

INVESTMENT POLICY STATEMENT
FOR
CATHOLIC FOUNDATION OF NORTHEAST
KANSAS



DECEMBER 2023

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MISSION

The Catholic Foundation of Northeast Kansas (CFNEK), responding to the Gospel challenges of responsible stewardship, calls for investment decisions to be made with consideration to both economic and social justice factors in light of our Church values. The CFNEK is a non-profit Kansas corporation incorporated in 1988. The sole member is the Archbishop of the Archdiocese of Kansas City in Kansas. The CFNEK provides investment, asset management, custodial and related services to Archdiocesan parishes, schools, ministries, affiliated organizations and to individuals by facilitating charitable giving. An appointed board of directors is charged with leadership in organizing, managing, monitoring and assisting in all fund management decisions related to CFNEK assets including special fundraising activities. Assets include proceeds from fund drives, and assets held under trust declaration. The ultimate objective is to increase capital resources for support of the Archdiocese of Kansas City in Kansas, parishes, schools, and its not-for-profit affiliates. Non-appointed Directors shall be the Archbishop and the Chancellor of the Roman Catholic Archdiocese of Kansas City in Kansas. The Chief Financial Officer and Executive Director, Office of Stewardship and Development, serve as non-voting ex officio members of the Board of Directors, by virtue of their employment with the Archdiocese of Kansas City in Kansas.

PURPOSE OF INVESTMENT POLICY STATEMENT

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding as to the investment goals and objectives and management policies applicable to the CFNEK Equity Portfolio and Fixed Income Portfolio (collectively, "Portfolios" or "Funds") governed by this IPS. This IPS will:

1. Describe the investment philosophy used to manage the Portfolio
2. Create the framework for a well-diversified asset mix that can reasonably be expected to generate acceptable long-term returns at a suitable level of risk, including:
 - a. Describing an appropriate risk posture and time horizon for the Portfolio;
 - b. Specifying the target strategic asset allocation policy;
 - c. Designating bands around these target asset class weights within which weightings may be allowed to fluctuate;
 - d. Articulating rebalancing procedures to periodically return assets class weights to within strategic target ranges
3. Institute specific guidelines and limitations including permitted and prohibited security types
4. Establish procedures to enable consistent, global application of moral screening
5. Provide a basis for the evaluation of investment performance of the Portfolios

This IPS is intended to be a summary of an investment philosophy and procedures that provide guidance for those involved in the management of the Portfolios. These policies will be reviewed periodically to ensure they adequately reflect any changes related to the Portfolios, the CFNEK, or to the capital markets.

AUTHORIZED INDIVIDUALS

The CFNEK Board of Directors, Treasurer and Finance Committee, shall determine the investment management of the Portfolios. Discretion regarding specific investments and allocations consistent with the guidelines of this IPS may be designated to investment advisory specialists (Consultant) regarding the Portfolios. The Chief Financial Officer shall serve as liaison between the Consultant and the CFNEK.

Responsibilities of the Consultant shall include:

- Assist the CFNEK Board of Directors, Treasurer and Finance Committee in developing investment policy guidelines, including asset classes, allocation targets and ranges and risk diversification for the Portfolios.

- Discretion on the selection and termination of investment managers or may provide information on a broad spectrum of investment managers to assist with the construction of the Portfolios.
- Take action or make recommendations, when and as appropriate, for asset allocation modifications and any manager additions or changes that are necessary to accomplish the goals of the Portfolios.
- Monitor the performance, operations and compliance with CFNEK moral principal guidelines of investment managers and provide regular quarterly reports to CFNEK.
- Evaluate, report conclusions and make recommendations in a timely manner as deemed necessary.

INVESTMENT PHILOSOPHY

Asset allocation for the Portfolios will be specified in this IPS and managed on an aggregated basis for each respective portfolio, rather than by separate, individual managers. This allows for more consistent, controlled, centralized management of the Portfolios.

CFNEK recognizes that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving a targeted investment return. The Equity Portfolio will have the objective of generating equity-like returns over a full market cycle, with lower levels of volatility than broad equity markets. Therefore, the Equity Portfolio will seek to deliver strong risk-adjusted returns that may compromise upside market performance in strong equity markets in hopes of preserving capital in weak equity market environments. The Fixed Income Portfolio will have the objective of generating reasonable rates of return when compared to broad domestic fixed income markets, with significantly lower volatility than equity markets, and provide regular current income. The Fixed Income Portfolio is not meant to offer a guaranteed, fixed rate of return, nor is it meant to offer guaranteed principal protection. However, over full market cycles, the Fixed Income Portfolio is expected to generate higher rates of return than what is offered by bank deposits or money market funds.

Global asset allocation also allows for a “core/satellite” model to be used in managing the Portfolios, whereby both active and passive investment vehicles are utilized. The determination of active versus passive management is based upon historical market efficiency of each asset class. Active management is utilized for less-efficient asset classes where an active manager may have more opportunity to outperform a particular passive benchmark; and, passive management is used for more-efficient asset classes where active manager out-performance is less likely and thus passive management minimizes management fees. Active managers will be selected for specific asset classes that match their unique expertise – “best-of-breed” selection process – and their performance will be measured against specific passive benchmarks.

The long-term success of this investment approach is dependent upon the consistent application of this process, including investment allocation and rebalancing, over time. An appropriate, diversified portfolio and time-in-the-market, rather than market timing, are the underpinnings of the philosophy and success of the Portfolios.

MORAL PRINCIPLES

The CFNEK will attempt to be morally and ethically responsible in accordance with the tenets of the Church and reflect the principles of justice and peace integral to all of the actions of the Archdiocese, including its investment decisions.

The Consultant must collaborate with the CFNEK in CFNEK's attempt to be morally and ethically responsible in accordance with the tenets of the church and to reflect the principles of social justice and peace in our investment decisions. The United States Conference of Catholic Bishop (USCCB) has developed a clear and comprehensive set of policies which are used to guide CFNEK's investments. These guidelines will be updated from time to time, but currently cover the following areas:

- Protecting human life;
- Promoting human dignity;
- Reducing arms production;
- Pursuing economic justice;
- Protecting the environment, and
- Encouraging corporate responsibility.

As a result of the above responsibility, investments must seek whenever possible to comply with the USCCB Socially Responsible Investment Guidelines. This document is available at USCCB.org.

It is anticipated that mutual funds/pooled vehicles/limited partnerships may be utilized within the Portfolio and it is understood that CFNEK will not have control over the management of such vehicles with regard to guidelines and restrictions. However, the Consultant and CFNEK shall seek to select and utilize funds which comply with these guidelines and restrictions whenever possible. Any potential investment vehicle not in full compliance with the above guidelines will be communicated to the CFNEK by the Consultant for discussion regarding possible application in the Portfolio.

It should be the goal of the overall portfolio (equity, fixed income, alternatives, etc. combined) to maintain a USCCB compliance level of at least 97%, but to achieve as close to a 100% compliance level as possible within the context of portfolio construction and return objectives.

Investments, generally speaking, should be made in companies and products where possible that enhance human life, and support justice for all, and show a special concern in and for the poor.

ASSET ALLOCATION

Strategic/Tactical Asset Allocation

Academic research suggests that the decision to allocate funds among various asset classes will far outweigh security selection and other decisions that impact portfolio performance. After reviewing the long-term performance and risk characteristics of various asset classes and balancing the risk and rewards of each, asset classes and weightings were selected to achieve objectives. If an asset weighting were to move outside of the specified tolerance band and remain there for some time, a rebalance may be triggered. Given the objectives of the Equity Portfolio, it is anticipated equity strategies will be the primary component of the asset allocation. Furthermore, given the objectives of the Fixed Income Portfolio, it is anticipated fixed income securities and strategies will be the primary component of asset allocation. However, additional asset classes and security types are permitted below. Any such non-equity strategy incorporated will seek to diversify and enhance the risk/return characteristics of the Portfolio(s). In addition, it is anticipated that certain market environments may warrant a tactical allocation to an asset class which has fallen significantly out of favor, in attempt to enhance risk/return characteristics.

Rebalancing Procedures

From time to time, market conditions may cause the Portfolio's investment in various asset classes to fall outside their established allocation ranges. As outlined above, the Consultant will have discretion regarding asset allocation within designated ranges specified herein for the Portfolios. Further, to remain consistent with the asset allocation guidelines established by this IPS, no less than annually, or after dramatic market events, the Consultant, the Finance Committee of the CFNEK will review each asset class in the Portfolios. If the actual weightings fall outside of the tolerance bands established, the Portfolios will be rebalanced. The costs of transacting will be taken into effect before any rebalancing is undertaken.

INVESTMENT GUIDELINES

Permitted Security Types

1. Mutual funds, including
 - a. Index funds
 - b. Enhanced index funds
 - c. Actively-managed funds
 - d. Open-ended and closed-ended funds
2. Exchange Traded Funds (ETFs)
3. Exchange Traded Notes (ETNs)
4. Common stocks
5. Preferred stocks
6. Convertible preferred stocks
7. Real Estate Investment Trusts (REITs)
8. Real estate limited partnerships and limited liability companies
9. Individual bonds, including (but not limited to) government (**including TIPS**), agency/non-agency, corporate, **taxable municipals**, international and high yield
10. Convertible bonds
11. Obligations of commercial banks, bank holding companies, and savings and loan associations, including certificates of deposit, repurchase agreements, bankers acceptances, finance bills, commercial paper, notes, and debentures
12. Option contracts – only covered calls and protective puts; no uncovered writing of options, where risk exposure is unlimited.
13. Master Limited Partnerships
14. Alternative investments, including managed futures, hedge funds, arbitrage funds, macro funds, event-driven funds, structured-credit funds, and private equity funds. The investment limit, at cost, will be 3% for Single-Manager Funds and 10% for Fund of Funds.
15. Deposits made into the Archdiocesan Deposit and Loan Fund.

Disallowed Security Types

Disallowed securities include direct investments in companies that participate in prohibited activities articulated in the Moral Principles section. If a portfolio company becomes disallowed, it will be sold from the portfolio expeditiously but cautiously so as to limit any potential negative impact on performance. The Investment Manager will then avoid purchasing these disallowed securities going forward.

Restrictions on Investment Activities

Investment managers will not:

1. Borrow money (temporary overdrafts in cash balances are not considered borrowing money);
2. Purchase securities on margin except as allowed in item 14 in Permitted Security Types;
3. Make short sales of securities except as allowed in item 14 in Permitted Security Types;
4. Underwrite securities;
5. Make loans except for lending securities to realize a return from such activity;
6. Invest in tangible property, direct real estate, direct participation investments, and venture capital;
7. Hold more than 5% of Portfolio's total assets, taken at 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, and other than in the Deposit and Loan Fund.

Investment Product Selection

Management fees will be an important consideration when selecting investment managers and products for the Portfolios. As such, a significant percentage of the Portfolio may be invested in index funds, enhanced index funds, and exchange-traded funds and notes. There may be cases where the rewards associated with a particular actively-managed strategy outweigh the higher costs associated with a passive vehicle, and may therefore be utilized by for the Portfolios. Additionally, attention will be paid to minimizing commission costs associated with buying and selling securities for the Portfolios.

Consultant and Investment Manager Guidelines

1. Full discretion in portfolio investment is given to the Consultant, subject to the operating guidelines reflected in this IPS for the Portfolios. Each investment manager will have discretion over the assets which they directly manage.
2. The Consultant and each investment manager are required to act as a fiduciary in all investment decisions and are expected to minimize all costs and expenses involved with managing those assets, and always to act in compliance with all applicable investments and security laws and regulations. All parties are required to act solely in the best interest of the Portfolios at all times.
3. Any conflict that cannot be resolved with discretion and appropriate consultation between the Archbishop, the Consultant and the Chief Financial Officer and the Board of Directors of the CFNEK will be resolved by Arbitration as outlined in the applicable investment management agreement.
4. If in doubt on the implementation of these guidelines, the Consultant should take the more reserved position on specific issues or consult with the Chief Financial Officer.

TAX POLICY

There are no income tax considerations for these Portfolios.

PERFORMANCE MONITORING AND REVIEW

The Finance Committee of the CFNEK will meet quarterly to review performance of the Portfolios and monitor both overall Portfolio performance and active managers' performances against specific benchmarks, as established by the Consultant and CFNEK. To facilitate these reviews, the Consultant should provide portfolio performance summaries, including a listing of all securities with percentage weights in individual securities and in asset classes. The summaries should include performance figures net-of-fees for the Portfolio as a whole, as well as those for asset classes within the Portfolio, applicable indices and respective peer groups. Each investment manager will be expected to realize a competitive rate of return over a 3-to-5 year period, or full market cycle, when compared to those of indices and peer funds.


Performance summaries should be provided by the Consultant to the Chief Financial Officer and Executive Director, who are the CFNEK's delegates to receive all communication, reports and statements. The Treasurer may be copied if deemed necessary.

Performance reports will be generated quarterly by the CFNEK staff and submitted to the Finance Committee of the CFNEK for consideration.

This IPS will be reviewed annually by the Investment Committee to determine whether needs have changed.

ADOPTION

ADOPTED BY CFNEK:



Signature

12/19/23
Date

CFNEK Board President

Stephen J. Bahr
Printed Name

ADOPTED BY CONSULTANT:



Signature

12/26/23
Date

Chuck Maggiorotto
Printed Name

Appendix A

CATHOLIC FOUNDATION OF NORTHEAST KANSAS
INVESTMENT POLICY STATEMENT
ASSET ALLOCATION SCHEDULE
EQUITY PORTFOLIO

Income/liquidity requirements: The available annual distribution will be 4% of the average of the previous three year-end (June 30) total account balances, paid through two semi-annual payments (2% each).

Return objectives (measured over 3-5 year periods or full market cycles):

Relative: Outperform blend of 70% Russell 3000 and 30% MSCI ACWI Ex-U.S. Indices

Absolute: CPI + 5%.

Portfolio target weights and ranges:

Asset Class	Percent	Range
Equities	90%	60-100%
U.S. Largecap	40%	30-70%
U.S. Small/Midcap	10%	5-15%
International Developed Market	30%	10-35%
Emerging Markets	10%	5-15%
Alternatives/Tactical (1)	10%	0-20%
Equity Hedge Funds		
Managed Futures / Commodities		
Private Equity Funds		
Private Real Estate Funds		
Other		
Total	100%	100%

(1) Alternatives/Tactical allocation may include any asset classes or strategies within the permitted security types section.

Appendix B

CATHOLIC FOUNDATION OF NORTHEAST KANSAS
INVESTMENT POLICY STATEMENT
ASSET ALLOCATION SCHEDULE
FIXED INCOME PORTFOLIO

Income/liquidity requirements: The available annual distribution will be 4% of the average of the previous three year-end (June 30) total account balances, paid through two semi-annual payments (2% each).

Return objectives (measured over 3-5 year periods or full market cycles):

Relative: Barclays Intermediate Government/Credit Index

Absolute: CPI + 1%.

Portfolio target weights and ranges:

Asset Class	Percent	Range
Fixed Income	95%	90-100%
U.S. Treasury/Agency Securities	35%	0-100%
Mortgage-Backed Bonds	15%	0-40%
Investment Grade Corporate Bonds	45%	0-100%
Non-Investment Grade Bonds	0%	0-10%
Other Income Securities/Deposits	0%	0-10%
Other	5%	0-10%
Preferred Stock		
Common Stock		
Derivatives		
Options		
Other		
Total	100%	100%

In addition to the sector guidelines referenced above, the aggregate Fixed Income Portfolio shall not have an effective modified duration of greater than six years, and shall have an overall average credit quality of at least A (as rated by S&P). The aggregate allocation to non-investment grade fixed income securities shall not exceed 10%.

Executive Director: 
 William Maloney

Date: 1/2/2024