Endowment Fund - Investment Report
Year 1/1/2013 to 31/12/2013

Introduction

The strategy of the Endowment Fund is to provide a reliable source of income for the primary purposes of grant making while maximising the long term value of the Fund. The strategy of the fund is implemented by active management of the fund by the Investment Manager. The appointed Investment Manager makes investments both in, large companies with strong franchises, attractive dividend yields and good potential for real capital growth and, sovereign and corporate bonds which provide a stable income return.

The performance of the Investment Manager and Fund is reviewed each year and the results of this review are shown in the yearly Investment Report. The review for the year 2013 is shown below as are the returns over the last 3 and 5 years.

The Fund and its Long Term Investment Objectives

The Fund is a tax-exempt fund and is held in trust by the Board of Directors of the Foundation. The operation of the Fund is governed by the Foundation's Memo & Articles of Association which also sets down the powers and responsibilities of the Directors in relation to the Fund.

The primary long term investment objective of the Fund is to seek to maximise its overall return having regard to the performance of stock markets generally and taking due cognisance of the Fund's income requirements and appetite for risk.

More specific objectives are

(a) To generate an annual income from the Fund's investments to enable the Foundation to meet its grant making requirements, and

(b) At a minimum, to protect the capital of the Fund over the longer term but, ideally, to ensure that the value of the capital of the Fund keeps pace with consumer price inflation; if over any period the accumulated capital appreciation significantly exceeds price inflation for that period the Board may, at its discretion, authorise the use of part of the excess for grant making purposes.

The Fund's Investment Policy

It is the present policy of the Board to delegate the investment management of the fund to recognised experts. Following a comprehensive review of Investment Managers in November 2011, AIB Investment Managers Limited (AIBIM) was reappointed to manage the Fund for a further 3 year term. In May 2012, AIBIM was acquired by Prescient Global, a South African Fund Manager, and was renamed Prescient Investment Managers (Ireland) Limited. In November 2013 the Davy Group, one of Ireland's leading providers of wealth management, asset management and financial advisory services, announced that it had agreed to acquire the investment management business of Prescient in Ireland. Having received Central Bank approval this acquisition was completed in early 2014. Since then Prescient Investment Managers (Ireland) Limited has been renamed as Advance Investment Managers Limited and they are now (March 2014) the Fund's Investment Manager. The Foundation's Finance Audit Investment and Governance (FAIG) Committee are continuing to monitor closely the performance of the Investment Manager to ensure that this does not suffer as a consequence of the changes in ownership.

The Board has requested the Investment Manager to seek to achieve the Fund's investment objectives (i.e. a combination of income return and capital growth) by maintaining a balanced investment approach. Investments bought on behalf of the Fund by the Investment Manager shall be, for the most part, limited to widely held securities traded on recognised markets. They have also instructed the Investment Manager to maintain adequate diversification among asset classes and individual securities and that there should be a bias towards yield focused securities.

Although the Investment Manager has substantial discretion both in the distribution of the Fund among markets and asset classes and, in the selection of stocks, some very broad guidelines and minimal investment constraints have been set by the Board. For example, not more than 65% of the Fund can be held in a single asset class (bonds or equities). Also, the Investment Manager must not invest in specified industries on behalf of the Fund (tobacco, pornography, nuclear, or armaments).

Fund's Financial Development during Year

At 1st January 2013, the total value of the assets held by the Investment Manager on behalf of the Fund was €28,743,149.

During the year the Investment Manager received a further €3,006,657 representing donations received from donors for investment in the Fund. The Fund also received investment income during the year (including tax reclaimed) of €1,100,162. A total amount of €1,075,928 was made available to the Foundation to meet its grant making requirements and to cover its administrative costs. A further €117,947 was deducted to meet the Investment Manager's fees and other investment expenses.

During the year, the fund achieved a total capital appreciation of €2,414,442 (realised gains €674,252, unrealised gains €1,740,190)

The total value of the assets held by the Investment Manager on behalf of the Fund at 31st December 2013 was, therefore, €34,070,535.

SUMMARY

Assets at 1st January 2013	**€28,743,149**
New Donations Invested	3,006,657
Investment Income Received	1,100,162
Amounts Paid Out Grant Making/Admin Costs	(1,075,928)
Investment Manager's Fees/Expenses	(117,947)
Capital Appreciation	2,414,442
Assets at 31st December 2013	**€34,070,535**

The investment income received by the Fund, and its capital appreciation, during the year represented a total investment return of 11.5%, broken down as follows:

Income	3.5%
Capital Appreciation	8.0%
Total	**11.5%**

Asset Distribution of Fund at Beginning/End of Year

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 2013.

	BEGINNING OF 2013 %	**END OF 2013 %**
EQUITIES		
Irish	0.0	0.0
Eurozone	9.9	14.3
Non Eurozone	50.3	48.0
Total Equities	**60.2**	**62.3**
BONDS		
Irish	0.0	0.5
Eurozone	30.0	26.3
Non Eurozone	0.0	0.0

Total Bonds	**30.0**	**26.8**
CASH		
Eurozone	9.8	10.9
Total Cash	**9.8**	**10.9**
OVERALL TOTAL	**100.0**	**100.0**
EUROZONE (INC. IRELAND) TOTAL	**49.7**	**52.0**
NON EUROZONE TOTAL	**50.3**	**48.0**

Review of 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 Advance Investment Managers on 18th March 2014.

The following is a summary of the Investment Manager's assessment of the performance of investment markets in 2013, and the economic backdrop which has influenced their current investment strategy for the Fund.

> ***'Market Review***
> *2013 was a strong year for most equity markets with the MSCI World Index increasing by 22% in Euro terms. The year saw a steadying of the Eurozone situation, a continuation of the slow improvement in the US economy, a policy led pick up in Japan, and a slowdown in emerging markets, partly caused by fears of an end to the 'easy money' era in the developed world.*
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> *The year began with a strong rally following a resolution to the US government spending programmes that had concerned markets in late 2012. Business investment and demand grew stronger in the US in the early part of 2013, and the Federal Reserve continued its bond buying. As 2013 wore on, investors became concerned that the increasing strength of the US economy would lead to Fed 'tapering', or a reduction in the scale of their bond purchases.*
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> *The Eurozone remained in recession in the early part of the year, resulting in the ECB cutting interest rates twice to an historic low of 0.25%. As the year progressed things improved with the region exiting recession and forward indicators suggesting renewed expansion.*
>
> *Japan had a new Prime Minister and a new head of the Central Bank, both of whom were determined to revive demand and end deflation in the economy. Their words and stimulus actions had the effect of making the Tokyo market the strongest performing developed equity market in local terms.*
>
> *Emerging Markets in contrast underperformed the developed markets due to fears over the consequences of Fed 'tapering'. The countries to suffer the most were those, like Brazil and Turkey, which investors felt were running unsustainable current account deficits.*

Eurozone bond markets had returns of just over 2% in Euro terms. Most of the gains came earlier in the period, as the outlook for the sovereign debt crisis improved, and the real economies suffered recession, increasing the attractiveness of fixed income investment.

Outlook
Global leading indicators should remain relatively firm over the next few months, supported by favourable financial market conditions and accommodative global monetary policy. Growth in the developed economies should improve in 2014 and the Eurozone exits recession.

The medium term outlook is for Eurozone AAA rated sovereign bond yields to move gradually higher from current historically low levels, although they may well peak at lower levels than in previous cycles.

While equity markets are unlikely to repeat the returns seen in 2013, we remain positive on the medium term outlook.'

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 the universe of comparator funds.

The specific investment performance objective which was set for the Manager was

(a) To generate an annual percentage income return each year which is not less than 75% of the average yield for that year on long dated Euro denominated Government Bonds, and

(b) In the longer term, to ensure that the underlying capital of the Fund increases at least in line with price inflation.

During the year the Investment Manager achieved an income return of 3.5% which exceeded the target set and enabled the Foundation to meet its grant making objectives for the year. As was highlighted by the Investment Manager in their review of markets, 2013 was a strong year for global equity markets with most major equity markets showing strong gains and the index of global equities showing a gain of 22% for euro investors. This enabled the Investment Manager to achieve a capital return of 8.0% which was comfortably ahead of price inflation for the year.

The Committee also reviews the performance of the Fund against a group of comparator funds. In this context the Committee considered the Survey of 6 Ethical Managed Funds to be the most appropriate benchmark. Over the 1, 3 and 5 year periods ending in December 2013, the following is a comparison of the total average annual returns achieved by the CFI Fund and the Survey average (net of investment management fees in each case)

Period	**CFI Fund**	**Survey Average**
1 year	11.1%	15.1%
3 years	8.0% pa	8.3% pa
5 years	8.3% pa	10.9% pa

Current Developments

In recent years we have seen interest rates reduce quite significantly, with the result that the income return from the Fund's investments (and as a consequence the percentage of the Fund available to the Foundation for grant making) has been gradually reducing. For example in 2009, the income return was 4.0%; in 2013, as shown above, it was 3.5%.

The FAIG is currently examining whether an alternative approach to investment and distribution might provide a more stable fund for grant making without threatening the long term sustainability of the Fund. When this examination has been completed, all donors will be advised of any changes in the current approach.

March 2014