

Faith and the Financial Markets



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Convocation
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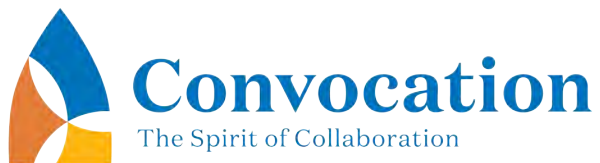


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Agenda

- Introductions
- Economic and Market Overview
- Catholic Values Investing
- Conclusions and Q&A

We'd love for this Workshop to be interactive so please ask questions along the way!



About the Sponsors

Crossmark Global Investments

Crossmark Global Investments is a faith-based investment management firm that provides a full suite of investment strategies to institutional investors, financial advisors, and the clients they serve. Crossmark is especially known for helping its clients align their values by creating social conscious, responsible investment strategies.

Yousif Capital Management

Yousif Capital Management specializes in developing cost-effective, tailored portfolios that align with each client's specific objective and goals. YCM crafts well-balanced research-driven investment strategies for, among others, captive insurance programs and Catholic Dioceses.



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Risk Framework for Catholic Portfolios

Fiduciary Risk

Investment
Policy/Governance
Fee Analysis/Monitoring
Performance Reporting
Independent Third-Party
Oversight

Longevity Risk

Strategic Asset Allocation
Liquidity/Cash Flow Needs
Spending Policy Analysis

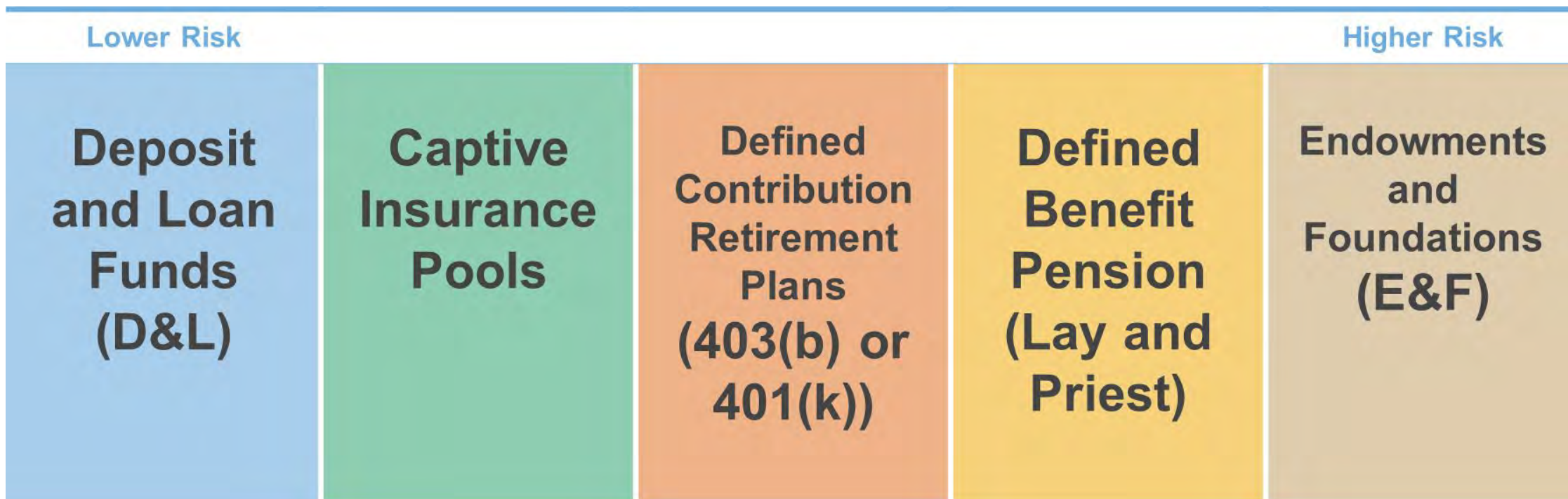
Market Risk

Tactical Asset Allocation
Investment Manager
Evaluation
Disciplined Rebalancing
Stress Testing

Alignment Risk

Development,
Implementation, and
Monitoring of Catholic
Socially Responsible
Investment (SRI) Guidelines

Catholic Dioceses Often Have Multiple Investment Programs with Diverse Risk Tolerance and Return Objectives



Economic and Market Overview



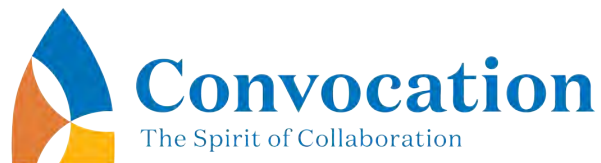
Bob Doll's Ten Predictions for 2026

- 1) Economic growth in the U.S. improves from approximately 2.0% to approximately 2.5% real GDP.
- 2) Inflation remains sticky and fails to make much if any progress toward the Fed's 2% target.
- 3) The 10-year Treasury yield trades primarily between high 3%s and mid 4%s as credit spreads widen (i.e. a "coupon-ish" year.)
- 4) Earnings growth falls short of consensus +14% and P/Es decline modestly making it a tougher year to make money.
- 5) **Stocks fail to advance by a double-digit percentage for only the third time in ten years.**
- 6) Technology, communication services, and financials outperform materials, utilities, and consumer discretionary.
- 7) **International stocks outperform the U.S. for the second year in a row (first time in 20 years.)**
- 8) AI continues to be volatile/erratic, creating another year of elevated volatility.
- 9) **Faith-based share of industry AUM increases for tenth year in a row.**
- 10) Republicans retain control of the Senate but surrender the House, losing at least 20-25 seats.

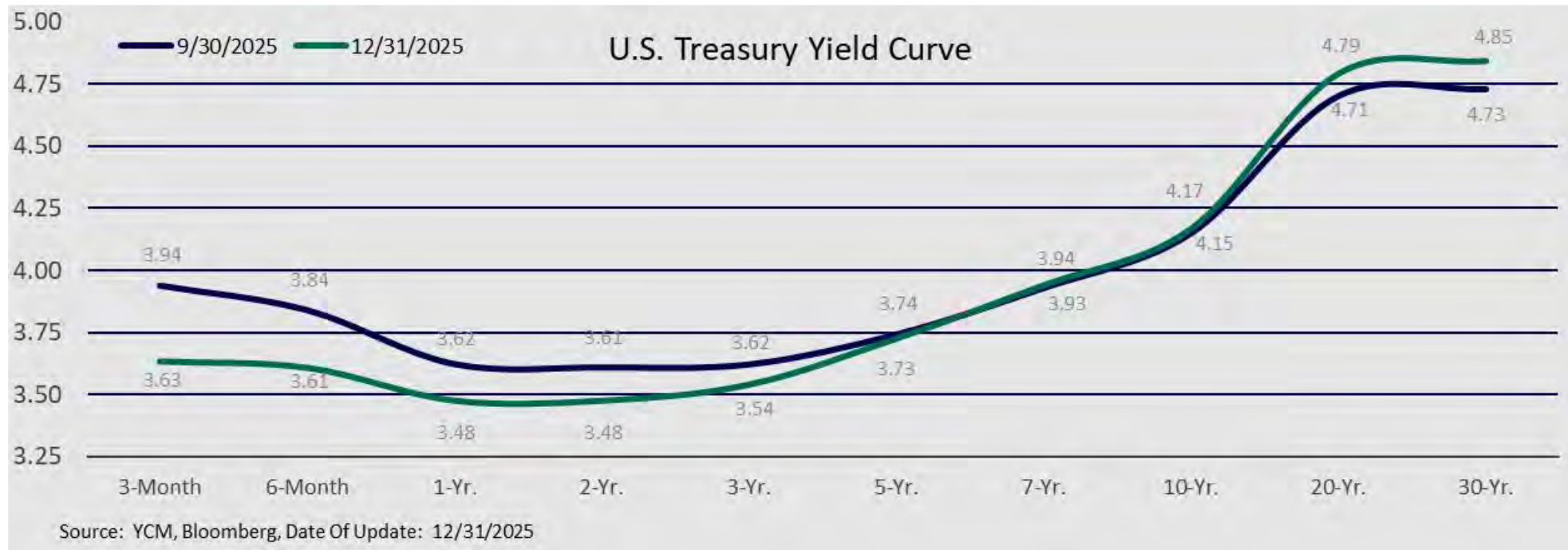


Investment Considerations for 2026

- **Operation Epic Fury:** Immediate U.S. market reaction to the conflict in Iran has been relatively muted, but the international equity markets have steam after a hot start to 2026
- **Artificial Intelligence:** Prior to the Iran conflict, AI concerns were the most significant theme in early 2026, negatively impacting several sectors and industries and contributing to market rotation away from large cap growth
- **Federal Reserve Interest Rate Policy:** With Jerome Powell's term as Fed chair expiring later this year, there is less clarity on how the Fed will navigate challenges in the labor market against the backdrop of rising energy costs
- **Impact of Catholic Values Investing:** Although performance impacts are historically negligible over long time periods, adhering to Catholic Values generated a slight headwind in 2025 and could do so again in 2026, subject to how individual dioceses address defense and/or energy exposure limitations

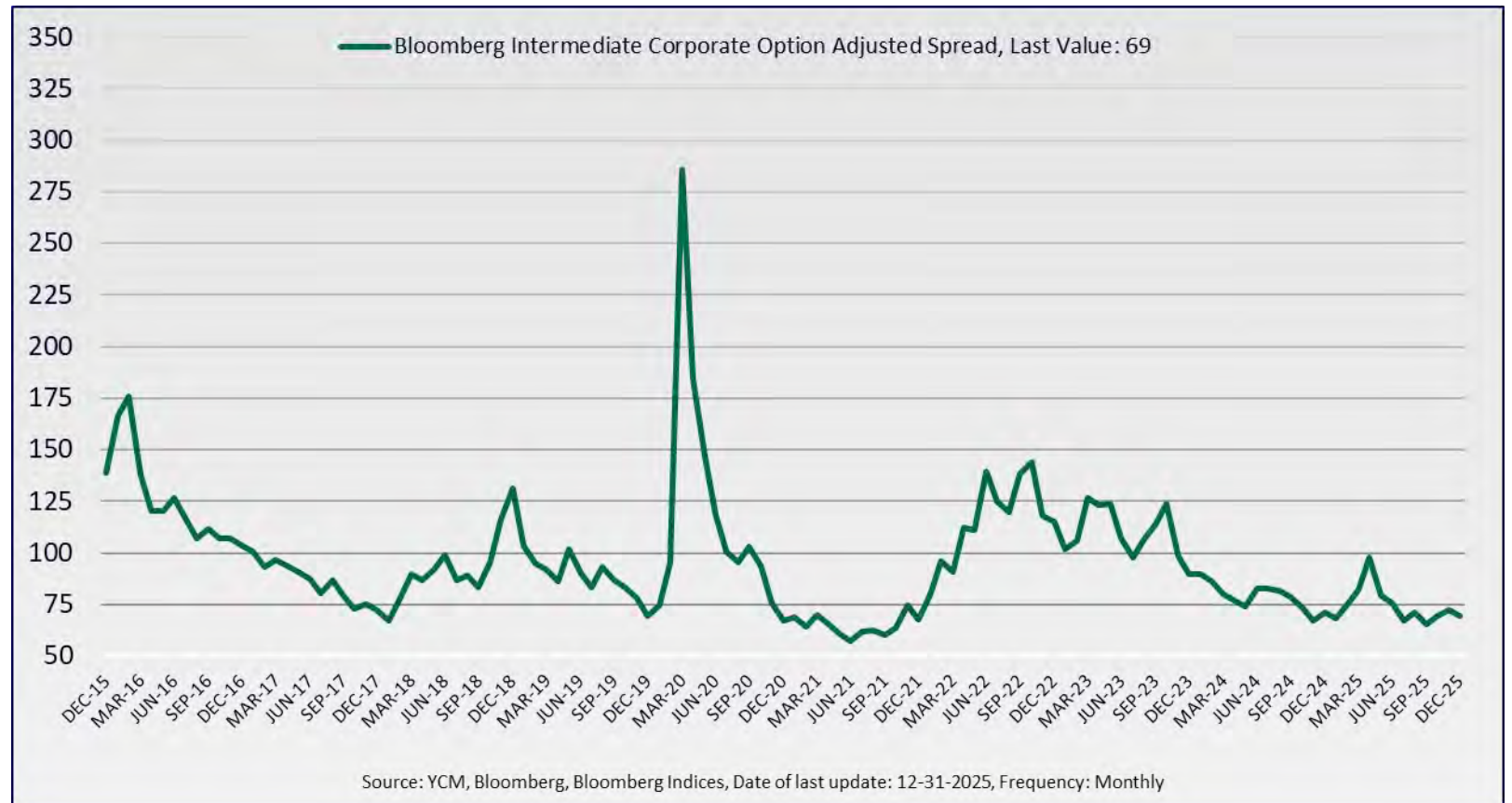


Steepening Yield Curve Highlights Tension Between Growth and Rate Cut Hopes



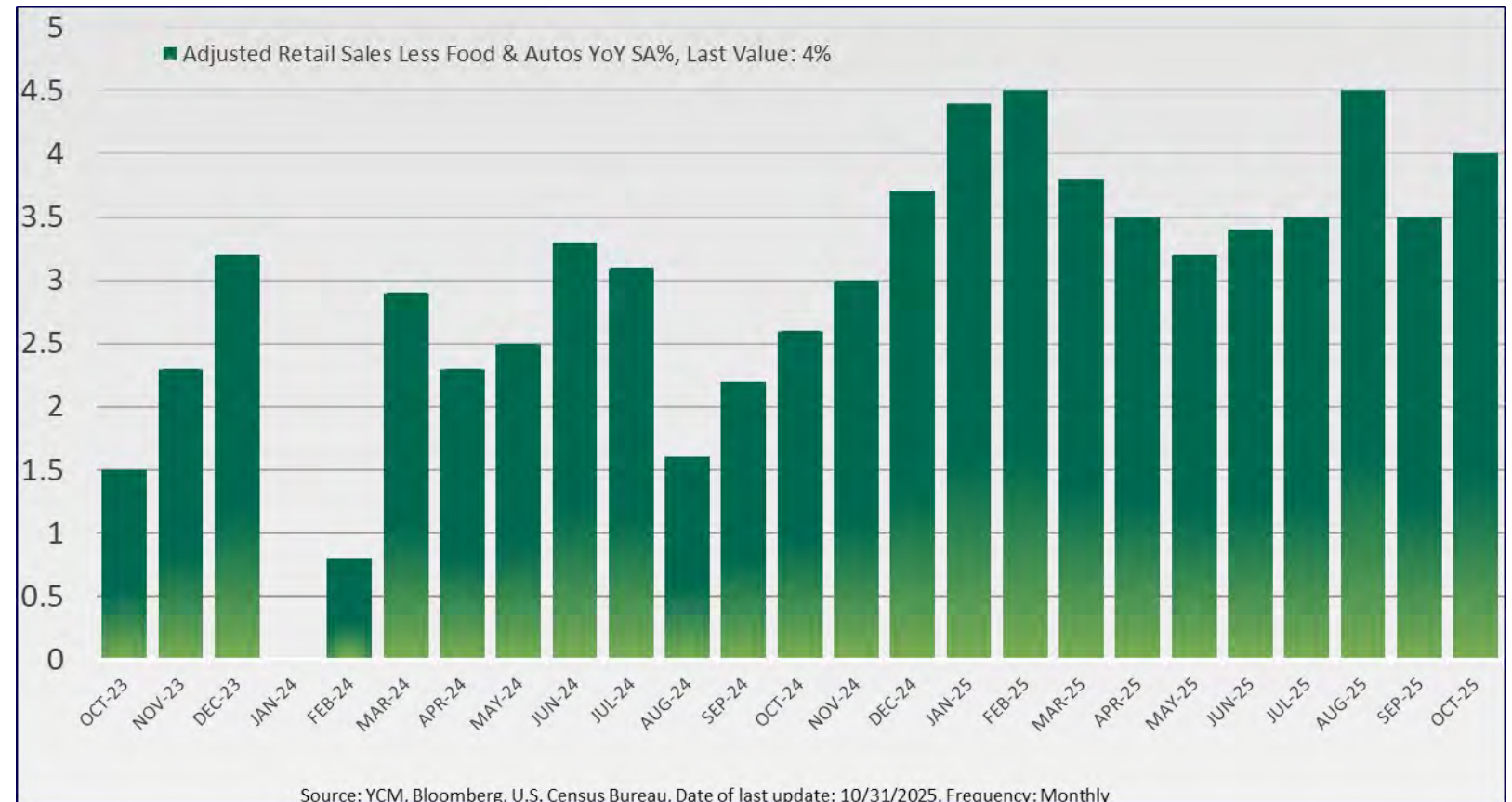
Corporate Credit Priced For Perfection as Supply Risks Build

Corporate spreads remain tight, reflecting strong fundamentals and ample liquidity. However, increased M&A activity is likely to lift bond supply and leverage. With abundant good news already priced in, any economic or earnings disappointments could drive renewed volatility and spread widening.



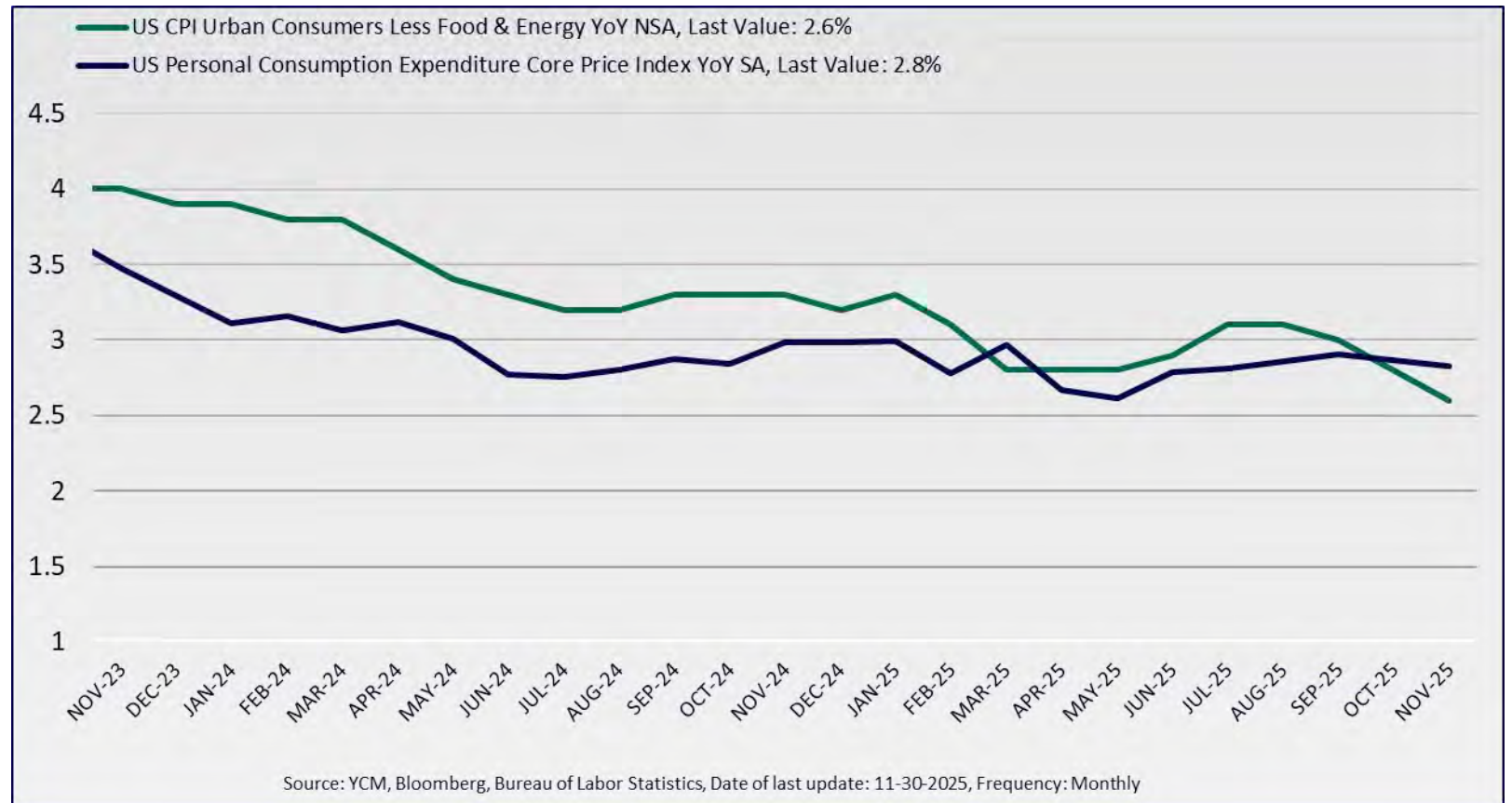
Core Retail Sales – Hard Data Continues to Defy Soft Sentiment Signals

Despite persistently weak confidence surveys, core retail sales remain solid, underscoring continued consumer resilience. Spending strength suggests household balance sheets and income growth continue to support demand, even as sentiment reflects inflation fatigue and uncertainty rather than a meaningful pullback in actual economic behavior.



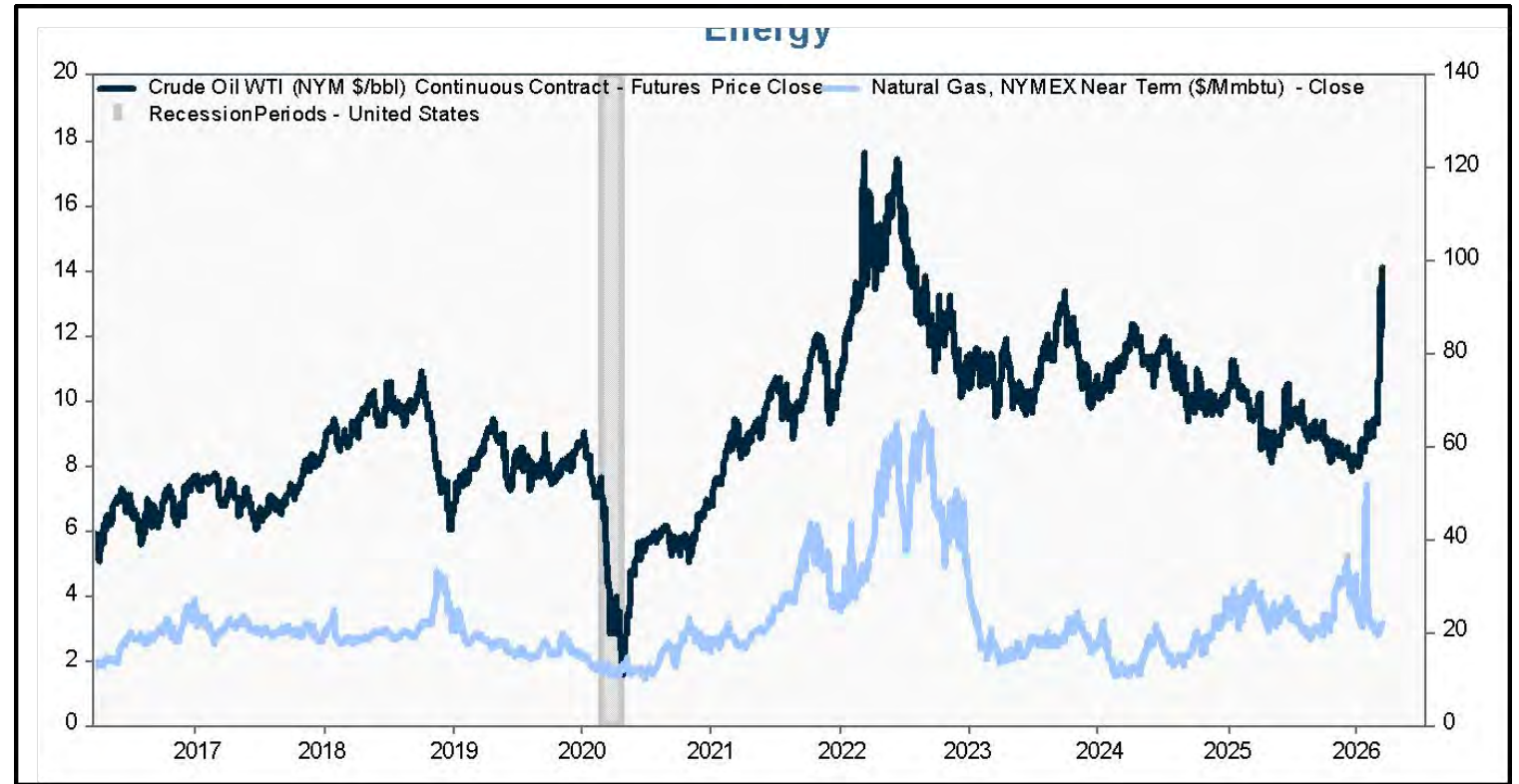
Disinflation Uneven as Core PCE Resists Further Decline

Core CPI eased in November on moderation in goods and shelter, while core PCE remains sticky reflecting higher healthcare costs. YCM expects the Fed will tolerate higher than 2% inflation but will not turn much more accommodative absent a clear slowdown.



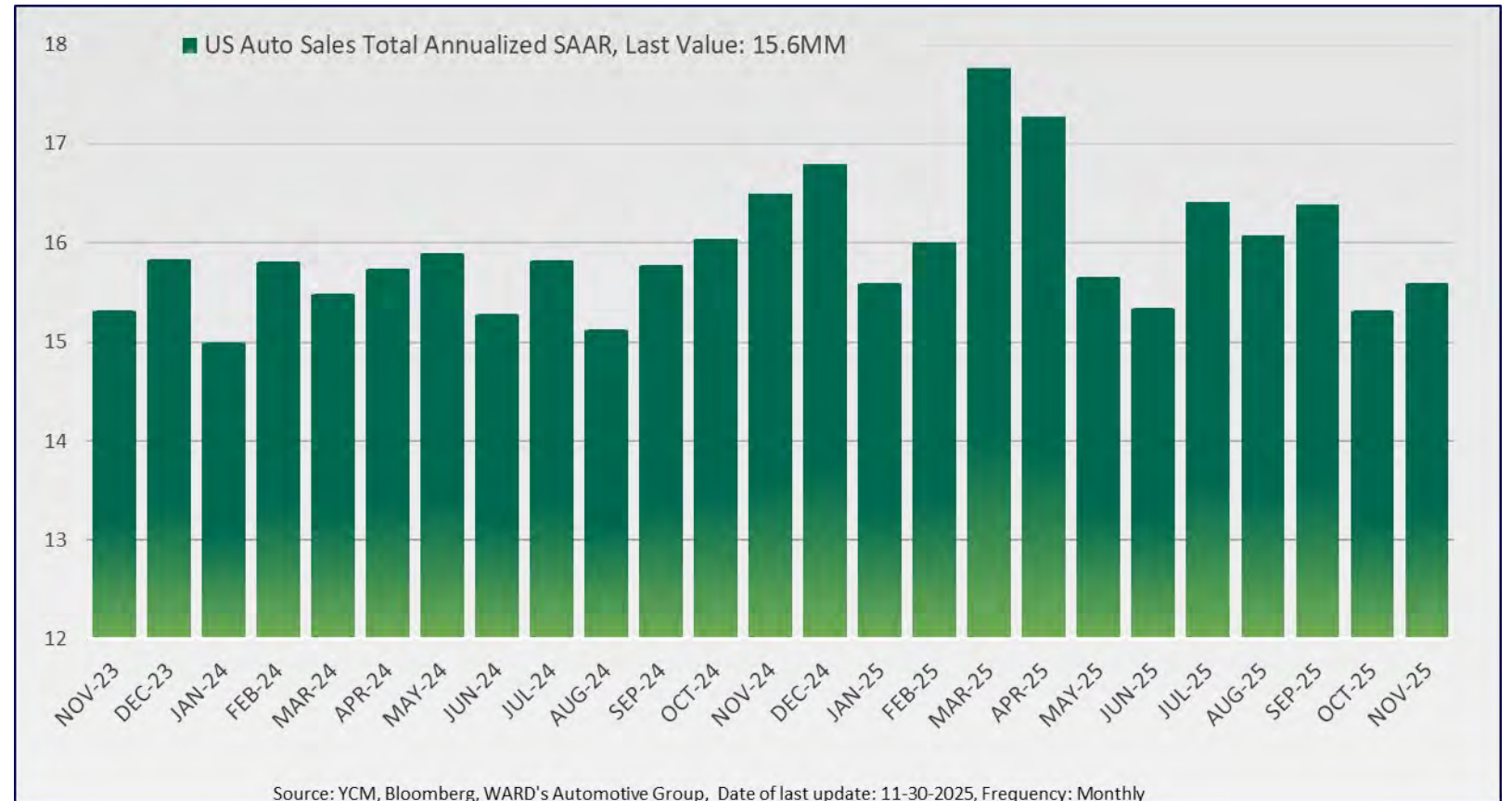
Energy Prices Soaring Higher, But For How Long?

Heightened geopolitical tensions in Iran have propelled crude oil (WTI) prices sharply higher, up 43% by mid-March and 71% YTD through March 15, 2026.



Auto Sales Cool as Incentive-Driven Demand Fades

Auto sales have eased from Q3's incentive-driven surge as the EV tax credit pull-forward fades. Higher financing costs, tighter affordability, and normalization of dealer incentives are weighing on demand, suggesting recent softness reflects cooling momentum rather than consumer stress.



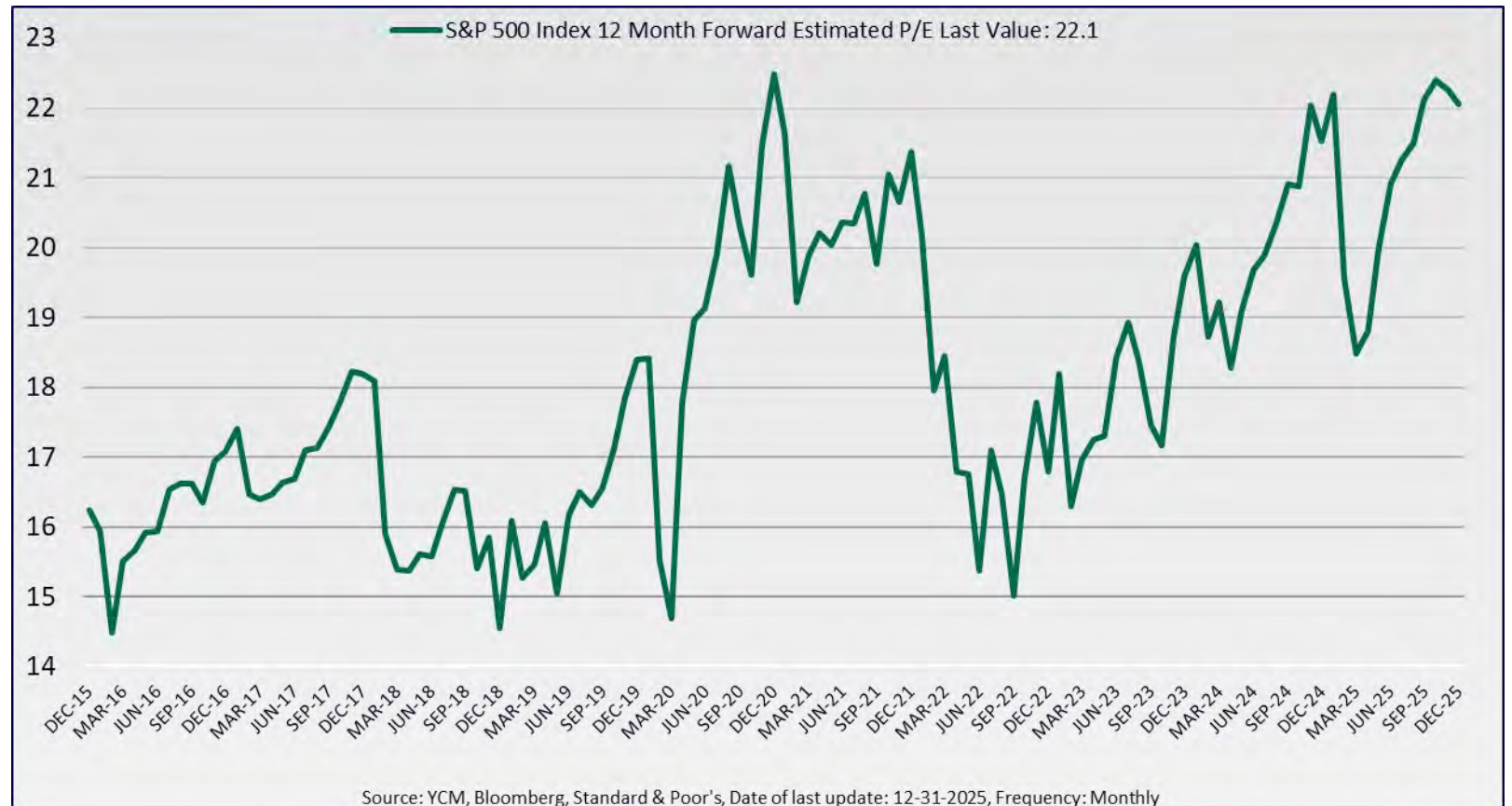
The Fed at a Crossroads

The Federal Reserve kept the Federal Funds Rate steady at a range of 3.50% to 3.75% in March. Current Fed Funds futures market projections point to only one quarter-point cut in 2026, down from an estimate of two cuts at the start of the year.



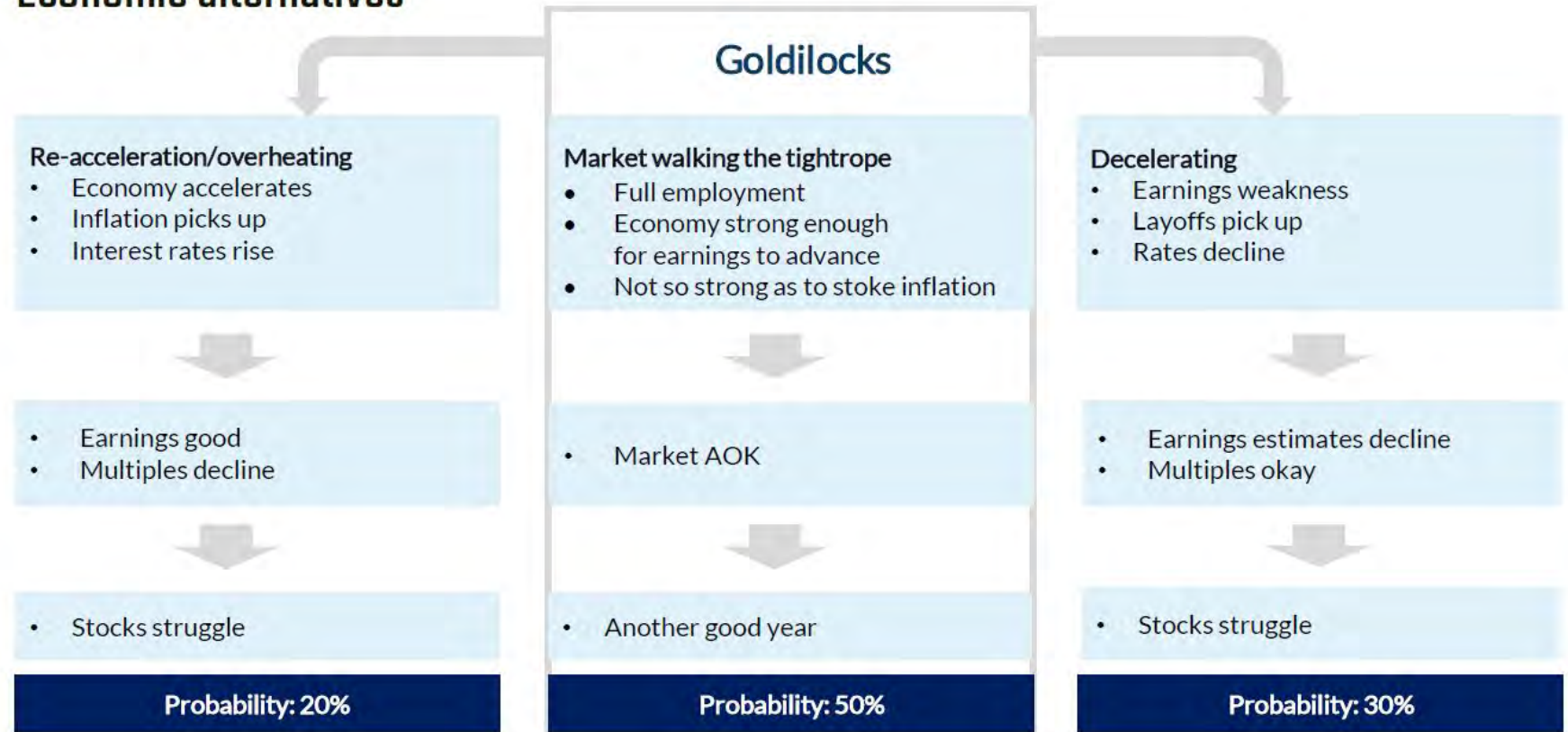
High Equity Valuations Shift the Burden to Earnings

Equity valuations remain elevated, with the S&P 500 trading near cycle-high forward P/E multiples. Similar to credit markets, much optimism is already priced in, leaving future returns increasingly dependent on sustained earnings growth rather than further multiple expansion.



Prediction 5: Stocks fail to advance by a double-digit percentage for only the third time in 10 years

Economic alternatives



Prediction 5: Stocks fail to advance by a double-digit percentage for only the third time in 10 years

Prospective equity returns

Starting P/E	S&P 500 average forward returns (%)			
	1-year	3-year	5-year	10-year
<10x	13.4	11.2	12.3	11.5
10-12	14.9	13.0	10.4	10.5
12-14	10.5	9.1	8.5	9.6
14-16	12.4	10.9	9.8	9.3
16-18	6.4	6.3	5.4	5.7
18-20	7.7	6.0	5.9	4.4
>20	5.2	4.8	5.5	3.0

Prediction 5: Stocks fail to advance by a double-digit percentage for only the third time in 10 years

Stock market positives and negatives

Positives

1. One Big Beautiful Bill
2. AI/capex
3. Double-digit earnings growth continues
4. Fed easing
5. Wealth effect
6. Potential for broadening
7. Weak dollar

Negatives

1. Valuation levels
2. Earnings estimates too high
3. Slowing job growth
4. Sticky inflation (Fed stuck?)
5. Housing weakness
6. AI circular financing
7. Speculation (margin debt, momentum stocks)

Prediction 7: International stocks outperform the U.S. for the second year in a row (first time in 20 years)

Reasons to increase international weight

1. Valuation differentials
2. More favorable earnings comparisons
3. Monetary policy differentials
4. Fed confusion/dovishness
5. Weakening dollar
6. Underweight international positions (especially in U.S.)
7. Geopolitical desires to diversify away from U.S.

**'America has no permanent friends
or enemies, only interests.'**

Prediction 7: International stocks outperform the U.S. for the second year in a row (first time in 20 years)

Global markets (P/E ratio)



Source: Charles Schwab, Bloomberg as of 11/30/25

Relative earnings comparison improving for international



Source: FactSet, Bloomberg LP, Fidelity Investments Asset Allocation Research Team

Prediction 7: International stocks outperform the U.S. for the second year in a row (first time in 20 years)

1. Germany – growth to re-boot to 1.5%.
2. Rest of Europe – still somewhat sluggish.
3. India to overtake Japan as world’s fourth-largest economy.
4. China is likely in the first year of a three-year real GDP growth phase below 5% per year – the first in modern history.
5. U.S.-China relationship to remain precarious.

Prediction 7: International stocks outperform the U.S. for the second year in a row (first time in 20 years)

China and the U.S. are in an economic cold war

China's progress in EVs, solar panels, AI, and new drugs has been extraordinary and at noticeably lower costs than in the U.S.

BUT China has issues:

1. Debt levels
2. Aging population
3. Dampened consumption
4. Slower productivity
5. Real estate prices falling

“The prospect unfolding is not of two countries overcoming their differences, but of belligerent giants weaponizing their economic power. And even as China is winning Mr. Trump's trade war, the retreat from open commerce ultimately makes everyone a loser.”

- The Economist, Oct. 25, 2025

Catholic Values Investing



Prediction 9: Faith-based share of industry AUM increases for the tenth year in a row

Faith-based market share



Why the increase?

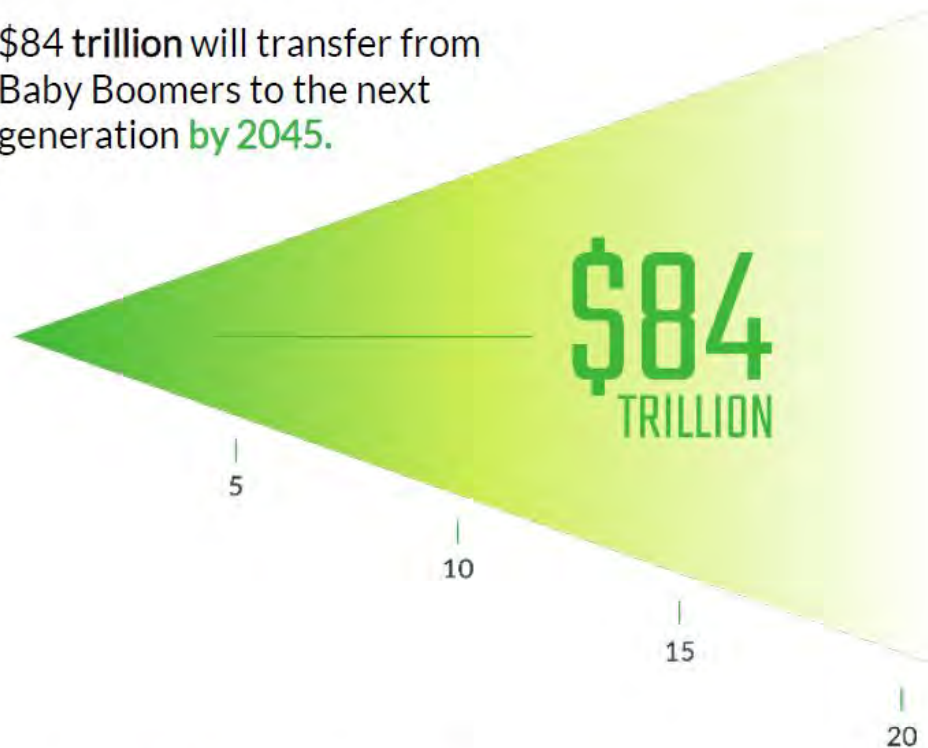
1. More and more individuals are wanting to align their portfolios with their values.
2. More and more financial advisors are wanting to align their portfolios with their values.
3. More and more institutions are wanting to align their portfolios with their values.

Sources: Morningstar, Crossmark. Data compares mutual fund and ETF assets under management of 11 asset managers of faith-based products to total active mutual fund and ETF assets under management in the U.S. Does not include separately managed accounts or money market funds.



Demographics are destiny: The next generation is influencing the market and shifting priorities through the “Great Wealth Transfer”

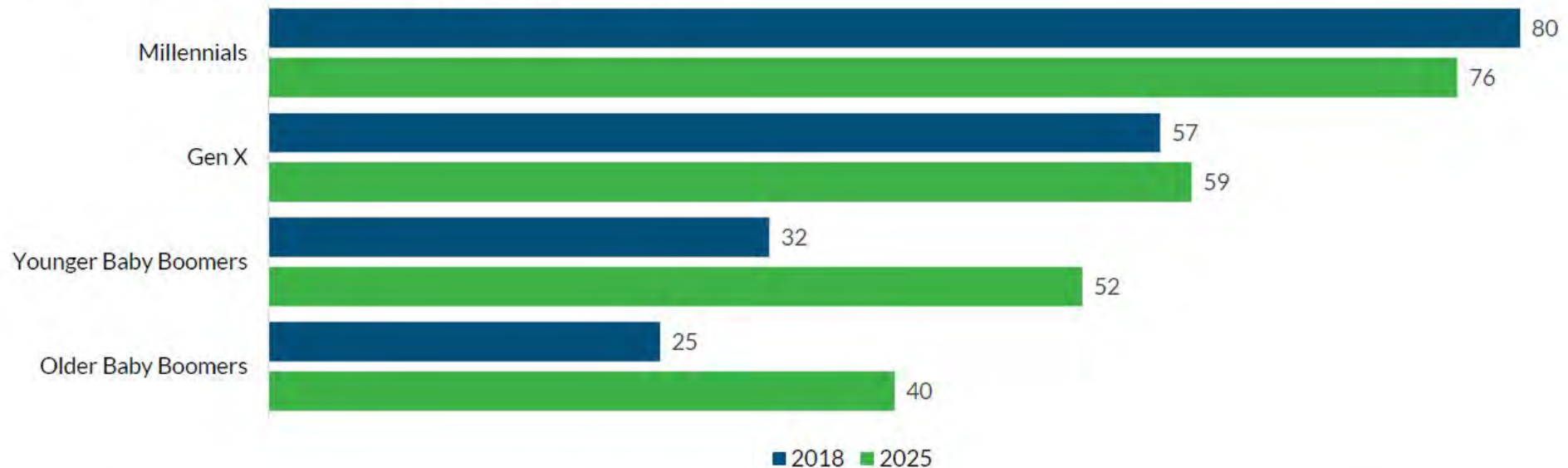
\$84 trillion will transfer from Baby Boomers to the next generation **by 2045.**



55% of Millennials and 41% of Gen Z are expected to inherit **by 2030.**

Millennials and women, the biggest beneficiaries of the Great Wealth Transfer, prioritize their values-based investments the most

Important for investments to align with values (%)



Percentage of investors who agree that it is important to select companies in their portfolio that align with their values. 2018 selected as "Important"; 2025 rated "Very or Extremely Important" – note, ages do not align exactly with generations; adjusted to match age categories from 2018 survey.

The areas faith-based investment managers most commonly recommend avoiding are not necessarily the areas investors most want to avoid

More Likely to **Avoid** Companies / Fund If ...

More Likely to Avoid Investing in a Company if it Has...	Total	Committed Christian	Casual Christian or Non-Christian
Predatory lending practices	47%	46%	48%
Pornography, adult entertainment	46%	56%	38%
Suppliers use harsh labor practices	44%	42%	46%
Contribute to pollution or climate change	37%	33%	40%
Media with violent content	34%	39%	30%
Unhealthy foods or products for children	34%	35%	32%
Weapons of war	34%	32%	35%
Use or allow animal testing	33%	34%	33%
Addictive substances such as alcohol, tobacco	30%	32%	28%
Unsustainable farming practices or strip mining	29%	26%	32%
Civilian firearms	21%	19%	23%
Take public, political stances	21%	23%	20%
Casinos, sports betting	21%	27%	16%
Physician assisted suicide or euthanasia	19%	27%	12%
Products or services that aid in or provide abortion	19%	29%	10%
Recreational cannabis	18%	26%	12%
Social media, digital entertainment	9%	12%	8%
Other	1%	1%	1%
None of these	9%	7%	10%

Q: Would any of the following business practices make you more likely to avoid investing in a holding? Please select all that apply.

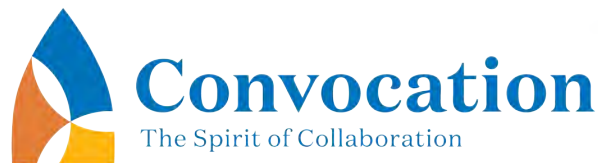
“Committed Christians” identify as Christian and consider their faith very important.



It matters which VBI products an advisor uses, as 1 in 4 investors is unwilling to accept even slight tradeoffs for values alignment

Q: Which of the following trade-offs would you be willing to accept in order for your investments to better align with your values? Please select all that apply.

Trade-offs willing to accept for values alignment (%)



Christians might be willing to wait longer for returns, but still 1 in 5 is unwilling to make trade-offs for VBI products

Q: Which of the following trade-offs would you be willing to accept in order for your investments to better align with your values? Please select all that apply.

“Committed Christians” identify as Christian and consider their faith very important.

Which would you choose?	Committed Christian	Casual Christian or Non-Christian
Slightly lower financial returns	20%	20%
Slightly increased risk	24%	22%
Slightly longer time horizon	28%	22%
Slightly higher management fees	15%	13%
Slightly greater volatility	17%	15%
Exclusion of certain industries	31%	28%
None of these	20%	31%



Conclusions and Q&A



Conclusions

What are the key takeaways from this session?

- Catholic Dioceses often have multiple investment programs with varying return objectives and risk tolerance
- The Iran conflict, artificial intelligence, and uncertain Federal Reserve policy are likely to produce additional volatility in the financial markets over the short- and intermediate-term horizon
- Asset allocation decisions should be based on long-term goals, objectives, and risk tolerance and not focused on trying to time short-term market movements
- Maintaining compliance with Catholic values for your investment portfolios has negligible impacts on long-term performance
- Although Catholic Diocesan portfolios are not governed by ERISA, it is still beneficial for Catholic fiduciaries to follow governance best practices in monitoring their investment portfolios and periodically evaluating their investment advisors

DISCUSSION



Thank you.

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All investments are subject to risks, including the possible loss of principal. Past performance does not guarantee future results.

An investment cannot be made in an index.

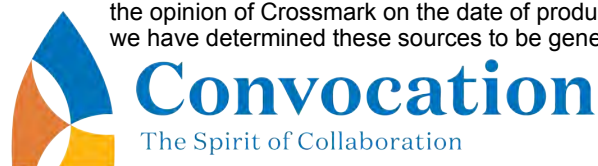
Equity investments generally involve two principal risks – market risk and selection risk. The value of equity securities will rise and fall in response to general market and/ or economic conditions (equity market risk). The value of any individual equity security will rise and fall in response to the market's perception of the issuer's revenues, earnings, balance sheet, credit worthiness, business plan, and overall perception of the viability of the issuer's business (selection risk).

Fixed income investments generally involve three principal risks—interest rate risk, credit risk, and liquidity risk. Prices of fixed-income securities rise and fall in response to interest rate changes (interest rate risk). Generally, when interest rates rise, prices of fixed-income securities fall. The longer the duration of the security, the more sensitive the security is to this risk. There is also a risk that the issuer of a note or bond will be unable to pay agreed interest payments and may be unable to repay the principal upon maturity (credit risk). Lower-rated bonds, and bonds with longer final maturities, generally have higher credit risks. As interest rates rise and/or the credit risk associated with a particular issuer changes, bonds held within a portfolio may become difficult to liquidate without realizing a loss (liquidity risk).

Investments in securities of issuers in foreign countries involves additional risks not associated with domestic investments. These risks include, but are not limited to: (1) political and financial instability; (2) currency exchange rate fluctuations; (3) greater price volatility and less liquidity in particular securities and in certain foreign markets; (4) lack of uniform accounting, auditing, and financial reporting standards; (5) less government regulation and supervision of some foreign stock exchanges, brokers and listed companies; (6) delays in transaction settlement in certain foreign markets; (7) less availability of information; and (8) imposition of foreign withholding or other taxes.

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