial year and Sterling returns were significantly impeded by currency strength – **in USD terms, the portfolio was up +10.3%**.

Note: Return calculations based on relevant currency; see Wellcome Trust Annual Report (30 Sept 2023). Blended currency return is measured 50% £ and 50% \$.

Long term returns are impressive

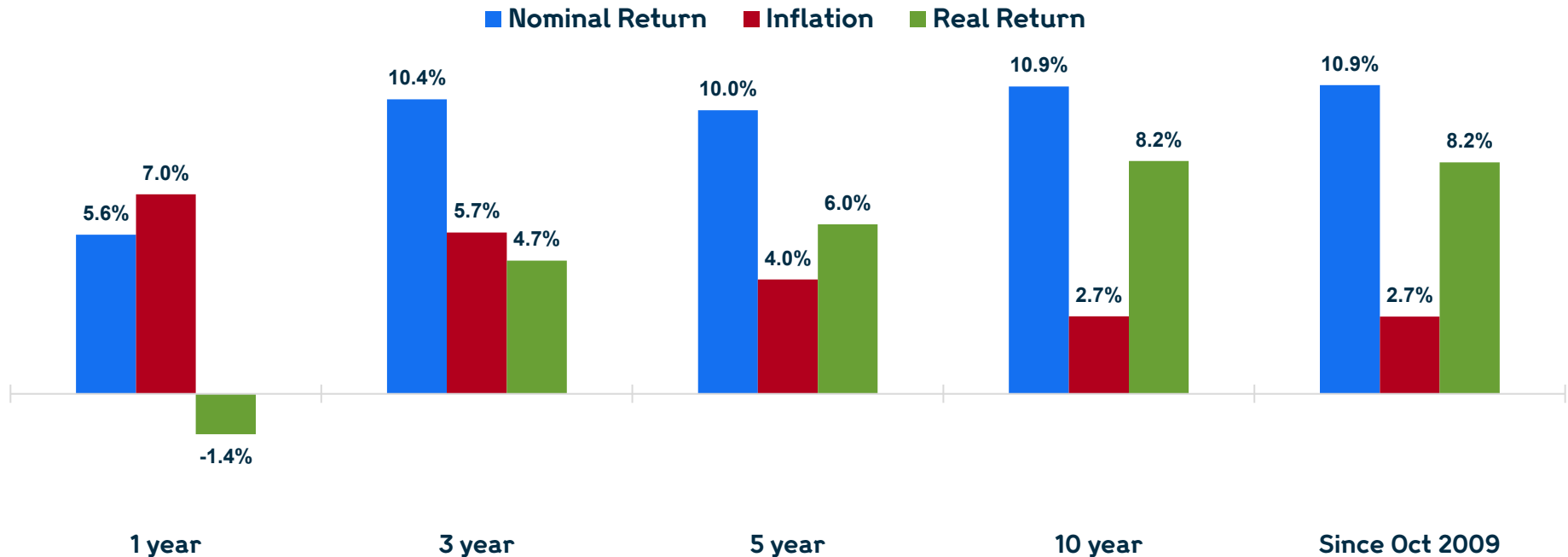


Note: Wellcome Trust performance is measured in £ until 30 September 2009 and 50% £ and 50% \$ thereafter. Inflation is defined as UK CPI until 30 September 2009 and a blend of 50% UK and 50% US CPI thereafter. Note that the target return was UK/US CPI +6% until 30 September 2012. It was reduced to UK/US 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 2023).



Despite inflation headwinds, global charitable spending power remains strong

Annualised blended returns as of 30 September 2023



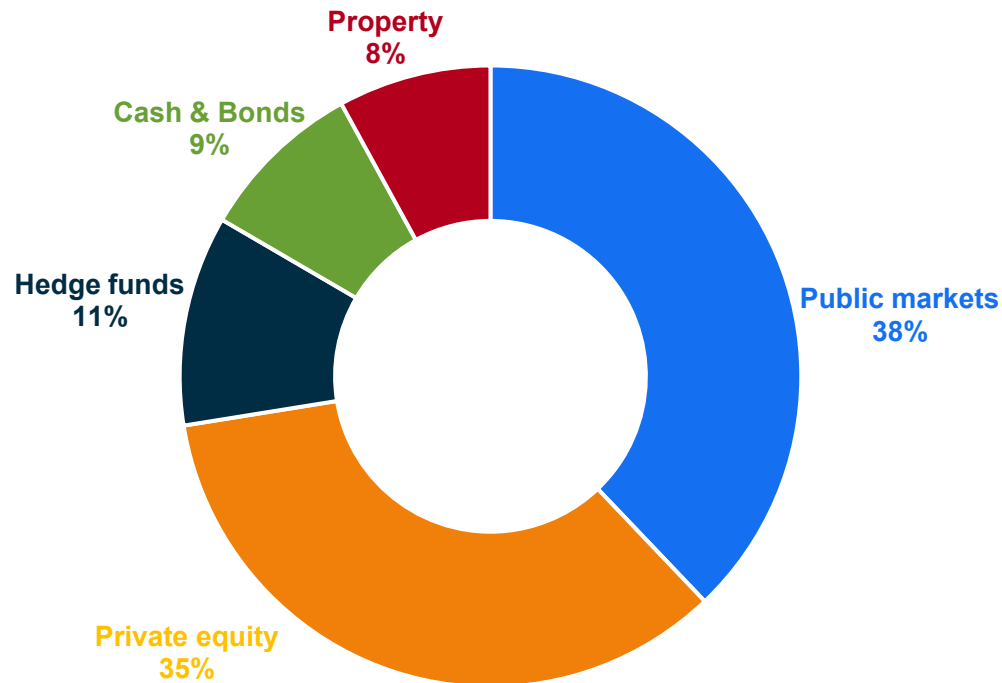
Strength of investment approach demonstrated through periods of market volatility

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 2023).

Our portfolio is diversified by asset class

Investment asset allocation as of 30 September 2023



- The portfolio is diversified both across and within asset classes.
- The portfolio's exposure to public equities as a proportion of total assets increased through FY 2022/23 due to strong performance while our private equity exposure fell slightly due to markdowns in outsourced PE vehicles.
- Our cash levels were consistently high throughout the year and stood at 8.6% of gross assets at year-end. As interest rates have risen sharply, we now earn a meaningful level of interest income on our cash holdings.

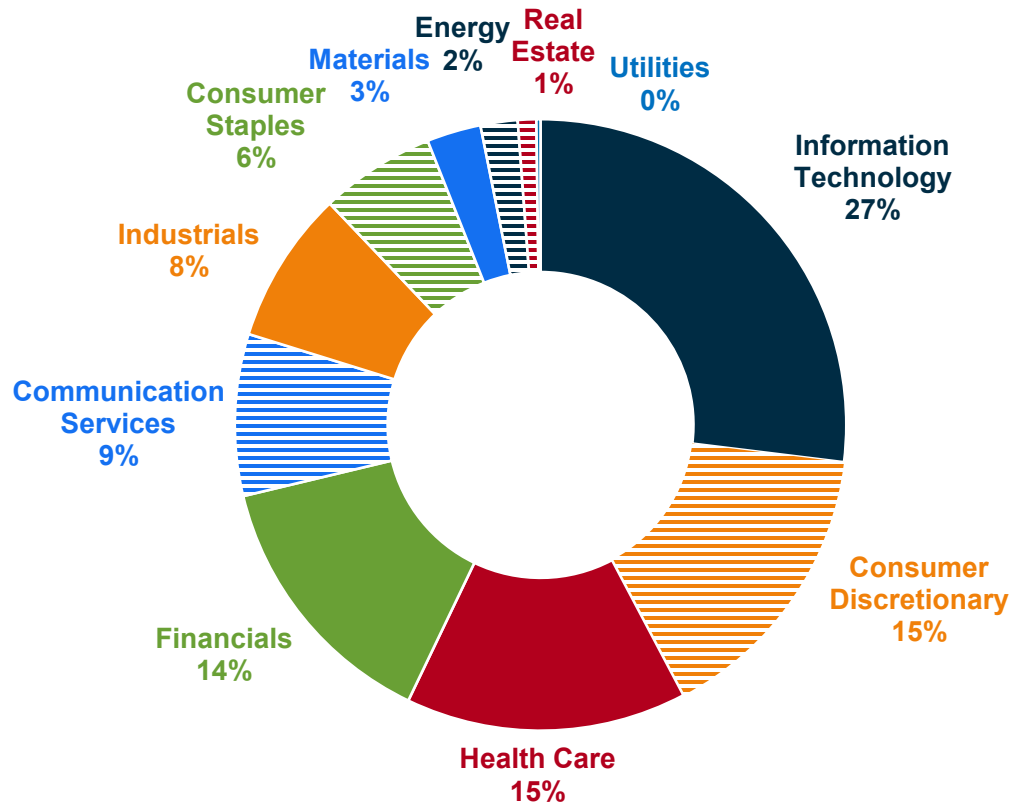
The investment portfolio is well positioned to weather volatility in markets

Note: Percentages are rounded.

Source: Wellcome Trust Annual Report (30 Sept 2023).

Our portfolio is diversified by sector

Public and private equity sectoral exposure as of 30 September 2023



- Exposure to the information technology sector in our broad equity portfolio has fallen from 30% in 2022 to 27% this year. This reflects markdowns in our VC portfolio and active sales to manage the position sizes of some of our large public equity positions.
- Exposure to the consumer discretionary sector (which includes many e-commerce companies), has fallen for similar reasons.
- Energy sector exposure fell from 3% to 2% as we continue to allow our legacy book of energy PE funds to run off. We will not be replacing these positions as holding periods are not long enough to allow PE managers to take a long-term view of the need to decarbonise energy companies.

Note: Percentages are rounded.

Source: Wellcome Trust Annual Report (30 Sept 2023).

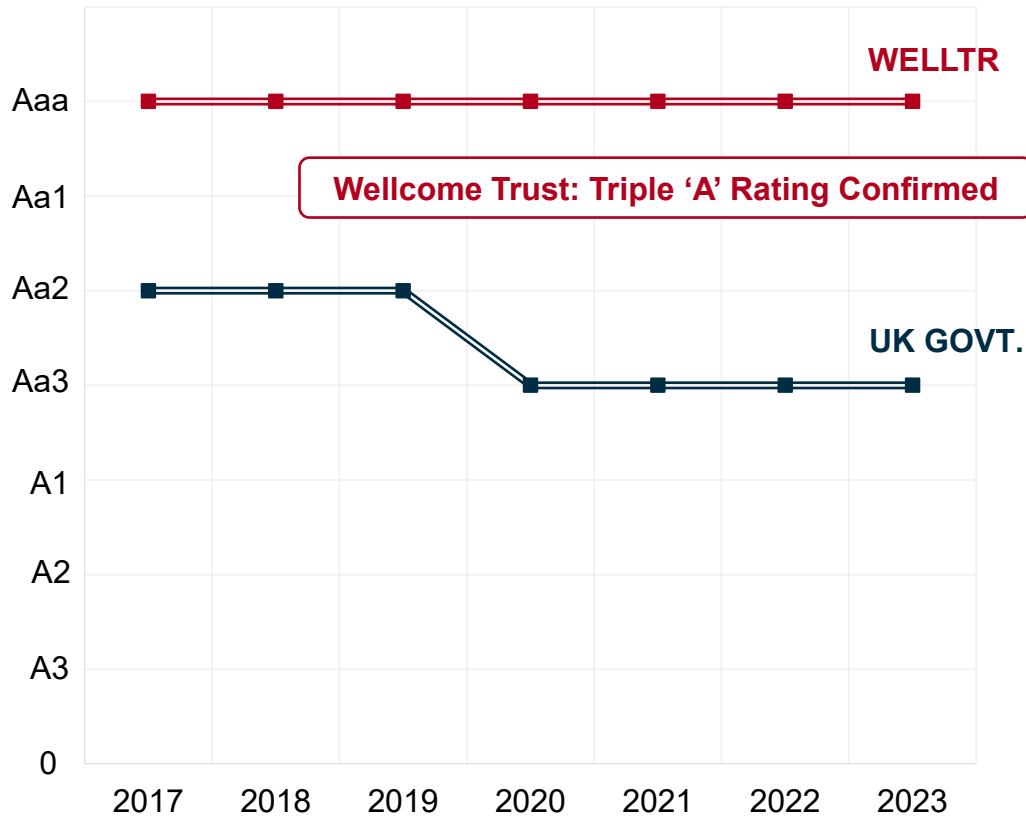


03

Debt Management



Stable triple 'A' credit rating over time



MOODY'S

"The credit profile of Wellcome Trust Limited...is supported by its very high level of spendable cash and investments...low leverage...a high degree of spending flexibility when awarding grants; and an extremely strong liquidity position...We consider Wellcome to have very limited exposure to the credit profile of the government of the United Kingdom." **Moody's Credit Opinion on Wellcome Trust Limited, 27-Oct-2023**

S&P Global Ratings

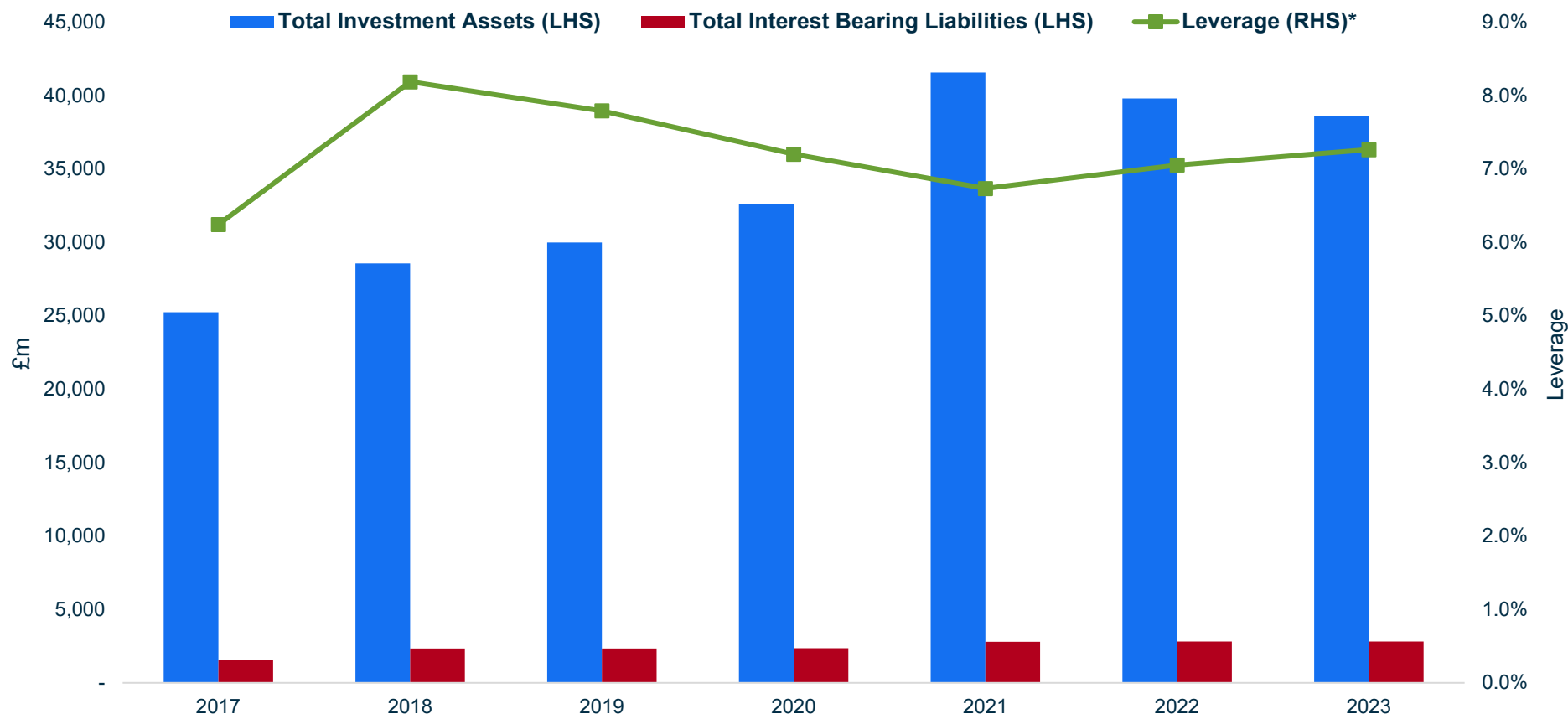
"Our ratings on Wellcome are above our ratings on both the U.K. (AA/Negative/A-1+) and the U.S. (AA+/Stable/A-1+) We believe Wellcome is unlikely to default, even if these sovereigns were to default...We also consider Wellcome to be independent from the U.K. and U.S. governments and acknowledge the low risk of negative intervention by governments. Furthermore, it holds significant flexibility to reduce grant distribution without affecting its charitable status."

S&P Rating Report on Wellcome Trust, 28-Mar-2023

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-Oct-23.
S&P Research Update of Wellcome Trust, 28-Mar-23

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 2023); Wellcome Trust Annual Reports, 2018, 2020 & 2022

The net of 'Total Investment Assets' and 'Interest Bearing Liabilities' differs from the £36.8bn net portfolio figure on Slide 4 due to the adjustment of £1.0bn to interest bearing liabilities as a result of 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

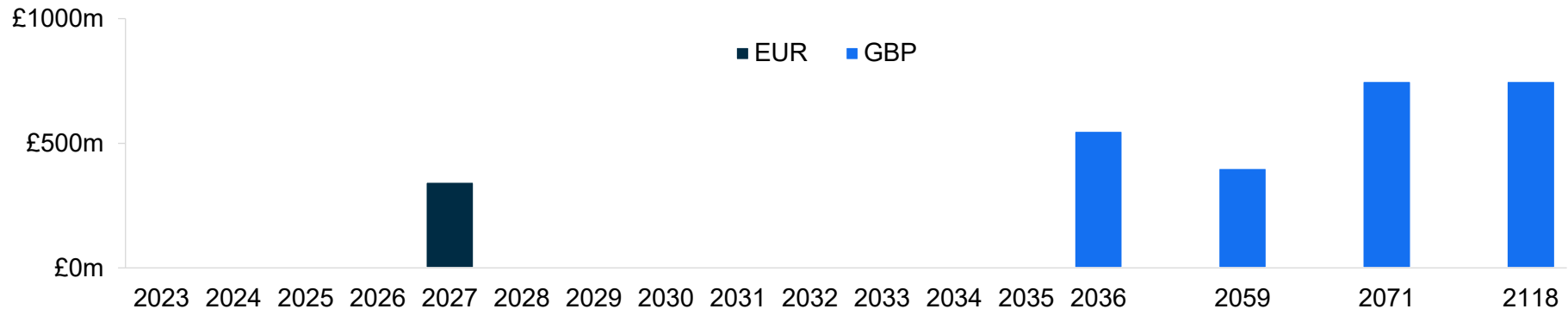


Our focus on cash flow, coupled with the low and fixed interest rates on our bonds, ensures that our debt servicing capacity remains exceptional



Our debt maturities are spaced so there are no refinancing "cliffs"

Wellcome's Debt Maturity Profile



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

Our team is stable



Our Investment leadership team is comprised of our Managing Partner, Nick Moakes, our Managing Directors and Principals, and our Head of Investment Operations and Systems. Peter Pereira Gray continues to serve as an Emeritus Partner and advise the team.

Between our leadership team, we have over 117 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 and Managing Directors joined as Investment 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

- **John-Arne Røttingen has been appointed as Wellcome's new Chief Executive Officer.** John-Arne was formerly the Ambassador for Global Health at the Ministry for Foreign Affairs in his native Norway and has worked closely with Wellcome in multiple roles. Paul Schreier will stay on as the interim Chief Executive Officer until the end of a short transition period in early 2024.
- Our **Board of Governors** is formed of individuals with a wide variety of backgrounds including investments, science, business and public life. It is chaired by The Hon. Julia Gillard, former Prime Minister of Australia. **Two new governors, Stephen Lovegrove and Diana Noble, joined the Board in November 2023.** Stephen will chair the Audit and Risk Committee whilst Diana will chair the Remuneration Committee.
 - 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, compliance and risk management. It is also a sub-committee of the Board.
- We maintain an **Investment Policy**, which describes our investment philosophy 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.



04

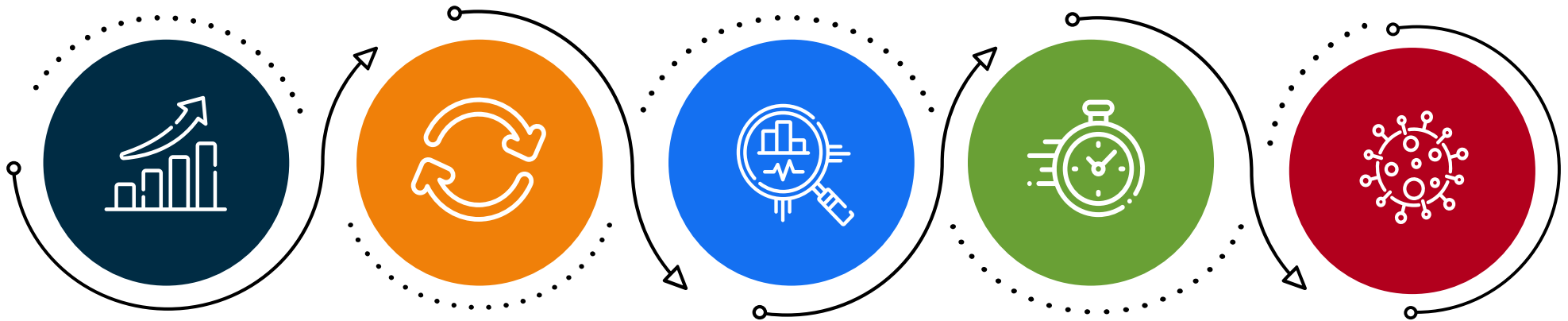
Charitable Spending



Our Charitable Spending Policy

Our Focus

Ensuring our long-term financial position is secure and our spending levels are sustainable, including preserving the value of the investment base



2022/2023 was the first year of the decade in which Wellcome plans to spend £16bn on our mission of supporting science to solve the urgent health challenges facing everyone

Although higher inflation will mean that our money cannot fund as much work as it otherwise would have done, it is a solid platform from which to pursue scientific impact and improvements in health for everyone

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 for the net investment portfolio 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

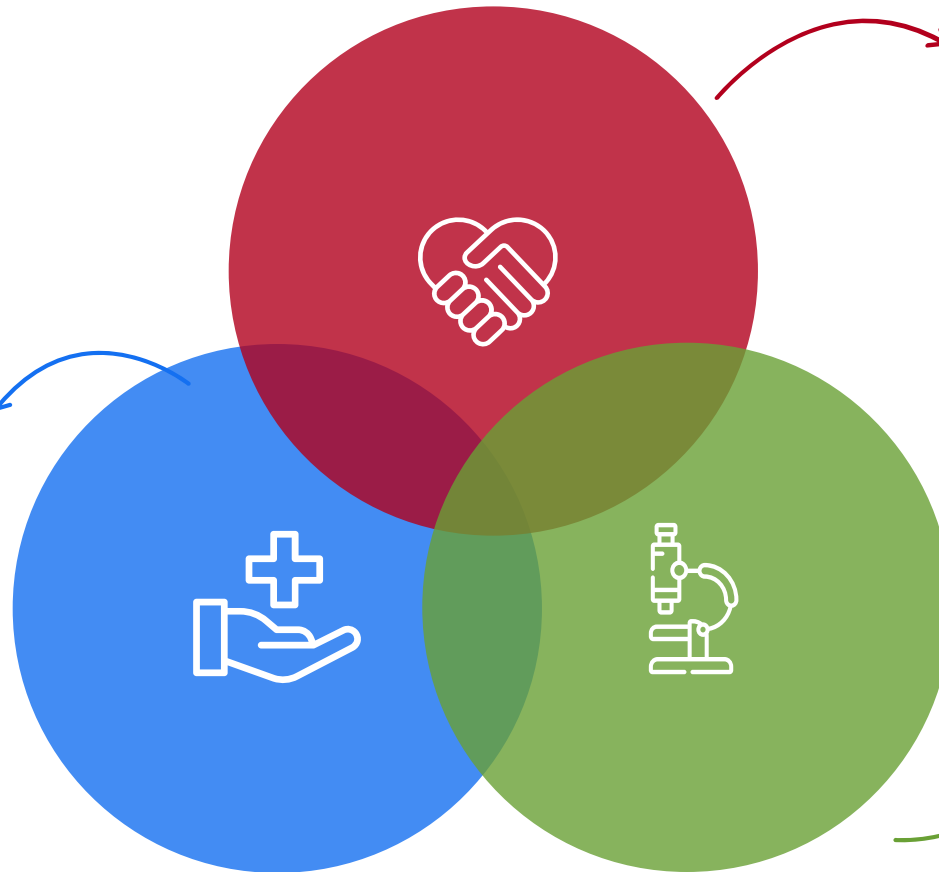
Considerable expenditure flexibility supports stability and predictability of future cash flows

Our Vision

Our Mission

Wellcome supports science to solve the urgent health challenges facing everyone

We're taking on three worldwide health challenges – **infectious diseases, climate and health, and mental health** – with programmes of work that will draw on Wellcome's expertise across science, innovation and society



Equity, diversity and inclusion, and creating a positive culture in research, are central to our strategy and will be embedded into the work we fund and do

We'll also support a **broad programme of discovery research** with the potential to make unanticipated discoveries about life, health and wellbeing – both to help us tackle these challenges, and drive advances in other areas

2022/23 Allocation of Charitable Spending

Our total charitable expenditure in FY 2022/23 amounted to £1,702m and was spent across the following areas:



We believe in the power of science to create knowledge that builds a healthier future for everyone

This infographic provides several examples of the projects included in the allocation of charitable expenditure through FY 2022/23. Full information about our funding is in our Annual Report and Financial Statements (30 Sept 2023)



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05

**Environmental,
Social and
Governance**



ESG Responsibility at Wellcome

Delivering our mission will produce benefits to society through research and health innovations. How we operate is also part of our impact on the world, and we have a responsibility to lead by example in our approach to environment, social and governance considerations, whether that's reducing carbon emissions or becoming more inclusive.

Investment Portfolio

- The investment team believes 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 the energy transition will have a financial impact on multiple sectors.
- In 2021, **Wellcome announced a pathway to net zero for its investment portfolio, which it aims to achieve by 2050 at the latest.**



Employment & Inclusion

- In July 2023, we announced the appointment of **our first Chief Equity, Diversity and Inclusion Officer.**
- In 2024, we will also begin a three-year **action plan to progress toward becoming anti-ableist.**
- In Autumn 2022, we developed an **action plan to becoming an anti-racist organisation** where 28 out of 30 milestones were completed as of August 2023.
- Wellcome's diversity and inclusion strategy was published in March 2021, setting three stretching goals for 2031. We intend to share a progress update in 2024.



Climate Change & Energy Transition

- We aim to reach **net zero by 2030 for scope 1 and 2 emissions** generated by Wellcome's direct charitable activity and operations.
- We are also determined to reach net zero for our scope 3 emissions, which include those generated by the research we support.
- We are working towards **meeting TCFD reporting requirements, with a view to improving our reporting in 2024.**



Governance

- How an organisation operates in the world is not only determined by its structures, rules and procedures. At Wellcome, governance is also about **understanding what is integral to us as an organisation, and how we want to act as a result.**
- Key governance issues for Wellcome include **safeguarding, data protection, modern slavery, and preventing bribery and fraud.**
- We have developed our **business ethics team**, keep our **code of conduct** up to date, provide a **safeguarding framework** and deliver **mandatory training for staff on anti-corruption and personal data compliance.**



Our Investments Net Zero Pathway

Aim: Net Zero for the Investment portfolio by 2050

- Applies to emissions from Wellcome's directly and indirectly held assets.
- For 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

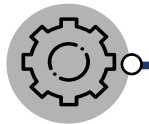
We are taking a **staggered approach** to measuring the investment portfolio's absolute emissions, taking into account when emissions can be reliably determined for each asset class. We measured a baseline for our public equities' emissions in 2019 and for property in 2021.

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 **establish common measurement and disclosure standards.** This year, we signed a group investor letter to **encourage companies to disclose carbon emissions data and set Science-Based Targets.**



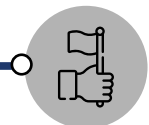
Reporting

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.**



Engagement

Wellcome engages closely with our asset management teams. For example, **we have had multiple conversations with partners** on net zero target setting and implementation, sharing best practice when possible.



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



06

Concluding Remarks



Conclusion

Despite a difficult market environment 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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