



## **Pension Plan Investment Policy**

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## **I. Introduction**

The Universidad del Sagrado Corazón sponsors a defined benefit pension plan, the Universidad del Sagrado Corazón Pension Plan, which is a "church plan", as such term is defined by Internal Revenue Code § 401(a)(9)(C)(iv). Effective October 1, 2006 the Pension Plan was amended to freeze all benefit accruals. The assets of the pension plan are held in a trust fund created by the University pursuant to a certain deed of trust.

The University has established a contribution policy which informs this Investment Policy. Both policies have been formulated with the objective of achieving, to the extent possible, a fully funded status on a termination basis that would allow, to the extent possible, that all the benefits contemplated in the Pension Plan be actually paid to the Pension Plan's participants.

This document specifies the selection of a suitable combination of investment alternatives, levels of investment risk, and the rates of return which will satisfy the investment objectives for the Pension Plan. This Investment Policy is not intended to direct any Investment Manager (each, a "Manager") to purchase (or sell) any specific security or effect (or refrain from effecting) any specific investment transaction. Each Investment Manager should have full investment discretion in investing Pension Plan assets with which it is entrusted in accordance with Investment Policy. Neither the University nor the Pension Plan shall be liable for any acts or omissions by any Investment Manager or be under any obligation to invest or otherwise manage Pension Plan assets subject to the investment management supervision of any such Investment Manager.

All modifications of this policy shall be in writing, approved by the proper procedures and communicated to the Investment Manager(s) before they become binding. This Investment Policy supersedes all prior written investment policies for the Pension Plan.

## **II. Purpose of this Statement of Investment Policy**

- A. Outline the investment objectives, goals and guidelines for the Pension Plan Fund.
- B. Foster a clear understanding between the Finance and Investment Committee and the Investment Manager(s) ("Manager" or "Managers") and the Investment Management Consultant concerning the investment policies and objectives of the Pension Plan.
  - 1. To give Investment Managers of separately managed accounts ("SMA") clearly specified guidance and limits in the investment of the Pension Plan Fund's assets.
  - 2. To provide the Finance and Investment Committee with a meaningful basis for the evaluation of the portfolio management and the performance of the aggregate Pension Plan Fund's investments, in order that the Committee can meet its fiduciary responsibility to prudently monitor the investments of the Pension Plan Fund and the performance of the Investment Manager(s).

C. Specify a suitable combination of investment alternatives, levels of investment risk, and rates of return which will satisfy the investment objectives for the Pension Plan.

D. Definitions:

1. **"Agent"** will mean a person or business authorized to act on behalf of the Pension Plan Fund. The Pension Plan may delegate certain responsibilities, sometimes through a Limited Power of Attorney, to agents such as Investment Managers, Investment Management Consultants and Legal Counsel.
2. **"Pension Plan"** will mean the Universidad del Sagrado Corazón Pension Plan, as established and restated pursuant to a certain plan document approved by the Board of Trustees of the University on June 25, 2020, as said plan document may be amended from time to time.
3. **"Pension Plan Fund"** will mean the fund established for the custody and the investment of the contributions to and the assets of the Pension Plan, pursuant to a certain deed of trust restated and executed on July 1, 2020. The Pension Plan Fund is part of and belongs to the Pension Plan. This Investment Policy may refer to the Pension Plan and the Pension Plan Fund interchangeably.
4. **"Administrative Committee"** will refer the Pension Plan Administrative Committee that operates pursuant to a charter approved by the Board of Trustees of the University, and is responsible for the administration of the Pension Plan, including the investment of the assets in the Pension Plan Fund.
5. **"Finance and Investment Committee"** is a committee of the Board of Trustees of the University to which the Administrative Committee has delegated the responsibility to direct and oversee the Pension Plan Fund's investments.
6. **"University CFO"** shall mean the Chief Financial Officer of the University who is also a member of the Administrative Committee.
7. **"Fiduciary"** will mean any organization, individual or group of individuals that exercise discretionary authority or control over the Pension Plan Fund's management or any authority or control over management, disposition or administration of Pension Plan Fund's assets.
8. **"Investment Horizon"** will be the time period over which the investment objectives, as set forth in this statement, are expected to be met.
9. **"Investment Manager"** will mean any organization, individual group or individuals, employed to manage the investments of all or part of the Pension Plan Fund's assets.

10. **"Investment Management Consultant"** or **"Consultant"** will mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search and performance monitoring.
  11. **"Securities"** will refer to the marketable or non-marketable investment securities that have been defined as acceptable in this statement.
  12. **"University"** will refer to the Universidad del Sagrado Corazón.
  13. **"Investment Policy"** shall refer to the present Pension Plan Investment Policy and its addenda, as they may be amended from time to time.
- E. All modifications of this policy shall be in writing, approved and communicated to the Manager(s) before they become binding. This Investment Policy supersedes all prior investment policies for the Pension Plan Fund.

### III. Governance

A. The Pension Plan Administrative Committee.

1. The Administrative Committee was created pursuant to the Pension Plan's Document and operates pursuant to a charter approved by the Board of Trustees of the University.
2. The Administrative Committee, acting pursuant to the authority granted by its charter, has delegated to the Finance and Investment Committee of the Board of Trustees the responsibility for the investment of the assets in the Pension Plan Fund.

B. Relationship of the Finance and Investment Committee and the Board of Trustees of the University.

1. The Finance and Investment Committee is a committee of the Board of Trustees.
  - a. The Investment Policy is established by the Finance and Investment Committee pursuant to a delegation from the Administrative Committee and has been ratified by the Administrative Committee.
  - b. The implementation of the Investment Policy is delegated to the Finance and Investment Committee.
2. The Finance and Investment Committee reports to the Board of Trustees on a regular basis.

C. Responsibility of the Finance and Investment Committee.

1. In general, as per the delegation from the Administrative Committee, develop and Investment Policy appropriate for the Pension Plan and the University, and present the same to the Administrative Committee for approval.
2. In the context of a retirement plan, developing management and investment decisions about individual asset allocation and manager selection. These

- decisions must not be made in isolation but rather in the context of the Pension Plan Fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Pension Plan Fund. In managing and investing in any pension plan, the following factors, if relevant, must be considered:
- a) Funded status of the Pension Plan as determined by the plan's actuary
  - b) Contribution policy of the University
  - c) general economic conditions;
  - d) the possible effect of inflation or deflation;
  - e) the expected tax consequences, if any, of investment decisions or strategies;
  - f) the role that each investment or course of action plays within the overall investment portfolio of the Pension Plan Fund;
  - g) the expected total return from income and the appreciation of investments; and
  - h) the liquidity needs of the Pension Plan to make benefit payments.
3. Determining the Pension Plan Fund's risk tolerance and Investment Horizon, and communicating these to the appropriate parties.
  4. Approve an asset allocation model for the Pension Plan Fund, including consideration of the appropriate rates of return and risk for such funds.
  5. Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Pension Plan Fund's assets.
  6. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Management Consultant (s), and Custodian(s).
  7. Evaluating the performance of each of the Investment Managers quarterly, and other professionals from time to time, to assure adherence to policy guidelines and monitoring the investment objectives progress.
  8. Developing and enacting proper control procedures: For example, replacing a consultant or manager due to a material change in investment management process, or failure to comply with established guidelines.
  9. Report to the Board of Trustees on the investment performance and financial condition of the Pension Plan Fund.
  10. Report to the Administrative Committee the investment performance and financial condition of the Pension Plan Fund.
  11. Act in good faith, with the care an ordinarily prudent person would exercise.
  12. Incur only reasonable costs in investing and managing funds.
  13. Make a reasonable effort to verify relevant facts.
  14. Diversify investments unless due to special circumstances, the purposes of the Pension Plan Fund are better served without diversification.
  15. Dispose of unsuitable assets in a timely and cost-effective manner.

#### D. Finance and Investment Committee Delegation

The Finance and Investment Committee, acting pursuant to a delegation from the Administrative Committee, is a fiduciary and is responsible for directing and monitoring the investment management of Pension Plan Fund assets. As such, the Finance and Investment Committee is authorized to delegate certain responsibilities to professional experts in various fields. These professional experts include, but are not limited to:

- a. **Investment Manager(s):** The Investment Managers of separate accounts have discretion to manage specific securities to meet policy objectives and guidelines, purchase, sell, or hold specific securities that will be used to meet the Pension Plan's investment objectives.
- b. **Investment Management Consultant.** The "Consultant" will assist the Finance and Investment Committee in establishing investment policy, objectives, and guidelines; selecting Investment Managers (and vehicles); reviewing such Investment Managers over time; and measuring and evaluating investment performance and other tasks as deemed appropriate.
- c. **Custodian:** For accounts managed on a separate account basis, the Custodian will physically (or through agreement with a Sub-Custodian) maintain possession of securities owned by the Pension Plan Fund, collect dividend and interest payments, redeem maturing securities, and effect delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as the movement of assets into and out of Pension Plan Fund accounts.
- d. Additional specialists such as attorneys, accountants, auditors, and others may be engaged or employed by the Finance and Investment Committee and/or the Administrative Committee to assist in meeting their responsibilities and obligations to administer the Pension Plan's assets prudently. If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary, reasonable, provided for contractually, and will be borne by the Pension Plan as deemed appropriate and necessary.
- e. A delegate must be a person who has special skills or expertise, or is selected in reliance upon the person's representation that the person has special skills or expertise, and has a duty to use those skills or that expertise in managing and investing funds. The Finance and Investment Committee, and its delegates individually, shall act in good faith with the care that ordinarily prudent persons in a like position would exercise under similar circumstances, in:
  - a. selecting an agent;
  - b. establishing the scope and terms of any delegation of responsibility, consistent with the purposes of the institution and the Pension Plan; and committing the scope and terms established to paper;
  - c. periodically reviewing agent actions in order to monitor agent performance and compliance within the scope and terms of delegation.

#### D. The Administrative Committee and University Management

The Administrative Committee is responsible for the execution of the decisions of the Finance and Investment Committee with respect to the Pension Plan Fund pursuant to this Investment Policy. The University CFO shall be the main member of the Administrative Committee responsible for this execution but the Administrative Committee may delegate on other members of the University Management. Any action entrusted or authorized by this Investment Policy to the University CFO may

also be executed by the University's President as the University's Chief Executive Officer. Similarly, any communication or report to be addressed or directed to the University CFO under this Investment Policy, should also be addressed to the University's President.

#### E. Responsibilities of Investment Managers

##### 1. Use of Pooled Vehicles

This section of the Investment Policy is written primarily for Investment Managers of separate accounts. However, in order to implement certain strategies and asset allocation decisions in a prudent manner, the Pension Plan Fund may from time to time invest in pooled vehicles (e.g. mutual funds, bank commingled funds, limited partnerships, exchange traded funds, etc.). While the Finance and Investment Committee acknowledges that the pooled vehicle must adhere to the vehicles' governing documents (e.g. prospectus, private placement memorandum, etc.) the Finance and Investment Committee will attempt to only invest in vehicles that have policies that are largely consistent with the spirit and intent of this Investment Policy.

##### 2. Multi-manager Approach

The Finance and Investment Committee utilizes a multi-manager approach to implement its investment program within the Pension Plan Fund. For some of the Pension Plan Fund's Investment Managers, an addendum detailing their specific guidelines and goals, reflecting their role within the overall investment structure, may be attached to this Investment Policy from time to time. Unless specifically addressed in their specific addendum, the Investment Managers shall adhere to this Investment Policy.

##### 3. Adherence to the Investment Policy

1. Each Investment Manager is expected to respect and observe the specific limitations, guidelines, attitudes, and philosophies stated herein, or as expressed in any written amendments or instructions. This Investment Policy shall be considered incorporated into, and part of, any contract between each Investment Manager and the Pension Plan.
2. Each Investment Manager's acceptance of the responsibility to manage assets within the Pension Plan Fund constitutes ratification of this Investment Policy as it pertains to the assets assigned to them and affirms the belief that they are realistically capable of achieving the Pension Plan's objectives within the guidelines and limitations stated in this Investment Policy.
3. In the event that an Investment Manager violates this Investment Policy (including amendments thereto as the University may make from time to time) and the Pension Plan Fund sustains losses due to said unauthorized investments, the Investment Manager will be 100% liable for all said losses (including attorney's fees), irrespective of when the breach is discovered.

#### 4. Discretionary Authority

Each separate account Investment Manager is responsible for making all investment decisions on a discretionary basis regarding the assets placed under its management and is accountable for achieving the investment objectives indicated herein. Such discretion shall include decisions to buy, hold and sell securities in amounts and proportions that are reflective of the Investment Manager's current investment strategy and compatible with the Pension Plan fund's investment guidelines.

#### 5. Communication

- a) Investment Manager(s) must keep the Finance and Investment Committee, the University CFO, and the Investment Management Consultant, informed on a timely basis of major changes in its investment outlook, investment strategy, asset allocation, securities held and other matters affecting their investment policies or philosophy.
- b) Investment Manager(s) must immediately inform the Finance and Investment Committee, the University CFO, and the Investment Management Consultant of any significant changes in the ownership, senior staffing of the Investment Manager's firm, organizational structure, or financial condition (including the loss of a 10%, or greater of clients measured by assets).
- c) Each Investment Manager is obligated to immediately inform the Finance and Investment Committee, the University CFO, and the Investment Management Consultant, in writing, of any violations of this Investment Policy.
- d) Each Investment Manager shall at all times be registered in good standing as an investment advisor under the Investment Advisors Act of 1940, and by signing these guidelines, acknowledges in writing that it is a "fiduciary" of the University and the Pension Plan.
- e) Each Investment Manager is responsible for reviewing this document at least annually (or more frequently, as the Finance and Investment Committee, the University CFO or the Investment Management Consultant deem necessary). Whenever the Investment Manager believes any particular guideline or objective should be changed, added or deleted, it is the responsibility of each Investment Manager to initiate communication with the Finance and Investment Committee, the University CFO, and the Investment Management Consultant.
- f) All communications and reporting directed to the Finance and Investment Committee shall be addressed to the chairperson of said committee, unless said chairperson requests that they be addressed also to other members of the committee.

## 6. Reporting

- a) The Finance and Investment Committee, the University CFO, and the Investment Management Consultant, are to receive timely notices of transaction activities, as well as periodic reports. To accomplish this, the following is to be sent to the Finance and Investment Committee, the University CFO and the Investment Management Consultant:
- b) Performance (net of all fees)
  - a. Monthly: Monthly reporting shall include: month and year-to-date rates of return, month-end holdings at market value and a summary of the month's transactions, plus any unusual situations.
  - b. Quarterly:
    - i. End-of-quarter valuations in accordance with each Investment Manager's usual format, containing cost and market valuations by security and holdings by industry segmentations.
    - ii. Written reports by each Investment Manager in sufficient detail and commentary so as to properly apprise the Finance and Investment Committee, the University CFO, and the Investment Management Consultant as to information of an important nature, such as unusual market activity, changes in the corporate structure, philosophy or investment structure.
    - iii. Quality ratings of the fixed income investments, including: average quality, a listing of any securities below the minimum quality standards stated in this investment policy statement, and the Investment Manager's plans regarding the prudent disposition of these below minimum securities.
    - iv. As needed: Meetings shall be held between each Investment Manager and the Finance and Investment Committee and/or the University CFO to discuss/review performance, investment strategy, organizational changes and any other pertinent matters.
- c. A record of all actions of the Investment Manager on behalf of the Pension Plan, along with any Brokerage Commission Report (including any fees paid pursuant to Securities and Exchange Commission "SEC" Rule 12b-1). The Brokerage Commission Report shall include records of the broker used on each transaction and the amount paid to each such broker, along with any other pertinent information. (In addition to being included in the quarterly reports, information associated with the Brokerage Commission Report shall be available upon request of the Finance and Investment Committee, the University CFO, or the Investment Management Consultant any time.)
- d. Derivative Use Report (include as part of quarterly report).
- e. Compliance Reporting:
  - i. On a quarterly basis, within 30 days of the end of each quarter, each Investment Manager shall provide the University's President, the University's CFO, the President of the Administrative Committee

and the Investment Management Consultant with a letter detailing compliance with this Investment Policy for the prior quarter. An authorized officer of the Investment Manager's firm shall certify this letter.

- ii. At the periodic meetings with the Finance and Investment Committee and/or the University CFO, each Investment Manager shall provide a written report detailing compliance or non-compliance with these investment guidelines.

f. Reconciliation

Every month, each Investment Manager of separate accounts shall provide a complete reconciliation of its account to the Custodian for the report of holdings and transactions. Any material differences that are discovered must be promptly reported to the Finance and Investment Committee, the University CFO and the Investment Management Consultant in writing. The Pension Plan may choose not to pay an Investment Manager's invoice until this report is received.

E. Responsibilities of the Investment Management Consultant

The Investment Management Consultant's role is that of a non-discretionary advisor to the Pension Plan. Investment advice concerning the investment management of the Pension Plan's assets is provided by the Investment Management Consultant, and is to be consistent with the investment objectives, policies, guidelines and constraints established in this statement. Specific responsibilities of the Investment Management Consultant include:

1. Assisting in the development and periodic review of the Investment Policy, including asset allocation.
2. Conducting Investment Manager searches when requested by the Finance and Investment Committee, or the University CFO.
3. Providing continuing "due diligence" and research on the Investment Managers.
4. Monitoring the performance of the Investment Managers to provide the Finance and Investment Committee with the ability to determine progress toward investment objectives.
5. Reviewing the Pension Plan Fund's investment history, historical capital market performance and the contents of this Investment Policy for any newly-appointed members of the Finance and Investment Committee or the Administrative Committee.
6. Reporting to the Finance and Investment Committee or the University CFO as requested.
7. Providing an analysis of capital market results and the impact on the Pension Plan Fund.

## IV. Investment Objectives & Goals

### A. Investment Objectives

The Pension Plan Fund is a multi-asset portfolio composed of equity, alternative investments, fixed income and cash equivalent securities and, as such, is intended to be more aggressive than fixed income approaches and less aggressive than equity-oriented portfolios. In this context, "aggressive" relates to such issues as investment vehicles, diversification among economic and industry sectors and individual securities, security and vehicle liquidity, and expected long-term rates of return and return volatility.

The Pension Plan Fund is to be managed on a total return basis. No minimum yield or income requirement has been established.

The assets of the Pension Plan Fund will be diversified among several Investment Managers. Within this framework, the overall investment objectives for the Pension Plan Fund are stated below in order of importance:

1. **Exceed the Actuarial Assumed Discount Rate** - Exceed, after fees, the discount\interest rate used to discount Pension Plan liabilities as determined by the Pension Plan's actuary.
2. **Reduce Plan Deficit** - It is recognized that, on occasion, short-term fluctuations may result in the depreciation of capital earned (i.e., rates of return below those assumed by the actuary). However, in the absence of contributions and withdrawals, the Pension Plan's deficit should decline in the long-run and earn rates of return in excess of the liability discount rate.

### B. Investment Goals

Consistent with the investment objectives stated above, the Pension Plan Fund is expected to achieve each of the absolute goals and at least two of the following four relative goals, over a complete economic market cycle, usually three to five years.

#### **Absolute Goals:**

1. **Earn Absolute Return:** on a net of fee basis, earn a total return at or above the Pension Plan's actuarial assumed interest rate of 6.0%. The University, in consultation with the Plan's actuaries and other professionals, may determine that a higher or a lower total return goal is appropriate. At the time of the approval of the University's budget for the subsequent fiscal year, the Finance and Investment Committee may recommend to the Board of Trustees and the Pension Plan Administrative Committee any change with respect to the applicable total return goal. Once revised, the revised total return goal shall remain in effect until modified or revoked.
2. **Control Deficit Risk:** manage the downside volatility of the funded status of the Pension Plan by tracking error to the projected liabilities of the Pension Plan, using a liability benchmark as a proxy.

## Relative Goals:

1. **Exceed Asset Class Benchmarks (Policy Index):** To exceed, net of all fees, a Policy Index comprised of passive indexes (S&P 500 Index + MSCI EAFE Index +Bloomberg Barclay's Intermediate Government\Credit Bond Index, HFRI Fund of Funds Index, US 3 Month Treasury Bills, etc.) based upon the Pension Plan Fund's target mix among various asset classes.
2. **Positive Risk Adjusted Performance:** To achieve, net of all fees, positive risk-adjusted results relative to the Policy Index (positive alpha).
3. **Control Volatility:** the Pension Plan Fund's investment results not to exceed 125% of the standard deviation of the Policy Index.
4. **Exceed Average of Peer Group:** To achieve a total return in the top half of a representative universe of professionally managed funds. Average ranking over a given market cycle is the performance criterion rather than the ranking achieved in any one specific year.

The investment goals above are the objectives of the aggregate Pension Plan Fund and are not meant to be imposed on each Investment Manager (if more than one manager is used). Specific investment goals and constraints for each Investment Manager, if any, shall be incorporated as addenda to this Investment policy. Each Investment Manager may receive a written statement outlining its specific goals and constraints as they differ from those objectives of the entire fund of the Pension Plan, which statement shall be included as an addendum to this Investment Policy.

## V. Asset Allocation Guidelines

The Pension Plan Fund should be well-diversified among a range of traditional and alternative asset classes, consistent with the investment objectives of a pool with an intermediate to long term horizon. Within each asset class, the Finance and Investment Committee may invest directly in short-term securities as well as employ a diversified roster of professional Investment Managers across a broad range of strategies. Asset allocation is reviewed by the Finance and Investment Committee at each meeting and the portfolio is rebalanced, as appropriate, in accordance with ranges set for the Pension Plan Fund.

The asset mix policy ranges below represent a view of a strategic asset allocation. As such, rapid and significant market movements may cause the Pension Plan Fund's actual asset mix to occasionally fall outside the target range but it is expected that any divergence should be of a short-term nature.

It shall be the policy of the Pension Plan to invest the assets in accordance with the maximum and minimum range for each asset category as stated below:

<b>Asset Category</b>	<b>Long-term Target</b>	<b>Minimum</b>	<b>Maximum</b>
Cash & Short-Term Investment	0%	-	-
Global Fixed Income	35%	<del>25%</del> 20%	<del>45%</del> 60%
Global Equities	<del>50%</del> 55%	<del>40%</del> 30%	<del>60%</del> 65%
Diversifying Alternative Investments	<del>15%</del> 10%	<del>10%</del> 0%	<del>25%</del> 20%
Real Assets	0%	-	- 10%
Multi-Asset & Tactical Asset Allocation	0%	-	- 10%
Liability Drive\Hedging	0%	-	- TBD

## VI. Asset Class Descriptions

### Traditional Strategies

The goal of the traditional strategies portion of the portfolio is to generate long term returns, net of fees, in excess of the relevant public market benchmarks for the active managers and to match benchmark returns, gross of fees, for the index funds.

#### Cash & Equivalents

Money market funds and short-term securities generally with final maturities of less than one year, including but not limited to: U.S. Treasuries and Agencies, Commercial paper rated A1 or P1, Certificates of Deposit.

Uninvested cash balances should be maintained at a minimum at all times (unless it is clearly prudent not to do so) through the immediate investment of available funds in short-term security holdings, or other appropriate and prudent money market instruments.

#### Global Fixed Income

U.S., international and emerging market bonds diversified by issuer, maturity, sector and credit rating; cash & cash equivalents.

Taxable and Tax-exempt municipal bonds and 501.c.3 issuers are permitted provided such bonds have the potential to provide a clear economic advantage to a tax-exempt institution versus a taxable security based on a similar risk profile and all municipal and 501.c.3 bonds must be rated A3/A- or better at time of purchase.

Mortgage related and asset backed securities are permitted with the following exceptions: subordinated debt is prohibited; all agency and non-agency CMO's must be rated AA or better; IOs, POs, Inverse floaters and all other highly leveraged tranches are prohibited.

US Domestic Equity	Publicly traded stock and convertible bonds of U.S. corporations diversified by issuer, sector, market capitalization and style
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International Equity	Publicly traded stock and convertible bonds of non-U.S. corporations in developed and emerging countries diversified by geography, country, sector, issuer, currency, market capitalization and style
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### Alternative Investments

Diversifying Alternative Strategies & Real Assets	U.S. and global long/short equity, distressed debt, arbitrage, global macro, multi-strategy, commodities, real estate and other specialized approaches generally invested through limited partnership vehicles, some of which may have limited liquidity.
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Private Capital	Diversified approach to nonmarketable, private equity and debt securities by investing as a limited partner in fund managers potentially invested across multiple strategies (venture, growth equity, buyout, real assets and secondary funds), stages, industries, geographies, and vintage years.
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The goal of the private equity portion of the portfolio is to generate long term returns significantly higher than public equity markets.

### Liability Driven Investments ("LDI")

An approach of investing in a portfolio of fixed income securities, consisting primarily of credit, designed to closely match the projected cash flows of the pension fund, as defined by the Pension Plan's actuary, and hedging interest rate risks.

The Finance and Investment Committee may at its discretion invest directly in a variety of portfolio hedging instruments as a means to manage risk in the context of overall portfolio strategy and in accordance with the investment objectives of the Pension Plan Fund.

### Multi-Asset/Global Tactical Allocation

The purpose of investing with Multi-Asset/Global Tactical Allocation Managers is to further diversify the Pension Plan Fund's assets and investment strategies by

employing managers with dynamic asset allocation approaches. These Investment Managers target real (after-inflation) returns from a global opportunity set of traditional and alternative asset classes. The resulting portfolio seeks to protect purchasing power and offer broader diversification than a traditional portfolio of just stocks, bonds and cash. The exposure to risk asset classes in the category will be monitored so as to control the total Pension Plan Fund's exposure to such asset classes.

## **VII. Investment Guidelines**

- A. Leverage: While leverage may be utilized by the alternative Investment Managers, the assets of the Pension Plan Fund should be invested in such a manner and in appropriate vehicles so as to avoid unrelated business taxable income ("UBTI").
- B. Liquidity and Marketability: all traditional securities purchased must have adequate market liquidity at the time of purchase as well as a reasonable expectation of adequate liquidity following purchase. Liquidity and marketability of a security relate to the Pension Plan Fund's holding as well as the Investment Manager's total firm-wide holding in a security.
- C. Realization of gains and losses should be viewed solely in terms of investment merits as the Pension Plan Fund is a tax-exempt entity.
- D. Proxy Voting: All proxies are to be voted by the Investment Manager(s) in the best interest of the Pension Plan and are to be consistent with the objectives and goals of the Pension Plan Fund as stated in this Investment Policy. In connection with the voting of proxies, the Investment Manager should follow the following guidelines:
  - 1. Each proxy is to be voted in the best interest of the Pension Plan.
  - 2. Each proxy is to be voted unless it is clearly prudent not to do so.
  - 3. Each proxy is to be reviewed on a case-by-case basis.
  - 4. A record must be maintained with respect to all proxy decisions and the Investment Manager's rationale for voting and their vote. This record is to be retained and reported periodically to the University CFO.
- E. Execution of Transactions
  - 1. In placing portfolio transaction orders on behalf of the Pension Plan Fund, each Investment Manager shall obtain execution of orders through well capitalized, qualified broker-dealers at the most favorable prices, "best" commission rates and spreads, taking into consideration the efficiency of execution of the transaction.
  - 2. The Investment Manager is prohibited from utilizing a broker-dealer who is an affiliate of the Investment Manager.
- F. Prohibited Investments

1. Securities of the Investment Manager, the Custodian, their parents or subsidiaries (excluding money market funds) or any other security that could be considered a self-dealing transaction.
2. Securities issued by the University or its affiliates.

## VIII. Performance Evaluation

### A. Pension Plan Fund

The Finance and Investment Committee evaluates the overall performance of the Pension Plan Fund over various time periods and market cycles relative to the objectives & goals stated in this Investment Policy, including its Addenda. In general, the Pension Plan Fund will be evaluated versus:

1. The Pension Plan's actuarial assumptions
2. A broad range of capital market indices
3. A policy benchmark comprised of various market indexes consistent with the long-term mix outlined in the Addenda
4. The Pension Plan Fund's Peer Group(s)

### B. Asset Classes

Overall performance for each asset class is evaluated relative to the following benchmarks:

<i>Traditional Strategies</i>	<i>Benchmark(s)</i>
Cash & Equivalents	3 Month US Treasury Bills
Fixed Income	Bloomberg Barclay's Intermediate Gov't\Credit Bloomberg Barclay's US Aggregate
US Domestic Equity	S&P 500 Russell 2000 or Russell 2500
International Equity	MSCI EAFE MSCI Emerging Markets
<i>Alternative Strategies</i>	
Diversifying Alternative Strategies & Real Assets	HFRI Fund of Fund Composite Index S&P GSCI S&P 500 CPI +
Private Capital	Vintage Year IRR Multiple of Invested Capital Public Market Equivalent
<i>Liability Driven Investments</i>	Bloomberg Barclay-Russell LDI

**C. Investment Managers:**

Performance of individual Investment Managers within each of the above asset classes is evaluated on a risk adjusted basis, net of fees, relative to the appropriate benchmark(s) over various times periods and market cycles.

**IX. Investment Manager Selection Criteria**

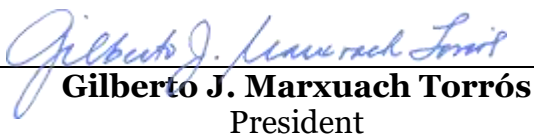
The Finance and Investment Committee seeks to identify best-in-class professional Investment Managers on a worldwide basis with demonstrated experience, expertise and reputation within the investment community. A rigorous process is employed to assess the fit with the Pension Plan. Numerous qualitative and quantitative factors are reviewed prior to selection, including the following:

- Organization & Ownership
  - Depth and breadth of experience: investment team\professionals
  - Assets under management for firm and its products
  - Financial stability & Business alignment
  - Regulatory & compliance standing
  - Client servicing
- Investment Approach
  - Well defined strategy
  - Strategy implementation & exposures
  - Alignment with investment objectives
  - Portfolio manager & research approach
  - Fit within the Pension Plan Fund's existing manager roster
- Ability to implement this Investment Policy
- Performance
  - Annualized volatility and returns, net of fees:
  - Over one, three, five, and ten-year periods
  - Over various market cycles
  - Relative to benchmarks, peers
- Operations, Trading & Facilities
- Legal & Regulatory
- Fee structure
- Vehicle type, Liquidity and Other Offering Terms

**X. Review and Evaluation**

- A. A monthly report of the transactions (all receipts and disbursements), as well as an Asset Summary listing all investment assets, costs, market prices, anticipated income and yields shall be sent by the Custodian to the University CFO and the Investment Management Consultant.

- B. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this Investment Policy.
- C. Each Investment Manager is encouraged to communicate with the Finance and Investment Committee, the University CFO, and the Investment Management Consultant, openly and frequently, in connection with all significant matters pertaining to investment policies and the management of the Pension Plan Fund assets. No Manager may act upon written or oral instructions from any person except the Finance and Investment Committee, or the University CFO.
- D. Whenever an Investment Manager believes that any particular investment guideline should be modified or deleted (or a new guideline added), it shall be the sole responsibility of the Investment Manager to promptly initiate written communications with the Finance and Investment Committee, the University CFO and the Investment Management Consultant. Such communication need not await a formal meeting of the Finance and Investment Committee, but should immediately be directed to the Finance and Investment Committee, the University CFO and the Investment Management Consultant.
- E. The Finance and Investment Committee reserves the right to terminate an Investment Manager, Investment Management Consultant or any other vendor at its sole discretion. Specific factors that the Finance and Investment Committee may consider in making its decision include without limitation:
  - 1. Violation of the Pension Plan risk guidelines and/or investment parameters;
  - 2. Manager's departure from investment discipline;
  - 3. Unacceptable justification of poor results;
  - 4. Significant change within Investment Management Firm; or
  - 5. Failure to meet the Investment Policy's communication and reporting requirements.

  
**Gilberto J. Marxuach Torrós**  
President

Date: February 11, 2021

**Universidad del Sagrado Corazón**  
**Master Investment Policy Statement**  
**Addendum for Mesirow**

**Stated Investment Strategy:** Intermediate-duration fixed income

The Universidad del Sagrado Corazón Pension Plan has established an Investment Policy to state the overall attitudes, guidelines and philosophy in order to guide the Investment Managers toward the desired performance. The Investment Policy provides a multi-manager approach to implement its investment program. This Addendum details the specific guidelines and goals for the Investment Manager and reflects its role within the overall investment structure. Unless specifically addressed below, the Investment Manager shall Mesirow adhere with the Investment Policy.

**Investment Objective**

The portfolio is a fixed income portfolio orientated toward intermediate-term fixed income securities. The portfolio is to be managed on a total return basis. Within this framework, the investment objectives for this portfolio are stated below in order of importance:

- A. **Preservation of Purchasing Power** - Asset growth, exclusive of contributions and withdrawals and net of all fees should exceed the rate of inflation over the investment time horizon in order to preserve purchasing power of the Pension Plan Fund's assets.

**Investment Goals**

The Investment Manager is expected to achieve at least three of the following five objectives over a complete market cycle, usually three to five years.

**Absolute Goals**

- 1. To exceed, net of all fees, the rate of inflation (as measured by the Consumer Price Index) by at least 150 basis points on an annualized basis.
- 2. To produce a positive rate of return over a rolling two year time horizon.

**Relative Goals**

- 3. Exceed Asset Class Benchmarks: On a net of fee basis, earn a return in excess of the Bloomberg Barclays US Aggregate Index.
- 4. To achieve positive-risk-adjusted results (positive alpha) relative to the above index.
- 5. To exceed the median return of a representative universe of Fixed Income Managers