Endowment Fund - Draft Investment Report
Year 1/1/2012 to 31/12/2012

Introduction

The strategy of the Endowment Fund is to provide a reliable source of income for the primary purposes of grant making while maximising the long term value of the Fund. The strategy of the fund is implemented by active management of the fund by the Investment Manager. The appointed Investment Manager makes investments both in large companies with strong franchises, attractive dividend yields and good potential for real capital growth and in sovereign and corporate bonds which provide a stable income return.

The performance of the Investment Manager and Fund is reviewed each year and the results of this review are shown in the yearly Investment Report. The review for the year 2012 is shown below as are the returns over the last 3 and 5 years.

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. Following a comprehensive review of Investment Managers in November 2011, AIB Investment Managers

Limited (AIBIM) were reappointed to manage the Fund for a further 3 year term. In May 2012, AIBIM were acquired by Prescient Global, a South African Fund Manager, and were renamed Prescient Investment Managers (Ireland) Limited. Although many of the key personnel involved in the management of the Fund's assets have not changed, the Foundation's Finance Audit Investment and Governance (FAIG) Committee are continuing to monitor closely the performance of the Investment Manager to ensure that this does not suffer as a consequence of the change in ownership.

The Board has requested the Investment Manager 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 Investment Manager shall be, for the most part, limited to widely held securities traded on recognised markets. They have also instructed the Investment Manager to maintain adequate diversification among asset classes and individual securities and that there should be a bias towards yield focused securities.

Although the Investment Manager has substantial discretion both in the distribution of the Fund among markets and asset classes and in 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 Investment Manager must not invest in specified industries on behalf of the Fund (tobacco, pornography, nuclear, or armaments).

Fund's Financial Development during Year

At 1st January 2012, the total value of the assets held by the Investment Manager on behalf of the Fund was €26,817,524.

During the year the Investment Manager received a further €323,607 representing in donations received in from donors for investment in the Fund. The Fund also received investment income during the year (including tax reclaimed) of €1,040,492. A total amount of €1,427,828 was made available to the Foundation to meet its grant making requirements and to cover its administrative costs. A further €111,987 was deducted to meet the Investment Manager's fees and other investment expenses.

During the year, the fund achieved a total capital appreciation of €2,101,341 (realised gains €197,083, unrealised gains €1,904,258)

The total value of the assets held by the Investment Manager on behalf of the Fund at 31st December 2012 was, therefore, €28,743,149.

SUMMARY

Assets at 1st January 2012	**€26,817,524**
New Donations Invested	323,607
Investment Income Received	1,040,492
Amounts Paid Out Grant Making/Admin Costs	(1,427,828)
Investment Manager's Fees/Expenses	(111,987)
Capital Appreciation	2,101,341
Assets at 31st December 2012	**€28,743,149**

The value of the assets in the final audited accounts was higher at €28,918,521, the difference, relates to cash in transit at the year end, not yet credited to the fund by the Investment Manager.

The income earned by the Fund, and its capital appreciation, during the year represented a total investment return, before fees, of 11.6%, broken down as follows:

Income	3.8%
Capital Appreciation	7.8%
Total	**11.6%**

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 2012.

	BEGINNING OF 2012 %	**END OF 2012 %**
EQUITIES		
Irish	0.0	0.0
Eurozone	9.5	9.9
Non Eurozone	51.2	50.3
Total Equities	**60.7**	**60.2**
BONDS		
Irish	0.0	0.0
Eurozone	32.2	30.0
Non Eurozone	0.0	0.0
Total Bonds	**32.2**	**30.0**
CASH		
Eurozone	7.1	9.8
Total Cash	**7.1**	**9.8**
OVERALL TOTAL	**100.0**	**100.0**
EUROZONE (INC. IRELAND) TOTAL	**48.8**	**49.7**
NON EUROZONE TOTAL	**51.2**	**50.3**

Review of Fund's Investment Performance

The FAIG Committee meets with the Investment Manager 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 with Prescient Investment Managers on 8th March 2013.

The following is a summary of the Investment Manager's assessment of the performance of investment markets in 2012, and the economic backdrop which has influenced their current investment strategy for the Fund.

> ***'Market Review***
> *Equity markets performed strongly in 2012, with the MSCI World Index delivering a total return of +14.8% in euro terms. Equities benefited from a stabilisation in global economic leading indicators, evidence that the Chinese economy is recovering, lower bond yields, and further policy easing by the global authorities and a deal by U.S politicians on the 'fiscal cliff'. A benign inflation outlook, improved credit conditions as money market spreads and corporate funding rates declined, and favourable valuations also supported equity markets in 2012.*
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> *Eurozone bonds performed extremely well in 2012, with a return of +11.2%. This was driven by both core and peripheral bond markets. Core issuers such as Germany, France, Holland, Finland and Austria continued to achieve good returns on expectations that the ECB may cut interest rates further. The peripheral markets of Spain, Italy and Ireland benefited from comments by ECB President Draghi that they would do 'whatever it takes' to preserve the euro.*
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> ***Outlook***
> *Global economic growth is expected to be just above 3% in 2013, after a similar outcome in 2012, but an increase to 4% in anticipated for 2014. Global leading indicators are now recovering, and improved financial market sentiment, policy easing in China and the U.S., and reduced concerns about the eurozone sovereign debt crises should lead to a continuation of this trend. Growth in the developed world will be subdued, with the U.S. economy likely to continue to out-perform. Emerging market economies will continue to be the major driver of global growth.*
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> *Equity valuations are still generally attractive, although less so after the recent rally in markets. The outlook for modest economic growth, low inflation, low interest rates, abundant central bank liquidity, favourable credit markets and low equity volatility should continue to be supportive for equity markets over the medium term.*
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> *Bond markets have been supported by weak economic growth, a favourable inflation outlook and also by central bank purchases, but current extremely low yield levels will not be sustainable. The medium term outlook is for AAA bond yields to continue to move gradually higher from current very low levels. Valuations are very unattractive, with nominal yields close to record lows, and AAA real yields in negative territory'*

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

The specific investment performance objective which was set for the Investment 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 Investment Manager achieved an income return of 3.8% which exceeded the target set and enabled the Foundation to meet its grant making objectives for the year. As was highlighted by the Investment Manager in their review of markets, 2012 was a positive year for global equity markets with most major equity markets showing strong gains and the index of global equities showing a gain of 14.8% for euro investors. This enabled the Investment Manager to achieve a capital return of 7.8% which was comfortably ahead of price inflation for the year.

The Committee also reviews the performance of the Fund against a group of comparator funds. In this context the Committee considered the Survey of 6 Ethical Managed Funds to be the most appropriate benchmark. Over the 1, 3 and 5 year periods ending in December 2012, 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	11.2%	13.0%
3 years	7.3% pa	7.1% pa
5 years	2.9% pa	0.9% pa

July 2013