



Catholic Values Long-Term Investment Fund

Quarter End: December 31, 2023

The Catholic Values Long-Term Investment Fund complies with the United States Conference of Catholic Bishops (USCCB) investment guidelines and maintains the objective of long-term capital appreciation within the context of a balanced investment portfolio.

The equity portion is indexed (passive) while the fixed-income allocation is actively managed.

The Fund asset allocation was **75% equity** and **25% fixed income**.

A detailed asset allocation by category:

<u>Category</u>	<u>Description</u>	<u>IPS*</u> <u>Target %</u>	<u>12/31/2023</u> <u>Allocation</u>
S&P 500 Equity Index USCCB**	Large-Cap Equities	55%	54.6%
S&P 1000 Equity Index USCCB**	Small & Mid Cap Equities	20%	19.9%
Core Fixed Income USCCB**	Fixed-Income & Cash	25%	25.5%
		100%	100.0%

* IPS: Investment Policy Statement

** Compliant with the United States Conference of Catholic Bishops (USCCB) investment guidelines

The Fund achieved a net of fee return of **11.07% vs. 10.71%** for the blended index for the quarter.
The Fund achieved a net of fee return of **21.27% vs. 19.02%** for the blended index, one-year period ending December 31, 2023.

Longer-term performance is displayed on the last page of this report.

Capital Market Commentary: Fourth Quarter 2023

- In the fourth quarter of 2023, investors digested a resilient and expanding domestic economy, improved inflation data, and less tight labor markets. As a result, expectations on prospective changes from the U.S. Federal Reserve (Fed) to lower interest rates moved up. Specifically, at the end of the third quarter of 2023, expectations for the first cut in the Fed Funds rate were for July of 2024. As of year-end 2023, expectations now call for the first cut in the Fed Funds rate to occur in March of 2024. This shift in expectations to easier central bank policy arriving sooner for investors helped drive government debt yields lower across maturities, providing fixed income investors with a strong rally in the fourth quarter. Further, lower rates, resulting in easier financial conditions, paired with resilient economic and improving company earnings data, resulted in a strong rally for equity investors in the fourth quarter of 2023.
- Over the fourth quarter U.S. Treasury yields fell across all term points on the U.S. Treasury Curve. Yields peaked in mid-October before falling in the last two months of the year. The main driver of lower rates over the quarter was the market interpretation of the Fed's statements. Specifically, the expectation of lower rates from the Fed sooner than previously expected.
- After a challenging third quarter, equity investors were rewarded in the fourth quarter of 2023. The S&P 500 was up over 11% in the fourth quarter which marked its best three-month return since February through April of 2021. The domestic equity market appears to be offering an opinion that inflation has broken before the economy has broken, the Fed has concluded its tightening cycle, and that interest rate cuts are on the horizon in 2024. The market is seemingly pricing in this soft-landing, or immaculate disinflation scenario.
- The most recent GDP report detailed a robust U.S. economy, with a 4.9% annualized expansion in the third quarter. The positive news was informed primarily by the continued strength of the U.S. consumer and consumer spending. Despite the current rosy backdrop, we remain cautious on the uninterrupted strength of the U.S. economy. Traditionally, when the Fed raises interest rates, the economy begins to grapple with a higher cost of capital. When business owners experience a higher cost of capital, typically there is less incentive to borrow and invest in their businesses, which eventually leads to slower prospective growth in cash flow and earnings. The effect of this higher cost of capital takes time before a slowdown in the real economy materializes.

Catholic Values

Long-Term Investment Fund

Performance Review: December 31, 2023

	Annualized					
	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Catholic Values Total Fund						
Long-Term Investment Fund (<i>net of fees</i>)	11.07%	21.27%	21.27%	6.46%	11.59%	9.03%
Custom Total Fund Index Blend*	10.71%	19.02%	19.02%	6.49%	11.48%	8.86%
Catholic Values Equity						
Long-Term Investment Fund (Large-Cap)**	12.43%	30.64%	30.64%	9.97%	16.49%	12.14%
S&P 500 Index	11.69%	26.29%	26.29%	10.00%	15.69%	12.03%
Long-Term Investment Fund (SMID-Cap)***	12.81%	16.29%	16.29%	7.52%	11.66%	n/a
S&P 1000 Index	12.72%	16.35%	16.35%	7.85%	12.14%	9.09%
Catholic Values Fixed Income						
Long-Term Investment Fund (Fixed-Income)	6.94%	6.32%	6.32%	-1.90%	1.16%	1.36%
Custom Fixed Income Index Blend****	6.82%	5.53%	5.53%	-2.81%	0.86%	1.32%

*Performance inception date is 2/29/2000. Custom Total Fund Index Blend composition from inception through March 31, 2017 was 70% S&P 500 Index and 30% BBG Barclays Intermediate Government/Credit A or Better Index. From March 31, 2017 to September 30, 2018 the composition is 55% S&P 500 Index, 20% S&P 1000 Index, and 25% Bloomberg Barclays Aggregate Index. From September 30, 2018 to current the composition is 55% S&P 500 Index, 20% S&P 1000 Index and 25% Bloomberg Barclays Intermediate Government/Credit Index.

**Performance inception date is 9/30/2002 for large-cap equity.

***Performance inception date is 3/23/2017 for SMID-cap equity.

**** Custom Fixed Income Index Blend is 100% BBG Barclays Intermediate Government/Credit A or better Index from inception through March 31, 2017.

From March 31, 2017 to September 30, 2018 it is 100% BBG Barclays Aggregate Index. September 30, 2018 to December 31, 2020 is 100% BBG Barclays Int. G/C Effective March 31, 2021 it is 100% Bloomberg U.S. Aggregate Index.

Catholic Values Long-Term Investment Fund:

- Archdiocese of Cincinnati: Fund Administration
- Fifth Third Bank, National Association: Fund Custodian
- MainStreet Investment Advisors, LLC: Investment Manager

The Catholic Values Long-Term Investment Fund (the Fund) assets are not a deposit or obligation of Fifth Third Bank, N.A. Fund assets are not guaranteed or insured by Fifth Third Bank, N.A, the FDIC, or any government agency. The Archdiocese of Cincinnati does not guarantee assets of the Fund. The Fund is subject to investment risk, including the loss of principal. Past performance is no guarantee of future results. This report is exclusively for investors in the Catholic Values Long-Term Investment Fund. It is not approved for public distribution.