

Australian Philanthropic Services Foundation

Focused Portfolio performance report 30 June 2023

This performance report is for the Australian Philanthropic Services Foundation (APS Foundation) Focused Portfolio and covers the six-month period from 1 January 2023 to 30 June 2023. The next report will be for the six-month period from 1 July 2023 to 31 December 2023 and will be available in February 2024.

Investment objective and strategy

The APS Foundation's Investment Strategy document sets the investment objective, which is to achieve a return after fees at least equal to CPI inflation + 4% per annum, measured over rolling seven-year periods. In arriving at this objective, the Trustee has taken into account the following:

- the need, under normal circumstances, to donate a minimum of 4% per annum to eligible charities;
- the likelihood of inflation affecting the value of the investments and income generated;
- the risk of capital or income loss;
- the liquidity of the investments;
- the costs of investment alternatives and transactions; and
- the benefits of diversification of investments.

Performance

The performance (after fees) of the APS Foundation Focused Portfolio and relevant indices for various periods ended 30 June 2023 was as follows:

	Six months	One year	Three years	Seven years	Since inception
APS Foundation Focused Portfolio	6.6%	7.4%	N/A	N/A	N/A
Target return (being CPI + 4% pa after fees over rolling 7-year periods)	N/A	N/A	N/A	7.0% pa	N/A
Australian shares (S&P/ASX300 Accumulation Index)	4.4%	14.4%	11.1% pa	8.9% pa	9.7% pa
International shares – currency unhedged (MSCI World ex-AUS Unhedged AUD Total Return)	17.5%	22.6%	13.5% pa	12.5% pa	14.9% pa
Australian cash (Bloomberg AusBond Bank Bills Index)	1.7%	2.9%	1.0% pa	1.3% pa	1.8% pa

*The 'since inception' date used is 1 July 2022. Figures greater than one year are expressed as annual compound returns.

Portfolio selection framework

The Focused Portfolio is diversified across investment funds and individually managed accounts with a focus on Responsible Investing (RI) or Environmental, Social and Governance (ESG) criteria. In seeking to achieve the Foundation's investment objective, it invests predominantly in products that have an explicit RI or ESG objective, or that generate a positive and measurable social and/or environmental impact alongside a financial return.

The Focused Portfolio construction is based predominantly on the [Responsible Investment Framework and Fund Classification system](#) and Fund rating and assessment process designed by investment research and investment consultancy, [Zenith Investment Partners](#). The portfolio comprises investments that hold Zenith Investment Partners':

1. *Highly Recommended* or *Recommended* investment ratings; and
2. Top three RI categorisation of either *Integrated*, *Thematic* or *Impact*.

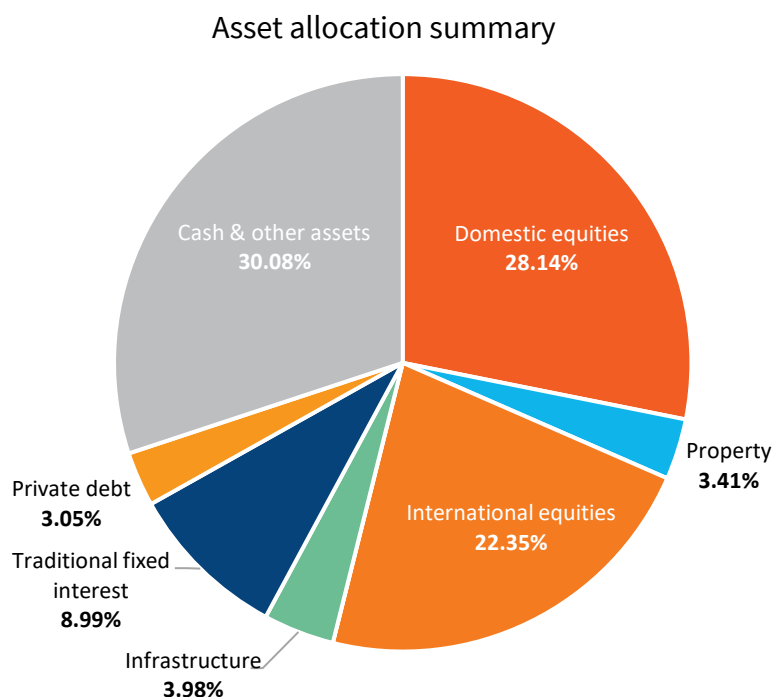
A *Highly Recommended* or *Recommended* investment rating means that the investment scores highly across Zenith's key areas of assessment and Zenith believes that the fund or product has a very high probability of meeting its stated investment objectives.

Investment funds or products classified as *Integrated* seek to achieve the investment objective by expressly taking into consideration RI/ESG factors which materially alter the fund's permitted universe and portfolio allocations.

Investment funds or products classified as *Thematic* seek to achieve an investment outcome that includes an explicit RI or ESG objective that is both measurable and reportable. *Thematic* investment funds or products invest specifically in themes or assets related to sustainability such as renewable energy, sustainable agriculture, or affordable housing. Thematic investments are underpinned by a robust assessment of RI issues.

Investment funds or products classified as *Impact* aim to generate a positive, measurable social and environmental impact alongside a financial return. While having many commonalities with *Thematic* products, *Impact* investments must also be aimed at generating a positive, measurable impact alongside a financial return with full transparency.

Investments held



Fees

APS manages all aspects of the APS Foundation (including administration, compliance, investment management, and facilitating the yearly audit) and charges a single, all-inclusive fee of 1% per annum, excluding GST. The APS Foundation can claim back 75% of GST paid and as such, the final cost to giving funds is 1.025% per annum. This fee is calculated and paid monthly directly from the APS Foundation.

Most of the assets of the APS Foundation are managed by external fund managers. To the extent possible, such services are secured on a pro bono basis. We have listed out below those managers who have assisted the APS Foundation in this regard. During the year ended 30 June 2023 the value of these reduced fees was in excess of \$1M which contributes materially to the performance of the APS Foundation and to the giving fund balances of our clients.

Where a pro bono fee arrangement cannot be secured with an external fund manager, the Trustee may still choose to use them where it believes the particular investment is likely to produce an attractive post fee return for the APS Foundation. Such extra fees charged by the external fund managers are paid by the APS Foundation and are in addition to the 1% fee paid to APS. As the APS Foundation Focused Portfolio has been invested for less than 12 months, we estimate the extra fees paid since investment date to 30 June 23 at approximately 0.17% based on the assets of the APS Foundation Focused Portfolio held at 30 June 2023*.

The performance of the APS Foundation is always stated after all fees, whether such fees are paid to APS or to external fund managers. The published performance figures are what have been credited to giving fund holders balances.

*This only includes ongoing management fees of unlisted managed investment schemes or individually managed accounts. It excludes performance fees, out-of-pocket costs of third-party managers, fees incurred by listed investment companies and any other costs a direct investor would ordinarily incur themselves.

Governance

The Trustee of the APS Foundation is Australian Philanthropic Services Foundation Pty Limited, a wholly owned subsidiary of Australian Philanthropic Services Limited (APS). The directors of the Trustee are Chris Cuffe AO, David Ward, and Judith Fiander. The investments of the APS Foundation are overseen by all Trustee directors. David Wright holds day-to-day responsibility for managing the investments of the APS Foundation Focused Portfolio, including engaging the services of external specialist fund managers.

Supporters of the APS Foundation's Focused Portfolio

We are extremely grateful for the support we receive from a number of fund managers and service providers who supply us with some or all of their investment services on a pro bono basis to assist with the management of the APS Foundation. We sincerely thank the companies mentioned below for their kind support of the Focused Portfolio during the six months ended 30 June 2023.



For more information contact APS Foundation
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