

Investment Committee Meeting Minutes

February 10, 2010
Greeley Library
Boston, Massachusetts

Members Present: Jim Sherblom (Chair), Carol McMullen, David Stewart (by phone), Tim Brennan, Dan Brody, Will Saunders, Arnold Bradburd (by phone)

Others Present: Kevin Kondry (NEPC), Scott Driscoll (NEPC), Rachel Daugherty (UUA)

1. UUCEF Performance Review – Presented by NEPC

- Market observations: NEPC has lowered its long-term assumptions because of the dramatic snap-back in the markets during 2009. The big surprise was the credit recovery in only nine months rather than the three years that they predicted last year. They still see a risk of long-term inflation.
- NEPC recommends consideration of real assets as a hedge against inflation. Emerging markets are also attractive. Their advice to clients is not to reach for return by increasing equity exposure; rather, focus on risk management.
- Portfolio review: 2009 was a respite from a terrible 2008, but only high yield bonds are up on an absolute basis. Other asset classes are still below peaks. In 2010 volatility has returned.
- NEPC benchmarks the UUA's endowment against a custom universe of endowments between \$50 - \$200 million
- The Endowment's +4.3% return in the fourth quarter ranked in the 9th percentile of the custom endowment universe (1st being the best)
 - Active management added 130 basis points in the quarter
- For 2009, the Endowment's +28.2% return ranked in the 8th percentile of the custom universe
- The three-, five-, and seven-year returns ranked in the top quartile of the custom endowment universe

2. Interviews of International Equity Managers

- **Global Currents**
 - Presentation from: Michael Dieschbourg, CEO; Paul Ehrlichman, CIO (by phone)
 - Have global list of 6000 companies rated on ESG factors
 - Seek to identify companies that are trading cheaply, taking advantage of mispricing. Do not take solvency risk.
 - Next they pare list down to 300 companies that have high chance of success. Don't pay for growth, but select firms with potential for growth.

- Target 20% in emerging markets. Their database has more emerging market names than most firms. This is a leading edge of research for the firm.
 - They are not an activist firm.
- **Boston Common Asset Management**
 - Presentation from: Geeta Ayer, President; Steven Heim, Director of ESG Research & Shareholder Engagement; Matt Zalosh, CIO International Equities
 - Propose a separate account for the UUA
 - Fund will have 50 names with a maximum of 4% for each.
 - Focus is on long term with turnover typically 20%.
 - Emerging market is limited to 20%; currently they are below this level.
 - Boston Common actively engages with companies on ESG issues through direct engagement and shareholder resolutions.
3. **Discussion of SRI International Manager options**
- The committee was impressed with both firms. Discussed using four firms to manage the 20% international equity allocation, similar to US equity.
 - **Motion:** To Allocate 20% to international equity with 5% to each of four managers: Artio, Templeton, Global Currents, and Boston Common Asset Management. Moved Sherblom, seconded McMullen, carried.
 - **Three Motions:** Moved Sherblom, seconded McMullen:

VOTED: That the Unitarian Universalist Association, on behalf and for the benefit of the Unitarian Universalist Common Endowment Fund, place under management in a separate account approximately five percent (5.0%) of the assets of the UUCEF with Boston Common Asset Management (the "Manager") pursuant to the investment management agreement submitted by the Manager to Timothy Brennan, Treasurer of the Unitarian Universalist Association, subject to such changes and amendments therein as he may determine to be appropriate; and

VOTED: To authorize the Treasurer, Timothy Brennan, and the Executive Vice President, Kathleen Montgomery, each individually, acting singly or together, to execute and deliver documents to effect the foregoing, all with such terms and conditions as are approved by the signatory, with such officer's signature being conclusive evidence of approval; and

VOTED: To ratify and approve all that the Treasurer, Timothy Brennan, has done or may do in connection with said placement of funds under management.

4. **Next Meeting**

- May 7, 9 am to 2 pm: Presentation by NEPC on real assets

5. **Meeting adjourned**

6. **Minutes** – Minutes from meeting of Wednesday, December 9, 2009 considered in email poll of the committee following the meeting. Sherblom moves to approve the minutes of the December meeting. Seconded by McMullen, minutes approved.