Statement of Investment Policy

Introduction

This document presents the investment policy for the Investment Portfolio ("Portfolio") of the Catholic Community Foundation of Santa Clara ("the Foundation"), including investment objectives, asset allocation, investment restrictions, and review procedures (collectively, the "Policy").

The Foundation is managing three pools (Long Term Growth Fund, Balanced Fund, and Money Market Fund) and this Policy will cover each of them. Each Fund has a different risk and return profile that is designed to match a certain donor category. The Foundation seeks to achieve these Fund objectives by:

- Allocating the majority of the Portfolio to asset classes with high long-term returns, i.e., equities/alternative asset classes.
- Consistently utilizing meaningful asset class diversification to achieve return objectives during a variety of economic and market conditions.
- Avoiding attempts to predict short-term market behavior via market timing strategies.
- Retaining world-class investment managers that are expected to out-perform index funds over most three-to-five year periods. In areas where the Foundation believes meaningful or reliable above-benchmark performance is not available, index strategies are utilized.

Investment Responsibilities

The Investment Committee (the "Committee") has responsibility for recommending the establishment and modification of all elements of this Policy, including the asset allocation strategy for each pool, to the Foundation Board (the "Board"). The Investment Committee, the Foundation Staff (the "Staff"), Investment Consultant (the "Consultant"), and Investment Managers (the "Managers") are charged with implementing this policy.

The Investment Committee is responsible for:

1. Overseeing the Portfolio assets with guidance from the Investment Consultant.
2. Reviewing the investment performance of each Manager versus the relevant benchmark using reports prepared by the Investment Consultant.
3. Reviewing the appropriateness of each Manager's investment strategy given the Foundation's overall investment strategy, philosophy, and objectives.
4. Overseeing the process of monitoring each Manager's portfolio to ensure compliance with this policy, its guidelines, and restrictions.
5. Selection and termination of Managers for the Portfolio with recommendations from the Investment Consultant and in accordance with the strategic asset allocation set forth in this policy.
6. Reviewing this Policy on an ongoing basis and making changes as necessary or desirable.

THE STAFF IS RESPONSIBLE FOR:

Assisting the Committee and the Managers with all components of this Policy.

THE CONSULTANT IS RESPONSIBLE FOR:

1. Assisting Staff and the Committee with their responsibilities.
2. Preparing investment reports for the Committee's review that contains information necessary for the Committee to exercise its investment responsibilities.
3. Monitoring this policy and recommending changes as needed.
4. Monitoring the asset allocation and recommending changes as needed.
5. Monitoring each Manager's performance, ownership structure, and investment personnel and recommending changes as needed.
6. Monitoring each Manager for adherence to both this policy as well as his or her stated investment style.
7. Meeting each of the Portfolio's active Managers as needed.

ALL INVESTMENT MANAGERS ARE RESPONSIBLE FOR:

1. Acting in accordance with "prudent man" principles with respect to the management of the Foundation's assets.
2. Immediately reporting (in writing) any violations of the guidelines and restrictions as set forth in this Policy.
3. Immediately reporting any findings against the firm or its principals, either by the SEC or any other regulatory authority. In addition, any lawsuits brought against the firm or its principals should also be immediately reported to the Foundation.
4. Preparing quarterly written statements, including actions taken in the Portfolio.
5. Attending meetings with the Committee and Staff as needed.
6. Immediately communicating all pertinent changes in the Manager's firm to the Foundation. These changes include, but are not limited to:
    a. Changes in personnel involved in the Foundation's relationship
    b. Changes in Manager's ownership
    c. Changes in senior investment professionals' responsibilities
    d. Changes in Manager's investment style
7. Adhering to the investment strategy or style for which the Manager was selected.

Spending Policy

The Foundation is a permanent institution and has adopted long-term policies to increase the likelihood of achieving the investment objectives listed in the Introduction to this document. These policies begin with the Spending Policy. This policy relates to the permanent endowments managed by the Foundation. The spending/granting rate will be set each year by the Foundation but will fall within the range of 3-5% of the rolling average (up to sixteen-qtrs.) value for the Portfolio. As needs arise, the amount drawn on an annual basis may deviate from this target range at the recommendation of the Finance Committee and with approval of the Board.

Investment Philosophy

As a long-term investor, the following issues are significant factors in the prudent allocation of the Foundation's assets:

- The Portfolio is constructed in such a way as to achieve a rate of return that will support the above-mentioned spending policy while protecting the assets from inflation. The Committee believes that the most effective way to establish an appropriate volatility level for the Portfolio is through a well-diversified mix of assets. In consultation with its Investment Consultant, a strategic asset allocation policy has been adopted, for each pool, which best balances the opportunity for achieving the investment return objectives as set forth in this policy with an appropriate risk level.

- There is significant evidence that long-term investors do not benefit from attempting to earn returns through short-term asset class forecasts or market timing. As a result, the Foundation has adopted a strategic long-term asset allocation for each pool. Over time, each pool will remain invested in percentages that are fairly close to those called for in the strategic allocation.

- To achieve the long-term benefits of a widely diversified portfolio, the Foundation has adopted strategic targets for each asset class that it utilizes. It expects that the Portfolio weight for each asset class in each pool will remain within minimum and maximum percentages. The current strategic asset allocation for each pool, including targets and acceptable ranges, is outlined in Appendix A.

- Within each asset class, the Foundation seeks to earn the most efficient rate of return possible (after investment expenses). Investments will be well diversified by investment style and strategy. Style/strategy diversification will increase the probability over three- to five-year time periods that the Foundation will achieve its investment goals and reduce volatility.

Factors Considered in Managing the Assets (UPMIFA Required)

1. General economic conditions
2. The possible effect of inflation or deflation
3. The expected tax consequences, if any, of investment decisions or strategies
4. The role that each investment or course of action plays within the overall investment portfolio of the fund
5. The expected total return from income and the appreciation of investments
6. Other resources of the institution
7. The need of the institution and the fund to make distributions and preserve capital
8. An asset's special relationship or special value, if any, to the institution.

Social Policy

The Foundation embraces the values of the Catholic Church and believes that the Portfolio should be invested in accordance with the Catholic Values as outlined by the United States Conference of Catholic Bishops (USCCB – November 12, 2003). As a Catholic organization, the Foundation draws the values, directions and criteria which guide its financial choices from the Gospel, universal church teaching, and Conference Statements. In order to function effectively and to carry out its mission, the Foundation depends on a reasonable return on its investments and is required to operate in a fiscally sound, responsible, and accountable manner. The combination of religious mandate and fiscal responsibilities suggests the need for a clear and comprehensive set of policies to guide the investments.

- Companies should be avoided if they have material exposure to activities that do not support Catholic Values. While USCCB does not quantitatively define "material exposure," the Foundation aims to restrict investments in companies that have more than 10% of total revenue from activities that include abortion, contraceptives, embryonic stem cell/human cloning, weapons production or development, abusive labor practices, and pornography. However, in no case will the revenue cap exceed 30%.

- Investments that support Catholic Values and corporate responsibility should be encouraged.

- These restrictions are to be considered across the entire Portfolio. Investments contrary to these Catholic Values as outlined by the USCCB guidelines are prohibited in the equity and fixed income asset classes. Given the unique characteristics of investments in the "alternatives" asset classes, adherence to the USCCB guidelines is encouraged but not strictly required.

Investment Restrictions

It is expected that many of the Foundation's investments will be made through mutual funds and commingled vehicles. The investment strategies and restrictions for each of these vehicles were established via each fund's governing documents and the specific investment restrictions detailed below do not apply to these investments. However, these restrictions are considered in the manager selection process.

Domestic Equity

1. The domestic equity portfolio will be diversified according to economic sector, industry, number of holdings, and other investment characteristics. However, it is recognized that any actively managed portfolio will not be as diversified as the market. To produce overall diversification, equity managers will be selected to employ different management strategies that together achieve the desired degree of diversification.

2. Domestic equity managers are permitted to hold up to 15% of their portfolio in American Depository Receipts ("ADRs") or foreign domiciled companies whose equity securities are traded in US markets.

3. No more than 15% of a manager's portfolio may be held in the securities of a single issuer.

4. Short selling of securities is prohibited.

International Equity

The following definitions may be used to distinguish between developed and emerging international securities.

International Developed Equity: Listed equity securities traded on developed non-U.S. markets. Developed markets are defined as those included in Morgan Stanley's EAFE index plus Canada.

Emerging Markets Equity: Listed equity securities traded on emerging non-U.S. markets. Emerging markets are defined as any non-US market that is not included in Morgan Stanley's EAFE index plus Canada.

All restrictions listed above for Domestic Equity, other than item #2 (ADRs), also apply to International Equity with the following additions and modifications.

1. Managers must hold securities in a minimum of six countries at all times. Furthermore, no country can represent more than the greater of 30% of the portfolio or 150% of its weight in the EAFE/Emerging Markets index.

2. Currency exposure will generally be hedged back to the US dollar. Derivative instruments may be used to achieve currency hedging as permitted under this policy.

Fixed Income (Aggregate, High Yield, and TIPS)

1. The duration of a manager's portfolio should be within 50% and 150% of the duration of that portfolio's market benchmark.

2. Managers are permitted to invest in the following classes of fixed income securities:

    a. Bonds or notes issued by the U.S. Government or a U.S. Government Agency backed by the full faith and credit of the U.S. Government
    b. Mortgage-backed securities
    c. Corporate bonds or senior loans issued in the U.S. and denominated in U.S. dollars
    d. Asset-backed securities

3. Aggregate bond managers are expected to maintain an average quality rating for their portfolio that does not fall below an S&P rating of A-. High Yield bond managers are expected to maintain an average quality rating for their portfolio that does not fall below an S&P rating of B-.

4. No more than 5% at market of a manager's portfolio may be held in the securities of a single corporate issuer. This restriction does not apply to securities issued by the U.S. Government or a U.S. Government Agency backed by the full faith and credit of the U.S. Government.

5. Derivative instruments may be utilized by a manager in order obtain more efficient exposure to a specific type of security. However, at no time may derivative instruments be used to leverage the portfolio. In addition, it is expected that a manager will have thoroughly tested the behavior of the derivative instrument under a variety of market conditions before purchasing the security for the portfolio.

Global Fixed Income

All restrictions listed above for Fixed Income apply to Global Fixed Income with the following additions.

1. Managers may hedge currency exposure, although it is expected that the portfolio will frequently be un-hedged.

2. Managers must hold securities in a minimum of six countries at all times.

Alternative Investments

In order to enhance portfolio results, the Foundation may elect to invest in alternative investment strategies, such as hedge funds. These investments are made with the intention of raising portfolio returns and/or lowering total volatility. In most cases, these investments will be implemented via limited partnerships. Therefore, restrictions are established by the offering documents for each partnership.

All investments in the alternative area will have the ability to utilize leverage, albeit very different forms of leverage. Depending on the type of leverage and the type of investment made with that leverage, the generation of Unrelated Business Taxable Income (UBTI) is a possibility. Each investment firm utilized in the portfolio must fully understand that the generation of UBTI is not a desired element of their respective investment strategy.

Performance Objectives

In order to achieve the objectives stated in the Introduction to this policy, the endowment funds must earn a rate of return that is at least equivalent to the rate of inflation plus the spending rate. Thus, the long-term objective for these funds is to earn a return of at least the Consumer Price Index plus the spending rate. Given that this benchmark is not directly related to market performance, success or failure in achieving this goal should be evaluated over ten to twenty years.

In order to evaluate the performance of its managers over shorter time periods, the Foundation has also adopted a market benchmark for each manager. For the Portfolio as a whole, the Total Portfolio Benchmark ("Benchmark") will consist of a suitable index for each asset class used. These indices will be weighted on a monthly basis according to the strategic asset allocation targets for each investment pool, as listed in Appendix A.

The Foundation goal, over each five-year time period, is to earn a rate of return that exceeds the Benchmark return after investment management fees have been deducted.

Administrative and Review Procedures

The Committee will review this Policy as needed and report any recommended changes as needed.

The Committee will review the performance of the Portfolio assets each meeting with the assistance of its Investment Consultant and the Foundations staff. These reviews will include:

- Review of the Portfolio's overall asset allocation to assure compliance with this document.
- Review of performance against the benchmarks set forth in this document.

The Foundations Staff and the Investment Consultant will perform the above review at least monthly and report any deviations or concerns as soon as reasonably practical to the Committee Chairperson.

THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY

Appendix A

Strategic Asset Allocation

The Foundation has adopted the following strategic asset allocation strategy for each pool. All figures listed here refer to an asset class's percentage of the Portfolio. The target ranges listed here represent the acceptable allocation ranges for each asset class. Actual asset allocation will be compared to these ranges on a monthly basis. In the event that the allocation to a particular asset class falls outside of the "Target Range," the Portfolio will be re-balanced within the next three months so that all asset classes are within their permitted allocations.

The Total Portfolio Benchmark for each pool is based on the strategic asset allocation using suitable market indices to represent each asset class, as listed below. This custom index is calculated on a monthly basis using the Target Percentage weights listed below:

Long Term Growth Fund

Asset Class	Target Percentage	Target Range	Benchmark
U.S. Large Cap Equity	23%	(18%-28%)	S&P 500
U.S. Small Cap Equity	7%	(4%-10%)	Russell 2000
Non-US Developed Markets Eq.	23%	(18%-28%)	MSCI EAFE
Non-US Emerging Markets Eq.	8%	(5%-11%)	MSCI Emerging Markets
Aggregate Fixed Income	4%	(2%-6%)	Barclays Capital Aggregate
TIPS	4%	(2%-6%)	Citigroup Inflation Linked Index
Global Fixed Income	4%	(2%-6%)	Citigroup World Government
High Yield Fixed Income	4%	(2%-6%)	Merrill Lynch High Yield
Hedge Funds	18%	(12%-24%)	HFRI Funds of Funds
Commodities	5%	(2%-8%)	Dow Jones UBS Commodity

777 North First Street, Suite 490 | San Jose, CA 95112 | 408.995.5219 | 408.995.5865 fax | Info@CFOSCC.org | www.CFOSCC.org

THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY

Balanced Fund

Asset Class	Target Percentage	Target Range	Benchmark
U.S. Large Cap Equity	18%	(13%-23%)	S&P 500
U.S. Small Cap Equity	6%	(2%-10%)	Russell 2000
Non-US Developed Markets Eq.	19%	(14%-24%)	MSCI EAFE
Non-US Emerging Markets Eq.	6%	(3%-9%)	MSCI Emerging Markets
Aggregate Fixed Income	16%	(11%-21%)	Barclays Capital Aggregate
TIPS	6%	(4%-8%)	Citigroup Inflation Linked Index
Global Fixed Income	6%	(4%-8%)	Citigroup World Government
High Yield Fixed Income	6%	(4%-8%)	Merrill Lynch High Yield
Hedge Funds	10%	(0%-20%)	HFRI Funds of Funds
Commodities	3%	(1%-5%)	Dow Jones UBS Commodity
Cash	4%	(0%-10%)	US Treasury Bills

Money Market Fund

Asset Class	Target Percentage	Target Range	Benchmark
Aggregate Fixed Income	5%	(0%-10%)	Barclays Capital Aggregate
TIPS	5%	(0%-10%)	Citigroup Inflation Linked Index
Global Fixed Income	5%	(0%-10%)	Citigroup World Government
High Yield Fixed Income	5%	(0%-10%)	Merrill Lynch High Yield
Cash	4%	(0%-10%)	US Treasury Bills

Managers within each asset class will be measured against a specific style benchmark along with the market benchmark for their asset class, as set forth above.