



## Nuffield Foundation Financial History

William Morris, the celebrated car manufacturer and founder of Morris Motors and Morris Garage (MG) cars, took the name 'Nuffield' when he was made a Baron in 1934. He established the Nuffield Foundation in 1943 with shares in his company worth £10m, in part because he felt that the best way for the Foundation to operate was as a major investor in his company and to advance the 'national interest' through the twin purposes of investing in British industry as well as through its charitable activities.

As he had no children, presumably this was to be his legacy, nor was the holding to be sold after his death. As the original Trust Deed put it, 'Lord Nuffield is of the opinion that it will be to the advantage of the trust hereby constituted (and indeed having regard to the magnitude and character of the said business in the National interest) that continuity in the management control and administration of Morris Motors Limited should be preserved after his death'.

The scale of this gift immediately made the Foundation the largest UK charity, and one of the largest in the world. For example in 1952 it spent only a third of its income on the construction of the radio telescope at Jodrell Bank. From the outset the Morris Motor shares were managed explicitly by 'Ordinary' Trustees who could only sell the shares with Nuffield's written approval. Spending decisions were taken by a separate group of 'Managing' Trustees, who reported their decisions to the Ordinary Trustees. From the earliest days these Managing Trustees began to reserve at least 10% of their annual budget to build up a portfolio of mixed assets to diversify away from the Morris Motors holding.

In 1968, after a series of mergers, the Morris Motor shareholding became the British Leyland Motor Corporation (BLMC). In 1971 BLMC failed to pay its final dividend and shares collapsed to £0.04 and eventually the company was nationalised in 1975 at £0.01. By 1977 the original Morris Motor holding only represented a third of the Foundation's endowment of £21m. There were main three causes of this catastrophic decline: the failure to diversify after Lord Nuffield's death in 1963 (presumably out loyalty), the overwhelming economic malaise of Britain in the 1970s with inflation rates of up to 24%, and the car industry itself.

By 1980 the Foundation had come to terms with its reduced circumstances by closing a number of grant programmes and moving from a palatial Decimus Burton villa in Regent's Park to a Georgian town house in London's Bedford Square. The Ordinary Trustees were reduced to a single member on the Investment Committee.

In 2003 the Trust Deed was revised and the Ordinary Trustees removed. The current investment strategy was instituted, delivered by a number of managers and mandates. The Foundation now measures its progress by whether or not it has been able to protect the value of its 1980 endowment, a metric reported every year in its annual report.

Had the Foundation diversified before BLMC's losses its present day value would be closer to £2bn rather than the current c£400m, assuming the same spending levels. It is the fact of the survival, rather than the crisis, that should be the story of the Foundation's financial history.

## Historic performance

<b>Investment performance to 31st December 2018</b>				
<b>Total returns</b> (annualised %)	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>10 years</b>
Nuffield Foundation (net of fees)	(0.1)	10.6	10.7	9.5
Bespoke benchmark (gross of fees)	(2.9)	11.4	9.6	9.7
Inflation	3.0	2.6	2.2	2.7
Charity investments (net of fees)	(3.3)	6.3	5.8	8.1
<b>Key</b>				
Nuffield Foundation	Actual performance			
Bespoke benchmark	90% MSCI ACWI; 10% UK 1-5 year Gilts			
Charity investment fund Qtly review	Mixed funds			

### Nuffield Foundation Capital Maintenance Index

