

UUA CEF

Investment Committee – Minutes

Hybrid

June 17, 2025

Investment Committee Members Present: Brian Lasher, co-Chair, Eric Horvath, Vanessa Lowe, Asha Mehta, co-Chair, Pam Sparr, David Stewart, Randy Webb, Lee Meinicke, Didier Dumerjean, Amrita Sankar, Nicholas Sambuco

NEPC: Kristin Reynolds, Alix Stewart

Guests: Laura Payne (incoming member), Rachel Myslivy (UUA Side with Love), Ben Hunt from Epsilon Theory (guest speaker)

UUA Finance Staff: Dave Valentine, Mathew Jensen, Deanna Brooks, Susan Helbert

Check-In, Covenant & Process Observer

- Members reaffirmed the covenant and commitment to productive dialogue.
- Agreed to keep meeting comments concise and follow the agenda order.

NEPC Consent Agenda

IPS Maintenance Updates:

- Minor updates to Appendix A reflecting asset allocation changes approved in February (reduced non-US/emerging markets, increased US large cap).
- No other substantive IPS revisions.

Other Consent Agenda Items:

- Addition of new US small cap value manager (Denali) brought an Alaska Native-owned firm into the portfolio diversity chart.
- Approval of the consent agenda was moved, seconded, and passed unanimously.

CEF Performance Review

- 1-Year Performance: +2.2% (April 1, 2024 – March 31, 2025), under policy index (+5.9%) due to:
 - Domestic equity underperformance, particularly from Ownership Capital.
 - Values-based benchmarks differing from broader indices.
- Long-Term Performance:
 - 5-year: +8%

- 10-year: +5%, with portfolio growth exceeding withdrawals.
- Asset Allocation: Largely in line with targets; temporary deviations due to manager transitions.
- Key Manager Notes:
 - WCM: Underperformed in past year; long-term track record mixed.
 - Ownership Capital: Significant underperformance and structural concerns (asset outflows, leadership changes).
 - Fixed income and private markets showed strong or stable results.
- April 2025: +1% return, outperforming policy by 40 bps due to defensive positioning during volatility.

Semi-Annual Survey of Managers for Values Alignment

- Purpose: Monitor managers in commingled funds (~21% of portfolio) for compliance with UU values.
- Recent Actions: Terminated Wellington for holding a banned stock.
- Current Findings:
 - All managers passed screening for current holdings.
 - Three managers (Acadian EM, MFS, Loomis Sayles FI) lack explicit bans but are currently compliant; will be monitored.
- Communication Strategy:
 - Concerns raised that “less than half of funds covered by negative screens” could be misinterpreted.
 - Recommendation to present aggregate figures combining explicit screens and natively fossil fuel-free strategies for clarity.

Small Cap Manager Review: WCM Investment Management

- WCM rated “3” by NEPC (neutral), not a top-quartile performer in NEPC’s universe.
- Search initiated due to:
 - Neutral NEPC rating.
 - Opportunity to pair new growth manager with Denali’s value style.
- Finalists:
 - Granahan: Higher volatility, stronger returns, already screens for certain UU values; more concentrated portfolio.
 - Axiom: Quantitative tilt, lower volatility than Granahan but still above WCM; would need SMA for full compliance.
- Decision: Consensus to pursue Granahan, meet with them to address DEI practices, and finalize hire afterward.

US Large Cap Manager Review: Ownership Capital Global Equity

- Currently in US equity allocation despite global mandate (80% US / 20% non-US).

- Downgrade from NEPC “2” to “3” (performance lag, asset outflows, PM turnover).
- Recommendations:
 - Reclassify to global equity allocation and replace Ownership with Impax Leaders.
 - Impax’s strong ESG integration, fossil fuel exclusions, and values alignment.
 - Leave In US equity allocation, terminate Ownership and transition assets to Xponance / use for portfolio rebalancing
- Decision: Terminate Ownership and transition assets to Xponance / rebalance

Research on Benchmark Alignment with Portfolio Structure

- Discussion of whether current policy benchmarks reflect investable universe given values alignment.
- Points Raised:
 - Measuring against broad indices may create misleading opportunity cost perceptions.
 - Suggestion to explore custom or values-aligned benchmarks.
- Agreement to revisit in future meetings.

Review of Previous Investment Decisions

- Harborview Investments: The committee decided not to invest, citing concerns about the fit of music rights within the impact investing portfolio, despite the firm’s strong credentials.
- Generation Fund: Approved a \$2 million investment (reduced from the recommended \$3.5 million) in the special purpose environmental fund, balancing risk, concentration, and time horizon.
- Fixed Income Portfolio Restructuring: Analysis showed sufficient credit exposure, particularly through Loomis. No changes were made following the review.

Exclusion Policy and Portfolio Monitoring

- Discovery of Trump Media in Exponance Portfolio: Prompt action was taken to divest after it was identified, despite not being covered by existing exclusions. The committee discussed the need for a more systematic approach to exclusions, especially regarding political or controversial holdings.
- Recommendation: Consider forming a Subcommittee to revisit and update the Investment Policy Statement (IPS) exclusions, considering the complexity and potential for a “slippery slope.”

Community Investing Portfolio

- **Purpose and Scope:** The subcommittee presented a revised statement of purpose, emphasizing mission alignment, broader sector inclusion, and climate resilience.
- **Portfolio Strategy:** Shift from numerous small CDFI investments to larger partnerships with aggregators and umbrella organizations.
- **Gender Justice:** Discussion on whether to integrate gender justice into community investing or maintain it as a separate focus.
- **Policy Update:** The committee approved a motion to update the IPS guidelines for community investing, adding a timestamp for measuring below-market returns to address current policy misalignment (currently 93% below market rate vs. 50% policy cap).
- **Allocation Methodology:** Consideration of moving from a percentage-based to a fixed-dollar allocation to avoid forced sales during market downturns.
- **Professionalization:** Recommendation to implement a professional sourcing, assessment, and oversight process, including dedicating 30 minutes at each meeting to review new community investments.
- **Portfolio Management:** Emphasis on the need for dedicated staff or consultants for sourcing and monitoring, and the importance of liquidity management.

Technology and Communications Upgrades

- **Online Portal:** Launch of a new, more flexible portal for congregations, allowing individualized access, self-service password management, and custom reporting.
- **Website Redesign:** Preview of the upcoming uucf.org relaunch, with improved search, navigation, and professional appearance to better engage current and prospective congregations.
- **Communications:** Plans to enhance communication strategies in the fall, following the launch of the portal and website.

Climate Justice Initiatives

- **President's UU Climate Justice Working Group:** Presentation of draft commitments, emphasizing a shift from net zero to equitable decarbonization, community resilience, and just transition.
- **Participatory Process:** Overview of the systems-thinking and participatory decision-making approach used to develop recommendations.
- **Draft Commitments:** Focus on culture shift, resource alignment, increased community investments, transparency, and ongoing adaptation.
- **Next Steps:** The President's working group will reconvene in the fall with new members and subcommittees focused on culture and resources.

Engagement and Advocacy

- Limited activity in company engagement and advocacy this period, with a mini-collaboration with the Union of Concerned Scientists on BlackRock and JP Morgan.
- Proxy Voting: Plans to review proxy voting records and engagement strategy at the September meeting, with a need to identify a new engagement partner following the end of the IASJ contract.

Committee Transitions and Acknowledgments

- Recognition of outgoing members Brian Lasher (co-chair), Vanessa Lowe and Eric Horvath for their service and contributions.
- Discussion of the need for new volunteers to present at quarterly calls and to continue the committee's work on community investing and advocacy.