



CASE STUDY

Partnering with a Catholic Diocese to Build a Unified, Mission-Aligned Investment Program

THE CHALLENGE

A Catholic diocese with \$200+ million in assets came to Hirtle Callaghan facing several challenges:

- **Misalignment of strategy with assets and liabilities:** Three distinct pools of capital were being managed separately, yet all shared the same asset allocation strategy, without consideration of the different purposes, time horizons, and liabilities of each pool.
- **Lack of investment diversity:** All assets were invested in products managed by one asset manager.
- **Outdated investment policy:** The diocese's investment policy statement had not been reviewed or revised in over 15 years, leaving governance out of step with current best practices.
- **Mission failure was a real risk:** The current asset allocation strategy applied to all pools of assets was a 60/40 split (60% equities, 40% fixed income) and excluded all private assets. On this trajectory, one portfolio's expected returns would fall short of the required rate of return and another was taking too much risk given its obligations.
- **High costs:** Legacy arrangements included management fees that were higher than prevailing market rates, reducing net returns to mission.

OUR APPROACH

Hirtle Callaghan stepped in as the diocese's Outsourced Chief Investment Officer (OCIO) to bring structure, discipline, and alignment:

1. Comprehensive Asset Pool Review

- Conducted a deep-dive analysis of each pool of capital, including its purpose, spending policy, and liability profile.
- Tailored asset allocation strategies to align risk/return objectives with each pool's unique needs rather than applying a "one-size-fits-all" model.

2. Policy Modernization & Governance Support

- Facilitated an in-depth review of the Investment Policy Statement (IPS).
- Updated the IPS to reflect modern best practices in governance, risk oversight, and Catholic socially responsible investing principles (USCCB SRI Guidelines).

- Engaged investment committee members in the process to build clarity, consensus, and confidence.

3. Globally Diversified Portfolio

- Simplified implementation by reducing the number of asset and sub-asset classes.
- Expanded the quantity of managers in the portfolio from one to 15+.

4. Integration of Catholic-Aligned Private Equity

- Introduced a **Catholic-values-aligned private equity solution** for the pools with longer horizons and greater risk capacity.

- Provided access to new opportunities that not only advanced financial goals but also reflected the diocese's values and mission.

5. Cost Efficiency

- Leveraged Hirtle Callaghan's scale and manager relationships to lower fees paid to third party managers from 0.51% to 0.37%.

THE OUTCOME

- **Improved portfolio alignment:** Each pool of assets now has a customized investment strategy that reflects its specific purpose and time horizon.
- **Enhanced governance:** The diocese has a modernized IPS, providing clarity, accountability, and long-term alignment with fiduciary responsibilities.
- **Mission-driven growth:** By incorporating Catholic-aligned private equity, the Diocese expanded its impact, ensuring investments are consistent with faith-based principles while seeking higher long-term returns.
- **Lower costs, higher efficiency:** Reduced management fees should free up CFO and finance department resources to further the Diocese's mission.

This case study demonstrates Hirtle Callaghan's ability to simplify complexity, modernize governance, lower implementation costs, and integrate mission-aligned strategies: a combination that can support the long-term sustainability of Catholic institutions.

If you would like to learn more about our work with Catholic institutions, please contact Kris Kelleher at kkelleher@hirtlecallaghan.com or (267) 637-3877.

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