

MCF ENCOURAGES FURTHER DONATIONS



Regional Arts Victoria, Fresh & Salty



Father Chris Reilly Youth off the Street Program

Much has been said already this year about the growing need to support communities and not-for-profit organisations, coupled with the declining resources to meet this need. We know MCF donors, and many others, want to continue to donate and make grants to support a wide range of vital programs and organisations. It is essential that we continue to invest in supporting our communities and in building philanthropic endowment funds.

There are some signals that the current financial market volatility is an impediment to those who want to make donations now. MCF's investment approach is designed to build long term endowment funds while at the same time, generate income to be used for grantmaking.

As stewards of charitable capital, MCF is faced with the challenge of how to best react to this financial market. Our long term, conservative investment strategy and objectives have not changed and we are concentrating on monitoring our investment managers in order to fully appreciate the risks being assumed and the decisions being made during this market instability. MCF's investment performance has and continues to be, in line with the market.

However, in order to ensure the current financial markets do not impede new donations, MCF has decided to establish a new 'temporary', government-guaranteed fixed interest investment, where new donations can be placed into a government guaranteed bank term deposit.

All current MCF donors and any new donors can request new donations be placed in MCF's fixed term deposit.

MCF will maintain this fixed interest investment alternative as long as it considers this to be prudent.

How does it work?

- Very simply - make a donation now to MCF and request that you would like it to be placed in the term deposit option. As per any donation to MCF, your donation is tax deductible and forms part of the whole trust fund.
- MCF will open a term deposit account with the donation which will generate tax free income on the donation.
- At the end of the term, MCF will assess whether to renew the term deposit or to transfer the funds to the relevant sub-fund within MCF's main investment portfolio.

Is this a change in MCF's financial investment strategy?

- This investment does not reflect any change in MCF's overall financial investment objectives, guidelines and approach.
- MCF will continue to pool funds for investment purposes, and to manage for both capital growth and income generation with a mix of asset classes as per our current policy.
- Within the existing investment portfolio, cash and fixed interest already represent a significant component of the overall asset allocation. This existing component will not be reduced to balance the amounts in the new term deposit investment.
- A fixed interest only investment option for donations will not be a permanent feature of MCF's financial investment approach – it is a response to the current financial conditions and an opportunity for donors and MCF to continue to build philanthropic endowment funds.

Can I choose where the money is invested?

- Each new donation to MCF will be invested in a separate government guaranteed bank term deposit, linked to the relevant sub-fund, at the discretion of the trustee.
- The term deposit will be on 90 days or multiples of 90 days.
- Donors cannot choose or direct where the funds are to be invested.
- As with all MCF donations, the donation is tax deductible and interest generated from the term deposit is tax free.

What is the minimum donation and can I add to it?

- The minimum donation accepted is \$10,000.
- Additional donations (under the same terms) may be made at any time and will be invested in a new term deposit, if MCF considers this to be prudent given the market conditions at the time.
- The fixed interest investment is only available to new donations received, and existing funds in MCF will not be transferred to the Term Deposit.



Brotherhood of St Laurence Braidstone Project



Asylum Seekers Resource Centre, The 'Hope' project.

What are the fees?

- The current MCF administration fee of 1.35% per annum will apply.
- Fees will be payable on the expiry of each term, either when the term is renewed or when the funds are transferred to MCF's main investment portfolio.
- The current 0.3% investment management fee will not apply to funds whilst they are in the term deposit, but will apply when the funds are consolidated into MCF's existing main investment portfolio.
- The Government insurance guarantee on deposits of 0.7% is applicable on deposits over \$1M. The institution has agreed to cover the cost of the insurance levy up to \$5 million. Should this change, and for costs above this, MCF will cover the cost.

What happens when the term deposit matures?

- When the term deposit matures it will either:
 - (a) be rolled over into another fixed term deposit. The total amount rolled over will be less MCF's administration fee and any grants made; or
 - (b) be transferred into MCF's main investment portfolio and attributed to applicable sub-funds, less MCF's administration fee.
- The MCF Board will make this decision based on advice received from its Finance and Investment Committee. Key considerations will be the withdrawal of the government guarantee, overall balance of the investment of the trust fund and prudent investment depending on the financial markets at the time.

- MCF will ensure that the consolidated income from any term deposit is pooled with all investment returns and accurately recorded in order to meet MCF's distribution obligations.

Can MCF make grants from these funds?

- Yes. Grants will be made from the income generated by the trust fund which includes income from the term deposits on their maturation. Normal MCF granting procedures apply. Grants cannot be made from the original donation amount, only from the income generated, until the amount is within the main investment portfolio. Please note MCF has a minimum grant size of \$250.

How will MCF report?

- MCF's current reporting to donors on investment performance will not change. The existing reports for MCF's main investment portfolio (monthly dashboard and six-monthly donor statements) will continue.
- Any donations invested in the term deposit option will not be included in the regular MCF monthly dashboard reports.
- Term deposit reports will be included in the relevant six-monthly donor statements.

Contact MCF to discuss your donation options.

Telephone (03) 9412 0412 or email mcf@melbournecf.org.au

Note:

Please note, all decisions regarding the duration of the term deposit, the transfer of funds to MCF's main investment portfolio, the continuation of this fixed interest investment and all other matters relating to investment are the responsibility of the MCF Board through its Finance and Investment Committee.

Donors may wish to consult their financial adviser before considering whether to request MCF invest their donation in the term deposit.



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