Chapter 12

Investments

Also available on-line at:
http://www.admin.cam.ac.uk/offices/finance/procedures

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1. Investment in the Deposit Account

1.1 What is the Deposit Account?

The deposit account is a University wide facility that allows departments with surpluses (on a variety of eligible sources of funds) to invest those funds. This is generally used for short-term investments where monies held “on deposit” are credited with monthly interest, which increases the department’s available resources. Many departments have surpluses that are held on deposit.

Departments are responsible for monitoring their own account and deposit balances and can process deposit movements themselves by means of a General Ledger journal or, in certain instances, request movements to be processed by the Finance Division.

As accounts which hold deposits must not be overdrawn at source of funds level, departmental processing means that funds can be made available straightaway (e.g. to cover an urgent purchase order or payment) instead of having to wait for the transaction to be processed centrally.

Key features of the Deposit Account include:

- Interest is earned on invested surpluses
- Interest is credited monthly and is available to re-invest
- No risk to the capital sum invested

Which surpluses am I allowed to invest in the deposit account?

You may only invest surpluses on the accounts specified below. These surpluses attract either a higher or a lower rate of interest depending on the source of funds.

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Description</th>
<th>Eligible for higher interest rate</th>
<th>Eligible for lower interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>EExx *</td>
<td>Specific Central Reserves</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>EFxx – EXxx</td>
<td>General Donations</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>Fxxx</td>
<td>Specific Reserves</td>
<td></td>
<td>✅</td>
</tr>
<tr>
<td>Hxxx</td>
<td>Specific Donations</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>Ixxx</td>
<td>Specific Endowments</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>Jxxx</td>
<td>HEFCE Initiatives</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>Kxxx</td>
<td>Trust Funds</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>Lxxx</td>
<td>Appropriation in Aid</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>Pxxx</td>
<td>Funds for Land &amp; Buildings</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>Vxxx</td>
<td>CUEF Investment Accounts</td>
<td>✅</td>
<td></td>
</tr>
</tbody>
</table>

*Special dispensation required.

Quick Tip

If you wish to transfer your deposit interest from one account to another use transaction code LXBB on both sides of the journal. NEVER use NBAA in the journal.
1.2 Interest

The monthly interest calculation is run by the Treasury & Investments team at the end of working day four of the month-end processing period. **No further deposit movements should be processed after this date.**

**How much interest do we earn?**

*This varies monthly as interest rates move. The reduced rate of interest is 75% of the higher rate.*

Monthly UDA rates are available on the Finance Division web page: http://www.admin.cam.ac.uk/offices/finance/investments/udarates.html

Interest is credited to all relevant departmental accounts each month by the end of working day five of the GL month-end closure (subject to any overdrawn accounts issues – see below). It appears as a credit against the transaction code **NBAA** and will be available to spend or reinvest.

1.3 Overdrawn Accounts

Departments should check that by the fourth working day of month end any accounts with monies on deposit are **not overdrawn at source of funds level.**

If **overdrawn** departments should take money off deposit to ensure that by the close of business on that day the account is no longer overdrawn.

If this does not happen an overdrawn account will:

- **Where the source of funds has a single cost centre**
  Be subject to an enforced deposit movement to bring the account into a positive balance.

- **Where the source of funds has several cost centres holding deposits**
  The relevant part of the interest due will be withheld and the department contacted by Treasury & Investments to resolve the matter.

In the latter situation an immediate response is required if the interest is to be credited in the relevant month.

1.4 Placing money on deposit

This is done by means of a journal in the General Ledger (GL). In a new batch start a journal in the normal way. Key fields are:

- **Period:** For deposits the period will be the current period.
- **Category:** Select "Department deposit movements" from the list of values
- Leave the **Description** and **Control Total** boxes blank
In the first line of the journal enter the account code for the account with funds that you want to invest:

- The transaction code for these entries will always be **SCBA (funds on deposit)**
- Enter the amount that you want to place on deposit in the **debit** column.

Please note that Departments can now process Deposit Movements to the penny.

The **credit** entry for your journal line is coded to the balance sheet but with a transaction code of **SCCA(Monies on Deposit Control Account).**

Now save and post your journal in the normal way.

**Quick Tip**

If there is to be a long list of transfers then enter all the debit lines first and then just complete one credit line coded to the Deposit Control Account for the total of the journal.
1.5 Taking money off deposit

To take money off deposit, complete a journal as described above but this time:

- Credit the transaction code SCBA
- Debit the control account SCCA

1.6 Information on Departmental Deposits

You will be able to view details of departmental deposits and interest received through the GL module on CUFS using either an on-line enquiry or by running a report. Suggested reports are:

- Transaction Code Balance (UFS) report; or
- Comparing Actual to Budget (UFS) report.

Analysing transaction codes NBAA for interest received and SCBA to see the value of money currently held on deposit for a particular account.

Extracts of both reports are given overleaf.

For Deposit Account queries contact:

Treasury & Investments Accountant
Finance Division, The Old Schools
Tel: 64216
E-mail: Treasury@admin.cam.ac.uk
### Transaction Code Balances (UFS) report:

<table>
<thead>
<tr>
<th>Transaction Description</th>
<th>Beginning Balance</th>
<th>Period Activity</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit Account Interest</td>
<td>$0.00</td>
<td>($50,249.00)</td>
<td>($50,249.00)</td>
</tr>
<tr>
<td>Entity V Total</td>
<td>$0.00</td>
<td>($50,249.00)</td>
<td>($50,249.00)</td>
</tr>
<tr>
<td>Transaction NBAA Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Totals</td>
<td>$0.00</td>
<td>($50,249.00)</td>
<td>($50,249.00)</td>
</tr>
</tbody>
</table>

**Note:** Deposit account interest earned within the period. It is shown as a negative value as it is income.

### Comparing Actual to Budget (UFS) report:

**DCAPPA Set of Books**

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Cost Centre Code and Name</th>
<th>Annual Budget</th>
<th>Budget Month</th>
<th>Actual Month</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>NBAA</td>
<td>AGN: OVERHEAD SHARE ACCOUNT</td>
<td>0.00</td>
<td>0.00</td>
<td>-70.42</td>
<td>$(-70.42)</td>
</tr>
<tr>
<td></td>
<td>AGQ: GENERAL RESEARCH ACCOUNT</td>
<td>0.00</td>
<td>0.00</td>
<td>-320.09</td>
<td>$(-320.09)</td>
</tr>
<tr>
<td></td>
<td>AGN: CUTS FUND FOR SOFTWARE PRINTS</td>
<td>0.00</td>
<td>0.00</td>
<td>-80.02</td>
<td>$(-80.02)</td>
</tr>
<tr>
<td></td>
<td>Subtotal for Transaction NBAA (Deposit Account Interest):</td>
<td>0.00</td>
<td>0.00</td>
<td>-470.53</td>
<td>$(-470.53)</td>
</tr>
<tr>
<td></td>
<td>Subtotal for Source of Funds NBET (DONATION ACCOUNTS):</td>
<td>0.00</td>
<td>0.00</td>
<td>-470.53</td>
<td>$(-470.53)</td>
</tr>
</tbody>
</table>

**Note:** Interest received for this account this source of funds this month.
2. Investment in the Cambridge University Endowment Fund (CUEF)

2.1 What is the CUEF?

The Cambridge University Endowment Fund (CUEF) is a unitised fund consisting of a variety of assets including equities and investment property. Investors (departments) buy a number of units in the fund – the number purchased depends on the funds available and the unit valuation at the purchase date.

This fund provides long-term capital growth plus a monthly distribution. Please note only funds being held for long term investment e.g. at least five years are suitable for investment in the CUEF because the capital value of this type of investment can go down as well as up, especially in the short term. The Treasury & Investments team must approve all investments.

Key features of the CUEF include:

- A monthly distribution per unit per annum to investors
- Potential for long term capital growth
- A quarterly fund and unit revaluation
- Quarterly opportunities for sales and purchases of units

Which surpluses am I allowed to invest in the CUEF?

You may only invest surpluses on the sources of funds specified below.

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Description</th>
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<td>Fxxx</td>
<td>Specific Reserves</td>
</tr>
<tr>
<td>Gxxx</td>
<td>Trading Accounts</td>
</tr>
<tr>
<td>Hxxx</td>
<td>Specific Donations</td>
</tr>
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</tr>
<tr>
<td>Vxxx</td>
<td>CUEF Investment Accounts</td>
</tr>
</tbody>
</table>

Due to the complexity of the accounting involved the Treasury & Investments Manager in the Finance Division, processes all transactions (including sales and purchases of units) relating to the CUEF.

2.2 Unit Purchases and Sales

Unit holders will follow current procedures in terms of registering their intent to buy or sell prior to the quarter date and being advised of the unit valuation once calculated.
The CUEF accounting quarters are as follows:

- 30 September
- 31 December
- 31 March
- 30 June

Therefore, if you wish to purchase or sell units in the fund, please submit your request in writing to the Treasury & Investments Manager. Late request will not be included.

Deadlines relating to the purchase and sale of units can be found on the Finance Division web page at:

http://www.admin.cam.ac.uk/offices/finance/investments/cuefrates.html

Contract notes (forms that confirm your decision to buy/sell units) are produced by Treasury & Investments and sent to investors detailing purchases and sales once processed.

The Unit revaluation and trades are reflected in the General Ledger on the first day of the subsequent calendar month i.e. the 30 June valuation and purchases and sales will appear in GL on accounting date 1 July.

### 2.3 Distribution from the Fund

The CUEF distribution is credited to investors monthly at the agreed rate for the University’s Financial Year.

The agreed rates for the CUEF distribution are available from the Finance Division web page at:

http://www.admin.cam.ac.uk/offices/finance/investments/cuefrates.html

The income is credited to accounts holding CUEF units under the transaction code NAAA, by the fifth working day of the month end period.

**Quick Tip**

If you wish to transfer your deposit interest from one account to another use transaction code LXBB on both sides of the journal. NEVER use NAAA in the journal.
2.4 Departmental Holdings Summary

Twice a year departments are sent a summary of their unit holdings as at 31 December and 30 June.

2.5 Annual Review Report

A copy of the Annual Review of the CUEF is sent to investors each year. This report presents the results for the year, details of the asset allocation of the fund, commentary on performance and records historic performance.

For further information about the CUEF please contact the Investments Manager in the Finance Division.

Treasury & Investments Manager

Finance Division,
The Old Schools
Tel: 65974
Email: Treasury@admin.cam.ac.uk