

Catholic Education Opportunities Foundation  
Investment Policy Statement  
*Revised July 2024*

## **I. Introduction**

The Catholic Education Opportunities Foundation (“the Foundation”) is a non-profit foundation created for the purpose of raising monies to provide tuition assistance for students (Catholic or non-Catholic) attending Catholic schools in the Roman Catholic Diocese of Lexington Kentucky. The Foundation is a 501(c)(3) organization and donations are tax-deductible under the Internal Revenue Service Code of 1986.

This Investment Policy Statement (“IPS”) has been established by the Board of Directors of the Foundation (“Board”) to direct the investment of its assets. As defined by Board minutes dated January 27, 2021, the Board created an Investment Committee to assist in this process which ultimately became the Finance Committee (“the Committee”).

## **II. Policy Objectives**

To provide clear guidance for the roles, responsibilities, investment goals and guidelines, permissible investments and evaluation of investment performance.

## **III. Roles and Responsibilities of Board and Finance Committee**

### **A. Board of Directors**

The Board is responsible for approval of this IPS and has the ultimate responsibility for any decision being made with regard to the Foundation’s assets.

### **B. Finance Committee**

The Committee is comprised of a minimum of three (3) Board members as designated by the Board and is responsible for:

1. Implementing and maintaining this IPS.
2. Prudently and diligently recommending for Board approval one or more qualified investment professionals, including investment manager(s) and custodian(s).
3. Monitoring the performance of the Foundation’s investments on a regular basis (at least quarterly) and reporting this performance to the Board.
4. Ensuring the investment allocation and strategy detailed in this IPS are being reasonably followed by the Investment Manager(s).
5. Recommending to the Board the need for any changes to this document.
6. Recommending to the Board the need for hiring, terminating or replacing the investment manager(s) or custodian.

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#### IV. Scope

The investments covered in this policy include:

- A. The investment account managed by a professional investment manager(s), and
- B. The Cash and Cash Equivalents managed and maintained by the Foundation.

#### V. Investment Objectives

- A. The overall investment objective for the Foundation's assets is to achieve an annualized total return (net of investment management expenses), through appreciation and income, of 3% greater than the rate of inflation (as measured by the trailing six months average Consumer Price Index).
- B. The assets are to be managed in a manner that will meet this objective, while at the same time attempting to limit volatility in the portfolio's market value.
- C. As new gifts are donated to the Foundation, cash gifts will be invested as soon as practical and gifts of liquid securities, real property, and/or real estate will be liquidated as soon as practical and invested accordingly.
- D. The Foundation will maintain cash & cash equivalents in an amount to cover estimated operating expenditures for the following 12 months. Funds in excess of this 12 month estimate will be moved to the investment manager/custodian for investment.
- E. Assets moved to the investment advisor will be invested in a non-endowed fund.
- F. Funds donated to the Foundation pursuant to House Bill 563 will be maintained in a separate account as cash and cash equivalents by the Foundation as these funds are required to be distributed on a short term basis.

#### VI. Strategy & Division of Assets for Investment Purposes

The investment funds for the Foundation are to be divided into two categories/pools for purposes of investment management: Long-Term Growth Pool and Cash Pool

- A. The **Cash Pool** represents funds that will be spent within a twelve-month period. The assets will be invested in cash and cash securities with duration less than 90 days and zero risk. This pool will be maintained and accounted for by the Foundation.
- B. The **Long-Term Growth Pool** represents funds for long-term investment. The primary purpose of this pool is long-term capital appreciation. The Board and Committee understand the long-term nature of this Pool and believe that investing in assets with higher return expectations outweighs their short-term volatility risk. As a result, the majority of Long-Term Growth Pool's

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assets will be invested in equity or equity-like securities. Diversifying assets such as real estate and real assets may also be relied on to provide income and support portfolio growth. Income and liquidity focused investments will also be incorporated to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets.

The Board and Committee will look to the investment manager(s) to achieve the best return on our funds while mitigating risk and ensuring adequate cash to meet Board advised distributions.

Asset Allocation Guidelines for the Pools are listed below. The Committee will review these guidelines annually with the Investment Manager(s) and recommend changes as needed.

**Asset Allocation Guidelines:**

**Long-Term Growth Pool**

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Allowable Range</u></b>
<b>Growth Assets</b>	<b>70%</b>	<b>60% - 80%</b>
Public Equity	60%	45% - 75%
Private Equity	10%	0% - 15%
<b>Income &amp; Liquidity</b>	<b>20%</b>	<b>10% - 30%</b>
Fixed Income & Cash	15%	5% - 25%
Private Credit	5%	0% - 10%
<b>Diversifying Assets</b>	<b>10%</b>	<b>0% - 20%</b>
Private Real Estate/ Real Assets	10%	0% - 15%
<b>Total</b>	<b>100%</b>	

**Cash Pool**

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Allowable Range</u></b>
<b>Income &amp; Liquidity</b>	<b>100%</b>	<b>n/a</b>
Cash & Equivalents	100%	n/a

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**VII. Socially Responsible Investment (SRI) Criteria**

The Board, Committee and investment manager(s) shall be aware of the mission of the Catholic Church. The Catholic Church believes that it has the responsibility to influence corporate policy and public conscience to create a more just global society, foster common good and respect the dignity of life.

The Foundation and investment manager(s) will be provided with investment guidelines as set forth by the U.S. Conference of Catholic Bishops and must only invest the above noted pools in assets that are considered SRI pursuant to these guidelines.

**VIII. Restricted Funds**

Donors may contribute to the Foundation and restrict their donations. For investment purposes, restricted funds will be pooled and invested with the unrestricted funds; however, these restricted funds will be tracked separately internally by the Treasurer or accountant with the assistance of the Investment Manager/Custodian.

If a restricted fund has less than \$10,000 in value, the Finance Committee may decide to invest that money in interest bearing money market savings accounts, certificates of deposits or similar investments instead of investing them with the Investment Manager/Custodian and will track them separately according to the restriction.

**IX. Monitoring Portfolio Performance**

Performance results of each Portfolio will be measured in three ways over a full business cycle, generally 3-5 years:

- A. The investment objective of the Portfolio: Spending Rate + Inflation + 3%
- B. A blended benchmark of market indices based on the strategic asset allocation of the portfolios and as agreed to by the Investment Committee. No benchmark changes may be made without Committee approval.
- C. The Portfolio will be compared to a peer universe of similar sized peers and similar purposed peers.

The Investment Manager(s) performance will be measured against relevant public market and/or peer benchmarks based on their investment focus and style. Performance will be measured over multiple time periods, with a focus on longer-term and rolling periods.

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**X. Selection of Investment Manager(s)**

There is intention to retain an Investment Manager(s) which meet the following minimum attributes to manage the Portfolio:

- A. The institution must be a bank, insurance company, investment management company or employ an investment adviser registered under the Registered Investment Advisers Act of 1940.
- B. The institution must be operating in good standing with regulators and clients, with no material pending or concluded legal actions.
- C. The institution must provide detailed information on the history of the firm, its investment philosophy and approach and its principals, clients, locations, fee schedules and other relevant information.

Assuming the minimum criteria are met, the particular Investment Manager under consideration should also meet the following standards:

- A. Performance reporting should comply with the CFA Institute's Global Investment Performance Standards (GIPS).
- B. Risk and risk-adjusted return measures should be evaluated and be within a reasonable range relative to an appropriate, style-specific benchmark and peer group.
- C. Fees should be competitive compared to similar investment manager(s).

**XI. Role of Investment Manager(s) and Custodian**

Based on recommendations from the Committee, the Board shall engage a professional Investment Manager(s) for the direct investment management of the Foundation's assets. The Investment Manager may or may not be the custodian of the assets.

**A. The Investment manager(s) will be responsible for:**

1. Managing and overseeing the investment portfolio by selecting, rebalancing, terminating and making tactical shifts between investments in accordance with this IPS.
2. Voting proxies in the best interest of the Foundation.
3. Monitoring the investments' performance compared to similar industry benchmarks.
4. Regular reporting to the Committee on portfolio performance, asset allocation and general investment guidance.
5. Informing the Committee of any changes in portfolio management personnel or ownership structure.

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**B. The Custodian will be responsible for:**

1. The custodian will physically maintain possession of securities owned by the Foundation, collect dividend and interest payments, redeem maturing securities and affect receipt and delivery following purchases and sales.
2. The custodian shall also perform regular accounting of all assets owned, purchased or sold as well as movement of assets into and out of the Portfolio accounts.
3. The custodian is also responsible for providing monthly statements and access to online balances and statements.

**XII. Removal of an Investment Manager**

There may be circumstances which dictate reason for removal of an Investment Manager. The following are general guidelines which may give reason to remove an Investment Manager:

- A. Failure to comply with the investment guidelines.
- B. Underperformance of the relevant benchmarks or peer groups, with an emphasis on long-term (three and five year) rolling time periods.
- C. Significant qualitative changes in the investment management organization.

Each Investment Manager shall be reviewed ongoing in regards to performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact its ability to achieve the desired investment results. If the investment manager fails to adhere to one or more of the above conditions, it is reasonable to presume a lack of adherence going forward. Any decision to remove an Investment Manager will be treated on an Individual basis, and will not be made solely based on quantitative data. In addition to those above, other factors may include professional or client turnover, or material change in investment processes. Considerable judgment must be exercised in the removal decision process and the Board must give final approval.

**XIII. Spending/Distribution of Funds**

- A. Spending/Distributions of unrestricted funds will be made in accordance with the most recent Foundation Distribution Policy. The intention of the Foundation is to preserve the corpus and distribute no more than 6% of the Foundation's assets.
- B. Restricted funds will be distributed as advised by the specific donor.

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**XIV. Conflicts of Interest**

It is recognized that the Foundation is often best served by having professionals in the banking and investing industries serve on its Board and Committees. This could potentially give rise to a conflict of interest. In such event, the Board member shall abstain from voting on matters relating to his or her employer.

**XV. Investment Policy Statement Review**

To assure the continued relevance and feasibility of the guidelines and objectives, as established in this IPS, the Committee shall review the policy annually and provide any recommended changes to the Board.