Endowment Fund - Final Investment Report
Year 1/1/2010 to 31/12/2010

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 1st January 2010, the total value of the assets held by the Investment Manager on behalf of the Fund was €25,288,125.

During the year the Manager received a further €728,367 representing donations received from donors for investment in the Fund. The Fund also received investment income during the year (including tax reclaimed) of €932,519. A total amount of €1,105,407 was made available to the Foundation to meet its grant making requirements and to cover its administrative costs. A further €103,614 was deducted to meet the Manager's fees and other investment expenses.

During the year, the fund realised losses of €958,623 but this was more than offset by unrealised gains of €2,051,398, resulting in a total capital appreciation of €1,092,775 during the year.

The total value of the assets held by the Manager on behalf of the Fund at 31st December 2010 was, therefore, €26,832,765.

SUMMARY

Assets at 1st January 2010	**€25,288,125**
New Donations Invested	728,367
Investment Income Received	932,519
Amounts Paid Out Grant Making/Admin Costs	(1,105,407)
Investment Manager's Fees/Expenses	(103,614)
Capital Appreciation	1,092,775
Assets at 31st December 2010	**€26,832,765**

The income earned by the Fund, and its capital appreciation, during the year represented a total investment return of 8.0%, broken down as follows:

Capital Appreciation	4.3%
Income	3.7%
Total	**8.0%**

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 2010.

	BEGINNING OF 2010 %	END OF 2010 %
EQUITIES		
Irish	0.8	0.0
Eurozone	16.3	13.1
Non Eurozone	37.7	48.5
Total Equities	**54.8**	**61.6**
BONDS		
Irish	4.7	2.0
Eurozone	28.0	28.2
Non Eurozone	0.0	0.0
Total Bonds	**32.7**	**30.2**
CASH		
Eurozone	12.5	8.2
Total Cash	**12.5**	**8.2**
OVERALL TOTAL	**100.0**	**100.0**
EUROZONE (INC. IRELAND) TOTAL	**62.3**	**51.5**
NON EUROZONE TOTAL	**37.7**	**48.5**

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 March 28 2011.

The following is a summary of the Manager's assessment of the performance of investment markets in 2010, and the economic backdrop which has influenced their current investment strategy for the Fund.

> *'2010 was a year of further gains in most equity markets. Markets had traded sideways up to August with concern increasing that the US was heading for a 'double dip' recession as economic indicators showed that growth had slowed. In reaction to this, Central Banks committed to leaving interest rates unchanged at record low levels to sustain the economic recovery. In addition, Central Banks embarked on a policy of increasing money supply to financial institutions in an effort to promote increased lending and liquidity ('quantitative easing'). As a result, economic growth strengthened again and equity markets have made steady progress since September.*
>
> *The major bond markets performed well up to August as slowing economic indicators and declining inflation provided a benign background for bonds. However, from September, bond yields started to*

increase in response to the improved economic growth indicators and an acceptance that the period of historic low interest rates and the large scale quantitative easing by Central Banks would eventually have to come to an end. Mounting concerns over Eurozone member country debt/deficit levels also became a growing issue for the markets as the year progressed.

All the major currencies strengthened against the Euro during the period due to concerns over the Eurozone debt/deficit difficulties. This enhanced the returns to Euro investors on holdings in non-Euro denominated assets.

Leading indicators of economic activity suggest that global growth is likely to continue above 4% in 2011. While emerging markets such as China and India continue to be at the forefront of this growth, developed economies, such as the US and Germany, are now showing signs consistent with solid economic expansion. This pick-up in growth amid some growing inflation concerns are likely to see interest rates move upwards in 2011 but monetary authorities will be keen to keep rates as accommodative as possible in order to underpin economic recovery. Over the medium term our preference continues to favour holding 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 3.7% 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 4.3% which, together with the capital appreciation of 6.5% achieved in 2009, has clawed back most of the fall experienced by the Fund's capital during 2008. The total return for the year, income and capital combined, was, therefore, 8.0%

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 1, 3 and 5 year periods ending in December 2010, 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)

Period	**CFI Fund**	**Survey Average**
1 year	7.6%	10.8%
3 years	-0.1% pa	-2.3% pa
5 years	1.2% pa	- 0.6% pa

March 2011