

Investment Committee Minutes

September 13, 2010

NEPC Offices
1 Main Street, Cambridge

Members Present: Jim Sherblom (Chair), Julie Skye, Arnold Bradburd, Dan Brody, Carol McMullen, Will Saunders

Member absent: Tim Brennan

Others Present: Rachel Daugherty (UUA), Kevin Kondry (NEPC), Scott Driscoll (NEPC), Doug Mosley (NEPC), Richard Charlton (NEPC Chairman & Founder)

1. Minutes

Bradburd moves to approve July minutes, Saunders seconds. Minutes approved.

2. UUCEF Performance Review – Moseley, Kondry, NEPC

- The assets in the Endowment totaled \$111.8 million as of 6/30/10
- The Endowment's second quarter return (-4.8%) ranked in the second quartile of the custom endowment universe
- The trailing one-, and three-year returns, +16.5% and -0.9% ranked in the top quartile of the peer group
 - Active management added 380 basis points over the trailing one-year period
 - Active management added 130 basis points over the trailing three-year period
- The committee felt we should push NEPC for more SRI options

3. Hedge fund of funds manager presentation – Gregg S. Hymowitz, Managing Partner, Entrust

- In the period from initial investment (9/1/09) to 8/31/10, fund is up 15.82% with standard deviation of 7.36%. This compares to the S&P 500 with a return of 4.90% and a standard deviation of 16.61%.
- Focus on capital preservation: in up months, the Fund typically lags, but in down markets, it outperforms 93.10% of the time. In other words, during period from 10/03 to 8/10, positive market capture was 53.77% and negative market capture was 27.2%.
- Committee members expressed concern about Entrust's investment in Paulsen and his dealings with Goldman Sachs

4. Reflections on July discussions of long-term asset allocation – Sherblom

- First address emerging markets and increasing that exposure with a dedicated manager in that space.
- In the future look at Real Assets
- IC would like a report from CSRI on existing portfolio of Community Investments

5. Tour of NEPC offices

6. Emerging markets presentation – NEPC

- NEPC divided the twelve firms included in the search book into four style boxes: Quant, Value/defensive, Growth, and Fundamental. We decided to explore further the Value and Fundamental segments.
- Mondrian and Capital Guardian looked like the two best options in Value; Mondrian may have an SRI product in this area.
- Dimensional and Eaton Vance looked like the two best options in Fundamental; Dimensional may have an SRI product.
- We concluded we would prefer the SRI products as long as they were equal in performance, volatility, and transparency to the core products.
- IC conference call at 2pm on Tuesday October 26, 2010 will select finalists for interview at the December meeting. [Phone meeting was later rescheduled to November 10.]
- Then NEPC will invite two or three finalists to present at our December meeting with the plan for us to choose one for this allocation

7. Emerging Market Disclosure Project

Julie reports that NEPC is becoming a signatory

8. Meeting dates

Next meeting: Wednesday, December 8th, 8am – 1pm. Meeting previously scheduled for December 14th is cancelled.

Committee agreed to set 2011 meeting dates at the December 8 meeting.