



The Rotary Foundation of Rotary International

**PERMANENT FUND  
FINANCIAL REPORT**

**2010-  
2011**



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# THE ROTARY FOUNDATION OF ROTARY INTERNATIONAL

The mission of The Rotary Foundation of Rotary International is to enable Rotarians to advance world understanding, goodwill, and peace through the improvement of health, the support of education, and the alleviation of poverty.

In 2017, The Rotary Foundation will mark its centennial anniversary: 100 years of Doing Good in the World. While Rotarians and friends are proud of its impressive history, they are also committed to their Foundation's continued evolution and growth. To increase its global impact and to ensure the Foundation's capability to meet the most pressing needs of as many people as possible, Foundation leaders and stakeholders have worked diligently to review their practices, to focus their efforts, and to ensure that projects are sustainable with measurable success. The result of this work is the Foundation's Future Vision Plan, currently in the pilot stages of implementation.

## The Permanent Fund

The Rotary Foundation established an endowment in 1982, the Permanent Fund, to ensure a strong future for the Foundation by providing a continuing stream of income to support Foundation programs in perpetuity. Contributions to the Permanent Fund are invested and a portion of the income, as determined by the Trustees, is made available for program spending. Gifts to the Permanent Fund enable Rotarians and friends of Rotary to fulfill their local and global philanthropic goals. Permanent Fund gifts secure the Foundation's future by providing long-term stability to Foundation programs. The goal is to build the Permanent Fund to \$1 billion by 2025.

## Named Endowed Funds within the Permanent Fund

Donors who wish to create a legacy may choose to make a gift of \$25,000 or more to the Permanent Fund to establish a named endowed fund in their name or the name of a loved one.

All figures in U.S. dollars.

As of 30 June 2011, there were 809 named endowed funds within the Permanent Fund representing 31 countries and geographical regions around the world. The face value of named endowed funds totaled \$123.0 million, which is 66 percent of the fair market value of the Permanent Fund. Of the 809 named endowed funds, 65 were established in 2010-11, with new contributions totaling \$5.76 million. Please visit [www.rotary.org](http://www.rotary.org) for more information regarding Permanent Fund naming opportunities.

### New Endowed Funds Established in 2010-11 by Country

Country	New Endowments
USA	18
India	15
Hong Kong	6
Japan	6
Taiwan	6
Korea	4
Canada	3
Malaysia	2
Venezuela	2
England	1
Nigeria	1
Pakistan	1

### New Endowed Funds Established in 2010-11 by Spending Designation

Designation	New Endowments
SHARE	46
World Fund	10
Rotary Peace Centers	7
Global Grants	2

# PERMANENT FUND INVESTMENTS

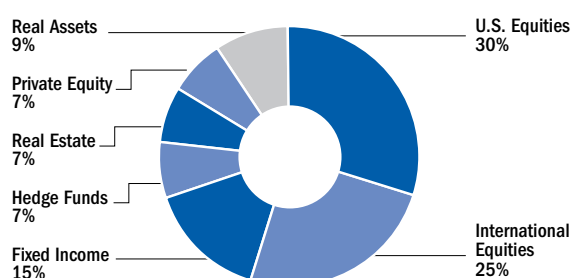
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## Investment Objective

The Rotary Foundation invests Permanent Fund assets to ensure funding for today's programs while sufficiently growing the portfolio to support Foundation programs in the future. The primary investment goal is to preserve and grow the corpus at a rate greater than inflation so the real purchasing power of the fund is maintained. Therefore, the fund is invested in a diversified asset portfolio that is expected to produce an average annual total return that at least equals inflation plus endowment spending, without assuming undue risk. Quarterly investment performance is reported to the Trustees and key investment issues are discussed at the Foundation's Investment Committee meetings held quarterly at world headquarters.

## Target Portfolio Asset Allocation

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*The Permanent Fund's target allocation as of 30 June 2011*

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## Investment Management

**Trustees** The Trustees of The Rotary Foundation are responsible for the general direction and control of the Foundation's investments and have established a specific investment policy for the Permanent Fund.

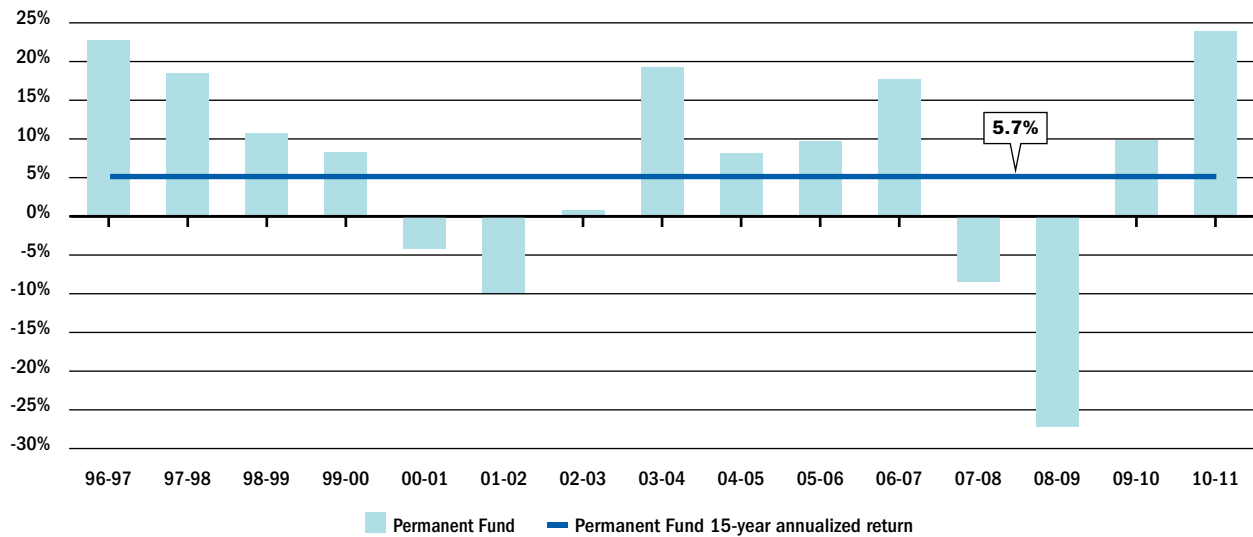
**Investment Committee** The Investment Committee performs the function of an investment fiduciary, responsible for the prudent management of the investment portfolios.

**Investment Managers** External professional investment managers are appointed to invest Foundation assets in accordance with the Trustees' investment policies. The Investment Committee, staff, and investment consultants closely monitor the performance of the investment managers to ensure compliance with policy guidelines.

## Investment Performance

During fiscal year 2010-11, financial markets moved broadly higher despite mixed economic data and continued global economic uncertainty. In this rising but uncertain environment, the Permanent Fund returned 23.9 percent for the fiscal year, the fund's best annual return since 1995. During the year, an allocation to assets was added that will help preserve the fund's value in rising inflationary environments (referred to as real assets and consisting of such things as inflation-linked bonds and global resource stocks). The target allocations to private equity, infrastructure, and real estate were reduced, while the target allocations to fixed income and hedge funds were increased. The investment returns for each fiscal year since 1996 are shown below, net of fees for the Permanent Fund, including the 15-year average annual return.

### Return on Investments



# PERMANENT FUND SPENDING

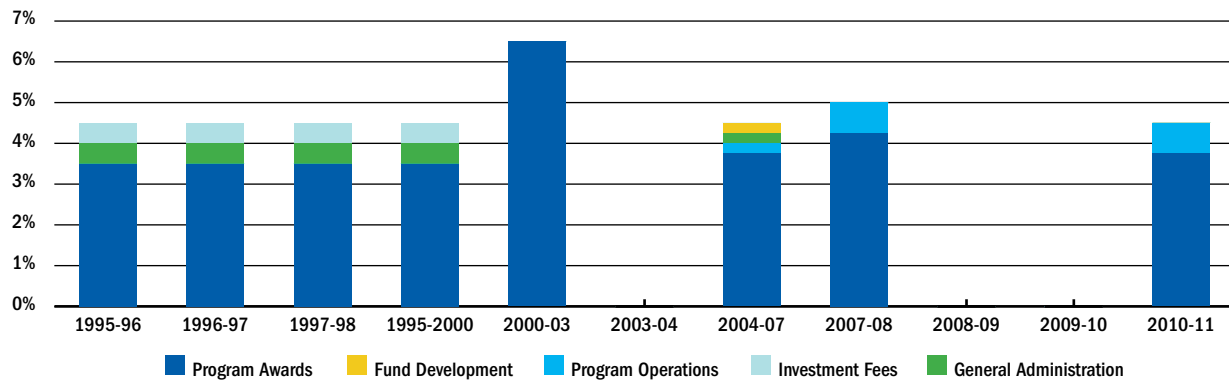
## Spending Policy

In April 2010 the spending policy was modified by the Trustees. Annual spending from the fund will occur each year from all individual endowed funds whose market values exceeded their accumulated gift values (“above water”). This change in policy will enable some spending from the Permanent Fund each year, so long as there are individual endowed funds that are above water.

## Spending Rate

The Trustees review and approve a spending rate annually to ensure that the real value of the Permanent Fund grows over time and that the annual spending rate does not exceed the expected long-term rate of return, less the expected rate of inflation. A conservative spending rate of 4.5 percent was approved for fiscal year 2010-11 for all above water endowed funds.

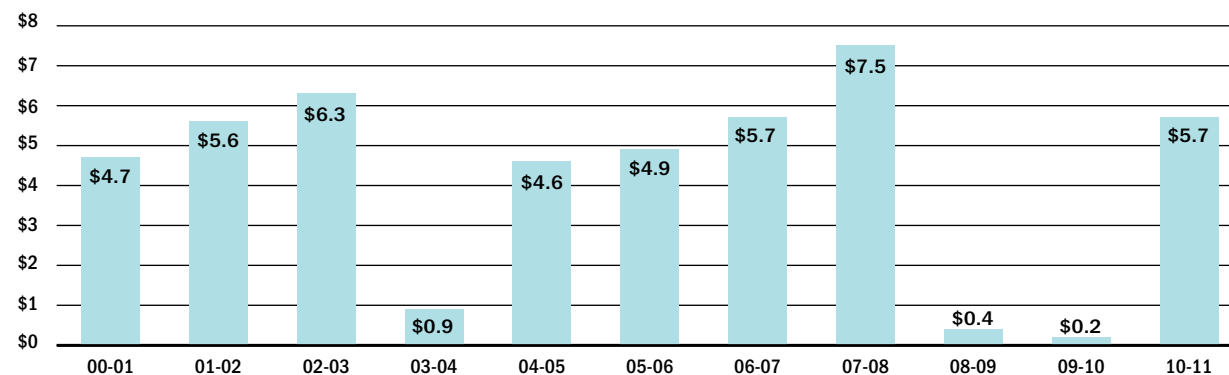
### Historical Permanent Fund Spending Rates



## Spendable Earnings

Spendable earnings from the Permanent Fund are calculated by applying the spending rate to the fund’s average market value over the prior 12-quarter period. However, due to steep declines in the financial markets, spending was limited to previously committed scholarships to avoid invading the corpus for fiscal year 2003-04, fiscal year 2008-09, and fiscal year 2009-10. Annual spending resumed in 2010-11 for all individual endowed funds that were above water at the above referenced spending rate of 4.5 percent for a total of \$5.7 million.

### Permanent Fund Earnings Available for Spending (US\$ millions)



# PERMANENT FUND GROWTH

As of 30 June 2011, the net assets of the Permanent Fund were \$241.5 million, including life income gifts(1). The Rotary Foundation also tracks expectancies to the Permanent Fund. Expectancies represent commitments made for future gifts, which are not currently assets of the Foundation and are not included in the audited financial statements. These commitments typically appear as a provision in a person's will or other estate plan that names the Foundation's Permanent Fund as beneficiary. The fund's net assets plus expectancies totaled \$705.1 million as of 30 June 2011.

## Five-Year Overview of Permanent Fund Growth (US\$ millions)

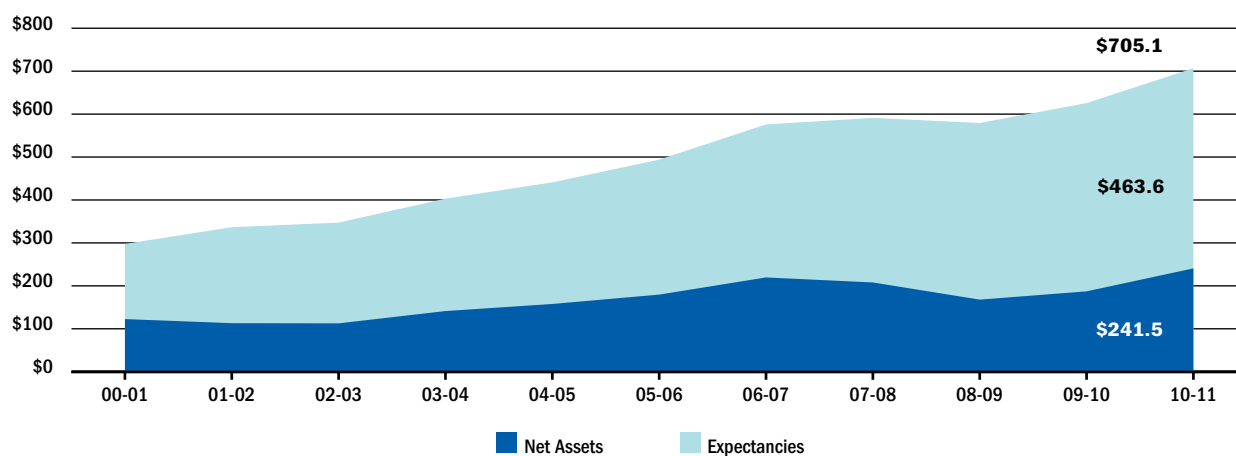
	06-07	07-08	08-09	09-10	10-11
Beginning Net Assets	179.6	219.6	207.9	168.0	187.2
Contributions and Pledges	13.9	14.3	19.8	4.1	16.9
Investment Income	31.8	(18.5)	(59.3)	15.3	43.1
Total Spending	(5.7)	(7.5)	(0.4)	(0.2)	(5.7)
Ending Net Assets(2)	219.6	207.9	168.0	187.2	241.5
Expectancies(3)	356.3	383.3	411.4	438.5	463.6
<b>Total</b>	<b>\$575.9</b>	<b>\$591.2</b>	<b>\$579.4</b>	<b>\$625.7</b>	<b>\$705.1</b>

(1) A Life Income Agreement is an irrevocable contribution that provides a beneficiary with a payment stream for life or a set number of years depending on the type of vehicle used. Additionally, the donor receives a U.S. charitable tax receipt for a portion of the face value of the gift.

(2) Life income gifts (net) are included.

(3) The expectancies figure is the total dollar amount of reported testamentary commitments, including 50,934 in total commitments with 1,655 in new commitments in 2010-11.

## Permanent Fund Market Value and Expectancies (US\$ millions)



# HOW DO I OBTAIN ADDITIONAL INFORMATION?

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For more information, visit RI's website at [www.rotary.org](http://www.rotary.org). If you are interested in learning more about the benefits of giving, life income gifts or endowment opportunities, please contact your District Permanent Fund Chair or your Regional Rotary Foundation Coordinator.

The Rotary Foundation staff listed below, or staff at your local Rotary International office, would also welcome the opportunity to provide additional information:

Fund Development Division Manager	Eric C. Schmelling	<a href="mailto:eric.schmelling@rotary.org">eric.schmelling@rotary.org</a>	847-866-3222
Director of International Fundraising	David Bender	<a href="mailto:david.bender@rotary.org">david.bender@rotary.org</a>	847-866-3456
Director of Planned and Major Gifts	Peggy Froh Asseo	<a href="mailto:peggy.asseo@rotary.org">peggy.asseo@rotary.org</a>	847-424-5369
Manager of Donor Relations	Doug Schacke	<a href="mailto:doug.schacke@rotary.org">doug.schacke@rotary.org</a>	847-424-5248
Manager of Gift Planning	Karena J. Bierman, J.D.	<a href="mailto:karena.bierman@rotary.org">karena.bierman@rotary.org</a>	847-866-4458
Gift Administration Senior Supervisor	Nafisha Karim	<a href="mailto:nafisha.karim@rotary.org">nafisha.karim@rotary.org</a>	847-424-5345

# INVESTMENT GOVERNANCE

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## The Rotary Foundation 2010-11 Board of Trustees

### **Chair**

Carl-Wilhelm Stenhammar, Sweden

### **Chair-elect**

William B. Boyd, New Zealand

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John F. Germ, USA

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Lynn A. Hammond, USA

Dong Kurn (D.K.) Lee, Korea

Ashok M. Mahajan, India

Anne L. Matthews, USA

David D. Morgan, Wales

Samuel A. Okudzeto, Ghana

Kazuhiko Ozawa, Japan

Louis Piconi, USA

José Antonio Salazar-Cruz, Colombia

Wilfrid J. Wilkinson, Canada

### **General Secretary**

Edwin H. Futa, USA



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