



**MASON**  
INVESTMENT ADVISORY  
SERVICES, INC.

Institutional Investment Consulting

# Catholic Education Opportunities Foundation Finance Meeting

## November 2023

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INSTITUTIONAL INVESTMENT CONSULTING

# SO YOU CAN FOCUS ON YOUR MISSION

Presented By:

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## ABOUT MASON

- **Founded 1982 – financial planning roots**
  - 76 Employees, clients in 42 states
- **Independent, no proprietary products**
- **Main office located in Virginia**
- **High net worth individuals, institutional and charitable organizations**
- **Investment advisory summary**
  - \$10.5B+ assets under management total
    - Private clients – \$5.5B and 800+ clients
    - Institutional clients - \$5B and 75+ clients
- **National conference presentations**
  - Asset allocation and rebalancing, manager selection, alternative investments, and consolidated performance reporting

# MASON INVESTMENT PHILOSOPHY

- **Long term and strategic approach to asset allocation**
  - Employ multiple asset classes with specific targets
  - Maintain asset class targets regardless of short-term or near-term volatility
  - Do not believe in market timing
- **Opportunistic rebalancing maintains the long-term allocation mix**
  - Utilize market volatility to your advantage
  - Review portfolios often, rebalance when necessary
  - Disciplined approach presents “buy low” and “sell high” opportunities
  - Disciplined approach is followed regardless of current news or market unrest
- **Unique manager selection process**
  - Mix of active, passive funds, and efficient market-based funds
  - Selection begins with fund families versus asset classes
  - Multiple managers/funds per asset class
  - Style specific managers



# ANNUAL ASSET CLASS LEADERS

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Through 09/30/23
REIT	Energy	Cash	Energy	Small Gr.	TIPS	Intl Gr.	Small Gr.	REIT	Intl. SC	Energy	Intl Gr.	Cash	Large Gr.	Small Gr.	Energy	Energy	Large Gr.
Intl. Val.	Nat. Res.	Zero	Nat. Res.	REIT	REIT	REIT	Small Val.	Large Val.	Large Gr.	Nat. Res.	Large Gr.	ST Bond	Intl Gr.	Large Gr.	REIT	Cash	Intl. Val.
Intl Gr.	Intl Gr.	Intl. Bond	Intl. SC	Small Val.	IT Bond	Intl. Val.	Large Gr.	Large Gr.	REIT	Small Val.	Intl. SC	Zero	Small Gr.	Intl Gr.	Small Val.	Zero	Energy
Large Val.	Large Gr.	TIPS	Intl Gr.	Intl. SC	Intl. Bond	Small Val.	Large Val.	IT Bond	Intl Gr.	Large Val.	Intl. Val.	IT Bond	REIT	Nat. Res.	Nat. Res.	Nat. Res.	Small Gr.
Intl. SC	TIPS	ST Bond	Large Gr.	Nat. Res.	ST Bond	Large Gr.	Energy	Small Val.	ST Bond	Small Gr.	Small Gr.	Intl. Bond	Large Val.	Intl. SC	Large Val.	ST Bond	Cash
Small Val.	Intl. Val.	IT Bond	Small Gr.	Energy	Cash	Large Val.	Intl. Val.	Small Gr.	Cash	REIT	Large Val.	TIPS	Small Val.	TIPS	Large Gr.	Large Val.	Intl Gr.
Energy	Small Gr.	Small Val.	REIT	Large Gr.	Zero	Intl. SC	Intl. SC	TIPS	Zero	Intl. SC	Nat. Res.	Large Gr.	Intl. Val.	Intl. Bond	Small Gr.	Intl. Val.	Small Val.
Small Gr.	Intl. Bond	Large Val.	Small Val.	Intl Gr.	Large Val.	Small Gr.	Intl Gr.	Intl. Bond	IT Bond	TIPS	Small Val.	Small Gr.	Intl. SC	IT Bond	Intl. Val.	TIPS	ST Bond
Nat. Res.	Intl. SC	Large Gr.	Intl. Val.	Large Val.	Large Gr.	Intl. Bond	Nat. Res.	ST Bond	TIPS	Intl. Bond	Intl. Bond	REIT	Nat. Res.	Small Val.	Intl. SC	Small Val.	Large Val.
Large Gr.	IT Bond	Small Gr.	Large Val.	IT Bond	Small Gr.	IT Bond	REIT	Cash	Small Gr.	IT Bond	REIT	Large Val.	IT Bond	ST Bond	Intl Gr.	IT Bond	Nat. Res.
Intl. Bond	Cash	REIT	Intl. Bond	Intl. Val.	Small Val.	TIPS	ST Bond	Zero	Intl. Val.	Large Gr.	IT Bond	Intl Gr.	TIPS	Large Val.	TIPS	Intl. Bond	Zero
Cash	ST Bond	Intl. Val.	IT Bond	Intl. Bond	Energy	Nat. Res.	Cash	Intl Gr.	Large Val.	Intl. Val.	TIPS	Small Val.	Energy	Intl. Val.	ST Bond	Intl. SC	Intl. SC
IT Bond	Large Val.	Intl Gr.	TIPS	TIPS	Intl Gr.	ST Bond	Zero	Intl. SC	Intl. Bond	ST Bond	ST Bond	Intl. Val.	Intl. Bond	Cash	Cash	Intl Gr.	TIPS
ST Bond	Zero	Nat. Res.	ST Bond	ST Bond	Intl. Val.	Energy	IT Bond	Intl. Val.	Small Val.	Cash	Cash	Nat. Res.	ST Bond	Zero	Zero	REIT	IT Bond
Zero	Small Val.	Intl. SC	Cash	Cash	Nat. Res.	Cash	Intl. Bond	Nat. Res.	Nat. Res.	Zero	Zero	Intl. SC	Cash	REIT	IT Bond	Small Gr.	Intl. Bond
TIPS	REIT	Energy	Zero	Zero	Intl. SC	Zero	TIPS	Energy	Energy	Intl Gr.	Energy	Energy	Zero	Energy	Intl. Bond	Large Gr.	REIT

# ASSET CLASS PERFORMANCE

- Growth stocks are leading all asset classes in year-to-date performance driven by technology companies making advancements using Artificial Intelligence.
- Energy stocks have appreciated after being a bottom asset class performer through the first half of the year due to a recent surge in oil and natural gas prices.
- An inverted yield curve has resulted in higher yields for shorter duration fixed income securities.

Asset Class	YTD Performance - 09.30.23 (%)
Large Cap Growth	28.88%
International Large Cap Value	8.82%
Small Cap Growth	7.74%
Energy	6.84%
International Small Cap	5.03%
Cash	3.70%
International Large Cap Growth	3.53%
Natural Resources	2.79%
International Bonds	1.95%
Short Term Maturities Taxable	1.40%
Small Cap Value	0.02%
Large Cap Value	-0.75%
Treasury Inflation Protected Securities	-0.87%
Intermediate Term Maturities Taxable	-0.90%
Domestic Real Estate	-5.61%
International Real Estate	-8.16%

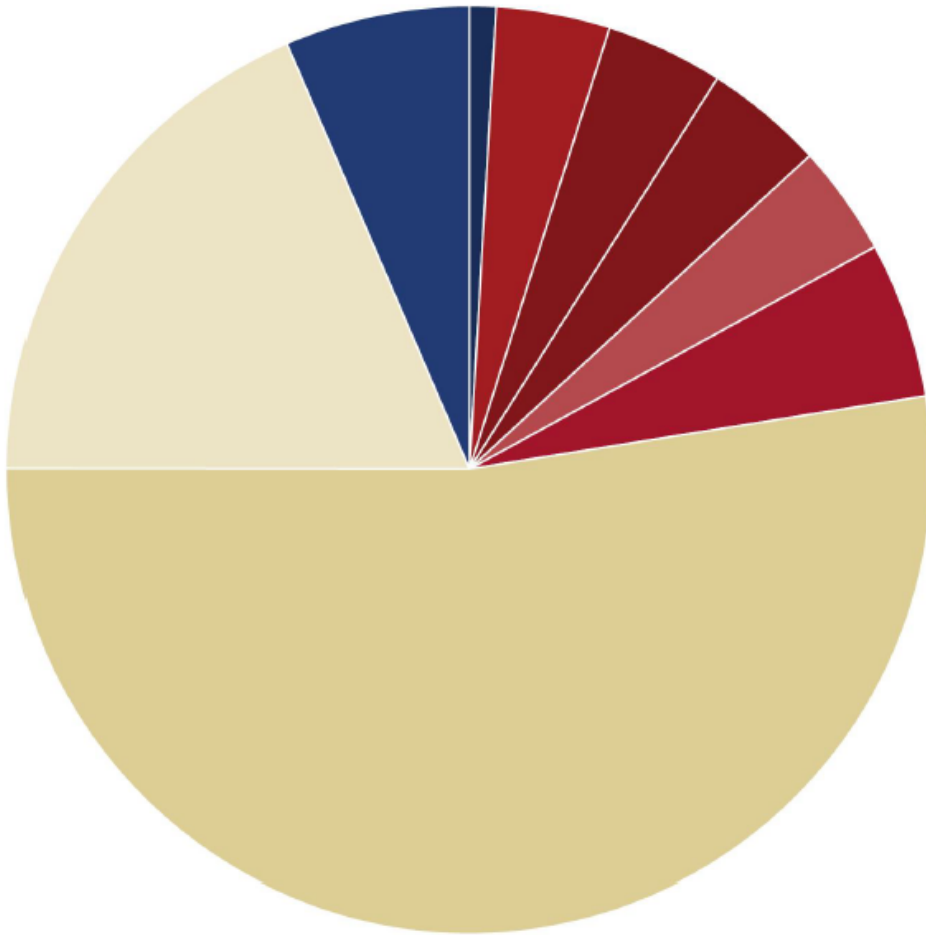
Asset class performance is represented by public market indices. For more information, please see disclosures.

## PORTFOLIO STRUCTURE

- Asset allocations from the Mason social portfolios benefit from the best thinking of the firm's internal investment committee.
- We provide social asset allocations with a range of risk tolerance and return expectations.
- Mason social portfolios consist of four equity funds (DFA and Vanguard) and up to six fixed income funds (Vanguard, DFA, and PIMCO).
- Domestic fixed income funds consist of US Treasury focused funds and PIMCO ESG funds. International bonds consists of a DFA Global sustainability fund.
- Three DFA Social equity funds and a Vanguard social equity fund are managed to provide broad exposure to US, developed Ex US, and emerging markets. These funds also provide exposure across styles (from growth to value) and market caps (large cap to microcap).

HOW DO WE DO IT?

# SOCIAL LONG TERM POOL ALLOCATION

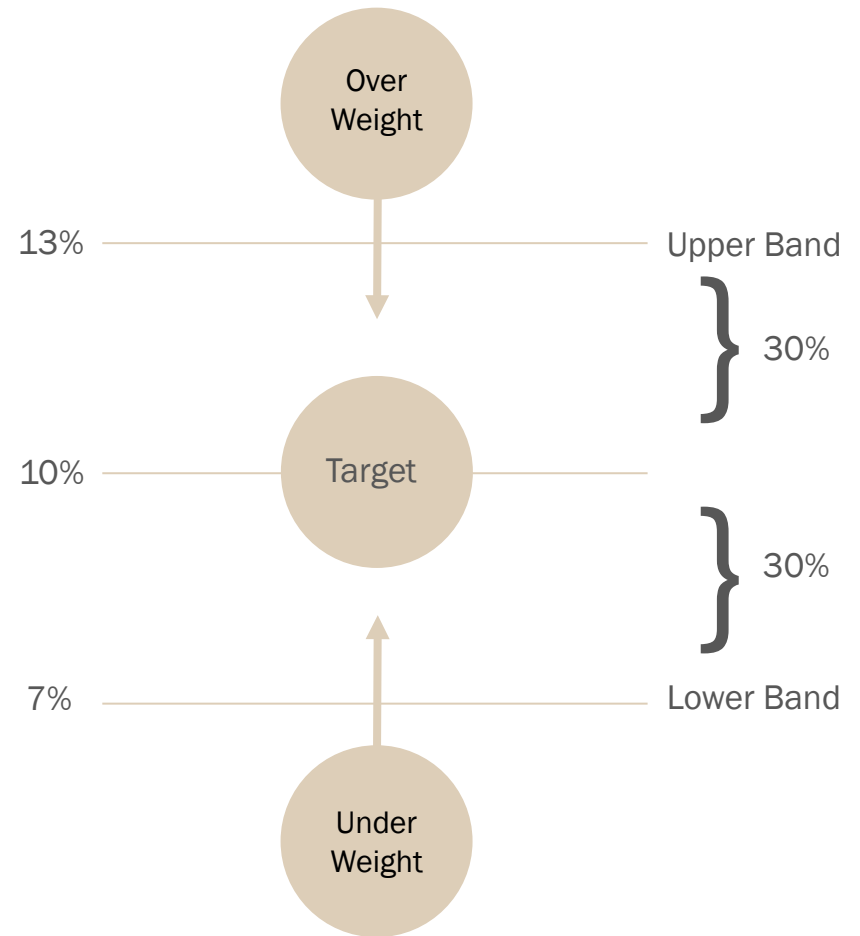


	Allocation	
<b>TDAI Social Long Term Pool</b>	<b>100.00%</b>	<b>1</b>
<b>Safety</b>	0.92%	
Cash Reserves	0.92%	
<b>Income</b>	21.55%	
Short Term Maturities Govt Bond Funds	3.98%	
Intermediate Term Maturities Govt Bond Funds	4.11%	
Intermediate Term Maturities Taxable	4.16%	
Treasury Inflation Protected Securities	3.86%	
International Bond Funds	5.44%	
<b>Growth</b>	71.05%	
U.S. Diversified	52.54%	
International Diversified	18.51%	
<b>Aggressive</b>	6.47%	
Emerging Markets Diversified	6.47%	



# WHY OUR APPROACH IS IMPORTANT

Our Research Shows That You Have the Potential to Increase Your Performance With This Approach



## PERFORMANCE – NET OF FEES

# SOCIAL LONG TERM POOL

### Time Weighted Return Summary Net of Fees

	Quarter To Date	Year To Date	Last 12 Months	Last 3 Years	Since Inception	Performance Start Date
	Return	Return	Return	Return	Return	
TDAI Social Long Term Pool	-3.16%	8.43%	17.14%	5.85% <sup>1</sup>	6.91% <sup>1</sup>	3/4/2020

<sup>1</sup> Annualized return

## PIMCO METHODOLOGY

- Mason social portfolios use PIMCO ESG funds within the short-term and intermediate term bond asset classes.
- The PIMCO ESG process is rigorous and based on a 3-step approach that
  - 1) excludes companies with misaligned ESG practices (controversial weapons, coal, adult entertainment, gambling or tobacco)
  - 2) evaluates and emphasizes best in class ESG issuers. Attributes of best-in-class issuers include diverse and independent board oversight, ability to attract/retain the right employees, formal climate strategy.
  - 3) engages with issuers, who trade cheaply but have weak ESG profiles to change ESG related business practices
- PIMCO’s research team assesses each company for ESG performance based on a proprietary scoring system.
- Research analysts assess the ESG profile of issuers relative to peers (Peer Assessment) and perform a forward-looking assessment indicating whether the issuer is displaying an improving, stable, or deteriorating ESG trend (Trend Analysis). The combination of the “Peer Assessment” and “Trend Analysis” results in a proprietary overall ESG score.

# Seeks to **Avoid** industries misaligned with responsible investing

## Seeks to **Emphasize** those committed to sustainability

### STOP PIMCO ESG Income Fund Exclusions

- × **Military equipment (including weapons)**
- × **Fossil fuel-related sectors (including coal manufacturing and oil-related industry)**
- × **Tobacco**
- × **Alcohol**
- × **Gambling**
- × **Adult content**



### Sample Emphasis

- ✓ **Green, Social, and Sustainable bonds**
- ✓ **Clean and renewable energy**
- ✓ **Low carbon solutions**
- ✓ **Companies committed to Science-Based Carbon Reduction Targets**
- ✓ **Mortgage pools with higher community impact**
- ✓ **Companies with strong human capital management**
- ✓ **Gender, race and cognitive diversity**



As of 31 March 2023. SOURCE: PIMCO. For illustrative purposes only. Not specific to any PIMCO product. The sustainability objectives and exclusions of any particular ESG mandate will be set out in the respective governing documents. For detailed information related to our ESG-dedicated mutual funds, please refer to the fund's prospectus and statement of additional information. Green/social/sustainability bonds of issuers involved in coal and fossil fuel-related sectors may be permitted. \*Not specific to any PIMCO product. Green labeled bonds from issuers involved in fossil fuel-related sectors may be permitted.

PIMCO is committed to the integration of Environmental, Social and Governance ("ESG") factors into our broad research process and engaging with issuers on sustainability factors and our climate change investment analysis. At PIMCO, we define ESG integration as the consistent consideration of material ESG factors into our investment research process, which may include, but are not limited to, climate change risks, diversity, inclusion and social equality, regulatory risks, human capital management, and others. Further information is available in PIMCO's Environmental, Social and Governance (ESG) Investment Policy Statement. Refer to Appendix for additional ESG investing, investment strategy, portfolio structure and risk information.

Slide Prepared by PIMCO

## VANGUARD METHODOLOGY

- Mason social portfolios consist of Vanguard treasury funds for the short-term and inflation protected bond asset classes.
- Within the US Diversified equity asset class, we use the Vanguard FTSE Social Index Fund Admiral, in tandem with the DFA US Social core equity fund.
- The Vanguard FTSE Social Index Fund selection universe is equivalent to the FTSE USA Index but filters out stocks with undesirable ESG characteristics.
- The Vanguard FTSE Social Index fund tracks the FTSE4Good U.S. Select Index which is a socially responsible investment index that excludes firms with businesses tied to tobacco, alcohol, nuclear power, adult entertainment and gambling, or firms involved in controversies related to labor standards, human rights and environmental impact.



## VANGUARD METHODOLOGY

- The fund primarily relies on negative screens and does not restrict itself to model ESG firms. This helps improve diversification (the fund holds more than 400 stocks/about 70% of the selection universe) but it allows firms with mediocre ESG characteristics into the portfolio (for example a firm with many corporate insiders on the board could be owned by this fund).

## DFA METHODOLOGY

- US and International equities, and Intermediate and International bonds consist of the DFA Social funds
- The DFA Social funds seek to exclude from its investment portfolios those companies that are identified by the Portfolio's social screens. These social screens listed on the next slide are closely tied to the catholic church views.
- Relative to broad equity indices, DFA provides higher allocations of stocks that have provided strongest returns and are overweight in
  - Smaller companies
  - Value oriented companies
  - Profitability

# Social Strategy Exclusions

## Healthcare

### **Abortions, Abortive Agents, and Contraceptives**

Companies that directly participate in abortions or develop or manufacture abortive agents or contraceptives.

### **Stem Cell Research**

Companies that are involved in stem cell research.

## Weapons

### **Conventional and Nuclear Weapons**

Companies that earn at least 20% of their total annual revenue through the production and/or sale of conventional or nuclear weapons, their weapon systems, or critical components of these products, or the provision of weapon systems support and service.

### **Landmines and Cluster Munitions**

Companies that are involved in the production or manufacture of landmines, cluster munitions, or the essential components of these products.

### **Civilian Firearms**

Companies involved in the production or manufacture of civilian firearms.

## Human and Labor Rights

### **Child Labor**

Companies that have had major recent controversies relating to child labor infractions in the US or abroad.

### **Private Prisons**

Companies involved in ownership or operation of private prisons and/or immigrant detention facilities.

### **Republic of the Sudan**

Companies that are engaged in certain for-profit business activities in or with the Republic of the Sudan.

## Entertainment

### **Adult Entertainment**

Companies that earn at least 15% of their total annual revenue from the rental, sale, distribution, or production of pornographic materials or the ownership or operation of adult entertainment establishments.

### **Gambling**

Companies that earn at least 20% of their total annual revenue from certain gambling activities, the production of goods used exclusively for gambling, or the provision of certain services in casinos that are fundamental to gambling operations.

## Environmental

### **Coal**

Companies with meaningful exposure to coal.

### **Carbon Intensity<sup>1</sup> and Potential Emissions from Reserves**

Companies that have high greenhouse gas emissions or reserves that may produce those emissions.

## Substances

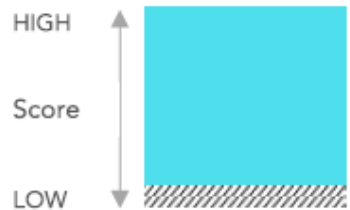
### **Tobacco, Alcohol, or Cannabis**

Companies that earn at least 15% of their total annual revenue from the production and/or sale of tobacco, alcohol, or cannabis products, or key products or raw materials necessary for their production.

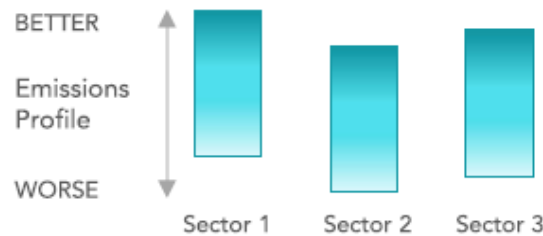
1. Carbon Intensity represents a company's most recently reported or estimated Scope 1 (direct) + Scope 2 (indirect) greenhouse gas emissions normalized by sales in USD (metric tons per USD million sales). Greenhouse gases included are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>). This methodology is subject to change with data developments or other findings or events.

# Integrating Sustainability Considerations

## Global Sustainability Fixed Income Portfolio



Rank issuers on a composite environmental score and exclude the lowest-scoring 10% of issuers



Emphasize (de-emphasize) issuers with better (worse) emissions profiles in each corporate bond sector



Exclude issuers with an association with other social sustainability issues

### Portfolio-Level Considerations

- Emissions Intensity (85%)
- Land Use and Biodiversity (15%)
- Toxic Spills and Releases
- Operational Waste
- Water Management

Exclude issuers with high potential emissions from reserves

- Potential Emissions

### Sector-Level Considerations

- Emissions Intensity

### Social Sustainability Considerations

- Coal
- Palm Oil
- Factory Farming
- Child Labor
- Tobacco
- Landmines and Cluster Munitions
- Civilian Firearms

Sustainability screens are applied to corporate bonds, supranational organizations, and non-sovereign governmental agencies. See Appendix for additional detail on the application of sustainability considerations.

Slide Prepared by Dimensional Fund Advisors



# QUESTIONS?

PROPRIETARY AND CONFIDENTIAL. FOR INFORMATION PURPOSES ONLY.





# PRESENTATION DISCLOSURES

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## ADDITIONAL DETAILS

# ANNUAL ASSET CLASS LEADERS

Performance of the Morningstar Categories and the index used for Cash was derived from the Morningstar Direct. All data is derived as of September 30, 2023.

In an effort to distinguish funds by what they own, as well as by their prospectus objectives and styles, Morningstar developed the Morningstar Categories. While the prospectus objective identifies a fund's investment goals based on the wording in the fund prospectus, the Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years). If the fund is new and has no portfolio, Morningstar estimates where it will fall before assigning a more permanent category. When necessary, Morningstar may change a category assignment based on current information.

The following is a description of the Morningstar Categories and indices used in the illustration.

**Short-Term Bond Category:** Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of one to 3.5 years (or, if duration is unavailable, average effective maturities of one to four years). These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations.

**Intermediate-Term Bond Category:** Intermediate-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of 3.5 to six years (or if duration is unavailable, average effective maturities of four to 10 years). These portfolios are less sensitive to interest rates, and therefore less volatile, than portfolios that have longer durations.

**Inflation-Protected Bond Category:** Inflation-protected bond portfolios invest primarily in debt securities that adjust their principal values in line with the rate of inflation. These bonds can be issued by any organization, but the U.S. Treasury is currently the largest issuer for these securities.

**World Bond Category:** World bond portfolios invest 40% or more of their assets in foreign bonds. Some world bond portfolios follow a conservative approach, favoring high-quality bonds from developed markets. Others are more adventurous, and own some lower-quality bonds from developed or emerging markets. Some portfolios invest exclusively outside the U.S. while others regularly invest in both U.S. and non-U.S. bonds.

**Large Value:** Large-value portfolios invest primarily in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

**Large Growth:** Large-growth portfolios invest in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries.

**Small Value:** Small-value portfolios invest in small U.S. companies with valuations and growth rates below other small-cap peers. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

**Small Growth:** Small-growth portfolios focus on faster-growing companies whose shares are at the lower end of the market-capitalization range. These portfolios tend to favor companies in the up-and-coming industries or young firms in their early growth stages. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries.

**Real Estate Category:** Real estate portfolios invest primarily in real-estate investment trusts (REITs) of various types. REITs are companies that develop and manage real-estate properties. There are several different types of REITs, including apartment, factory-outlet, health-care, hotel, industrial, mortgage, office, and shopping center REITs.

**International Large Value Category:** International large-value portfolios invest mainly in big international stocks that are less expensive or growing more slowly than other large-cap stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow). International Large Value is referred to as Foreign Large Value in Morningstar.

**International Large Growth Category:** International large-growth portfolios focus on high-priced growth stocks, mainly outside of the United States. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). International Large Growth is referred to as Foreign Large Growth in Morningstar.

**International Small Cap Category:** The S&P Developed Ex US Cap Range <\$2 billion index was used to illustrate the performance of International Small Cap. This index is a market capitalization weighted index that defines and measure the investable universe of publicly traded companies domiciled in developed countries outside the U.S.

**Natural Resources Category:** Natural resources portfolios focus on commodity-based industries such as energy, chemicals, minerals, and forest products in the U.S. or outside of the U.S.

**Energy Category:** Equity energy portfolios invest primarily in equity securities of U.S. or non-U.S. companies who conduct business primarily in energy-related industries. This includes, but is not limited to companies in alternative energy, coal, exploration, oil and gas services, pipelines, natural gas services and refineries.

**Cash:** Three-month T-bills were used to illustrate the performance of cash. Three-month T-Bills are government-backed short-term investment considered to be a reasonable cash proxy because the maturity is only three months and they are guaranteed by the US Government.





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