Paulist Center Community Endowment
Investment Policy Statement

- **General Considerations**
  - The Paulist Center Endowment is an unrestricted endowment whose assets are intended to provide support for the mission of the Paulist Center in perpetuity.
  - The endowment will seek to invest its funds in a socially responsible manner, in companies and other investment possibilities that contribute to the building of a peaceful and just world. See Statement of Principles.
  - The purpose of this policy statement is to articulate the broad guidelines that will be applied to the long-term management of the endowment.

- **Objectives**
  - The investment objectives of the endowment funds are:
    - To provide a revenue stream for current needs; and
    - To grow the principal for future needs

- **Spending Policy**
  - It is the policy of the endowment to annually distribute between 3 to 5% of the trailing twelve quarter average market value of the endowment. The annual distribution percentage will be determined following each calendar year for inclusion in the budget process for the following fiscal year.
  - The Finance Committee will make a recommendation of the percentage distribution for approval by the Pastoral Council within 90 days of the calendar year end.
  - Those funds will be distributed to the Paulist Center operating account during the following fiscal year.
  - Any distribution from the endowment over and above the annual spending limit is to be regarded as a source of funds of last resort and can only be considered after attempts to raise funds from the Paulist Center community and all operating reserves have been exhausted.
  - If a situation should arise that would necessitate the dissolution of the endowment, it must be distributed to a 501c3 corporation(s) or other charitable organization whose mission is aligned with that of the Paulist Center as decided by the Pastoral Council.

- **Asset Allocation**
  - To meet the concurrent goals of income and growth, the funds will be invested in bonds for current income and stocks for growth. To achieve growth over time, it will be necessary to assume a moderate risk to principal.
  - The portfolio will be allocated within the following guidelines for a balanced portfolio:
    - Stocks 40-60%
    - Bonds 30-50%
    - Cash Equivalents 0-20%
  - Asset Allocation Guidelines
    - The portfolio must be invested in readily-marketable securities such as domestic and foreign stocks, domestic and foreign bonds and cash equivalents; with the exception of community based investments.
    - Assets will be diversified both by asset class and within each asset class by style (growth vs value), capitalization (large, mid and small cap), and by economic sector, industry and quality and to the extent possible using SRI (now ESG) Principles.
      - The purpose of diversification is to limit the specific risk associated with any single security or class of securities.
    - Alternative Investments
      - Up to 5% of the endowment may be placed in 'community based' or other nontraditional investments which meet the Paulist Center Investment Principles.

  - While these investments may not be guaranteed, nor are they likely to be marketable, and they may pay below market rate, they would make possible lending opportunities consistent with the guidelines to use funds to help others in need and to further the social justice mission of the Paulist Center.

- Rebalancing
  - The portfolio should be rebalanced at least once a year to bring the allocation in line with the guidelines
- Restrictions:
  - No single investment position shall exceed 10% of the market value of the portfolio. NOTE: Except for US Treasury and Agency obligation, the fixed income portion of the portfolio shall not contain more than 10% from any given issuer.
- Investment Guidelines
  - All investments must be consistent with the prudent investor rule.
  - The following assets and/or transactions are prohibited:
    - Commodities, lettered stock, private placements and limited partnerships (with the exception of 144A securities)
    - Selling uncovered calls
    - Conditional sales contracts, warrants (unless acquired when attached to purchased common stock or bonds), lease-backs, securities of the Investment Manager, its parent or subsidiaries
    - Unless specifically approved by the Finance Committee, the manager shall not buy securities on margin, engage in the short sale of securities, or maintain a short position, unless at all times when a short position is open, the portfolio either owns an equal amount of such securities or owns securities which are convertible into or exchangeable for securities of the same and equal in amount
    - Leverage - derivatives shall not be used to magnify the overall portfolio exposure to an asset, asset class, interest rate or any other financial variable beyond that which would be allowed by a portfolio's investment guidelines if derivatives were not used.
    - Unrelated speculation – Derivatives shall not be used to create exposures to securities, currencies, indices or any other financial variable unless such exposures would be allowed by a portfolio's investment guidelines if created with non-derivative securities.
  - The manager shall not:
    - Engage in any transaction where it acts as principal
    - Deal with the assets of the portfolio in its own interest or for its own account
    - Act in any capacity in any transaction involving the portfolio on behalf of a party (or represent a party) whose interests are adverse to the interest of the portfolio or the interests of the Paulist Center
    - Receive any compensation for its own account from any third party dealing with the portfolio in connection with a transaction involving assets of the portfolio
  - Managers must:
    - Provide a daily valuation of the portfolio, with the exception of community based investments.
    - Provide monthly statements
    - Provide written notification within 10 business days of significant changes in the firm's policies, personnel, management structure or ownership, mutual funds excepted.

- **Performance/Monitoring**
  - The Finance Committee will monitor the investment performance quarterly as follows:
    - Evaluate the portfolio's performance against the appropriate benchmarks
    - Review compliance of investments with policy asset allocation guidelines.
    - Review for adherence to SRI (now ESG) principles/screens
    - Review investment fees and expenses to ensure they are reasonable and competitive.
  - Reporting
    - The Finance Committee will submit an annual report to the Pastoral Council on the performance of the endowment funds.
    - The Finance Committee will report to the community on an annual basis the investment performance.

- **Authority & Responsibility**
  - PASTORAL COUNCIL
    - The Pastoral Council is ultimately responsible for the management and safekeeping of endowment assets, however, it may delegate to the Finance Committee for oversight and implementation of the investments.
    - Pastoral Council responsibilities are to:
      - Adopt and amend the Investment Policy
      - Review investment performance and compliance with investment policy guidelines as reported by the Finance Committee
      - Approve spending recommendations as part of the budget process.
      - Oversee proxy voting in line with SRI (now ESG) principles.

  - FINANCE COMMITTEE
    - The Finance Committee is responsible for ongoing oversight of the investments.
    - Any member of the Finance Committee or Pastoral Council who has any conflict of interest or could in any way derive personal financial benefit from a vote related to the endowment must recuse themselves from any such vote.
    - Responsibilities of the Finance Committee are to:
      - Select, retain or terminate qualified investment professionals and service providers.
      - Recommend amendments to the Investment Policy Statement to the Pastoral Council.
      - Recommend the annual percentage distribution for the endowment

  - Decisions
    - Decisions to change Investment Manager is subject to vote of approval of the Pastoral Council based on a recommendation of the Finance Committee.
    - Two signatures would be required on all documents relating to making new investments.