

**Section N: Cambridge University Endowment Fund:
Reports and financial statements to 30 June 2015**

Cambridge University Endowment Fund

Reports and financial statements
30 June 2015

IMPORTANT NOTICE

The Cambridge University Endowment Fund ("CUEF") is an Alternative Investment Fund, being an unauthorised unit trust scheme established pursuant to a trust deed dated 30 June 2010 ("Trust Deed"). The trustee of the CUEF ("Trustee") is The Chancellor Masters and Scholars of the University of Cambridge (the "University"). The Trustee has appointed Cambridge Investment Management Limited to act as investment manager and operator of the CUEF ("Investment Manager").

The information in this report should not be copied or distributed without the consent of Cambridge Investment Management Limited, which is authorised and regulated by the Financial Conduct Authority. This document is made available for information purposes of members of the Regent House of the University only and does not constitute an offer or invitation to acquire units in the CUEF, which are only available to entities that meet specific requirements and are accepted by the Trustee.

**Cambridge University Endowment Fund
Reports and financial statements**

30 June 2015

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Cambridge University Endowment Fund Governance report

30 June 2015

The University of Cambridge as Trustee of the Cambridge University Endowment Fund ('CUEF') presents the CUEF report and audited financial statements for the year ended 30 June 2015.

Constitution

The CUEF is constituted by a Trust Deed dated 30 June 2010 in which the University of Cambridge declared that it will hold the property of the CUEF on trust for the unitholders. The CUEF is a continuation of the Amalgamated Fund: a pool of investments previously held and managed by the University.

Eligibility to invest in the CUEF

The CUEF is available to the University and also to UK charities connected with the University (such as Colleges and trusts) provided that they qualify as 'high net worth companies' or 'high value trusts' or elect to be treated as 'professional clients' for the purposes of the Financial Services and Markets Act 2000 and are accepted as investors by the Trustee.

Governance

The Investment Board of the University is established to advise the Council of the University, through its Finance Committee, on matters relating to the investments held in the University's capacity as Trustee of the CUEF. Except for the Vice-Chancellor and one other member, the members of the Investment Board are independent of the University. The Investment Board works closely with the University's Investment Office.

The Trustee has appointed Cambridge Investment Management Limited ('CIML'), a wholly-owned subsidiary company of the University, to operate the CUEF. CIML is authorised by the Financial Conduct Authority since 6 August 2014 to manage the CUEF as an Alternative Investment Fund. The Board of CIML is comprised of the Vice-Chancellor and another member of the Investment Board of the University, the University's Director of Finance, and the Chief Investment Officer.

The Trustee and CIML have appointed J.P. Morgan Europe Limited as depositary and all three parties have appointed JPMorgan Chase Bank, N.A. as custodian.

Management

The services of CIML are provided by the University's Investment Office and Finance Division. CIML does not have any employees, therefore no remuneration is paid by the fund or by CIML.

Investment objective and distribution policy

The CUEF's objective is to be able to make distributions to be spent on the purposes of its charity investors in amounts which increase periodically, so as to represent constant purchasing power over the long term, and if possible to represent real growth in purchasing power. The amount distributed each year per unit in the CUEF is determined on a total return basis according to a formula based on the value of the investments and the rate of Retail Price Inflation. The CUEF's long run objective is accordingly to achieve or exceed an average annual rate of total return (i.e. income and net capital gains), net of all costs and before distributions are taken into account, equal to RPI plus 5.25%, such that after distributions are taken into account there will be annual growth in the fund unit value equal to RPI plus 1%.

A further objective is to manage judiciously the risk taken in order to meet the total return objective, by utilising diversification of investment strategies, of investment asset classes and of investment managers.

Investment responsibility

The CUEF is managed in accordance with the policies of the University and the other investors. The primary fiduciary responsibility of the Council of the University in relation to the University's investment assets is to maximize the financial return on those resources over the longer term, taking into account the amount of risk appropriate for the University investment policy. However there are circumstances when the University may balance against its primary responsibility considerations of the ethical nature of investments. The University's Statement of Investment Responsibility is published annually in the Cambridge University *Reporter*.

Financial statements

These financial statements have been prepared in accordance with Chapter 3 of the Investment Fund sourcebook and FRS 102 'The Financial Reporting Standards Applicable in the UK and Republic of Ireland' as issued by the Financial Reporting Council. In applying FRS 102 the Director of Finance has had regard to appendix D the Statement of Recommended Practice: Financial Statements of Authorised Funds (revised May 2014) published by the Investment Management Association.

In preparing these statements, the Trustee follows best practice; selects suitable accounting policies and then applies them consistently; makes judgements and estimates that are reasonable and prudent; states whether applicable accounting standards have been followed; and prepares the financial statements on the going concern basis.

The Trustee is responsible for ensuring that accounting records are kept which enable it to ascertain and to disclose with reasonable accuracy the financial position of the CUEF; and which enable it to ensure that the financial statements are properly prepared.

AM Reid
Director of Finance

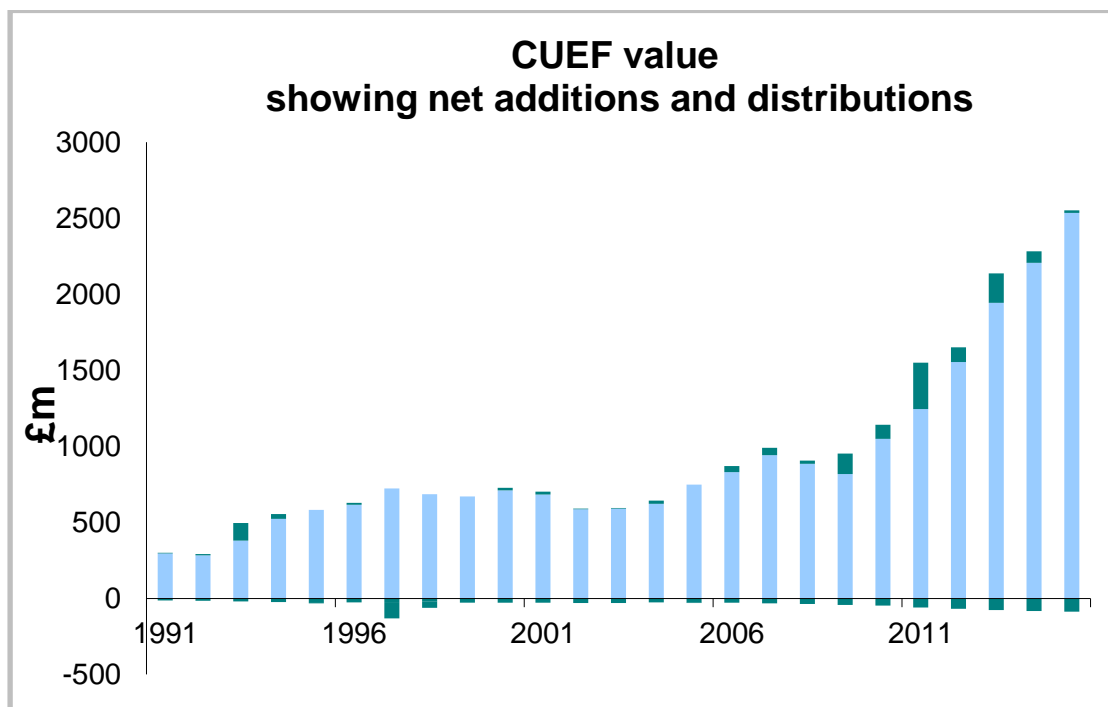
December 2015

**Cambridge University Endowment Fund
Investment manager's report**

30 June 2015

Fund size

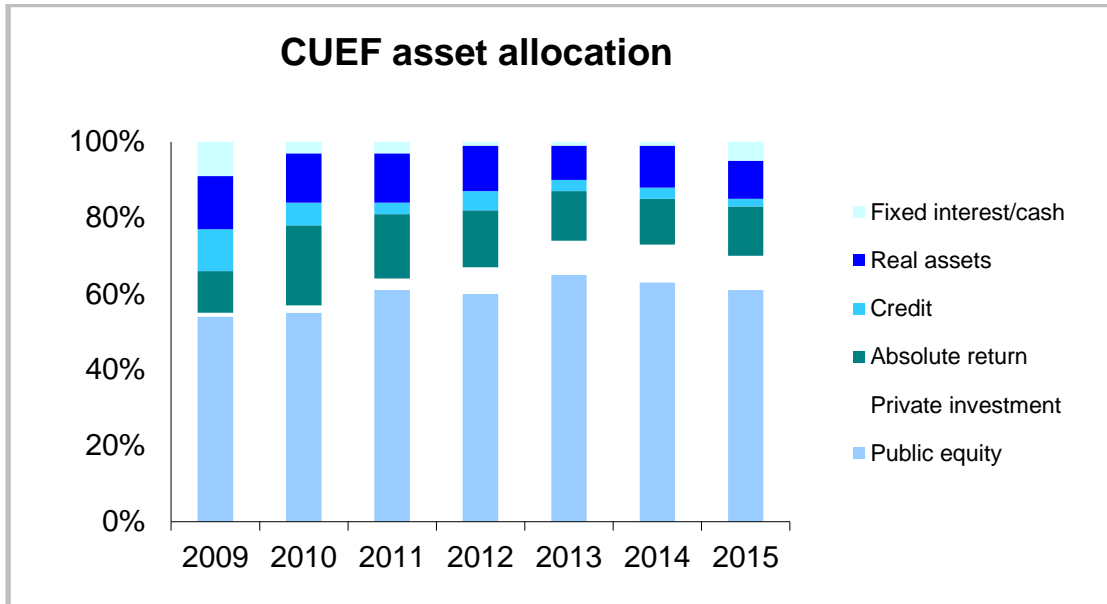
The development of the fund over the last 25 years ended July, the University accounting date, is shown in the following graph.



The CUEF changed its own accounting date to 30 June in 2007 in order to facilitate comparison with other collective investment funds.

Asset allocation

The CUEF operates an evolving asset allocation. The asset allocations at recent year ends are shown below. Detailed numbers are shown in the Portfolio Statement.



Over the course of 2014-15 allocations to these broad asset classes did not change significantly. Small decreases in public equity were made in the second six months to permit increases in absolute return and fixed interest/cash.

The equity focus of the CUEF is a consequence of the long term return objective of the fund. Within each asset class, fund managers are selected by the Investment Office and carry out the day-to-day investment transactions. Passive investment (for example index funds and futures) is also used for flexibility and transitionally (such as while new managers are being sought or new funds are being allocated). Overall currency exposure is managed by the use of forward foreign exchange contracts.

Selection of fund managers

A large proportion of the Investment Office's time is dedicated to identifying fund managers who exhibit the characteristics it seeks (integrity, strong process borne out by track record, stable establishment, and fair fee basis), making appropriate appointments and monitoring progress once appointments have been made. During the year under review the CUEF made allocations to twelve new managers or funds, and made exits from six managers or funds which had served their purpose.

Foreign currency exposures

Foreign currency is not regarded as an asset in itself, capable of generating long term returns appropriate to the cost and risk involved. The policy of the fund is therefore in general not to hedge public equity positions back to sterling because movements between other currencies and sterling are expected to balance out in the long term when its managers have a global investment mandate and many of the companies they select have global trading activities, wherever they happen to be based.

However, fixed income, credit and hedge fund investments are either held in, or hedged back to, sterling, as additional currency exposure in these areas is not considered to be diversifying. A policy has been adopted of maintaining at least a minimum proportion of the fund in sterling exposures, irrespective of the investments held from time to time, in recognition of the periodic outflow of sterling distributions to which the fund is committed. During the year the fund's exposure to sterling has normally been between 50% and 55%.

Comments

The CUEF achieved a total return of 14.2% in the year to June 2015, a return in excess of both the fund's long-term RPI-linked benchmark (+ 6.3%) and the global equity market index (MSCI All Country World Index: + 9.5% in GBP). The investment managers in the fund's largest asset class, public equity, continued to outperform their market benchmarks. Over the seven years since 30 June 2008, the fund has achieved an annualised return of 9.4%, which compares to 7.8% p.a. for its long-term benchmark.

Although the fund has maintained a dominant core allocation to public equity markets, diversification has been achieved through investment in other asset classes such as direct property, private debt and absolute return, all of which contributed positively to the overall return in the year. The fund's modest allocations to liquid credit markets and real assets outside of real estate were a minor drag on performance.

The annualised volatility of the fund fell to only 6.0% over the three years to June 2015. By comparison, the volatility of the MSCI All Country World Index (in GBP) was 9.3%. The fund has been achieving through diversification a consistent and significant reduction from the variability of world equity markets. However we do not believe these low levels are sustainable in the longer term.

N Cavalla
Chief Investment Officer

December 2015

**Cambridge University Endowment Fund
Portfolio statement**

30 June 2015

	£m	2015 %	£m	2014 %
Public equity	1,533.6	60%	1,451.0	63%
Private investment	238.0	9%	223.7	10%
Absolute return	342.1	14%	264.8	12%
Credit	44.9	2%	73.2	3%
Real assets	248.9	10%	241.1	11%
Fixed interest/cash	123.1	5%	38.2	1%
Total portfolio	2,530.6	100%	2,292.0	100%

The investment portfolio comprises the investments shown in the balance sheet plus £15.9m (2014: £28.0m) shown within cash less £8.9m (2014: £0.2m) received from investors in advance for new units and shown within payables.

Notes on asset classification

Public equity includes all equity stocks traded on a liquid market, together with related non-publically traded index funds (which invest in investments with similar characteristics) and derivatives (such as futures).

Private investment includes investments where initial capital commitments are drawn down over a period, and the proceeds of the investments once disposed of are returned over the life of each fund. The underlying investments include both unlisted equities and corporate credits (such as bonds, loans and other claims).

Absolute return includes investments in trading strategies which are in some degree independent of overall equity market movements. Funds where different equities are simultaneously held (long) and sold (short) are included in this category.

Credit includes corporate securities (such as bonds and loans) traded on a liquid public market.

Real assets include investments which are expected in some degree to increase in nominal value to match inflation. This category includes property and securities which reflect the level of commodity values. However inflation-linked government securities are included in the fixed interest category below.

Fixed interest/cash includes cash at bank and on deposit, government securities, the net value of foreign currency contracts and any amounts receivable in general, less amounts payable, including those arising from holding derivative contracts.

Independent Auditors' Report to the Trustees of the Cambridge University Endowment Fund

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the financial position of the Fund as at 30 June 2015 and of the total return before distributions and cash flows of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Trust Deed and the Investment Funds Sourcebook.

What we have audited

The financial statements of the Cambridge University Endowment Fund (the "Fund"), which are prepared by the Director of Finance of the University (the "Director"), comprise:

- the balance sheet of the Fund as at 30 June 2015;
- the statement of total return of the Fund for the year then ended;
- the statement of changes in net assets attributable to unitholders of the Fund for the year then ended;
- the statement of cash flows of the Fund for the year then ended; and
- the notes to the Fund's financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland", the Trust Deed and the Investment Funds Sourcebook.

In applying the financial reporting framework, the Director has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Director; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Reports and financial statements (*the*

Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Director

As explained more fully on page 58, the Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Trustees as a body in accordance with paragraph 3.3.6R of the Investment Funds Sourcebook and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other matter

The financial statements for the year ended 30 June 2014, forming the corresponding figures for the financial statements for the year ended 30 June 2015, are unaudited.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge 15 December 2015

Notes:

- a) The maintenance and integrity of the Cambridge University Endowment Fund website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Cambridge University Endowment Fund**Statement of total return
For the year ended 30 June 2015**

	2015		2014 (unaudited)	
	£m	£m	£m	£m
Income				
Net capital gains/(losses)		305.6		202.7
Revenue				
Dividend income	16.7		16.6	
Interest income	1.8		2.1	
Rental income	9.5		7.1	
Total revenue	28.0		25.8	
Expenses	(12.7)		(11.7)	
Net revenue		15.3		14.1
Total return before distributions		320.9		216.8
Distributions		(87.3)		(82.9)
Change in net assets attributable to unitholders from investment activities		233.6		133.9

**Statement of changes in net assets attributable to unitholders
For the year ended 30 June 2015**

	2015	2014 (unaudited)
	£m	£m
Opening net assets attributable to unitholders	2,291.2	2,072.1
Amounts receivable on issue of units	8.2	85.2
Amounts payable on cancellation of units	—	—
	2,299.4	2,157.3
Change in net assets attributable to unitholders from investment activities	233.6	133.9
Closing net assets attributable to unitholders	2,533.0	2,291.2

Cambridge University Endowment Fund

Balance sheet 30 June 2015

	2015		2014 (unaudited)	
	£m	£m	£m	£m
Assets				
Investments		2,523.6		2,264.0
Receivables		5.6		1.7
Cash equivalents	15.9		28.0	
Cash	7.3		7.0	
Cash and cash equivalents		<u>23.2</u>		<u>35.0</u>
Total assets		<u>2,552.4</u>		<u>2,300.7</u>
Liabilities				
Payables		(19.4)		(9.5)
Net assets attributable to unitholders		<u>2,533.0</u>		<u>2,291.2</u>

The financial statements on pages 64 to 73 were approved by the Council on 14 December 2015 and signed on its behalf by:

Professor Sir Leszek Borysiewicz
Vice Chancellor

Cambridge University Endowment Fund

**Statement of cash flows
For the year ended 30 June 2015**

	2015		2014 (unaudited)	
	£m	£m	£m	£m
Cash and cash equivalents at the start of the year		35.0		97.9
Investing activities				
Net cash inflow from / (outflow to) investment managers	64.8		(51.1)	
Expenses paid	<u>(6.3)</u>		<u>(6.5)</u>	
Inflow / (outflow) from investing activities		58.5		(57.6)
Financing activities				
Distributions paid	(87.3)		(82.9)	
Received from investors for purchase of units	<u>17.0</u>		<u>77.6</u>	
Outflow from financing activities		(70.3)		(5.3)
Cash and cash equivalents at the end of the year				
Cash equivalents	15.9		28.0	
Cash	<u>7.3</u>		<u>7.0</u>	
		<u>23.2</u>		<u>35.0</u>

**Cambridge University Endowment Fund
Notes to the financial statements**

30 June 2015

1. General information

The Cambridge University Endowment Fund ('CUEF' or 'the fund') has been established by the University of Cambridge for the management of long term investments. The fund is a collective investment scheme in the form of a unit trust. The fund is managed by Cambridge Investment Management Limited, a wholly owned subsidiary of the University which is authorised by the Financial Conduct Authority. These financial statements have been prepared by the Director of Finance of the University. The prior year balances are unaudited as the regulation requiring the fund to produce audited financial statements did not come into effect until the period commencing 1 July 2014.

2. Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with Chapter 3 of the Investment Management Sourcebook and FRS 102 (Financial Reporting Standard 102) 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' as issued by the Financial Reporting Council. The principal accounting policies applied in the preparation of these financial statements are set out below. In applying FRS 102 the Director of Finance has had regard to appendix D of the Statement of Recommended Practice ('SORP') for the financial statements of authorised funds (revised May 2014) published by the Investment Management Association.

Critical accounting estimates and judgements

The preparation of the financial statements requires the exercise of judgement both in the application of the accounting policies which are set out above and in the selection of the assumptions used in the calculation of estimates. These judgements and estimates are continually reviewed and evaluated based on historical experience and other factors, however actual results may differ from estimates. The component of the financial statements most significantly affected by the exercise of judgement is as follows:

Investments which are not listed or which are not frequently traded are stated at the Chief Investment Officer's best estimate of fair value. With respect to investments held through pooled funds or partnerships, reliance is placed on unaudited valuations of the underlying listed and unlisted investments as supplied to the CUEF custodian by the administrators of those funds or partnerships. The principles applied by the administrators to those valuations are reviewed to ensure they are in compliance with CUEF policies. With respect to other investments, recognized valuation techniques are used, that may take account of any recent arm's length transactions in the same or similar investment instruments. Where however no reliable fair value can be estimated, investments are stated at cost less any provision for impairment.

Net capital gains/losses

The CUEF accounts for the total return from its investments, in accordance with its investment objective as set out in the Governance Report, and its distributions are not calculated based on net income and gains.

Recognition of total return

Dividend income receivable is recognised when the shareholders' rights to receive payment have been established, normally on the ex-dividend date, net of any withholding tax. Rental and interest income are accrued on a time basis. Expenses payable are accrued on a time basis. All other elements of total return, including dividends received in the form of shares, and expenses incurred within pooled funds and partnerships, are included within net capital gains/(losses). No separate disclosure is made of items related to derivative investments such as futures, which are held instead of conventional securities if it is more efficient to obtain exposure to certain markets thereby.

Foreign currencies

Transactions in currencies other than sterling are recorded at the rates of exchange applicable to the dates of the transactions. Balance sheet items denominated in foreign currencies are translated at the rates prevailing at the reporting date. The unrealised net gain or loss on open forward foreign currency contracts is included within 'fixed interest/cash' in the portfolio statement.

Taxation

The University and the other investors are conditionally exempt from taxes on income and capital gains in the UK and in many other jurisdictions. UK value added tax borne by the fund is treated as an expense.

Investments

Investments are recognised at the time of the relevant transaction and shown in the balance sheet at fair value. Fair value is based on mid-market prices, or in the case of participations in pooled funds on the most recent fund administrator's statement available at the monthly cut-off date, or otherwise on the Chief Investment Officer's valuation. Directly held property is valued by Knight Frank LLP in accordance with the standards of the Royal Institute of Chartered Surveyors. In the portfolio statement investments are grouped by category.

Derivatives

All derivatives are stated at fair value. Where there is a legal right and intention to settle the contract on an offset basis, the fair value of the derivative is netted against the corresponding equity investment within investments.

Capital contributions

Amounts received from investors for subscriptions are accounted for within creditors until the relevant dealing date which is normally the first business day of a calendar quarter.

Distributions

A monthly distribution is made in respect of each unit in issue. The amount is set annually with effect from August according to a formula giving a 30% weighting to 4.25% of the average net asset value of the fund over three years and a 70% weighting to the previous year's distribution amount as increased for inflation. In the long term this formula is intended to increase or decrease the distribution in line with investment performance, while mitigating against major annual increases or decreases.

3. Expenses

	2015	2014
		(unaudited)
	£m	£m
Investment advisory or management fees	8.1	5.5
Other expenses	4.6	3.0
Total expenses	<u>12.7</u>	<u>8.5</u>

4. Investment properties

Investment property reconciliation

	£m
Opening investment property value within 'Real assets'	114.9
Additions	21.3
Disposals	(14.5)
Net valuation adjustment	17.8
Closing investment property value within 'Real assets'	<u>139.5</u>

5. Borrowing

There is no direct borrowing within the fund and all derivative investments are fully covered by cash. There is indirect borrowing through participation in pooled funds and partnerships some of which employ leverage techniques.

6. Commitments

At the reporting date the fund had the following commitments to make investments:

	2015	2014
		(unaudited)
	£m	£m
Public equity	3.6	0
Private investment	225.1	159.6
Real assets	<u>70.6</u>	<u>41.1</u>
Total commitments	<u>299.3</u>	<u>200.7</u>

7. Related parties

All investment management and administration functions are carried out by Cambridge Investment Management Limited, a wholly owned subsidiary of the University utilising resources in the Investment Office and Finance Division of the University, the costs of which are borne by the fund.

The University and its subsidiary undertakings had holdings totalling £2,400.5m (2014: £2,137.0m) at the reporting date. Distributions to the University and its subsidiary undertakings in the year totalled £83.2m (2014: £79.6m).

Certain investments are held through Cambridge Investment Limited, a wholly owned subsidiary of the University. The Company has a total commitment to the partnership agreement that it has entered into of £3m. The outstanding balance at 31 July 2015 is £153,533 (2014: £245,533).

8. Units in issue and distribution table

	Units in issue/ issued	Value £/unit	Distributed £/unit
30 June 2014	54,169,895		
1 July	3,744	42.296	
31 July			0.1299
31 August			0.1346
30 September			0.1346
1 October	220	43.0462	
31 October			0.1346
30 November			0.1346
31 December 2013			0.1346
1 January 2014	70,900	44.5791	
31 January			0.1346
28 February			0.1346
31 March			0.1346
1 April	102,931	47.2908	
30 April			0.1346
31 May			0.1346
30 June 2015	<u>54,347,690</u>	46.6069	0.1346

9. Risk management policies and procedures

As a collective investment scheme the fund invests in various categories of assets for the long term in order to achieve the investment objectives set. In order to pursue these objectives the fund seeks exposure to a variety of risks that could however result in a reduction in the fund's net assets. The principal risks and the investment manager's approach to managing them are set out below under the following headings: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk, and credit risk.

Market risk

Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and other price risk. Market risk in total is managed on a regular basis by the Chief Investment Officer. The University's Investment Board meets at least four times a year to discuss with the Chief Investment Officer asset allocation strategies and market risk.

Currency risk

Some of the fund's assets, liabilities and transactions are denominated in currencies other than its base currency of sterling. Consequently the fund is exposed to the risk of movements in exchange rates. The fund's currency positions are reviewed regularly by the Chief Investment Officer and the currency exposure is managed within the asset allocation strategy. The currency exposure for overseas investments is based on the quotation or reporting currency of each holding, while the currency exposure for net monetary assets is based on the currency in which each asset or liability is denominated. The fund had the following principal net exposures:

	2015	2014 (unaudited)
	£m	£m
Pounds sterling	1,391.8	1,191.8
US dollar	733.9	687.6
Euro	75.9	114.6
Japanese yen	126.5	114.6
Other currency	202.4	183.4

Interest rate risk

Movements in interest rates affect the fair value of investments in fixed interest rate securities and the income receivable on cash deposits. The possible effects on fair value and cash flows as a result of an interest rate change are taken into account when making investment decisions.

Other price risk

Other price risk is the risk that the value of a security will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether caused by factors specific to an individual investment or its issuer or by factors affecting all securities traded in that market. As the majority of the fund's investments are carried at fair value with fair value changes recognised in the statement of total return, all changes in market conditions will directly affect reported total return and net assets. The fund's asset allocation at the reporting date is shown in the portfolio statement. If the fair value of the entity's investments varied by +/- 5%, the total return before distributions for

the period ended 30 June 2015 would change by +/- £126.2m (30 June 2014: +/- £113.2m).

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the fund. This risk is managed in a combination of ways. Primarily, the fund managers appointed for the fund have responsibility for choosing reliable counterparties when instructing transactions on behalf of the fund. Where investments in the fund are managed directly, investment transactions are carried out with well established, approved brokers. All investment transactions are done on a cash against receipt or cash against delivery basis.

The fund also minimises credit risk through banking policies which involve placing deposits only with highly regarded financial institutions. The value of cash, as shown on the portfolio statement, best represents the credit risk exposure at the reporting date.

The credit ratings of counterparties with which cash was deposited were as follows:

Moody's rating	2015	2014 (unaudited)
	£m	£m
A2/P-1	7.3	7.0
Aaa-mf	15.9	28.0
	<hr/> 23.2	<hr/> 35.0

Liquidity risk

Liquidity risk is the risk that the fund might encounter difficulty in meeting its obligations associated with financial liabilities and withdrawals of capital. This is not currently a significant risk as the majority of the assets are investments in quoted securities and in funds that are readily realisable.

Gearing risk

This is the risk that the movement in the fair value of the assets of the fund is amplified by any borrowing that the fund may have. The fund has no direct borrowing. The effect of any indirect borrowing through participation in pooled funds and partnerships which employ leverage techniques is kept under review by the Chief Investment Officer.

10. Fair Value

The following table categorises the fair value of the fund's investment assets and liabilities based on the inputs to the valuation. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1: Valued using quoted prices in active markets for identical assets.

Level 2: Valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1

Level 3: Valued by reference to valuation techniques using inputs that are not based on observable market data

Valuation Technique	2015		2014 (unaudited)	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Level 1	925.4	(59.2)	908.7	(24.6)
Level 2	1,633.6	0	1,350.0	0
Level 3	23.8	0	29.9	0
Total Investments at fair value	2,582.8	(59.2)	2,288.6	(24.6)

A reconciliation of the opening and closing balances for Level 3 assets measured at fair value is detailed in the table below:

	£m
Fair value 1 July 2014	29.9
Purchases less sale proceeds	(5.8)
Total gains / (losses)	(0.3)
Fair value 30 June 2015	23.8

Unquoted investments include investments in hedge funds, private equity funds and property funds. The fair values of unquoted investments and derivative financial instruments held through pooled funds and partnerships are based on valuations of the underlying investments as supplied to the University's custodian by the administrators of those funds or partnerships. The Council considers that no reasonably foreseeable change to key assumptions in the Level 3 valuations would result in a significant change to fair value. Transfers into and out of Level 3 occur when the classification of the underlying assets and liabilities of these funds changes.

11. Remuneration

Staff employed by the University and engaged in investment management and administration functions for the Fund received aggregate remuneration as follows, including remuneration in respect of their other responsibilities in the wider University:

	2015	2014 (unaudited)
	£m	£m
Senior management	1.1	1.1
Other staff	0.7	0.6
Total remuneration	1.8	1.7