INVESTMENT POLICY STATEMENT

For

DIOCESE OF COVINGTON

POOLED INVESTMENT FUNDS

Effective
January 1, 2023

EXECUTIVE SUMMARY

Use of Assets:	Pooled Investments – Diocese, Parish, School and Other – Endowments and other Long-term Investments
Planning Time Horizon:	More Than Five (5) Years
Expected Return:	5% over CPI

Asset Allocation:	Lower Limit	Strategic Allocation	Upper Limit
Domestic Large Capitalization Equity	32%	42%	52%
Domestic Small Capitalization Equity	9%	14 %	19 %
International Equity	9%	14 %	19 %
Total Equities	60%	70%	80%
Fixed Income & Cash	20%	30%	40%

Overall Strategic Allocation: 70% Equity / 30% Fixed

Investment Managers:

Domestic Large Capitalization Equity	State Street Global Advisors
Domestic Small Capitalization	Silvercrest Asset Management Equity Group Bahl & Gaynor Investment Counsel GW&K Investment Management
International Equity	Boston Common Asset Management Christian Brothers Investment Services
Fixed Income	Richmond Capital Management
Evaluation Benchmark:	Total portfolio return to exceed customized Balanced Index[1] Total portfolio return to exceed CPI plus 5%.

[1] The customized Balanced Index is based upon the strategic allocation of the fund to the various broad asset classes and the corresponding market index. Specifically, the customized Balanced Index is comprised of 42% S&P 500 Index, 14% Russell 2000 Stock Index, 14% Morgan Stanley Capital International's Europe, Australasia, and Far East (EAFE) Stock Index and 30% Bloomberg U.S. Aggregate Bond Index.

TABLE OF CONTENTS

PURPOSE

The Purpose of this Investment Policy Statement (IPS) is to establish an understanding of the philosophy and investment objectives of the pooled investment funds and to assist the Diocesan Finance Council ("Council") in effectively supervising, monitoring and evaluating the investment of these assets. The investment program is defined in the various sections of the IPS by:

- Stating in a written document the Council's objectives, attitudes, expectations, and guidelines in the investment of all assets.
- Setting forth an investment structure for managing all assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term.
- Providing guidelines for each investment portfolio that controls the level of overall risk and liquidity assumed in that portfolio so that all assets are managed in accordance with stated objectives.
- Encouraging effective communications between the Council, Investment Committee, Investment Consultant and all investment managers.
- Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the money managers on a regular basis.
- Complying with all fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact the assets.

This IPS has been arrived at upon consideration of the financial implications of a wide range of policies and describes the prudent investment process that the Council deems appropriate.

BACKGROUND

The investments in the pooled investment funds started with the accumulation of operating surpluses of the Diocese over the last 70 years. The investment pool has been expanded to allow for participation and investment by various schools, parishes and other institutions of the Diocese of Covington by creating another pool, the Parish Pool, which is overseen by the Council using this IPS and managed in the same way as the Diocesan Pool.

Through the investment pools, professional investment management is brought to the participants in a cost-effective manner. The pools allow these institutions to be assured of good professional, unbiased advice in the management of these long-term funds. Minimum investment by participants is $100,000 for a period of at least three years.

The following participants are invested in the Diocesan Pool:

Diocesan Long-term investments
Diocesan Endowment for Education

Diocesan Endowment for Social Concerns

Diocesan Endowment for Annual Appeal

Diocesan Deposit & Loan Fund
(to provide loans to parishes, schools, etc.)

Diocesan Catholic Cemetery Endowment

The Parish Pool is available for any parish or school to place investment or endowment funds. The list of participants in this pool will vary over time.

Key Information:

Finance Council Members:	Appointed by the bishop, 11 members
Custodian:	U.S. Bank Institutional Trust & Custody Sue E. Massey 50 S 16th St. Suite 2000 Philadelphia, PA 19102 (215) 761-9341
Investment Consultant:	Fourth Street Performance Partners, Inc. Neil Heppler & Ken Dorger 211 Garrard Street Covington, KY 41011 (859) 491-5556
Accountant:	Von Lehman CPA & Advisory Ted Funk 810 Wright's Summit Parkway #300 Ft. Wright, KY 41011 (859) 331-3300
Attorney:	Dressman, Benzinger LaVelle, PSC ("DBL Law") Mark Guilfoyle 207 Thomas More Parkway Crestview Hills, KY 41017-2596 (859) 341-1881

STATEMENT OF OBJECTIVES

As stewards of the resources entrusted to the Diocese to further the mission of the Church, the Council has established a primary investment objective of the pooled investment funds to protect the future purchasing power of these assets while providing meaningful annual financial support to the participants. In recognition of its responsibility, the Council recognizes the need for careful investment of these resources which will maximize the total return earned over the long term while minimizing the risk of capital loss in the short term in a manner that is consistent with sound fiscal management practices.

As importantly, the Council recognizes its objective for fiscal responsibility must not abandon its obligation to exercise ethical and social stewardship in its investments based on Catholic moral principles. This identifies the reality that socially beneficial activities and socially undesirable or even immoral activities are sometimes linked in the products and services produced by individual corporations. Thus, the Council will refuse to invest in, or divest from owning, the securities of certain corporations whose products, services, and/or policies are counter to the values of Catholic moral teaching or statements adopted by the United States Conference of Catholic Bishops (the "USCCB"). Lastly, the Council expressly recognizes both its right and obligation to use its position as a shareholder of corporations whose products, services, and/or policies are ***not*** counter to the values of Catholic moral teaching or statements adopted by the USCCB, to influence the corporate cultures of these corporations by actively working for change in these companies and by supporting policies and initiatives that promote the values of Catholic moral teaching.

GUIDELINES AND INVESTMENT POLICY

The Council may elect to manage the pooled investment funds by selecting one or more investment managers. Investment managers may manage assets in separate accounts or through commingled or mutual funds. If individual investment managers are used, the general guidelines that follow shall apply. If commingled or mutual funds are utilized, then the Council has the responsibility to review the funds' investment guidelines and procedures from time to time to ensure that these meet the general, but not necessarily the specific criteria established herein. If a commingled or mutual fund follows policies that the Council cannot support, sale of the fund investment shall be considered.

Time Horizon

The investment guidelines are based upon an investment horizon of greater than five years, so that interim fluctuations should be viewed with appropriate perspective. Similarly, the strategic asset allocation is based on this long-term perspective.

Spending Policy

The total return concept will be used and is defined as the sum of capital appreciation (or loss) and current income achieved in the form of dividends and interest. The pooled investment funds will make quarterly distributions to participating entities based upon a fixed percentage (presently set at 4.5%) of the three-year historical moving average of the market value of all pooled investments. Participants are permitted to take more or less of this calculated distribution upon discussion with, and permission from, the Chief Financial Officer of the Diocese. The amount of distribution will be calculated annually and directions given to the investment managers for the quarterly distributions. This spending policy will be reviewed annually by the Budget Committee of the Council.

Risk Tolerances

The Council recognizes the difficulty of achieving the investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Council also recognizes that some risk must be assumed to achieve the long-term investment objectives. In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability were considered.

In summary, the current financial condition, the Diocese's prospects for the future, and several other factors, suggest collectively that the participants can tolerate minor interim fluctuations in market value and rates of return in order to achieve long-term objectives.

It is expected that the volatility of the total portfolio, in aggregate, will be within 20% of the volatility of the custom index. The standard deviation of return of the total portfolio should be less than 80% of the standard deviation of the S&P 500 over any one-year period.

Performance Expectations

The desired investment objective is a long-term rate of return on assets that is at least 5% greater than the rate of inflation as measured by the Consumer Price Index (CPI). The target rate of return has been based upon the assumption that future real returns will approximate the long-run rates of return experienced for each asset class in the IPS.

The Council realizes that market performance varies and that a 5% real rate of return may not be meaningful during some periods. Accordingly, relative performance benchmarks for the fund as well as the managers are set forth in the "Control Procedures" section.

Asset Allocation Constraints

The Council believes risk and liquidity posture are, in large part, a function of asset class mix. The Council has reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior.

- The asset allocation should reflect the following structure:

	Lower Limit	Strategic Allocation	Upper Limit
Domestic Large Capitalization Equity	32%	42%	52%
Domestic Small Capitalization Equity	9%	14%	19%
International Equity	9%	14%	19%
Total Equities	60%	70%	80%
Fixed Income & Cash	20%	30%	40%

Overall Strategic Allocation is 70% Equity/30 % Fixed

- The allocation between investment managers and asset classes will be reviewed on a quarterly basis and rebalanced as necessary.

- To the extent the Council decides to allocate pooled investment fund assets to nontraditional, illiquid, and/or nonmarketable securities including, but not limited to, high yield bonds, emerging market bonds, private equity partnerships, hedge funds, and real estate investments (including real estate investment trusts), these assets will be treated collectively as alternative investments for purposes of measuring the Portfolio's asset allocation. While not specifically considered within this policy, alternative investments may comprise up to 15% of total Portfolio assets and, to the extent they are owned, will proportionately reduce target allocations to the two primary asset classes designated in the previous table.

Socially Responsible Investing

As mentioned above, the Council has reviewed the most recent Socially Responsible Investment Guidelines for the United States Conference of Catholic Bishops ("USCCB SRI Guidelines") and intends to follow these guidelines to the extent they permit the Diocese to achieve its primary investment objective, function effectively and carry out its mission.

In that regard, the Council will follow the USCCB SRI Guidelines' principals of investment stewardship by directing its investment managers and advisors to identify investment opportunities that can meet the Pooled Fund's financial needs while also following the moral criteria of the Church's social doctrine utilizing the following three strategies:

- Avoid doing harm (refuse to invest/divest)
- Actively work for change (active ownership)
- Promote the common good (support corporate policies and initiatives that promote the values of Catholic moral teaching or positions and seek investments that promote community development)

The Council further directs its investment managers to carry out these strategies across five major categories by following the USCCB SRI Guidelines as described below.

I. PROTECTING HUMAN LIFE

A. *Abortion, Euthanasia, and Assisted Suicide*

I.1: No investment in companies whose activities include direct participation in or support of abortion, euthanasia or assisted suicide.

I.2: Engage companies with tangential connection to abortion, euthanasia or assisted suicide to eliminate connection.

B. *In Vitro Fertilization*

I.3: No investment in companies utilizing in vitro fertilization to assist conception or for research.

C. *Embryonic Stem Cell and Fetal Tissue Research*

I.4: No investment in companies that engage in research on human fetuses or embryos resulting in end of pre-natal human life or makes use of tissue derived from abortions or other life-ending activities and/or develops products and services from such research.

D. *Human Cloning*

I.5: No investment in companies that engage in research whose purpose is cloning of human beings and/or develops products and services from such research.

E. *Access to Drugs and Vaccines*

I.6: Encourage companies to make life-sustaining drugs and vaccines available and affordable.

I.7: Engage companies to develop life-sustaining drugs and vaccines that do not rely on cell lines from abortions.

II. PROMOTING HUMAN DIGNITY

A. *Human Rights*

II.1: Avoid investing in companies with persistent human rights violations (direct or

supply chain) and engage companies to protect and promote human rights and supply chain transparency.
II.2: Encourage companies to provide sufficient wages, decent working conditions, and other social benefits allowing families to meet basic human needs while abiding by law and safeguarding against environmental degradation.

B. *Discrimination*
II.3: Engage companies to protect against discrimination (sex, race, skin color, language, or religion).
II.4: Engage companies toward equal opportunities, pay, and leadership opportunities; encourage specific diversity goals, including on boards; seek investments in companies owned by women and people of color and in companies whose practices demonstrate diversity and racial justice.

C. *Pornography and Commercial Sexual Exploitation*
II.5: No investment in companies whose sole purpose is to appeal to indecent interest in sex; encourage companies to disengage from revenue from distribution of these products or services.
II.6: Advocate for responsible, marriage affirming and family-oriented content by media, technology, and telecommunications companies.

D. Human Trafficking and Forced Labor
II.7: Engage companies to address human trafficking and forced labor and identify high risk areas for human trafficking and forced labor along their supply chains and partner companies and make necessary changes.

E. The Human Person
II.8: No investment in companies participating in surgeries or administration of drugs or hormones in order to express an identity incongruent with one's biological sex.
II.9: Engage companies on additional disclosure on these activities.

F. Marriage, Sexual Integrity, and Family
II.10: Encourage companies to have an understanding of marriage or sexuality consistent with Church teaching.

G. Contraceptives
II.11: No investment in companies that manufacture contraceptives or derive more than 10% of revenue from sale of contraceptives

III. ENHANCE THE COMON GOOD

A. *Reducing Arms Production*
III.1: No investment in companies that derive revenue from production of weapons inconsistent with Catholic teaching (e.g., biological and chemical weapons, landmines, nuclear weapons, weapons of mass destructions, etc.).
III.2: Engage companies to limit weapons production, limit foreign sales of weapons, and to convert capacity to non-military use; for companies linked to warfare, encourage them to incorporate human rights standards in business decisions; promote disclosure on production and sales of weapons.

B. *Addictive Materials or Harmful Habitual Behaviors*
III.3: No investment in companies whose primary purpose is gambling or the production of tobacco or recreational cannabis.
III.4: Encourage companies to move away from production, marketing, or distribution of addictive or other harmful materials.

C. *Media and Telecommunications*

III.5: Encourage media and communications companies to employ and enforce guidelines promoting the dignity of the human person; avoid investing in companies demonstrating resistance to human rights policy consistent with Church teaching.

IV. PURSUING ECONOMIC JUSTICE

A. *Encouraging Social, Environmental, and Financial Responsibility*

IV.1: Encourage companies to report on social, environmental as well as financial performance.

IV.2: Engage companies to adopt corporate social and environmental responsibility guidelines.

B. *Labor Standards*

IV.3: Engage companies to provide decent working conditions, just wages, employee ownership, right to organize, protect children, worker-led social responsibility models, and other initiatives to protect and promote human dignity and economic justice.

IV.4: Engage companies to promote just wage and benefit policies; protection of migrant and seasonal workers.

C. *Affordable Housing/Banking*

IV.5: Encourage companies toward ethical and responsible banking, including corporate lending, project finance, and consumer banking to ensure appropriate due diligence and risk management to identify and mitigate abuses such as discriminatory practices and excessive rates and fees and to serve the underbanked and financially marginalized.

IV.6: Communicate to our financial institutions support for initiatives to reach out to the poor by providing fair access to credit and other means to improve livelihoods, financing of low-income housing, and increased access to capital for communities of color; encourage companies in real estate to construct and preserve affordable housing that serves low-income individuals and families.

D. *Impact Investing*

IV.7: Collaborate to invest in corporations, organizations, and other financial initiatives that aim at financial return as well as addressing the common good, generating positive social and environmental change.

IV.8: Collaborate to invest in corporations, organizations, and other financial initiatives to strengthen communities, focusing on economic effect but also social impact.

V. SAVING OUR GLOBAL COMMON HOME

A. *Climate Change*

V.1: Invest in companies whose business models are consistent with the emission reduction goals of the Paris Agreement.

V.2: Encourage companies to establish GHG emission reduction goals, provide disclosure around low-carbon planning, and mitigate climate change.

B. *Biodiversity*

V.3: Encourage companies to protect living organisms and terrestrial, marine, and other ecosystems.

V.4: Avoid investing in companies that have caused specific instances of biodiversity loss, or whose practices contributed to biodiversity loss without correcting or remediating the damage.

C. *Water and Natural Resources*

V.5: Avoid investing in companies that deplete and/or degrade available water, without mitigating these impacts; avoid investing in companies engaged in extraction of natural resources that do not comply with principles of the Extractive Industries Transparency Initiative.

V.6: Encourage companies to employ water saving policies and technologies.

D. *Technology*

V.7: Encourage technology companies to promote dignity of the human person and protect the environment.

E. *Environmental Impact*

V.8: Encourage companies to uphold highest environmental standards and to change and remediate practices that negatively impact the environment in their operations, in contractors or supply chain, and in their products or services.

V.9: Avoid investing in companies that are non-compliant with the three environmental principles of the UN Global Compact [support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies].

SECURITIES GUIDELINES

Every investment manager selected to manage pooled investment fund assets must adhere to the following guidelines.

Domestic Equities:

- Equity holdings in any one company should not exceed more than 8% of an investment manager's total domestic equity portfolio.

- Concentrations to any economic or industry sector should not be excessive.

- There shall be no purchase which would cause a position in the portfolio to exceed 5% of the issue outstanding.

- Investment managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, investment managers will be evaluated against fully invested passive indices and their peers on the performance of the total funds under their direct management.

- Equity holdings shall be readily marketable securities of corporations that are actively traded on the major U.S. exchanges.

International Equities:

- Equity holdings in any one company shall not exceed more than 8% of an investment manager's total international equity portfolio.

- Country and Economic Sector allocations should not be excessive.

- Investment managers may enter into foreign exchange contracts on currency provided the use of such contracts are conservative in nature. Primary use of such contracts shall be to dampen portfolio volatility rather than leverage the portfolio. There shall be no direct foreign currency or futures speculation.

Domestic Fixed Income:

- All fixed-income securities purchased in the portfolios shall have a Moody's, Standard & Poor's and/or a Fitch's credit quality rating of no less than investment grade "Baa-/BBB-/BBB-", with an average rating of "A." In no event may more than 5% of the Domestic Fixed Income portfolios be in securities rated below investment grade "Baa-/BBB-/BBB-".

- The exposure of the portfolio to any one issuer, other than securities of the U.S. government or agencies, shall not exceed 10% of the market value of the portfolio.

- Holdings of individual securities shall be large enough (round lots) for easy liquidation.

Cash/Cash Equivalents:

- Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or higher. Eurodollar Certificates of Deposits, time deposits, repurchase agreements are also acceptable investment vehicles.

- Not more than the current FDIC insurable limit shall be invested in the bank certificates of deposit of any single issuer.

- Any idle cash not invested by the investment managers shall be invested daily through an automatic sweep managed by the custodian.

Prohibited Securities:

The following securities and transactions are not authorized except in non-traditional, illiquid or non-marketable investment strategies:

- Letter stock and other unregistered securities
- Commodities or other commodity contracts
- Margin transactions
- Securities lending, options and futures, real estate, and direct investment in precious metals are restricted, except by petition to the Council for approval.

SELECTION OF INVESTMENT MANAGERS

The Council, with the assistance of an investment consultant, will select appropriate investment managers to manage the assets. Investment managers must meet the following minimum criteria:

1. Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.

2. Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees.

3. Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the investment manager relative to other investment managers of like investment style.

4. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be a copy of a recent ADV-II completed by the manager.

5. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

6. Investment manager candidates should have positive historical risk-adjusted investment performance when compared to their peers.

CONTROL PROCEDURES

Duties and Responsibilities of the Investment Managers

The duties and responsibilities of each investment manager retained by the Council include the following:

1. Managing the assets under its care, custody and/or control in accordance with the IPS objectives and guidelines set forth herein, and also expressed in separate written agreements when deviation is deemed prudent and desirable by the Council.

2. Exercising investment discretion [including holding cash equivalents as an alternative] within the IPS objectives and guidelines set forth herein.

3. Promptly informing the Council in writing regarding all significant and/or material matters and changes pertaining to the investment of assets.

4. Promptly voting all proxies and related actions in a manner consistent with the long-term interests, objectives, and socially responsible investing guidelines set forth herein. Each investment manager shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.

5. Utilize the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities.

Performance Objectives

Investment performance for the pooled investment funds is expected to exceed the Consumer Price Index (CPI) by 5% as well as a customized Balanced Index comprised of 42% S&P 500 Index, 14% Russell 2000 Stock Index, 14% Morgan Stanley Capital International's Europe, Australasia, and Far East (EAFE) Stock Index and 30% Bloomberg U.S. Aggregate Bond Index over rolling 5 year periods.

Investment performance will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the IPS for achieving those objectives.

It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Monitoring of Money Managers

The Investment Committee of the Council will review performance reports four times a year and will meet to focus on:

- Investment managers' adherence to the IPS guidelines;

- Material changes in any investment manager's organization, investment philosophy and/or personnel;

- Investment managers' maintenance of positive risk/reward characteristics - (ie: ALPHA) over 3- and 5-year periods.

- Comparisons of the investment managers' results to appropriate indices, specifically:

ASSET CLASS	INDEX	PEER UNIVERSE
Large Cap. Equity:	S&P 500 Index	Core
Small Cap. Equity:	Russell 2000 Index Russell 2000 Value Index Russell 2000 Growth Index Russell 2500 Growth Index	Growth/Value
International Equity:	MSCI Europe, Australasia, and Far East (EAFE) Index	International Equity
Domestic Fixed Income:	Bloomberg U.S. Aggregate Bond Index	Core Bond
Cash:	90-Day U.S. Treasury Bills	

An investment manager will be placed on a "Watch List" for a 6-month/2-quarter period if the following occurs:

- The investment manager's investment results are consistently below those of both the manager's passive market index and the median investment manager (50th percentile) of their peer group over rolling 5-year periods, and

- The investment manager's investment results consistently produce negative risk-adjusted returns against its passive market index and peer group over rolling 5-year periods.

After being placed on the "Watch List" for 6-months/2-quarters, if the investment manager's investment results still fail to meet the criteria above, the investment consultant will provide a recommendation on whether to conduct an in-depth analysis of the investment manager in question for the Sub-committee. If the investment manager's performance is deemed inadequate after this review, then the Sub-committee may replace the investment manager with a new investment manager.