

Community Foundation for Ireland Endowment Fund

Investment Report for Year 1.1.2006 to 31.12.2006

The Fund and its Long Term Investment Objectives

The Fund is a tax-exempt fund and is held in trust by the Board of Directors of the Foundation. The operation of the Fund is governed by the Foundation's Memo & Articles of Association which also sets down the powers and responsibilities of the Directors in relation to the Fund.

The primary long term investment objective of the Fund is to seek to maximise its overall return having regard to the performance of stock markets generally and taking due cognisance of the Fund's income requirements. More specific objectives are

(a) to generate an annual income from the Fund's investments to enable the Foundation meet its grant making requirements; and

(b) at a minimum to protect the capital of the Fund over the longer term but, ideally, to ensure that the value of the capital of the Fund keeps pace with consumer price inflation; if over any period the accumulated capital appreciation significantly exceeds price inflation for that period the Board may, at its discretion, authorise the use of part of the excess for grant making purposes.

The Fund's Investment Policy

It is the present policy of the Board to delegate the investment management of the fund to recognised experts (AIB Investment Managers Limited). They have requested the Manager to seek to achieve the Fund's investment objectives (i.e. a combination of income return and capital growth) by maintaining a balanced investment approach. Investments bought on behalf of the Fund by the Manager shall be, for the most part, limited to widely held securities traded on recognised markets. They have also instructed the Manager to maintain adequate diversification among asset classes and individual securities and that there should be a bias towards yield focused securities.

Although the Manager has substantial discretion both in, the distribution of the Fund among markets and asset classes and, the selection of stocks, some very broad guidelines and minimal investment constraints have been set by the Board. For example, not more than 65% of the Fund can be held in a single asset class (bonds or equities). Also, the Manager must not invest in specific industries on behalf of the Fund (tobacco, pornography, nuclear, or armaments).

Fund's Financial Development during Year

At 1st January 2006, the total value of the assets held by the Investment Manager on behalf of the Fund was €7,488,360.

During the year the Manager received a further €1,510,000 representing donations received from donors for investment in the Fund. The Fund also received investment income during the year (including tax reclaimed) of €389,255 of which €34,125 was made available to the Foundation to meet its grant making requirements and

to cover its administrative costs. A further €43,875 was deducted to meet the Manager's fees and other investment expenses.

The capital appreciation of the Fund during the year was €348,149 (€34,654 realised, €313,495 unrealised).

The total value of the assets held by the Manager on behalf of the Fund at 31st December 2006 was, therefore, €19,357,764.

SUMMARY

Assets at 1st January 2006	€7,488,360
New Donations Invested	11,510,000
Investment Income Received	389,255
Amounts Paid Out Grant making/Admin Costs	(334,125)
Investment Manager's Fees/Expenses	(43,875)
Capital Appreciation	348,149
Assets at 31st December 2006	€19,357,764

The income earned by the Fund, and its capital appreciation, during the year represented a total investment return of 6.2%, broken down as follows:

Capital Appreciation	2.4%
Income	3.8%
Total	6.2%

Asset Distribution of Fund at Beginning/End of Year

The following table summarises, in percentage terms, the principal markets and asset classes in which the Fund was invested at the beginning and end of 2006.

	BEGINNING OF 2006 %	END OF 2006 %
EQUITIES		
Irish	5.3	3.1
Eurozone	10.1	13.7
Non Eurozone	40.7	37.7
Total Equities	56.1	54.5
BONDS		
Irish	3.0	1.7
Eurozone	24.5	23.6
Non Eurozone	6.5	5.0

Total Bonds	34.0	30.3
CASH		
Eurozone	9.9	15.2
Total Cash	9.9	15.2
OVERALL TOTAL	100.0	100.0
EUROZONE (INC. IRELAND) TOTAL	52.8	57.3
NON EUROZONE TOTAL	47.2	42.7

Review of Fund's Investment Performance

The investment performance objective which was set for the Manager was

(a) to generate an annual percentage income return each year which is not less than 75% of the average yield for that year on long dated Euro denominated Government Bonds, and

(b) in the longer term, to ensure that the underlying capital of the Fund increases at least in line with price inflation.

The income return for the year was 3.8% and this comfortably exceeded 75% of the average yield on long dated Government Bonds (approx. 2.7%). Consumer price inflation increases have averaged 4.0% p.a. since this objective was set for the Manager at 1.1.2005. During the same two year period the underlying capital of the Fund has increased by an average of 6.6% p.a.

The Foundation's Finance Administration Investment and Governance Committee met with the Investment Manager (AIB) on 21st March and reviewed with them, in detail, their investment performance for the year.