

SPRING 2017

CHARITY INSIGHT

A FOCUS ON STRATEGY, GOVERNANCE AND PLANNING

Guest Interview: Ashley Balbirnie	3
Children's Rights Alliance	12
Beyond Compliance	14

2017 Survey on Not-For-Profit Sector Organisations	16
Economic and Investment Focus	19

EDITORS' NOTE



We are delighted to welcome you to the Spring 2017 edition of Charity Insight.

This quarter, we are pleased to hear from Ashley Balbirnie, CEO of Focus Ireland, on how the charity is tackling homelessness in Ireland. In order to do this, Ashley states that it is vital that they have a strong and innovative strategic direction which he shares with us, as well as telling us how they managed to continue providing services during the downturn. We are very grateful to Ashley for his contribution and his frank and honest views of the homelessness challenges facing Ireland today.

Continuing with this theme and which Focus Ireland also has an input, Children's Rights Alliance sets out details of its annual publication, 'Report Card', which reviews commitments made by government in relation to children in important areas such as health, education, poverty and equality.

We also feature two events that Davy Charities held in the first quarter of 2017; the first; a healthcare seminar focusing on the development of philanthropy in hospitals in Ireland which was run in conjunction with Millington Pope and secondly; our annual charity conference; where the findings from an online survey undertaken on behalf of Davy and Boardmatch were presented are summarised by Behaviour & Attitudes (B&A).

On an Economic & Investment Focus, our investment team acknowledges that it is almost 10 years since the first signs of the global financial crisis began to appear. Brexit aside, things are looking brighter both domestically and internationally. Growth is accelerating in most parts of the world, unemployment is falling and corporate profits are rising.

But the more time passes since the last crisis, the more vigilant we must be to ensure we don't repeat the mistakes of the past and from an investment perspective there are also important lessons to remember. In this issue, our Head of Global Investment Strategy and Head of Portfolio Construction outline what they consider some of the most important rules when investing and which are applicable for all client segments, with a little help from Carl Richards. Richards is the creator of the weekly 'Sketch Guy' column in the New York Times and his sketches are famous for simplifying some of the most complex and important financial concepts. While simple in theory, these concepts can often prove more difficult to stick to in practice.

As always, we hope you enjoy reading this edition of Charity Insight.

If you have any questions on any of the topics covered, please do not hesitate to contact a member of the Davy Charities team.

Ian Brady
Head of Davy Charities

Suzanne Keogh
Senior Investment Adviser

About Charity Insight

Charity Insight provides investment analysis from Davy Charities for discussion purposes only. It is not intended to constitute an offer or solicitation for the purchase or sale of any financial instruments, trading strategy, product or service and does not take into account the investment objectives, knowledge and experience or financial situation of any particular entity or person. You should obtain advice based on your own individual circumstances from your own tax, financial, legal and other advisers before making an investment decision, and only make such decisions on the basis of your own objectives, experience and resources. You may also contact a member of the Davy Charities team to discuss further any content of Charity Insight.

GUEST INTERVIEW

Focus Ireland works to prevent people becoming, remaining or returning to homelessness. Driven by a vision and a belief that homelessness is wrong, Focus Ireland is working to challenge society to think and act differently.

Suzanne Keogh, Davy Charities, speaks to Focus Ireland CEO Ashley Balbirnie about the work the charity does and the strategic plan and reserve policy in place to achieve its mission. In a time when governance and transparency within the charity sector are more important than ever, Ashley tells us about the structures in place within Focus Ireland and how the sector as a whole can benefit from embracing these concepts.

Read Ian McShane's
review of the results
of our 2017 survey on
not-for-profit sector
organisations on page

16

GUEST INTERVIEW

FOCUS IRELAND

About Focus Ireland

Focus Ireland was founded by Sr. Stanislaus Kennedy. Sr. Stan was involved in a research project into the lives of homeless women in Dublin when she realised the importance of involving people who are, or have been directly affected by homelessness, in the development of homelessness services.

In 1985, two years after the initial research, Focus Point (now Focus Ireland) opened its doors in Eustace Street, Dublin. The organisation provided streetwork services to young people, advice, advocacy, information and help with finding a home as well as a warm welcoming place to meet and have a low-cost meal.

Ashley Balbirnie

CEO Focus Ireland



Biography

Ashley Balbirnie is Chief Executive Officer (CEO) of Focus Ireland, having been appointed to the position in March 2015. Prior to joining Focus Ireland he spent seven years as Chief Executive of the Irish Society for the Prevention of Cruelty to Children (ISPCC) and for the seven years before that served as Chief Executive of Rehab Enterprises (the commercial arm of the Rehab Group). Prior to the 14 years in the not-for-profit sector, he spent 17 years in a variety of senior positions in the commercial sector, including Smurfit Kappa Group and as CEO of Ireland on Sunday newspaper.

FOCUS Ireland

Suzanne Keogh: Focus Ireland marked its 30th anniversary in 2015. Can you describe the backdrop it is operating in today?

Ashley Balbirnie: Interestingly many of the issues facing Focus Ireland today are the same as when Sr. Stan founded the charity over 30 years ago. The most obvious issue is street homelessness however, homelessness today is a distinctly different and quite unique problem.

Sr. Stan has never seen a situation quite like what is currently happening today with

so little social housing building activity over a prolonged period of time.

Successive governments effectively abandoned the idea of local authorities building social housing and instead, left it to the open market. This strategy has now been discredited and because of this, I believe people appreciate that social housing has a real part to play in most economies.

Although this strategy is being reversed, the shortage of social housing has created

► Katherine Zappone, Minister for Children and Youth Affairs with Sister Stan (Founder of Focus Ireland) and Ashley Balbirnie (CEO)



some unique issues with what we refer to as the 'economic homeless'. These are people who are losing their homes for no reason other than that they can't afford to pay rent. In turn this has led to family homelessness on a scale never witnessed before.

Historically, most homelessness issues have tended to relate to single people, single men particularly, and some single women. However, in the last few years we have seen a huge increase in family homelessness which means that children are now homeless as well.

SK: What is Focus Ireland's mission and how are you working to achieve this?

AB: Our vision is driven by the fundamental belief that homelessness is wrong. Everyone has a right to a place they can call home.

Our mission can be summed up with four words - Challenging homelessness. Changing lives.

We want to challenge society to think and act differently. We want to instil the belief that homelessness is unacceptable. We are committed to challenging everything about homelessness, the causes, systemic failures, people's perceptions and how it is tackled.

A huge part of our work is advocacy however, we also undertake research in order to have empirical evidence about our work and the work others do.

The research and services we provide aim to challenge the fundamental concept of homelessness, examine why it exists and in turn change lives.

Resources will always be limited but we want to make sure our resources are used to the maximum in an effort to bring about real change.

SK: How have you developed to tackle these issues when you have said there is more of a strain than ever on resources?

AB: It's important to have clarity on our role and the services we provide. I agree with the need to get people off the streets but part of our role is to bring people back to the prevention side of things.

We want to remind the government, other service providers and the public that if you don't address the causes of homelessness, we will remain in a crisis management situation.

With this in mind, we have put more of our resources into prevention, the results of which are often less tangible or less immediately tangible.

Recently we have focused our efforts, particularly on the fundraising front stressing the importance of prevention particularly to corporate funders who can take a longer-term view as they are often working to five to ten year plans themselves.

Along with this, we have had to become more sophisticated in outlining our story and proving the success of what we do. We have to evaluate our work so we can demonstrate that donations are being well spent, which means we devote resources to self-evaluation.

SK: How do you ensure continued funding for your vital services?

AB: We rely on a combination of statutory funding for specific projects and fundraising income. Fundraising is absolutely vital for us. Any charity that is wholly dependent on one single type of funding is in a weak position. A mix is ideal; I'm not sure if our mix is the ideal one but it's something close to it.

One of the difficulties with statutory funding is that firstly, it is very competitive. Effectively it pits not-for-profit organisations against each other. Secondly, the funding tends to just cover the services and individuals directly involved in providing those services. The concept that additional funds may be needed to manage those people or to provide the necessary governance to get the job done properly is not there.

This is a bugbear of mine particularly in an era where governance is so important.

A large portion of our vital services are funded from fundraising. This gives us

“Resources will always be limited but we want to make sure our resources are used to the maximum in an effort to bring about real change.”

GUEST INTERVIEW: FOCUS IRELAND

independence and enables us to fund longer-term projects, which we have difficulty getting statutory funding for. The most obvious example of this is our prevention work.

SK: Have you a strategic plan?

AB: Yes. Our strategic plan for 2017 to 2020 is all about two pillars of service, prevention and sustaining exits; the phrase we use which means keeping people out of homelessness.

The two pillars involve fundamentally changing people's lives. The escalating homelessness crisis in recent years has meant that a lot of energy and resources have been used for crisis management and emergency solutions. However, we do not want to just manage a crisis.

We believe the real long-term solution lies in preventing people from becoming homeless and ensuring that they have help to stay in their home once they find one.

We have a Focus Housing Association which currently owns or is responsible for about 700 different houses and homes.

Our plan is to grow this over the next few years and link it to our prevention and sustained exit pillars.

SK: Does a strategic plan assist with difficult decisions about some of the services being provided?

AB: Yes. To ensure a lasting way out of homelessness it is vital that Focus Ireland has a strong and innovative strategic direction. We examined our services and made a decision to withdraw from providing emergency accommodation.

For example, our development in John's Lane West in Dublin was being used as an emergency hostel. The intention was that this site would be used to provide long-term homes for people.

We are now starting to build 31 full-time homes for people, which we hope will be completed in early 2018.

Initially it was a difficult decision to close the hostel, but we strongly believe that this development will be better for us as an organisation and for the customers we are serving.

SK: Is your strategic plan supported by a financial plan?

AB: Yes. We have a three year financial plan that is linked to our strategy. We budget on an annual basis and we have a strong financial governance set up, which we review continuously.

► Ashley Balbirnie collects a cheque from the Christmas FM appeal 2016 - the largest amount ever raised by Christmas FM for any charity to date



SK: This obviously helps to ensure the long-term financial stability of Focus Ireland?

AB: Yes, we went through a very difficult period because of the economic downturn.

We had planned for a rainy day and had built up reserves in the better times. The board took the decision to draw on those reserves in order to help sustain our services so we didn't have to suffer massive cut backs.

Like a lot of other organisations, salaries were frozen but we did not have to significantly cut any of our services.

Due to this, part of our current strategy involves replenishing the reserves.

We try to balance the need to maintain services and uphold a level of good governance and financial probity, so we can function in a way that our supporters are happy with.

SK: We work with our clients on reserve policy, stressing the importance of sustaining services over the business cycle. Periods of strong economic growth can be perceived as a time to over expand activities or engage in excessive spending. Can you explain Focus Ireland's rationale for its reserve policy?

AB: As soon as you have a build-up in reserves, there is a queue of people at the door requesting more services which means spending more money.

If we had done that during the economic boom, we would have then had to immediately turn around and cut services in the downturn.

Luckily we didn't have to do that, but now this means we must build-up reserves from a very low base. These figures are outlined in our accounts, which we hope instils an element of comfort in the services we provide.

SK: Strong governance and financial management must have been key to these decisions?

AB: Focus Ireland has a very good governance structure starting at board

level. There is a diverse and interesting mix of people on it which is vital to its operation.

We have a number of subcommittees including audit, finance, property, fundraising and branding, and human research.

The board meets six times a year with at least six subcommittee meetings leading up to the board meetings.

All subcommittees have at least one board member on them and are also supplemented with experts particular to that area, who are happy to volunteer a large portion of their time.

This structure means that we get heightened expertise from subject matter experts and board meetings are not caught up in discussing specific issues because that has happened at subcommittee level and only conclusions and recommendations are brought to the board.

We also undertake both internal and external audits annually with the external audit carried out by an independent entity.

Our internal audit involves agreeing with the audit subcommittee a specific area to be reviewed and a more detailed audit is then conducted.

SK: Grant income and fundraising are important elements for charities to achieve their mission. What reassurances have to be provided to donors and the public to instil confidence and alleviate concerns?

AB: As soon as we start discussions with potential donors we understand they will want to see how their money will be spent, what services will be provided and the results we expect from those services.

We must embrace this heightened scrutiny otherwise you will irk people. We welcome it and we can use it to give us a competitive edge.

We have the resources to prove and evaluate the services we are providing.

“We believe the real long-term solution lies in preventing people from becoming homeless and ensuring that they have help to stay in their home once they find one.”

GUEST INTERVIEW: FOCUS IRELAND

“...our sector must embrace good governance. Organisations that do so will be much healthier because donors will feel safe and secure with where they are donating their money.”

SK: Do you think that an element of a good governance structure and good corporate citizenship can help the sector?

AB: Definitely, our sector must embrace good governance. Organisations that do so will be much healthier because donors will feel safe and secure with where they are donating their money.

Donors will seek organisations that have good governance structures and those that can demonstrate and advocate strong stewardship.

SK: You have worked in this sector for some time. But can you tell us about your background?

AB: It's a game of two halves. For the first half of my career I worked in the commercial sector. I spent over 16 years in Smurfit. I joined there immediately after college and that is where I gained management experience. I had various chief executive roles on the publication side of the business, which culminated with running two different publishing businesses for Smurfit in the UK.

Then I began thinking about returning to Dublin and if I wanted to do something on my own. I was involved in the founding of Ireland on Sunday newspaper, which was ultimately sold to the Daily Mail. This allowed me to choose the direction I wanted for the second half of my career.

I decided to get involved in the not-for-profit sector as I wanted to do something which I felt was important and had some meaning. I joined the Rehab Group and ran Rehab Enterprises, the commercial side of the Rehab Group, for seven years. Then I spent a short time in the Peter Bradley Foundation, which became Acquired Brain Injury Ireland. From there I moved on to the ISPC, where I was chief executive for seven years and then to Focus Ireland where I have been for just over two years.

SK: After considerable time within the charitable sector, have you seen the role of the charity CEO change and if so why?

AB: Yes. The governance issue has made boards focus on the type of people that they want to run their organisations.

I hope the message is resonating that some of these charitable organisations are big, old, complicated and the sector itself is both difficult and diverse.

There is a level of skill that people need to have in order to do a good job in this sector. Recently we have seen what can go wrong when people running charities do not have the necessary qualifications or experience.

While we do not want to corporatise the sector, the focus on good governance means that those in charge need to have experience running large organisations. That means that a level of remuneration is required for the CEO of a charity, and should reflect the experience and skills required. My remuneration is published and I am happy to discuss it with anyone. I try to provide value for money. My board have to believe that I am doing that and I have to believe that I am doing that myself.

SK: What do you see is the most important aspect of your role?

AB: In the not-for-profit sector, the link to the board is much more important than in the for-profit arena. Hopefully, you are dealing with a set of very interesting and well qualified people who are not there for commercial reasons. They are often there for quite different reasons and as chief executive this is something you must be aware of. You have to be conscious of their expectations and you need to devote time to the board.

It is important that the board clearly outline what it is looking for from the organisation because the bottom line is not as easily defined as the for-profit sector.

The chief executive role is vital so it can clearly communicate the board's expectations to management and help management meet those requirements.

SK: What are the key concerns you have regarding the charity sector today?

AB: Reputation immediately springs to mind. There has been significant reputational damage done to the sector in recent years so any further scandals will become amplified more than they



**Challenging
homelessness.
Changing lives.**

should. This is something that we need to be conscious of. We must believe we are working in an increasingly better regulated and governed environment so similar events are unlikely to happen.

SK: What do you see as an opportunity?

AB: Organisations that have invested in governance and methods to validate their services will fare much better.

I hope that Focus Ireland will be considered as an organisation that has put the required

investment and time into governance, validates its services and the impact of those services.

SK: What do you think the sector needs to do to ensure transparency and accountability?

AB: It must take governance seriously and not view it as a box ticking exercise. This needs to be built into the psyche of all organisations.

GUEST INTERVIEW: FOCUS IRELAND

“We welcome transparency and accountability. My view is: publish what needs to be published, volunteer information and make sure you are happy to stand over everything you are doing.”

We welcome transparency and accountability. My view is: publish what needs to be published, volunteer information and make sure you are happy to stand over everything you are doing.

SK: Are there other jurisdictions that Focus Ireland look to for best in class initiatives?

AB: There is always something to be gained by looking at what is working in other countries.

In our case, Housing First (originating in New York in the 1990's) is a good example. Its concept is that housing is the first and best thing that can be provided, as the longer someone remains out of a home, the bigger the underlying issues become.

This concept's effectiveness has been validated and is similar to our own strategy. This makes it significantly easier for us to convince donors to donate funds with us. International research and international comparisons can work in your favour.

SK: What's the most satisfying achievement of Focus Ireland?

AB: Prevention. We have devoted a lot of our time, energy and resources to try to get

across the fact that homelessness is not a one dimensional problem – it is about men, women, children, families, hotels and B&B's.

This is, and will remain a priority for us along with stressing the importance of prevention as a longer-term solution.

We need bricks and mortar to be part of this as short-term crisis management will never be the answer.

SK: How do you evaluate Focus Ireland's success?

AB: We do it on a quantitative basis. We conduct annual research of people's perceptions and from this we can see that perceptions are changing.

We also undertake qualitative work in terms of the dealings that our employees have on a day-to-day basis.

We are constantly trying to feed this information into our thought process and in turn into our strategy.

SK: What do you find most satisfying about your role?

AB: The quality of the people involved in Focus Ireland is phenomenal. We have

► Focus Ireland celebrates its 30th anniversary



approximately 360 full-time employees in eight different locations around the country.

The majority of those dedicated members of staff are involved in direct service provision on a local basis and they are massively dedicated to the charity.

There is a great culture within Focus Ireland. It started with Sr. Stan over 30 years ago and she is still the first person that speaks to new employees at their induction courses.

Sr. Stan has shown desire to bring about positive change throughout her working life, not just in Focus Ireland. This is what makes her unique. If you can take that and try to build on it as an organisation, you are never going to go too far wrong.

Our employees want to bring about positive change to people's lives and a large part of my job is to ensure that does not change.

SK: If you had one wish for Focus Ireland what would it be?

AB: I would like to see a period of stable government that understands the importance of long-term planning for homelessness. This is nothing to do with who happens to be in office at any point in time.

The current homelessness crisis has built up over a long time and it will take a number of years to rectify. Every government looks out on a two-year basis which limits their thinking. We need stable thinking on how to deal with homelessness over the long term.

SK: If you had one wish for the charity sector what would it be?

AB: I would like a prolonged period without any bad news stories. This would give us a chance to educate the public about the importance and validity of the work not-for-profits do.

I would like people to better understand the need for charities. I don't believe we can have one big organisation, nor that government must do all that the sector does.

We need some well-motivated, fast moving, fast thinking organisations.

SK: Sr. Stan has said that "housing is a social good, it isn't a commodity". This feeds into your vision that everyone has a right to a place they can call home.

AB: Housing is not pork bellies. You cannot just trade it. It's people's lives and part of the fabric of their being. Recently we conducted an interesting exercise with Bord Gáis, where we set up a couch in a shopping centre and asked people to sit and tell us what a home means to them. Throughout this exercise, you could clearly see the emotion everyone attaches to a home. Home is much more than bricks and mortar.

Thanks so much for your contribution Ashley it has been hugely positive, insightful and encouraging.

Since its foundation, Focus Ireland has continued to grow and its research and advocacy work ensures that the rights of people who are homeless remain on the political agenda. In addition to its Dublin projects it now has over 70 services across Ireland including Limerick, Clare, Sligo, Waterford, Cork, Kilkenny, Kildare, Wexford, Louth, Cavan and Monaghan.



WARNING:

The opinions expressed in this interview are the views of the interviewee and do not reflect the views and opinions of Davy.

CHILDREN'S RIGHTS ALLIANCE YEARLY AUDIT OF GOVERNMENT ACTION



Tanya Ward

Chief Executive,
Children's Rights
Alliance

► **Speakers at the launch
of Report Card 2017
(left to right):**

Maeve Lewis (One in Four), Judge Catherine McGuinness (former Supreme Court judge), Mike Allen (Focus Ireland), Tanya Ward (Children's Rights Alliance) and Grainia Long (ISPCC)



The Children's Rights Alliance unites over 100 members working together to make Ireland one of the best places in the world to be a child. We change the lives of all children in Ireland by making sure that their rights are respected and protected in our laws, policies and services.

Since 2009 the Children's Rights Alliance have produced an annual publication entitled 'Report Card'. This publication scrutinises how the government has or has not implemented its own commitments to children in important areas such as health, education, poverty, equality, protection and early years. An independent panel of experts, chaired by Judge Catherine McGuinness, former Supreme Court judge, come together to grade the government's performance in these areas, with the ultimate aim of improving the lives of children by ensuring the promises that have been made are followed through.

The Report Card specifically looks at the commitments in the programme for government that are made in relation to children. This year, the Children's Rights Alliance awarded the Irish government an overall 'D+' grade, which reflects a barely acceptable performance to date with little or no positive impact on children's lives.

The objective of Report Card is to provide high level strategic solutions. The Children's

Rights Alliance looks at the programme for government and talks to members working at the coalface with families to better understand the issues. Members include organisations such as Focus Ireland, Peter McVerry Trust, Barnardos and the Irish Society for the Prevention of Cruelty to Children (ISPCC). Decision makers in the government are also consulted to learn what they are or are not doing. From this, tangible and strategic recommendations are made which are advocated during the year to policy makers and politicians.

In May of last year, the incoming government outlined their proposed work and commitments to the people during their term of office in a document called "A Programme for a Partnership Government".

Child and family homelessness

One of the lowest individual grades in Report Card 2017 was an 'E' grade to 'Child and Family Homelessness'. This grade reflects the horrific reality of 2,549 children living in homeless accommodation.

The impact of this is catastrophic on every level, from children's health to education and development. Children have to travel long distances to school and are going hungry because the families have nowhere to store or cook food. Every day these children are losing out on having a normal childhood.

CHILDREN'S RIGHTS ALLIANCE

Uniting Voices For Children

One parent families account for 65% of homeless families, and more than a quarter of the same group lives in consistent poverty. No child should ever have to grow up experiencing this.

This year, we made three distinct recommendations on child homelessness. Firstly, we called on the government to implement its own commitments under its "Housing First" policy by mid-2017. Families with children should be prioritised and moved from unsuitable emergency accommodation, like hotels, into long-term sustainable housing. We called for families to be provided with financial and material supports while in homeless accommodation so children are not forced to live in unsafe and unsuitable conditions. Children should also be able to access play and recreational facilities so they can develop and grow like other children. We have heard of toddlers experiencing delays in reaching developmental milestones, such as walking, because they are living in such cramped conditions.

Secondly, we called for greater speed in the roll-out of quality standards for homeless services. Some families are forced to live in unhygienic conditions with insect infestations, mould and used syringes left in bedrooms. The introduction of standards would help to improve the quality of accommodation for families and ensure that children's safety, educational, health and play needs are paramount.

Finally, we called for the completion of the government's "Rapid Build" programme. This programme would help address the dire issue of the short supply of

accommodation as well as increasing the social housing stock. Ireland is in the middle of an unprecedented housing and homelessness crisis. There is no magic wand but these are some of the realistic steps that can help.

Report card impact

Report Card works by closely following the government commitments, making recommendations and acting as a watchdog. In the last year alone, we have been highly successful and important impacts have been achieved. For example, we consistently pushed for change for children in the direct provision system. Now, children's weekly allowance has been increased, albeit slightly, and children in direct provision can make a complaint to the Ombudsman for Children, like all other children in the country.

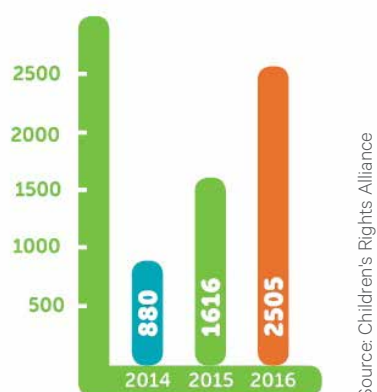
Thanks to the recommendations of Report Card, in 2017 children with severe disabilities will receive medical cards. Children will be better protected from online abusers through the enactment of long awaited legislation. The views of the child will be better heard in the courts, and more affordable and quality childcare has begun to be made available to families.

These are only some of the momentous ways in which the Children's Rights Alliance has tried to monitor the government to promote children's rights.

The results of Report Card have changed children's lives. While there is still a long road to travel, we are on the journey to ensuring that children's rights are respected and protected in laws, policies and services.

WARNING:
The opinions expressed in this article are the views of the author and do not reflect the views and opinions of Davy.

Figure 1: Number of homeless children



BEYOND COMPLIANCE: A SOLID FOUNDATION FOR PRIVATE FUNDING IN IRISH HOSPITALS



Darra Power Mooney

Director of Service Delivery, Millington Pope Executive Search & Selection

► Panel discussion



In February of this year, Davy Charities in conjunction with Millington Pope, hosted the conference “Beyond Compliance: A Solid Foundation for Private Funding in Irish Hospitals”. The conference was part of executive search firm Millington Pope’s event series and focused on the development of philanthropy in Irish hospitals. The theme for this particular conference centered on trust.

Today’s hospitals face immediate financial pressures caused by a growing number of challenges, both internal and external. As a result, hospital leaders are looking for bottom-line solutions that will help them respond to urgent needs, while building the necessary funds to assure a high standard of care for a modern society.

However, this is a challenging time for fundraising in Ireland. Part 4 of the Charities Act 2009 came into force on 5th September 2016, giving the Charities Regulator new powers which it will use for the protection of charities and charitable donations. These enhanced powers are a very welcome step toward increasing public trust for charitable fundraising in the long term. In the short term however, we expect to see continued exposure of irregularities in charities, including some of the 1,800 voluntary agencies funded by the HSE. How should those responsible for governing voluntary hospital income respond to both the new regulatory powers and likelihood of

further public scandals? Do these changes represent opportunity and what can we do to lead in the competition for public trust?

With the support of Davy Charities, Benefacts, DHR Communications and Philanthropy Ireland, and the addition of two leading Foundation CEOs a conference programme was designed for sector leaders committed to collectively raising standards and winning public trust.

Neil Pope, Managing Director of Millington Pope, opened the conference addressing the full house of hospital and hospital group CEOs, board members, foundation leaders and consultants from across the country. For context, Neil highlighted the pivotal role which historically philanthropy has played in Irish hospitals and the potential it has to advance modern healthcare.

The conference was facilitated by John Healy, former CEO and President of The Atlantic Philanthropies; an international grant making foundation.

Mr. Healy got the conference programme underway by interviewing Foundation CEOs Fiachra O’Riordan of St. James Hospital Foundation, Dublin and Mícheál Sheridan, CEO of Mercy Hospital Foundation in Cork. Both CEOs shared openly the role their foundations play in advancing the mission of their associated hospitals and how this relationship operates. Both highlighted the

advantages of a foundation structure and the strength it gives to governance and transparency for donors.

Patricia Quinn, Managing Director of Benefacts, then delivered a detailed overview of the Irish philanthropic marketplace and the hospital foundation sub-sector. Patricia's organisation, Benefacts, analyses over two million units of data, compiling the most comprehensive picture of the not-for-profit sector in Ireland. With data collated on the hospital and foundation sector exclusively for the event, Patricia stressed the value of using this data to inform decision making at board and executive level within foundations.

Catherine Heaney, Managing Director of DHR Communications then followed by speaking to the audience about public attitudes and perceptions regarding trust, fundraising and the hospital sector. Based on research commissioned by DHR from Amárach Research, Catherine presented a fascinating insight into the public predisposition to give to hospitals and how that ranked compared with other causes. Catherine widened this insight through analysis of trends in how information is gathered by the public, levels of trust in traditional media and how the Irish media itself covers the hospitals.

Beginning the latter part of the event, Ian Brady from Davy Charities gave a comprehensive presentation on linking mission with resources. He also discussed the principles of institutional investment management, how to plan for financial sustainability and how these key pillars can help to ensure reliable service delivery and continuity of mission. Ian rounded-up his presentation by giving a measure of the level of private wealth in Ireland, in the context of considering the potential private capital contribution to health care in Ireland into the future.

The audience also heard from Philanthropy Ireland's CEO Éilis Murray. Philanthropy Ireland is an independent association of philanthropic organisations committed to the development of giving in Ireland. Éilis discussed her work with Trinity College Dublin as part of the Global Philanthropy

Report - Better Knowledge for Better Philanthropy. Her data showed that 11 of the 26 Foundations in the survey were founded after the year 2000 showing that the Irish philanthropic foundation sector is small, but active and growing.

The event concluded with a panel discussion. Themes ranged from protecting the mission of a foundation, to ensuring foundations 'operate at the margins of excellence' and are not seen as supplementing exchequer funding.

Neil Pope closed proceedings and thanked the panel and facilitator as well as Davy Charities for hosting the event. The high turnout of Hospital CEOs, Hospital Board members, Foundation Leadership Teams and Board Members as well as medics was a great demonstration of the commitment to extend beyond compliance towards becoming exemplars of best practice.

Key takeaways from the event:

1. Despite scandals in the charity sector, delegates reported robust public support for their foundations.
2. Public transparency is now a given and hospital foundations have an opportunity to lead in setting standards.
3. There is an opportunity for hospitals and foundations to more clearly define and develop the role philanthropy will play in future advancement of healthcare.
4. Great opportunity exists for Hospital Foundations to tell the good news about our hospitals.

If you would like to learn more about developing philanthropy in the healthcare sector, contact Millington Pope on 01 6401925



WARNING:
The opinions expressed in this article are the views of the author and do not reflect the views and opinions of Davy.

2017 SURVEY ON NOT-FOR-PROFIT SECTOR ORGANISATIONS



Ian McShane

Executive Chairman,
Behaviour & Attitudes

Behaviour & Attitudes (B&A) is Ireland's largest independent market research company, successfully growing and evolving since 1985. They offer a comprehensive suite of tailor-made quantitative and qualitative methodologies and advise clients on all aspects of consumer behaviour and its implications. B&A is wholly owned by its management team, all of whom are active researchers.

Behaviour & Attitudes carried out an online survey on behalf of Davy and Boardmatch Ireland among key individuals involved in the not-for-profit sector.

A total of 186 individuals responded to the survey, the results of which make very interesting reading.

Reported board understanding of the mission and strategy of the organisation is reasonably high, with 7 in 10 suggesting their board understand the mission and strategy of the organisation either extremely or very well, and a further 25% moderately well.

Two-thirds of our not-for-profits report that their board reviews the strategy of the organisation annually or more frequently. A majority of not-for-profits acknowledge however, that if the directors of their board were to leave tomorrow, they could not immediately name any potential replacements.

The one notable exception in this regard is the religious not-for-profit sector, the great majority of whom suggest they have a clear set of potential replacements for their board members.

While a majority of not-for-profits claim that their board evaluates its own performance at least annually, a full 26% report that it

never does so. Three-quarters of these organisations report that their board reviews the financial statements of their organisation either monthly or quarterly.

Social services not-for-profit organisations, and indeed those whose main source of funding is either self-generated or via state or local government, are in fact most likely to have their board review their financial statements on a monthly basis.

Just over half (53%) of all not-for-profit boards formally review the performance of the executive/lead director on an annual basis, while just over 4 in 10 (43%) believe it is possible for their organisation to benchmark its performance against similar bodies.

The majority of Irish not-for-profits (58%) do not establish annual performance targets against which to measure their impact on society. The majority of not-for-profits are confident that their organisation accurately measures its success in achieving its mission.

57% of Irish not-for-profit boards have an audit committee, while 41% report that they do not. Not surprisingly, the greater the turnover, the more likely a board is to have an audit committee. 7 in 10 formally set time aside to assess risks to their organisation.

►
2017 Davy Charities Annual Conference (left to right):
Luke Reaper, MD Behaviour & Attitudes, Lucy Masterson, CEO, Charities Institute Ireland, Eva Gurn, Director, Boardmatch Ireland, John Farrelly, Charities Regulator, Stephanie Manahan, CEO, Central Remedial Clinic, Ian Brady, Head of Davy Charities.



By far the greatest factors motivating peoples' involvement in not-for-profit organisations are the desire to serve the organisation and contribute to its success, along with a matching desire to contribute to society.

When presented with a list of words or phrases that could potentially be used to describe the essence of the non-profit sector, those most frequently selected included 'Public Benefit', 'Social Justice' followed by 'Transformation' 'Effectiveness', 'Sustainability' and 'Local'.

In considering the general not-for-profit sector in Ireland today, strongest levels of agreement apply to the notion that the sector would benefit from the development of a more streamlined set of regulation guidelines, that running their organisation to the required standards requires significant staff and organisational

costs, and also in relation to the belief that increased regulation of the sector is a good thing.

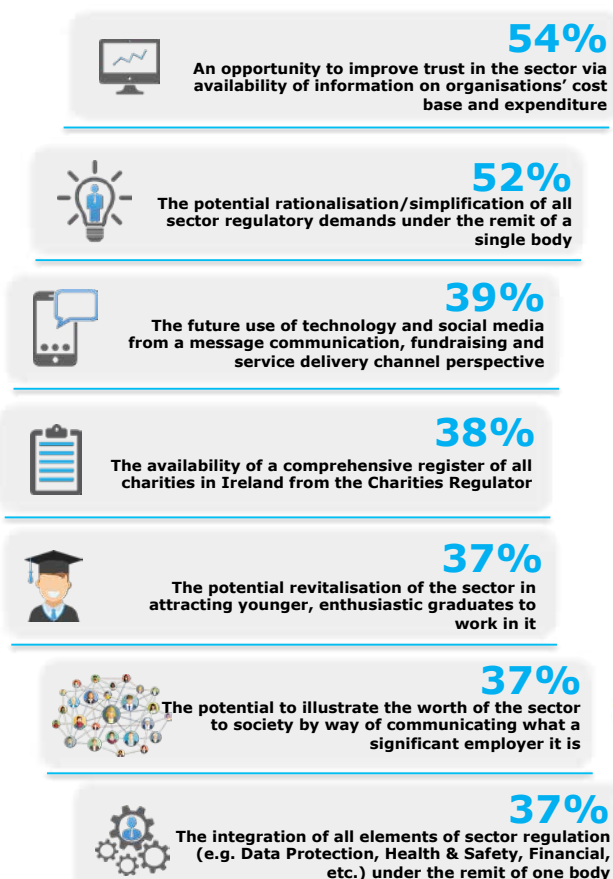
A whole series of challenges facing the overall not-for-profit sector was also identified by respondents. The two most frequently mentioned related to "Greater strains on their organisations resource required to meet increased regulation compliance", and a belief that "there is not enough Government funding available to the sector".

Finally, a number of core opportunities facing the sector was also volunteered, (Fig. 1) the two most often mentioned being an opportunity to improve trust in the sector via financial transparency, as well as the potential rationalisation of sector regulatory demands under the remit of a single body.

WARNING:
The opinions expressed in this article are the views of the author and do not reflect the views and opinions of Davy.

Figure 1: Key opportunities facing the sector

Base: All respondents – 186



ECONOMIC AND INVESTMENT FOCUS

10 Timeless Rules of Investing	20
In the News	24
Equities in 2017: A Trump Odyssey	26
Cyber Security: A Growing Concern	28



TIMELESS RULES OF INVESTING...



Brian O'Reilly

Head of Global
Investment Strategy



Eoin Corcoran

Head of Portfolio
Construction

All of us have worked hard to build capital and are looking to preserve and grow the real value of our assets, but when it comes to investing that money we often fall foul of simple mistakes that impact our ability to invest wisely. When markets are rising it's easy to get carried away, but the longer we move on from the last downturn the more we tend to forget the mistakes of the past.

We think now is an opportune time to take a step back and return to first principles. In this article we have combined our knowledge of the markets here at Davy with that of financial planner Carl Richards, to compile a list that we consider to be the 10 most important rules of investing.

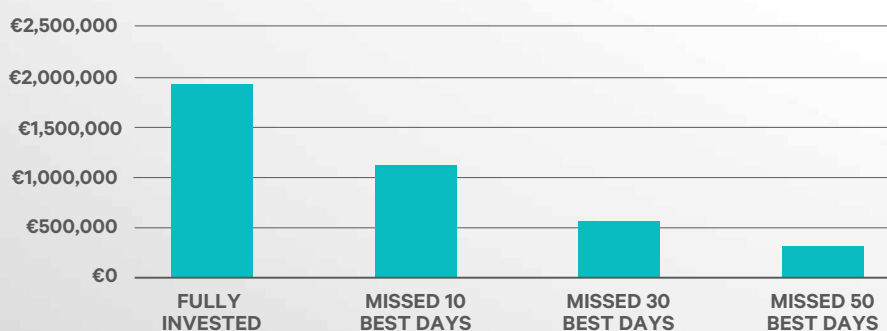


TAKE THE ROUGH WITH THE SMOOTH

Timing the market is notoriously difficult, even for the most experienced investor. People often focus on trying to dodge the bad days but fail to realise that missing even a few of the best days can be equally damaging. The reality is the largest gains tend to occur during periods of extreme volatility and often follow large sell-offs. During these episodes inexperienced investors panic sell or just sit on the side lines.

Figure 1 shows that if you invested €1 million in global equities at the end of 2001, today that sum of money would be worth close to €2 million. However, if you were out of the market for the 10 best days during that time period, you would have made much less - about a 9% return. It gets worse. If you had missed the best 30 days you would have lost 46% of your money and if you had missed the best 50 days you would have lost 69%. The key lesson is that to be a successful investor it's often better to take the rough with the smooth rather than trying to play the market in search of a quick profit.

Figure 1: Total return on €1 million invested in global equities since 2001

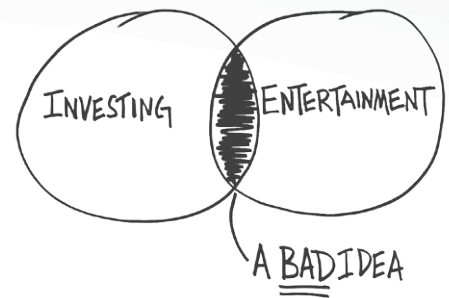


Source: Bloomberg



DROWN OUT THE NOISE

Most of the financial industry is incentivised to get investors to do something. Many investment houses and brokerage firms profit when investors buy or sell shares. This leads to a lot of noise in the market and it is often difficult to detangle good information from bad. TV shows dedicated to investing amplify the noise. It is challenging to distinguish good financial 'experts' from bad, as they are often more concerned with self-promotion rather than providing good investment advice. As George Soros said, "if investing is entertaining, if you're having fun, you're probably not making any money. Good investing is boring."



(CC) 2013 Behavior Gap

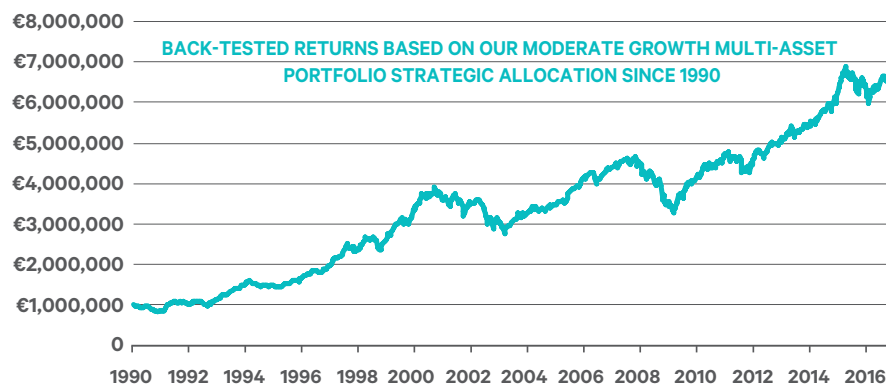


TIME IN THE MARKET, NOT TIMING THE MARKET

The longer you invest for, the better your chance of success. For example, in the 26 years from 1990 to 2016, the average investor will have had a turbulent journey - the dotcom bubble and global financial crisis were two of the worst bear markets ever recorded. Yet over that period the return in a back-test of our moderate growth multi-asset portfolio would have averaged 7.4% per annum.

That may not sound that impressive but €1 million invested in 1990 at that rate of return, mainly through the power of compounding, would now be worth almost €7 million. This is often difficult to comprehend as we tend to focus on performance in each calendar year rather than taking a step back and focusing on the long term. The lesson is that the power of compounding tends to be the single biggest contributor to an investor's long term success.

Figure 2: Returns on €1 million invested in a multi-asset portfolio since 1990



Source: Davy



GEOPOLITICS (OFTEN) MATTERS LESS THAN WE THINK

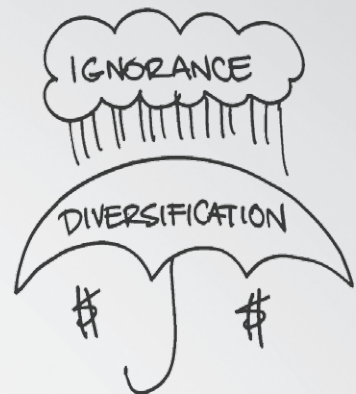
It is easy to focus on what can go wrong in the world and extrapolate these geopolitical events into investment returns. Yet geopolitical shocks (outside of world wars) tend to exhibit little or no relationship to returns. Last year was a case in point. Brexit and Donald Trump's election as the US President threatened to send financial markets into a tailspin, but it never happened. In fact, markets rallied strongly in the second half of 2016. Over the past 30 years there have been two gulf wars, countless global health scares - SARS, Zika, Ebola - tragic terrorist attacks in New York, London, Brussels and Paris but none have seriously impaired the upward trajectory of the market for any length of time.



BUILD A ROBUST PORTFOLIO

Diversification is probably the most commonly quoted piece of investment advice. Yet unfortunately, time and time again people tend to over concentrate their investments in a specific stock or asset. In the lead up to the global financial crisis too many people were holding too much property and bank stocks, and often with an overexposure to their own country. As we now know, that strategy did not work well.

The idea behind diversification is that it spreads out risk and therefore helps mitigate all kinds of developments, especially negative shocks. The reality is that no asset, stock, region, sector or currency will outperform all the time. Multi-asset funds, which divide their investments between different assets, such as stocks, bonds, cash, property and alternative investments, aim to reduce permanent loss of capital through diversification. This strategy was pioneered by university endowment funds including Yale and Harvard. These funds built well-diversified portfolios of uncorrelated assets - like equities and bonds - to diversify and reduce risk while still benefiting from good investment returns.

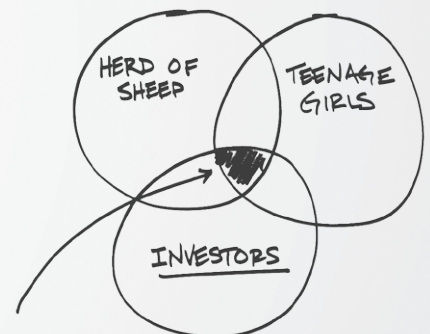


Amf



DON'T FOLLOW THE HERD

"Irrational exuberance" was a phrase championed by former Federal Reserve Chairman Alan Greenspan to explain investor's behaviour in the mid-to-late 1990s. Although it took a number of years for the bubble to burst, the phrase epitomises the tendency of investors to get most bullish just before a collapse. Quite often it's wise not to follow the crowd, particularly if the fundamentals do not add up. Remember, when the herd is running towards the cliff, the one running in the opposite direction seems crazy.



"BECAUSE EVERYONE ELSE IS DOING IT..."

© 2013 Behavior Gap



INVEST COUNTER CYCLICALLY

Instead of following the herd, investors should take their lead from the economic and business cycle. One of the few constants in investing is that all economies are cyclical - that is they expand and then contract. By focusing on the cycle, investors can determine the prospect for different assets and markets at the different stages, and importantly can avoid taking on excessive risk when the economy is showing signs of overheating just before a recession. This will go a long way to explain the ebb and flow of corporate profits which are inextricably linked to the health of the economy. "This time is different" is arguably the most dangerous phrase used in finance. It never is. Buying high and selling low is not a sensible investment strategy. Investing counter cyclically is.



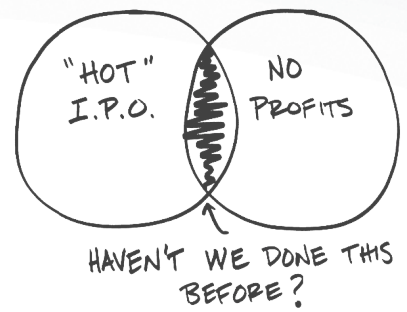
© 2013 Behavior Gap



PRICE IS WHAT YOU PAY, VALUE IS WHAT YOU GET

Overpaying for investments is a common mistake. The most recent examples of this phenomenon were the housing bubble in the run up to the financial crisis and of course the tech bubble at the end of the 1990s. Centuries of financial market history is littered with episodes of investment folly like tulip mania in the 16th century, the South Sea Bubble in the 18th century and the stock market bubble in the 1920s. Getting carried away is part of human nature.

Private investors often do not have access to the same range of data and information as institutional investors so they often get caught out on price. This is true across all assets including the income yield for property investments, equity valuation metrics like price-to-earnings or price-to-book value, or bond yields. Warren Buffett says “price is what you pay, value is what you get”. Always consider the intrinsic value of an investment before putting your hard earned capital at risk.

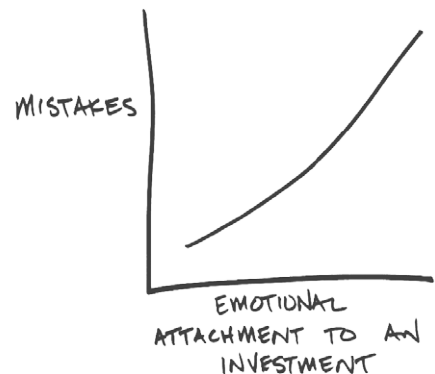


© 2013 Behavior Gap



DON'T LET EMOTIONS CLOUD YOUR JUDGEMENT

Emotion is dangerous when investing. Unfortunately, it is too easy to become emotionally attached to investments when they are increasing in value. We feel comfortable when we are invested and often actively look to add to winning positions. When there is positive momentum around a market it may seem that an individual stock will never go down and that we should hold more and more of it. The most successful investors take profits and rebalance their portfolio regularly. Our experience shows that failing to take profits can result in 'risk drift' in portfolios and can lead to investors being overexposed to a market correction.

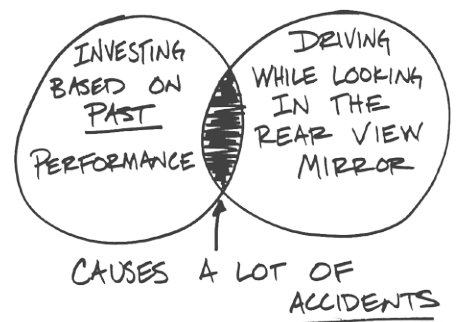


© 2013 Behavior Gap



DON'T CHASE PERFORMANCE

A common failing of investors is investing in the rear view mirror, chasing performance by buying more of an asset, sector or stock that has performed the best in the most recent time period. A large body of evidence tells us that this leads to underperformance in the long term. Assets that attract the largest amount of inflows subsequently underperform. Investors must accept that no strategy, investment or approach will outperform in every market environment.



© 2013 Behavior Gap

WARNING:

Past performance is not a reliable guide to future performance. The value of investments and of any income derived from them may go down as well as up. You may not get back all of your original investment. Returns on investments may increase or decrease as a result of currency fluctuations.

IN THE NEWS

TRUMP'S INAUGURATION

On 20th January Donald Trump was inaugurated as the 45th President of the United States. During his inauguration, Trump delivered a speech referencing important topics such as immigration, the economy, justice and national security. Yet, like much of his campaign, the most talked about points were non-political and frivolous. The comparison in attendance numbers between his inauguration ceremony and that of Barack Obama in 2008, which led to Press Secretary Sean Spicer's infamous 'fake facts' comment, and the similarity of Melania's outfit to Jacqueline Kennedy's wardrobe overshadowed the importance of the event. One can only hope it gets better from here.



BREXIT - TRIGGERING ARTICLE 50

Article 50 of the Lisbon Treaty has now officially been triggered, leaving Theresa May and her government to navigate through the uncertain waters of exiting the European Union (EU). With the United Kingdom (UK) being the first country to go through this process, the next two years of negotiation are likely to be testing, with no clear path to a definitive deal. May wants to negotiate simultaneously the terms of leaving the EU while also formulating a structure for the UK's future relationship with the EU, which the remaining 27 countries are unwilling to do. Already a hard line is being drawn by other member states, which could result in a 'hard Brexit' come March 2019.

DUTCH ELECTION

The general election in the Netherlands was the first high profile political event of 2017. With 150 seats to be filled and 28 parties running, the victory for current Prime Minister Mark Rutte's Liberal Party was a welcome success for pro-European supporters. The euro rose to a one-month high following the result. However, the Dutch are infamous for the length of time it takes to form a coalition – since World War II the average is 72 days with the longest being 208 days. So, it is unlikely that we will know the structure of the new government for some time.





FED RATE HIKE

The US Federal Reserve (Fed) raised rates for only the third time in 10 years in March. The move came following a stream of positive economic data in the US. The Federal Open Market Committee (FOMC) announcement was considered slightly dovish as its economic outlook and expected additional rate hikes remain unchanged. Markets were expecting a more aggressive string of short-term interest rate rises over the course of 2017. The Fed is responsible for maintaining stable inflation, with a target of 2% and maximising employment. Both of these are on the horizon for the American economy so the fine balancing act of facilitating growth without the economy overheating is clearly in focus.

AIB INITIAL PUBLIC OFFERING

Ireland's second largest bank is poised to make a return to the stock market in May, with around 25% of the bank to be made available for public purchase. Favourable market conditions and a robust balance sheet mean that the Irish government is ready to start reducing its 99% holding in AIB. A proposed dividend pay-out of €250 million to ordinary shareholders means that the lender will be the first Irish bank to resume paying dividends since the financial crisis. This highlights management's confidence in the bank's performance, as well as the belief that there is investor appetite to get involved in the Irish banking sector after many years of turmoil.



EQUITIES TRUMP BONDS

Equity markets have started the year on a good note. During the first quarter global equities rallied 5% as improving corporate earnings helped propel stock prices higher. In fact, this marks the end of an earnings recession that lasted over 18 months. Analyst expectations are for year-on-year earnings growth of 9% for Q1 and have similar forecasts for the full year. However, bonds are not faring as well. Rate hikes in the US, and the prospect of the European Central Bank (ECB) tapering their Quantitative Easing (QE) programme at the end of the year have pushed bonds into negative territory year-to-date.

EQUITIES IN 2017: A TRUMP ODYSSEY



Aidan Donnelly

Head of Equities,
Davy Private Clients



Let us set the scene - it is January 2016 and you are wondering what the year ahead has in store for global investors. If I had suggested that there would be a significant correction in the Chinese stock market in January, Britain would vote to leave the European Union, and Donald Trump would be elected as the next US president, you might question the nature of my crystal ball.

If I then told you that even given these events, world equity markets would end the year in positive territory, you would probably question my sanity! And yet the 2016 scorecard reads as such. But if 2016 was the year of 'shock', will 2017 bring us the 'awe' or the 'ah hell!'

No business like show business!

The week before the presidential inauguration, the incoming president, Donald Trump, gave his first press conference since winning the election. Viewed under the category of entertainment, there is no denying that it was unique, and most people watching it found it compelling viewing – akin to car crash television! We certainly have never seen anything like it from an incoming or sitting "Leader of the Free World" – not even Silvio Berlusconi in his heyday could match this!

But as the cheering and clapping subsided and the CNN reporter questioned the future of his career with a fake news network, anyone taking a detached view of the press conference would come to the conclusion that there was little in the way of details on the key policy initiatives that will shape his term in the Oval Office.

There was a very brief mention of a "major border tax on companies leaving the US" and that Obamacare will be repealed and replaced "almost simultaneously". And from an Irish perspective, these are two areas that have the potential to impact us.

Break for the border...

The US Republican Party has proposed a radical overhaul of the US corporate tax system. This could involve a lower corporate tax rate, higher capital expenditure offsets, cash repatriation incentives, changes in the treatment of interest payments and the introduction of a border tax. A potential US border tax could have profound implications for economies and companies across the world, but Ireland could also be impacted by other changes in the tax code.

The prospect of a US border tax has attracted particular interest from investors as it is obviously intended to encourage more US-based production. Of course, this

radical policy might not even happen and even if it does become law, then it is likely to be watered down by industry exceptions.

Prior to his press conference, one industry that was definitely in Trump's crosshairs for a border tax adjustment was the auto manufacturers. Following Ford's decision not to build a new assembly plant in Mexico, opting instead to expand their facility in Michigan, Trump turned his attention to General Motors (GM) and Toyota, highlighting - in some cases incorrectly - their overseas manufacture of vehicles sold in the US. Other large industrial companies like Carrier have also scrapped plans to invest abroad, and instead expand domestic US operations.

Ireland's eye?

One element of Trump's press conference will certainly give those involved in attracting Foreign Direct Investment (FDI) cause for concern. In his speech he said "I think a lot of industries are going to be coming back (to the US). We have to get our drug industry coming back. Our drug industry has been disastrous. They're leaving left and right. They supply our drugs, but they don't make them here, to a large extent.... they're getting away with murder".

In 2015 exports to the US accounted for 15% of total Irish exports, with the lion's share of this coming from the pharmaceutical (pharma) and medical device (medtech) sectors. Although employment levels are not as significant, both these industries have been major sources of FDI over the last few decades.

The pill for this ill?

The introduction of a border tax or other tax code changes such as the ability to expense US capital expenditure immediately could swing plant location decisions back to the US and away from these shores. These coupled with a proposal to allow

the repatriation of accumulated untaxed earnings - a traditional source of funding for overseas investment - at a reduced one time rate will give company managements much food for thought in the coming years.

If that wasn't bad enough news for the pharma industry, they also face challenges in the form of drug pricing and repeal of the Affordable Care Act (Obamacare). Again during his press conference Trump said the "other thing we have to do is create new bidding procedures for the drug industry because they're getting away with murder. Pharma has a lot of lobbies, a lot of lobbyists and a lot of power. And there's very little bidding on drugs. We're the largest buyer of drugs in the world, and yet we don't bid properly. And we're going to start bidding and were going to save billions of dollars over a period of time."

Inclusion in any bidding process will be paramount for all companies and success may not be just about your price - other actions may also sway opinion.

Trade war... what is it good for? Absolutely nothing...

The wider question of how long would it be before other countries respond cannot be ignored either. While the US may have a head start, others are well practiced from World Trade Organisation (WTO) trade disputes to slap countervailing duties or use other methods rapidly to challenge unfair policies. The upshot is that the US advantage from being a first mover could be relatively short, and the consequences of a global trade war would be significant for global growth.

Although a four year odyssey has just begun, the first few months have been informative. The speed and direction the good ship Trump takes could create waves far beyond the US shores. Let's hope it doesn't result in rough seas for us!

"The US Republican Party has proposed a radical overhaul of the US corporate tax system. This could involve a lower corporate tax rate, higher capital expenditure offsets, cash repatriation incentives..."

WARNING:

Past performance is not a reliable guide to future performance. The value of investments and of any income derived from them may go down as well as up. You may not get back all of your original investment. Returns on investments may increase or decrease as a result of currency fluctuations.

WARNING:

Forecasts are not a reliable indicator of future results.

CYBER SECURITY: A GROWING CONCERN



David Hillery

Senior Investment
Strategist

► Cyber crimes are an increasing threat to businesses



As the world becomes more interconnected, cyber security is becoming an ever more prevalent topic. Close to 50% of the world's population is now online according to the International Telecommunications Union. Though the benefits are obvious, it does bring greater risks.

Cyber crime threats have increased and as a result business and household security budgets must increase. According to IBM, between 2014 and 2015 there were 64% more security incidents detected globally. In the same year Symantec noted that over half a billion personal information records were stolen or lost. Security is now at the top of the agenda for executives and boards of directors.

Figure 1: The greatest challenges according to CEOs



Source: Fortune

All businesses today are essentially information technology (IT) companies to some degree. As the internet of things (IOT) becomes a more important facet of our everyday and business lives, it has become critical that businesses have a secure network infrastructure. Many infrastructure systems are outdated and companies are aware of the value of upgrading security systems as relying on aging security opens the door to attackers.

Expanding market

The cyber security industry is rapidly expanding as attackers are becoming more sophisticated and there is increasing scope for cyber criminals to attack a person's life from work to home. Businesses and governments are becoming more wary of the risks of destructive attacks on critical information. This means cyber security is a priority for most CEOs and heads of government bodies. We have seen several high profile cyber attacks which have increased the general public's awareness of the effect an attack could have on their lives. According to Bernstein, the day after the Sony attack in 2016 the percentage of executives concerned with breaches rose from 45% to 74%.

The threats

The continued automation of products means the need for robust cyber protection increases. As a result, professionals and business executives rank cyber attacks as the number one risk to doing business in the US, according to a survey conducted by the World Economic Forum. While a recent Cisco report notes the biggest causes for concern among security professionals are the growth of the IOT, increased use of mobile devices and the advent of cloud infrastructure. These megatrends are expected to drive growth in the technology sector for years to come and innovations in the security market will need to grow in tandem.

Any device we use in our day-to-day life can be connected to the internet. Gartner expects that 26 billion devices will be connected to the internet by 2020. The view is that anything that can be connected will be connected in the years to come so the IOT will grow rapidly. The use of IOT brings the vulnerabilities of the digital world into the real world.

The proliferation of mobile devices has created more endpoints to protect. Over the past decade the mobile phone has become an extension of the hand for most. Now much of our daily life is conducted through mobile devices with applications available to deal with everything from our social lives to financial affairs. According to Cisco, internet traffic from mobile devices is expected to account for two-thirds of total IP (Internet Protocol) traffic by 2020. This has made the need for adequate security ever more important with the Harvard Business Review noting phones are the largest cyber security risk for individuals.

According to KPMG, 97% of companies surveyed in a 2016 report had been victims of cyber attacks. The reality facing every business today is that any device we use in our day to day professional and personal life can be exposed. This creates new security problems and companies must ensure that they have adequate protection to ensure the future safety of their business.

If you would like to learn more about how cyber crime could impact your business in the years to come, we will soon be publishing a white paper on the threats businesses face from cyber attacks and we will also be hosting an event with leading industry experts in this area. If you would like to receive more information on this topic, please do not hesitate to contact a member of the Davy Charities team.

“The cyber security industry is rapidly expanding as attackers are becoming more sophisticated and there is increasing scope for cybercriminals to attack a person's life from work to home.”

MARKET DATA

Equity Markets Price Return (%)	2012	2013	2014	2015	2016	Q1 2017
MSCI All Country	13.2	22.9	7.2	-0.7	6.8	5.2
MSCI World	13.1	26.3	7.7	0.2	6.8	4.9
MSCI Emerging Markets	13.9	0.9	2.5	-8.0	7.1	7.5
MSCI World Total Return Euro	14.0	21.2	19.5	10.4	10.7	4.9
S&P 500	13.4	29.6	11.4	-0.7	9.5	5.5
EUROSTOXX	15.5	20.5	1.7	8.0	1.5	6.7
FTSE 100	5.8	14.4	-2.7	-4.9	14.4	2.5
JAPAN TOPIX	20.9	54.4	-19.4	9.9	-1.9	-0.4
Iseq	17.1	33.6	15.1	30.0	-4.0	2.2
DAX	30.2	25.5	2.7	9.6	6.9	7.2
Dow Jones Industrial Average	7.3	26.5	7.5	-2.2	13.4	4.6
NASDAQ Composite Index	15.9	38.3	13.4	5.7	7.5	9.8
Hang Seng Index	22.9	2.9	1.3	-7.2	0.4	9.6
Nikkei 225	22.9	56.7	7.1	9.1	0.4	-1.1
Shanghai CSI 300	7.6	-8.9	50.4	7.9	-11.3	4.4
Russell 2000	14.6	36.6	4.5	-6.4	19.5	2.1
Russia Micex	5.2	2.0	-7.1	26.1	26.8	-10.6
Brazil Ibovespa	7.4	-15.5	-2.9	-13.3	38.9	7.9
Bank of Ireland	45.0	119.8	22.7	8.6	-31.2	0.4
MSCI US Tech	13.2	26.7	20.1	3.9	10.0	12.1
FTSE 250	22.5	28.5	0.6	9.6	3.2	4.9
Sectors (%)						
MSCI World Energy	-1.8	15.5	-9.5	-22.4	25.9	-6.1
MSCI World Materials	8.1	4.0	-0.1	-12.7	21.9	4.7
MSCI World Industrials	14.5	32.5	5.2	-1.0	11.5	5.1
MSCI World Consumer Disc	23.6	40.3	7.8	6.9	1.8	5.9
MSCI World Consumer Staples	10.0	19.2	10.6	7.7	1.4	5.6
MSCI World Health Care	14.7	34.3	21.7	7.3	-7.8	7.1
MSCI World Financials	25.1	27.5	7.4	-1.3	10.2	3.0
MSCI World IT	12.8	28.0	18.8	4.7	8.9	11.5
MSCI World Telecoms	1.2	28.2	2.0	3.8	4.2	-0.8
MSCI World Utilities	-2.0	9.2	18.8	-6.3	4.1	5.1
Bond Performance (%)						
JPM Global Govt Bonds	4.1	-0.5	8.5	-1.0	2.2	-0.3
Bloomberg Global Investment Grade	9.3	0.5	2.3	4.4	4.4	1.5
Bloomberg Global High Yield	18.6	1.5	-0.3	4.9	14.8	3.0
10-Year Government Bond Yields (%)						
US	1.8	3.0	2.2	2.3	2.4	2.4
Germany	1.3	1.9	0.5	0.6	0.2	0.3
UK	1.8	3.0	1.8	2.0	1.2	1.1
Japan	0.8	0.7	0.3	0.3	0.0	0.1
Ireland	4.5	3.5	1.3	1.2	0.8	1.0
Italy	4.5	4.1	1.9	1.6	1.8	2.3
Spain	5.3	4.2	1.6	1.8	1.4	1.7
Portugal	7.0	6.1	2.7	2.5	3.8	4.0

Commodities (%)	2012	2013	2014	2015	2016	Q1 2017
Bloomberg Commodity Index	-1.1	-9.6	-17.0	-24.7	11.4	-2.5
Gold	7.1	-28.30	-1.4	-10.41	8.1	8.9
Brent Crude Oil	3.5	-0.3	-45.6	-35.0	52.4	-7.0
Natural Gas	12.1	26.2	-31.70	-19.1	59.3	-14.3
Sugar	-16.3	-15.9	-11.5	5.0	28.0	-14.1
Platinum	10.4	-11.0	-11.9	-26.2	1.3	5.2
Wheat	19.2	-22.2	-2.6	-20.3	-13.2	4.5
Corn	8.0	-39.6	-5.9	-9.6	-1.9	3.5
Silver	9.0	-35.8	-19.3	-11.9	15.0	14.7
Currency Rates						
EURUSD	1.32	1.37	1.21	1.09	1.05	1.07
EURGBP	0.81	0.83	0.78	0.74	0.85	0.85
EURJPY	114.46	144.73	144.85	130.64	122.97	118.67
GBPUSD	1.63	1.66	1.56	1.47	1.23	1.26
GBPEUR	1.23	1.20	1.29	1.36	1.17	1.18
USDJPY	114.46	144.73	144.85	120.22	116.96	111.39
Interest Rates						
Euribor 3 month	0.20	0.30	0.1	-0.13	-0.32	-0.33
Libor GBP 3 month	0.50	0.50	0.6	0.59	0.37	0.34
Libor USD 3 month	0.30	0.20	0.2	0.61	1.00	1.15
Central Bank Rates						
European Central Bank	0.75	0.25	0.05	0.05	0.00	0.00
Bank of England	0.50	0.50	0.50	0.50	0.25	0.25
Federal Reserve	0.25	0.25	0.25	0.50	0.75	1.00

WARNING:

Past performance is not a reliable guide to future performance. The value of investments and of any income derived from them may go down as well as up. You may not get back all of your original investment. Returns on investments may increase or decrease as a result of currency fluctuations.

Source: All data is sourced from Bloomberg as at market close 31st March 2017 and returns are based on price indices in local currency terms, unless otherwise stated.

Davy. Since 1926.

The Davy Group is Ireland's leading provider of wealth management, asset management, capital markets and financial advisory services.

We work with private clients, small businesses, corporations and institutional investors.

Dublin Office

Davy House
49 Dawson Street
Dublin 2
Ireland

T +353 1 679 7788
dublin@davy.ie

Belfast Office

Donegall House
7 Donegall Square North
Belfast BT1 5GB
Northern Ireland

T +44 28 90 310 655
belfast@davy.ie

Cork Office

Hibernian House
80A South Mall
Cork
Ireland

T +353 21 425 1420
cork@davy.ie

Galway Office

1 Dockgate
Dock Road
Galway
Ireland

T +353 91 530 520
galway@davy.ie

London Office

Dashwood House
69 Old Broad Street
London EC2M 1QS
United Kingdom

T +44 207 448 8870
london@davy.ie

 @DavyGroup
www.davy.ie/charities

The information contained in this document does not purport to be comprehensive or all inclusive. It is not investment research or a research recommendation for the purposes of regulations, nor does it constitute an offer for the purchase or sale of any financial instruments, trading strategy, product or service. No one receiving this document should treat any of its contents as constituting advice. It does not take into account the investment objectives or financial situation of any particular person. It is for informational and discussion purposes only. References to past performance are for illustration purposes only. Past performance is not a reliable guide to future performance. Estimates used are for illustration purposes only. Projected returns are estimates only and are not a reliable guide to the future performance of this investment. Forecasted returns depend on assumptions that involve subjective judgment and on analysis that may or may not be correct.

This information is summary in nature and relies heavily on estimated data prepared by Davy as well as other data made available by third parties and used by Davy in preparing these estimates. There can be no assurance that the entities referred to in the document will be able to implement their current or future business plans, or retain key management personnel, or that any potential investment or exit opportunities or other transactions described will be available or consummated. Statements, expected performance and other assumptions are based on current expectations, estimates, projections, opinions and/or beliefs of Davy at the time of publishing. These assumptions and statements may or may not prove to be correct. Actual events and results may differ from those statements, expectations and assumptions. Estimates, projections, opinions or beliefs are not a reliable guide to future performance. In addition, such statements involve known and unknown risks, uncertainties and other factors and undue reliance should not be placed thereon. Certain information contained in this document constitutes 'forward-looking statements', which can be identified by the use of forward-looking terminology, including but not limited to the use of words such as 'may', 'can', 'will', 'would', 'should', 'seek', 'expect', 'anticipate', 'project', 'target', 'estimate', 'intend', 'continue' or 'believe' or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results, the actual outcome may differ materially from those reflected or contemplated in such forward-looking statements. There can be no assurances that projections are attainable or will be realised or that unforeseen developments or events will not occur. Accordingly, actual realised returns may differ materially from any estimates, projections, opinions or beliefs expressed herein.

Economic data, market data and other statements regarding the financial and operating information that are contained in this Update, have been obtained from published sources or prepared by third parties or from the partners, developers, operators and sponsors involved with the properties and entities comprising the Investment. While such sources are believed to be reliable, Davy shall have no liability, contingent or otherwise, to the user or to third parties, for the quality, accuracy, timeliness, continued availability or completeness of same, or for any special, indirect, incidental or consequential damages which may be experienced because of the use of the data or statements made available herein. As a general matter, information set forth herein has not been updated through the date hereof and is subject to change without notice.

The MSCI sourced information is the exclusive property of MSCI Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, disseminated or used to create any financial products, including any indices. This information is provided on an 'as is' basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates.

"SPDR" is a registered trademark of Standard & Poor's Financial Services LLC ("S&P") and has been licensed for use by State Street Corporation. STANDARD & POOR'S, S&P, S&P 500 and S&P MIDCAP 400 are registered trademarks of Standard & Poor's Financial Services LLC. No financial product offered by State Street Corporation or its affiliates is sponsored, endorsed, sold or promoted by S&P or its Affiliates, and S&P and its affiliates make no representation, warranty or condition regarding the advisability of buying, selling or holding units/shares in such products. Further limitations and important information that could affect investors' rights are described in the prospectus for the applicable product.

While reasonable care has been taken by Davy in the preparation of this document, neither Davy nor any connected company nor their respective directors or employees will be responsible for any loss (whether foreseeable or not) incurred by an investor as a result of the investor acting, or deciding not to act, in reliance on the contents of this document or the information and opinions on which it is based. The investor agrees that Davy, any connected company and their respective directors or employees will not be held liable for any investment decisions made by the investor arising from the use of this document. The terms of this paragraph only apply to the extent permitted by law and do not exclude or restrict any responsibility or liability that Davy has under law and applicable regulation.

Davy Charities is a division of J&E Davy. J&E Davy, trading as Davy, is regulated by the Central Bank of Ireland. Davy is a member of the Irish Stock Exchange and the London Stock Exchange. In the UK, Davy is authorised by the Central Bank of Ireland and authorised and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our authorisation and regulation by the Financial Conduct Authority are available from us on request. 2017 ©J&E Davy.