



STATEMENT OF INVESTMENT POLICY AND OBJECTIVES
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA
February 2023

This Statement of Investment Policy and Objectives (“Investment Policy”) is issued by the Catholic Foundation of Northwest Pennsylvania with the approval of its Board of Directors for the management of the assets (Investment Fund) of the Catholic Foundation of Northwest Pennsylvania (“Foundation”). The Foundation strives to exercise faithful, competent, and morally responsible stewardship in managing the material resources entrusted to it through contributions and other sources. It is from the Gospel message and Church teaching that the Foundation draws the values, directions, and criteria which guide the management of its assets.

The Foundation will clearly state certain principles, to which its investment managers are expected to adhere, that must be balanced with a reasonable return on its investments. Its investment managers will also be held accountable to established performance measurement standards.

I. PURPOSE OF THE STATEMENT

The purpose of this Statement is fourfold:

- A. To help the Investment Committee and investment managers understand the policies and objectives of the Foundation.
- B. To develop broad asset categories, investment objectives, policies and guidelines, which are appropriate and prudent in consideration of the Foundation’s purpose.
- C. To provide investment managers with social responsibility guidelines and restrictions to be observed in the investment process.
- D. To establish performance standards and criteria against which to measure the investment managers selected by the Investment Committee.

II. ROLES AND RESPONSIBILITIES

Responsibility of the Board of Directors and Investment Committee:

It is the responsibility of the Board to approve and amend as appropriate the Investment Policy, establishing strategic policy guidelines by which the Investment Fund is to be managed. The Board will select, hire and/or terminate Investment Manager(s) and consultants. The Board of Directors delegates to the Investment Committee of the Board the following responsibilities: The Investment Committee will implement the Investment Policy and adhere to its stated goals, the Investment Committee will review the performance of the managed investments according to objectives and will meet with the Investment Manager(s) on a periodic basis of no less than annually. It is the responsibility of the Investment Committee to review asset allocation targets and appropriate

guidelines and restrictions for the Investment Manager(s), and the Investment Policy no less than annually.

Responsibility of Investment Manager(s):

Each Investment Manager has the authority to purchase and sell securities at their discretion, as long as investment decisions are made in conformity with the guidelines set forth in this Investment Policy. The Investment Manager(s) will review the Investment Policy no less than annually and make recommendations for changes, if any, to the Investment Committee.

III. INVESTMENT OBJECTIVES

The primary objective of the Foundation is the long-term growth of principal and generation of income sufficient to offset distributions and investment fees and to preserve the purchasing power of the Foundation.

Historical performance results and future expectations suggest that common stocks will provide higher total investment returns than fixed-income securities over a long-term investment horizon. However, one can expect an increase in portfolio volatility as the stock percentage is increased.

Based on the investment goals and risk tolerances stated in this document, the following asset mix strategy is appropriate. Investments should not fall below the minimum or exceed the maximum levels (at market value) without written or verbal acknowledgement, the latter to be confirmed in the minutes of the Investment Committee meeting. This target policy mix will be reviewed annually, and the investment policy will be adjusted if deemed appropriate.

Asset Category	Target	Range	Index
Equity	70%	60-80%	
US Equity	50%	40-60%	Russell 3000
International Equity	20%	10-30%	MSCI ACWI ex US net IMI
Fixed Income	30%	20-40%	Bloomberg Barclays Aggregate
Alternatives	0%	0-10%	
Cash and Equivalent	0%	0-10%	

Global equity managers may be considered for use in the Foundation. Global equities consist of stocks of companies domiciled in developed and emerging international markets, and US markets. Any allocation to a Global Equity investment manager will be considered an allocation to US Large Cap Equity and International Equity and the percentage allocation to both for purposes of determining the overall portfolio allocation will be based on the allocation of the underlying portfolio.

Each of the investment managers is instructed to normally remain 95% to 100% invested in the respective asset class for which they were retained, with a target of 100%. When an investment manager has received a cash contribution, has a realized gain or loss, or during

periods of extreme market volatility, up to 10% of the account may be temporarily (up to 90 days) invested in cash. Also, for fixed-income managers, the cash allocation may exceed 5% if strategic in nature (e.g., barbell strategy).

The asset allocation will be monitored quarterly with the assistance of the Investment Advisor. The portfolio will be rebalanced to policy targets as necessary.

IV. INVESTMENT GUIDELINES AND DEFINITIONS

All investment managers are expected to comply with the current United States Conference of Catholic Bishops (USCCB) Socially Responsible Investment Guidelines. Compliance will be monitored by the Investment Advisor and the Investment Committee no less than annually. Questions regarding the compliance of individual issues, or the interpretation of the guidelines, should be directed to the Investment Committee and/or the Investment Advisor. The Investment Committee will be responsible for approving the use of any investment that does not adhere to the Socially Responsible Investment Guidelines.

US Large Cap Equities

The role of the US large cap equity segment is to provide growth of principal with income. It should invest in well-established, large capitalization companies (greater than \$7 billion market capitalization at purchase). Multiple investment managers, following a variety of investment strategies, are expected to be used under normal circumstances. These managers should always be well diversified by market sector and security. This section of the total portfolio is expected to provide long-term growth of principal plus a modest level of income at a moderate (market-like) level of risk.

US Small and Mid-Cap Equities

The role of the small and mid-cap segment is to provide long-term growth of principal through exposure to small and mid-sized companies (those with market capitalizations less than the largest company in the Russell Mid Cap Index at the time of purchase) that can provide consistent growth. Investment Managers should be well diversified by market sector and security. This section of the portfolio is expected to provide long-term growth of principal; any income generation is incidental to the primary objective. Risk is expected to be greater than the overall market but should not be excessive.

Global Equities

Global equities consist of stocks of companies domiciled in developed and emerging international markets, as well as domestic US markets. The role of the global equity segment is to provide long-term growth through exposure to global equities. This position is expected to diversify risk while earning a competitive return. The investment manager should provide a diversified portfolio – by market sector and security – of listed common stock, OTC common stock, ADRs, and EDRs. Its primary universe for investment will be developed international markets of the Morgan Stanley Capital International All Country World Index (MSCI ACWI). This section of the total portfolio is expected to allow the investment manager flexibility to invest across multiple markets.

International Equities

International equities consist of stocks of companies domiciled in developed and emerging international markets. The role of the international equity segment is to provide long-term growth

through exposure to international equities. This position is expected to diversify risk while earning a competitive return. The investment manager should provide a diversified portfolio – by market sector and security – of listed common stock, OTC common stock, ADRs, and EDRs. Its primary universe for investment will be developed international markets of the Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE). This section of the total portfolio is expected to provide long-term growth of principal plus a modest level of income at a moderate (market-like) level of risk.

Real Estate

Investments should be held in public real estate securities (such as REITs). This category includes office, retail, industrial and occasionally apartment properties. The prevalent practice of managing real estate among institutional investors is to buy high-quality properties with minimal leasing, operating and development risks. Returns stem from net rental income, capital appreciation and proceeds from the ultimate sale of the property.

Such investments may be made only through professionally managed pooled real estate investment funds, as offered by leading real estate managers with proven records of superior performance over time.

Fixed Income

The role of the fixed income segment is to provide current income and reduce overall volatility through exposure to fixed-income markets. This manager should invest in U.S. Government and Agency obligations and their instrumentalities, marketable corporate bonds, debentures, commercial paper, certificates of deposit and other such instruments as deemed prudent by the investment manager. Non-government publicly traded bonds should be selected and managed to ensure an appropriate balance of maturity, quality, marketability and adequate diversification with respect to industry and issue.

Cash

A cash component will be maintained for liquidity purposes and guarantee of principal – there is little concern for generating income. This segment of the portfolio shall be invested in money market instruments or funds managed by the custodian bank of the Foundation. These assets typically have maturities of less than 90 days and are considered to be very low risk.

Prohibited Investments

Unless expressly authorized by the Investment Committee, the following investments are not permitted:

- Short sales or margin purchases
- Securities lending
- Venture capital
- Private placement or other securities not publicly traded
- Direct placement of mortgages to individuals
- Commodities

The Investment Committee is conscious of the widespread use of derivatives (options, futures, pass-through securities, structured notes, etc.) in implementing investment strategy. It is also aware that derivatives can be used prudently to establish investment positions and as risk control devices. The Investment Committee does not, authorize the use of derivatives as speculative instruments or in a leveraged manner such that the risk of loss from a particular position would

be materially larger than if actual securities were utilized.

V. INVESTMENT PERFORMANCE REVIEW PROCESS

The performance objectives of the Investment Fund shall be defined as follows:

Absolute – which shall be measured in real (i.e., net of inflation) rate-of-return terms (net of fees) and shall have the longest time horizon for measurement.

The Absolute Objective of the Investment Fund is to seek an average annual total return net of fees of at least 5.0% plus the annualized change in the Consumer Price Index (for all urban consumers). The absolute objective is to be calculated at the end of the calendar year over the trailing annualized five- and ten-year time periods. The Consumer Price Index is published by the U.S. Bureau of Labor Statistics. The intent of this objective is to preserve, over time, the principal value of the Investment Fund as measured in real, inflation-adjusted terms.

Relative – which shall be measured as time-weighted rates of return versus weighted capital market indices as described below:

50% Russell 3000
20% MSCI ACWI ex US net IMI
30% Bloomberg Barclays Aggregate

The Relative Objective of the Investment Fund is to achieve a total rate of return that is above the performance of capital market indices of similar weighting to the portfolio. This shall be accomplished primarily through comparisons over annualized one-, three-, five-, and/or ten-year time periods.

Risk Tolerance

The risk tolerance of the Foundation is relatively high, generally in keeping with that of other foundations and endowments. Its long-term growth and distribution requirements call for the assets to be managed for total return – supported by the long-term time horizon of the portfolio. Capital gains will be the primary source of funding with income generation a secondary objective. In years when the market return exceeds the distribution level, excess account value will add to principal. However, in years when market performance falls short of liquidity requirements, principal will be used to fund distributions and expenses. Hence, the risk tolerance, flowing from the performance goals and time horizon, must allow for the short-term volatility necessary to achieve higher levels of long-term return.

VI. COMMUNICATIONS

On a periodic basis, but no less than annually, based on information provided by the Investment Advisor(s) the Investment Committee will:

1. Review the actual results achieved to determine whether the investment managers have performed in accordance with this Statement of Investment Policy and Objectives and the return objectives as set forth herein.
2. Review the broad asset category guidelines and make any needed recommendations for strategic changes.

The Custodian of the Foundation is expected to provide monthly statements of portfolio transactions and invested positions (by cost and market) to the financial officer designated by the Catholic Foundation.

Finally, special meetings will be held, as necessary, should events occur which require Investment Committee action; for example, a strong market rally which materially affects the asset allocation may require special attention.

VII. AMENDMENT

This Statement of Investment Policy and Objectives may be amended from time to time with the approval of the Catholic Foundation board of directors and acknowledgement of the Investment Managers.

VIII. PRIMARY CONTACTS

AS FOLLOWS OR THEIR LEGITIMATE SUCCESSORS:

Catholic Foundation of Northwest Pennsylvania

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IX. Acknowledgment of IPS

Catholic Foundation of Northwest Pennsylvania

By: 
Name: WILLIAM J. STEGER
Title: TREASURER

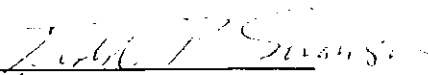
By: 
Name: LISA R. LOUIS
Title: Executive Director

Acknowledgment By Investment Managers

The Investment Manager named below acknowledges receipt of the Catholic Foundation of Northwest Pennsylvania Investment Policy Statement, dated February 23, 2022. In the event any of the terms of the Investment Policy Statement conflict with the terms and conditions of an investment management agreement or custody agreement entered into between the Organization and the Investment Manager the terms of the investment management or custody agreement shall govern.

PNC Bank, National Association

2/28/2023
Date


Signature

Northwest Bank

2/28/2023
Date


Signature