



Catholic Futures Foundation
of Northeast Nebraska

STATEMENT OF INVESTMENT

&

ADMINISTRATIVE POLICY

As of June 30, 2020

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Statement of Investment & Administrative Policy

I. Executive Summary

- Catholic Futures Foundation of Northeast Nebraska (“Foundation”) Board of Trustees (“Board”), ultimately, is responsible for making the decisions that affect the Foundation. The Board receives information and recommendations from the Board’s Investment/Finance Committee.
- The Investment/Finance Committee of the Board 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 Investment/Finance Committee directs the Investment Advisor to take action according to this Investment Policy Statement (IPS).
- The Board has engaged the Investment/Finance Committee to provide recommendations to the Board regarding the Foundation’s investment policy and with managing the implementation of the investment policy.
- The Investment Advisor is charged with monitoring the investment performance of the funds of the Foundation, implementing specific investment directives and recommending investment strategies to the Investment/Finance Committee to obtain the Long-Term Objectives set forth in the investment policy.
- The custodian is charged with providing timely detailed investment reports monthly, 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 maximize total return within acceptable risk tolerances over the Time Horizon. In addition to achieving the Spending Rate, the Policy Asset Allocation is designed to cover the costs of inflation, investment management/consulting fees, related costs, and any growth factor, which the Investment/Finance Committee may, from time to time, determine appropriate.
- The Board has adopted a “total return” approach to calculating investment returns.
- The Board is willing to accept an overall level of risk commensurate with the Policy Asset Allocation.
- The Policy Asset Allocation decision is, arguably, the most important decision made by the Investment/Finance Committee and the Board with regard to the Foundation. The Board is responsible for approving the Policy Asset Allocation and the investable asset classes.
- The Investment Advisor selected by the Investment/Finance Committee is required to demonstrate acceptable performance relative to a target allocation and volatility of returns.

INTRODUCTION AND PURPOSE

II. Mission and Objectives of the Foundation

The mission of the Catholic Futures Foundation of Northeast Nebraska is to professionally manage, steward, and invite investment into our northeast Nebraska community, giving all people unique opportunities to positively impact the future of our church and transform lives.

The Foundation:

- Seeks endowed funds that support our mission
- Helps donors achieve their charitable giving goals
- Helps sustain the parishes, schools and ministries so they may pursue the vision and priorities of the Archdiocese of Omaha and meet their long-term financial needs
- Provides professional and effective asset management that aligns with the socially responsible investing guidelines set forth by the United States Conference of Catholic Bishops
- Protects donor intent and distributes account holder funds in accordance with the Distribution Policy.
- Steward funds of other Catholic organizations within the Archdiocese of Omaha.
- Maximize total return with acceptable risk tolerances over the time horizon
- Earn a return sufficient to preserve the purchasing power of the Foundation for generations to come, as well as to provide for current needs.

III. Purpose

This Statement of Investment & Administrative Policy is set forth to:

1. Define the investment policies, guidelines and objectives of the Foundation as adopted by the Foundation's Board and its Investment/Finance Committee.
2. Create a framework from which the Investment/Finance Committee and the Diocesan Investment Committee can evaluate performance, explore new opportunities and make recommendations to enhance the Foundation.
3. Provide guidance for, expectation of and limitation on all parties bearing investment and operational responsibilities with the Foundation.

The intent of this Statement is to design an investment environment with specific parameters that reflect the philosophy of the Foundation, thereby providing the Investment/Finance Committee and its selected Investment Manager with clearly defined policies and objectives. Although these policies and objectives are intended to govern the investment activity of the Foundation, they are designed to be sufficiently flexible to be practical.

Current Foundation account holders will be duly notified of any amendments to the

investment policies and procedures. All current and future account holders will be informed of the Foundation's investment policy.

IV. Delegation of Responsibilities

Relationship between Board of Trustees and Investment Committee

The Board is ultimately responsible for making the decisions that shape the Foundation's investment policy including; Spending Rate, Policy Asset Allocation, Performance Standards, engagement of service providers, etc. The Board has charged the Investment/Finance Committee, a working committee of the Board, to monitor the implementation of these policies. The Board has also engaged the Diocesan Investment Committee to assist the Investment/Finance Committee and coordinate the activities of the Investment Advisor, and study issues pertinent to the Foundation, and make investment decisions as appropriate.

Investment/Finance Committee

The Investment/Finance Committee is charged by the Board with the general responsibility for overseeing the implementation of the Foundation's investment policies. The Committee Members shall discharge their duties solely in the interest of the Foundation and for the exclusive purpose of meeting the financial needs of the Foundation.

In carrying out its responsibilities a quorum of the Investment Committee must be present. A quorum is at least six or fifty percent of the members of the Investment Committee. If at least 6 members or 50% of members are not present, absent members may be contacted to vote via response to an email. Each member shall be entitled to one vote and each decision of the Investment Committee shall require the ascent of a majority of those voting.

The Investment/Finance Committee's responsibilities include:

1. Selecting an Investment Advisor(s);
2. Setting investment policy guidelines consistent with the Board's overall policy directives;
3. Developing investment objectives and performance measurement standards which are consistent with the financial needs of the Foundation;
4. Determining the asset allocation and rebalancing strategies to implement the Board's overall objectives and overseeing the Investment Advisor to ensure investment managers meet their objectives
5. Reviewing and evaluating investment results in the context of predetermined performance standards and implementing corrective action as needed;
6. Reviewing and monitoring portfolio holdings to ensure compliance with the portfolio constraints outlined in this document.
7. Recommending and monitoring the spending rate policy set by the Board.

8. Review of investment management fees to ensure fees are reasonable based on services provided

Diocesan Investment Committee

The Diocesan Investment Committee assists and advises the Investment/Finance Committee in carrying out its responsibilities and manage the investment operations of the Foundation. At least annually, the Chair of the Investment/Finance Committee shall attend a meeting with the Diocesan Investment Committee and present the IPS for review, comment and recommendations.

Investment Advisor

The duties of the Investment Advisor are as follows:

1. The Investment Advisor is expected to observe the specific limitations and guidelines stated in this policy. As a Fiduciary, the Investment Advisor has the responsibility to execute every transaction in the best interests of the Fund.
2. The Investment Advisor's acceptance of the responsibility to manage assets for the Fund constitutes acceptance of the Policy, affirming the belief that the Advisor is capable of achieving the Fund's objectives within the guidelines established in this Policy.
3. The Investment Advisor is responsible for making all investment decisions within the guidelines of the stated investment policy on a discretionary basis regarding all assets placed under its management and will be held accountable to the standards indicated in this Policy. The discretionary decision making extends to tactical asset allocation, rebalancing, and manager selection and oversight.
4. The Investment Advisor will keep the Investment/Finance Committee informed of significant changes in ownership, organizational structure, financial condition, or senior management of the Investment Advisor's firm.
5. The Investment Advisor will keep the Investment/Finance Committee informed of any major changes in its investment outlook, investment strategy and any other matters affecting their investment policies and philosophy.
6. The Investment Advisor is expected to communicate to the Investment/Finance Committee, in writing, any suggested alterations or deletions to the Policy, on a quarterly basis.
7. The Investment Advisor is expected to be accessible to Foundation existing and prospective account holders at the request of Foundation Administration.
8. The Investment Advisor is expected to meet with the Investment/Finance Committee at least annually to review the portfolio.

Investment Managers

Each Investment Manager is expected to pursue their own investment strategy within the performance 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 the Foundation.

The Investment Managers' responsibilities are as follows:

1. Investing assets under their management in accordance with the guidelines and restrictions formulated by the Investment/Finance and Diocesan Investment Committees;
2. Exercising discretionary authority over the assets entrusted to them, subject to these guidelines and restrictions;
3. Providing written documentation of portfolio activity, portfolio valuations, performance data, and portfolio characteristics on a quarterly basis in addition to other information as requested by the Investment/Finance Committee and the Investment Advisor; and
4. Voting proxies vigorously in the best interests of the Foundation consistent with Catholic Values as prescribed herein and as may be directed by the Investment/Finance Committee.

Custodian

The Custodian's responsibilities are as follows:

1. Providing timely reports detailing investment holdings and account transactions monthly to the Investment/Finance Committee and Investment Advisor.
2. 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.,
3. Provide an annual summary report to be submitted to the Investment/Finance Committee and the Investment Advisor following each fiscal year end. The report will include the following:
 - a. Statement of all property on hand;
 - b. Statement of all property received representing contributions to the accounts;
 - c. Statement of all sales, redemptions, and principal payments;
 - d. Statement of all distributions from the account;
 - e. Statement of all expenses paid;
 - f. Statement of all purchases; and

- g. Statement of all income.
- 4. Prepare account holder reports which reflect account holder position, market value and cost basis.
- 5. Prepare additional accounting reports as requested by the Investment/Finance or Diocesan Investment Committee and the Investment Advisor.

Foundation Administration

- 1. Communicate goals and objectives with Board, Board Committees, Archdiocesan administration, Investment Advisor and other Foundation Stakeholders.
- 2. Serve as point of contact for Foundation account holders and provide excellent customer service
- 3. Work to increase contributions to existing funds and solicit new fund opportunities
- 4. Perform deposit and gift contribution activities, and send proper acknowledgements and gift receipts
- 5. Coordinate and manage accounting functions
- 6. Work with auditor to produce annual financial audit report
- 7. Collect, maintain and store accurate records of Foundation fund activity including but not limited to:
 - a. Contributions
 - b. Distributions
 - c. Points of contact

V. Investment Policies and Objectives

Objectives:

- 1. **Return:** The long-term objective of the Foundation is to earn a return sufficient to preserve the purchasing power of the Foundation for generations to come, as well as to provide for current needs. As a result, the annual return objective should at least equal the annual sum of spending, inflation, administrative costs, and management fees. In addition, the Investment/Finance Committee desires to provide for “real” (net of inflation) portfolio growth through time. The Foundation has adopted a “total return” investment approach. Current income is considered a secondary consideration.
- 2. **Risk:** The Investment/Finance Committee will permit the Foundation to experience an overall level of risk consistent with the risk generally associated with the policy asset allocation.

Constraints:

1. **Liquidity:** Due to the long-term investment horizon of the Foundation, liquidity is of secondary concern. The Foundation should maintain sufficient funds to provide for annual spending and expenses.
2. **Time Horizon:** The Foundation has an infinite life and should be managed with a time horizon of twenty-five to fifty years.
3. **Taxes:** The Foundation fund has a tax-exempt status. All actions of the Investment/Finance Committee should be taken in recognition and preservation of this status.
4. **Legal and Regulatory:** Must comply with applicable laws and regulations, plus fiduciary standard of care.
5. **Unique Circumstances:** Investments shall be made not only to meet the objectives of investment and economic performance, but also to meet the objectives of social and moral responsibility and of supporting business that is in harmony with moral and social teachings of the Catholic Church.
 - The Board and Investment Committee recognize that the moral considerations related to the investment of Church funds may modify a portfolio's rate of return and risk policies.
 - The Foundation will adhere to the United States Conference of Catholic Bishops (USCCB) policy which calls for the exclusion of companies that:
 - directly participate in abortion or contraception,
 - manufacture contraceptives,
 - participate in embryonic or stem cell testing
 - discriminate against women or minorities,
 - primarily develop or distribute pornographic material,
 - or primarily develop or produce military weapons.
 - Reporting from the Investment Advisor will include the portfolio impact of the efforts to exclude the corporations inconsistent with the values memorialized by the USCCB. **See Exhibit 1 regarding Catholic Value Screens**

Distribution Policy

It is the intent of the Foundations to make distributions annually at a rate determined by the Investment/Finance Committee and approved by the Foundations' Board. The annual payout rate is not projected to exceed 5%. The Foundation will use a thirteen-month average of the market value of the portfolio during the fiscal year for determining the base for calculating the amount to be distributed. However, the Foundations' Board may make distribution decisions consistent with the general prudence standard set forth in the Uniform Prudent Management of

Institutional Funds Act (“UPMIFA”) at Neb. Rev. Stat. § 58-613. Factors to consider in making distributions from a particular account are:

- duration and preservation of the fund;
- purposes of the institution and of the fund;
- general economic conditions;
- possible effects of inflation or deflation;
- expected total return from income and the appreciation of investments; and other resources of the institution.

However, at a minimum, the amount to be distributed will be at least equal to the actual earned income (interest and dividends less investment management fees) in that year for each account. Please note that accounts with a market value at June 30th lower than their cumulative contributed principle will be contacted and given the option to not receive a distribution for the fiscal year. Funds in existence for less than a one-year period are not eligible for the current year’s annual distribution.

Management Fee Objective

Objective is to have Investment Advisor and Foundation Administration fees total no greater than 1%.

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 fund 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. Appropriate index measures for each of the utilized asset classes will be provided for comparison and measurement purposes. In addition, a blended asset allocation index will be presented based on the Asset Allocation prescribed herein, and summarized in **Appendix A**.

Volatility and Risk

The Foundation believes that the return objectives can be achieved while assuming acceptable risk levels commensurate with “market” volatility. The Foundation further defines that risk as the probability of failing to meet the Foundation’s General Investment Objectives over the time horizon. Therefore, to minimize the probability of failure, thereby minimizing risk, the Investment/Finance Committee should consider the following variables in all aspects of the decision-making process with regards to the Foundation’s investable assets:

- Probability of Missing the Return Goal over the Long-Term
- Inflation

- Liquidity Requirements
- Loss Containment (Maximum Allowable Decline)
- Capital Preservation
- Asset/Style Allocation

Asset Allocation

The single most important decision made by the Foundation is the Policy Asset Allocation decision. The Foundation believes that a significant portion of a fund's investment behavior can be attributed to the asset classes/styles which are employed by the fund, and (2) the weighting of each asset class/style. It is the responsibility of the Investment/Finance Committee to identify and implement a Policy Asset Allocation that offers the highest probability of achieving the Foundation's investment objectives with the lowest level of commensurate risk. The Investment/Finance Committee, with guidance and recommendations from their Investment Advisor, shall review the asset mix on an ongoing basis and recommend revisions to the Board as necessary.

The Investment/Finance Committee's current Asset Allocation guidelines will be shown in **Appendix A** to this document.

Procedure for Revising Guidelines

All investment policies and performance goals will be reviewed annually or when deemed necessary by the Diocesan Investment Committee, which may make recommendations for changes to the Board and the Investment Committee. In order to facilitate timely adjustments and rebalancing to the Foundation's Policy Asset Allocation without undue delays, the Policy Asset Allocation may be revised with a recommendation of the Investment/Finance Committee.

Reporting Requirement

The Investment Advisor will be responsible for the preparation of monthly performance evaluation reports which shall comply with standards developed by the CFA Institute. The format of the Foundation's performance evaluation reports shall be developed with input from the Investment/Finance and Diocesan Investment Committees.

VI. Appendix A

Strategic Allocation as of June 30, 2020

	<u>Lower Limit</u>	<u>Strategic Allocation</u>	<u>Upper Limit</u>
Fixed Income – Domestic	30.0%	40.0%	50.0%
Fixed Income – Global	0.0%		20.0%
Equities	45.0%	60.0%	75.0%
Domestic Equity			
International Equity – Developed	0.0%		25.0%
Specialty			
Money Market			
Total		100.0%	

A “**blended benchmark**” or 50% domestic equities (Russell 3000), 10% international equities (EAFE), 30% domestic bonds (Barclays Agg) and 10% international bonds (Citi WGBI) will be utilized. In addition, Indices specific to actual holdings are to be included in reporting.

Exhibit 1 - Catholic Values Screen

Catholic Values	Factor Name	Operator	Criteria	And/Or
ABORT_TIE	Abortion - Any Tie	=	true	OR
CONTRA_TIE	Contraceptives - Any Tie	=	true	OR
AE_MAX_REV_PCT	Adult Entertainment - Maximum Percentage of Revenue	>=	10	OR
CB_MANUFACTURER	Cluster Bomb - Manufacturer	=	true	OR
WEAP_BIO_CHEM_MAX_REV_PCT	Weapons - Bio/chem Maximum Percentage of Revenue	>=	10	OR
WEAP_CONV_MAX_REV_PCT	Weapons - Conventional Maximum Percentage of Revenue	>=	50	OR
WEAP_NUC_MAX_REV_PCT	Weapons - Nuclear Maximum Percentage of Revenue	>=	10	OR
LM_MANUFACTURER	Landmine - Manufacturer	=	true	OR
PRED_LEND_CRA_RATING	Predatory Lending- CRA Rating	=	*	OR
EMBRYONIC_STEM_CELL	Stem Cell Research - Embryonic	=	true	OR
ENABLE_TECH	Stem Cell Research - Enabling Technology	=	true	OR
FETAL_TISSUE	Stem Cell Research - Fetal Tissue	=	true	OR
FETAL_CELL	Stem Cell Research - Use of Fetal Cell Lines	=	true	OR
LABOR_RIGHTS_DIVERSITY_SCORE	Labor Rights - Discrimination & Workforce Diversity Score	<=	2	