

UUCEF, LLC INVESTOR CALL, MARCH 23, 2016 2:00 PM EDT

Presenters:

Tim Brennan, UUA Treasurer & CFO

Lucia Santini, Chair, UUA Investment Committee

David Stewart, Chair, UUA Socially Responsible Investing Committee

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Agenda

1. February performance review
2. Outlook/Expectations
3. March 8th Investment Committee meeting review
4. Socially Responsible Investing Committee Updates
5. Questions and Answers

Net Performance Summary

As of February 29, 2016

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
Composite (Gross)	163,429,717	100.0	100.0	-0.5	-4.4	-8.6	-9.5	2.1	3.5	10.2	4.7	6.3	Jul-02
Allocation Index				-0.1	-3.6	-6.8	-7.4	2.8	3.2	9.4	4.5	6.0	Jul-02
Policy Index				-0.2	-3.8	-6.7	-7.3	2.9	3.6	9.7	4.1	--	Jul-02
Composite (Net)	163,429,717	100.0	100.0	-0.6	-4.6	-9.2	-10.4	1.1	2.5	9.1	3.6	5.3	Jul-02
Allocation Index				-0.1	-3.6	-6.8	-7.4	2.8	3.2	9.4	4.5	6.0	Jul-02
Policy Index				-0.2	-3.8	-6.7	-7.3	2.9	3.6	9.7	4.1	--	Jul-02
Domestic Equity Composite	36,632,280	22.4	22.0	-1.1	-9.8	-11.8	-11.8	9.0	9.1	20.4	6.8	8.8	Jul-02
Russell 3000				0.0	-5.7	-7.0	-7.8	10.1	9.6	17.4	6.4	7.4	Jul-02
Rhumbline	17,298,797	10.6	10.0	0.5	-5.0	-7.0	-8.6	8.5	8.4	17.0	5.1	5.3	Aug-05
Russell 1000 Value				0.0	-5.2	-8.3	-9.4	8.3	8.8	16.5	5.1	5.5	Aug-05
Sands	13,215,454	8.1	8.0	-2.4	-14.3	-11.5	-13.0	10.0	11.3	22.8	8.9	9.9	Dec-03
Russell 1000 Growth				0.0	-5.6	-4.1	-5.1	12.5	10.9	18.3	7.7	7.7	Dec-03
Pier Capital	6,118,028	3.7	4.0	-2.7	-12.4	-23.5	-17.6	7.7	5.3	16.7	--	7.1	Apr-07
Russell 2000 Growth				-0.7	-11.5	-19.7	-16.6	7.0	6.9	17.4	5.7	5.7	Apr-07
International Equity Composite	34,096,058	20.9	22.0	-1.5	-7.0	-16.1	-17.2	-2.5	-2.1	6.8	0.7	4.7	Jul-02
MSCI ACWI ex USA				-1.1	-7.9	-16.5	-17.4	-2.2	-1.3	9.2	1.4	5.6	Jul-02
MFS International Concentrated	11,337,719	6.9	7.0	-2.4	-7.8	-12.5	-13.6	--	--	--	--	-0.1	Apr-13
MSCI EAFE				-1.8	-8.9	-14.4	-15.2	0.4	0.6	9.7	1.5	0.1	Apr-13
Boston Common	11,130,367	6.8	7.0	-2.1	-8.3	-14.3	-14.6	0.2	0.9	--	--	2.8	May-10
MSCI EAFE				-1.8	-8.9	-14.4	-15.2	0.4	0.6	9.7	1.5	2.9	May-10
DFA	11,627,972	7.1	8.0	-0.1	-4.9	-20.7	-22.5	-8.4	-5.3	--	--	-5.3	Mar-11
MSCI Emerging Markets				-0.2	-6.6	-22.8	-23.4	-8.9	-5.4	8.4	1.8	-5.4	Mar-11
Fixed Income Composite	40,320,359	24.7	20.0	-0.1	0.1	-0.8	-1.8	1.1	3.4	7.0	5.2	4.5	Jul-02
Barclays Aggregate				0.7	2.1	2.8	1.5	2.2	3.6	4.6	4.7	4.7	Jul-02
Loomis Sayles Strategic Alpha	20,168,908	12.3	10.0	-0.9	-1.5	-3.9	-4.5	--	--	--	--	-1.6	Aug-14
Barclays Aggregate				0.7	2.1	2.8	1.5	2.2	3.6	4.6	4.7	3.1	Aug-14
3-Month LIBOR + 3%				0.3	0.6	2.3	3.4	3.3	3.3	3.4	4.6	3.3	Aug-14
Breckinridge	10,632,802	6.5	5.0	0.6	1.9	3.1	2.9	--	--	--	--	3.2	Nov-14
Barclays Int Govt/Credit				0.5	1.7	2.0	1.8	1.6	2.9	3.8	4.2	2.2	Nov-14
IR&M SRI Core Bond Fund	9,518,648	5.8	5.0	0.8	1.8	2.0	--	--	--	--	--	0.6	Apr-15
Barclays Aggregate				0.7	2.1	2.8	1.5	2.2	3.6	4.6	4.7	1.0	Apr-15

Net Performance Summary

As of February 29, 2016

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
GTAA Composite	33,476,739	20.5	20.0	0.0	-2.3	-8.4	-10.7	-0.1	3.0	8.8	--	3.6	Jan-08
65% MSCI ACWI (Net) / 35% BC Agg				-0.2	-3.6	-6.4	-7.5	3.3	3.9	10.1	4.3	2.7	Jan-08
GMO Benchmark Free Allocation Fund	16,932,765	10.4	10.0	-0.4	-3.9	-9.0	-11.5	-0.1	2.3	7.6	--	3.0	Jan-08
65% MSCI World (Net) /35% BC Agg				-0.2	-3.6	-5.4	-6.6	4.4	4.7	10.4	4.5	3.1	Jan-08
CPI + 5% (Unadjusted)				0.5	1.1	2.6	6.1	5.7	6.5	6.7	6.9	6.6	Jan-08
Bridgewater	16,543,974	10.1	10.0	0.5	-0.6	-7.8	-11.0	-1.2	5.2	7.8	4.4	4.4	Sep-05
50% BC Global Agg/ 50% MSCI World (Net)				0.7	-1.8	-3.4	-5.0	2.7	3.3	8.6	4.2	4.4	Sep-05
CPI + 5% (Unadjusted)				0.5	1.1	2.6	6.1	5.7	6.5	6.7	6.9	6.9	Sep-05
Hedge Fund Composite	11,505,262	7.0	10.0	0.6	-4.3	-13.4	-15.9	-1.6	-0.6	--	--	3.3	Aug-09
HFRI Fund of Funds Composite Index				-1.3	-3.9	-6.6	-5.8	1.8	1.1	3.3	1.5	2.5	Aug-09
Entrust Capital Diversified Fund	7,135,622	4.4	5.0	-1.2	-3.9	-11.5	-12.7	-0.4	0.1	--	--	3.8	Aug-09
HFRI Fund of Funds Composite Index				-1.3	-3.9	-6.6	-5.8	1.8	1.1	3.3	1.5	2.5	Aug-09
Cevian Capital II	4,369,640	2.7	3.0	3.8	-4.9	-16.3	--	--	--	--	--	-20.6	Apr-15
HFRX Event Driven Index				0.1	-3.8	-11.7	-11.4	-2.0	-0.7	2.1	0.3	-11.7	Apr-15
MSCI EAFE				-1.8	-8.9	-14.4	-15.2	0.4	0.6	9.7	1.5	-13.9	Apr-15
Private Markets/Oppportunistic	3,689,049	2.3	5.0	0.0	0.0	5.4	8.2	--	--	--	--	8.3	May-14
Private Markets Custom Benchmark				0.0	0.0	5.1	9.3	--	--	--	--	9.8	May-14
FEG Private Opportunities Fund	1,453,534	0.9		0.0	0.0	4.8	7.5	--	--	--	--	7.9	Jun-14
Private Equity Benchmark				0.0	0.0	-1.8	4.6	11.9	11.6	13.0	10.2	7.0	Jun-14
Brockton Capital Fund III	2,235,515	1.4		0.0	0.0	--	--	--	--	--	--	6.0	Aug-15
NCREIF Property Index				0.0	0.0	6.1	13.3	12.0	12.2	7.6	7.8	6.1	Aug-15
Cash	2,026,140	1.2	0.0	0.0	-0.3	-0.5	-0.4	0.3	0.8	--	--	1.1	Dec-10
91 Day T-Bills				0.0	0.0	0.1	0.1	0.0	0.1	0.1	1.0	0.1	Dec-10
Community Development	1,683,829	1.0	1.0	0.2	0.3	0.9	1.1	1.1	1.4	1.6	--	1.8	Jul-07
91 Day T-Bills				0.0	0.0	0.1	0.1	0.0	0.1	0.1	1.0	0.4	Jul-07

-Fiscal Year End: 6/30

-GMO Benchmark Free Allocation Fund from May 2013 onwards; prior to May 2013, returns are for the GMO Global Balanced Fund.

-Cash Market Value includes \$214,214 adjustment for pending capital additions into the UUA Endowment Fund

Socially Responsible IC Updates

- New videos explaining the role and nature of the Socially Responsible Investment Committee:
<http://uucef.org/socially-responsible-investing/sri-member-videos/>
- New Human Rights Screening
 - As the financial industry has evolved and improved SRI offerings, the UUA has been offered increased granularity for addressing specific issues.
 - Human rights had previously been embedded in the “Community” category of our Sustainalytics screening. This sometimes allowed companies complicit in human rights abuses into the portfolio. We now address human rights directly with its own category via a new product extension from Sustainalytics.

Supplemental Information

UUA Manager Summary

- **Manager:** Rhumbline Custom Screened Russell 1000 Value
 - **Benchmark:** Russell 1000 Value
 - **Asset Class:** Large cap domestic equity - value
 - **Role in Portfolio:** Growth Assets
 - **Description:** The manager optimizes a portfolio of large cap value equities based on their Environmental, Social and Governance (“ESG”) ratings. The fund should have relatively low tracking error or variance from the benchmark as it is a largely passive investment.
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- **Manager:** Sands Select Growth Equity
 - **Benchmark:** Russell 1000 Growth
 - **Asset Class:** Large cap domestic equity - growth
 - **Role in Portfolio:** Growth Assets
 - **Description:** The manager uses a fundamental, bottom up research approach to stock investing. Their investment process produces a concentrated portfolio, aggressively seeking equities with high growth opportunities. The manager is currently restricted from investing in certain sectors and industries, including defense, fire arms, tobacco, and nuclear weapons. Also the manager cannot invest in companies that engage in predatory lending practices, have poor environmental practices, and companies that have questionable employment practices and possible human rights offenses.

UUA Manager Summary

Continued

- **Manager:** Pier Small Cap Equity Growth
 - **Benchmark:** Russell 2000 Growth
 - **Asset Class:** Small cap domestic equity - growth
 - **Role in Portfolio:** Growth Assets
 - **Description:** The strategy uses a bottom-up research process, which incorporates two quantitative screens, followed by fundamental analysis. The manager also screens out all securities that are restricted per UUA's direction. Pier looks to find companies with great products or services and identify them by the strength of their value proposition.
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- **Manager:** MFS International Concentrated Equity
 - **Benchmark:** MSCI EAFE
 - **Asset Class:** Developed international equity - core
 - **Role in Portfolio:** Growth Assets
 - **Description:** The manager focuses on identifying companies with sustainable above- average growth and purchasing those companies at attractive valuations. The manager is a United Nations Principles for Responsible Investment (UNPRI) signatory and integrates their evaluation of a company's key ESG risks and opportunities into their overall security analysis to the extent they believe that such factors are material to and have an economic impact on shareholder value. The manager will invest between 5-10% in emerging markets.

UUA Manager Summary

Continued

- **Manager:** Boston Common International Equity
 - **Benchmark:** MSCI EAFE
 - **Asset Class:** Developed international equity - core
 - **Role in Portfolio:** Growth Assets
 - **Description:** The fund seeks to outperform broad international equity markets while employing ESG screens. The fund employs positive ESG screens rather than negative screens and looks to identify progressive companies rather than defensive companies.
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- **Manager:** DFA Emerging Market Social Core
 - **Benchmark:** MSCI Emerging Markets index
 - **Asset Class:** Emerging market equity - value
 - **Role in Portfolio:** Growth Assets
 - **Description:** The portfolio is broadly diversified, using a quantitative, rules-based process, in order to select their holdings. Dimensional employs an independent social screen vendor to identify stocks for exclusion based on social issues. The social screen research examines the business activities of companies across several areas and excludes those that engage in unsuitable activities.

UUA Manager Summary

Continued

- **Manager:** Loomis Sayles Strategic Alpha Trust
- **Benchmark:** Barclays Aggregate
- **Asset Class:** Unconstrained Bonds
- **Role in Portfolio:** Absolute Return
- **Description:** Strategic Alpha is an opportunistic global fixed income strategy with flexible guidelines that invests across multiple fixed income sectors. The strategy seeks to take advantage of short-term tactical opportunities and longer-term structural opportunities within the broad fixed income market. The Loomis Sayles Strategic Alpha Trust strategy takes on active long/short exposures to global yield curves, credit, and currencies with extensive tail-risk hedges. The strategy also has the ability to shift duration, ranging from -2 years to +5 years.

- **Manager:** Breckinridge Capital Advisors Sustainable Fixed Income
- **Benchmark:** Barclays Gov't/Credit Intermediate
- **Asset Class:** Domestic fixed income
- **Role in Portfolio:** Deflation hedging assets
- **Description:** Sustainable fixed income is a high quality, intermediate term fixed income strategy that incorporates both fundamental credit analysis as well as ESG analysis into the decision making process. The strategy will invest across the corporate, taxable municipal, US gov't/agency and supranational sectors. Breckinridge will analyze ESG data in an effort to identify investments they feel are well suited to meet future obstacles. Additionally, the strategy will adhere to specific sector and security restrictions set forth by UUA in an effort to align the portfolios strategy with the mission and values of the organization.

UUA Manager Summary -Continued

- **Manager:** IR&M SRI Core Bond
- **Benchmark:** Barclays Aggregate
- **Asset Class:** Domestic Fixed Income
- **Role in Portfolio:** Deflation hedging assets
- **Description:** IR+M exploits overlooked opportunities in small, complex and often less-liquid bond sub-sectors, and structures portfolios to benefit from an income bias and positive convexity. Their expected alpha is sourced in their understanding and ability to identify the mispricing of esoteric securities such as put bonds, pre-payable CMBS bonds, hybrid ARMS, municipals, century bonds and convertible bonds. The strategy will only invest in securities whose activities are in line with IR&M's social criteria. Social criteria includes; not investing in securities that generate more than 10% of their revenue from alcohol, tobacco, gambling, weapons and adult entertainment. Additionally, no investments will be made in securities of issues who participate in in the healthcare sector/related industries or to be engaged in certain business activities in the Republic of the Sudan, as determined by IR&M.
- **Manager:** GMO Benchmark Free Allocation Fund
- **Benchmark:** 65% MSCI World and 35% BC Aggregate
- **Asset Class:** Global asset allocation
- **Role in Portfolio:** Growth assets (with some inflation & deflation hedging assets)
- **Description:** The manager has the ability to invest in both equities and fixed income, and tactically shift allocations as opportunities present themselves. The fund is managed by a team, where quantitative forecasts identify opportunities for high real returns across capital markets Overweight's to attractive asset classes and underweights to less attractive asset classes are driven entirely by the judgment of the asset allocation team with positions generally scaled to reflect the magnitude of mispricing.

UUA Manager Summary

Continued

- **Manager:** Bridgewater All Weather Strategy
 - **Benchmark:** 50% BC Global Aggregate and 50% MSCI World index
 - **Asset Class:** Global asset allocation
 - **Role in Portfolio:** Balance of growth, inflation and deflation hedging assets
 - **Description:** The fund attempts to create a passive balanced risk exposure to high/low growth environments and high/low inflation environments. They maintain long-term strategic exposures to a variety of global markets and do not actively trade in and out of these markets. The strategy utilizes six different asset classes and trades across more than 40 global markets while seeking balanced risk exposures to the four basic economic regimes.
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- **Manager:** Entrust Capital Diversified Fund
 - **Benchmark:** HFRI Fund of Funds Composite index
 - **Asset Class:** Hedge funds
 - **Role in Portfolio:** Growth assets
 - **Description:** The manager invests primarily in event-driven, directional-credit, activist, and equity long/short strategies in blue chip, brand name hedge managers while providing investors with a high amount of transparency into the underlying investments.

UUA Manager Summary

Continued

- **Manager:** Cevian Capital II
- **Benchmark:** HFRX Event Driven Index
- **Asset Class:** Hedge funds
- **Role in Portfolio:** Growth assets
- **Description:** Cevian Capital II is a concentrated activist hedge fund that hedges currency exposure and will invests in mid to large cap companies listed in the Nordic region [Sweden, Finland, Denmark, and Norway], UK, and other western parts of Europe. Their strategy is to target undervalued companies, where the perceived undervaluation stems from mismanaged operations, inefficient capital structure, and/or poor corporate governance structure. Cevian quantifies 'value' in terms of the company's enterprise value, operating margins, corporate governance, or equity value. The fund tries to improve this value by targeting those specific areas of weaknesses.
- **Manager:** Brockton Capital Fund III
- **Benchmark:** NCREIF Property Index
- **Asset Class:** Private Markets/Opportunistic
- **Role in Portfolio:** Growth assets
- **Description:** Brockton Capital Fund III will follow a value-add/opportunistic strategy of buying distressed or neglected assets, repositioning them and, once stabilized, selling them in the institutional market. They will invest across various asset types, including office, residential, industrial, retail, mixed use, and other specialty real estate (for example, senior housing). Brockton invests across the United Kingdom although, due to the dominant market size of the South East, has a focus on Greater London and the surrounding areas.

Fund oversight

- UUA Board of Trustees – ultimate fiduciaries
- Investment Committee – includes investment professionals
- Socially Responsible Investing Committee
- UUA Treasurer – management, rebalancing
- Investment consultant – NEPC
- ESG analyst – Sustainalytics
- Specialized investment managers
- Custodian – State Street Bank
- Reporting – HWA
- Auditors – CBIZ Tofias/Mayer, Hoffman, McCann

Investment objective

With the guiding lens of Unitarian Universalist values and principles, strive to 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.

UU Common Endowment Fund

Key Characteristics

- Long-term investment fund
- Diversified portfolio
- Managed by specialist professional investment managers
- Managed to reflect UU values while achieving financial goals – “Risk, Return, Justice”
- Open to congregations, districts, and other UU organizations

Portfolio Diversification

Across Asset Classes:

- Domestic equities: large cap, small cap, growth, value
- International equities: developed, emerging
- Fixed income: domestic core plus, high yield, global sovereigns, opportunistic
- Global asset allocation funds
- Fund of hedge funds

Asset Allocation Targets

<i>Asset Class</i>	<i>Target Allocation</i>
Domestic equity	22%
International equity	22%
Fixed income	20%
Global asset allocation	20%
Fund of hedge funds	10%
Private Markets	5%
Community investments	1%
Cash	0%

Responsible Committees

Investment Committee

- Lucia Santini, Chair
- Robert Friedman
- Kathleen Gaffney
- John LaPann
- David Stewart
- Tim Brennan, Treasurer
- Larry Ladd, Financial Advisor

SRI Committee

- David Stewart, Chair
- Vonda Brunsting
- Kristin Faust
- Kathy Mulvey
- Marva Williams
- Tim Brennan, Treasurer
- Larry Ladd, Financial Advisor

See Investment Information Memorandum for background information.

Contact Information

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