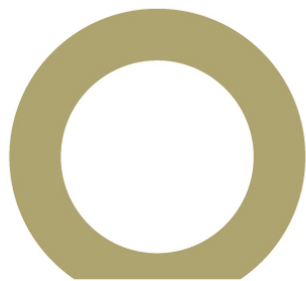


Ensuring that endowment management is aligned with foundations' missions

Foundation 3.0 strategic Round Table

March 14, 2014



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Philanthropy in action

Tonika Hirdman
Director General

Philanthropy: A common purpose

“ The Government is determined to strengthen its support for private commitments in the public interest. Therefore, an independent private foundation for the promotion of philanthropy and patronage will be created. This foundation will not compete with organizations already working in this field. “

Prime Minister Jean-Claude Juncker
State of the Nation speech, May 2008



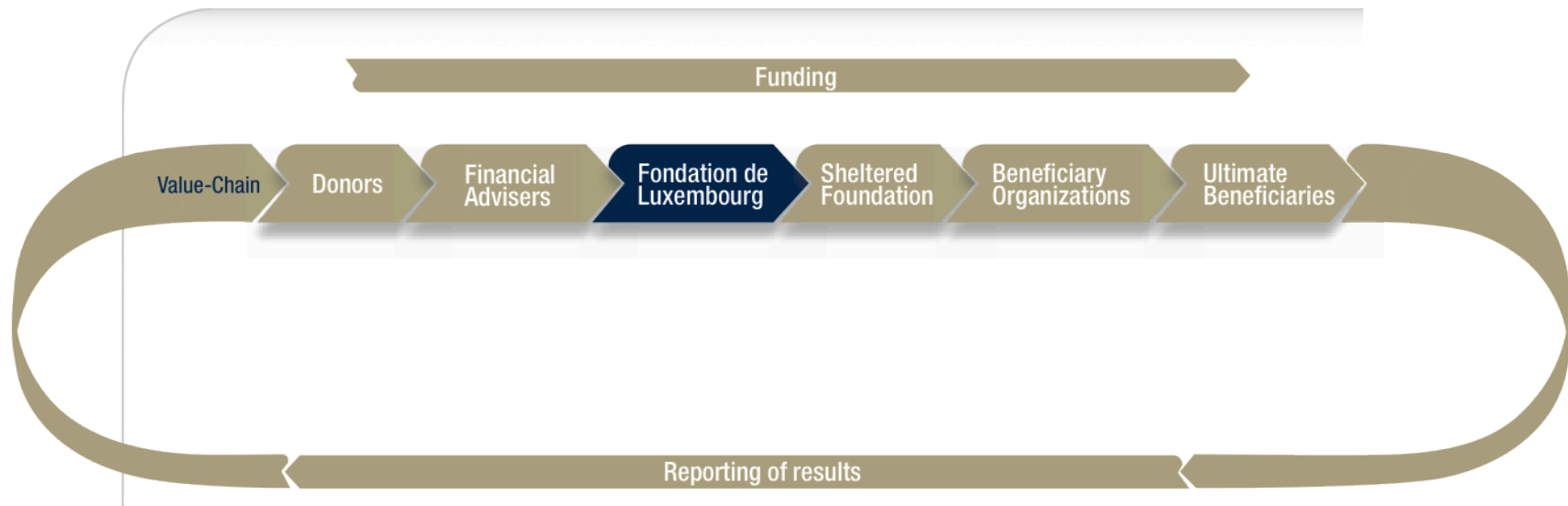
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Fondation de Luxembourg

- Provides personalized support and guidance for philanthropic engagement.
- An umbrella foundation enabling companies and individuals to create their own foundation structure.



Key actors within the Philanthropic engagement journey



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Overall Investment Policy

- Risk level: Low
- Equity exposure limited to 25-30 %
- Expected annual return of + 3 %
- No limitation re asset class



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Why a Socially Responsible Investing approach?

- Ensure consistency between philanthropic mission and the investments
- Minimize the reputational risk
- Further the cause of the Foundation



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General considerations

- Pragmatic
- Flexible
- Clear
- Transparent



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SRI Approach

Approach

- Best in class for controversial sectors
- Exclusion of certain sectors, such as: arms manufacturing, pornography, tobacco
- SRI-fund selection list

Methodology

- In-house vs outsourcing
- Assessment criteria:
 - Selection procedure
 - Teams in place
 - SRI products
 - General SRI-reputation



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Example of SRI Investment Portfolio

Criteria :

- 7 years' investment horizon
- Maximum 25% in equities
- SRI Policy applied
- Regular returns of appr 3%
- Low volatility

Investment instruments :

- Money market funds
- Diversified equity funds
- Bond funds

Example of SRI Portfolio: *ESSKA Foundation*

Portfolio allocation :

- Cash 20%
- Bonds 49%
- Equities 25%
- Alternative investments 6%

Portfolio main positions :

- Dexia Sustainable Euro Short Term Bonds (Bonds)
- Robeco Euro Sustainable Credits (Bonds)
- Allianz Euro Credit SRI (Bonds)
- Aviva Sustainable Future Pan European Equity (Equity)
- F&C Stewardship International (Equity)
- Responsible Global Microfinance (Alternative Investments)

Performance of portfolio

Annual performance :

- 2010 : 2,70%
- 2011 : -2.25%
- 2012 : 9,68%
- 2013 : 1,52%
- since 201401 : 1,02%

Average annual performance: 2,9 %



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Example 2: *Stiftung für europäische Bildung und Kultur*

Portfolio allocation :

- Cash 7%
- Bonds 55%
- Equities 30%

Portfolio main bond positions :

- UCB (Pharma)
- Spanish Government
- Omega Pharma
- Enovos
- Telefonica
- Slovenian Government
- Henkel

Portfolio main equity positions :

- CNP Assurances
- Allianz
- Clariant
- Novartis (pharma)
- Roche HLDG
- DT Lufthansa
- Nestlé

Average annual performance: 3,9 %

Support

- Government working group
- ALFI SRI-committee
- Lux Flag
- Etika
- Specialist rating agencies, such as Vigeo



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Challenges

- How to deal with collective funds
- Media
- Ensuring the banks take it seriously
- Perception related to performance



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Recommendations

- Start immediately
- Use a pragmatic approach
- Don't overcomplicate
- Be transparent
- Communicate and explain your reasoning
- Leverage on existing know-how



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