

## Endowment Fund Investment Report

### Executive Summary

The Community Foundation Ireland Endowment fund at 31.12.23 was valued at €50.3million.

In 2023, the Endowment Fund

- provided €2.0 m for grant-making
- received €3.5m in donations,
- contributed €450k to the Foundation's operating costs.

Sarasin & Co, London are the fund investment managers. Fund management costs are 0.4%.

The asset allocation at 31.12.23 was: -

- Equity 75%,
- Bonds 15%,
- Alternatives 7%
- Cash 3%

During 2023 Fund investment performance was compared to the following benchmarks:

Until 31<sup>st</sup> May 2023:

- Equities: 72.5% MSCI AC Net Total Return Index Euro
- Bonds: 10.0% ICE BofAML Euro Government Bond Index  
12.5% ICE BofAML Eurozone Corporate Bond Index
- Listed Property: 5.0% S&P Developed Property (Net Total Return) Index

From 1<sup>st</sup> June to 31<sup>st</sup> December 2023:

- Equities: 75.0% MSCI AC Net Total Return Index Euro
- Bonds: 7.5% ICE BofAML Euro Government Bond Index  
7.5% ICE BofAML Eurozone Corporate Bond Index
- Alternatives: 10.0% Cash +2%

### Five-year Endowment Fund Performance:

Year	2019	2020	2021	2022	2023	Total
Value (€ m's)	47,335	49,976	55,337	46,160	50,279	
New donations (€000's)	110	300	100	455	3,536	4,501
Drawdown for grantmaking (€000's)	1,599	1,663	1,760	1,909	2,002	8,933
Drawdown for operating expts (€000's)	452	459	490	452	450	2,303
Return earned %	23.50	11.00	15.00	-13.10	8.60	45.00
Benchmark return %	22.20	9.00	19.50	-15.10	14.90	50.50
CPI +5%	5.70	6.30	4.00	13.20	9.60	38.80

## Background

Community Foundation Ireland has an Endowment Fund (“the Fund”), the operation of which is governed by the company’s Constitution which also sets down the powers and responsibilities of the Directors in relation to the Fund. As the Fund is for qualifying charitable purposes, its income and gains are exempt from Irish tax.

The main aim of the Fund is to deliver a consistent and sustainable amount each year for grant making and operating costs. The primary long term investment objective of the fund is to seek to maximise the total net investment return having regard to the performance of investment markets generally, the tolerance for risk, the Foundation’s policies concerning the impact and ethics of its investments, and the requirements to withdraw money from the Fund periodically.

The level of drawdown for grant making is set with the objective of protecting indefinitely the real value of the Fund’s capital. Specifically, other than in exceptional circumstances, an amount of 4% of the average end of year values for each of the previous 5 years is made available each year for grant making, regardless of the income or capital returns generated by the Fund in that year. In addition, 1% per annum of the Fund is deducted each year to help cover the operating expenses at The Community Foundation.

The Board has adopted a “total return” policy for the management of the fund i.e., no distinction is made between income and capital return. This approach defines net investment return over any period as the total change in the overall value of the Fund over that period, including both net current income and net realised and unrealised capital gains and losses, less all investment related costs.

Sarasin and Partners are the Investment managers and their appointment (in place of Banque J Safra Sarasin ( Luxembourg)) was approved by the Board in December 2022. The securities are held in Sarasin and Partners’ custodian account at Bank of New York Mellon.

This report sets out the governance and performance of the Fund during 2023 and confirms an end of year value of €50.3m, comprising of €47.996m held at Sarasins as at December 31<sup>st</sup> 2023 and cash in transit to Sarasin at that date of €2.332m.

## Governance

The investment committee ('IC') has nine members and met four times in 2023. As set out in its terms of reference (which were approved by the Board) the IC has the responsibility to set parameters for the management of the Community Foundation Ireland's portfolio of funds and to consider any other related activity at the request of the Board. On an ongoing basis, the IC receives periodic reports from the Investment Manager and meets with them on a regular basis to consider the performance of investment markets and to review in detail their management of the Fund. In particular, the investment performance of the Manager is reviewed, firstly, against the specific investment objectives for the Fund which are set having regard to its particular grant making requirements and, secondly, against agreed benchmarks. The Investment Policy Objectives and Guidelines for the Endowment fund is available on the Company's website. This incorporates appropriate investment guidelines and constraints including those reflecting the Company's values and is reviewed annually by the IC. For instance, the policy specifically excludes investment of the Funds in any equities in the tobacco, armaments, gambling or pornography space.

## Financial Developments during Year

The following financial information for the Fund has been extracted from the audited Financial Statements for the year ending 31<sup>st</sup> December 2023.

	€'000's
<b>Fund value at beginning of year</b>	<b>46,160</b>
<b>Donations</b>	
New monies received	2,329
Monies Transferred to endowment from existing donor funds	1,207
<b>Total Capital added in 2023</b>	<b>3,536</b>
<b>Drawdowns for:</b>	
Grant making	(2,002)
Impact investment	(250)
Funding Unrestricted reserves	(550)
Community Foundation Ireland Admin Costs	(450)
<b>Total drawdowns in 2023</b>	<b>(3,252)</b>
Investment and other Income	823
Unrealised Gains	3,214
Manager's Fees including administration and custodial costs	(203)
Fund value at end of year at Sarasin and Partners	47,996
Fees accrued for Q4 2023	(49)
Cash in transit to Sarasin and Partners as at 31 <sup>st</sup> Dec. 2023	2,332
<b>Total value of endowment fund as per 2023 Balance Sheet</b>	<b>50,279</b>

## Fund movements in 2023

In 2023 donations to the endowment fund showed a marked increase on previous years and totalled €3.5m. – €2.3m of this represented new monies donated by donors with the remaining €1.2m being transferred to the endowment account at Sarasins from donor funds that had been previously received by the Foundation as Donor advised Flowthrough and Term funds.

Investment income of €823k was earned in the year- this is remitted to the Foundation on a quarterly basis to fund the admin cost contribution with the remaining amounts being made available for grant-making.

In the year draw downs from the endowment fund totalled €3.25 million. This was made-up of:

- €2M for grant making in line with the investment policy
- €450k – to help fund operating expenses in line with the investment policy
- €250k – to fund an impact investment (in line with an underlying donor fund agreement and request)
- €550k – a prepayment of 2024 grant making drawdown approved by the Board in December 2023, which was drawn down to fund in-year deficit at the Foundation of €300k and to maintain unrestricted reserves at the Foundation at level set out in the reserves policy

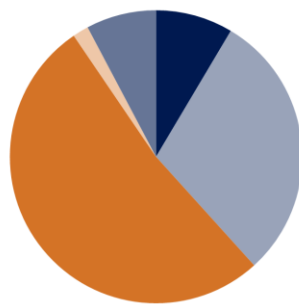
Market recovery in the year contributed an unrealised gain on the portfolio of Portfolio of €3.2m in the year.

Fees charged by Sarasins in the year totalled €202k – of which €49k was accrued at year end. The management fee equates to .4% of the value of the portfolio.

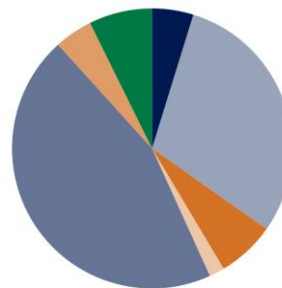
The Fund's Assets at December 31<sup>st</sup> 2023

Asset Allocation	€	Capital %	Benchmark %
Fixed Income	7,334,837	15.3	15.0
Equities	35,954,841	74.9	75.0
Alternative Investments	3,359,111	7.0	10.0
Liquid Assets	1,347,194	2.8	-
<b>Total</b>	<b>47,995,983</b>	<b>100.0</b>	<b>100.0</b>

Currency Allocation – Portfolio



Geographic Allocation - Portfolio



■ Sterling 8.5%	■ US Dollar 52.2%	■ Other 7.8%	■ Emerging Markets 4.8%	■ Japan 1.8%	■ UK 7.3%
■ Euro 29.7%	■ Japanese Yen 1.8%		■ Europe 30.0%	■ North America 45.1%	
			■ Global 6.7%	■ Pacific 4.4%	

	Start 2023	End 2023
	%	%
Equities		
Eurozone (incl Ireland)	8	12
US Equities	45	45
Other	22	18
<b>Total Equities</b>	<b>74</b>	<b>75</b>
Bonds		
Eurozone (incl Ireland)	12	15
Non Eurozone	0	0
<b>Total Bonds</b>	<b>12</b>	<b>15</b>
Cash (all euro zone)	5	3
Alternatives (incl Real Estate)		
Eurozone	0	2
Non Eurozone	9	5
<b>Total Alternatives</b>	<b>9</b>	<b>7</b>
<b>Overall total</b>	<b>100</b>	<b>100</b>
<b>Eurozone (inc. Ireland) total</b>	<b>25</b>	<b>32</b>
<b>Non eurozone total</b>	<b>75</b>	<b>68</b>

## Equity holdings

Geographical allocation of Equity holdings as at December 31<sup>st</sup> 2023

	Portfolio %	Index %	Difference
North America	60	66	-6
Europe ( excl UK)	16	12	+4
UK	10	4	+6
Emerging Markets	6	10	-4
Pacific Basin(exc Japan)	6	3	+3
Japan	2	5	-3
Total	100	100	

Of the 51 equity holdings in the portfolio, the top 20 holdings accounted for 56.8% of its equity exposure. The table below sets out the ten largest equity holdings held in the portfolio at December 31<sup>st</sup> 2023:

	Security Name	% of equities	Sarasin's ESG score
1	Amazon	5.4	C
2	Alphabet Inc	4.3	C
3	Microsoft Corp	4.1	B
4	CME Group	3.5	C
5	Eco Lab Inc	3.2	A
6	London Stock Exchange Group	3.0	B
7	Taiwan Semiconductor	3.0	A
8	ASML Holding	2.8	A
9	Equinor ASA	2.8	D
10	Moody's Corp.	2.5	B

ESG ratings allow investors to understand a company's exposure to, and management of Environmental (E), Social (S) and Governance (G) issues.

Sarasin and Partners use an investment approach that is aligned with the values of the Foundation, by investing in a manner that supports sustainable economic progress and helps protect the interests of future generations.

By identifying companies which demonstrate responsible behaviours, they aim to create more durable economic value for the Foundation. Their process includes the analysis of environmental, social and governance (ESG) factors. They rate each of the E, S and G pillars individually, and then assign stocks with an overall rating from A (excellent ESG performance) to D (poor ESG performance) before investing in a company.

For change. For better. For all.

Where issues are identified, they seek to actively engage with companies and vote to encourage positive change. They also drive broader policy outreach where they can positively influence market behaviour and regulation.

The money weighted ESG equity score for the portfolio is 'B-' This reflects companies that demonstrate improving and sustainable management in line with ESG factors with no significant governance concerns. 67% of the equity holdings had an allocated ESG score of B or higher.

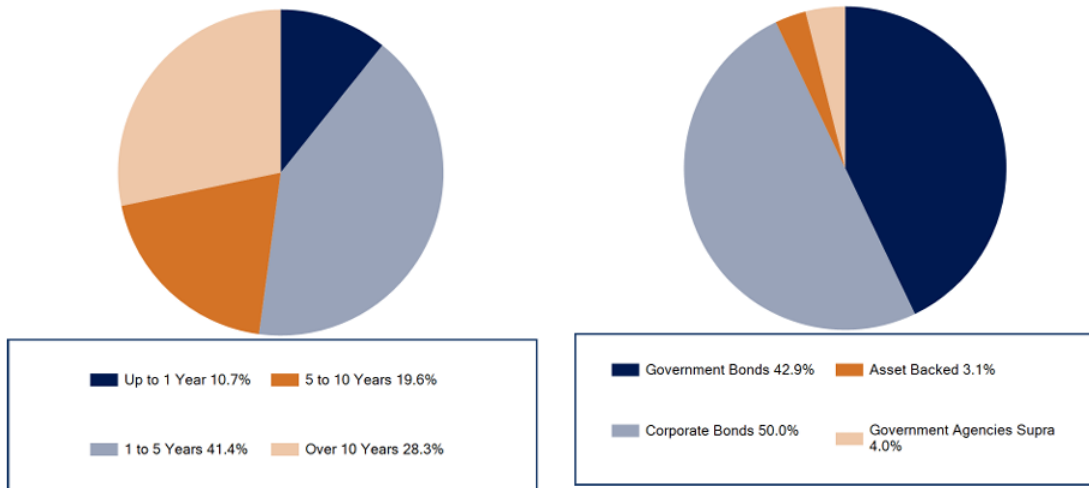
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## Bond holdings

There were 46 bonds held in the portfolio at a total value of €7.3m at December 31<sup>st</sup> 2023 of which 100% were denominated in Euros. Excluding inflation-linked bonds, the yield to maturity was 3.2% with duration of 6.9 years.

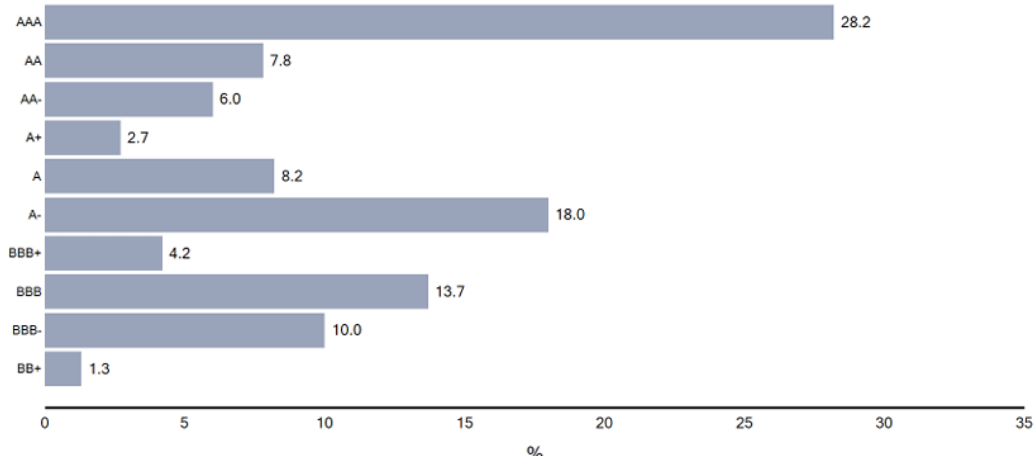
### Maturity

### Type



71 % of the Bonds held had ratings from -A to AAA with 28% of the holdings being rated AAA. All bonds rated at BBB- or higher are considered 'investment grade'.

### Credit Rating Allocation





## Market Background and Outlook

Returns in the first nine months of 2023 were subdued, with the portfolio rising by a modest 3.9% amid a volatile interest rate environment. This was due to stubbornly high inflation, although corporate profits proved resilient and edged markets higher. The conclusion of 2023 saw a notable upswing in both equity and bond markets, positively impacting the returns earned on the fund in the last quarter with returns in the final quarter of the year totalling 4.7%. This rally was prompted by increasing confidence that inflation was softening and a clear indication from global central banks that interest rates had peaked.

The geopolitical risks today continue to be of concern particularly with the potential escalation in the Israel-Hamas war, extending to shipping in the Red Sea and clashes across Israel's border with Lebanon. The stalemate in Ukraine looks set to remain too. There are also many political elections in 2024, the most critical of which is the November 2024 US Presidential election. The investment risk posed by the US election could be meaningful, particularly if universal tariffs are enacted, but it's probably too early to assess the impact on markets.

Consistently weaker inflation data in the US and Europe indicates that central bankers should start easing monetary policy in 2024. Behind these disinflationary trends lies the recovery of post-COVID supply chains, softer capital goods prices, and steadily lower energy costs.

## The Fund's Investment Performance

The primary long term investment objective of the Fund is to make available for grants each year an amount of 4% of the average end of year values for each of the previous 5 years, as well as its running expenses, and to protect the capital of the Fund as well as providing a buffer against inflation in the long term. In a low inflationary environment this equates to a return of approx. 5% pa.

During 2023 Fund investment performance was compared to the following benchmarks

Until 31<sup>st</sup> May 2023:

- Equities: 72.5% MSCI AC Net Total Return Index Euro
- Bonds: 10.0% ICE BofAML Euro Government Bond Index  
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- Alternatives: 10.0% Cash +2%

These benchmarks were set from the central points of the permissible ranges; The change in benchmark meant lower exposure to bonds in favour of equities and alternatives which has been positive for the portfolio.

Cumulatively the Fund has earned a return of 45% in the last five years. The return on the Fund in 2023, was 8.6% net of costs and charges while the benchmark return was 14.9%. The underperformance of the portfolio was largely attributable to the dominance of a small number of technology stocks which impacted the portfolios ability to fully capture the steep market rally.

The portfolio return versus benchmark is set out below

	Total return %	Index %
Fixed income	6.4	7.4
Government Bonds	6.4	
Non Government Bonds	6.5	
Equities	11.1	18.1
Alternative Investments	-2.4	3.5
Absolute return	-3.7	
Commodities	5.2	
Infrastructure	-17.1	
Other alternatives	-3.8	
Portfolio return versus Benchmark	8.6	14.9

Summary of returns 2023	%
Income	1.8
Capital	7.2
Manager's Fees including administration and custodial costs	-0.4
<b>Total</b>	<b>8.6</b>

## Summary

The portfolio was up by +8.6% in 2023 – this was largely led by equities (which performed strongly in the last quarter) benefitting from resilient corporate earnings and a view that peak interest rates were within sight and inflation appeared to be softening. Optimism around corporate earnings was boosted by the immense demand for artificial intelligence technology, with semiconductor-related companies being prime beneficiaries.

The portfolio continued to review the long-term earnings potential of these companies, as well as other related technology companies, and repositioned itself over the course of 2023. These changes have already boosted portfolio returns and in 2024 the portfolio has already generated a return of +7.8% (as at 31<sup>st</sup> March 2024).