

# **INVESTMENT POLICY STATEMENT**

## **Catholic Foundation for the People of the Diocese of Rockford**

### **Purpose:**

The purpose of this investment policy is to establish the parameters and structure of the investment program for the *Catholic Foundation for the People of the Diocese of Rockford* (Catholic Foundation). The assets of this fund include the endowment assets of many parishes, schools and diocesan agencies (Participants). Each of the Participants should have its own investment guideline documents to state the unique liquidity, investment return, and risk exposure goals which are expected to be achieved through allocations to the various asset classes and investment styles offered by the Catholic Foundation Investment Program.

The Catholic Foundation Investment Program was established to pool the endowment assets of the Participants to achieve expanded diversification, more cost efficient investment services, and professional management that could not be achieved due to limited investment fund size. Participants can custom design their investment programs through varying percentage participation in the equity, balanced, and fixed income investment options offered by the Catholic Foundation Investment Program.

### **Authority:**

The Catholic Foundation, at the direction and approval of the Board of Directors and President of the Foundation, has the authority to retain professional services from investment consultants and investment managers and to delegate certain day-to-day responsibilities accordingly. The Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Illinois, shall be the legal reference for the investment program of the Catholic Foundation.

### **Investment Goal:**

A primary objective of the Catholic Foundation's investment program is to achieve investment returns greater than specified investment return goals while operating within the risk parameters specified in the Investment Guidelines section of this document. A secondary objective of the Foundation would be the preservation of capital, and aversion to unnecessary risk. Both investment income and capital appreciation are components of expected total return from the investments. The time horizon for the Catholic Foundation is a long-term horizon; the Catholic Foundation does not intend to make short-term timing moves in the Investment Portfolio

### **Investment Principles:**

Assets shall be invested with skill, care, and prudence taking into account the Foundation's liquidity requirements. The investment portfolio shall be diversified to minimize the risk of large losses, unless circumstances at any given point in time indicate that diversification is clearly imprudent. All assets are to be fully invested at all times, including idle cash in overnight short-term instruments.

## Risk Posture:

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the levels of risk (i.e., volatility of investment returns) assumed and the level of return that can be expected in an investment program. In general, higher risk is associated with higher expected returns. The same relationship holds true between the volatility of the Catholic Foundation assets and the assets available for withdrawal to Participants. (i.e. historical return data suggests that participants in the Growth Fund should expect higher annual fluctuation in the market value of Foundation assets (either positive or negative), however, over longer time-frames the Growth Fund should grow Foundation assets at a higher rate of return than the Balanced Fund or the Fixed Income Fund.)

Given this relationship between risk and return, Participants in the Catholic Foundation must establish their unique risk posture assessing both capacity and willingness to accept risk (volatility). In determining risk posture, Participants should recognize the time horizon of their Foundation assets and consider their specific funding characteristics such as anticipated contribution experience as well as their withdrawal policy. The Catholic Foundation allows for a broad range of possible portfolios as Participants with a total account value over \$50,000 may blend the Growth Fund, and the Fixed Income Fund according to each Participant's respective risk posture.

## Investment Objectives:

### Catholic Foundation Investment Program

The investment goals for the managers of the Growth Fund, Income Fund and the Balanced Fund of the Catholic Foundation respectively are to achieve a rate of return, for the published composite of each manager strategy, greater than the indices described below for the most recent 3 consecutive 5 year rolling periods. Of equal significance, the Balanced Fund will be compared to similarly invested Foundations.

The benchmark, target allocation and ranges for the Growth Fund are as follows:

<b>GROWTH FUND</b>				
<b>Asset Class</b>	<b>Benchmark</b>	<b>Target %</b>	<b>Min</b>	<b>Max</b>
Large Cap Growth	Russell 1000 Growth	8.2%	5.0%	15.0%
Large Cap Value	Russell 1000 Value	8.5%	5.0%	15.0%
Large Cap Core	Russell 1000	9.0%	5.0%	14.0%
All Cap Growth	Russell 3000 Growth	9.0%	5.0%	14.0%
All Cap Value	Russell 3000 Value	9.0%	5.0%	14.0%
Mid Cap Value	Russell Mid Cap Value	8.0%	4.0%	12.0%
Small Cap Value	Russell 2000 Value	11.8%	6.0%	18.0%
Intl Value	MSCI EAFE	6.5%	6.0%	19.0%
Intl Growth	MSCI EAFE	5.0%	4.0%	13.0%
Emerging Markets	MSCI Emerging Mkt	10.0%	4.0%	12.0%
Global Equities	MSCI World	7.0%	4.0%	10.0%
Covered Call Writing	CBOE Buy/Write Index	4.0%	0.0%	6.0%
Commodities	Bloomberg Commodity TR	2.0%	0.0%	6.0%
Infrastructure	S&P Global Infrastructure TR	2.0%	0.0%	6.0%

The benchmark, target allocation and ranges for the Balanced Fund are as follows:

<b>BALANCED FUND</b>				
<b>Asset Class</b>	<b>Benchmark</b>	<b>% Allocated</b>	<b>Min</b>	<b>Max</b>
Large Cap Growth	Russell 1000 Growth	5.00%	4.0%	11.0%
Large Cap Value	Russell 1000 Value	5.05%	4.0%	11.0%
Large Cap Core	Russell 1000	5.50%	3.0%	9.0%
All Cap Growth	Russell 3000 Growth	5.50%	3.0%	9.0%
All Cap Value	Russell 3000 Value	6.0%	3.0%	9.0%
Mid Cap Value	Russell Mid Cap Value	5.2%	3.0%	8.0%
Small Cap Value	Russell 2000 Value	8.00%	4.0%	12.0%
Intl Value	MSCI EAFE	4.55%	3.0%	9.0%
Intl Growth	MSCI EAFE	3.5%	3.0%	13.0%
Emerging Markets	MSCI Emerging Mkt	7.0%	3.0%	8.0%
Global Equities	MSCI World	4.9%	4.0%	10.0%
Covered Call Writing (g*)	CBOE Buy/Write Index	2.0%	0.0%	4.0%
Commodities	Bloomberg Commodity TR	1.4%	0.0%	6.0%
Infrastructure	S&P Global Infrastructure TR	1.4%	0.0%	6.0%
Preferred Securities	ICE BofAML US Preferred Stock Fixed Rate TR	3.5%	2.0%	5.0%
Covered Call Writing (i*)	CBOE BuyWrite Index	7.0%	4.0%	11.0%
Fixed Income Total Return	BBgBarc US Aggregate TR	19.25%	8.0%	25.0%
Intmd Agg US Govt	BBgBarc US Govt/Mortgage TR	5.25%	2.0%	7.0%
Low Duration Aggregate US Govt	BBgBarc US Govt/Mortgage TR	0%	0.0%	4.0%

\* Covered call writing exposures which combine to create the Balanced Fund covered call allocation are sourced from both the Growth Fund (g) and the Income Fund (i).

The benchmark, target allocation and ranges for the Income Fund are as follows:

<b>INCOME FUND</b>				
<b>Asset Class</b>	<b>Benchmark</b>	<b>Target %</b>	<b>Min</b>	<b>Max</b>
Preferred Securities	ICE BofAML US Preferred Stock Fixed Rate TR	10.0%	5.0%	15.0%
Covered Call Writing	CBOE BuyWrite Index	20.0%	13.0%	38.0%
Fixed Income Total Return	BBgBarc US Aggregate TR	55.0%	28.0%	83.0%
Intmd Agg US Govt	BBgBarc US Govt/Mortgage TR	15.0%	5.0%	15.0%
Low Duration Aggregate US Govt	BBgBarc US Govt/Mortgage TR	0.00%	0.0%	12.0%

## **Asset Allocation Guidelines:**

The following Asset Allocation Guidelines establish the Risk Control Policy for the investments of the Catholic Foundation Growth Fund, Fixed Income Fund and Balanced Fund. The percentages apply to the market value of each respective fund. The maximum and minimum percentage limits provide a total portfolio volatility range established by **The Catholic Foundation** for each fund. All assets are to be fully invested at all times, including idle cash in overnight short term investments.

Annually the Catholic Foundation, upon recommendation from the Investment Monitor, determines the allocation of the Balanced Fund (the current allocation of the Balanced Fund). The Catholic Foundation will review its asset mix at least annually and rebalance.

## **Marketability of Assets:**

All securities held in the portfolio shall have ready liquidity, meaning that any issue must have an established daily trading activity in excess of the units of the security held in the portfolio. In addition, all securities held in the portfolio must have a daily liquid market.

## **Investment Guidelines:**

### Allowable Assets

1. Cash Equivalents
  - Treasury Bills
  - Money Market Funds
  - Short Term Invest Funds
  - Commercial Paper
  - Banker's Acceptances
  - Repurchase Agreements
  - Certificates of Deposits
2. Fixed Income Securities
  - U.S. Government and Agency Securities
  - Corporate Bonds and Notes
  - Mortgage Backed Securities
  - Preferred Stock - Including Adjustable Rate Issues
  - Collateralized Mortgage Obligations - PACs and "early tranche" Securities only
  - Exchange Traded Funds (ETF's)
3. Equity Securities
  - Common Stocks
  - Convertible Notes and Bonds
  - Convertible Preferred Stocks
  - REITs
  - American Depository Receipts of Non-U.S. Companies

- Stocks of Non-U.S. Companies (Ordinary Shares) - Must Be Denominated in U.S. Dollars
- Exchange Traded Funds (ETF's)
- Asset class as formally authorized by the Finance and Investment Committee(ie. Mutual Funds, Options).

### **Derivative Investments:**

Unless approved in writing by the Board of Directors before purchase, or otherwise provided for under specific manager guidelines in this policy statement, the portfolio shall not acquire any derivative securities, including latter tranches of mortgage backed instruments.

### **Prohibited Assets and Transactions:**

Prohibited asset and transactions include:

1. Securities that would violate the Catholic Foundation's Catholic Values Investment Policy per the CVIP Committee.
2. Investment in the Diocesan DIAL Program (excluding the assets temporarily held in DIAL by the Catholic Foundation for the United in Faith endowment campaign per the trust established in July of 2003)
3. Any Assets that do not have daily valuations

### **Liquidity:**

The amount of liquidity required by each Fund will change from time-to-time. In the absence of specific liquidity instructions, the manager of each portfolio segment is expected to remain reasonably fully invested at all times. During the July - September period, Participants may remove all or a portion of their earnings from the Investment Program. There is a 30-day notification requirement to permit the orderly liquidation of securities, should that be necessary.

### **Diversification:**

The **Catholic Foundation** does not believe that it is necessary or desirable that securities held in the portfolio represent a cross section of the economy at all times. There are no concentration restrictions for the ownership of U.S. Treasury, U.S. Government Agency securities or international investments.

### **Quality:**

Fixed income securities shall be investment grade or better. All commercial paper shall be A1/P1 or better. Equity securities held in the portfolio shall have a minimum market capitalization of \$500 million at time of purchase.

## **Investment Monitor Responsibilities:**

The performance record achieved by each manager, each Fund and the entire portfolio shall be prepared and presented to The Catholic Foundation in a formal report no less frequently than at the close of each calendar quarter. An updated "Manager Profile" for each manager will be provided at least annually.

In addition to the above services, when the conditions occur, the Foundation's Investment Monitor will inform The Catholic Foundation of the results of the Investment monitors due diligence and research alerts for each manager.

## **Manager Search, Evaluation and Retention Guidelines:**

Each asset class or investment style employed in the Catholic Foundation Investment Program has an appropriate Index Benchmark, which is used in the asset allocation modeling process. This "proxy" for the asset class is measurable in two dimensions, rate of return and risk. Since the selected indices are used to develop the overall risk/return profile for the investment program, they are also appropriate as one of the evaluation tools for both hiring and retaining an investment management firm.

### **Evaluation and Retention**

#### **Quantitative Measures:**

Managers will be evaluated against universe comparisons and benchmark comparisons. Actual and composite performance will be evaluated.

#### **Qualitative Measures:**

The Foundation will rely on research alerts and manager due diligence reports provided by the investment monitor in evaluating managers. Due diligence reports will be provided every 12-24 months (or sooner) on each manager currently being used by the Foundation. All existing managers must retain a "Recommended" rating for continued inclusion in the Foundation's investment program.

In the event that GMR issues a "Downgrade" or "Termination" report on any of the Foundation's existing managers, the investment monitor is required to notify the Foundation within 48 hours of such report. In the event of a "Termination" report, the Foundation will require the investment monitor to conduct a manager search. It is the express intent of the Foundation to replace any manager that GMR terminates within a reasonable period of time.

Manager searches may be initiated regardless of the subject manager's tenure with the Catholic Foundation. The subject manager may be treated as a candidate in the search process and additional measures may also be employed in the evaluation process.

In addition, there may be other qualitative factors, as determined by the **Finance and Investment Committee**, which would facilitate the need for an investment manager search.

The **Catholic Foundation** will formally evaluate the Investment Monitor's performance at the February meeting of each odd numbered calendar year beginning with the February meeting of 1999.

**Investment Policy Review:**

The **Catholic Foundation** on an annual basis shall review this Investment Policy Statement.

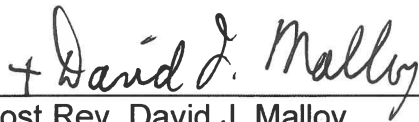
This statement of investment policy is adopted on JUNE 16, 2023, by The Catholic Foundation

Approved by:



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Jodi Rippon  
Director of Finance

Approved by:



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Most Rev. David J. Malloy  
Bishop of the Roman Catholic Diocese of Rockford and his Successors in Office

# CATHOLIC VALUES INVESTMENT POLICY

Revised, November 2021

## Summary: USCCB 2021 Socially Responsible Investment Guidelines

### Three Strategies:

1. Avoid doing harm (refusal to invest/divest)
2. Actively work for change (active ownership)
3. Promote the common good (support corporate policies and initiatives that promote CST values; seek investments that promote community development)

### USCCB Investment Policies

#### I. Protecting Human Life

##### A. Abortion, Euthanasia, and Assisted Suicide

**Policy I.1:** – no investment in companies whose activities include direct participation in or support of abortion, euthanasia or assisted suicide

**Policy I.2:** – engage companies with tangential connection to abortion, euthanasia or assisted suicide to eliminate connection

##### B. In Vitro Fertilization

**Policy I.3:** – no investment in companies utilizing in vitro fertilization to assist conception or for research

##### C. Embryonic Stem Cell and Fetal Tissue Research

**Policy I.4:** – no investment in companies that engage in research on human fetuses or embryos resulting in end of pre-natal human life or makes use of tissue derived from abortions or other life-ending activities and/or develops products and services from such research

##### D. Human Cloning

**Policy I.5:** – no investment in companies that engage in research whose purpose is cloning of human beings and/or develops products and services from such research

##### E. Access to Drugs and Vaccines

**Policy I.6:** – encourage companies to make life-sustaining drugs and vaccines available and affordable

**Policy I.7:** – engage companies to develop life-sustaining drugs and vaccines that do not rely on cell lines from abortions

#### II. Promoting Human Dignity

##### A. Human Rights

**Policy II.1:** – engage companies to protect and promote human rights and supply chain transparency; avoid investing in companies with persistent human rights violations (direct or supply chain)

**Policy II.2:** – encourage companies to provide sufficient wages, decent working conditions, and other social benefits allowing families to meet basic human needs while abiding by law and safeguarding against environmental degradation

##### B. Discrimination

**Policy II.3:** – engage companies to protect against discrimination (sex, race, skin color, language, or religion)

**Policy II.4:** – engage companies toward equal opportunities, pay, and leadership opportunities; encourage specific diversity goals, including on boards; seek investments in companies owned by women and people of color and in companies whose practices demonstrate diversity and racial justice

##### C. Pornography and Commercial Sexual Exploitation

**Policy II.5:** – no investment in companies whose sole purpose is to appeal to indecent interest in sex; encourage companies to disengage from revenue from distribution of these products or services

**Policy II.6:** – advocate for responsible, marriage affirming and family-oriented content by media, technology and telecommunications companies

##### D. Human Trafficking and Forced Labor



**Policy II.7:** – engage companies to address human trafficking and forced labor, and identify high risk areas for human trafficking and forced labor along their supply chains and partner companies and make necessary changes

E. The Human Person

**Policy II.8:** – no investment in companies participating in surgeries of administration of drugs or hormones in order to express an identity incongruent with one’s biological sex

**Policy II.9:** – engage companies on additional disclosure on these activities

F. Marriage, Sexual Integrity, and Family

**Policy II.10:** – encourage companies for an understanding of marriage or sexuality consistent with Church teaching

G. Contraceptives

**Policy II.11:** – no investment in companies that manufacture contraceptives or derive more than 10% of revenue from sale of contraceptives

III. Enhance the Common Good

A. Reducing Arms Production

**Policy III.1:** – no investment in companies that derive revenue from production of weapons inconsistent with Catholic teaching (e.g., biological and chemical weapons, landmines, nuclear weapons, weapons of mass destructions, etc.)

**Policy III.2:** – engage companies to limit weapons production, limit foreign sales of weapons, and to convert capacity to non-military use; for companies linked to warfare, encourage them to incorporate human rights standards in business decisions; promote disclosure on production and sales of weapons

B. Addictive Materials or Harmful Habitual Behaviors

**Policy III.3:** – no investment in companies whose primary purpose is gambling or the production of tobacco or recreational cannabis

**Policy III.4:** – encourage companies to move away from production, marketing, or distribution of addictive or other harmful materials

C. Media and Telecommunications

**Policy III.5:** – encourage media and communications companies to employ and enforce guidelines promoting the dignity of the human person; avoid investing in companies demonstrating resistance to human rights policy consistent with Church teaching

IV. Pursuing Economic Justice

A. Encouraging Social, Environmental, and Financial Responsibility

**Policy IV.1:** – encourage companies to report on social, environmental as well as financial performance

**Policy IV.2:** – engage companies to adopt corporate social and environmental responsibility guidelines

B. Labor Standards

**Policy IV.3:** – engage companies to provide decent working conditions, just wages, employee ownership, right to organize, protect children, worker-led social responsibility models, and other initiatives to protect and promote human dignity and economic justice

**Policy IV.4:** – engage companies to promote just wage and benefit policies; protection of migrant and seasonal workers

C. Affordable Housing/Banking

**Policy IV.5:** – encourage companies toward ethical and responsible banking, including corporate lending, project finance, and consumer banking to ensure appropriate due diligence and risk management to identify and mitigate abuses such as discriminatory practices and excessive rates and fees and to serve underbanked and financially marginalized

**Policy IV.6:** – communicate to our financial institutions support for initiatives to reach out to the poor by providing fair access to credit and other means to improve livelihoods, financing of low-income housing, and increased access to capital for communities of color; encourage companies in real estate to construct and preserve affordable housing that serves low-income individuals and families

D. Impact Investing

**Policy IV.7:** – collaborate to invest in corporations, organizations, and other financial initiatives that aim at financial return as well as addressing the common good, generating positive social and environmental change

**Policy IV.8:** – collaborate to invest in corporations, organizations, and other financial initiatives to strengthen communities, focusing on economic effect but also social impact

V. Saving Our Global Common Home

- A. Climate Change
  - Policy V.1:** – invest in companies whose business models are consistent with the Paris Agreement
  - Policy V.2:** – encourage companies to establish GHG emission reduction goals, provide disclosure around low-carbon planning, and mitigate climate change
- B. Biodiversity
  - Policy V.3:** – encourage companies to protect living organisms and terrestrial, marine, and other ecosystems
  - Policy V.4:** – avoid investing in companies that have caused specific instances of biodiversity loss, or whose practices contributed to biodiversity loss without correcting or remediating the damage
- C. Water and Natural Resources
  - Policy V.5:** – avoid investing in companies that deplete and/or degrade available water, without mitigating these impacts; avoid investing in companies engaged in extraction of natural resources that do not comply with principles of the Extractive Industries Transparency Initiative
  - Policy V.6:** – encourage companies to employ water saving policies and technologies
- D. Technology
  - Policy V.7:** – encourage technology companies to promote dignity of the human person and protect the environment
- E. Environmental Impact
  - Policy V.8:** – encourage companies to uphold highest environmental standards and to change and remediate practices that negatively impact the environment in their operations, in contractors or supply chain, and in their products or services
  - Policy V.9:** – avoid investing in companies that are non-compliant with the three environmental principles of the UN Global Compact [support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; encourage the development and diffusion of environmentally friendly technologies]