

## **UUA Investment Committee – Minutes - DRAFT**

24 Farnsworth Street, Room 315

Boston, MA 02210

March 8, 2017

Members present: Kathleen Gaffney, Chair, Tim Brennan, Rob Friedman, John LaPann, Brian Lasher, Lucia Santini and David Stewart

Members absent: None

Staff: Susan Helbert

NEPC: Scott Perry, Asher Watson

SRI Committee: Vonda Brunsting, Kristin Faust, Kathy Mulvey

### **1. Minutes from November 18<sup>th</sup>, December 9<sup>th</sup> and December 20, 2016 - Gaffney**

**Motion 1:** To approve minutes from the November 18<sup>th</sup>, December 9<sup>th</sup> and December 20, 2016 meetings. Moved: LaPann seconded Friedman; approved without amendment.

### **2. UUA liquidity needs/asset flows – Brennan**

- From 2012 to 2016 opened 142 new UUCEF accounts and closed 47.
- Assets from new accounts were \$34.6 million while closed accounts redeemed 10.3 million.
- More recently redemptions have increased significantly, but inflows still exceed outflows. From the July 2016 through December 2016, 23 accounts were closed with assets totaling \$3.7 million. During the same period, 31 new accounts were opened with assets of \$6.4 million.

### **3. Absolute Return Fixed Income – NEPC (page 73)**

- Over the last six months the Committee has focused on restructuring the fixed income allocation.
- Developed new allocation target and allocated to new managers with a focus on Global Multi-Sector area.
- Discussed NEPC's market outlook and characteristics for fixed income.
- Determined that adding Absolute Return Fixed Income would not be beneficial.

**Motion 2:** To maintain the Fixed Income allocation target at 20%. This will consist of 5% Investment Grade Corporate Credit (Breckinridge), 2% Long Treasuries (Breckinridge), 10%

Global Multi-Sector (Brandywine and Loomis Sayles equally), and 3% Opportunistic (Franklin Templeton). Moved Gaffney, seconded LaPann; all approved.

#### **4. Private Equity – NEPC**

- Currently have a 5% allocation target with an interest in building toward a 10% allocation over the long term. Current allocation is 2.2%, once all existing commitments are funded we will be at 5%.
- Have three private equity commitments now:
  - Fund Evaluation Group (FEG) at 2 million.
  - Brockton Capital at 4.4 million.
  - SJF Ventures at 2.5 million.
- Averaging annual commitments of 5 million, our exposure will gradually build to 10% over the course of 7 or 8 years.
- Has been a bit more difficult to find investments that meet our financial and mission objectives but NEPC will bring those that fit to the committee.

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

- The fund returned -0.5 (gross of fees) during the 4<sup>th</sup> quarter of 2016, ranking 93<sup>rd</sup> in the universe, underperforming the allocation index and policy index.
- Over the 2016 calendar year period, the endowment returned 5.1% (gross of fees), ranking 84<sup>th</sup> in the universe and underperforming both the allocation and policy index.
- Over the ten-year period time period, performance ranked in the top half of the peer universe.
- Manager selection and tactical allocations have been the primary drivers of overall under performance.
- Will prioritize Sands, Pier and MFS for a near term call or meeting.

**Action item 1:** NEPC to arrange a meeting or call with Sands Capital Management.

#### **6. Asset Allocation Review and Recommendation – NEPC**

- Two recommendations from NEPC, adding a 5% allocation to Core Real Estate and formally creating an allocation to Opportunistic Investments.
- Opportunistic Investment would be comprised of GMO and Cevian; this more clearly identifies the asset class.
- Real Estate can play an important part in an overall investment plan and has a low correlation to stocks and bonds.
- Institutional quality/commercial real estate is property intended to generate a return from rental income and capital appreciation.

- Provides diversification benefits to the overall portfolio as well as providing both current income and the potential for capital appreciation.
- Some illiquidity component to core real estate however, over the long-term, returns has averaged between 7% - 8% after fees.
- Property types include office buildings, apartment buildings, shopping centers, industrial buildings/warehouses and, hotels.
- Due to illiquidity and timing, the Committee decided not pursue Core Real Estate at this time.

#### **7. Anti-racism/anti-oppression/multicultural training - All**

- Discussed the need to have all financial committees participate in AR/AO/MC training. All agreed to an open meeting with all financial committees as opposed to a training session for each committee.

**Action item 2:** Brennan to discuss training with Taquiena Boston and explore scheduling training for all financial committees.

#### **8. Joint Report to the Board – All**

- Under their respective charges, the committees are asked to present a joint report to the Board at the April meeting.
- Board has requested that this report be moved until the fall meeting.
- Small task force from the two committees will be created to prepare a focused presentation. Presentation will be reviewed by the joint committees at the August meeting.

#### **9. Follow-up on Actis Energy recommendation – All**

- Actis Energy was recommended by NEPC to the Investment Committee as a potential investment.
- Both the Investment and SRI committees were actively involved in the process and made themselves available for timely discussions.
- Ultimate decision, which rests with the Investment Committee, was to not invest in Actis Energy however; the decision was not communicated to SRIC in a timely manner.
- SRIC will be invited to review any and all investment opportunities under consideration.

#### **10. Executive Session - Committee**

**Next Meeting: May 17, 2017**