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# **DIOCESAN FUND D “ESG” MANAGER PROFILES**

## Core Equity Fund

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**Objective:** The fund seeks to outperform the S&P 500 index with a tracking error between 3% and 7%.

**Team:** The (CIO) and (CEO) are responsible for implementing the investment strategy and are supported by 14 sector specific analysts, including ESG research analysts.

**Process:** The portfolio managers seeks to identify companies with increasingly relevant products or services, sustainable competitive advantages, quality management teams and positive ESG profiles. The Fund initially excludes companies that derive greater than 10% of their revenue from fossil fuels, alcohol, weapons, tobacco, gambling, or nuclear power generation. They then screen out all bottom quartile ESG companies ranked by external providers MSCI and Sustainalytics. Once a company has passed the exclusionary screens the team conducts a qualitative assessment of ESG risks and opportunities. After the ESG qualitative assessment, the team conducts fundamental analysis on the remaining 150 companies to create a portfolio of approximately 40 companies.

## Non-US International Fund

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**Objective:** The fund seeks to outperform the MSCI EAFE Index by approximately 2% – 3% gross of fees over a full market cycle, while maintaining a tracking error range of 2% – 4%.

**Team:** The investment team consists of 11 research professionals, including seven research analysts. The PMs responsible for this strategy leverage the Quantitative Investment Group's 22 equity traders and 18 macro strategists in the research and implementation of the strategy.

**Process:** The strategy is managed through a two-step process designed to capitalize on the strengths of the two step process joint companies of the Fund. One sets ESG guidelines for each asset class and develops an approved universe of companies, while the second utilizes factor-based quantitative tools to select investments from among those which the firm has deemed eligible for investment.

## Fixed Income Total Return ESG

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**Objective:** The fund invests primarily in investment-grade debt securities, but may invest up to 20% of its total assets in high yield securities, as well as up to 15% in securities and instruments that are economically tied to emerging market countries.

**Team:** The strategy is managed by permanent members of the Investment Committee dedicated ESG investment team.

**Process: The Firm's** ESG philosophy is to 1) overweight companies with business models and/or key products likely to produce a positive social impact, 2) engage with companies that have average to below-average ESG scores relative to peers, have potential for ESG core improvement over time and/or are receptive to engagement, and 3) exclude companies which have below average ESG scores, issuers involved in controversies or are non-receptive to engagement efforts.

# I Diocesan Investment Policy Statement Updated for ESG Fund 2021

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**J. Environmental Social and Governance Investments:** As Fiduciaries, this committee and Investment Policy Statement must make decisions in the best interest of all beneficiaries regardless of individual parish, or personal preferences or values. However, a parish MAY direct the Investment Fund Committee to invest the particular funds of that Parish to be in a diversified account which follows the UN Principles of Environmental, Social and Governance guidelines. The Parish in so doing this direction, makes the Investment Fund Committee and the Diocese of Northern California DIRECTED AGENTS; only for this investment direction. All other Fiduciary Responsibilities and requirements on the part of the Investment Committee and Diocese stand as with the Funds A, B and C.

For informational purposes only, the following definitions are what guide the investment selection rather than a list of companies that may or may not be held at any one time in history:

**Environmental:** How a company performs as a steward of the natural environment. Examples include a company's carbon footprint (climate change), energy sources (natural resources), and pollution standards.

**Social:** A company's relationship with its stakeholders, predominantly employees. Examples include working conditions, employee diversity, product safety, and data privacy/security.

**Governance:** The quality of a firm's governance practices from the perspective of its shareholders. Examples include executive compensation, Board structure, and accounting standards.

## VIII PERFORMANCE MONITORING GUIDELINES/REVIEW FOCUS

The Investment Fund Committee will review the performance for the Funds quarterly in total and for each asset class and investment Advisor against appropriate benchmarks. It is not expected that this Investment Policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in the Investment Policy.