CATHOLIC COMMUNITY FOUNDATION OF NORTHEAST INDIANA

Investment Policy Statement

September 2021

I. Purpose

This Investment Policy Statement ("IPS") for the Catholic Community Foundation of Northeast Indiana ("Foundation") for the investments held in the Catholic Endowment Fund and elsewhere is intended to:

1. Govern the investment management of the Foundation, which is a collection of individual endowments, bequests, and agency funds ("the unit holders") that are commingled in aggregate to form a single fund for investment purposes. The earnings from the Foundation will be used to support the purposes of each unit holder for generations to come.

2. Establish specific policies and guidelines for spending, asset allocation, allowable and restricted securities, social responsibility, implementation, portfolio monitoring, and performance evaluation. These policies and guidelines have been designed with the Foundation's unique return objectives and risk constraints in mind. They are meant to ensure prudent management of the Foundation's investment assets over the long-term and serve the best interest of the unit holders that rely on the Foundation for their operational support and investment return.

3. Outline the investment related responsibilities of the Board of Directors and Investment Committee in conjunction with the reserved powers of the Foundation's Member.

4. Provide a framework for managing any real or perceived conflicts of interest.

This IPS will be reviewed periodically by the Investment Committee of the Foundation to ensure the relevance of its contents to current capital market conditions, current laws, and the Foundation's ongoing needs and circumstances.

II. Responsibilities

A. Board of Directors

   The Board of Directors of the Foundation shall have responsibility for the Foundation's investment policy to the extent that specific responsibilities have not been delegated to the Foundation's Investment Committee or to others. Amendments and intended exceptions to the IPS shall be submitted by the Investment Committee to the Board of Directors for approval in advance of any investment action.

B. Investment Committee

   Those individuals appointed to the Foundation's Investment Committee by the Board of Directors acknowledge their responsibility as fiduciaries of the Foundation's investment portfolio. The Investment Committee advises or recommends the general investment policy to the Board of Directors and is responsible for guidance, monitoring and oversight of the investment program. At its discretion, the Investment Committee may delegate authority to the Chair of Investment Committee at any time to facilitate investment related decisions.

The Investment Committee is responsible for activities that include, but are not limited to the following:

1. Determining and reviewing the Foundation's spending policy

2. Determining the overall architecture of the portfolio including its strategic asset allocation targets and allowable ranges;

3. Monitoring fund exposures to ensure compliance with its asset allocation policies

4. Selecting and monitoring investment managers and any necessary service providers including custodian, consultants, etc.

5. Ensuring compliance with the Socially Responsible Investing (SRI) guidelines of the United States Conference of Catholic Bishops (USCCB), as amended from time to time and inspired by other Catholic principles as articulated by The Vatican, while embracing broader principles of investing that seek to address a range of issues facing our planet and people such as the U.N. Principles of Responsible Investing (PRI); and

6. Reviewing the fund's overall performance as well as the performance of any underlying investment managers.

C. Foundation Member

As per the Foundation's bylaws, the Member of the Foundation has reserved power to establish and/or revise any and all investment policies, as well as to approve or remove any and all investment managers and service providers.

III. <u>Investment Objectives</u>

A. Return Objectives of the Foundation:

1. The general long-term goal of the Foundation will be to achieve a rate of growth sufficient to provide for the Foundation's spending needs, increase the real purchasing power of the principal, and cover the annual operating expenses.

2. The targeted return objectives for the Foundation over the long-term are as follows:

   (i) To earn a long-term average return, net of all fees, of CPI +5% per year

   (ii) To outperform its strategic policy portfolio

(iii) To outperform the median of its peer group of institutional investors of similar size and risk tolerance

B. Risk Tolerance:

1. In light of the Foundation's long-term time horizon, the Foundation can assume an above-average level of risk, as measured by asset volatility.

2. Asset allocation guidelines should ensure adequate diversification in order to reduce the volatility of investment returns.

3. Reasonable consistency of returns is desirable as a means of providing stability to the process of managing the Foundation's financial assets.

IV. Investment Policies and Guidelines

A. Investment Constraints

1. Liquidity: The Foundation's liquidity needs should be consistent with its spending policy; cash reserve policy; and operating expense requirements. Potential sources of liquidity include new contributions and, if necessary, the sale of securities.

2. Time Horizon: Beyond the aforementioned liquidity needs, the Foundation has a long time horizon, which extends well beyond a normal market cycle.

3. Laws and Regulations: The Foundation does not contain pension assets and it is therefore not subject to ERISA provisions. The Foundation is, however, governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which requires the fund fiduciary to exercise ordinary business care and prudence. This requires consideration of the long and short-term needs of the unit holders in carrying out its purposes, its present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions.

4. Tax Considerations: The Foundation is exempt from Federal income tax under statutes of the Internal Revenue Code. Consequently, tax considerations are not a meaningful constraint for the Foundation, other than the fact that securities with tax-exempt features should be avoided under all but the most unusual circumstances. In addition, the potential for unrelated business taxable income (UBTI) should be evaluated when making investment decisions. Although UBTI investments are not restricted, they generally should be kept to a minimum.

B. Spending Policy

The primary purpose of the Foundation is to provide a source of operating support to the Foundation's unit holders. It is important to balance current program needs with the needs of future generations of beneficiaries. Generating a stable stream of revenues, while maintaining the purchasing power of the Foundation assets will ensure financial equilibrium over time and improve the financial standing of the Foundation.

The Foundation spending policy for endowments should be in compliance with UPMIFA.

The annual spending/distribution rate is determined by the Board of Directors after recommendation by the Finance and Investment Committees.

The Foundation's spending/distribution policy is attached.

C. *Asset Allocation Policy*

1. The Foundation will be a diversified portfolio with assets allocated in a manner that is intended to achieve the rate of return objective. The long-term strategic asset allocation guidelines and tactical ranges are provided below. Asset allocation guidelines reflect the need to have a modestly higher weighting in equities to achieve the return objective. The allowable ranges provide flexibility for shifts in the actual asset allocation to take advantage of market conditions. Exhibit A below lists the targets and allowable ranges for the Foundation.

Exhibit A

Asset Class	Strategic Allocation Target (%)	Allowable Range (%)
Global Equities	65.0	50-75
Fixed Income	15.0	10-25
Diversifying Strategies	20.0	10-35
Cash	0.0	0-10
Total	100	

2. Decisions regarding allocations among asset classes, or the addition of new asset classes, will be made when such actions are expected to produce incremental return, reduce risk, or both. The investment characteristics of an asset class—including expected return, risk, correlation, and its overall role (high real returns, inflation or deflation hedge) in the portfolio—will be analyzed when making such decisions.

3. Each asset class shown above has a defined role within the overall asset allocation structure of the Foundation. These roles are defined below:

- Global Equities — Provide access to a liquid market and is an effective long-term hedge against inflation. Over market cycles, global equities should provide long-term capital appreciation above inflation with superior risk-adjusted returns.

- Fixed Income — Provides a stable flow of income and greater certainty of nominal cash flow relative to the other asset classes. Fixed Income creates diversification for the Foundation and provides a hedge against financial turmoil or periods of unanticipated deflation.

- Diversifying Strategies:

    - Hedge Funds — Hedge Funds provide a long-term, equity-like return stream with risk levels less than or equal to the broader equity markets, enhance diversification, reduce the systematic risk of the Foundation, and exploit short-term inefficiencies in the global capital markets.

    - Real Assets — Provide attractive return prospects, excellent portfolio diversification, and a hedge against unanticipated inflation. Real Assets provide relative stability to the fund during periods of public market uncertainty.

D. *Allowable securities & Investment Restrictions:*

Allowable securities are as follows:

1. U.S. common stocks
2. Non-U.S. common stocks
3. U.S. bonds
4. Non-U.S. bonds
5. Cash and cash equivalent securities
6. Real estate and real estate securities
7. Commodities, including timber
8. Derivatives on the above securities, when used within agreed-upon risk limits
9. Alternative assets including hedge funds

The Foundation will not borrow money for the sole purpose of enhancing returns. However, there may be commingled or other investment vehicles employed by an underlying investment manager that utilize borrowing to enhance performance.

The Foundation will not invest directly in derivatives to mitigate risk to the portfolio. However, the investment vehicles utilized by an underlying investment manager may routinely employ derivatives or use investment managers that use derivatives.

E. Social Responsibility Policy

We are called to exercise faithful, competent and socially responsible stewardship in how we manage financial resources. As a Foundation, we draw the values, directions and criteria which guide our financial choices from the Socially Responsible Investment Guidelines presented by the United States Conference of Catholic Bishops.

We recognize that there are many varied and complicated interrelations with other facets of the national and international financial world which require special consideration in certain situations. Nevertheless, we are committed to evaluating the social impact of investments in the investment pool on a continuing basis.

Following are the socially responsible investment guidelines to be used by the Foundation's Investment Advisor:

1. Protecting Human Life

   - Abortion: in view of the nature of abortion, the Foundation excludes investment in companies whose activities include direct participation in or support of abortion.

   - Contraceptives: the Foundation excludes companies that manufacture contraceptives, or derive a significant portion of their revenues from the sale of contraceptives, even if they do not manufacture them.

   - Embryonic Stem Cell Research / Human Cloning: the Foundation excludes investment in companies that engage in scientific research on human fetuses or embryos that (1) results in the end of pre-natal human life; (2) makes use of tissue derived from abortions or other life-ending activities; or (3) violates the dignity of a developing person.

2. Reducing Arms Production

   - Production and Sale of Weapons: the Foundation excludes investment in companies primarily engaged in the development of weapons inconsistent with Catholic teaching on war (e.g. biological and chemical weapons, arms designed or regarded as first-strike nuclear weapons, indiscriminate weapons of mass destruction, etc.)
   - Anti-personnel Landmines: the Foundation excludes investment in companies that are directly involved in the manufacture, sale, or use of anti-personnel landmines.

3. Promoting Human Dignity

   - Human Rights: the Foundation will actively promote shareholder resolutions directed towards protecting and promoting human rights. For example, the Foundation could join efforts to influence corporations that are engaged in extractive industries or are operating in countries with significant human rights concerns.

- Racial Discrimination: the Foundation excludes investment in companies whose policies are found to be discriminatory against people of varied ethnic and racial backgrounds that have been historically disadvantaged.

- Gender Discrimination: the Foundation excludes investment in companies whose policies are found to be discriminatory against women.

- Curbing Pornography: the Foundation excludes investment in companies that derive significant revenues from products or services intended exclusively to appeal to prurient interest in sex or to incite sexual excitement. These would include, but not be limited to sexually explicit (X-Rated) films, videos, publications, and software, topless bars and strip clubs; and sexually oriented telephone and internet services.

- Access to Pharmaceuticals: The Foundation will encourage companies to undertake or participate in programs designed to make life-sustaining drugs available to those in low-income communities and countries at reduced affordable prices, consistent with our Catholic values.

- Encouraging Corporate Responsibility: The Foundation will encourage companies to report on social, environmental, as well as financial performance.

- Protecting the Environment: The Foundation's investment approach is also inspired by The Laudato Si' of the Holy Father Francis—On Care For Our Common Home, which was published in 2015. In this historic encyclical, Pope Francis called for urgent global action to address the damage being done to the earth and, relatedly, to restore human dignity through acknowledgement of God's blessings.

4. Pursuing Economic Justice

   - Labor Standards/Sweatshops: the Foundation excludes investment in companies that use sweatshops in the manufacture of goods.

F. Conflicts of Interest

The Board of Directors and Investment Committee shall promptly disclose in writing any relationships with affiliates or other parties or any transfer of funds or other things of value that create or may give rise to a potential conflict of interest in appearance or in fact.

G. Implementation

The Foundation's asset allocation and SRI policies will be implemented through investment in the Catholic Endowment Fund ("CEF"). CEF is a global, multi-asset fund-of-funds designed for the long-term needs of Catholic institutions. It is managed by Catholic Investment Services ("CIS") which is itself a non-profit entity.

CIS's stated investment policies for CEF's are as follows:

1. An asset allocation mix of 65% global equities, 15% fixed income, 20% diversifying strategies (the same as the Foundation)

2. Maintaining a diversified portfolio of high quality managers across equities, fixed income, and diversifying strategies.

3. Managing assets under its care, custody and/or control in accordance with the USCCB's SRI guidelines and other Catholic guidelines.

4. Complying with high fiduciary standards, demonstrating the care, skill, prudence, and due diligence under the circumstances then prevailing, that are expected of experienced investment professionals; and also complying with all applicable laws, rules and regulations in the conduct of its business.

5. Informing its investors of material developments or events relating to the conduct of its business or management of the assets of the investment pool, including those that may materially impact investment strategy, portfolio structure, tactical approaches, ownership and organizational structure, financial condition, professional staff, or regulatory compliance.

H. *Portfolio Monitoring*

CIS and CEF will provide detailed reports on the fund's overall exposures and risk profile on a quarterly basis.

CEF is a commingled fund with many investors, and as such, is not specifically tailored to the Foundation's investment policies. The Investment Committee does not control CEF's ultimate investment decisions or potential changes to CEF's investment policy in the future. The Investment Committee will therefore closely monitor the underlying exposures of the CEF on a quarterly basis to ensure that the CEF portfolio provides the Foundation with an asset mix that is consistent with the Foundation's asset allocation policy. Should CEF's actual allocations differ from the Foundation's asset allocation policy, the Investment Committee would then rebalance the portfolio using appropriate implementation tools such as mutual funds, ETF's, and/or other external investment managers.

I. *Performance Evaluation*

CEF will provide detailed performance reports on a monthly and quarterly basis, as well as provide any performance information that the Investment Committee specifically requests.

At least annually, the Investment Committee will review the overall performance of the Foundation's portfolio. The Investment Committee will place the highest emphasis on the Foundation's long-term absolute performance. It will also consider the Foundation's performance versus its strategic policy portfolio and the universe of comparable institutional investors.

The policy portfolio shall be 65% MSCI AWCI, 20% HFRI FoF Composite, 10% Bloomberg Barclay's US Intermediate Treasury Index, and 5% BofA Merrill Lynch U.S. 6-month Treasury Bill Index. This corresponds to the Foundation's asset allocation targets and each asset class' passive benchmark.

The universe of comparable peer institutions shall be from the Wilshire Foundation Universe Comparison Service, or a similar data provider.

In addition to its investment performance, CIS will also be evaluated based on the effectiveness of its communication with the Investment Staff and Investment Committee, organizational and team stability, and its overall compliance with the USCCB and other Catholic related guidelines.