

## MEETING MATERIALS

# UNITARIAN UNIVERSALIST ASSOCIATION OF CONGREGATIONS



**November 20, 2018**

**Scott Perry, CAIA, Partner**

**Krissy Pelletier, Principal**

**Asher Watson, Consultant**

**Lily Fayerweather, Consultant Support Analyst**



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# ADMINISTRATIVE

NEPC, LLC

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**SRIC/IC Committee Meeting—Agenda**  
**November 20, 2018**  
**8:30am-2:30pm**

**8:30am – 10:00am SRIC**

- 8:30am Check-ins
- 8:45am Agenda overview & approval of minutes from meeting on August 16, 2018
- 9:00am Advancing Human Rights through UU Investments: SRIC/IC discussion with UU Social Justice organizations (Mulvey)
  - Summary and next steps (see attached notes)
  - Preliminary debrief; identify items for follow-up by SRIC and joint committee
- 9:20am Community investing
  - Quarterly check-in on community investments (Faust)
  - UUA Board discussion and questions re: community development investing (Mulvey)
- 9:30am Shareholder advocacy
  - Resolutions to be filed and co-filed for 2019 (Brennan)
  - Update on ICCR, SICS, Climate Action 100+ priorities for 2019 (Brennan)
- 9:45am Agenda items for February 21-22, 2019 meeting
- 9:55am Break

**10:00am – 2:30pm Joint IC/SRIC**

- 10:00am Working items
  - Planning for GA 2019: resolutions, workshops, expressway representation (Brennan/Santini)
  - Begin prep for Treasurer / CFO transition
  - Prep for anti-racism training in February (Brennan/Santini)
  - Other agenda items for February 21-22, 2019 joint meeting
- 10:30am Joint IC/SRIC report to UUA Board in October (Gaffney/Mulvey)
  - Update on report, discussion, and Board affirmation of proposed statement of purpose (see [slides](#) and draft [Board minutes](#))
- 10:45am Advancing Human Rights through UU Investments: SRIC/IC discussion with UU Social Justice organizations (Mulvey)
  - Summary and next steps (see attached notes)
  - Items for follow-up by joint committee
- 11:00am Updated Socially Responsible Investing Policy (Brennan/Gaffney/Mulvey)
  - Discuss & refine draft (attached as of 10/7/18)
  - Next steps to prepare for recommendation to UUA Board
- 12:00pm Working Lunch

- NEPC Pipeline: Generation, HITE, Thematic equity list
- Reinventure Capital: intersection with revised SRI guidelines; next steps

12:45pm Break

1:00pm HCAP Presentation (video conference)

- Hope Mago and Tim Bubnack, HCAP Partners
- Debrief and decision

2:00pm Performance Review

2:15pm ESG Scorecards

2:30pm Adjourn joint session

## **UUA Investment Committee – Minutes - DRAFT**

24 Farnsworth Street, Room 210

Boston, MA 02210

August 16, 2018

Members present: Kathleen Gaffney, Chair, Tim Brennan (by Zoom), John LaPann, Brian Lasher, Ken Redd (by phone) and Lucia Santini

Members absent: None

Staff: Susan Helbert

NEPC: Alissa Howard, Kristine Pelletier, Scott Perry, Asher Watson

SRI Committee: Vonda Brunsting, Kathy Mulvey, Julie Skye, Pat Tomaino

### **1. Minutes from May 22, 2018 - Gaffney**

**Motion 1:** To approve minutes from the May 22, 2018 meeting. Moved: Gaffney, seconded: Santini, all approved. Redd abstained.

### **2. Updated Socially Responsible Investing Policy – Brennan, Gaffney, Mulvey**

- Discuss and refine draft
  - Used 2010 policy as the starting point; hired Simon Billenness to review all GA resolutions since 2010 and to recommend how to reflect these in the policy. Incorporated recommendations from him and SRIC member, Kathy Mulvey, into draft policy.
  - Additional update will clarify that policy applies to all asset classes, not just equities.
  - All members to forward their comments to Kathy and Tim for further review and potential inclusion. Will circulate new draft to all for review.
  - Robust thematic discussion clearly identifies additional work and discussions are necessary.

**Action item 1:** Brunsting to distribute outside pension fund investment policy, which has an integrated investing and socially responsible investing policy, to committee for review.

**Action item 2:** Tomaino to craft language incorporating racial justice and dismantling white supremacy.

### **3. Report from subcommittee on Screening Criteria – Brennan, Gaffney, Lasher, Skye, Tomaino**

- Had a call with Sustainalytics about modifying screening criteria; screening out the bottom 7.5% instead of 5%, scoring environmental, social and governance (ESG) separately and testing the outcome.
- Committee decided to leave screening criteria as is until Sustainalytics goes live with new methodology.
- Next steps (including meeting with Sustainalytics, testing permutations of criteria vs. updated investment Policy, process for annual review of criteria)
  - Expecting new screening options to come available soon.
  - Would like to hear how analysts arrive at the issues they consider material in weighing a company and how well they understand the industry a company is in.

**Action item 3:** Brennan to contact Sustainalytics to set up a call to discuss their new system and to provide higher-level detail on how analysts arrive at the issues they consider. Will ask for their whitepaper to be distributed to the committee.

**Action item 4:** Gaffney to prepare questions for higher level analyst discussion.

### **4. Joint IC/SRIC report to UUA Board in October – Gaffney, Mulvey**

- Key points to highlight in report
  - Update on integration of committees and integrated policy perspective.
  - Presentation of investment results both quantitative and qualitative. Need to help Board understand UUCEF fees, what congregations are getting for what they're paying.
  - What committee(s) looks at and for on a quarterly basis; concerns/worries.
  - Quality of committee members.
  - Scope of what both committees do; balancing risk, return and values.
  - What socially responsible investing encompasses; security screening, company engagement, and community investing.

### **5. Performance review - NEPC, Joint Committees**

- The Endowment returned +1.1% (gross of fees) during Q2 of 2018, ranking 32nd in the universe, outperforming the allocation index and the policy index
- Over the trailing one-year period, the Endowment returned 9.9% (gross of fees), ranking 5<sup>th</sup> in the universe and outperforming both the allocation and policy indices.
- Over the trailing ten-year period, performance ranked in the second quartile of the peer universe.

### **6. Prep for anti-racism training in November – Brennan, Santini**

- Will plan training for joint committees and NEPC.

- Need to do advanced work to come up with questions/objectives on how it intersects with work of the committee.

**Action item 5:** Pelletier to provide additional consultant to discuss training with.

**Action item 6:** Brennan to contact Parisa Parsa to schedule training for February 21<sup>st</sup>.

**Action item 7:** Brennan, Santini, Tomaino and Skye to have a call with Parisa Parsa to discuss scope of training.

#### **7. Other agenda items for November 20<sup>th</sup> joint meeting**

- Additional discussion on potential GA19 resolutions, workshops, and expressway representation.
- Discuss possible tools for workshop promotion.
- Human Rights discussion on how we can fit in with the work of Investor Alliance for Human Rights and private prison work.
- Discuss investment policy language and how SRI may contribute to it.

#### **8. Review ESG scorecards for UUCEF fixed income investments**

- Deferred to November meeting.

#### **9. Investment policy statement – Gaffney**

- Opportunistic investment language
  - NEPC recommends that new language should be added to the Investment Committee Guidelines that define opportunistic investments and that “Opportunistic” should be removed from “Private Markets/Opportunistic” asset class.
  - Opportunistic Investment allocation should be viewed as an asset class that will provide the portfolio with exposures which are positioned to perform in the current market environment.

#### **10. Opportunistic investing – NEPC, Committee**

- Discuss potential diversifying investment options as part of the Opportunistic Investment allocation
  - Focus on opportunities that may provide low correlations to other assets, downside protection and crisis alpha. Based on this, NEPC recommends Global Macro and Long Volatility strategies.
  - Represents a tactical allocation that is positioned to perform in the current market environment.
  - Global Macro is more benchmark agnostic; will go where the opportunities are and has no bias toward any market or view.

- Long Volatility exposure positively benefits from rising asset class volatility and could provide a significant return should volatility normalize across global markets. However, a multi-year time horizon would be required is volatility levels move slowly back to normal.
- Both investment options carry increased fees.

**Action item 8:** NEPC to provide investment scenarios and commentary/opinion on strategies presented and send those along with full memos to the committee.

## **11. Private markets opportunities with a focus on impact-oriented investments**

- **VWH Fund I**

- Reached out to VWH but didn't receive a response from them; fund closes at the end of the month.

- **HCAP Partners IV**

- Mezzanine manager focused on the lower end of the market, looking at smaller size companies in terms of revenue. Industry focus is on healthcare, software, services and manufacturing.
- Based in California and invests mainly in companies in California and the western United States.
- Not focused on number of jobs created but the quality of jobs created; ask the questions: do they go to communities where income is needed, are the salaries and benefits in line or better?
- When looking at a company, work with company leaders by detailing where they think they are and provide a 5-year plan on how they can improve to create a better environment for their employees.
- Employer must sign-off on plan before they will invest, and HCAP will help provide resources to help enact the plan. They have dedicated impact associates who will help with some of the HR functions if necessary, will also look at non-profit resources in the area that could be beneficial in enacting the plan.
- Fee is 2% on committed capital plus leverage but will go down to 1.7% if an aggregate of NEPC clients invest \$20 million and down to 1.65% if aggregate reaches \$30 million.
- Expected fund closure is 4th quarter 2018.

**Action item 9:** NEPC to follow-up again on fees, find out who is on the advisory board and what their mandate and charter is, and number of return commitments.

- **Reinventure Capital Fund I**

- First time fund by Edward Duggar and Julianne Zimmerman.

- Boston-based venture capital fund targeting scalable companies led by founders of color and women. Looking to construct a diversified portfolio of 10 to 15 investments. Fund target size is \$50 million.
- Expects to provide portfolio companies with both debt and equity financing with the split anticipated to be 35% equity and 65% debt.
- Fee is 2.5% on committed capital.
- Fund will target companies across multiple sectors including communications, technology and, real estate.

**Action item 10:** NEPC to set up an in-person meeting between the committee and Reinventure to gain additional information and comfort with potential investment.

**Next Meeting Date**  
**November 20, 2018**

## UUA Manager Summary

**Manager:** Rhumblin 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.

**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.

**Manager:** Kennedy Capital Small Cap Growth

**Benchmark:** Russell 2000 Growth

**Asset Class:** Small cap domestic equity - growth

**Role in Portfolio:** Growth Assets

**Description:** Kennedy utilizes a fundamental, bottom-up research process that relies on internal sources to generate potential buy candidates. They do this through the ongoing review of news and results across the investable universe on an industry-by-industry, analyst-by-analyst basis and the continual monitoring of trends and factors that would impact company fundamentals. Kennedy's emphasis is on understanding the drivers of returns on invested capital, the opportunities available to companies to deploy additional capital at attractive rates of return, and the ability of management teams to capitalize on those opportunities.



**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.

**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.



**Manager:** Breckinridge Capital Advisors Sustainable Fixed Income & Treasury

**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.

**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:** Franklin Templeton Global Multi Sector

**Benchmark:** Barclays US Govt/Credit

**Asset Class:** Opportunistic Fixed Income

**Role in Portfolio:** Absolute Return

**Description:** The global bond team employs a bottom-up, research-driven investment process characterized by fundamental research of investment opportunities. The strategy is formulated by combining qualitative macroeconomic analysis with quantitative tools to determine the most attractive opportunities across duration, currency, and credit. The team applies an active, benchmark-agnostic style, pursuing absolute returns over a one- to three-year time horizon. While securitized bonds are included in the opportunity set, they have not been a large component of the strategy historically.



**Manager:** Brandywine Global Opportunistic Fixed Income

**Benchmark:** CITI WGBI

**Asset Class:** Global Multi Sector

**Role in Portfolio:** Growth Assets

**Description:** Brandywine undertakes a macro-economic analysis on a country-by-country basis in order to rank opportunities according to real interest rate levels. Inflation trends, political risks, monetary trends, business cycle, and liquidity measures are all considered. Further analysis is centered on those countries that exhibit the highest real interest rates with sustainable economic conditions. Currency valuations are then examined relative to historical averages and differentials in an effort to determine if that valuation supports an investment. The majority of investments are allocated to sovereign government debt. When credit spreads are perceived to be a compelling value, however, Brandywine may allocate to spread sectors such as mortgage-backed securities and corporate bonds. Duration is determined at the country level, although adjustments may be made at the portfolio level according to the overall outlook.

**Manager:** Loomis Sayles Multi Sector Full Discretion

**Benchmark:** Barclays US Govt/Credit

**Asset Class:** Global Multi Sector

**Role in Portfolio:** Growth Assets

**Description:** The Multisector Full Discretion strategy seeks to exploit the complete range of global fixed income insights generated by the Loomis Sayles Fixed Income organization with return maximization as the primary objective. Benchmarks do not play a significant role in constructing the portfolios. Guidelines are very flexible providing the opportunity to pursue investment ideas in a wide range of global fixed income sectors. Investment flexibility authorizes significant non-dollar, emerging markets and convertible debt investments. Opportunistic investments in these non-benchmark sectors are incorporated to manage portfolio credit quality and for total return contribution.

**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.



**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 mis-managed 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.

**Manager:** SJF Ventures

**Benchmark:** US Private Equity

**Asset Class:** Private Markets/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.

**Manager:** Orchard Landmark

**Benchmark:** JP Morgan Corporate EMBI

**Asset Class:** Private Markets/Opportunistic

**Role in Portfolio:** Growth assets

**Description:** Orchard Landmark structures private credit transactions for family-owned businesses in Asia Pacific, leveraging long-standing local teams with investment and legal talent, established deal structuring track-records; and established borrower relationships. They play off the demand-supply imbalance in Asia Pacific capital markets for short-term credit to both small-to-medium enterprises and corporations looking for growth capital. As such, Asian private credit affords a potential return premium for illiquidity, higher inflation, and emerging market risk.



**Manager:** Canvas Distressed Fund

**Benchmark:** HFRI Event Driven: Distressed/Restructuring Index

**Asset Class:** Private Markets/Opportunistic

**Role in Portfolio:** Growth assets

**Description:** Canvas Distressed Fund will invest in Brazil-focused single name distressed corporate debt and judicial claims (federal claims and quasi-government claims). The Fund intends to buy single name corporate debt at steep discounts. Canvas does not attempt to restructure distressed companies; it will instead sell or auction the debt's collateral assets to recover value. The Fund will also invest in federal claims, which are referred to as Precatorio, and quasi-government and private claims against entities such as the state-owned utility companies. This strategy benefits from several key macro factors in Brazil: High interest rates, shrinking credit facilities, lack of large investment management competitors post 2008-09, a drastic increase in corporate bankruptcies, and reduced foreign direct investment following the 2015 Brazilian debt downgrade.

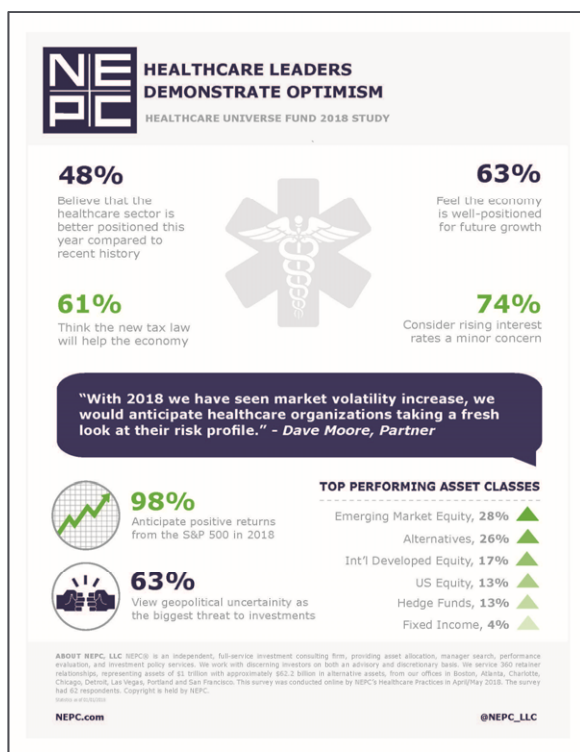
# NEPC UPDATES

NEPC, LLC

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# HIGHLIGHTS OF THIRD QUARTER HAPPENINGS AT NEPC

## NEPC INSIGHTS



- Taking Stock: Is Technology Driving Low Inflation?
- Taking Stock: Increasing Pension Contributions and Improving Corporate Pension Funding Ratios: Now What?
- NEPC 2018 ESG Flash Poll Results and Infographic
- NEPC 2018 ESG Flash Poll – Healthcare Highlights
- 2018 Second Quarter Market Thoughts
- The Evaluation of Tax Liabilities
- Healthcare Optimistic About Economy But Wary of Volatility and Geopolitical Risks (Healthcare Operating Fund Universe Results/ Infographic)
- Taking Stock: Trouble in Turkey Creates Opportunity in Emerging Markets
- State of the Union: A Look Back on 2018 and What to Expect Moving Forward
- Opportunity Zones: Doing Good in a Tax-Advantaged Way
- Taking Stock: Globalization Backlash: US-China Tariffs are Here to Stay
- Taking Stock: Total Enterprise Management: a 360 View of Investment Strategy
- Market Chatter: Potential End Game for US-China Trade Spat: The Good, the Bad, the Ugly

## WEBINAR REPLAYS

- NEPC's Second Quarter 2018 Quarterly Markets Call

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# HIGHLIGHTS OF THIRD QUARTER HAPPENINGS AT NEPC



## NEPC INSIGHTS

### Revisiting the Global Financial Crisis

- Lessons Learned or Forgotten? A 10-Year Retrospective of the Financial Crisis
- Taking Stock: Ten Years since the Global Financial Crisis, Part 3: Not Too Big to Fail
- Healthcare: Using Past Lessons to Meet Present Challenges
- Private Wealth: The New Normal Is Here to Stay
- Taft-Hartley: Pension Plans: The Long and Difficult Road Traveled
- Insurance: Safety Nets Save the Day
- Endowments and Foundations: The 2008 Global Financial Crisis: Looking Back to Get Ahead
- Taking Stock: Will Growth Have the Last Word?

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# HIGHLIGHTS OF THIRD QUARTER HAPPENINGS AT NEPC

## RECENT UPDATES

- It is with sadness we inform you of the passing away of former NEPC partner, Duane "Butch" Hess. He died peacefully in his sleep on August 19. Duane joined NEPC in 1990 and was elected into our partnership in 1993, a role he held until 2006, when he retired to spend more time traveling, enjoying the arts and the city he loved so much, Boston. He leaves behind his long-time partner Carmela Cattuti and two sons, Brian and Steven. For those who knew him, he was full of life with a smile for everyone. He joked that he was the first president of the NEPC Retired Partners Club (a title he was very honored to hold). He was frequently seen at NEPC's Annual Investment Conferences and would occasionally stop by the office to say hello and check in. He will be sadly missed but remembered with great fondness.
- **SAVE THE DATE!** NEPC will host our 24<sup>th</sup> Annual Investment Conference on May 7<sup>th</sup> and 8<sup>th</sup>, 2019 at the Boston Park Plaza. More details to come!

## NEPC GIVES BACK

- NEPC sponsored a volunteer day with the Greater Boston chapter of Habitat for Humanity. Our volunteers spent their day helping to build homes for low-income families in need of decent and affordable housing.
- NEPC employees volunteered at the Greater Boston Food Bank (GBFB) and Oregon Food Bank on October 4<sup>th</sup>. GBFB is the largest hunger-relief organization in New England and among the largest food banks in the country. The food banks are committed to increasing food distribution to provide at least one meal a day to every person in need, while supporting healthy lives and healthy communities.















# **MARKET ENVIRONMENT & OUTLOOK**

NEPC, LLC

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# PERFORMANCE OVERVIEW

## Q3 Market Summary

Macro			Equity			Credit			Real Assets		
US Dollar	VIX	US 10-Yr	S&P 500	MSCI EAFE	MSCI EM	US Agg.	High Yield	Dollar EMD	Oil	Gold	REITS
											
0.7%	-4.0	20 bps	7.7%	1.4%	-1.1%	0.0%	2.4%	1.9%	-1.2%	-4.8%	0.7%

- **US equities increased during the quarter, supported by strong macroeconomic data and a tight labor market**
- **Emerging market equities broadly declined with ongoing currency weakness and trade tensions weighing on sentiment**
- **The Federal Reserve hiked rates for the third time this year and is expected to hike rates again in December**

Market segment (index representation) as follows: US Dollar (DXY Index), VIX (CBOE Volatility Index), US 10-Year (US 10-Year Treasury Yield), S&P 500 (US Equity), MSCI EAFE Index (International Developed Equity), MSCI Emerging Markets (Emerging Markets Equity), US Agg (Barclays US Aggregate Bond Index), High Yield (Barclays US High Yield Index), Dollar EMD (JPM Emerging Market Bond Index), Crude Oil (WTI Crude Oil Spot), Gold (Gold Price Spot), and REITs (NAREIT Composite Index).



# MACRO PERFORMANCE OVERVIEW

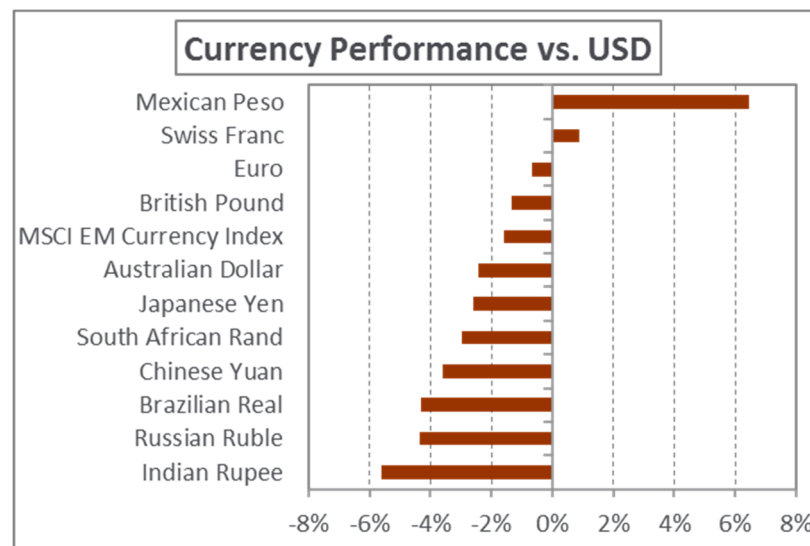
## Q3 Macro Market Summary

- The global growth outlook remains in tact, despite trade policy issues
- Global bond yields increased as central banks transition toward tighter monetary policy
- Higher rates in the US supported the dollar – adding further pressure to emerging market currencies

	Yield 06/30/18	Yield 09/30/18	Δ
US 10-Yr	2.86%	3.06%	0.20%
US 30-Yr	2.99%	3.21%	0.22%
US Real 10-Yr	0.74%	0.92%	0.18%
German 10-Yr	0.30%	0.47%	0.17%
Japan 10-Yr	0.04%	0.13%	0.09%
China 10-Yr	3.48%	3.63%	0.15%
EM Local Debt	6.59%	6.62%	0.03%

Source: Bloomberg

Central Banks	Current Rate	CPI YOY	Notes from the Quarter
Federal Reserve	2.00% - 2.25%	2.7%	The Fed increased its benchmark interest rate to 2.00% - 2.25% in September and is expected to hike rates one more time in 2018
European Central Bank	0.0%	2.1%	The ECB maintained its current benchmark interest rate, but continues its plan to scale back its QE Program
Bank of Japan	-0.1%	1.3%	The BoJ will continue its ultra-easy QE program with inflation remaining well below target



Source: Bloomberg



# EQUITY PERFORMANCE OVERVIEW

## Q3 Equity Market Summary

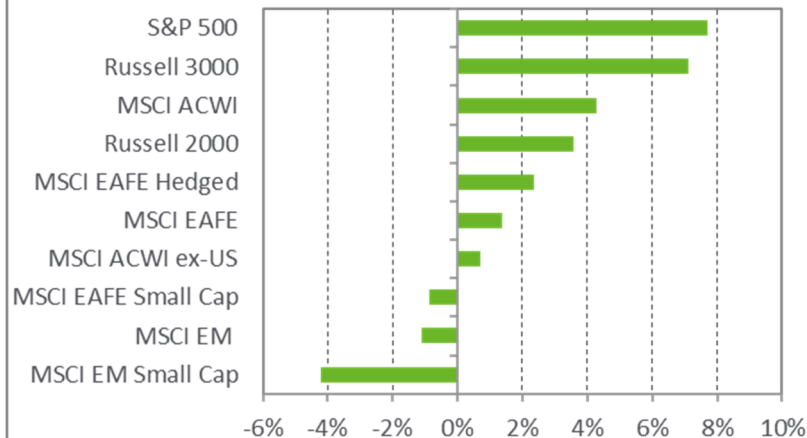
- **Strong economic data and positive sentiment helped US equities to outperform global equities**
- **Trade-sensitive economies disproportionately declined as escalating trade tensions and currency weakness weighed on returns**

Russell 3000 QTD Sector Return Contribution

Information Technology	1.7%
Consumer Discretionary	0.3%
Financials	0.5%
Industrials	1.4%
Consumer Staples	0.0%
Energy	0.4%
Materials	0.0%
Health Care	0.5%
Real Estate	0.6%
Communication Services	-1.0%
Utilities	0.1%

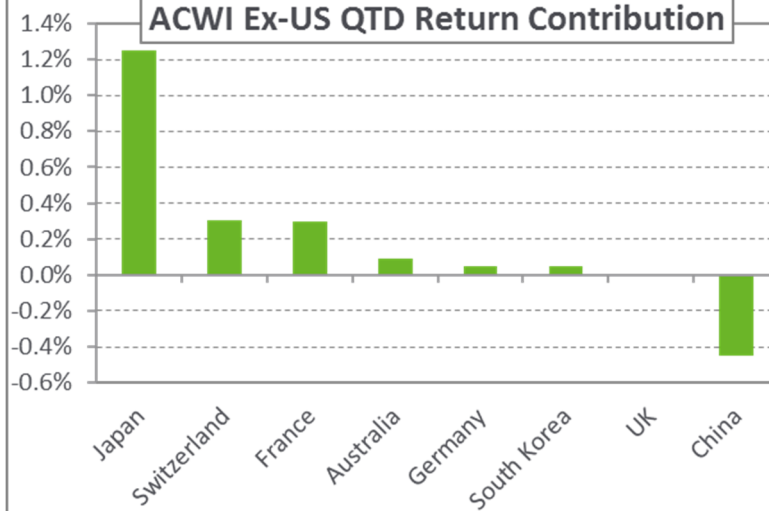
Source: Russell, Bloomberg

QTD Equity Index Returns



Source: MSCI, Russell, S&P, Bloomberg

ACWI Ex-US QTD Return Contribution



Source: MSCI, Bloomberg. QTD top country contributors to index return



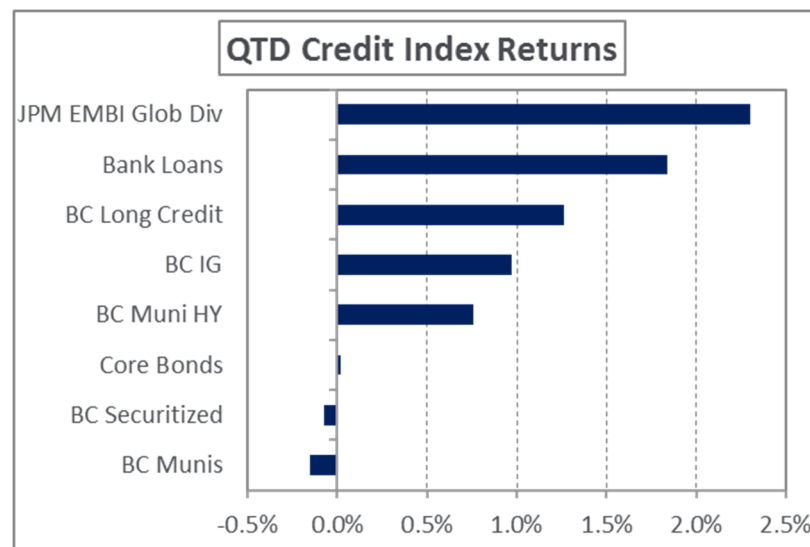
# CREDIT PERFORMANCE OVERVIEW

## Q3 Credit Market Summary

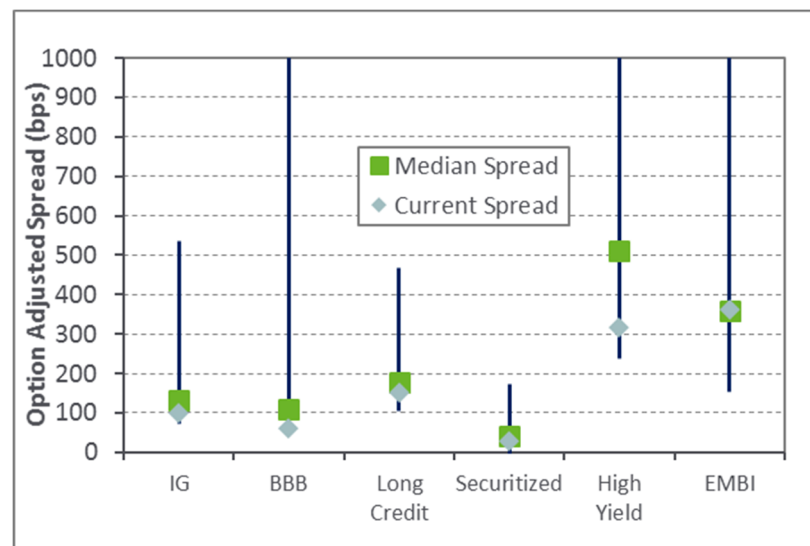
- **Credit spreads broadly declined and remain below medians in most areas of the credit market**
- **Dollar-denominated emerging market debt increased by 2.3% as spreads tightened**

Credit Spread (Basis Points)	06/30/18	09/30/18	Δ
BC IG Credit	116	100	-16
BC Long Credit	174	153	-21
BC Securitized	28	28	0
BC High Yield	363	316	-47
Muni HY	253	198	-55
JPM EMBI	388	362	-26
Bank Loans - Libor	303	281	-22

Source: Barclays, Merrill Lynch, JPM, Bloomberg, NEPC



Source: Barclays, JPM, S&P, Bloomberg



Source: Barclays, JPM, S&P, Bloomberg; as of 01/31/2000



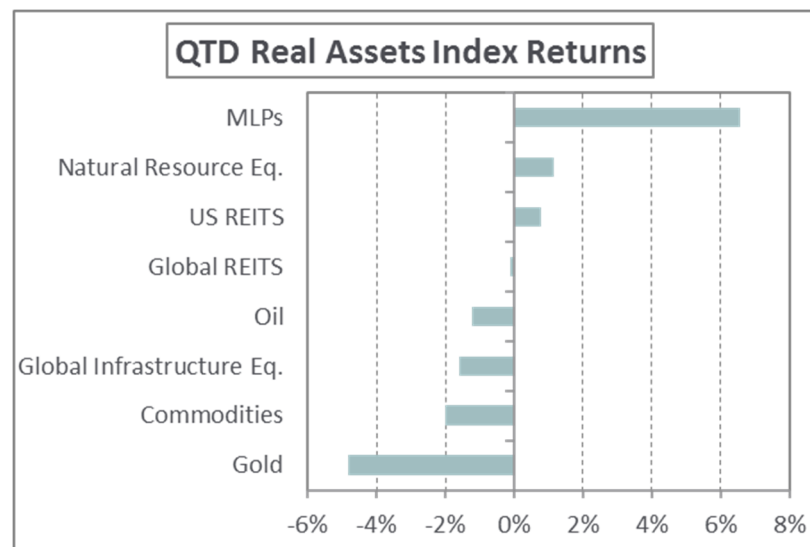
# REAL ASSETS PERFORMANCE OVERVIEW

## Q3 Real Assets Market Summary

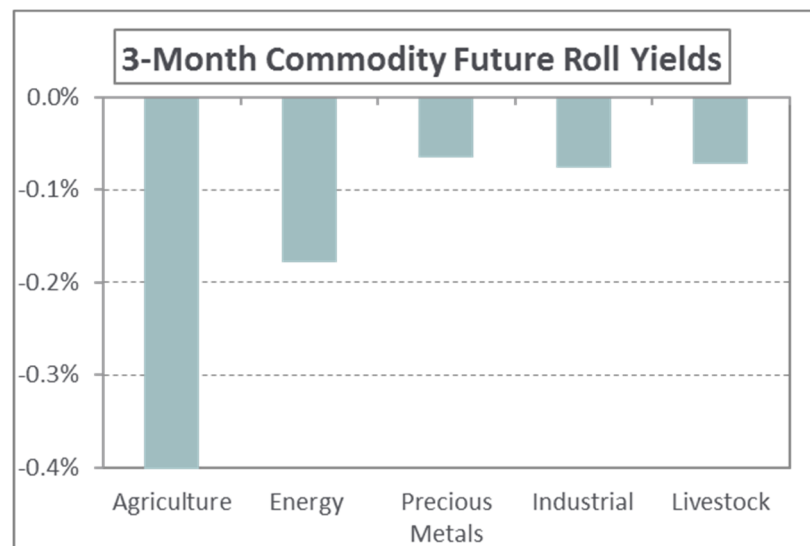
- **Oil declined 1.2% for the quarter, but is up 41.8% for the year**
- **Agricultural commodities declined substantially due to robust supply and trade war-related concerns**
- **MLP's increased 6.6%, supported by rising commodity prices and ongoing industry simplification**

Real Asset Yields	06/30/18	09/30/18
MLPs	8.1%	8.0%
Core Real Estate	4.2%	4.4%
US REITs	4.4%	4.2%
Global REITs	3.7%	3.7%
Global Infrastructure Equities	4.4%	4.5%
Natural Resource Equities	3.5%	3.5%
US 10-Yr Breakeven Inflation	2.1%	2.1%
Commodity Index Roll Yield	0.1%	-1.2%

Source: NCREIF, Alerian, NAREIT, S&P, Bloomberg



Source: S&P, NAREIT, Alerian, Bloomberg



Source: Bloomberg, NEPC Calculated as of 09/28/2018



# THE END OF FEDERAL RESERVE GRADUALISM

## Key Market Themes Change

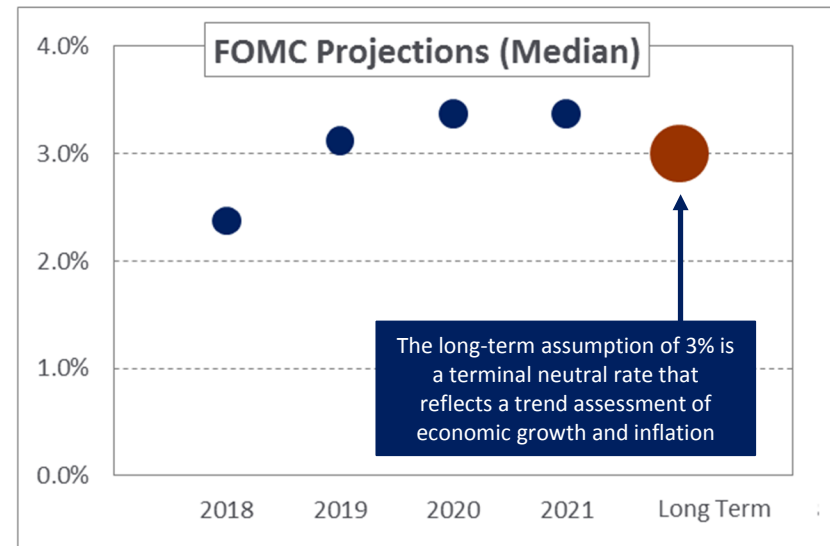
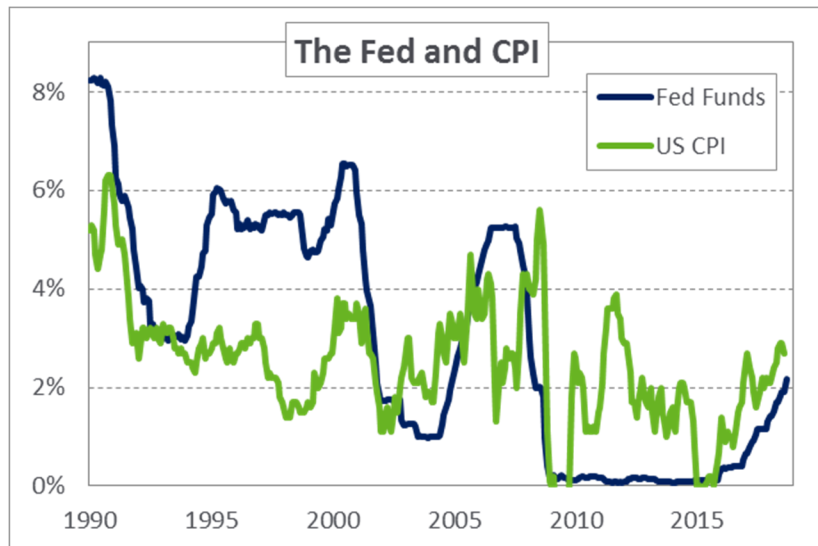
**The end of Fed Gradualism: The Fed has shifted from a “lower for longer” policy to a more balanced posture of raising rates in-line with higher inflation**

The Fed appears less willing to accept some inflation to repair the past deflationary impact of the 2008 financial crisis and is now looking to manage inflation closer to its target range

**Based on the FOMC projections, the Fed is communicating a tightening path as their forecast for interest rate hikes moves beyond the long-term neutral rate**

Markets are discounting a more muted pace of rate hikes relative to Fed projections, which increases the potential of a “Fed surprise” disrupting equity, fixed income, and currency markets

Fed is expected to be careful and data dependent when assessing the timing of interest rate increases relative to changes in inflation levels



Source: (Left) Bloomberg  
Source: (Right) FOMC

# CALENDAR YEAR INDEX PERFORMANCE

	2010	2011	2012	2013	2014	2015	2016	2017	Q1	Q2	Q3	Oct	YTD
US Large Cap	15.1%	2.1%	16.0%	32.4%	13.7%	1.4%	12.0%	21.8%	-0.8%	3.4%	7.7%	-6.8%	3.0%
US Small/Mid Cap	26.7%	-2.5%	17.9%	36.8%	7.1%	-2.9%	17.6%	16.8%	-0.2%	5.7%	4.7%	-10.2%	-0.8%
Int'l Developed Equity	7.8%	-12.1%	17.3%	22.8%	-4.9%	-0.8%	1.0%	25.0%	-1.5%	-1.2%	1.4%	-8.0%	-9.3%
Emerging Market Equity	18.9%	-18.4%	18.2%	-2.6%	-2.2%	-14.9%	11.2%	37.3%	1.4%	-8.0%	-1.1%	-8.7%	-15.7%
US Aggregate	6.5%	7.8%	4.2%	-2.0%	6.0%	0.5%	2.6%	3.5%	-1.5%	-0.2%	0.0%	-0.8%	-2.4%
US High Yield	15.1%	5.0%	15.8%	7.4%	2.5%	-4.5%	17.1%	7.5%	-0.9%	1.0%	2.4%	-1.6%	0.9%
US Long Treasuries	9.4%	29.9%	3.6%	-12.7%	25.1%	-1.2%	1.3%	8.5%	-3.3%	0.3%	-2.9%	-3.0%	-8.7%
EM Local Credit	15.7%	-1.8%	16.8%	-9.0%	-5.7%	-14.9%	9.9%	15.2%	4.4%	-10.4%	-1.8%	-2.0%	-9.9%
Global Credit	-5.3%	-5.3%	-4.1%	2.7%	-0.6%	3.3%	2.1%	7.4%	1.4%	-2.8%	-0.9%	-1.1%	-3.5%
Commodities	16.8%	-13.3%	-1.1%	-9.5%	-17.0%	-24.7%	11.8%	1.7%	-0.4%	0.4%	-2.0%	-2.2%	-4.1%

Source: Bloomberg, Barclays, S&P, Russell, MSCI, JP Morgan, Credit Suisse

S&P 500 = US Large Cap  
 Russell 2500 = US Small/Mid Cap  
 MSCI EAFE = International Developed Equity  
 MSCI EM = Emerging Market Equity  
 Bloomberg Barclays Aggregate = US Aggregate  
 Bloomberg Barclays High Yield = US HY  
 Bloomberg Barclays Long Treasury = US Long Treasuries  
 GBI-EM Global Diversified = EM Local Credit  
 Barclays Global Aggregate = Global Credit  
 Bloomberg Commodity = Commodities



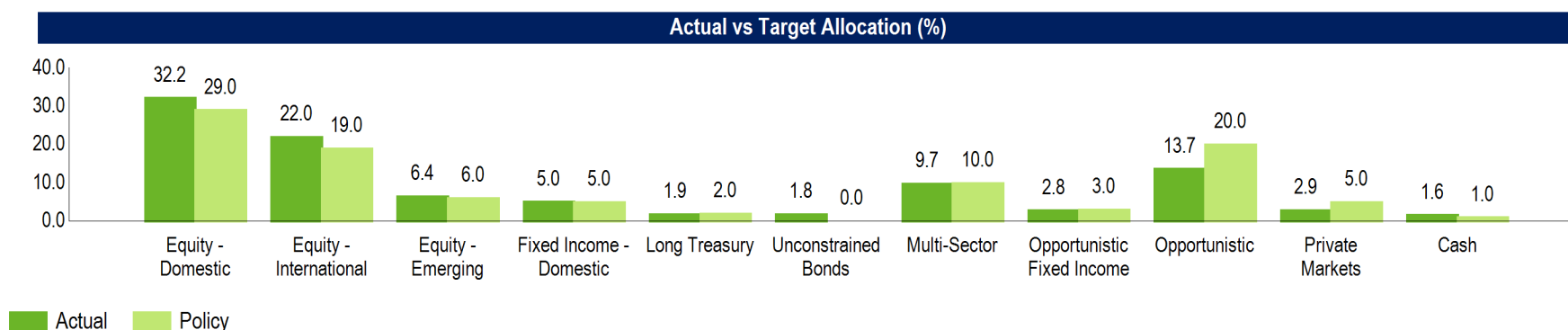
# **INVESTMENT PROGRAM REVIEW**

NEPC, LLC

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# TOTAL FUND PERFORMANCE SUMMARY - GROSS

	Market Value	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	7 Yrs	Rank	10 Yrs	Rank
<b>Composite</b>	<b>\$193,879,160</b>	<b>2.8%</b>	<b>43</b>	<b>5.0%</b>	<b>10</b>	<b>8.6%</b>	<b>12</b>	<b>10.2%</b>	<b>27</b>	<b>6.6%</b>	<b>62</b>	<b>8.6%</b>	<b>61</b>	<b>7.9%</b>	<b>36</b>
Allocation Index		2.3%	71	2.0%	87	6.0%	74	9.2%	64	6.4%	76	7.9%	82	7.3%	54
Policy Index		2.7%	54	3.1%	56	7.1%	53	9.7%	46	6.8%	59	8.4%	70	7.1%	69
InvestorForce All Endowment \$50mm-\$250mm Gross Median		2.7%		3.3%		7.2%		9.6%		7.0%		9.0%		7.4%	



## Total Fund Performance

- The Endowment returned +2.8% (gross of fees) during Q3 of 2018, ranking 43rd in the universe, outperforming the allocation index and the policy index
- Over the trailing one-year period, the Endowment returned +8.6% (gross of fees), ranking 12th in the universe and outperforming both the allocation and policy index
- Over the ten-year time period, performance ranked in the second quartile of the peer universe
  - Manager selection and tactical allocations have been the primary driver of overall performance

## Recent Decisions & Action Items

- No actions taken at the prior meeting

Fiscal Year End: 6/30



# GOALS & OBJECTIVES

## Investment Return Objective

- “The overall investment objective of the UUA, as manager of the UUCEF, is to increase the UUCEF’s asset value in order to maintain real purchasing power while allowing for regular endowment distributions. With the guiding lens of Unitarian Universalist values and principles, the Fund seeks to achieve consistent returns within a moderate risk tolerance over the long term, sufficient to allow UU Congregations to take regular distributions and maintain the value of principal after adjustment for inflation and after all expenses.”

## Risk Tolerance

Spending Draw	5.00%
Inflation	2.75%
Total Return Goal	7.25%

- **Time Horizon:** The time horizon of the portfolio is perpetuity and therefore we seek to balance continued growth with a moderate risk tolerance.
- **Liquidity Needs:** The cash flow needs of the portfolio are often known in advance and are managed throughout the year. The portfolio can withstand some illiquidity risk.
- **Capital Preservation:** While the portfolio can withstand drawdowns, a primary objective is to maintain real purchasing power while allowing for regular distributions.
- **Other Considerations:** The UUCEF shall be managed in a manner consistent with UU values as well as the achievement of return and risk objectives. The UUA is committed to an investment program which utilizes tools of socially responsible investment (SRI) to optimize the alignment of its financial assets with its values.



# 2018 REVIEW

Date	Description of Events	Complete
<b>February 2018</b>	<ul style="list-style-type: none"> <li>• Performance update</li> <li>• Heard from Rhumblin and Sustainalytics regarding partnership on screened index fund</li> <li>• Decided to maintain GMO exposure after meeting with firm</li> <li>• Reviewed Canvas Distressed Debt Fund briefly; decided to commit after follow up call</li> </ul>	✓
<b>May 2018</b>	<ul style="list-style-type: none"> <li>• Performance update</li> <li>• Reviewed key market themes and opportunities</li> <li>• Reviewed NEPC's ESG Ratings</li> <li>• Discussed Carbon Underground 200 exposure within the portfolio</li> <li>• Discussed private markets pacing and pipeline; elected to hold off on commitments until impact oriented investments are underwritten</li> <li>• Reviewed role of opportunistic investments; discussed incorporating investments that fit the current economic environment</li> </ul>	✓
<b>August 2018</b>	<ul style="list-style-type: none"> <li>• Performance update</li> <li>• Reviewed HCAP, VWH, and Reinventure as private markets opportunities</li> <li>• Continued discussion of opportunistic bucket; discussed inclusion of non-correlated strategies</li> </ul>	✓
<b>November 2018</b>	<ul style="list-style-type: none"> <li>• Performance update</li> <li>• Review ESG ratings for fixed income investments</li> <li>• Review impact opportunities</li> <li>• Meet with HCAP</li> </ul>	

# DUE DILIGENCE MONITOR

Below is a summary of manager changes, announcements and due diligence events since the issuance of our last quarterly report.

Investment Option	Commentary	NEPC Rating
<b>Franklin Templeton</b> <i>Global Total Return Fund</i>	<p>Franklin Templeton has informed NEPC about the impending retirement of Chris Molumphy, EVP, CIO of Franklin Templeton Fixed Income Group, at the end of the year. Mr. Molumphy has served as the CIO of the FI group since 2000 and is involved in several different committee's which shape the firms overall strategy. He is co-chair of the Fixed Income Policy Committee and a member of Franklin Templeton's Executive Committee, a small group of the company's top leaders. Mr. Molumphy will be replaced by Dr. Sonal Desai. Dr. Desai, EVP and director of research since 2009, has a strong background including experiences in academia, working with the IMF, and working as an economist. Dr. Desai will oversee all FI offerings which include corporate credit, EMD, bank loan, global aggregate, securitized, money market, multi-sector, municipal, and local FI totaling \$157 billion globally. Dr. Desai has worked as the right hand person to Dr. Michael Hasenstab, CIO of the Templeton Global Macro team. Dr. Desai will be relinquishing all of her current responsibilities which she will transition to Dr. Calvin Ho, VP, deputy director of research for Templeton Global Macro. Dr. Ho will now be the point person to Dr. Hasenstab whom he has worked closely with for the past 13 years. Dr. Ho has specialized in global macroeconomic analysis, provided input on major portfolio decisions, and served as lead research analyst on foreign exchange modeling.</p> <p>NEPC is not overly worried about the personnel changes although research believes a <b>WATCH</b> rating is necessary to ensure the transition is smooth. NEPC clients have high exposure to the Global Multisector Plus fund and want to monitor there is no breakdown in process. Franklin Templeton Fixed Income Group will not change its team-driven, fundamental research-focused process and philosophy with Dr. Desai now leading the group. NEPC has slight concerns given the fact Dr. Desai will be losing her day to day portfolio management decision making responsibilities. Given the nature of Dr. Desai's new responsibilities she will not be as readily available to clients and consultants as her travel will increase significantly. Research has heard nothing but positive things regarding Dr. Ho and his ability to transition smoothly into his new role as director of research and NEPC has confidence there will be no issues. The situation will continue to be closely monitored.</p>	1
<b>Loomis Sayles</b> <i>Multisector Full Discretion</i>	<p>Kevin Perry, portfolio manager and co-lead of the Loomis Sayles Bank Loan team, has announced that he will retire in March 2019. He and John Bell have been responsible for building the firm's bank loan capabilities, and currently manage over \$10 billion of bank loan AUM across Loomis' platform. Mr. Bell will continue in his leadership role, heading the team following Kevin's retirement. Mr. Bell will co-manage all portfolios with Michael Klawitter starting Q2 2019. Mr. Klawitter has been a portfolio manager on the bank loan team since 2016, and he has been a member of the team since 2002.</p> <p>We are not concerned with this announcement and recommend <b>NO ACTION</b>. Michael Klawitter was announced as a PM back in 2016 in anticipation of a possible retirement from either John Bell or Kevin Perry. NEPC Research believes this will be a smooth transition with a 6-month runway for Michael Klawitter. All portfolios will continue to be managed in the same style and with the same investment philosophy.</p>	1



# DUE DILIGENCE MONITOR

Below is a summary of manager changes, announcements and due diligence events since the issuance of our last quarterly report.

Investment Option	Commentary	NEPC Rating
<b>MFS</b> <i>International Concentrated Equity</i>	<p>MFS notified NEPC Research that current CIO and CEO Mike Roberge announced his appointment of Edward Maloney to be next CIO for January 2019. Edward will lead the global investment platform team of more than 200 investment professionals worldwide in investment research, portfolio management, trading and investment risk management. Edward was named Global Director of Research in 2016 and he will maintain his Co-Portfolio Manager responsibilities on the US Core Equity strategy. The current investment leadership team of William Adams, CIO of Global Fixed Income, Kevin Beatty, CIO of Global Equity and Joseph Flaherty, head of Quantitative Solutions and Investment Risk remains in place. They will report to and work closely with Ted to set and implement the firm's long-term vision for the investment platform. Edward will report into CEO Mike Roberge. As a result of this promotion, Edward will also become part of the Management Committee which will now total eight individuals. MFS' senior leadership comprises a Management Committee responsible for day-to-day operations, recommending major policy decisions to the company's board of directors, developing new projects and performing corporate planning for MFS and its subsidiaries. MFS communicated that this move was to transfer senior leadership and begin succession planning.</p> <p>NEPC Research is comfortable with the transfer of the CIO role from CEO Mike Roberge to Edward Maloney effective January 2019 as part of the firm's succession planning. MFS has a large global platform of analysts and portfolio managers and a Management Committee of eight individuals. NEPC Research will continue to monitor the transition and recommends <b>NO ACTION</b>.</p>	1
<b>Kennedy Capital</b> <i>Small Cap Growth</i>	<p>Kennedy has announced that their Chief Compliance Officer (CCO), Craig Brannam, has resigned from the firm. Marilyn Lammert, who was the CCO prior to retiring in March 2018, will be rejoining the firm as Kennedy searches for a replacement. Mr. Brannam had been with Kennedy Capital since 2017 and was responsible for the oversight and administration of compliance policies and procedures for Kennedy. When reached for comment, Kennedy explained that Mr. Brannam had come from the brokerage side and had wanted to go back, rather than work for an institutional investment management firm. There is no outstanding compliance issue at Kennedy as they have recently been through a routine SEC examination and had a clean audit.</p> <p>NEPC views any professional departure as significant. However, NEPC feels that this departure will not affect Kennedy's core business of investments and is recommending <b>NO ACTION</b>.</p>	1



# DUE DILIGENCE MONITOR

## NEPC Due Diligence Status Key

<b>No Action</b>	Informational items have surfaced; no action is recommended.
<b>Watch</b>	Issues have surfaced to be concerned over; manager can participate in future searches, but current and prospective clients must be made aware of the issues.
<b>Hold</b>	Serious issues have surfaced to be concerned over; manager cannot be in future searches unless a client specifically requests, but current and prospective clients must be made aware of the issues.
<b>Client Review</b>	Very serious issues have surfaced with a manager; manager cannot be in future searches unless a client specifically requests. Current clients must be advised to review the manager.
<b>Terminate</b>	We have lost all confidence in the product; manager would not be recommended for searches and clients would be discouraged from using. The manager cannot be in future searches unless a client specifically requests. Current clients must be advised to replace the manager.

## NEPC Due Diligence Rating Key

1	A high conviction investment product. Product has a clear and economically-grounded investment thesis, and is managed by an investment team that is sufficiently resourced and incented to execute on the thesis.
2	NEPC has a positive view of the strategy. Strategy has a compelling and sound investment thesis. The manager is sufficiently resourced and incented to execute on the thesis. Strengths outweigh the weaknesses, but the strategy does not meet all requirements for a 1 rating.
3	A satisfactory investment product. The strategy lacks a compelling investment thesis, however there are no significant concerns around the manager's viability.
4	The strategy may have an unclear or ambiguous investment thesis or the manager may lack the ability to execute on the stated thesis. The strategy likely has strengths and weaknesses and the weaknesses may outweigh the strengths.
5	A strategy that lacks an investment thesis or NEPC has no confidence in the manager's ability to execute on the thesis, and/or the investment firm may not be viable. Serious issues have been identified with an investment manager or product. This rating aligns with a Terminate Due Diligence status for client-owned products.
NR	Due diligence has not been sufficiently completed on the product or manager.



# **TOTAL FUND SUMMARY**

NEPC, LLC

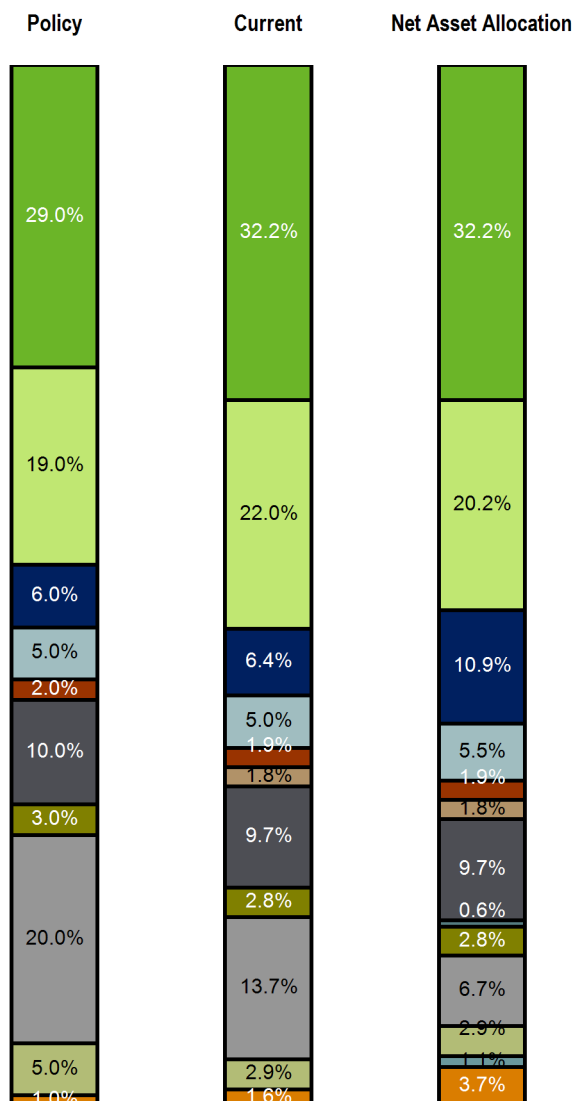
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# TOTAL FUND ASSET GROWTH SUMMARY

	Quarter Ending September 30, 2018					Ending Market Value
	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Net Investment Change	
Baxter Street	\$10,454,718	\$0	\$0	\$0	\$122,764	\$10,577,481
Boston Common	\$15,093,284	\$0	-\$8,660	-\$8,660	\$199,863	\$15,284,486
Brandywine Global Opportunistic	\$9,467,831	\$0	\$0	\$0	-\$75,026	\$9,392,805
Breckinridge - Corporate	\$9,745,228	\$0	-\$576	-\$576	\$36,034	\$9,780,686
Breckinridge-Treasury	\$3,700,088	\$0	-\$217	-\$217	-\$108,021	\$3,591,851
Brockton Capital Fund III	\$992,643	\$0	-\$7,163	-\$7,163	-\$13,992	\$971,488
Canvas Distressed Credit Fund	\$0	\$470,427	-\$6,917	\$463,510	-\$5,813	\$457,697
Cash Account	\$1,543,949	\$3,811,474	-\$4,098,963	-\$287,489	\$18,997	\$1,275,456
Cevian Capital II	\$6,307,510	\$0	\$0	\$0	\$219,505	\$6,527,015
Community Development	\$1,687,166	\$98,837	-\$841	\$97,996	\$2,986	\$1,788,149
Entrust Capital Diversified Fund Holdback	\$201,577	\$0	-\$201,571	-\$201,571	-\$6	--
Entrust Class X	\$577,955	\$0	\$0	\$0	-\$4,274	\$573,681
FEG Private Opportunities Fund	\$1,628,207	\$0	-\$80,000	-\$80,000	\$34,389	\$1,582,596
Franklin Templeton GMS	\$5,431,719	\$0	\$0	\$0	\$17,366	\$5,449,085
GMO Benchmark Free Allocation Fund	\$19,278,330	\$0	\$0	\$0	\$92,432	\$19,370,762
Kennedy Capital	\$9,661,366	\$0	-\$597	-\$597	\$886,948	\$10,547,717
Loomis Multi Sector	\$9,401,227	\$0	\$0	\$0	\$96,352	\$9,497,579
Loomis Sayles Strategic Alpha	\$3,543,364	\$0	-\$5,316	-\$5,316	\$28,693	\$3,566,741
MFS International Concentrated	\$16,190,692	\$0	\$0	\$0	\$564,310	\$16,755,002
OCP Orchard Landmark	\$2,165,077	\$0	\$0	\$0	\$53,778	\$2,218,855
RBC Global Emerging Equity	\$12,411,832	\$0	\$0	\$0	\$66,440	\$12,478,272
Rhumblin	\$19,889,553	\$0	-\$1,219	-\$1,219	\$1,205,899	\$21,094,233
Sands	\$21,908,370	\$0	-\$1,501,300	-\$1,501,300	\$1,406,446	\$21,813,516
SJF Ventures	\$413,952	\$0	-\$1,093	-\$1,093	-\$15,874	\$396,985
Wellington SMID	\$8,459,170	\$0	\$0	\$0	\$427,852	\$8,887,022
<b>Total</b>	<b>\$190,154,806</b>	<b>\$4,380,738</b>	<b>-\$5,914,433</b>	<b>-\$1,533,695</b>	<b>\$5,258,049</b>	<b>\$193,879,160</b>



# TOTAL FUND ASSET ALLOCATION VS. POLICY



Asset Allocation vs. Target						
	Current	Policy	Current	Policy Range	Within Range	Net Asset Allocation
Equity - Domestic	\$62,342,487	29.0%	32.2%	22.0% - 36.0%	Yes	32.2%
Equity - International	\$42,616,970	19.0%	22.0%	14.0% - 24.0%	Yes	20.2%
Equity - Emerging	\$12,478,272	6.0%	6.4%	3.0% - 9.0%	Yes	10.9%
Fixed Income - Domestic	\$9,780,686	5.0%	5.0%	0.0% - 15.0%	Yes	5.5%
Long Treasury	\$3,591,851	2.0%	1.9%	0.0% - 10.0%	Yes	1.9%
Unconstrained Bonds	\$3,566,741	--	1.8%			1.8%
Multi-Sector	\$18,890,384	10.0%	9.7%	0.0% - 15.0%	Yes	9.7%
Emerging Market Debt	--	--	--			0.6%
Opportunistic Fixed Income	\$5,449,085	3.0%	2.8%	0.0% - 10.0%	Yes	2.8%
Opportunistic	\$26,471,458	20.0%	13.7%	10.0% - 30.0%	Yes	6.7%
Private Markets	\$5,627,621	5.0%	2.9%	0.0% - 10.0%	Yes	2.9%
Real Assets	--	--	--			1.1%
Cash	\$3,063,605	1.0%	1.6%	0.0% - 10.0%	Yes	3.7%
<b>Total</b>	<b>\$193,879,160</b>	<b>100.0%</b>	<b>100.0%</b>			<b>100.0%</b>

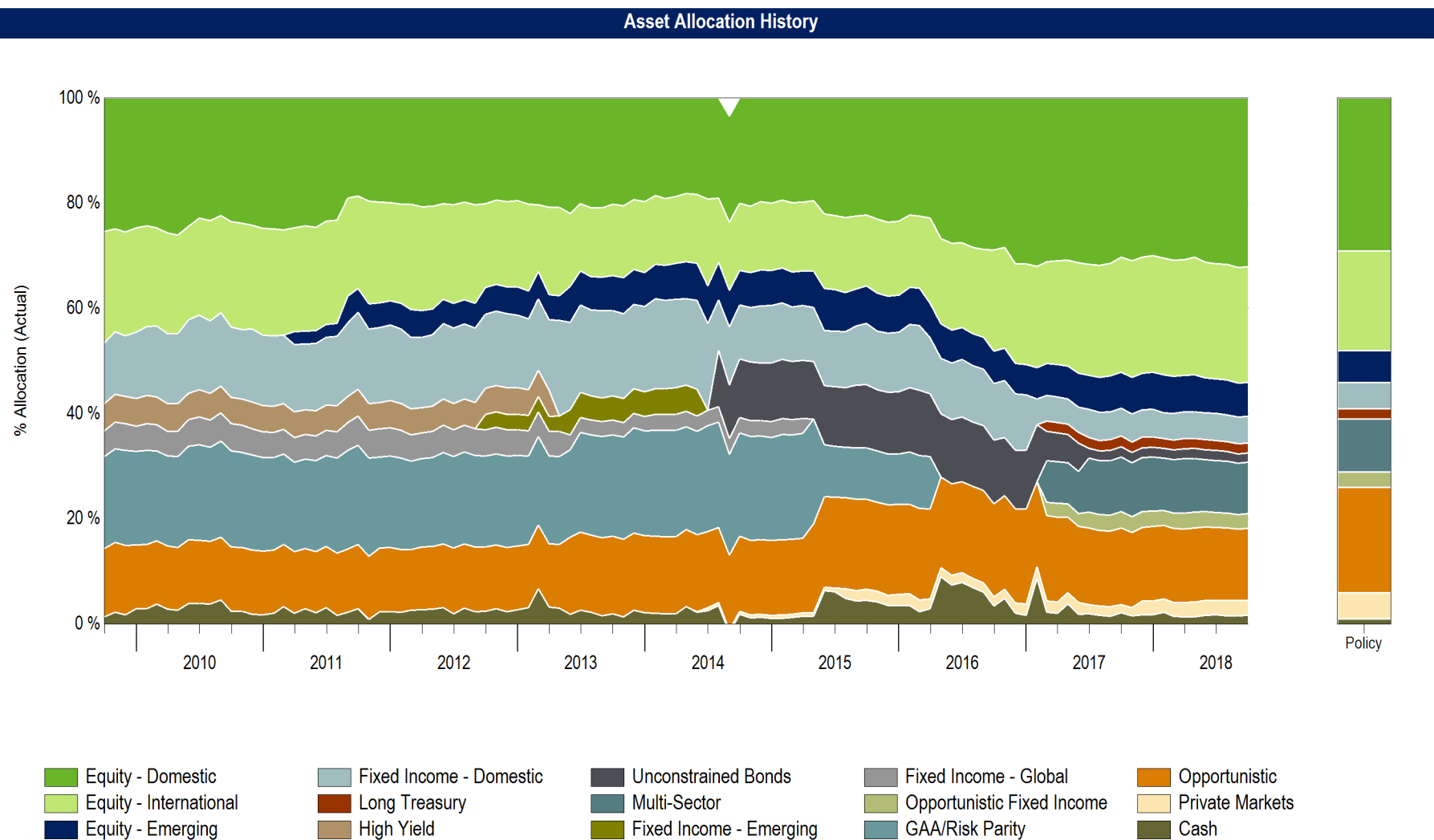
\* Cash allocation includes Community Development

- On a look through basis, Domestic Equity is 32.2% of the fund, International Equity is 20.2% of the fund, and Emerging Market Equity is 10.9% of the fund.

- Within the Opportunistic allocation, dedicated Hedge Fund exposure is 3.7%, GMO has an Absolute Return allocation in their fund, increasing hedge fund exposure to 6.7%.

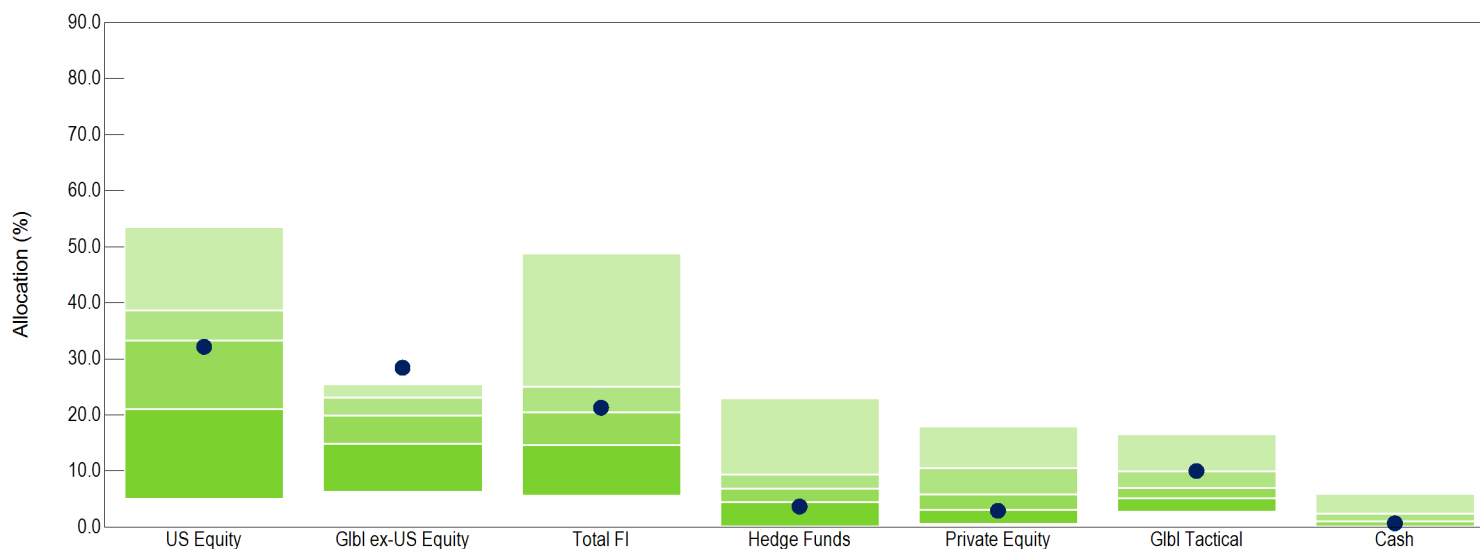
- Overall Fixed Income exposure is 22.3%, including GAA exposure.

# TOTAL FUND ASSET ALLOCATION HISTORY



# TOTAL FUND ALLOCATIONS VS. PEER UNIVERSE

Total Plan Allocation vs. InvestorForce All Endowment \$50mm-\$250mm Gross



	Allocation (Rank)													
5th Percentile	53.5	25.4	48.8	22.9	18.0	16.6	5.9							
25th Percentile	38.8	23.2	25.1	9.4	10.6	10.1	2.6							
Median	33.4	20.0	20.5	6.9	5.9	7.1	1.1							
75th Percentile	21.1	15.0	14.8	4.6	3.2	5.2	0.3							
95th Percentile	5.1	6.4	5.7	0.2	0.7	2.9	0.0							
# of Portfolios	62	69	74	40	38	19	66							
• Composite	32.2	(55)	28.4	(3)	21.3	(46)	3.7	(81)	2.9	(79)	10.0	(28)	0.7	(61)

<b>UUA Net Asset Allocation</b>	32.2	31.1	22.3	6.7	2.9	--	3.7
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Above analytic does not include Community Development, whereas UUA Net Asset Allocation does. Real Assets are not shown in the above analytic, as UUA does not have any dedicated exposure.



# TOTAL FUND PERFORMANCE DETAIL - NET

	Market Value (\$)	% of Portfolio	Policy %	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Composite</b>	<b>193,879,160</b>	<b>100.0</b>	<b>100.0</b>	<b>2.5</b>	<b>4.1</b>	<b>7.4</b>	<b>9.0</b>	<b>5.5</b>	<b>7.5</b>	<b>6.8</b>	<b>6.2</b>	<b>Jul-02</b>
Allocation Index				2.3	2.0	6.0	9.2	6.4	7.9	7.3	6.9	Jul-02
Policy Index				2.7	3.1	7.1	9.7	6.8	8.4	7.1	--	Jul-02
<b>Domestic Equity Composite</b>	<b>62,342,487</b>	<b>32.2</b>	<b>29.0</b>	<b>6.5</b>	<b>16.5</b>	<b>22.4</b>	<b>17.5</b>	<b>12.8</b>	<b>17.3</b>	<b>14.3</b>	<b>10.9</b>	<b>Jul-02</b>
Russell 3000				7.1	10.6	17.6	17.1	13.5	16.9	12.0	9.3	Jul-02
Rhumblin	21,094,233	10.9	10.5	6.0	6.2	13.0	15.5	11.5	15.3	10.3	7.7	Aug-05
Russell 1000 Value				5.7	3.9	9.5	13.6	10.7	15.0	9.8	7.4	Aug-05
Sands	21,813,516	11.3	10.5	6.6	29.1	33.9	21.5	15.1	19.8	18.1	12.8	Dec-03
Russell 1000 Growth				9.2	17.1	26.3	20.6	16.6	18.7	14.3	10.3	Dec-03
Wellington SMID	8,887,022	4.6	4.0	4.8	10.1	13.7	--	--	--	--	12.2	Apr-16
Russell 2500 Value				2.7	5.7	10.2	14.5	10.0	15.3	10.5	14.9	Apr-16
Kennedy Capital	10,547,717	5.4	4.0	8.9	18.3	--	--	--	--	--	18.3	Jan-18
Russell 2000 Growth				5.5	15.8	21.1	18.0	12.1	17.5	12.7	15.8	Jan-18
<b>International Equity Composite</b>	<b>55,095,242</b>	<b>28.4</b>	<b>25.0</b>	<b>1.7</b>	<b>-0.3</b>	<b>3.7</b>	<b>10.5</b>	<b>4.1</b>	<b>6.9</b>	<b>3.7</b>	<b>6.0</b>	<b>Jul-02</b>
MSCI ACWI ex USA				0.7	-3.1	1.8	10.0	4.1	7.2	5.2	6.9	Jul-02
MFS International Concentrated	16,755,002	8.6	7.0	3.3	3.7	7.9	12.1	6.3	--	--	7.1	Apr-13
MSCI EAFE				1.4	-1.4	2.7	9.2	4.4	8.3	5.4	5.9	Apr-13
Boston Common	15,284,486	7.9	7.0	1.2	-0.6	3.0	10.4	4.5	8.4	--	5.9	May-10
MSCI EAFE				1.4	-1.4	2.7	9.2	4.4	8.3	5.4	5.9	May-10
Baxter Street	10,577,481	5.5	5.0	1.2	2.0	3.9	--	--	--	--	11.6	Apr-16
MSCI ACWI ex USA				0.7	-3.1	1.8	10.0	4.1	7.2	5.2	10.8	Apr-16
RBC Global Emerging Equity	12,478,272	6.4	6.0	0.5	-6.8	-0.6	--	--	--	--	9.0	Jul-16
MSCI Emerging Markets				-1.1	-7.7	-0.8	12.4	3.6	5.0	5.4	13.3	Jul-16



# TOTAL FUND PERFORMANCE DETAIL - NET

	Market Value (\$)	% of Portfolio	Policy %	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Fixed Income Composite</b>	<b>41,278,747</b>	<b>21.3</b>	<b>20.0</b>	<b>-0.1</b>	<b>-2.0</b>	<b>-1.9</b>	<b>2.0</b>	<b>2.3</b>	<b>3.4</b>	<b>5.2</b>	<b>4.2</b>	<b>Jul-02</b>
BBgBarc US Aggregate TR				0.0	-1.6	-1.2	1.3	2.2	2.0	3.8	4.1	Jul-02
Brandywine Global Opportunistic	9,392,805	4.8	5.0	-0.9	-4.0	-4.5	--	--	--	--	2.7	Mar-17
FTSE WGBI TR				-1.6	-2.5	-1.5	1.7	0.2	-0.1	2.2	2.1	Mar-17
Loomis Multi Sector	9,497,579	4.9	5.0	0.9	-0.7	-0.1	--	--	--	--	2.8	Mar-17
BBgBarc US Govt/Credit TR				0.1	-1.8	-1.4	1.4	2.2	2.1	4.0	0.6	Mar-17
Franklin Templeton GMS	5,449,085	2.8	3.0	0.2	-2.5	-3.9	--	--	--	--	-1.0	Mar-17
BBgBarc Multiverse				-0.8	-2.4	-1.3	2.3	0.9	1.1	3.1	2.1	Mar-17
Breckinridge - Corporate	9,780,686	5.0	5.0	0.3	-0.6	-0.5	1.1	--	--	--	1.5	Nov-14
BBgBarc US Govt/Credit Int TR				0.2	-0.8	-1.0	0.9	1.5	1.6	3.2	1.2	Nov-14
Breckinridge-Treasury	3,591,851	1.9	2.0	-2.9	-6.3	-4.3	--	--	--	--	-0.6	Mar-17
BBgBarc US Treasury Long TR				-2.9	-5.8	-3.6	0.7	4.4	2.4	5.4	0.2	Mar-17
Loomis Sayles Strategic Alpha	3,566,741	1.8	0.0	0.7	1.5	2.0	2.9	--	--	--	2.0	Aug-14
BBgBarc US Aggregate TR				0.0	-1.6	-1.2	1.3	2.2	2.0	3.8	1.7	Aug-14
3-Month LIBOR + 3%				1.3	3.9	5.1	4.3	3.9	3.8	3.7	4.0	Aug-14
<b>Opportunistic Investments</b>	<b>26,471,458</b>	<b>13.7</b>	<b>20.0</b>	<b>1.2</b>	<b>-0.3</b>	<b>2.7</b>	<b>5.9</b>	<b>3.4</b>	<b>5.1</b>	<b>--</b>	<b>--</b>	<b>Jan-08</b>
CPI + 5% (Unadjusted)				1.4	6.2	7.4	7.1	6.6	6.6	6.5	6.8	Jan-08
GMO Benchmark Free Allocation Fund	19,370,762	10.0	10.0	0.5	-1.1	1.6	5.5	3.0	5.0	5.1	4.0	Jan-08
65% MSCI ACWI (Net) / 35% BBgBarc Aggregate				2.8	2.0	5.9	9.1	6.5	8.3	6.9	4.6	Jan-08
CPI + 5% (Unadjusted)				1.4	6.2	7.4	7.1	6.6	6.6	6.5	6.8	Jan-08
Cevian Capital II	6,527,015	3.4	3.0	3.5	2.5	6.6	14.6	--	--	--	5.0	Apr-15
HFRX Event Driven Index				-1.1	-5.5	-5.6	3.6	0.5	2.8	2.0	0.7	Apr-15
MSCI EAFE				1.4	-1.4	2.7	9.2	4.4	8.3	5.4	4.8	Apr-15
Entrust Class X	573,681	0.3	2.0	-0.7	-2.0	-2.9	--	--	--	--	-3.6	Jan-17



# TOTAL FUND PERFORMANCE DETAIL - NET

	Market Value (\$)	% of Portfolio	Policy %	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Private Markets/Opportunistic</b>	<b>5,627,621</b>	<b>2.9</b>	<b>5.0</b>	<b>0.9</b>	<b>5.1</b>	<b>9.3</b>	<b>8.6</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>8.5</b>	<b>May-14</b>
Private Markets Custom Benchmark				0.2	10.4	15.6	13.6	--	--	--	13.0	May-14
OCP Orchard Landmark	2,218,855	1.1		2.5	6.6	--	--	--	--	--	10.9	Nov-17
JP Morgan Corporate EMBI Broad TR USD				1.2	-1.6	-0.9	5.9	4.6	5.6	7.3	-1.4	Nov-17
FEG Private Opportunities Fund	1,582,596	0.8										
Brockton Capital Fund III	971,488	0.5										
SJF Ventures	396,985	0.2										
Canvas Distressed Credit Fund	457,697	0.2										
<b>Community Development</b>	<b>1,788,149</b>	<b>0.9</b>	<b>1.0</b>	<b>0.2</b>	<b>1.1</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>	<b>1.2</b>	<b>1.5</b>	<b>1.6</b>	<b>Jul-07</b>
91 Day T-Bills				0.5	1.3	1.6	0.9	0.5	0.4	0.3	0.6	Jul-07
<b>Cash</b>	<b>1,275,456</b>	<b>0.7</b>	<b>0.0</b>									

Fiscal Year End: 6/30

GMO Benchmark Free Allocation Fund returns are from the GMO Global Balanced Fund since May 2013.

Private Markets Custom Benchmark consists of 75% Cambridge Associates US All PE/25% Credit Suisse Leveraged Loans as of 9/1/2018. Prior to this, benchmark consisted 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.

SJF Ventures is benchmarked to its own return within the allocation index from 11/1/2016 to 10/31/2018.

Cash market Value includes \$530,125.46 adjustment for pending capital additions into the UUA Endowment Fund.

Net returns for the UUCEF Composite incorporates both investment management fees and UUA administrative fees/expenses.



# Unitarian Universalist Association of Congregations

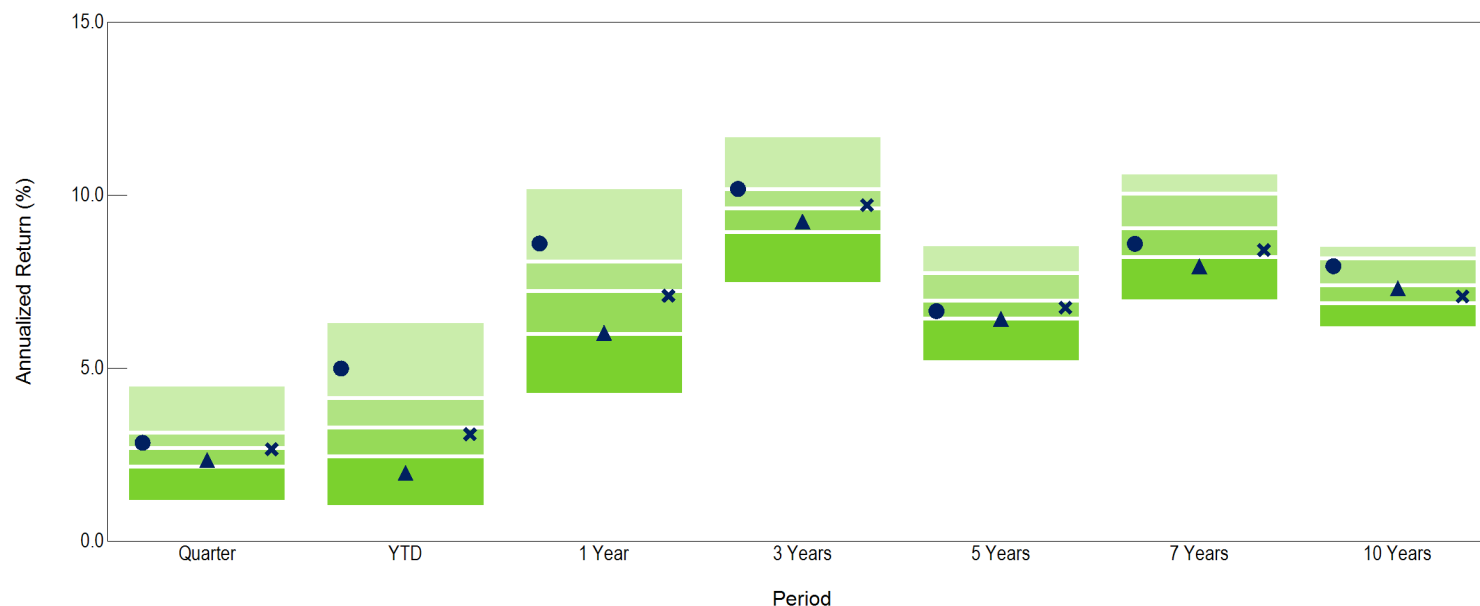
## Performance Analysis

6/30/2018

Investment Name	Vintage Year	Commitment Amount	Paid in Capital	Capital to be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
1 Brockton Capital Fund III	2015	4,484,552	2,930,648	1,553,904	16,095	2,324,630	967,445	3,292,075	345,332	65%	0.79	1.12	7.24%
2 FEG Private Opportunities Fund	2012	2,000,000	1,897,000	103,000	2,707	862,647	1,662,596	2,525,243	625,536	95%	0.45	1.33	8.90%
3 SJF Ventures IV	2016	2,500,000	500,000	2,000,000	0	0	396,985	396,985	-103,015	20%	0.00	0.79	-22.33%
<b>Total: Unitarian Universalist Association of Congregations</b>		<b>8,984,552</b>	<b>5,327,648</b>	<b>3,656,904</b>	<b>18,802</b>	<b>3,187,277</b>	<b>3,027,026</b>	<b>6,214,303</b>	<b>867,853</b>	<b>59%</b>	<b>0.60</b>	<b>1.16</b>	<b>7.20%</b>

# TOTAL FUND RETURN VS PEER UNIVERSE - GROSS

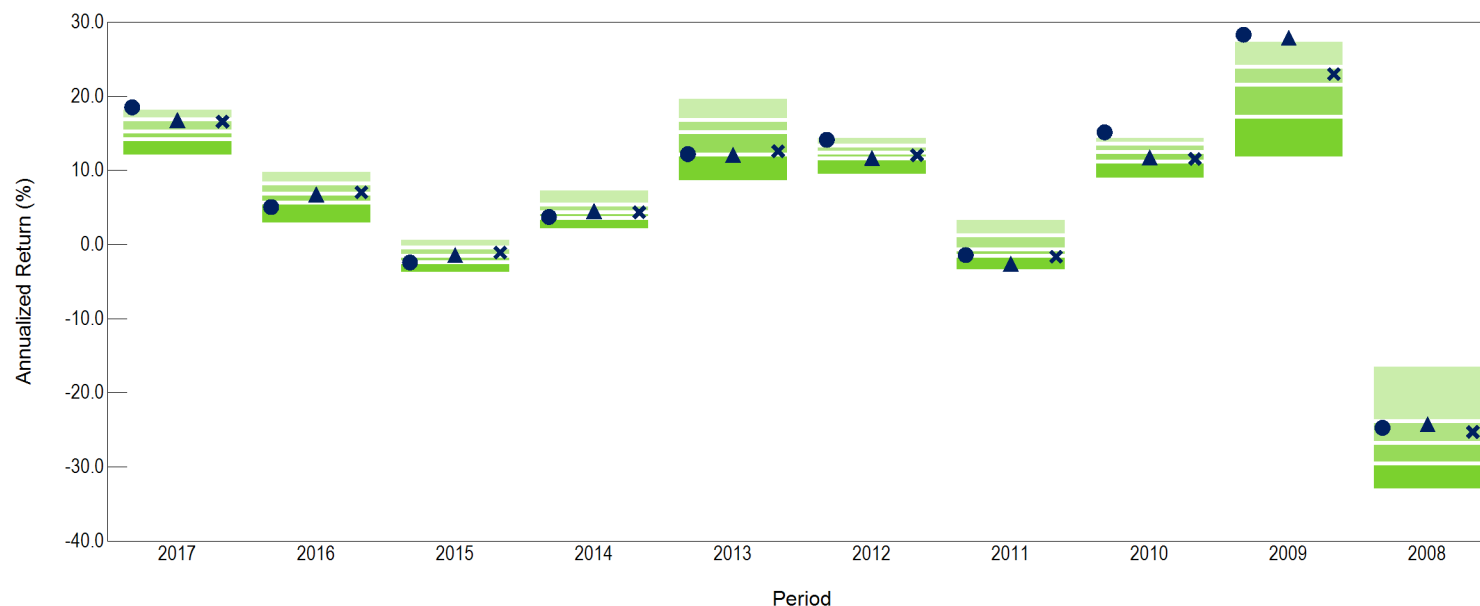
Composite vs. InvestorForce All Endowment \$50mm-\$250mm Gross



		Return (Rank)													
5th Percentile		4.5	6.4	10.2	11.7	8.6	10.6	8.6							
25th Percentile		3.2	4.1	8.1	10.2	7.8	10.1	8.2							
Median		2.7	3.3	7.2	9.6	7.0	9.0	7.4							
75th Percentile		2.2	2.5	6.0	8.9	6.4	8.2	6.9							
95th Percentile		1.1	1.0	4.2	7.4	5.2	6.9	6.2							
# of Portfolios		79	78	77	70	63	56	54							
●	Composite	2.8	(43)	5.0	(10)	8.6	(12)	10.2	(27)	6.6	(62)	8.6	(61)	7.9	(36)
▲	Allocation Index	2.3	(71)	2.0	(87)	6.0	(74)	9.2	(64)	6.4	(76)	7.9	(82)	7.3	(54)
×	Policy Index	2.7	(54)	3.1	(56)	7.1	(53)	9.7	(46)	6.8	(59)	8.4	(70)	7.1	(69)

# TOTAL FUND RETURN VS PEER UNIVERSE - GROSS

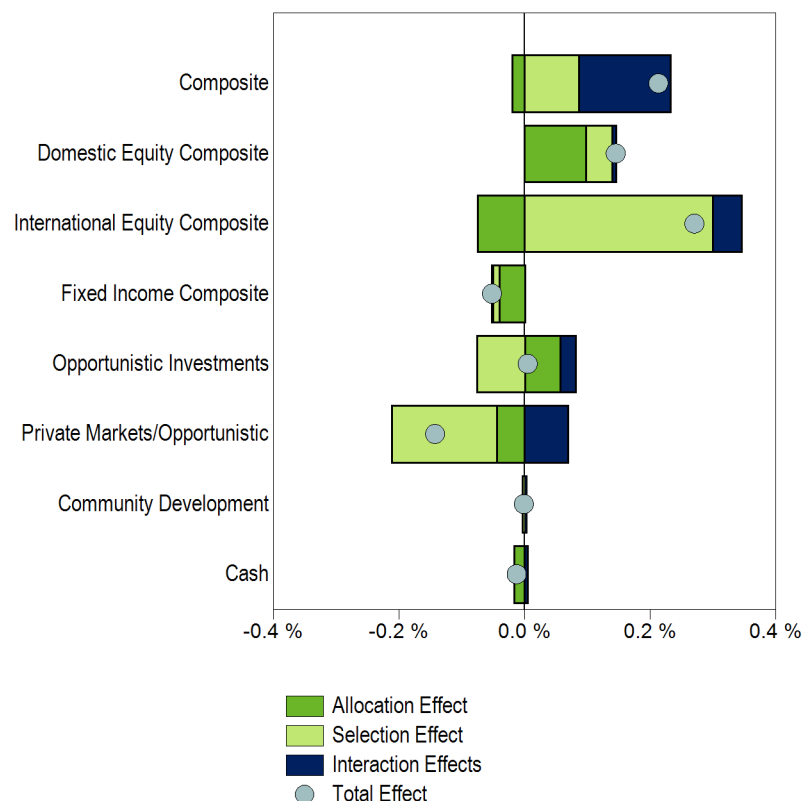
Composite vs. InvestorForce All Endowment \$50mm-\$250mm Gross



	Return (Rank)									
5th Percentile	18.4	10.1	0.9	7.5	19.9	14.6	3.6	14.6	27.6	-16.3
25th Percentile	17.0	8.3	-0.3	5.5	16.9	13.4	1.3	13.7	24.1	-23.8
Median	15.3	6.9	-1.5	4.4	15.2	12.5	-0.6	12.5	21.6	-26.7
75th Percentile	14.2	5.7	-2.3	3.6	12.2	11.7	-1.5	11.2	17.3	-29.4
95th Percentile	11.9	2.8	-3.9	2.0	8.4	9.4	-3.6	8.8	11.6	-33.1
# of Portfolios	76	79	80	90	81	83	82	77	75	71
● Composite	18.5 (5)	5.1 (85)	-2.4 (80)	3.7 (74)	12.2 (75)	14.1 (12)	-1.4 (73)	15.2 (3)	28.3 (5)	-24.7 (31)
▲ Allocation Index	16.8 (27)	6.8 (54)	-1.4 (49)	4.5 (46)	12.1 (76)	11.7 (74)	-2.6 (88)	11.8 (65)	27.9 (5)	-24.2 (27)
× Policy Index	16.6 (32)	7.0 (48)	-1.1 (41)	4.4 (52)	12.6 (70)	12.1 (66)	-1.6 (79)	11.6 (67)	23.0 (36)	-25.3 (37)

# TOTAL FUND ATTRIBUTION ANALYSIS - GROSS

**Attribution Effects**  
3 Months Ending September 30, 2018



**Attribution Summary**  
3 Months Ending September 30, 2018

	Policy Weight	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Domestic Equity Composite	29.0%	6.7%	6.5%	0.1%	0.0%	0.1%	0.0%	0.1%
International Equity Composite	25.0%	1.9%	0.6%	1.2%	0.3%	-0.1%	0.0%	0.3%
Fixed Income Composite	20.0%	0.0%	0.1%	-0.1%	0.0%	0.0%	0.0%	-0.1%
Opportunistic Investments	20.0%	1.4%	1.7%	-0.4%	-0.1%	0.1%	0.0%	0.0%
Private Markets/Opportunistic	5.0%	1.6%	4.9%	-3.2%	-0.2%	0.0%	0.1%	-0.1%
Community Development	1.0%	0.2%	0.5%	-0.3%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	1.0%	0.5%	0.5%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>2.8%</b>	<b>2.7%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.2%</b>

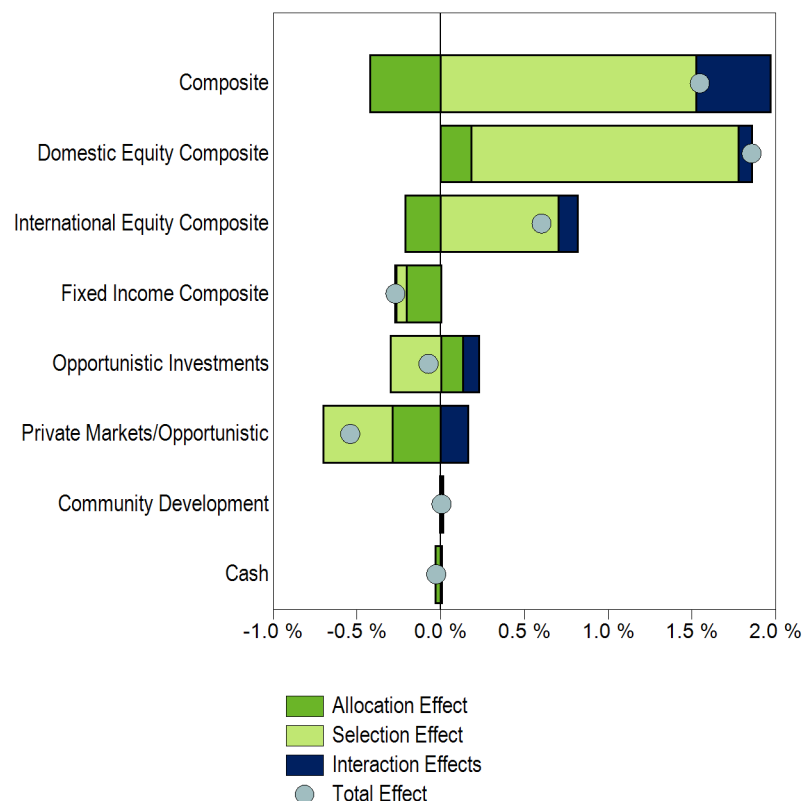
**Allocation Effect:** Measure the effects of overweighting or underweighting managers and asset classes.

**Selection Effect:** Measures the managers' ability to add excess return relative to the policy index.

**Interaction Effect:** Measures the cross correlation of both selection and allocation affects and is often referred to as an "error term."

# TOTAL FUND ATTRIBUTION ANALYSIS - GROSS

**Attribution Effects**  
1 Year Ending September 30, 2018



**Attribution Summary**  
1 Year Ending September 30, 2018

	Policy Weight	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Domestic Equity Composite	29.0%	23.2%	17.1%	6.1%	1.6%	0.2%	0.1%	1.8%
International Equity Composite	25.0%	4.6%	1.7%	2.9%	0.7%	-0.2%	0.1%	0.6%
Fixed Income Composite	20.0%	-1.4%	-1.2%	-0.3%	-0.1%	-0.2%	0.0%	-0.3%
Opportunistic Investments	20.0%	3.4%	4.9%	-1.5%	-0.3%	0.1%	0.1%	-0.1%
Private Markets/Opportunistic	5.0%	12.6%	21.1%	-8.5%	-0.4%	-0.3%	0.2%	-0.5%
Community Development	1.0%	1.2%	1.6%	-0.5%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	2.7%	1.6%	1.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>8.6%</b>	<b>7.1%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>-0.5%</b>	<b>0.4%</b>	<b>1.5%</b>

**Allocation Effect:** Measure the effects of overweighting or underweighting managers and asset classes.

**Selection Effect:** Measures the managers' ability to add excess return relative to the policy index.

**Interaction Effect:** Measures the cross correlation of both selection and allocation affects and is often referred to as an "error term."

# TOTAL FUND RISK STATISTICS

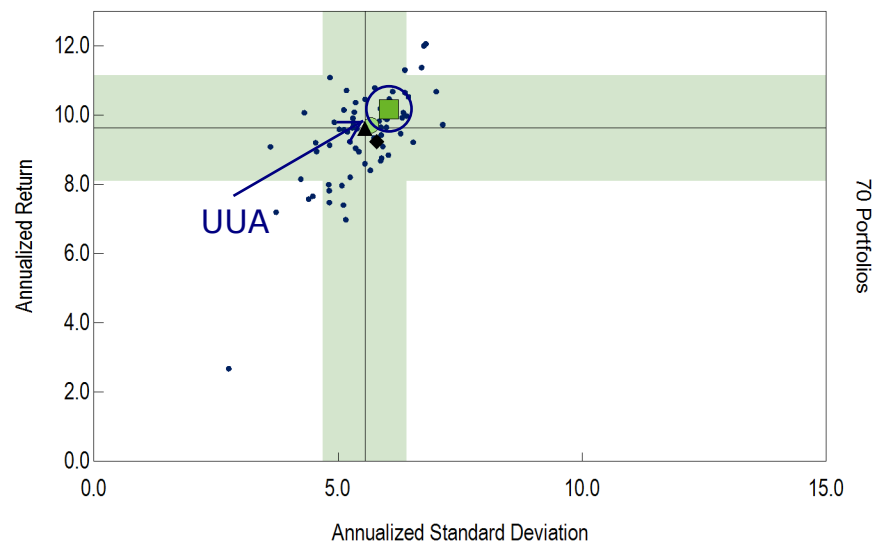
3 Years Ending September 30, 2018									
	% of Tot	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Info Ratio	Rank
Composite	100.00%	10.18%	27	6.04%	75	1.54	51	0.65	30
Allocation Index	--	9.24%	64	5.79%	58	1.45	74	--	--
Domestic Equity Composite	32.16%	18.22%	25	10.61%	51	1.64	33	0.31	22
Russell 3000	--	17.07%	39	9.30%	23	1.74	22	--	--
International Equity Composite	28.42%	11.37%	46	10.46%	29	1.00	35	0.59	32
MSCI ACWI ex USA	--	9.97%	66	10.88%	50	0.84	70	--	--
Fixed Income Composite	21.29%	2.46%	72	2.27%	14	0.70	50	0.43	59
BBgBarc US Aggregate TR	--	1.31%	90	2.66%	20	0.17	86	--	--
Opportunistic Investments	13.65%	6.76%	--	5.50%	--	1.07	--	-0.06	--

5 Years Ending September 30, 2018									
	% of Tot	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Info Ratio	Rank
Composite	100.00%	6.65%	62	6.29%	65	0.97	69	0.17	46
Allocation Index	--	6.43%	76	5.91%	43	1.00	60	--	--
Domestic Equity Composite	32.16%	13.46%	34	10.76%	48	1.20	38	0.00	34
Russell 3000	--	13.46%	34	9.65%	20	1.34	23	--	--
International Equity Composite	28.42%	4.85%	74	10.97%	38	0.39	69	0.33	66
MSCI ACWI ex USA	--	4.12%	85	11.20%	55	0.32	85	--	--
Fixed Income Composite	21.29%	2.76%	50	2.34%	12	0.95	36	0.24	47
BBgBarc US Aggregate TR	--	2.16%	57	2.70%	18	0.61	51	--	--
Opportunistic Investments	13.65%	4.21%	--	5.97%	--	0.62	--	-0.40	--



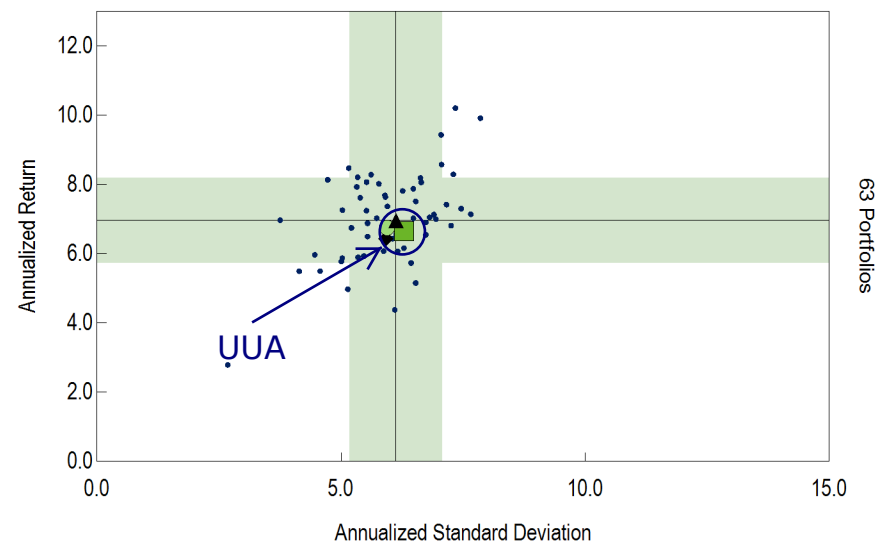
# TOTAL FUND RISK/RETURN - GROSS

3 Years Ending September 30, 2018



- Composite
- ◆ Allocation Index
- Policy Index
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce All Endowment \$50mm-\$250mm Gross

5 Years Ending September 30, 2018



- Composite
- ◆ Allocation Index
- Policy Index
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce All Endowment \$50mm-\$250mm Gross

3 Years Ending September 30, 2018

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Info Ratio	Rank
Composite	10.18%	27	6.04%	75	1.54	51	0.65	30
Allocation Index	9.24%	64	5.79%	58	1.45	74	--	--
Policy Index	9.71%	46	5.68%	54	1.56	49	0.92	10
InvestorForce All Endowment \$50mm-\$250mm Gross Median	9.63%	--	5.55%	--	1.55	--	0.32	--

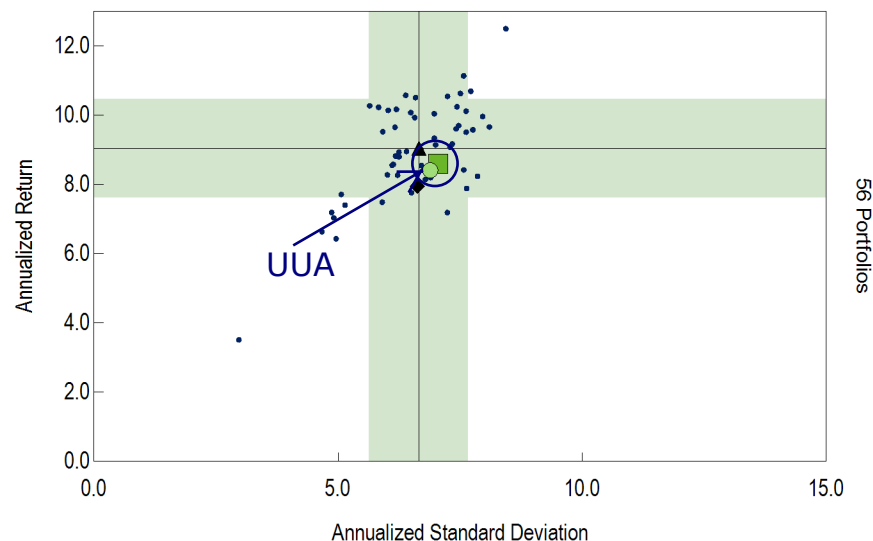
5 Years Ending September 30, 2018

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Info Ratio	Rank
Composite	6.65%	62	6.29%	65	0.97	69	0.17	46
Allocation Index	6.43%	76	5.91%	43	1.00	60	--	--
Policy Index	6.75%	59	5.95%	44	1.05	52	0.68	18
InvestorForce All Endowment \$50mm-\$250mm Gross Median	6.97%	--	6.13%	--	1.06	--	0.16	--



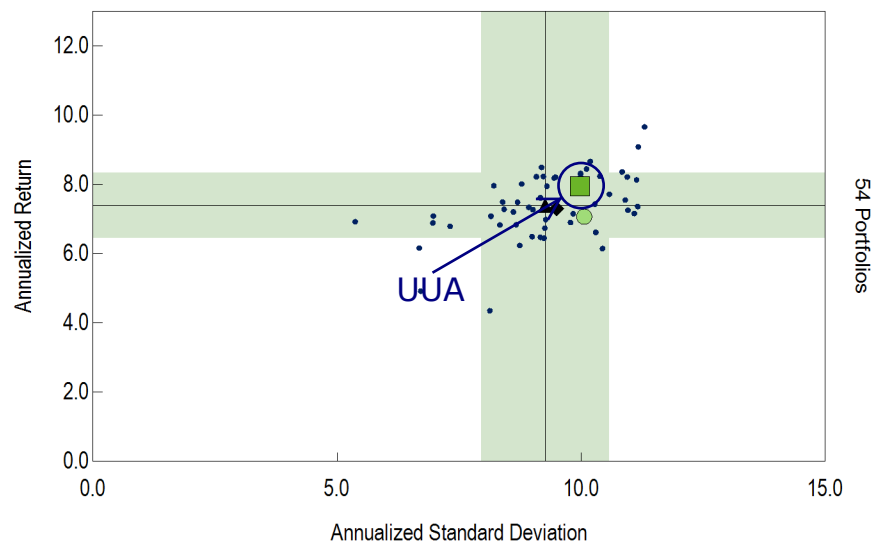
# TOTAL FUND RISK/RETURN - GROSS

7 Years Ending September 30, 2018



- Composite
- ◆ Allocation Index
- Policy Index
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce All Endowment \$50mm-\$250mm Gross

10 Years Ending September 30, 2018



- Composite
- ◆ Allocation Index
- Policy Index
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce All Endowment \$50mm-\$250mm Gross

7 Years Ending September 30, 2018								
	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Info Ratio	Rank
Composite	8.60%	61	7.06%	66	1.16	83	0.51	22
Allocation Index	7.94%	82	6.63%	50	1.14	88	--	--
Policy Index	8.41%	70	6.89%	59	1.16	83	0.76	15
InvestorForce All Endowment \$50mm-\$250mm Gross Median	9.05%	--	6.66%	--	1.32	--	0.39	--

10 Years Ending September 30, 2018								
	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Info Ratio	Rank
Composite	7.95%	36	9.98%	64	0.77	56	0.42	28
Allocation Index	7.31%	54	9.50%	57	0.74	63	--	--
Policy Index	7.07%	69	10.06%	70	0.67	86	-0.18	77
InvestorForce All Endowment \$50mm-\$250mm Gross Median	7.40%	--	9.27%	--	0.78	--	0.20	--



# APPENDIX

NEPC, LLC

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# GLOSSARY OF TERMS

The calculation methodology for each measure of performance is outlined below.

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

The calculation methodology for each measure of attribution is outlined below.

Measurement	Description	Equation
<b>Allocation Effect</b>	Measure the effects of overweighting or underweighting managers and asset classes.	= (ACTUAL MANAGER WEIGHT – POLICY TARGET WEIGHT) X POLICY INDEX RETURN
<b>Selection Effect</b>	Measures the managers' ability to add excess return relative to the policy index.	= (ACTUAL MANAGER RETURN – INDEX RETURN) X POLICY TARGET WEIGHT
<b>Interaction Effect</b>	Measures the cross correlation of both selection and allocation effects and is often referred to as an "error term".	= (ACTUAL MANAGER RETURN X (ACTUAL MANAGER WEIGHT – POLICY TARGET WEIGHT)) – ((MANAGER WEIGHT – POLICY TARGET WEIGHT) X INDEX RETURN)

# GLOSSARY OF TERMS

**Alpha** - Measures the relationship between the fund performance and the performance of another fund or benchmark index and equals the excess return while the other fund or benchmark index is zero.

**Alpha Jensen** - The average return on a portfolio over and above that predicted by the capital asset pricing model (CAPM), given the portfolio's beta and the average market return. Also known as the abnormal return or the risk adjusted excess return.

**Annualized Excess Return over Benchmark** - Annualized fund return minus the annualized benchmark return for the calculated return.

**Annualized Return** - A statistical technique whereby returns covering periods greater than one year are converted to cover a 12 month time span.

**Beta** - Measures the volatility or systematic risk and is equal to the change in the fund's performance in relation to the change in the assigned index's performance.

**Information Ratio** - A measure of the risk adjusted return of a financial security, asset, or portfolio.

*Formula:*

*(Annualized Return of Portfolio - Annualized Return of Benchmark)/Annualized Standard Deviation(Period Portfolio Return - Period Benchmark Return). To annualize standard deviation, multiply the deviation by the square root of the number of periods per year where monthly returns per year equals 12 and quarterly returns is four periods per year.*

**R-Squared** - Represents the percentage of a fund's movements that can be explained by movements in an index. R-Squared values range from 0 to 100. An R-Squared of 100 denotes that all movements of a fund are completely explained by movements in the index.

**Sharpe Ratio** - A measure of the excess return or risk premium per unit of risk in an investment asset or trading strategy.

**Sortino Ratio** - A method to differentiate between good and bad volatility in the Sharpe Ratio. The differentiation of up and down volatility allows the calculation to provide a risk adjusted measure of a security or fund's performance without upward price change penalties.

*Formula:*

*Calculation Average (X-Y)/Downside Deviation (X-Y) \* 2  
Where X=Return Series Y = Return Series Y which is the risk free return (91 day T-bills)*

**Standard Deviation** - The standard deviation is a statistical term that describes the distribution of results. It is a commonly used measure of volatility of returns of a portfolio, asset class, or security. The higher the standard deviation the more volatile the returns are.

*Formula:*

*(Annualized Return of Portfolio - Annualized Return of Risk Free) / Annualized Standard Deviation (Portfolio Returns)*

**Tracking Error** - Tracking error, also known as residual risk, is a measure of the degree to which a portfolio tracks its benchmark. It is also a measure of consistency of excess returns. Tracking error is computed as the annualized standard deviation of the difference between a portfolio's return and that of its benchmark.

*Formula:*

*Tracking Error = Standard Deviation (X-Y) \*  $\sqrt{(\# \text{ of periods per year})}$   
Where X = periods portfolio return and Y = the period's benchmark return  
For monthly returns, the periods per year = 12  
For quarterly returns, the periods per year = 4*

**Treynor Ratio** - A risk-adjusted measure of return based on systematic risk. Similar to the Sharpe ratio with the difference being the Treynor ratio uses beta as the measurement of volatility.

*Formula:*

*(Portfolio Average Return - Average Return of Risk-Free Rate)/Portfolio Beta*

**Up/Down Capture Ratio** - A measure of what percentage of a market's returns is "captured" by a portfolio. For example, if the market declines 10% over some period, and the manager declines only 9%, then his or her capture ratio is 90%. In down markets, it is advantageous for a manager to have as low a capture ratio as possible. For up markets, the higher the capture ratio the better. Looking at capture ratios can provide insight into how a manager achieves excess returns. A value manager might typically have a lower capture ratio in both up and down markets, achieving excess returns by protecting on the downside, whereas a growth manager might fall more than the overall market in down markets, but achieve above-market returns in a rising market.

*UpsideCapture = TotalReturn(FundReturns)/TotalReturns(BMReturn) when Period Benchmark Return is > = 0*

*DownsideCapture = TotalReturn(FundReturns)/TotalReturns(BMReturn) when Benchmark < 0*

Data Source: InvestorForce



### **Information Disclaimer**

- Past performance is no guarantee of future results.
- All investments carry some level of risk. Diversification and other asset allocation techniques are not guaranteed to ensure profit or protect against losses.
- NEPC's source for portfolio pricing, calculation of accruals, and transaction information is the plan's custodian bank. Information on market indices and security characteristics is received from other sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- Some index returns displayed in this report or used in calculation of a policy, allocation or custom benchmark may be preliminary and subject to change.
- This report is provided as a management aid for the client's internal use only. Information contained in this report does not constitute a recommendation by NEPC.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

### **Reporting Methodology**

- The client's custodian bank is NEPC's preferred data source unless otherwise directed. NEPC generally reconciles custodian data to manager data. If the custodian cannot provide accurate data, manager data may be used.
- Trailing time period returns are determined by geometrically linking the holding period returns, from the first full month after inception to the report date. Rates of return are annualized when the time period is longer than a year. Performance is presented gross and/or net of manager fees as indicated on each page.
- For managers funded in the middle of a month, the "since inception" return will start with the first full month, although actual inception dates and cash flows are taken into account in all Composite calculations.
- This report may contain forward-looking statements that are based on NEPC's estimates, opinions and beliefs, but NEPC cannot guarantee that any plan will achieve its targeted return or meet other goals.



# ALTERNATIVE INVESTMENT DISCLAIMER

**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.

