

# **St. Alphonsus School Endowment Fund**

## *Investment Policy Statement*

Adopted April 19, 2018

### **Purpose and Background**

The purpose of this Investment Policy Statement is to provide guidelines for the St. Alphonsus School Endowment Fund Portfolio (“Fund”) 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, capital appreciation, and additional donations.

### **Guidelines and Investment Policy**

#### ***Risk Tolerance***

The St. Alphonsus School Endowment Fund has moderate risk tolerance and a well-diversified posture is warranted. The primary consideration in determining the investment portfolio is blending income and capital appreciation.

#### ***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 and capital appreciation.

#### ***Withdrawals from the Fund***

All withdrawals are intended for direct support to the St. Alphonsus School and must be approved annually by the Finance Council. Annual withdrawals are limited to a maximum of 3% of the fair market value, calculated using the last three fiscal year moving average of the fair market value of the Fund as of the close of the fiscal year (June 30<sup>th</sup>).

#### ***Time Horizon***

As an endowment fund, the time horizon is considered infinite to provide support for the School indefinitely. This longer time horizon allows for primary objective of well diversified capital appreciation.

#### ***Taxes***

St. Alphonsus Congregation is a tax-exempt 501 C3.

### **Selection of Money Managers**

#### ***Asset Manager***

The Catholic Community Foundation (CCF) has been hired to manage the Fund. The St. Alphonsus School Endowment is considered an agency client within the total CCF portfolio. The investment posture is guided by the CCF Investment Committee and their guidelines. The Catholic Community Foundation offers a broadly diversified investment portfolio to increase the likelihood of achieving return objectives. Asset allocation and managers are monitored regularly by the CCF Foundation’s Investment Committee and consultant. Asset classes are rebalanced as needed. Manager changes are infrequent and typically relate to organizational changes or shifts in strategy. Compliance with socially responsible/Catholic based investment criteria is monitored on a regular basis. Over the full course of an investment cycle the Fund will target on average 60% stocks and 40% fixed income. Equity exposure will be at a 70% maximum and a 50% minimum. The approved asset classes for investment include domestic large, mid and small capitalization stock, developed market and emerging market international stocks, real estate, commodities, multi-strategy hedge funds, domestic and world fixed income and cash.

## **How the CCF oversee the Fund:**

**CCF Investment Committee** — Monitors performance, asset allocation, manager allocations and manager style adherence.

**Colonial Consulting, LLC** — Colonial Consulting is a leading investment consulting firm that focuses on assisting not-for-profits achieve strong investment returns. With their experience, expertise, and in-depth research, they provide valuable investment advice and support our Investment Committee so that the Foundation can meet its long-term mission.

Colonial Consulting produces monthly performance reports for the Foundation, reviews all manager written reports and portfolios and immediately communicates any problems or concerns to the Committee. The CCF provides quarterly reports to Agency Funds, such as the St. Alphonsus School Endowment Fund.

### ***Performance Benchmarks***

The total portfolio is compared to a custom benchmark including the following structure: The Target Asset Allocation Benchmark is a weighted average of market indices using the Foundation's strategic asset allocation through time. Comprised of 30% S&P 500, 9% Barclays Intermediate Govt./Corp, 16% MSCI EAFE, 9% Citi World Govt. Bond, 7% CPI + 5%, 10% Russell 2500, 5% MSCI Emerging, 5% NCREIF Real Estate, 5% JP Morgan GBI-EM Global Diversified, 4% HFRI Multi-Strategy. Index and active management benchmarks are also utilized as comparison for various segments (stocks, bonds, commodities, real estate and hedge fund) of the portfolio.

### ***Control Procedures***

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

Withdrawals from the Fund to support School operations must be approved by Finance Council and made part of the development of the Annual Parish Budget.

On a quarterly basis, the Finance Council shall review information documenting market value, performance, asset allocation and fees produced by the CCF and Colonial Consulting. 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.

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