

INVESTMENT POLICY

Introduction

This Investment Policy sets forth the principles, objectives, risk parameters, and performance standards for the Investment Funds (the "Fund") of The Catholic Community Foundation of Middle Tennessee ("CCFMTN") as well as the responsibility of the fiduciaries involved in its management.

Statement of Investment Objectives and Guidelines

Summary: CCFMTN investment program shall seek to provide market returns with reasonable levels of risk. The board of directors of CCFMTN or its designees shall direct the investments of these Funds consistent with the objective. Copies of CCFMTN's investment program and policies are available to any interested party upon request.

Generally, if a particular investment portfolio is not recommended by the Donor, Donor Advisor(s) or Advisory Committee as provided below, decision for the investment of the Funds shall be taken by the CCFMTN board which may be delegated to its Investment Committees. All funds so invested shall be invested in accordance with this policy. If a Donor, Donor Advisor(s) or an Advisory Committee is interested in having all or a portion of a Fund invested in a particular investment portfolio provided by CCFMTN, then the current Donor, Donor Advisor(s) or Advisory Committee may make an appropriate recommendation to CCFMTN in accordance with the policies and procedures approved by the board of directors or its designee. Such recommendations are advisory. Segregated asset accounts may be permitted, with advance approval. The Fund holding such accounts shall pay the direct costs of such arrangements, including additional administrative costs.

The financial objectives of the CCFMTN investments are three-fold: (1) to preserve the corpus of the Endowments of CCFMTN; (2) to provide a total rate of return sufficient to meet the spending needs of CCFMTN; (3) to increase the CCFMTN assets through organic growth, so as to reach and maintain a level of investments that will further contribute to funding CCFMTN goals.

CCFMTN will choose investment managers from organizations registered with the Securities and Exchange Commission as investment advisers organized under the Investment Advisers Act of 1940.

Return Objectives

The objectives of CCFMTN are a blend of the following:

1. **Achieve Long-Term Growth of Endowment Assets:** Funds in excess of those required to meet projected liquidity needs should be invested in fixed income and equity securities in such manner and amount which offers the potential for realizing long-term growth of the assets consistent with our risk tolerance and the other objectives set out below. It is important that CCFMTN be prudently advised by its investment manager(s) as to appropriate risk levels consonant with our philosophy and objectives. The goal of total return is specified without preference for income or capital gains.
2. **Preserve Capital:** Investment strategies utilized by the managers should provide long-term preservation of capital, in both real (net of inflation) and absolute terms. The managers should make reasonable efforts to avoid substantial losses of principal in any short-term period, consistent with their style of management.
3. **Uniform Prudent Management of Institutional Funds Act (UPMIFA) Investment Guidelines:** UPMIFA requires that endowment funds are prudently managed so that the purchasing power of the corpus is maintained. CCFMTN adheres to these policies. UPMIFA mandates that a charity and those who manage its funds:
 - a. Give primary consideration to donor intent as expressed in a gift instrument,
 - b. Act in good faith, with the care an ordinarily prudent person would exercise,
 - c. Incur only reasonable costs in investing and managing charitable funds,
 - d. Make a reasonable effort to verify relevant facts,
 - e. Make decisions about each asset in the context of the portfolio of investments, as part of an overall investment strategy,
 - f. Diversify investments unless due to special circumstances, the purposes of the fund are better served without diversification,
 - g. Dispose of unsuitable assets, and
 - h. Develop an investment strategy appropriate for the fund and the charity.
4. **Socially Responsible Investing:** The investment policy of CCFMTN shall not conflict with the Socially Responsible Investment Guidelines of the United States Conference of Catholic Bishops. For those rare instances where an exception may be appropriate, the majority of the board of directors must approve.
5. **Restrictions:** All investment decisions not in accord with the above policies are not permitted. In particular the investment managers will not:
 - a. Borrow money (temporary overdrafts in cash balances are not considered borrowing of money);
 - b. Purchase securities on margin;
 - c. Make short sales of securities;

- d. Underwrite securities;
- e. Invest in companies for the purpose of exercising control or management;
- f. Make loans except for the purchase of obligations described in the above policies;
- g. Purchase or sell commodities or commodity contracts, put or call options, warrants or any combinations thereof except:
 - the purchase of debt or other securities which have warrants attached, or
 - the establishment of a fully covered call option position as described in the above policies.
 - ETFs and commodity fund of funds pre-approved by the CCFMTN Investment Committee.

In addition, in order to avoid diversifiable risk, the investment managers will not:

- h. Hold more than 5% of their portfolio's total assets, taken at then current market value, in the securities of any single issuer, other than obligations issued or guaranteed as to principal and interest by the United States of America, its agencies, instrumentalities, or corporations;
- i. Hold more than 25% of the value of the portfolio's total assets in the securities of companies in any one industry, valued at the time of any proposed transaction. This last transaction is not violated if the limitation is exceeded only as a result of changes in value not resulting from the transaction.

Asset Allocation, Quality and Diversification

CCFMTN is a long-term investor with specific financial needs and goals that can best be met by making a reasoned, long-term commitment to fixed income and equity markets. We do not support the concept of speculation and, therefore, do not consider short-term market timing an appropriate technique for the management of our funds. This Investment Policy should provide a prudent method of achieving high longer-term returns while moderating risk of principal loss and volatility over short periods. Our total portfolio will be diversified among stock and bond asset classes in order to meet our objectives. The target asset allocation ranges for the portfolio are as follows:

A. Cash and Short-Term Investments: The Portfolio may invest cash in a range of zero to ten percent (0-10%) of the portfolio's aggregate market value.

B. Fixed Income Investments: The Portfolio may be invested in such securities with a range of twenty to forty percent (20-40%) of the portfolio's aggregate market value. Investments in Corporate debt shall be limited to an amount per issuer not to exceed five percent (5%) of the aggregate market value of the portfolio. Upon initial purchase, individual fixed income securities must be of investment grade as rated by Moody's and/or Standard and Poor's rating services. Should any bond rating subsequently be reduced below investment grade, the Advisor shall review to determine if investment considerations warrant it being discharged. The portfolio will be targeted to an average

maturity of 10 years or less.

C. Equity Investments: The portfolio may be invested in individual equity securities or mutual funds or EFT's with a range of sixty to eighty percent (60-80%) of the portfolio's aggregate market value. investment in non-U.S. Equities is allowed with a range up to fifteen percent (0% to 15%) of the portfolio's aggregate market value. The overall equity portfolio shall maintain an average equivalent securities rating of B or better. Individual equity purchases shall not exceed five percent (5%) of the portfolio's aggregate market value.

D. Derivative Investments: Unless approved in writing by the Board of Directors before purchase, or otherwise provided for under specific manager guidelines in this policy statement, the portfolio shall not acquire any derivative securities, including any tranches of mortgage backed instruments. An exception is made for U.S. Treasury bond futures which may be purchased to control duration exposure and minimize yield curve risk.

Summary of Asset Allocation

Asset Class	Policy Index Target	Allocation Bands		Targets, Benchmarks
		Low	High	
Equities:	60%	50%	70%	Blended based on actual allocation
US Equities	45%	35%	55%	S & P 500 Index
Non US Equities	15%	0%	20%	MSCI EAFE
Fixed Income	40%	30%	50%	Merrill Lynch Intermediate Bond Index
Cash & Equivalents	0%	0%	10%	90 day T bills
Total Portfolio	100%			

Management

A change in the investment policy will be implemented only after approval by the board of directors of the Foundation.

CCFMTN has selected Christian Brothers Investment Services (CBIS) as a qualified independent Investment Adviser, to whom we may delegate the authority and responsibility to invest and reinvest assets in accord with this document, as well as engage in socially responsible investing activities on our behalf. CBIS has been delegated the due diligence of investment performance, including manager strategies. Due diligence examines, among other things, expected returns, consistency of historical net performance, correlation to existing portfolio structure, liquidity, fees, manager investment philosophy and discipline, lead investors, proposed terms, and operational and legal risks. Risk elements and exit strategies are also analyzed to the extent known. Managers in the portfolio will be reviewed and evaluated by CBIS on a periodic basis. CBIS's role will include providing asset allocation recommendations, selection and oversight of

specific managers for various asset classes, monitoring of managers for compliance with Investment Policies, and providing relevant performance data.

CBIS is responsible for frequent and open communication with CCFMTN on all significant matters pertaining to investment policies and the management of the portfolio. CCFMTN will review and evaluate this Statement of Investment Policies and Objectives annually. CCFMTN will be responsible for written notification to CBIS of any changes in the document, investment objectives, risk tolerance, performance standards, or other significant instructions.

CCFMTN will review the performance of its investments with CBIS at least annually.

Manager Hiring and Termination; Custodian

- A. Process: The selection and termination of managers or consultants is recommended by CBIS and approved by the CCFMTN board of directors.
- B. Custody of Assets: A Custodian shall be engaged by CBIS. The Custodian is responsible for safekeeping of assets, settlement of trades, collection of interest and dividends, investment of excess portfolio cash and recordkeeping. Securities can be removed from the Foundation account only on authority of the Chairman of the Board or Treasurer/Assistant Treasurer, as stated in the contract with the Custodian. The Custodian selected by the Foundation should have adequate financial resources for protection against business failure and against liabilities relating to loss or theft of securities. They should also provide adequate performance in delivery systems, compliance monitoring, accuracy, timeliness, and income and principal collection.
- C. Brokerage Commissions: Managers selected by CBIS shall attempt to obtain the best net execution price consistent with obtaining the lowest possible commission rate on each transaction.