

St. Alphonsus Congregation

Investment Policy Statement

Adopted February 17, 2023

Purpose and Background

The purpose of this Investment Policy Statement is to provide guidelines for the St. Alphonsus Congregation General Account Portfolio as approved by the Finance Council and Pastor.

Specific Objective

The primary objective of the policy is to safeguard the principal balance of the portfolio, achieve an appropriate return for the level of risk and maintain an appropriate level of diversification. Increases to the portfolio are expected from income and Parish General Account funds.

Guidelines and Investment Policy

Risk Tolerance

St. Alphonsus Congregation has a very low risk tolerance and a conservative posture is warranted. The primary consideration in determining the investment portfolio is the safety and security of the principal.

Required Return

The return should focus on maintaining purchasing power while minimizing volatility. Investment results should be compared with the appropriate benchmarks (see benchmark section below) for the current quarter, year, and multi-year periods (where appropriate). Current return requirements should favor income over capital appreciation.

Time Horizon

The time horizon is considered long based on the lack of any significant funding requirements in the immediate future. The targeted time horizon should be no longer than 10-15 years.

Taxes

St. Alphonsus Congregation is exempt under IRC Section 501(c)(3).

Securities Guidelines

Allowable investments are limited to U.S. Treasury, U.S. Agency and Investment Grade Corporate Bonds, money market funds, certificates of deposit (CD), broad high-quality investment grade bond ETFs, and bank accounts including deposits with savings & loans and credit unions.

The average Credit Quality of the portfolio will at all times be A/A1 or higher as rated by S&P or Moody.

Investment manager may not purchase Below Investment Grade bonds. However, in the event a bond is downgraded to Below Investment Grade after purchase, the investment manager has the discretion to sell or hold the specific bond based on market conditions.

No issuer will represent more than the greater of \$50,000 or 5% of the total portfolio (excluding U.S. Treasury and Agency obligations).

Duration of the portfolio will not exceed 7 years.

Equity investments are not permitted, with the exception of broad high-quality investment grade bond ETFs. Donated stock will be liquidated immediately, unless market conditions or specific stock dynamics suggest it would be beneficial to liquidate at a later date. Delayed liquidation will only be considered if approved by the Pastor and Finance Council.

Selection of Money Managers

Asset Manager

Arcataur Capital Management LLC (“Arcataur”) has been hired to manage the general account assets. Arcataur will monitor to comply with the investment exposure guidelines of this policy. They are responsible for managing the portfolios according to these investment guidelines and reporting investment results (net after fees and commissions) quarterly. When making investment decisions, Arcataur should take into account, among other investment criteria, Catholic values and avoid such investments that promote, e.g., adult entertainment and gambling. Regular direct reporting will be at the discretion of the Finance Council. The Finance Council and Pastor can request in person presentations as well. The assets managed by Arcataur will be held at an institutional custodial account at Charles Schwab and Co. Arcataur will handle the sale of donated shares under appropriate market conditions and communicate relevant information to the director of Finance for proper accounting of the donation and transfer of the net proceeds. Investment fees will be in accordance with the Investment Management Agreement between St. Alphonsus Congregation and Arcataur for all actively managed assets. All management fees should be reported by the related investment manager.

Performance Benchmarks

The performance of the Asset Manager shall be measured against the following benchmarks:

Fixed Income
67% Bloomberg Barclays U.S. Gov/Credit 1-5 Index
33% Bloomberg Barclays U.S. Aggregate Bond Index

Index benchmarks are typically quoted gross of fees. The investment results for the St. Alphonsus Congregation general account assets will be net of fees. Any future changes to this policy and investment manager may require a revision of the benchmarks. The Pastor and Finance Council will retain oversight responsibility for the portfolios and will assess performance, among other things, on a regular basis.

Control Procedures

All investments should be in compliance with the U.S. Bishop’s recommendations of appropriate Catholic based investments.

Deposits to or withdrawals from the Portfolio must be approved in advance by Finance Council.

On a quarterly basis, the Finance Council shall review information documenting holdings, market value, performance, asset allocation and fees. All third-party custodian statements and transaction confirmations will be sent directly to the accounting office of St. Alphonsus. The Finance Council will provide a summary report on a quarterly basis.

On an annual basis the Finance Council will determine if objectives have been met and reevaluate risk tolerance, return objectives, and constraints. Transaction costs and management expenses should also be analyzed.

At a minimum, the Finance Council (or directed designated person) will annually meet with a representative of Arcataur to make an assessment of Arcataur’s performance, adherence to the Investment Policy and review of the relationship.

The Finance Council will review this policy every two years and adopted updates will be noted in the Finance Council’s minutes and provided to Arcataur.