

# UUCEF, LLC INVESTOR CALL

## MARCH 14, 2017

### 2:00 PM ET

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#### Presenters:

Tim Brennan, UUA Treasurer and CFO

Kathleen Gaffney, Chair, UUA Investment Committee

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

Scott Perry, Partner, NEPC

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# Agenda

1. Performance Review
2. March 8<sup>th</sup> Investment Committee meeting review
3. Asset Allocation and Market Outlook
4. Questions and Answers



## Unitarian Universalist Common Endowment Fund, LLC

## Composite

## Net Performance Summary

As of January 31, 2017

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>GTAA Composite</b>	<b>18,612,988</b>	<b>10.6</b>	<b>10.0</b>	<b>2.1</b>	<b>4.5</b>	<b>9.3</b>	<b>1.9</b>	<b>3.7</b>	<b>5.4</b>	<b>--</b>	<b>4.2</b>	<b>Jan-08</b>
<i>65% MSCI ACWI (Net) / 35% BBgBarc Aggregate</i>				1.8	5.2	12.0	4.6	6.5	6.9	4.3	3.7	Jan-08
GMO Benchmark Free Allocation Fund	18,612,988	10.6	10.0	2.1	4.5	9.5	1.3	3.9	4.7	--	3.7	Jan-08
<i>65% MSCI World (Net) /35% BBgBarc Aggregate CPI + 5%(Unadjusted)</i>				1.6	5.2	11.5	4.9	7.2	7.4	4.4	4.0	Jan-08
				1.0	3.7	7.6	6.3	6.5	6.7	6.9	6.7	Jan-08
<b>Hedge Fund Composite</b>	<b>9,730,011</b>	<b>5.5</b>	<b>10.0</b>	<b>2.0</b>	<b>11.9</b>	<b>15.0</b>	<b>-0.2</b>	<b>3.0</b>	<b>3.2</b>	<b>--</b>	<b>4.6</b>	<b>Aug-09</b>
<i>HFRI Fund of Funds Composite Index</i>				0.9	4.1	4.2	1.6	3.2	2.6	1.3	2.9	Aug-09
Entrust Capital Diversified Fund	3,695,877	2.1	5.0	0.8	2.6	2.6	-2.2	1.7	2.3	--	3.8	Aug-09
<i>HFRI Fund of Funds Composite Index</i>				0.9	4.1	4.2	1.6	3.2	2.6	1.3	2.9	Aug-09
Cevian Capital II	5,730,890	3.2	3.0	3.6	26.7	36.1	--	--	--	--	2.3	Apr-15
<i>HFRI Event Driven Index</i>				1.1	8.7	16.7	-0.1	3.3	2.2	0.9	1.6	Apr-15
<i>MSCIEAFE</i>				2.9	8.7	12.0	0.7	6.0	4.9	1.0	-0.9	Apr-15
Entrust Holding Share Class	303,244	0.2		0.0	--	--	--	--	--	--	0.0	Jan-17
<b>Private Markets/Oppportunistic</b>	<b>3,906,739</b>	<b>2.2</b>	<b>5.0</b>	<b>3.4</b>	<b>6.2</b>	<b>4.2</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>7.0</b>	<b>May-14</b>
<i>Private Markets Custom Benchmark</i>				0.0	7.6	10.5	--	--	--	--	10.0	May-14
FEG Private Opportunities Fund	1,620,887	0.9										
<i>Private Equity Benchmark</i>												
Brockton Capital Fund III	2,035,852	1.2										
<i>NCREIF Property Index</i>												
SJF Ventures	250,000	0.1										
<i>Private Equity Benchmark</i>												
<b>Community Development</b>	<b>1,560,073</b>	<b>0.9</b>	<b>1.0</b>	<b>0.4</b>	<b>0.9</b>	<b>1.3</b>	<b>1.2</b>	<b>1.3</b>	<b>1.5</b>	<b>--</b>	<b>1.7</b>	<b>Jul-07</b>
<i>91 Day T-Bills</i>				0.0	0.2	0.3	0.1	0.1	0.1	0.6	0.4	Jul-07
<b>Cash</b>	<b>13,768,773</b>	<b>7.8</b>	<b>0.0</b>									

-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.

-Private Markets Custom Benchmark consists of Cambridge Associates US Private Equity Index prior to 4/1/2015 and Cambridge Associates Global All Private Equity Vintage Year 2013+ 1 Qtr Lag benchmark post 4/1/2015.

- Private equity is valued on a quarterly basis

- Cash Market Value includes \$317,615.41 adjustment for pending capital additions into the UUA Endowment Fund.

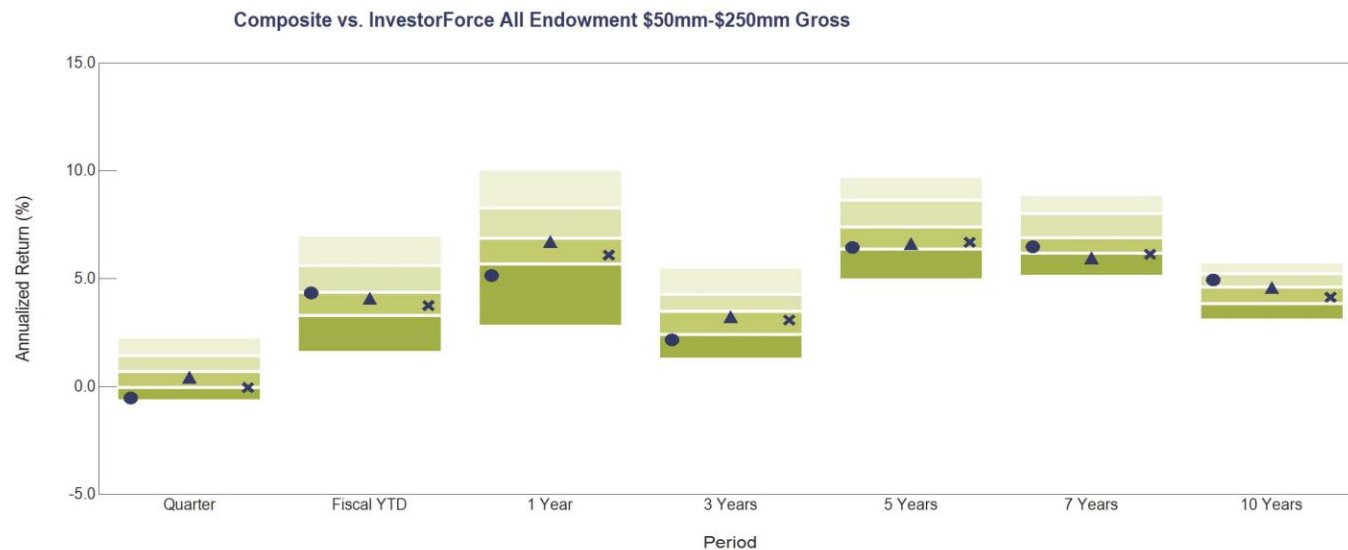
**Unitarian Universalist Association of Congregations  
Performance Analysis**

9/30/2016

Investment Name	Vintage	Commitment Paid in Amount	Capital	Capital to be Year Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
1 Brockton Capital Fund III	2015	4,449,197	1,544,118	2,905,078	16,095	0	992,901	992,901	-567,312	35%	0.00	0.64	-28.04%
2 FEG Private Opportunities Fund	2012	2,000,000	1,777,000	223,000	2,707	472,647	1,620,887	2,093,534	313,827	89%	0.27	1.18	7.63%
3 SJF Ventures IV	2016	2,500,000	0	2,500,000	0	0		0	0	0%	0.00	0.00	N/A
<b>Total: Unitarian Universalist Association of Congregations</b>		<b>8,949,197</b>	<b>3,321,118</b>	<b>5,628,078</b>	<b>18,802</b>	<b>472,647</b>	<b>2,613,788</b>	<b>3,086,435</b>	<b>-253,485</b>	<b>37%</b>	<b>0.14</b>	<b>0.92</b>	<b>-4.47%</b>

## Unitarian Universalist Common Endowment Fund, LLC

## Total Fund Return Summary vs Peer Universe (Gross of Fees)



	Return (Rank)									
	Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years			
5th Percentile	2.3	7.0	10.1	5.5	9.7	8.9	5.8			
25th Percentile	1.4	5.6	8.3	4.3	8.6	8.0	5.2			
Median	0.7	4.4	6.9	3.5	7.4	6.9	4.6			
75th Percentile	0.0	3.3	5.7	2.4	6.4	6.2	3.8			
95th Percentile	-0.6	1.6	2.8	1.3	4.9	5.1	3.1			
# of Portfolios	80	80	79	73	64	59	54			
● Composite	-0.5	4.3	5.1	2.2	6.4	6.5	4.9	(93)	(51)	(84)
▲ Allocation Index	0.4	4.1	6.7	3.2	6.6	6.0	4.6	(56)	(58)	(55)
× Policy Index	-0.1	3.8	6.1	3.1	6.7	6.1	4.1	(77)	(68)	(67)

Fiscal Year End: 6/30

# Fund Commentary

- The endowment returned -0.5% (gross of fees) during Q4 of 2016, ranking 93<sup>rd</sup> in the universe, underperforming the allocation 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 time period, performance ranked in the top half of the peer universe.

# Investment Committee Meeting Highlights

- Held the first joint session of the Investment and Socially Responsible Investing Committee.
- Approved Brandywine, Franklin Templeton and Loomis as new managers within the Fixed income allocation.





NEPC, LLC

YOU DEMAND MORE. *So do we.*<sup>SM</sup>



## Unitarian Universalist Association of Congregations

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### Asset Allocation and Market Outlook

March 8, 2017

Scott Perry, CAIA, Partner  
Catherine Konicki, CFA, CAIA, Partner  
Asher Watson, Consultant

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## A Diversified Allocation Assists in Long-Term Growth

- The chart below shows returns for key indices ranked in order of performance
- Allocating to different asset classes over the long-term leads to higher returns, with lower levels of volatility allowing capital to compound at a greater rate

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
MSCI EMERGING MARKETS 34.54	MSCI EMERGING MARKETS 32.17	MSCI EMERGING MARKETS 39.39	BC AGGREGATE 5.24	MSCI EMERGING MARKETS 78.51	RUSSELL 2000 GROWTH 29.09	BC AGGREGATE 7.84	MSCI EMERGING MARKETS 18.22	RUSSELL 2000 GROWTH 43.30	S&P 500 13.69	RUSSELL 1000 GROWTH 5.67
MSCI EAFE 13.54	MSCI EAFE 26.34	RUSSELL 1000 GROWTH 11.81	RUSSELL 2000 VALUE -28.92	RUSSELL 1000 GROWTH 37.21	RUSSELL 2000 26.85	RUSSELL 1000 GROWTH 2.64	RUSSELL 2000 VALUE 18.05	RUSSELL 2000 38.82	RUSSELL 1000 VALUE 13.45	S&P 500 1.38
RUSSELL 1000 VALUE 7.05	RUSSELL 1000 VALUE 22.25	MSCI EAFE 11.17	RUSSELL 2000 -33.79	RUSSELL 2000 GROWTH 34.47	RUSSELL 2000 VALUE 24.5	S&P 500 2.11	RUSSELL 1000 VALUE 17.51	RUSSELL 2000 VALUE 34.52	RUSSELL 1000 13.24	RUSSELL 1000 0.92
RUSSELL 1000 6.27	RUSSELL 2000 VALUE 23.48	RUSSELL 2000 GROWTH 7.06	RUSSELL 1000 VALUE -36.85	MSCI EAFE 31.78	MSCI EMERGING MARKETS 18.88	RUSSELL 1000 1.50	MSCI EAFE 17.32	RUSSELL 1000 GROWTH 33.48	RUSSELL 1000 GROWTH 13.05	BC AGGREGATE 0.55
RUSSELL 1000 GROWTH 5.26	RUSSELL 2000 18.37	BC AGGREGATE 6.97	S&P 500 -37.0	RUSSELL 1000 28.43	RUSSELL 1000 GROWTH 16.71	RUSSELL 1000 VALUE 0.39	RUSSELL 1000 16.42	RUSSELL 1000 33.11	BC AGGREGATE 5.97	MSCI EAFE -0.81
S&P 500 4.91	S&P 500 15.8	RUSSELL 1000 5.77	RUSSELL 1000 -37.6	RUSSELL 2000 27.16	RUSSELL 1000 16.10	RUSSELL 2000 GROWTH -2.91	RUSSELL 2000 16.35	RUSSELL 1000 VALUE 32.53	RUSSELL 2000 GROWTH 5.60	RUSSELL 2000 GROWTH -1.38
RUSSELL 2000 VALUE 4.71	RUSSELL 1000 15.46	S&P 500 5.49	RUSSELL 1000 GROWTH -38.44	S&P 500 26.46	RUSSELL 1000 VALUE 15.51	RUSSELL 2000 -4.18	S&P 500 16.00	S&P 500 32.39	RUSSELL 2000 4.89	RUSSELL 1000 VALUE -3.83
RUSSELL 2000 4.55	RUSSELL 2000 GROWTH 13.35	RUSSELL 1000 VALUE -0.17	RUSSELL 2000 GROWTH -38.54	RUSSELL 2000 VALUE 20.58	S&P 500 15.06	RUSSELL 2000 VALUE -5.50	RUSSELL 1000 GROWTH 15.26	MSCI EAFE 22.78	RUSSELL 2000 VALUE 4.22	RUSSELL 2000 -4.41
RUSSELL 2000 GROWTH 4.15	RUSSELL 1000 GROWTH 9.07	RUSSELL 2000 -1.56	MSCI EAFE -43.38	RUSSELL 1000 VALUE 19.69	MSCI EAFE 7.75	MSCI EAFE -12.14	RUSSELL 2000 GROWTH 14.59	BC AGGREGATE -2.02	MSCI EMERGING MARKETS -2.19	RUSSELL 2000 VALUE -7.46
BC AGGREGATE 2.43	BC AGGREGATE 4.33	RUSSELL 2000 VALUE -9.78	MSCI EMERGING MARKETS -53.33	BC AGGREGATE 5.93	BC AGGREGATE 6.54	MSCI EMERGING MARKETS -18.42	BC AGGREGATE 4.21	MSCI EMERGING MARKETS -2.60	MSCI EAFE -4.90	MSCI EMERGING MARKETS -14.93

## Development of Asset Class Assumptions

- **Assumptions combine historical data and forward looking analysis**
  - Expected returns based on current market pricing and forward looking estimates
  - Volatility informed by history but adjusted to reflect non-normality
  - Correlations based on long-term data but recognize ongoing shifts in asset relationships
- **Forward-looking asset class models to determine expected return are based on current market pricing and a building blocks approach**
  - Expected return equals yield plus change in price (valuation, roll down, defaults, etc.)
  - Country/regional inflation and real growth estimates are key economic observations
  - Qualitative inputs and investor sentiment (capital flows, etc.) inform the return outlook

## 2017 5-to-7 Year Return Forecasts

Geometric Expected Return			
Asset Class	2016	2017	2017-2016
Cash	1.50%	1.75%	0.25%
Treasuries	1.75%	2.00%	0.25%
IG Corp Credit	3.75%	3.75%	-
MBS	2.00%	2.25%	0.25%
Core Bonds*	2.46%	2.65%	0.19%
TIPS	2.50%	3.00%	0.50%
High-Yield Bonds	5.25%	4.75%	-0.50%
Bank Loans	5.50%	5.25%	-0.25%
Global Bonds (Unhedged)	1.00%	1.00%	-
Global Bonds (Hedged)	1.09%	1.09%	-
EMD External	4.75%	4.75%	-
EMD Local Currency	6.50%	6.75%	0.25%
Large Cap Equities	6.00%	5.75%	-0.25%
Small/Mid Cap Equities	6.25%	6.00%	-0.25%
Int'l Equities (Unhedged)	7.25%	7.25%	-
Int'l Equities (Hedged)	7.57%	7.57%	-
Emerging Int'l Equities	9.75%	9.50%	-0.25%
Private Equity	8.50%	8.25%	-0.25%
Private Debt	7.50%	7.25%	-0.25%
Real Estate	6.50%	6.00%	-0.50%
Commodities	4.50%	4.75%	0.25%
Hedge Funds**	5.75%	5.95%	0.20%

\* Core Bonds assumption based on market weighted blend of components of Aggregate Index (Treasuries, IG Corp Credit, and MBS).

\*\* Hedge Funds is a calculated blend of 40% Equity, 40% Credit, 20% Macro-related strategies.

## NEPC 2017 Themes, Actions and Opportunities for Clients

### Key Market Themes

Key Market Themes are factors that define global markets and can be expected to both evolve and remain relevant without a clear timeline of conclusion. At times, themes may be challenged. Disruption of a theme will likely produce significant volatility and change market dynamics.

- **Extended U.S. Economic Cycle**
- **Federal Reserve Gradualism**
- **China Transitions**
- **Globalization Backlash**

### Strategic Policy Actions

Strategic Policy Actions are asset allocation focused resolutions designed to address systematic issues within the capital markets, the regulatory environment, and conventional wisdom associated with investing. They seek to improve efficiency and clarify the purpose of an asset allocation with a focus on meeting long-term objectives.

- **Evaluate Feasibility of Objectives**
- **Reassess Investment Structure**
- **Examine the Cost of Core Exposures**
- **Review Investment Program Governance**

### Current Opportunities

Current Opportunities are investment ideas that represent an action with the goal of improving investment outcomes relative to an investor's strategic asset allocation. These investment ideas are likely to change more frequently as market dynamics and valuations shift over time.

- **Trim U.S. Equity Gains**
- **Overweight Non-U.S. Developed Market Equities**
- **Emerging Market Equities Remain Attractive**
- **Allocate to TIPS from Core Bonds**
- **Reduce High Yield for Other Credit Strategies**
- **Fund Emerging Local Debt from Risk Assets**
- **Add Macro Hedge Fund Strategies**

## Asset Allocation

	<b>UUA Target</b>
Large Cap Equities	21%
Small/Mid Cap Equities	8%
International Equities	19%
Emerging Equities	6%
<b>Total Equity</b>	<b>54%</b>
IG Corp Credit	5%
Long Treasuries	2%
Global Multi-Sector Fixed Income	10%
Opportunistic Fixed Income	3%
<b>Total Fixed Income</b>	<b>20%</b>
Private Equity	5%
Opportunistic (e.g GAA, Hedge Funds)	20%
<b>Total Alternatives</b>	<b>25%</b>
<b>Community Investment</b>	<b>1%</b>
<i>Expected Return 5-7 yrs</i>	<b>6.4%</b>
<i>Standard Dev</i>	<b>13.0%</b>
<i>Sharpe Ratio (5-7 years)</i>	<b>0.36</b>

**It is important to note the following characteristics of many non-traditional investment strategies including hedge funds and private equity:**

1. Performance can be volatile and investors could lose all or a substantial portion of their investment.
2. Leverage and other speculative practices may increase the risk of loss.
3. Past performance may be revised due to the revaluation of investments .
4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms.
5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value.
6. These funds are not subject to the same regulatory requirements as registered investment vehicles.
7. Managers are not required to provide periodic pricing or valuation information to investors.
8. These funds may have complex tax structures and delays in distributing important tax information.
9. These funds often charge high fees.
10. Limited partnership agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy.

# 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.
- 
- **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.
- 
- **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:** RBC Emerging Market Equity
- **Benchmark:** MSCI Emerging Markets index
- **Asset Class:** Emerging market equity
- **Role in Portfolio:** Growth Assets
- **Description:** RBC utilizes top down thematic thinking to influence the stock selection process into more attractive areas of the market. The strategy seeks to identify growth themes within country, industry, or region and will invest in those companies with high cash flow and industry dominance. The process of utilizes both bottom up and top down research to lead to a competitive advantage. The strategy is focused on identifying strong company managements especially those that have delivered in the past. Attractive companies are those that have strong franchises and a real sustainable competitive edge.

# 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:** 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.
- 
- **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.

# UUA Manager Summary

## Continued

- **Manager:** SJF Ventures
- **Benchmark:** US Private Equity
- **Asset Class:** Private Market/Opportunistic
- **Role in Portfolio:** Growth Assets
- **Description:** SJF will pursue a fundamental investment strategy that will look to invest in companies in the expansion stage business in the clean energy and efficiency, asset recovery and recycling, food and sustainable agriculture, education, health and wellness, and workforce development/software industries. SJF primarily focuses on companies with innovative social and environmental solutions embedded within their business models. The firm seeks values-driven entrepreneurial teams and looks for positive impact business models that can simultaneously scale impact and financial results, most often seen in impactful product and service delivery.



## 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 – HWA International
- 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

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

## SRI Committee

- David Stewart, Co-Chair
- Kathy Mulvey, Co-Chair
- Vonda Brunsting
- Kristin Faust
- Marva Williams
- Tim Brennan, Treasurer
- Lucia Santini, Financial Advisor

*See Investment Information Memorandum for background information.*

# Glossary

- SRI – Socially Responsible Investing  
Fundamentally, socially responsible investing is ensuring that our investments are aligned with our values. You can delve deeper into how the UUA carries out its social responsibility with regard to our investments here: <http://uucef.org/socially-responsible-investing/about-sri/>.
- ESG – Environmental, Social, Governance  
The way we measure SRI us via E (Environmental), S (Social) and G (Governance) factors. For further details, you can review ESG definitions here: <http://www.investopedia.com/terms/e/environmental-social-and-governance-esg-criteria.asp>.
- UN PRI – United Nation Principles for Responsible Investment  
UN PRI is the leading proponent of responsible investment. They have six principles related to forwarding the acceptance of ESG factors in investing, which may be investigated here: <https://www.unpri.org/about>.

# Glossary

## Continued

- **Policy Target** - Measures policy allocation decisions. = TARGET ASSET WEIGHTS X INDEX RETURNS
- **Allocation Index** -  
Measures actual allocation decisions.  
Deviations from the policy target can be derived. (Allocation Index – Policy Index) = ACTUAL ASSET WEIGHTS X INDEX RETURNS
- **Composite (Total Return)** -
- Measures actual performance and can derive active management decisions. (Composite – Allocation Index) = ACTUAL ASSET WEIGHTS X ACTUAL RETURNS



# Contact Information

For specific questions about the UUCEF please contact:

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- Tim Brennan, Treasurer and CFO  
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