

## UUA Investment Committee – Minutes

24 Farnsworth Street, Room 315

Boston, MA 02210

September 1 & 2, 2015

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

Members absent: None

Guests: Kathy Mulvey

Staff: Susan Helbert

Cambridge Investments: Marjorie Asfour, Tom Ballantyne, Lauren Dunleavy, Noelle Lang, Chris Regan

NEPC: Cathy Konicki, Scott Perry

### 1. Cambridge Investments Interview -

- Propose to upgrade or complement existing fund managers
- Transition to a direct hedge fund allocation
- Build a direct private investment allocation.
- Incorporate SRI objectives without sacrificing returns.

### 2. Discussion on Cambridge Investments interview -

- Presentation was very in depth and compelling.
- Has good grasp of our SRI commitment but unsure how much sway they will have with investment managers to push for changes/enhancements that we may ask for.
- Would be more directive than NEPC.
- Fees are considerably higher.

### 3. Minutes from June 10, 2015 meeting – Santini

**Motion 1:** To adopt minutes from last meeting. Moved Ladd, seconded Friedman, and abstained, LaPann, approved without amendment.

### 4. Performance Review – Perry

- **Market Overview –**
  - Most markets are down in August with year to date numbers flat or negative.
  - Emerging market equities and commodities hit hardest year to date.
  - Fixed income, high yield and, treasuries were mostly flat or had very modest gains.

- Cautiously optimistic on US economy but Fed rate hike remains on the horizon.
  - Most optimistic around international developed equities.
  - Recommend a neutral weight in emerging markets; pull back to some degree in near term amid concerns of volatility and currency devaluation.
  - Consider a small allocation to long duration treasuries, long government credit, or long TIPS.
- **Performance Review-**
    - Returns down .1% during second quarter but over the year to date up 2.2%.
    - Over the 7 and 10 year periods performance ranked near to top third of the peer universe.
    - Portfolio is within policy range targets on all investments.
    - Estimation of August return is -4% and year to date -1.7%.
    - Outlook from this point in the intermediate term, 3 to 5 years, is 6% to 6.5%.

#### **5. Hedge Fund manager search – Santini**

- Goal is to create a more balanced Hedge Fund portfolio that will generate returns in line with or better than equity markets (over a full market cycle) with a lower volatility profile.
- Added Cevian in April but are still underweighted to 10% target.
- NEPC continues to recommend Whitebox; it has an additional credit tilt and would pick up long term equity exposure. Committee not convinced for a variety of reasons.
- Further discussion is necessary before selecting another Hedge Fund manager.

#### **6. Deploying cash – Brennan**

- Will forecast expected needs for distributions and withdrawals for the fiscal year and retain that in cash, remaining amount will be invested.

*Action item 1: Brennan to prepare forecast for committee review.*

#### **7. NEPC Interview – Konicki, Perry**

- Have long term track record have helped the UUA generate returns that are in the top half versus peers.
- Strong commitment to impact investing.
- Access to research; bring in specialists allowing us to gain a broader understanding of questions that have arisen regarding investment sectors.
- Receive no compensation from the investment divisions of any money management or brokerage firm.

**8. Discussion of consultant presentations – Santini**

- Have been able to tailor their services to meet our needs.
- Working with two partners, one that's the top SRI person in the firm.
- Has been able to get investment managers to comply with majority of our requests.
- Always been responsive to our inquiries.
- NEPC slightly more effective in helping us increase the endowments ESG component.
- Fees are lower.

**Next Meeting is November 18, 2015**