

Principled Investing

*Knights of Columbus Asset Advisors
allows Catholic institutions to invest with integrity*

by Joseph O'Brien



Chief Investment Officer Anthony V. Minopoli (standing right) and members of the Knights of Columbus investment team work in the trading room at the Order's headquarters.

It may seem strange to compare the Knights of Columbus to Wall Street's old guard, but the world's largest Catholic fraternal order's history of addressing the financial needs of families actually predates the biggest and brightest investment firms. Father Michael J. McGivney founded the Knights of Columbus in 1882, three years before Goldman Sachs began its dance with the bulls and bears. As the Order's fraternal benefit program developed, the Knights began formally managing investments with a loan to St. Rose of Lima Parish in Meriden, Conn., in 1896 — just one year after J.P. Morgan & Company was established and 22 years before Merrill Lynch.

The Knights of Columbus has since grown to become a Fortune 1000 company and for decades has earned top ratings for financial strength. In February 2015, Knights of Columbus Asset Advisors LLC for-

malized its longstanding role as the Order's institutional investment arm.

With the announcement of the new initiative, Supreme Knight Carl A. Anderson said, "The Catholic community has traditionally been served by investment managers with a broad, rather than a Catholic, focus. We believe a Catholic firm committed to Catholic values can offer a more compelling solution for Catholic entities."

Since that time, Knights of Columbus Asset Advisors has helped dozens of Catholic institutions unaffiliated with the Knights to invest in a manner consistent with the U.S. bishops' investment guidelines. In addition, the K of C subsidiary has provided historically compelling returns, below-market fees and profitability that benefits the work of the Knights of Columbus and the Church.

GROWTH AND SERVICE

In October 2011, the Knights of Columbus sponsored a conference in Chicago on the topic of sustainable and ethical investments.

“Our approach to sustainable investing works to understand the ‘personal’ consequences for all those affected by a particular trade or investment,” the supreme knight said in remarks at the conclusion of the conference. “The ethics of the investor matters; so do the guiding philosophy and ethical standards of those people leading the company being invested in.”

According to Anthony V. Minopoli, president and chief investment officer of Knights of Columbus Asset Advisors, the idea for the Knights’ investment group was born of the 2011 conference and follow-up conversations.

“The conference, coupled with conversations about whether the Knights could manage money for other organizations, made us realize there was an opportunity there,” he said.

In his research, Minopoli discovered a mostly untapped \$160 billion Catholic institutional investment market.

Since the Knights already had an internal investment team and more than \$20 billion of assets under management, it was an easy step to open these funds to the public, said Thomas Duffy, Asset Advisors vice president of investment strategy.

“For decades the Knights had said, ‘No thanks — we only invest our own money,’” Duffy explained. “But we finally got to the point that we knew we should make this capability available. As a service to the Church and to Catholic investors everywhere, we can help them pursue strong risk-adjusted returns while maintaining the integrity of their Catholic beliefs.”

Supreme Knight Anderson has affirmed that while the Order is proud to provide this service in support of Catholic communities, both the investment team and dedicated field force has remained committed to serving members and their families.

“The Knights of Columbus will continue to evaluate new financial products that are beneficial to our members and our agents,” the supreme knight said.

Since early 2015, nearly 100 clients in the United States, including at least 16 dioceses and archdioceses, have gotten on board with Knights of Columbus Asset Advisors.

Currently, two fixed-income funds are managed strictly by the Asset Advisors team, while four equity funds are managed in collaboration with the renowned Boston Advisors management group.

“We’ve made sure to price these funds at levels below the industry averages across the board,” Duffy said. “The fees are extremely competitive.”

Knights of Columbus Asset Advisors’ low fees often get

the attention of financial officers of dioceses, parishes, Catholic schools and hospitals, religious orders and other Catholic institutions. And the fact that these investments are truly Catholic — screened according to the guidelines of the U.S. Conference of Catholic Bishops — is keeping that attention.

Duffy pointed out that investing is not a “morally neutral” activity, but one that can be fraught with ethical pitfalls.

“For example,” Duffy said, “someone who wants to invest in an index fund might not appreciate the fact that these funds are investing in firms that profit from, say, the production of abortifacients, pornography or even land mines. But as our bishops have explained, it is inappropriate for Catholics to profit from such illicit practices. So, in keeping with the bishops’ guidelines, Asset Advisors screens out all those companies.”

While strict compliance means Asset Advisors has to dig a little deeper into their work, Minopoli said, the investors’ peace of mind is worth the extra effort.

“There’s an old saying that the impossible takes 20 minutes longer. Here at the Knights of Columbus, we’ll take the extra 20 minutes and get our investments the right way,” Minopoli said.

“Investing in a way that is consistent with Church teaching is important,” he added. “We can provide that comfort level because it’s part of our mandate as the Knights of Columbus — it’s part of who we are.”

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CATHOLIC, COMPLIANT, CONFIDENT

The Knights’ emphasis on ethical business practices extends beyond investments to all aspects of the organization and its insurance program. For three consecutive years the Order has been named a World’s Most Ethical Company® by the Ethisphere Institute. In addition, the Knights’ Catholic identity further influences how profits are managed.

“It’s typical for an investment firm to give all their profits to its shareholders and partners,” Duffy said. “But the Knights of Columbus Asset Advisors is a wholly owned subsidiary of the Knights of Columbus, so our profits get up-streamed to the Order, which donated more than \$175 million last year alone to help Catholic causes and charities such as the Special Olympics.”

In other words, rather than financing luxuries for its brokers, the dividends from Knights of Columbus Asset Advisors’ work go where they are needed most.

“The hallmark of the Knights’ giving is that it gets to the right place,” Minopoli affirmed. “It gives us great satisfaction to know that as Asset Advisors grows and becomes truly profitable, we are contributing money back to the Knights of Columbus and its charitable mission.”

The Knights of Columbus Asset Advisors team is proud of its performance relative to peers in the investing world.



Mother Mary Agnes Donovan, superior general of the Sisters of Life, is pictured with Supreme Knight Carl A. Anderson and his wife, Dorian, at Villa Maria Guadalupe, a retreat house in Stamford, Conn., owned by the Knights of Columbus and operated by the Sisters of Life.

“We don’t just compare well to other funds that are Catholic,” Minopoli said, “but we’re looking at the broad Lipper and Morningstar investment analyses for our various strategies. We know we have to maintain our ranking each and every day to earn our investors’ confidence — just as we have been for years, for those who have purchased Knights of Columbus insurance or annuities.”

For more than 40 consecutive years, the Knights of Columbus — Asset Advisors’ parent company — has achieved the highest possible ratings for financial strength from A.M. Best.

“This speaks to our ability to produce strong, risk-adjusted returns,” said Duffy. “The Order likes to take smart risks, to make sure that we get paid well for any risk we do take. Over time, we’ve found these strategies to be extremely effective.”

According to the investors themselves, there’s yet another reason to choose Knights of Columbus Asset Advisors.

As chief financial officer for the Archdiocese of Baltimore, William Baird sees to it that the Church in Baltimore achieves the best return on its investments. For the last seven years, Baird has worked for the archdiocese, but 25 years of experience in the secular investment world taught him that an investment is only as good as the team that supports it.

“For me, investments are not only about whether they’re Catholic compliant, as important as that is, but also about a process where you have the opportunity to get attractive returns through the managers you select,” Baird said. “After my visit to New Haven, whether to invest with the Knights became a pretty easy decision to make, given the talent and caliber of Tony’s team.”

Like the Baltimore Archdiocese, the Sisters of Life, a New York-based religious order, invests with Asset Advisors. According to the order’s superior general, Mother Agnes Mary Donovan, the Sisters of Life do not see ethical investing as a luxury but a necessity.

“In addition to the three traditional vows of poverty, chastity and obedience, the Sisters of Life take a fourth vow to protect and enhance the sacredness of human life,” said Mother Agnes. “It is critically important to us that our investments in companies are building a culture of life. The Knights of Columbus Asset Advisors researches the companies they invest in and provide us with morally and fiscally appropriate places for our financial resources.”

“As our community and missions grow,” Mother Agnes added, “the Knights of Columbus Asset Advisors team is helping us to provide for the needs of God’s people and the sisters who serve them.” ♦

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IS A KNIGHTS OF COLUMBUS INVESTMENT RIGHT FOR YOUR CATHOLIC INSTITUTION?

VISIT THE ASSET ADVISORS WEBSITE — www.kofcassetadvisors.org — to review the products offered and access the asset allocation tool to determine how to invest. A toll-free line (1-844-KC-FUNDS) is also available, staffed to help people complete the simple application form.

Mutual fund investing involves risk. Some mutual funds have more risk than others. Fixed income investments are subject to interest rate risk, and their value will decline as interest rates rise.

Consider the funds’ investment objectives, risks, charges and expenses carefully before investing. This and other information can be found in the funds’ full or summary prospectuses, which can be obtained by calling 1-844-KC-FUNDS or by visiting www.kofcassetadvisors.org. Please read the prospectus carefully before investing.

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