



Term Fund - Investment Report Period April 2016 to 31st December 2016

Introduction

The Community Foundation for Ireland (CFI) has operated a permanent, civic endowment fund with the aim of delivering a consistent and sustainable amount each year for grant making, in perpetuity. In 2016, the CFI established a second fund, a Term Fund (the Fund), to receive donations from individuals, government organisations, businesses and other foundations. As with the Endowment Fund, the Fund is a tax-exempt fund which is held in trust and invested by the Board of Directors of CFI. Its operation is governed by the CFI's Memorandum and Articles of Association which also sets down the powers and responsibilities of the Directors in relation to the Fund.

The Fund differs from the Endowment Fund in that the amount originally donated by each donor, and the investment return earned, will be spent over an agreed period of years by making available for grant making, on a regular basis, amounts pre-agreed with the donor.

A Statement of the Fund's Investment Policy Objectives and Guidelines reflecting the policy, mandate and performance objectives of the manager is available on the CFI website for inspection. This specifies that the asset allocation must have regard to the expected life of the Fund, as well as the anticipated grants profile and liquidity requirements of the Fund. Additionally, at least one year's expected drawdowns are to be held in cash and cash equivalents, or in readily tradeable assets and an increasing proportion of assets are to be held in easily liquidated assets over the final 4 or 5 years of the Fund.

The Fund's initial Investment Manager is Investec.

Fund's Financial Development during Year

The donation to the Fund in April 2016 was in the form of equity shares in a quoted company. The amount received by the manager for investment, following the sale of the shares and a transfer out of €550,000 for the initial year's grantmaking was €2,827,108. The asset value of the Fund at 30th June 2016 was €2,767,767 and this has been taken as the base value for the purpose of calculating comparator returns with the benchmark and Irish Pension Managed Funds. In the third quarter an amount of €25,449 was made available to CFI for grantmaking and to cover its administrative fees. A further amount of €6,628 was deducted to meet Investment Manager fees and other investment expenses.

The total value of the assets held by the Investment Manager on behalf of the Fund at 31st December 2016 was €2,959,121.

SUMMARY

Amount transferred to Manager (April 2016)	€2,827,108
(Value at 30th June 2016)	€2,767,767)
Amounts paid Out Grant Making/Admin Fees	(25,449)
Investment Manager's Fees/Expenses	(6,628)
Investment Income/Capital Appreciation	164,090
Assets at 31st December 2016	€2,959,121

The investment income received by the Fund, and its capital appreciation, represented a total investment return as follows:

% Return to 31st December 2016 over period since initial transfer	5.7%
% Return to 31st December over period since 1st July	7.9%

The Fund's Assets

The following table summarises, in percentage terms, the principal markets and asset classes in which the Fund was invested at the end of 2016.

%	ASSET CLASS
Fixed Interest – Corporate	3.34
Fixed Interest – Diversified	16.34
Total Fixed Interest	19.68
Equities – UK	4.79
Equities – Europe ex UK	11.83
Equities – North America	6.63
Equities – Asia ex Japan	5.34
Equities – Japan	10.18
Equities – Global	13.65
Equities – Other Regions	2.30
Total Equities	54.72
Property	7.77
Absolute Return and Structured Products	6.55
Infrastructure	6.26
Total Alternatives	12.81
Liquid Assets	5.02
TOTAL	100.00

Practically 90% of the holdings in the Equity Sector are held in Investment Trusts and Unitised Funds, with smaller direct holdings in the Insurance and Technology sectors. The largest single equity holding in the portfolio is the American multinational conglomerate holding company, Berkshire Hathaway Inc. (4.41% of the total portfolio).

45.9% of the total portfolio is in sterling denominated assets, 38.7% in euro assets, and the remaining 15.4% in dollar assets

The 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 Investec on 8th May 2017.

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 what is considered to be an appropriate benchmark.

The primary investment objective of the Fund is to seek to maximise the total net investment return having regard to the performance of stock markets generally, and the Fund's tolerance for risk. More specific long term objectives are (i) in agreement with the donor to make amounts available for grants each year after deduction of investment related charges and CFI administration fee incurred by the Fund, and (ii) to invest in assets suitable for the expected life of the Fund.

At the same time the Investment Manager's shorter term performance is measured against the following benchmark.

Bonds	10.0% BofA Merrill Lynch Euro Government Index 12.5% BofA Merrill Lynch Eurozone Corporate Bond Index
Equities	47.5% MSCI AC World Local Currency 25.0% MSCI AC World
Listed Property	5.0% S&P Developed Property

Total Fund The whole portfolio will be compared to a composite of the above weighted to the central points of the permissible ranges

In addition, to provide a measure of how the Fund has performed each year relative to the funds of other Irish The long term investors, the performance of the Fund is also compared with the average return of Irish Pension Managed Funds (as measured by the Rubicon survey).

The transfer of assets to the Manager took place in the second quarter of 2016. The following is a comparison of the returns achieved by the Fund, the benchmark, and Irish Pension Managed Funds during the period 1st July 2016 to 31st December 2016

Pension Managed	Fund %	Benchmark %
		Funds (average %)

8.1

7.9

7.3

July 2017