

Investment Committee
May 7, 2010
Rice Room, Picket & Eliot House
Boston, MA

Members Present: Jim Sherblom, Dan Brody, Will Saunders, David Stewart, Arnold Bradburd, Tim Brennan, Carol McMullen

Others Present: Glenn Farley (CSRI), Julie Skye (CSRI), Simon Billenness (CSRI), Doug Mosley (NEPC), Rachel Daugherty (UUA staff)

1. **UUCEF Performance Review** – Doug Moseley
 - The assets in the Endowment totaled \$119.3 million as of 3/31/10
 - The Endowment's first quarter return (+3.4%) ranked in the third quartile of the custom endowment universe
 - The trailing one-, and three-year returns, +39.1% and +1.8% ranked in the top quartile of their peer group

2. **US Small Cap Manager presentation by telephone** – Hotchkis and Wiley, Jim Miles and Pat McMenamin
 - Their expectations are for continued economic recovery
 - The portfolio generally includes 50-60 stocks that have been thoroughly researched with the top 10 holdings representing 30% to 40%
 - Portfolio is diversified (limit at purchase: 5% stock, 15% industry)
 - Small cap exposure, value exposure (low PE normal)
 - Deviations from the benchmark are norm
 - Short-term fluctuations, long-term results
 - Pattern is to lag in growth, momentum, or mania-driven markets and excel in value, or fundamental-driven markets
 - Performance has matched benchmark since inception but lagged during downturn

3. **US Small Cap Manager presentation by telephone** – Pier Capital, Ross Hawkins
 - Consistent and time-tested philosophy and process since inception
 - Dedication to investing in the "Small" and "Growth" categories
 - The strength of the value proposition is what determines the life cycle of the product, and therefore the earnings growth potential of the company
 - If identified early in their growth phases, these companies have the opportunity to substantially outperform expectations
 - Outperformed Russell 2000 Growth Index trailing 1, 3, 5, 7, 10 and 20 years and since inception
 - 3-year performance: Pier Capital LLC 5.37% vs. Russell 2000 Growth Index -2.42%

- Committee asked if they are looking at any ESG issues in stock selection. On the pure research side, they so not. In general it doesn't fit in to their research process.

4. **Fixed Income Manager Search**

- The committee discussed replacing the Fund's core bond manager. Currently this is Oppenheimer Capital, but recently the fixed income management team left the firm. NEPC recommended seeking a new manager for this asset class. Moseley reviewed a selection of core and core-plus managers.

Motion -

VOTED: That the Unitarian Universalist Association, on behalf and for the benefit of the Unitarian Universalist Common Endowment Fund, invest approximately nine percent (9.0%) of the assets of the UUCEF in the PIMCO Total Return Fund III (the "Investment Fund") on the terms set forth in the subscription and offering documentation therefore submitted by the Investment Fund 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 investment.

5. **Real Asset Options**

- Real Assets include real estate, commodities, timber, inflation-linked products, e.g. Treasury Inflation Protected Securities (TIPS), inflation-sensitive equities, etc.
- Goal of real assets: help portfolio maintain purchasing power through periods of rising inflation
- Mosley described the investment opportunities in this asset class.
- The Committee agreed to continue this discussion and a future date but take no action now.

6. **CFO Report**

- Shareholder Advocacy season – saw a pattern of companies really pushing back to get resolutions off proxies. Two companies – Travelers Insurance and Home Depot – agreed to our proposals to add non-discrimination protection based on gender identity/expression.

7. Future Meetings

- Summer retreat meeting Monday July, 12th, 9:00am – 2:00pm: rethink global asset allocation – invite outside experts to participate. The challenge is: how do we get 8.5% target return with limited volatility going forward, while recognizing our values?
- Fall Meeting date: September 14th 9 – 2
- Next Date: December 14th 9 - 2