

## **UUA Investment Committee – Minutes**

24 Farnsworth Street, Room 210

Boston, MA 02210

May 11, 2016

Members present: Lucia Santini, Chair, Rob Friedman, Kathleen Gaffney, Larry Ladd, John LaPann, and David Stewart

Members absent: Tim Brennan

Staff: Susan Helbert, Harlan Limpert

NEPC: Scott Perry, Asher Watson

RBC: Zeena Dahdaleh (phone), Phillippe Langham (phone), Christopher Powers

### **1. Minutes from March 8, 2016 meeting –Santini**

**Motion 1:** To approve the minutes from the March 8, 2016 meeting. Moved LaPann, seconded Gaffney, approved without amendment.

### **2. RBC Emerging Market Equity Presentation – Langham, Powers**

- Fund opened in 2009; its goal is to return 3% above the MSCI Emerging Markets Net Index benchmark. Capacity is capped at 10 billion.
- Philosophy is that companies with sustainably high cash flow return on investment produce superior returns.
- Identify companies with strong management teams, industry dominance, strong balance sheets, high free cash flow generation, high profitability, and ESG considerations.
- They generate their ideas through propriety research and quantitative screening.
- Score weighting per investment is 40% strength and sustainability of the franchise, 30% management quality, and 30% Corporate Governance.
- Combined operating and management fees are 70 basis points.

### **3. Discussion RBC Presentation – NEPC, Committee**

- Based on their style will outperform in down markets and under perform in up markets. High quality strategy.
- Fees are very competitive.
- Committee would like to get information on the track record of Phillippe Langham during his time with Societe Generale Asset Management.

**Motion 2:** Replace DFA with RBC Emerging Markets Equity Fund – Moved Friedman, seconded Gaffney, all in favor.

VOTED: That the Unitarian Universalist Association, on behalf and for the benefit of the Unitarian Universalist Common Endowment Fund, replace the current investment in DFA with the RBC Emerging Markets Equity Fund (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.

**4. New member search – Santini**

- To date have not found a new member of the committee, have requested approval from the Board to defer appointment of a new member until the first quarter of fiscal year 2017 (July – September 2016).

**5. Market Outlook and Performance Review – NEPC**

- The endowment return was flat during the first quarter of 2016. Rhumblin, MFS, Boston Common, DFA and Cevian each outperformed their benchmarks over the quarter, Sands, Loomis and Entrust detracted the most from results.
- Over the trailing one year period, the endowment returned -4.5% (gross of fees), Over the seven-year and ten-year periods, performance ranked near the top third of the peer universe.

**6. Hedge Fund Discussion – NEPC**

- Currently our hedge fund allocation is to Entrust and Cevian, both being event driven managers. Result is an 80% investment in event-driven strategies, which have underperformed. Need to be more diversified in strategy allocation if maintaining a hedge fund strategy.
- NEPC offered multiple options to better implement the hedge fund program.
- Discussed the ability to manage individual hedge funds versus investing in a fund of funds.

**Action item 1:** NEPC to prepare a presentation on why hedge funds should be in the portfolio and how they can add value. Provide long term track record broken up by bull and bear markets. Provide recommendations for investing in hedge funds that can add value.

**7. Investment Policy Statement Update – NEPC**

- Added language describing rebalancing process.
- Updated asset allocation targets and ranges.

**Motion 3:** To change the target allocation range for Global Asset Allocation to 0% to 15%. Moved LaPann, seconded Gaffney, all in favor.

**8. ESG Integration and UUA Committee Structure – NEPC, Committee**

- Early on it was mostly faith based organizations that were integrating ESG into their portfolios. Most had separate investment committee and socially responsible investing committees.
- Most other ESG investors aren't doing the level of advocacy or community investing that we do.
- A taskforce including the Investment Committee Chair, the Financial Advisor, Socially Responsible Investing Committee Chair, and the Treasurer. It was suggested that our attorney and a non-biased outside attorney be considered to review the group's recommendation.
- Will review current by-laws and policies and make recommendations for an integrated process for the Investment and Socially Responsible Investment Committees which would lead to more interactive work.

**Next Meeting: August 10, 2016**

**Future meeting date:**

**November 15, 2016**