

# **Community Foundation for Ireland Endowment Fund**

## **Draft Investment Report for Year 1.1.2009 to 31.12.2009**

### ***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 to 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 1<sup>st</sup> January 2009, the total value of the assets held by the Investment Manager on behalf of the Fund was €23,185,865.

During the year the Manager received a further €756,248 representing donations received from donors for investment in the Fund. The Fund also received investment income during the year (including tax reclaimed) of €894,854. A total amount of €975,663 was made available to the Foundation to meet its grant making requirements and to cover its administrative costs. A further €94,260 was deducted to meet the Manager's fees and other investment expenses.

During the year, the fund realised losses of €1,191,527 but this was more than offset by unrealised gains of €2,712,608, resulting in a total capital appreciation of €1,521,081 during the year.

The total value of the assets held by the Manager on behalf of the Fund at 31<sup>st</sup> December 2009 was, therefore, €25,288,125.

### ***SUMMARY***

<b>Assets at 1<sup>st</sup> January 2009</b>	<b>€23,185,865</b>
New Donations Invested	756,248
Investment Income Received	894,854
Amounts Paid Out Grant Making/Admin Costs	(975,663)
Investment Manager's Fees/Expenses	(94,260)
Capital Appreciation	1,521,081
<b>Assets at 31<sup>st</sup> December 2009</b>	<b>€25,288,125</b>

The income earned by the Fund, and its capital appreciation, during the year represented a total investment return of 10.5%, broken down as follows:

Capital Appreciation	6.5%
Income	4.0%
<b>Total</b>	<b>10.5%</b>

### ***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 2009.

	<b>BEGINNING OF 2009 %</b>	<b>END OF 2009 %</b>
<b>EQUITIES</b>		
Irish	0.7	0.8
Eurozone	14.7	16.3
Non Eurozone	29.8	37.7
<b>Total Equities</b>	<b>45.2</b>	<b>54.8</b>

## BONDS

Irish	6.3	4.7
Eurozone	30.4	28.0
Non Eurozone	0.0	0.0
<b>Total Bonds</b>	<b>36.7</b>	<b>32.7</b>

## CASH

Eurozone	18.1	12.5
<b>Total Cash</b>	<b>18.1</b>	<b>12.5</b>

**OVERALL TOTAL** **100.0** **100.0**

**EUROZONE (INC. IRELAND) TOTAL** **70.2** **62.3**  
**NON EUROZONE TOTAL** **29.8** **37.7**

### *Review of Fund's Investment Performance*

The Foundation's Finance Audit Investment and Governance Committee meets with the Investment Manager (AIB) on a regular basis to consider the performance of investment markets and, against that background, to review in detail their management of the Fund and, in particular, the investment return achieved by the Fund. The most recent such review meeting took place on 16<sup>th</sup> December 2009.

The following is a brief summary of the Manager's assessment of the performance of investment markets in 2009, and the economic backdrop which has influenced their current investment strategy for the Fund.

*'2009 saw significant gains in equity markets as all the major economies started to exit recession. By mid March 2009 equity markets had bottomed and a significant recovery ensued as economic data started to suggest that the worst might be over. Record low interest rates, huge fiscal stimulus packages by Governments and the aversion of a collapse of the banking industry eventually began to show positive effects. The improved outlook facilitated the re-building of exposures to equities within the Fund. Bond markets also had positive returns as Central Banks committed to keeping interest rates low.*

*The improvement in leading indicators of economic activity since April 2009 suggests that the recovery will be sustained with global growth expected to recover to circa 4% in 2010. This growth will be led largely by the US and China with recovery in Europe and Japan being more modest. Monetary policy is likely to remain accommodative as Governments try to ensure the recovery continues. We believe that the outlook continues to favour equities over bonds'*

The investment performance of the Manager is reviewed, firstly, against the specific investment objectives for the Fund which are set having regard to its unique requirements and, secondly, against the universe of comparator funds.

The specific 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.

During the year the Manager achieved an income return of 4.0% which exceeded the target set and enabled the Foundation to meet its grant making objectives for the year. The capital of the Fund also appreciated by 6.5% thus clawing back some of the fall experienced by the Fund's capital during 2008. The total return for the year, income and capital combined, was, therefore, 10.5%

The Committee also reviews the performance of the Fund against a group of comparator funds. In this context the Committee considered the Survey of 7 Ethical Managed Funds to be the most appropriate benchmark. Over the 3 and 5 year periods ending in December 2009, the following is a comparison of the total average annual returns achieved by the CFI Fund and the Survey average (net of investment management fees in each case)

<b>Period</b>	<b>CFI Fund</b>	<b>Survey Average</b>
3 years	-2.3% pa	-2.8% pa
5 years	2.6% pa	0.4% pa

**March 2010**