

# Investment Sub Committee

## Annual Investment Report to Council 31 July 2024

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### 1. Executive Summary

Building on the divestment from fossil fuel companies enacted in 2022-23, the University has ensured a continuing focus on the environmental, social and governance (ESG) aspects of its investment portfolio.

To complement the comprehensive Statement of Investment Policy, a more accessible Responsible Treasury and Investment Statement has been published and will be updated regularly, setting out clearly the University's commitments, the policy exclusions and ESG-related targets.

The University's targets for the endowment portfolio have been reviewed during the year, including performance and ESG-related targets, and as a result two new ESG targets have been incorporated.

Separate to the endowment portfolio, the University has made new investments during the year in UK government gilts and an equity-only supplemental portfolio. While this is reported separately to the main endowment investments, the ESG-related stipulations in the Statement of Investment Policy remain.

The University remains committed to:

- Specific exclusions in fossil fuels, manufacturing and supply of weapons, tobacco, adult entertainment and gambling
- Actively making sustainably-themed investments
- Transparency – a full list of all holdings is available at the end of this report
- Representation – the Students Union is represented at our Investment Sub Committee (ISC) and a list of members is published on the University website

In terms of financial performance the consolidated portfolio has generated 6.4% total return over the year to 31 July 2024, slightly over the target of CPI +3.2%.

### Sustainability and target setting

The University is committed to sustainability within its endowment investments and the proactive allocation of sustainability-themed investments. During the year these targets were

reviewed and as a result two new targets have been incorporated.<sup>1</sup> The current targets are as follows:

- 1) Reducing “exposure to carbon intensive companies”, as measured by Weighted Average Carbon Intensity (WACI). This is an indicator of current climate-related risks facilitating comparison across asset classes and across industry sectors, in the endowment’s equities allocation.
- 2) Making initial investments in sustainability-themed investments. For example, in climate change mitigation, low carbon technology, social housing, sustainable infrastructure, energy efficiency and other opportunities.
- 3) Reducing scope 3 emissions of the portfolio, to be measured by the weighted average carbon intensity (WACI) of scope 3 (new from 2024)
- 4) Increasing the proportion of the portfolio that has an implied temperature rise (ITR) of less than 1.5 degrees (new from 2024)

Progress against these targets can be found at section 4 below.

## **2. Financial target setting**

The financial targets of the portfolio were reviewed during the year and are retained. The University wishes to pursue an investment policy which provides capital growth with a medium level of risk over the longer term.

To this end the primary objective to achieve a total return, including dividends, interest, rent or other income, and capital appreciation, of CPI Inflation + 3.2% per annum net of fees, over 3-5 years.

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<sup>1</sup> The previous target to reduce future emissions by focussing on absolute potential emissions (tons of CO<sub>2</sub>e) has been achieved. This is a reserves-based measure that focusses on emissions that could be generated if the proven and probable fossil fuel reserves owned by the companies in the endowment’s equities allocation were burned. Due to divestment from fossil fuels, these emissions are now zero.

### 3. Financial performance

#### 3.1 Portfolio performance (net of fees) as at 31 July 2024 – total return basis

Performance to 31 <sup>st</sup> July 2024 (%pa)				
	1 year	3 years	5 years	Since inception 28/07/2015
Royal Holloway	6.4%	0.0%	2.6%	4.7%
CPI +3.2%	5.5%	9.7%	7.7%	6.6%
Greenbank Charity Risk Level 4 Benchmark*	12.0%	4.7%	5.3%	6.9%
Greenbank Charity Risk Level 5 Benchmark*	13.0%	6.3%	6.1%	7.3%

\* The formal benchmark of the portfolio changed from Risk Level 4 to Risk Level 5 during the previous year to 31 July 2023. Data for previous years has not been restated.

The portfolio delivered a positive total return over the year, driven by global equities and bonds, with attractive rates also generated by cash instruments. Market returns were impacted by investor expectations around how quickly interest rates would rise, at what level they would peak and for how long, and whether there would be recessions in the major economies. Geopolitical tensions also had an impact, adding to volatility across asset classes. The eventual easing of inflation data saw improved sentiment towards interest-rate sensitive investments, particularly smaller and oversold companies focused on sustainable growth. More political stability in the UK following the election was also helpful.

Thematically, seven very large, US-based technology stocks dominated global equity returns. Their share prices were fuelled by investors building hopes of enhanced future company earnings, driven by Artificial Intelligence (AI). A lower level of portfolio exposure to these names on ethical and/or valuation grounds created some overall drag relative to the benchmark return. The portfolio's exposure to the AI theme has been actively increased over the year and a lower interest rate environment is expected to be a tailwind for the portfolio's long-term, sustainable growth looking ahead.

#### 3.2 Income

As a charitable institution we have a duty to manage and administer our endowment funds appropriately and there are restrictions on our use of the endowment assets we hold. We use the income generated from these assets each year to contribute towards our charitable purpose to support education and promote research for the public benefit.

Income from the portfolio for the year to 31 July 2024 was £1.5m.

### 3.3 Investment portfolio and asset allocation<sup>2</sup>

As at 31 July 2024 the total market value of the portfolio was £53,454k (2023: £51,560k).

Fund	Market value as at 31 July 2024 £000	Market value as at 31 July 2023 £000
Founders Endowment Fund	41,534	40,047
Scholarship Endowment Fund	7,837	7,572
General Endowment Fund	3,069	2,962
Hilda Martindale Endowment Fund	1,014	979
Total portfolio	53,454	51,560

The asset allocation as at 31 July 2024 was as follows:

		Asset allocation % 31 July 2024	Asset allocation % 31 July 2023
Liquidity	Cash	1.1	0.6
	UK government bonds	3.8	2.4
	Overseas government bonds	1.5	2.0
	High Quality Investment Grade	1.3	3.6
Equity-type risk	Fixed income	4.9	7.4
	UK equities	31.6	36.9
	North American Investments	27.6	18.3
	European Investments	6.8	7.1
	Asia Pacific Investments	1.7	1.6
	Emerging Market Investments	2.1	2.1
	Global equity funds	7.1	6.9
Diversifiers	Infrastructure Funds	5.9	6.1
	Property Funds	4.6	5.0
		100.0	100.0

## 4. Performance against ESG targets

### 4.1 Weighted Average Carbon Intensity (WACI)

The weighted average carbon intensity method measures a portfolio's exposure to carbon-intensive companies based on CO<sub>2</sub> emissions per million pounds of sales, adjusted according to each holding's weighting within a portfolio.

This target was reviewed mid year after improved data quality led to a reduction in the portfolio's WACI. The target has been updated to a WACI of 85 by the end of July 2025

<sup>2</sup> The source for the detailed analysis in this report is Rathbones

As at 31 July 2024 the WACI was 79.14 therefore this measure has been met ahead of target. This will be reviewed in July 2025 with a view to revising the target.

Performance against target:

1	Target of 85 to be achieved by July 2025	MET
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#### 4.2 Making sustainably-themed investments

A method has been developed to map the portfolio’s exposure to sustainable development themes, linked to the UN Sustainable Development Goals, and categorises holdings into one of four categories:

- A. Acts to avoid harm (a holding cannot become part of the portfolio unless it meets this criterion)
- B. Benefits people and/or planet
- C. Contributes to solutions; and
- C+ Contributes highly to solutions

Investments are assessed in terms of what they do and how they operate. The table below shows the current balance across the portfolio as at 31 July 2024, and the substantial progress that has been made since December 2018. The proportion of holdings within C or C+ categories has dropped slightly to 6.95%. The reason for the reduction is largely due to the introduction of the equity-only supplemental portfolio during the year (as referenced in the introduction above). This target will be closely monitored during the coming year.

The investments within the C category include companies such as Greencoat Wind, IP Group, Renewi & Vestas. Greencoat UK Wind is a leading operator of on- and offshore windfarms in the UK, generating enough renewable electricity to avoid 2.5m tonnes of carbon dioxide and power 2.3 million homes per annum. IP Group is a specialist investor in spin-outs from UK universities, with many investments in innovative early-stage healthcare companies. Renewi is involved in a range of recycling and waste activities, including processing and cleaning contaminated soil, water and minerals, making them suitable for reuse. Vestas is a manufacturer of wind turbines, with over 164GW of turbines installed, which are estimated to avoid over 1.9bn tonnes of carbon emissions over their lifetime.

	Dec-18	Jul-23	Jul-24
Cash	2.39%	0.62%	5.76%
Other	45.85%	0.00%	0.01%
A - Acts to avoid harm	24.96%	35.79%	47.34%
B - Benefits people and/or planet	19.95%	53.10%	39.95%
C - Contributes to solutions	1.31%	9.45%	6.37%
C+ - Contributes highly to solutions	0%	1.03%	0.58%

Performance against target

1	At least 99% of holdings excluding cash will be in categories A-C	MET
2	The portfolio will achieve at least 15% of holdings in category C and C+ ("contributes to solutions") within 5 years from August 2021.	UNDER REVIEW

#### 4.3 Scope 3 emissions (NEW in 2024)

Scope 3 emissions are not produced by companies themselves but represent their indirect emissions, such as business travel or supply chain emissions. Reporting scope 3 provides a fuller picture of the impact of the companies invested in. The estimated scope 3 weighted average carbon intensity at 31 July 2024 is 624.17, far surpassing the 85 target for scope 1 and 2 emissions.

The target has been derived by taking the top end of the EU Technical Expert Group on Sustainable Finance recommendation that a reduction in the WACI of 5-7% per year is needed for portfolios to align with the goals of the Paris Agreement. 2030 has been selected as it aligns with the Paris Agreement's interim goal and it gives Royal Holloway time to adapt this target should the data quality change materially.

1	A weighted average carbon intensity of Scope 3 of 411 by 2030 (a decrease of 34% compared to July 2024).	ON TRACK
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#### 4.4 Implied Temperature Rise (ITR; NEW in 2024)

This measure is modelled by MSCI. It takes carbon emission targets and translates them into an implied temperature rise equivalent. This measure now includes a credibility assessment making it more reliable and robust. This figure is relatively nascent and seeks to translate complex modelling into easy-to-understand outputs. As a result, definitions of what is aligned with 1.5 degrees might change during the lifetime of the target.

Implied temperature rise	Current portfolio	Proposed target by 2026
Below 1.5 degrees	30.2%	60%
1.5-2 degrees	34.6%	
Above 2 degrees	35.3%	<15%
Average ITR	2.01°C	

The 2026 target figures are based on end goals of negligible above 2°C by 2030 and 100% below 1.5°C by 2035. These dates are ahead of net zero goal dates as companies need to both align their business plans to net zero comprehensively, and then deliver on those plans.

NB. The data on which this measure is based is constantly evolving and is therefore subject to change. Methodologies for reporting can vary. These factors may impact progress in achieving the targets as set out.

Further information on the ITR methodology can be found [here](#)

1	Percentage of portfolio with an implied temperature rise of below 1.5 degrees will be at least 60% by 2026	ON TRACK
2	Percentage of portfolio with an implied temperature rise of above 2 degrees will be below 15% by 2026	ON TRACK

## 5. Engagement activities

Our investment manager's engagements include a range of issues working towards environmental and social change across the areas below. A report is provided at each meeting of the Investment Sub Committee detailing specific engagement activities undertaken each quarter.<sup>3</sup>

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<sup>3</sup> The latest Greenbank engagement review can be found here:  
[https://www.greenbankinvestments.com/sites/greenbankinvestments.com/files/literature/pdfs/2024-04/greenbank\\_engagement\\_review\\_2023-24.pdf](https://www.greenbankinvestments.com/sites/greenbankinvestments.com/files/literature/pdfs/2024-04/greenbank_engagement_review_2023-24.pdf)

## Royal Holloway & Bedford New College Endowments

### Holdings as at 31 July 2024

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SECURITY NAME	VALUATION GROUP
TREASURY 0% T-Bill 12/08/2024	UK Conventional Government Bonds
TREASURY 5% Stock 7/03/2025	UK Conventional Government Bonds
TREASURY 7/8% Green Gilt 31/07/2033	UK Conventional Government Bonds
TREASURY 4 3/4% Stock 7/12/2038	UK Conventional Government Bonds
TREASURY 4 1/4% Stock 7/12/2046	UK Conventional Government Bonds
ABRDN OEIC V Gbl Index Lkd Bond S Instl Inc	Overseas Index Linked Govt Bonds
EURO INVESTMENT BANK 3.75% MTN 7/12/2027	UK Inv Grade Bonds - Higher Quality
LLOYDS BANKING GROUP PLC 6.5% Snr EMTN 17/09/2040	UK Inv Grade Bonds - Higher Quality
RATHBONES ASSET MGMT Ethical Bond S Inc (GBP)	UK Investment Grade Bonds
ROYAL LONDON UNIT TRUST MGRS Ethical Bond Z Inc	UK Investment Grade Bonds
MIROVA FUNDS Global Green Bd HSIA Acc (GBP)	Overseas Investment Grade Bonds
FDM GROUP HOLDINGS PLC 1p Ordinary Shares	Software & Computer Services
SMITH & NEPHEW PLC USD0.20 Ordinary Shares	Medical Equipment & Services
ASTRAZENECA PLC USD0.25 Ordinary Shares	Pharmaceuticals & Biotechnology
GSK PLC 31 1/4p Ordinary Shares	Pharmaceuticals & Biotechnology
LLOYDS BANKING GROUP PLC 10p Ordinary Shares	Banks
IP GROUP PLC 2p Ordinary Shares	Investment Banking & Brokerage
M&G PLC 5p Ordinary Shares	Investment Banking & Brokerage
LEGAL & GENERAL GROUP PLC 2 1/2p Ordinary Shares	Life Insurance
PRUDENTIAL PLC 5p Ordinary Shares	Life Insurance
HOME REIT PLC 1p Ordinary Shares	Real Estate Investment Trusts
LONDONMETRIC PROPERTY PLC 10p Ordinary Shares	Real Estate Investment Trusts
BELLWAY PLC 12 1/2p Ordinary Shares	Household Goods & Home Construction
RELX PLC 14.44p Ordinary Shares	Media
DIAGEO PLC 28 101/108p Ordinary Shares	Beverages
TESCO PLC 6.333333p Ordinary Shares	Personal Care Drug & Grocery Store
UNILEVER PLC 3 1/9p Ordinary Shares	Personal Care Drug & Grocery Store
GENUIT GROUP PLC 0.1p Ordinary Shares	Construction & Materials
HALMA PLC 10p Ordinary Shares	Electronic & Electrical Equipment
COATS GROUP PLC 5p Ordinary Shares	General Industrials
HILL & SMITH PLC 25p Ordinary Shares	Industrial Engineering
SPIRAX GROUP PLC 26.9230769p Ordinary Shares	Industrial Engineering
EXPERIAN PLC USD0.10 Ordinary Shares	Industrial Support Services
JOHNSON MATTHEY #1.101698 Ordinary Shares	Chemicals



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SSE PLC 50p Ordinary Shares	Electricity
NATIONAL GRID PLC 12.431289p Ordinary Shares	Gas Water & Multi-utilities
RENEWI PLC #1 Ordinary Shares	Waste & Disposal Services
SCHRODER BSC SOCIAL IMPACT TST Ordinary Shares	UK Investment Companies
HYDROGENONE CAPITAL GROWTH PLC 1p Ordinary Shares	Private Equity Stocks
ACCENTURE PLC New A Class Shares	North American Investments
ADOBE INC NPV Common Stock	North American Investments
ADVANCED DRAINAGE SYSTEM INC USD0.01 Common Stock	North American Investments
ANSYS INC USD0.01 Common Stock	North American Investments
APPLIED MATERIALS INC NPV Common Stock	North American Investments
APTIV PLC USD0.01 Common Stock	North American Investments
AUTODESK INC NPV Common Stock	North American Investments
BROWN ADVISORY FUNDS US Sustainable Growth C Inc	North American Investments
DEERE & CO USD1 Common Stock	North American Investments
DEXCOM INC USD0.001 Common Stock	North American Investments
EDWARDS LIFESCIENCES CORP USD1 Common Stock	North American Investments
ENPHASE ENERGY INC USD0.00001 Common Stock	North American Investments
EQUITY TRUSTEES FUND SERVICES AllianceBern Sust US S Inc	North American Investments
FRANKLIN TEMPLETON GBL FDS PLC Clearbridge US Eqty Sust S Hgd	North American Investments
HANNON ARMSTRONG SUST INFRA USD0.01 Common Stock	North American Investments
JOHNSON CONTROLS INTL USD1 Common Stock	North American Investments
MICROSOFT CORP USD 0.00000625 Common Stock	North American Investments
ON SEMICONDUCTOR USD0.01 Common Stock	North American Investments
PAYCHEX INC USD0.01 Common Stock	North American Investments
REPUBLIC SERVICES INC USD0.01 Common Stock	North American Investments
STERIS PLC USD0.001 Ordinary Shares	North American Investments
THERMO FISHER SCIENTIFIC INC USD1 Common Stock	North American Investments
VISA INC USD0.0001 Common Stock	North American Investments
XYLEM INC USD0.01 Common Stock	North American Investments
ALFEN NV EUR0.10 Shares	European Investments
ASML HOLDINGS NV EUR0.09 Shares (Post Split)	European Investments
ASSA ABLOY NPV Ser B Shares	European Investments
BOLIDEN AB NPV Shares (Post Split)	European Investments
INFINEON TECHNOLOGIES AG NPV Ordinary Shares (Regd)	European Investments
LIONTRUST INVESTMENTS LTD Sust Future Eurp Growth 2 Acc	European Investments
ORSTED AS DKK10 Shares	European Investments
ROCHE HOLDINGS AG Genusscheine NPV Shares	European Investments
TOMRA SYSTEMS ASA NOK0.50 Shares (Post Split)	European Investments
VESTAS WIND SYSTEMS DKK0.20 Shares (Post Split)	European Investments
STEWART INVESTORS Asia Pacific Sust B Acc (GBP)	Asia Pacific Investments
FIRST SENTIER INVESTORS (UK) Stewart Gbl EM Sustain B Acc	Emerging Market Investments
IMPAX FUNDS (IRE) PLC Environmental Mkts X Acc (GBP)	Global Investments
JANUS HENDERSON INVESTMENTS Gbl Sustainable Equity I Inc	Global Investments
PICTET ASSET MGMT Gbl Environment Opps J DY Inc	Global Investments

# Greenbank

SCHRODER INVESTMENT MGMT Global Energy Transition Q Inc	Global Investments
GCP INFRASTRUCTURE INV LTD 1p Ordinary Shares	Infrastructure Funds
GREENCOAT UK WIND PLC 1p Ordinary Shares	Infrastructure Funds
HICL INFRASTRUCTURE CO LTD 0.01p Ordinary Shares	Infrastructure Funds
OCTOPUS RENEW INFRA TRUST PLC 1p Ordinary Shares	Infrastructure Funds
RENEWABLES INFRASTRUCTURE GRP NPV Ordinary Shares	Infrastructure Funds
CHARITIES PROPERTY FUND Property Fund Income	Property Funds
MAYFAIR CAPITAL INVEST MGMT Property Inc Trust For Charity	Property Funds

## Additional information

**The value of investments and the income from them may go down as well as up and you may not get back your original investment. Past performance should not be seen as an indication of future performance. Changes in rates of exchange between currencies may cause the value of investments to decrease or increase. Information valid at date of presentation.**

Information valid at date of presentation.

Tax regimes, bases and reliefs may change in the future.

Rathbones Group is independently owned, is the sole shareholder in each of its subsidiary businesses and is listed on the London Stock Exchange.

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