

CATHOLIC FOUNDATION



DIOCESE OF AUSTIN

2022 Annual Meeting

# What is the Foundation?

The Foundation is a non-profit organization established to provide endowment management for the Diocese of Austin and its parishes, schools, agencies and organizations. The Foundation was established in 2007.

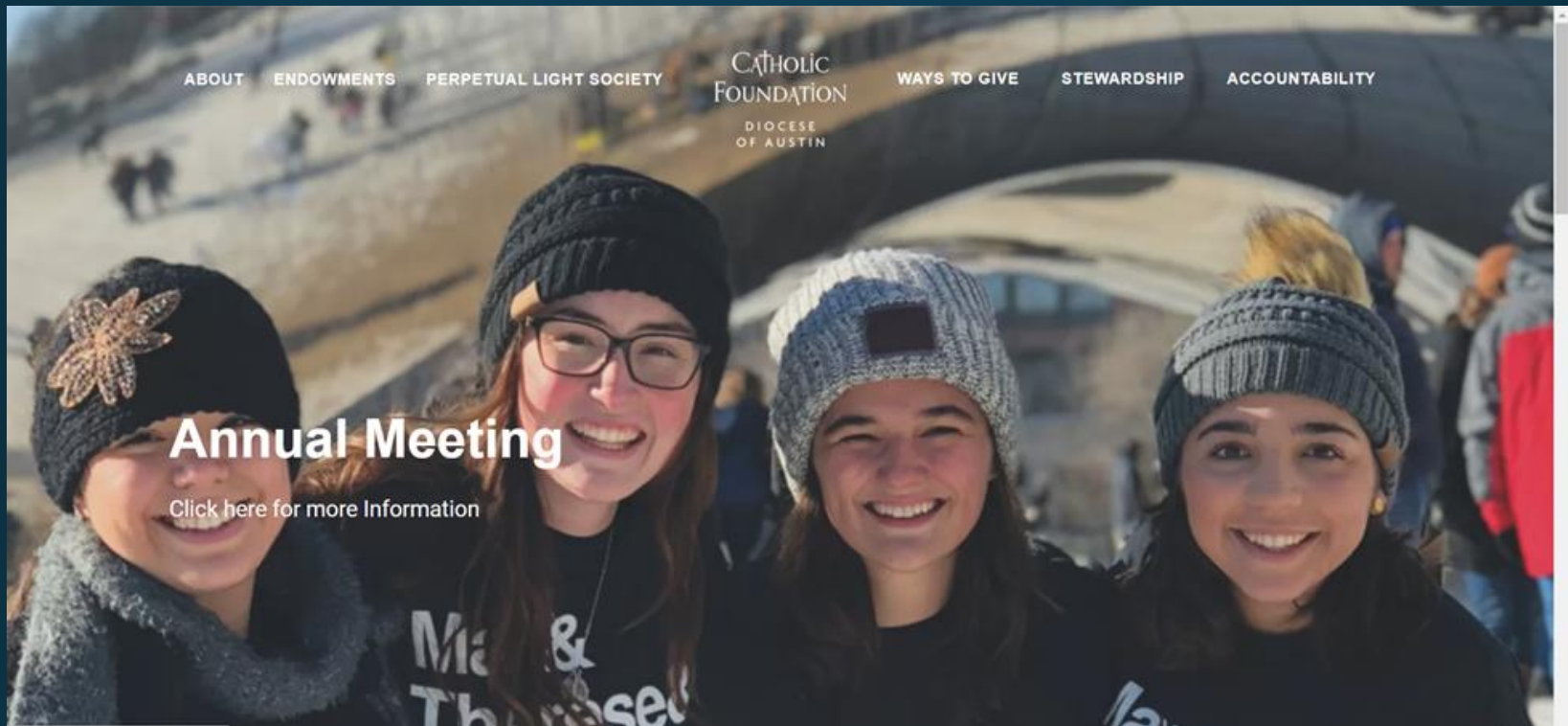
Celebrating 15<sup>th</sup> Anniversary

# Purpose

- To provide a means for individuals and organizations to provide long-term financial stability for the diocese and its churches, schools, agencies and organizations.
- To provide a means to generate income to help sustain the long-term strength and viability of these Catholic institutions in central Texas.

# Leadership

- 9-member Board of Directors composed of clergy and lay people.
- 5-member investment committee
- Executive Director
- Professional investment counsel to manage and invest the assets



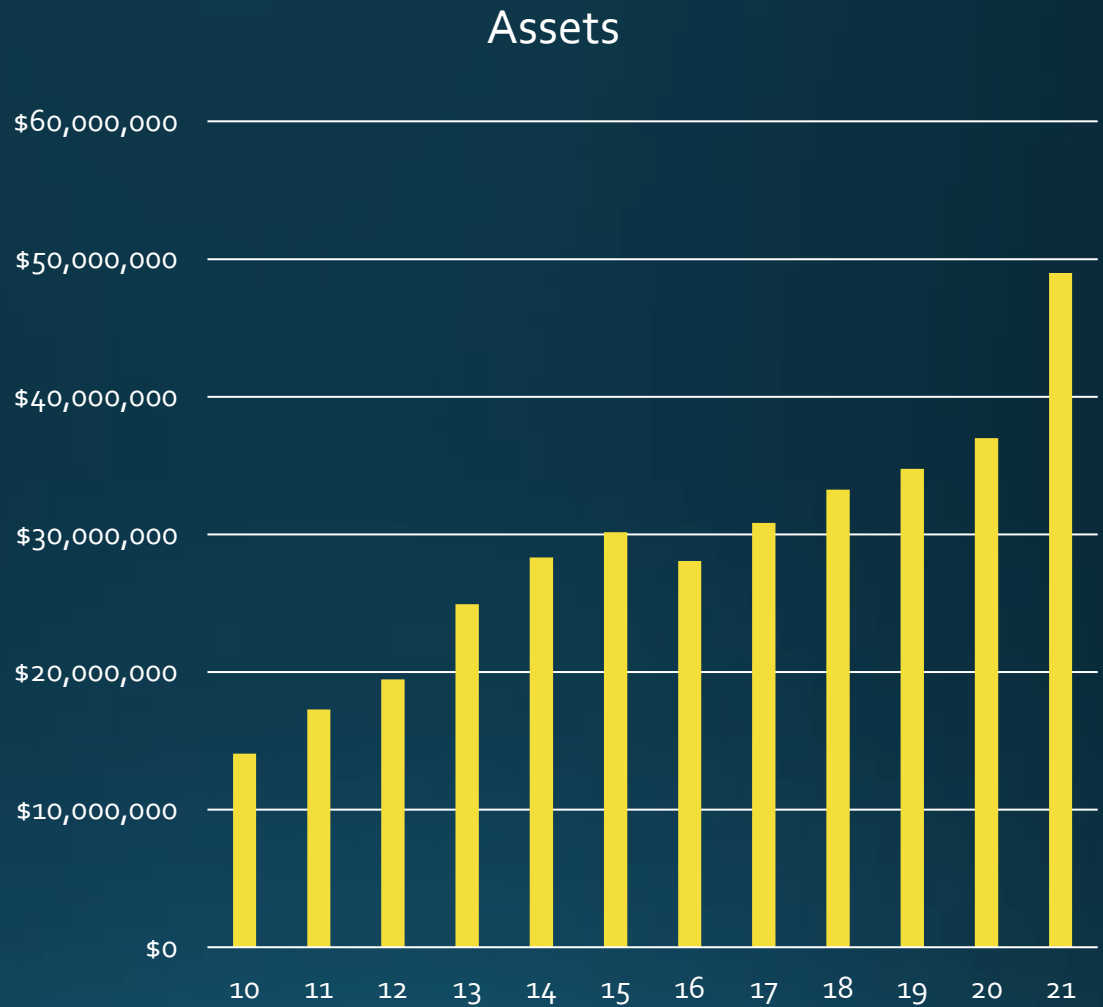
## Accountability

- Investment Policy Statement
- Includes Catholic investing guidelines established by the USCCB
- Audited financial statements
- Gift acceptance policies
- Annual report

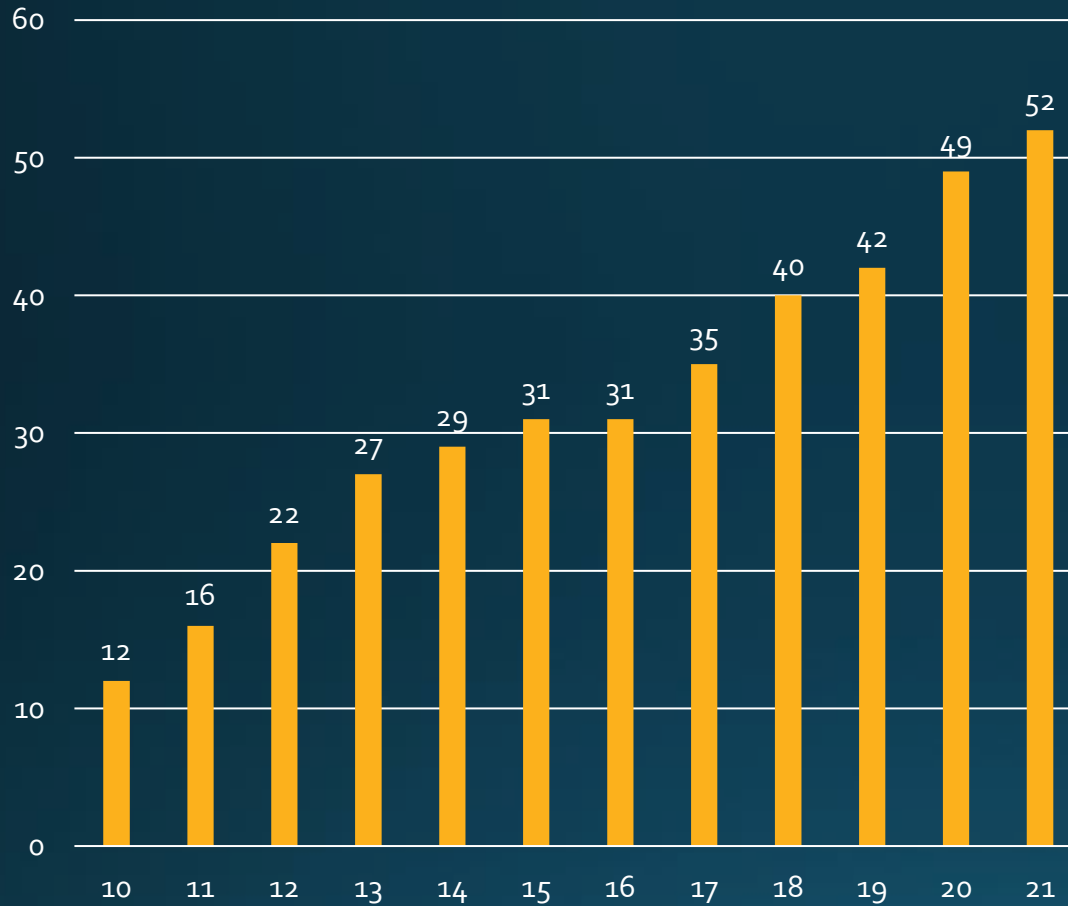
# Growth

- Initial investment from OFOL proceeds of \$14 million in six endowments
- 52 endowments
- Current value is over \$49 million
- Provided nearly \$11 million in distributions to parishes, schools, agencies and diocese since inception in 2009

# Growth in Assets



## Number of Endowments



Growth in  
Endowments

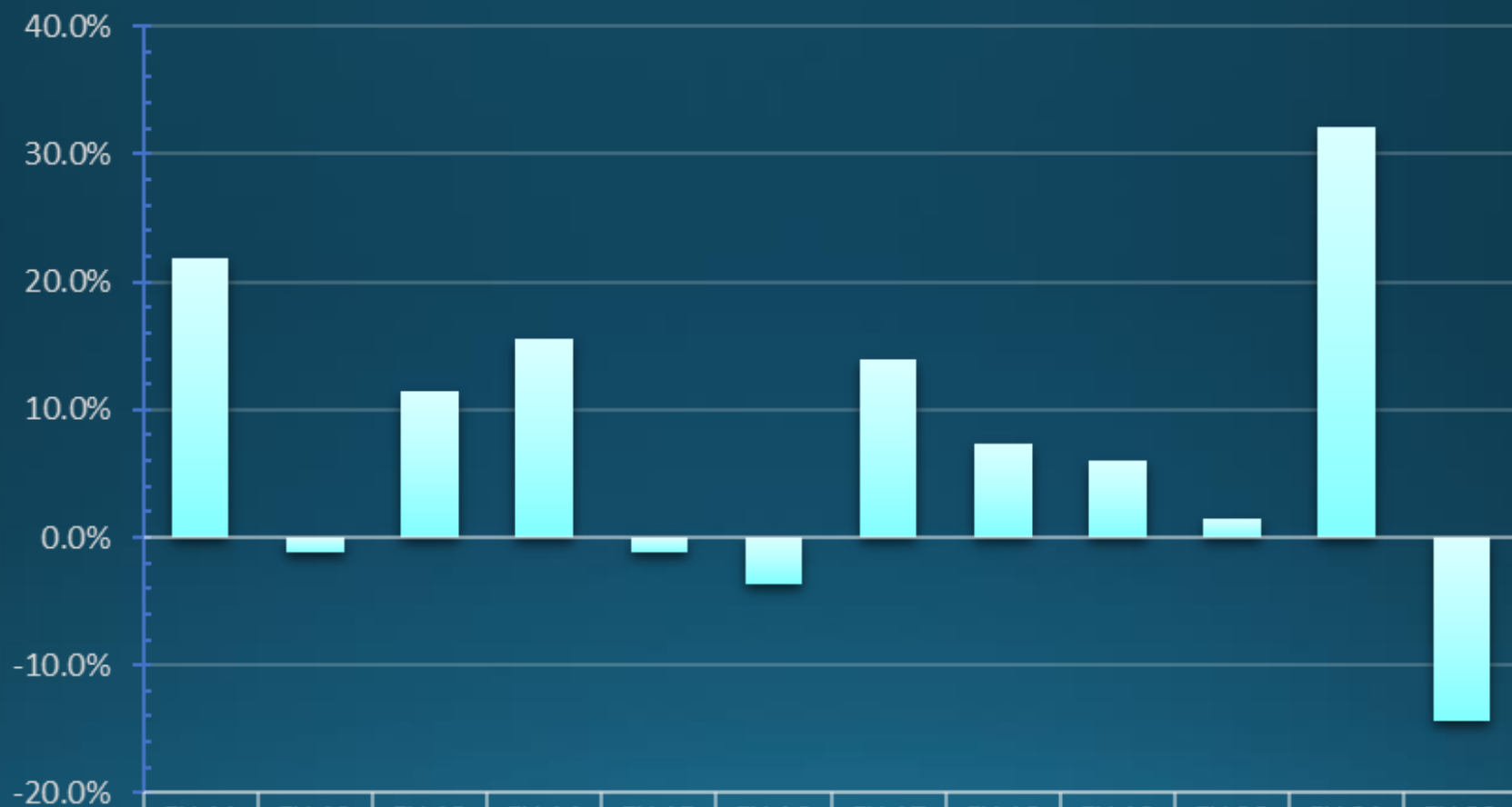


# Investment summary<sup>1</sup>

- The S&P 500 Index peaked on 2022's first trading day and entered a bear market that left equities off to their worst start since 1970. The reasons are many: global inflation, rising interest rates, changing central bank policy, weakening growth, high valuations, and war in Europe.
- Since inception in 2009, we have had market returns of 6.2%, less cash
- Trailing 10-yr = 6.2%; 5-yr = 5.2%; 3-yr = 4.8%; and 1-yr = -14.3%
- Strategic, asset allocation targets:
  - Global Equity: 65%
  - Global Fixed Income: 25%
  - Real Assets: 5%
  - Diversifying Strategies: 5%
  - Cash: 0%
  - Private capital: 10%
- We offer one investment strategy – keep it simple

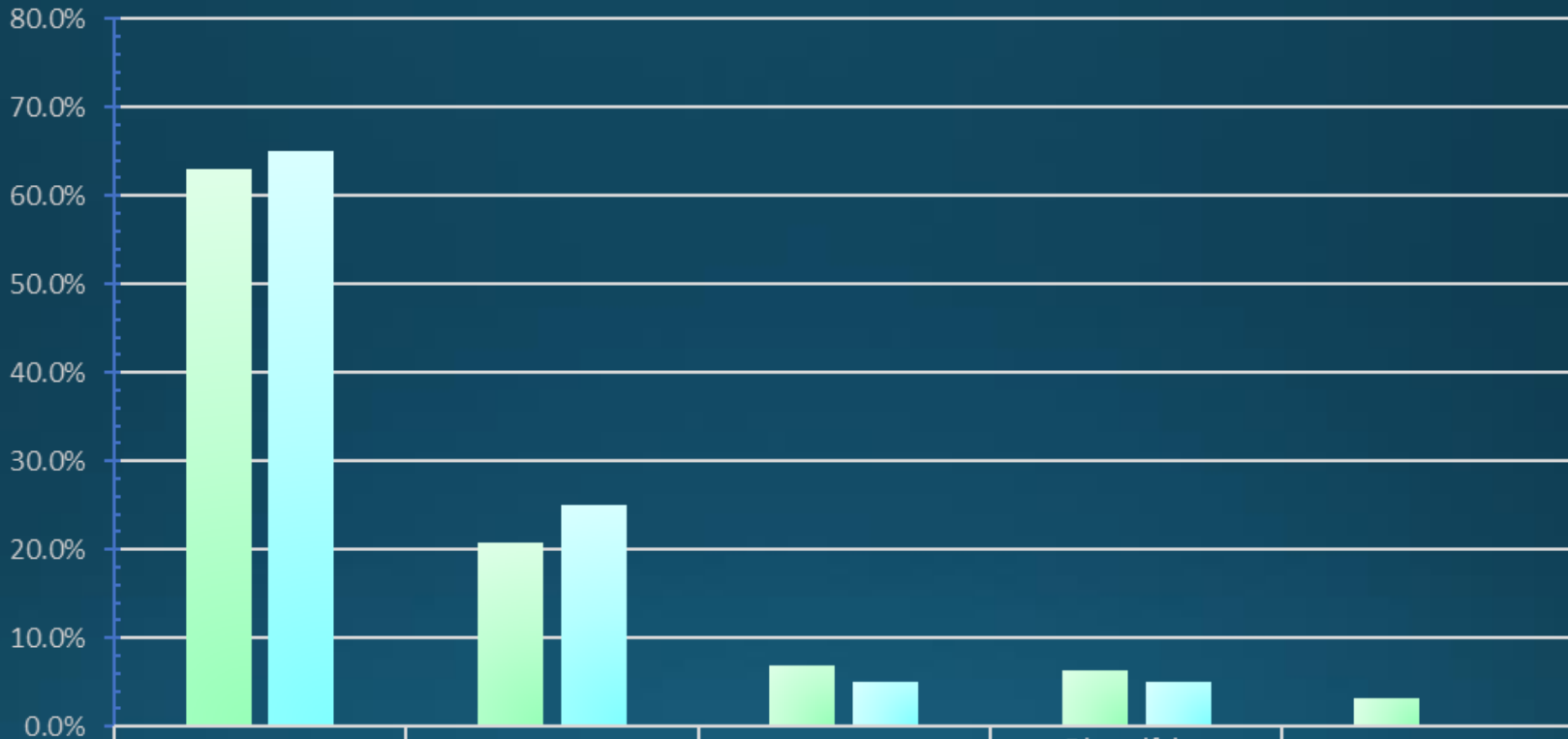
<sup>1</sup> Data as of June 30, 2022 and excludes cash.

# Investment returns<sup>1</sup>



<sup>1</sup> Data as of June 30, 2022 and excludes cash.

# Asset allocation<sup>1</sup>



■ FMV	63.0%	20.8%	6.8%	6.2%	3.2%
■ Strategic Asset Allocation	65.0%	25.0%	5.0%	5.0%	0.0%

<sup>1</sup> Data as of June 30, 2022.

# Investment philosophy

Long-Term Perspective for Alignment with  
Foundation's mission – 5+ Year Strategy / Focus

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Price / Valuation Considerations Drive  
Investment Decisions – Purchase Investments  
“On Sale”

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Diversification, Diversification, and  
Diversification

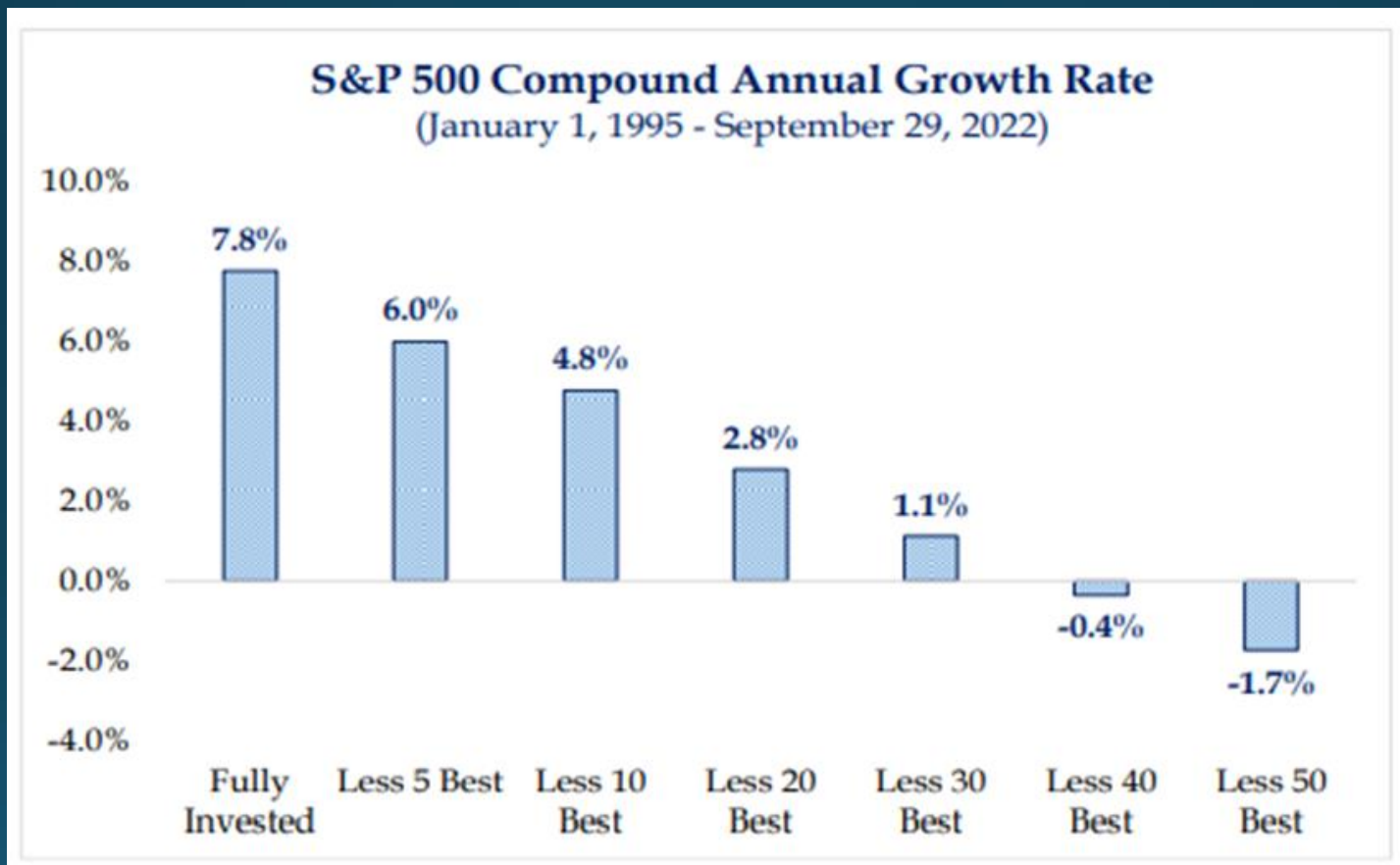
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Combine Index / High Conviction, Active  
Managers with Social Screening

# Current Market











































- The global economy has entered a regime change which may prove more challenging for future performance. However, market opportunities do not require rash reactions.
- What we did / should continue to do:
  - Avoid selling at the bottom.
  - Maintain conviction and recommit to the strategic asset allocation and spending policy.
  - Rebalance.
  - Be dynamic and trim where appropriate.
  - Buy what others are selling.

# Current Market



# Current Market

## FEG OCIO VFS DASHBOARD

		VALUATION		FUNDAMENTAL		SENTIMENT
		Signal	Hist. %-ile	Signal	Hist. %-ile	Signal
GLOBAL EQUITY	U.S. Large Cap		56%		67%	
	U.S. Large Cap (Value)		52%		72%	
	U.S. Large Cap (Growth)		43%		46%	
	U.S. Mid Cap		56%		56%	
	U.S. Small Cap		52%		51%	
	U.S. Micro Cap		32%		43%	
	International Developed		35%		60%	
	Emerging Markets		8%		40%	
FIXED INCOME	Interest Rate Sensitive (Core)		61%		-	
	Credit Sensitive (High Yield)		84%		64%	
	TIPS		29%		92%	
REAL ASSETS	Real Estate (U.S. REITs)		62%		63%	
	Commodities		49%		83%	
	Global Listed Infrastructure		55%		56%	

# Current Market

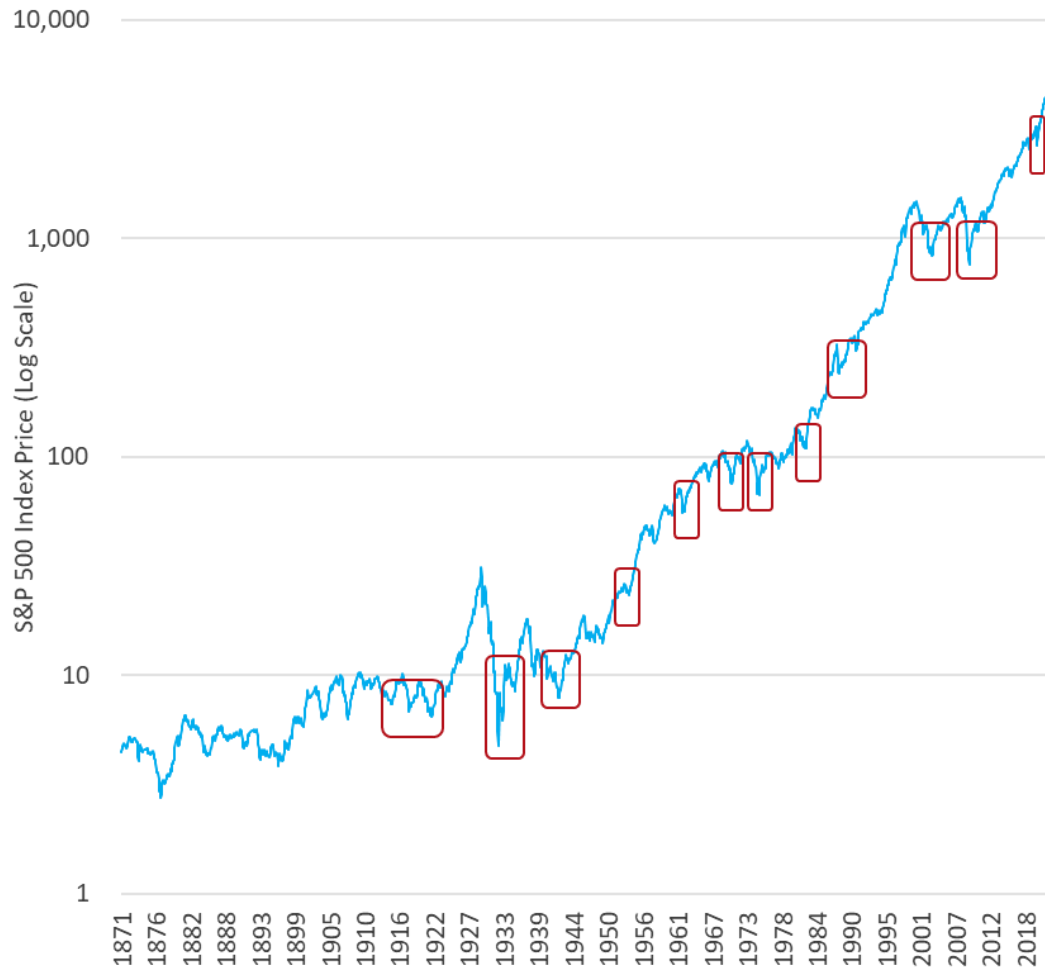
- Bear markets are central to the volatile path that markets follow, and we should recall that over the long term, that path is up.
- The primary lesson from past bear markets is that conditions eventually improve, and markets have historically identified that improvement well before economic data attest to it.
- If the U.S. economy moves into recession, and it may already be there, conditions could deteriorate further. History, however, has made clear that bear markets are opportunities for long-term investors.



# Current Market

## BEAR MARKETS HAVE HISTORICALLY CREATED LONG-TERM OPPORTUNITIES

S&P 500 Index Price Level



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# Starting a fund

- \$10,000 or more is required for a Catholic parish, school, agency or organization to set up a separate endowment.
- \$25,000 or more is required for an individual to set up a separate named endowment.
- Distributions will not be made from the fund to the beneficiary until the value reaches \$25,000.
- Distributions are made annually or semi-annually at the current rate of 4% of the 12-quarter average value of the fund.
- Current fee is less than 90 basis points

# Seminarian Endowment

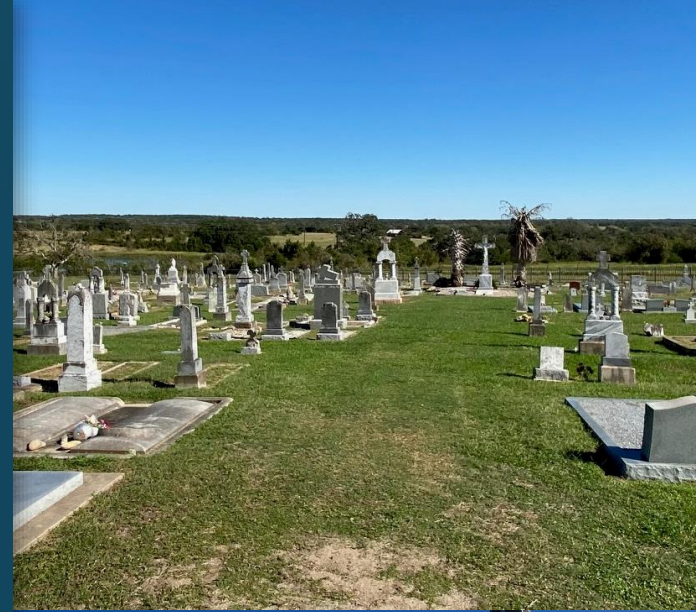
- Initial investment - \$5 million
- Distributions - \$2.5 million
- Current value - over \$7.7 million
- Over 40 men ordained since inception
- Currently 30 in formation



# St. Mary Cemetery Endowment

## Ellenger/Hostyn Hill

- Initial investment - \$50,000
- Distributions - \$0 - reinvest
- Current value - over \$54,000
- Provides perpetual care for the cemetery





A photograph of two men sitting at a table in a community room, working on a large jigsaw puzzle. The man on the left is wearing glasses and a light-colored shirt, while the man on the right is wearing a striped shirt. They are both focused on the puzzle. In the background, there are other tables and chairs, suggesting a social or recreational area. The entire image is overlaid with a semi-transparent blue filter.

# Planned Giving

# Why?

- \$30 trillion will be transferred from baby boomers to their children and grandchildren in the next 30 years
- The Catholic Church should be in the conversation
- No other nonprofit has access to it's supporters on a daily/weekly basis

# What should we do?

- Every bequest started with a \$25 gift!
- Catholic donor cycle:
  - Sunday collection
  - Diocesan annual appeal
  - Major gift for a project
  - Parish or diocesan capital campaign
  - Bequest
- ASK!
  - Work with the Catholic Foundation to create a parish or school plan for planned giving



# Perpetual Light Society

- The Perpetual Light Society was created to honor those who have named the Diocese of Austin, their parish, a Catholic school or the Catholic Foundation – Diocese of Austin as a beneficiary in their will or trust, retirement account or life insurance policy. The Diocese of Austin is grateful for our legacy donors and sought a way to acknowledge these special benefactors during their lifetimes.

# How Can We help?



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