

CHRISTUS ST. PATRICK FOUNDATION

Investment Policy

I. INTRODUCTION

The purpose of the Investment Policy is to guide the Foundation in effectively supervising, monitoring and managing its investments.

The policy statement is designed to allow for sufficient flexibility in the management and oversight process, while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program. The Foundation established this investment policy consistent with the principles of CHRISTUS Health ("CHRISTUS") Policy on Socially Responsible Investing Program with the mission and values of CHRISTUS. The Foundation will inform its Fund Managers of this policy in writing, shall inform them that the Fund will retain all voting rights, and shall exercise those rights, except for in the case of mutual or commingled funds, or funds structured as partnerships.

All Fund Managers are subject to comply with the Foundation's Investment Policy, Objectives and Guidelines Statement for the Fund, with applicable State and Federal statutes, a separate Statement of Objectives, Guidelines and Procedures specific to each Manager and to each Manager's specific Investment Advisory Agreement (where applicable). The Statement of Investment Policy and Objectives incorporates the Foundation's policies, objectives, long-term asset allocation plan, and implementation program for fulfilling its fiduciary obligation to manage the Fund's assets with the care, skill, prudence and diligence under the circumstances then prevailing of a prudent person acting in a like character and with like aims.

II. INVESTMENT GOAL STATEMENT

The investment objectives of the Foundation are to achieve long-term real rate of return growth net of its strategic spending policy expectations, net of inflation, and provide a ready source of capital without subjecting the Fund to large investment losses that could erode the ability of the Fund to meet future long-term financial commitments. The following goals, consistent with the above-described purposes, are adopted:

- The primary goal of the Fund's investment assets is to achieve long-term real rate of return growth to provide a ready source of capital to meet the needs of the Foundation and CHRISTUS St. Patrick Hospital. This will be accomplished through a carefully planned and executed long-term investment program.
- Fund assets will be managed on a total return basis. While the Foundation recognizes the importance of the preservation of capital, they also adhere to the principle that varying degrees of investment risk are generally rewarded with concomitant returns over the long-term.
- The total portfolio over the long term will be expected to:
 - Produce a total long-term real (above inflation) return of 5% (annualized, net of fees, over a full market cycle), and
 - Exceed a weighted benchmark return based upon policy asset allocation targets and standard index returns over rolling five year periods. The Foundation realizes that market performance varies and that a 5% real rate of return may not be meaningful in some periods.
- The Foundation acknowledges that to earn a long-term real return of 5% prudent risk-taking is essential within the context of overall portfolio diversification to meet this goal. Investment strategies are considered primarily in light of their impact on total portfolio assets subject to any applicable restrictions set forth in the Socially Responsible Investing guidelines, and shall at times comply with applicable state and federal regulations and "prudent person" standards.
- The Fund has a long-term investment horizon, and utilizes an asset allocation, which encompasses a strategic, long-run perspective of capital markets. It is recognized that, a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Fund's investment performance.