

**THE CATHOLIC FOUNDATION  
ARCHDIOCESE OF SANTA FE**

**Investment Committee Meeting  
May 19, 2020**

**Minutes**

- Members Present:** Peter Beaudette, Gif Davis, Gregory Edwards, Patrick Finley, Annette Hayden, Jim Higdon, Steve Neel, Jim Pendergast, Stan Sluder and Tony Strati
- Members Absent:** Fr. Domme and Don Rigali
- Guests:** Annette Bidart - AndCo Consulting  
Jay Butterfield – American Core Realty  
Jim Mohan & Hoa Quach - CBIS
- Staff Present:** Ed Larrañaga and Dorothy Sheehi

**I. Opening Prayer**

The May 19, 2020 Investment Committee (“IC”) meeting was called to order at 1:02 p.m. and opened with a prayer by Ed Larrañaga.

**II. Approval of February 18, 2020 Minutes**

The February 18<sup>th</sup> meeting minutes were approved as presented.

**III. Manager Updates**

**A. American Core Realty**

Jay Butterfield, Executive Managing Director at American Realty Advisors (ARA), reviewed the presentation accompanying these minutes. He reminded the IC that the Foundation first invested in the American Core Realty Fund in 2012. He reviewed ARA’s COVID response and actions, including rent relief primarily for retail tenants. He emphasized that this portfolio is well positioned from a risk standpoint. There is no debt maturing in 2020 and no construction projects are underway. Over 95% of the portfolio is leased. ARA’s view is that the economic recovery will be “U- shaped” in 2021, with some property types recovering faster than others.

## B. Christian Brothers Investment Services (CBIS)

Jim Mohan and Hoa Quach, both Managing Directors at CBIS, reviewed their presentation which accompanies these minutes. TCF originally invested with CBIS in September 2017. They discussed the impact of the Corona virus on markets, noting that the US stock market went from a bull market to a bear market in 20 days, the fastest in history. In addition, the oil price decline has wreaked havoc on the energy sector, while consumer staples, healthcare and technology remain relatively unscathed. Next, Hoa discussed some of the actions CBIS is taking in response to the repercussions of COVID-19. For example, since many of the 40M workers in apparel supply chains worldwide face the loss of work, CBIS sent letters encouraging apparel focus companies to support suppliers to enable them to pay workers promptly, provide sick leave, decent accommodations and health care.

## IV. AndCo – March 31, 2020 Performance and April 30, 2020 Flash Reports

### A. Market Insights

Annette started off her review of the markets by pointing out that post WWII the US has had 13 bull and 13 bear markets. The average length of bull markets is 56.1 months and of bear markets is 14 months (excluding the current one). Going back to 1980, despite average intra-year drops of 13.8%, annual returns have been positive in 30 of 40 years. The difference between this recession and the last two bear markets is the speed of the drawdown. She referred to a graph showing the arithmetic mean expected returns and highlighted the 8.14% return of large caps.

Next, Annette reviewed the portfolio returns and fund performance for the quarter ending March 31, 2020 and the Flash Reports for April 30, 2020. She mentioned that high yield bonds offer interesting opportunities. She discussed the disconcerting loss of -62.4% in the energy sector as global oil prices collapsed. She noted the \$6.4M decline of the portfolio from December 2019 at \$43M to March 2020 at \$36.6M due to the pandemic. The year to date return is -15.02% and the 1-year return is -6.56%.

### B. BSIP – no UBIT blocker - Vote

At the last IC meeting, the Committee voted to invest 5% of the Endowment portfolio in the BSIP Access Fund if there are no unrelated business income tax (UBIT) issues. Annette, Dorothy, and Tony Strati participated in a call with Brookfield and determined that this investment might cause a UBIT issue for the Foundation. Given the uncertainty of the magnitude of potential UBIT, Annette recommended postponing investment in the BSIP Access Fund. After discussion, the Committee agreed with her recommendation but wants staff to find legal counsel that can advise on this issue more definitively for future investments.

### C. Allocations

Annette reviewed the Endowment Portfolio Cash Flow Projection through the end of 2021 so that the Committee would better understand the liquidity of the endowment portfolio. She explained that dividends and capital gain distributions received in December were reduced by 30% each year to be conservative. Recognizing that the economic fallout from the pandemic presents a challenge to forecasting future results, the Committee agreed that it is not necessary to increase cash at this time.

Annette then explained that the investment in Grosvenor had not provided the anticipated downside protection for which the fund had been purchased. She recommended replacing it with a government bond fund.

**Motion: Greg Edwards made a motion to replace the investment in Grosvenor with a government bond fund. Tony Strati seconded and the motion passed unanimously.**

### D. PSAV IV

Annette recommended investing \$1M (or 2.5% of the portfolio) in the private equity fund Portfolio Advisers Secondary Fund IV (PSAV IV). She noted that private equity is more resilient than public equity in periods of rapid selloffs. As a secondary fund, it does not participate in the traditional J curve streams of private equity and typically has a shorter investment period to fund conclusion. However, money would be locked up for 10 years and then TCF would be a secondary seller. After discussion, the Committee decided to pass on this investment at this time. Annette will schedule a conference call with managers from Portfolio Advisors to enhance the IC comfort level of private equity investing.

### E. Watch list – Mid Growth Search

Given time constraints, the Committee deferred the discussion of the mid growth search to the next IC meeting.

## V. CRT/Gift Annuity Fund

Dorothy reviewed the April 2020 CRT/GA funding schedule, noting that the excess of marketable securities over the current liability was approximately \$486k.

## VI. Other Business

The next meeting date was confirmed for Tuesday, August 18<sup>th</sup>, 2020. Most Committee members prefer to meet in person rather than virtually but agreed that decision would have to be made closer to the meeting date.

The meeting adjourned at 3:25 p.m. following a prayer led by Ed.