

**THE CATHOLIC FOUNDATION
ARCHDIOCESE OF SANTA FE**

**Investment Committee Meeting
February 20, 2018**

Minutes

- Members Present:** Warren Akerson, Peter Beaudette, Gifford Davis, Gregory Edwards, Tom Growney, John Heer and Jim Higdon
- Members Absent:** Sheila Brown, Fr. Domme, Annette Hayden, Don Rigali and Tony Strati
- Guests:** Annette Bidart-AndCo Consulting; Michael Nagy-CBIS
- Staff Present:** Ed Larrañaga and Dorothy Sheehi

I. Opening Prayer

The February 20, 2018, Investment Committee (Committee) meeting was called to order at 1:08 p.m. and opened with a prayer by Ed Larrañaga.

II. Approval of November 21, 2017 Minutes

Motion: Jim Higdon moved to approve the November 21, 2017, meeting minutes. Peter Beaudette seconded the motion and it passed unanimously.

III. &Co – December 31, 2017 Performance Reports/January 31, 2018 Flash Reports

- i) NACUBO Study - Annette Bidart first discussed the National Association of College and University Business Officers (NACUBO) 2017 Study of Endowments. She pointed out that the Foundation's fiscal year to date performance of 12.92% was right in line with the average of the participating institutions' endowments of 12.2%. (Both are net of fees.) Trailing three year-year returns for NACUBO institutions were an average of 4.2% versus the Foundation's 3.63% return. The Foundation's return for the last 5 years (ending June 30, 2017) was 7.91%. This compared to 8.6% for all NACUBO funds and 7.7% for funds with assets similar in size of \$25 - \$50 million. Annette feels this is because the Foundation has significantly more fixed income securities, 25%, versus the 7% on average for NACUBO institutions. Another factor is that the Foundation does not reinvest dividends and holds more cash.

- ii) Market Insights - Next Annette discussed highlights from the economic overview included on the fourth quarter performance reports and the January 31st flash reports. She pointed out that international equities outperformed domestic equities in the fourth quarter and that the market volatility in 2017 was unusually low. On the worst day in 2017, the market was down 1 ½ % which was highly unusual and showed very little volatility. She handed out a chart showing that on average, we see markets down 5-10% in any given year from peak to trough and the recent downturn we had in January and February was a normal correction and not out of the ordinary. She recommended staying with the current target allocations since earnings are solid, even though interest rates are rising.

Annette briefly reviewed the performance of the CRT/Gift Annuity fund. Discussion was limited because the overfunding topic was later on the agenda. Dorothy Sheehi did mention that a new gift annuity in the amount of \$105,000 had been received in the prior week.

Next Annette reviewed the performance of the Intermediate fund. Dorothy informed the Committee that the Foundation has received a pass-through donation of \$700,000 and the donor may want the funds invested for a short time in the Intermediate fund. Therefore, a re-allocation of this fund will be made once it is determined if those funds will be deposited into the Intermediate Fund.

- iii) Watch List – Annette had placed Harbor International on the watch list at the last Committee meeting and did not add any other funds at this time.
- iv) International Manager Search – Annette presented the research she had done on managers of international funds to replace Harbor International. She proposed two scenarios for replacing Harbor International. After discussion, the following motion was made:

Motion: Greg Edwards made a motion to replace the entire \$1.29M balance of Harbor International with CBIS CUIT International Equity Fund. Jim Higdon seconded the motion and all members present voted in favor of the motion. [After Michael Nagy arrived, it was determined that the fee for the CBIS International Fund would not be available until July 1. The Committee asked Michael to find out if we could get the lower fee sooner and instructed Dorothy to wait to make the trade until hearing back from Michael.]

- v) MSCI Screening – Annette reviewed the report she had received from MSCI which indicated that overall 4.33% of the endowment portfolio was non-compliant with Catholic values, using the USCCB Socially Responsible Investing guidelines. Please note that American Core Realty and Grosvenor were included in the assets, but were not screened. Non-compliance varied by

individual fund and it appears that most of the offensive companies within the higher non-compliant funds were pharmaceuticals and defense companies.

The Committee agreed that it would be impossible to be 100% compliant and that compliance of 5% or lower is acceptable. The Committee also agreed that the MSCI screening should occur annually or bi-annually.

IV. CBIS Investment Performance Review

Michael Nagy presented an overview of the CBIS organization. He reminded the Committee that only Catholic organizations listed in the Kennedy Directory are allowed to invest with CBIS. He gave some examples of active engagement and discussed their Catholic Responsible Investing policy, noting the screening impact on their equity funds performance. He briefly touched on the highlights from the January 31st performance report and pointed out that the Core Equity Index Fund Class A had outperformed other funds in its class because GE had been screened out. Lastly, he told the Committee that CBIS is getting away from portfolio design and instead will be focused on portfolio implementation. CBIS does not want to compete with investment consultants and beginning July 1, they will roll out a fee structure that will incentivize investing through institutional consultants.

V. CRT/Gift Annuity Fund

vi) Dorothy presented a revised version of the CRT/Gift Annuity schedule for December 31, 2017. She presented the recommendation that the staff and Annette had come up with. Rather than moving the overfunded amount to the general endowment portfolio, the funds would remain in the CRT/GA investment account and that each year a percentage of the overfunded liability could be transferred to the unrestricted grant pool. The percentage would equal the grant distribution percentage approved by the Executive Committee for all funds held at the Foundation.

Motion: Jim Higdon made a motion that the Committee annually transfer up to 4% of the overfunded liability to the unrestricted grant pool. Greg Edwards seconded the motion and all members present voted in favor of the motion.

vii) Due to time limitations, Jim Higdon asked Dorothy to email the proposed updates to the CRT GA Investment Policy to the Committee for comments.

VI. Other Business

The next meeting date for the Committee was confirmed for May 15, 2018.

VII. Closing Prayer

The meeting adjourned at 3:45 p.m.