

**The Scott Trust**  
**Endowment Ltd.**  
Performance Report  
2024/25

# Statement by the Chair of the Board of The Scott Trust Endowment



I am pleased to publish The Scott Trust Endowment Ltd.'s (STEL/the Endowment) performance report for the 12-month period to 31 March 2025. This report presents the Endowment's financial performance, alongside an overview of how STEL generates positive environmental and social impact.

The Endowment enables the Scott Trust to fulfil its mission of supporting independent journalism, and is managed in a way that reflects the values of the Scott Trust. Following a governance change last year, the Endowment became a subsidiary company of the Scott Trust. This new entity separates the management of the Endowment's assets from the management of the Guardian Media Group.

Since its formation the board has revised its core governance documents and policies, including its Investment Policy Statement, and has appointed an additional board member. The STEL board actively monitors strategic asset allocation, which is designed to achieve the Endowment's investment objective of inflation (CPI) plus 5% over the long term, defined as a minimum of 10 years. Over ten years, the Endowment generated an annualised return of 6.3%, which is marginally below the portfolio benchmark (6.7%). The Endowment performance over ten years is below the CPI plus 5% target (8.2%). This target has proven challenging to meet in recent years given the sustained rise in inflation.

The Endowment continues to invest responsibly, with a particular focus on tackling the environmental crisis and on advancing diversity within the investment industry. We believe that over the long term this approach will generate sustainable returns and protect the Endowment from some of the risks of climate change and other environmental factors.

Over the last year the Endowment has invested in funds that are accelerating companies' transitions to a net zero economy around the world. This is an impactful way to invest and contributes to reducing emissions in the real world.

We have also stepped up our engagement with fund managers and companies on the impact of biodiversity and nature loss, and have committed to invest at least 3% of the Endowment's value in natural capital and biodiversity solutions. The Endowment has now invested over £100 million in environmental solutions.

Diversity, equity and inclusion remain an important part of our investment process and internal activities. We continue to back managers that are advancing these areas in their own firms and are investing in companies with diverse leadership.

This year, the Endowment has increased its focus on the risks around human rights and modern slavery in the investment process and has put in place actions to mitigate these risks through stronger due diligence and monitoring processes.

Overall, the fund remains well positioned to take advantage of growth opportunities and fulfil its purpose of supporting the Guardian in perpetuity.

## **Tracy Corrigan**

*Chair of the Scott Trust Endowment board  
and member of the Scott Trust board*

# Report on the Endowment

## 1. Structure of the Endowment

At 31 March 2025, the Endowment was valued at £1,245.6 million<sup>1</sup>.

Endowment Asset	Balance	Role in the Endowment
<b>The Scott Trust Endowment Ltd. (STEL)</b>	£1,245.6 m	STEL aims to generate strong risk-adjusted returns over the long term to support the Scott Trust's mission of supporting the Guardian in perpetuity.

## 2. Performance

The primary investment objective of the Endowment is to achieve an annual total return of inflation (CPI) plus 5% over the long term, net of fees. The long term is defined as a minimum of ten years. In addition to the investment objective, the Endowment is expected to generate returns in excess of the portfolio benchmark, measured over a minimum three-year period. This portfolio benchmark reflects our strategic asset allocation (SAA), which is designed to meet our investment objectives.

Over ten years, the Endowment has generated a return of 6.3%, which is marginally behind the portfolio benchmark (6.7%) and below the CPI plus 5% target (8.2%). The latter has proven challenging to meet in recent years, given the sustained rise in inflation.

For the twelve-month period to 31 March 2025, the Endowment generated a return of 1.5%, which lagged behind the portfolio benchmark by 7.1%. Over a three-year period, the Endowment has delivered an annualised return of 1.5%, underperforming its portfolio benchmark by 5.0% per annum.

The Scott Trust has delegated authority for most decisions relating to the management of the Endowment to the STEL board, which meets regularly to review the performance and strategy of the Endowment.

The STEL board currently comprises:

- Tracy Corrigan, chair (also a member of the Scott Trust board)
- Jonathan Evans (Chief Investment Officer)
- Stephen Godsell (Group General Counsel and Company Secretary)
- Chris Hitchen
- Jonathan Paine (also a member of the Scott Trust board and Joint Audit Committee)
- Gayle Schumacher
- Ole Jacob Sunde (also chair of the Scott Trust board)

The STEL board has appointed Cardano, Cambridge Associates, and Redington as advisors. Cardano advises on strategic and tactical asset allocation, public-market investments and the management of day-to-day aspects of the Endowment. Cambridge Associates advises on private investments. Redington advises on environmental sustainability.

## 3. Governance of the Endowment

This is the first full year that the Scott Trust Endowment has operated as an independent entity, following the transition of assets from the Guardian Media Group to the Scott Trust Endowment (STEL) in 2023/24. During the year, STEL revised its core governance documents and policies, including its Investment Policy Statement, and appointed a new member of the Board, who also sits on the Scott Trust board and the Joint Audit Committee.

<sup>1</sup> The valuation shown above is not identical to that presented in the Group's financial statements (£1,246.3 million). Primarily this is due to the source of the data used, with data in the financial statements provided by the custodian and data in this report provided by our investment advisors. In addition, one of the funds is deemed to be a subsidiary by virtue of control and as such a different valuation method has been used in the financial statements.

## 4. Review of Investment Activities

### Overview of the Endowment's Performance

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	10 year performance	Annualised since inception
<b>Scott Trust Endowment</b>	-4%	20.7%	3.7%	6%	-3.4%	25%	14.9%	-2.4%	5.4%	1.5%	6.3%	6.5%
<b>Weighted Benchmark (Hedged)</b>	-1.6%	18.7%	3.0%	5.7%	-4.0%	21.7%	7.1%	-2.4%	14.5%	8.6%	6.7%	6.8%
<b>Variance</b>	-2.4%	2.0%	0.7%	0.3%	0.6%	3.3%	7.8%	0%	-9.1%	-7.1%	-0.4%	-0.3%

The table above shows the performance of the Endowment over the last ten years and on an annualised basis since inception in mid-2008. The Endowment has marginally underperformed the portfolio benchmark since inception and across the ten-year performance period (net of costs).

The Endowment generated a return of 6.3% over ten years, which is below the CPI plus 5% target (8.2%). This target has proven challenging to meet in recent years, given the sustained rise in inflation. The Endowment's 6.5% return since inception is also below CPI plus 5% since inception (8.2%).

The year to March 2025 was marked by renewed geopolitical and macroeconomic uncertainty. While inflation showed signs of easing in developed markets, investor sentiment was shaken by escalating global trade tensions and the prospect of new tariffs, particularly from the US. In the last quarter, equity markets were further unsettled by weakness in the technology sector, concerns over slowing global growth and uncertainty surrounding US fiscal policy.

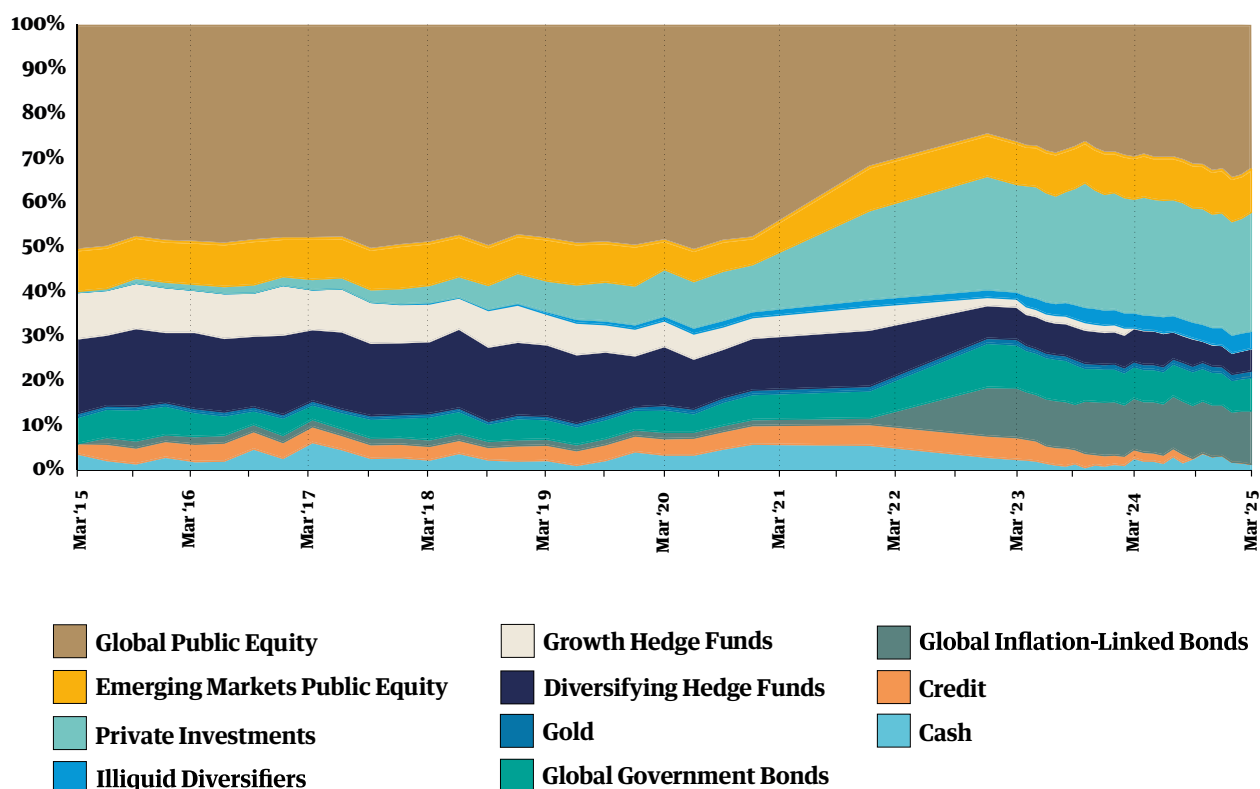
Central banks diverged in their policy paths amid persistent inflation concerns creating an uncertain rate environment. As a result, equity markets were volatile, with global equities ending the period lower, while fixed income markets saw mixed performance. Despite this market volatility the Endowment posted modest positive returns.

The Endowment's active equity managers were the largest underperformers over the year, due to the volatile equity environment.

The Endowment is well positioned to provide support to the Guardian Media Group while remaining focused on the long-term returns that will help to fulfil its purpose in perpetuity.

## 4. Review of Investment Activities (cont.)

### Evolution of the Endowment's Asset Allocation



The table above shows the evolution of the asset allocation of the Endowment over the past 10 years from March 2015 to 31 March 2025.

The focus of the strategy has been to generate long-term growth and this continues to be the case in the current market conditions.

We continue to increase our allocation to private markets in line with our target strategic asset allocation. Whilst we build up our allocation to private assets, we hold an overweight position within passive and active public equity.

## 4. Review of Investment Activities (cont.)

### Risk

The primary investment objective of the Endowment is to achieve strong long-term returns with an acceptable level of risk.

The current portfolio is well positioned to deliver these returns when economic growth is robust, due to its sizable allocation to public and private equities. The portfolio also has a degree of diversification which will help protect the portfolio position when markets are more volatile.

We continue to monitor the portfolio to ensure that it runs an appropriate level of risk to meet its return objective and that there will still be sufficient liquidity to support its obligations.

### Private Investments

Stable economic growth in developed markets in 2024 contributed to relatively robust performance in private equity. In the venture capital market, GenAI unleashed unprecedented pre-money entry valuations in places, while non AI deal activity was more muted. The exit environment remained challenged, resulting in muted levels of distributions to investors in 2024.

#### *Private Equity and Venture Capital Portfolio:*

In 2024, the Endowment's Private Equity and Venture Capital (PE & VC) portfolio returned 4.5% in GBP terms; this was strengthened by foreign exchange movements as the return of the portfolio in US dollars was 2.6%. Over a 10-year time horizon the Endowment's PE & VC portfolio, which began in March 2015, returned 14.4% and 13.4% in GBP and US dollar terms, respectively.

As at 31 December 2024, the Endowment's PE & VC portfolio stood at £276 million in net asset value (NAV) and has generated £122 million of distributions since inception. Given a cost basis of £254 million, this translates to a total net cash-on-cash return of 1.6 times cost, including a realised net return of 0.5 times cost.

From 1 April 2024 through to 31 March 2025, the PE & VC portfolio has completed £45 million in commitments across 15 funds, bringing the total to £352 million in commitments across 28 managers since inception. A recent example of a commitment is:

- **Frazier Life Sciences (FLS)** - A US-based healthcare investment firm focused on novel therapeutics, investing in both private and public biotech companies. STEL made a commitment to Frazier's venture capital fund.

#### *Private Market Diversifiers Portfolio:*

In 2024, the Endowment's private markets Diversifier's portfolio returned 5.7% in GBP terms and 4.4% in USD terms. Over a 10-year time horizon the portfolio returned 7.0% in GBP terms and 6.6% in USD terms. The Diversifiers portfolio consists of investments that should be less correlated to equities, providing additional resilience and stability to the portfolio through economic cycles.

As at 31 December 2024, the Diversifiers portfolio had an unrealised NAV of £47 million and had generated £41 million in distributions since the inception of this part of the portfolio in March 2017. Given a cost basis of £77 million, this translates to a total net cash on cash return of 1.1 times cost, including a realised net return of 0.5 times cost.

From 1 April 2024 through to 31 March 2025, £20 million in commitments have been completed across three funds in the Diversifiers portfolio, bringing the total to £125 million in commitments across 11 managers since inception. Of the three new fund commitments in the last twelve months, two new manager relationships were added including:

- **Ninety One** - Ninety One is an active, global investment manager with a strong presence in emerging markets. STEL invested in the Emerging Market Transition Debt (EMTD) strategy, an integrated private and public credit portfolio. The strategy finances new infrastructure and solutions that will accelerate the energy transition in emerging markets.

### Costs

The STEL Board seeks to manage the portfolio in the most cost-effective manner. We continue to look to reduce investment management fees while preserving the level of diversification. Over the year, we have reduced our allocation to hedge fund managers, helping to lower the management fees paid to external managers.

## 5. Responsible Investment

Investing responsibly remains a core part of the Endowment's investment approach to generating sustainable returns now and in the future, and to build resilience to risks. The Endowment continues to focus on actions we can take to tackle the environmental crisis and to advance diversity, equity and inclusion in the investment industry.

This year the Executive team has increased their focus on the risks around human rights and modern slavery from an investment perspective and has been reviewing the Endowment's policies. The Endowment now assesses investment managers' approach to these areas and their stewardship with investee companies and their supply chains. The Executive team participates in investor initiatives that incorporate a respect for human rights in the expectations set of companies.

### Climate change and nature loss

The Endowment continues to use the levers available to us as an investor to contribute to a reduction of emissions in the real world and to protecting nature and biodiversity. This has become even more of an imperative as global emissions have continued to rise and the ability to limit global temperature rise to 1.5°C looks more uncertain, with the impacts being felt across societies and ecosystems.

In light of this, this year we have focused on making investments into funds in public and private markets that are accelerating companies' transitions to a net zero economy, in both developed and emerging markets. This includes funds which invest in and support companies in the materials, utilities and industrial sectors that currently have high emissions but are taking action to transform their operations to emit lower emissions. We are confident that this is an impactful way to invest and is contributing to accelerating the transition to lower emissions in the real world.

Alongside investing in the transition to a lower carbon economy, investing in solutions to climate change and biodiversity loss continues to be an area of focus. We have made a commitment to invest at least 3% of the Endowment's value in natural capital and biodiversity solutions.

Our investments in environmental solutions continues to grow and now stands at £104.4 million, equivalent to 8.4% of the Endowment's assets. This is concentrated in companies focused on decreasing emissions associated with power grids and in cutting emissions from manufacturing processes, and also covers areas such as increasing the resilience of food systems in a warming world.

Over the last year we have stepped up our engagement on biodiversity and nature loss. This includes engagement with our fund managers on actions they are taking to incorporate these risks as part of their investment process and in their interactions with companies in their portfolio. We continue to engage with some of the largest companies in the world on their ambitions and actions to reverse nature and biodiversity loss, through the investor-led initiative Nature Action 100.

### Diversity, equity and inclusion

The Endowment continues to assess diversity, equity and inclusion (DE&I) as a key part of the investment process, given the evidence of improved decision making and business outcomes gained through a diverse workforce. In addition to actions to embed an assessment of diversity in our decision making, in the last year the Endowment has also continued supporting a fund that invests in female founders by backing their second fund. The fund invests in companies using technology to solve the world's biggest problems in healthcare, education and environmental sustainability.

The Executive team continues to contribute to industry-wide initiatives including the Asset Owner Diversity Charter (AODC) Steering Group. The AODC works with investment fund managers to improve voluntary disclosures on DE&I and to improve practices within firms.

To further the Endowment's commitment to improving diversity in the investment industry we partnered with Girls Are Investors Network (GAIN) to bring two summer interns into the team. This is an important step in helping more women and non-binary professionals build their careers in the investment industry.

### Investor alliances

Collaboration with our peers, both informally and formally through investor alliances, remains a crucial part of our work to drive more responsible practices in the investment industry. We continue to be active members of the Institutional Investors Group on Climate Change (IIGCC), the Institutional Limited Partners Association (ILPA) and UK Sustainable Investment and Finance Association (UKSIF).

## 6. Mercuri (formerly known as GMG Ventures)

Mercuri is an early-stage venture capital fund that leads pre-seed and seed funding rounds for UK companies at the intersection of media, entertainment and technology. The firm is dedicated to backing outstanding entrepreneurs who are at the forefront of developing tech-driven products designed for the new age of enterprise and the digital lifestyle of the consumer.

Mercuri's first fund, launched under its former name GMG Ventures, has The Scott Trust Endowment Limited as its sole limited partner, with a commitment of £42 million. The fund, which is seven years into its ten-year term, has distributed £3.3m to the Scott Trust to date (9% of its paid in capital). At the 31st of March, the remaining position was valued at £55.1 million resulting in a net total value to paid in capital ("TVPI") ratio of 1.5x.

In May 2023, The Scott Trust continued to support Mercuri by committing £4 million to Mercuri II LP, a £50 million fund backed by institutional investors including a cornerstone investment from the British Business Bank through its Enterprise Capital Funds ("ECF") programme. Mercuri II LP has made twelve initial investments and one follow on investment since its launch in May 2023.

Mercuri is a certified B Corp and co-founder of VentureESG, a non-profit initiative to improve environmental, social and governance ("ESG") best practice in the venture capital industry, with 650 members. Mercuri partners with founders who share these values and who work to build and scale their companies in a responsible way; including through the responsible design and use of technologies. Mercuri has a climate pledge and a comprehensive ESG strategy.