



## **Term Fund - Investment Report Year 1<sup>st</sup> January 2017 to 31<sup>st</sup> December 2017**

### ***Introduction***

The Community Foundation for Ireland (CFI) operates 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 Constitution 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 Investment Manager is Investec.

## *Fund's Financial Development during Year*

The total value of the assets held by the Investment Manager on behalf of the Fund at 1<sup>st</sup> January 2017 was €2,959,121.

During the year a total amount of €167,034 was made available to CFI for grantmaking and to cover its administrative fees. A further amount of €15,461 was deducted to meet Investment Manager's fees and other banking and investment expenses. Investment income and capital appreciation for the year came to €274,770.

The total value of the assets held by the Investment Manager on behalf of the Fund at 31<sup>st</sup> December 2017 was, therefore, €3,051,396.

### SUMMARY

<b>Assets at 1<sup>st</sup> January 2017</b>	<b>€2,959,121</b>
Amounts paid Out for Grant Making and CFI's Admin Fees	(167,034)
Investment Manager's Fees/Expenses	(15,461)
Investment Income/Capital Appreciation	274,770
<b>Assets at 31<sup>st</sup> December 2017</b>	<b>€3,051,396</b>

The investment income received by the Fund, and its capital appreciation (net of investment fees and expenses), represented a total investment return for the year of **9.2%**. The return before fees was approximately **9.7%**

## *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 beginning and end of 2017.

			<b>Beginning of 2017</b>	<b>End of 2017</b>
	<b>%</b>	<b>%</b>	<b>ASSET CLASS</b>	
Fixed Interest – Corporate			3.34	7.71
Fixed Interest – Diversified			16.34	18.19
<b>Total Fixed Interest</b>			<b>19.68</b>	<b>25.90</b>
Equities – UK			4.79	3.29
Equities – Europe ex UK			11.83	10.52
Equities – North America			6.63	12.46
Equities – Asia ex Japan			5.34	5.02
Equities – Japan			10.18	9.53
Equities – Global			13.65	14.55
Equities – Other Regions			2.30	2.81
<b>Total Equities</b>			<b>54.72</b>	<b>58.18</b>
<b>Property</b>			<b>7.77</b>	<b>7.43</b>
Absolute Return and Structured Products			6.55	0.00
Infrastructure			6.26	4.87
<b>Total Alternatives</b>			<b>12.81</b>	<b>4.87</b>
<b>Liquid Assets</b>			<b>5.02</b>	<b>3.62</b>
<b>TOTAL</b>			<b>100.00</b>	<b>100.00</b>

Practically 87% 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 direct equity holding in the portfolio is the American multinational conglomerate holding company, Berkshire Hathaway Inc. (4.05% of the total portfolio).

45.5% of the total portfolio is in euro denominated assets, 34.7% in sterling assets, and the remaining 19.8% in dollar assets.

## *The Fund's Investment Performance*

The CFI's Finance, Audit, Investment and Governance (FAIG) Committee receives periodic reports from the Investment Manager and meets with them 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 28<sup>th</sup> May 2018.

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.

Currently, the Investment Manager's shorter term performance is measured against the following benchmark.

<b>Bonds</b>	10.0% BofA Merrill Lynch Euro Government Index 12.5% BofA Merrill Lynch Eurozone Corporate Bond Index
<b>Equities</b>	47.5% MSCI AC World Local Currency 25.0% MSCI AC World
<b>Listed Property</b>	5.0% S&P Developed Property
<b>Total Fund</b>	The whole portfolio will be compared to a composite of the above weighted to the central points of the permissible ranges

As outlined on Page 1 of this report the Fund has unique characteristics (in particular the need to have a higher and increasing liquidity requirement to meet drawdowns as the Fund is spent down). For this reason it is clear that the above benchmark will not be appropriate for this Fund on an ongoing basis. The FAIG Committee is currently in the process of reviewing the benchmark with a view to putting in place a more appropriate benchmark against which the Manager's performance will be reviewed in future years. However, pending that review the following is a comparison of performance for 2017 (before and after fees) against the current benchmark.

<b>Benchmark %</b>	<b>Fund %</b>	
	<b>Before Fees</b>	<b>Net of Fees</b>

9.7

9.2

11.6

**July 2018**