

# **Investment Policy - Investment Portfolio Definitions**

## **Pooling**

All investments of the “Parish / School”, whether restricted or unrestricted, can be pooled so that every fund within the pool shares equally the risks, losses and returns of the investments and for efficiency and consistency in management. Named and restricted funds will be tracked within the pool and reported on a quarterly basis.

## **Gifts**

Unless otherwise required as a condition of a gift, all designated gifts received by the “Parish / School” will be invested in accordance with this policy. Securities received as gifts should be sold on receipt and the proceeds invested in accordance with this Investment Portfolio policy.

## **Procedures**

- I. The following procedures will be followed to ensure the investment policy statement is consistent with the mission of “Parish / School Name” and accurately reflects current financial conditions:
  1. The Finance Council shall review this investment policy annually.
  2. The Finance Council will make any changes in this policy as it see appropriate.
- II. The following procedures will be used to determine the dollar amounts to be placed in the each of the various portfolios.
  1. The Business Manager and / or the Pastor will recommend the dollar amounts to be held in the Operating Portfolio and Short-term Investment Portfolio.
  2. The Finance Council will recommend the dollar amounts to be held in the Long-Term Investment Fund and Endowment Investment Portfolio.
  3. These recommendations should be reviewed and approved annually by the Finance Council.

For the purposes of managing investment risk and to optimize investment returns within acceptable risk parameters, the following portfolios can be created and held as separate investment portfolios. Individual funds may be “pooled” into the same portfolios in order to achieve the highest level of efficiency and investment outcomes.

- Operating Fund Investment Portfolio
- Short-term Investment Portfolio
- Long-term Investment Portfolio
- Endowment Investment Portfolio

# Operating Fund Investment Portfolio

## Purpose of the Operating Fund Investment Portfolio

The purpose of the Operating Fund Investment Portfolio is to provide sufficient cash to meet the day- to-day financial obligations of “Organization Name” in a timely manner. These funds would be unrestricted in nature. Every fund within this portfolio, based on its percent of the total, will share the risks, losses and returns of the investments and for efficiency and consistency in management.

## Investment Objectives of the Operating Fund Investment Portfolio

The investment objectives of the Operating Fund Investment Portfolio are:

- Preservation of Capital
- Liquidity
- To optimize the investment return within the constraints above

## Investment Guidelines of the Operating Fund Investment Portfolio

The Finance Council will authorize the following allowable investments in the Operating Fund Investment Portfolio as follows:

1. Interest bearing savings accounts
2. Certificates of Deposit at insured commercial banking organizations
3. Money market funds
4. Interest bearing checking accounts
5. Direct obligations of the U.S. Government, its agencies and instrumentalities.

## Maturity

The maturities on investments for the Operating Fund Investment Portfolio shall be 12 months or less.

## Performance Reporting

The Business Manager or Bookkeeper shall prepare the following reports for presentation on at least a quarterly basis to the Finance Council:

1. Schedule of investments
2. Interest income year to date

# Short-term Investment Portfolio

## Purpose of Short-term Investment Portfolio

The purpose of the Short-term Investment Portfolio is to meet the expenses occurring as a result of unanticipated activities and to improve the return on the funds held for expenditure for up to five years. Every fund within this portfolio, based on its percent of the total, will share the risks, losses and returns of the investments and for efficiency and consistency in management.

## Investment Objectives of Short-term Investment Portfolio

The investment objectives of the Short-term Investment Portfolio are:

- Preservation of capital
- Liquidity
- To optimize the investment return within the constraints above.

## Investment Guidelines of Short-term Investment Portfolio

The Finance Council approve the following allowable investments for the Business Manager to invest the Short-term Investment Portfolio as follows:

1. Interest bearing savings accounts
2. Certificates of Deposit at insured commercial banking institutions
3. Money market funds that invest in government-backed securities
4. Interest bearing checking accounts
5. Direct obligations of the U.S. Government, its agencies and instrumentalities.
6. Mutual funds that invest indirect obligations of the U.S. Government, its agencies and instrumentalities.

## Maturity of Short-term Investment Portfolio

The Short-term Investment Portfolio shall have a weighted average maturity of three years or less. The maximum maturity shall be 5 years.

## Performance Reporting of Short-term Investment Portfolio

The Business Manager or Bookkeeper or his/her designee shall prepare the following reports for presentation on at least a quarterly basis to the Finance Council:

1. Schedule of Investments which includes schedule of performance since purchase or last 5 years
2. Interest Income year to date
3. Current yield.

# Long-term Investment Portfolio

## Purpose of Long-term Investment Portfolio

The purpose of the Long-term Investment Portfolio is to provide secure long-term funding for the mission of “Parish / School Name”. The assets of the Long-term Investment Portfolio shall be managed in such a way as to facilitate the organization’s goals and objectives as outlined by the Finance Council. Expenditure of the principal is Finance Council designated unless otherwise designated by the donor(s) in part or in whole. Also, at the discretion of the Finance Council, up to 100% of the yearly total return may be utilized for program and agency expenses unless restricted for specific purposes by the donor(s). Every fund within this portfolio, based on its percent of the total, will share the risks, losses and returns of the investments and for efficiency and consistency in management.

## Investment Objectives of Long-term Investment Portfolio

In order to meet its needs, the investment strategy of the Long-term Investment Portfolio is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management of the Long-term Investment Portfolio shall be:

- Long-term growth of capital – To emphasize the Long-term growth of principal while avoiding excessive risk. Short-term volatility consistent with the volatility of a comparable market index is anticipated, though management should strive to contain it.
- Preservation of purchasing power – To achieve returns in excess of the rate of inflation plus spending over the investment time horizon in order to preserve purchasing power of agency and Trust assets. Risk control is an important element in the investment of Trust assets.

## Investment Guidelines of Long-term Investment Portfolio

### General Principles

1. Investments shall be made solely in the interest of “Parish / School Name” and Long-term Investment Portfolio.
2. The assets shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a like fund.
3. Investment of these funds shall be diversified so as to minimize the risk of large losses.
4. ”Parish / School Name” may employ one or more Investment Managers of varying styles and philosophies to attain the portfolio’s objectives.
5. Cash is to be employed productively at all times by investment in Short-term cash equivalents to provide safety, liquidity and return.

## Specific Investment Goals of Long-term Investment Portfolio

Over the investment time horizon established it is the goal of the Long-term Investment Portfolio assets to realize a total return in excess of the rate of inflation, as measured by the Consumer Price Index. The goal of the

## Long-term Investment Portfolio cont.

Investment Manager shall be to meet or exceed the market index selected and agreed upon by the Finance Council that most closely corresponds to the general principles **stated above**.

### Diversification of Long-term Investment Portfolio

Investment management of the assets of the Long-term Investment Portfolio shall be in accordance with the following asset allocation guidelines:

	<i>EXAMPLE</i>	
<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	30%	70%
Fixed Income	30%	70%
Cash	0%	20%

The Finance Council may employ Investment Managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate portfolio, such disciplines must fit within the overall asset allocation guidelines established in this statement.

The Finance Council will meet at least annually to monitor and reevaluate investment allocation guidelines in reference to the Long-term Investment Portfolio Asset classes.

### Allowable Assets of Long-term Investment Portfolio

The Long-term Investment Fund requires that all investment assets be invested in marketable securities, defined as securities that can be traded quickly and efficiently for the Long-term Investment Portfolio, with minimal impact on market price.

1. Cash Equivalents
  1. Treasury bills
  2. Money market funds
  3. Commercial paper
  4. Certificates of deposit
2. Fixed Income Securities
  1. U.S. Government and Agency securities
  2. Corporate notes and bonds (investment grade, at least BBB)
  3. Mortgage-backed bonds
  4. Preferred stock
3. Equity Securities
  1. Common stocks
  2. Convertible notes and bonds
  3. Convertible preferred stocks
4. Mutual Funds that invest in securities as allowed in this statement

To ensure marketability and liquidity, equity investments shall be executed through nationally recognized exchanges such as the New York Stock Exchange, American Stock Exchange and NASDAQ.

## Long-term Investment Portfolio cont.

### Performance Reporting of Long-term Investment Portfolio

The Long-term Investment Portfolio will be evaluated at least semi-annually on a total return basis (**net of all costs**). The evaluation will be based on the stated investment goals. Comparisons will show results for the year-to-date. The report will be prepared by the Investment Manager and will be presented to the Finance Council at least semiannually.

# Endowment Portfolio

## Purpose of Endowment Investment Portfolio

The purpose of the Endowment Investment Portfolio is to provide permanent funding for the mission of “School / Parish Name”. The assets of the Endowment shall be managed in such a way as to facilitate the organization’s goals and objectives as outlined by the Finance Council. The principal is permanently restricted in accordance with Uniform Prudent Management of Institutional Funds Act (UPMIFA) which defines an “endowment” as a fund that “under the terms of the gift instrument, is not wholly expendable by the institution on a current basis.” It includes an optional provision, which a few states have adopted, that expenditure of more than 7% of the value of the fund in any year will be presumptively imprudent. If new gifts are solicited and received for an “endowment” fund, they will be subject to the statement of “may spend only an amount in the nature of interest that is “prudent” under the circumstances.” UPMIFA also provides that board-designated additions to the endowment are not permanently restricted because the additions were not limited by a third party donor. These funds are not, therefore, subject to the spending limitations. The annual amount expended each year to be utilized for program and agency expenses unless restricted for specific purposes by the donor(s), is left to the discretion of the Finance Council but with notation of the UPMIFA details.

Under this law, there are three ways to release or modify the management, investment, or purpose of an endowment. These include donor consent, modification if the charitable purpose becomes unlawful, or modification if the restriction becomes impracticable.

Please notify the Diocese’s Finance Director if the organization would like to establish a new endowment.

## Investment Objectives of Endowment Investment Portfolio

In order to meet its needs, the investment strategy of the Endowment Investment Portfolio is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management of the Endowment Investment Portfolio shall be:

- Long-term growth of capital – To emphasize the Long-term growth of principal while avoiding excessive risk. Short-term volatility consistent with the volatility of a comparable market index is anticipated, though management should strive to contain it.
- Preservation of purchasing power – To achieve returns in excess of the rate of inflation plus spending over the investment time in order to preserve purchasing power of agency and Trust assets. Risk control is an important element in the investment of Trust assets.

# Endowment Portfolio cont.

## Investment Guidelines of Endowment Investment Portfolio

### General Principles

1. Investments shall be made solely in the interest of "Parish / School Name" and Endowment Investment Portfolio.
2. The assets shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a like fund.
3. Investment of these funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. "Parish / School Name" may employ one or more Investment Managers of varying styles and philosophies to attain the portfolio's objectives.
5. Cash is to be employed productively at all times by investment in Short-term cash equivalents to provide safety, liquidity and return.

## Specific Investment Goals of Endowment Investment Portfolio

Over the investment time horizon established it is the goal of the Endowment Investment Portfolio assets to realize a total return in excess of the rate of inflation, as measured by the Consumer Price Index.

The goal of the Investment Manager shall be to meet or exceed the market index selected and agreed upon by the Finance Council that most closely corresponds to the general principles stated above.

## Diversification of Endowment Investment Portfolio

Investment management of the assets of the Endowment Investment Portfolio shall be in accordance with the following asset allocation guidelines:

### EXAMPLE

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	30%	70%
Fixed Income	30%	70%
Cash	0%	20%

The Finance Council may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate portfolio, such disciplines must fit within the overall asset allocation guidelines established in this statement.

The Finance Council will meet at least annually to monitor and reevaluate investment allocation guidelines in reference to the Endowment Investment Portfolio Asset classes.



# Endowment Portfolio cont.

## Allowable Assets of Endowment Investment Portfolio

The Endowment Investment Portfolio requires that *all investment assets be invested in marketable securities*, defined as securities that can be traded quickly and efficiently for the Endowment Investment Portfolio, with minimal impact on market price.

### Cash Equivalents

1. Treasury bills
2. Money market funds
3. Commercial paper
4. Certificates of deposit

### Fixed Income Securities

1. U.S. Government and Agency securities
2. Corporate notes and bonds (investment grade, at least BBB)
3. Mortgage-backed bonds
4. Preferred stock

### Equity Securities

1. Common stocks
2. Convertible notes and bonds
3. Convertible preferred stocks
4. Mutual Funds that invest in securities as allowed in this statement

To ensure marketability and liquidity, equity investments shall be executed through nationally recognized exchanges such as the New York Stock Exchange, American Stock Exchange and NASDAQ.

## Performance Reporting of Endowment Investment Portfolio

The Endowment Investment Portfolio will be evaluated at least semi-annually on a total return basis. The evaluation will be based on the stated investment goals. Comparisons will show results for the year-to-date. The report will be prepared by the Investment Manager and will be presented to the Finance Council at least semiannually.

# General Investment Portfolio Guidance

## Prohibited Assets & Transactions for all portfolios/pools

**Prohibited investments** include, but are not limited to the following:

1. Commodities and Future Contracts
2. Private Placements
3. Options
4. Limited Partnerships
5. Venture-Capital Investments
6. Individual Real Estate Properties
7. Interest-Only (IO) and Principal-Only (PO) Tranches of Collateral Mortgage Obligations (CMO)
8. Currencies – Crypto and Non US

**Prohibited transactions** include, but are not limited to the following:

1. Short Selling
2. Margin Transactions for the purposes of speculative securities purchases

## Catholic Values Investing

The Finance Council directs Investment Managers and Consultants to follow the Socially Responsible Investment Guidelines and Policies of the United States Conference of Catholic Bishops. These investment policies cover the following areas: protecting human life, promoting human dignity, reducing arms production, pursuing economic justice, protecting the environment, and encouraging corporate responsibility. A copy of the policies and guidelines, dated November 2021, is posted at [USCCB Guidelines for Socially Responsible Investing: Catholic Investment Strategies](#).

## Tax Exemption

The Portfolios are for a tax-exempt organization that is qualified under Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”). As such, those responsible for the Fund are required to adhere to the requirements of the Code, as amended from time to time to maintain such tax exempt qualification.

## Performance Measurement Guidelines

The primary measurement of performance will be benchmark-relative returns. However, providing protection against inflation is an additional goal where possible.

## General Investment Portfolio Guidance cont.

The following are the benchmarks that might be used for performance measurement:

Asset Class	Benchmarks
<input type="checkbox"/> US Large Cap Equity	<input type="checkbox"/> S&P 500 Index
<input type="checkbox"/> US Mid Cap Equity	<input type="checkbox"/> S&P Mid Cap 400 Index
<input type="checkbox"/> US Small Cap Equity	<input type="checkbox"/> Russell 2000 Index
<input type="checkbox"/> International Developed Large Cap Equity	<input type="checkbox"/> MSCI EAFE Index
<input type="checkbox"/> International Developed Small Cap Equity	<input type="checkbox"/> S&P EPAC Small Cap Index
<input type="checkbox"/> International Emerging Markets Equity	<input type="checkbox"/> MSCI Emerging Markets Index
<input type="checkbox"/> US REITS	<input type="checkbox"/> DJ US Select REIT Index
<input type="checkbox"/> International REITS	<input type="checkbox"/> DJ Global ex-US Select RE Securities Index
<input type="checkbox"/> US Fixed Income—Investment Grade	<input type="checkbox"/> BCAP US Aggregate Bond Index
<input type="checkbox"/> TIPS	<input type="checkbox"/> BCAP US TIPS Index
<input type="checkbox"/> International Fixed Income	<input type="checkbox"/> JPM EMBI Global Diversified Index
	<input type="checkbox"/> Investment Grade Intermediate Term
	<input type="checkbox"/> BCAP US Intermediate Credit Bond Index

Each investment strategy should be measured against the benchmark, and each fund should be measured against a blended benchmark, weighted based on the target asset allocation of each portfolio.