
Investment Policy Objectives and Guidelines – Endowment Funds

Approved by the Board on 31 May 2023

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1. Background

- 1.1** Since its inception, Community Foundation Ireland (the Foundation) has operated a civic endowment fund (“The Fund”) with the aim of delivering a consistent and sustainable amount each year in perpetuity for grant making and operating costs. The maintenance of the Fund is empowered by the Foundation’s constitution.

- 1.2 The Board has 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 realized and unrealized capital gains and losses, less all investment related costs.
- 1.3 The primary long term investment objective of the fund is to seek to maximize 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.
- 1.4 The requirements to withdraw money periodically are as follows;
 - 4% of the average end-of-year Fund value for each of the previous 5 years (for grant-making) plus administration fees of 1% of the Fund’s value.
 - Any additional amounts to be withdrawn as advised by the board from time to time.

2. The purpose of this Investment Policy Statement

The purpose of this document is to:

- 2.1 Establish a clear understanding of the Fund’s investment goals and objectives.
- 2.2 Provide the basis for mandates from time to time to facilitate the delegation of all or part of the investment management activities to others.
- 2.3 Establish a basis for monitoring investment activity and evaluating investment results.
- 2.4 Establish the relevant investment horizon for which the investments will be managed, and the investment performance evaluated.

3. Governance

- 3.1 The Investment Committee (“IC”) is a subcommittee of the board which was set up in 2021.
- 3.2 The IC has the responsibility to set parameters for the management of the Fund.
- 3.3 The IC must develop for approval by the Board a statement of the Fund’s investment policies and objectives incorporating appropriate investment guidelines and constraints.
- 3.4 The IC has responsibility for selecting and recommending to the Board a professional investment manager (“the Manager” - Appendix 1.2) to manage the Fund.
- 3.5 In consultation with the Manager, the IC selects and recommends a professional custodian to the Board.
- 3.6 The IC sets an appropriate investment performance objective for the Funds and meets with the Manager to review performance at least twice annually.

- 3.7 The IC reports to the Board at least twice annually on the performance of the Funds relative to the investment policy and objectives.

4. Fund Investment Policy

The policy objectives as set out to the Manager;

- 4.1 To diversify the assets among asset classes and individual securities to minimize the risk of loss of capital.
- 4.2 To use a balanced investment approach i.e., within broad guidelines and constraints set out below the Manager has total discretion both in the allocation of the Funds among markets and asset classes and the selection of securities within those classes.
- 4.3 To set investment guidelines and constraints designed only to exclude assets which are unacceptable to the Foundation.
- 4.4 So long as it is not detrimental to the financial return, to seek to achieve positive social and environmental impact. For this purpose, attention is paid both to the products and services provided by the underlying companies represented in the investments, and also their business practices. This includes the consideration of environmental, social and governance factors in the investment process.

5. Portfolio investment guidelines

5.1 Allowable investment classes

- i. Equity securities which shall be restricted to readily marketable securities of companies traded on recognized stock exchanges.
- ii. Fixed Interest Securities including Sovereign, Corporate and indexed linked securities provided that the issuer meets the minimum rating specified in section 7(f).
- iii. Cash and Cash equivalents, including cash deposits, treasury bills and certificates of deposit.
- iv. Alternative Asset Classes. This category may include, but is not limited to, infrastructure funds, commodities, quoted private market investment trusts, structured products, absolute return strategies, and hedge funds.

5.2 Liquidity

The investments should be sufficiently liquid such that under normal market conditions at least 80% of the securities could be liquidated to cash within 10 days. This should be verified by the Manager upon request and reviewed on an annual basis.

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

5.3 Range of assets.

The allowable asset ranges are as follows:

Asset Class	Minimum	Maximum
Cash	0%	20%
Bonds	0%	35%
Global Equities	50%	85%
Alternatives	0%	20%

Where changes in market values cause a limit above to be exceeded, the Manager is not required to sell assets to come within the limit. However, the Manager shall notify the IC that the limits have been exceeded as soon as reasonably practical after it has occurred.

5.4 Currency

In selecting securities for the portfolio, and in any hedging transactions, the Manager needs to be cognizant of the fact that the funds outgoings are entirely Euro dominated. With regard to equities, where the Manager has reason to believe that a non-euro currency to which the Fund has a material exposure may be significantly over-valued against the euro, they would be expected to put hedges in place to a level they believe appropriate bearing in mind any costs associated with hedging. In relation to bonds, it is expected that such exposures would be substantially, if not fully, hedged.

5.5 Risk

In the view of the Board the major risk faced by the Fund is the 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 must be accepted in order to produce optimal investment returns. However, the Manager should take all reasonable steps to control risks and to meet the objectives with the minimum of risk.

The long-term nature of the Fund provides the capability to withstand higher levels of volatility as long as current required withdrawals can be met from surplus cash. The Board understands that short term volatility does equate to higher risk over the term of an investment.

6. Portfolio Investment Constraints

- 6.1 No holding in any single company shall amount to over 5% of the fund.
- 6.2 No short sales or dealing on margin is permitted.
- 6.3 The Manager shall not invest directly in property without the prior approval of the IC.

- 6.4 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.
- 6.5 the Manager shall not commit the Funds to underwriting any new issue or other offer of securities.
- 6.6 Total Bond exposure should not fall beneath an average credit rating of A-. No more than 10% of bond exposure should be in unrated issues or issues rated beneath BBB-.
- 6.7 The Fund may not borrow money 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.
- 6.8 Stock Lending is not permitted without the written permission of the IC.
- 6.9 No unlisted private market investments shall be held on behalf of the Fund. This does not exclude holding listed vehicles, open-ended investment companies (OEICs) or unit trusts, which may own unlisted assets within the alternatives allocation.
- 6.10 The Manager shall not invest in specific stocks or industries as determined by the Board and advised to the Manager in writing by the IC from time to time. The current list of excluded industries and turnover thresholds are set out in the attached Appendix 1.
- 6.11 Investment in Collective investment Schemes – in-house funds is restricted to a maximum of 20% of the portfolio. Where an in-house fund has a higher management fee than the quoted management fee for the mandate, the excess fee will be reimbursed by the Manager.

7. Investment Manager Performance Review and Evaluation

The Manager shall report quarterly to the IC on the performance of the Funds in absolute terms and against the benchmarks specified below. Additionally, the Manager shall meet with the IC at least twice a year to consider and review the performance.

The following are the Fund Benchmarks:

Government Bonds – 7.5% - ICE BofAML Euro Government Index

Corporate Bonds – 7.5% - ICE BofAML Eurozone Corporate Bonds Index

Global equities – 75% - MSCI All Countries World Daily (Net Total Return)

Alternatives – 10% - SONIA Interest rate Benchmark + 2%

8. Total fund

The whole portfolio is compared to a composite of the above weighted to the central points of the permissible ranges.

Over the long-term, there is a desire that the investments achieve a total return in line with CPI +5%.

Where possible, the portfolio will be compared to a peer group of similar strategies.

9. Review of this statement

The Board may revise this statement at any time, but it will in any event be reviewed by the IC on an annual basis.

The Manager may at any time request a change in this Statement or raise any problem arising therefrom. In particular it is the responsibility of the Manager to request such a change where it believes that this statement inhibits in any way its carrying out its role or the achievement of the objectives of the Fund.

April 2023

Appendix 1

List of Excluded Industries and turnover thresholds

	Revenues from manufacturing	Retail/related revenues
Tobacco	0%	10%
Pornography	5%	5%

Gambling	5%	10%
Armaments	0%	10%

Appendix 1.1

Investment Committee Members as of January 1st, 2023

Michael Gaffney
Richard George
Catherine Mullarkey
Faye Walsh Drouillard
Paul Morris
Paul McCarville
Tim Murphy

Appendix 1.2

The endowment is managed by Sarasin & Partners.

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