

**The Catholic Foundation  
in the  
Archdiocese of Dubuque**

**STATEMENT OF INVESTMENT POLICY**

MAY 2022

# Table of Contents

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Introduction and Purpose .....3  
Executive Summary .....4  
Delegation of Responsibilities .....5  
Investment Policy and Objectives.....8

Appendix A.....16  
Appendix B .....17  
Appendix C .....18  
Appendix D .....20  
Appendix E.....22

## Introduction and Purpose

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This Statement of Investment Policy is set forth to:

- Define the investment policies, guidelines and objectives of the Catholic Foundation in the Archdiocese of Dubuque. (“CFAD”) as adopted by CFAD’s Board of Directors (“Board”) and its Investment Committee (“Investment Committee”).
- Create a framework from which the Investment Committee can evaluate performance, explore new opportunities and make recommendations to enhance CFAD, along with the Growth (“Growth Portfolio”), Moderate (“Moderate Portfolio”), Conservative (“Conservative Portfolio”), and Preservation (“Preservation Portfolio”) investment portfolios.
- Provide guidance for, expectation of and limitation on all parties bearing investment responsibilities for CFAD.

The intent of this Statement is to design an investment environment with specific parameters that reflects the philosophy of CFAD, thereby providing the Investment Committee with clearly defined policies and objectives. Although these policies and objectives are intended to govern the investment activity of CFAD, they are designed to be sufficiently flexible in order to be practical.

All current and future accountholders will be informed periodically of CFAD’s Statement of Investment Policy.

## Executive Summary

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- The Catholic Foundation in the Archdiocese of Dubuque Board of Directors, ultimately, is responsible for making the decisions that affect the Foundation (“CFAD”). The Board receives information and recommendations from the Board’s Investment Committee.
- The Investment Committee is charged with recommending investment policy, and with overseeing the investment of the funds of the Foundation and the property of the Foundation in which its funds are invested.
- The Consultant is charged with monitoring the Foundation’s performance, implementing specific investment directives and recommending investment strategies to the Investment Committee in order to obtain the Long-Term Objectives set forth in the Investment Policy.
- Investment Managers selected by the Investment Committee on the advice and counsel of the Consultant are required to invest assets in accordance with the guidelines and restrictions dictated by the Statement of Investment Policy.
- The custodian is charged with providing timely detailed investment reports on a monthly basis, an annual summary report, and normal custodial functions such as security safekeeping, collection of income, etc.
- The long-term objective of the Foundation is to achieve a total return equal to or in excess of each of the Foundation’s financial requirements over the Time Horizon. In addition to achieving the Spending Rate, the Policy Asset Allocation is designed to cover the costs of investment management/consulting fees, custodial, administrative and related costs, impact of inflation, and any growth factor, which the Investment Committee may, from time to time, determine appropriate.
- The CFAD Board of Directors is responsible for approval of the investment policy and any changes made to it.

Capitalized terms used but not specifically defined herein shall have the meanings ascribed thereto in the Articles of Incorporation of The Catholic Foundation in the Archdiocese of Dubuque, the CFAD Bylaws or the CFAD Fund policies.

## Delegation of Responsibilities

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### **Relationship between Board of Directors and Investment Committee**

The Board of Directors, ultimately, is responsible for making the decisions that shape CFAD's Investment Policy. The Board, in accordance with its Bylaws, has delegated certain authority to the Investment Committee to implement these policies, coordinate the activities of Investment Managers, the Consultant and Custodian, study issues pertinent to CFAD, and make day-to-day investment decisions as appropriate.

### **Investment Committee**

The Board has engaged the services of the Investment Committee to assist and advise in carrying out its responsibilities to manage the investment operations of the portfolios. In this regard, the Investment Committee is authorized and permitted to engage the services of Consultants, Custodians, and registered Investment Managers who possess the necessary specialized research facilities and skill to meet the investment objectives and guidelines of CFAD. Accordingly, the Investment Committee must require the service providers to adhere to any policies adopted by the Committee. Below is a general outline of the various stakeholders' responsibilities:

### **Investment Committee**

The Investment Committee's responsibilities include:

- Selecting Investment Managers, Consultants, and Custodians;
- Setting investment policy guidelines consistent with the Board's overall policy directives;
- Developing investment objectives and performance measurement standards which are consistent with the financial needs of CFAD;
- Determining the asset allocation and rebalancing strategies to implement the Board's overall objectives and selecting the investment managers to meet these objectives;
- Reviewing and evaluating investment results in the context of predetermined performance standards and implementing corrective action as needed;
- Monitoring the spending rate policy set by the Board; and
- Implementing and managing other criteria determined by the Board.

### **Consultant**

The Investment Committee may decide to engage an independent investment consulting firm to assist it in the attainment of CFAD's objectives and to monitor compliance with the stated investment policies. The Consultant's responsibilities are:

- Assisting in the development and implementation of investment policies, objectives, and guidelines;
- Preparing asset allocation analyses as necessary and making recommendations for an asset allocation strategy with respect to CFAD's objectives;
- Reviewing Investment Managers - including search, recommendation and selection consistent with the objectives of CFAD;
- Preparing and presenting performance evaluation reports in accordance with CFA Institute promulgated standards;

- Attending Investment Committee meetings to present evaluation reports on a quarterly basis (attendance at other meetings is on an “as needed” basis);
- Reviewing contracts and fees for both current and proposed Investment Managers;
- Reviewing and developing special investment strategies that complement existing asset classes or strategies to be considered by the Investment Committee;
- Communicating investment policies and objectives to the managers, monitoring their adherence to such policies and reporting all violations;
- Notifying the Investment Committee of any changes in personnel or ownership of the consulting firm;
- Assisting the Investment Committee in special tasks;
- Notifying the Investment Committee immediately of any litigation or violation of securities regulations in which any Investment Manager is involved; and
- Notifying the Investment Committee of any significant changes in portfolio managers, personnel or ownership of any investment management firm.

### **Investment Managers**

Each Investment Manager is expected to pursue their own investment strategy within the guidelines created for individual managers. Coordination of the guidelines for the individual managers assures the combined efforts of the managers will be consistent with the overall investment objectives of CFAD.

The Investment Managers’ responsibilities are as follows:

- Investing assets under their management in accordance with the guidelines and restrictions formulated by the Investment Committee;
- Exercising discretionary authority over the assets entrusted to them, subject to these guidelines and restrictions and in compliance with all relevant laws;
- Providing written documentation of portfolio activity, portfolio valuations, performance data, and portfolio characteristics on a monthly basis in addition to other information as requested by the Investment Committee and the Consultant;
- Voting proxies vigorously in the best interests of CFAD and consistent with the directives of the Investment Committee;
- Notifying the Consultant and the Investment Committee of any significant changes in portfolio management style, personnel, or ownership of the investment manager;
- Notifying the Consultant and the Investment Committee of any litigation or commencement of a regulatory administrative proceeding or enforcement action in which the investment manager is involved;
- Be governed by the CFA Institute Code of Ethics and Standards of Professional Conduct or, alternatively, by an internal code. If governed by an internal code the current document and all future updates must be provided to the Subcommittee; and
- Annually providing a copy of the investment advisor’s form ADV Part II.

For the avoidance of doubt, any commingled investment strategies shall be governed by the terms and conditions outlined in the investment vehicle’s prospectus.

## **Custodian**

The Custodian's responsibilities are as follows:

- Providing timely reports detailing investment holdings and account transactions monthly to the Investment Committee and Consultant;
- The Custodian will also provide an annual summary report to be submitted to the Investment Committee and the Consultant within 21 days following each fiscal year end. The report will include the following:
  - Statement of all property on hand;
  - Statement of all property received representing contributions to the accounts;
  - Statement of all sales, redemptions, and principal payments;
  - Statement of all distributions from the account;
  - Statement of all expenses paid;
  - Statement of all purchases; and
  - Statement of all income.
- Establishing and maintaining an account(s) for each Investment Manager of CFAD;
- Be in compliance with all relevant laws and regulations;
- Providing all normal custodial functions including security safekeeping, collection of income, settlement of trades, collection of proceeds of maturing securities, daily investment of cash balances, etc; and
- Preparing additional accounting reports as requested by the Investment Committee and Investment Consultant.

## Investment Policy and Objectives

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### Growth Portfolio Objectives:

- Return:** The long-term objective of CFAD Growth Portfolio is to provide reliable and sustainable income for the current needs of beneficiaries and to perpetuate the resources of CFAD for future generations. Therefore, the minimum investment return from the CFAD – Growth Portfolio needs to be sufficient to offset spending and expenses. The Portfolio has adopted a “total return” investment approach. Current income is considered a secondary consideration. The target rate of return is displayed below:

<b>CFAD – Growth Portfolio</b>	
Spending Rate	4.0%
Inflation Rate	2.2%
Investment Management Fees	0.6%
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<b>Long-Term Return Need (<i>Net of Fees</i>)</b>	<b>6.8%</b>

- Risk:** The Investment Committee will permit the Portfolio to experience an overall level of risk consistent with the risk generally associated with such Committee’s policy asset allocation as set forth in **Appendix B**.

### Constraints:

- Liquidity:** Due to the long-term investment horizon of the Portfolio, liquidity is of secondary concern. The Portfolio should maintain sufficient funds to provide for annual spending and expenses.
- Time Horizon:** The Portfolio has an infinite life and should be managed with a time horizon of fifty to one hundred years.
- Taxes:** CFAD has a tax-exempt status. All actions of the Investment Committee should be taken in recognition and preservation of this status.
- Legal and Regulatory:** The Investment Committee must comply with applicable laws and regulations, plus fiduciary standard of care.
- Unique Circumstances:** Investments shall be made to not only meet the objectives of investment and economic performance, but also consider the objectives of social and moral responsibility as outlined in the Moral and Social Guidelines listed below.

### Spending Policy

The Investment Committee must conduct its investment allocation analysis in recognition of CFAD’s need for short-term distribution income, and long-term maintenance and growth of capital. As a result, the Investment Committee is authorized to appropriate for expenditure in any year for the uses and purposes for which a fund is established so much of the net appreciation, realized and unrealized, in



the fair market value of a fund over the historic dollar value of a fund as is prudent, but in all events not to exceed the amount determined under this Spending Policy.

#### *Spending Rate - The Foundation*

The Investment Committee recognizes that authorizing a Spending Rate equal to a fund's total return each year will imperil CFAD's long-term objective. At the same time, CFAD is aware that the beneficiaries may require an adequate distribution amount for expenditures. Therefore, CFAD's policy shall be that a Spending Rate not to exceed 4.0% is appropriate to meet the needs of the beneficiaries. This Spending Rate will be reviewed periodically by the Board and its Investment Committee, in light of evolving trends with respect to the economic cycle, investment outlook, investment/market returns, as well as the needs of beneficiaries. Adjustments will be made when appropriate and documented in meeting minutes.

In carrying out the Spending Policy, the Investment Committee is specifically authorized to distribute more in an individual year than was actually earned in the year where, for instance, the most recent four quarters experienced a loss. The policy will act to maintain a more stable distribution stream, whether total return is positive or negative in given years.

The spending rates for funds in the Moderate, Conservative, and Preservation Portfolios differ from funds in the Growth Portfolio. This outline represents a guideline for the Growth portfolio. Please see appendix C, D, and E for a summary of the Moderate, Conservative, and Preservation Portfolios.

#### *Total Return Policy*

The Foundation hereby adopts a "total return" approach to calculating investment returns. This total return is comprised of both traditional "income" (interest and dividends) and realized and unrealized net capital gains. When distributions are made, the Investment Committee may withdraw them from a fund regardless of the portion of the total return that is from capital gains or from income.

#### *Spending Rate Calculation*

It shall be the policy of the Foundation to distribute annually, an amount equal to the product of the most recent twelve-quarter moving average of a fund's market value, multiplied by the Spending Rate.

### **Return Measurement Objectives**

The investment objectives of the Foundation are based upon a long-term investment horizon allowing interim fluctuations to be viewed in an appropriate perspective. While there cannot be complete assurance that the defined objectives will be realized, it is believed that the likelihood of their realization is enhanced by the diversified asset allocation of the Foundation assets.

Over time, the Foundation's goal is to achieve the total portfolio return goal while maintaining acceptable risk levels. To accomplish this goal, the Foundation will diversify its assets among several asset classes. **Appendix A** provides permissible asset classes and appropriate index measures of these classes. Active managers will be expected to provide returns greater than or equal to their appropriate benchmark while utilizing acceptable risk levels.

It is the Foundation's goal to obtain the following returns. All return objectives described are understood to be net of (after) investment expense.

- Total Portfolio assets should return, over the Time Horizon, an annualized nominal rate of return greater than or equal to the spending rate plus expenses.

















## Appendix B

### GROWTH PORTFOLIO TARGET ASSET ALLOCATION

Asset Class	Policy Target (%)	Range
<b>Growth Assets</b>	<b>70</b>	<b>50</b>
U.S. Large-Cap	17	10 - 27
U.S. Large Quality	6	0 - 10
U.S. Mid-Cap	3	0 - 5
U.S. Small-Cap	1	0 - 5
<b>Total Domestic Equities</b>	<b>27</b>	<b>10 - 47</b>
International Large-Cap	17	10 - 27
International Small-Cap	2	0 - 5
Emerging Markets	7	0 - 12
<b>Total International Equities</b>	<b>26</b>	<b>10 - 44</b>
Emerging Market Debt	2	0 - 5
Global Stocks	4	0 - 10
Private Equity	6	0 - 10
Real Assets	5	0 - 10
<b>Risk Reduction Assets</b>	<b>30</b>	<b>20 - 45</b>
U.S. Fixed Income	11	10 - 45
U.S. Inflation Protected Fixed	4	0 - 8
Cash	0	0 - 5
Absolute Return	15	0 - 20
<b>Total</b>	<b>100</b>	

The investment policy stated above was in effect at the time the IPS was approved. The Investment Committee may amend the target within the associated ranges without Board approval.

## Appendix C

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### INVESTMENT OF ASSETS FOR THE MODERATE PORTFOLIO

**Moderate Portfolio Definition:** A Moderate Portfolio is used for fund agreements between the CFAD and a client to invest funds on behalf of the client for a ten year time horizon.

#### Objectives and Guidelines

**Objective:** Moderate Portfolio assets are invested to meet the intermediate return goals of the investors. See table below for the Moderate Portfolio Target Asset allocation.

**Guidelines:** The Foundation's Investment Committee will have the responsibility and authority for determining the most appropriate investment strategy and vehicles for the portfolio.

The Investment Committee acknowledges that the asset allocation decision is the single most important decision impacting the Moderate Portfolio. It further recognizes the policy and guidelines set forth in this Investment Policy Statement apply to the execution of its oversight of the Moderate Portfolio.

#### Additional Constraints

- **Taxes:** CFAD has a tax-exempt status. All actions of the Investment Committee should be taken in recognition and preservation of this status.
- **Legal and Regulatory:** The Investment Committee must comply with applicable laws and regulations, plus fiduciary standard of care.
- **Unique Circumstances:** Investments shall be made to not only meet the objectives of investment and economic performance, but also consider the objectives of social and moral responsibility and of supporting business that is in harmony with moral and social teachings of the Catholic Church as outlined in the Moral and Social Guidelines listed earlier.

Asset Class	Policy Target (%)	Range
<b>Growth Assets</b>	<b>59</b>	<b>45 - 75</b>
U.S. Large-Cap	15	10 - 27
U.S. Large Quality	5	0 - 10
U.S. Mid-Cap	3	0 - 5
U.S. Small-Cap	2	0 - 5
Total Domestic Equities	25	10 - 40
International Large-Cap	13	10 - 25
International Small-Cap	2	0 - 5
Emerging Markets	6	0 - 12
Total International Equities	21	10 - 40
Emerging Market Debt	4	0 - 6
Global Stocks	4	0 - 10
Private Equity	0	0 - 0
Real Assets	5	0 - 10
<b>Risk Reduction Assets</b>	<b>41</b>	<b>25 - 55</b>
U.S. Fixed Income	20	10 - 55
U.S. Inflation Protected Fixed	6	0 - 10
Cash	0	0 - 5
Absolute Return	15	0 - 20
<b>Total</b>	<b>100</b>	

The investment policy and performance goals of the Moderate Portfolio will be reviewed at least annually or deemed necessary by the Committee.









