

# CONSERVATION TRUST FUND INVESTMENT SURVEY



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FOR CALENDAR YEAR 2010



Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)

# INVESTMENT SURVEY

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Prepared in collaboration with the Conservation Finance Alliance and the Latin American and Caribbean Network of Environmental Funds

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# TABLE OF CONTENTS

<b>ACKNOWLEDGEMENTS</b>	<b>1</b>
<b>FOREWORD</b>	<b>2</b>
<b>EXECUTIVE SUMMARY</b>	<b>7</b>
<b>INTRODUCTION</b>	<b>9</b>
Background	9
Objectives	11
<b>METHODOLOGY</b>	<b>12</b>
Survey Format, Origination	12
Data Collection	12
Confidentiality	12
Fiscal Year	13
Statistical Variants	13
Average Returns	13
<b>RESULTS AND ANALYSIS</b>	<b>14</b>
Description Of Participating Funds	14
Endowment And Sinking Funds	14
Area And Age Of Participating Funds	14
<i>Africa</i>	15
<i>Latin America And Caribbean</i>	15
<i>Asia</i>	15
Overall Rates Of Return	16
<i>Endowment Investment Performance</i>	16
<i>Sinking Fund Investment Performance</i>	16
Comparison Of Endowment And Sinking Fund Returns	17
Currency And Inflation Adjusted Returns	18
Asset Allocation	21
<i>2010 Endowment Asset Allocation</i>	21
<i>2010 Sinking Fund Asset Allocation</i>	21
<i>Asset Allocation Comparison From 2008 To 2010</i>	21
Types Of Benchmarks Used	22
<b>INVESTMENT MANAGEMENT</b>	<b>23</b>
Investment Objectives	23
Spending Policy	24
Investment Services	24
<b>CREATING OPPORTUNITIES (CASE STUDIES)</b>	<b>26</b>
Suriname Conservation Foundation	26
Fondo Para La Acción Ambiental Y La Niñez	27
Parc National Du Banc D'arguin, Mauritania	28
<b>CONCLUSIONS</b>	<b>29</b>
<b>FUNDS PARTICIPATING IN 2010 SURVEY</b>	<b>31</b>
<b>NEWLY ESTABLISHED FUNDS AND PUBLIC FUNDS</b>	<b>33</b>

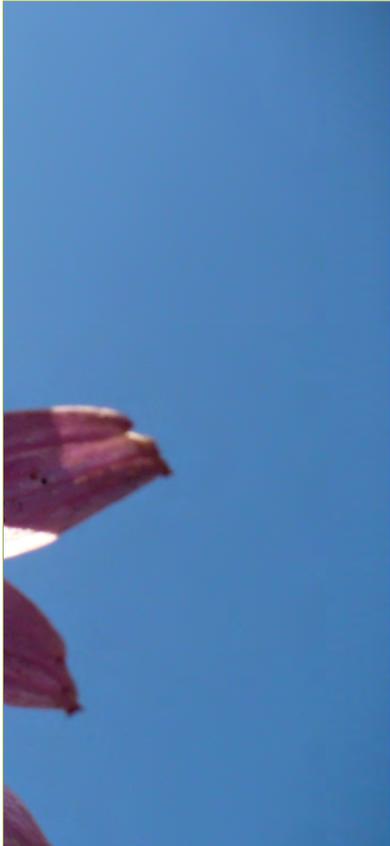


Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)

This project is coordinated under the Conservation Finance Alliance (CFA), which is comprised of environmental NGOs, multilateral agencies, private sector organizations and individuals, and Conservation Trust Funds.

This report would not have been possible without the assistance of a number of individuals from the CFA, RedLAC, FMCN and Acacia Partners who took the time to review and comment upon the survey and working drafts. We would particularly like to thank the following individuals for their assistance in drafting the survey and this report: Scott O’Connell of Acacia Partners, Camila Monteiro of RedLAC, Lorenzo Rosenzweig and his staff from Fondo Mexicano para la Conservación de la Naturaleza, John Adams and Patrick Drum of the Arbor Group, and members of the Environmental Fund Working Group of the Conservation Finance Alliance. Primary funding for the project has been provided by Acacia Partners, with additional support for translation and dissemination provided by the French Global Environment Facility.

This report is based on the responses of participating Conservation Trust Funds (CTFs) and we would like to thank all those who took the time from their many responsibilities to complete the survey, provide comments and suggestions, and contribute photos for this project.



Photo contributed by Farid Uddin Ahmed, Arannayk Foundation



## FOREWORD

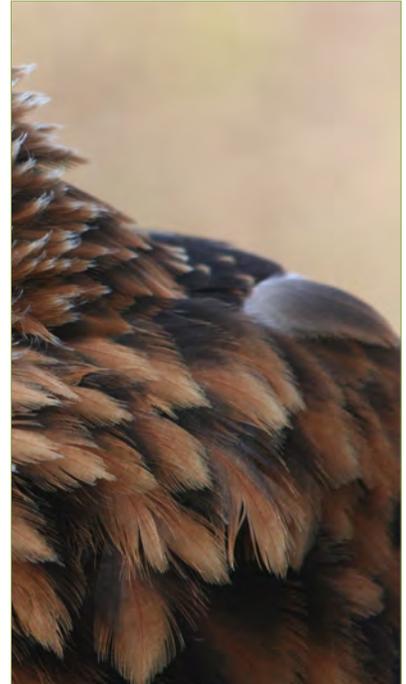


Photo contributed by Madagascar Biodiversity Fund (FPAP)

Dear Fund Manager,

You are playing an important role in protecting the most ecologically sensitive areas of our natural world. Our goal in publishing this report is to support your work and to help conservation trusts learn more about endowment management from their peers and from experienced, leading practitioners.

For years, newspapers have reported on the impressive investment results of successful college and university endowments such as those of Harvard and Yale. An organization called NACUBO, the National Association of College and University Business Officers, has collected data for decades, reporting data anonymously back to its participants and reporting it publicly if they wish. As a result of such reporting, the Boards and Investment Committees of these colleges and universities started a now decades-long conversation, which has elevated the revenue-producing aspect of these endowments to its proper importance. Since NACUBO was founded in 1962, endowments of many colleges and universities have increased to billions of dollars, and some of the largest endowments, like those of Harvard and Yale, have increased into the tens of billions.

The best performance of the group is generally attributed to the tenure of Yale University's Chief Investment Officer, David Swensen. Many articles have been written about Swensen, who has become a living legend in the world of endowment management. Yale's endowment has averaged a 13.1% annual return for the last 20 years. Despite enormous contributions to Yale's annual operating expenses and the market downturn in 2008, Yale's endowment has increased from \$1 billion in 1985 to more than \$16 billion in 2010. (See Yale's annual report at [www.yale.edu/investments/Yale\\_Endowment\\_10.pdf](http://www.yale.edu/investments/Yale_Endowment_10.pdf))

When Swenson was hired by Yale University in 1985, he reviewed the historical returns of various assets over the decades. For organizations with



Photo contributed by Carl Bruessow, Mulanje Mountain Conservation Trust (MMCT)

long horizons like universities and conservation trusts, he wanted a general understanding of what returns had been, hoping to get a sense of their likely long-term returns in the future.

Swensen found that over the sixty years from 1925 to 1985, \$1 needed to become \$6 just to stay even with inflation in the United States. One dollar invested in U.S. Treasury bills in 1925 grew to \$7 by 1985, but since inflation grew to \$6, the “real” inflation-adjusted purchasing power of Treasury bills actually grew nearly not at all over all those years. Bonds, which suffered from an escalation in inflation over the decades, grew to only \$8. If we updated the study to 2011, bonds would have done somewhat better because interest rates in the United States have declined since 1985. When interest rates go up, bonds go down, and when interest rates go down, bonds go up. As a result, bonds have actually performed as well as stocks since the U.S. bull market began in 1982. The important lesson from the following chart, though, is that \$1 invested in stocks in 1925 grew to \$211 in 1985, and has grown to much more since then.

In 1925 investing \$1 in	By 1985 grew to
<b>Inflation</b>	\$6
<b>U.S. Treasury bills</b>	\$7
<b>Bonds</b>	\$8
<b>Stocks</b>	\$211

One key lesson Swenson took from the data is that many endowments were keeping too much of their money in bonds. As Swensen puts it, “The need to provide resources for current operations as well as preserve purchasing power of assets dictates investing for high returns, causing the endowment to be biased towards equity. In addition, the university’s vulnerability to inflation further directs the endowment away from fixed income and toward equity investments.”

Owning bonds, or a bond mutual fund, means you are lending money to others and in return, receive a fixed annual interest payment and the promise that your principal will be repaid in the future. The first main risk is that the borrower cannot repay the loans. The second main risk is that if interest rates rise, newer bonds must pay a higher rate of interest, making older bonds less attractive and causing them to sell at lower prices.

Today, interest rates in much of the world are at 40-year lows. Ten-year U.S. Treasury bills, for example, yield only 2%. Is the next 3% move in interest rates more likely to be up or down? In addition, sovereign governments throughout the world are implementing policies that may well lead to inflation, the most common cause of higher interest rates.

Inflation is the great white shark of the bond world. When inflation rates rise, so do interest rates, and when interest rates rise, bonds are worth less. Second, the income from a bond is fixed over its life, while the cost of living increases with inflation. Thus, your principal is repaid in a currency that has been devalued by inflation. Economists refer to the “real” return as the reported interest rate

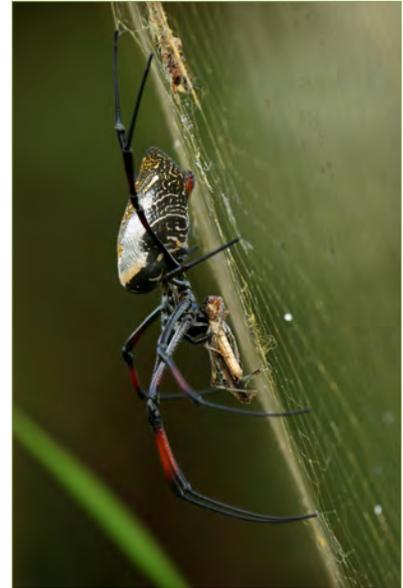


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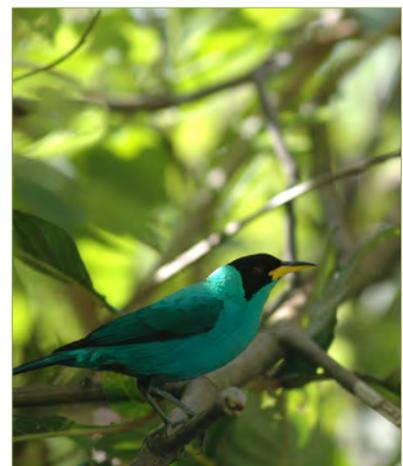


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minus the inflation rate. If a trust earns a 5% return, but the cost to protect its parks increases by 10% a year, the trust’s purchasing power declines over time and it is left with less capacity to buy goods and services. So a trust in a country with a 6% interest rate but 8% inflation is actually worse off than a trust in a country like Japan that has only a 1% interest rate but where inflation is zero, even though the trust may report more interest income in its annual report. This is why some countries with high inflation rates require companies to report their results in “constant” inflation-adjusted terms.

Bonds’ poor showing in keeping up with inflation or in generating long-term wealth persuaded Yale to shift to a more equity-oriented portfolio. Swensen notes, “With a long time horizon you should have an equity orientation, because over longer periods of time, equities are going to deliver better results. If they don’t, then capitalism isn’t working. When you see Treasuries with coupons of two, two and a half or three percent, that doesn’t really bode well for prospective returns.”

Swensen is also a supporter of diversification, not just among asset classes, but internationally. “I saw that colleges and universities had, on average, 50% of their portfolio in U.S. stocks, 40% in U.S. bonds and cash, and 10% in a smattering of alternatives. If you think about that, both from a common sense perspective and from a theoretical finance perspective, it doesn’t make any sense. First of all, diversification is a great thing. Harry Markowitz, the father of modern portfolio theory, says diversification is a free lunch. For a given level of risk, you can generate higher returns if you diversify. There’s no way that you can argue that having 50% of your assets in a single asset class like U.S. stocks—or having 90% of your assets in just U.S. stocks and bonds—represents diversification.”



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Since the 1980s, normal asset allocations have changed considerably. The 80 top performing endowments in the NACUBO study had, on average, only 12% in fixed income and 5% in cash. They had 29% in stocks and 54% in alternate investments like hedge funds, forests, commercial real estate, oil wells and venture capital, for a total of 83% in equity-like investments.

Asset Allocation	Cash	Fixed Income	Equities	Alternatives
<b>Yale University</b>	0%	4%	17%	79%
<b>Top 10% of all NACUBO performers</b>	5%	12%	29%	54%
<b>Average of all NACUBO respondents</b>	5%	12%	31%	52%
<b>Conservation Trust Funds</b>	19%	44%	31%	6%

While endorsing more equity-like investments, we have an important caveat on the appropriate allocation to cash. Trusts should hold enough cash to meet several years of anticipated withdrawals to fund programs. The goal is to buy low and sell high. Forced liquidation of long-term investments during a market decline to raise cash for programs is “selling low” and will damage investment returns.

A share of stock represents a partial ownership in a real business. Shareholders are the legal owners of the business and they benefit from the talent of management and workers, the products and services that the company offers, and the future profits and dividends of the company. Companies can adapt to different economic times, work to improve profits, and strive to increase dividends to shareholders. Thus, while they are more volatile, over long periods of time, stocks and other forms of real assets can build wealth and offer protection from inflation and rising interest rates.

So, the first step in increasing the results of Yale and other high-performing endowments was to reduce their exposure to asset classes that have trouble keeping up with inflation.

The second step in increasing performance was to find the best individual money managers and persuading them to invest for Yale and the other high-performing endowments. Swensen says it clearly: “Our main job is to find the smartest advisors in each asset class.” Today, Yale actually measures the difference in performance between the top quartile of investment managers in each class, and the third quartile. For stocks, the difference is nearly 4 percentage points a year of annual return, and for venture capital, real estate and other “alternate” investment classes, the normal annual performance difference between good and mediocre managers is even higher. This is a much greater spread than exists in fixed income instruments, which are less complicated, less volatile, and offer lower potential for appreciation.

Thus, to achieve market-beating results, conservation trusts must over time find excellent money managers in each asset class.

Fifty years ago the best money managers were stockbrokers at major Wall Street firms. Then mutual funds, which pool money from thousands of investors together in a single fund, became popular in the 1980’s and 1990’s and could afford to pay enough to attract the best money managers. Today, the elite asset managers, the ones David Swensen hires for Yale, work at hedge or venture capital funds where they can command the highest compensation. The kinds of money managers who can outperform the market meaningfully over long periods of time are today rarely found in places like stock brokerages, mutual funds, and huge global asset managers with hundreds of billions of dollars under management. Why would they stay there when they can operate with more freedom, less bureaucracy, make more money, and own their own businesses by going off on their own?

Hedge funds can be like mutual funds, but have much greater freedom to invest in different assets: stocks, bonds, real estate, commodities, currencies, venture capital, etc. As with stock managers they seek to buy assets valued at \$1 and sell them at \$2. Some hedge funds specialize in certain assets, others move between asset classes depending on valuations and economic conditions. Some buy stocks they believe will increase in value and bet other stocks will decline (long/short funds). Some buy distressed debt and “busted” bonds that will let them take ownership of entire companies through the bankruptcy process, and yet others strive to achieve a positive return no matter the direction of the market (absolute return funds). Yale’s outstanding results come from diversifying their equity investments among traditional stocks and alternative investments including hedge funds. It should be noted that in the hands of risk-loving but less capable managers, all these freedoms could be quite dangerous. This makes it all the more important that managers of alternative investments such as hedge funds, be highly capable.



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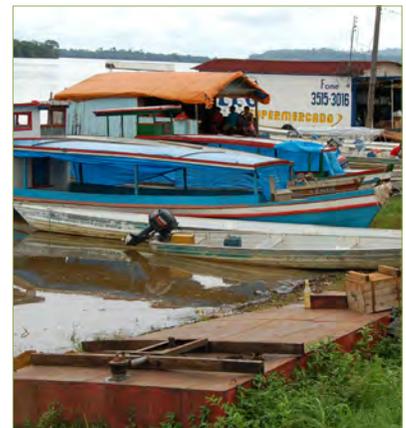


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It should be noted that finding great investment managers is not so easy. The really good ones do not need to have big marketing staffs, as the world beats a path to their door. In addition, because they are good investors, their assets compound to larger and larger sizes even without taking many new clients. Finally, investors can talk a great game, but if their performance has derived from luck, or a profitable tail wind from rising popularity in their asset class, (such as with gold over the past decade), their past performance may not hold up in the future, or even reverse into large capital losses as their favored asset classes revert back to the norm. There are many people who make a living in selling their services in attempting to find good investors, but again, more of them are good salesmen than those who are truly good at finding the handful of excellent investors, and then persuading them to take their money. Fortunately, the attractive mission of the world's conservation trusts may be a persuasive tool in attracting the interest of at least some portion of money managers.

The third and final ingredient of great investment performance is to invest with the good investment managers when assets in that asset class are attractively valued, i.e., after a period when that sector has not performed well and has become less popular. This may feel difficult, but it is the best time to make such investments. By contrast, most retail investors tend to invest by “chasing” returns and looking through the rear-view window—investing in funds and assets just when they have finished producing years of unsustainably high returns.

Over the past 12 years, developed world stocks have generated little in the way of return. Given the precarious state of government finances in much of the world, both stocks and government bonds are likely to go through a period of volatility in the next few years. However, every dog has its day, so long-term oriented investors should keep Swensen's data in mind (\$1 invested in stocks grew to \$211 while \$1 in bonds grew to \$8).

The CTFs in this survey have done better than the broad market over the last five years and better than the endowments tracked by the NACUBO survey. This is due to the trusts' large holdings in bonds and cash, which outperformed stocks during the financial crisis. Yet history is a wonderful guide and unless the laws of economics have been repealed, portfolios stuffed with bonds and cash will perform poorly relative to equities over the decades to come.

Ideally, the crucial work of conservation trusts will be carried on forever. CTF investments can only generate the needed wealth to fund this important work and save our natural world by investing less like their peers and if they can, more like rich families and endowments. The journey requires open discussion, effort, calm reflection, mental discipline, common sense, and a long-term attitude. It is not easy but our natural world deserves our best effort.

If we can help with books, articles or references, please feel free to ask or email [ScottO@ruanecunniff.com](mailto:ScottO@ruanecunniff.com).

Sincerely,

Gregory Alexander  
Acacia Partners

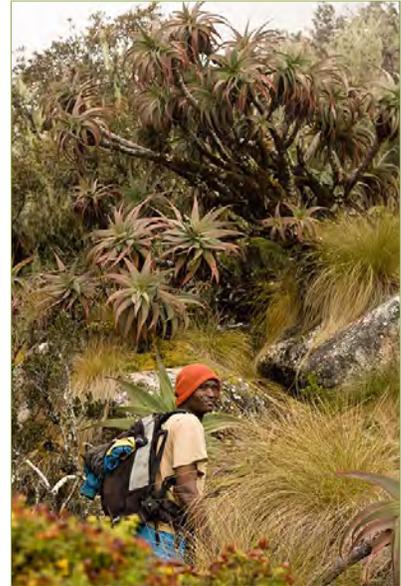


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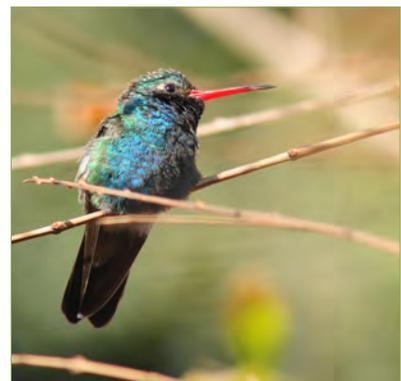


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## EXECUTIVE SUMMARY



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This report represents the fourth in a series of studies covering the financial performance of Conservation Trust Funds during the five-year period from 2006 through 2010<sup>1</sup>. Conservation Trust Funds invest capital through various financial mechanisms, such as endowments and sinking funds, to provide long-term financing for conservation and sustainable development projects. To date, over 50 Conservation Trust Funds (CTFs) have been established throughout the world, many of them fairly new. The 31 established trust funds participating in this year's study manage over \$500 million dollars.

This report provides an analysis of CTF investment outcomes for the 2010 calendar year, (January 1st through December 31st). The information reported in this study is based on a variety of investments denominated both in international currencies such as dollars and euros, and in the local currency of each fund. The investments range from those held in local banks or fixed deposit receipts, to more complex investment portfolios managed by international investment firms.

### SUMMARY OF ENDOWMENT AND SINKING FUND AVERAGE RETURNS, 2010 CALENDAR YEAR

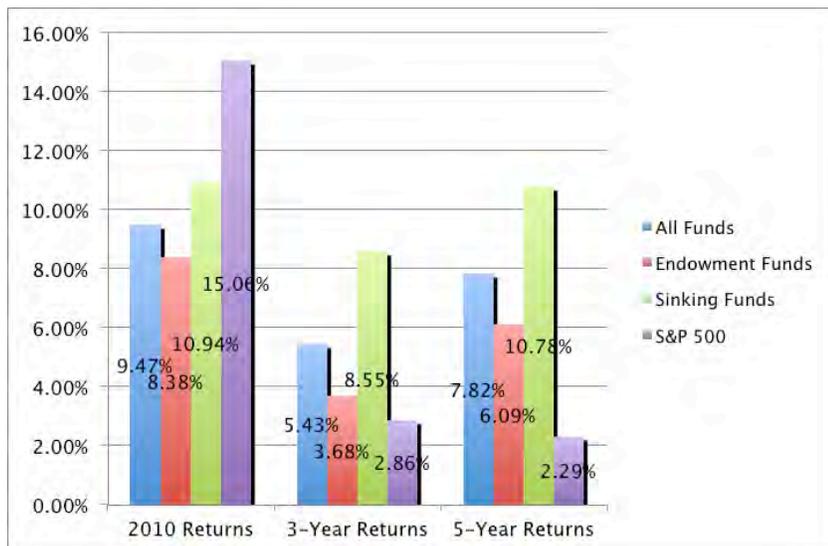


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Overall, the CTFs participating in this study showed positive returns in 2010. The investment return data for 2010 demonstrates a consistent trend over the past several years that has yielded generally positive results based on allocations with equity investments representing slightly less than one-third of the Funds' portfolios and fixed income investments continuing to represent nearly 50% of the portfolio. This approach over the past several years has yielded stable returns. For example, the returns for CTFs in 2010 are similar to the average 5-year returns for the funds participating in the survey.

Conservation Trust Funds have enjoyed healthy average three- and five-year returns of 5.43% and 7.82% respectively, which, generally speaking, has allowed these funds to meet their investment objectives. Asset allocation has moved from a very heavy weighting in fixed income investments in 2006 toward more exposure to equities as a way to increase returns. However, CTFs continue to keep the majority of their portfolios in fixed income investments at this time. Over the past five years, this approach has achieved stable returns for the CTFs and this investment strategy has contributed the growth necessary to meet their conservation objectives.

The following table provides a quick snapshot of the investment performance and the changes in performance and asset allocation over time as reported by the participating funds since the inception of this survey. Asset allocations across the four categories listed below have not changed significantly from 2009 to 2010.



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<b>Return and Asset Allocation Average</b>					
	<b>2006</b> (17 Funds)	<b>2007</b> (22 Funds)	<b>2008</b> (26 Funds)	<b>2009</b> (30 Funds)	<b>2010</b> (28 Funds)
<b>Average Investment Return</b>	12.2	8.6	-6.9	14.4	9.5
<b>Asset Allocation</b>					
<b>Equities</b>	23%	30%	24%	30%	31%
<b>Fixed Income</b>	58%	40%	44%	49%	44%
<b>Cash</b>	14%	27%	30%	16%	19%
<b>Alternatives</b>	5%	3%	2%	5%	6%

In summary, this CTIS for 2010 includes data on the performance of 28 Conservation Trust Funds that manage endowments and sinking funds to meet long-term conservation outcomes around the globe. The CTFs have performed responsibly in the stewardship of the funds entrusted to them. Investment performance of the CTFs over the past five years has been favorable as compared to the S&P 500 index; Conservation Trust Funds have recorded a five-year average return of 7.82%, compared to a 2.29% return for the S&P. The data provided in this report should provide confidence to donors and stakeholders regarding the ability of CTFs to maintain the value of their portfolios, even during one of the most complicated investment environments of the post WWI era.



Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)

<sup>1</sup> The first report in this series, published in 2008, covered the calendar year 2006. The second report in this series covered calendar years 2007 and 2008.



## INTRODUCTION

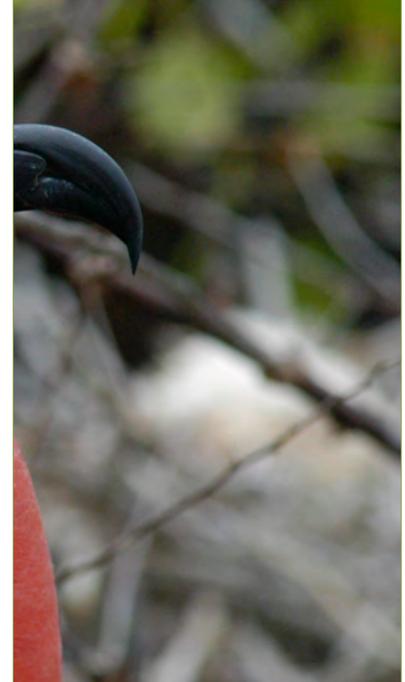


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## BACKGROUND

Conservation Trust Funds (CTFs) are private, legally independent institutions that provide long term financing for conservation and environmentally sustainable development. The first CTF's were established through bilateral debt swap programs and multilateral agency donations. New and existing CTFs continue to be funded with these resources, as well as by grants from governments, foundations, non-profit organizations, and corporations.

CTFs have proven to be effective in providing stable funding for and effective management of conservation projects. Since the early 1990's, over 50 Conservation Trust Funds have been established in Africa, Latin America and the Caribbean, Asia and Eastern Europe<sup>2</sup>, building on the structure and functional example that the early funds provided.

The CTFs analyzed in this report manage either endowment funds or sinking funds, with some managing both types of investment funds. The CTFs that manage endowments generally spend only the income from their investments, maintaining invested capital as a permanent asset. This allows for longer term funding for projects such as the management of protected areas.

Other CTFs manage sinking funds, spending the income from investment as well as a portion of their capital each year until the fund is expired. This type of structure allows sinking funds to finance larger, medium-term projects or provide a series of small grants. Both types of funds result in stable funding sources with long-term benefits, though endowments, as a more permanent funding source can create additional benefits, including the ability to support ongoing projects over a longer period of time, to enhance community buy-in, create payment systems that provide longer-term incentives for conservation results, and to form government and private partnerships.



Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)

<sup>2</sup> Permanent Conservation Trusts, A Study of the Long-Term Benefits of Conservation Endowments, February 2011, Adams and Victorine.

Since the time when donors began investing in endowment funds to stimulate the provision of long term financing for conservation, questions have arisen regarding the opportunity cost of providing a large amount of money up-front, with small annual disbursements, versus providing larger three-or-five-year grants that can be spent on immediate conservation needs and shorter-term projects. Donors have been interested to know that funding is used effectively, with the greatest possible impact on biodiversity conservation. Over the last four years, this CTIS study has shown that Conservation Trust Funds have managed their investments to generate sustainable cash flows for conservation. It is true that the available annual amounts are relatively small as compared to some of the conservation needs, especially for lower capitalized funds, but those monies are available each year and allow for effective planning and insurance against interruption in program implementation. Furthermore, the smaller grants often ensure that the financing matches the absorptive capacity of the various grantees and that the resources are expended to optimize conservation results.

Shorter-term grants respond to immediate needs, but may not be sustainable without either a donor commitment for renewal or government commitment to continue with the implementation financing once donor-funding ends. Of course the project versus endowment funding does not have to be an either-or decision. Project funding could include a combination of both project-based and endowment funding to support both immediate and long-term needs, or establish some mechanism that could facilitate the establishment of endowment financing.

Some CTFs already manage a combination of endowment and grant funding. As effective local funding institutions with histories of managing money for project investment, the Funds have been able to leverage additional money from donors, allowing them to provide both short and long-term financing. These results do not necessarily resolve the question of opportunity cost, but they do indicate that conservation trust funds represent a viable financing mechanism that should be considered when financing is needed to meet long-term objectives such as protecting important global biodiversity.

By tracking investment strategies over the last five years, through one of the most volatile periods in post-war investment history, this study has shown that Conservation Trust Funds are effective vehicles to provide the funding needed for conservation. CTFs have been able to leverage donor money not only through prudent investments, but also by creating new sources of funding, including Payments for Ecosystem Services (PES). Carbon credits and creation of markets for non-timber forest products are two examples of such strategies. Some are beginning to establish partnerships with corporations and other private partners to raise additional funding for projects while also influencing corporate operations toward environmentally sustainable practices. As biodiversity offsets are put into place to compensate for impacts from development, the CTFs are well placed to serve as managers of the funds provided by private companies to implement conservation activities at offset sites.

The study has also found that new Conservation Trust Funds continue to be created, with donor and private funding provided for endowments each year. This trend is likely to continue as mechanisms will be required to manage specific newly created conservation areas, as in the example of offsets and



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REDD (Reduced Emissions from Deforestation and Forest Degradation). It is the intent of this study to provide information that can assist established CTFs in analyzing their investment strategies and to create a foundation upon which new CTFs can learn from the experience of existing Funds.

## OBJECTIVES

The main objective of this study is to report on the performance of present the investment strategies and structures implemented by participating Conservation Trust Funds. A secondary objective is to explore the expanding roles of CTFs in managing and protecting biodiversity in their countries.

This report will focus on the following financial information gathered through surveys of each participating Fund:

- Fund size and structure
- Investment returns
- Asset and currency allocation
- Types and fees of investment advisors
- Investment policies and management

The first CTIS report, published in 2008, reported on Fund performance in 2006 and provided comparative benchmark data against which Funds could evaluate their returns; gauge their financial performance; and compare their investment practices and returns. In that first year of the study 23 Funds participated in the project. The following year, 34 CTFs responded to the survey for calendar years 2007 and 2008. Thirty-nine funds participated in the survey for calendar year 2009 with 32 providing investment data. This year, 31 funds completed the survey, with 28 of these providing investment return information. Several funds became less active in RedLac in 2010 did not respond to the survey this year. In addition, some funds that participated for the first time last year did not respond to requests for information. On the other hand three funds that participated last year for the first time, but did not yet have investment information to report, were able to submit investment data this year.



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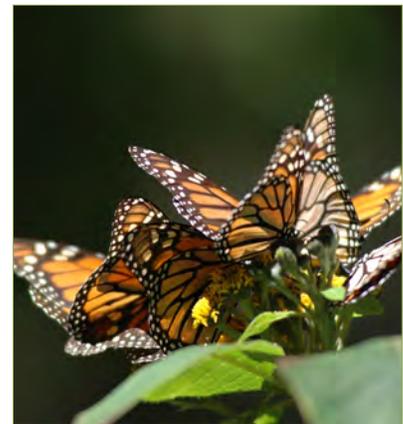


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## METHODOLOGY

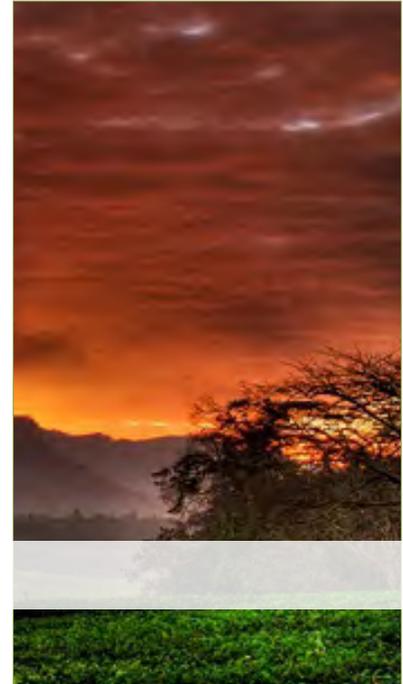


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### SURVEY FORMAT, ORIGINATION

This report is designed to gather financial information from privately directed Conservation Trust Funds that manage endowments, sinking funds or revolving funds with the mandate to provide long-term financing for conservation and sustainable development. Development of the CTIS survey drew on the experience of the National Association of College and University Business Officers (NACUBO), which publishes an annual survey of the performance of US College and University endowments.

### DATA COLLECTION

The survey for the calendar year ending December 31, 2010 was administered in a Word-based format and was emailed to all participating Funds. The survey was available in English, Spanish and French to ensure ease of accessibility and to garner greater participation. An initial introductory cover letter and a hard copy of the survey, as well as a copy of the 2009 CTIS report were mailed to all potential participants in early 2011. The RedLAC Executive Committee distributed the survey to its member Funds and provided follow-up to ensure full participation of its membership. RedLAC was instrumental in collecting survey information from all of its members. During the process repeat emails reminders were sent to Funds and in some cases phone calls were made to elicit responses to the survey questions.

### CONFIDENTIALITY

The CTIS project is committed to maintaining the confidentiality of each of the Fund's individual data submissions. Contact information for each of the participating Funds is provided in the report; however, all financial data is reported anonymously to ensure that the Funds are not placed at an unfair advantage by disclosure of information. The objective of the report is to share information and support the development of effective investment strategies. Each Fund is therefore able to compare its performance to the average returns of Funds within similar size categories and with the



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average returns of all Funds. Where individual returns are listed, each Fund is assigned a random identification number.

## FISCAL YEAR

All data and reporting are based on the calendar year 2010 ending December 31st unless noted. All performance data are reported net of investment management fees and expenses.

## STATISTICAL VARIANTS

Survey participants were encouraged to answer as many of the questions as possible; however some of the CTFs were unable to fill in data for all of the categories. Therefore, the data tables in this report do not necessarily reflect all participants. Each data table indicates the number of funds represented in the analysis either within the table itself or in a footnote below the table.

## AVERAGE RETURNS

Following procedures used in the NACUBO study, average return values provided in this report are calculated as equal-weighted averages, meaning that each reporting Fund has an equal influence on the outcome of the average calculation regardless of the size of the endowment. This allows each individual Fund to compare its returns to other Funds participating in this study. For informational purposes dollar-weighted averages (e.g. weighted in terms of the size of the endowment) may also be calculated and are reported in some of the tables as noted for 2010 returns. Three- and five-year averages are calculated as compound returns.

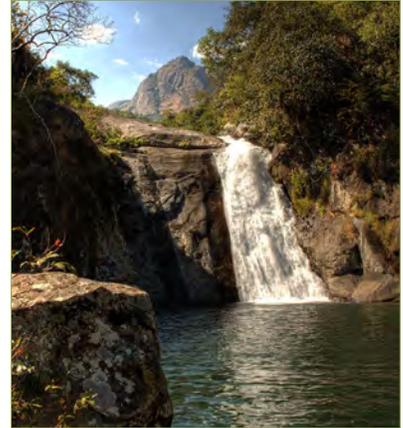


Photo contributed by Carl Bruessow, Mulanje Mountain Conservation Trust (MMCT)

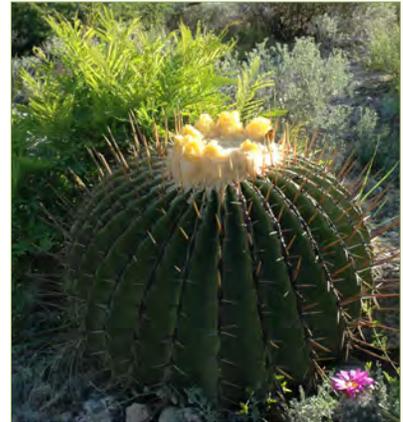


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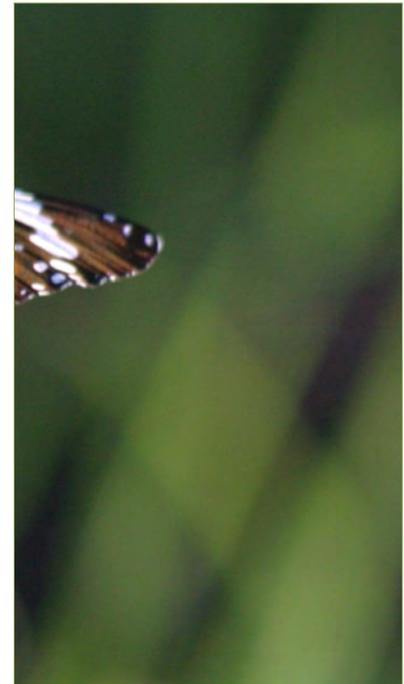


Photo contributed by Carl Bruessow, Mulanje Mountain Conservation Trust (MMCT)

## DESCRIPTION OF PARTICIPATING FUNDS

Conservation Trust Funds participating in this study manage both endowments and sinking funds. Most all of the Funds are established as private foundations or trusts, though a number are Non-governmental Organizations (NGO) or have been incorporated as not-for-profit Limited Liability Corporations (LLC) governed by charity and trust law. The funds are generally established in the country where they operate and are managed by a board of directors with members from both the private and public sectors. In some cases, funds have been established in third-party countries due to legal constraints or administrative necessity.

## ENDOWMENT AND SINKING FUNDS

Conservation Trust Funds reported investment data on either endowment or sinking funds. Several funds manage both an endowment and a sinking fund. Endowment funds are long-term funds spending the investment income to fund long-term conservation projects, including management of protected areas. Sinking funds are short to medium-term funds spending both principal and investment income to fund shorter-term projects. Of the 28 CTFs providing investment information for the 2010 calendar year, 14 manage endowments, nine manage sinking funds, five manage both an endowment and a sinking fund.

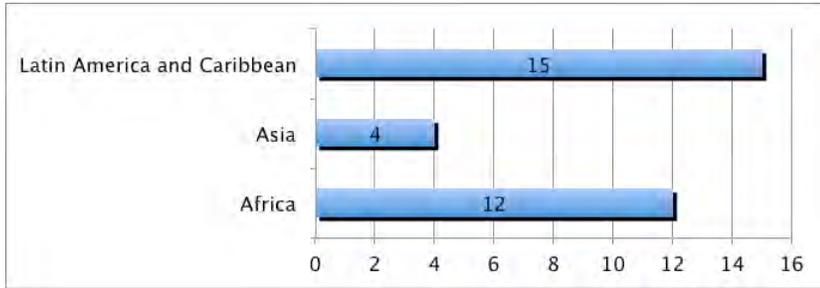
## AREA AND AGE OF PARTICIPATING FUNDS

This CTIS report has compiled information from 31 Conservation Trust Funds in Latin America and the Caribbean, Africa and Asia. Twenty-eight of those funds provided investment return data for the 2010 calendar year. One of the funds is a public fund and two just began investing and do not have investment returns at this time. A number of the CTFs have participated in the study over the four-year period, providing the opportunity to analyze investment data from these funds over the last decade. Each year, additional funds participate in the study, many of them newly established funds that have just begun investing.



Photo contributed by Fundo Brasileiro para a Biodiversidade (FUNBIO)

**FIGURE 1. NUMBER OF PARTICIPATING FUNDS BY REGION**



### **Africa**

A total of 12 Funds in Africa filled out surveys this year. Four of these funds, including the Botswana Forest Conservation Fund, the Fondation pour les Parcs et Réserves de Côte d'Ivoire, the Banc d'Arguin Coastal Marine and Biodiversity Trust Fund and the Foundation for the Conservation of Biodiversity in Mozambique are very new funds, just beginning to invest in 2009 or 2010. Information published by the Conservation Finance Alliance (CFA) indicates that a total of 15 Conservation Trust Funds have currently been established or are in process of establishing their structures within Africa. These funds have agreed to form a formal network to share information and experiences. Information from this study will provide important input into the discussions around managing risk and achieving positive financial returns for conservation as these African funds meet to discuss their future direction and to develop strategies for success.

### **Latin America and Caribbean**

Fifteen CTFs from Latin America and the Caribbean region participated in this study, providing information for the 2010 calendar year. These funds have been established on average approximately 12 years, with the oldest fund, Fondo de la Iniciativa Para las Américas (FIAES) in El Salvador at 18 years. These funds are part of the RedLAC network of Conservation Trust Funds, which through its Executive Secretariat, supported the collection of data for this analysis.

### **Asia**

Four Funds in Asia also reported financial information this year. These funds range in age from 3 to 19 years. The Bhutanese fund is the oldest fund in existence, established in 1991. The newest fund in Asia, the Caucasus Fund, established its endowment just three years ago. New funds, including the Lao Environmental Protection Fund and the Vietnam Conservation Fund have responded to inquiries but do not yet have investment return information to provide.

**FIGURE 1. LOCATION OF CONSERVATION TRUST FUNDS**



Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)



Photo contributed by Carl Bruessow, Mulanje Mountain Conservation Trust (MMCT)

## OVERALL RATES OF RETURN

Conservation Trust Funds reporting investment return information for fiscal year 2010 show average US Dollar-adjusted returns of 9.47%. Endowment funds reported average returns of 8.38% (USD) and sinking funds reported 10.94% returns (USD) on average.

FIGURE 2. 2010 RETURNS, ALL FUNDS

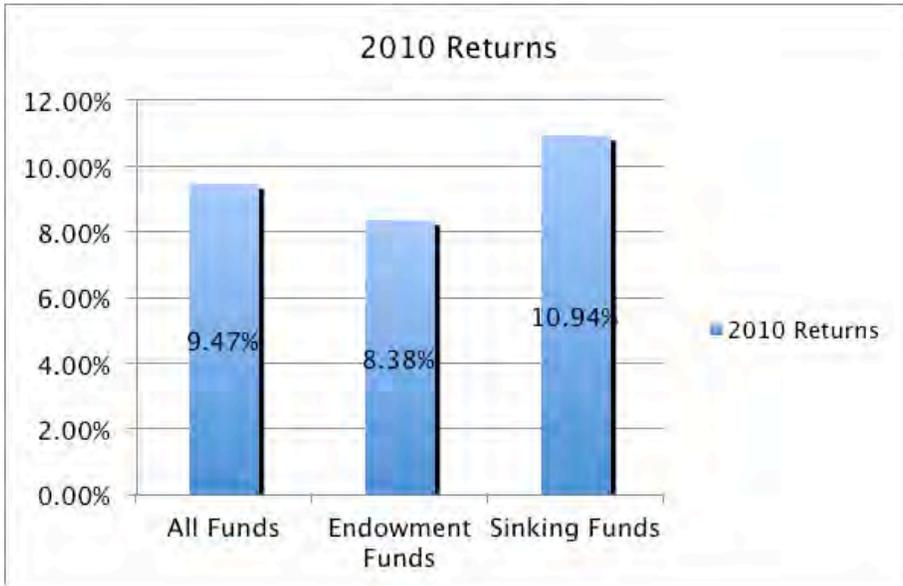


Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)

### Endowment Investment Performance

The group of smaller CTFs (assets less than \$10 million in US dollar equivalent) reported returns of 8.82 percent for 2010, similar to the 2009 returns for this group. The mid-size CTFs (between 10 and 20 million US dollar equivalent) experienced gains of 9.28 percent. The larger endowments had more conservative returns in 2009, averaging 6.8 percent.



Photo contributed by Farid Uddin Ahmed, Arannayk Foundation

TABLE 1. AVERAGE ENDOWMENT RETURNS BY FUND SIZE, 2010

Average Endowment Fund Returns by Fund Size				
Size Category	Total Assets (\$US)	Returns 2010	3-Year Returns	5-Year Returns
0-10M	49,563,184	8.82	4.61	6.38
10-20M Avg	63,318,640	9.28	5.39	5.85
>20M Avg	255,293,050	6.80	2.82	5.90
<b>Equal-Weighted Average All Funds</b>		8.38	4.17	6.09
<b>Dollar-Weighted Average All Funds</b>		9.02	3.55	4.96

\*19 endowment funds reported investment returns

### Sinking Fund Investment Performance

Sinking funds report investment returns in a range similar to that of the endowment funds. Sinking funds managing less than \$10 million US dollars experienced returns averaging 10.72 percent, while the larger funds, managing \$10-20 million reported higher returns, on average 11.35 percent. Funds managing greater than \$20 million reported returns of 12.50 percent in 2010.

**TABLE 2. AVERAGE SINKING FUND RETURNS BY FUND SIZE, 2010**

Average Sinking Fund Returns by Fund Size				
Size Category	Total Assets (\$US)	Returns 2010	3-Year Returns	5-Year Returns
<10M Avg	71,011,348	10.72	9.01	11.72
10-20M Avg	29,266,980	11.35	6.94	8.45
>20M Avg	32,907,302	12.50	No data	No data
<b>Equal-Weighted Average All Funds</b>		10.94	8.55	10.78
<b>Dollar-Weighted Average All Funds</b>		13.05	5.40	4.50

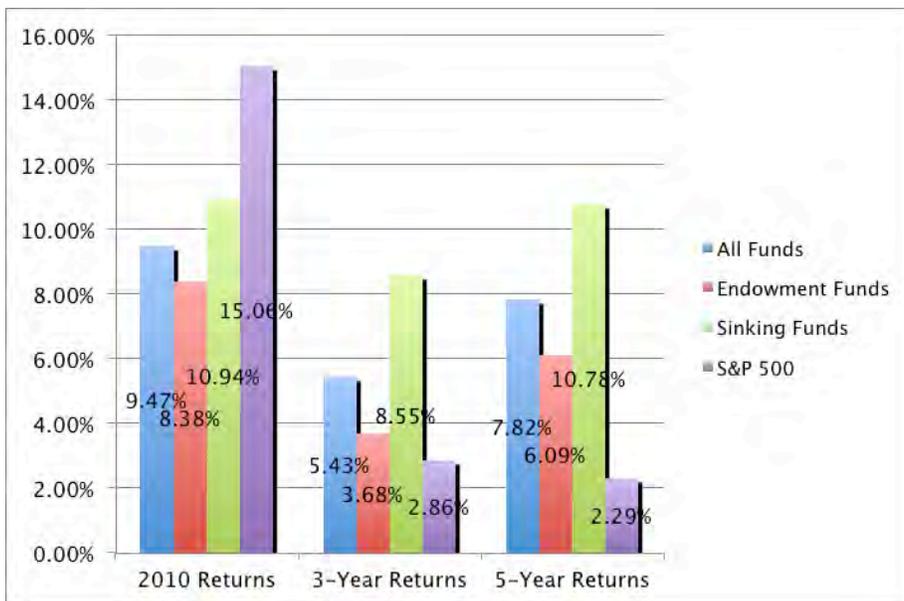
\*14 sinking funds reported investment returns

## COMPARISON OF ENDOWMENT AND SINKING FUND RETURNS

The CTFs' one-, three- and five-year average rates of return for the period between 2006-2010 are shown in the chart below. Five-year returns for sinking funds are higher on average than the 5-year returns for endowments. The average endowment return over five years was 6.09 percent, while the average sinking fund return is 10.78 percent over the same five-year period.

The S&P 500 recorded a five-year average return of 2.29% for that same period. The CTFs all reported returns that outperformed the S&P 500 over the 5-year period ending in 2010 as indicated in Table 1.

**FIGURE 3. ENDOWMENT AND SINKING FUND RETURNS**



The returns reported in this report are indicative of overall performance and Tables 1 through 4 provide a useful guide to understanding returns in the markets in which the Funds were invested (e.g. domestic denominated portfolios versus US or Euros denominated portfolios). Average returns in this report are reported in US dollars. Currency appreciation or depreciation against the dollar can have a substantial impact on the dollar reported returns shown here. For example, one Fund had a return on its domestic investment



Photo contributed by Fundo Brasileiro para a Biodiversidade (FUNBIO)



Photo contributed by Carl Bruessow, Mulanje Mountain Conservation Trust (MMCT)

of 12.6%, but due to domestic currency appreciation the dollar return rose to 23%. Another country where there was currency depreciation showed a positive local return that resulted in a negative dollar equivalent return. These fluctuations are captured when calculating the average dollar return, however it is useful to refer to Tables 1 through 4 when assessing returns.

It is important to remember that there is also a significant amount of variability in the asset allocations, especially for the sinking funds. Many of the sinking funds, especially those reporting in only one currency, are invested primarily in domestic market equities and fixed income securities, taking advantage of the returns in some of those emerging markets. Other sinking funds are heavily invested in US fixed income instruments and invest a smaller portion of their assets abroad. Depending on the currency situation in each country, the state of the local stock market, and the balance of the portfolio, returns can be widely variable across all the different funds.

## CURRENCY AND INFLATION ADJUSTED RETURNS

Investing in global markets can potentially improve the risk-adjusted performance of a portfolio. Many Conservation Trust Funds hold investments both in their own domestic markets as well as in US or European markets. This survey asked each fund to report separate investment returns for domestic and international investments.

Most endowment funds are invested mainly in US markets, whereas the majority of sinking funds report investments solely in domestic markets. Only four sinking funds are invested either partially or wholly in US markets. It should be noted that some Funds are restricted by donors to investing in either local or US markets.<sup>3</sup>

Exposure to foreign currency, through investments in international markets carries risk as exchange rates fluctuate. This can have an impact on the purchasing power of dollars or Euros in the country where the Fund operates. Returns are also affected by the domestic rate of inflation, which can decrease the purchasing power of money available for project financing. The tables below show the returns for each Fund, adjusted for inflation to indicate the actual value of the investment return available to support conservation projects in each country.

Tables 1-4, on the following pages, show investment returns for Funds with global portfolios adjusted for changes in exchange and inflation rates. Funds that invested in two or more currencies reported returns for each currency. These results are shown in Tables 2 and 4.

For ease of comparison the charts present the returns in both dollar and local currency equivalents along with the currency used in reporting. As can be observed, most of the CTFs report in either of these two currencies. However, three CTFs do report in Euros. Euro returns can be calculated by adding 6.54% to the dollar return as indicated in the footnote below each table. As noted in the footnotes, the three funds reporting in Euros had actual returns of 2.8%, 4.8%, and 16%. However for ease of comparison the average returns throughout this document are reported in the US Dollar Equivalent, as shown in the column labeled Dollar Return.



Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)

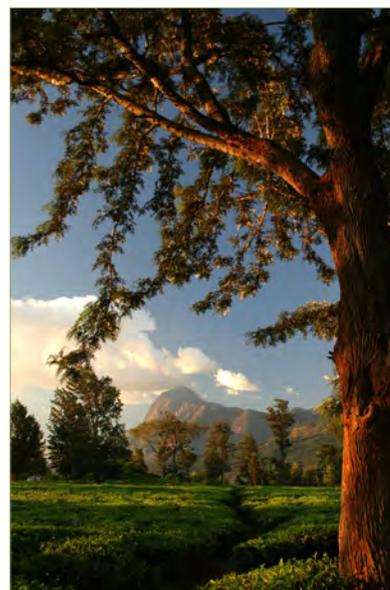


Photo contributed by Carl Bruessow, Mulanje Mountain Conservation Trust (MMCT)

<sup>3</sup> Victurine, R and Preston, M 2010, Conservation Trust Fund Investment Survey for Financial Year 2009, Conservation Finance Alliance.

**TABLE 3. ENDOWMENT FUNDS INVESTED IN ONE CURRENCY**

Fund ID No	Reporting Currency	Dollar Return	Local Currency Return	Real Return, Local Currency	Inflation
22	Domestic	23.0%	12.6%	8.3%	4.3%
2	Domestic	11.6%	7.7%	-3.1%	10.8%
3	Domestic	9.0%	9.0%	5.0%	4.0%
5	Domestic	21.6%	11.2%	6.9%	4.3%
15	Domestic	18.2%	7.8%	3.5%	4.3%
8	US\$	9.4%	13.7%	5.7%	8.0%
9	US\$	11.5%	33.0%	23.6%	9.4%
11	US\$	9.1%	20.0%	12.8%	7.2%
14	US\$	9.3%	8.2%	1.0%	7.2%
17	US\$	8.3%	8.3%	4.9%	3.3%
20	US\$	11.2%	11.2%	9.5%	1.7%
28	US\$	9.4%	2.8%	1.3%	1.5%
26	US\$	15.3%	12.5%	10.4%	2.1%
40	Euros	-3.7%	-10.5%	-15.6%	5.1%
<b>Average All</b>		<b>11.7%</b>	<b>10.5%</b>	<b>5.3%</b>	

\* The Euro return for Fund 40 was 2.8%. All equivalent Euro rates of return can be calculated by adding 6.5% to the dollar return.

**TABLE 4. ENDOWMENT FUNDS INVESTED IN TWO CURRENCIES**

Fund ID No	Reporting Currency	Dollar Return	Local Currency Return	Real Return, Local Currency	Inflation
7	Domestic (18.4%)	18.0%	13.3%	12.0%	1.3%
7	US\$ (81.6%)	6.6%	1.9%	0.6%	1.3%
29	Domestic (7.68%)	17.7%	13.8%	4.8%	9.0%
29	US\$ (92.32%)	1.1%	-2.8%	-11.8%	9.0%
18	Domestic (10%)	15.5%	10.7%	4.8%	5.9%
18	US\$ (90%)	6.6%	1.8%	-4.1%	5.9%
30	Domestic (20.85%)	14.8%	9.1%	4.7%	4.4%
30	US\$ (79.15%)	12.2%	6.5%	2.1%	4.4%
24	Domestic (58%)	0.7%	9.3%	-0.01	9.8%
24	US\$ (42%)	8%	16.5%	0.07	9.8%
10	Euro (86.8%)	9.5%	16.0%	13.8%	2.2%
10	US\$ (13.2%)	3.7%	10.2%	8.0%	2.2%
16	Peso (96%)	14.1%	7.4%	5.9%	1.5%
16	US\$ (4%)	10.0%	3.3%	1.8%	1.5%
21	US\$ (40.85%)	9.7%	18.2%	8.4%	9.8%
21	Euro (55.15%)	-1.8%	6.7%	-3.1%	9.8%
<b>Weighted Average All</b>		<b>7.6%</b>	<b>7.3%</b>	<b>1.8%</b>	

\* The Euro returns for Funds 10 and 21, which report a portion of their returns in Euros, were 16% and 4.8% respectively. All equivalent Euro returns can be determined by adding 6.5% to the dollar return.

**TABLE 5. SINKING FUNDS INVESTED IN ONE CURRENCY**

Fund ID No	Reporting Currency	Dollar Return	Local Currency Return	Real Return, Local Currency	Inflation
26	US\$	20.2%	17.4%	15.3%	2.1%
1	US\$	2.5%	2.5%	0.3%	2.1%
2	Domestic	9.3%	5.3%	-5.5%	10.8%
12	Domestic	7.5%	9.2%	1.1%	8.1%
13	Domestic	18.8%	14.1%	1.1%	13.0%
18	Domestic	15.3%	10.5%	4.6%	5.9%
33	Domestic	-25.3%	6.0%	-1.2%	7.2%
7	Domestic	18.0%	13.3%	0.3%	13.0%
28	Domestic	12.5%	5.8%	4.3%	1.5%
<b>Average All</b>		<b>8.7%</b>	<b>9.3%</b>	<b>2.3%</b>	

**TABLE 6. SINKING FUNDS INVESTED IN TWO CURRENCIES**

Fund ID No	Reporting Currency	Dollar Return	Local Currency Return	Real Return, Local Currency	Inflation
19	Domestic (21%)	11.8%	8.9%	7.9%	1.1%
19	US\$ (79%)	8.9%	6.1%	5.0%	1.1%
4	Domestic (46.7%)	3.7%	3.1%	-4.1%	7.2%
4	US\$ (53.3%)	2.7%	2.1%	-5.1%	7.2%
<b>Weighted Average All</b>		<b>5.7%</b>	<b>2.6%</b>	<b>0.1%</b>	

In general, it can be observed that investment returns for domestic investments were higher than the returns on investments in US markets. For instance, the average dollar-adjusted return for endowments invested domestically was 13.2% whereas the endowment funds invested in the US averaged returns of 8.8% in 2010.



Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)



Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)

## ASSET ALLOCATION

Asset allocation information was submitted for 19 endowment funds and for 14 sinking funds. Allocations were recorded among the four categories: equities, fixed income, cash and alternative strategies, and are shown below, averaged by Fund size in Tables 7 through 10.

### 2010 Endowment Asset Allocation

Table 7, below, shows the average asset allocation for the endowment funds in 2010. These funds tend to be invested in balanced portfolios, weighted toward fixed income, with equity holdings between 20 and 50 percent.

**TABLE 7. ENDOWMENT FUNDS ASSET ALLOCATION**

Endowment Asset Allocation 2010				
Size Category	Equity	Fixed Income	Cash	Alt. Inst.
>20 Million (6 funds)	30%	55%	10%	5%
10-20 Million (4 funds)	36%	40%	6%	18%
<10 Million (9 funds)	35%	43%	15%	7%

\*Asset allocation information is reported using a dollar-adjusted, equal weighted average

### 2010 Sinking Fund Asset Allocation

The asset allocations for the sinking funds participating in this study are shown below in Table 8. The majority of the sixteen sinking funds are invested substantially in domestic fixed income. However, a number of the smaller sinking funds are managing their portfolios in ways similar to endowments, investing upwards of 20% of their assets in domestic equities.



Photo contributed by Carl Bruessow, Mulanje Mountain Conservation Trust (MMCT)

**TABLE 8. SINKING FUNDS ASSET ALLOCATION**

Sinking Fund Asset Allocation 2010				
Size Category	Equity	Fixed Income	Cash	Alt. Inst.
<10 Million (10 funds)	27%	46%	23%	4%
10-20 Million (3 funds)	34%	63%	2%	1%
>20 Million (1 fund)	0%	70%	10%	20%

\*Asset allocation information is reported using a dollar-adjusted, equal weighted average

### Asset Allocation Comparison from 2008 to 2010

The charts on the following page show the changing asset mix for the Funds from 2008 to 2010, based on year-end allocation percentages to equities, fixed income, cash, and alternative instruments.



Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)

**TABLE 9. ENDOWMENT AND SINKING FUND ASSET ALLOCATION COMPARISON 2008 TO 2010**

Asset Allocation Comparison 2008 to 2010							
		Equity			Fixed		
Size	2010 Returns	2008	2009	2010	2008	2009	2010
<10 M	9.89%	28.9%	31.3%	31.0%	56.4%	37.9%	44.0%
10-20 M	9.73%	27.7%	33.8%	35.3%	26.0%	50.9%	50.3%
>20 M	7.75%	19.5%	25.0%	27.7%	45.8%	58.7%	56.3%

Asset Allocation Comparison 2008 to 2010							
		Cash			Alternative Instruments		
Size	2010 Returns	2008	2009	2010	2008	2009	2010
<10 M	9.89%	12.0%	21.6%	19.0%	2.7%	9.2%	6.0%
10-20 M	9.73%	45.0%	14.4%	4.2%	1.3%	0.9%	10.1%
>20 M	7.75%	43.3%	11.2%	10.3%	0.5%	5.1%	6.3%

## TYPES OF BENCHMARKS USED

A variety of benchmarks are used by the Funds to measure performance. The S&P 500 is the most commonly listed index across all of the Funds, though the Morgan Stanley Capital International (MSCI) World Index, the Barclays Capital US Aggregate Bond Index and the JP Morgan Stanley Bond Index are also listed as common benchmarks against which some of the Funds measure their portfolio performance. National indices are also used by many of the funds invested in domestic markets.

The following table shows how the average returns for the endowment funds and the sinking funds surveyed for this report compared to the three most commonly referenced indices.

**TABLE 10. CTF RETURNS COMPARED TO COMMON BENCHMARK INDICES**

Average Returns Compared to Common Indices			
	2010	3-Year	5-Year
CTF Endowment Funds	8.38%	3.68%	6.09%
CTF Sinking Funds	10.94%	8.55%	10.78%
Barclays Capital Aggregate Bond Index	6.54%	5.90	5.80
S&P 500	15.06%	(2.86)	2.29
MSCI World	12.34%	(4.29)	2.99



Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)

All the funds maintain a mix of equity, and fixed income investments, while holding some cash and investing in alternative investments. Assuming a 60 – 40 split between fixed income and equity allocations, an estimated benchmark made up of the MSCI World Equities and Barclays Capital Aggregate Bond Index would yield a return of 8.87%, while substituting the S&P 500 returns for the MSCI World Index would increase that benchmark to 9.95%.



## INVESTMENT MANAGEMENT

### INVESTMENT OBJECTIVES

The survey asked participants to rank the order of importance of the following investment objectives:

- Maintaining nominal value of endowment
- Maintaining real value of endowment
- Interest and dividend income
- Capital gains
- Market factors
- Social investing criteria
- Environmental screens

The real value of the fund, and interest and dividend income, were the considerations that ranked as the top priority by most participants. Capital gains ranked next in order of importance. Several funds indicated that nominal value of the fund and capital gains were top priorities in their investment objectives. Environmental and social screens are a priority for most of the Funds, with a number of Funds listing these criteria as priority in considering investments.

Most Funds invest with the objective of providing a sustainable flow of resources to cover long-term operational budgets and to fund conservation projects. Some of the Funds have specific target investment returns, generally between 4.5-7.5 percent returns. Other Funds invest to protect the value of their capital from inflation. For example, one Fund listed a target investment return of at least 4.5 percent over the local inflation rate. When investment returns exceed targets, Funds place this money in reserve funds, invest in capital, increase spending or reinvest.

Only one of the Funds surveyed indicated that their investment objectives have changed in the last year, though concerns about depreciation of the US dollar are precipitating some funds to examine their portfolio allocations in US markets.

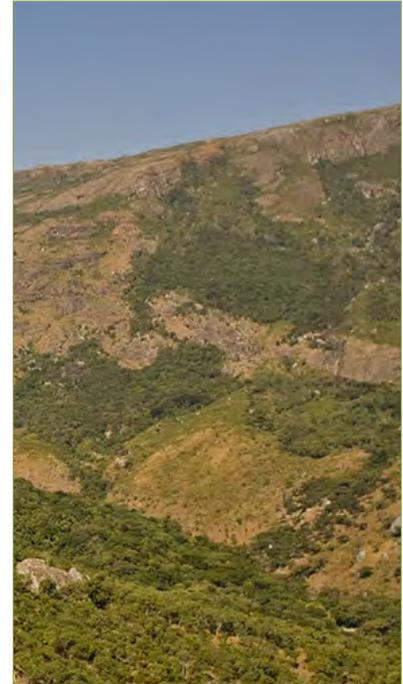


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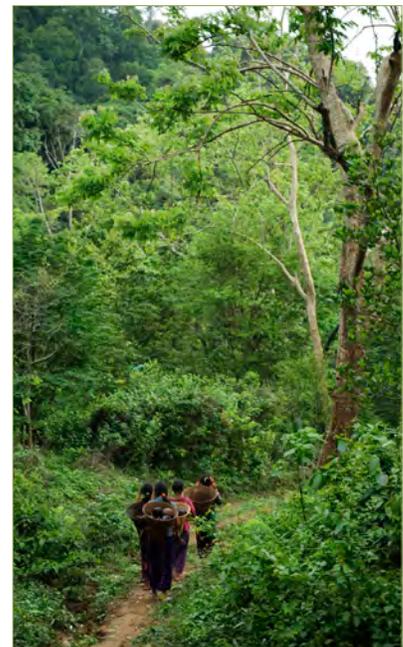


Photo contributed by Farid Uddin Ahmed, Arannayk Foundation

## SPENDING POLICY

Spending policies create a balance between investment and spending strategies, ensuring adequate and consistent funds for operations and project funding. In the absence of a spending policy based on long-term investment returns, funds generally make spending decisions based on available interest income and annual funding from external sources and project-specific donations.

The majority of the CTFs with endowment funds have spending policies that determine annual budgets. The sinking funds were less likely to have clearly stated spending policies, spending instead according to program needs and available funding.

In periods of market volatility, such as those we have been experiencing over the last five years, a spending policy can assist fund administrators in planning and maintaining budgets for grant making from year to year. As new funds establish their operating procedures, a carefully drafted spending policy can set the basis for consistent funding for programs and grant dispersal. The following is an example of a spending policy employed by several of the Funds. The policy describes the level of risk acceptable to the Fund. The policy also sets a spending rate that is consistent over the years, so that spending is not determined in reaction to year-to-year market fluctuations.

## INVESTMENT ADVISORY SERVICES

Endowment and sinking funds investing in diverse assets generally employ a financial consultant or investment advisor. A financial consultant is a fee-based advisor that can assist the Fund in maintaining an investment portfolio with the desired balance of assets based on a defined investment objective. Financial consultants recommend or select money managers or funds and monitor the performance of asset managers. Financial managers work with the financial staff of the CTF, transferring their knowledge of how to monitor and manage the asset manager to the Fund staff. Qualified financial consultants are certified as Certified Investment Management Analysts (CIMA) through the Investment Management Consultants Association. A financial consultant can assist the board of a Fund in defining investment objectives, drafting and an investment policy and creating a spending policy that integrates both the investment strategy and the long-term spending needs of the Fund.

Almost all of the Funds surveyed use the services of a financial consultant or investment advisor and/or an asset manager. The Funds that do not use an asset manager or a consultant generally invest in fixed deposits, have funds managed by a donor or a bank, or manage their investments with an in-house finance manager. Fees for investment advisors and asset managers range from 0.2% to 1.5% of total portfolios, as shown in Table 12. This table is included, not to provide a comparison between the performance of each manager, but to indicate the range of fees paid by the funds for investment management services.

## EXAMPLE SPENDING POLICY LANGUAGE

*During the endowment income period the highest emphasis will be on meeting grant-making obligations. As such, the Board of Trustees regards spending in dollar terms as inflexible. Therefore, in order to reduce the likelihood of underperformance and excessive deterioration of real principal during periods of economic volatility, the endowment must tend toward a more conservative investment strategy than might be the case if grant making from year to year were more flexible.*

*The Board of Trustees has set spending of up to 5.0% of the portfolio value determined by averaging the balance of the total endowment fund value at the end of each of the past three fiscal years, to calculate a three-year rolling average balance. The spending percentage will be applied to the average balance on the three dates measured, and will be drawn in increments each calendar quarter. Draws on the endowment will be offset by any unrestricted gifts or grants received. Funds not drawn upon will be reinvested to increase the principal value of the endowment.*

**TABLE 11. FINANCIAL CONSULTANT AND ASSET MANAGER FEES**

Fund ID No.	Fund Type	Expense Type	Expenses as % of Total Assets	Dollar Adjusted Return 2010
1	Sinking Fund	Asset Manager	0.44%	2.50%
3	Endowment	None	0.00%	9.00%
8	Endowment	Financial Consultant and Asset Manager	0.86%	9.40%
9	Endowment	Financial Consultant and Asset Manager	0.96%	11.50%
10	Endowment	Financial Consultant	0.20%	4.30%
11	Endowment	Financial Consultant and Asset Manager	0.72%	9.10%
13	Sinking Fund	Asset Manager	0.85%	18.80%
7	Sinking Fund	None	0.00%	18.00%
7	Endowment	None	0.00%	4.30%
17	Endowment	Asset Manager	0.68%	8.30%
18	Endowment	Financial Consultant	0.35%	3.70%
18	Sinking Fund	Financial Consultant	0.34%	15.30%
19	Sinking Fund	Financial Consultant and Asset Manager	0.41%	4.10%
20	Endowment	Financial Consultant and Asset Manager	0.67%	11.20%
21	Endowment	Asset Manager	0.38%	1.50%
24	Endowment	Financial Consultant and Asset Manager	0.00%	1.90%
26	Endowment	Financial Consultant and Asset Manager	0.61%	15.30%
26	Sinking Fund	Financial Consultant and Asset Manager	0.82%	20.20%
28	Endowment	Financial Consultant and Asset Manager	0.20%	9.40%
28	Sinking Fund	Financial Consultant and Asset Manager	0.14%	12.50%
30	Endowment	Financial Consultant	0.20%	6.40%
29	Endowment	Custodian Bank	0.72%	1.20%
15	Sinking Fund	Financial Consultant	1.50%	18.20%
5	Sinking Fund	Financial Consultant	0.97%	21.60%
22	Sinking Fund	Financial Consultant	0.95%	23.00%
33	Sinking Fund	None	0.00%	-25.30%
40	Endowment	Financial Consultant and Asset Manager	0.80%	-3.70%
2	Endowment	None	0.00%	11.60%
2	Sinking Fund	None	0.00%	9.30%
4	Sinking Fund	None	0.00%	1.30%
16	Endowment	Financial Consultant and Asset Manager	0.55%	7.00%
12	Sinking Fund	None	0.00%	7.50%



Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)



Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)



Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)

## SURINAME CONSERVATION FUND

Suriname, the smallest independent country on the South American continent, with a population just shy of 500,000 still retains more than 90 percent of its land area in forest. With some of the largest tracts of undisturbed rainforest in the world, Suriname’s ecosystems demonstrate unique characteristics, providing a range of services such as biodiversity, carbon sequestration and fresh water production. Increasing pressures from economic development have prompted a national discussion on the need to create a strategy for economic growth that recognizes the long-term value of the ecological resources in the country.

The Suriname Conservation Foundation has created a partnership program with 10 large companies. The program is structured with the goal of creating both a financially and an environmentally sustainable economy in Suriname.

Corporate partners, including the two largest national banks, large national and multinational mining and oil companies, an airline, an insurance company, a telephone company, as well as others, have signed agreements to work with SCF to green corporate and manufacturing operations. Each partner has committed to calculating its ecological footprint and will allow SCF to monitor progress toward lowering ecological impacts. SCF will work with each company to pursue energy efficiency opportunities, explore renewable energy sources, and reduce waste streams.

Participating corporations know that the long-term economy in Suriname is dependent on maintaining a sustainable environment. They understand that they can increase profitability by reducing costs. For example, by purchasing smaller, more fuel efficient cars for their employees, they not only reduce their carbon footprint, but they also increase their bottom line. In branding their exports as ‘green’ products, these companies also see the opportunity to become more competitive in international markets.



The corporate partners have also committed to provide funding for projects managed by the Conservation Fund. Four projects have received funding to date, including management of a large national nature reserve, protecting coastal zones by planting mangroves, creating a non-timber forest products effort to sell medicinal plants from interior rainforest areas, and supporting research to protect potable water sources during oil exploration in the coastal zones. SCF has also been tasked with identifying a new REDD plus project that would be funded by the corporate partnership group.

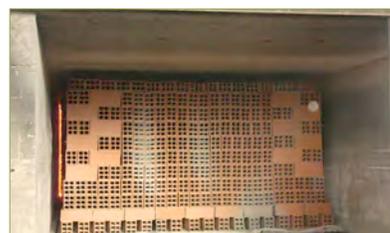
## FONDO PARA LA ACCIÓN AMBIENTAL Y LA NIÑEZ

Fondo para la Acción Ambiental y la Niñez, a Colombian Conservation Trust Fund, was created in 2000 to manage the Enterprise for the Americas Initiative account in Colombia. The fund also administers the Tropical Forest Conservation Act account and has disbursed over \$50 Million in grants within the country.

Fondo Acción has partnered with the National Center for Clean Production and Environmental Technologies to leverage global carbon markets to create incentives for companies to invest in climate friendly and energy efficient technologies in Colombia. Private companies often do not understand the economic, social and competitive benefits that can result from transitions to low carbon and energy efficient business practices. Just as often, small to medium size companies do not have the resources to access carbon markets. The Fondo Acción program provides advice on the use of clean technologies that reduce green house gases and also provides assistance with the preparation of market-ready carbon credits and offsets that can be sold in global markets.

Seven private and public companies, from aluminum production to mass transit companies, have participated in the program to date. Five of these companies will invest a combined \$109 Million dollars in clean technologies, with the potential of reducing over 1 Million tons of CO2 emissions over 10 years. These companies will realize cost savings through the implementation of clean and energy efficient technologies, and will also benefit from revenues from the sale of carbon credits. Upon the sale of carbon credits, each participating company has agreed to donate up to 30% of the revenues back into the incentive fund, allowing the program to grow and support other Colombian businesses.

This 'incentive plus revolving fund' model is an innovative conservation finance mechanism that CTFs can use to supplement or replace development aid, leveraging global carbon markets to secure financing for investment in clean energy technologies, to strengthen the local economy and to positively impact climate change.



## PARC NATIONAL DU BANC D'ARGUIN, MAURITANIA

Covering a third of Mauritania's coastline, the Parc National du Banc d'Arguin (PNBA) is first and foremost internationally renowned as a shark and marine wildlife sanctuary and as the resting and nesting place for over 2 million migratory water birds. Extending over 12,000 km<sup>2</sup>, half marine and half terrestrial, it protects important nursery grounds that help fuel the fishing economy of the whole sub region, industrial and small-scale fisheries alike. As a result of severe droughts over decades the formerly densely populated site is now home to only about 1,200 Imraguen people, "those who collect from the sea", traditionally fishing for mullet by foot with shoulder nets.

Financially sustaining the daily management and the administration of the Park has been a key issue over the years. The Park has relied upon the Swiss NGO Fondation Internationale du Banc d'Arguin (FIBA), created in 1986, to mobilise technical and financial support. Other dedicated projects supported by bilateral agencies and international NGOs sustained activities over the years. The Government of Mauritania also provided substantial financial support: 20% of the total budget in 2005 to 40% in 2007, showing a remarkable and continuous commitment.

But the need for more sustainable, and less project-based, funding has been long recognised. Setting up a conservation trust fund was first discussed in the 1990s. The EU-Mauritanian bilateral fisheries negotiations gave an important impetus for the Trust Fund's development. The two-year twice-renewable agreement effective from 2006 provided a yearly allocation of 11 million Euro to improve sustainable national fisheries policies. For the first time in such negotiations, 1 million Euro per year was allocated to reinforce the budget of PNBA. The Fund was officially created in January 2009 in the UK, it was granted charity status in June 2010, and signed a framework agreement with the Mauritanian Government in late 2010.

To date, the Government of Mauritania has contributed over 1 million Euro and the mining company Tasiast 16 000 Euro. Building on these contributions, the MAVA Foundation agreed, earlier in 2011, to put in 6 million Euro, and the German KfW pledged 5 million Euro. The French cooperation, FFEM, and Spanish Cooperation are currently undertaking feasibility studies and the Board members are active seeking alternative sources of revenues.

The Banc d'Arguin Coastal and Marine Biodiversity Trust Fund has shown that new funds can combine donor funding with funding from private companies and local governments to create long-term financing for protection of biodiversity. This new fund has also demonstrated that Payments for Ecosystem Services are a viable and important mechanism for creating a revenue source to supplement donor contributions.

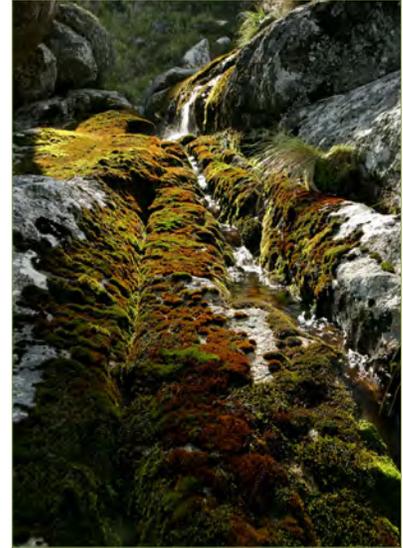
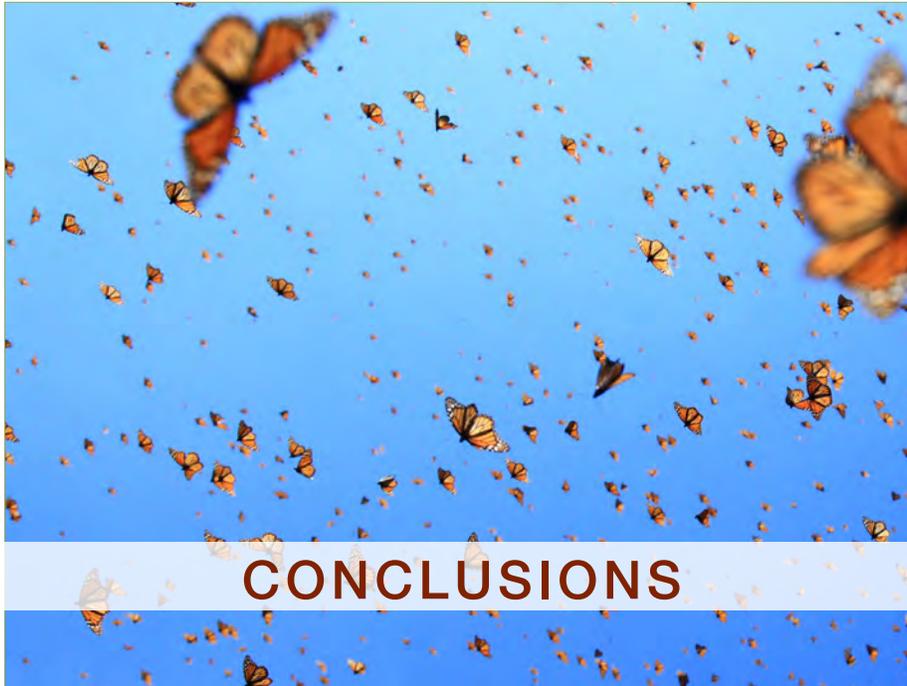


Photo contributed by Carl Bruessow, Mulanje Mountain Conservation Trust (MMCT)



Photo contributed by Carl Bruessow, Mulanje Mountain Conservation Trust (MMCT)



## CONCLUSIONS

This study was initiated in 2008 to explore the effectiveness of Conservation Trust Funds in managing investments to fund conservation and sustainable development projects. The study has evolved over the past four years to provide detailed information on the various structures of Conservation Trust Funds, management of investments, portfolio allocations, and investments in both domestic and international markets. Over this time period, a number of new Funds have been established and have begun to participate in the survey of investment information. This year 31 Conservation Trust Funds participated in the survey, with 28 Funds reporting investment return information for the 2010 calendar year. Some funds that had participated in previous surveys chose not to send information this year. At the same time, several new funds have sent information in and funds that were new last year but could not report data have begun to provide information. The study will continue to encourage funds to participate in the study over time to ensure the availability of beneficial information to funds.

Funds participating in the study reported positive returns over all, with an average dollar-adjusted return of 9.47%. Three-year returns for all funds average 5.43% and 5-year returns are at 7.82% for the period ending on December 31st, 2010. Sinking funds participating in this study showed overall higher returns in 2010 than endowment funds. The sinking funds, report average returns of 10.94% in 2010, whereas endowment funds reported returns averaging 8.38%. The averages reported in this study are based on dollar-adjusted returns in order to provide a common currency for sake of comparison. This approach provides a general guide to the performance of a very diverse set of funds with very different portfolio allocations, as well as investments in both domestic and international markets. The diversity of investment options can make comparisons challenging; therefore, this report provides not only dollar-adjusted returns but also returns in the currency of investment as well as the real returns in local currency.

This study shows that endowment funds managed by CTFs are generally invested in US markets or hold the majority of their investments in US markets.

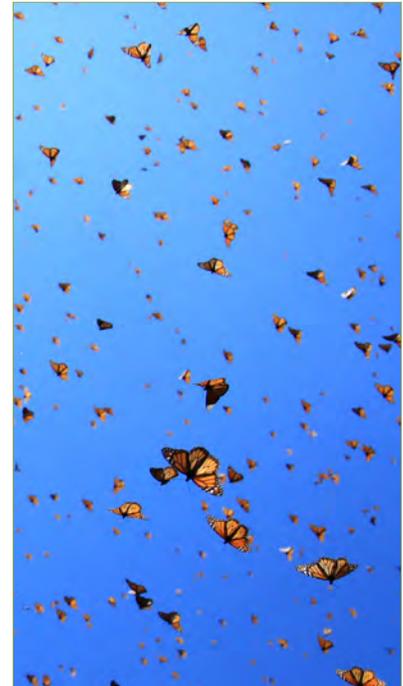


Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)



Photo contributed by Belize Protected Areas Conservation Trust (PACT)

Sinking funds tend to focus on domestic investments, though a few of the sinking funds have investments in US markets. Some of the funds invested in their domestic markets have done well, and other funds that have invested in international markets where currency fluctuations against their local currency were favorable, have also done well. This is an indication that a well balanced, diversified portfolio, considering both domestic and international investments can be successful. The rate of return for the majority of the funds is greater than the rate of inflation in each country, indicating that investment portfolios are generating positive returns and are able to provide sustainable financing for conservation, even while global markets fluctuate.

The survey also indicates that the investment strategies of the CTFs differed little from 2009 to 2010. The funds continue to invest more than 40% of their assets in bonds and around 30% in equities, with the remainder divided between cash and alternative investments. From 2009 to 2010 there was a slight increase in both equity and alternative investments (1%) and an increase in cash holdings, while investment in bonds fell 5% during the period. As the funds seek to ensure their long-term growth the future changes in asset allocation that reflect global economic realities will be informative and useful to track over time.

Conservation Trust Funds continue to be more than simply financial mechanisms to provide a funding source for protected areas, conservation projects and sustainable development. They are also functioning as key players in the development of national conservation programs, and as capacity builders leveraging economic incentives to promote clean energy and REDD projects to affect climate change on a global scale. The Funds are using their ability to provide technical expertise to help companies access global carbon and biodiversity markets, and establishing relationships that not only support local economies, but also increase the Funds income generating potential.

The Conservation Trust Funds participating in this study have shown consistently positive investment returns over the five-year study period. Even while global markets presented immense challenges in 2007 and 2008, the Funds demonstrated a strong commitment to their investment strategies, weathering the storm and maintaining adequate capital to continue investing while providing sustainable sources of funding for biodiversity conservation in their countries. Over the past two years, the CTFs have earned positive returns, effectively rebounding from the problems of the economic crisis in 2008.

With growing demand for fund management in new areas such as Payments for Ecosystem Services, the CTFs are well placed as financing management institutions to form partnerships with private companies, international institutions, and government for the management and disbursement of funds. Building on the experience and expertise of CTFs represents an effective and efficient strategy to support implementation of new and innovative programs that seek to ensure long-term conservation. As a result, Conservation Trust Funds will not only continue to be a strategic mechanism for the long-term management of funds from donor agencies, but will establish themselves as key institutional players in the development of innovative strategies for the financing of global conservation.

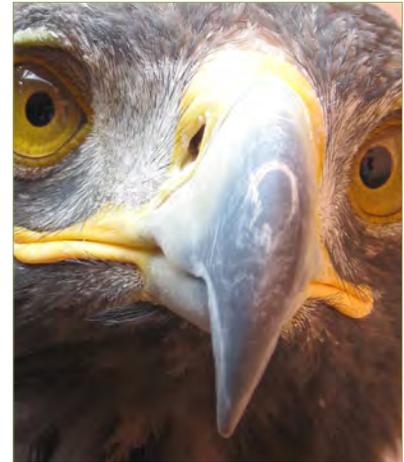


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Photo contributed by Lorenzo Rosenzweig, Fondo Mexicano para la Conservación Naturaleza (FMCN)

## FUNDS PARTICIPATING IN 2010 SURVEY

Country	Organization Name	Contact Name	Email	Website
<b>African Funds</b>				
Botswana	Forest Conservation Botswana (FCB)	Gagoitsiwe Moremedi, Chief Executive Officer	<a href="mailto:gmoremedi@forestconservation.co.bw">gmoremedi@forestconservation.co.bw</a>	<a href="http://www.forestconservation.co.bw">www.forestconservation.co.bw</a>
Cote D'Ivoire	Fondation pour les Parcs et Réserves de Côte D'Ivoire	Fanny N'golo, Director	<a href="mailto:fannyngolo@yahoo.fr">fannyngolo@yahoo.fr</a>	
Madagascar	Fondation pour les Aires Protégées et la Biodiversité de Madagascar (FPAP)	Ralava Beboarimisa, Directeur Exécutif	<a href="mailto:beboarimisa@fondation-biodiversite.mg">beboarimisa@fondation-biodiversite.mg</a>	<a href="http://www.madagascarbiodiversityfund.org">http://www.madagascarbiodiversityfund.org</a>
Madagascar	Fondation Environnementale Tany Meva	Fenosoa Andriamahenina, Executive Director	<a href="mailto:f.andriamahenina@tanymeva.org.mg">f.andriamahenina@tanymeva.org.mg</a>	<a href="http://www.tanymeva.org.mg">www.tanymeva.org.mg</a>
Malawi	Mulanje Mountain Conservation Trust (MMCT)	Mr. Carl Bruessow, Executive Director	<a href="mailto:carl@mountmulanje.org.mw">carl@mountmulanje.org.mw</a>	<a href="http://www.mountmulanje.org.mw">www.mountmulanje.org.mw</a>
South Africa	Table Mountain Fund	Ian Goodwin, WWF Chief Financial Officer	<a href="mailto:igoodwin@wwf.org.za">igoodwin@wwf.org.za</a>	<a href="http://www.panda.org.za/tmf.htm">www.panda.org.za/tmf.htm</a>
South Africa	The Green Trust	Ian Goodwin, WWF Chief Financial Officer	<a href="mailto:igoodwin@wwf.org.za">igoodwin@wwf.org.za</a>	<a href="http://www.panda.org.za/qt.htm">www.panda.org.za/qt.htm</a>
South Africa	Leslie Hill Succulent Karoo Trust	Ian Goodwin, WWF Chief Financial Officer	<a href="mailto:igoodwin@wwf.org.za">igoodwin@wwf.org.za</a>	<a href="http://www.wwf.org.za/?section=Trusts_LHSKTF">www.wwf.org.za/?section=Trusts_LHSKTF</a>
Tanzania	Eastern Arc Mountains Conservation Endowment Fund (EAMCEF)	Francis B.N. Sabuni, Executive Director	<a href="mailto:eamcef@morogoro.net">eamcef@morogoro.net</a>	<a href="http://www.easternarc.or.tz">www.easternarc.or.tz</a>
Uganda	Bwindi Mgahinga Conservation Trust (BMCT)	Mwine Mark David, Trust Administrator	<a href="mailto:mmd@bwinditrust.ug">mmd@bwinditrust.ug</a>	<a href="http://www.bwinditrust.ug">www.bwinditrust.ug</a>
<b>Eastern European and Asian Funds</b>				
Armenia, Azerbaijan, Georgia	Caucasus Protected Areas Foundation	David Morrison, Executive Director	<a href="mailto:dmorrison@caucasus-naturefund.org">dmorrison@caucasus-naturefund.org</a>	<a href="http://www.caucasus-naturefund.org">www.caucasus-naturefund.org</a>
Bangladesh	Arannayk Foundation	Farid Uddin Ahmed, Executive Director	<a href="mailto:farid@arannayk.org">farid@arannayk.org</a>	<a href="http://www.arannayk.org">www.arannayk.org</a>
Bhutan	Bhutan Trust Fund for Environmental Conservation (BT FEC)	Tobgyal S. Namgyal, Director	<a href="mailto:namgyal@druknet.bt">namgyal@druknet.bt</a>	<a href="http://www.bhutantrustfund.bt">www.bhutantrustfund.bt</a>
India	A-TREE	Anand S, Administration and Grants Manager	<a href="mailto:anands@atree.org">anands@atree.org</a>	<a href="http://www.atree.org">www.atree.org</a>

## PARTICIPATING FUNDS (CONTINUED)

Latin American and Caribbean Funds				
Belize	Protected Areas Conservation Trust (PACT)	Sharon Ramclam, Executive Director	sharon@pactbelize.org	www.pactbelize.org
Bolivia	Fundación para el Desarrollo del Sistema Nacional de Áreas Protegidas (FUNDESNA)	Sergio Martín Eguino Bustillos, Director Ejecutivo	seguino@fundesnap.org	www.fundesnap.org
Brasil	Fundo Brasileiro para a Biodiversidade (FUNBIO)	Rosa Lemos de Sá, Executive Director	funbio@funbio.org.br	www.funbio.org.br
Colombia	Fondo para la Acción Ambiental y la Niñez (FPAA)	José Luis Gómez Rodríguez, Executive Director	joselgomez@accionambiental.org	www.accionambiental.org
Colombia	Patrimonio Natural Fondo Para La Biodiversidad Y Areas Protegidas	Francisco Alberto Galán Sarmiento	agalan@patrimonionatural.org.co	
Ecuador	Fondo Ambiental Nacional (FAN)	Samuel Sangüeza-Pardo, Director Ejecutivo	ssanguenza@fan.org.ec	www.fan.org.ec
El Salvador	Fondo de la Iniciativa para las Américas - El Salvador (FIAES)	Jorge Alberto Oviedo Machuca, Gerente General	gerencia_general@fiaes.org.sv	
Jamaica	Environmental Foundation of Jamaica (EFJ)	Karen McDonald Gayle, Chief Executive Officer	kmcdonaldgayle@efj.org.jm	www.efj.org.jm
Jamaica	Jamaica Protected Areas Trust/Forest Conservation Fund (JPAT)	Allison Rangolan McFarlane, Acting Executive Director	a.mcfarlane@infochan.com	www.jpam-jm.net
Mexico	Fondo Mexicano para la Conservación de la Naturaleza, A.C. (FMCN)	Lorenzo Rosenzweig, Director Ejecutivo	lorenzo@fmcn.org	www.fmcn.org
Paraguay	Fondo de Conservación de Bosques Tropicales	Félix S. Kasamatsu, Ph.D., President	fkasamatsu@hotmail.com	
Peru	Fondo de las Américas del Perú (FONDAM)	Juan Gil Ruiz, Secretario Ejecutivo	fondam@fondoamericas.org.pe	www.fondoamericas.org.pe
Peru	PROFONANPE	Alberto Paniagua, Director Ejecutivo	apaniagua@profonanpe.org.pe	www.profonanpe.org.pe
Suriname	Suriname Conservation Foundation	Leonard C. Johanns, Executive Director	johanns@sr.net	www.scf.sr.org

## NEWLY ESTABLISHED FUNDS AND PUBLIC FUNDS

Country	Organization Name	Contact Name	E-mail	Website
<b>New Funds, Beginning Investment in 2010</b>				
Mozambique	BIOFUND Mozambique	Sean Nazerali	<a href="mailto:snazerali@wwf.org.mz">snazerali@wwf.org.mz</a>	<a href="http://www.wwf.org.mz">www.wwf.org.mz</a>
Mauritania	Banc d'Arguin, and Coastal and Marine Biodiversity Trust Fund Limited	Silvie Goyet, President, Board	<a href="mailto:goyet@lafiba.org">goyet@lafiba.org</a>	
<b>Public Funds, Not Investing</b>				
Mexico, Guatemala, Belize, Honduras	Mesoamerican Reef Fund (MAR Fund)	María José González, Directora Ejecutiva	<a href="mailto:mjgonzalez@marfund.org">mjgonzalez@marfund.org</a>	<a href="http://www.marfund.org">www.marfund.org</a> <a href="http://www.fondosam.org">www.fondosam.org</a>