

## **Investment Policy Statement**

### **OVERVIEW**

#### **PURPOSE**

This Investment Policy Statement (IPS) was adopted by The Catholic Foundation to establish a clear understanding of the Foundation's investment philosophy and objectives. This policy will describe the standards utilized by the Investment Committee in monitoring investment performance, as well as, serve as a guideline for any investment manager retained.

#### **SCOPE**

This policy applies to assets that are a part of the Foundation and for which the Investment Committee has responsibility. These assets include investments in the three following separate pools:

- Long-Term Growth Pool
- Balanced Pool
- Cash Pool

#### **FIDUCIARY DUTY**

In seeking to attain the investment objectives set forth in the policy, the Investment Committee, investment consultant, and investment managers shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). All investment actions and decisions must be based solely on the interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Board/Committee of all material facts regarding any potential conflicts of interests. In addition, the Investment Committee must conform to the fundamental fiduciary duties of loyalty and impartiality.

### **OBJECTIVES**

The overall, long-term investment objective of the Foundation is to achieve an annualized total return (net of investment management expenses), through appreciation and income, greater than the rate of inflation (as measured by the Consumer Price Index) plus any spending and administrative expenses, thus protecting the purchasing power of the assets. The assets are to be managed in a manner that will meet the primary investment objective, while at the same time attempting to limit volatility in the portfolio's market value, thereby limiting volatility in year-to-year spending.

#### **STRATEGY & DIVISION OF ASSETS FOR INVESTMENT PURPOSES**

The investment funds for the Foundation are divided into three categories/pools for purposes of investment management: Long-Term Growth Pool, Balanced Pool, and Cash Pool.

- The Long-Term Growth Pool represents funds for long-term investment. The purpose of the Long-Term Growth Pool is to accumulate a pool of assets sufficient to build capital for future use with the corresponding obligation to support current and future needs. The Board and Investment Committee understand the long-term nature of this Pool and believe that investing in assets with higher return expectations outweighs their short-term volatility risk. As a result, the majority of Long-Term Growth Pool's assets will be invested in equity or equity-like securities, including real assets (real estate, natural resources, and infrastructure). Real assets also provide the added benefit of inflation protection. Fixed income and diversifying strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets.

- The Balanced Pool represents funds that seek to provide a balance between current income and capital appreciation with a shorter time horizon than the Long-Term Growth Pool. As a result, the assets will include equity and fixed income/cash investments.
- The Cash Pool represents funds that will be spent within a twelve month period. The assets will be invested in cash securities with duration less than 90 days.

## **SPENDING POLICY**

### **LONG-TERM GROWTH POOL**

The Spending Policy is set by the Board of Trustees. The distribution for The Catholic Foundation in a fiscal year shall be up to five percent (5%) times the previous twelve quarter moving average of market value for periods of three years or more. This formula shall be applied to the twelve quarters ending on December 31 prior to the fiscal year in question so that final budget guidance on available distributions can be issued. This percentage shall be reviewed annually. The formula for new endowment funds for periods of one year or less is five percent (5%) times the average of the trailing four quarters. The formula for new endowment funds for the periods of one through two years is five percent (5%) times the average value of the trailing eight quarters.

### **BALANCED POOL**

The Balanced Pool of the Foundation will adopt the spending policy as set forth in the Foundation's trust documents.

### **SOCIALLY RESPONSIBLE INVESTMENT (SRI) CRITERIA**

In making investment decisions, the investment consultant and investment managers should be aware of the mission of the Catholic Church. The Catholic Church believes that it has the responsibility to influence corporate policy and public conscience to create a more just global society, foster common good and respect the dignity of life.

The investment managers must comply with the investment guidelines as set forth by the U.S. Conference of Catholic Bishops. In addition, investment managers may not purchase securities of companies whose primary business is tobacco and tobacco products.