



TREE OF LIFE  
FOUNDATION

# *Donor-advised Fund*

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*// South African Donors*

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*“With time,  
your contribution  
could grow  
and bear ever-  
increasing fruit.”*



# *Tree of Life* *Donor-advised* *Fund*

## **A DONOR-ADVISED FUND FOR AFRICA**

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*The Tree of Life Donor-advised Fund (DAF) allows a donor to move funds earmarked for giving off his/her balance sheet into a charitable structure, without incurring the cost of setting up legal structures.*

With the Donor-advised Funds, donors retain flexibility regarding:

// the charities and causes that should ultimately benefit from the donation;

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// the timing of distributions to these charities; and

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// how donations should be invested until distributed to charities.

The Tree of Life Foundation launched the Donor-advised Fund in 2016 to empower donors with a new mechanism through which to have an impact in South Africa, and later elsewhere in Africa as well.

During Tree of Life's first nine years of existence (2007-2015), we focused exclusively on managing our own capital in such a way that we could maximise its impact in South Africa. At the same time, we became aware of a need among donors to be able to do the same.

More specifically, these donors:

// Demand the same level of professionalism and excellence that they experience from entities managing their private money.

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// Have a desire to make a long-term difference in Africa, and want grant-making to be balanced with impact investment that addresses poverty through increased economic activity on the continent.

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// Feel strongly about excellence in stewardship and want their giving to be wise, impactful and sustainable.

## WHAT IS A DONOR-ADVISED FUND?

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The Donor-advised Fund platform acts as an umbrella charity that receives the donations, which can then be channelled to multiple other charities either immediately or over time. With a Donor-advised Fund the decision to donate and the decision who should benefit are separate. The donor can donate now, and leave the decision as to the ultimate beneficiaries for later. One of the main benefits of transferring money or assets to such a platform at the earliest opportunity is that the investment returns within a tax-exempt platform will be significantly higher than the investment returns achieved by a taxable donor, as the donor would have been taxed on the returns. This tax saving increases the benefits ultimately distributed.

Donor-advised Fund platforms offer significant benefits of scale, which reduces cost and allows a larger portion of donations to flow through to the ultimate beneficiaries. It also offers improved governance and charities that wish to be listed on the platform as potential beneficiaries have to be approved by the platform. This provides the donor with comfort that the charities listed on the platform meet certain standards without having to conduct a due diligence. Donor-advised Funds are quite popular in jurisdictions such as the USA, where contributions to such a fund are often tax-deductible.

*A Donor-advised Fund platform provides a donor with almost all the benefits of forming his own charitable foundation, without the effort, complexity and cost of doing so.*



The South African tax environment is less favourable. Although donations to charities are generally exempt from donations tax, donations are only tax-deductible if they meet the strict criteria of section 18A of the Income Tax Act, which inter alia limits the type of charity that can be supported. Section 18A also limits the time a tax-deductible donation can be retained in a Donor-advised Fund before being distributed to another charity. Therefore, as flexibility is a core requirement of most larger donors, we expect that most of our clients will opt to forgo the tax deduction to retain flexibility regarding the timing of distributions and type of charity to be supported.

For more on the National Christian Foundation, visit [www.ncfgiving.com](http://www.ncfgiving.com)

# Key information

The Tree of Life Donor-advised Fund caters for both foreign and South African donations. Via links to **Trustbridge Global** and the **National Christian Foundation**, donors in the USA can make a donation to the National Christian Foundation, qualify for a tax deduction, and direct that the money should be transferred to their Tree of Life Donor-advised Fund. Through Trustbridge Global donors in other countries can also contribute to a Tree of Life Donor-advised Fund, but tax benefits vary by country.

Tree of Life's Donor-advised Fund is unique in the investment options it provides, including private equity and impact investment opportunities. Since its formation in 2007, Tree of Life has built up an impressive long-term track record of investing donor capital in selective private equity opportunities and generating returns that provide funding to ministries and charities.

## INVESTMENT OPTIONS

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Donors are able to select one or more of the following pooled portfolios, in which their donations will be invested until distribution:

### // *Impact portfolio*

The main focus of this portfolio is the positive impact its investments will have on society, with financial returns as a secondary consideration. Given the nature of the investments, the portfolio does not offer guaranteed liquidity. Liquidity can only be made available if there is a liquidity event in the portfolio (e.g. sale of an underlying asset) or based on new inflows.

### // *Short-term cash portfolio*

This cash portfolio allows withdrawal at the end of each calendar month.

### // *Medium-term cash portfolio*

This portfolio consists of listed instruments, collective investments and hedge funds, and allows withdrawals at month end on 60 days' notice.

### // *Long-term private equity portfolio*

This portfolio offers the best opportunity for long-term growth of donor capital. The main aim of the portfolio is to generate investment returns, with the investment itself having a beneficial impact as an additional but secondary consideration. The portfolio avoids investments considered to be harmful, or incompatible with our world view. This portfolio does not offer guaranteed liquidity. It will aim to provide liquidity equal to 2.5% of portfolio value p.a. that can be paid into the DAF's liquid portfolio, or reinvested. Liquidity can also be made available if there is a liquidity event in the portfolio (e.g. sale of an underlying asset) or based on new inflows.





Donors will be provided with a quarterly statement to keep track of their DAF account and investment performance.

## DISTRIBUTIONS TO CHARITIES

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The ultimate beneficiary of a donor's DAF must be a registered charity that is approved by the platform. Donors will be encouraged to select from pre-approved charities, but new charities can be added after a due diligence. To cover the costs of vetting additional charities, a fee may be levied when adding a charity.

The trustees of the Tree of Life Foundation are responsible for selecting charities to benefit from the distribution of those funds that are not in an individual Donor-advised Fund (the latter being advised by the donor). The amount of funds so distributed increased substantially over the past few years.

## FEES

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There will be no initial fee on donations received, except actual Trustbridge charges and bank charges on transfers from the USA.

To fund the cost of providing the service, the platform will levy an asset-based recurring platform charge of 0.45% p.a. as well as an investment management charge that varies according to portfolio.

*The investment management charges are:*

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// 0.25% p.a. on the short-term liquid portfolio.

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// 0.75% p.a. on the medium-term semi-liquid portfolio. A performance fee equal to 20% of the outperformance above a benchmark of CPI + 3% will be levied.

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// 2% p.a. on the long-term private equity portfolio. A performance fee equal to 20% of the outperformance above a benchmark of CPI + 5% will be levied.

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// 2% p.a. on the impact portfolio.

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To help cover overheads from non-sticky money and to discourage multiple small transactions, a distribution fee of 1% with a minimum of R500 will be levied when money is actually distributed to charities.

It is important to note that as all fees will be 'internal' in Tree of Life, fees do not leave the charitable space and can be viewed as a charitable contribution to Tree of Life. Any 'profit' will be used as directed by Tree of Life trustees.



# About the Tree of Life Foundation

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The Tree of Life Foundation (TOL) was established in South Africa in 2007 as a Christian charity and is registered as a tax-exempt Public Benefit Organization (PBO) in South Africa. It is a member of the **Trustbridge Global Network**.

We aspire to exercise excellent stewardship in the management of capital. TOL is focused on sustainable giving, and hence investments and the distribution policy are managed accordingly.



**TREE OF LIFE**  
FOUNDATION

## HISTORY

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TOL was launched in 2007 when two businessmen made equity stakes in their businesses available to TOL. For the first nine years of TOL's existence, the team focused on investing the returns generated from these businesses wisely, and was blessed to experience rapid growth. During this period, no donations were solicited or received.

As TOL's balance sheet continued to grow through various investments, the trustees adopted a 'progressive distribution policy' in 2014, which in essence calls for a percentage of its Net Asset Value to be distributed to charities every year.

Towards 2015, the idea of offering our investment expertise to others also wishing to participate in the sphere of donor capital started to grow, and we launched a project to establish a Donor-advised Fund platform. This culminated in the launch of the Tree of Life Donor-advised Fund in 2016. By opening participation in our investment portfolios to outside clients through the DAF accounts they open on our platform, we aim to grow the positive impact of donor capital in South Africa.



## GOVERNANCE

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Between them, the trustees of TOL have ample investment management, governance, and general management expertise. They include a practicing actuary (and founder of an actuarial firm), leading investment manager (and co-owner of an Asset Management business), and former CEO of various listed and unlisted companies.

### *The bigger dream:*

## COLLECTIVE CHRISTIAN CAPITAL

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We feel strongly that donors sharing a Christian worldview can collectively achieve strategic key objectives by pooling their capital. While financial markets offer this functionality through banks, asset managers, and such, similar platforms for Christian capital are not readily available.

We believe that TOL's decision to make its structures and opportunities available to external donors by creating an internal Donor-advised Fund platform will enable the collective allocation of Christian capital, increasing the impact.

### *Our objectives include:*

- 1 To invest capital wisely and generate good returns, but in such a way that the impact is greater than merely economic benefits.
- 2 To establish a sizable 'endowment fund' so that charities can be funded on a sustainable basis through investment returns.
- 3 To create a platform for collective Christian capital thereby facilitating funding for sizable projects that would typically be too big for individual investors.

*Join us in growing  
the positive impact of  
donor capital in Africa.*



# DAF Portfolios

<i>Attribute</i>	<i>Short-term Portfolio</i>	<i>Medium-term Portfolio</i>	<i>Long-term Portfolio</i>	<i>Impact Portfolio</i>
<b>Description</b>	An enhanced cash portfolio.	A listed equity and hedge fund portfolio.	An investment return-focused private equity portfolio, with positive impact as secondary consideration. Avoids investments considered to be harmful or incompatible with our worldview.	An impact-focused private equity portfolio, with investment returns as secondary consideration. Avoids investments considered to be financially unsustainable.
<b>Asset types</b>	Cash, money market collective investment schemes and income collective investment schemes.	Listed instruments, equity based collective investment schemes and hedge fund collective investment schemes.	Private equity, but may hold listed instruments if there is a compelling reason. Will from time to time hold cash while waiting for suitable opportunities.	Private equity, with a demonstrable positive impact. Will from time to time hold cash while waiting for suitable opportunities.
<b>Relative risk</b>	Lowest of the four portfolios.	Lower than private equity portfolios. Primary risk factor: Exposure to South African equity markets.	Higher than medium-term portfolio, due to concentrated nature of the portfolio and inherent illiquidity of private equity investments.	Highest of the four portfolios, due to concentrated nature of portfolio and nature of impact investments.
<b>Liquidity</b>	One month.	End of month on 60 days' notice.	No guaranteed liquidity. Aims to make liquidity equal to 2.5% of donor's holding available annually. Liquidity can also be provided based on liquidity events in portfolio or new investments into the portfolio.	No guaranteed liquidity. Liquidity can be provided based on liquidity events in portfolio or new investments into the portfolio.
<b>Financial benchmark</b>	STeFI – the South African Short-term Fixed Interest Index.	South African Consumer Price Index + 3%.	Capped SWIX (the South African Shareholder-weighted index, with capped exposure to any single counter).	Return of capital.
<b>Portfolio fee</b>	0.25% p.a.	0.75% p.a. plus 20% of performance exceeding CPI+3%	2% p.a. plus 20% of performance exceeding CPI+5%	2% p.a.
<b>Suitable for</b>	Donors who are either risk averse or expect to make grants in the near future.	Donors who would like their donated funds to grow before being distributed to an approved charity, while accepting the risks inherent in a portfolio with significant equity exposure.	Risk-tolerant donors who would like their donated funds to grow aggressively and have a positive impact before being distributed to an approved charity. Donors should aim to leave the funds invested for several years.	Highly risk-tolerant donors who are willing to trade investment returns for intentional positive impact from the investment. Donors should aim to leave the funds invested for several years.





# *How to open a Donor-advised Fund*

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These instructions are for donors in South Africa. Please contact us at [donate@tol.org.za](mailto:donate@tol.org.za) if you wish to donate from another country.

## **STEP 1**

*Fill in the Tree of Life Donor-advised Fund Contribution Form*

Forms can be downloaded from our website: [www.tol.org.za](http://www.tol.org.za). Note that there are different versions of the Contribution Form for donors in the USA and South Africa.

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Send the signed form to [donate@tol.org.za](mailto:donate@tol.org.za).

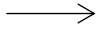
## **STEP 2**

*Pay your donation into the correct bank account*

Note that there are different accounts for section 18A donations and other donations. Use the name of the donor as payment reference.



*“Make a donation that continues growing and giving, year-after-year.”*



#### **// A. Bank details for normal donations**

Bank: RMB Private Bank  
Account name: Tree of Life Foundation  
Branch code: 250408  
Account number: 62295708708



#### **// B. Bank details for Section 18A donations**

Bank: RMB Private Bank  
Account name: True South Foundation  
Branch code: 250408  
Account number: 62644363161

Send proof of payment to [donate@tol.org.za](mailto:donate@tol.org.za).

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