THE CATHOLIC BIBLICAL ASSOCIATION OF AMERICA
INVESTMENT POLICIES

(Edited Final – 12 October 2021)

I. HISTORY

When The Catholic Biblical Association of America (hereafter, "CBA" or "the Association") was founded in 1936, the expectation was that funding would come from the modest dues of members, royalties from publications, and conference fees. In fact, over the years, the publication of the New American Bible (NAB) in 1970 and its subsequent revisions, which were notable projects of the CBA, brought in substantial royalties that helped to fund a portfolio (hereafter, "the Fund"), which subsequently grew from sound investment management.

For many years, the Fund's growth enabled the CBA to sponsor numerous grants and projects, and also maintain its operating expenses. The NAB royalties, which sunset by agreement with the United States Conference of Catholic Bishops (USCCB) in 2020, provided much of the basic funding for the portfolio. A committee of CBA members, at the time called "the Board of Trustees," oversaw these investments with the aid of a professional fund manager (the "Principal Investment Manager" [hereafter, PIM]). In an attempt to make investment guidelines clearer, the Board of Trustees recommended to the Executive Board new policies, which were adopted on August 8, 1997. A further revision of these investment policies, with the intention of strengthening guidelines on socially responsible investing (commonly called SRI) was adopted by the same committee on August 13, 2009.

In 2014, the CBA approved a new *Constitution* that totally revamped the structure of the organization and led to a more professional approach to management. The inappropriately named "Board of Trustees" became the Executive Board's Committee on Finance & Investments (hereafter, "CFI"), charged with the same mission of overseeing the management of the Fund in a socially responsible manner.

In June of 2020, noting that the existing investment policies had not been reviewed in eleven years, the CFI resolved to undertake a thorough review of existing investment policies with a view to further update them and make them clearer. The present policy, which must be approved by the Executive Board of the CBA, is the result of this decision.

II. MISSION

The CBA has among its aims:

1. the scientific study of the Bible and the branches of learning connected with it;
2. promoting a greater love for and deeper knowledge of the Sacred Scriptures;
3. promoting better mutual acquaintances among Catholic biblical scholars—and other biblical scholars who wish to join them—and supporting and encouraging them in their special fields of study.

The CBA carries out its mission in the spirit of the teaching of Vatican Council II (*Dei Verbum* §§12 and 23), which encourages Catholic exegetes to promote reliable ecumenical biblical scholarship, in fidelity to the teachings of the Catholic Church.

To further these aims, the CBA has two main guiding principles:

1. FINANCIAL - manage its invested capital ("the Fund") in such a way as to achieve effectively its financial objectives;
2. ETHICAL - exercise good stewardship of its resources by conducting its business affairs and investments according to sound Christian and Catholic ethical principles and with concern for the common good.

III. <u>FINANCIAL OBJECTIVES</u>

A. The general financial objectives of the CBA are threefold:

1. to invest in ways that offer the best expectations for the safety of the assets of the Association;
2. to provide for reasonable long-term growth of the assets of the Association that, at a minimum, maintains the purchasing power of the portfolio;
3. to use an increasing income stream to support
    a. the general administration of the Association;
    b. its various activities and projects, grants, special projects, and other kinds of assistance for the development and continuance of sound scholarship in biblical and related fields, and selected charitable organizations or causes.

B. Investment Strategies (see Glossary for definitions)

1. The investment of the aggregate assets of the portfolio shall be in accordance with the following asset allocation guidelines (at market value), with respect to the preferred benchmark:

Asset Class	**Range**	**Long-term Target**	**Benchmark**
Cash	0-10%	5%	ICE BAML 0-3 Month T-Bills S&P 0-3 Month T-Bills
Global & US Fixed Income	20-40%	30%	BGAB Index
Global & US Equities •Large, mid-cap, and small cap •International and Emerging Markets	55-75%	65%	MSCI ACWI S&P 500, S&P 400, Russell 1000 Value, Russell Growth, and Russell 2000 MSCI EAFE and MSCI EM

a. The asset allocation guidelines provided above will be regularly monitored to ensure that the various asset classes fall within the prescribed ranges. Once an asset class falls outside of these aforementioned ranges, this will trigger a rebalancing evaluation that may bring the portfolio back within the policy guidelines, depending on market conditions and outlook.

b. *Fixed Income*: The return objective of fixed income measured in the U.S. dollar is to outperform the Bloomberg Aggregate Bond Index. In addition, the fixed income manager(s) will be expected to perform in the upper quartile of their peer group in the long term. At least seventy-five percent (75%) of fixed income shall be investment-grade bonds. Issuers shall include, but are not limited to, the U.S. government and its agencies, corporations, mortgage-backed securities, state and local governments, and issues of foreign sovereigns and corporations. Investments in any one industrial sector of corporate bonds will not exceed twenty-five percent (25%) of the fixed income portfolio. Except for those instruments that represent the full faith and credit of the United States and its U.S. agencies, no more than ten percent (10%) of the fixed income portfolio will be held in the securities of a single issuer. The performance will be monitored regularly and evaluated by the CFI over rolling three- and five-year periods. The maximum maturity of a single instrument should not exceed thirty (30) years. Fixed income securities may also include debt instruments of foreign sovereigns and companies.

c. *Equities*: Equities shall mean common stocks (including all convertible securities). Equities will be traded at the discretion of the managers. At purchase, no more than ten percent (10%) of the equity assets shall be invested in any one company. Broad industry diversification is desirable. The portfolio's equity composite’s return objective is to outperform the appropriate weighted average benchmark (net of fees). In addition, individual managers will be expected to outperform relevant benchmarks based on sector, style, market cap, and domestic/international allocation. The performance will be monitored regularly and evaluated by the CFI over rolling three- and five-year periods.

Within the equities sector are the following sub-sector guidelines:

Equity Sub-sector	**Range**	**Long-term Target**
Large and mid-cap companies U.S.	50-85%	65%
Small cap companies U.S.	5-10%	10%
International and Emerging Markets	10-40%	25%

d. The aggregate asset allocation should be monitored, and the CFI and PIM should review the asset allocation and managerial structure at least quarterly. Since capital appreciation or depreciation and trading activity can result in deviation from target asset allocation, the CFI and PIM should monitor the asset mix of the existing assets to ensure conformity to the adopted strategic allocation. To achieve this rebalancing, the CFI may re-direct contributions and distributions from managers as appropriate, and/or direct the PIM to rebalance the assets under management.

e. The CFI recognizes that risk and volatility must be assumed to achieve the long-term investment objectives stated above, and that interim fluctuations in market values and rates of return may be tolerated to achieve these objectives. Overall, the risk profile of the portfolio should reflect a moderate approach to a balanced growth strategy.

2. It is expected that the total portfolio performance, including stocks and bonds but excluding the assets in alternative investments, if any, will exceed the inflation rate or consumer price index (CPI) by at least three percent (3%) over the long term.

3. The Association's PIM is authorized to utilize between three (3) and twenty (20) other "managers" (e.g., mutual funds, SMAs, ETFs, etc.) to ensure a broad diversification of investments, both domestic and foreign.

4. The portfolio shall be diversified in order to reduce the risk of wide swings in the market value from year-to-year, or of incurring large losses that may result from concentrated positions.

IV. <u>ETHICAL OBJECTIVES</u>

The main SRI objective of the CBA is to invest in companies that provide products that benefit society, display a concern for the common good, conduct their businesses in conformity with acceptable legal and ethical standards, and offer fair treatment to all whom their business affects.

A. SRI Strategies

1. The Association has adopted certain *screens* to guide specific investment decisions. These screens are to be applied with reasonable prudence. Managers may rely on what information is reasonably available to them about a company or a fund. They are not expected to know in many instances the subcontractors used by primary producers of prohibited goods or services. Also, these screens must take into account the differences between active and passive investments. Passive investments, such as mutual funds, ETFs, SMAs, and limited partnerships—where the investor has little or no direct control over investment decisions by managers—are also permitted.

2. In accord with Catholic teaching, there are certain *negative screens* in which investments are absolutely prohibited, including those that derive revenue from the following activities:

- Abortions
- Euthanasia
- Embryonic stem cell research/human cloning
- Pornography
- Manufacturing and/or sale of land mines

3. In addition, there are some *restricted screens*. The Association discourages investment in companies that offer services or products or engage in practices that are inconsistent with the Catholic values of the CBA and the Holy See. The Association does not invest in such companies or mutual funds that derive more than five percent (5%) of their income from such activities.

Unacceptable practices include, but are not limited to, the following:

- production of contraceptives and/or promotion of direct sterilization;
- a recognized pattern of illegal or unfair business practices such as price fixing, industrial espionage, or market manipulation;
- the production of goods or services that are harmful to the general good or at least of questionable value, such as gambling, tobacco and vaping products, or products destined for the drug culture or arms trade;
- the production of nuclear weapons or weapons of mass destruction;
- an established pattern of improper treatment of employees, customers, shareholders, or competitors, and discrimination against individuals because of color, race, religion, sex, or culture;
- flagrant disregard for the environment or for other values that enhance the common good;
- industrial policies that promote poverty in countries where continued operations serve to perpetuate unjust political and economic structures;
- "redlining" policies in lending by financial institutions.

If the PIM is unsure of the moral acceptability of specific investments, they will consult the Executive Director and Chair of the CFI, who typically will consult the entire Committee.

4. The CBA normally will address any concerns about corporations' ethical and social behavior by retaining the investment and using its position as an investor to influence management for the better. The Association will take an active role as a concerned investor by regularly monitoring or voting its proxies. The investment fund managers to whom CBA has given its guidelines/restrictions will be responsible for proxy voting. The Association's PIM will provide a yearly account of this activity to the CFI. When necessary, or when not covered by other means, the Executive Director will exercise proxy voting. In cases where serious issues are at stake and persevering efforts to effect change remain unsuccessful, the Association will seriously consider disinvesting from the company in question.

5. Apart from the professionally managed portfolio, the CBA attempts to have some reliable "*Samaritan" investments*, which promote economic justice and positive social change, even if their rate of return is often lower than might otherwise be obtained.

V. INVESTMENT MANAGEMENT PROCEDURES

A. It is the practice of the CBA to employ outside professional management services for the Fund; at the present time, the Association uses UBS Financial Services Inc. The CFI of the CBA Executive Board is charged with oversight of the Association's investments.

B. There should be regular communication between the Executive Director and the Association's PIM to

a. review the market outlook;
b. receive, discuss, and consult upon buy/sell/hold recommendations for the next period;
c. inform the PIM of the Association's cash flow needs during the next period.

C. The Association relies heavily on its investments for operating income. The spending rule, currently limited to 4.5% of fund value on a three-year rolling average, is to be reviewed by the CFI annually to determine whether a change is necessary in order to assure funds for the Association's operations.

D. There will be a meeting of the PIM, the Executive Director, and one or more members of the CFI, at least once a year, or whenever necessary.

E. Performance reports (PDFs preferred) shall be compiled quarterly and presented to the CFI for review. The investment performance of total portfolios, as well as asset class components and strategies, will be measured against commonly accepted performance benchmarks as indicated above. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this policy. Reports will also include information on the achievement of the Association's SRI goals.

F. The PIM is to provide an annual letter to the Executive Director and the Chair of the CFI at the end of each fiscal year (June 30) that summarizes succinctly and accurately the state of the Association's investments for the year, and any concerns.

G. Normally, the CFI and the Executive Director do not interfere with the decisions of the various fund managers regarding selling, holding, or buying individual investments, unless there is a question of applicability to this investment policy.

H. This investment policy is to be reviewed by the CFI and Executive Board every five years, at a minimum, or more frequently if warranted, to determine whether any changes or updating are needed.

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(Revised/Adopted by the CBA Committee on Finance & Investments, 20 Oct 2021)
(Adopted by the CBA Executive Board, 16 Nov 2021)

GLOSSARY

BAML (Bank of America Merrill Lynch): a multinational investment banking service.

BGAB Index (Bloomberg Global Aggregate Bond Index): a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

ETF: exchange-traded funds, similar to mutual funds but managed differently.

ICE BAML 3-6 Month U.S. Treasury Bill Index (Intercontinental Exchange BAML U.S. Treasury Bill Index): measures the performance of U.S. dollar denominated U.S. Treasury Bills publicly issued in the U.S. domestic market with a remaining term to final maturity greater than or equal to 3 months and less than 6 months.

MSCI ACWI (Morgan Stanley Capital International All Country World Index): a stock index designed to track broad global equity-market performance. Maintained by Morgan Stanley Capital International (MSCI), the index is comprised of the stocks of about 3,000 companies from 23 developed countries and 26 emerging markets.

MSCI EAFE (MSCI Europe Australasia and Far East Index): measures the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

MSCI EM (MSCI Emerging Markets Index): captures large and mid-cap representation across 27 Emerging Markets (EM) countries.

S&P 500 Index (Standard & Poor's 500 Index): a market-capitalization-weighted index of the 500 largest publicly traded companies in the U.S.

S&P MidCap 400 Index: Standard & Poor's index comprised of 400 companies that broadly represent companies with midrange market capitalization between $3.3 billion and $11.8 billion.

Russell 1000 Value Index Fund: seeks to track the performance of a benchmark index that measures the investment return of large-capitalization value stocks.

Russell 1000 Growth Index: measures the performance of the large- cap growth segment of the US equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Index: measures the performance of the 2,000 smaller companies included in the Russell 3000 Index.

S&P U.S. Treasury Bill 0-3 Month Index: Standard & Poor index designed to measure the performance of U.S. Treasury bills maturing in 0 to 3 months.

SMA: separately managed accounts, not part of a mutual fund.

SRI: principles of socially responsible investing.