De Smet Jesuit High School
Investment Policy Statement
5/22/2018 (Updated 11/17/2020)

BACKGROUND:
De Smet Jesuit High School is a Jesuit, Catholic, college preparatory high school located in Creve Coeur, Missouri, in the Roman Catholic Archdiocese of Saint Louis. The school began classes in the fall of 1967 and was named in honor of the prominent Belgian Jesuit Great Plains missionary, Pierre-Jean De Smet. Its mission is to inspire and prepare men for and with others to transform the world Ad Majorem Dei Gloriam.

As of January 12, 2018, the School's portfolio is comprised of four distinct investment funds with different stated goals and objectives.

PURPOSE:
The purpose of this Investment Policy Statement ("IPS") is to establish a clear understanding of the investment goals, objectives and management policies of the School's four distinct investment funds, which include:

- General Fund
- Renewal and Replacement Fund
- Special Projects Fund
- Endowment Fund

Additionally, the IPS is to establish guidelines for the supervision, management and evaluation of the overall investment portfolio held by the School. The School's primary objective with regard to financial securities is to invest in and retain securities of investment quality. This IPS outlines an overall philosophy that is specific enough to guide the School's Board of Trustees (the Board) and its Investment Advisor(s), yet allow for flexibility to permit the Investment Advisor(s) to respond to changes in the economy and securities market over time. Securities purchased or retained should be restricted to those deemed suitable after appropriate research and analysis as performed by the professional Investment Advisor in accordance with the following general parameters, unless specifically approved by the School's Board.

Those positions authorized to conduct business on behalf of the School as it relates to these four funds are:
- President
- CFO

INVESTMENT MANAGEMENT APPROACH & POLICY:

Investment Approach: It is De Smet Jesuit's philosophy to take the minimum amount of risk required to meet the stated goal of each portfolio. Prudent asset allocation and ongoing rebalancing will be the primary approach to managing the School's four funds. The appropriate mix of stocks, bonds, and cash will be defined in this document, and the mix will include a wide variety of asset classes that provide the highest level of diversification when combined in a strategic manner. The inclusion of these assets in the School's portfolio of funds, at the appropriate weightings, may reduce investment risk through diversification while providing higher potential return. Asset class expectations will be driven by valuation and will be long-term in nature.

Diversification Policy: The policy of the School's investment portfolio is to utilize a sound program of diversification. Diversification across and within multiple asset classes will be the primary method by which risk is managed and mitigated in order to avoid large, unexpected losses over a long time horizon. The Investment Advisor(s) will use a variety of asset classes in order to provide an enhanced level of diversification.

Equity Securities: The equity portion of the portfolio may consist of individual common stocks (and securities convertible into common stock), exchange traded funds and/or equity mutual funds selected by the Investment Advisor(s). The Investment Advisor(s) may select equity holdings from the New York, American and Regional Stock Exchanges, and the Over-the-Counter market. Securities of foreign companies traded as ADR's or on foreign stock exchanges may be purchased. Equity managers or market index positions may be accessed through separately managed accounts, mutual funds, exchanged traded funds, bank pooled accounts, co-mingled investment partnerships or trust investment vehicles. Any security and/or fund purchased must be on the approved list of the Investment Advisor(s) at the time of purchase.

If individual securities are being used for the equity portion of the portfolio, the individual securities must be well diversified among industries in order to minimize company-specific, or unsystematic risk.

In the analysis of systematic risk, or beta, the Standard & Poor's 500 Index will be considered the market proxy and the acceptable range of the weighted beta of the equity portfolio will be 0.50 to 1.50.

Fixed Income Securities: The fixed-income portion of the portfolio will be invested in a diversified set of fixed-income securities which may at any time include U.S. Government/Treasuries, U.S. Government Agency, Corporate Securities, Fixed-Income Mutual Funds, and Depository Instruments. Investments may include actively managed and/or staggered maturity buy/hold positions. With the exception of U.S. Government or U.S. Government Agency and Fixed-Income Mutual Funds, no single fixed-income holding shall exceed ten percent (10%) of the total portfolio. At no time shall any depository instrument be held which exceeds the limits of FDIC Insurance. All corporate, fixed-income securities, at the time of purchase, shall have a rating of A or better by Moody's or Standard &. Poor's. No corporate security shall be held in the portfolio which would be considered below investment grade, assumed to be a rating of not lower than BBB by Moody's or Standard & Poor's, respectively. The Investment Manager may consider adding high-yield bonds as an allocation portion; however, any exposure to high-yield debit will be considered as part of the Fund's equity allocation. Investment managers have complete discretion over the timing and selection of fixed-income securities. Investment Advisors are prohibited from investing in private placements or from speculating in uncovered financial futures.

Cash & Cash Equivalents: The School or Investment Advisor(s) shall at all times attempt to minimize uninvested cash balances in the portfolio. Authorized securities include Certificates of Deposit, Checking Accounts, and Savings Accounts of any banking institution insured by the FDIC up to a maximum of $250,000 per institution, and Money Market Mutual Funds investing in high quality (A1/P1) instruments. In the use of cash equivalents, no single investment, with the exception of securities guaranteed by the U. S. Government and Money Market Mutual Funds, shall comprise more than five percent (5%) of the total portfolio. No short-term financial instruments with speculative characteristics (uncertainty of principal and/or interest) should be purchased.

Investments will be classified as follows:

Core Equities and Satellites:

US Large Capitalization Stocks and Funds
US Mid-Capitalization Stocks and Funds
US Small-Capitalization Stocks and Funds
International Stocks and Funds
International Small-Capitalization Stocks and Funds
Emerging Market Stocks and Funds
High Yield Bond Funds
Emerging Market Debt Funds (local and US denominated)
Leveraged Loan & Floating Rate Funds
US and International Real Estate Investment Trusts and Funds
Alternatives and Hedge Funds
Commodities

Core Fixed Income:

Individual, Investment-Grade Taxable Core Bonds
High Quality, Investment Grade Bond Funds

Cash and Equivalents:

Money Market Funds
Cash

The Board has the authorization to modify these benchmarks at the performance review meetings if it is determined that there are more representational benchmarks for the portfolio. The Investment Advisor(s) has discretion to use additional benchmarks, should they choose to breakdown the asset classes further; however, such benchmarks must be appropriate to the asset class and approved by the Board.

DUTIES & RESPONSIBILITIES:

The Board is responsible for directing and monitoring the investment management of the organization's portfolio. As such, they are authorized to delegate certain responsibilities to professional experts in various fields, which include but are not limited to:

1. Develop the overall investment object of the individual funds; along with return and risk policies that will serve as the standard for evaluation of the performance of the funds.
2. Establish investment policy, objectives, and guidelines; select investment options and advisors.
3. Review such options and advisors over time; measure and evaluate investment performance; and other tasks as deemed appropriate.
4. Create and amend the investment strategy, including asset class guidelines and allocation, as necessary to accomplish the Objectives.
5. Employ additional specialists such as attorneys, auditors, actuaries, and others as necessary to assist in meeting its responsibilities and obligations to administer portfolio assets prudently.
6. Select and monitor the institutional custodian for the safekeeping of securities.

The Board will engage an independent Investment Advisor(s) to assist them in fulfilling their responsibility for realizing the objectives of the funds within the portfolio. Investment manager(s) will be held accountable to achieve the objectives herein stated. Investment Advisor(s) will be held accountable to achieve the objectives herein stated. Investment Advisor(s) have the following responsibilities, which include but are not limited to:

1. Purchase, sell, or hold the specific securities that will be used to meet the School's investment objectives.
2. Assist the Board in the development of and compliance with the IPS, including overall allocation, risk and return policies, external managers and procedures for monitoring and measuring investment performance.
3. Negotiate with external managers concerning fees, minimum account size and portfolio policies, subject to approval by the School.
4. Monitor, evaluate and report performance on a semi-annual basis, or more frequently if requested by the School.

While maintaining overall responsibility for the School's investment management, the Board may delegate day-to-day responsibilities regarding the investment management to a committee or committees as necessary. The committee(s) will make recommendations to the Board, for Board Approval, regarding Investment Advisor selection and performance evaluation, as well as the Investment Policies to be followed. In addition, the Board shall be provided with investment performance reporting on a regular basis by the Investment Advisor and/or the Board committee(s).

The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the School through its funds, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movements of assets into and out of the fund accounts.

The Investment Advisor will be responsible for managing the investment portfolio, and engaging external investment managers as the Advisor deems necessary and appropriate. The Investment Advisor is responsible for compliance with the Investment Policy as detailed below in this IPS.

EXTERNAL INVESTMENT MANAGER SELECTION:
External investment managers may be used by the Investment Advisor for exposure to diversifying asset classes, such as US Mid Cap, US Small Cap, International Equities and Nontraditional Asset Classes. A thorough due diligence process will be conducted and performed by the Investment Advisor before selecting these managers, and each manager search will be unique to the asset class and/or investment objective. During the due diligence process, an emphasis will be placed on value, seeking investments that provide strong risk-adjusted returns relative to total costs. The initial screen will be focused on total expense ratios and long-term historical performance with the goal of identifying managers that have strong risk-adjusted performance and low costs over a long time horizon. The Investment Advisor will also perform an extensive review of the manager's people, process and parent/ownership. The goal will be to learn the key drivers of historical returns and the likelihood of strong performance in the future. Additionally, the due diligence process will generally include document reviews, conference calls, and in many cases, on-site visits. Performance of the managers will be reported weekly and reviewed formally by the portfolio's Investment Advisor on a monthly basis. The voting of proxies will be delegated to the manager responsible for the security to which the proxy applies. Any changes to current outside investment managers will be presented and reviewed in collaboration with the Board during the formal performance review meetings.

RESTRICTIONS & PROHIBITED SECURITIES:
It is a mandate that the Investment Manager(s) shall not directly invest in the following investment vehicles:

1. Precious Metals
2. Venture Capital
3. Preferred Stocks
4. Short Sales
5. Purchases of Letter Stock, Private Placements, or Direct Payments
6. Leveraged Transactions
7. Individual Commodity Transactions
8. Puts, Calls, Straddles or Other Options Strategies
9. Purchases of Private Real Estate

The Investment Advisor(s) shall not engage in any short-selling or margin transactions as well. Investments not specifically addressed by this Statement are forbidden without written approval from the Board.

STATEMENT OF OBJECTIVES:
Risk & Return Objectives: Overall, the portfolio will be managed in a way that produces the highest level of potential return for the given level of volatility (risk) that the Board deems appropriate. The School's portfolio will provide a total rate-of-return commensurate with each distinct fund's stated risk profile. Risk will be actively managed through diversification (as described above in "Investment Approach"). In making investment decisions, the School and Investment Advisor(s) should consider the long- and short-term needs of the organization in carrying out its statutory purposes, the present and anticipated total return on its investments and general economic conditions.

The Board understands that variations to capital market assumptions are expected, and different asset classes may be more susceptible to changes depending on specific developments from a social, economic, political and/or regulatory perspective. The Board also understands that market performance varies and the respective rate of return expectations may not occur during some periods. As a result, relative performance benchmarks are set forth below.

1. **General Fund**
   The General Fund serves as the operating fund of the school. It is primarily funded by the school's tuition and fee charges. This account is used to pay teachers' salaries and the majority of operating expenses. Historically, the majority of revenue into this fund occurs in August, October, January and March, with the fund typically hitting the annual high water mark in August. The fund historically hits the annual low water mark in July.

   The primary objective is to provide liquidity and facilitate timing issues from the other investment funds, as well as to limit the need to access the line of credit. The secondary goal is to maximize earnings on the funds while ensuring their safety and liquidity.

   The fund shall be restricted to cash, cash equivalents and short-term domestic bond investments only. Balances below the annual low water mark may be invested in maturities with a maximum average life of 2 years while those above the low water mark shall be restricted to maturities with a maximum average life of 180 days or shorter.

   The monies within this fund are unrestricted.

Portfolio Return Objective:	All Cash, Cash Equivalents & Short-term Fixed Income
Risk Tolerance:	Conservative
Time Horizon:	Short
Liquidity:	Up to 100% Cash

2. **Renewal and Replacement Fund**
   The Renewal and Replacement Fund is to provide for projected plant maintenance as well as emergency maintenance needs which cannot be met from the General Fund. It is primarily funded from any annual operating surplus.

   The primary objective of this fund is to provide for scheduled and anticipated plant maintenance which can be projected out 10 years. The secondary objective of this fund is to provide for emergency maintenance as needed.

   Given irregular and uncertain funding for this fund along with known obligations, 70% of the fund should be allocated to short to intermediate term fixed income securities. 30% of the fund shall be invested in equity securities to allow for capital appreciation for needs expected in 10+ years.

   The monies within this fund are unrestricted.

Portfolio Return Objective:	Income with Moderate Growth
Risk Tolerance:	Conservative
Time Horizon:	Short to Intermediate
Liquidity:	1% Cash Buffer

	Renewal &Replacement		
Asset Allocation	Current	Range -	Range +
US Large Cap Equity	12.00%	8.00%	18.00%
US Mid Cap Equity	1.00%	0.00%	3.00%

US Small Cap Equity	1.00%	0.00%	3.00%
EAFE Equity	6.00%	3.00%	7.00%
Total Core Equity	**20.00%**	**15.00%**	**25.00%**
US High Yield	1.00%	0.00%	3.00%
Emerging Debt	2.00%	0.00%	3.00%
Emerging Markets Equity	1.00%	0.00%	4.00%
Emerging Market Small Cap	2.00%	0.00%	3.00%
EAFE Small Cap Equity	2.00%	0.00%	3.00%
Global Real Estate	1.00%	0.00%	3.00%
Global Infrastructure and Utilities	1.00%	0.00%	3.00%
Other Satellites	0.00%	0.00%	3.00%
Total Satellites	**10.00%**	**5.00%**	**15.00%**
Managed Futures	0.00%	0.00%	3.00%
Style Premia	0.00%	0.00%	3.00%
Other Alts	0.00%	0.00%	3.00%
Total Alternatives	**0.00%**	**0.00%**	**5.00%**
US Government Fixed Income	34.50%	29.50%	39.50%
US Credit Fixed Income	34.50%	29.50%	39.50%
Cash	1.00%	0.00%	2.00%
Total Fixed Income	**70.00%**	**65.00%**	**75.00%**

3. **Special Projects Fund**
The Special Projects Fund is used primarily as the construction fund of the school. It is primarily funded by various Capital Campaign contributions. The primary purpose for these funds is for debt service on bonds which have been issued, including regular interest payments and periodic principal payments in accordance with the following schedule:

Debt Service Schedule			
Year	**Bond Issue Principal**	**Bond Issue Principal**	**Total**
2018	$ 402,000.00	$ 397,000.00	$ 799,000.00
2019	$ 408,000.00	$ 405,000.00	$ 813,000.00
2020	$ 423,000.00	$ 419,000.00	$ 842,000.00
2021	$ 433,000.00	$ 432,000.00	$ 865,000.00
2022	$ 445,000.00	$ 443,000.00	$ 888,000.00
2023	$ 455,000.00	$ 456,000.00	$ 911,000.00
2024	$ 471,000.00	$ 462,000.00	$ 933,000.00
2025	$ 478,000.00	$ 476,000.00	$ 954,000.00
2026	$ 495,000.00	$ 490,000.00	$ 985,000.00
2027	$ 490,000.00	$ 520,000.00	$ 1,010,000.00

The goal of this fund is to cover cash flow needs to service the outstanding debt that extends until the year 2027. As a result, the overall time horizon is longer term. The current target equity allocation is 65% with 35% allocated to fixed income.

The monies within this fund are unrestricted.

Portfolio Return Objective:	Long-term Growth with Income
Risk Tolerance:	Moderate
Time Horizon:	Long
Liquidity:	1% Cash Buffer

	Special Projects		
Asset Allocation	**Current**	**Range -**	**Range +**
US Large Cap Equity	26.00%	21.00%	31.00%
US Mid Cap Equity	2.00%	0.00%	6.50%
US Small Cap Equity	1.00%	0.00%	6.50%
EAFE Equity	11.00%	6.00%	13.00%
Total Core Equity	**40.00%**	**35.00%**	**45.00%**
US High Yield	2.00%	0.00%	6.50%
Emerging Debt	3.00%	0.00%	6.50%
Emerging Markets Equity	3.00%	0.00%	7.80%
Emerging Market Small Cap	4.00%	0.00%	6.50%
EAFE Small Cap Equity	3.00%	0.00%	6.50%
Global Real Estate	1.00%	0.00%	6.50%
Global Infrastructure and Utilities	1.00%	0.00%	6.50%
Other Satellites	0.00%	0.00%	6.50%
Total Satellites	**18.00%**	**13.00%**	**23.00%**
Managed Futures	3.50%	0.00%	6.50%
Style Premia	3.50%	0.00%	6.50%
Other Alts	0.00%	0.00%	6.50%
Total Alternatives	**7.00%**	**0.00%**	**10.00%**
US Government Fixed Income	17.00%	10.00%	26.00%
US Credit Fixed Income	17.00%	10.00%	26.00%
Cash	1.00%	0.00%	2.00%
Total Fixed Income	**35.00%**	**30.00%**	**40.00%**

4. **Endowment Fund**

The Endowment Fund was established primarily to provide tuition assistance for students in need of financial aid with the goal of providing 100% of the financial assistance budgeted by the school assuming an annual distribution determined by the spending policy adopted by the Board.

Should the endowment fund exceed the critical mass necessary to fully fund financial aid, the secondary goal is to provide funding for ongoing capital improvements. The current target equity allocation is 70% with 30% allocated to fixed income.

The monies within this fund are restricted.

Portfolio Return Objective:	Long-term Growth with Income
Risk Tolerance:	Moderate
Time Horizon:	Long
Liquidity:	1% Cash Buffer

	Endowment Fund		
Asset Allocation	**Current**	**Range -**	**Range +**
US Large Cap Equity	28.00%	17.50%	38.50%
US Mid Cap Equity	2.00%	0.00%	7.00%
US Small Cap Equity	1.00%	0.00%	7.00%
EAFE Equity	12.00%	5.60%	14.00%
Total Core Equity	**43.00%**	**38.00%**	**58.00%**
US High Yield	4.00%	0.00%	7.00%
Emerging Debt	4.00%	0.00%	7.00%
Emerging Markets Equity	3.00%	0.00%	8.40%
Emerging Market Small Cap	3.00%	0.00%	7.00%
EAFE Small Cap Equity	3.00%	0.00%	7.00%
Global Real Estate	1.50%	0.00%	7.00%
Global Infrastructure and Utilities	1.50%	0.00%	7.00%
Other Satellites	0.00%	0.00%	7.00%
Total Satellites	**20.00%**	**15.00%**	**25.00%**
Managed Futures	3.50%	0.00%	7.00%
Style Premia	3.50%	0.00%	7.00%
Other Alts	0.00%	0.00%	7.00%
Total Alternatives	**7.00%**	**0.00%**	**10.00%**
US Government Fixed Income	14.50%	9.50%	22.500%
US Credit Fixed Income	14.50%	9.50%	22.500%
Cash	1.00%	0.00%	2.00%
Total Fixed Income	**30.00%**	**25.00%**	**35.00%**

ENDOWMENT FUND SPENDING POLICY:
Annual endowment income available for spending is defined as an amount equal to a percent not to exceed 4.5% annually of the average net fair market values of the assets held in the fund on the last day of the current accounting quarter and the net fair market values of the assets held in the fund on the last business days of each of the 11 prior accounting quarters (a 3 year rolling quarterly average).

Income in excess of amounts appropriated and spent shall be retained in the endowment and used to preserve the purchasing power of endowment principal against erosion from inflation.

PERFORMANCE MEASUREMENT: The following benchmarks will be used to measure investment performance:

1. Cash: 90 Day US Treasury Bill Rate
2. U.S. Equities: S&P 500 Total Return Index
3. International Equities: MSCI Developed EAFE
4. Real Estate: FTSE EPRA/NAREIT Developed
5. Alternatives: 90-Day US Treasury Bill
6. Commodities: Bloomberg Commodity Trust Index
7. Taxable Fixed Income: Barclays Intermediate Government/Credit Index.
8. International Fixed Income: Barclays Capital Global Aggregate Bond Index
9. High Yield Fixed Income: Barclays Capital High Yield Bond Index
10. Blended Benchmark: MSCI ACWI /Barclay Intermediate Gov't/Cred or MSCI Global Index iShares/Barclays Bond Aggregate.

UPDATED ALLOCATIONS:
From time to time, it may be desirable to amend the basic allocation policy or calculations within any of the four funds. When such changes are recommended, updates will be discussed and sent to the Finance Committee of the Board and, if approved, an amendment will be made to this IPS.

REBALANCING PROCEDURES:
Market conditions over time will cause the funds' investments in various asset classes to vary from the established allocations. To remain consistent with the asset allocation guidelines for each fund as established by this IPS, as needed, the Investment Advisor(s) will review the funds and each asset class in which the funds are invested. If the actual equity versus non-equity weightings differ from their respective target weightings by 5 percentage points or more within a fund, the Investment Advisor(s) will rebalance the funds to their recommended allocations. Notifications of any rebalancing shall be provided to the Finance Committee of the Board by the Investment Advisor(s).

DISTRIBUTIONS:
Distributions will be determined and approved by the School through the authorized persons.

COMMUNICATIONS:
The Board, or its designated committee, shall meet with the Investment Advisor(s) at least twice annually to review the portfolio's performance and asset allocation. The portfolio will also be reviewed regularly to ensure adherence to the guidelines set forth in this IPS. The Board has the discretion to request formal reviews of the investment portfolio on a more frequent basis.

POLICY REVIEW:

The Board, or its designated committee, and the Investment Advisor(s) shall review this policy periodically, but not less often than annually, and make suitable adjustments which they deem advisable.

DEFINITIONS:

- U.S. Stocks: Stocks of U.S. based companies the primary shares of which are traded on a major U.S. exchange.
- International Stocks: Stocks of non-U.S. based companies, the primary shares of which are traded on exchanges outside the U.S. American Depository Receipts (ADRs) are considered International Stocks.
- Emerging Markets Stocks: Stocks of non-U.S. based companies that are expected to experience significant growth. Investing in these countries has potential for greater returns, but it also carries more risk than typical domestic investing.
- U.S. Government/Corporate Bonds: Fixed income securities denominated in U.S. dollars issued by the U.S. Government, U.S. Government Agencies or U.S. corporations
- High Yield Corporate Bonds: Bonds issued by U.S. corporations and the majority of the bonds are rated below BBB/Baa.
- International Bonds: Fixed income securities denominated in currencies other than U.S. dollars. Issuers may be both governments and corporations
- Commodities: Raw materials or agricultural products such as food, energy, or precious metals.
- Real Estate: Publicly-traded stocks of U.S. and non-U.S. based companies that invest in real estate property, either directly or through mortgages, and derive their revenue primarily from rents and interest earned on mortgage loans.
- Alternatives: Investment vehicles and strategies not typically included in the asset classes described above. Alternative investments may include, but are not limited to: hedge funds, managed futures products, and private equity, as well as mutual funds and exchange traded funds that implement similar strategies
- Custodian: The Financial Institution that has responsibility for the safekeeping and bookkeeping of the securities held in the portfolio for De Smet Jesuit High School. The Custodian may be the same entity with De Smet Jesuit High School's Investment Manager. However, if the Custodian and Investment Manager are separate entities the Custodian has no investment responsibility.
- Investment Manager: The Financial Institution that has the responsibility to provide objective investment advice, make recommendations and actively managed the securities that make up the investment portfolio for De Smet Jesuit High School. Recommendations by the Investment Manager as to how the assets are invested in De Smet Jesuit High School should be in accordance to this Investment Policy Statement.

ADOPTION:

____
School President

____
CFO

11-17-2020
____
Date