

Endowment Fund – Investment Report

Year 1/1/2021 to 31/12/2021

Introduction

The Community Foundation for Ireland ‘Endowment Fund – Investment Report 2021’ reflects a period in which the endowment fund at Community Foundation for Ireland increased in value from €49,976,334 to €55,287,621. A return of 15.3% net of costs and charges was achieved over the year.

The Endowment Fund (“the Fund”) is a tax-exempt fund and is owned by the Community Foundation for Ireland. The operation of the Fund is governed by the company’s Constitution which also sets down the powers and responsibilities of the Directors in relation to the Fund.

The main purpose of the Fund is to deliver a consistent and sustainable amount each year from the Fund’s income and/or capital for grant making. The level of drawdown for grant making is set with the objective of protecting indefinitely the nominal value of the Fund’s capital and providing a buffer against future inflation, but the need to withdraw capital may arise. 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.

With effect from 1st January 2015, the Board decided to adopt a ‘total return’ policy for the management of the Fund i.e. no distinction drawn 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 (i.e. interest, dividends etc.) and net realised and unrealised capital gains and losses, less all investment related costs.

Following the UK’s withdrawal from the EU single market from January 1st 2021, The Community Foundation was required to appoint a new investment manager. In the final quarter of 2020, the Finance, Audit, Investment and Governance (FAIG) Committee undertook a full review of several investment managers who had the necessary expertise, resources and capabilities required to undertake the future management of the Fund. Following this review a decision was taken in January 2021 to appoint Banque J. Safra Sarasin (Luxembourg) SA (BJSS) as the Fund’s Investment Manager. BJSS were also appointed as the Funds custodian and all the securities were transferred to BJSS from BNY Mellon in July 2021.

This report sets out the governance and performance of the Fund during 2021 and confirms an end of year value of €55,287,621

Governance

In the context of the growth experienced at the Community Foundation for Ireland in 2020 and 2021, and as part of a governance review conducted in early 2021, it was agreed by the Board that FAIG (which was a sub-committee of the Community Foundation’s parent company) would be dissolved, and

that its functionality would be replaced by two new sub-committees of the Community Foundation for Ireland’s Board, namely the Audit Risk and Governance Committee (“ARC”) and the Investment Committee (“IC”). The FAIG met for the last time on June 28th 2021 and the IC met for the first time on September 6th 2021. 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 company’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 (BJSS) 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 what is considered to be an appropriate benchmark.

Financial Developments during Year

The audited Financial Statements for the year ending 31st December 2021 were approved by the Board of Directors on 15th June 2022 and the following financial information for the Fund has been extracted from these Statements.

FUND VALUE AT BEGINNING OF YEAR	€49,976,334
Money Received during Year	
Donations and Legacies ¹	€100,000
Total	€100,000
Money Paid Out during Year	
Grant Making	(€1,760,026)
The Community Foundation for Ireland Admin Costs	(€489,758)
Total	(€2,249,784)
Investment Related	
Investment and other Income	€1,073,106
Capital Appreciation	€6,608,627
Manager’s Fees	(€170,660)
Total	€463,128
Cash in transit	(€50,000)
FUND VALUE AT END OF YEAR at BJSS	€55,287,623

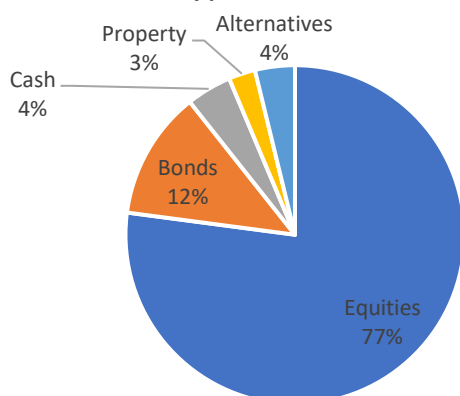
¹ Of total donations in the year of €100,000, €50,000 was in transit to BJSS as at December 31st 2021.

The Fund's Assets

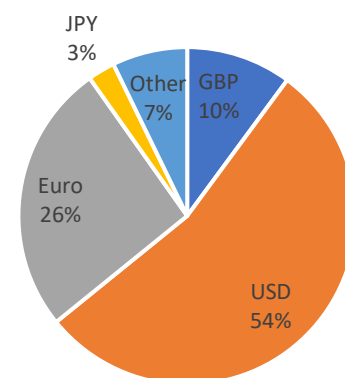
The following table summarises, in percentage terms, the currencies and asset classes in which the Fund was invested at the beginning and end of 2021.

	Start 2021	End 2021
EQUITIES		
Eurozone (incl Ireland)	9.4	9.5
Non Eurozone	61.1	67.6
Total Equities	70.5	77.1
BONDS		
Eurozone (incl Ireland)	15.6	12.2
Non Eurozone	0.0	0.0
Total Bonds	15.6	12.2
Cash		
Eurozone (incl Ireland)	4.3	3.6
Non Eurozone	0.1	0.7
Total Cash	4.4	4.3
ALTERNATIVES		
Eurozone	0.9	0.8
Non Eurozone	3.5	5.6
Total Alternatives	4.4	6.4
OVERALL TOTAL	100.0	100.0
EUROZONE (INC. IRELAND) TOTAL	30.5	26.1
NON EUROZONE TOTAL	69.5	73.9

Asset Type -December 2021



Currency Split -December 2021



Some Investment Highlights

Equity holdings

Portfolio holdings in Equities by region at the end of the Year were as follows

	Portfolio %	Index %	Relative difference
UK	10.9	3.6	+7.3
Europe ex UK	13.7	12.6	+1.1
North America	64.4	64.2	+0.2
Pacific ex Japan	2.7	2.7	+0.0
Middle East Africa	0	.2	-0.2
Japan	3.4	5.5	-2.1
Emerging Markets	4.9	11.2	-6.3
Total	100.0	100.0	

Portfolio holdings by sector at December 31st 2021 were as follows:

	Portfolio %	Index %	Relative difference
Financials	20.4	13.9	+6.5
Real Estate	5.4	2.7	+2.7
Consumer Staples	8.2	6.8	+1.4
Industrials	10.6	9.6	+1.0
Materials	5.5	4.7	+0.8
Consumer Discretionary	13.0	12.4	+0.6
Communications	8.2	8.6	-0.4
Utilities	1.4	2.7	-1.3
Health care	9.0	11.7	-2.7
Energy	0	3.4	-3.4
IT	18.3	23.6	-5.3
Total	100.0	100.0	

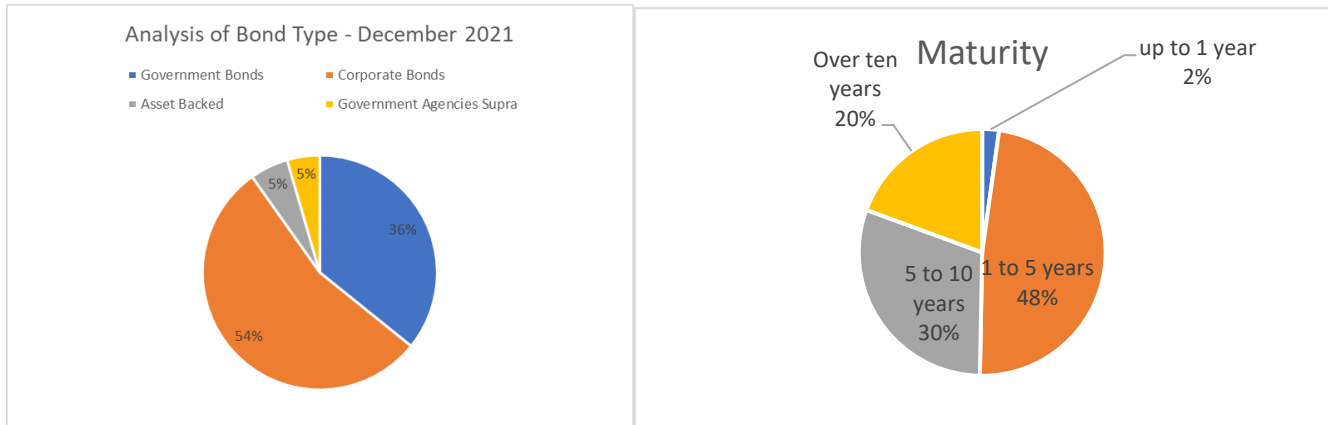
Equity benchmark , MSCI All Countries World Daily (Net, Total Return, €)

At the end of the year, the 4 largest equity holdings held in the portfolio were Microsoft (4.6% of total equities), Alphabet Inc (3.6%), Essilor (3.0%) and Middleby Corp (3.0%). The top 20 holdings accounted for 50.4% of the portfolio's equity exposure and each of these 20 holdings had an average

or above average ESG rating and the money weighted ESG equity score for the portfolio was 'B' – this reflects companies that demonstrate improving and sustainable management in line with ESG factors with no significant governance concerns. Equity holdings accounting for 21% of the portfolio have an ESG rating of 'A' – these include ASML (2.6% of equities), London Stock Exchange group (2.5%) Home Depot (2%), Equinix (2.0%) and Jack Henry (2.1%)

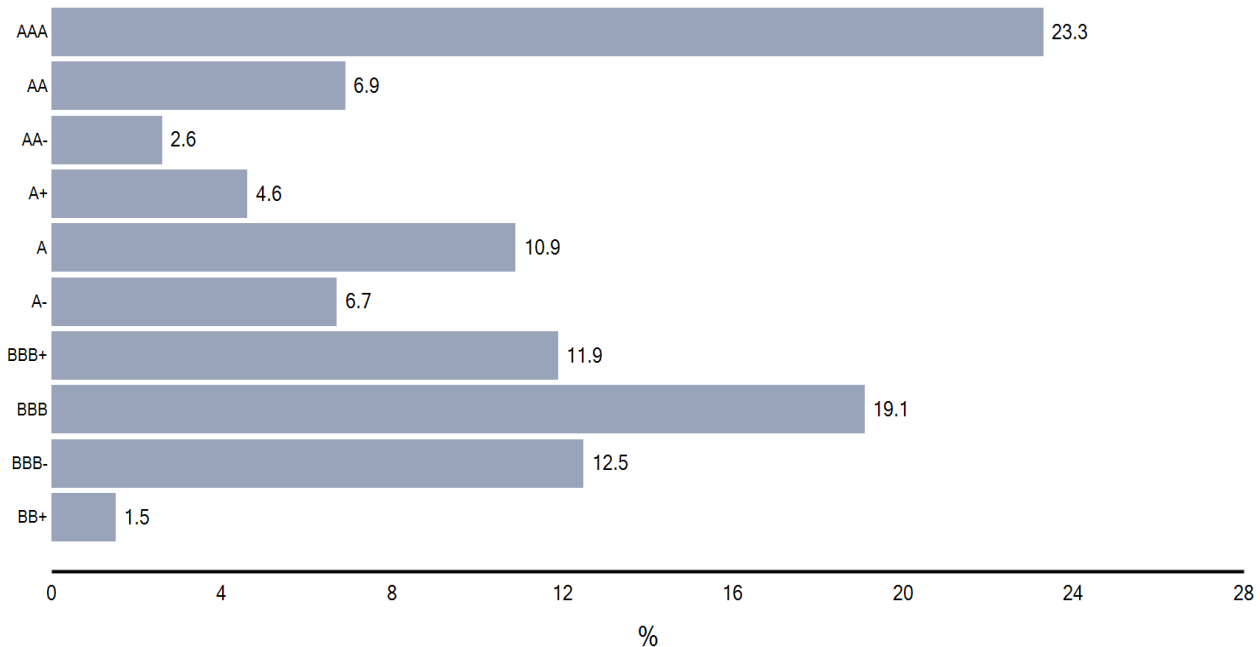
Bond holdings

There was €6.7 m of bonds held at December 31st 2021 with 100% of these denominated in Euros.

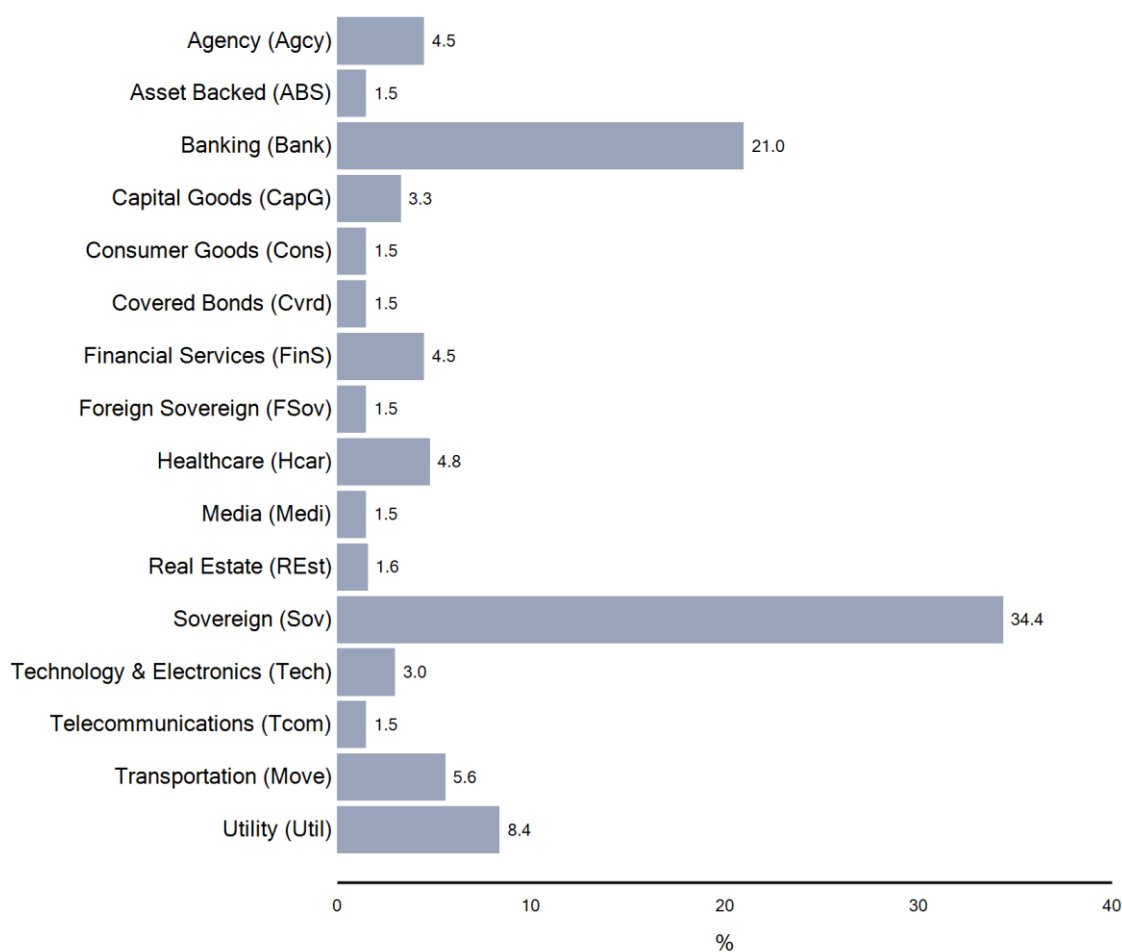


55 % of the Bonds held had ratings from -A to AAA with 23% of the holdings being rated AAA.

Credit rating Allocation



Industrial Sector allocation of Bonds



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 nominal 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.

Up to March 31, 2021 the Investment Manager's performance was measured against the following benchmark:

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, Net Total Return) Index
25.0% MSCI AC World Daily (Net Total Return) Index

Listed Property 5.0% S&P Developed Property (Net Total Return) Index

From April 2021 onwards the Investment Manager's performance has been measured against the following benchmark:

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

These benchmarks were set from the central points of the permissible ranges; the change during 2021 reflected a change in policy in relation to the hedging of non-euro exposures.

During the year 2021, the return on the Fund, net of fees, was 15.3% net of costs and charges which compares to a benchmark of 19.5%.

Income	2.4%
Capital	13.2%
Manager's Fees	-0.3%
Total	15.3%

Summary.

2021 was a good year for the equity markets. The portfolio at BJSS performed well in the year - earning a return of 15.3% (net of fees) and in the year to December 2021 there was an unrealised in year gain of €6.6m.

However, the value of the Fund fell significantly in H1, 2022 as world equity and bond markets experienced sharp falls. As at June 30th 2022 the Fund had a closing value of €47,371,215 which is a decline of 11% approximately when adjusted for cash drawdowns in 2022 to date. Market valuations have been impacted by several factors including the onset of the war on Ukraine, increasing interest rates and inflationary pressures.