

**The Catholic Foundation of Santa Clara County**  
Policy Statement  
Investing Catholic Foundation Funds  
Revised March, 2011

**Introduction**

This Investment Policy Statement sets forth the principles, objectives, risk parameters, and performance standards for the Investment Funds (the “Fund”) of The Catholic Foundation of Santa Clara County (“Foundation”) as well as the responsibility of the fiduciaries involved in its management.

**Statement of Investment Objectives and Guidelines**

- A. **Summary:** The financial objective for the Fund is to provide a total rate of return sufficient to:
- (1) preserve the real (inflation adjusted) purchasing power of the Endowments of the Foundation;
  - (2) to increase the Fund through organic growth, so as to reach and maintain a level of investments that will further contribute to funding Foundation goals; and (3) meet the disbursement needs of the foundation (see disbursement policy, March 2010).
- B. **Return Objectives:** The Endowment seeks to maximize the long-term total return, consistent with prudent levels of risk. The objective is to achieve a net 4-6% real (inflation adjusted, net of fees and costs) rate of return, or better, over rolling five-year periods. The portfolio’s performance will be measured against the objective real rate of return as well as appropriate, weighted as to allocations, long-term benchmark indices (*see detailed summary next page*) and will be calculated in conformance with *CFA Institute’s* Performance Presentation Standards.
- C. **UPMIFA Investment Guidelines:** UPMIFA (Uniform Prudent Management of Institutional Funds Act) requires that endowment funds be prudently managed so that the purchasing power of the corpus is maintained. The Catholic Foundation of Santa Clara County adheres to these policies. UPMIFA mandates that a charity and those who manage its funds:
1. Give primary consideration to donor intent as expressed in a gift instrument,
  2. Act in good faith, with the care an ordinarily prudent person would exercise,
  3. Incur only reasonable costs in investing and managing charitable funds,
  4. Make a reasonable effort to verify relevant facts,
  5. Make decisions about each asset in the context of the portfolio of investments, as part of an overall investment strategy,
  6. Diversify investments unless due to special circumstances, the purposes of the fund are better served without diversification,
  7. Dispose of unsuitable assets, and
  8. In general, develop an investment strategy appropriate for the fund and the charity.

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**Asset Allocation, Quality and Diversification**

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 fifteen to thirty-five percent (15-35%) 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 maximum maturity of an individual bond shall not exceed fifteen years and the average maturity of the portfolio shall not exceed ten years.
- 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. Investment in U.S. Small Cap Equities is allowed with a range up to 15%. 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.

**Summary of Asset Allocation**

Asset Class	Policy Index Target	Allocation Bands		Target	Benchmarks
		Low	High		
<b>Equities:</b>	<b>70%</b>	<b>60%</b>	<b>80%</b>	<b>Blended, based on actual allocation</b>	
U.S. Large Cap	50%	40%	60%	S & P 500 Index	
U.S. Small Cap	10%	0%	15%	Russell 2000 Index	
Non-U.S. Equities	10%	0%	15%	MSCI EAFE	
<b>Fixed Income</b>	<b>25%</b>	<b>15%</b>	<b>35%</b>	<b>BC 1-5 yr. gov't/credit</b>	
<b>Cash &amp; Cash Equivalents</b>	<b>5%</b>	<b>0%</b>	<b>10%</b>	<b>90-Day T-Bills</b>	
<b>Total Portfolio:</b>	<b>100%</b>				

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**Management**

A change in the investment policy will be implemented only after recommendation by the Investment Committee and review and approval by the Board of Directors of the Foundation.

The Investment Committee is delegated 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 Investment Committee on a periodic basis.

**Manager Hiring and Termination; Custodian**

- A. Process: The selection and termination of managers or consultants is recommended by the Investment Committee and approved by the Board of Directors of the Foundation.
- B. Custody of Assets: the Board of Directors shall engage a Custodian. 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.

**Socially Responsible Investing**

The investment policy of The Catholic Foundation of Santa Clara County shall be consistent with the Socially Responsible Investment Guidelines as provided by The United States Conference of Catholic Bishops.