

Annual Investment Report

For the year ended December 31, 2020

The Catholic Foundation Grows Your Gifts in Smart Ways. . .

You can rest assured that your gifts will be invested and managed in a professional and morally-responsible way. Our Partnership with you ensures a promising future for the Church and the causes that matter to you most.

To Our Partners:

Welcome to our 2020 Annual Investment Report for you, our Partners. The 2020 calendar year was an excellent one for investment portfolios. The Catholic Foundation's (Foundation) portfolio grew 15% even though the markets experienced historic volatility.

We hope you find the contents of this brief report informative. Within this report are comments from our investment adviser, Innovest Portfolio Solutions, LLC, with analyses of our performance, risk, return and asset allocations. For your convenience, we have included a glossary and listed our Investment Committee members, investment advisers and the Foundation management team.

Our investment portfolio has a long and stable history – one that provides confidence to our partners in placing their hard-earned assets with the Foundation. Through adherence to the following main priorities for the portfolio, we have markedly reduced fees, improved liquidity and maintained a diverse portfolio with an appropriate level of risk:

- (1) Compliance with our *Morally-Responsible Investment Policy*
- (2) Preservation of principal
- (3) Long-term growth for the benefit of the Church and its many ministries

Our goal is to build a partnership with you, one that supports your contributions in furthering God's Kingdom...***beyond your lifetime.***

We are inspired by your tremendous faith and love for the Church, as demonstrated by the generous provision of your treasure for the vast needs of our Catholic community. Please review this report closely and feel free to contact us if you have any questions. Thank you for partnering with us.

God bless you!

Deacon Steve Stemper
CEO & President

Investment Adviser's Analysis

Global markets ended up producing positive returns in 2020, even though the markets faced historic volatility due to the COVID-19 pandemic. The first quarter of 2020 was an unprecedented period in U.S. financial market history across numerous dimensions. Markets experienced the fastest 30% decline while the 10-year and 30-year Treasury yields dropped to all-time lows. However, due to accommodative monetary and fiscal policies coupled with the approval of numerous COVID-19 vaccines, markets rallied substantially from their March 2020 lows to finish positive for the year. US Large Cap Equities experienced gains of 18% while international equities and emerging market equities experienced gains of 8% and 18%, respectively. Also, U.S. fixed income markets gained 8%, as measured by the *Barclays Aggregate Bond Index*.

The total Foundation portfolio finished 2020 with a gain of 15.0%, *net of fees*. Since inception, the portfolio has outperformed its policy benchmark, *net of fees*.

Equity managers generated positive returns in 2020. Broad Domestic Equity and International Developed Equity managers drove most of the positive performance. Allocations in emerging markets were also positive during the year. Overall, not only was absolute performance robust but also relative performance considering most of the strategies outperformed their peers and benchmarks.

The fixed income portion of the portfolio was positive for 2020 returning 8.5%. Allocations in treasuries, corporate credit, floating rate loans, high yield bonds, and emerging market debt drove performance.

Alternative managers generally posted positive returns, however, some of the underlying strategies failed to outperform their underlying benchmarks.

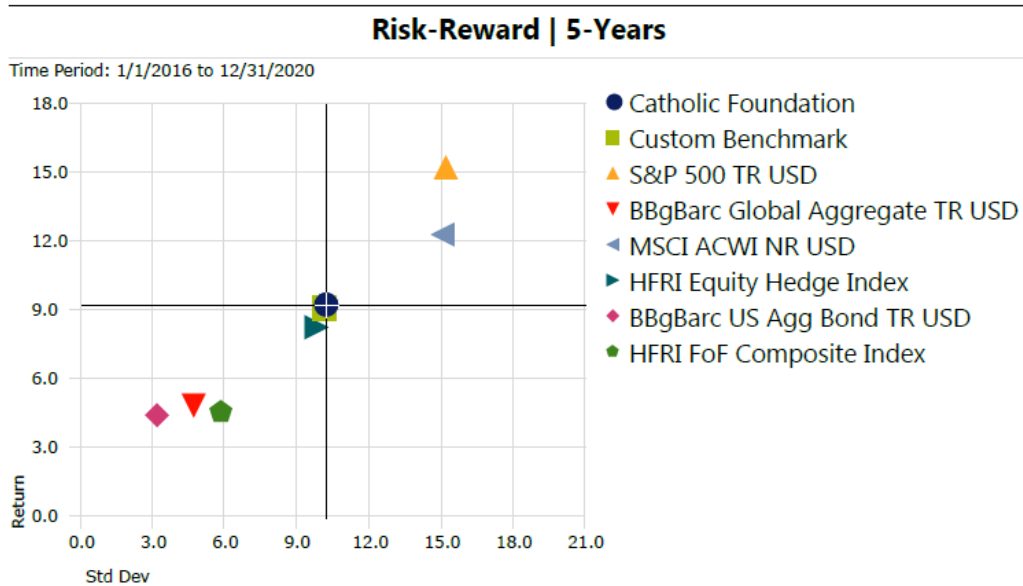
Real asset investments in the portfolio were mixed. Direct real estate holdings returned -0.1% during the year due to poor performance in the office and retail space. However, other real asset positions (i.e. timberland, farmland, and infrastructure) generated positive returns for the portfolio.

Private Equity investments were positive for the year. This allocation is a newer position in the portfolio that began investing capital before year end.

Total long-term Foundation portfolio performance, in relation to custom benchmarks, has outperformed over five-, seven- and ten-year periods through the end of 2020. Five- and ten-year annualized returns were 9.2% and 7.0% respectively. Since inception the Foundation portfolio has outperformed the custom benchmark by 0.3%.

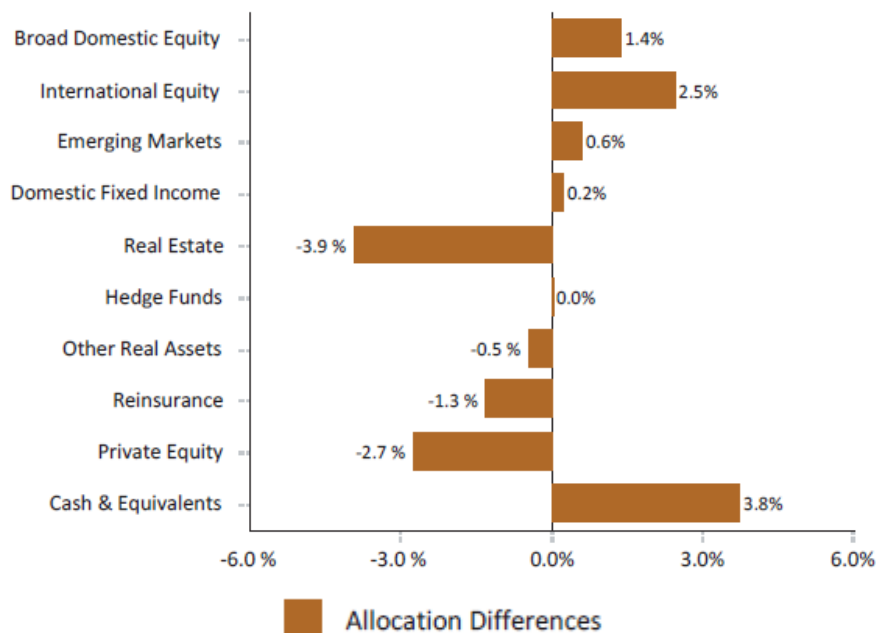
Risk/Return Analysis: Past 5 Years

Risk/Return analysis shows that the Foundation has performed slightly above the custom benchmark, net of fees, over the last five years, while incurring the same amount of risk (standard deviation). The graph below shows risk on the horizontal axis and performance on the vertical axis:



Asset Allocation Analysis*

Asset Class exposure has remained in line with the Board of Trustee targets for the portfolio:



*Target Allocations: 36% Broad Domestic Equity, 21% International Developed, 7% Emerging Markets, 12% Fixed Income, 10% Real Estate, 0% Hedge Funds, 5% Other Real Assets, 5% Reinsurance, 5%, 3% Private Equity, 1% Cash

Glossary of Asset-Class Definitions

- **Equities:** Broad domestic, global, international and emerging markets equities. Includes separate accounts, mutual and commingled funds for long-only equities, limited partnerships and mutual funds for long/short equities.
- **Domestic Fixed Income Securities:** Includes global bonds, international and emerging market debt. Separate accounts, mutual and commingled funds for long-only fixed income, limited partnerships and mutual funds for long/short fixed income, treasuries, government agency securities, asset-backed securities, sovereign bonds, corporate bonds, non-agency securities, and derivatives.
- **Alternatives:** Includes private equity, hedge funds, and commodities.
- **Real Estate:** Includes real property, building and developments and REITs.
- **Other Real Assets:** Includes timberland, farmland, infrastructure, and midstream energy.
- **Reinsurance:** Includes insurance-linked securities such as quota shares and catastrophe bonds.
- **Cash:** Includes cash investments, cash equivalents, money markets, CDs and short-term treasuries.

Investment Committee Members

John Zimmerman

Chair and member of The Catholic Foundation Board of Trustees
President, Ascent Private Capital Management of U.S. Bank

Patrick L. Bridges

Chief Financial Officer, Tri-State Generation and Transmission Association
Member of The Catholic Foundation Board of Trustees

Walt Coughlin

Executive Vice President, Coughlin and Co.

Joseph Janiczek

Founder & CEO, Janiczek Wealth Management

Josh Langdon

Financial Advisor, Edward Jones

Jennifer Neppel

Director, Investments CommonSpirit Health
Member of The Catholic Foundation Board of Trustees

Steve Paolucci

Founder and Principal, Paolucci Financial Services

Investment Advisers - Innovest Portfolio Solutions

Rich Todd

Principal and CEO

Wendy Dominguez, MBA

Principal and President

Kristy LeGrande, MBA, CFA

Principal and Director

Sloan Smith, MBA, CAIA, CPWA®

Principal and Director

The Catholic Foundation Management Team

Deacon Steve Stemper

CEO & President

DeaconSteve@TheCatholicFoundation.com

Michelle Fehn

Chief Financial Officer

MFehn@TheCatholicFoundation.com

THE CATHOLIC FOUNDATION
6160 S. Syracuse Way, Suite 111 | Greenwood Village, CO 80111
P | 303.468.9885
www.TheCatholicFoundation.com