

Community Foundation for Ireland Term Funds ('the Funds')

Statement of the Funds' Investment Policy Objectives and Guidelines (June 2020)

1. Background

The Foundation for Investing in Communities (a company limited by guarantee) was established in November 1998 by the private sector in response to a challenge from the then Minister for Social, Community and Family Affairs

- (a) to provide a vehicle to support, encourage and drive community philanthropy and grant making; and
- (b) to give increased recognition and support to businesses that are making Corporate Social Responsibility an essential part of their business practice.

A unique feature of the Foundation is the creation of the first ever nationwide community foundation, the Community Foundation for Ireland (CFI) whose aim is to unite the generosity of donors with the needs of communities. To enable it to achieve its objective of raising philanthropic donations and making strategic grants for the long term benefit of the community and voluntary sector, CFI has established

- (a) a permanent, independent, civic endowment fund which it is intended will operate in perpetuity, and
- (b) a number of term funds which it is intended will be fully spent down over a nominated period.

This Statement of Investment Policy Objectives and Guidelines relates to these Term Funds ('the Funds').

Grants made from donations to the Funds may be made either on a discretionary or donor advised basis. Details of the grants made are contained in the CFI's audited accounts, a copy of which is available on the website www.communityfoundation.ie.

The Funds' values are also noted in the audited accounts.

The Funds are tax exempt and are held in trust by the Board of Directors of CFI ('the Board') - a list of current Board Members is available on the website. The operations of the Funds are governed by CFI's Constitution which also sets down the powers and responsibilities of the Directors in relation to the Funds. A copy of the Constitution is available on request.

Donations to the Funds attract beneficial tax exemptions under Section 846A of the Taxes Consolidation Act 1997.

CFI's Investment Committee ('the IC') is responsible for setting the parameters for the management and safe keeping of the Funds' assets.

2. The Purpose of Investment Policy Statement

The purpose of this Statement of Investment Policy is to

- (i) Establish a clear understanding of the Funds' investment goals and objectives.
- (ii) Offer guidance and set limitations for the Manager(s) regarding the investment of available resources.
- (iii) Establish a basis for monitoring investment activity and evaluating investment results.
- (iv) Establish the relevant investment horizon for which the available assets will be managed and investment performance evaluated.

In general, the purpose of this Statement is to outline a philosophy and strategy which will guide the management of assets towards the desired results. It is intended to be sufficiently specific to be meaningful, yet broad and flexible to allow the Manager(s) sufficient scope to exercise their judgement on behalf of the Funds. In particular, it is the responsibility of the Manager(s) to request a change in this Statement where it believes that the Statement is inhibiting it in any way from carrying out its role or in achieving the investment objectives of the Funds.

3. Governance

As pointed out above the IC is responsible for setting the parameters for the management and safekeeping of the Fund's assets.

Specifically, it shall –

- (a) develop for approval by the Board a statement of the Funds' investment policy and objectives incorporating appropriate investment guidelines and constraints,
- (b) select and recommend to the Board a professional Investment Manager ('the Manager') to manage the assets of one or more of the Funds,
- (c) in consultation with the Manager to select and recommend to the Board a professional custodian,
- (d) set an appropriate investment performance objective for the Funds and meet with the Manager(s) to review performance relative to the objective at least annually,
- (e) report to the Board twice yearly on the performance of the Funds relative to the Investment Policy and Objectives, and

4. Fund Investment Policy

It is the policy of the Board

- (a) to delegate the investment management of the Funds' Assets to recognised experts;
- (b) to delegate the management of the Funds to one or more nominated managers; the current nominated managers are listed in the Appendix;

- (c) to ask the Manager(s) to diversify the assets among asset classes and individual securities to minimise the risk of capital erosion, unless under the circumstances it is clearly inadvisable to do so;
- (d) to ask the Manager(s) to use a balanced investment approach i.e. within very broad guidelines and minimal investment constraints set out below the Manager(s) have total discretion both in the allocation of the Funds among markets and asset classes and the selection of securities etc. within those classes;
- (e) to set investment guidelines and constraints designed only to exclude asset allocations which are unacceptable to the Board;
- (f) to set specific performance objectives which have regard to the investment guidelines/constraints set by the Board and the level of risk acceptable to them;
- (g) to appoint custodian to hold the assets of each Fund for safekeeping; each custodian shall be arranged by the Manager and the Board shall satisfy itself as to the suitability of the proposed custodian.

5. Portfolio Investment Guidelines

(a) Allowable Asset Classes

(i) * Equity Securities which shall be restricted to readily marketable securities of companies traded on recognised exchanges.

(ii) * Fixed Interest Securities, including Sovereign, Corporate and Indexed Linked Bonds provided the issuer meets the minimum credit rating specified in Section 7(f).

(iii)* Cash and Cash Equivalents, including cash deposits, treasury bills and certificates of deposit.

(iv) Alternative Asset Classes which for the purpose of this Statement are defined as investments other than those specified in (i), (ii) and (iii). Within this very broad category, property funds (including real estate investment trusts), infrastructure funds, hedge funds, commodities, private equity and structured products are allowable subject always to the Manager(s) being satisfied that they have the potential to contribute to the net investment return targets, within an acceptable level of risk. Alternative Asset Classes other than those specified in this paragraph may only be included in the portfolio with the prior approval of the IC.

**Including unit funds that invest predominantly in these assets*

(b) Allowable Asset Range

The asset allocation is to be in accordance with the expected life of the Funds, anticipated grants profile and liquidity requirements of each Fund. Assets at least equal to one year's drawdown are to be in cash, cash equivalents, or readily tradeable assets. An increasing proportion of assets are to be in easily liquidated assets over the final 4-5 years of each Fund.

(c) Liquidity

It can be assumed that drawdowns from the Funds will be made in line with the agreed annual drawdown schedule.

(d) Currency

The Guidelines do not specify any upper limit for exposure to non-Euro assets. However, in selecting securities for the portfolio, and in deciding whether, and to what extent, to hedge the portfolio's non-Euro exposure, the Manager(s) need to be cognisant of the fact that the Funds' outgoings are entirely Euro denominated.

(e) Risk

In the view of the Board the major risk faced by the Funds is failure to meet the investment objectives specified above. The Board understands that risk is present in all types of securities and investment styles and that some risk and short term volatility is necessary to produce the investment results that are sufficient to meet these objectives. However, the Manager(s) should take all reasonable steps to control these risks and to meet the objectives with the minimum amount of risk.

6. Portfolio Investment Constraints

The Manager(s) shall have full discretion in investment decision making within the broad guidelines in Section 5 and subject to the following investment constraints:

- (a) no holding in any single company shall amount to over 5% of the value of the Fund;
- (b) short sales of securities and dealing on margins shall not be permitted;
- (c) the Manager(s) shall not invest directly in property without the prior approval of the IC.
- (d) no investment shall be permitted in any market where the Custodian does not accept liability for loss arising from negligence, wilful default or fraud of itself (the custodian) and its sub-custodian;
- (e) the Manager(s) shall not commit the Funds to underwriting any new issue or other offer of securities;
- (f) Bond exposure shall be confined to minimum credit ratings of "BBB- " or better in the case of Sovereign Bonds, 'A3' or better in the case of Corporate Bonds, as determined by the credit rating of the S&P, Moody and Fitch rating agencies combined, using the industry recognised Merrill Lynch weighting methodology. Any downgrading in ratings of bonds held to below the level specified need not result in the Manager(s) having to immediately sell such bonds though no further purchases of such bonds shall be made. The Manager(s) shall notify the IC of the downgrading as soon as is reasonably practicable thereafter and shall discuss the status of the holdings, if still held, at the next review meeting.
- (g) the borrowing of any money on behalf of the Funds is not permitted other than temporary borrowing arising from the settlement of transactions which may not, in any event, exceed 5% of the value of the relevant Funds;
- (h) stock lending is not permitted without the written permission of the IC;
- (i) venture capital investments shall not be held on behalf of the Funds.

(j) the Manager(s) shall not invest in specific stocks or industries as determined by the Board and advised to the Manager(s) in writing by the IC from time to time. The current list of excluded stocks and industries is set out in the attached Appendix.

7. The Investment Objectives

The primary investment objective of the Funds is to seek to maximise the total net investment return having regard to the performance of stock markets generally, and the Funds' 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 related charges and CFI administration fee incurred by the Funds;

(ii) to invest in assets suitable for the expected life of each Fund.

8. Investment Manager Performance Review and Evaluation

The Manager(s) shall report quarterly to the IC on the performance of the Funds in absolute terms and against the benchmarks specified below. Additionally, the Manager(s) shall meet with the IC at least twice a year to consider the performance of investment markets and, against that background to review in detail its management of the Funds and, in particular, the investment return achieved by the Funds.

(a) The Funds

The primary investment objective for the Funds is to seek to maximise the total net investment return having regard to the performance of stock markets generally, and the Funds' tolerance for risk and its liquidity requirements. 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 Funds

In view of the unique characteristics of the Funds and, in particular, the need to have a higher and increasing liquidity requirement to meet drawdowns as the Funds are spent down, in measuring the Manager(s) shorter term performance each year a diminishing percentage of the Funds will be measured against the Endowment Fund benchmarks, with the remaining (and, therefore, increasing) percentage measured against a Cash Index (EURIBOR 3 Month Rate) as follows (based on a 10 year drawdown schedule)

Year	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
<u>% Measured against</u>										
Endowment Fund										
Benchmark	90.0	89.0	87.5	86.0	83.5	80.0	75.0	67.0	50.0	0.0
<u>% Measured against</u>										
Cash Index	10.0	11.0	12.5	14.0	16.5	20.0	25.0	33.0	50.0	100.0

The following are the Endowment Fund benchmarks.

Bonds 10.0% ICE BofAML Euro Government Bond Index
12.5% ICE BofAML Eurozone Corporate Bonds Index

Equities	47.5% MSCI AC World (Local Currency, Eur, Total Return) Index 25.0% MSCI AC World Daily (Net Total Return) Index
Listed Property	5.0% S&P Developed Property (Net Total Return)
Total Fund	The whole portfolio is compared to a composite of the above weighted to the central points of the permissible ranges

(b) Review

Performance relative to the above benchmarks will be reviewed by the IC at least annually and shall be critically evaluated over rolling 3 year periods.

8. Review of this Statement of Investment Policy Objectives and Guidelines

The Board may revise this Statement of Investment Policy Objectives and Guidelines at any time but it will, in any event, be reviewed by the IC on an annual basis.

The Manager(s) may, at any time, request a change in this Statement of Investment Policy and Objectives or raise with the IC any problem arising therefrom. In particular, it is the responsibility of the Manager(s) to request such a change where it believes that this Statement of Investment Policy and Objectives inhibits it in any way in carrying out its role or in achieving the objectives of the Funds.

June 2020

Appendix

- **Nominated Manager- As of June 2020**
 - Term Funds: The nominated manager of each of the Funds at present is Brewin Dolphin (Formerly Investec from 2016)

- **List of Excluded industries**
 - Tobacco (manufacture)
 - Pornography (manufacture, retail)
 - Nuclear (manufacture)
 - Armaments (make, sell)