

## **The Catholic Foundation for the Diocese of Davenport Statement of Objectives, Policies and Guidelines for the Investment for the Foundation Assets**

**The Catholic Foundation for the Diocese of Davenport (CFDD)**, encourages, solicits, accepts and manages gifts in order to foster stewardship and distributes income so as to advance the priorities of the Diocese of Davenport and its entities according to Gospel values.

The CFDD has the responsibility to be a proper steward of all resources entrusted to it. The attainment of an adequate rate of return on investments is the responsibility of CFDD's Board of Directors. These investment responsibilities are coupled with a thoughtful consideration of the social, ethical and moral practices of those companies that make a positive contribution to their communities.

### **Purpose of the Fund and Statement of Investment Objectives**

The CFDD is an Iowa nonprofit corporation that was established to provide a means for individuals and organizations to provide long-term financial stability for charitable, religious and educational organizations of the Diocese. CFDD is a public charity under Internal Revenue Code (IRC) Section 501(c) (3) and not a private foundation as defined IRC Section 501(a). The CFDD represents a firm commitment to support the long-term strength and viability of Catholic institutions in the Diocese of Davenport. While shorter-term investment results will be monitored, adherence to a sound long-term investment policy, which balances short-term spending needs with preservation of the real (inflation-adjusted) value of assets, is crucial to the long-term success of the CFDD. Through the creation of funds for individual parishes, schools, Catholic agencies and organizations, the CFDD provides a means to generate income to help sustain this long-term strength and viability. For any diocesan entities to have a fund under the guidance of the CFDD's Investment Committee the fund shall have a minimum of \$100,000. The CFDD will actively encourage individuals to make gifts to the CFDD.

The investment goals for the CFDD, ranked in order of priority, shall be:

- To preserve capital of the CFDD assets
- To provide a sufficient return on investment that will both satisfy long-term disbursement policies and generate a continuing rise in income
- To attain a designated, minimum average annual total return (net of all investment management fees), as measured over rolling five year periods. This designated, minimum average annual total return is a goal of 5%. Total return is defined as the sum of capital appreciation (or loss) and current income (dividends and interest).

### **Spending Policy**

The following factors are taken into consideration in making a prudent decision in good faith for annual distribution to the ministries of the Diocese of Davenport:

- The duration and preservation of the funds in the CFDD
- The mission of the Diocese of Davenport and the CFDD funds

- The wishes of donors
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Diocese and its entities and
- The investment policy of the CFDD.

The CFDD's goal is to distribute up to 4% of the fair market value of financial assets based on a sixteen-quarter rolling average.\* The Board of Directors of the CFDD may change distribution from a given fund in a given year for a serious reason. This distribution percentage will be evaluated by the Board of Directors annually. The up to 4% distribution from the Catholic schools fund is given to each school on a per capita basis according to the official enrollment as reported to the State of Iowa K-12 as obtained from the school superintendent.

For a fund in the CFDD in existence less than three years, the fair market value of the fund must be calculated for the period the fund has been in existence.

\*After parish sharing and Capital Campaign expenses are paid from Capital Campaign income, then purchase and remodeling of the St. Vincent Center will be paid. The amount allocated for Cathedral renovation will be distributed. The distribution of up to 4% of the financial assets will apply when the CFDD is fully established.

### **Statement of Responsibility**

The Board of Directors of the CFDD has responsibility for the funds. The Board must ensure that appropriate policies governing the management of the funds are in place and that these policies are being effectively implemented. The Board must exercise prudence and appropriate care in accordance with the Prudent Investor Rule in the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

To implement these responsibilities, the Board sets and approves this policy and delegates responsibility to the Investment Committee ("Committee") for implementation and monitoring. At least quarterly the Board will receive a performance report and review of the Investment Policy Statement from the Committee.

The Committee shall be comprised of a minimum of four and a maximum of five individuals to include the Director of Development for the Diocese of Davenport, the Treasurer of CFDD and two additional members at least one of whom is a board member.

The Committee is responsible for overseeing the administrative and investment management of the CFDD. This includes, but is not limited to, any proposed changes or adjustments in the following areas: selection of appropriate asset classes, target allocation ranges of holdings by asset class, individual investment managers, and the definition of acceptable securities, investment performance expectations, as well as monitoring compliance with the stated policy and with state and federal investment regulations. The Committee will communicate investment

policy, guidelines, and performance expectations to the consultant and investment manager(s). In addition, the Committee will also review and evaluate investment performance quarterly to assure the investment policy is being followed and progress is being made toward achieving the objectives.

Consultants (“Consultant”) may be retained for rendering advice on the CFDD investment program, in addition to providing other advisory services. Such advice and services include the following: (1) the assistance in the development and/or modification of the CFDD investment policy, objectives, and guidelines; (2) asset allocation review, analysis and rebalancing; (3) the selection of and monitoring of performance of individual investment managers; and (4) the measuring and evaluating of performance of the total portfolio relative to the objectives and guidelines described herein.

Investment managers (“Manager”) may be retained to make investment decisions (purchasing, holding or selling securities) for the sole interest and exclusive purpose of providing returns for the CFDD. The assets of the CFDD shall be invested in a manner consistent with customary safeguard and diversity under the prudent investor rules. In addition, the investment managers are expected:

1. To acknowledge their recognition and acceptance of full responsibility as a manager;
2. To be covered by liability and other insurance as determined by the Investment Committee;
3. To have their employees bonded, unless otherwise exempted by law or governmental regulation; and
4. To be registered as an investment advisor with the Securities and Exchange Commission and during the term of employment by the fund to be so registered.

If any investments are not held in street name, the custodian (“Custodian”) will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the CFDD, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales.

### **Socially Responsible Investments**

As a Catholic organization, the Board draws the values, directions and criteria which guide its financial choices from the Gospel, universal church teaching and the guidance of our local Bishop. The combination of religious mandate and fiscal responsibility suggests the need for a clear and comprehensive set of policies to guide the CFDD's investments and other activities related to corporate responsibility.

The CFDD is called to exercise faithful, competent and socially responsible stewardship in how it manages its financial resources. The CFDD believes that socially responsible investments deal with, not only risks and rate of return, but also with the ethical standards of companies.

Therefore, the following objectives will be promoted in the investment of the assets:

- Protect and enhance human life in such areas as health, education, housing, food, leisure, transportation and advertising.

- Promote equal employment opportunities for women and non-whites, comparable worth in wages and salaries, and fair labor practices in corporate domestic and foreign operations.
- Convert from military to peaceful products, with support of research and development of non-violent means for conflict resolution.
- Preserve the planet's ecological heritage, addressing the rampant poverty in the poorest nations, redirecting development in terms of quality rather than quantity in the industrial world and creating environmentally sensitive technologies.
- Develop alternate renewable and clean energy sources.

### **Policies and Restrictions**

The CFDD intends to use the investment policies and restrictions presented in this statement as a framework to help achieve the investment objectives at a level of risk deemed acceptable. These policies and restrictions are designed to minimize interfering with the manager's efforts to attain the overall objectives, and to minimize risk without excluding the manager(s) from appropriate investment opportunities. When appropriate, the CFDD also gives to the manager(s) broad responsibility to shift the commitment of industry sectors and individual securities to pursue opportunities presented by changes in the capital markets.

The manager(s) will not purchase assets other than those mentioned herein without the written consent of the CFDD. It is important for the manager(s) to be sensitive to the mission and goals of the CFDD. While the manager(s) should use their best judgment to the inclusion of equities or fixed income that are unclear as to their categorization, the manager(s) should contact the CFDD for clarification.

### **Diversified Portfolio Asset Allocation Strategy**

The overall asset allocation strategy shall be to diversify investments to provide a balance that will enhance long-term total return while avoiding undue risk or concentration in any single asset class or investment strategy. The CFDD has approved five distinct asset classes for inclusion in the portfolio. They are as follows: domestic equity (large and small cap), domestic fixed income, international equity, alternative investments and cash.

Diversification of U.S. Equity commitment will be achieved through investment in mutual funds or through employment of managers with complementary investment style, growth and value as well as small cap. In the U.S. Fixed Income market mutual funds or an intermediate bond manager will be utilized to stabilize the CFDD. In the International Equity market mutual funds or a diversified non-U.S. manager(s) will be hired to achieve diversification. Alternative investments offer diversification away from the market exposure. Cash and cash equivalents will be managed either by the investment manager or the custodian.

The following standards will be used to allocate capital and evaluate mutual funds or manager(s) performance as measured at market value over a three-to-five year moving time period.

Asset Mix Table			
Asset Class	Min Weight	Max Weight	Representative Index
Value and Growth Equities	30%	60%	S&P 500
International Equities (Developed)	0%	25%	MSCI EAFE
Small-to-Mid Cap Equities	0%	20%	Russell 2000
Fixed Income	20%	60%	Barclays Intermediate Government/Credit
Alternative Investments	0%	10%	CPI + 5%
Cash & Equivalent	0%	20%	Small Business 3 Month T-Bill

### **Rebalancing**

The asset allocation will be reviewed quarterly by the Committee and will be rebalanced as appropriate.

12/14/09 Investment policy Catholic Foundation  
1/17/11 Investment Policy Catholic Foundation – revised and approved  
10/15/12 Investment Policy Catholic Foundation – revised and approved  
8/19/2013 Investment Policy Catholic Foundation – revised and approved  
7/30/2014 Investment Policy Catholic Foundation – revised and approved