

UUA Investment Committee – Minutes

24 Farnsworth Street, Room 315
Boston, MA 02210
November 6, 2014

Members present: Carol McMullen *Chair*, Tim Brennan, Rob Friedman, Kimberly Gladman, John LaPann, Lucia Santini Field

Member absent: Larry Ladd

Staff: Susan Helbert

NEPC: Eric Harnish, Scott Perry

Income Research & Management (IR&M): Matt Drasser, Ed Ingalls, Kristoff Nelson

1. Minutes from meeting on August 18th, September 23rd, September 30th, and October 22, 2014 – McMullen

Motion 1: To adopt minutes from last meeting and conference calls. Moved LaPann, seconded Santini, approved without amendment.

2. Business Update- Brennan

- Conflict of Interest Policy
 - All members signed and turned in the policy.

3. Executive session - McMullen

4. Manager interview – Income Research & Management (IR&M) – Drasser, Ingalls, Nelson

- 27+ year history, privately owned.
- 41 employee owners
- Consistent management team since inception and a 10+ year average tenure for portfolio management team.
- They are target duration neutral and believe in taking what the market gives you.
- Have a cross functional ESG team. Ensure that each analyst in each sector is looking at ESG perspective. Have 105 SRI mandates in the firm. Have a large mix of guidelines.
- For all new issuers they review ESG factors, use Sustainalytics scores, and have analysts bring those factors up in discussions. Review all issues on an annual basis.

- Do not use leverage, do not use derivatives, although this is allowed, but currently do not.
- Use three screens for all potential buys – credit, structure and price.

Discussion: The Committee wishes to empower Tim Brennan, treasurer of the UUA, and Scott Perry, Partner at NEPC, our investment consultant, to finalize the arrangements to initiate a \$9 million investment into the Income Research & Management (IR&M) Core Bond Fund. The goal, should it be in our best interest, is to have it in a separate account and if not, to invest in the co-mingled account.

Motion 2: Moved McMullen, seconded Friedman, voted five FOR, one AGAINST.

VOTED: That the Unitarian Universalist Association, on behalf and for the benefit of the Unitarian Universalist Common Endowment Fund, invest approximately five and a half percent (5.5%) of the assets of the UUCEF the bond fund managed by Income Research & Management (the “Investment Fund”) on the terms set forth in the subscription agreement 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 Chief Operating Officer, Harlan Limpert, 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.

VOTED: In order to make the 5.5% allocation to the Investment Fund, close the PIMCO account.

5. Private Market Education & Strategic Plan Review – Harnish, Perry

- Private equity is a long-term investment.
- Over the last ten years returns have ranged between 13% and 15%.
- Believe that the asset class can outperform regardless of business cycle because of how value is created. More and more private equity managers are not just providers of financial capital but also providers of management consulting, strategic advice, and operational expertise.
- Fee structures tend to be a combination of an annual management fee and a performance fee that is only paid on the portfolio gains. Varies by strategy.
- The UUCEF program will be structured over multiple years and will be based on which preferred managers are available.

- Direct investments are a bit riskier than fund of funds as they are less diversified. This puts more responsibility on the committee due to more complexity.
- The best direct investments are often a once and done type of close which would require the committee to act much more quickly.
- Usually fees are paid only on committed capital.
- Goal is to invest, over time, 0% to 10% provided opportunities arise. We want to be opportunistic, develop quality parameters, and be able to respond quickly to opportunities.

Action item 1: NEPC will provide a minimum required standard criteria used for considering a fund.

6. Quarterly Investment Review – Perry

- **Market Outlook:**
 - Large caps did much better than small caps, up 1% for large and down 6%-7% for small over the quarter.
 - International, developed and emerging, down due to currency volatility which is likely to continue.
 - Commodities (oil mostly) driven down in the near-term.
 - Expect emerging market dispersion to remain an ongoing theme.
- **Performance Review:**
 - GAA class has lagged in the last 3- and 5-year periods, specifically GMO and Wellington.

Action item 2: NEPC to arrange meeting with GMO and Wellington on December 4, 2014.

- **Review of Portfolio Structure:**
 - Need to consider if Loomis Sayles is appropriately reported in the fixed income category or should it be categorized with hedge funds.
 - Committee will consider the question on positioning at the February meeting.

Action item 3: NEPC to provide an analysis of the leverage in the Loomis Sayles fund over time.

Next meeting: December 4, 2014