

UUCEF, LLC INVESTOR CALL, MAY 18, 2016 2:00 PM EDT

Presenters:

Lucia Santini, Chair, UUA Investment Committee

Kathleen Gaffney, Member, Investment Committee

David Stewart, Chair, UUA Socially Responsible Investing Committee and
Member of the Investment Committee

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Agenda

1. April performance review
2. Outlook/Expectations
3. May 11th Investment Committee meeting review
4. Questions and Answers

Unitarian Universalist Association

Composite

Net Performance Summary

As of April 30, 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)	173,684,082	100.0	100.0	1.1	1.1	-3.3	-5.0	3.0	3.9	9.4	5.2	6.7	Jul-02
Allocation Index				1.0	2.0	-1.4	-2.9	3.7	3.8	8.4	4.9	6.4	Jul-02
Policy Index				1.0	1.9	-1.2	-2.7	3.8	4.2	8.7	4.4	--	Jul-02
Composite (Net)	173,684,082	100.0	100.0	1.1	0.8	-4.1	-5.9	1.9	2.9	8.3	4.1	5.6	Jul-02
Allocation Index				1.0	2.0	-1.4	-2.9	3.7	3.8	8.4	4.9	6.4	Jul-02
Policy Index				1.0	1.9	-1.2	-2.7	3.8	4.2	8.7	4.4	--	Jul-02
Domestic Equity Composite	46,465,835	26.8	29.0	1.1	-2.5	-4.6	-3.5	10.0	10.0	17.6	7.5	9.3	Jul-02
Russell 3000				0.6	1.6	0.1	-0.2	10.8	10.5	15.5	6.9	7.9	Jul-02
Rhumbline	19,063,508	11.0	10.5	1.9	4.6	2.5	1.4	9.9	9.8	15.2	5.9	6.2	Aug-05
Russell 1000 Value				2.1	3.8	0.4	-0.4	9.6	10.1	15.0	5.7	6.3	Aug-05
Sands	17,540,293	10.1	10.5	0.3	-9.6	-6.7	-6.7	10.4	12.2	19.4	9.6	10.2	Dec-03
Russell 1000 Growth				-0.9	-0.2	1.5	1.1	12.5	11.4	16.3	8.2	8.1	Dec-03
Pier Capital	6,607,360	3.8	4.0	-0.1	-5.5	-17.5	-9.9	9.0	5.1	14.4	--	7.9	Apr-07
Russell 2000 Growth				1.0	-3.7	-12.7	-8.3	8.5	7.1	15.1	6.1	6.6	Apr-07
Wellington SMD	3,254,675	1.9	4.0	1.7	--	--	--	--	--	--	--	1.7	Apr-16
Russell 2500 Value				1.9	5.3	-2.1	-2.0	7.7	8.3	15.2	6.0	1.9	Apr-16
International Equity Composite	39,646,854	22.8	25.0	1.3	2.5	-7.4	-11.7	-0.3	-1.1	5.8	1.1	5.3	Jul-02
MSCI ACWI ex USA				2.6	2.2	-7.3	-11.3	0.0	-0.1	7.6	1.7	6.3	Jul-02
MFS International Concentrated	12,098,863	7.0	7.0	0.4	-1.6	-6.6	-10.1	1.3	--	--	--	2.0	Apr-13
MSCI EAFE				2.9	-0.2	-6.2	-9.3	1.5	1.7	8.3	1.6	3.1	Apr-13
Boston Common	12,259,763	7.1	7.0	2.8	1.2	-5.5	-8.7	1.8	1.8	--	--	4.4	May-10
MSCI EAFE				2.9	-0.2	-6.2	-9.3	1.5	1.7	8.3	1.6	4.4	May-10
DFA	11,276,229	6.5	6.0	1.1	8.8	-9.3	-15.1	-4.1	-4.4	--	--	-2.6	Mar-11
MSCI Emerging Markets				0.5	6.3	-12.2	-17.9	-4.6	-4.6	5.9	2.4	-2.8	Mar-11
Baxter Street	4,012,000	2.3	5.0	0.3	--	--	--	--	--	--	--	0.3	Apr-16
MSCI ACWI ex USA				2.6	2.2	-7.3	-11.3	0.0	-0.1	7.6	1.7	2.6	Apr-16
Fixed Income Composite	39,225,597	22.6	20.0	0.9	2.4	1.4	0.7	1.1	3.4	6.8	5.5	4.6	Jul-02
Barclays Aggregate				0.4	3.4	4.1	2.7	2.3	3.6	4.5	5.0	4.8	Jul-02
Loomis Sayles Strategic Alpha	20,854,800	12.0	10.0	1.4	1.7	-0.8	-1.3	--	--	--	--	0.4	Aug-14
Barclays Aggregate				0.4	3.4	4.1	2.7	2.3	3.6	4.5	5.0	3.6	Aug-14
3-Month LIBOR + 3%				0.3	1.2	2.9	3.4	3.3	3.3	3.4	4.6	3.4	Aug-14
Breckinridge	8,672,064	5.0	5.0	-0.1	2.3	3.4	2.8	--	--	--	--	3.1	Nov-14
Barclays Int Govt/Credit				0.3	2.7	3.0	2.4	1.7	2.8	3.8	4.4	2.7	Nov-14
IR&M SRI Core Bond Fund	9,698,733	5.6	5.0	0.6	3.7	3.9	2.5	--	--	--	--	2.2	Apr-15
Barclays Aggregate				0.4	3.4	4.1	2.7	2.3	3.6	4.5	5.0	2.2	Apr-15

Unitarian Universalist Association

Composite

Net Performance Summary

As of April 30, 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	18,225,636	10.5	10.0	1.0	2.2	-4.2	-7.3	0.4	3.1	7.9	--	4.1	Jan-08
65% MSCI ACWI (Net) / 35% BC Agg				1.1	2.4	-0.5	-2.6	4.2	4.5	9.0	4.6	3.4	Jan-08
GMO Benchmark Free Allocation Fund	17,827,762	10.3	10.0	1.0	1.1	-4.2	-6.2	0.4	2.6	7.0	--	3.5	Jan-08
65% MSCI World (Net) / 35% BC Agg				1.2	2.1	0.2	-1.6	5.0	5.4	9.4	4.7	3.8	Jan-08
Bridgewater (Holdback)	397,874	0.2	0.0										
Hedge Fund Composite	12,087,944	7.0	10.0	2.7	0.6	-9.0	-11.7	-0.4	0.2	--	--	3.9	Aug-09
HFR1 Fund of Funds Composite Index				0.0	-3.0	-5.8	-5.9	1.5	1.1	3.2	1.3	2.6	Aug-09
Entrust Capital Diversified Fund	7,230,675	4.2	5.0	1.5	-2.6	-10.4	-11.9	-0.4	0.2	--	--	3.9	Aug-09
HFR1 Fund of Funds Composite Index				0.0	-3.0	-5.8	-5.9	1.5	1.1	3.2	1.3	2.6	Aug-09
Cevian Capital II	4,857,270	2.8	3.0	4.5	5.7	-7.0	-11.5	--	--	--	--	-10.8	Apr-15
HFRX Event Driven Index				0.4	-0.8	-9.0	-9.5	-1.8	-0.4	2.1	0.3	-8.3	Apr-15
MSCI EAFE				2.9	-0.2	-6.2	-9.3	1.5	1.7	8.3	1.6	-5.2	Apr-15
Private Markets/Oppportunistic	3,141,274	1.8	5.0	0.0	-1.7	3.6	4.7	--	--	--	--	6.6	May-14
Private Markets Custom Benchmark				0.0	2.9	7.3	8.7	--	--	--	--	10.1	May-14
FEG Private Opportunities Fund	1,533,534	0.9		0.0	0.0	4.8	5.8	--	--	--	--	7.2	Jun-14
Private Equity Benchmark				0.0	0.0	-0.9	2.8	10.6	10.7	13.6	9.8	6.9	Jun-14
Brockton Capital Fund III	1,607,740	0.9		0.0	-2.9	--	--	--	--	--	--	3.0	Aug-15
NCREIF Property Index				0.0	2.2	8.4	11.8	11.9	11.9	9.1	7.6	8.4	Aug-15
Cash	13,306,736	7.7	0.0	0.0	-0.4	-0.6	-0.7	0.2	0.5	--	--	1.0	Dec-10
91 Day T-Bills				0.0	0.1	0.1	0.1	0.1	0.1	0.1	1.0	0.1	Dec-10
Community Development	1,584,205	0.9	1.0	0.0	0.4	0.9	1.0	1.1	1.4	1.6	--	1.8	Jul-07
91 Day T-Bills				0.0	0.1	0.1	0.1	0.1	0.1	0.1	1.0	0.4	Jul-07

-Preliminary

-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.

Fund Commentary

- The UUA portfolio returned +1.1% for the month of April ending with \$173.7M in assets. The portfolio outperformed the Allocation Index by 10 basis points indicating that active management was additive to returns. Several of the managers we highlighted during the Investment Committee meeting for underperformance over Q1 experienced strong bounce backs in April. Sands returned +0.3% versus the Russell 1000 Growth return of -0.9% and Loomis returned +1.4% versus the Barclays Aggregate. return of +0.4%. Both Hedge Fund managers also generated strong absolute and relative returns with EnTrust returning +1.5% and Cevian returning +4.5%, both outperforming their benchmarks by more than 140 basis points.

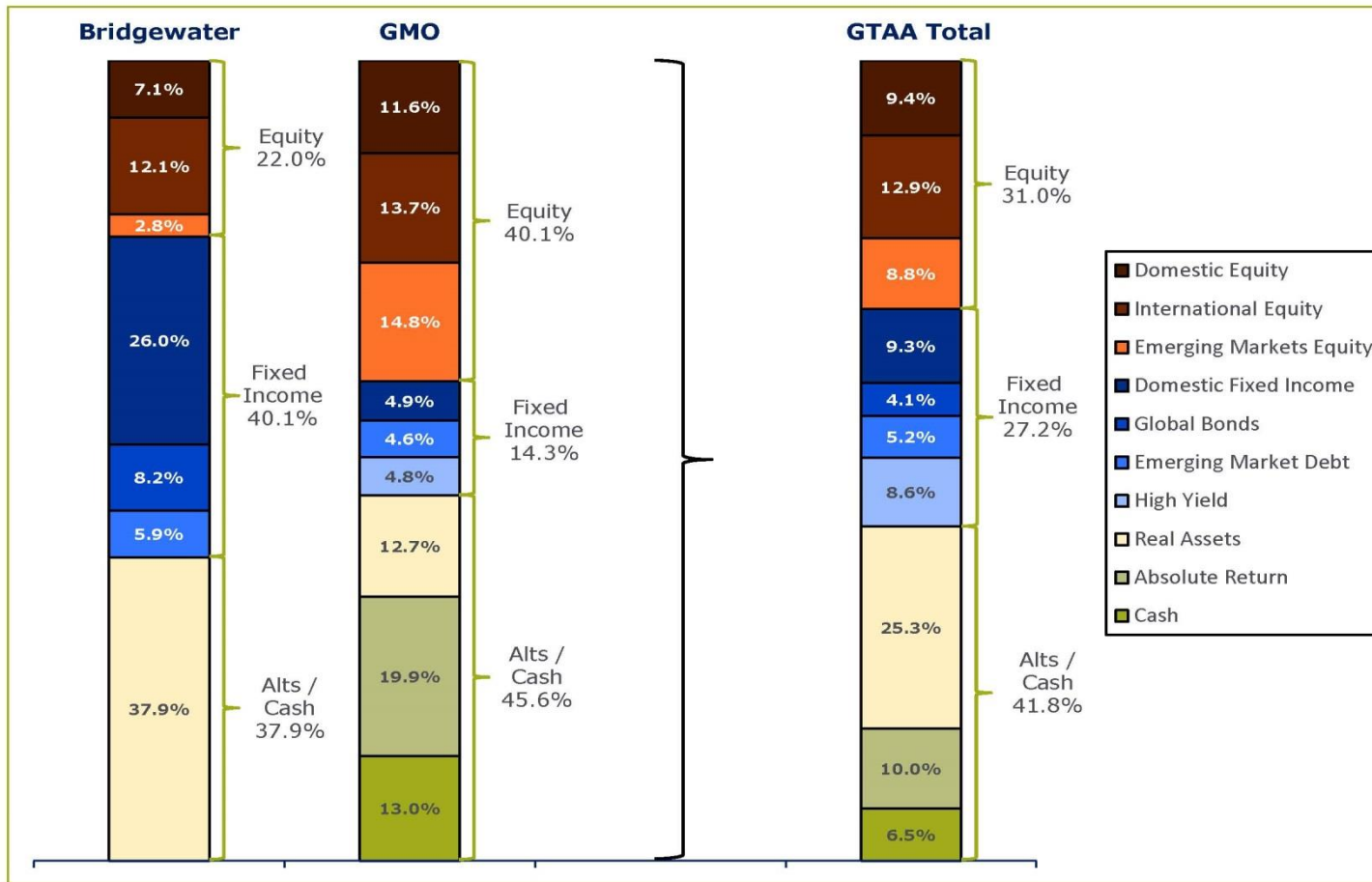
- **US economic expansion continues as Federal Reserve begins policy shift**
 - Economic conditions and health of US consumers remain supportive for growth
 - US Corporate earnings quality has deteriorated under pressure from profit margin weakness and a relatively strong dollar

- **Central Banks continue to dictate the global investment outlook**
 - Market expectations of Fed action extremely muted over next 36 months; a surprise Fed rate increase poses risk to both US equities and fixed income
 - ECB and BoJ likely to maintain and expand accommodative monetary policies
 - Easing in China is broadly stimulative in the near term but currency policy is unpredictable

- **Large currency adjustments across most emerging countries have provided a foundation to support improved capital market returns**
 - Continued political and economic reform is needed across EM to stimulate economic growth
 - Chinese Yuan (RMB) depreciation has been incremental relative to other EM FX adjustments and fears of further adjustment remain a near-term concern

- **Embrace illiquidity in opportunistic credit and private credit strategies**
 - Stressed credit liquidity magnifies the scale of price movements in traditional credit assets
 - Credit markets ability to absorb an exodus from crowded positions is challenged

Unitarian Universalist Association
GTAA - Net Asset Allocation



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.
-
- **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:** Wellington SMID Cap Value
 - **Benchmark:** Russell 2500 Value
 - **Asset Class:** SMID cap domestic equity – value
 - **Role in Portfolio:** Growth Assets
 - **Description:** Wellington has a bottom-up investment philosophy, believing that individual stock selection is the most predictable way to generate strong returns. The team has a contrarian value investment philosophy, seeking to buy high-quality companies at a discount. The portfolio holds 60-90 names and positions, which typically are initiated at 80 bps and range from 50 bps to 3.5%, depending on the team's conviction.

UUA Manager Summary

Continued

- **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.
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- **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.

UUA Manager Summary

Continued

- **Manager:** SEG Baxter Street Fund
- **Benchmark:** MSCI ACWI ex USA
- **Asset Class:** Developed international equity (mid/small cap focus)
- **Role in Portfolio:** Growth Assets
- **Description:** The Baxter Street Strategy is an international long only strategy that invests in companies across the market cap spectrum. The portfolio is benchmark agnostic and highly concentrated, with roughly 45 names in the portfolio, 15 of which will comprise almost 50% of the portfolio. SEG seeks to identify businesses with steady predictable growth, high returns on capital and well established barriers to competition. SEG does have the ability to opportunistically hedge currency exposure.

- **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:** 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.
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- **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.

UUA Manager Summary

Continued

- **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
- SRI analyst – Sustainalytics
- Specialized investment managers
- Custodian – State Street Bank
- Reporting – NRS Trust Product Administration
- 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	29%
International equity	25%
Fixed income	20%
Global asset allocation	10%
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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