



UWC Endowment Proposal

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Confidential

Vision for UWC Endowment

- Make UWC Endowment the most successful in the world...,
- ... not only in terms of returns and but also in terms of impact.
- Target USD 2B for the endowment (in real terms).
- Endow 50% of College students.
- Offer large donors suitable infrastructure.

Aim of UWC Endowment

- Fund scholarships for UWC students.
- Create long-term financial sustainability for Colleges.
- Professionalise endowments for various Colleges.
- Generate superior returns with limited risks and other constraints.
- Reduce costs at endowments.
- Think and act with long-term mindset.
- Attract large donors for Colleges or whole network.
- Have a long-lasting positive impact on students and Colleges.

Background of UWC

- UWC is a non-profit educational organisation.
- It targets 16-18 year-olds who are bright but mostly underprivileged.
- International Baccalaureate is the educational curriculum.
- 18 Colleges (*) around the world.
- Colleges offer partial and full scholarships.
- Student selection is merit-based.
- More than 150 volunteer National Committees around the world.

(*) Colleges in this presentation refers to Colleges and full-schools. Colleges are: Adriatic, Atlantic, Changshu, Costa Rica, Dilijan, ISAK, Li Po Chung, Mahindra, Mostar, Pearson, RCN, RBC and USA. Full-schools are: East Africa, Thailand, Maastricht, SEA and Waterford.

UWC Governance

- Each College is responsible for its own legal structure, governance, finances and local regulations.
- Each College has its own leadership team and Board.
- Each College is slightly different (state-funded vs private, small vs large alumni base, campus vs town, full-school vs last two years, etc).
- International Office and International Board monitor overall strategy and quality of Colleges and the network.

UWC Finances

- Aggregate annual budget of all Colleges is more than USD 200M (excluding full-schools budget USD around 120M).
- College fee ranges from USD 20,000 to USD 63,000 per annum.
- Scholarships financed by Colleges, National Committees, parental contribution, endowment distributions and other donations.
- Many Colleges face budget deficits.
- Alumni contributions are varied and could be larger.

Before we start, what is an Endowment?

What is an endowment?

- A fund that distributes income annually to a beneficiary.
- Capital of the fund should not be permanently impaired.
- Fund is to be managed into perpetuity with investments in various assets classes with the aim to generate an investment return of 3% in excess of distribution rate.

How to calculate it?

- Assume long-term 3 to 5% annual distribution from endowment.
- For example, for a USD 20,000 scholarship one needs an endowment of USD 500,000 (20,000 divided by 4%)

Endowment of Individual Colleges

- Endowments in UWC network:
 - Large: UWC-USA, but co-mingled with other objectives
 - Medium: Pearson, Mostar and Li Po Chung (USD 10M to USD 35M)
 - Interested: Costa Rica, Dilijan, ISAK and Robert Bosch amongst others
- Total UWC endowment (if pooled together) around USD 300M.
- If Colleges are 50% endowed, then USD 2.7B is needed (excluding full-schools USD 1.5 B needed) based on a 4% distribution rate.
- Cost per endowed scholarship ranges from USD 300k to USD 1.6M.
- See next page for details.

Current and Target Endowment Sizes

in USD	Current Endowment (in mln)	50% Endowed College (in mln)	Cost Endowed Scholarship
Colleges			
Changshu	0	260	908,000
ISAK	0	115	1,235,325
Adriatic	1	66	717,750
Atlantic	7	184	1,066,450
Costa Rica	0	60	589,425
Dilijan	0	94	821,975
Li Po Chung	10	136	1,105,000
Mahindra	0	61	542,775
Mostar	25	30	313,050
Pearson	35	109	1,159,425
RCN	0	105	1,029,325
RBC	0	106	1,042,475
Thailand	NA	NA	NA
USA	200	179	1,606,550
Sub-total	278	1,505	

Full Schools			
East Africa	0	35	377,475
Maastricht	0	141	864,525
Waterford	0	63	569,400
SEA	5	922	1,585,175
Sub-total	5	1,161	
Total	283	2,666	

Assumptions

Full school calculations based on fees and only on number of DP students.

Changshu and ISAK are young Colleges.

Not all Colleges have costs truly reflected in budget (eg Mostar free use of Gymnasium building).

UWC Thailand data not available.

Size endowment based on available annual reports and discussions.

No inclusion of International Office or National Committees.

UWC USA endowment for other uses as well.

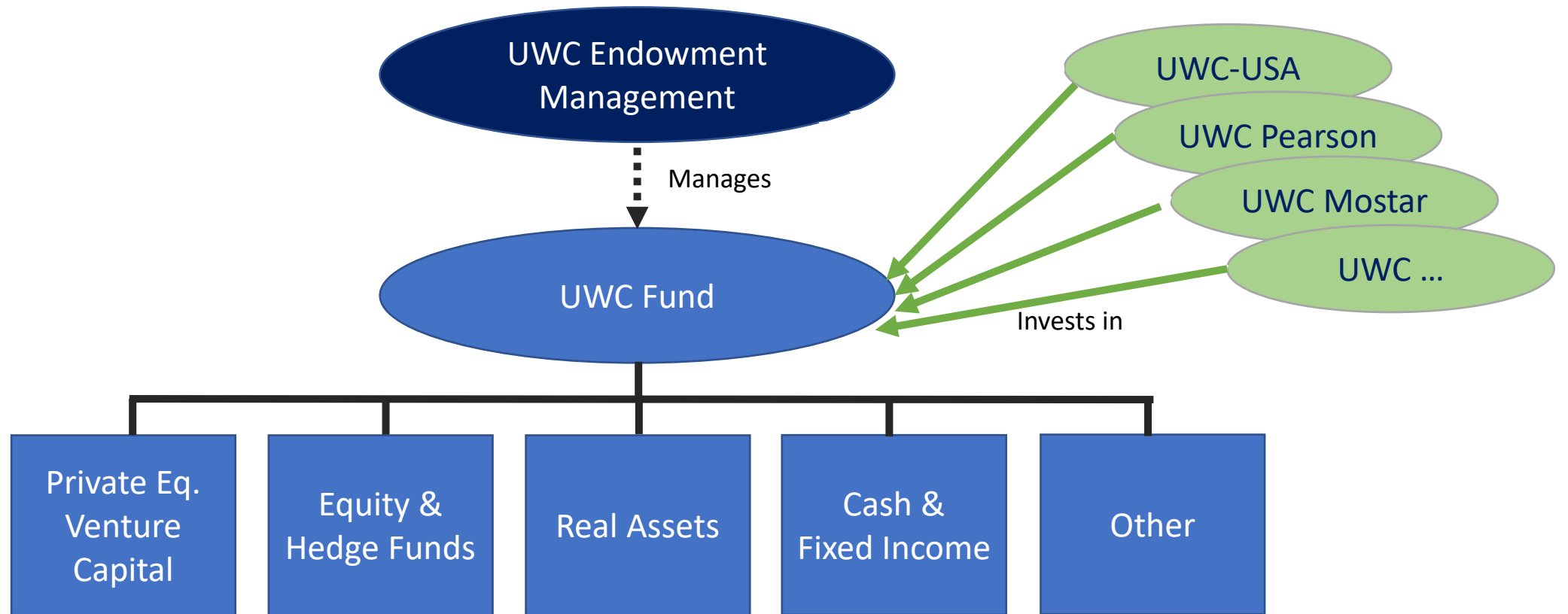
Why Raising Endowment Now?

- Percentage of scholarships is reducing, there is a need for a long-term solution.
- Current market environment will be challenging but counterintuitively, good time to ask for donations.
- Wealthy individuals will likely be taxed more and the incentive to donate will increase.
- UWC National Committees offer tax-friendly solutions.
- Not many individual Colleges have endowment and therefore no vested interests.
- There is now availability of knowledgeable and professional people who are willing to set up, manage and supervise a UWC Endowment.
- In line with current UWC strategy to attract large donors (the philanthropy committee).

Establishment of Own UWC Endowment

- Establish UWC Endowment Management, based in UK.
- Establish UWC Fund in Ireland (EU Fund) or Cayman (Non EU Fund)
- Individual Colleges, National Committees or International Office subscribe to Fund with a minimum investment.
- Use Oxford and Cambridge University structures as examples.
- Get FCA and SEC approval and build up necessary infrastructure.
- Early 2026 evaluate success and assess future viability of Endowment.

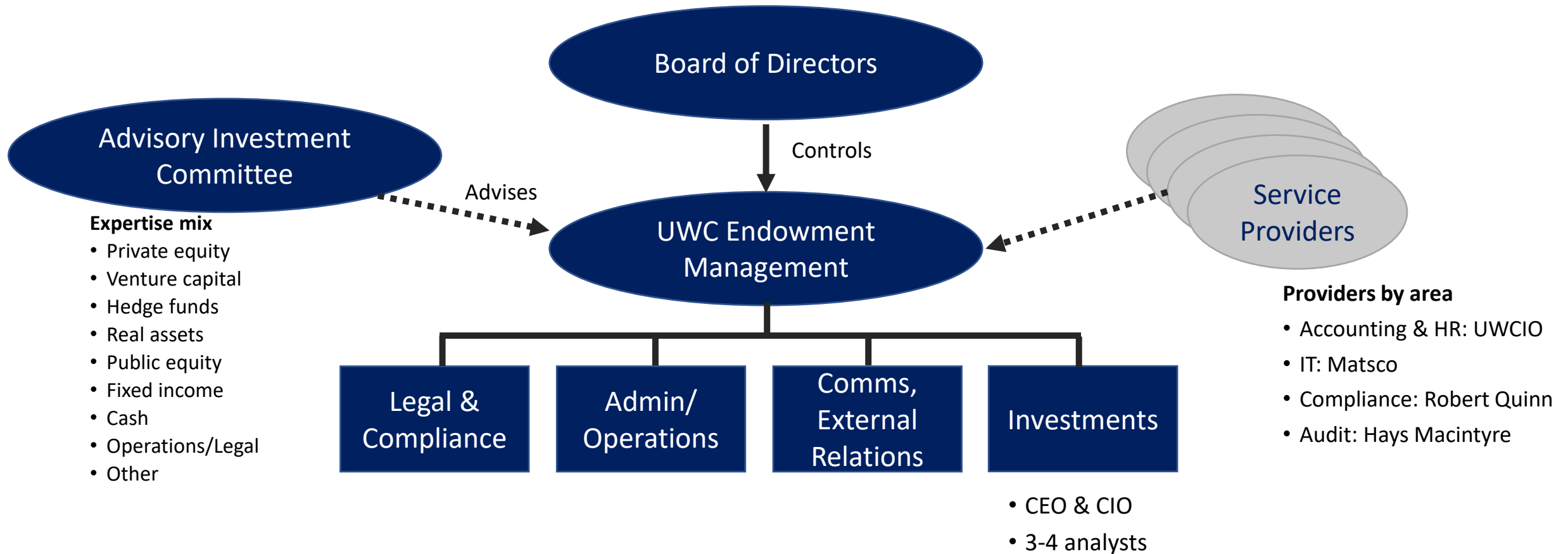
UWC Endowment Overview



UWC Endowment Overview

- Two legal structures: UWC Endowment Management and UWC Fund.
- Colleges invest in the Fund.
- UWC Endowment Management will be based in London.
- Only one investment vehicle (or maybe two in case of US tax regime).
- Fund will be based in jurisdiction most suitable for all Colleges (fund administration, tax, legal etc).
- Jurisdiction possibilities are: Dublin or Cayman Islands. The preference will be an EU location.

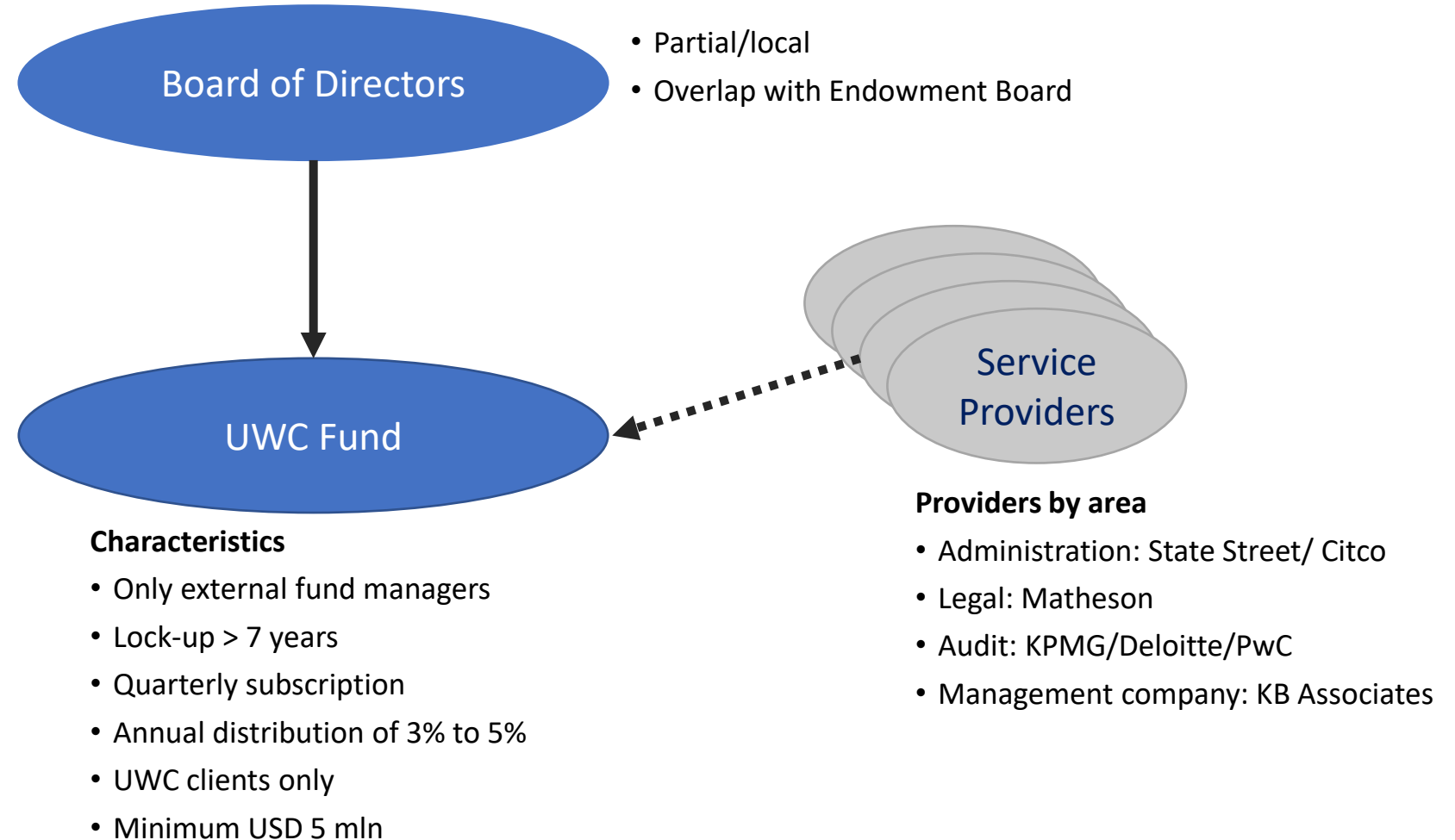
UWC Endowment Management



UWC Endowment Management

- UWC Endowment Management is responsible for investments.
- Necessary overhead (operations/administration, legal/compliance)
- Investment team consists of at least four analysts.
- Hunter Lewis, co-founder of Cambridge Associates, is willing to help.
- Work with Oxford, Cambridge and American university Endowments.
- Board of Directors controls Endowment Management and consists of senior and expert members of the investment community. It is able to fire team.
- Recommendation to have CFO of International Office and one Head/Chair on Board.
- Advisory Investment Committee advises UWC Endowment Management.
- Maximum overhead cost 20bps.

UWC Fund



UWC Fund

- Fund only invests in external fund managers.
- Leverage off US University endowment contacts.
- Have four analysts, employed by UWC Endowment Management, working on the Endowment.
- Cost of administration of fund: 10bps per annum.
- Jurisdiction of Fund dependent on tax and legal issues.

Relationship College and Endowment

- There is no obligation to join. A College joins the Endowment Fund voluntarily.
- Each College remains legal owner of its own capital invested in the fund.
- College locks up capital for at least seven years.
- Colleges transfer capital to the Administrator of the Fund.
- Colleges will not have full insight in portfolio (only Board) but will get quarterly updates.
- Fund distributes a return of 3% to 5% of capital annually to Colleges.
- Quarterly NAV published 3 months later (latest).
- Colleges able to subscribe quarterly.

Issues

- **Governance**
 - Need of strong, independent-minded and expert Board.
 - Investment decision-making lies solely with the Endowment Management.
 - Limited transparency will be given to outside world (like University endowments).
- **Set-up**
 - Jurisdiction of Fund (Ireland or Cayman).
 - Start-up funding first three years (USD 1.5M).
- **Costs**
 - Do the benefits outweigh the costs?
 - Break-even at USD 500M Assets under Management.
 - Accept high fees for private equity, venture capital and some hedge funds.

Issues (cont.)

- Operations
 - Type of FCA authorisation
 - Service providers
- Relationship with Colleges and Alumni
 - Need to convince Colleges of importance of UWC Endowment.
 - Educate alumni network.
 - Target some wealthy alumni (not more than 100).

Time-Line: Set-Up

- June 2022
 - Approval by International Board
- August 2022
 - Incorporate Endowment Management
- September 2022
 - Submit FCA application
- March 2023
 - Approval of Endowment Management by FCA
- April 2023
 - Launch of Endowment Fund
- Throughout 2023
 - Sign up interested Colleges
 - Inform large donors about Endowment

Time-Line: Long term

- 2023: Launch of UWC Endowment Management and UWC Fund.
- 2026: Evaluate success/failure; decide on continuing/closing down.
- 2030: First lock-up ends. Evaluate and decide on continuing/closing down.
- 2040: Reach USD 2B target.
- 2045: Hand over CIO role.

Potential Risks and Mitigation

- **Not achieving critical size** - Review after three years and return capital if needed.
- **Not achieving return objectives** - Use Advisory Investment Committee and able to fire endowment management.
- **Relying on 'key man'** - Train next generation of management and appoint skilled Board.
- **Fraud & theft** - Use external service providers with regular checks and no access to client money, all dealt by administrators.
- **Colleges not having access to capital** - Specific agreements in place and proper pre-planning of cash flow.

My Commitment

- Willingness to spend next 25 years on building up UWC Endowment.
- Skin in the game with partially-funded Mostar Endowment.
- Train analysts and educate the alumni community.
- No monetary compensation.
- Preparedness to (partially) fund the start-up costs for first three years.