

## **SAMPLE**

### **Investment Policies can be as simple as:**

#### Example One

##### **Investment Policy**

Our policy is to make investments that align with Catholic Social Teachings

#### Or as detailed as Example Two

### **St. Anthony Foundation Statement of Investment Policy, Objectives and Guidelines (Updated March 31, 2023)**

#### **A. GENERAL INFORMATION**

This Statement of Investment Policy, Objectives and Guidelines (this “Investment Policy”) governs the investment management of the assets of St. Anthony Foundation (“SAF”). In the spirit of St. Francis, SAF desires to pursue an investment policy approach that secures the best return consistent with the risk parameters provided and in line with Christian values, subject, however, in all cases to applicable law.

This Investment Policy has been adopted by the Board of Directors (the “Board”) of SAF to:

- a. Define and assign responsibilities of all parties involved in the management and investment of SAF’s investment assets.
- b. Establish a clear understanding for all involved parties of the investment goals and objectives in the management and investment of SAF’s assets.
- c. Offer guidance and prescribe limitations to all Investment Advisors regarding the investment of SAF’s assets.
- d. Establish a basis for evaluating investment results.
- e. Reiterate the importance of managing SAF’s assets in accordance with prudent standards, as established in common trust law and the California Uniform Prudent Management of Investment Funds Act (“UPMIFA”) (collectively, “Applicable Law”).
- f. Establish the relevant investment horizon for which SAF’s assets will be managed.

#### **B. DELEGATION OF AUTHORITY**

The Board has delegated to the Finance Committee (the “Committee”) the responsibility for directing and monitoring the investment management of SAF’s assets. The Committee will report to the Board at least annually on the performance and management of SAF’s invested assets.

The Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. **Investment Advisor.** The Committee may delegate to Investment Advisors the discretion to purchase, sell, or hold the specific securities that will be used to meet SAF's investment objectives.
2. **Custodian.** The Committee may delegate to one or more custodians (or through agreement with a sub-custodian) the authority to maintain physical possession of securities owned by SAF, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales.
3. **Additional specialists.** The Committee may employ, and delegate responsibilities to, such additional specialists as investment consultants, attorneys, actuaries, retirement plan consultants, and others to assist the Committee in meeting its responsibilities and obligations under this Investment Policy.

The Committee does not retain any control over specific investment decisions. Investment Advisors will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations contained herein will hamper Investment Advisors in the achievement of the stated objectives, managers are encouraged to request modifications as they deem appropriate. Modifications may be approved or rejected by the Board in its sole discretion.

All expenses charged by Investment Advisors must be customary and reasonable.

### **C. ASSIGNMENT OF RESPONSIBILITY**

Each Investment Advisor will have full discretion to make all investment decisions for the assets placed under its management, subject, however, to all policies, guidelines, constraints and philosophies as outlined in this Investment Policy. Specific responsibilities of the Investment Advisor(s) include:

1. Discretionary investment management including decisions to buy, sell or hold individual securities, and to alter asset allocations within the guidelines established in this Investment Policy.
2. Reporting quarterly investment performance results to SAF on a timely basis.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors that affect implementation of the investment process or SAF's investment objective.
4. Informing the Committee regarding any qualitative change to the investment management organization, including but not limited to changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies, if requested by the Committee, on behalf of SAF and communicating such voting records to the Committee on a timely basis.

### **D. GENERAL INVESTMENT PRINCIPLES**

1. Investments shall be made solely in the interest of SAF.
2. The principles described in subparagraphs D.3-D.6 below shall be applied only in a manner consistent with SAF's investment philosophy, as described in Section E below.
3. SAF's assets shall be invested with care, skill, prudence, and diligence with the goal of producing returns equal to or exceeding prevailing standards among other nonprofits of similar asset size and risk profile.

4. Investments of SAF shall be diversified as to minimize the risk of large losses, unless the Board determines that, because of special circumstances, SAF's purposes are better served without diversification.
5. The Committee may employ one or more Investment Advisors of varying styles and philosophies to achieve SAF's objectives.
6. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity and return.

## E. INVESTMENT MANAGEMENT POLICY

**Investment Philosophy** – SAF embraces the values of the Catholic Church and should strive to invest in accordance with Catholic values as outlined by the United States Conference of Catholic Bishops (USCCB – November 12, 2003). The combination of religious mandate and fiscal responsibilities suggests the need for a clear and comprehensive set of policies to guide the investments.

As such, SAF values the presence in its portfolio of companies, financial institutions, and government offerings whose products, services and/or ways of doing business are consonant with and supportive of the following values:

- **Socially Responsible Investing** – Companies that have policies of socially responsible investing.
- **Human Rights** – Companies that have a demonstrated history of excellence in their respective industries, both at home and abroad, with respect to employment practices and/or labor relations; are at least 51% minority or woman-owned; promote economic development in depressed communities; and/or provide positive community reinvestment and access to capital.
- **Environment** – Companies that are engaged in activities or provide goods and services that improve quality of life, in harmony with nature (restoring or protecting the environment), including developing renewable, clean energy technology and alternative transportation technologies.
- **Catholic Doctrine** – Companies that recognize the dignity of all persons; and/or promote respect for life from conception to natural death.

In addition, within the discretion of the Board of Directors, SAF may invest in companies whose products or activities fall outside these criteria, but with whom SAF sees the possibility of achieving change through dialogue.

SAF will refrain from investing in:

- **Weapons** – Companies that derive more than 2% in sales from weapons (components or whole weapons), weapon systems or weapons research. This includes companies that manufacture or sell bio-technical or chemical weapons, nuclear weapons or delivery systems and/or are involved in the manufacture, sale or use of anti-personnel landmines.
- **Human Rights Violations** – Companies that deny equal employment opportunities for minorities and women, including management training and advancement; discriminate on the basis of race or sex; do not utilize fair labor practices and/or recognize the right of their workers to organize.
- **Sexual Exploitation** – Companies that are involved in producing or marketing activities or products that sexually exploit men, women and/or children.

- **Environmental Hazards** – Companies that produce substances known to be hazardous to the environment (such as fluorocarbons), have a history of violating regulations designed to protect the environment and/or are engaged in activities that are otherwise destructive to the environment (such as strip mining).
- **Alcohol, Tobacco, Firearms** – Companies that are significantly engaged in the production or marketing of firearms, alcohol or tobacco.
- **Catholic Doctrine Violations** – Companies that are known to be in violation of Catholic doctrine or social teaching, including but not limited to:
  - Companies whose activities include direct participation in or support of abortion.
  - Companies that manufacture contraceptives or derive a significant portion of their revenues from the sale of contraceptives.
  - Companies that engage in scientific research on human fetuses or embryos that result in the end of pre-natal human life, make use of tissue derived from abortions/other life-ending activities or violate the dignity of a developing person, including embryonic stem cell research, fetal tissue research and human cloning.

**Preservation of Capital** - Consistent with their respective investment styles and philosophies, Investment Advisors should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities. Preservation of capital over a full market cycle (three to five years) is important. For short term investments, preservation of capital takes precedence over rates of return.

**Risk Aversion** – Understanding that risk is present in all types of securities and investment styles, SAF recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet SAF’s objectives. However, Investment Advisors are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk taken is commensurate with the potential reward as well as consistent with the given investment style and objectives of the particular investment.

**Adherence to Investment Discipline** – Investment Advisors are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly, but at least bi-annually (i.e., every two years), for adherence to investment discipline.

## **F. INVESTMENT OBJECTIVES – SHORT TERM FUNDS**

### **Specific Investment Goal**

The financial goals for SAF investments that are invested for the short term (defined as three years or less, unless otherwise defined by the Investment Committee) in order of priority are:

- Preservation of Capital
- Liquidity
- Return. Returns should be commensurate with the level of risk taken.

## **G. INVESTMENT OBJECTIVES – LONG TERM FUNDS**

### **Specific Investment Goals**

1. The long-term financial goal for SAF’s investments is to provide a relatively stable stream of spendable income that increases over time at least as fast as the general rate of inflation, as measured by the Consumer Price Index.

2. The long-term investment objective for SAF's investments is to maximize long-term real (i.e., after inflation) total returns (i.e., yield plus capital appreciation) while moderating fundamental investment risks.

The investment goals above are the objectives of SAF's aggregate investments and are not meant to be imposed on each investment account. It is recognized that the objectives may be difficult to attain in every period but should be attainable over most market cycles. The goal of each Investment Advisor, over the investment horizon, shall be to:

1. Meet or exceed the most relevant and appropriate market or blended market index, selected by the Committee as being the index that corresponds most closely to the style of the applicable Investment Advisor.
2. Meet or exceed the median returns of an appropriate universe of institutional-quality Investment Advisors over a three year horizon for equity investments and a five year horizon for fixed income investments.
3. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation as well as comparing the returns of the portfolio against the appropriate benchmark on a quarterly basis.

#### **Defined Contribution Pension Plan**

SAF's Defined Contribution Pension Plan is a 403(b) plan where employees make voluntary contributions, which are invested by SAF and its retirement investment advisor each payroll. In addition, SAF makes discretionary contributions on behalf of eligible employees to the 403(b) plan with each payroll. SAF changes its defined contribution on behalf of eligible employees at its discretion, but it fully funds that discretionary contribution on a biweekly basis.

#### **Donor-Created Endowment Fund Spending Policy**

Pursuant to UPMIFA, SAF may spend from its permanently restricted assets, also known as its donor-created endowment fund (its "Endowment Fund"), such amounts as are prudent, taking into account the following factors:

- Duration and preservation of the Endowment Fund
- Purposes of SAF and the Endowment Fund
- General economic conditions
- Possible effect of inflation or deflation
- Expected total return from income or appreciation
- Other resources of SAF
- This Investment Policy

Consistent with the foregoing, the Committee determines the following spending disciplines: (a) the corpus/principal of each endowment will be permanently preserved and not invaded for operational spending; (b) SAF will not access the earnings of any endowment whose market value drops below its initial corpus value for any reason, until that endowment's corpus has reached par; (c) endowment earnings will be estimated as part of the annual budget process; (d) endowment earnings will be captured on a quarterly basis from the endowment investment funds to the operational cash accounts; and (e) earnings

capture related to the Endowment Fund for operations will be capped at 5% annually, even if the Endowment Fund earns more than 5% in a year.

The Committee is directed to maintain a spending policy that will provide, to the extent practical, a steady stream of income from year to year, consistent with the need to preserve the Endowment Fund as a permanent fund and taking into account the factors described above.

Subject to the constraints described above, and as detailed in the Reserves Management Policy dated February 2023, each calendar year a distribution will be made from each of the five reserve portfolios included in the Board designated Reserves to the general operating cash account. This distribution will be calculated based on a 5% payout ratio multiplied by the average of each reserve's trailing 12-quarter balance. The annual distribution will be paid out in quarterly increments on the first business day of each quarter.

## **H. INVESTMENT GUIDELINES**

### **Liquidity**

To minimize the possibility of a loss occasioned by the sale of a security forced by SAF's need for liquidity, the Committee will periodically provide Investment Advisor(s) with an estimate of expected cash withdrawal needs from the investments. The Committee will notify Investment Advisor(s) in a timely manner (at least annually), to allow sufficient time to build up necessary liquid reserves.

### **Permitted Assets – Short Term Investments**

- ◆ Cash Equivalents
  - Treasury Bills with maturity of less than three years
  - Money Market Fund
  - Corporate Commercial Paper rated A1 or equivalent
  - Certificates of Deposit
  
- ◆ Fixed Income Securities
  - US Government and Agency Securities
  - Corporate Notes and Bonds rated B3 or B- (Moody's/S&P ratings) or better
  - Maximum maturity for a single bond issue will be determined by the Finance Committee, based on projected need for liquidity of the funds.

### **Permitted Assets – Long Term Investments**

- ◆ Cash Equivalents
  - Treasury Bills
  - Money Market Fund
  - Corporate Commercial Paper rated A1 or equivalent
  - Certificates of Deposit
  
- ◆ Fixed Income Securities
  - US Government and Agency Securities
  - Corporate Notes and Bonds rated B3 or B- (Moody's/S&P ratings) or better
  - Mortgage Backed Notes
  - Preferred Stock

- Program-Related Investments (loans only)
- Maximum maturity for a single bond issue is 30 years
- Average duration for the entire portfolio should not vary from the Barclays G/C Bond Index by more than 25%.
  
- ◆ Equity Securities
  - Common stocks
  - Convertible Notes and Bonds
  - Convertible Preferred Stocks
  - American Depository Receipts (ADRs) of Non-US Companies
  - Stocks of Non-US Companies (Ordinary shares)
  - Publicly-traded Real Estate Investment Trusts (REITs)
  
- ◆ Mutual Funds
  - Mutual Funds, which invest in securities as allowed in this Investment Policy.
  
- ◆ Exchange-Traded Funds (ETFs)
  - Exchange-Traded Funds (ETFs), which invest in securities as allowed in this Investment Policy

#### **Derivatives – All Investment Funds**

Investment Advisors may not invest SAF assets in derivative securities unless their recommendation to do so is specifically approved by the Committee.

#### **Prohibited Investments and Prohibited Transactions – All Investment Funds**

In addition to the prohibited investments outlined in the investment philosophy described in Paragraph E above, this Investment Policy also prohibits the direct ownership of private real estate, private companies, and derivative contracts.

Though significant thought should be given to illiquidity and risk profile of alternative investments, SAF may pursue private vehicles (venture capital, private placements, etc.) and hedge funds that are managed by quality institutional investment managers. These investments must be recommended by the SAF Chief Financial Officer and receive approval from the Finance Committee.

The following are prohibited transactions:

- ◆ Short Selling
- ◆ Margin Transactions
- ◆ Lending (except for Program-Related Investments)
- ◆ Holding more than 10% of the value in any one portfolio in the securities of any single company or in the securities of companies in any one sector
- ◆ Investing in companies for the purpose of exercising control or management
- ◆ Investing more than 10% of the value in any one portfolio in securities of issuers which have been in operation for less than three years
- ◆ Investing more than 10% of the value in any one portfolio in equity securities for which no formal market exists.

Any decision to invest in a prohibited investment or enter into a prohibited transaction listed in this Investment Policy shall require Board approval following review and recommendation by the Finance Committee.

**Asset Allocation Guidelines – Long Term Funds**

1. SAF’s investment assets will be allocated and, periodically, rebalanced between equity, fixed income and cash in proportions consistent with the following asset allocation guidelines:

Aggregate SAF Asset Allocation Guidelines (at market value)

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
All Equities	20%	80%	60%
Fixed Income	20%	80%	40%
Cash and equivalents	0%	20%	0%

2. The Committee may, on a case-by-case basis, employ Investment Advisors whose investment disciplines require investment outside the foregoing asset allocation guidelines so long as said allocation guidelines are not violated on an aggregate basis, taking into consideration the allocation of all of SAF’s investment assets. Deviations from the foregoing allocation guidelines are valid only if the Committee provides the applicable Investment Advisor(s) with written authorization to do so.

3. Should SAF’s actual asset allocation vary from its allocation guidelines for any reason, the investment portfolio will be re-balanced to SAF’s allocation guidelines as follows:

- i. Utilize incoming cash flow or disbursements to realign the current weightings closer to the allocation guidelines.
- ii. Each portfolio will be reviewed at least semi-annually by the Investment Advisor to determine the deviation from the allocation guidelines. During each review, the following parameters will be applied:
  - a) If any asset class (equity, fixed income or cash) within the portfolio is +/-5 percentage points from its minimum or maximum range, the portfolio will be rebalanced.
  - b) If any fund within the portfolio has increased or decreased by greater than 20% of its target weighting, the fund may be rebalanced.
- iii. The Investment Advisor may provide the Committee with a rebalancing recommendation at any time.
- iv. The Investment Advisor shall act within a reasonable period of time to evaluate deviation from the allocation guidelines.

4. The Committee will periodically review asset allocation guidelines for various types of equities and permitted ranges for each type of equity, and may in its sole discretion make changes from time to time.

**I. SELECTION OF INVESTMENT ADVISORS**

The Committee’s selection of Investment Advisor(s) must be based on prudent due diligence in accordance with Applicable Law. A qualifying Investment Advisor must be a registered investment advisor under the



Investment Advisors Act of 1940, or a bank or insurance company. The Committee requires that each Investment Advisor provide, in writing, acknowledgement of fiduciary responsibility to SAF.

## **J. INVESTMENT ADVISOR REVIEW AND EVALUATION**

Performance reports generated by Investment Advisors shall be compiled quarterly and provided to the Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks as selected by the Committee. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this Investment Policy. The Committee intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance which is significantly less than anticipated given the disciplines employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this Investment Policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment Advisors shall be reviewed regularly, but at least bi-annually (i.e., once every two years), regarding performance, personnel, strategy, research capabilities, fee structure, organizational and business matters and other qualitative factors that may affect their ability to achieve the desired investment results.

The Committee acknowledges that managers of commingled funds, such as mutual funds, are unable to respond to specific guidelines. The Committee will maintain and review annually copies of the investment policies of managers of commingled funds to ensure that the Committee understands such investment policies and practices, including the managers' processes and procedures to control and measure risk. It is the responsibility of the Committee to determine whether such investment policies and practices are permitted by this Investment Policy.

## **K. INVESTMENT POLICY REVIEW**

The Committee will review the Investment Policy at least once every two years. If the Committee determines that amendments to the Investment Policy are appropriate, the Committee will recommend such amendments to the Board for its consideration.