



The UU Common Endowment Fund Investment Information Memorandum

**An Investment Program for Endowment Funds
of
Unitarian Universalist Congregations
and Related Organizations**



- **A Diversified Investment Fund Seeking Current Income and Long-Term Investment Returns**
- **Portfolio Allocation and Professional Asset Management**
- **Socially Responsible Investing Goals**



All monies and funds invested as a result of this document shall be held by the Unitarian Universalist Association ("UUA") and invested in its General Investment Fund, which is operated as the Unitarian Universalist Common Endowment Fund (the "UUCEF" or "Fund").

This "Investment Information Memorandum" contains information that may be important to know prior to investing in the Fund, including information about risks. Please read it before you invest and keep it for future reference.

Please note that the exhibits referenced and included within this document are an integral part of the information required to make an informed decision. Accordingly, please do not enter into a Subscription Agreement or make an investment until you have completely read and understood these materials.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE UUA, THE FUND AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED, RESOLD OR ENCUMBERED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE UUA. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

ONLY ENTITIES THAT ARE UU CONGREGATIONS WHICH QUALIFY AS "CHARITABLE ORGANIZATIONS" UNDER SECTION 3(C)(10) OF THE INVESTMENT COMPANY ACT OF 1940 MAY INVEST IN THE FUND.

Tennessee Residents: These Securities are being issued pursuant to T.C.A. Section 48-2-103(a)(7), which is an exemption from the following statutes: T.C.A. Section 48-2-104 (Securities Registration Requirement - Civil Penalty), T.C.A. Section 48-2-113 (Filing of Sales and Advertising Literature), and T.C.A. Section 48-2-124 (Scope of Law - Service of Process). The UUA qualifies for the exemption provided for under T.C.A. Section 48-2-103(a)(7) because it is operated not for profit, but exclusively for religious, educational, benevolent, and charitable purposes. The UUA has never been the subject of any stop order, denial, order to show cause, suspension, or revocation order, injunction or restraining order, or similar order entered by or issued by any regulatory authority or by any court, concerning the securities covered by this notice or other securities of the UUA that are currently being offered to the public. Neither the UUA nor any affiliate or predecessor has had any material default during the past ten (10) years in the payment of: (i) principal, interest, dividends or sinking fund installments on any security or indebtedness for borrowed money; or (ii) rentals under material leases with terms of three (3) years or more.

Virginia residents must be corporations organized under the laws of the Commonwealth of Virginia.

Florida and Tennessee Residents: Pursuant to Florida Rule 69W-400.001(Z) and the Tennessee Rule 0780-4-2.07(2)(c)(1), please find enclosed a supplement containing the audited financial statements of the UUA for the past 3 fiscal years.

The UU Common Endowment Fund

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I. DESCRIPTION OF THE UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND

A. Overview

1. What is the UUCEF?

If you have responsibility for an endowment fund at your congregation or Unitarian Universalist (“UU”) related organization, you may recognize (and feel deeply about) several objectives:

- To grow the assets of the fund
- To generate income
- To make investments that reflect UU values

Currently, 331 UU congregations and UU-related organizations entrust the management of their investment assets to the UU Common Endowment Fund (the "Fund" or "UUCEF") -- a professionally managed, diversified investment fund, offered by the Unitarian Universalist Association (“UUA”) to manage the assets of congregations, districts and other UU-related organizations (congregations, districts and UU-related organizations are collectively referred to below as “UU Congregations”).

Established in 1962 as a common investment fund¹, assets of the UUCEF are currently held in US and international equities, domestic and global fixed income securities and other holdings intended to provide broad diversification.²

The UUCEF is available for the investment of endowment funds, trust funds, and other assets of UU Congregations that have a long-term investment perspective and the need for income to support their missions.

“The UUCEF’s goals are to provide:

- Growth in the value of invested assets
- Sustainable distributions for congregational support

In order to reach these goals, the UUCEF has the following investment objective: achieve consistent returns within a moderate risk tolerance over the long term, sufficient to allow Congregations to take regular distributions and maintain the value of principal after adjustment for inflation and after all expenses.³ It pursues this goal through diversification among asset classes (large cap equities, small cap equities, fixed income, high-yield fixed income, global asset allocation funds, and hedge funds), geography (U.S., international developed markets and emerging markets) and investment managers (the UUCEF currently uses 14 money management firms, each with its own specialty, which are referred to herein as “Investment Manager(s)”).⁴

Investing in the Fund can relieve an organization of the responsibilities of investment management and move that task to professional managers and advisors, whose work is directed and monitored by a team consisting of the UUA Board of Trustees (“Board”), the UUA Investment Committee (“Investment Committee” or “IC”), the UUA Socially Responsible Investing Committee (“SRIC”) and the UUA staff.⁵

The Fund brings investors an added dimension -- an active program of Socially Responsible Investing (“SRI”), which focuses on making investment decisions that reflect UU values and contribute to positive social and environmental change. The Fund’s SRI goals are realized by work in four areas: Shareholder advocacy, proxy voting, community investing and investment screening through stock selection.⁶

As of March 31, 2014, the UUCEF held assets valued at approximately \$165 million. About \$76 million of that consists of the UUA’s own endowment assets, and the balance represents funds from UU Congregations. Individuals may not invest in the UUCEF.

2. Why Invest in the UUCEF?

The UUCEF is an alternative for UU Congregations that currently manage or direct the investment of their own assets. The Fund is more than a single investment option – it is an investment program that implements a range of key tasks that may be challenging (and costly) for any single UU Congregation to perform on its own. Under oversight of the Board, the Investment Committee⁷ selects professional outside advisors and Investment Managers. Collectively, these groups and individuals work to:

- Set investment policies and operating procedures with ethical standards that are aligned with UU values
- Determine asset allocation targets
- Select and monitor investment managers
- Utilize UU committee members for guidance, several of whom are investment professionals
- Receive oversight from the UUA Financial Advisor and the UUA Treasurer (“Treasurer”)
- Report to the Board, as fiduciary of the Fund
- Regularly rebalance the Fund to maintain its strategic asset allocation targets
- Insure that the books and records of the Fund are audited by a major accounting firm

Service capabilities are built around the needs of UU Congregations, such as:

- Ability to segregate restricted and unrestricted funds⁸
- Distribution payments each quarter, if requested
- Flexible annual distribution rates: 0% to 6%
- Quarterly statements and performance reports
- Monthly statements and performance reports posted on line
- Quarterly conference calls
- Regular communications
- Commitment to responsive, high quality service from dedicated UUA staff

3. Managing Investment Risk

When managing their own endowments, UU Congregations face an increasingly complex set of challenges, such as:

- Establishing investment policies
- Implementing an asset allocation strategy
- Selecting investments and/or Investment Managers
- Rebalancing the portfolio on a consistent schedule
- Monitoring performance
- Implementing portfolio changes
- Controlling costs
- Ensuring good accounting and audit practices
- Enforcing good Investment Committee governance
- Managing and investing consistent with UU values

Each of these responsibilities has its own risks, regardless of the asset size of the endowment fund or the investment experience of its trustees. UU Congregations may not have the time and expertise to manage these risks and generate the investment returns they seek.

By investing in the Fund, UU Congregations can transfer the responsibilities of investment management to a team of UUA committee members, staff and outside professional managers and advisors and take advantage of a comprehensive approach already in place -- one with investment practices that express and support UU values through SRI.

By investing in the Fund, your UU Congregation can:

- Free-up time and energy that can be devoted to other productive activities
- Gain peace of mind with professional management
- Increase the extent to which your assets are managed in a socially responsible manner
- Benefit from reduced transaction and management costs available to a larger fund.

4. How the Fund Works

Subscribing to the Fund. To invest in the Fund, a UU Congregation must complete and submit an agreement to invest in the Fund (“Subscription Agreement”) and send the Subscription Agreement either before or accompanied by an initial deposit to the UUA. Once received and approved, the UUA will confirm the UU Congregation’s starting date as an investor.⁹

Contributions. Money transferred to the Fund may be sent to the Fund office at any time; however, those funds will not be invested in the Fund until the beginning of the next calendar month. In order to be invested in the Fund in a timely manner, new contributions must be received by the Fund by a monthly “Valuation Date”, which is the last business day of each month. It is recommended that new contributions to the Fund be received by the UUA at least 3 business days prior to the Valuation Date.

Units of Ownership. Each investor is allocated a certain number of units of the Fund, based on the value of the assets the investor places in the Fund. The net asset value (“NAV”) of each unit is calculated based on the value of the Fund assets at the close of business on the last day of each month. Money invested in the Fund is pooled with all other assets of the Fund and invested according to the Unitarian Universalist Association’s Investment Policy (“Investment Policy”), the Investment Committee Guidelines (“IC Guidelines”) and, with respect and to the extent that the assets are directly managed on behalf of the UUA and in certain selected investment vehicles, the Socially Responsible Investing Guidelines (“SRI Guidelines”) or other applicable socially responsible investing criteria (together the “Investment Policies and Guidelines”).¹⁰

Withdrawals. When an investor requests a withdrawal from the Fund, sufficient units of the Fund are redeemed by the Fund at the unit’s NAV as of the next Valuation Date. Investors may request a withdrawal by giving notice to the UUA Treasurer at least 30 days prior to the applicable Valuation Date if they wish to withdraw more than \$100,000 and at least 10 days prior to the applicable Valuation Date if they wish to withdraw \$100,000 or less.

Quarterly Distributions. An investor may elect to receive regular distributions from the Fund. Under the Subscription Agreement, investors may select an annual distribution rate that can range from 0% to 6% of the applicable average unit value described in Section 6 of the Subscription Agreement. Distribution checks are issued on or about the 15th day of January, April, July, and October. In the event that no distribution rate is selected, no money will be distributed to the investor, and any income¹¹ attributable to the investor’s balance will be added to the principal and invested accordingly. Investors receive a quarterly detailed statement showing all activity related to their investment in the Fund. Monthly statements are available online.

II. INVESTMENT OBJECTIVES

The overall investment objective of the UUCEF is to increase the asset value in order to maintain the real purchasing power of the endowment while allowing for regular distributions. The Fund seeks to achieve consistent returns within a moderate risk tolerance over the long term, sufficient to allow Congregations take regular distributions and maintain the value of principal after adjustment for inflation and after all expenses (“Target Return Objective”). The UUCEF attempts to achieve this goal by ensuring that the Investment Managers adhere to the parameters set forth in the Investment Policies and Guidelines. These objectives are consistent with the needs of many UU Congregations, which typically draw 4.5% to 5% of their investment balance each year to support their activities.

One of the most important responsibilities of those overseeing an endowment fund is to preserve and grow the purchasing power of the fund's assets. "Real Asset Growth" of an investment is achieved only when the total investment return exceeds the annual loss of purchasing power (measured by inflation) and redemptions.

Real Asset Growth = Total Investment Return -- (less) Inflation and Redemptions

Those with investment responsibilities at UU Congregations may not have the resources to achieve Real Asset Growth over the long term on their own -- through market cycles and changing economic conditions. At UU Congregations, the future of your endowment fund will depend on it.

The Investment Committee has also established the following long term objective for the Fund: "The UUA seeks to achieve the highest possible professional standards in the way it manages and operates the UU Common Endowment Fund, and by so doing, provide stable investment performance at a reasonable level of risk, while having a positive impact on social and environmental issues." In order to have a reasonable expectation of meeting this objective, the Investment Committee adopted the Investment Policies and Guidelines.

III. INVESTMENT POLICIES AND GUIDELINES

The Investment Committee is appointed by the UUA Board of Trustees, and operates under the Investment Policy adopted by the Board. The Investment Policy authorizes the Investment Committee to interpret and implement the Investment Policy, establish IC Guidelines (including the investment objectives above), and report regularly to the board. The Investment Committee establishes the asset allocation policy that sets target commitments for each asset class. The committee is also responsible for setting guidelines for rebalancing asset classes and reviewing them on at least a quarterly basis.¹²

A. Socially Responsible Investing: Reflecting UU Values

In recent years, through staff, the Board and the SRIC¹³, the UUA has conducted seminars and provided materials to help UU Congregations formulate their own SRI programs. Individually, many UU Congregations have been successful in exercising shareholder rights and expressing their views regarding companies they hold through investments in their endowment portfolios.

However, when a UU Congregation becomes an investor in the Fund, its voice is amplified by joining with other investors in the Fund, to the extent that the assets are directly managed on behalf of the UUA or in certain selected investment vehicles that apply SRI criteria in selecting their investments. The UUA believes this gives UU Congregations an opportunity to have a more powerful and wide-ranging impact on corporate behavior and other issues of deep concern to Unitarian Universalists. Within the specified parameters, these SRI initiatives represent an effective way to bring UU ideals to the marketplace and for UU Congregations to fulfill their SRI goals. Specifically, shareholder advocacy and proxy voting initiatives seek to give investors a way to have UU values represented, year after year, under a focused and coordinated program to change behavior of US and multi-national corporations. This program is implemented through collaboration among UUA staff, the SRIC, and the Investment Committee.

1. Shareholder Advocacy

The UUA believes it should take full advantage of rights as a shareholder to express UU values on key issues to corporations in which money is invested. Shareholder advocacy addresses such issues as equal opportunity employment, board diversity, executive compensation, non-discrimination based on sexual orientation and gender identity or expression, global labor standards, and environmental issues like climate change through the following activities:

- Filing and co-filing shareholder resolutions;
- Presentations of resolutions at corporate annual meetings; and

- Dialogues with corporate representatives.

The UUA is a member of the Interfaith Center on Corporate Responsibility (“ICCR”), which, along with other institutional investors, uses its members’ collective ownership in US corporations to challenge management and boards of directors to improve their policies concerning social, environmental and corporate governance issues.

2. Proxy Voting

Shareholders, particularly institutional shareholders, can influence decision makers of publicly traded corporations to engage in ethical and sustainable business practices. Ownership in a company confers the opportunity to take positive action for others and the world in which we live. As a shareholder, the UUCEF has the right to vote on many issues regarding financial, governance, social and environmental issues. Many of these subjects are complex and difficult to follow within a portfolio with hundreds of holdings. Fund investors are served by the UUA and its partner organizations which follow shareholder issues, monitor them carefully, and then implement proxy voting guidelines consistent with UU values.

To support these efforts the UUA uses the services of Institutional Shareholder Services (“ISS”), a firm that conducts research on proxy matters, makes recommendations and then handles proxy voting on shares owned by the Fund as the UUA directs. Because it serves a range of institutional clients interested in similar services, ISS has the resources to monitor the large number of issues related to companies in which the Fund invests. In the course of a year, ISS will cast over one thousand votes with hundreds of companies on behalf of the Fund. The UUA receives regular reports on how its proxies are voted and the results of those votes can be viewed online in real-time at www.uucef.org.¹⁴

3. Community Investing

Community Investing is financing that creates resources and opportunities for economically disadvantaged people and communities. It supports development initiatives in low-income communities both in the United States and in developing countries. The Fund commits approximately 1% of its assets to community investments. The SRIC, in close cooperation with the Treasurer, makes decisions regarding the choice of community development investments. Options for community investment include community development banks, credit unions, loan funds, venture capital funds, and other institutions which offer investment products that support community development. Funds may also be deposited with micro-enterprise lenders, which make small loans to worthy persons and projects with the goals of building self-sufficiency, addressing violence and alleviating poverty.

4. Investment Screening

How and where we choose to invest can forcefully proclaim our UU ideals. Investment screening is the practice of excluding investments from portfolios based on social, environmental and governance criteria. It also includes weighting portfolios towards companies that perform better on these criteria and avoiding poor performers. Screening criteria are designed to represent UU values, as expressed in General Assembly Resolutions and Resolutions of Immediate Witness, Board resolutions and the UUA Purposes and Principles.¹⁵ The UUA employs Jantzi Sustainalytics, which specializes in SRI issues, to rate over 1,000 U.S. companies based on these values and to advise on which companies to exclude from the portfolio.

Screening is most applicable to investments in individual securities, but less so to pooled investments such as mutual funds and private co-mingled funds. Some of the pooled investments included in the UUCEF do no screening whatsoever. The Fund’s assets that are invested in pooled investment vehicles represent only a portion (and depending on the pooled vehicle, may represent only a small portion) of all investors’ investments in such vehicles. As a result, it is not possible for the UUA to apply the SRI Guidelines and screens directly to the holdings of the pooled investment vehicles in which the Fund invests. However, while the UUA cannot control the selection of specific investments by pooled vehicles, the Investment Committee endeavors, in connection with selecting the pooled vehicles in which the Fund

invests, to choose, to the extent available and with due regard to investment performance, pooled vehicles that apply SRI policies and restrictions similar to the UUA's SRI Guidelines. As of March 31, 2014, approximately 75% of the Fund's total investments are in pooled investments. Overall, approximately 67% of the Fund's investments are screened or with managers who factor environmental, social, and governance into their investment process.

Socially conscious investors seek to own financially strong companies that make positive contributions to society. This is often termed "positive" social screening. With a portion of its US equity investments, the UUA favors investing in companies that perform better on employee and community relations, environmental practices, safe and useful products and demonstrated respect for human rights in all countries where they operate. The UUA also actively avoids investing in companies whose products and business practices are harmful or unethical. This is termed "negative" screening.

B. Investment Managers and Consultants

Independent Investment Managers and consultants are used to implement each component of the Policies. The UUA selects experienced Investment Managers with solid performance records and whose corporate actions are consistent with inclusiveness, anti-discrimination and an active commitment to workplace diversity. The Investment Committee uses New England Pension Consultants to employ a rigorous selection process and to continually monitor the performance of outside Investment Managers to ensure that objectives are met and all Policies and Guidelines are followed.

A large universe of asset managers exists, and the Investment Committee and its advisors take great care in selecting only those Investment Managers that meet our criteria for professional investment process, potential sustainable return patterns, acceptable risk and competitive fees.¹⁶ Results are evaluated over a three to five year time horizon. Performance is reviewed monthly and corrective action is taken if considered to be in the best interest of the Fund.

C. Asset Allocation

The IC Guidelines call for the allocation of invested funds to various asset classes in order to maximize long-term investment returns, including generation of current income and capital appreciation, while reducing risk. The Investment Committee has adopted the Asset Allocation Policy described in the IC Guidelines.¹⁷ Actual asset allocation is reviewed regularly and rebalanced to target quarterly or when an asset class weighting is outside of its target range.

To meet or exceed its objectives, the Fund's Asset Allocation Policy calls for a diversified and balanced mix of asset classes. This strategy is intended to balance the desire to maximize returns with minimizing volatility.

The Fund's performance summary is updated monthly and is posted on the UUA website.¹⁸

IV. Expenses

Costs associated with the Fund are paid by the Fund, reducing the earnings to its investors by about 1.05% per year. This amount includes all costs for Investment Management, custodial services, proxy voting, an annual audit, investment consultants and the UUA's administrative fee of 0.20%. See Exhibit A for a complete description of all of the expenses associated with the Fund and Exhibit E for the Financial Report of the UUA, which further details these expenses.

The largest expenses incurred by the Fund are the fees paid to the Investment Managers responsible for portfolio management. The Fund is able to keep the total fee for all services at this low level because of economies of scale. The fixed cost of some services is a lower percentage when spread across multiple funds. Further, because of its larger size, the Fund pays more favorable rates for asset management and custody services than many smaller funds.

The UUA's administrative fee covers staff costs and other administrative expenses. This fee is analyzed regularly to ensure that it reflects the actual UUA costs of administering the Fund.

V. Risk Factors

The risks enumerated below do not encompass all of the possible risks associated with an investment in the Fund. Prospective investors should read this entire Investment Information Memorandum and consider the advice of their own advisers before deciding whether to invest. In addition, as the Fund's investment program develops and changes over time (subject to limitations established by the Fund's Investment Policies and Guidelines), an investment in the Fund may in the future be subject to additional and different risk factors. There can be no assurance that the Fund will achieve its investment objectives or its Target Return Objective. Prospective investors should consider, among other matters, the following risks before investing in the Fund.

It is possible to lose money by investing in Fund. Factors that may influence the value of Fund-owned securities and, hence, Fund unit value, may include:

Fund Structure. The Fund is a separate business unit from the UUA. As a result, the assets in the Fund that are owed to investing UU Congregations will not be subject to claims against the UUA from other parties.

Operating History. Although the Fund has generally delivered positive annual returns, investors should not rely on past performance as an indication of future results. No assurance can be given as to any return that an investor will earn on a unit.

Investing Judgment. All securities investments risk the loss of capital. The success of the investment strategies employed by the Fund is subject to the judgment and skills both of the Investment Managers hired to manage the Fund and of the Investment Committee in determining which Investment Managers to hire and the investment strategies into which the Fund's assets will be allocated. There can be no assurance that the investment decisions or actions of any of these parties will be correct. Incorrect decisions or poor judgment may result in losses, which might be substantial.

Systematic Market Risk. Although the Fund's investments will be allocated among various asset classes, both by type of security and geographically, all markets tend to correlate under certain conditions, such as sudden or accumulated shocks relating to credit quality, significant changes in the regulatory environment, acts of God, terrorism or any other events that may give rise to a sudden and broad based loss in confidence in financial markets leading to across-the-board withdrawals of assets from investment vehicles or panic selling by investors of their own direct investments. Under such conditions positions that generally have no or low correlation with each other may suddenly become highly correlated, resulting in significant increases in changes in the price of a given security or an entire portfolio. Under such conditions the Fund might incur substantial losses.

Interest Rate Risk. The Fund may have exposure to interest rate risk. To the extent prevailing interest rates change, it could negatively affect the net asset value of investors' units.

Equities. Equity investments are routinely subject to substantial volatility. In the event of adverse developments relating to the companies that issue them, equities may be subject to material loss of value. In the event of bankruptcy, losses can amount to 100% of invested amount.

Credit Risk. A primary focus of the Fund is to invest in debt obligations of corporate or government issuers. Credit risk is defined as the risk of non-payment or delayed payment of principal or interest by the borrower as stipulated under the terms of the debt obligation. Any time the Fund invests in such obligations, it is exposed to credit risk. The Fund will rely on its Investment Managers to properly assess the credit risk to which the Fund's assets will be subject and to select the optimal risk-adjusted return in taking on credit risk. Since this process is not an exact science and will be dependent on the judgment of the Investment Managers, there is significant scope for error and, therefore, possible loss to investors.

Foreign Investments Generally. A significant portion of the Fund's assets may be invested in pooled investment vehicles that invest in securities denominated in foreign currencies and/or traded outside of the United States or comparable Western nations. Such investments require consideration of certain risks typically not associated with investing in U.S. securities. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the United States or foreign governments, United States and foreign withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries and political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations.

An issuer of securities may be domiciled in a country other than the country in whose currency the security is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other. There may be less publicly available information about certain foreign companies than would be the case for comparable companies in the United States, and certain foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of United States companies. Securities markets outside the United States, while growing in volume, have for the most part substantially less volume than U.S. markets, and many securities traded on foreign markets are less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, settlement of trades in some non-U.S. markets is slower, less systematic and more subject to failure than in U.S. markets. There also may be less extensive regulation of the securities markets in countries other than the United States.

Additional costs could be incurred in connection with the international investment activities of the Fund. Foreign brokerage commissions generally are higher than in the United States. Expenses also may be incurred on currency exchanges when investment vehicles in which the Fund invests effectively shift investments from one country, or group of countries, to others. Increased custodial costs as well as administrative difficulties (such as the applicability of foreign laws to foreign custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in foreign jurisdictions.

Socially Responsible Investing. The Fund's portfolio is subject to SRI screening. As a result, the universe of acceptable investments for the Fund is limited as compared to other funds that do not apply such screening. The Fund may exclude certain securities from its portfolio based on SRI criteria when it would be otherwise advantageous to invest in these securities, or it may sell certain securities for social or environmental reasons when it is otherwise advantageous to retain them.

Emerging Markets. A portion of the Fund's assets may be invested in pooled investment vehicles that invest in so-called emerging markets or less developed countries. It is possible, therefore, that certain of the Fund's investments may be held in countries characterized by less stable economic or political conditions than in the largest mature Western economies. Emerging market investing is generally characterized as having higher levels of risk than in fully developed markets.

Short Selling. Certain funds in which the UUCEF invests may engage in short selling. In selling short, the Fund bears the risk of an increase in the value of the instrument sold short above the price at which it was sold. Such an increase could lead to a substantial (theoretically unlimited) loss.

Trading in Forward Contracts. Certain funds in which the UUCEF invests may engage in the trading of forward contracts in the interbank market from time to time. In contrast to contracts traded on an exchange, forward contracts in the interbank market are not guaranteed by any exchange or clearing house and are subject to the creditworthiness of the counterparty of the trade. In certain instances these funds also rely on futures dealers. Because the futures dealer may, at times, be the sole counterparty with respect to a significant part or all of the UUCEF's assets, the UUCEF may have credit risk to the

futures dealer. If the UUCEF invests in forward contracts in the interbank market, it will have credit risk with a counterparty. In the event of the bankruptcy of counterparty, the UUCEF may be treated as a general creditor of the counterparty and may not be able to recover any of its assets held as margin by the counterparty, or any unrealized gains on open contracts.

Illiquid Markets. In some circumstances the markets in which the UUCEF invests may be illiquid, making it difficult to acquire or dispose of contracts at the prices quoted on the various exchanges or at normal bid/offer spreads quoted off exchange. These and other factors mean that, as with other investments, there can be no assurance that trading in these markets will be profitable.

Currency Risks. The Fund may invest significantly in pooled investment vehicles that invest in securities denominated in currencies other than the U.S. dollar. The Fund will, however, value its securities and other assets in U.S. dollars. To the extent unhedged, the value of the Fund's assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the Fund's investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Fund makes its investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of the Fund's securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Fund's foreign investment positions.

Conflicts as to Brokerage Allocations. The Fund's Investment Managers may allocate a portion of the Fund's transactions to broker-dealers that agree to pay certain expenses of the Investment Managers or their affiliates. These may include research related to investment and certain brokerage transaction related expenses. To the extent that brokerage is allocated on such basis, and commission charges reflect such arrangements, such an Investment Manager will benefit from such arrangements and may be deemed to have a financial conflict of interest with the Fund and its investors, including the UUA. Investment Managers typically do not endeavor to allocate, as between the Fund and the Investment Managers' other managed entities and accounts, particular items of expenses paid relative to the vehicle or account generating the particular commission revenues utilized for payment. Accordingly, brokerage allocations from the Fund may have the effect of indirectly benefiting other entities and accounts managed by an Investment Manager (although the opposite may also occur to the Fund's benefit).

Level of Withdrawals. Substantial withdrawals from the Fund within a limited period of time could require the Fund to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the value of both the units being redeemed and the outstanding units. In addition, regardless of the period of time in which redemptions or withdrawals occur, the resulting reduction of the Fund's net asset value could make it more difficult for the Fund to generate profits or recover losses.

No Ability to Resell, Borrow Against or Transfer Units. Investing UU Congregations will in general not be able to sell, borrow against or otherwise transfer or encumber their units in the Fund and, consequently, will generally be able to liquidate the value of their Fund investments only by means of monthly withdrawals, subject to notice requirements in section 6 and 7 of the Subscription Agreement. The risk of any decline in the net asset value of the Fund, and therefore the value of the Fund units pending the occurrence of a withdrawal date, will be borne by the UU Congregation requesting the withdrawal.

Limited or No Regulation. The UUA, and the Fund as part of the UUA, are exempt from registration as an investment company under the Investment Company Act of 1940, and the offer and sale of Fund units has not been and will not be registered under the Securities Act of 1933, all in reliance upon exemptions applicable to nonprofit entities. In addition, the UUA, and the Fund as part of the UUA, are exempt from registration and regulation under most, although not all, state securities (or "blue sky") laws. Accordingly, although certain anti-fraud protections and protections afforded by the securities laws of selected states may be available, UU Congregations that participate in the Fund will not have the benefits afforded generally by such registrations.

Other Activities of the Investment Managers. The Investment Committee intends to monitor the conflicts of interest applicable to the Investment Managers. However, the Investment Managers manage the funds of many other investors. Accordingly, the UUCEF is subject to actual and potential conflicts of interest arising out of the other activities of the Investment Managers and their affiliates. The Investment Managers and/or their affiliates may advise and manage other investment funds and accounts having investments which are or may be in the future substantially similar to or different from the investments of the UUCEF. Other investment funds and accounts managed or advised by the Investment Managers may also employ investment strategies similar to or different from the investment strategies employed for the UUCEF. The Investment Managers therefore may have conflicts of interest when allocating investment opportunities among the UUCEF and the other investment funds and accounts managed or advised by the Investment Managers and their affiliates, including proprietary accounts.

Proprietary Funding by Investment Manager. The Investment Managers and their affiliates may engage in trading and investment activities for their respective accounts. The UUCEF or UU Congregations that invest in the UUCEF will not be permitted to inspect the proprietary trading records of the Investment Managers, their officers or employees or any of their affiliates.

Exculpation of the UUA the Investment Managers; Indemnification. The UUA and the Investment Managers hired by it, as fiduciaries, have a responsibility to exercise good faith and fairness in all dealings affecting the Fund. However, the investing UU Congregations will agree in the Subscription Agreement to indemnify and exculpate the UUA, its officers, directors, agents (including investment managers) and employees (collectively the "Indemnified Persons") from any liability for losses, damages or expenses resulting from the Indemnified Persons' acts or omissions in connection with the Fund except in the case of willful misfeasance, bad faith, gross negligence or reckless disregard of duties on the part of the Indemnified Persons.

VI. How to Invest

A. Application

Investing in the Fund is easy. A current Subscription Agreement can be found herein as Exhibit F. Once completed, this form should be forwarded to one of the contact names below.

The Subscription Agreement contains a "reversion clause" providing that if a congregation ceases to function while it still holds an investment in the Fund, the congregation's remaining assets held in the Fund (after the payment of debts) will become the property of the UUA, its successor or, with the UUA's permission, another UU organization. Closing congregations that wish to determine independently the disposition of their remaining assets can do so by withdrawing their investments in the Fund.

B. Questions

The UUA welcomes your questions and comments and looks forward to providing the information you need to determine the best possible approach to your organization's investments.

Please contact:

Tim Brennan, Treasurer & Chief Financial Officer
Email: tbrennan@uua.org
Phone: (617) 948-4305

Susan Helbert, Assistant to the Treasurer
Email: shelbert@uua.org
Phone: (617) 948-4306

Unitarian Universalist Association¹⁹

24 Farnsworth St.
Boston, MA 02210-0409
(617) 742-2100
www.uua.org

Endnotes

¹ The UUCEF was formally established in 1962 as the General Investment Fund and continues to be governed by the Plan Governing Participation in the Association's General Investment Fund (the "Plan"). Please contact the Endowment Funds Manager if you would like a copy of the Plan.

² Please see the Asset Allocation Policy in the IC Guidelines in Exhibit B for a description of the Fund's portfolio allocation.

³ See Exhibit B for the current Investment Policies and Guidelines and Section II herein in for a complete description of the Funds goals.

⁴ See Exhibit D for a complete list of the Investment Managers and consultants.

⁵ See Exhibit C for a complete description of the UUA staff involved in the administration of the UUCEF and the Investment Committee.

⁶ Please see section III.A herein, for further description of the UUA's SRI program.

⁷ See Exhibit C for a complete list of the current members of the Investment Committee.

⁸ Unrestricted funds typically represent donations to the organization that are available for any approved purpose. Restricted funds are donated for, and limited to, a designated purpose or project.

⁹ See Exhibit F for the Subscription Agreement. In the event a investor wants to contribute a security to the Fund, the UUCEF will accept the security and either have one of its Investment Manager's liquidate the security for a fee or determine that the security should be held in the Fund's portfolio, in which event the security will be valued in the investors account at its fair market value when contributed to the Fund. The proceeds of the liquidated security, less the amount of the fee paid to the investment manager, will then be contributed to the Fund.

¹⁰ Please see Exhibit B for the UUA's current Investment Policies and Guidelines.

¹¹ Income is defined as the amount of the capital gains and interest earned from one quarterly Valuation Date to the next quarterly Valuation Date.

¹² See Section III. C herein and the IC Guidelines in Exhibit B for a complete description of the how these guidelines work.

¹³ See Exhibit B for a description of the responsibilities of the SRIC and Exhibit C for the current members of the SRIC.

¹⁴ Annually, ISS prepares recommended proxy voting guidelines designed for investors concerned about social performance. These guidelines are reviewed by SRIC and adjusted to reflect UU values and concerns. With these customized voting guidelines ISS votes every proxy in line with the UUA's wishes. ISS sends reports on actual votes at least quarterly, and SRIC reviews them for adherence to UUA guidelines. For more information on ISS, visit www.issproxy.com.

¹⁵ For the most recent versions of this document please contact the Assistant to the Treasurer or visit our website at www.uucef.org

¹⁶ See the IC Guidelines in Exhibit B for a complete description of the UUA's Investment Manager guidelines and Exhibit D for the current investment managers.

¹⁷ See the IC Guidelines in Exhibit B.

¹⁸ Monthly updates of Fund performance are available on Unitarian Universalist Association's Website at www.uucef.org, or by request.

¹⁹ A non-profit corporation organized under the laws of the Commonwealth of Massachusetts.

Exhibit A: Fees and Other Expenses

The following is a summary of the fees and expenses that will be borne by the Fund and investors as a result of their ownership of units in the Fund.

Investment Managers Fees. The Fund has independent agreements with each of its fifteen Investment Managers specifying management fees that currently range from 0.12% to 1.40% of assets under management.¹ The Investment Managers' fees are subject to change. In the aggregate, the Investment Managers' fees for fiscal year 2013 were approximately 0.60% of Fund assets.

Custodial Fees. Investment Managers that are registered investment advisers are prohibited by law from taking custody of the assets of the Fund. Therefore your assets will be held by a third party custodian. In addition to a custodial fee, the Fund pays a trust accounting firm a sub-accounting fee to generate reports on the assets in the Fund, distribute statements to investors and monitor the Fund and other tasks related to the maintenance of the Fund. The Fund currently utilizes State Street Wealth Manager Services in Boston, MA as its principal custodian and NRS Trust Product Administration for reporting services. The custodian is subject to change. The Investment Committee may, on its own discretion, change the custodian or cease to utilize a custodian.

Proxy Voting Fees. As discussed in section III.A.2 of the Investment Information Memorandum, the Fund currently uses ISS to conduct research on proxy matters, make recommendations to the Fund and then conduct proxy voting on behalf of the Fund.

Investment Advisory Fee. The Fund currently uses New England Pension Consultants (NEPC) to advise the fund on strategy, manager selection, and performance assessment.

Administrative Fees and Expenses. To cover its costs of administering the Fund, the UUA charges an administrative fee of 0.20% of the asset balance of the Fund. This administrative fee is designed to cover the expenses incurred by the UUA in its administration of the Fund, including but not limited to part (and in certain instances all) of a) the salaries of the Treasurer, the Senior Endowment Accountant and their support personnel; and b) general and administrative costs such as telephone, information technology services, supplies, website design and maintenance, general liability insurance, and occupancy costs.

Other Expenses. The Fund will bear expenses incurred by the UUA related to its administration of the Fund, including government and fiscal charges, foreign exchange costs and bank charges, as well as insurance and security costs, expenses related to the issue and withdrawal of units and consulting², audit³, accounting and administrative fees and expenses and certain other expenses incurred in the administration of the Fund and in the acquisition, holding and disposal of units issued by the Fund. The Treasurer and the Investment Committee will determine whether particular costs should fairly be allocated to the Fund or the UUA. The Fund will also bear all meeting, travel and hotel expenses properly incurred by the Treasurer, Endowment Funds Senior Accountant and Investment Committee in relation to the Fund including attending Investment Committee meetings, which occur approximately four times a year. It is estimated that the total fees and expenses payable or reimbursed to the Investment Committee in the year ending June 30, 2014 will not exceed \$15,000 and that such amount may increase in future years in accordance with the market rates in fees and expenses payable associated with travel to these Investment Committee meetings. The Fund will also be responsible for the costs of preparing, printing and distributing all valuations, statements, amendments to this UUCEF Investment Information Memorandum, accounts and reports together with any other costs associated with the dissemination of information to investors.

¹ See Exhibit D for a complete list of the investment managers and their respective fees.

² Please see Exhibit D for a complete list of the consultants.

³ The Fund is audited annually by Mayer, Hoffman, McCann – Tofias New England Division.

<u>Expenses for FY 2013</u>	<u>Percentage of the Total Net Asset Value of the UUCEF</u>	
Investment Managers' Fees	0.57%	
Custodian Fees	0.06%	
Sub Accounting Fee		0.03%
Custodial Fees		0.03%
Proxy Voting Fees	0.01%	
Investment Advisory Fee	0.11%	
Administrative	0.30%	
Salaries and General Admin		0.20%
Audit		0.02%
Consulting, Legal and Other		0.08%
Total	1.05%	

Offering Expenses. The offering expenses associated with this UUCEF Investment Information Memorandum and associated services were paid by the Fund. Subsequent offering expenses incurred in connection with the formation of the Fund, the reorganization, if any, of the Fund and related expenses for amending this Investment Information Memorandum, Subscription Agreement and the Plan will be paid by the Fund. These costs will flow through to the UUA in proportion to its ratable share of the Fund assets.

Exhibit B: UUCEF Policies and Guidelines

Unitarian Universalist Association Investment Policy

The Unitarian Universalist Association (“UUA”) is a religious association incorporated in the Commonwealth of Massachusetts. In the course of its activities, the UUA receives gifts, trusts, and endowments that require investment management. These funds, managed on behalf of the beneficiaries, are an important source of income for the beneficiaries and are managed collectively in the General Investment Fund, known as and referred to hereinafter as the Unitarian Universalist Common Endowment Fund (“UUCEF” or “Fund”). The successful management of this Fund is vital to the current and future success of the UUA and its constituencies.

The UUCEF accepts investments from the following:

1. UU congregations in good standing;
2. UUA districts;
3. UU related organizations, specifically Associate Member Organizations, Sponsored Organizations, Professional Organizations, Theological Schools, Independent Affiliate Organizations (and their member organizations), and International Organizations;
4. Other UU organizations approved by the Board of Trustees of the UUA (“Board”) following application to the Treasurer. (UU congregations, UUA districts, UU related organizations and other organizations approved by the Board are hereafter collectively referred to as “UU Congregations”).

The “Target Return Objective” of the UUCEF is to generate, through investments consistent with UU values, long-term returns sufficient to allow Congregations take regular distributions and maintain the value of principal after adjustment for inflation.

I. Governance

Responsibility and Authority

The Board of Trustees of the UUA has ultimate responsibility for the management and safekeeping of all funds entrusted to it, including the UU Common Endowment Fund.

To fulfill this responsibility, the Board appoints two committees: The Investment Committee (“IC”) is responsible for the management of the UUCEF within this document’s policies. The Socially Responsible Investing Committee (“SRIC”) is responsible for implementation of the UUA’s commitment to embody socially responsible investing practices, as set forth in this document.

Each committee is authorized to adopt procedures for the implementation of its responsibilities. The Treasurer is responsible for providing the necessary support services for the committees.

Investment Committee

The responsibilities of the Investment Committee are as specified in this document. The composition of the IC is stated in Section 7.8 of the UUA By-Laws.

The Investment Committee has the responsibility to review and approve the Investment Information Memorandum and other materials used by the UUA in connection with the UUCEF.

Socially Responsible Investing Committee

The mandate of the Socially Responsible Investing Committee is to maintain and uphold the UUA's commitment to invest its funds in alignment with UU values. The responsibilities of the SRIC are as specified in this document. The composition of the SRIC is stated in the committee's charge, which is approved by the Board of Trustees.

Committee Operations

The IC and the SRIC are responsible for establishing the frequency, duration, and agenda of their respective meetings, including periodic joint meetings, and their procedures for the recording and publication of minutes, in the context of UUA practices of transparency and accountability.

The Board of Trustees requires good faith efforts for the highest possible level of cooperation between the IC and the SRIC.

Reporting

At least once every two years, the IC and the SRIC shall report jointly to the Board of Trustees and UUCEF investors. The report shall discuss the performance of the UUCEF, including its success in meeting its return, risk, and SRI objectives. The report shall include the current SRI Guidelines adopted by the SRIC.

The Treasurer shall post on the UUA web site an annual report on the performance of the UUCEF, as well as a schedule of UUCEF investments (including UUA community investments) as of the end of each fiscal year.

Conflict of Interest Policy

No person appointed to a UUA committee may continue in office if that committee's deliberations are likely to result in a recommendation or decision that could be of personal financial benefit to the member. In the event of a dispute resulting from this rule, the Committee on Committees shall make a recommendation to the Board of Trustees.

II. Incorporation of UU Values

The UUCEF shall be managed in a manner consistent with UU values as well as the achievement of return and risk objectives. The IC and the SRIC are responsible for balancing these occasionally competing objectives in the best interests of the UUCEF. The UUA is committed to an investment program which utilizes all available tools of socially responsible investing ("SRI") to optimize the alignment of its financial assets with its values.

Unitarian Universalist values that shall inform investment decisions have been expressed in General Assembly resolutions and Statements of Immediate Witness, Board resolutions, and the UUA's Principles and Purposes.

The SRIC shall develop an ongoing process to assess the effectiveness of the UUA's SRI policies and practices. The SRIC shall also work to broaden coalitions (within the UUA and among like-minded faith-based organizations) to achieve SRI goals, and to expand services to UU congregations and individual UUs regarding SRI practices that embody UU values.

Stock Selection

The SRIC shall develop and periodically update SRI Guidelines that maximize the extent to which the UUCEF is invested in companies that have environmental, social, and governance practices that are in accord with UU values, and that minimize the extent to which the UUCEF is invested in companies with poor records in these areas.

If the SRI Guidelines prohibit all investment of UUCEF funds in any particular industry, then the guidelines shall include criteria to determine the threshold of a company's involvement in such industry that precludes investment by the UUCEF. These criteria shall indicate whether the UUCEF may be invested in mutual funds or other commingled investment vehicles that currently or in the future may hold investments in any prohibited industries.

The IC and the SRIC shall work collaboratively to implement the SRI Guidelines. When applying these guidelines, the IC and the SRIC shall collaborate in the context of the entire Fund, adapting to the characteristics of differing asset classes and investment vehicles, and responding to developments in the field of socially responsible investing.

Community Investment

The Board of Trustees recognizes that community investing in areas underserved by traditional sources of financing is a meaningful component of a socially responsible investing program.

The Treasurer shall invest the maximum practicable portion of the UUA's cash and cash equivalents in short-term community investments. In addition, the Treasurer shall invest approximately 1% of the total assets of the UUCEF in community investments. The Treasurer and the SRIC shall encourage UU congregations and districts to adopt a similar policy. As an incentive, a portion of the UUCEF's community investing assets may be used to match UU congregations' and districts' community investments of up to \$10,000 per UU congregation or district.

The SRIC shall develop guidelines for determining which community investing institutions are eligible for UUA matching investments. The Treasurer, after consultation with the SRIC, shall implement procedures for approving requests for matching investments. A portion of the community investments may be made to support advocacy and witness, as recommended to the Treasurer by the President of the UUA. The SRIC shall develop and implement a plan to a) monitor the financial health of the community investing institutions in which UUA invests, as well as their social efficacy, and b) encourage UU Congregations to remain vigilant in monitoring the social efficacy of their matched investments.

Shareholder Advocacy

The SRIC shall encourage corporations to engage in ethical and sustainable business practices. UUA shareholder advocacy includes proxy voting, engaging in dialogue with management, filing and co-filing shareholder resolutions, coordinating Unitarian Universalists to present shareholder resolutions at annual meetings of corporations, and collaboration with others active in the socially responsible investment movement. The Treasurer shall establish a corporate advocacy fund to hold shares in companies with which the SRIC anticipates engaging in shareholder advocacy. No more than one-fourth of one percent (0.25%) of the UUCEF may be held in the corporate advocacy fund.

III. Investment Policies

The Investment Committee shall develop, as it sees fit, Investment Committee Guidelines covering the subjects of this section.

Asset Allocation

The UUCEF's asset allocation is designed to maximize the probability of achieving the Target Return Objective, while minimizing volatility. Asset allocation targets and allowable ranges shall be established by the IC and may change as long-term expectations and market conditions change. The actual asset allocation shall be reviewed by the IC on a quarterly basis and the Fund shall be rebalanced when an asset class weighting is outside of its target range.

Risk Controls

As a diversified investment fund, the UUCEF is exposed to a wide variety of risks including losses and illiquidity. The IC is responsible for working with UUCEF service providers to manage risks within the UUCEF.

Investment Management

All UUCEF funds shall be managed by professional investment manager organizations, with the exception of community investments and corporate advocacy investments, which are managed by the Treasurer in consultation with the SRIC.

The IC is responsible for the appointment of the investment managers to assure that objectives are being met, and that UUCEF investment policies and procedures are being followed. The ability to manage funds in alignment with UU values shall inform the IC's assessments of all managers. As practical, every search for professional investment managers shall include at least one firm with expertise in SRI in the asset class under review.

Investment Support Services

The IC is responsible for the selection of providers of the following services to the UUCEF: investment management, asset custody, investment consulting, and communications. The SRIC is responsible for the selection of providers of the following services: community investment evaluation, proxy voting, and SRI training. Providers of the following services shall be contracted by the IC and the SRIC working in collaboration: assessment of company compliance with UU values and social auditing.

Expense Management

The UUCEF shall be charged for its expenses, including expenses incurred by the UUA on the UUCEF's behalf, such as legal, audit, and other miscellaneous expenses. UUA expenses include the appropriate portion of the costs of such staff as the Treasurer and the Endowment Fund Manager.

The Board of Trustees has determined that the UUCEF's reimbursement of UUA expenses shall be based on an estimate of the UUA's actual costs. For fiscal years beginning after June 30, 2006, the reimbursement is 0.2% of the beginning market value of the UUCEF. The UUA Finance Committee shall review the reimbursement calculation as needed, but at least once every five years, and shall recommend to the Board of Trustees if a change is warranted.

Cost minimization makes an important contribution to the UUCEF's ability to achieve the Target Return Objective. The IC and the Treasurer are responsible for including cost minimization within all applicable policy and process decisions, while recognizing that costs are to be measured within the context of UUA values, the investment program structure, and the need to maximize net returns while minimizing risk.

INVESTMENT COMMITTEE GUIDELINES

I. RESPONSIBILITY FOR THE MANAGEMENT OF INVESTMENTS

A. The Investment Committee:

The Unitarian Universalist Investment Committee (“Investment Committee”) has responsibility for the following with respect to the Unitarian Universalist Association’s Investment Policy (“Investment Policy”).

1. In order to have a reasonable probability of achieving the Target Return Objective (defined below) at an acceptable risk level, the Investment Committee sets target weightings for each asset class within the portfolio as well as ranges of expected exposure. These are detailed in the Asset Allocation Policy below. The Investment Committee adjusts these targets from time to time based on changing market conditions and opportunities. The actual asset allocation will be reviewed on a quarterly basis and rebalanced to the target allocations when an asset class weighting is outside of its target range.

2. The Investment Committee regularly assesses the performance of the Unitarian Universalists Common Endowment Fund (the “UUCEF” of the “Fund”) by comparing results to several benchmarks.

- The “Policy Index” is the composite return of the portfolio with the appropriate index return for each asset class (e.g. the S&P 500 for large cap US equities) weighted according to the target allocation of assets within the portfolio. The Policy Index is calculated by multiplying the target commitment to each asset class (stocks, bonds, etc.) by the rate of return of the appropriate market index (S&P for stocks, Lehman Brothers Aggregate for bonds, etc.). The resultant average represents investment return which the overall investment program would have earned if the Fund structure were identical to the policy targets and the component returns identical to market index levels.
- The “Allocation Index” is the composite return of the portfolio with the appropriate index return for each asset class weighted according to the actual allocation of assets within the portfolio. The actual composite return compared to the Allocation Index shows the value added (or deducted) by the active management of the Fund’s investment managers (the UUCEF uses money management firms to govern the assets in the Fund, each with its own specialty, which are referred to herein as “Investment Manager(s”).
- The Target Return Objective (defined below) is 5% plus inflation. This is the long-term goal sought by the Investment Committee for the Fund.

B. Investment Managers:

The Investment Managers will be responsible for managing the funds allocated to them and for selecting investment strategy and to the extent that the UUCEF assets are managed directly for the account of the UUCEF, implementing security selection within limitations of these Investment Committee Guidelines (“IC Guidelines”) and the Investment Policy and, with respect and to the extent that the assets are directly managed on behalf of the UUA and in certain selected investment vehicles, the Socially Responsible Investing Guidelines (“SRI Guidelines”) or other applicable socially responsible investing criteria (together the Investment Policy, IC Guidelines and the SRI Guidelines being the “Policies and Guidelines”).

II. INVESTMENT OBJECTIVES AND PORTFOLIO COMPOSITION

A. Investment Objectives

The Fund's Target Return Objective is a real return of 5%, which is a return of 5% after management net of investment management fees and adjusting for inflation ("Target Return Objective"). In order to have a reasonable expectation of meeting the Fund's goals and objectives, the Investment Committee has adopted the Asset Allocation Policy below.

Total portfolio risk exposure and risk-adjusted returns will be regularly evaluated and compared with a universe of similar funds for the Fund and each Investment Manager.

Investment Managers shall be measured against the designated benchmark index noted below.

Asset Class	Benchmark	Asset Class Universe	Style Universe
Domestic Equity Composite	Russell 3000	Equity Funds	NA
Domestic Large Cap Equity	S&P 500	Large Cap Equity Funds	NA
Domestic Large Cap Growth	Russell 1000 Growth		Large Growth
Domestic Large Cap Value	Russell 1000 Value		Large Value
Domestic Small Cap Equity	Russell 2000	Small Cap Equity Funds	NA
Domestic Small Cap Growth	Russell 2000 Growth		Small Growth
Domestic Small Cap Value	Russell 2000 Value		Small Value
International Equity	MSCI ACWI ex US		
Core Fixed Income	Barclays Capital Aggregate		
High Yield Fixed Income	Merrill Lynch High Yield	Fixed Income Funds	High Yield Bonds
Global Fixed Income	Citigroup World Gov't	Global Bond Funds	NA
Cash	90-day Treasury bills		
Global Asset Allocation Funds	65% MSCI ACWI/ 35% Barclay's Aggregate		
Hedge Fund of Funds	HFRI Fund of Funds Index		

The Investment Committee is aware that there may be deviations from the performance targets. Normally, results are evaluated over a three to five year time horizon, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the Fund.

B. Portfolio Composition

1. Equity and fixed income specialist Investment Managers shall normally be fully invested, subject to the guidelines contained in sections III and IV herein. Overall Fund structure shall be targeted to the Asset Allocation Policy below, but may vary on a short-term basis within prescribed limits.

2. Equity investments, i.e., common stocks, convertibles, warrants and rights are permitted, subject to the Asset Allocation Policy. American Depositary Receipts ("ADRs"), which are dollar denominated foreign securities traded over the counter or on the domestic U.S. stock exchanges, may be held by each domestic stock Investment Manager in proportions, which each Investment Manager may deem appropriate.

3. Illiquid investments are to be given special and very careful consideration under special circumstances. Liquidity is defined as the ability to convert the investment to cash within 90 days without causing a distress sale.

III. INVESTMENT MANAGERS

The investments may be placed with one or several Investment Managers with different investment strategies who will manage a portfolio composed of a particular asset class within the Fund. Varying styles and strategies are intended to reduce the risk implicit in having one Investment Manager, or all Investment Managers with the same approach. Investment objectives apply to a longer term, (i.e. three to five year) strategy. The Investment Committee will routinely review the distribution of the percentage of the portfolio's assets among Investment Managers.

A. Guidelines for Transactions and Fees

1. The Investment Committee has the responsibility to ensure that all fees and expenses applied against investment income are appropriate and commensurate with the services rendered. Investment Managers are expected to enter transactions on the basis of best execution, which is interpreted normally to mean best-realized price. Notwithstanding the above, commissions may be paid for services rendered to the portfolio in connection with investment management (i.e. the Fund may permit Investment Managers to utilize brokerage practices that generate "soft dollars"). Separately, arrangements to direct commissions will only be implemented by specific authorization of the Investment Committee.

2. All participants in the UUCEF will share in the common investment expenses, pro-rata, based on their asset size and according to their unitized value.

IV. GUIDELINES FOR INVESTMENTS

A. Fixed Income Investments

1. Decisions as to individual security selection, security size and quality, number of industries and holdings, current income levels, turnover and other strategies employed by active Investment Managers are left to broad Investment Manager discretion, subject to the usual standards of fiduciary prudence and the Policies and Guidelines.

2. Money market instruments, cash equivalents, bonds and derivative investments may be used. Fixed income Investment Managers are expected to employ active management techniques. Interest rate futures and options as well as currency forwards, futures and options may be used as specified in a portfolio's investment guidelines and as detailed in section IV.C. below.

3. The minimum quality rating of any fixed income issue held in an investment grade portfolio shall at time of purchase be BBB- as rated by Standard and Poor's, or an equivalent rating agency, and the overall weighted average quality shall be A or higher. The overall quality of the high yield fixed income portfolio shall be B or better. The ratings in this paragraph are for guidance only; the Investment Managers are responsible for making an independent analysis of the credit worthiness of securities and their suitability as investments regardless of the classifications provided by rating agencies.

4. The average duration (interest rate sensitivity) of an actively managed fixed income portfolio shall not exceed seven years.

5. Inasmuch as non-taxable investments are not suitable for religious not-for-profit institutions, issues of state or municipal agencies will not be purchased except when the risk/return characteristics are attractive versus taxable investments.

6. In general, investments will be well diversified with respect to type of industry and issuer in order to minimize risk exposure. No individual portfolio shall hold more than 8%, at market

value, of its assets in the securities of any single entity, excepting issues of the U.S. Government or its agencies, or in the case of international bonds, the issues of sovereign nations or their agencies.

7. There will be no concentration of corporate bonds in any one industry exceeding 20% of the fixed income portion of the portfolio.

B. Equity Investments

1. Decisions as to individual security selection, security size and quality, number of industries and holdings, current income levels, turnover and other strategies employed by active Investment Managers are left to broad Investment Manager discretion, subject to the usual standards of fiduciary prudence and the Policies and Guidelines.

2. Equity investments are limited to equities listed on the NYSE, AMEX or Nasdaq National Market and foreign exchanges selected by or in consultation with Investment Managers. Derivative investments shall not be made except as detailed in item IV.C.3 below.

3. No individual portfolio shall hold more than 8%, at market value, of its assets in the securities of any single entity. Portfolio turnover will be reviewed regularly by the Investment Committee.

C. General Comments on Investment Manager Guidelines

1. The UUA, through the Socially Responsible Investing Committee ("SRIC") and the Investment Committee, will direct the voting of all proxy statements with respect to securities held directly in the UUCEF's portfolio. However, the Investment Managers may be asked to vote under unusual circumstances.

2. Prohibited Assets and/or Transactions: The Investment Managers shall have powers of investment discretion within the Policies and Guidelines with respect to securities held directly in the UUCEF's portfolio. However, the following assets and/or transactions are prohibited with respect to securities held directly in the UUCEF's portfolio and these may not be changed without prior written approval of the Investment Committee. Although these Policies and Guidelines do not apply directly to pooled investment vehicles in which the UUCEF is an investor, the Investment Committee takes into account the extent to which such pooled vehicles adhere to similar standards in selecting them for investment by the UUCEF.

- a. Restricted securities, restricted stock and private placements (with the exception of 144A securities).
- b. Selling uncovered calls or puts.
- c. Conditional sales contracts.
- d. Warrants (unless acquired when attached to purchased common stock or bonds).
- e. Lease-backs.
- f. Securities of the custodian or Investment Manager, its parent or subsidiaries.

g. Unless specifically approved by the Investment Committee, the Investment Managers shall not buy securities on margin, engage in the short sale of securities, or maintain a short position.

h. The Investment Managers shall not engage in any transaction where the Investment Managers or its affiliates act as principal.

i. The Investment Managers shall not trade in securities that are being bought or sold or considered for purchase or sale by the UUCEF to the detriment of the UUCEF. The Investment Managers shall not deal with the assets of the portfolio in its own interest or for its own account.

j. The Investment Managers shall not act in any capacity in any transaction involving the portfolio on behalf of a party (or represent a party) whose interests are adverse to the interests of the portfolio or the interests of the UUA.

k. The Investment Managers shall not receive any compensation for their own account from any third party dealing with the portfolio in connection with a transaction involving assets of the portfolio.

l. All investments must be consistent with the prudent investor rule as described in the most current Prudent Investor Act under the laws of Massachusetts.

3. Derivative Securities. Where appropriate, Investment Managers for directly managed accounts may be given permission to use derivative securities for the following reasons. Similar terms are applied in the selection of pooled investment vehicles in which the UUCEF invests.

a. Hedging. To the extent that the portfolio is exposed to clearly defined risks and there are derivative contracts that can be used to reduce those risks, the Investment Managers are permitted to use such derivatives for hedging purposes, including cross-hedging of currency exposures.

b. Creation of Market Exposures. Investment Managers are permitted to use derivatives to replicate the risk/return profile of an asset or asset class provided that the guidelines for the Investment Manager allow for such exposures to be created with the underlying assets themselves.

c. Management of Country and Asset Allocation Exposure. Investment Managers charged with tactically changing the exposure of their portfolio to different countries and/or asset classes are permitted to use derivative contracts for these purposes.

d. Futures and options can be used to initiate positions.

e. Options, warrants or conversion features embedded in publicly traded securities.

f. By way of amplification, it is noted that the following two uses of derivatives are prohibited:

i. Derivatives shall not be used to magnify overall portfolio exposure to an asset, asset class, interest rate, or any other financial variable beyond that which would be allowed by a portfolio's investment guidelines.

- ii. Unrelated Speculation. Derivatives shall not be used to create exposures to securities, currencies, indices or any other financial variable unless such exposures would be allowed by a portfolio's investment guidelines.

Asset Allocation Policy

The Fund shall be diversified across investment classes and among Investment Managers in order to achieve an optimal balance between risk and return. The purpose of diversification is to minimize unsystematic risk and to provide reasonable assurance that no single Investment Manager, security or class of securities will have a disproportionate impact on the total Fund. It is understood that a single Investment Manager may have discretion to invest across a range of asset classes. The Investment Committee will select a team of Investment Managers to minimize the risk that multiple Investment Managers will become concentrated in any particular asset class.

ASSET ALLOCATION TARGETS AND RANGES

Asset Class	Target Commitment%	Range %
Equities	39%	40% – 50%
Domestic – Large Cap	16%	12% – 22%
Domestic – Small Cap	3%	1.0% – 5.0%
International	13%	12% – 25%
Emerging Markets	7%	2.5% – 7.5%
Fixed Income	26%	20% – 30%
Core Bonds	7%	5% – 15%
Global Bonds	5%	2.5% – 7.5%
Emerging Market	5%	0% - 4%
Credit Opportunities	10%	5% – 15%
Community Investments	1%	0.5% – 1.5%
Non-Correlated	35%	25% – 35%
Global Asset Allocation	30%	20% - 30%
Hedge Fund of Funds	5%	2.5% – 7.5%
Cash	0%	0% – 10%

SOCIALLY RESPONSIBLE INVESTMENT GUIDELINES

A. Introduction

Socially responsible financial practice is both a science and an art, and in the context of an imperfect world, competent socially screening takes into account both qualitative and quantitative factors. It is the work of the Socially Responsible Investing Committee (“SRIC”) to articulate these Socially Responsible Investing Guidelines (“SRI Guidelines”) which shall structure the conversations and decisions regarding UUA investments. In doing so, there will be both absolute and contextual elements, as well as process indications. This work continues in unbroken line the vision of those Unitarian and Universalists who have sought financial expression of justice. As articulated by the 1999 UUA Task Force on Socially Responsible Investing, “Socially Responsible Investing allows the UUA to harness the power of its financial resources to live out and express UU values.” The SRI Guidelines are applied to assets directly managed on behalf of the UUCEF. In addition, pooled investment vehicles in which the UUCEF is invested may have their own SRI standards and policies. Other pooled investment vehicles in which the UUCEF is invested do not have such policies.

I. Investment Selection

The Sixth General Assembly in 1967 urged the UUA and member societies to exercise the power of stock ownership “as an effective instrument for promoting social justice...” Currently, investments of the UUCEF monies in specific companies or aggregates are to be avoided or preferred according to their performance in the areas of environmental, social and governance (“ESG”) conduct.

A. Environment

Investments are preferred in companies that (1) produce products or services that reduce waste generation or conserve natural resources; (2) show significant progress in reducing volume and toxicity of waste, emissions and effluents; (3) have innovative programs to reduce use of energy, water, materials and land; (4) have consistently good compliance records; (5) have strong environmental management systems including clear environment policies and audits; (6) are committed to standardized environmental reporting (e.g., Ceres, a national network of investors, environmental organizations and other public interest groups working with companies and investors to address sustainability challenges such as global climate change), (7) are committed to increased involvement in renewable energy sources and (8) are proactively addressing these and other issues of global climate change.

The UUA seeks to avoid companies that (1) show a pattern of serious environmental violations; (2) show a below-average record of environmental performance and/or responsible for major environmental disasters; (3) are in industry sectors with high adverse impact on the environment; (4) have been negligent in handling significant environmental problems; (5) are significantly engaged in practices with negative global impacts such as rainforest destruction and ozone depletion; and/or (6) contribute in significant ways to climate change.

B. Social

The UUA favors investment in companies with explicit human rights principles and/or labor standards which guide their national and global operations in both owned and contracted facilities. Also favored are companies with (1) safe useful high quality products or services which enhance the quality of life; (2) responsible pricing and marketing practices; (3) high performance in addressing product safety; (4) strong policies and programs in recruiting and development for historically marginalized people; (5) innovative labor policies demonstrating commitment to quality of life (paid time off for volunteering, sabbaticals, employee recognition, company sponsored volunteer programs, flex-time, part-time benefits, job sharing, telecommuting and dependent care); (6) inclusive nondiscrimination policies (e.g., sexual orientation, gender identity, same sex partner benefits, positive union relations or employee

participation) and adherence to those policies; (7) strong emergency and on-going safety programs and performance; and (8) strong records of investing in local communities (e.g., as exemplified by outstanding Community Reinvestment Act ratings.)

Direct violations of the most basic human rights to survival and integrity (e.g., the use of forced labor, child labor, sweatshops and other violations of international labor organization standards) are to be avoided. UUA investments will also avoid companies that negatively impact communities through (1) failure to invest adequately in local communities, or engage in predatory lending or redlining; (2) manufacture or sell products with adverse public health consequences; (3) conduct misleading or irresponsible marketing of products or services; (4) demonstrate patterns of equal employment opportunity (“EEO”) or Occupational Safety and Health Administration (“OSHA”) violations; and/or (5) demonstrate serious labor relations problems.

C. Governance

Preference is given to companies with good performance in matters of ethical corporate governance principles: (1) accountability (independent monitoring and reporting on ESG performance); (2) democratic practices; (3) transparency (regular audits e.g., Ceres; full disclosure of charitable giving and political activities); (4) embeddedness, i.e., ethical behavior is normative in corporate culture (e.g., above average representation of historically marginalized peoples on boards of directors and in senior management and pipeline positions or performance-based executive compensation that considers a company’s impact on all stakeholders); and (5) responsibility (e.g., community investment, generous corporate philanthropy, policies and treatment of shareholder advocacy).

The UUA seeks to avoid investments in companies which have demonstrated disregard for corporate governance standards.

D. Implementation

In following these SRI Guidelines, the UUA endeavors to access the widest possible scope of data and research, including patterns of conduct over time, to assess whether companies have taken proactive measures to correct past problems or continue in misleading, irresponsible, illegal or egregious behavior. It seeks companies that address ESG issues openly and in way that demonstrates respect and concern. Of significant interest are those companies evidencing best practices within the most challenging industry sectors.

When applying the these SRI Guidelines, the Investment Committee Guidelines (“IC Guidelines”) and the Unitarian Universalists Investment Policy (“Investment Policy”) and other applicable socially responsible investing criteria (together the Investment Policy, IC Guidelines and the SRI Guidelines being the “Policies and Guidelines”), the Unitarian Universalists Investment Committee (“IC”) and the SRIC shall collaborate in the context of the entire Unitarian Universalist Common Endowment Fund (the “UUCEF” or the “Fund”), adapting to the characteristics of differing asset classes, and responding to developments in the field of SRI.

As of January 2008 there are two categories of investments particularly noted as historically prohibited by the UUA: tobacco and weapons, described as (1) those companies which engage in the manufacture of tobacco based products, with a UUA investment tolerance level of zero; and (2) those that produce or sell handguns and/or are major weapons manufacturers (among the top 50) or those companies where weapons represent over 5% of revenue. All investment managers (the UUCEF uses money management firms to govern the assets in the Fund, each with its own specialty, which are referred to herein as “Investment Manager(s)”) are directed to avoid these investments. In case of investments in commingled funds (e.g. limited partnerships, mutual funds), the UUA seeks commingled funds with appropriate prohibitions if they meet relevant financial considerations.

In accordance with the SRI tradition of divestment, prohibitions against investments in repressive governments or states may be adopted. Currently, investments in companies indicated by the Sudan Divestment Task Force are prohibited.

The threshold of a company's involvement in activities that preclude investment by the UUCEF will be determined through collaboration between SRIC and the Investment Committee. Small holdings of such companies may be maintained in the corporate advocacy fund for the purpose of shareholder advocacy.

These prohibitions are reviewed as appropriate, at a minimum once a year, by the SRIC which discusses them with the Investment Committee and reports them to the Unitarian Universalists Board of Trustees through the Board's Finance Committee.

The SRIC and Investment Committee work collaboratively with investment consultants to develop rating systems. The committees then determine thresholds of investment (these may be by industry sector, investment vehicle, and/or other appropriate categories). Small holdings of such companies may be maintained in the corporate advocacy fund for the purpose of shareholder advocacy.



UUA Common Endowment Fund

Equity (39%)

Large Value Equity
Large Growth Equity
Small Growth Equity
International Equity
International Equity

International Equity

Investment Manager	Target Allocation	Screening Information
Rhumblin Advisers	9.0%	Fully screened, Custom UU positive and negative screens
Sands Capital Management	7.0%	Custom UU negative screen that eliminates only the most egregious
Pier Capital	3.0%	Custom UU negative screen that eliminates only the most egregious
Boston Common	6.5%	Fully screened, using UUA SRI Guidelines
MFS	6.5%	Environmental, Social, and Governance (ESG) manager
Dimensional Social Emerging Markets	7.0%	No health care, alcoholic beverages, tobacco, pharmaceuticals, military equipment, gambling, or pornography

Fixed Income (26%)

Community Investments
Domestic Core Fixed Income
Diversified Fixed Income
Global Fixed Income

Various	1.0%	By definition, these are positively screened
PIMCO Total Return III	11.0%	No health care, alcoholic beverages, tobacco, pharmaceuticals, military equipment, gambling, or pornography
Loomis Sayles Credit Asset	11.0%	None
Grantham, Mayo, Van Otterloo	3.0%	None

Non-Correlated Strategies (35%)

Hedge Fund of Funds
Global Tactical Asset Allocation
Global Tactical Asset Allocation
Global Non-Correlated

EnTrust Capital Diversified	5.0%	None
Wellington Management	10.0%	Environmental, Social, and Governance (ESG) manager
Grantham, Mayo, Van Otterloo	10.0%	Environmental, Social, and Governance (ESG) manager
Bridgewater Associates	10.0%	None
Total	100%	

In summary, 72% of the CEF has some type of screen, from as little as eliminating tobacco companies to a fully screened portfolio that favor good corporate citizens and avoids those which are not, based on UU values. Negative screen companies include tobacco companies, companies in the top fifty of weapon manufacturers, and any company with operations that aid the genocide in Darfur, or otherwise fail our custom UU screens. The remaining 28% of the portfolio has no screens; however, most of them are in asset classes with few SRI options

Exhibit C: Staff and Committee Biographies

The UUA Team

The performance of the UUCEF is the result of collaborative efforts among qualified staff at UUA offices in Boston, Unitarian Universalist volunteers with extensive investment experience who contribute their time and knowledge to relevant committees, and carefully selected outside investment management, consulting, and service firms.

UUA Staff

The Treasurer and the Treasurer's staff implement the Policies and Guidelines. This includes maintaining the books and records of the Fund, monitoring account balances and rebalancing as necessary, arranging Investment Committee meetings and preparing minutes, maintaining the website with current performance information and meeting minutes, meeting with Investment Managers, monitoring monthly reports from Investment Managers and consultants, preparing and distributing quarterly performance reports, answering inquiries from investors and interested congregations, conducting shareholder activism on behalf of the Fund, and other tasks as appropriate from time-to-time.

Tim Brennan, Treasurer & Chief Financial Officer

Tim is the senior UUA staff person responsible for the Fund. In addition to overseeing the Department of Finance, he supervises the Operations staff group and the staff managing the retirement and health plans. Tim came to the UUA in 2006 after nearly seven years with Ceres. As Senior Director, Development and Communications, he worked with major environmental organizations, religious investors (including the Interfaith Center on Corporate Responsibility, of which the UUA is a member) and major pension funds on issues such as global warming and corporate disclosure. In addition, Tim spent seven years working for a New York investment company and has many years of experience in nonprofit financial management. Tim holds an MBA from The Wharton School, University of Pennsylvania, in finance and accounting. He is a member of First Parish in Needham, Massachusetts.

Philip Murray, Endowment Funds Senior Accountant

Phil is responsible for the accounting and financial control of the UUCEF. He is also the principle liaison to the Fund's custodial bank and its trust accounting service. Prior to joining the UUA in January of 2009, he was a financial consultant to the Massachusetts College of Pharmacy and Health Sciences. In his career he has served as vice president of Wellington Management Company and vice president and treasurer of Loomis Sayles & Company. Phil received his bachelor of science in business from Indiana University. He is a certified public accountant and a chartered financial analyst.

Susan Helbert, Assistant to the Treasurer

Susan is responsible for the UUCEF's relations with congregations. As such, she is the initial contact for inquiries from congregations interested in obtaining information about the Fund. Susan joined the UUA in September of 2012 and prior to that worked for Calvert Investments, a leader in sustainable and responsible investing.

Members of the Investment Committee

Carol McMullen, Chair

Carol McMullen has been a Boston leader in the financial services and investment management industry for over 25 years. The former President of Eastern Wealth Management, a division of Eastern Bank Corporation, Ms. McMullen led the company's businesses in Investment Management, Fiduciary, and Private Banking, as well as running its Investment Centre. She also oversaw Eastern's Marketing and Product Management departments. Prior to joining Eastern

Bank in 2002, Ms. McMullen was the Global Head of Sales for the Investment Management Group at Thomson Financial. In a prior role at Putnam Investments from 1995 to 2000, she held several key positions, including Chief Investment Officer, Core Growth Equities; Chief Investment Officer, Global Growth Equities; and Head of Global Investment Research.

From 1985 to 1995, Ms. McMullen was a senior executive at Baring Asset Management where she served as Senior Portfolio Manager of Global Portfolios. Elected to the Partners Board in July, 2008, she served as a member of the Compensation, Finance, and Nominating Committees and has recently been appointed to the Investment Committee. Additionally, she joined the Newton-Wellesley Hospital Board in 2002 and was elected Chair of that board in 2005. In addition to her roles with these major healthcare institutions, Ms. McMullen is active in the Greater Boston community on other for-profit and non-profit boards. She is currently the Chair of the Investment Committee for the Unitarian Universalist Common Endowment and an Advisory Council member for Junior Achievement of Eastern Massachusetts.

Ms. McMullen holds a Bachelor of Arts degree from Wellesley College and a Master in Business Administration degree from the Harvard Business School. Among Ms. McMullen's many honors, she received YWCA of Boston Women Academy of Achievers Award in 2009.

Tim Brennan, UUA Treasurer & Chief Financial Officer

Please see background above under UUA Staff.

Larry Ladd, Financial Advisor

Larry Ladd is the Financial Advisor of the UUA, one of three elected officers. He is a member of the First Church in Boston, MA. Professionally, he is the director of the National Higher Education Practice of Grant Thornton LLP, an audit and consulting firm, where he also serves as a specialist in endowment management for the not-for-profit practice. Before joining Grant Thornton he served as director of budget and financial planning at Harvard University, chief financial officer of the Woods Hole Oceanographic Institution, dean of administration at Tufts University, and assistant to the president at Duke University. He serves as treasurer of the William Townsend Porter Foundation and as a member of the advisory committee to the Nonprofit/Charities Division of the Massachusetts Attorney General's Office. He is a former trustee of the University of Massachusetts, Woods Hole Oceanographic Institution, Meadville Lombard Theological School, and the Civic Education Foundation.

Robert Friedman

Robert Friedman was a senior vice president and the chief investment officer of Mutual Series Advisers, and the investment manager for Mutual Series Funds. He joined the then Heine Securities in 1988 as an analyst. Subsequently, he became senior research analyst and vice president of Mutual Series Funds. In 1998, Friedman was named Chief Investment Officer with overall responsibility for the portfolio management of Mutual Series Funds, which include Mutual Shares, Mutual Qualified, Mutual Beacon, Mutual Discovery, Mutual European and Mutual Financial Services Fund. Friedman's expertise includes foreign investments, insurance companies and companies in the retail and finance sectors. After leaving Mutual Advisers in 2001, he founded a hedge fund in 2004 which he headed until 2007 when he retired. Mr. Friedman received a Bachelor of Arts degree in humanities from Johns Hopkins University and holds an MBA from Wharton School of Business, University of Pennsylvania. He has been a member of All Souls, New York since 2004.

Lucia Santini

Lucia has worked for Boston Trust & Investment Management Company (formerly United States Trust Company of Boston) and Walden Asset Management since 1982. She manages equity and balanced portfolios for both institutional and individual clients and incorporates clients' environmental, social and governance considerations into their portfolios/ Lucia has served as a security analyst responsible for the financial services sector. Lucia earned a BA (Cum Laude) from Connecticut College in 1980 and an MBA from Boston University in 1988. She was awarded the Chartered Financial Analyst designation in 1990 and is a member of both the Institute of Chartered Financial Analysts and the Boston Security Analysts Society. She has served on the Board of Directors of BTIM Inc., the holding company for Boston Trust & Investment Management Company & Boston Trust Investment Management, Inc. since 2004 and also serves on the Boards of the affiliated Bank and Investment Advisor. She has served on the Board of the Unitarian Universalist Service Committee (UUSC) in Cambridge, MA since 2009 and has chaired the Board since 2013. Lucia also served on the Board of Directors of the Church of the Larger Fellowship from 2006-2013, and has served as co-chair from 2011-2013. She served on the UUA Moderator's Ad Hoc Committee on SRI, which resulted in the establishment of the permanent Committee in 2000. She served on the Investment Committee of the UUA from 1998-2006 and served as Chairperson from 2000-2005.

Kimberly Gladman, CFA, Ph.D.

Kimberly Gladman is the Director of Research at the Just Capital Foundation. Previously, she spent nearly six years as Research Director at GMI Ratings (formerly the Corporate Library), a leading provider of sustainability research, and before that served in both research and advocacy roles at Domini Social Investments, a prominent socially responsible investment fund manager. She serves on the Research Advisory Board of US-SIF, the trade association for responsible investment in the US, and on the Steering Committee of the Principles for Responsible Investment Academic Network. She received her Ph.D. from New York University and her undergraduate degree from Yale.

Members of the Socially Responsible Investing Committee**David Stewart, Co-Chair**

David worked in industry for over ten years and recently embarked on an academic career after completing a PhD in Organizational Psychology in 2010. Additionally, David previously completed his MBA from the University of Tulsa with a Finance and Portfolio Management concentration. A UU for a little over a decade, David taught financial literacy classes and volunteered in many aspects of All Souls Unitarian (Tulsa) and Jefferson Unitarian Churches, including Youth Advising, Ministerial Selection, Ministerial Intern Evaluation, and endowment fund committees. David frequently volunteers his time in the community with organizations such as Habitat for Humanity and Junior Achievement. David currently lives in Atlanta, Georgia.

Kimberly Gladman, CFA, Ph.D., Co-Chair

See background information above under Investment Committee.

Simon Billenness

Simon worked from 1991 to 2002 for Trillium Asset Management, a socially responsible investment firm, where he specialized in shareholder activism principally on issues of human rights. From 2002 to 2006, he worked as Senior Policy Advisor for Corporate Engagement at Oxfam America. Most recently he was Senior Advisor for Special Projects and shareholder

advocacy at the Office of Investment of the AFL-CIO. He currently serves as co-chair of the U.S. Campaign for Burma. He is a member of All Souls in Washington, DC.

Larry Ladd, Financial Advisor

See background information above under Investment Committee.

Marva Williams

Marva Williams has been a member of a Unitarian Church since the late 1980s and is immediate past chair of the Board of Trustees of Second Unitarian Church of Chicago. Marva was a Senior Program Officer at the Chicago office of Local Initiatives Support Corporation (LISC) from June 2007 until 2011 where she was responsible for designing and implementing the Great Neighborhoods Program, a new comprehensive community development program. She also serves as a program officer in three Chicago communities participating in the New Communities Program. Prior to Chicago LISC, Marva was the Senior Vice President of the Woodstock Institute for over 10 years. Her responsibilities included coalition building, development of policies supportive of affordable financial services, and research on innovative community development finance practices. Marva is involved in many community development finance efforts. She was a member of the Community Advisory Council of the Federal Reserve Bank, and is a volunteer with the North Side Community Federal Credit Union. Marva has also taught graduate classes at the University of Illinois at Chicago (UIC) College of Urban Planning and Policy Analysis. Marva was selected by LaSalle Bank to receive the 2004 Tom Gobby Community Leadership Award for her commitment to helping lower-income households access the financial mainstream and develop assets. She holds a master's degree in urban and regional planning from the University of Pittsburgh and a Ph.D. in urban planning and public policy from Rutgers University's Bloustein School of Planning and Public Policy.

Vonda Brunsting

Vonda Brunsting is a member of the First Unitarian Congregational Society of Brooklyn congregation. She works as the Director of the Capital Stewardship Program, Service Employees International Union (SEIU). The Capital Stewardship Program interfaces with the capital markets on behalf of SEIU's two million members, who work in health care, property services and public service. Ms. Brunsting trains and supports the SEIU trustees who represent beneficiaries at the public and TaftHartley pension funds. In addition, she founded the Trustee Leadership Forum for Retirement Security at the Harvard Initiative for Responsible Investment and serves on the Board of the Responsible Endowments Coalition. Prior to joining SEIU, Ms. Brunsting worked as a community organizer in Chicago, New York and Boston. She received her B.A. from Calvin College and holds a Masters degree in Public Policy from the University of Chicago.

Exhibit D: Investment Consultants, Managers and Service Providers

New England Pension Consultants (“NEPC”) NEPC serves as the principal investment consultant to the Investment Committee, helping devise investment strategies to achieve asset diversification, growth and income targets, while implementing risk-reduction strategies. NEPC plays a key role in conducting searches for Investment Managers and evaluating their performance. NEPC brings to the Fund systems, comprehensive performance databases, and report diagnostics. NEPC is a full-service investment consulting firm founded in 1986 and is based in Cambridge, MA. For more information, visit: www.nepc.com

Jantzi-Sustainalytics (“Sustainalytics”) Sustainalytics advises the UUA on SRI issues and assists in identifying companies for investment screening. It also provides a "UU Values Score" – a score compiled by grading companies' environmental, social and governance practices according to UU values. Utilizing the UU Values Score and SRI screening the Investment Committee uses the UU Values Score to develop criteria for favoring and avoiding specific securities (“Custom UU”). Sustainalytics is the world's largest independent provider of environmental, social and governance research, analysis, and support services. For more information, visit: www.sustainalytics.com.

Institutional Shareholder Services (“ISS”) ISS conducts research on proxy matters, makes recommendations and then handles proxy voting on shares owned by the Fund as we direct. ISS was founded in 1985 and is located in Rockville, MD. For more information, visit www.issproxy.com.

State Street Bank (“SSB”) SSB is one of the largest firms providing custodial services for securities transactions and currently provides these services for the Fund. SSB has over \$1.95 trillion under administration and monitors account transactions for the UUCEF. For more information, visit www.statestreet.com.

NRS Trust Product Administration (“NRS”) NRS offers administration and processing solutions for employee benefit plans and charitable programs, including services for all types of defined contribution and defined benefit plans, endowment programs and charitable trusts.

Mayer Hoffman McCann P.C. – Tofias New England Division (“Tofias”) - Tofias is one of New England's largest and fastest growing accounting and consulting providers. It is the 6th largest national accounting provider in New England and the 8th largest accounting provider in the U.S. The firm provides a breadth of services to privately held companies, public companies, not-for-profit organizations, family offices, and individuals. For more information see www.cbiz.com.

Manager	Fund/ Ticker	Management Fee *	Asset Class	SRI Screening
Boston Common Asset Management, LLC Boston, MA 02109 http://www.bostoncommonasset.com	Separate account	0.67%	International equity	Custom UU
Bridgewater Associates Westport, CT http://www.bwater.com/	All Weather Fund	0.25%	Global asset allocation	None
Dimensional Fund Advisors Santa Monica, CA http://www.dfaus.com/	Emerging Markets Social Core Portfolio/ DFESX	0.55%	International equity	No weapons, Sudan, tobacco, alcohol, gambling, pharmaceuticals, pornography, for profit health care
EnTrust Capital New York, NY https://entrustcapital.com/	EnTrust Capital Diversified Fund	1.40%	Hedge Fund of Funds	None
GMO Boston, MA http://www.gmo.com/America/	Global Bond/ GMGBX	0.45%	Global fixed income	None
GMO Boston, MA http://www.gmo.com/America/	Benchmark Free Fund GBMFX	0.60%	Global asset allocation	Environmental, Social & Governance management
Loomis Sayles & Co. Boston, MA http://www.loomissayles.com/	Unconstrained Bond	0.45%	Fixed income	None
MFS Investment Management Boston, MA www.mfs.com	International Concentrated Equity	0.85%	International Equity	Environmental, Social & Governance management
Pier Capital Stamford, CT https://www.piercap.com/	Separate account	1.02%	US small cap equity	Custom UU exclusions
PIMCO Newport Beach, CA http://www.pimco.com/	Total Return Fund III	0.50%	Fixed Income	No health care, alcoholic beverages, tobacco, pharmaceuticals, military equipment, gambling casinos or pornographic material
Rhumblin Advisers Boston, MA http://www.rhumblinadvisers.com	Separate account	0.12%	US large cap equity	Custom UU favor/avoid
Sands Capital Management Arlington, VA http://sandscapital.com/	Separate account	0.75%	US large cap equity	Custom UU exclusions
Wellington Management Company Boston, MA http://www.wellington.com/	CTF Opp Investment	1.11%	Global asset allocation	None

*Expressed as a percent of assets under management by the firm.

Exhibit E: Financial Report of the Unitarian Universalist Association

The following are financial highlights; a complete set of audited statements are available upon request.

UNITARIAN UNIVERSALIST ASSOCIATION

Statements of Financial Position

(in thousands)

	<i>June 30,</i>	
	<i>2013</i>	<i>2012</i>
Assets		
Cash and cash equivalents	\$ 11,298	\$ 9,936
Accounts receivable, net	1,608	1,908
Pledges receivable, net	127	169
Inventories	1,443	1,569
Other assets	1,774	1,025
Investments	71,507	70,363
Investment funds managed for others	78,180	67,181
Funds held in trust by others	42,291	40,283
Funds held in support of split-interest agreements	11,628	11,435
Loans to member congregations, net	6,943	7,529
Property and equipment, net	<u>5,817</u>	<u>5,828</u>
Total assets	<u>\$ 232,616</u>	<u>\$ 217,226</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,372	\$ 7,980
Annuity liabilities	2,674	2,784
Bank debt	1,744	1,940
Obligations under split-interest agreements	6,613	6,469
Obligations for funds managed for others	78,180	67,181
Accumulated postretirement benefit obligation	<u>1,769</u>	<u>1,951</u>
Total liabilities	<u>\$ 100,352</u>	<u>\$ 88,305</u>
Net assets:		
Unrestricted	17,119	16,172
Temporarily restricted	57,295	55,400
Permanently restricted	<u>57,850</u>	<u>57,349</u>
Total net assets	<u>132,264</u>	<u>128,921</u>
Total liabilities and net assets	<u>\$ 232,616</u>	<u>\$ 217,226</u>

UNITARIAN UNIVERSALIST ASSOCIATION

Statements of Changes in Net Assets

(in thousands)

	For the Years Ended June 30,				2012
	2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue:					
Fundraising and gifts and bequests	\$ 11,539	\$ 742	\$ 72	\$ 12,353	\$ 13,687
Net sales from publishing activities	6,415	-	-	6,415	6,400
Sales and administrative services	1,821	-	-	1,821	1,708
Investment return authorized for operations	4,262	-	-	4,262	3,577
Distributions from Holdeen	1,107	220	-	1,327	1,248
Other investment income	340	-	-	340	377
Other income	5,652	-	-	5,652	5,273
Net assets released from restriction	1,189	(1,189)	-	-	-
Total support and revenue	32,325	(227)	72	32,170	32,270
Expenditures:					
Programs	25,648	-	-	25,648	25,776
General and administration	5,578	-	-	5,578	5,285
Stewardship and development	2,030	-	-	2,030	1,946
Total expenditures	33,256	-	-	33,256	33,007
Changes in net assets from operations	(931)	(227)	72	(1,086)	(737)
Nonoperating income (expense):					
Investment return, net of amounts authorized for operations	1,210	1,051	-	2,261	(4,504)
Increase (decrease) in value of funds held in support of split-interest agreements and trusts	92	1,515	564	2,171	(2,148)
Postretirement benefit plan expense	144	-	-	144	-
Other releases and changes in net assets	432	(444)	(135)	(147)	558
Change in net assets from nonoperating activities	1,878	2,122	429	4,429	(6,094)
Change in net assets	947	1,895	501	3,343	(6,831)
Net assets, beginning of year	16,172	55,400	57,349	128,921	135,752
Net assets, end of year	\$ 17,119	\$ 57,295	\$ 57,850	\$ 132,264	\$ 128,921

UNITARIAN UNIVERSALIST ASSOCIATION

*Supplemental Schedule of Unitarian Universalist Common Endowment
Fund (UUCEF) Assets and Liabilities*

June 30, 2013

(in thousands)

Assets:

Cash and cash equivalents	\$	2,365
Investments in securities		149,632
Other current assets		<u>17</u>

Total assets **\$ 152,014**

Liabilities:

Distributions payable	\$	330
Uninvested principal		81
Accounts payable and accrued expenses		<u>171</u>

Total liabilities 582

Net UUCEF funds (equivalent to \$6.9213 per unit based on
21,879,178.8995 outstanding shares) 151,432

Total liabilities and net UUCEF funds **\$ 152,014**

UNITARIAN UNIVERSALIST ASSOCIATION

Supplemental Schedule of UUCEF Operations

For the Year Ended June 30, 2013

(in thousands)

Investment income	\$ <u>2,631</u>
Expenses:	
Investment manager fees	849
Consultant and other expenses	397
UUA administrative fees	298
Audit fees	<u>30</u>
Total expenses	<u>1,574</u>
Net investment income	<u>1,057</u>
Realized and unrealized gain from investments:	
Net realized gain from investments sold	3,553
Net change in unrealized appreciation	<u>8,146</u>
Net realized and unrealized gain from investments	<u>11,699</u>
Net increase in UUCEF funds from operations	\$ <u>12,756</u>