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Community Foundation Ireland

Investment Policy – Term Funds

Approved by the Boad on 11th June 2024

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Community Foundation Ireland Term Funds ('the Funds')

Statement of the Funds' Investment Policy Objectives and Guidelines

1. Background

1.1 Community Foundation Ireland ("the **Foundation**") operates a number of Term Funds ('the Funds') which help achieve its objective of raising philanthropic donations and making strategic grants for the long-term benefit of the community and voluntary sector. 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 realised and unrealised capital gains and losses, less all investment related costs.

1.3 The primary long term investment objective of the Funds is to seek to maximise 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 Funds periodically.

1.4 It is intended that the Funds will be spent down over a nominated period.

1.5 On the basis that the Funds are applied for charitable purposes, income and gains are exempt from Irish Tax

1.6 The requirements of the Funds are;

I. That in line with the provisions of each Term Fund Donor agreement (with respect to time horizon and projected future contributions and disbursements), amounts be made available for grants each year after deduction of related charges and fees incurred by the funds and

II. to invest in assets suitable for the expected life of each fund

1.7 This Investment Policy relates to the Term Funds

2 The purpose of the Investment Policy Statement

The purpose of this document is to:

2.1 Establish a clear understanding of the Funds' 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 time frame for which the investments will be managed, and the investment performance evaluated.

3. Governance

3.1 Set up in 2021, the Investment Committee (“**IC**”) is a sub-committee of the board.

3.2 The IC has the responsibility for setting parameters for the management of the Funds.

3.3 The IC must develop for approval by the Board a statement of the Funds’ investment policies and objectives incorporating appropriate investment guidelines and constraints.

3.4 The IC also has responsibility for selecting and recommending to the Board a professional investment manager (“the Manager”) who may manage the funds directly as a portfolio or through a pooled fund where this is the appropriate solution.

3.5 Where applicable, and in consultation with the Manager, the IC selects and recommends a professional custodian to the Board.

3.6 The IC sets appropriate investment performance objectives for the Funds, reviews the performance of the Funds at least twice annually and meets with the Manager at least once a year.

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. Investment Policy Statement

The Policy Objectives as set out to the Manager;

4.1 To diversify the assets among asset classes and individual securities to minimise 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 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 recognised stock exchanges.

For avoidance of doubt this category also includes widely used securities which track the return on the major equity markets.

(ii) Fixed Interest Securities including Sovereign, Corporate and indexed linked securities provided that the issuer meets the minimum rating specified in section 6.6 below

(iii) Cash and Cash equivalents, including cash deposits, treasury bills, certificates of deposit and money market funds.

(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.

(v) Derivatives. This will include futures and options traded on regulated exchanges. These may only be used for risk management and efficient portfolio management.

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.

Given a longer time horizon, Indicative asset ranges are set out below

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.

Notwithstanding the above, 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.

5.4 Currency

In selecting securities for the portfolio, and in any hedging transactions, the Manager needs to be cognisant 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 may put hedges in place to a level they believe appropriate bearing in mind any costs associated with hedging. In relation to bonds, such exposures may be substantially, if not fully, hedged.

5.5 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 must be accepted in order to produce optimal investment returns. 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

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 I**.

6.11 Where investment is through a portfolio, the proportion of pooled funds promoted, by the manager may not exceed 20% without the approval of the IC. Where the funds promoted by the managers carry a higher fee than the quoted management fee for the mandate, the excess fee shall be reimbursed by the manager

7. Investment Manager Performance Review and Evaluation

7.1 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 once a year to consider and review the performance.

7.2 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). (Below is an example based on a 10-year drawdown schedule)

Year	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
% measured against Endowment fund Benchmark	90.0	89.0	87.5	86.0	83.5	80.0	75.0	67.0	50.0	0.0
% measured against 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.

Government Bonds	7.5%	ICE BofAML Euro Government Index
Corporate Bonds	7.5%	ICE BofAML Eurozone Corporate Bonds Index
Global equities	75.0%	MSCI All Countries World Daily (Net Total Return)
Alternatives	10.0%	EURIBOR Interest rate Benchmark + 2%

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

8. Review of this Investment Policy Statement

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

8.2 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 Investment Policy Statement inhibits in any way its carrying out its role or the achievement of the objectives of the Funds.

Appendix I

- **Nominated Manager - As of July 2023**
  The nominated manager of each of the Funds at present is RBC Brewin Dolphin (Ireland) (Formerly Brewin Dolphin)

- **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%