

UUA Investment Committee – Minutes - **DRAFT**

24 Farnsworth Street, Room 210

Boston, MA 02210

May 17, 2017

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

Members absent: None

Staff: Susan Helbert

NEPC: Asher Watson

SRI Committee: Kathy Mulvey, Vonda Williams

Sands Capital: Katherine Okon, Frank Sands, Jr. (phone)

Pier Capital: Alex Yakirevich

1. Minutes from March 8, 2017 - Gaffney

Motion 1: To approve minutes from the March 8, 2016 meetings. Moved: Gaffney seconded LaPann. Approved with amendment to item 6, changed “timing” to “real estate market cycle”.

2. Executive Session – Committee

3. Sands Capital – Large Cap Growth Review – Okon, Sands Jr.

- Mission is to add value and enhance wealth of clients with prudence over time.
- Since inception, the Select Growth fund has outperformed the Russell 1000 by 3.5%.
- Describe themselves as a classic traditional growth investor.
- Key driver is investing in highly innovative businesses that create wealth over time.
- 100 % institutional separate accounts, low turnover approach of 15 to 20% with typical holding period of 5 to 6 years.
- Seek to identify leading growth businesses that meet sustainable above-average earnings growth, hold a leadership position in a promising space, hold significant competitive advantages, clear mission and value added focus, financial strength and, rational valuation relative to the market and business prospects.
- Recently became a PRI signatory.

Action item 1: Sands Capital to provide an Investment Results Summary trailing 3, 5 and, 10 year report ending 12/31/15. To provide relative PE history as a comparative to the PE to growth information provided, asset growth by strategy and firm and, market cap breakdown since 2000.

4. Discussion of Sands Capital Review - All

- Some concern they may outgrow their AUM and ability to find investments.
- Need to be aware that if/when EFT's unwind that they will be down considerably, should discuss allocation percentage to be sure of comfort level.
- No alpha calculation provided, would like to see a rolling alpha calculation to help determine if performance has been a market issue or has the alpha degraded.

Action item 2: NEPC to provide their latest report on Sands and include a rolling alpha calculation.

5. Pier Capital – Small Cap Growth Review – Yakirevich

- Founder has retired and transition has gone as expected. Employee owned with their own personal wealth invested in the fund. Assets have remained steady; have \$591 million in assets under management with small cap growth comprising \$535 million.
- Largest client is former parent company and second largest is a healthcare company.
- No change in process due to transition. Screen involves looking for companies that are growing 15% to 20% or more or growing faster than their peers. Process is simple, find growth and then find out what the catalyst for that growth is.
- Very actively traded with an average holding period of 6 months.
- A variety of events were cited regarding underperformance over 5 of the last seven years. Global in 2010 and 11, U.S. downgrade in 2011, presidential concerns in 2012, stress around rising rates and concerns over China in 2015.

Action item 3: Pier to provide information on the size of the SEB account as of the most recent quarter, the assets under management for their second biggest account, the size of the median stock in the portfolio and how it compares with a median in the benchmark as of most recent quarter and, turnover/trading in the portfolio as of the most recent quarter and how it compares with history.

6. Discussion of Pier Capital Review – All

- Sells at the first sign of trouble without investigating the cause.
- Number of accounts has steadily declined since 2000, dropping from 60 to 15.

- Time to begin search for a replacement.

Action item 4: NEPC to provide a list of small cap growth managers as well as some hedge fund managers for comparison.

7. Performance Review – NEPC

- The endowment returned 5.6% (gross of fees) during Q1 of 2017, ranking 3rd in the universe, outperforming the allocation and policy index. Strong start to the year.
- Over the trailing one-year period, the endowment returned 11.0% (gross of fees), ranking 53rd in the universe and underperforming both the allocation and policy index.
- Over the ten-year time period, performance ranked in the top quartile of the peer universe.
- Month of April shows additional 1.9% increase.
- On a look through basis the portfolio allocation is 61% equities, 8% hedge funds, 24% fixed income and, 7% private markets and real assets.

Action Item 5: NEPC to provide a new, more current, report on OCP Asia Limited for committee review.

8. UUA Carbon Footprint Analysis – Brennan, NEPC

- Reviewed the carbon underground 200 list against the separate accounts portion of the portfolio and find we have 17 holdings in the Rhumblin account at 3.9% of the portfolio and 1 holding in the Breckinridge Corporate account at 2.2% of the portfolio. Rhumblin exposure is down from 4.3% in 2016.
- These numbers translate into 0.5% of the entire separate account portfolio being invested in the carbon underground 200 list. Considering that we maintain the 17 holdings in Rhumblin intentionally in order to perform shareholder advocacy, our portfolio weight is really only 0.1%.
- Will be contacting Breckinridge to discuss the 1 holding in their account.
- Our previous carbon footprint analysis showed 49% of our portfolio emissions came from utilities whereas only 10% came from fossil fuel. As a result, we engaged with more utility companies this year.

Action item 6: NEPC to provide the list of the 18 holdings to the committee.

9. Screening – All

- Using the UUA screening criteria, Sustainalytics provides the Environmental, Social, Governance and, Human Rights analysis of the Russell 1000.

- Sustainalytics provides a category rating, based on our criteria, and this helps determine who we screen in/out. We do have the option to manually include or exclude any company.
- Sustainalytics has been very easy to work with and extremely responsive to our requests.
- Negative screening is provided to Sands and Pier and they screen out companies we identify.
- The data is also used by Rhumblin to create a portfolio that tracks the Russell 1000 at the same time it weights towards the better ESG performers. Interestingly enough, the portfolio is right on track with the index but is skewed toward much higher ESG performers than the index does.
- Rhumblin is a proof positive portfolio that proves performance doesn't suffer with ESG investing.
- Need to review SRI policy, criteria and process involved.

Action item 7: Gaffney and Mulvey to review and work on the investment policy statement of both the Investment Committee and the Socially Responsible Investing Committee with an eye toward combining into a single policy.

Action item 8: Lasher and Stewart to review and work on the procedures for both committees.

Next Meeting: August 31, 2017