INVESTMENT POLICY STATEMENT (IPS) FOR JESUS COLLEGE, CAMBRIDGE

revised July 2014

Contents

Preface. This Investment Policy Statement documents the investment aims of Jesus College and the policies to guide endowment investment decision-making, following consideration by the Financial and Property Investment Committees. The Bursarial Committee ("BC") shall review this document annually and make changes as needed. Material changes must be ratified by the College Council.

I. Key Boundary Conditions

A. Overall Objectives. The endowment's portfolio is managed to maximize long-term total return.

In accordance with this, long-term spending from the endowment is constrained to that amount which should be sustainable over the long term, consistent with a target asset allocation which seeks to maximise that amount, but without excessive risk. The BC also seeks to ensure that the management of the portfolio both overall and within each asset class is carried out efficiently and that the results obtained are consistent with appropriate benchmarks in each area.

The following paragraphs consider in greater detail how each of these elements has been translated into practice.

B. Expendable Amounts. In order to achieve both reasonable stability in budgeting and a sound balance between near-term and distant spending priorities, the BC has adopted a long-term spending rule: the expendable amount in any given fiscal year shall be limited to 4% of the average quarterly endowment value (net of any borrowings) on a five year trailing basis. For example, the expendable amount for fiscal year ending 30 June, 2015 is equal to 4% of the average endowment values at the end of each of the 20 quarters ending 30 June 2014.

Based on a simulation by Lord North Street (LNS) Appendix 3 suggests that the endowment portfolio could sustain annual withdrawals of 4% of net assets and grow on average, although the ranges of potential outcomes are quite wide and depend on the sequences of annual returns.

C. Return Objective. Jesus College's return objective is to preserve and if possible enhance the purchasing power of its endowment assets, net of costs and approved withdrawals, over rolling five-year periods. This goal is synonymous with the pursuit of a time-weighted net return on endowment assets that equals and if possible exceeds cost inflation (approximated by RPIJ[1]) plus Jesus College's long-term spending rate of 4% measured over corresponding five-year periods plus a margin to accommodate costs and the uncertainty of returns each year (volatility). This goal assumes that any gifts of capital will be used to grow the endowment assets and therefore are not relied upon to preserve purchasing power

[1] RPIJ is a version of the retail price index proposed by the ONS to address an issue with how clothing prices are measured in RPI. The new index, which started in March 2013, replacing the current formula for calculating RPI - known as 'Carli' - with a different formula known as Jevons. It will therefore use the same methods as CPI for calculating average prices. However, it is not obvious that RPIJ will be used for anything. It is envisaged that the new index will run alongside the existing RPI, which will still be used for index-linked gilts and bonds.

of the asset base. The purchasing power of the asset base is thus only preserved as total investment returns replace the effects of net expenditure and inflation.

Based on the most recent review by LNS in 2013/2014 the strategic asset allocation (Appendix 1) is expected to generate 8.4% nominal average annual returns (4.9% real plus 3.5% inflation) after all management charges (total expense ratio) when calculated over five-year-periods. This 8.4% annual total return is expected to cover long-term College spending at 4% of assets plus inflation. This leaves a margin of 0.9% (8.4% - 7.5%) which the adviser believes is appropriate to build a cushion against the risk of downturns.

The specific asset class assumptions supporting this target are shown in Appendix 2. The adviser's projection of a nominal return of 8.4% assumes a mature private equity portfolio, no leverage and optimal, regular rebalancing to the target allocation. Total investment return includes income and capital returns. Asset managers will generally be required to retain and reinvest dividends, interest, capital gains and other income, except where required to distribute (e.g. private equity managers) or in respect of rental receipts.

D. Risk Parameters. Jesus College stands prepared to incur risks consistent with its pursuit of the return objectives set forth above. Risks come in many forms, but one measure which may be contained through portfolio construction is portfolio return variability. Return variability can be influenced by changing the proportion of the portfolio allocated to asset classes which have had high variability in returns and by blending various asset classes. Variability or volatility of returns rises through bonds to property to hedge funds to public equities and finally to private equity.

Based on the last review of 2013/2014 the recommended SAA has an expected future annual volatility of 8.8% measured by standard deviation of returns around the mean expected average annual return of 8.4% nominal or 4.9% real (excluding the impact of leverage). A standard deviation of 8.8% compares favourably to the average historical standard deviation for developed market public equities of 18 - 20%.

E. Measurement Periods. The adoption of rolling five-year periods for assessment of results reflects a balancing of the linked expenditure and return objectives set forth above with the college's tolerance for unexpectedly poor results. Consistent with the five-year period for assessing results, declines in endowment purchasing power that have persisted for less than five years will not result in fundamental changes to investment strategy, unless they entail peak-to-trough declines exceeding 20%. The 20% limit serves as a proxy for Jesus College's tolerance for changes in its financial condition that, however transitory when viewed in hindsight, would be likely to trigger fundamental changes in the scope and character of its expenditure.

II. Strategic Asset Allocation

A. Purposes. Jesus College's target Strategic Asset Allocation (SAA) for the Endowment (shown in Appendix 1) represents an asset mix that, in the opinion of the advisers, is likely to achieve the return to be expected within the risk parameters set forth above. Because the SAA entails benchmarks for each of its components, and hence also for the endowment as a whole, it constitutes an appropriate standard by which to measure the extent to which the objectives are being achieved in practice.

The endowment is composed of four separate portfolios (the LNS portfolio; the Partners Capital portfolio; the Major Donor portfolio and the Property portfolio) aggregated as shown below to form the full asset allocation.

a) LNS portfolio	a portfolio of liquid assets, hedge funds and private equity
b) Partners Capital portfolio	a legacy portfolio of private equity
c) Financial Assets (ex MD)	an aggregation of a + b
d) Major Donor portfolio	a portfolio of individual share positions, both listed and unlisted
e) Financial Assets (inc MD)	an aggregation of c + d
f) Property	
g) Endowment	aggregation of e + f or a+ b+d+f

B. Process. The SAA is reviewed regularly by the Financial Investment Committee (FIC) and modified as needed in light of experience and changing circumstances, based on research and discussion involving FIC members and outside experts. Such discussion focuses on Jesus College's liquidity needs and perceived risk tolerance, as well as the projected behaviour of asset classes.

C. Return Expectations.
The expected return of the portfolio has been estimated by the College's relevant investment adviser (LNS and Bidwells). The financial investment adviser has developed a proprietary framework to estimate the likely return expectations for a range of asset classes, with an example of the results shown as Appendix 2. Mean reversion of returns is a core philosophy within the expected return process, with an estimation that the reversion period can be expected to be over a 20-year time horizon. The expected return models begin with current market yields and adjust for long term structural and valuation factors, which are not believed to be adequately reflected in market valuations. The expected returns make no assumption on the ability of active management to provide a return premium in excess of fees and costs. The expected returns are reviewed at least annually, or more frequently should the market conditions change significantly.

D. Sub-segment Benchmarks. As a means of promoting regular and rigorous consideration of (1) the endowment's progress toward achievement of its longer-term objectives and (2) investment opportunities and risks confronting Jesus College, LNS shall propose and the FIC shall review the specification of relevant benchmarks for assessing the performance of each endowment sub-segment.

E. Illiquid Assets. Jesus College may invest in illiquid financial assets (excluding directly held property), defined for these purposes as assets that cannot be liquidated for cash within 52 weeks. A specific percentage for illiquid financial assets has not been set. However the liquidity of the College's financial asset portfolio should be sufficient to ensure that cash can be withdrawn from the endowment to cover the expendable amount without triggering the sale of holdings at depressed prices and without leaving the portfolio overly imbalanced.

F. Leverage. The Financial assets currently have no borrowing. Under normal circumstances Jesus College will not engage in borrowing at the portfolio level for purposes of enhancing returns, other than in the property portfolio.

G. Currency Management.
The policy of the College with regard to currency management is to invest on an unhedged basis in the following asset classes; Equities, Private Equity, Property and Commodities. Investments in Hedge Funds and most Fixed Income assets will generally be conducted on a currency hedged basis.

The volatility of exchange rates, and their correlation with the underlying assets tends to result in currency volatility dominating the volatilities of Fixed Income and Hedge Funds. Consequently the general policy is to hedge Fixed Income and Hedge Funds except where the investment advice is to maintain a specific currency exposure.

H. Trust and Corporate Assets. All financial assets (excluding property) will be co-mingled and invested in the same overall asset allocation (as shown in Appendix 1). Records will be maintained so as to verify the relative shares of the Trust and Corporate assets, as adjusted for their respective contributions to and withdrawals from the portfolio.

I. SRI Policy.

a) The College wishes its investment practice to reflect its values and reputation as a charitable educational establishment of long standing. While these values do not require the automatic avoidance of any particular corporation, tenant or sector, they do require that all fund managers behave with complete integrity, are fully compliant with all regulatory requirements, meet relevant codes of practice and this Policy.

b) In addition, the College adheres to Charity Commission guidance on ethical investments, and may from time to time, where it is consistent with that advice, require the College's advisers not to make direct investments in specific companies. Such companies shall include tobacco companies, arms companies trading with terrorists or with countries with which the UK government does not permit them to trade and those dependent upon pornography or child labour.

c) The College maintains a diversified and widely spread financial portfolio, with no one purchase of an ultimate holding in the portfolio normally representing over 2% of its total value.

d) The College operates its property portfolio both directly and through managers, and acts, in accordance with (a) above, responsibly and sympathetically at all times towards its tenants, neighbours and the community at large.

e) The College managers will report annually to the College confirming compliance with this Policy; they and/or the Bursar will refer ethical considerations whenever appropriate, including all direct investments and as required by the College Council.

III. Implementation

Neither Council nor the Bursar is expert in financial investment matters and rely on the advice of independent advisers. They have thus appointed Lord North Street (LNS) to advise on strategy, asset allocation and the selection of asset managers.

In addition they have appointed members to the Financial Investment Committee to ensure that they may function as an “intelligent client,” since the appointment of LNS is on an ‘advisory’ rather than ‘discretionary’ basis.

A. The Role of the Financial and PropertyInvestment Committees (FIC and PIC). Council sets the objectives and strategy for the College investment portfolio, and appoints the advisers. *The primary role of the FIC and PIC is to advise Council on this strategy and this appointment*. Strategy review and reappointment of advisers is a single task undertaken periodically, at present every 5 years. The Committee may at any time, however, alert Council to the need for a more urgent review.

The Bursar is charged to execute the agreed strategy and to deliver the planned returns. *The second role of the FIC and PIC is to advise the Bursar on this execution, so assisting him/her to deliver the planned returns*. In practical terms for the FIC, this second role contains the following components:

- Approving the selection and de-selection of asset managers proposed by LNS. These are triggered by performance reviews, and the periodic need to rebalance the portfolio.
- Scrutinising the quarterly calculations of portfolio performance to highlight matters that require further explanation by LNS.
- Providing independent market insight and general investment advice.
- Review any changes to the Investment Policy Statement prior to its presentation to the Council for approval.

B. Discharging the Role. The FIC and PIC discharge their role in 3 ways:

(1) Every 5 years, each undertakes a project to review the investment strategy and appointment of advisers.

(2) Three times a year, it attends meetings at the College or elsewhere to review performance and plans with the manager.

(3) On a continual basis, individual members of the FIC, PIC, LNS and Bidwells advise the Bursar on events and developments in markets and institutions.

C. Composition of the Committee. The Committee consists of: independent financial or property experts and practitioners; members of the College with appropriate expertise; and the Master and Bursar. The Master chairs the Committee meetings. The Bursar steers the Committee to matters that are of particular interest or concern to Council and the Fellowship, and manages the meetings. LNS/Bidwells attend the meetings, and take the Committee through portfolio performance and plans.

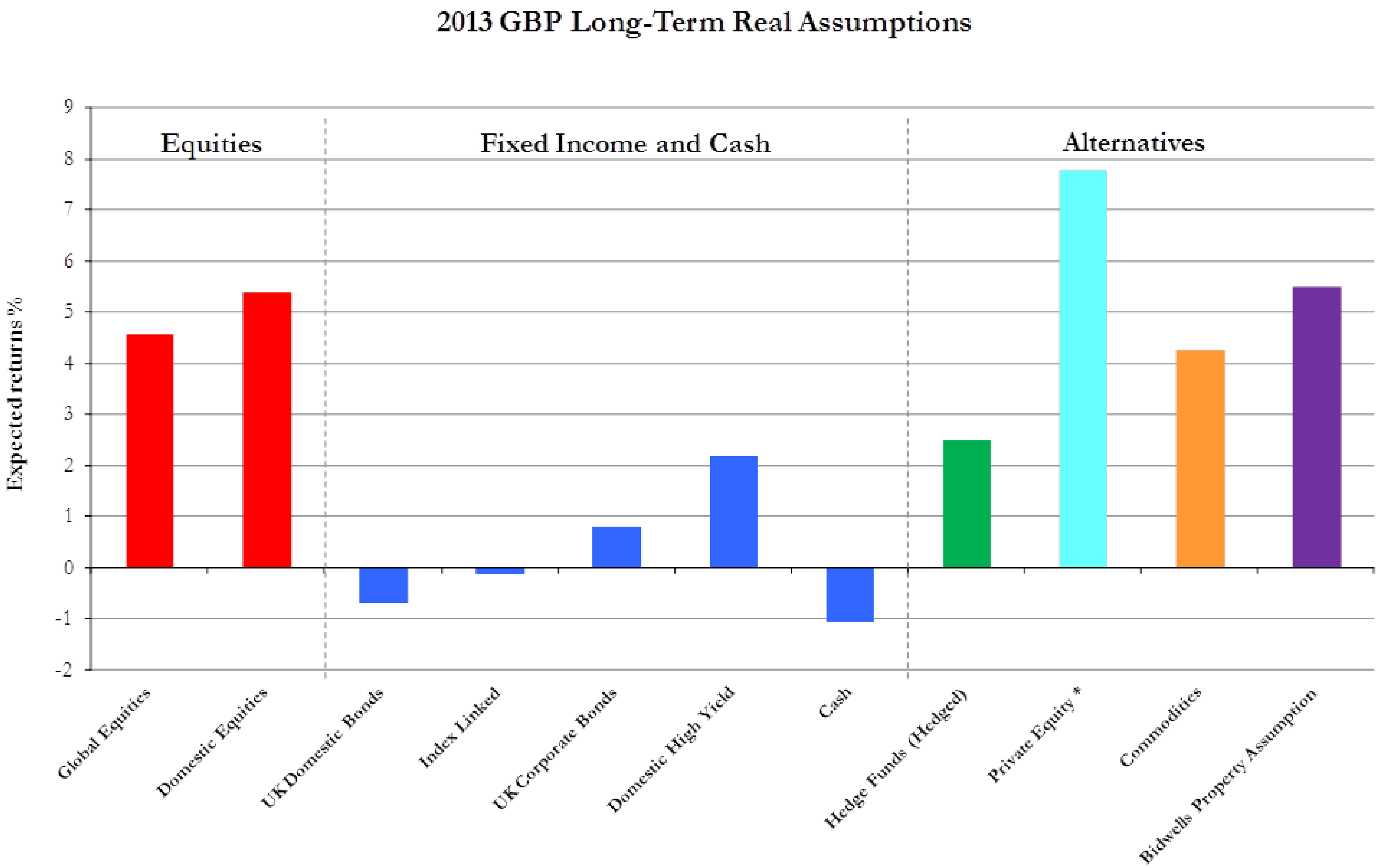
D. Rebalancing. Portfolio rebalancing will be undertaken as a normal part of portfolio management as required and subject to the limitations of the illiquid assets within the financial portfolio.

Appendix 1 Target Strategic Asset Allocations for the Endowment and Financial Assets excluding the Major Donor Portfolio

	Endowment	Financial Assets ex MD
Corporate Debt	8%	17.5%
Hedge Funds	6%	12.5%
Equities	30%	62.5%
Private Equity	12%	7.5%
Property	44%	
Expected Real Return	4.9%	3.9%
Standard Deviation	8.8%	12.2%

Source: Presentation by LNS to FIC on 3rd March 2014

Appendix 2 Long term assumptions for real returns from various asset classes (i.e. before the addition of inflation)

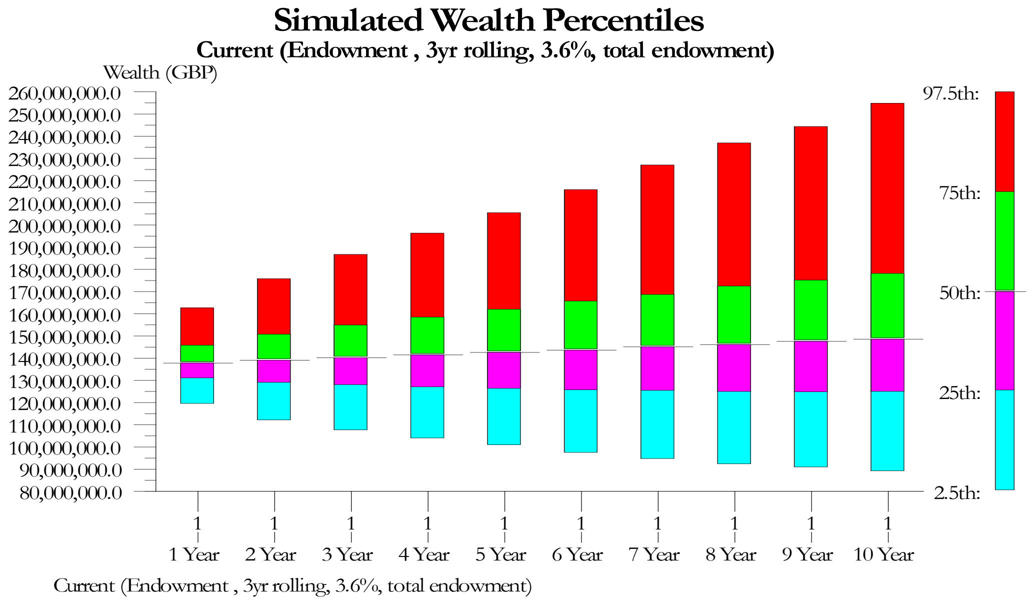


Source: Lord North Street. Assumptions of future returns are based on careful consideration of historic data and current circumstances, and refer to average values expected over periods longer than a single economic and market cycle. They are for illustration purposes only and are not guarantees of future outcomes. * Private equity is a required return.

Source: Presentation by LNS to FIC on 3rd March 2014

Appendix 3 Simulated ranges of values of the Endowment based on a yearly withdrawal of 4% of net assets

The Endowment assets of £136 million can support a contribution of 3.6% of gross assets (equivalent to 4% of net assets) and expect to maintain its real value.



3.6% of most recent value 3-year average withdrawn

simulation includes the performance of property and private equity as modelled for use in the efficient frontier. We would caveat the analysis the illiquid nature, and the potential for discontinuous pricing behaviour of the these asset classes is not fully captured in this statistical . in adverse market conditions the realised return may be worse than those shown in this analysis.

are based on Monte Carlo simulations and reflect the Lord North Street forecast returns, assumptions and constraints set out above. Monte Carlo simulations are expressly designed to allow for some ertainty in those inputs. **However, the graphs cannot in any way represent a guaranteed future performance outcome.**

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Source: Presentation by LNS to FIC on 3rd March 2014 based on expected real return of 4.9% with volatility of 8.8%