

**Investment Policy Archdiocese of Atlanta
Common Fund and Pension Fund**

Purpose

The purpose of this statement is to assist the Investment Committee in managing the fund assets, monitoring investment results, evaluating managers' performance and selection of fund managers.

This statement:

1. Defines and assigns the responsibilities of all involved parties.
2. Establishes an understanding of the investment goals and objectives of Fund assets.
3. Offers guidance and limitations to all Investment Managers regarding the investment of Fund assets.
4. Establishes a basis for evaluating investment results.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

Managing Fund Assets

a) Investment Manager;

The Committee may employ one or more investment managers of varying styles and philosophies. The responsibilities of the investment managers are:

1. To buy, sell or hold individual securities within the asset allocation guidelines established in this statement. Managers are allowed to hold out of benchmark securities that fit the market-cap and style parameters of their mandate (e.g ADR's)
2. Report on a timely basis, quarterly investment performance results.

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3. Communicate any major changes to economic outlook, investment strategy or any other factors which may affect investment performance objectives.
4. Inform the Committee regarding any qualitative change to the organization's management; examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Vote proxies, if requested by the Investment Committee on behalf of the Fund.

b) Additional Funds

The committee may create additional funds in order to meet the financial needs and objectives of the Archdiocese.

c) Asset Mix

The asset mix guidelines are:

	Common Fund			Pension Fund		
	Low	Target	High	Low	Target	High
Equity	45%	55%	60%	55%	65%	70%
Fixed Income	35%	45%	55%	25%	35%	45%
Alternatives	0%	--	20%	0%	--	20%
Cash & Equivalents	0%	0%	10%	0%	0%	10%

d) Permissible Investments

Investment managers may invest in the following assets provided that they are consistent with the mission of the Roman Catholic Church

1. Cash Equivalents
 - Treasury Bills
 - Money Market Funds
 - STIF Funds
 - Commercial Paper

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- Banker's Acceptances
Repurchase Agreements
2. Fixed Income Securities
 - U.S. Government and Agency Securities
 - Corporate Notes and Bonds – Investment Grade
 - Preferred Stock
 - Fixed Income Securities of Foreign Corporations – Investment Grade Rating
 - Asset Backed Securities carrying a AAA Rating
 - Mortgage Backed Securities Issued by GNMA, FHLMC and FNMA
 - Exchange Traded Funds (ETFs)
 - High Yield bonds
 - Non-dollar and Emerging Market bonds
 - Foreign currency
 3. Equity Securities
 - Common Stock
 - Convertible Notes and Bonds
 - Convertible Preferred Stocks
 - American Depository Receipts (ADR's) of Non-U.S. Companies
 - Stocks of Non-U.S. Companies (ordinary shares)
 - Exchange Traded Funds (ETFs)
 - REITs
 4. Mutual Funds
 - Mutual Funds which invest in securities as allowed in this statement. Mutual funds may be used when funds have not been assigned to an investment manager.
 5. Alternative Investments
 - Assets classified as “alternative investments” may be held up to a 20% maximum in the total Pension and Common Fund. Alternative investments may carry higher risk but also higher return potential over the long term. Additionally, because they are less than perfectly correlated with the stock and bond markets, they offer the potential to smooth total fund returns or reduce volatility of assets from year to year. Alternative investments may be less liquid than traditional stock or bond portfolios. Thorough due

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diligence and diversification principles will be followed in selecting appropriate managers. The investment vehicles will typically be in the form of “fund of funds” investing in limited partnerships, which may or may not be registered with the Securities and Exchange Commission. Alternative investments may include investments in long/short equity hedge funds, absolute return hedge funds, commodities, real estate and private equity. It is understood that these types of investments may be illiquid by their structure and nature of their holdings. Liquidity however will be monitored on a quarterly basis.

e) Derivatives

- Derivatives securities may be used in place of underlying securities.
- Use of derivatives is authorized to modify risk/return characteristics or to cost-effectively implement change in asset allocation.
- Derivatives use is not authorized for speculation.
- The Committee will determine if a manager may use leverage.

Monitoring Investment Results and Manager Performance

The Committee shall meet at least quarterly to review investment results and performance of its managers. Overall, all fund returns should be measured against “Performance Expectations.” Investment managers (“Managers”) should be measured against:

- a) Appropriate style indices.
- b) Managers of like investment style or strategy. Each manager is expected to perform at the median or above the median of the manager’s respective universe, while maintaining a risk profile that is similar to the Managers’ respective universe.

The following investment manager guidelines may be used to begin discussions regarding manager termination or probation:

- Three-year relative performance drops below the 50th percentile of the peer group and remains there for the next three consecutive quarters.

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- Most recent one-year ranking is in the bottom quartile of the peer group.
- The manager, net of fees, underperforms its index over a 5 year period,
- A distinctive and recognizable departure from the investment style and/or philosophy from which the manager was selected.
- Significant organizational events such as a change in the portfolio manager, firm ownership, etc.
- Any extenuating circumstances satisfactory to the Committee to warrant termination.

The committee will employ the services of a third party to assist the Committee in monitoring the performance of its investment Managers and overall investment returns.

The “third party” will:

- a) Prepare quarterly reports that illustrate return of the Manager relative to other managers like investment style, other relevant metrics to include standard deviation per manager and for combined portfolio and appropriate indices.
- b) Inform the Committee of any changes in Managers’ stated investment policy and material changes in the Managers’ organizations key personnel.
- c) Ensure that all fees are disclosed and presented quarterly to include manager fees, mutual fund fees, trading fees, consultant fees, et al.
- d) Provide quarterly reports on correlation amongst managers.
- e) Monitor allocation quarterly according to the investment policy

Performance Expectations

Time Horizon

The investment guidelines are based upon an investment horizon of greater than five (5) years, so that interim fluctuations should be viewed with appropriate perspective. Similarly, our strategic asset allocation is based on this long-term perspective.

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Risk Tolerances

The Committee recognizes the difficulty of achieving any specific investment objectives in light of the uncertainties and complexities of contemporary investment markets. We also recognize that some risk, primarily in the form of principal volatility, must be assumed to achieve the long-term investment objectives.

In establishing the risk tolerance, the Committee has considered the funds ability to withstand short and intermediate term volatility.

The desired investment objective is a target rate of return (“Target Rate of Return”) on assets that is commensurate with: (1) the allocation of invested funds (see Managing Fund Assets) and (2) reflects the policies in place to monitor the adequacy of returns (see Monitoring Investment Results and Manager Performance). Furthermore, the risk profile of the Fund should reflect the fund allocation (see Managing Fund Assets) and monitoring initiatives set forth in the Investment Policy (see Monitoring Investment Results and Manager Performance).

The Investment Policy reflects the measures necessary to manage the Target Rate of Return for the Fund, net of advisory fees, investment management fees, custodial fees, and transaction costs, at or above median returns generated by comparable benchmark portfolios. The Committee realizes that market performance varies and that the Fund may not achieve the Target Rate of Return during interim periods. Accordingly, relative performance benchmarks for the Managers and actions to be taken by the Investment Committee are set forth in the “Monitoring Investment Results and Manager Performance” section.

Selection of Investment Managers

The Committee, with the assistance of a third party consultant will select appropriate investment managers to manage the plan assets. Manager must meet the following criteria:

- Must be a bank, insurance company or investment adviser as defined by the Registered Investment Advisers Act of 1940.
- The investment manager must provide historical quarterly performance numbers based on a composite of all fully discretionary accounts of similar investment style and reported net and gross of fees.
- The manager must provide detailed information on the history of the firm, key personnel, key clients, fee schedule and support personnel. The manager shall provide a current fee schedule.
- The manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- Exceptions may be made by the Committee for Alternative investment managers.