THE LOUVRE ENDOWMENT FUND

ANNUAL REPORT

2018
• Who are we? p 3
• Donors to the Louvre Endowment p 4
• Investments p 5
• Support of the Musée du Louvre p 8
• Governance of the Louvre Endowment p 9
• Financial performance and operational costs p 10
The Louvre Endowment Fund

Who are we?

The Louvre Endowment Fund was created to capitalize on donations and bequests, as well as revenue from the Louvre Abu Dhabi trademark license agreement, in order to help finance the museum’s public interest projects by redistributing financial earnings. The Endowment Fund is therefore a stable and long-term financial resource of the Musée du Louvre.

These public interest projects aim to care for, study, enrich and present art works from the national collection in the best possible conditions; make culture accessible to all, not only in the museum itself but also in neighborhoods and schools; and preserve and embellish the Louvre Palace and Tuileries Garden.

The capital of the Louvre Endowment Fund cannot be spent, making it an investment tool for the very long term.

The fund is therefore designed to foster solidarity between generations, in line with:

- the expectations of philanthropists who wish to forge lasting ties with museum projects by providing an effective and sustainable tool for capitalizing on donations;

- the needs of the museum, which depend on the Fund for ongoing financial resources to support its development and activities for years to come.
In addition to the revenue resulting from the partnership between the Musée du Louvre and the United Arab Emirates for the creation of the Louvre Abu Dhabi, the generosity of private donors—individuals as well as corporations and foundations—is key to the long-term development of the Louvre Endowment Fund. The support of sponsors who wish to forge long-term ties with the Louvre and have a lasting impact will allow the Fund to eventually become a major financial resource for the Musée du Louvre.

In 2018, 13 sponsors supported the Louvre Endowment Fund, increasing the capital of the Fund. Of these, four became Louvre sponsors for the first time: Mrs. Anne Dias, Mrs. Florence de Ponthaud-Neyrat, Mr. Thierry Catanes, and SCCF.

Overall, funds provided by sponsors, both French and international totaled reach up to €2,730,333.

2018 sponsors
- Nippon Television Holding (€2.05 million paid on July 10 and 17)
- Dr. Elahé Omidyar Mir-Djalali/Roshan Cultural Heritage Institute (€268,994 paid on August 16)
- Ms. Susan D. Diskin, Ph.D. (€222,690 paid on December 24)
- Métropole Gestion (€100,000 paid on January 23)
- Mrs. and Mr. Laure and Igor de Maack (€30,000 paid on June 21)
- Foncière Atland REIM (€24,000 paid on August 3)
- Atland SAS (€16,000 paid on August 3)
- Blum-Kovler Foundation (€8,117 paid on March 9)
- Mr. Thierry Catanes (€5,000 paid on October 18)
- Mrs. Anne Dias (€4,384 paid on December 24)
- Mrs. Florence de Ponthaud-Neyrat (€1,000 paid on December 20)

A second payment for the Louvre Abu Dhabi trademark license agreement was also made in 2018, in the amount of €50 million.
The Louvre Endowment Fund Investments

The Louvre Endowment Fund, whose principal is not expendable, is designed for investment in the very long term. Its Board of Directors has the possibility to determine the investment policy that best suits distribution goals and the fund’s investment horizons.

The goal of the Endowment’s investment policy is to preserve the real value of capital in the long term while transferring a portion of financial earnings to the Musée du Louvre. This implies an annual financial performance of about 5% over a market cycle. This expected return of 5% per annum is a long-term average over an economic cycle; the return may vary from year to year, falling short of or exceeding this average.

The portfolio is invested in external funds, according to a “multi-management” approach. In this way, the portfolio of the Louvre Endowment Fund is made up of diverse investment funds in different asset classes, carefully chosen because of their quality and sound management.
In 2018, financial markets witnessed an abrupt downturn, which is typical of the end of a stock market cycle. This explains the overall negative performance of stock markets over the course of the year.

US equities were down 6.2% (in USD) over the year; European equities ended the year at -13.1%; and those of emerging economies were down 12.5%. European government bonds with a 3-5 year maturity were also down (-0.24%), as were secure monetary investments (Eonia rate posted a - 0.37% over the year).

We were prepared for this downturn, which came as no surprise after nine years of strong performance. As a precaution, we had reduced risk significantly in the portfolio from as early as January 2018.

In 2018, the performance of the portfolio stood at -4.57%. Since inception of the financial management, the average annual performance stands at +5.01%. This long-term result is in line with the performance objective originally set.

On December 31, 2018, the market value of the portfolio reached 229.4 million euros, an increase of nearly 35 million euros compared to the end of the previous year.

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</thead>
<tbody>
<tr>
<td>Financial performance</td>
<td>-0.80 %</td>
<td>+12.5 %</td>
<td>+6.37 %</td>
<td>+9.56%</td>
<td>+3.42%</td>
<td>+7.41%</td>
<td>+6.62%</td>
<td>-4.57%</td>
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We started off the year with an equity allocation of approximately 46% before gradually scaling back over the first half of the year to reach an average of 35% over the summer.

Our approach of responsible investments within the portfolio combines sectorial exclusions and impact investing in the following sectors: education, preservation of artistic and craft know-how, and the restoration of historical and natural heritage in France.

Breakdown of the Louvre Endowment Fund portfolio, December 31, 2018

<table>
<thead>
<tr>
<th>Asset classes</th>
<th>Sub asset classes</th>
<th>Weight</th>
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<tbody>
<tr>
<td><strong>Equities</strong></td>
<td></td>
<td>38.2%</td>
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<tr>
<td><strong>Equities from developed countries</strong></td>
<td></td>
<td>18.1%</td>
</tr>
<tr>
<td><strong>Equities from emerging economies</strong></td>
<td></td>
<td>11.0%</td>
</tr>
<tr>
<td><strong>Sector Equities</strong></td>
<td></td>
<td>2.9%</td>
</tr>
<tr>
<td><strong>Not-listed Equity (Infrastructure/private equity)</strong></td>
<td></td>
<td>6.2%</td>
</tr>
<tr>
<td><strong>Bonds</strong></td>
<td></td>
<td>32.0%</td>
</tr>
<tr>
<td><strong>Sovereign bonds and investment grade credit</strong></td>
<td></td>
<td>11.2%</td>
</tr>
<tr>
<td><strong>Emerging Market Debt</strong></td>
<td></td>
<td>11.7%</td>
</tr>
<tr>
<td><strong>Cat Bonds and private debt</strong></td>
<td></td>
<td>9.0%</td>
</tr>
<tr>
<td><strong>Absolute return funds</strong></td>
<td></td>
<td>15.6%</td>
</tr>
<tr>
<td><strong>Commodities</strong></td>
<td><strong>Gold</strong></td>
<td>2.0%</td>
</tr>
<tr>
<td><strong>Derivatives</strong></td>
<td><em>(for hedging or exposition purposes)</em></td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td><strong>Cash or cash equivalent</strong></td>
<td>12.3%</td>
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The Louvre Endowment Fund
Supports of the Musée du Louvre

The Initial Fund within the Louvre Endowment comprises payments from Louvre Abu Dhabi’s trademark license agreement.

As originally planned, this Initial Fund paid out 6 million euros from earnings generated over the last years. This amount was used to help support the creation of the Studio, a space dedicated to art education and learning, and to adapt museum spaces after the gradual transfer of collections storage to Liévin.

The Elahé Omidyar Mir-Djalali Fund, dedicated to Persian culture, provided substantial support in the amount of €92,000 for an exhibition on Qajar art at Louvre-Lens. The funds also helped finance different research projects in art history and provide tours for people who do not have easy access to art and culture.

The Frédéric Jousset Fund, designed to support the educational and social initiatives of the Musée du Louvre, provided €12,000. This went to the organization of cultural projects in prisons in the greater Paris region over the summer of 2018.

The Sue Mengers Fund, dedicated to restoring art works, provided €95,000 overall to help support conservation projects.

The Métropole Gestion Fund, which supports research in art history, provided €5,000 for a research program focusing on gypsum sculptures from the Italian Renaissance.

The Blum-Kovler Foundation Fund provided €2,000 to promote the democratization of culture through the Louvre’s presence at Paris Plages event.

The Atland Fund, dedicated to the Tuileries Garden, provided €2,000 for the conservation treatment of one of the garden’s 17th-century statues.

The Nininoé Fund provided €1,000 for the conservation treatment of a “transparent drawing” by Carmontelle, presented to Louvre-Lens in the 3rd quarter of 2018.
The **Board of Directors** of the Louvre Endowment is managed jointly: the Musée du Louvre is represented by its President-Director, Jean-Luc Martinez; Managing Director, Maxence Langlois-Berthelot; and Financial and Legal Director, Marion Oechsli. Three qualified people from outside the museum also sit on the board: Jean Bonna, Lionel Sauvage and Fleur Pellerin (nominated in May 2018).

The Board of Directors met four times in 2018.

The **Investment Committee** is made up of five experts in financial management, appointed by the Board of Directors. It is presided over by Marc Craquelin. Its role is to make recommendations to the Board of Directors regarding the investment policies to be implemented.

The Investment Committee met four times in 2018.

The **Executive director** of the Louvre Endowment Fund, Philippe Gaboriau, is in charge of financial management and operations.
In France, accounting rules applying to endowments and foundations consider the philanthropic spending of the endowment as an operating cost (and not as a dividend). In addition, the unrealized gains cannot be taken in account in the financial results of the Louvre Endowment Fund, creating an important deviation from the “mark to market” valuation of the Fund.

The net result in 2018 is -10,174,721 euros (more than 60% of this amount is due to philanthropic spending in favor of the Musée du Louvre). In addition to this net result, the amount of unrealized gains on December 31, 2018 total 1,071,945 euros. These unrealized gains are not included in end-of-year results, as per accounting rules in force.

The 2018 budget approved by the Board of Directors of the Louvre Endowment Fund to cover operating costs totaled 678,920 euros. Actual operating expenses for 2018 came to 649,694 euros (i.e. an operating cost of 0.28% of capital).

The annual accounts of the Louvre Endowment Fund are certified each year by an auditor from KPMG.
The Louvre Endowment Fund wishes to thank:

**Founding donors**
- Nippon Television Holdings
- Mrs. Sue Mengers
- Dr. Elahe Omidyar Mir-Djalali
- Christian Dior Couture
- Louis Vuitton Malletier
- Frédéric Jousset
- Susan D. Diskin, Ph.D.

**Major donors**
- Métropole Gestion
- Laure and Igor de Maack
- Atland Group

**Donors**
- Blum-Kovler Foundation / Judy and Peter Kovler
- SCCF / Mr. Dimitri Rusca
- Jean Ruffier d’Epenoux
- Thierry Catanes
- Anne Dias
- Florence de Ponthaud-Neyrat

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