

Catholic Community Foundation for Eastern South Dakota

Finance Committee & Board Update

April 25, 2024

Kyle Zotta, CFA, CAIA
Principal

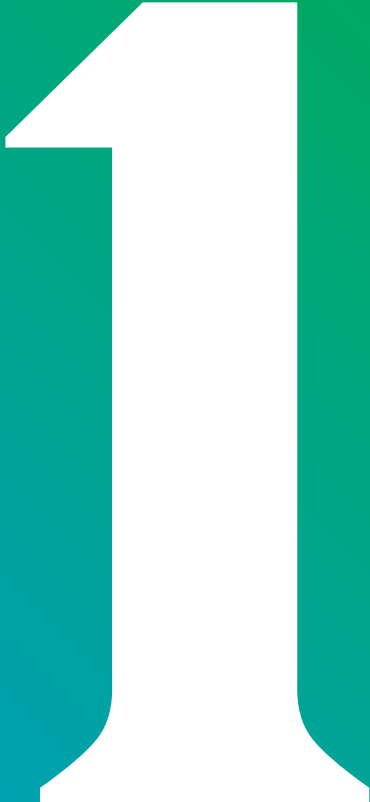
Kevin Hannon
Principal

Val Schram
Associate

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Discussion Materials

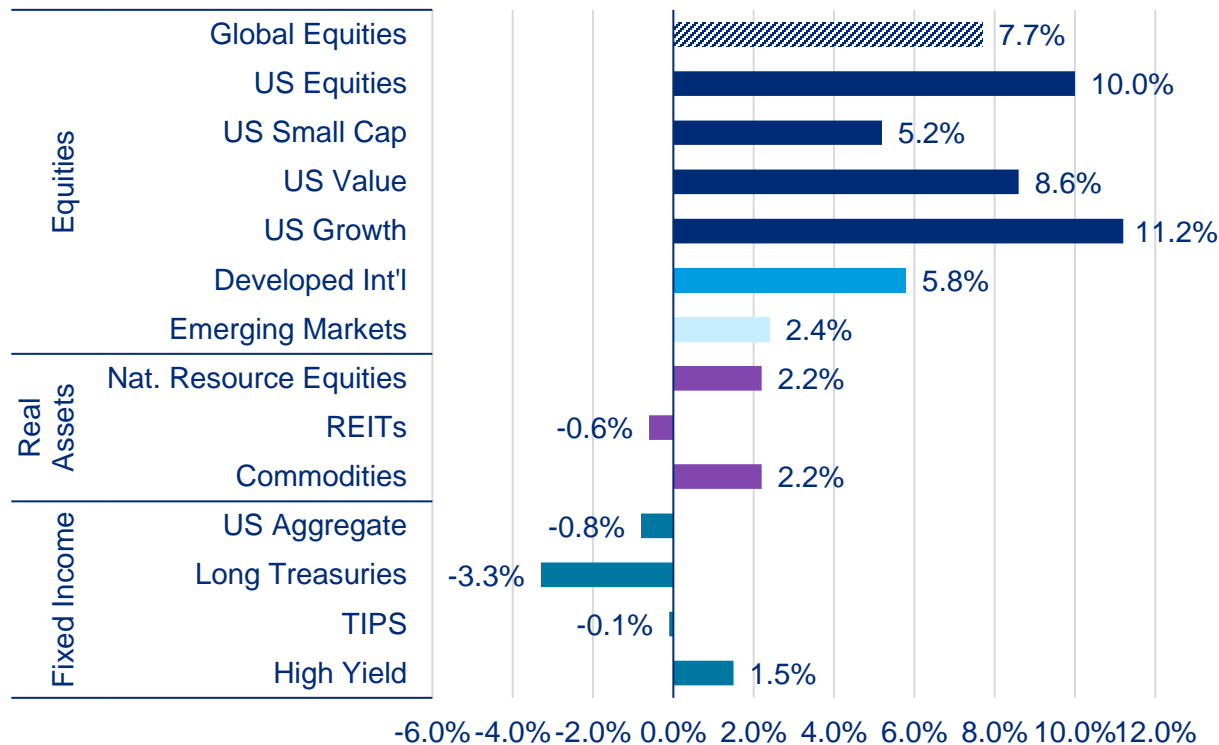


Discussion Materials

Market Environment

Total returns of major asset classes

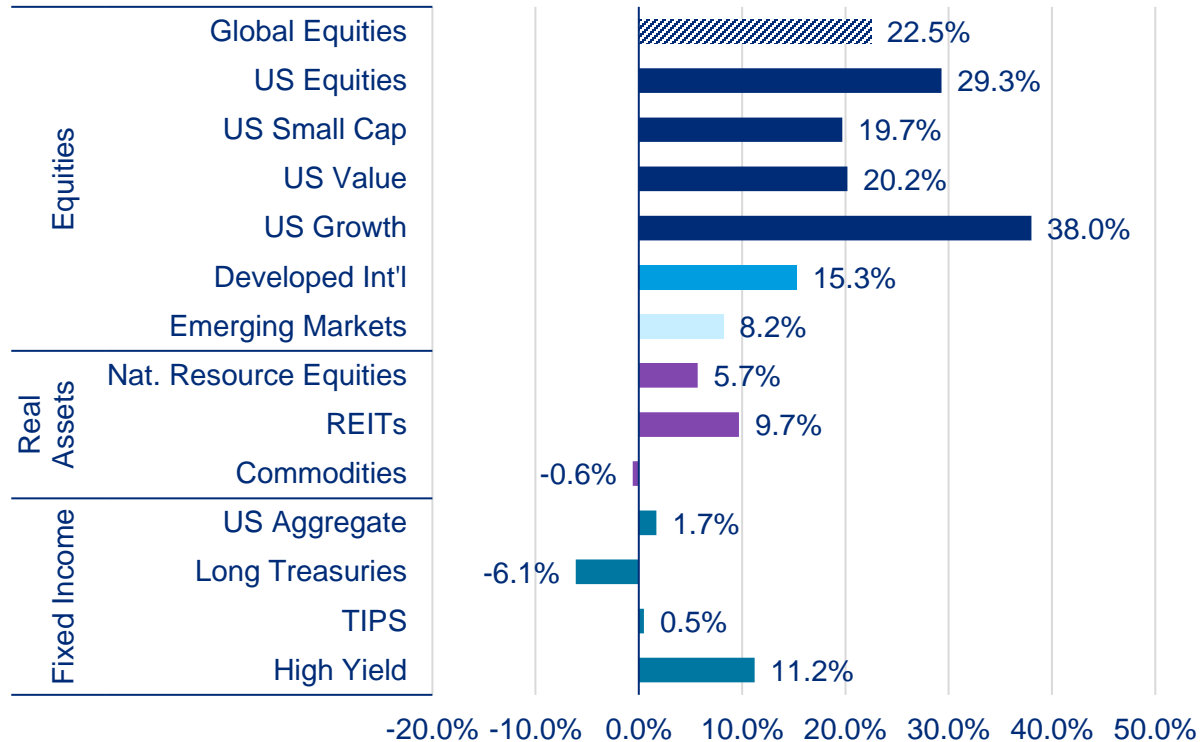
Quarter-to-Date Return
December 31, 2023 – March 31, 2024



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg. Returns refer to the following index performance, MSCI ACWI IMI (Global Equities), MSCI All Country World Small Cap (Global Small Cap), Russell 3000 (US Equities), Russell 2000 (US Small Cap), Russell 3000 Value (US Value), Russell 3000 Growth (US Growth), MSCI EAFE (Developed International), MSCI EAFE Small Cap (Developed Int'l Small Cap), MSCI Emerging Markets (Emerging Markets), MSCI China A Onshore (China A Share), S&P Global Natural Resources (Natural Resource Equities), FTSE EPRA/NAREIT United States (REITs), FTSE Global Core Infrastructure (Listed Infrastructure), Bloomberg US Aggregate (US Aggregate), Bloomberg US Treasury Long (Long Treasuries), Bloomberg High Yield (High Yield), S&P/LSTA Leveraged Loans (Leveraged Loans). Past performance is no guarantee of future results.

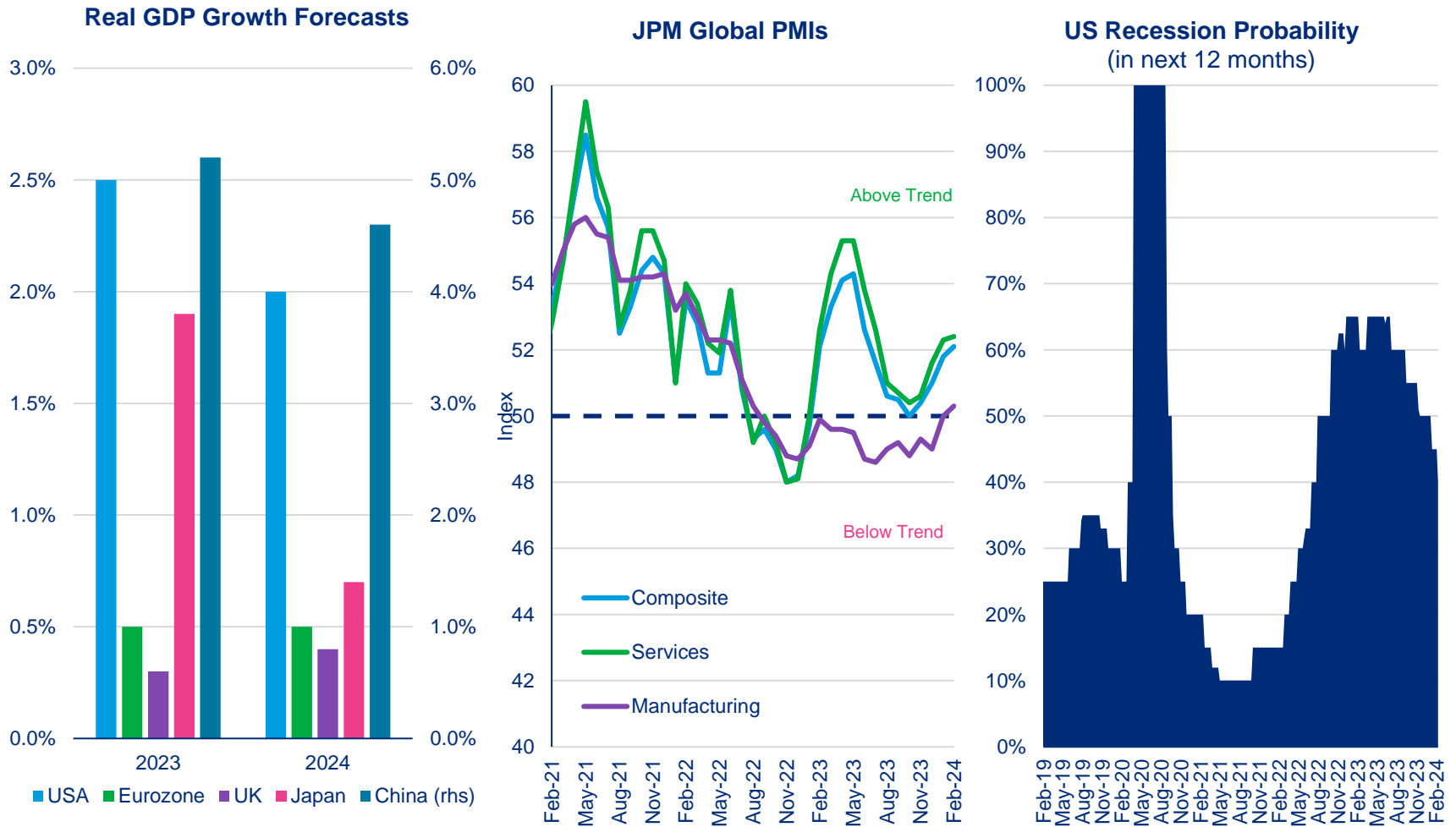
Total returns of major asset classes

One Year Return
As of March 31, 2024



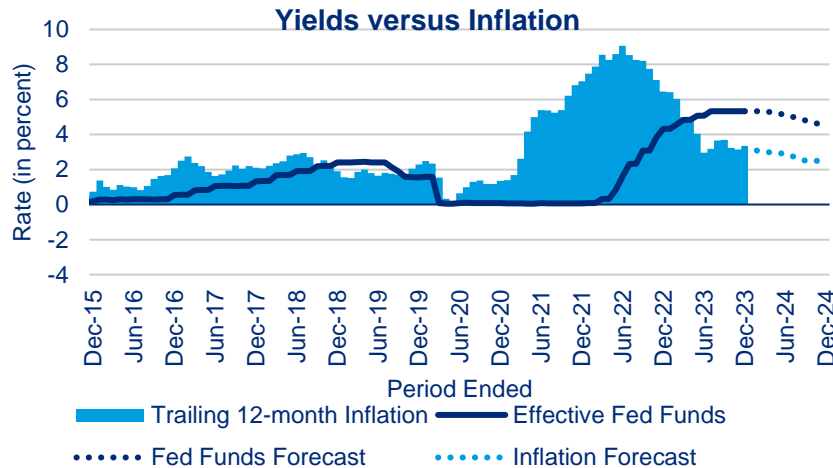
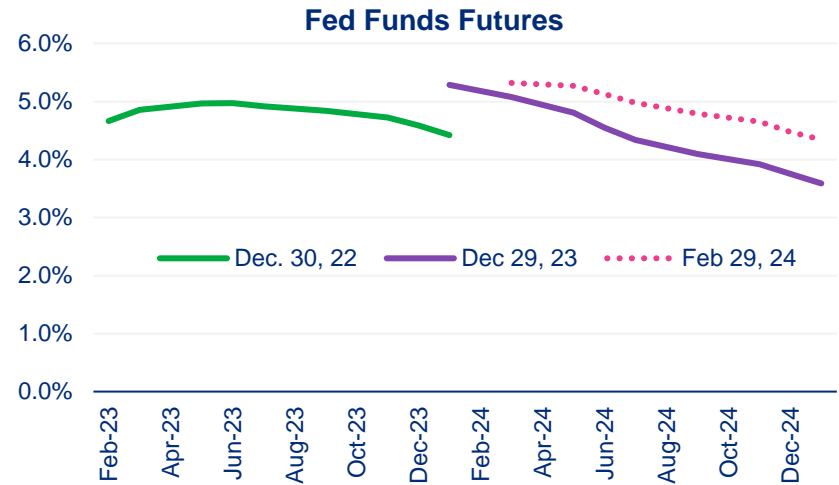
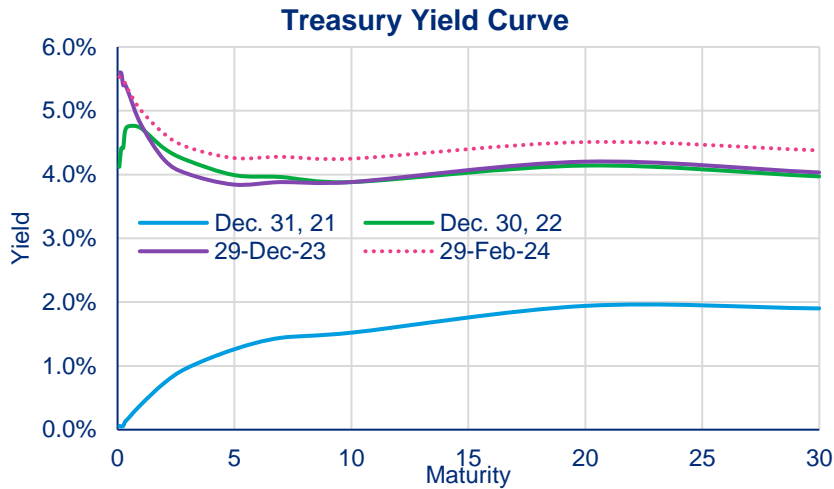
Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg. Returns refer to the following index performance, MSCI ACWI IMI (Global Equities), MSCI All Country World Small Cap (Global Small Cap), Russell 3000 (US Equities), Russell 2000 (US Small Cap), Russell 3000 Value (US Value), Russell 3000 Growth (US Growth), MSCI EAFE (Developed International), MSCI EAFE Small Cap (Developed Int'l Small Cap), MSCI Emerging Markets (Emerging Markets), MSCI China A Onshore (China A Share), S&P Global Natural Resources (Natural Resource Equities), FTSE EPRA/NAREIT United States (REITs), FTSE Global Core Infrastructure (Listed Infrastructure), Bloomberg US Aggregate (US Aggregate), Bloomberg US Treasury Long (Long Treasuries), Bloomberg High Yield (High Yield), S&P/LSTA Leveraged Loans (Leveraged Loans). Past performance is no guarantee of future results.

The drawdown in manufacturing appears to have stabilized, and data are constructive in 2024



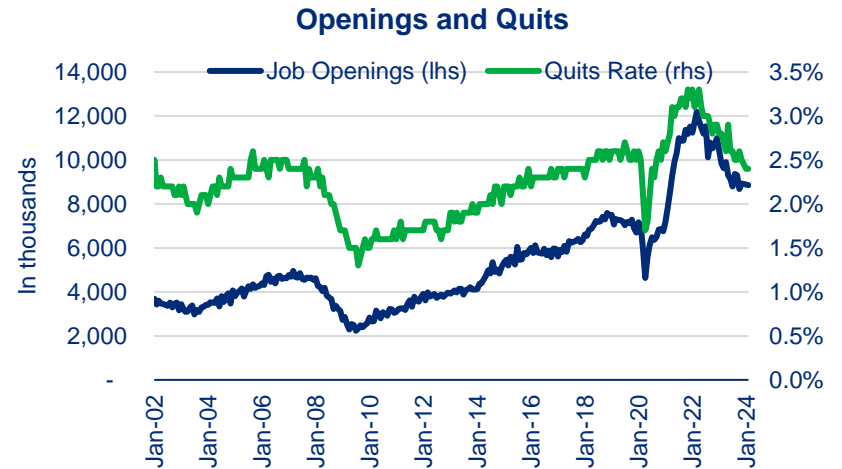
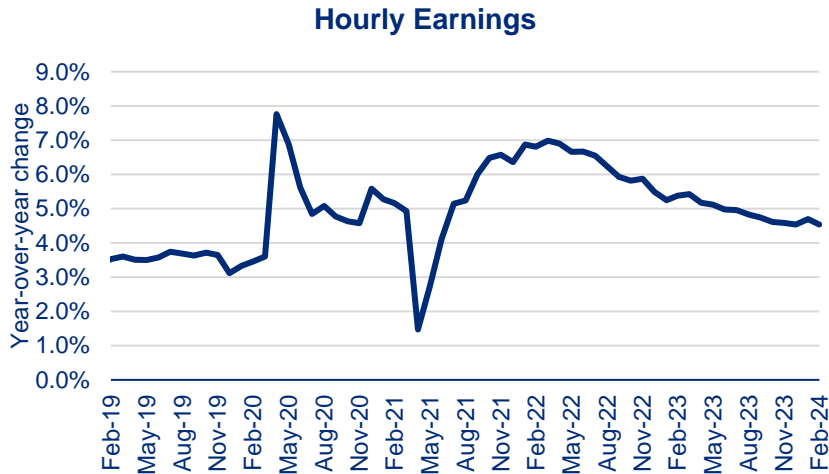
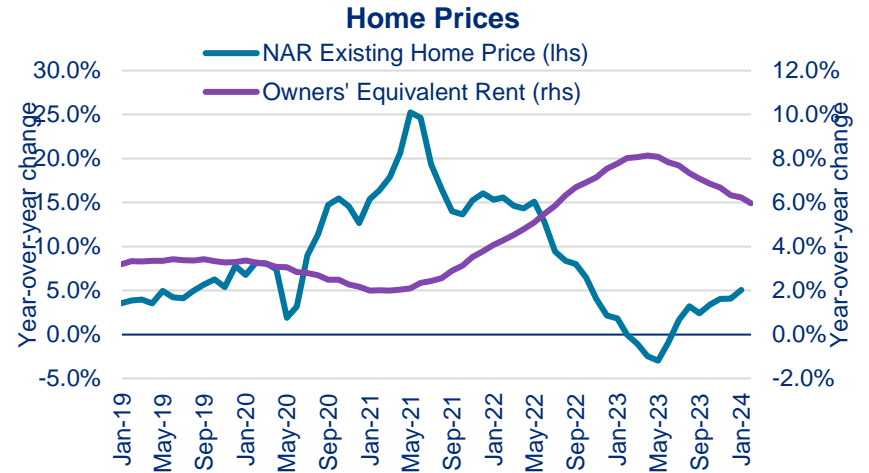
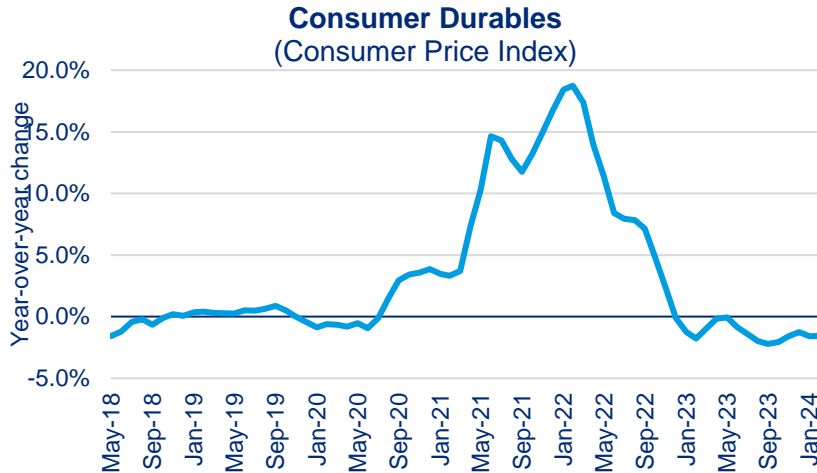
Source: Bloomberg, JP Morgan. Consensus GDP forecast data as of February 29, 2024.

Fed funds remain restrictive, but rate cuts anticipated in 2024



Source: Bloomberg, 2-year implied rate volatility based on swaption pricing, as of February 29, 2024.

Inflation remains a key interest of central banks, particularly with the strength of recent economic data

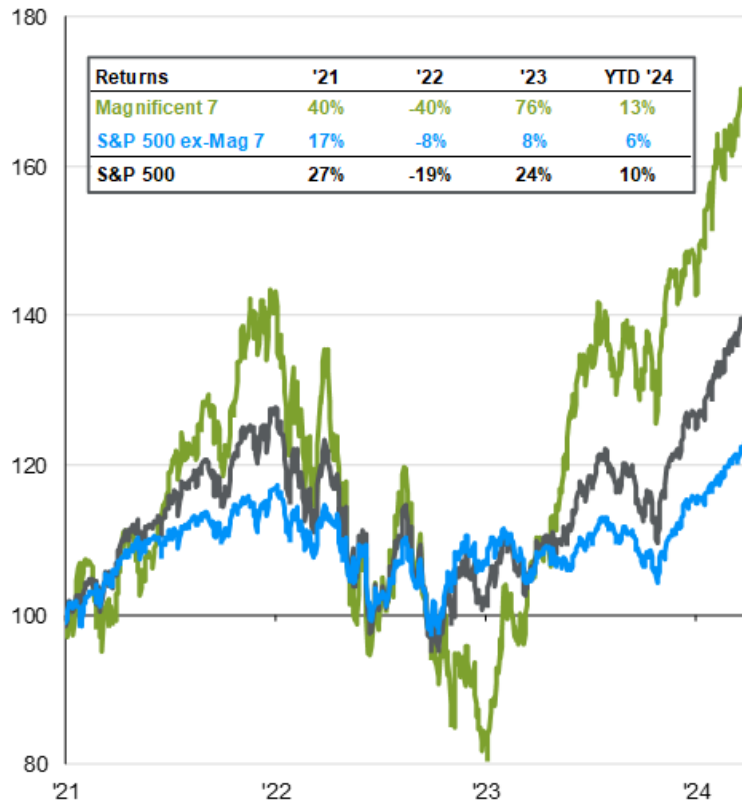


Source: Bloomberg, National Association of Realtors (NAR), Bureau of Labor Statistics, Hourly Earnings: Average Hourly Earnings of Production and Nonsupervisory Employees, as of February 29, 2024.

Magnificent 7 performance and earnings dynamics

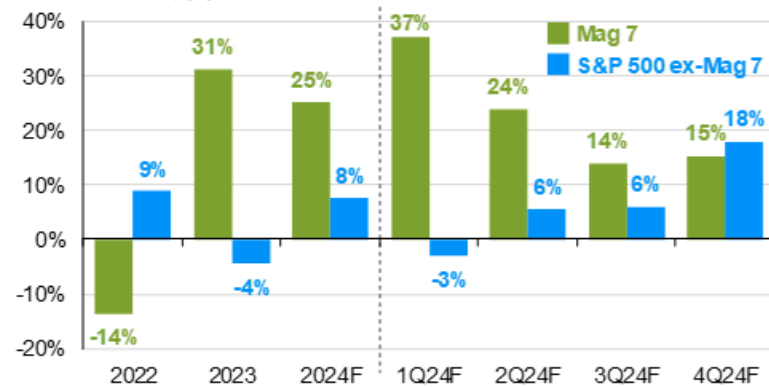
Performance of “Magnificent 7” stocks in S&P 500*

Indexed to 100 on 1/1/2021, price return



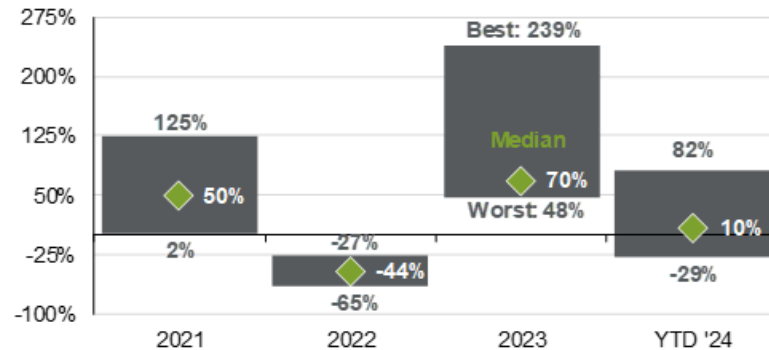
Earnings growth

Pro-forma EPS, y/y



Magnificent 7 performance dispersion

Price returns, best, median and worst performing Mag 7 stock by year



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

*Magnificent 7 includes AAPL, AMZN, GOOG, GOOGL, META, MSFT, NVDA and TSLA. Earnings estimates for 2024 are forecasts based on consensus analyst expectations.

Guide to the Markets – U.S. Data are as of March 31, 2024.

J.P.Morgan
ASSET MANAGEMENT

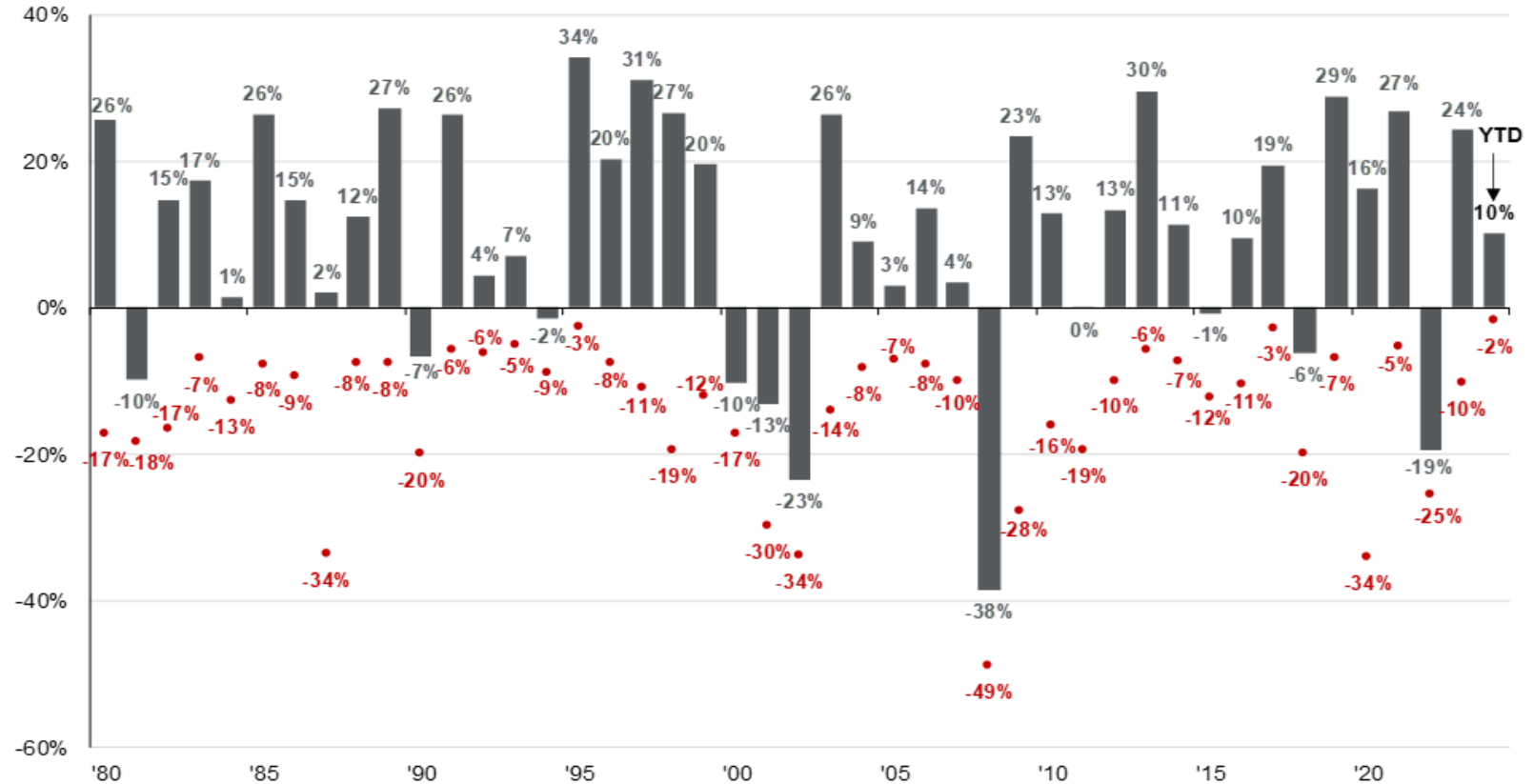
Annual returns and intra-year declines

Annual returns and intra-year declines

GTM U.S. 16

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 33 of 44 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2023, over which time period the average annual return was 10.3%.

Guide to the Markets – U.S. Data are as of March 31, 2024.

J.P. Morgan
ASSET MANAGEMENT



Discussion Materials

Portfolio Update

Performance Review – Foundation

February 29, 2024

	Performance Returns (%)								
	Market Value (\$)	1 Month	Year-to-Date	Last 1 Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years	Since 6/00
Catholic Comm. Foundation for E. South Dakota	\$149,008,873	2.7	2.7	15.5	4.2	8.0	6.1	6.1	5.9
Policy Return		2.5	2.2	14.6	4.4	7.5	5.9	6.2	5.8
70% MSCI ACWI (Net)/ 30% Bloomberg Aggregate		2.6	2.9	17.0	3.9	7.7	6.5	6.5	5.3
70% S&P / 30% Agg		3.3	4.4	21.8	7.4	10.6	9.4	8.1	6.6
S&P 500 Index		5.3	7.1	30.5	11.9	14.8	12.7	9.9	7.5
Russell 2000 Index		5.7	1.5	10.0	(0.9)	6.9	7.1	7.9	7.4
MSCI EAFE (Net)		1.8	2.4	14.4	4.4	6.8	4.4	5.6	3.9
MSCI Emerging Markets (Net)		4.8	(0.1)	8.7	(6.3)	1.9	3.0	6.6	6.1
Blmbg. U.S. Aggregate Index		(1.4)	(1.7)	3.3	(3.2)	0.6	1.4	3.0	3.9
CPI - All Urban Consumers (Unadjusted)		0.6	1.2	3.2	5.7	4.2	2.8	2.6	2.5

Note: Returns beyond 1 year are annualized. All returns are net of fees.

- Foundation assets were valued at \$149.0 million through February 29, 2024, and returned 15.5% over the trailing one-year period compared to 14.6% for the policy index.
- The **Domestic Equity Composite returned 23.6%** over the past year vs. 28.5% for the Dow Jones US Total Stock Market Index.
- The **International Equity Composite returned 12.6%** over the past year vs. 12.5% for the MSCI ACWI ex-US Index.
- The **Fixed Income Composite returned 3.7%** over the past year vs. 3.3% for the Bloomberg US Aggregate Index.
- The **Real Assets Composite returned 5.1%** over the past year vs. 2.6% for the Real Assets Blended Index.
- The **Alternatives Composite returned 5.1%** over the past year vs. 7.2% for the HFRI Fund of Funds Index.

Fiscal Year	Returns			
	Foundation	Policy Index	70% ACWI / 30% Agg	70% S&P 500 / 30% Agg
FY 2024	9.1	8.4	9.2	11.4
FY 2023	11.1	11.2	11.2	13.3
FY 2022	(13.3)	(12.5)	(14.0)	(10.3)
FY 2021	30.5	29.0	26.3	27.3
FY 2020	2.3	1.1	4.6	8.4
FY 2019	4.9	5.4	6.7	10.1
FY 2018	9.0	8.3	7.4	9.8
FY 2017	12.9	12.5	12.7	12.2
FY 2016	(1.9)	(1.7)	(0.7)	4.8
FY 2015	(3.7)	(3.2)	1.1	5.8
FY 2014	16.2	16.5	17.2	18.3
FY 2013	7.5	8.1	11.2	13.9
FY 2012	(3.1)	(1.0)	(2.0)	6.4
FY 2011	21.5	21.4	22.0	22.3
FY 2010	13.4	12.2	11.4	13.3
FY 2009	(19.3)	(18.9)	(19.3)	(17.1)
FY 2008	(0.1)	(0.1)	(4.3)	(7.2)
FY 2007	16.3	16.6	19.2	16.1
FY 2006	10.5	12.5	12.2	5.8
FY 2005	10.2	11.2	10.0	6.6
FY 2004	21.5	19.9	16.7	13.3
FY 2003	2.9	5.0	2.1	3.8
FY 2002	(4.9)	(4.6)	(7.8)	(10.4)
FY 2001	0.2	(6.6)	(11.8)	(7.3)

Note: Fiscal year ends 6/30.

Foundation Allocation, Objectives, and Cash Flows

February 29, 2024

Foundation Asset Allocation	Actual \$	Actual %	Target %
U.S. Large Cap	\$40,595,761	27%	25%
U.S. Large Cap Quality	\$18,279,708	12%	12%
U.S. Small Cap	\$8,885,055	6%	6%
International Large Cap	\$30,763,825	21%	20%
Emerging Markets	\$8,532,084	6%	7%
U.S. Fixed Income	\$25,309,532	17%	19%
U.S. Inflation Protected Fixed	\$4,241,951	3%	3%
Absolute Return	\$4,525,127	3%	3%
Liquid Real Assets	\$7,212,035	5%	5%
Cash	\$663,795	0%	0%
Total	\$149,008,873	100%	100%

Note: Actual percentages may not add to 100% due to rounding.

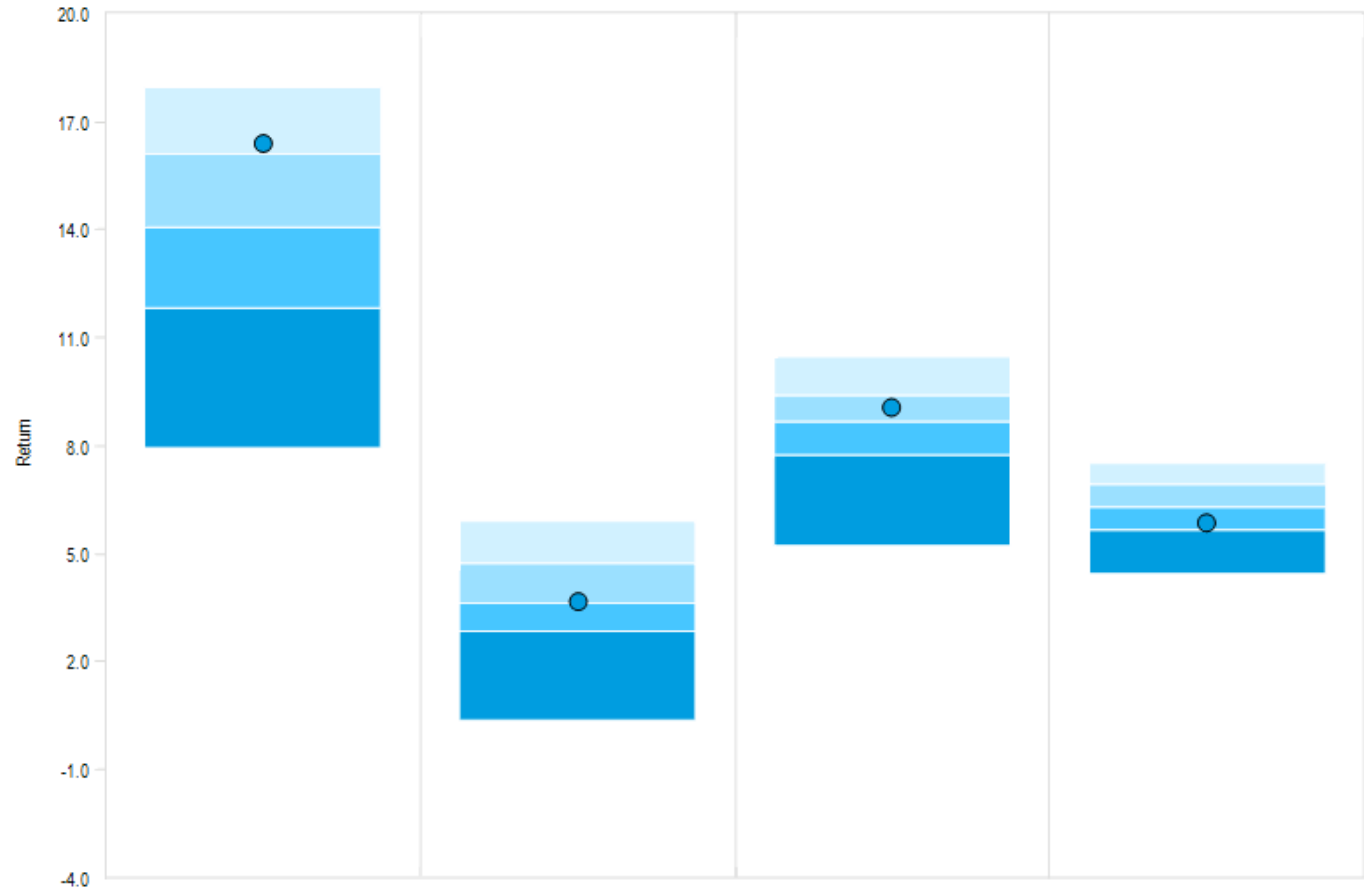
Portfolio Objectives	
Distribution Rate	4.00%
Administrative Costs	1.60%
Real Growth	0.00%
Nominal Net Return Goal	5.60%
Forecasts (Foundation Policy Index)	
Return	
Long-Term Expected Return (20 years)	6.4%
10 Yr. Horizon Expected Return	6.5%
Risk	
1 Yr. Standard Deviation	13.4%
Sharpe Ratio	0.30
Probability of Achieving 7.20% Goal Return	
10 Years	39.4%
20 Years	33.2%

Capital market assumptions are as of January 2024.

Note: Administrative Costs for Agency accounts is 0.45%.

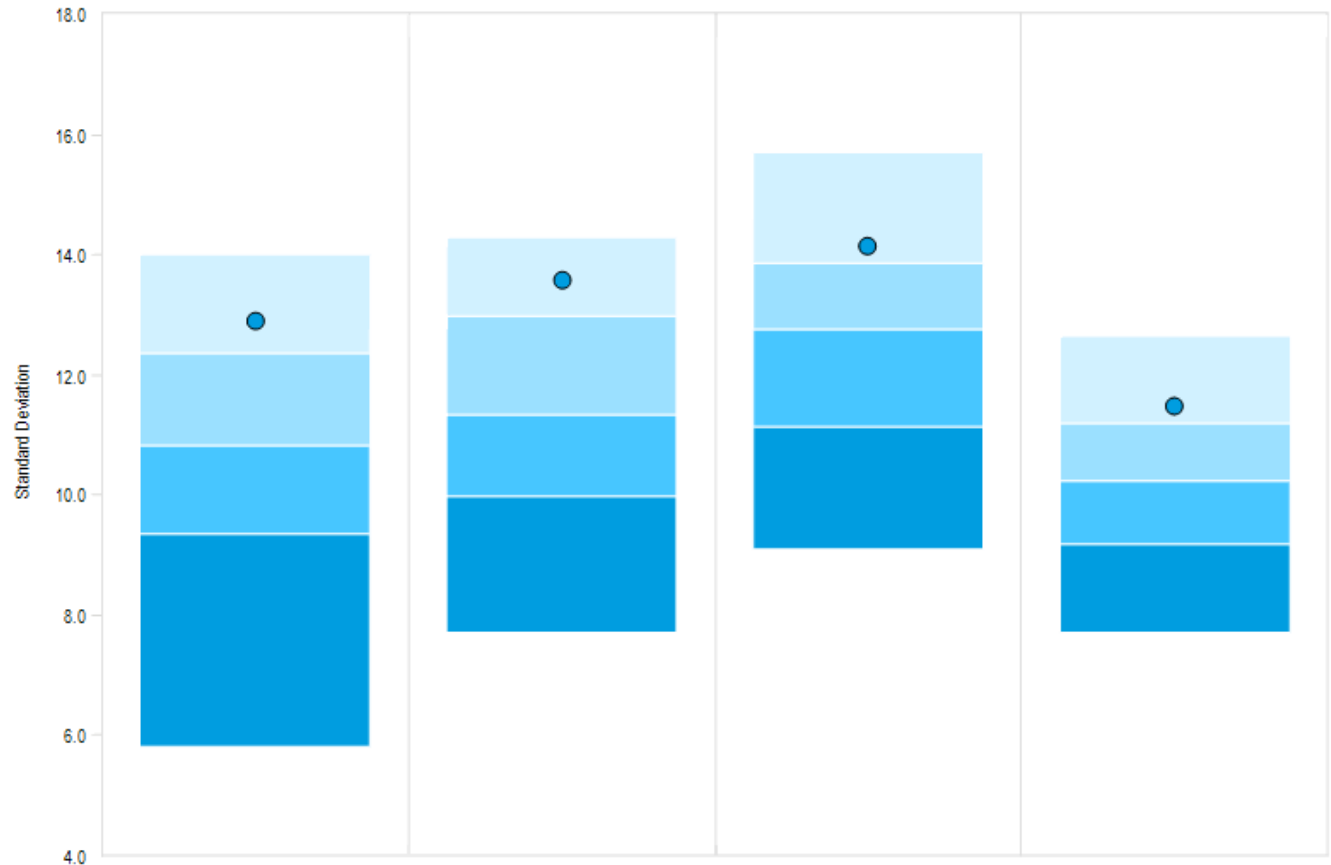
Sources of Portfolio Growth	1 Month	YTD	1 Year	5 Years
Beginning Market Value	\$144,993,095	\$145,045,824	\$128,455,562	\$103,776,219
Net Cash Flow	\$20,000	\$19,986	\$453,879	-\$2,666,647
Investment Earnings	\$3,995,778	\$3,943,063	\$20,099,432	\$47,899,299
Ending Market Value	\$149,008,873	\$149,008,873	\$149,008,873	\$149,008,873

Peer Universe Return Rankings (All Foundations \$50M–250M) December 31, 2023



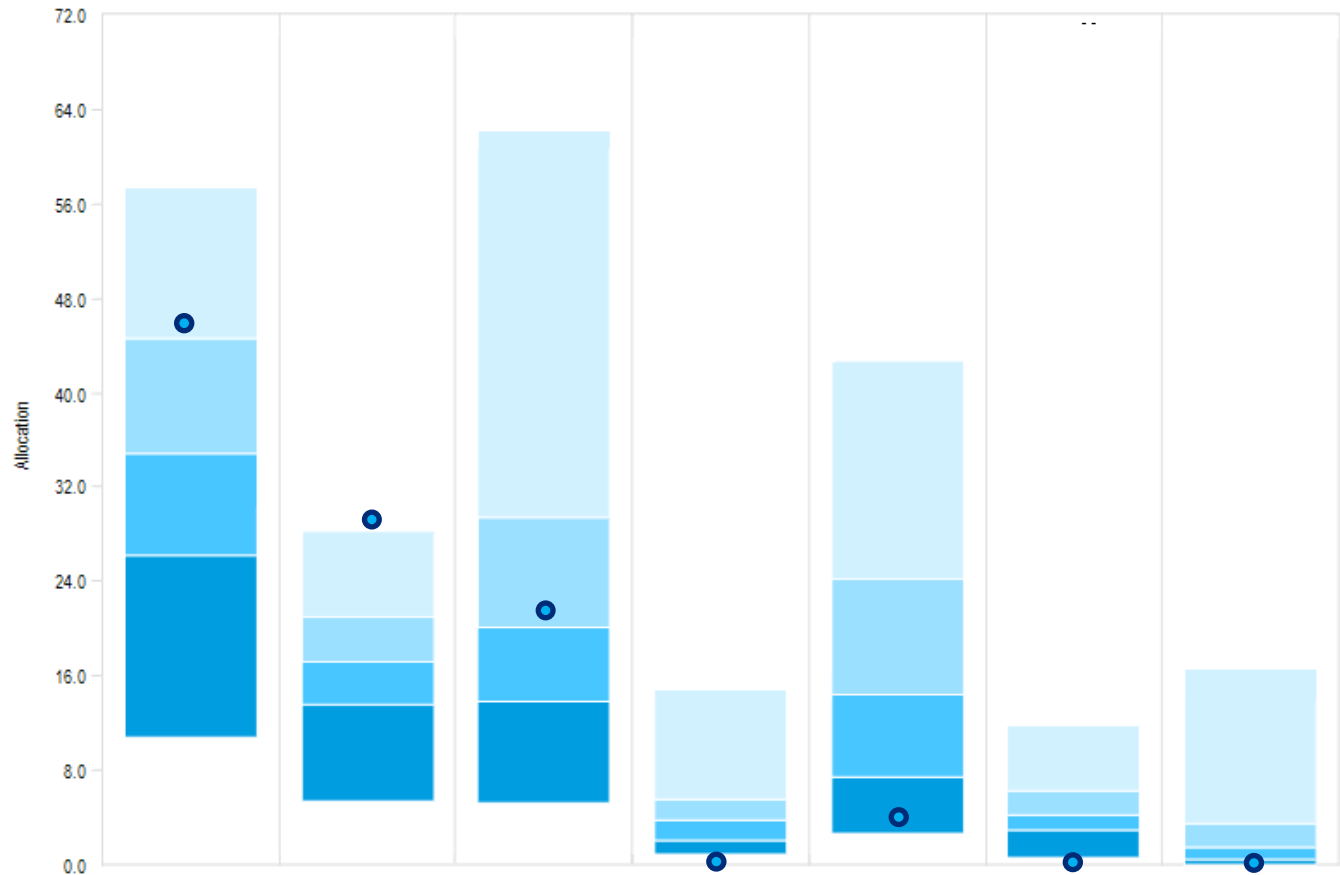
	1 Year	3 Year	5 Year	10 Year
● CATHOLIC FOUNDATION FOR EASTERN SOUTH DAKOTA	16.40 (20)	3.68 (50)	9.09 (36)	5.84 (68)
5th Percentile	17.95	5.89	10.48	7.50
1st Quartile	16.09	4.73	9.40	6.94
Median	14.07	3.62	8.67	6.32
3rd Quartile	11.85	2.84	7.77	5.67
95th Percentile	7.97	0.39	5.21	4.47
Population	178	144	131	115

Peer Universe Risk Rankings (All Foundations \$50M–250M) December 31, 2023



	1 Year	3 Year	5 Year	10 Year
● CATHOLIC FOUNDATION FOR EASTERN SOUTH DAKOTA	12.90 (16)	13.59 (14)	14.15 (19)	11.49 (17)
5th Percentile	14.01	14.28	15.70	12.65
1st Quartile	12.36	12.97	13.85	11.20
Median	10.84	11.35	12.75	10.24
3rd Quartile	9.34	9.99	11.15	9.17
95th Percentile	5.82	7.71	9.10	7.72
Population	178	144	131	115

Peer Universe Asset Allocation (All Foundations \$50M–250M) December 31, 2023



	US Equity	Global ex-US Equity	US Fixed	Global ex-US Fixed	Alternatives	Total Real Estate	Cash & Equivalents
● CATHOLIC FOUNDATION FOR EASTERN SOUTH DAKOTA	45.00	30.00	22.00	-	3.00	-	-
5th Percentile	57.42	28.29	62.27	14.88	42.70	11.77	16.63
1st Quartile	44.63	20.98	29.50	5.51	24.22	6.25	3.46
Median	34.85	17.22	20.07	3.77	14.48	4.27	1.50
3rd Quartile	26.20	13.50	13.89	2.02	7.45	2.85	0.50
95th Percentile	10.81	5.34	5.26	0.86	2.57	0.56	0.05
Population	242	226	228	24	173	104	202

2023 NACUBO Study of Endowments

Survey Respondents

Survey Facts
and Figures

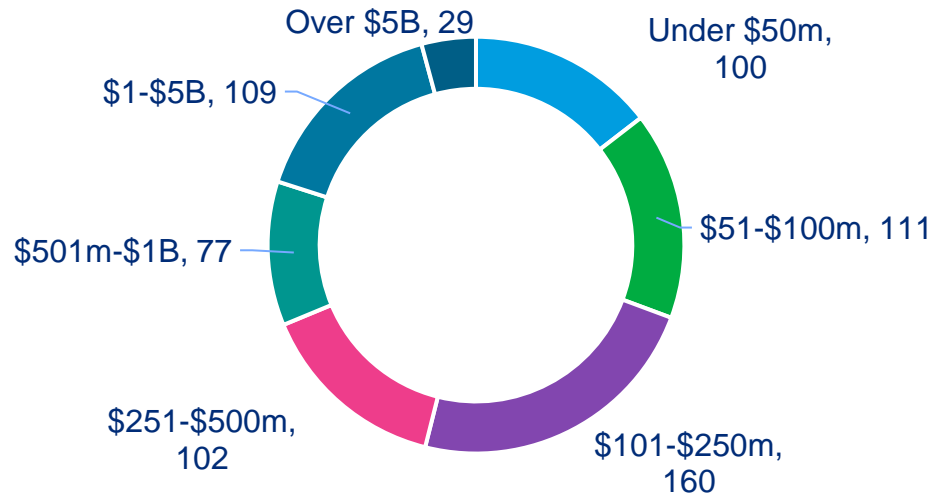
688 colleges, universities and education-related foundations completed the Survey

Total Assets Represented: \$839 billion

Average Endowment Size: \$1.2 billion | Median Endowment Size: \$209 million

Data is through June 30, 2023

Distribution of Survey Respondents



2023 NACUBO Study of Endowments

Takeaways – At a Glance



Size Matters

- FY 2023 saw strong absolute results, in contrast to what was experienced in FY 2022.
- Higher exposure to public markets led to higher returns in FY 2023; Higher exposure to private markets continue to drive performance over longer time periods.
- Larger endowments lagged smaller peers in the most recent year but continue to outperform over longer term periods.



Spending Rates Increased

- Endowment funding for the operating budget remained at 11%.
- The effective spending rate increased from 4.0% to 4.7%, primarily due to endowment market value changes, rather than policy changes.
- FY 2023 market volatility further illustrates a need for a well-informed spending policy.



Gifts Down

- Gifts down 10% YoY and withdrawals up 8% YoY.
- Increased importance of investment returns to support the organization.

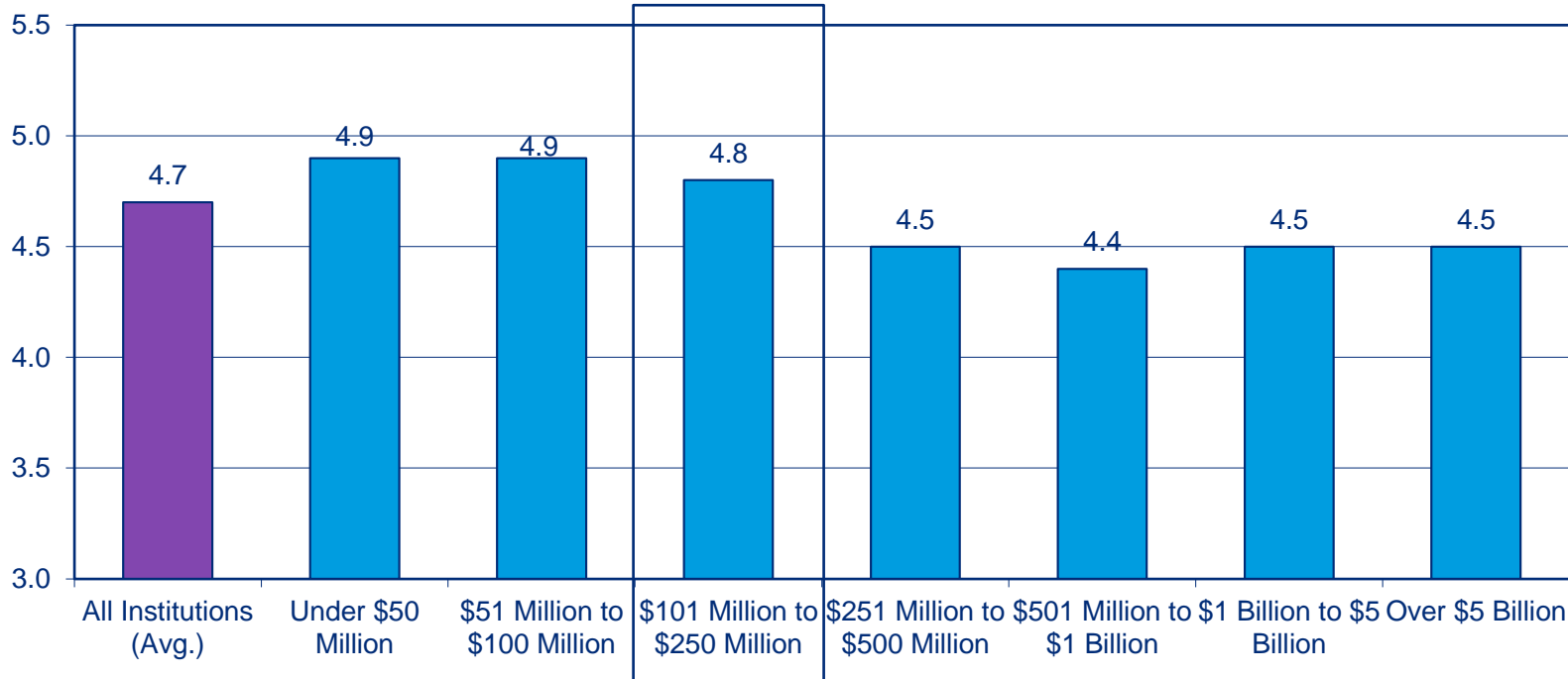
2023 NACUBO Study of Endowments

Endowment spending

Key Takeaway

✓ The effective spending rate rose to 4.7% in 2023. This higher rate does not appear to be a decision to increase the policy rate, but instead the impact of the lower market value at the beginning of the fiscal year.

**Average Effective Spending Rates
Fiscal Year 2023 (%)**



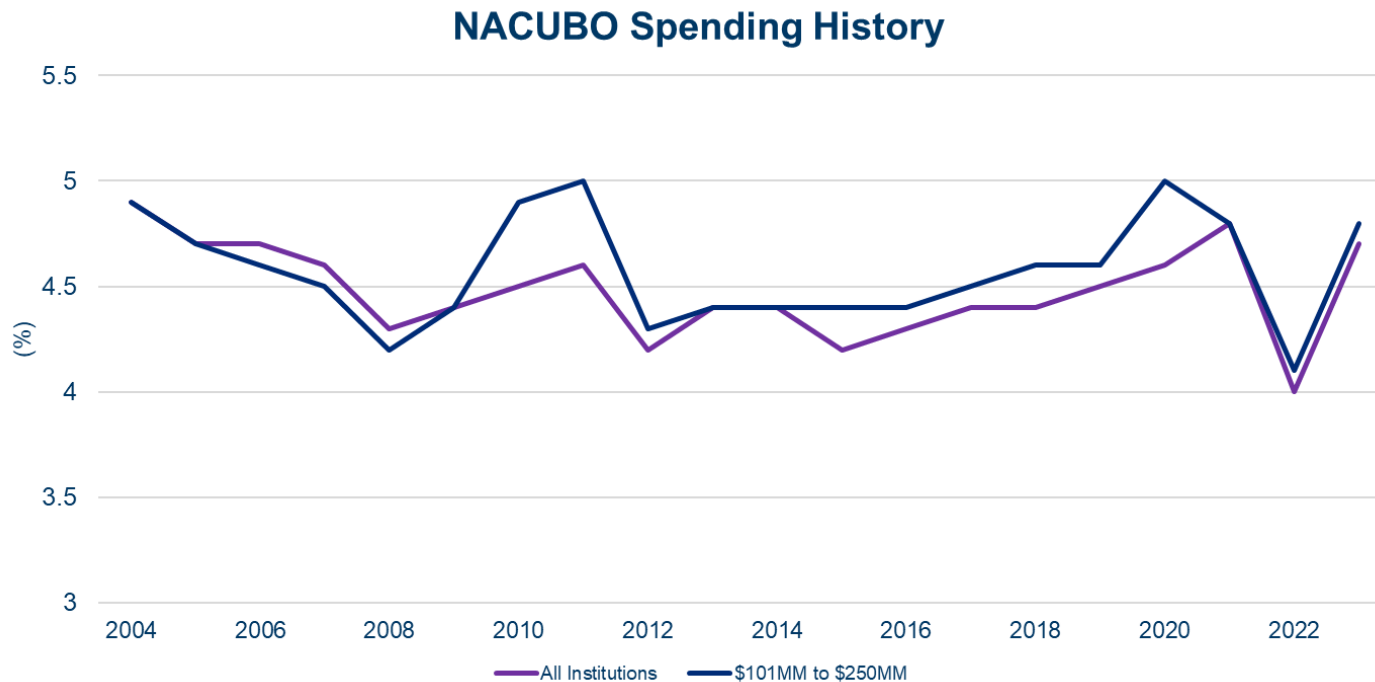
Source: 2023 NACUBO-Commonfund Study of Endowments. The effective spending rate is the total endowment spending divided by the endowment's beginning-of-year market value. Spending should include all withdrawals from the endowment, including other recurring and non-recurring withdrawals. Fees and expenses for managing the endowment should not be included.

2023 NACUBO Study of Endowments

Endowment spending history (2004-2023)

Key Takeaway

- ✓ The effective spending rate has hovered between 4.25% – 4.75% for most of these periods.
- ✓ In some years, smaller institutions have had a meaningfully higher effective spend vs. the total set of respondents, which is function of higher market value volatility that impacts the calculation.



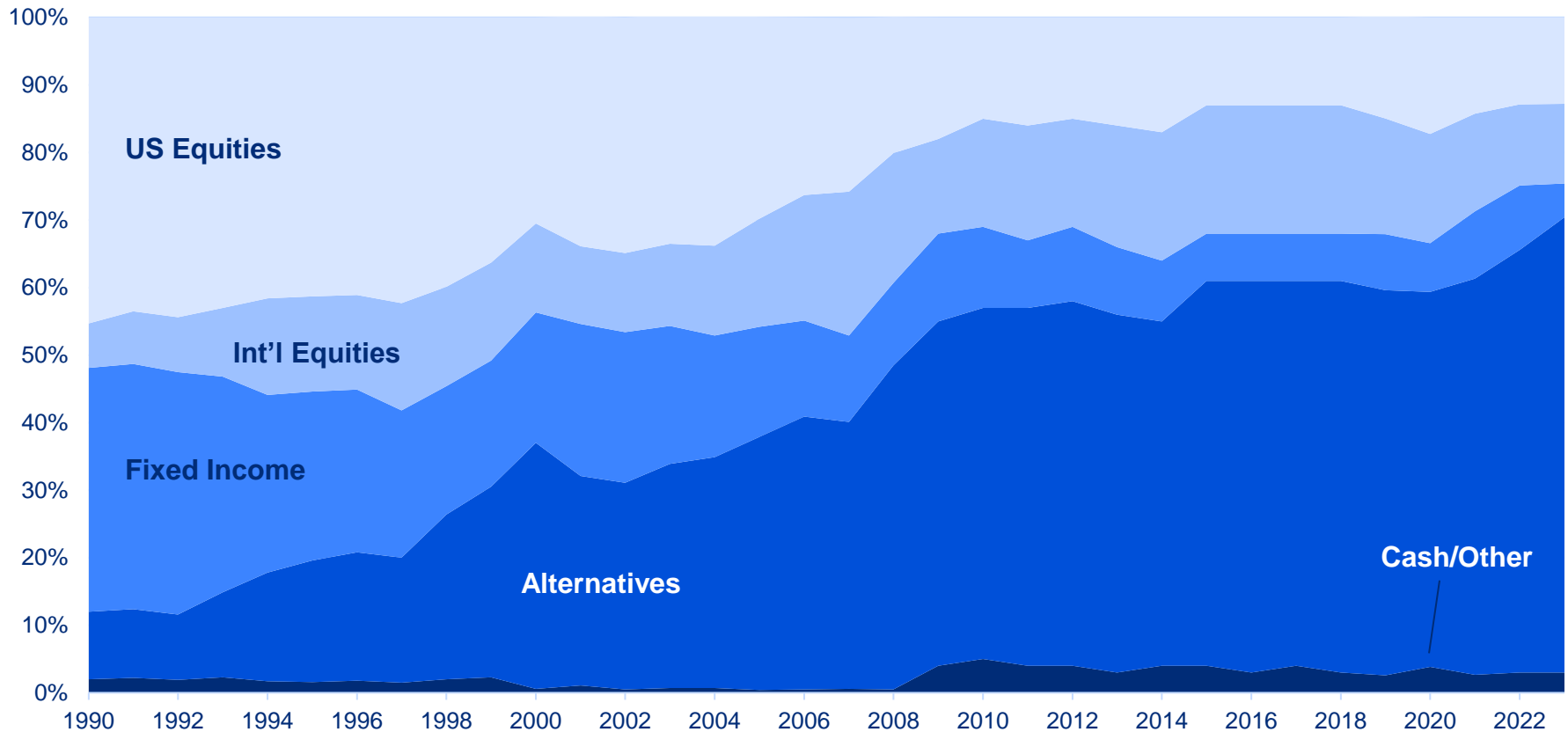
Source: 2023 NACUBO-Commonfund Study of Endowments. Represents average annual effective spending rate by year.

2023 NACUBO Study of Endowments

Asset allocation for largest institutions

Key Takeaway

- ✓ Large institutions have increased their allocation to alternative investments significantly over time.
- ✓ In 1990, the dollar-weighted average allocation to alternatives was approximately 10%. As of June 30, 2023, it stood at approximately 69%.



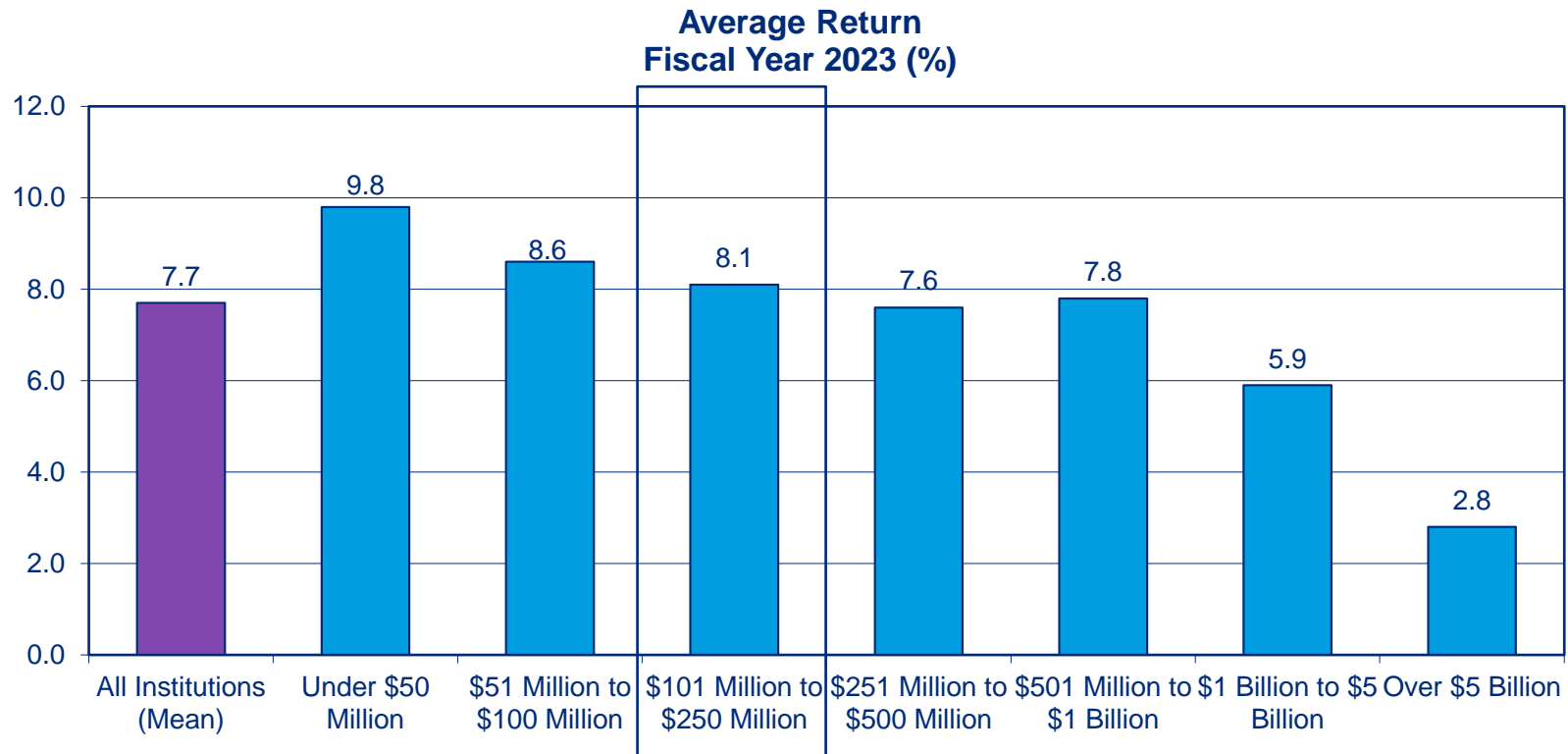
Source: 2023 NACUBO-Commonfund Study of Endowments. From 1990 through 1997, largest NACUBO reporting institution category exceeded \$400 million. For 1998 through 2022, the largest category exceeded \$1 billion. For 2023, the largest category exceeded \$5 billion.

2023 NACUBO Study of Endowments

Fiscal year return comparison

Key Takeaway

✓ Smaller organizations outperformed larger organizations this fiscal year, primarily due to a higher allocation to public markets. Over the longer time periods larger organizations have maintained their stronger returns.



Source: 2023 NACUBO-Commonfund Study of Endowments. Returns are equal-weighted and net of management fees and expenses.

2023 NACUBO Study of Endowments

Trailing period return comparison

Key Takeaway

- ✓ Smaller organizations outperformed larger organizations this fiscal year, primarily due to a higher allocation to public markets. Over the longer time periods larger organizations have maintained their stronger returns.

As of June 30, 2023					
	# of Institutions	Average Annual Compound Returns			
		1 Year	3 Year	5 Year	10 Year
In Aggregate:	688				
Equal-Weighted Average		7.7	9.3	7.0	7.2
Equal-Weighted Median		8.0	9.1	6.8	7.1
By Endowment Size: <i>(Equal-Weighted Mean)</i>					
Under \$50 Million	100	9.8	7.3	6.0	6.5
\$51 Million to \$100 Million	111	8.6	7.9	6.1	6.6
\$101 Million to \$250 Million	160	8.1	8.7	6.5	6.8
CFESD		11.1	7.9	6.2	6.2
\$251 Million to \$500 Million	102	7.6	9.4	7.0	7.2
\$501 Million to \$1 Billion	77	7.8	10.5	7.5	7.5
\$1 Billion to \$5 Billion	109	5.9	11.2	8.2	8.0
Over \$5 Billion	29	2.8	12.2	9.4	9.1

Source: 2023 NACUBO-Commonfund Study of Endowments. Returns are equal-weighted and net of management fees and expenses.

2023 NACUBO Study of Endowments

Fiscal year return comparison

Key Takeaway

- ✓ An organization had to be in the top quartile to outperform the 70% MSCI ACWI / 30% Bloomberg US Agg.
- ✓ There was a 4.3% spread between 75th and 25th percentile returns in FY 2023. Dispersion of returns has increased over the last four years.

	1-Year Returns Ending June 30										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	N = 688	N = 678	N = 720	N = 705	N = 774	N = 802	N = 809	N = 805	N = 804	N = 806	N = 791
CFESD	11.1	-13.3	30.5	2.3	4.9	9.0	12.9	-1.9	-3.7	16.2	7.5
25th percentile	10.0	-4.9	34.0	3.5	6.4	9.1	13.7	-0.7	3.7	17.2	13.0
Average	7.7	-8.0	30.6	1.8	5.3	8.2	12.2	-1.9	2.4	15.5	11.7
Median	8.0	-8.7	30.1	1.8	5.1	8.0	12.5	-2.1	2.2	15.8	11.7
75th percentile	5.7	-11.8	26.9	0.1	4.1	7.1	11.1	-3.3	0.7	14.4	10.4
70% MSCI ACWI/30% Bloomberg US Agg	11.3	-14.0	26.3	4.6	6.7	7.4	12.7	-0.7	1.1	17.2	11.2
70% S&P 500/30% Bloomberg US Agg	13.5	-10.3	27.3	8.4	10.1	9.8	12.2	4.8	5.8	18.3	13.9
S&P 500	19.6	-10.6	40.8	7.5	10.4	14.4	17.9	4.0	7.4	24.6	20.6
MSCI ACWI ex US	13.3	-19.4	33.6	-4.8	1.3	7.3	20.5	-10.2	-5.3	21.8	13.6
Bloomberg US Aggregate	-0.9	-10.3	-0.3	8.7	7.9	-0.4	-0.3	6.0	1.9	4.4	-0.7

Source: 2023 NACUBO-Commonfund Study of Endowments. Returns are equal-weighted and net of management fees and expenses.

2023 NACUBO Study of Endowments

Asset allocation comparison

Key Takeaway

- ✓ Larger organizations have incrementally larger allocations to alternative assets than smaller peers.
- ✓ Private equity allocations have the widest difference between small to large organizations.

Investment Pool Asset Allocation (%)											
As of June 30, 2023											
	U.S. Stocks	Int'l Stocks	Global Stocks	Fixed Income	Cash	Total Alternatives	Alternative Breakout				Other
							Private Equity	Hedge Funds	Private Debt	Real Assets	
In Aggregate:											
Dollar-Weighted Mean	13	10	8	6	3	60	29	16	1	11	3
By Investment Pool Size: (Dollar-Weighted Mean)											
Under \$50 Million	41	15	4	23	2	15	4	4	1	4	2
\$51 Million to \$100 Million	36	12	7	20	4	22	7	6	1	6	2
\$101 Million to \$250 Million	29	13	9	15	3	31	12	9	1	7	2
CFESD	47	23	0	22	0	8	0	3	0	5	
\$251 Million to \$500 Million	24	12	9	12	3	41	16	10	1	8	5
\$501 Million to \$1 Billion	23	14	7	10	4	43	20	11	2	9	1
\$1 Billion to \$5 Billion	15	11	9	6	4	54	27	15	2	10	1
Over \$5 Billion	8	9	7	5	3	69	34	18	1	13	4

Source: 2023 NACUBO-Commonfund Study of Endowments. Total of individual alternative asset classes may not add to Total Alternatives due to rounding. All data are dollar-weighted unless otherwise specified. Due to rounding, details may not sum to 100%.

Manager Outliers

- *Outperformers for the past 12 months through 2/29/2024:*
 - **CBIS Int'l Equity Fund B** returned 16.2% vs 14.4% for the MSCI EAFE
 - **DFA Emerging Markets Social Core** returned 11.8% vs. 8.7% for the MSCI Emerging Markets Index.
 - **Lazard Global Listed Infrastructure** returned 8.9% vs. 3.8% for its Custom Infrastructure Index.
- *Underperformers for the past 12 months through 2/29/2024:*
 - **Lighthouse SRI Global Long/Short Fund Ltd.** returned 5.1% vs. 12.1% for the HFRI Equity Hedge Index.

Reference Materials





Reference Materials

Objectives

Recap of Recent Actions and Discussion

JANUARY 2024

- Mercer presented an asset allocation modeling with the recommendation to increase the Hedge Funds allocation. No portfolio changes were made.

OCTOBER 2023

- No portfolio changes were made.

AUGUST 2023

- Mercer provided an overview of potential replacement options for Boston Common. The Committee approved replacing Boston Common with SSgA MSCI ACWI ex-US Screened Index Fund.

APRIL 2023

- Mercer provided a review of international developed equity manager performance. The Investment Committee approved replacing Boston Common with a manager decision to come at a following meeting.
- Mercer provided an annual review of the Investment Policy Statement.

JANUARY 2023

- Mercer provided an overview of U.S. vs Non-US equity, including a comparison to peer portfolios. The Committee discussed potential adjustments to the asset allocation based on the analysis, but no portfolio changes were made.

OCTOBER 2022

- Mercer provided information on the number of public vs. private companies following discussion at the August meeting. Additionally, Mercer provided a primer on private equity.

AUGUST 2022

- Mercer provided an update on the CBIS Bond Fund, noting the Fund added an Impact Bond Manager to the current mix of managers.
- Mercer provided background on the CIS Catholic Impact Fund II, following a meeting Foundation staff had with Catholic Investment Services. The Committee discussed and concluded the Foundation should not pursue private investments at this time.

APRIL 2022

- The Committee discussed an update on additional inflation protection options which were discussed at previous meetings. No portfolio changes were made. The Committee also discussed the new USCCB guidelines. No policy changes were made as the Foundation is still working through analyzing the updated guidelines.

Investment Policy Statement Excerpts

Objectives

- **Return:** The long-term objective of the Foundation is to provide reliable and sustainable income for the current needs of beneficiaries and to perpetuate the resources of the Foundation for future generations. Therefore, the minimum investment return from the Foundation’s portfolio needs to be sufficient to offset spending and expenses. The fund has adopted a “total return” investment approach. Current income is considered a secondary consideration.
- **Risk:** The Diocesan Investment Committee will permit the Fund to experience an overall level of risk consistent with the risk generally associated with such Committee’s policy asset allocation.

Objectives	
Distribution Rate	4.00%
Administrative Costs	1.60%
Real Growth	0.00%
Nominal Net Return Goal	5.60%

Note: Administrative costs for Agency accounts is 0.45%.

- The minimum return needs were determined by the Foundation, as detailed in the table shown above.
- Returns above the minimum are deemed applied toward inflation.

Investment Policy Statement Excerpts

Spending

- The Foundation's policy shall be that a Spending Rate not to exceed 4.0% is appropriate to meet the needs of the beneficiaries. This Spending Rate will be reviewed periodically by the Board and its Finance Committee in light of evolving trends with respect to the economic cycle, investment outlook, investment/market returns, as well as the needs of beneficiaries.

SPENDING RATE CALCULATION

- It shall be the policy of the Foundation to distribute annually, an amount equal to the product of the most recent twelve-quarter moving average of the investment portfolio's market value, multiplied by the Spending Rate. This amount shall not exceed the product of the spending rate plus 1%, multiplied by the investment portfolio's current market value.

Investment Policy Statement Excerpts

Constraints

- **Liquidity:** Due to the long term investment horizon of the fund, liquidity is of secondary concern. The Foundation should maintain sufficient funds to provide for annual spending and expenses.
- **Time Horizon:** The Foundation has an infinite life and should be managed with a time horizon of fifty to one-hundred years.
- **Taxes:** The Foundation fund has a tax-exempt status. All actions of the Diocesan Investment Committee should be taken in recognition and preservation of this status.
- **Legal and Regulatory:** Must comply with applicable laws and regulations, plus fiduciary standard of care.
- **Unique Circumstances:** Investments shall be made not only to meet the objectives of investment and economic performance, but also to meet the objectives of social and moral responsibility and of supporting business that is in harmony with moral and social teachings of the Catholic Church.

Investment Policy Statement Excerpts

Asset Allocation

- The single most important decision made by the Foundation is the Policy Asset Allocation decision.
- The Policy Asset Allocation of the Foundation is designed to give balance to the overall structure of the Foundation's investment program over the Time Horizon. However, some factors may impact the Policy Asset Allocation, thereby requiring an asset allocation review and possible rebalancing. Some of these factors include:
 1. The Diocesan Investment Committee's assessment of the intermediate or long term outlook for different types of asset classes and styles;
 2. The Consultant's assessment of the intermediate or long term outlook for different types of asset classes and styles;
 3. Divergence in the performance of the different asset classes and styles from the Policy Asset Allocation; and
 4. In responding to the changing outlook for the asset classes, the Diocesan Investment Committee may from time to time recommend to the Board revisions to the Policy Asset Allocation.

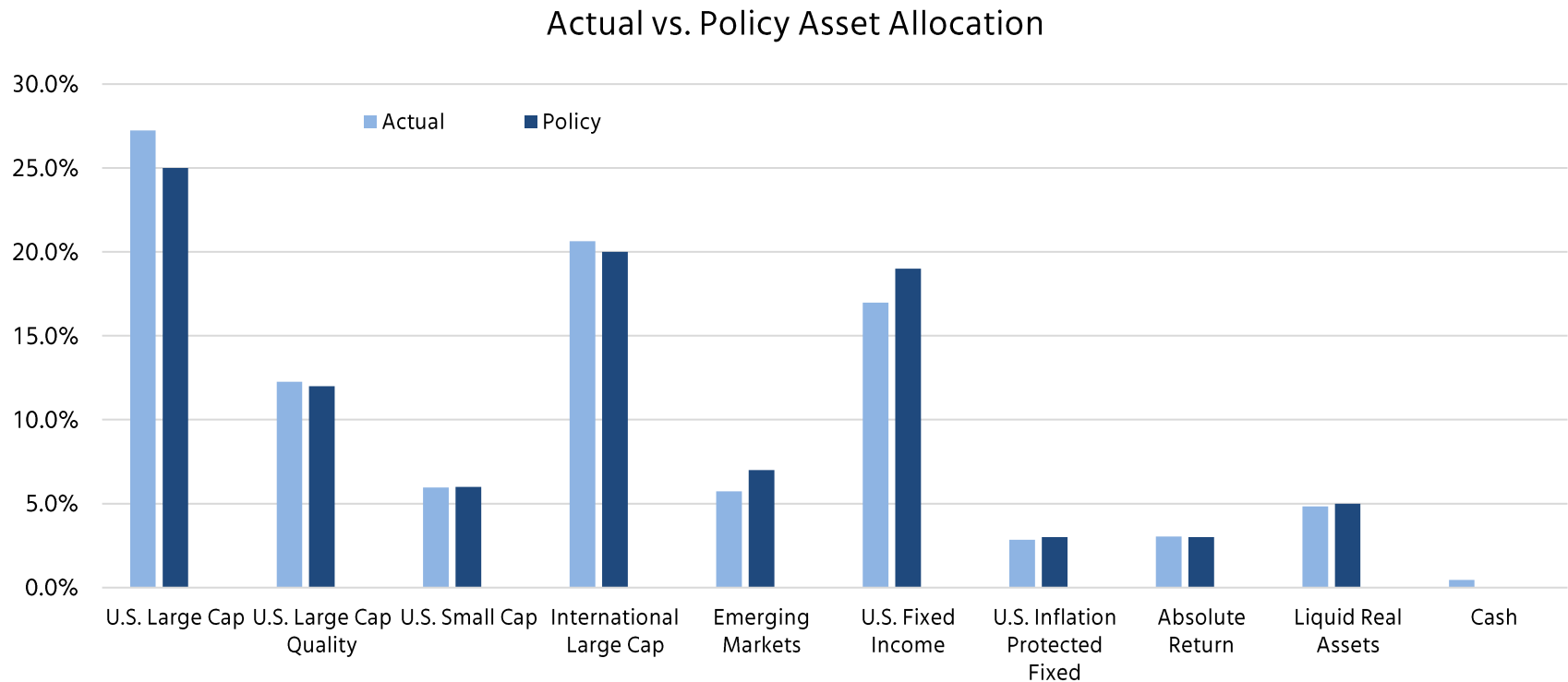


Reference Materials

Asset Allocation

Actual vs. Policy Allocation

February 29, 2024

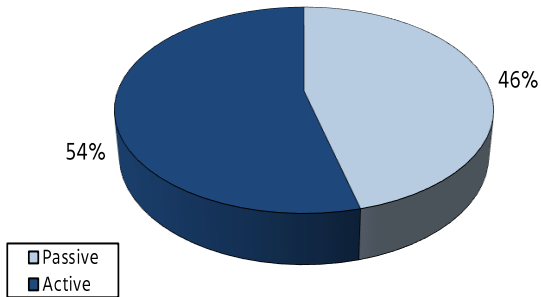


- The chart above shows the Foundation's current actual and policy target allocations.

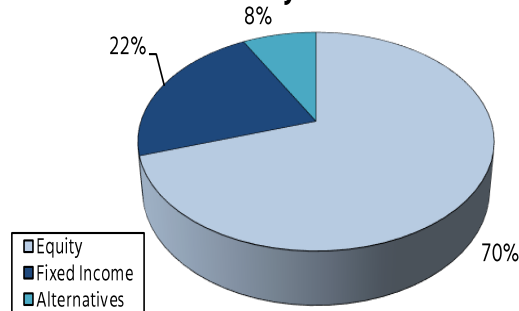
Asset Allocation Policy

Catholic Community Foundation

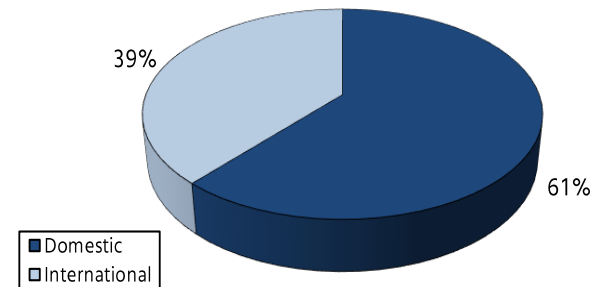
Active/Passive Allocation



Policy Allocation



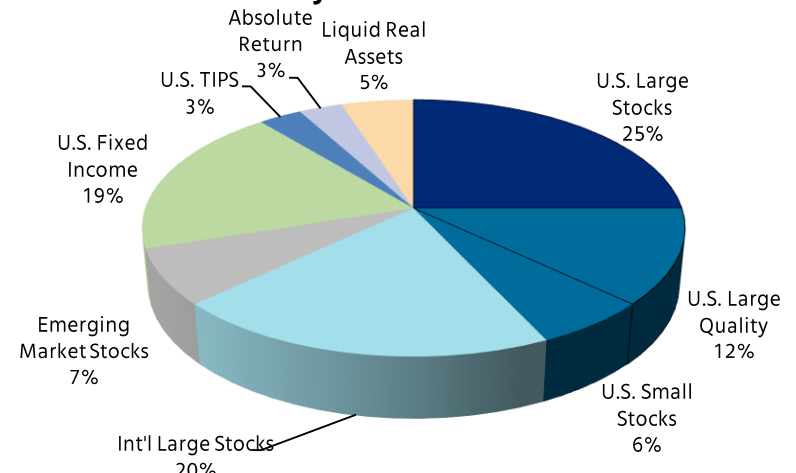
Domestic/International Allocation



Portfolio Objectives	
Distribution Rate	4.00%
Administrative Costs	1.60%
Real Growth	0.00%
Nominal Net Return Goal	5.60%
Forecasts (Foundation Policy Index)	
Return	
Long-Term Expected Return (20 years)	6.4%
10 Yr. Horizon Expected Return	6.5%
Risk	
1 Yr. Standard Deviation	13.4%
Sharpe Ratio	0.30
Probability of Achieving 7.20% Goal Return	
10 Years	39.4%
20 Years	33.2%

Note: Administrative Costs for Agency accounts is 0.45%.

Policy Asset Allocation





Reference Materials

Manager Review

Catholic Responsible Investing Summary

Asset Class	Product Name	Format	SRI	Note on Screening
U.S. Large Cap	Crossmark - Large-Cap Core	Separate	Yes	Screened per the IPS guidelines for ethical Catholic investing
	Crossmark - Large-Cap Quality	Separate	Yes	Screened per the IPS guidelines for ethical Catholic investing
U.S. Small Cap	CBIS Core Equity Index Fund	Commingled	Yes	Consistent with the guidelines for ethical Catholic investing
	CBIS Small Cap Index Fund	Commingled	Yes	Consistent with the guidelines for ethical Catholic investing
Int'l Large Cap	SSgA MSCI ACWI Ex-USA IMI	Commingled	Yes	Screened per the IPS guidelines for ethical Catholic investing
Int'l Emerging Mkts	CBIS International Equity	Commingled	Yes	Screened per the IPS guidelines for ethical Catholic investing
	DFA Emerging Markets Social Core	Mutual Fund	Yes	Consistent with the guidelines for ethical Catholic investing
Domestic Fixed Income	First National Bank Bond	Separate	N/A	Government focused investments
	Vanguard Inflation Protected Securities	Mutual Fund	N/A	U.S. Treasury investments
	CBIS Intermediate Div. Bond	Mutual Fund	Yes	Consistent with the guidelines for ethical Catholic investing
Real Assets	SPDR DJ Global Real Estate ETF	ETF	Yes	Invests in sectors with companies that do not violate IPS guidelines
	Lazard Global Listed Infrastructure	Mutual Fund	Yes	Invests in sectors with companies that do not violate IPS guidelines
Alternative Assets	Lighthouse SRI Global Long / Short	Commingled	Yes	Consistent with the guidelines for ethical Catholic investing

- The Foundation currently has eleven mandates that adhere to the investing guidelines set forth by the Foundation Investment Policy Statement (IPS).
- The two Real Assets managers invest in sectors (real estate, infrastructure) that, by their nature, do not violate the IPS investment guidelines.
- Mercer reviews the manager holdings annually to verify compliance with the CFESD IPS guidelines, which in turn are based on the USCCB ethical investing guidelines.

Catholic Community Foundation Managers

February 29, 2024

Name	\$(000) Value	% of Fund	YTD	1 Year	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception	Inception Date
Catholic Community Fdtn. for Eastern South Dakota	149,009	100.0	2.7	15.5	4.2	8.0	6.1	6.1	5.9	Jan-00
Domestic Equity Composite	67,761	45.5	5.3	23.6	9.8	13.2	11.6	9.1	7.8	Jun-00
Dow Jones US Total Stock Index			6.6	28.5	9.7	13.8	11.9	9.9	7.6	
CBIS Core Equity Index Fund 'B'	20,507	13.8	7.0	30.4	11.5	14.9	12.8	-	13.7	Oct-10
S&P 500			7.1	30.4	11.9	14.8	12.7	-	13.8	
Crossmark Large Cap	20,089	13.5	6.8	29.1	11.1	14.3	12.5	-	12.9	Mar-12
Blended Index			6.9	29.7	10.6	14.4	12.4	-	12.9	
S&P 500			7.1	30.4	11.9	14.8	12.7	-	13.8	
Crossmark Large Cap Quality	18,280	12.3	4.9	19.8	10.5	13.0	11.4	-	10.5	Mar-08
Dividend Achievers Select Index			4.8	19.8	10.8	12.6	11.3	-	10.2	
S&P 500			7.1	30.4	11.9	14.8	12.7	-	13.8	
CBIS Small Cap Index Fund 'B'	8,885	6.0	-0.6	6.5	2.2	7.6	7.5	-	7.7	Nov-13
Russell 2000/S&P 600 Spliced Index			-0.8	6.5	2.3	7.7	7.7	-	7.9	
International Equity Composite	39,296	26.4	2.2	12.6	-0.7	6.0	4.2	5.4	4.7	Jun-00
MSCI ACWI Ex US Index			1.5	12.5	1.3	5.4	4.0	5.5	4.1	
SSgA MSCI ACWI Ex-USA IMI	13,294	8.9	0.9	11.8	0.4	5.1	-	-	16.1	Oct-23
MSCI ACWI ex USA IMI			1.2	12.1	1.1	5.5	4.0	5.7	16.2	
CBIS Int'l Equity Fund 'B'	17,470	11.7	4.1	16.2	1.7	8.2	-	-	7.7	Nov-15
MSCI EAFE			2.4	14.4	4.4	6.8	-	-	6.1	
DFA Emerging Markets Social Core	8,532	5.7	0.4	11.8	-2.3	3.7	-	-	1.6	Apr-18
MSCI EM			-0.1	8.7	-6.3	1.9	-	-	0.2	

Note: Returns beyond 1 year are annualized. All return are net of fees.

- Individual manager underperformance by more than 1.5% relative to their respective benchmark is highlighted in red above.
- Individual manager outperformance by more than 1.5% relative to their respective benchmark is highlighted in green above.

Catholic Community Foundation Managers

February 29, 2024

Name	\$(000) Value	% of Fund	YTD	1 Year	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception	Inception Date
Catholic Community Fdtn. for Eastern South Dakota	149,009	100.0	2.7	15.5	4.2	8.0	6.1	6.1	6.1	Jan-00
Fixed Income Composite	29,551	19.8	-0.9	3.7	-2.2	1.4	1.6	3.4	3.4	Jun-00
Bloomberg US Aggregate			-1.7	3.3	-3.2	0.6	1.4	3.0	3.9	
First National Bank Bond*	9,710	6.5	-0.5	4.7	-2.2	0.9	1.5	-	2.1	Nov-08
50% BBgBarc Agg/50% Merrill 1-5 Yr GC			-1.0	4.0	-1.8	1.0	1.4	-	2.4	
CBIS Intermediate Diversified Bond Fund 'B'	15,599	10.5	-1.2	3.5	-2.6	1.5	2.0	-	1.8	Dec-12
Bloomberg US Aggregate			-1.7	3.3	-3.2	0.6	1.4	-	1.3	
Vanguard Inflation-Protected Securities Admiral Shares	4242	2.8	-0.8	2.4	-1.0	-	-	-	0.4	Apr-20
BBgBarc US TIPS			-0.9	2.5	-0.9	-	-	-	0.5	
Real Assets Composite	7,212	4.8	-1.9	5.1	4.7	2.2	1.6	4.1	4.1	Jun-00
Real Assets Blended Index			-3.2	2.6	2.6	1.0	1.3	4.9	6.2	
SPDR Dow Jones Global Real Estate ETF	3,888	2.6	-4.2	2.0	0.4	0.5	-	-	2.2	Aug-14
DJ Global Select Real Estate Securities Index			-4.3	1.6	0.0	0.1	-	-	1.9	
Lazard Global Listed Infrastructure Portfolio	3,324	2.2	0.9	8.9	10.8	7.3	9.1	-	10.3	Jun-11
Custom Infrastructure Index (USD Hedge)			-1.6	3.8	6.3	5.7	7.8	-	8.8	
Alternatives Composite	4,525	3.0	2.0	5.1	3.6	7.9	3.2	-	4.7	Apr-05
HFRI Fund of Funds Composite			2.4	7.2	2.3	4.9	3.4	-	3.3	
Lighthouse Global Long / Short SRI	4,525	3.0	2.0	5.1	3.6	7.4	-	-	7.5	Nov-18
HFRI Equity Hedge			3.1	12.1	2.8	7.6	-	-	7.8	

*Prior to 4/08 this was a Treasury-only mandate, with a 9/1999 inception. Returns beyond one year are annualized. All returns are net of fees.

- Individual manager underperformance by more than 1.5% relative to their respective benchmark is highlighted in red above.
- Individual manager outperformance by more than 1.5% relative to their respective benchmark is highlighted in green above.

Manager Universe Rankings

February 29, 2024

Asset Class	Manager	Inception Date		3 Year	5 Year
U.S. Large Core Stocks	CBIS Core Equity Index Fund	Oct-10	Return Risk	22 54	30 51
	Crossmark Large Cap	Mar-12	Return Risk	31 44	45 37
U.S. Large Quality Stocks	Crossmark Large Quality	Mar-08	Return Risk	48 16	65 5
U.S. Small Cap Stocks	CBIS Small Cap Index Fund	Nov-13	Return Risk	46 62	61 59
International Large Stocks	SSgA MSCI ACWI ex USA IMI	Oct-23	Return Risk	63 19	71 25
	CBIS International Equity	Nov-15	Return Risk	61 71	15 61
Emerging Markets	DFA Emerging Markets Social Core	Apr-18	Return Risk	31 28	32 43
U.S. Fixed Income	First National Bank Bond	Nov-08	Return Risk	46 37	84 33
	CBIS Intermediate Diversified	Dec-12	Return Risk	72 79	20 75

3 Year	5 Year
First	Second
Second	Second
Second	Third
Second	Third
Third	Third
Third	First
Second	Second
Second	Fourth
Third	First

Return Rankings: 1-25 represents top quartile, 26-75 represents second and third quartiles, 76-100 represent bottom quartile.

Risk Rankings: Numbers closer to zero represent lowest peer-relative volatility while numbers closer to 100 represent the highest peer-relative volatility.

Peer Return Rankings Distribution				
5 Years				
1st Quartile Managers	1	11%	2	22%
2nd Quartile Managers	5	56%	3	33%
3rd Quartile Managers	3	33%	3	33%
4th Quartile Managers	0	0%	1	11%

Portfolio Fee Analysis – Foundation

February 29, 2024

Manager	Policy	Market Value (\$)	Expense Ratio (%)	Estimated Annual Fee (\$)	Morningstar Category Avg. (%) ³
CBIS Core Equity Index	12%	20,507,093	0.09	18,456	0.88
Crossmark Large Cap	13%	20,088,669	0.17	34,151	0.95
Crossmark Large Cap Quality	12%	18,279,708	0.17	31,076	0.85
CBIS Small Cap Index	6%	8,885,055	0.29	25,767	0.95
SSgA MSCI ACWI Ex-USA IMI	8%	13,293,860	0.10	13,294	0.95
CBIS International Equity Fund 'B'	12%	17,469,965	0.81	141,507	0.95
DFA Emerging Markets Social Core	7%	8,532,084	0.44	37,541	1.23
First National Bank Bond ¹	7%	9,710,148	0.10	9,710	0.75
CBIS Intermediate Diversified Bond Fund ¹	12%	15,599,385	0.36	56,158	0.77
Vanguard Inflation Protected Securities	3%	4,241,951	0.10	4,242	0.68
Lighthouse SRI Global Long / Short	3%	4,525,127	1.00	45,251	
Lazard Global Listed Infrastructure ¹	2%	3,324,437	0.97	32,247	1.19
SPDR Dow Jones Global Real Estate ETF	3%	3,887,598	0.50	19,438	1.21
Cash Account	0%	663,795	-	-	-
Total Weighted Average		149,008,875	0.31	468,837	0.89
Weighted Average Custody Fees ²			0.01	9,710	
Consulting Fees			0.07	100,000	
Portfolio Total			0.39%	578,547	

- **Fee Analysis:** The portfolio weighted total estimated fee is 39 basis points.

¹ Denotes active manager

² First National Bank custody fees (10bps) applies to FNB accts only

³ Category average fees are based on Morningstar categories as of 12/31/2023.

Liquidity Analysis – Asset Classes

February 29, 2024

Asset Class				
<u>Domestic Equity</u>	<u>Liquidity</u>	<u>Days Notice</u>	<u>CCF Actual Allocation</u>	<u>CCF Policy Allocation</u>
CBIS Core Equity Index Fund 'B'	Daily	1	13.8%	12.0%
Crossmark Large Cap	Daily (T+3)	1	13.5%	13.0%
Crossmark Large Cap Quality	Daily (T+3)	1	12.3%	12.0%
CBIS Small Cap Index Fund	Daily	1	6.0%	6.0%
<u>International Equity</u>	<u>Liquidity</u>	<u>Days Notice</u>	<u>CCF Actual Allocation</u>	<u>CCF Policy Allocation</u>
SSgA MSCI ACWI Ex-USA IMI	Daily	1	8.9%	8.0%
CBIS Int'l Equity Fund 'B'	Daily	1	11.7%	12.0%
DFA Emerging Markets Social Core	Daily	1	5.7%	7.0%
<u>Fixed Income</u>	<u>Liquidity</u>	<u>Days Notice</u>	<u>CCF Actual Allocation</u>	<u>CCF Policy Allocation</u>
First National Bank Bond	Daily	1	6.5%	7.0%
CBIS Intermediate Diversified Bond Fund 'B'	Daily	1	10.5%	12.0%
Vanguard Inflation Protected Securities	Daily	1	2.8%	3.0%
Schwab Money Market Fund	Daily	1	0.0%	0.0%
<u>Real Assets</u>	<u>Liquidity</u>	<u>Days Notice</u>	<u>CCF Actual Allocation</u>	<u>CCF Policy Allocation</u>
SPDR Dow Jones Global Real Estate ETF	Daily (T+2)	1	2.6%	3.0%
Lazard Global Listed Infrastructure Portfolio	Daily	1	2.2%	2.0%
<u>Absolute Return</u>	<u>Liquidity</u>	<u>Days Notice</u>	<u>CCF Actual Allocation</u>	<u>CCF Policy Allocation</u>
Lighthouse SRI Global Long / Short	Monthly	90	3.0%	3.0%

Note: Numbers may not add to 100% due to rounding.

Appendix I

Investment Policy Statement



**The Catholic Community Foundation
For
Eastern South Dakota**

STATEMENT OF INVESTMENT POLICY

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Statement of Investment Policy
for
The Catholic Community Foundation for Eastern South Dakota
Executive Summary

- The Catholic Community Foundation for Eastern South Dakota Board of Directors, ultimately, is responsible for making the decisions that affect the Foundation. The Board receives information and recommendations from the Board's Finance Committee.
- The Finance Committee is charged with recommending investment policy, and with overseeing the investment of the funds of the Foundation and the property of the Foundation in which its funds are invested.
- The Board has engaged the Diocesan Investment Committee to provide recommendations to the Finance Committee and the Board with regard to the Foundation's investment policy and with managing the implementation of the investment policy.
- The Consultant is charged with monitoring the Foundation's performance, implementing specific investment directives and recommending investment strategies to the Diocesan Investment Committee in order to obtain the Long-Term Objectives set forth in the investment policy.
- Investment Managers selected by the Diocesan Investment Committee on the advice and counsel of the Consultant are required to invest assets in accordance with the guidelines and restrictions dictated by the Statement of Investment Policy.
- The custodian is charged with providing timely detailed investment reports on a monthly basis, an annual summary report, and normal custodial functions such as security safekeeping, collection of income, etc.
- The Long-Term Objective of the Foundation is to achieve a total return equal to or in excess of each of the Foundation's financial requirements over the Time Horizon. In addition to achieving the Spending Rate, the Policy Asset Allocation is designed to cover the costs of investment management/consulting fees, custodial, administrative and related costs, impact of inflation, and any growth factor, which the Diocesan Investment Committee may, from time to time, determine appropriate.
- The Board of Directors has adopted a "total return" approach to calculating investment returns.
- The Board of Directors is willing to accept an overall level of risk commensurate with the Policy Asset Allocation.
- The Policy Asset Allocation decision is, arguably, the most important decision made by the Board of Directors with regard to the Foundation. The Board of Directors is responsible for approving the Policy Asset Allocation and the investable asset classes.
- Investment Managers selected by the Diocesan Investment Committee are required to demonstrate acceptable performance relative to a target benchmark and volatility of returns.

Guidelines are established herein regarding the use of leverage, the maximum weighting of any one company in a portfolio, and the amount of cash that may be held by a manager.

Introduction and Purpose

This Statement of Investment Policy is set forth to:

1. Define the investment policies, guidelines and objectives of the Catholic Community Foundation for Eastern South Dakota. (“Foundation”) as adopted by the Foundation’s Board of Directors (“Board”) and its Finance Committee.
2. Create a framework from which the Finance Committee and the Diocesan Investment Committee can evaluate performance, explore new opportunities and make recommendations to enhance the Foundation.
3. Provide guidance for, expectation of and limitation on all parties bearing investment responsibilities with the Foundation.

The intent of this Statement is to design an investment environment with specific parameters that reflects the philosophy of the Foundation, thereby providing Diocesan Investment Committee and its selected Investment Managers with clearly defined policies and objectives. Although these policies and objectives are intended to govern the investment activity of the Foundation, they are designed to be sufficiently flexible in order to be practical.

Current agency accountholders will be duly notified of any amendments to the investment policies and procedures. All current and future accountholders will be informed of the Foundation’s investment policy.

Delegation of Responsibilities

Relationship between Board of Directors and Investment Committee

The Board of Directors, ultimately, is responsible for making the decisions that shape the Foundation's investment policy including; Spending Rate, Policy Asset Allocation, Performance Standards, engagement of service providers, etc.. The Board has created the Finance Committee, a working committee of the Board, to monitor the implementation of these policies. The Board has also engaged the Diocesan Investment Committee to assist the Finance Committee and coordinate the activities of Investment Managers, the Consultant and Custodian, study issues pertinent to the Foundation, and make day-to-day investment decisions as appropriate.

Finance Committee

The Finance Committee is charged by the Board with the general responsibility for overseeing the implementation of the Foundation's investment policies. The Committee Members shall discharge their duties solely in the interest of the Foundation and for the exclusive purpose of meeting the financial needs of the Catholic Community Foundation for Eastern South Dakota.

In carrying out its responsibilities a quorum of the Finance Committee must be present. A quorum is at least fifty percent of the members of the Finance Committee. Each member shall be entitled to one vote and each decision of the Finance Committee shall require the ascent of a majority of those voting.

Diocesan Investment Committee

The Board has engaged the services of the Diocesan Investment Committee to assist and advise the Finance Committee in carrying out its responsibilities and manage the investment operations of the fund. In this regard, the Diocesan Investment Committee is authorized and permitted to engage the services of Consultants, Custodians, and registered Investment Managers who possess the necessary specialized research facilities and skill to meet the investment objectives and guidelines of the Foundation. Accordingly, the Diocesan Investment Committee must require the service providers to adhere to any policies adopted by the Committee.

The Diocesan Investment Committee's responsibilities include:

1. Selecting Investment Managers, Consultants, and Custodians;
2. Setting investment policy guidelines consistent with the Board's overall policy directives;
3. Developing investment objectives and performance measurement standards which are consistent with the financial needs of the Foundation;
4. Determining the asset allocation and rebalancing strategies to implement the Board's overall objectives and selecting the investment managers to meet these objectives;
5. Reviewing and evaluating investment results in the context of predetermined performance standards and implementing corrective action as needed;
6. Monitoring the spending rate policy set by the Board; and
7. Implementing and managing other criteria determined by the Board at the recommendation of its Finance Committee.

Consultant

The Diocesan Investment Committee may decide to engage an independent investment consulting firm to assist it in the attainment of the Foundation's objectives and to monitor compliance with the stated investment policies. The Consultant's responsibilities are:

1. Assisting in the development and implementation of investment policies, objectives, and guidelines;
2. Preparing asset allocation analyses as necessary and making recommendations for an asset allocation strategy with respect to the Foundation's objectives;
3. Reviewing Investment Managers - including search, recommendation and selection consistent with the objectives of the Foundation;
4. Preparing and presenting performance evaluation reports in accordance with CFA Institute promulgated standards;
5. Attending Diocesan Investment Committee meetings to present evaluation reports on a quarterly basis (attendance at other meetings is on an "as needed" basis);
6. Reviewing contracts and fees for both current and proposed Investment Managers;
7. Reviewing and developing special investment strategies that complement existing asset classes or strategies to be considered by the Diocesan Investment Committee;
8. Communicating investment policies and objectives to the managers, monitoring their adherence to such policies and reporting all violations;
9. Notifying the Diocesan Investment Committee of any changes in personnel or ownership of the consulting firm;
10. Assisting the Diocesan Investment Committee and the Board's own Finance Committee in special tasks;
11. Notifying the Diocesan Investment Committee immediately of any litigation or violation of securities regulations in which any Investment Manager is involved; and
12. Notifying the Diocesan Investment Committee of any significant changes in portfolio managers, personnel or ownership of any investment management firm.
13. [Annually perform a comprehensive evaluation of the portfolio to ensure conformity to moral and social guidelines.](#)

Investment Managers

Each Investment Manager is expected to pursue their own investment strategy within the performance guidelines created for individual managers. Coordination of the guidelines for the individual managers assures the combined efforts of the managers will be consistent with the overall investment objectives of the Foundation.

The Investment Managers' responsibilities are as follows:

1. Investing assets under their management in accordance with the guidelines and restrictions formulated by the Diocesan Investment Committee;

2. Exercising discretionary authority over the assets entrusted to them, subject to these guidelines and restrictions;
3. Providing written documentation of portfolio activity, portfolio valuations, performance data, and portfolio characteristics on a quarterly basis in addition to other information as requested by the Diocesan Investment Committee and the Consultant;
4. Voting proxies vigorously in the best interests of the Foundation and consistent with the directives of the Diocesan Investment Committee;
5. Notifying the Consultant and the Diocesan Investment Committee of any significant changes in portfolio management style, personnel, or ownership of the investment manager;
6. Notifying the Consultant and the Diocesan Investment Committee of any litigation or commencement of a regulatory administrative proceeding or enforcement action in which the investment manager is involved, and
7. Annually providing a copy of the investment advisor's form ADV Part II.

Custodian

The Custodian's responsibilities are as follows:

1. Providing timely reports detailing investment holdings and account transactions monthly to the Diocesan Investment Committee and Consultant.
2. The Custodian will also provide an annual summary report to be submitted to the Diocesan Investment Committee and the Consultant within 21 days following each fiscal year end. The report will include the following:
 - a. Statement of all property on hand;
 - b. Statement of all property received representing contributions to the accounts;
 - c. Statement of all sales, redemptions, and principal payments;
 - d. Statement of all distributions from the account;
 - e. Statement of all expenses paid;
 - f. Statement of all purchases; and
 - g. Statement of all income.
3. Establishing and maintaining an account(s) for each Investment Manager of the Foundation,
4. Providing all normal custodial functions including security safekeeping, collection of income, settlement of trades, collection of proceeds of maturing securities, daily investment of cash balances, etc., and
5. Preparing additional accounting reports as requested by the Diocesan Investment Committee and its Consultant.

The Catholic Community Foundation for Eastern South Dakota

Investment Policies and Objectives

Objectives:

1. **Return:** The long-term objective of the Foundation is to provide reliable and sustainable income for the current needs of beneficiaries and to perpetuate the resources of the Foundation for future generations. Therefore, the minimum investment return from the Foundation's portfolio needs to be sufficient to offset spending and expenses. The fund has adopted a "total return" investment approach. Current income is considered a secondary consideration.
2. **Risk:** The Diocesan Investment Committee will permit the Fund to experience an overall level of risk consistent with the risk generally associated with such Committee's policy asset allocation as set forth in **Appendix B**.

Constraints:

1. **Liquidity:** Due to the long term investment horizon of the fund, liquidity is of secondary concern. The Foundation should maintain sufficient funds to provide for annual spending and expenses.
2. **Time Horizon:** The Foundation has an infinite life and should be managed with a time horizon of fifty to one-hundred years.
3. **Taxes:** The Foundation fund has a tax-exempt status. All actions of the Diocesan Investment Committee should be taken in recognition and preservation of this status.
4. **Legal and Regulatory:** Must comply with applicable laws and regulations, plus fiduciary standard of care.
5. **Unique Circumstances:** Investments shall be made not only to meet the objectives of investment and economic performance, but also to meet the objectives of social and moral responsibility and of supporting business that is in harmony with moral and social teachings of the Catholic Church.

Spending Policy

The Diocesan Investment Committee must conduct its investment allocation analysis in recognition of the Foundation's need for short-term distribution income, and long-term maintenance and growth of capital. As a result, the Diocesan Investment Committee is authorized to appropriate for expenditure in any year for the uses and purposes for which the Foundation is established so much of the net appreciation, realized and unrealized, in the fair market value of the investment portfolio over the historic dollar value of the investment portfolio as is prudent, but in all events not to exceed the amount determined under this Spending Policy.

Spending Rate - The Foundation

The Diocesan Investment Committee recognizes that authorizing a Spending Rate equal to the fund's total return each year will imperil the Foundation's long-term objective. At the same time, the

Foundation is aware that the beneficiaries may require an adequate distribution amount for expenditures. Therefore, the Foundation's policy shall be that a Spending Rate not to exceed 4.0% is appropriate to meet the needs of the beneficiaries. This Spending Rate will be reviewed periodically by the Board and its Finance Committee in light of evolving trends with respect to the economic cycle, investment outlook, investment/market returns, as well as the needs of beneficiaries. Adjustments will be made when appropriate and documented in meeting minutes.

In carrying out the Spending Policy, the Diocesan Investment Committee is specifically authorized to distribute more in an individual year than was actually earned in the year where, for instance, the most recent four quarters experienced a loss. The policy will act to maintain a more stable distribution stream, whether total return is positive or negative in given years.

Total Return Policy

The Foundation hereby adopts a "total return" approach to calculating investment returns. This total return is comprised of both traditional "income" (interest and dividends) and realized and unrealized net capital gains. When distributions are made, the Diocesan Investment Committee may withdraw them from the portfolio regardless of the portion of the total return that is from capital gains or from income.

Spending Rate Calculation

It shall be the policy of the Foundation to distribute annually, an amount equal to the product of the most recent twelve-quarter moving average of the investment portfolio's market value, multiplied by the Spending Rate. This amount shall not exceed the product of the spending rate plus 1%, multiplied by the investment portfolio's current market value.

Return Measurement Objectives

The investment objectives of the Foundation are based upon a long term investment horizon allowing interim fluctuations to be viewed in an appropriate perspective. While there cannot be complete assurance that the defined objectives will be realized, it is believed that the likelihood of their realization is enhanced by the diversified asset allocation of the Foundation assets.

Over time, the Foundation's goal is to achieve the total fund return goal while maintaining acceptable risk levels. To accomplish this goal, the Foundation will diversify its assets among several asset classes. **Appendix A** provides permissible asset classes and appropriate index measures of these classes. Active managers will be expected to provide returns greater than or equal to their appropriate benchmark while utilizing acceptable risk levels.

It is the Foundation's goal to obtain the following returns. All return objectives described are understood to be net of (after) investment expense.

1. Total Foundation (Total Fund) assets should return, over the Time Horizon, an annualized nominal rate of return greater than or equal to the spending rate plus expenses.
2. Total Foundation (Total Fund) assets should return, over rolling 3 to 5 year periods, a nominal rate of return greater than or equal to a composite index created by combining various indices (**Appendix A**) in the same proportion as the Foundation's target allocation (described in Asset Allocation section).

3. Each active investment manager is expected to return, over rolling thirty-six month periods, a nominal rate of return greater than or equal to the appropriate market index for that investment manager (**Appendix A**), with not more than commensurate risk. By way of contrast, index, or passive managers are expected to provide returns roughly identical to the appropriate benchmark, before reasonable fees, with no more volatility than the benchmark.

Volatility and Risk

The Foundation believes that the return objectives can be achieved while assuming acceptable risk levels commensurate with “market” volatility. “Market” volatility is defined as the trailing three year standard deviation of investment returns (based on monthly data) of the benchmark indices deemed appropriate.

The Foundation further defines risk as the probability of failing to meet the Foundation’s General Investment Objectives over the time horizon. Therefore, in order to minimize the probability of failure, thereby minimizing risk, the Diocesan Investment Committee should consider the following variables in all aspects of the decision-making process with regards to the Foundation’s investable assets:

- Probability of Missing the Return Goal over the Long-Term
- Liquidity Requirements
- Loss Containment (Maximum Allowable Decline)
- Capital Preservation
- Asset/Style Allocation

Asset Allocation

The single most important decision made by the Foundation is the Policy Asset Allocation decision. The Foundation believes that a significant portion of a fund’s investment behavior can be attributed to (1) the asset classes/styles which are employed by the fund, and (2) the weighting of each asset class/style. It is the responsibility of the Diocesan Investment Committee to identify and implement a Policy Asset Allocation that offers the highest probability of achieving the Foundation’s investment objectives with the lowest level of commensurate risk. The Diocesan Investment Committee, with guidance and recommendations from their Consultant, shall review the asset mix on an ongoing basis and recommend revisions to the Finance Committee and the Board as necessary.

The Policy Asset Allocation has been adopted by the Board on recommendation from the Diocesan Investment Committee based on a comprehensive asset allocation study completed by the Consultant. The Policy Asset Allocation of the Foundation, as presented in **Appendix B**, is designed to give balance to the overall structure of the Foundation’s investment program over the Time Horizon. However, some factors may impact the Policy Asset Allocation, thereby requiring an asset allocation review and possible rebalancing. Some of these factors include:

1. The Diocesan Investment Committee’s assessment of the intermediate or long term outlook for different types of asset classes and styles;
2. The Consultant’s assessment of the intermediate or long term outlook for different types of asset classes and styles;

3. Divergence in the performance of the different asset classes and styles from the Policy Asset Allocation; and
4. In responding to the changing outlook for the asset classes, the Diocesan Investment Committee may from time to time recommend to the Board revisions to the Policy Asset Allocation set out in **Appendix B**.

Moral and Social Guidelines

Principle of the Guidelines

The investment objectives for the Foundation are to be pursued with first consideration given to the moral and social implications an investment in any particular company portends. Investing funds entrusted to the Foundation in this manner shall be a good faith effort to reflect who we are as part of the Roman Catholic Church and to respect the formed consciences of those whose sacrificial gifts have been entrusted to the Foundation.

Desired Outcomes for the Guidelines

The Foundation shall avoid investing in companies whose activities conflict with the teachings of the Roman Catholic Church. As a result of excluding investment in firms that directly carry out immoral activities, the Foundation explicitly intends to encourage those corporations that seek to protect the sanctity of human life and promote the common good.

Due Consideration for the Innate Difficulty with Assessing Company Activity

The following moral and social guidelines will be followed to the best of the Diocesan Investment Committee's ability. In making this assertion, the Diocesan Investment Committee, the Catholic Community Foundation for Eastern South Dakota Board of Directors, and the Bishop of Sioux Falls acknowledge that there may be instances where such information may not be available for certain asset classes. In these cases, the Diocesan Investment Committee will determine if investment in the asset class(es) is advisable in the context of the spirit of this policy. For the purposes of this policy, "primarily" shall be defined as those companies which derive more than 25% or more of their gross revenues from the listed activities.

Absolute Exclusions

Notwithstanding the foregoing, the Foundation's policy is the absolute exclusion of investment in any companies whose business activities:

1. Involve direct participation in abortion or the production of medical equipment/devices and/or medicinal therapies that are used primarily in abortion;
2. Involve research and testing which uses fetal tissue procured through abortion;
3. Involve the manufacture and/or marketing of contraceptives; or
4. Involve the use of embryonic stem cell research.

Intentional Avoidance

The Foundation's policy will also be to avoid investment in any companies whose business activities primarily involve:

1. The production of military weapons;

2. The production or development of weapons which are inconsistent with the Catholic teachings on just war (e.g., nuclear, biological and/or chemical weapons intended to inflict indiscriminate, mass destruction); or
3. Involve the production, sale, marketing and/or distribution of pornographic materials.

Accountability

The Diocesan Investment Committee shall observe these guidelines and, employing the best mechanisms by which a company's business activities can be reasonably assessed, apply them to the best of its ability. The Committee shall therefore ensure that all potential Investment Managers are knowledgeable of, sensitive to, and capable of implementing the moral and social investment guidelines contained in these policies before investing on the Foundation's behalf.

To assist the Committee, the Consultant shall annually perform a comprehensive evaluation of the portfolio to ensure conformity to these guidelines, making adjustments when necessary and as company activities evolve.

Contributions

From time to time, the Foundation may receive requests for gifts with holding or sale restrictions and/or conditions attached thereto. The policy of the Foundation is to not accept gifts with investment restrictions unless specifically approved by the executive committee or the Foundation Board. If gifts with restrictions are approved, the Foundation will comply with the restrictions. However, gifts received will be subject to the investment, moral and social guidelines included in this policy. All cash donations to the Foundation shall immediately be invested according to the asset allocation policy

Portfolio Rebalancing

Since Policy Asset Allocation is the most critical component of the Foundation's return, it is desirable to rebalance the Foundation's portfolio periodically to minimize deviations from the Policy Asset Allocation mix. Policy Asset Allocation rebalancing refers to rebalancing the individual asset class allocations to the stated policy allocation by measuring the total of the Foundation's assets based on their respective asset classes.

The Diocesan Investment Committee is authorized to monitor and direct the automatic rebalancing of the fund at the end of each month in the event any asset class allocation differs from policy by more than 20% of the target weight, but with a 2% minimum requirement. For example, if the Policy Asset Allocation for an asset class is 3% of the total portfolio, then the portfolio's actual allocation must be either below 1% or above 5% of the total portfolio before rebalancing is required. An actual allocation of 1.5% would have a deviation of 50% from the target weight but not meet the 2% minimum deviation threshold.

The Diocesan Investment Committee shall ensure that the Consultant informs the Administration at the close of any month in which rebalancing in the portfolio is necessary. The Administration will be responsible for approving and implementing any recommendations made by the Consultant to reallocate the assets in the portfolio. The Consultant will assist the Administration as needed in the process of implementing any portfolio rebalancing.

Permissible Investments

The target asset allocation of the Endowment Fund is expected to include a wide range of asset classes. These asset classes and their relative comparative indices are displayed in **Appendix A**. The asset classes include but are not limited to:

- Domestic Large-Capitalization Equity
- Domestic Small-Capitalization Equity
- International Large-Capitalization Equity
- International Small-Capitalization Equity
- International Emerging Markets Equity
- Domestic and International Fixed Income
- Cash Equivalents
- Natural Resource Equities
- Liquid Commodity Strategies
- Real Estate
- Liquid Infrastructure Strategies
- Liquid Absolute Return Strategies
- Hedge Funds of Funds

Investment Policies and Performance Goals for Investment Managers

The following Investment Manager performance goals and constraint guidelines are to be placed by the Diocesan Investment Committee directly or through its Consultant on individual managers within specific asset classes:

1. Active managers may be terminated at the discretion of the Diocesan Investment Committee due to philosophical changes, turnover of or malfeasance by key investment staff or management, long-term underperformance from that of the associated benchmark, or other material events.
2. Index (passive) managers may be terminated at the discretion of the Diocesan Investment Committee if performance or volatility significantly deviates from that of the associated benchmark.
3. No manager shall be permitted to use margin or to otherwise leverage the portfolio, without the prior consent of the Board or its Executive committee.

Equity

1. The maximum weighting (market basis) in any one company for active managers shall be 10% of the manager's portfolio.
2. Trading and Execution: Managers should execute trades on a competitive basis, considering both commission and market impact, as compared to relative size funds.

Fixed Income

1. All fixed income securities should be of investment grade at the time of purchase (Moody's rating of Baa or higher, S&P rating of BBB or higher), unless a specific strategy utilizing below investment grade securities is approved by the Diocesan Investment Committee.
2. The maximum weighting (market basis) in any one security for active managers shall be 10% of the manager's portfolio. Debt obligations issued by or guaranteed by the U.S. Treasury, its agencies, or its Government Sponsored Enterprises (including, but not limited to Fannie Mae, Freddie Mac, and the Federal Home Loan Bank) are not subject to this limitation.

International Equity and Fixed Income

The use of currency futures to enhance performance and/or hedge currency exposure by international and/or global managers shall be allowed at the discretion of the manager, provided the hedging in any one currency will never exceed the market value of the assets in the currency. A detailed description of a manager's currency strategy must be submitted to the Diocesan Investment Committee which may, at its discretion, change managers.

Other

- **Securities Lending:** Investment Managers may not engage in securities lending to broker dealers as a means of enhancing income.
- **Active vs. Passive Management Decision:** The Diocesan Investment Committee shall continue to review the relative advantages of passive versus active management in the context of reduced management expenses, stable performance and constant, complete exposure to the particular asset class with regard to the excess return provided by the individual manager, and may make changes to managers based on these factors.
- **Related Party Transaction:** The Foundation will not loan funds to related parties defined as an officer, board member, employee, or donor either current or prospective.

Procedure for Revising Guidelines

All investment policies and performance goals will be reviewed annually or when deemed necessary by the Diocesan Investment Committee, which may make recommendations for changes to the Board and the Finance Committee. In order to facilitate timely adjustments and rebalancing to the Foundation's Policy Asset Allocation without undue delays, the Policy Asset Allocation may be revised with a majority vote of the Board's Executive Committee.

Reporting Requirement

The Consultant will be responsible for the preparation of monthly performance evaluation reports which shall comply with standards developed by the CFA Institute. The format of the Foundation's performance evaluation reports shall be developed with input from the Diocesan Investment Committee.

Conflicts of Interest

All persons responsible for investment decisions or who are involved in the management of the Foundation or who are consulting to, or providing any advice whatsoever to, the Finance Committee or Diocesan Investment Committee shall disclose in writing at the beginning of any discussion or

consideration by such groups any relationships, material beneficial ownership, or other material interest(s) which the person has or may reasonably be expected to have, with respect to any investment issue under consideration. The Diocesan Investment Committee may require such persons to remove themselves from the decision-making process.

Any members of the Diocesan Investment Committee responsible for investment decisions or who are involved in the management of the Foundation shall refuse any remuneration, commission, gift, favor, service or benefit that might reasonably tend to influence them in the discharge of their duties, except as disclosed in writing to and agreed upon in writing by such committee. The intent of this provision is to eliminate conflicts of interest between the committee membership and the Foundation. Failure to disclose any material benefit shall be grounds for immediate removal from the Diocesan Investment Committee. This provision shall not preclude the payment of ordinary fees and expenses to the Foundation's custodian(s), Investment Managers or Consultant in the course of their services.

**APPENDIX A:
COMPARATIVE INDICES
FOR TRADITIONAL INVESTMENT MANAGERS**

Asset Class	Comparative Index
Equity	
Domestic Equity	
U.S. All Cap Stocks	Dow Jones US Total Stock Market
U.S. Large Stocks	S&P 500 / Russell 1000
U.S. Large Value Stocks	Russell 1000 Value
U.S. Large Growth Stocks	Russell 1000 Growth
U.S. Large Quality Stocks	NASDAQ US Dividend Achievers Select
U.S. Mid Stocks	Russell 2500
U.S. Small Stocks	Russell 2000 / S&P 600 Spliced Index
U.S. Small Value Stocks	Russell 2000 Value
U.S. Small Growth Stocks	Russell 2000 Growth
International Equity	
Int'l Large / Mid Stocks	MSCI EAFE / <u>MSCI ACWI ex USA IMI</u>
Int'l Small Stocks	MSCI <u>ACWI World</u> ex US Small Cap
Emerging Market Stocks	MSCI Emerging Markets
Global Equity	<u>MSCI ACWI IMI MSCI World</u>
Fixed Income	
U.S. Fixed Income	Bloomberg U.S. Aggregate
U.S. Inflation Protected	Bloomberg U.S. TIPS
High Yield Fixed Income	Bloomberg High Yield
Global Fixed Income	FTSE World Government Bond
Emerging Market Bonds	JPM Emerging Markets Bond
Cash Equivalents	U.S. Treasury Bills
Bond Account	50% Bloomberg U.S. Aggregate/ 50% Merrill Lynch 1-5 year Gov't / Credit
Real Assets	
Natural Resources (Public)	S&P North American Natural Resources
Real Estate (REITs)	Dow Jones Global Select Real Estate
Commodities	Down Jones AIG Commodity Index
Infrastructure	Custom Infrastructure Index (USD Hedge)
Private Equity	Burgiss Global Private Equity Index
Hedge Funds of Funds	HFRI Equity Hedge
Absolute Return	Wilshire Liquid Alternatives Index

**APPENDIX B:
ASSET ALLOCATION TARGETS**

Asset Class	Policy (%)	Range
Growth Assets	70	40-75
Domestic Equities	43	10-50
International Equities	27	10-50
Risk Reduction Assets	22	15-45
Fixed Income	19	5-40
Hedge Funds	3	0-15
Inflation Protected Assets	8	0-30
US Inflation Protected Fixed	3	0-20
Real Assets	5	0-20

*The investment policy stated above was in effect at the time the IPS was approved. The Investment Committee may amend the target within the associated ranges without Board approval.

Signatures:

Board Chairman

Bishop

This Investment Policy Statement must be reviewed by the Investment Committee at least once a year and confirmed as appropriate or amended as necessary at that time.

| Approved at a meeting of the Board of Directors on this 25th day of April, ~~2024~~2023.

Important Notices

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Returns for periods greater than one year are annualized. Returns are calculated net of investment management and consulting fees, unless noted as gross of fees.

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