

UUA Investment Committee – Minutes

24 Farnsworth Street, Room 318

Boston, MA 02210

June 10, 2015

Members present: Carol McMullen *Chair*, Tim Brennan, Rob Friedman, Kimberly Gladman, Larry Ladd, Lucia Santini Field

Member absent: John LaPann

Guests: David Stewart, SRI Committee

Staff: Susan Helbert

NEPC: Cathy Konicki, Dulari Pancholi, Scott Perry

1. Minutes from meeting on February 6th – McMullen

Motion 1: To adopt minutes from last meeting. Moved McMullen, seconded Santini, approved without amendment.

2. Business Update – Brennan

- System conversion from NRS to HWA is complete.
- Will be moving UUCEF accounts to new LLC, target date for switch over is October 1, 2015.
- President and Treasurer are required to report on 2014 GA Business Resolution. President will have a statement in his report but the bulk of questions will be addressed in the workshop.
- UUCEF investments in fossil fuels have dropped from 2.9% to 2.6%.
- Only 8 of the Carbon Tracker 200 companies are in the endowment.

3. Investment Program Review – Konicki, Perry

- Market Overview:
 - Continued US economic stability but mild equity results.
 - Global stimulation is flowing through to markets, Europe and Japan responding to quantitative easing.
 - International equities outperformed US equities for the first time in the last 6 quarters.
 - US rates experiencing volatility, dragged down by global rate gravity.
 - Emerging markets up modestly at 2.2% for the quarter.
 - Big sell off in oil, 110 at height down to 43. Bottoming is not synonymous with stability and volatility is likely to continue.

- Performance:
 - The endowment returned 2.3% for the first quarter which placed it in the top half of the peer universe.
 - Outperformed the allocation index by 30 basis points and the policy index by 20 basis points. Manager performance in International Equity and GTAA (Global Tactical Asset Allocation) drove the outperformance versus the allocation index.
 - For the trailing one year period, the endowment returned 4.4% gross of fees.
 - Over the seven and ten-year periods, performance ranked in the top third of the peer universe.
- Portfolio Role of Specific Investments
 - In a review of what roles the various investments in the UUCEF play it was determined that 73.2% of the investments are in Diversified Growth, 21.6% in Deflation Hedge, and 5.2% in Inflation Hedge.

4. Investment Policy Updates – Perry

- Reviewed proposed new asset allocation targets and ranges based on allocation vote from last meeting.

Motion 2: To accept allocation targets and ranges as presented with additional footnote to cash. Moved Ladd, seconded Santini, four in favor, one abstention. Motion approved.

5. Hedge Fund Program Review: Pancholi, Perry

- Our portfolio is overweighed in event driven strategies with the major exposure in EnTrust Fund of Hedge Funds. Recommend reducing our allocation to EnTrust and adding a multi-strategy hedge fund for more diversification.
 - Hedge Fund Program Structuring & Research:
 - There are 10,100 hedge funds; NEPC narrows the field down to about 1,750 of institutional quality funds.
 - Concentrate research resources on the funds that produce top quartile returns with their respective strategy and who have sustainable and transparent business and communication practices.
 - UUA Hedge Fund Program Review
 - Analyzed with two key objectives; enhance sub-strategy diversification and enhance the potential for improved risk-adjusted returns.
 - Evaluated portfolio diversification. Took the average historical allocation of three hypothetical forward-looking portfolios comprising of current and proposed hedge funds

and compared to NEPC hedge fund sub-strategy guidance for 2015.

- Evaluated the potential for better risk-adjusted returns using three hypothetical forward-looking portfolios which were back-tested over the longest common track record of the underlying hedge funds.
- Multi-Strategy & Manager Overviews
 - Went over the three hedge fund managers suggested by NEPC, Och-Ziff, Mariner, and Whitebox.
 - NEPC suggested that Whitebox, which has a more stable sub-strategy allocation, is the best choice for our portfolio. The committee members offered no such opinion and elected to review additional materials and hold a subsequent call to further discuss.
 - Whitebox has historically presented the relatively most diversified portfolio and compares most favorably with current NEPC sub-strategy guidance for 2015.

Action item 1: NEPC will distribute the investment memos on all three firms to the committee for review.

Action item 2: Will hold a subsequent call on June 19th to discuss all three hedge fund managers and potential allocation to one or more.

Next meeting: September 2, 2015