

# ***St. James Fund***

## **Statement of Investment Policy**

*August* 20 , 2024

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## **GENERAL INFORMATION**

**Name of Entity:** St. James Fund is a private, Iowa nonprofit, nongovernmental 501(c)(3) organization established as an investment company.

**Fund name:** St. James Fund ("Fund")

**Fund's Purpose:**

The Fund consists of investment funds from entities in the Diocese of Sioux City and who are listed in the Official Catholic Directory. Participants are pooling their funds for investment purposes. The Central Catholic Offices of the Diocese of Sioux City will not have funds invested in the St. James Fund.

The St. James Fund has been selected to govern all investment funds for the Diocese of Sioux City (including the General Fund and Priest Pension Plan) under a Shared Services Agreement; and as such, this Investment Policy Statement will collectively govern all investment assets controlled by the Diocese of Sioux City under the Shared Services Agreement.

## **SCOPE OF STATEMENT**

This Statement of Investment Policy ("Policy") reflects the investment policy, objectives, and constraints of the St. James Fund.

## **STATEMENT OF PURPOSE**

The Board of Directors of the St. James Fund sets forth this statement of investment policy in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of St. James Fund assets.
3. Establish a basis for evaluating investment results.
4. Manage the St. James Fund assets according to prudent standards as established in common trust law, including the Uniform Prudent Management of Institutional Funds Act (UPMIFA).
5. Establish the relevant investment horizon for which the St. James Fund assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude that will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.



**UPMIFA:**

**THE UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT**

It is the intent of the St. James Fund to follow the provisions and apply the investment standards of the Uniform Prudent Management of Institutional Funds Act as adopted in Iowa under chapter 540A of the Code of Iowa as amended ("UPMIFA") In managing and investing an institutional fund, all of the following factors, if relevant, must be considered:

- General economic conditions.
- The possible effect of inflation or deflation.
- The role that each investment or course of action plays within the overall investment portfolio of the St. James Fund.
- The expected total return from income and the appreciation of investments.
- Other resources of the St. James Fund.
- The needs of the St. James Fund to make distributions and to preserve capital.
- Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the St. James Fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the St. James Fund.
- Except as otherwise provided by law other than UPMIFA, the St. James Fund may invest in any kind of property or type of investment consistent with this statement of investment policy.
- The St. James Fund shall diversify its investment portfolio(s) unless it reasonably determines that, because of special circumstances, the purposes of the St. James Fund are better served without diversification.
- A person that has special skills or expertise, or is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing institutional funds.

## **DELEGATION OF AUTHORITY**

The governing body of the St. James Fund is its Board of Directors (“Board”), which has oversight of the investments and portfolio(s) of the St. James Fund. The Board shall approve and review this Policy. The Board is responsible for directing management of the investment portfolio(s) and monitoring compliance with this Policy.

The Board is authorized to delegate certain responsibilities to others, including hiring an Investment Management Consultant, and other specialists such as attorneys, auditors and other professional experts to assist in the prudent administration of the St. James Fund. The Board will be responsible for the guidance and oversight of external professionals.

### **Responsibility of the Board of Directors**

- Adhere to the guidelines as defined in the Uniform Prudent Management of Institutional Fund’s Act (UPMIFA) and all other applicable regulations..
- With the assistance of the Investment Management Consultant review and recommend the overall strategic asset allocation for the portfolio(s). Review the tactical asset allocation, as well as funding levels for each manager / portfolio.
- With the assistance of the Investment Management Consultant review the performance in light of the portfolio’s investment objectives.
- With the assistance of the Investment Management Consultant appoint, evaluate and terminate Investment Managers for the portfolio(s). Note: The Board will be apprised in writing of such action to appoint or terminate Investment Managers prior to these changes being made.
- Receive, review and retain the reports of the Investment Management Consultant, the custodian, and other reports on the financial condition of the St. James Fund.
- With the assistance of the Investment Management Consultant, manage and monitor all defined risks in the portfolio.
- Have a corporate resolution on file that lists the authorized signers on behalf of St. James Fund.

### **Investment Management Consultant(s)**

The Investment Management Consultant's role is that of a non-discretionary advisor to the Board. Investment advice concerning the investment management of St. James Fund assets will be offered by the Investment Management Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this Policy.

### **Responsibility of the Investment Management Consultant(s)**



- Manage the St. James Fund's assets in compliance with the standards according to Uniform Prudent Management of Institutional Fund's Act (UPMIFA).
- Assist in the development and periodic review of investment policy and objectives.
- Assist in the development and periodic review of the strategic asset allocation strategy. Implement tactical asset allocation changes within the guidelines of the Policy.
- Review the capital markets in light of the portfolio's investment objectives.
- Provide the management and tracking of all defined risks in the portfolio(s).
- Implement portfolio rebalancing within the guidelines of this Policy.
- Lead compensation negotiations with Investment Managers. Control all investment expenses. Assist the Board in the determination, understanding, negotiation and accountability of all portfolio(s) investment costs.
- Conduct Investment Manager searches. Make recommendations and provide "due diligence" or research on Investment Managers.
- Provide the performance of the total portfolio(s) and individual Investment Manager(s) to assist the Board with the ability to determine the progress toward the investment objectives.
- Provide continual guidance, monitoring and oversight of the portfolio(s).
- Communicate matters of policy and investment direction to the Investment Managers when necessary. Provide guidance and limitations to all Investment Managers regarding the investment of the portfolio(s) assets.
- Review portfolio investment history, historical capital markets performance and the contents of this Policy with any newly appointed members of the Board.
- The Investment Management Consultant must operate without any undisclosed conflict of interest.
- Provide oversight of the adherence to the Socially Responsible Investment restrictions of this IPS.

#### **Investment Manager(s)**

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction and within the guidelines of its stated investment methodology.

**Responsibility of the Investment Manager(s)**

- Investment Managers are required to maintain prudent diversification and manage the risk of their portfolios.
- Provide discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines of their stated methodology.
- Report, on a timely basis, quarterly investment performance results.
- Communicate any major changes to economic outlook, investment strategy, or any other factors that affect implementation of investment process, or the investment objective progress of the St. James Fund's investment management.
- Inform the Investment Management Consultant regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
- Meet with the Investment Management Consultant and/or Board as needed.
- The Investment Manager must operate without any undisclosed conflicts of interest.

**Custodian(s)**

The custodian(s) will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the St. James Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian(s) may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the St. James Fund accounts.



## **GENERAL INVESTMENT PRINCIPLES**

1. The portfolio(s) shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a portfolio of like character and with like aims.
2. The Board understands that risk is present in all types of securities and investment styles and recognize that some risk is necessary to produce long-term investment results that are sufficient to meet the St. James Fund's objectives. However, the Investment Managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Investment Managers are expected to adhere to the investment management styles for which they were hired. Investment Managers will be evaluated regularly for adherence to investment discipline.

## **INVESTMENT OBJECTIVES**

In order to meet its needs, the investment strategy of the St. James Fund is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

The St. James Fund has a long-term investment horizon, in excess of 10 years. As such, the investment objectives will be viewed over a full economic and investment cycle.

The primary objectives of the St. James Fund shall be:

1. Preservation of Purchasing Power - To achieve returns in excess of the rate of inflation, spending and expenses over the investment horizon in order to preserve purchasing power of the portfolio(s). Risk control is an important element in the investment of the portfolio(s).
2. Preservation of Capital - To minimize the probability of loss of principal over the investment horizon. Emphasis is placed on minimizing volatility rather than maximizing return.
3. Long-Term Growth of Capital – To emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market-index.

## **SPECIFIC INVESTMENT GOALS**

Over the long term investment horizon, it is the goal of the aggregate St. James Fund assets to achieve an investment return of 6.5%, comprised of a 4.5% investment return (net of fees), plus an inflation assumption of 2%.

The specific investment goal is the objective of the total St. James Fund assets, and is not meant to be imposed on each investment account. The goal of each Investment Manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Board that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns, the portfolio beta, alpha, capture ratios and other forms of risk measurement.



## **INVESTMENT POLICIES AND PROCEDURES**

### **Risk**

The Board realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the St. James Fund assets must understand how it defines risk so that the assets are managed in a manner consistent with the St. James Fund's objectives and investment strategy as designed in this statement of investment policy. Risk is defined as:

- The probability of not meeting the St. James Fund's investment objectives
- The probability of not maintaining purchasing power over a long-term time horizon.
- The probability of not meeting the St. James Fund's spending or cash flow requirements.
- The probability of not earning an appropriate risk-adjusted return.

The Board defines its risk tolerance for the St. James Fund as moderately aggressive.

To measure risk for the management of the investment portfolio, a variety of risk measurements will be considered and evaluated, including volatility as measured by standard deviation, beta, alpha and capture ratios. These risk measurements will be included in the quarterly performance reports.

### **Asset Allocation**

The Investment Management Consultant, in consultation with the Board, shall invest the St. James Fund investments using asset allocation that is designed to meet the portfolio's long-term goals. The allocation will be based on the objectives of the St. James Fund set forth in this policy statement.

The asset allocation shall be implemented using a policy portfolio, as set forth in the Asset Allocation Addendum, with target allocations and parameters for each macro asset class. Due to the need for diversification and the longer funding periods for certain investment strategies, the Committee recognizes that an extended period of time may be required to fully implement the asset allocation plan. It is expected that market value fluctuations will cause deviations from the target allocations to occur.

The strategic asset allocation targets and asset class limits are provided in the Asset Allocation Addendum of this policy statement and are subject to modification and change based on recommendations from the Investment Management Consultant and the Board.

## **Rebalancing**

### Liquid Securities:

Market movements may cause the asset allocations to deviate from the strategic portfolio weights. Monthly, the Investment Management Consultant will review the portfolio(s) and rebalance when an asset class deviates from its minimum or maximum policy allocation. Cash flows into or out of the portfolio will be utilized to rebalance the portfolio toward the target allocation implemented by the Investment Management Consultant.

### Semi-Liquid and Illiquid Securities:

Market movements may cause Semi-Liquid and Illiquid securities to exceed their maximum liquidity restrictions or the policy asset allocations. As these types of assets may have unique liquidity rules and notification periods, each instance of non-compliance will be brought to the attention of the Board by the Investment Management Consultant with a recommendation to bring the allocation back into compliance as quickly as possible.

## **Spending**

This Board does not have a spending policy. This will be the responsibility of the participant.

## **Liquidity**

Liquidity is the time to convert a security to cash at little or no loss. Certain investment strategies have different liquidity characteristics. To better define the liquidity of various investment strategies, the follow definitions will apply:

Liquid – Marketable securities with daily liquidity or up to one-week, depending on capital market conditions.

Semi-liquid – Liquidity greater than one week or up to one-year depending on capital market conditions. Generally, this is quarterly liquidity and includes alternative investments with securities in limited partnership structures such as Hedge Funds, Managed Futures and other program structures.

Illiquid - Liquidity greater than one-year. Includes investments in Private Equity, Private Real Estate, Infrastructure and other investments that require a schedule of capital call funding and distributions over a longer than one-year time period.

Considering the various liquidity definitions, the table below will outline the liquidity restrictions for the portfolio:

<u>Maximum % of Portfolio (at cost)</u>	
Liquid:	100%
Semi-Liquid:	20%
Illiquid:	10%



## **SELECTION OF INVESTMENT MANAGERS**

The Board's selection of Investment Manager(s) must be based on prudent due diligence procedures. The Manager Selection process should include both quantitative and qualitative characteristics. A qualifying Investment Manager must be a registered investment advisor under the Investment Advisors Act of 1940 ("Act"), or an entity that qualifies for an exemption under the Act. The Board will use the services of a qualified Investment Management Consultant to assist in the Manager Selection and evaluation process.

### **Investment Manager Risk:**

Investment Managers are required to maintain prudent diversification and manage the risk of their portfolios. The Investment Management Consultant will maintain responsibility for the evaluation of the diversification and risk management of the Investment Managers and their continued due-diligence to assure the Investment Managers are operating according to the stated investment methodology approved by the Investment Management Consultant and Board. In the evaluation of Investment Managers, the following risk factors and exposures will be considered but not be limited to the following:

### **Equity Managers**

- Evaluating methodology of security selection and portfolio construction
- Benchmark used for performance evaluation
- Role of manager in the portfolio
- Diversification in economic & geographic sectors
- Diversification in market capitalization

### **Fixed Income Managers**

- Evaluating methodology of security selection and portfolio construction
- Benchmark used for performance evaluation
- Role of manager in the portfolio
- The overall duration and yield of the portfolio in relation to various specific benchmarks
- Diversification in economic sectors
- Diversification in the type of fixed-income securities
- The quality of the securities
- The allocation of foreign security investing

### **Absolute Return / Equity Hedge and Real Asset / Real Return Managers**

- Evaluating methodology of security selection and portfolio construction
- Benchmark used for performance evaluation
- Role of manager in the portfolio
- Gross & Net exposure to sub asset classes
- Diversification across investment strategy
- Diversification in economic & geographic sectors
- Leverage utilized
- Liquidity profile

## PERFORMANCE MEASUREMENT

### Performance Guidelines for the St. James Fund

Performance reports generated by the Investment Management Consultant shall be compiled quarterly and communicated to the Board for review. Performance measurement will focus on the evaluation of meeting specific investment goals:

**Target Return Benchmark** – The aggregate performance of the portfolio(s) versus the 6.5% target return goal.

**Custom Benchmark** – The aggregate performance of the portfolio(s) versus the established aggregate composite benchmark.

**Policy Benchmark** – The aggregate performance of the portfolio versus a benchmark that mirrors the Strategic Asset Allocation in the Addendum.

### Performance Guidelines for Investment Managers

The goal of each Investment Manager shall be, but not limited to:

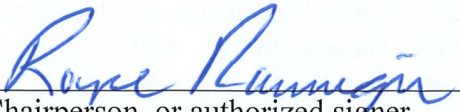
- Meet or exceed the market index or blended market index that most closely corresponds to the style of investment management on a risk-adjusted basis. A record of the benchmark parameters (indices, etc.) used to evaluate each Investment Manager will be included in the quarterly performance monitors.
- Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified. Risk will be measured by, but not limited to standard deviation of quarterly returns, the portfolio beta, alpha and capture ratios. Investment Managers are required to maintain prudent diversification and manage the risk of their portfolios.

Investment Managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve desired investment results.

## INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Board plans to review the investment policy at least bi-annually.

This Policy was approved on August 20, 2024 by the Board of Directors of The St. James Fund.

  
Chairperson, or authorized signer



## **GENERAL INVESTMENT FUND ASSET ALLOCATION ADDENDUM**

### **STRATEGIC ASSET ALLOCATION**

The following strategic asset allocation details the The St. James Fund's investment portfolio in light of the current forecast for the economy and the expected returns for various asset classes. The strategic asset allocation outlined utilizes Modern Portfolio Theory (MPT). MPT's central theme is based on maximizing the expected return of a given portfolio for a given amount of portfolio risk. Asset allocation and diversification are cornerstone concepts of MPT.

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Minimum Allocation</u>	<u>Maximum Allocation</u>
Cash & Cash Equivalents	0%	0%	15%
Global Equities	50%	25%	75%
Global Fixed Income	29%	10%	40%
Alternative Investments	21%	5%	30%
Total Portfolio	100%		

Note: All pools of funds governed by the Shared Services Agreement are intended to have the same Strategic Asset Allocation and Investment Managers. However, due to the smaller size and pension-related constraints of The Priest Pension Plan, this fund may differ in its allocation to alternative investments and to certain investment managers.



## INVESTMENT CONSTRAINTS ADDENDUM - AMENDED

The St. James board of directors reserve the right to restrict specific investments at any time by communication to the Investment Management Consultant and/or Investment Manager(s).

**Embryonic Stem Cell Research and Human Cloning:** Investments may not be in companies that engage in scientific research on human fetuses or embryos that (1) results in the end of pre-natal human life; (2) makes use of tissue derived from abortions or other life-ending activities; or (3) violates the dignity of a developing person. There is a 1% revenue threshold for Embryonic Stem Cell Research and Human Cloning which means companies that derive greater than 1% of revenue from embryonic stem cell research and human cloning should be screened out of portfolio holdings.

Specific activities covered by this policy will include:

- i. Embryonic stem cell research (Adult stem cell research is not prohibited)
- ii. Fetal tissue research or stem cell research derived from embryos; and
- iii. Human cloning

**Abortion and Abortifacients:** Investments may not be in companies whose activities include direct participation in or support of abortion. Direct participation in abortion may include, but not be limited to, companies involved in the manufacture of abortifacients and publicly held healthcare companies that perform abortions when not absolutely required by federal or state laws. There is a 0% revenue threshold for Abortion and Abortifacients.

**Euthanasia and Assisted Suicide:** Investments may not be in any company whose activities include direct participation in or support of euthanasia or assisted suicide. Direct participation includes the manufacture of materials used in euthanasia or assisted suicide as well as companies that perform or facilitate these activities. Determination is based on involvement in this activity.

**In Vitro Fertilization:** Investments may not be in companies that utilize *in vitro* fertilization for either assisting conception or for research. Determination is based on involvement in this activity.

**Contraception:** Investments may not be in companies that manufacture contraceptives or derive more than 1% of revenues from the sale of contraceptives, even if they do not manufacture them.

**Pornography:** Investments may not be in companies involved in the production, distribution, or provision of adult entertainment products. There is a 1% revenue threshold for Pornography.

**Tier 3 Countries:** A Tier 3 Placement is a determination by the United States Department of State that a country does not fully comply with the minimum standards established in the Trafficking Victims Protection Act (TVPA) and is not making significant efforts to comply.

Investments may not include any sovereign debt security issued by a Tier 3 country, or any agency or instrumentality of a Tier 3 country.

**Proxy Voting:** The St. James board of directors will engage with the Investment Management Consultant to implement proxy voting which aligns the investments in the Fund with the USCCB Catholic Values, as reasonably available.

**Compliance threshold:** The board expects that the Fund will maintain a 95% compliance threshold on these constraints.

**Other Investment Constraints:**

The equity securities of any one issuer shall not represent more than 5%, at purchase, of the market value of the asset of the total fund. This percentage limit will apply to the total Fund.

The Investment Management Consultant and the Investment Manager(s) shall immediately divest any investment that the Bishop of Sioux City, in his sole and absolute discretion, deems unsuitable.

This amended Investment Constraints Addendum was approved on August 20, 2024 by the board.

The St. James Board of Directors

  
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President, or authorized signer