

UUA Investment and Socially Responsible Investment Committee – Minutes
24 Farnsworth Street
Boston, MA 02210
Room 210
August 20, 2019

Socially Responsible Investment Committee:

Members present: Kathy Mulvey, Chair, Vonda Brunsting, Lucia Santini-Field, Vanessa Lowe, Andrew McGeorge, Julie Skye and Pat Tomaino

Members absent: None

Staff: Tim Brennan, Susan Helbert

1. Minutes from meeting on May 16, 2019 – Mulvey

Motion 1: To approve minutes from May 16, 2019 meeting without amendment. Moved: Santini-Field, seconded: Skye, Lowe and McGeorge abstained, remaining members approved.

2. Consideration of Community Investment Opportunities – all members

- Boston Impact Fund
 - Pursues economic justice by investing in opportunity for all people, especially those most oppressed or abandoned by the current economic system.
 - Engage in field-building initiatives that challenge conventional beliefs about ownership, competition, profit-making and control and advance fresh perspectives on democratizing investment, strengthening relationships and building solidarity.
 - They intend to invest 75% in loans and 25% equity and investments range from \$50k-\$250k.

- Ujima Project
 - Mission is to build collective power by organizing investor savings, businesses and customers in order to grow a democratically controlled economy, build community wealth, and support economic self-reliance in Greater Boston.
 - A start-up fund which will be an investment vehicle to finance small businesses, organizations, real estate and infrastructure projects in Boston's working-class Black, Indigenous, and other communities of color.
 - Businesses must be active and have revenues of \$1 million to \$7 million annually to qualify.
 - Investments range from \$50k-\$250k.

Motion 2: To invest \$50,000 in the Boston Impact Fund for 3 years with a 3% return. Moved: Lowe, seconded, Skye. All approved.

VOTED: That the Unitarian Universalist Common Endowment Fund, LLC, invest \$50,000 of the assets of the UUCEF, LLC into the Boston Impact Initiative Fund, on the terms set forth in the subscription agreements and offering documentation therefore submitted by the Investment Fund to Andrew McGeorge, Treasurer of the Unitarian Universalist Association, subject to such changes and amendments therein as he may determine to be appropriate; ; and

VOTED: To authorize the Treasurer, Andrew McGeorge, and the Executive Vice President, Carey McDonald, each individually, acting singly or together, to execute and deliver documents to effect the foregoing, all with such terms and conditions as are approved by the signatory, with such officer's signature being conclusive evidence of approval; and

VOTED: To ratify and approve all that the Treasurer, Andrew McGeorge, has done or may do in connection with said investments.

Motion 3: To recommend to the Investment Committee that an investment of \$25,000 be made in the Ujima Project for 3 years with a 2% return. Moved: Lowe, seconded, Mulvey. Tomaino abstained as he's a member of Ujima's Investment Committee, all other members approved.

3. SRI Policy discussion – all members

- Discussed most recent changes and are comfortable moving it forward as is.
- Expect to add an appendix of General Assembly and Board actions supporting the policy within six months.
- Will begin working on procedures to accompany the policy and expect it to take up to a year to complete.

Motion 4: To approve the SRI policy as presented with an appendix of the historical references to be added within 6 months and procedures to be developed with a year. Moved, Lowe, seconded, Brunsting. All approved.

Action item 1: Brennan to send historical references for SRI Policy to McGeorge.

Investment Committee:

Members present: Kathleen Gaffney, Chair, Andrew McGeorge, Brian Lasher, Ken Redd, and Lucia Santini-Field

Members absent: None

Staff: Tim Brennan, Susan Helbert

NEPC: Lily Fayerweather, Krissy Pelletier, Asher Watson

Acadian Asset Management: Renee Hoffman, Asha Mehta

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

1. Acadian Interview – Hoffman, Mehta

- Boston based manager and the first quantitative manager to sign onto PRI.
- Has about 600 holdings giving a broad range of market cap exposure.
- Responsible investing is an integral part of the investment process; believe sustainable companies have the potential to generate stronger performance over time.
- Discussed methodology for estimating a company's valuation in the absence of disclosed data.

- Set portfolio constraints at 5% for both country and industry level.

2. Debrief and next steps on Emerging Market Equity – all members

- Quantitative process contrasts with the fundamental process at RBC.
- Strong ESG integration in is line with UUCEF interests.
- Their bottom up approach pairs nicely with RBC who uses a top down approach.

Motion 1: To invest 50% of the current RBC allocation into the Acadian Emerging Market Fund. Moved, Gaffney, seconded Lasher, all approved.

VOTED: That the Unitarian Universalist Common Endowment Fund, LLC, invest 50% of the assets currently held in the RBC Emerging Market Fund, into the Acadian Emerging Market Fund, (the “Investment Fund”), on the terms set forth in the subscription agreements and offering documentation therefore submitted by the Investment Fund to Andrew McGeorge, Treasurer of the Unitarian Universalist Association, subject to such changes and amendments therein as he may determine to be appropriate; and

VOTED: To authorize the Treasurer, Andrew McGeorge, and the Executive Vice President, Carey McDonald, each individually, acting singly or together, to execute and deliver documents to effect the foregoing, all with such terms and conditions as are approved by the signatory, with such officer’s signature being conclusive evidence of approval; and

VOTED: To ratify and approve all that the Treasurer, Andrew McGeorge, has done or may do in connection with said investments.

3. Fixed Income Allocation – all members

- Review manager sizing for flexible mandates
 - Currently have some overlapping exposures between Brandywine and Franklin Templeton however; the two strategies exhibit a relatively low correlation to one another and have historically had very different beta’s.
 - NEPC recommends continuing termination of Loomis Strategic Alpha and reallocating those proceeds to Franklin Templeton achieving roughly a 1/3 split between the three remaining managers.
- Discuss alternative options for short duration
 - High Quality Fixed Income objective is to provide some safe haven and liquidity.
 - Liquidated GMO to fund the recently approved Short Duration mandate. In an effort to implement that mandate as quickly as possible, funded the Fidelity Short Treasuries index fund until a suitable alternative investment is identified.
 - Discussed the Income Research and Management 1-3 Year Bond, Merganser Short Term Bond, StoneCastle Financial Corp., and MicroVest Short Duration opportunities.
 - StoneCastle is a very interesting strategy, interested in learning more about the FICA for Impact Fund.

Motion 2: To allocate flexible Fixed Income to 1/3rd each to Brandywine, Loomis Multi-Sector and Franklin Templeton. Moved, Gaffney, seconded, Lasher, all approved.

Action item 1: NEPC will provide materials on StoneCastle's FICA for Impact Fund, including regions and banks, to the committee to review.

Action item 2: NEPC will work with Helbert to schedule a call for the committee to discuss StoneCastle's FICA for Impact Fund.

4. Draft SRI Policy and Screening Criteria Process Review – all members

- Had lengthy discussion on the most recent draft SRI Policy.
- Knowing an interview with a potential new committee member is upcoming; feel more comfortable waiting until next meeting to vote so potential new member could review and weigh in on discussion.
- Need to create procedures/structure on how SRI policy will be operationalized and how collaboration will work. On the investment side there's a method that balances risk and return, need to develop this on the social investing side to help the committees evolve together.
- Work to begin on an appendix citing the relevant GA decisions affecting the policy.
- Subcommittee is continuing to sense-check exclusions based on the new Sustainalytics risk scoring.

Action item 3: Gaffney, McGeorge and Mulvey to work on goals and priorities for the next 6 to 12 months and the members who will work on them.

Action item 4: NEPC, Lasher, McGeorge, and Skye to have a call on the negative screening process. Will bring report to the committees for discussion at the next meeting.

5. Minutes from May 16, 2019 - Gaffney

Motion 2: To approve minutes from the May 16, 2019 meeting. Moved: Santini-Field, seconded Lasher, Lowe and McGeorge abstained, remaining members approved.

Joint Session:

6. Working lunch – all members

- Debriefed workshop led by Jeannette Huezo of United for a Fair Economy and Vonda Brunsting and discussed next steps
 - Learned a great deal about racial injustice and income equality through several well-planned interactive activities. (See, for example, Government Boosts and Blocks to Building Wealth online at: http://www.faireconomy.org/boosts_and_blocks_of_building_wealth_infographic).
 - Discussions and activities proved out how current economic situation works for some but not the majority.
 - Training activities on income and wealth stagnation dramatically demonstrated the loss of the middle class.
 - Spurred idea of researching the possibility of a racial justice assessment of the portfolio.

- Need to further review how this helps shape the mission of the joint committees.

Action item 5: Brunsting to collect notes from work groups, debrief and get take-aways from Jeannette at United for a Fair Economy, follow-up on fundraising prospects with Episcopal City Mission and find out more about learning circle opportunities to help guide us.

7. SRIC Update on and Recommendation for Community Investment Opportunities – all members

- SRIC approved an investment of \$50,000.00 in the Boston Impact Fund for 3 years with a 3% return.
- SRIC recommended a \$25,000.00 investment be made in the Ujima Project for 3 years with a 2% return.
- See above under SRIC section for description of the Boston Impact Initiative Fund and the Ujima Project.

Motion 3: To invest \$25,000 in the Ujima Project for 3 years with a 2% return. Moved: Lasher, seconded, Santini-Field. All approved.

8. Manager Introductions - all members

- Committee will review managers and discuss at November meeting.

9. Performance Update – NEPC

- The Endowment returned 4.0% (gross of fees) during Q2 of 2019, ranking in the 7th percentile of the universe, outperforming both the allocation and policy indices.
- Over the fiscal year, the Endowment returned 7.3% (gross of fees), ranking in the 13th percentile of the universe and outperforming both the allocation and policy indices.
- Over the ten-year time horizon, the portfolio ranks in the top third of peers.
- Discussed new target ranges for portfolio.

Motion 4: To accept new target ranges as provided by NEPC. Moved: Lasher, seconded, Gaffney. All approved.

10. Discuss plans for next meeting – all members

- SRI policy.
- Negative screening process and review of exclusions based on new Sustainalytics risk scoring.
- SRIC.IC goals and priorities for next 6-12 months.
- Discuss remaining actions items from May SRIC meeting.
- Manager introductions.

**Next Meeting:
November 19, 2019**