

# Ste. Marie Endowment Fund

## Investment Policy

Last Updated September 18, 2013

### Philosophy

The investment assets support an ever-broadening array of activities that assure the future mission of the Ste. Marie Endowment Fund “The Fund”. The Trustees have caused this statement to be prepared as a policy framework for a disciplined process that seeks to add value and minimize risk on behalf of those who benefit from these assets.

### Objectives

The primary investment objective of the Organization is to preserve and protect its assets, by earning a total return for the Endowment appropriate to this fund’s time horizon, liquidity needs, and risk tolerance. A secondary, but equally important objective is to ensure the practice of morally responsible investing. Whenever possible, investments in companies that offer products or services or engage in practices that are not consistent with the values and teachings of the Roman Catholic Church are to be avoided as much as possible.

- *Time horizons:* This is a permanent Fund. We expect this Fund to last many years, through many economic cycles and to help fulfill the long term objectives of the “Organization”.
- *Return expectations:* We expect the over all portfolio to earn the rate of inflation plus 3% over a 5 year period of time. Inflation should be defined by the Consumer Price Index (CPI) for the calendar year. In addition, we expect each Asset Class to equal or exceed its Benchmark on an annual basis.
- *Liquidity requirements:* The Fund anticipates annually distributions to Ste. Marie Parish of 5% of the Fund’s balance on December 31<sup>st</sup> of the preceding year once the Fund balance reaches \$250,000 and assuming the distribution will not result in the Fund balance dropping below \$250,000
- *Risk:* (fluctuation in principle) Financial markets and inflation rates are cyclical and, therefore, control of volatility will be sought through diversification of asset classes.

The Finance Committee of the Ste. Marie Endowment Fund, is a fiduciary and is responsible for directing and monitoring the investment management of Fund assets. As such, the Finance Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant. The consultant may assist the Finance Committee in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. Investment Manager. The Investment Manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives.
3. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales.
4. Additional specialists such as attorneys, auditors, actuaries and others may be employed by the Finance Committee to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

The Finance Committee will not reserve any control over investment decisions, with the exception of specific limitations described in this Investment Policy Statement. The Investment Manager will be held responsible and accountable to seek to achieve the objectives herein stated. While it is not believed that the limitations will hamper the Investment Manager, the Manager should request modifications which they deem appropriate.

### **Asset Mix**

To accomplish the Organization's investment objectives, the Investment Manager is authorized to utilize portfolios of equity securities (e.g. common stocks and convertible securities), the use of "mutual funds" as a proxy for individual securities is acceptable, fixed-income securities, alternative investments and short-term (cash) investments. As a guide to accomplishing these objectives, the Investment Manager shall remain within the ranges provided in the Strategic Asset Allocation paragraph. These ranges can be modified from time to time by the Finance Committee with approval by the Board. The actual investment targets shall be set within those limits by the Finance committee in conjunction with the Investment Manager.

### **Ineligible Investments**

Unless specifically approved by the Finance Committee, certain securities, strategies and investments are ineligible for inclusion within this Fund's asset base. Among these are:

- Derivative instruments (unless purchased through a pooled investment vehicle such as Exchange Traded Funds).

- Privately-placed or other non-marketable debt, except securities issued under Rule 144a.
- Lettered, legend or other so-called restricted stock.
- Commodities (unless purchased through a pooled investment vehicle such as Exchange Traded Funds).
- Direct investments in private placements, real estate, oil and gas and venture capital.

### **Strategic Asset Allocation**

Assets of the Ste. Marie Foundation Endowment Fund shall be invested to ensure that principal is preserved and enhanced over time both in real and nominal terms, to maintain the purchasing power of the asset. Principal is expected to increase in real terms, after accounting for inflation, to allow distributions to maintain their purchasing power. The performance of the assets will be based upon total return, that is, the return from dividends and interest paid, together with capital gain or loss or appreciation or depreciation of assets, whether or not realized in a particular year.

The Trustees have adopted the following asset allocation policy:

<u>Asset Class</u>	<u>Target %</u>	<u>% Range</u>	<u>Permissible Benchmark</u>
<b>Equities</b>	<b>60%</b>	<b>40% - 70%</b>	
US Equities	50%	40% - 70%	
Large Cap			S&P 500
Mid Cap			S&P 400
Small Cap			S&P 600
International	10%	0% - 25%	MSCI EAFE
<b>Fixed Income</b>	<b>23%</b>	<b>15% - 50%</b>	
Domestic	20%	15% - 50%	Barclay ABI
International	3%	0% - 10%	Barclay GABI
<b>Alternatives</b>	<b>15%</b>	<b>0% - 20%</b>	HFRI F of F
<b>Short Term Reserves</b>	<b>2%</b>	<b>1% - 20%</b>	90 Day T-Bill

### **Asset Diversification**

As a general policy, the Investment Manager will maintain reasonable diversification at all times. The Investment Manager may not allow the investments in the equity securities

of any one company to exceed 5 percent of the portfolio nor the total securities position (debt and equity) in any one company to exceed 10 percent of the portfolio. The Investment Manager shall also maintain reasonable sector allocations and diversification. In that regard, no more than 25 percent of the entire portfolio may be invested in the securities of any one sector.

## **Transactions**

All purchases of securities will be for cash and there will be no margin transactions.

## **Reporting Requirements**

1. Monthly—The Investment Manager will provide a monthly written statement containing all pertinent transaction details for each separately managed portfolio for the preceding month, including:
  - the name and quantity of each security purchased or sold, with the price and transaction date;
  - an analysis for each security of its description, percentage of total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income and yield (%) at market; and
  - an analysis for the entire portfolio of the current asset allocation by investment category (equities, fixed-income securities, and cash reserves).
2. Quarterly- The Investment Manager will present total fund and asset class returns for last calendar quarter, year-to-date and last year versus benchmarks and discuss performance relate to benchmarks. Also, provide portfolio characteristics relative to benchmarks.
3. Annually—The Investment Manager will present total asset class returns for last calendar quarter, year, last three years and last five years versus designated benchmarks. Review the investment strategy used over the past year and evaluate (in hindsight) the strategy's success/disappointments. Review the current investment strategy and underlying rational.

## **Cash Flow Requirements**

The organization will be responsible for advising the Investment Manager in a timely manner of the Organization's cash distribution requirements from any managed account. The Investment Manager is responsible for providing adequate liquidity to meet the Organization's cash flow requirements in accordance with Board policy.