

**Annual Investment Report**  
*For the year ended December 31, 2021*

*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 2021 Annual Investment Report, a year with good growth for our investment portfolio. The Catholic Foundation's portfolio remained strong with a total net return of 13.9%.

Enclosed you will find a brief Report with comments from our investment adviser, Innovest Portfolio Solutions, LLC. This includes 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 Catholic Foundation management team.

Our investment portfolio has a long and stable history. A dollar invested with us on January 1, 2019 grew 56% by the end of December 2021. This history 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 continues to focus on partnering with you and ensuring God's Kingdom is financially secure for generations to come.

We are very appreciative for everyone that has partnered with us in helping to grow the Kingdom of God. Please feel free to contact us if you have any questions.

God bless you,



**Deacon Steve Stemper**  
CEO & President

### **Investment Adviser's Analysis**

**The total Foundation portfolio** finished 2021 with a gain of 13.9%, net of fees, outperforming the custom benchmark by 0.5%. Total long-term performance in relation to custom benchmarks has been strong, outperforming over three-, five-, seven- and ten-year periods through the end of 2021. Seven- and ten-year annualized returns were 8.1% and 8.3% respectively. Since inception the Catholic Foundation portfolio has outperformed the custom benchmark by 0.2%.

**Global markets were mixed** in 2021. Equity performance was strong in the United States and International Developed markets. However, Emerging Market equities were hindered due to concerns surrounding China. U.S. Large Cap Equities experienced gains of 29% while International Developed markets equities gained 11% and Emerging Market equities lost -2.5%, respectively. Also, high-quality fixed income recorded negative performance mainly due to rising interest rates and potential inflation. U.S. fixed income markets lost 1.5%, as measured by the *Barclays Aggregate Bond Index*. COVID-19 continued to dominate headlines due to impacts of numerous variants on the world while monetary policy became less accommodative as the Federal Reserve began tapering the quantitative easing program that began in 2020.

**Equity managers** generated mostly positive returns in 2021. 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 relative performance was also strong considering most of the strategies outperformed their peers and benchmarks.

**The Fixed Income** allocation detracted from performance for 2021 returning close to -1%. Manager allocations in treasuries and corporate credit hindered performance while positions in floating rate loans and high yield bonds enhanced returns slightly.

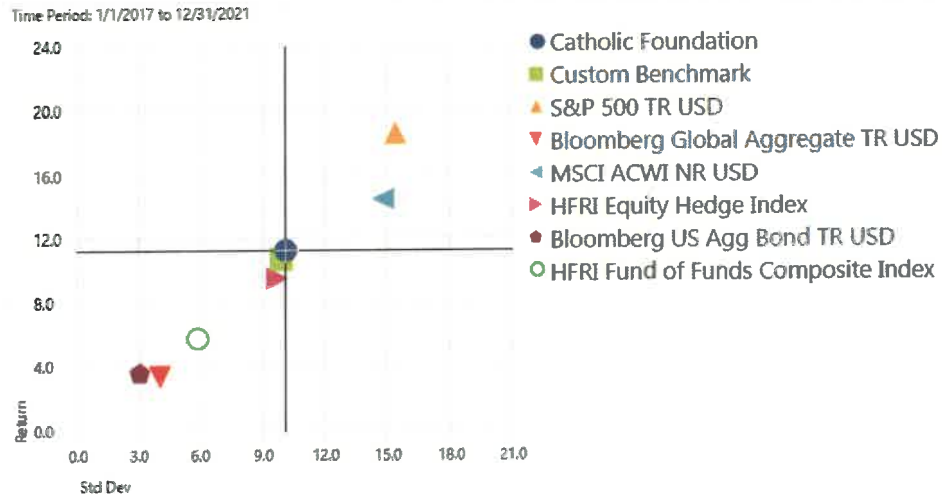
**Real asset** investments in the portfolio generated favorable returns for the year.. Direct real estate holdings returned 20% during the year due to strong performance in the office, industrial, multi-family, and the retail sectors. Other real asset positions (i.e. timberland, farmland, and infrastructure) also generated positive returns for the portfolio.

**Alternatives** generated robust performance for the year. The private equity allocation has added significant value to the portfolio.

**Reinsurance** posted slightly negative returns and underperformed the underlying benchmark. This position is minimal and is being fully liquidated as we have decided to exit this asset class.

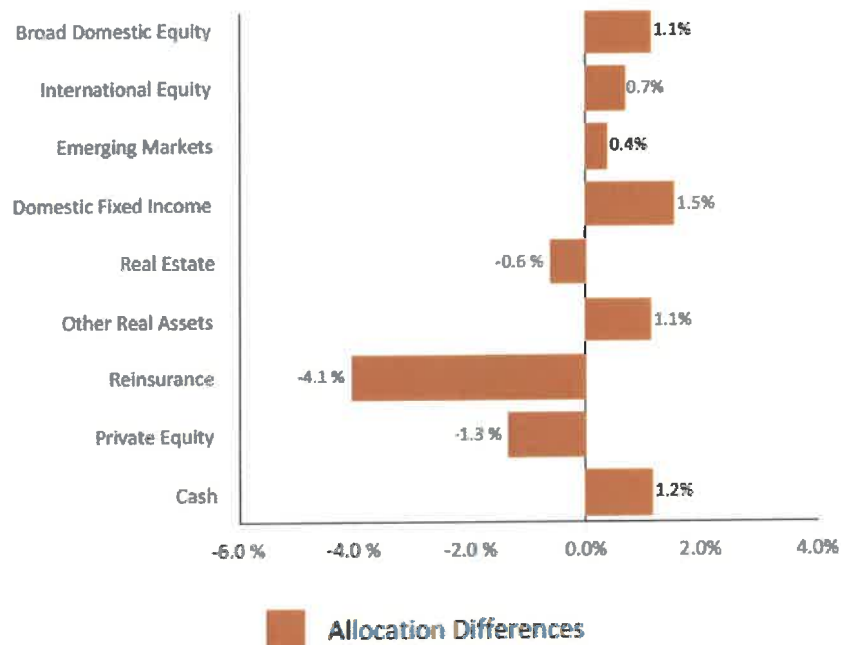
### **Risk/Return Analysis: Past 5 Years**

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 remained mostly 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, 5% Other Real Assets, 5% Reinsurance (moving to -0- allocation in 2022), 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.
- **Fixed Income:** 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

**Jennifer Neppel, CFA** (Chair and member of Board of Trustees)

*Chief Investment Officer, Pinnacle Assurance*

**Patrick L. Bridges, CPA, CFA**

*Chief Financial Officer, Tri-State Generation and Transmission Association*

**Walt Coughlin**

*Executive Vice President, Coughlin and Co.*

**Joseph Janiczek, MSFS, ChFC**

*Founder & CEO, Janiczek Wealth Management*

**Josh Langdon, CRPC, AAMS**

*Financial Advisor, Edward Jones*

**Steve Paolucci, ChFC**

*Founder and Principal, Paolucci Financial Services*

**John Zimmerman, CFA**

*President, Ascent Private Capital Management of U.S. Bank*

### 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*

### Management Team

**Deacon Steve Stemper**

*CEO & President*

[DeaconSteve@TheCatholicFoundation.com](mailto:DeaconSteve@TheCatholicFoundation.com)

**Michelle Fehn**

*Chief Financial Officer*

[MFehn@TheCatholicFoundation.com](mailto:MFehn@TheCatholicFoundation.com)

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*Giving for the Kingdom of God<sup>SM</sup>*