

## MEETING MATERIALS

# UNITARIAN UNIVERSALIST ASSOCIATION OF CONGREGATIONS

February 19, 2020



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# ADMINISTRATIVE

NEPC, LLC

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**SRIC/IC Meeting—Agenda**  
**February 19, 2020**  
**8:30am-2:00pm**

**8:30am – 10:15am IC**

- 8:30am Review 2020 workplan
  - Discuss evaluating managers over time
- 8:45am Review Private Markets Pacing Plan
- 9:15am NEPC 2020 Investment Outlook
- 9:45am UUCEF Asset Allocation Review and Recommendations
- 10:15am Break

**10:30am – 1:15pm Joint IC/SRIC**

- 10:30am Approval of November IC/SRIC Minutes
- 10:35am Manager Interview
  - Ownership Capital
- 11:20am Discussion/Decision on Ownership
- 11:35am Update on Community Investing
- 11:45am Performance Update
- 12:00pm Working Lunch
  - Report back of Board discussion on policy
  - Update on 2020 Business Resolution, discussion with Quakers re: Human Rights, and review by Sustainalytics of Human Rights
  - Discuss establishment of Screening Subcommittee
- 12:30pm Break
- 12:45pm Update on GA2020 Program
- 1:15pm Adjourn IC & Joint SRIC/IC meeting

**1:15pm – 2:30pm SRIC**

- 1:15pm Approval of November SRIC minutes
- 1:30pm Community Investing
  - Discussion of management and policy

- 2:00pm      Shareholder engagement
- Check-in on resolutions & engagement in 2020 proxy season
  - Discussion of proposed changes to SEC rules re: shareholder resolutions
- 2:30pm      Adjourn SRIC meeting

UUA Investment and Socially Responsible Investment Committee – Minutes **DRAFT**  
24 Farnsworth Street  
Boston, MA 02210  
Room 210  
November 19, 2019

*Socially Responsible Investment Committee:*

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

Members absent: None

Staff: Susan Helbert

**1. Minutes from meeting on August 20, 2019 – Mulvey**

**Motion 1:** To approve minutes from August 20, 2019 meeting without amendment. Moved: Brunsting, seconded: Santini-Field, all approved.

**2. General Assembly resolutions – all members**

- Review 2019 Actions of Immediate Witness (AIWs) (including [Build the Movement for a Green New Deal](#) and [Protect the Rights of Immigrants and Asylum Seekers](#)), identify possible implications for SRI Guidelines, and map out next steps.
  - UUA Board is aware of AIWs; nothing specifically focused on investments but could inform our guidelines regarding private prisons (including for private equity firms as well as publicly traded companies).
  - Need to have a procedure in place to capture action items from annual GA's to ensure any necessary guideline updates are made.

**Action item 1:** McGeorge to check with Tim Brennan to see if he contacted Susan Leslie, Congregational Advocacy and Witness Director, about her department tracking action items from General Assembly and reporting such actions to the SRIC annually.

- Discuss potential 2020 Business Resolution on “Embodying Human Rights in Our Investment Decisions”
  - The social justice organizations, UUs for Justice in the Middle East, Black Lives UU, UU RISE and UU Ministry for Peace Network, will be filing a business resolution at this year's GA.
  - Reviewed the most recent version of their proposed business resolution. Discussed what, if any, changes could be recommended that would enable to committee to support the resolution.
  - Reviewed edits and discussed how the proposal could potentially affect the current screens in place for human rights. Proposal should also target congregational assets not just the UUCEF assets.
  - Discussed GA program proposal to help congregations understand what the association is doing, what they can do and what we can do together.

**Action item 2:** Brunsting to contact the Quakers to inquire about their work on human rights.

**Action item 3:** Tomaino to contact Sustainalytics to inquire on what data they have available for use with regard to human rights violations and any additional costs we could encounter.

**Action item 4:** McGeorge to follow up with Tim Brennan on potential engagements on human rights.

**Action item 5:** McGeorge to follow up with Tim Brennan to see if the proposed resolution has gone to counsel for review.

**Action item 6:** Lowe and Mulvey to work on GA2020 program proposal.

### **3. Community Investing – all members**

- Recommendation to increase portfolio allocation
  - Allocation of 1% hasn't been reviewed in decades and is considered to be well below the benchmark for SRI/ESG investors. Changing the allocation from 1% to up to 5% with at least half to be invested in market rate (cash rate) return vehicles is more in keeping with our commitment to aligning our investments with our values.
  - Will present a motion to the Investment Committee to increase allocation.
- Discussion of potential investments in Seed Commons and Capital for Change
  - **Capital for Change (C4C)**
    - a) Formed in 2016 through the merger of three existing Connecticut CDFIs.
    - b) Have successfully increased impact they sought resulting in operational efficiencies, stronger balance sheet and greater social impact.
    - c) Have an \$81.1 million portfolio with 42% being invested in permanent housing.
    - d) Have created 11,628 affordable housing units, 2,459 jobs and saved 306 metric tons of CO2. Has a 100% investor repayment rate.
  - **Seed Commons**
    - a) Deferred discussion to February meeting.

**Motion 2:** To invest \$100,000.00, for 3 years at a return of 3%, in Capital for Change. Moved: Mulvey, seconded Brunsting, all approved.

### **4. Shareholder Engagement & Advocacy – Mulvey**

- Reviewed advocacy report and plan from Tim Brennan, Special Advisor on Responsible Investing. The report detailed shareholder resolutions filed thus far, ongoing company dialogues, Carbon Action 100 engagements and, potential filings.
- Could cover additional issues if committee members could take on supporting work.

**Action item 7:** McGeorge to draft a comment letter to the SEC on the proposed increase in the shareholder resolution ownership requirements and resubmission thresholds and share with committee.

### ***Joint Session:***

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

Members absent: None

Staff: Susan Helbert

NEPC: Lily Fayerweather, Krissy Pelletier

SRI Committee: Vonda Brunsting, Vanessa Lowe (via Zoom), Kathy Mulvey, Julie Skye, Pat Tomaino

Guest: John Minahan

## **1. Minutes from May 16, 2019 - Gaffney**

**Motion 1:** To approve minutes from the August 20, 2019 meeting without amendment. Moved: Santini-Field, seconded Lasher, all approved.

## **2. Manager Introductions – NEPC**

### **• Impax**

- Is on NEPC's Thematic Equity Platform FPL (Focused Placement List), fully vetted through their due diligence committee and suitable for all clients.
- Founded in 1998 in London and acquired Pax World Management in 2018 adding \$4 billion to their assets under management.
- Believe that population dynamics, inadequate infrastructure, resource scarcity and environmental constraints will profoundly impact capital markets
- Invest across equity, fixed income and real assets. All investments meet a minimum ESG score. Have minimum thresholds that companies must meet to get into the portfolio.
- The Specialists Strategy is a small and mid-cap strategy focusing on resource optimization through energy efficiency, alternative energy, water, waste/resource recovery, food and agriculture. Inclusion is predicated on one or more of the themes compromising more than 50% of group revenue, profitability or invested capital.
- Minimum investment is \$5 million, fees are 1.10%

### **• Ownership Capital**

- On NEPC's Discovery Platform, non-FPL, not suited for all clients but does pose unique investment opportunity which are shared with a subset of clients. On Discovery Platform due to concentration, only strategy in the firm, and just breaking into the US market.
- Founded in 2013 in Amsterdam. Fully employee owned and is a PRI signatory.
- Believe there's a disconnect between the long-term value of a company and the short-term interest of investors.
- Take a minority stake in companies with high quality fundamentals and engage on high impact ESG areas to improve valuation. Concentrated strategy of 20 to 25 holdings.
- Global strategy, current exposure is only in US and Western Europe, with a significant bias to the US.
- Negotiated fee of .55% with a 20% performance fee every three years measured against the MSCI World or MSCI Kokosai. Contingent upon NEPC clients investing \$100 million in capital within 1 year. Could revert to the standard 1% fee if \$100 million isn't met but that seems unlikely.
- Not SEC registered yet, paperwork is in progress and NEPC is tracking.

- NEPC recommended a \$5 million investment with the funding coming from Sands Capital. Reduces the single manager concentration while maintaining similar exposure.

**Action item 1:** NEPC to provide a breakdown of technology holdings between Sands Capital and Ownership Capital.

**Action item 2:** NEPC to provide a chart showing Ownership Capital fund holdings over time and information on how they analyze a company.

**Action item 3:** NEPC to provide comparison of Ownership Capital returns based on US and Europe benchmarks.

**Action item: 4** NEPC to schedule a call with Ownership Capital.

### **3. Private Equity opportunity - NEPC**

- Pontifax Global Food and Agriculture Technology Fund II
  - Newer firm; however, existing investment team has done similar investing at other firms.
  - Invests in high-growth food and agriculture technology companies.
  - Will be a concentrated portfolio of 8-12 companies with average equity investments ranging from \$15 million to \$40 million.
  - Has the ability to invest globally but will focus primarily on North America.
  - Expected to hold final close in first quarter of 2020.
  - Not an impact investor but is sustainability focused.
  - Have clear sustainability key performance indicators that they develop with companies before they invest and track over time.
  - Fees are 2% on committed capital during commitment period and 2% on invested capital thereafter.

**Action item 5:** NEPC to schedule a call with Pontifax.

### **4. Report from SRIC on new Sustainalytics processes and flagged companies – Mulvey, Tomaino, Santini-Fields, Skye**

- Subcommittee divided up flagged companies on the latest report for review. Found that the exclusions set forth for Sustainalytics are being applied.
- Will be discussing with Sustainalytics, their risk score and what goes into the controversy ratings.
- Subcommittee will continue to monitor new inclusions/exclusions, review companies to determine what changed and determine if we're in agreement with decision.
- Discussed that we can exclude companies manually, should there be other risks/controversies identified which go against UU values.
- Semi-annually, the SRIC will prepare a report on manually excluded companies, for the Investment Committee, with background on why the Sustainalytics recommendation isn't being applied. Going forward, SRIC will make a recommendation to the Investment Committee to exclude manually, companies with additional risks/controversies that don't align with UU values.



- Will be evaluating service providers to determine who can provide best human rights screening.

## **5. Negative Screening Process – Lasher, Pelletier (NEPC), Skye**

- Review report to evaluate future proposals
  - Reviewed report prepared by NEPC on what the ramifications are on performance.
  - Report bears out that the exclusions have been beneficial, and the portfolio has outperformed its benchmark.
  - Report will be provided by NEPC semi-annually based on Sustainalytics report.

**Motion 2:** Integrated procedures to include a semi-annual review of screening criteria and excluded stocks; to evaluate the impact on the portfolio construction and returns and to provide rationale for any changes.

Moved: Gaffney, seconded Santini-Field, all approved.

**Motion 3:** Should changes occur to the included/excluded stocks between the semi-annual reviews, the SRIC will evaluate those changes and bring an actionable recommendation to the Investment Committee for vote as soon as reasonably possible. Moved: Gaffney, seconded Santini-Field, all approved.

## **6. Working lunch: SRI Guidelines & SRIC/IC Integration – Gaffney, Mulvey**

- Goals for the next 6-12 months
  - Discussed the committee's responsibilities as set forth by the UUCEF by-laws.
  - Discussed the goals and tasks needed to address those responsibilities.
  - Doing the work, now need to get the message out more broadly.
  - Need to get volunteers for the immediate tasks outlined for November through February and for all to review and share comments on goals and timeline document.
- Potential 2020 Business Resolution on "Embodying Human Rights in Our Investment Decisions"
  - Been in ongoing dialogue with UU social justice groups over the last several months concerning their belief that our investment policies and guidelines in relation to human rights could be strengthened.
  - Progress has been made; however, it's anticipated a business resolution will be submitted for consideration at GA2020. Continuing to work with them in an effort to draft a resolution that the committees could support and implement.
  - Social justice groups raised concern over accessible communication with committees. Need to show the numerous ways information and communication are available such as meetings, investor calls and UUCEF.org.
  - Checking with our legal counsel to ensure clauses are within the bounds of what can be set forth in a business resolution. Seek to model operative clauses on the 2014 Fossil Fuel Divestment Business Resolution.
  - Need to identify the best service provider to help us implement a potentially more stringent human rights screen.

**Action item 6:** Mulvey and Santini-Field to work on draft of resolution which will acknowledge available information/communication, include shareholder engagement, and differentiate between directly held securities and pooled assets.

**Action item 7:** McGeorge to forward Business Resolution to Sustainalytics to determine what companies would be excluded from the portfolio if the resolution passes.

**Action item 8:** Gaffney and Santini-Field to work on possible program proposal for GA2020.

**7. SRI Guidelines: Review & Recommendation for Adoption by UUA Board– all members**

- Discussed latest revisions to the guidelines.

**Motion 4:** For the Investment Committee to accept the Socially Responsible Investment Committee guidelines as presented, with an appendix of historical references to be added within six months, procedures to added within one year, and community investment guidelines to be integrated. Investment Committee to bring guidelines before the Board for approval. Moved: Gaffney, seconded Brunsting, abstained Lasher, Santini-Field absent for vote, all others approved.

**Motion 5:** To accept the IC/SRIC integration goals and timeline. Moved: Gaffney, seconded: Mulvey, Santini-Field absent for vote, all others approved.

**8. Discussion on increasing the Community Investment allocation - all members**

- The 1% allocation hasn't been discussed in years and is well below current standards.
- Will invest half of allocation in investments that earn a market rate return or higher.
- Will discuss target range and allocation of entire portfolio at the February meeting.
- Discussed the newest community investment in Capital for Change (C4C).

**Motion 6:** To increase Community Investment target range from approximately 1% to up to 5% with no more than 2.5% being in below market rate investments. Moved: Lowe, seconded: Brunsting, Santini-Field absent for vote, all others approved.

**Action item 9:** NEPC to provide new asset allocation incorporating the new target range for Community Investments at the February meeting.

**9. Performance Update – NEPC**

- The Endowment returned -0.9% (gross of fees) during Q3 of 2019, ranking in the 99<sup>th</sup> percentile of the investment universe, underperforming both the allocation and policy indices.
- Over the year to date, the Endowment returned 13.1% (gross of fees), ranking in the 38<sup>th</sup> percentile and outperforming both the allocation and policy indices.
- Over the ten-year time period, the Endowment ranks in the top two thirds of peers.

**10. 2020 Workplan and scheduling 2020 meeting dates – all members**

- Reviewed and discussed the 2020 goals and timeline created by Gaffney and Mulvey.
- Scheduled all meeting dates for 2020.

**Next Meeting:  
February 19, 2020**



NEPC, LLC

## 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:** WCM Small Cap Growth

**Benchmark:** Russell 2000 Growth

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

**Role in Portfolio:** Growth Assets

**Description:** WCM 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. WCM'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:** 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:** 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 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:** Acadian Emerging Markets Equity Fund

**Benchmark:** MSCI Emerging Markets index

**Asset Class:** Emerging market equity

**Role in Portfolio:** Growth Assets

**Description:** Acadian uses a blend of top-down country allocation and bottom up stock selection in their proprietary multi-factor quantitative model. They believe that market inefficiencies are caused by investor behavioral errors and can be exploited. Using fundamental insights about mispricings are captured using Acadian's proprietary dynamic quantitative modeling. The strategy uses a structured and disciplined quantitative approach to invest in long equity positions across emerging markets. Acadian measures over 30 factors that they believe to have the most time proven results at predicting future returns. These factors are aggregated into four main categories: valuation, earnings, quality, and momentum. ESG factors are included in the quality category. Acadian, at times, may adjust factor weightings based industry or region. In order to add a factor, it must prove to generate alpha in current markets as well as through extensive back testing.

**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:** Stone Castle FICA for Impact

**Benchmark:** 91 Day T-Bills

**Asset Class:** Short Duration Fixed Income

**Role in Portfolio:** Downside protection

**Description:** FICA for Impact is an alternative to traditional cash management. They make short term loans to community banks to drive small business lending and community reinvestment, providing depositors with competitive yields in FDIC insured accounts.



**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:** 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:** 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:** 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:** FEG Private Opportunities Fund

**Benchmark:** Private Equity Benchmark

**Asset Class:** Private Markets/Opportunistic

**Role in Portfolio:** Growth assets

**Description:** FEG Private Opportunities Fund is a fund of funds with the flexibility to invest globally across private equity, special situations, and private real assets.

**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:** 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.

**Manager:** HCAP Partners IV LP

**Benchmark:** Private Equity Benchmark

**Asset Class:** Private Markets/Opportunistic

**Role in Portfolio:** Growth assets

HCAP provides mezzanine debt structured equity for underserved, high growth, small-to-medium sized companies ("SMEs") throughout California and the Western United States. Fund IV seeks to invest \$2 million to \$10 million in established companies in the lower middle market (\$10 million to \$100 million in revenues) in the healthcare, software, services and manufacturing industries. The Fund seeks to create and facilitate a positive impact on underserved businesses, their employees and their communities using its proprietary "Gainful Jobs Approach," an operational impact framework for improving job quality at portfolio companies. The HCAP team expects the portfolio to consist of approximately 75% subordinated debt with warrants and 25% preferred equity.

**Manager:** Generation IM Sustainable Solutions Fund III

**Benchmark:** Private Equity Benchmark

**Asset Class:** Private Markets/Opportunistic

**Role in Portfolio:** Growth assets

Generation believes that we are in the early stages of a systemic, secular, multidecade transition to a sustainable economy, and will use their unique deep-dive sector roadmaps to identify investment opportunities to assist with the transition. They will focus on private growth stage opportunities with broad sustainable solution themes, which they define as providing goods and services for a low-carbon, prosperous, equitable, healthy and safe society. The Fund will invest across sectors including transportation, agriculture, energy, industrials and consumer, and will invest primarily in North America and Europe. Their typical role will be an active minority investor, providing growth capital and market insight to help accelerate market adoption. In their underwriting, Generation looks to target high-quality businesses and high quality management, focusing on businesses run by trusted, talented, mission-driven management teams.



# 2020 WORKPLAN

# 2019 REVIEW

Date	Accomplishments
<b>February Meeting</b>	<ul style="list-style-type: none"> <li>Reviewed asset allocation and elected to revisit opportunistic allocation and overall fixed income allocation</li> </ul>
<b>May Call</b>	<ul style="list-style-type: none"> <li>Adopted new asset allocation targets, including an elimination of the opportunistic allocation, an increase in short duration fixed income, and an increase in the emerging market equity allocation</li> </ul>
<b>May Meeting</b>	<ul style="list-style-type: none"> <li>Reviewed implementation plan for new asset allocation</li> <li>Elected to terminate GMO and reallocate 6% allocation to interim short duration fixed income manager</li> <li>Reviewed Acadian recommendation for emerging markets allocation</li> </ul>
<b>August Meeting</b>	<ul style="list-style-type: none"> <li>Met with Acadian and elected to hire them for split emerging market equity mandate with RBC</li> <li>Approved termination of Loomis Strategic Alpha and rebalancing of remaining fixed income holdings, with approximately one-third each to Franklin Templeton, Loomis Multi-Sector, and Brandywine</li> <li>Elected to interview Stone Castle for potential replacement for Fidelity, the interim short duration manager</li> </ul>
<b>October Call</b>	<ul style="list-style-type: none"> <li>Heard from Stone Castle about FICA for Impact product; elected to hire for short duration mandate</li> </ul>
<b>November Meeting</b>	<ul style="list-style-type: none"> <li>Approved target allocation of up to 5% for community development</li> <li>Introduced to Pontifax (impact private equity manager) and Impax and Ownership Capital (thematic global equity managers); elected for an introduction to Pontifax and Ownership</li> </ul>
<b>December Call</b>	<ul style="list-style-type: none"> <li>Heard from Pontifax with an introduction to their fund; elected not to make an investment</li> </ul>



# 2020 WORKPLAN

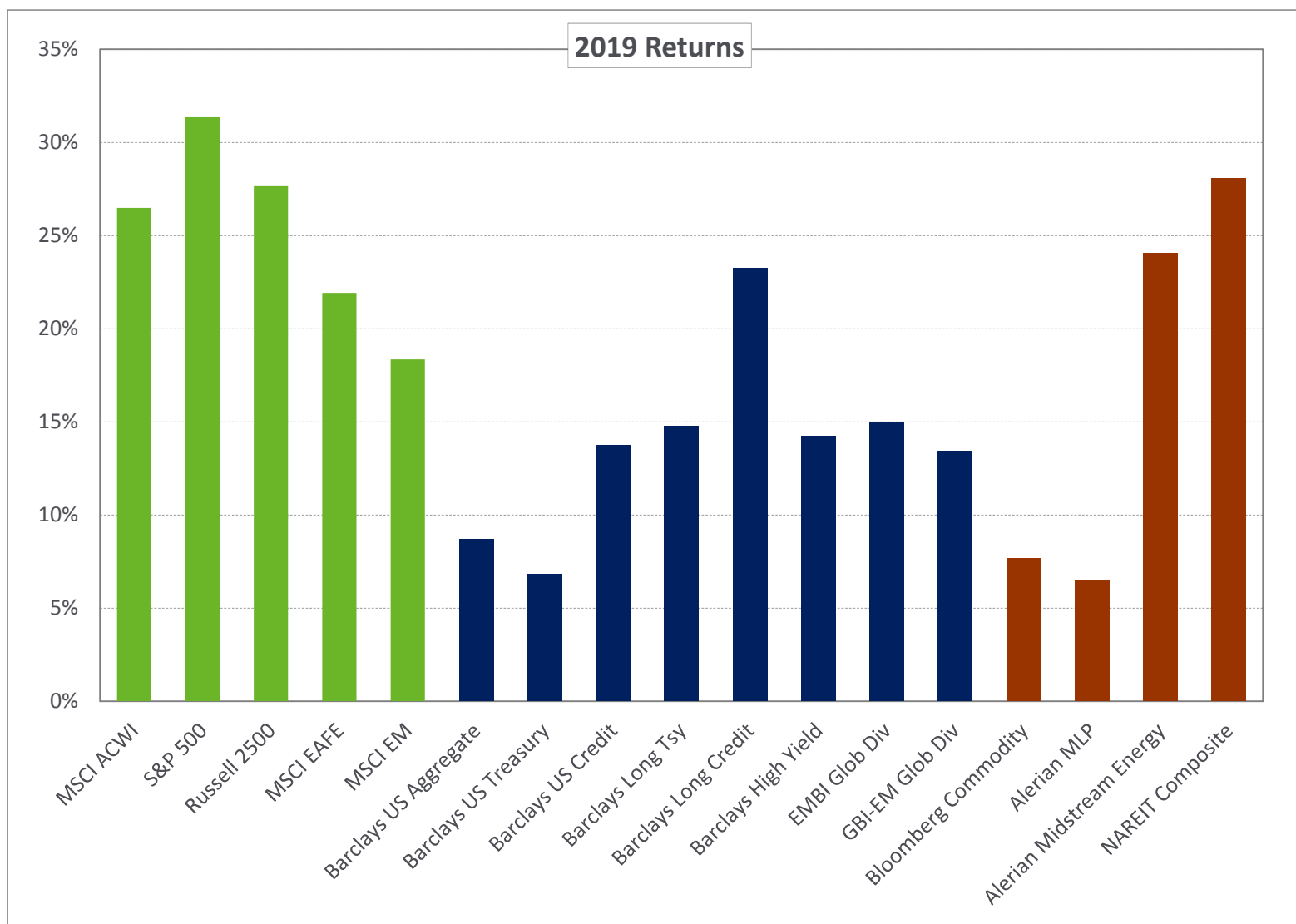
Date	Description of Events	Complete
<b>February Meeting</b>	<ul style="list-style-type: none"> <li>Strategic Discussions:               <ul style="list-style-type: none"> <li>NEPC market themes and opportunities for 2020</li> <li>Annual asset allocation study</li> <li>Review private markets pacing plan</li> </ul> </li> <li>Portfolio Updates:               <ul style="list-style-type: none"> <li>Manager Interview: Ownership Capital</li> </ul> </li> <li>Standing Items:               <ul style="list-style-type: none"> <li>Market update and performance review</li> </ul> </li> </ul>	
<b>May Meeting</b>	<ul style="list-style-type: none"> <li>Portfolio Updates:               <ul style="list-style-type: none"> <li>Review relevant private markets opportunities</li> </ul> </li> <li>Standing Items:               <ul style="list-style-type: none"> <li>Semi-annual Screening Review</li> <li>Market update and performance review</li> </ul> </li> <li>Manager Interview: TBD</li> </ul>	
<b>August Meeting</b>	<ul style="list-style-type: none"> <li>Strategic Discussions:               <ul style="list-style-type: none"> <li>Annual IPS Review</li> </ul> </li> <li>Portfolio Updates:               <ul style="list-style-type: none"> <li>Manager Fee Review</li> <li>Review relevant private markets opportunities</li> </ul> </li> <li>Standing Items:               <ul style="list-style-type: none"> <li>Market update and performance review</li> </ul> </li> <li>Manager Interview: TBD</li> </ul>	
<b>November Meeting</b>	<ul style="list-style-type: none"> <li>Portfolio Updates:               <ul style="list-style-type: none"> <li>Review relevant private markets opportunities</li> </ul> </li> <li>Standing Items:               <ul style="list-style-type: none"> <li>Semi-annual Screening Review</li> <li>Market update and performance review</li> </ul> </li> <li>Manager Interview: TBD</li> </ul>	

# **MARKET OUTLOOK AND ASSET ALLOCATION**

NEPC, LLC

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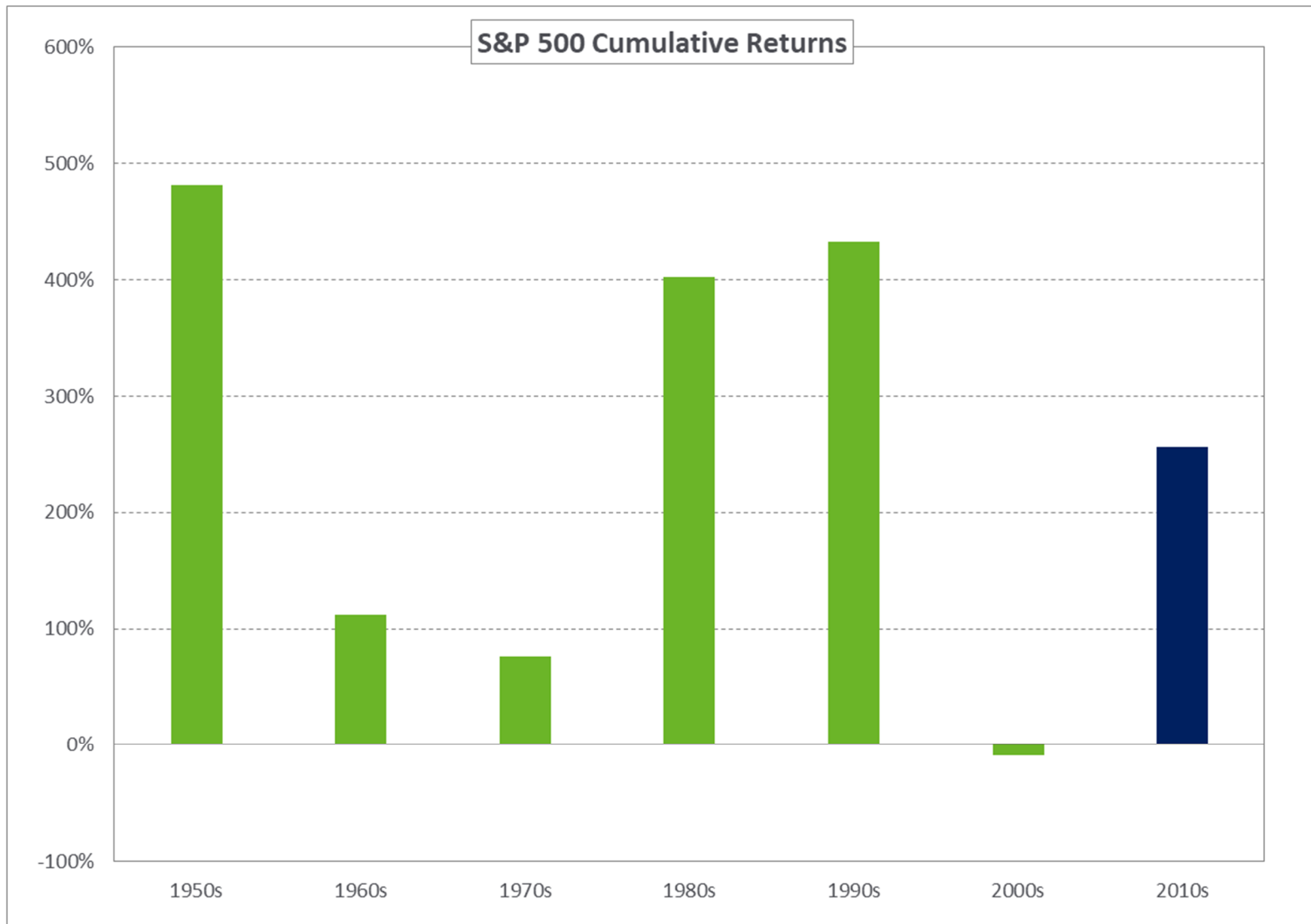
# 2019: A YEAR OF STRONG, POSITIVE RETURNS



Source: S&P, MSCI, Bloomberg, JPM, Alerian, NAREIT, FactSet, NEPC



# WHAT WILL THE 20'S BRING?



Source: S&P, FactSet



# A NEW DECADE, BUT HISTORY RHYMES

## The 2010s:

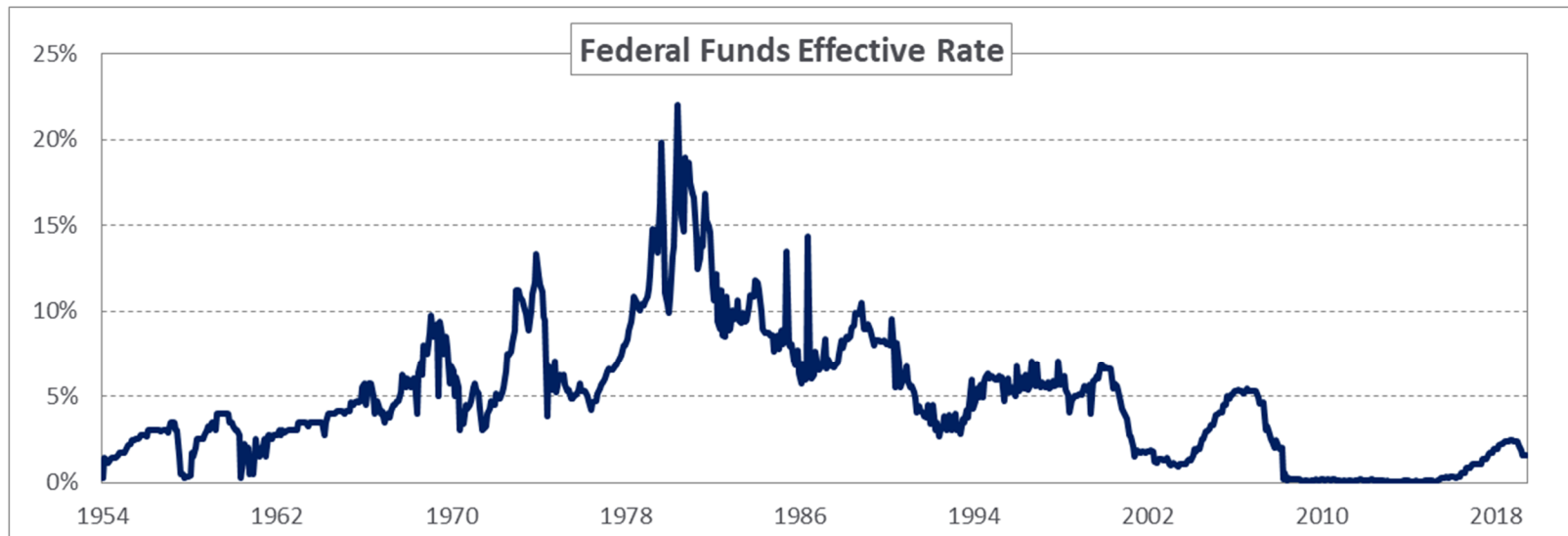
The 1<sup>st</sup> decade in US history with no recession. Characterized by accommodative monetary policy, falling interest rates, low inflation, global growth concerns, rising profit margins, elevated asset class risk premia, and falling market volatility

## 2020:

US recession concerns appear far removed. But what has changed with the exception of elevated profit margins, subdued asset class risk premia, and low market volatility

## Falling interest rates and inflation were broadly positive for assets over the last decade, but what will drive asset class returns for the 2020s?

Low interest rates and subdued inflation levels support higher equity valuations, but expected returns over the next decade are expected to be lower than the last decade



Source: Federal Reserve, FactSet

# NEPC THOUGHTS TO START THE NEXT DECADE

## A renewed emphasis on strategic asset allocation

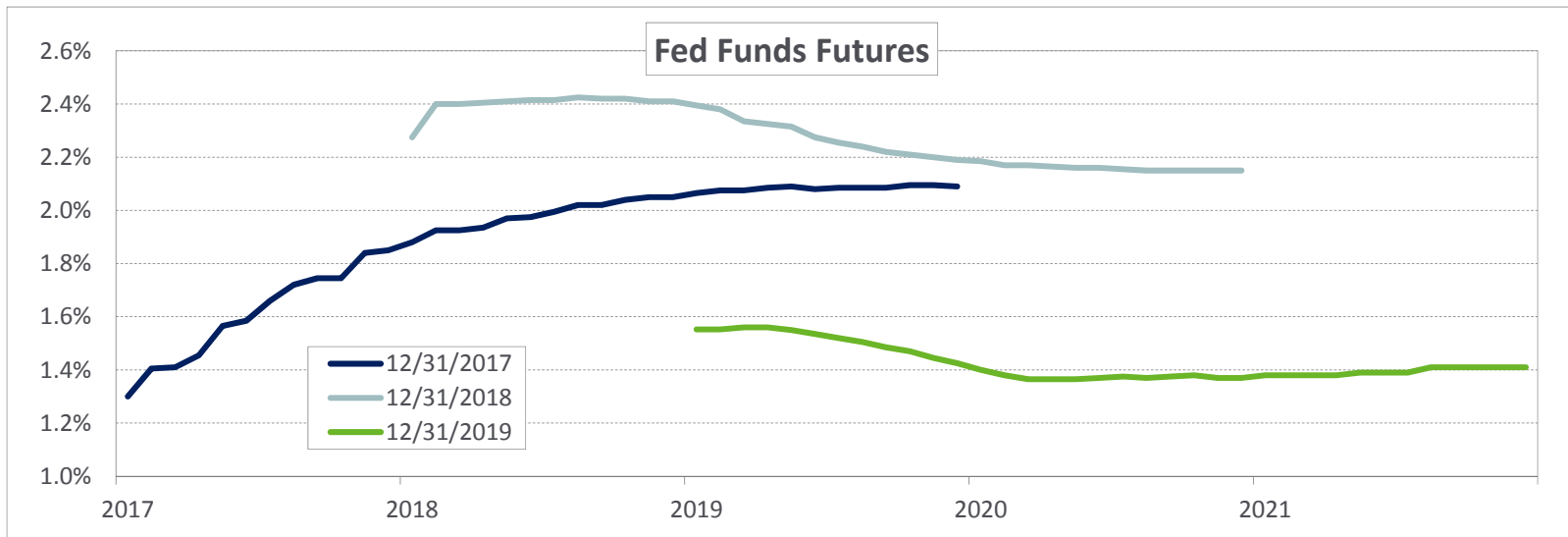
10-year capital market return assumptions provide a greater focus on the strategic asset allocation process as the asset class assumptions are representative of a long-term view

## Look to reassess overall portfolio return expectations in 2020

Return assumptions relative to 2019 have declined considerably both for a 10-year and a 30-year time horizon due to a significant shift in interest rates and inflation expectations

## A regime shift over the last 18 months has materially altered the market environment and the long-term outlook for both equity and fixed income

Central bank market interventions and fiscal support from governments are beneficial for equity markets relative to fixed income, but overall return expectations are subdued



Source: Federal Reserve, FactSet



# KEY MARKET THEMES OVERVIEW

**Key Market Themes are factors that define global markets and can be expected to both evolve and remain relevant without a clear timeline of conclusion. At times, themes may be challenged or disrupted and generate market volatility. The conclusion of a theme likely alters both market dynamics and our market outlook. Our intent is for clients to be aware of these themes and understand their implications for asset allocation and portfolio implementation.**

**NEPC currently has four Key Market Themes:**

**Late Cycle  
Dynamics**

**Permanent  
Interventions**

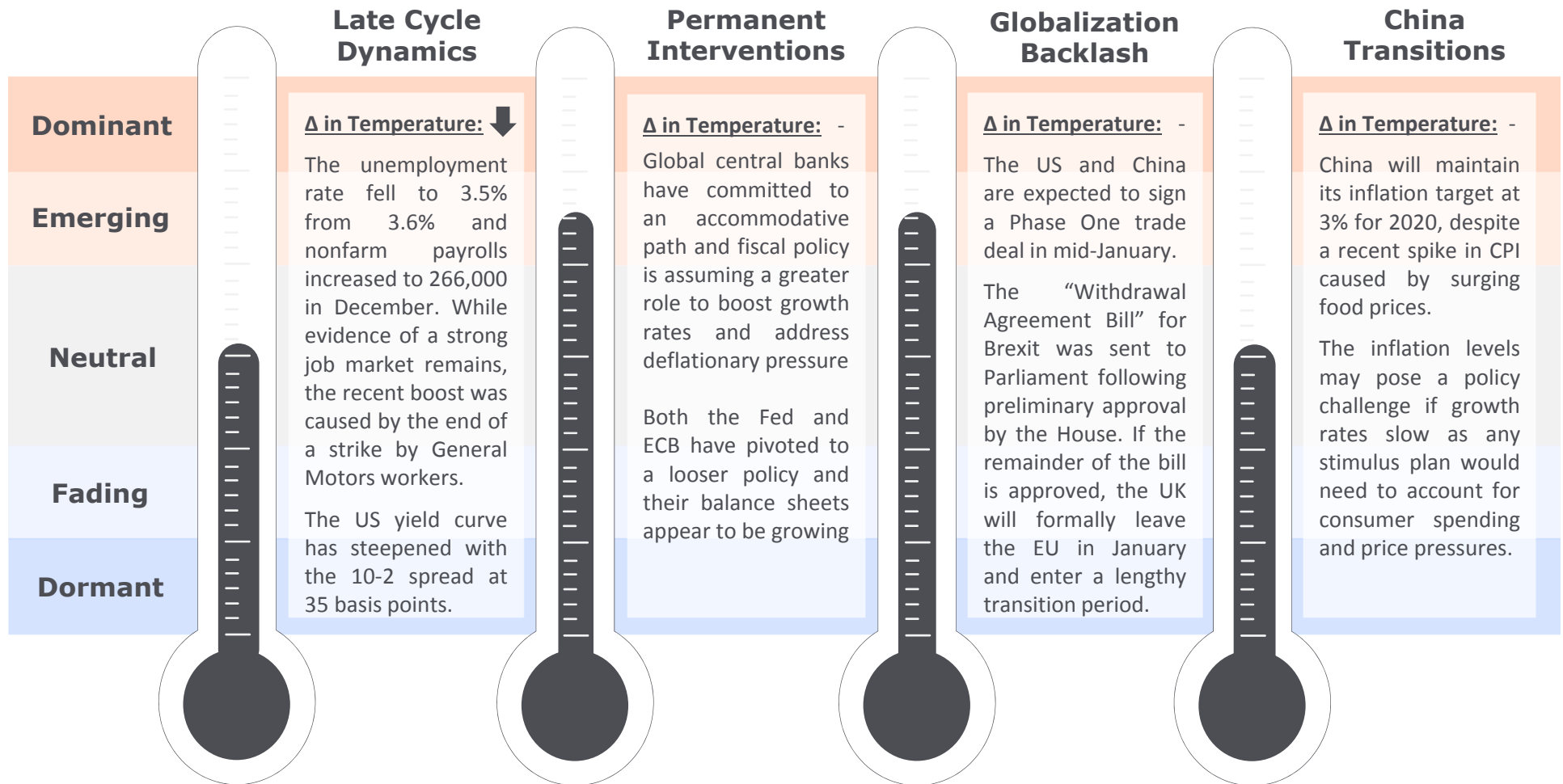
**China  
Transitions**

**Globalization  
Backlash**



# ASSESSING THE KEY MARKET THEMES

## Current Temperatures



# LATE CYCLE DYNAMICS

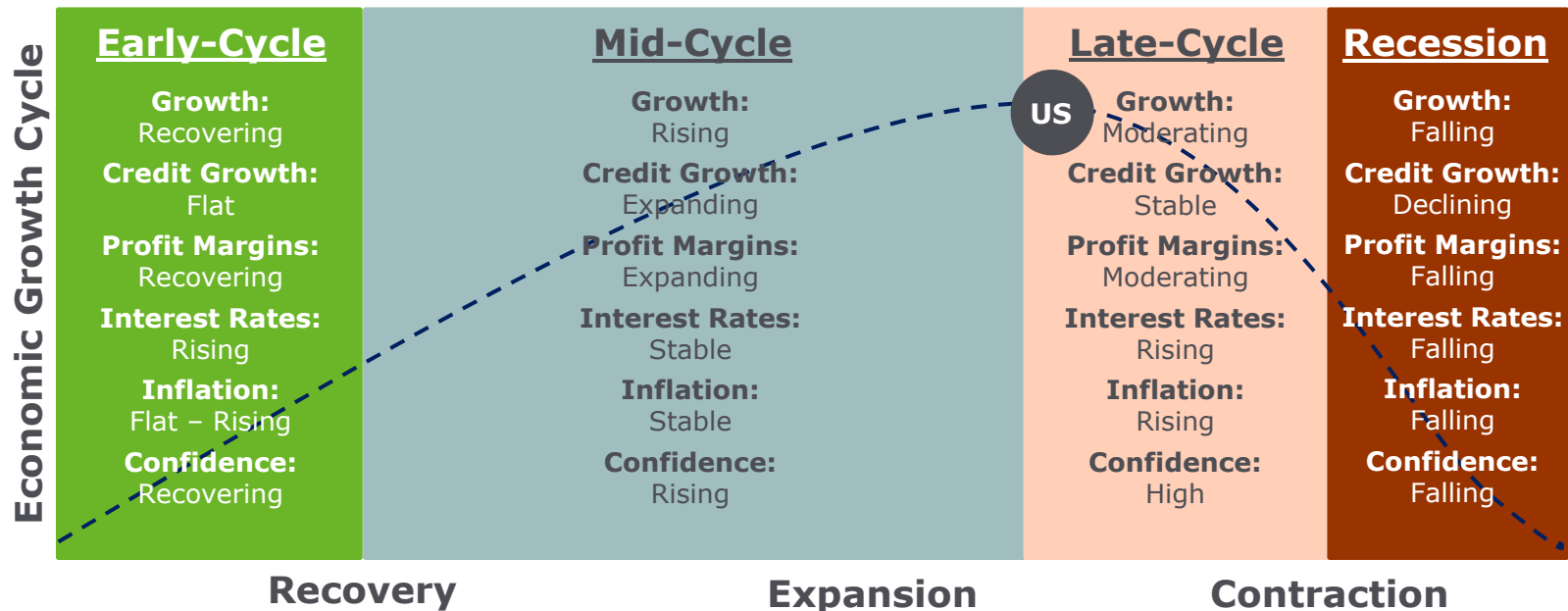
## DEFINING THE THEME

**The US economy has transitioned from the mid to late stage of the economic cycle as evidenced by classic late-cycle indicators including a tight labor market, a flat yield curve, and strong investment returns**

Late cycle does not mean end of cycle; equity markets can offer strong returns and abandoning a long-term target allocation early may detract from long-term results

Despite the trend, there is minimal evidence in economic/financial indicators to suggest that a US recession is imminent

Given typically heightened volatility, rebalancing plays an important role during the late cycle – affording investors the opportunity to maintain risk, liquidity, and diversification targets, while also capturing improved pricing opportunities



# LATE CYCLE DYNAMICS

## INVESTMENT CONSIDERATIONS AND RISKS

### **The current market environment is characterized by a unique set of risks and a more nuanced investment outlook**

Above average equity valuations and low yields temper forward-looking returns

Resilient investor sentiment, accommodative policy, and favorable economic trends can further support equity markets and provide substantive investment returns

Subdued growth expectations highlight the fragility of the economy, which suggests an underweight to credit risk relative to safe-haven fixed income exposure is appropriate

### **Investors must be cautious in such an environment given the uncertainty around time horizon and potential wide range of economic outcomes**

There is a greater need for portfolio discipline due to spikes in volatility and the positive returns offered by the late cycle before the expansion ends and asset repricing occurs

While recession concerns remain low, our outlook can quickly change should a material slowdown in economic indicators occur or a dramatic shift in central bank policy

Average Cumulative Return	Early-Cycle	Mid-Cycle	Late-Cycle	Recession
S&P 500 Index	20.1%	46.6%	24.3%	-9.7%
Russell 2000 Index	33.7%	61.3%	15.8%	-7.7%
Barclays US Treasury Index	6.3%	25.0%	12.8%	13.0%
Barclays US Aggregate Index	7.2%	27.3%	13.2%	13.6%
Barclays US High Yield Index	29.5%	50.4%	18.0%	-4.0%
Bloomberg Commodity Index	12.1%	28.7%	30.5%	4.2%

Source: S&P, Russell, Barclays, FactSet, NEPC

Figures represent average cumulative return during each stage of the economic cycle



# PERMANENT INTERVENTIONS

## DEFINING THE THEME

### **The developed world is undergoing a regime shift defined by central bank market interventions and permanent fiscal support from governments**

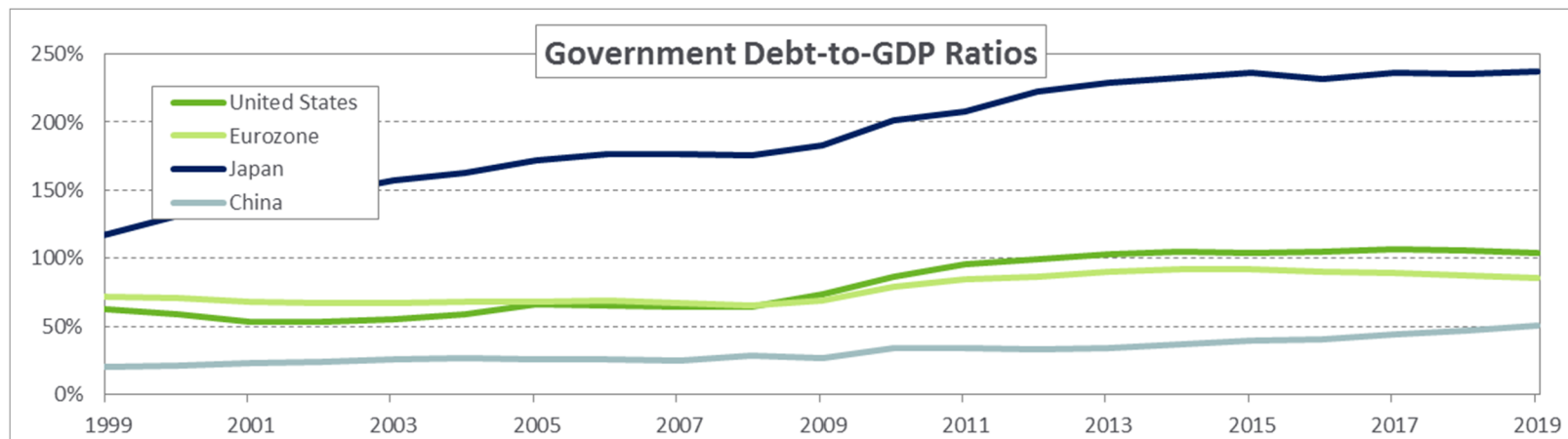
The dynamics of muted inflation pressures and below-average trend growth rates motivate a combined monetary and political response to address deflationary pressures and society's desire for higher economic growth rates

### **We believe central banks across the globe will continue to expand balance sheet assets to sustain an environment of excess liquidity**

Low to negative interest rates and a fragile economic environment force central banks to continue to grow balance sheets and liquify the global financial system

### **Weak economic growth trends in the developed world underpin political tensions, which we believe will motivate significant fiscal debt expansion**

Japan was at the forefront of this theme, raising debt-to-GDP levels to nearly 250% to confront a demographically-driven growth and inflation crisis and highlights a path for the US and Europe to address their unique long-term growth and inflation concerns



Source: FactSet, IMF

# PERMANENT INTERVENTIONS

## INVESTMENT CONSIDERATIONS

### **The long-term investment outlook for the Permanent Interventions theme is dependent on an investor's objectives and asset allocation bias**

For those with large fixed income holdings, the theme can be viewed as a “war on savers” and for equity investors one could ask “do valuations matter?”

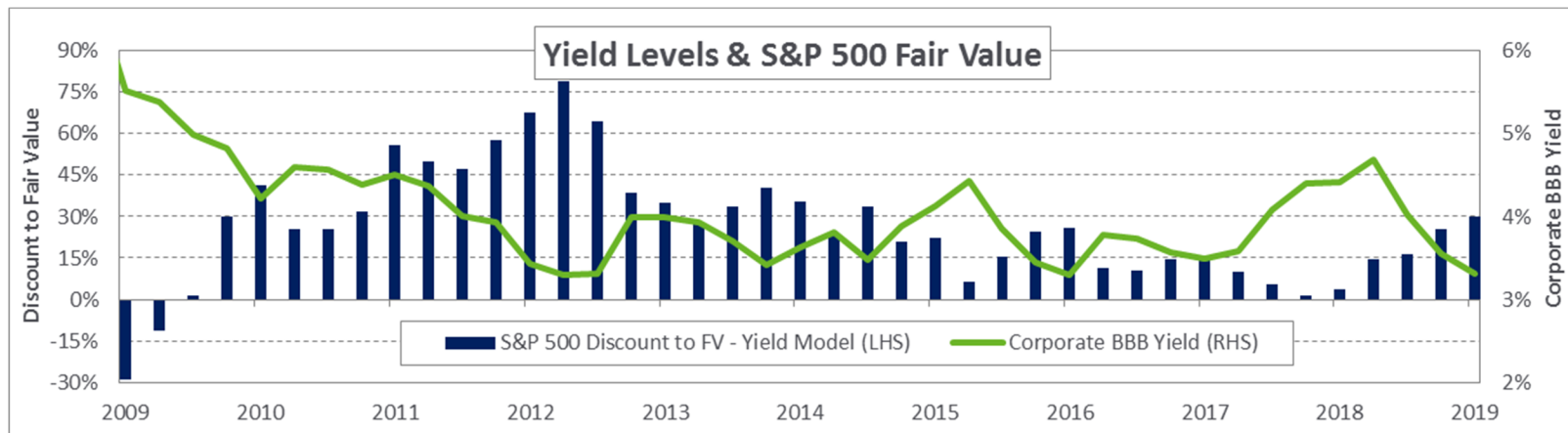
### **Permanent Interventions suggest low yields and higher P/E multiples**

Low interest rates lead to higher values when discounting future cash flows and increase valuations for all equity and lower quality credit asset classes

Investors enjoy high profit margins relative to history as the surplus of central bank liquidity disproportionality benefits holders of capital relative to labor

### **Supportive policy environment would appear favorable to equities**

But historical results (Japan's Lost Decade(s), Eurozone, etc.) show economic weakness can overwhelm the system in the absence of extraordinary policy measures. In such cases, government bonds, despite low yields, can offer the most attractive risk-adjusted returns



Source: FactSet, S&P, Bloomberg



# CHINA TRANSITIONS

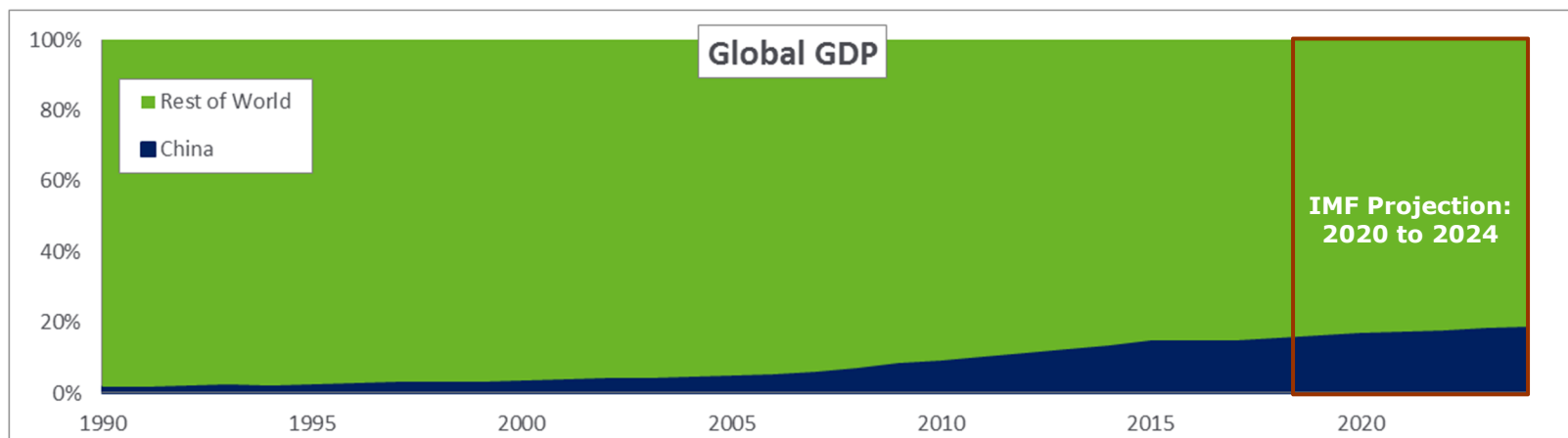
## DEFINING THE THEME

**China is undergoing a multi-faceted evolution as the economy transitions to a services and consumption-based model, while China's role on the global stage shifts to reflect its ascending geopolitical power**

Domestically, China's socioeconomic profile is changing with rising income levels, increasing urbanization, but also challenging demographics. The country is leveraging this transition to continue its economic liberalization, but fixed investment and credit growth are required to support the "old" economy and maintain employment levels

In addition to economic liberalization, barriers to enter China's capital markets are being relaxed and the ability of foreign investors to access local markets has broadly expanded. Index providers are likely to continue to increase China's weight in global equity and fixed income indices, which is a better reflection of China's position in the world economy

**China is the global growth engine and any disruption to these significant transitions will be transmitted globally due to the country's expanding role in the world economy**



Source: IMF

# CHINA TRANSITIONS

## INVESTMENT CONSIDERATIONS AND RISKS

### **China's fundamental transitions will likely continue for the next decade**

Successful management of these transitions could accrue beneficially to global investors, especially those with relative overweights to Chinese assets

Access to local financial markets will continue to expand with ongoing inclusion efforts by global index providers in both equity and fixed income

As income levels rise and capital markets liberalize, China is on a long path to developed market status and we anticipate large strategic asset allocation targets to China will be required to maintain a neutral market beta exposure to the country

### **We believe the market implied base case is for China to continue on its current development path, but numerous disruptions could occur**

Any disruption to this transition will have an outsized impact for the global economy and generate significant levels of currency and equity volatility across global markets

### **The risk of a US versus China economic conflict has notably increased**

As experienced over the past few years, US foreign and economic policy has pivoted to view China as a threat and global competitor. China's growth transition can be severely impeded if the US-China relationship descends into the "Thucydides Trap" with economic links being resisted and additional economic costs imposed on both nations

At its extreme, this dynamic creates the potential for separate spheres of US and China influence with disconnected financial systems and distinct USD and yuan currency blocs. Such a long-term scenario is broadly negative – impacting access for both nations to the others capital markets and limiting economic growth opportunities





# GLOBALIZATION BACKLASH

## DEFINING THE THEME

### **Stagnant wage growth and growing wealth inequality are fueling political discontent across the developed and emerging world**

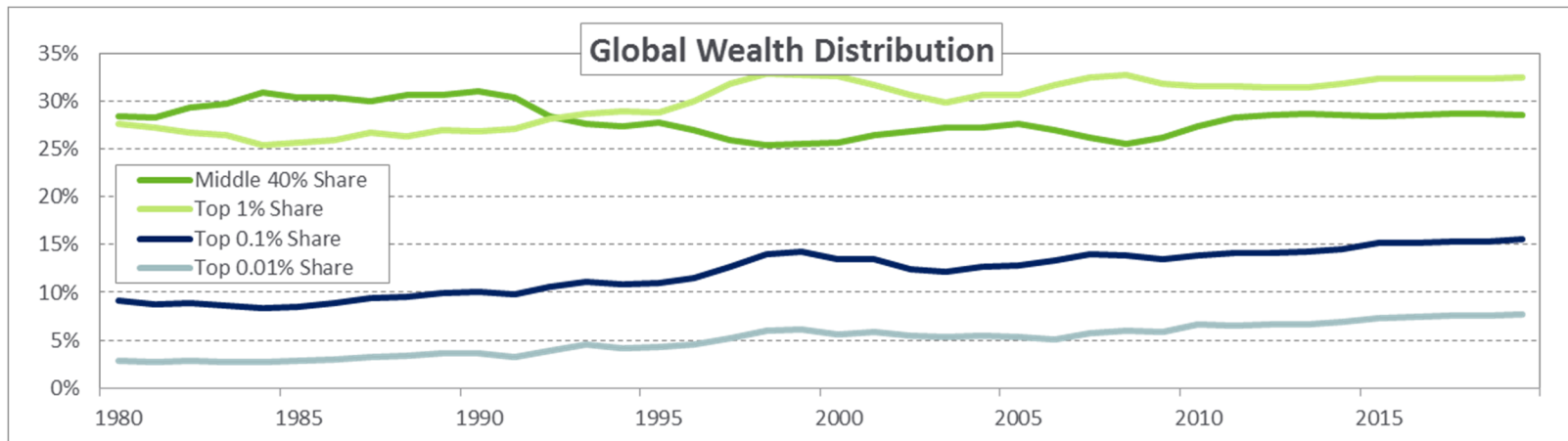
Populist movements across the world are shifting away from the political and economic orthodoxy of the last 50 years

### **Globalization is viewed with suspicion by a growing percentage of voters, shifting multiple countries to more nationalist policies**

Fatigue over globalization is changing political platforms and increasing trade tensions. A reevaluation of established multilateral relationships likely increases geopolitical risks

### **The growth of populist movements, on the “left” and “right”, destabilizes the political order and materializes as Globalization Backlash**

An anti-establishment political bias and a drift from political orthodoxy heighten tail-risks in global markets, specifically currency markets, as voting patterns become more volatile with a wider range of outcomes associated with foreign policy, trade policy, and tax rates



Source: World Inequality Lab

# GLOBALIZATION BACKLASH

## POTENTIAL OUTCOMES AND IMPLICATIONS

	Description	Long-Term Market Implications
<b>Pushback on Established World Order</b>	NEPC base case expectation of continued tariffs, rising nationalism, and growing populist trends, which reflect globalization fatigue	Does not favor a specific investment action or asset class but includes more volatility for governments as coalitions shift with narrow paths of consensus. Likely leads to greater volatility for capital markets, particularly in currencies across the developed world
<b>A More Balanced Global Wealth Distribution</b>	Economic adjustments lead to long-term improvements in real income for lower income workers in the developed world and emerging market economies	Positive for equities and credit with some aspect of normalization in inflation and real interest rates. With economic productivity gains, monetary policy could decrease in importance
<b>Expanding Protectionism</b>	A severe reversal in globalization with a regression in trade and global economic integration	Greater protectionism negatively harms investor sentiment, business investment, geopolitical relations, and global supply chains. Developed nations, such as the US, with domestically available resources and consumers may have a relative structural advantage. This scenario generates lower global growth and higher volatility
<b>Democracy Crumbles</b>	Breakdowns in the social fabric of society and government. Populist movements become the "revolution" as economic structures and policies are refashioned	Holders of capital suffer under this path as investment markets across equity and fixed income experience severe negative outcomes

# FORECAST TIME HORIZON ADJUSTMENT

- **NEPC has adopted a 10-year return horizon and shifted from a 5-7 year outlook for capital market assumptions**
  - The 5-7 year time horizon was intended to correspond to the approximate length of the market cycle; recent structural changes in the economic environment signal longer cycles
  - Themes and valuation shifts are likely to play out over a more extended time frame
  - This adjustment allows clients to more easily reconcile forecasts from multiple sources
- **The 10-year horizon is representative of a long-term strategic view and should not be conflated with shorter-term market views**
  - Forecasts are influenced by the path of key inputs such as growth, rates, and inflation, as well as terminal values of valuations, spreads, and profit margins
- **This change in methodology introduces nuances relative to prior years:**
  - The change in assumptions over time should be muted as convergence toward a terminal value is incorporated over a longer time frame
  - For 2020, 10-year forecasts would be slightly higher than a 5-7 year forecast as capital markets are assumed to normalize over time
  - The decline in 2020 capital market expectations is predominantly driven by changes from the 2019 market environment rather than longer time horizon

# BUILDING BLOCKS METHODOLOGY

**Forward-looking asset class models incorporate current and forecasted market and economic data to inform expected returns**

**Quantitative inputs combined with a conversion to long-term terminal values drive the 10-year outlook**

**Asset components are aggregated to capture core drivers of return across asset classes – forming the foundation of our building blocks framework**

**Building block components will differ for equity, fixed income, and real assets**



# CORE GEOMETRIC RETURN ASSUMPTIONS

	Asset Class	10-Year Return	30-Year Return	Volatility
	Cash	1.8%	2.4%	1.00%
	US Inflation	2.3%	2.5%	-
Equity	Large Cap Equities	5.0%	6.7%	16.50%
	International Equities (Unhedged)	6.0%	7.0%	20.50%
	Emerging International Equities	9.0%	9.2%	28.00%
	<i>Global Equity*</i>	6.2%	7.5%	17.79%
	<i>Private Equity*</i>	9.4%	10.7%	24.58%
Fixed Income	Treasuries	1.9%	2.7%	5.50%
	<i>Core Bonds*</i>	2.5%	3.4%	6.01%
	TIPS	2.2%	2.7%	6.50%
	High Yield Bonds	4.1%	5.6%	12.50%
	<i>Private Debt*</i>	6.7%	7.8%	11.54%
Real Assets	Commodities	4.0%	4.8%	19.00%
	REITs	5.4%	6.5%	20.00%
	Core Real Estate	5.2%	6.0%	13.00%
	Private Real Assets: Infrastructure/Land	5.9%	6.7%	12.00%
Multi-Asset	<i>US 60/40*</i>	4.3%	5.7%	10.37%
	<i>Global 60/40*</i>	4.4%	5.8%	11.53%
	<i>Hedge Funds*</i>	5.0%	5.9%	8.18%

\*Calculated as a blend of other asset classes



# UUCEF ASSET ALLOCATION

	Current Allocation	Current Policy	Long Term Policy
Large Cap Equities	22.8	22.0	21.0
Small/Mid Cap Equities	9.3	10.0	10.0
International Equities	22.2	21.0	20.0
Emerging Int'l Equities	9.4	9.0	9.0
<b>Public Equity</b>	<b>63.7</b>	<b>62.0</b>	<b>60.0</b>
Global Multi Sector	11.7	12.0	10.0
Opportunistic Fixed Income	4.6	5.0	4.0
<b>Flexible Fixed Income</b>	<b>16.3</b>	<b>17.0</b>	<b>14.0</b>
Short Duration	6.5	7.0	3.0
Corporate Credit	4.8	5.0	5.0
Long Treasuries	2.1	2.0	2.0
<b>High Quality Fixed Income</b>	<b>13.4</b>	<b>14.0</b>	<b>10.0</b>
<b>Opportunistic Investment</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>
<b>Private Markets</b>	<b>4.1</b>	<b>5.0</b>	<b>10.0</b>
<b>Community Investment</b>	<b>0.9</b>	<b>1.0</b>	<b>5.0</b>
<b>Cash</b>	<b>1.3</b>	<b>1.0</b>	<b>1.0</b>

- **The UUCEF current allocation is closely aligned with the current policy**

- An overweight to Public Equity exists as the Private Markets allocation approaches the interim target of 5%

## Long Term Policy

- **NEPC recommends formalizing a Long Term Policy to serve as the guide of where the portfolio is headed**
- **The UUCEF continues to pace towards a long term target of 10% to Private Markets**
  - This is a long term objective and is used in our pacing plan to make sure the portfolio is making the appropriate dollar commitments on an annual basis
    - The UUCEF continues to focus on impact/thematic opportunities to align with UU values
- **At the prior meeting it was decided to increase the Community Investment target from 1% to 5%**
  - NEPC would recommend using the Short Duration mandate as a funding source for Community Investment
    - Short Duration is currently being implemented through StoneCastle

## Return Expectations Mismatch

- **NEPC expects the current allocation to earn 5.7% and the long term policy to earn 5.9% over the next 10 years**
  - Return expectations fall short of the targeted return for UUCEF of 6.8% (portfolio draw + inflation)

	Current Allocation	Current Policy	Long Term Policy
Expected Return 10 Yr (Geometric)	5.7%	5.7%	5.9%
Standard Deviation (Asset)	12.6%	12.5%	13.1%
Sharpe Ratio (10 Years)	0.31	0.31	0.31



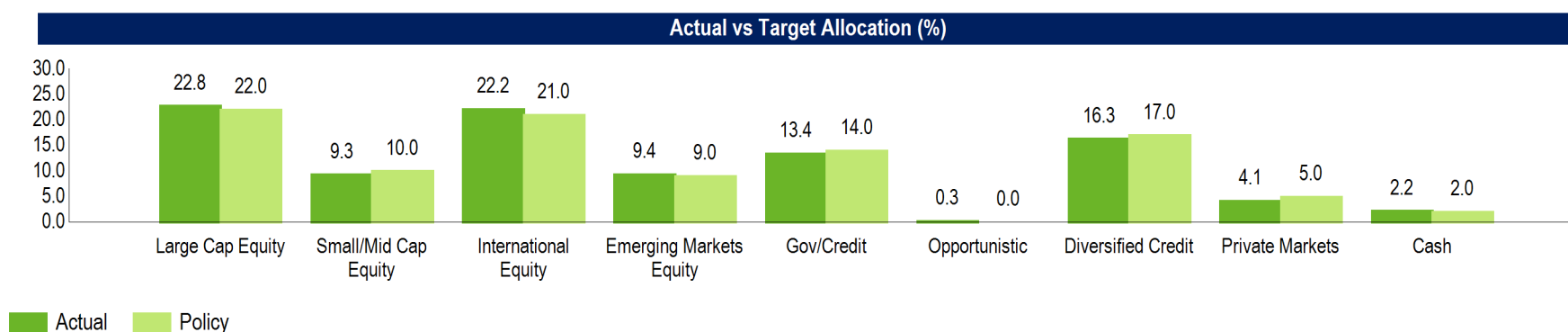
# **INVESTMENT PROGRAM REVIEW**

NEPC, LLC

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# TOTAL FUND PERFORMANCE SUMMARY - GROSS

	Market Value	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	7 Yrs	Rank	10 Yrs	Rank
<b>Composite</b>	<b>\$206,852,387</b>	<b>6.2%</b>	<b>15</b>	<b>20.0%</b>	<b>27</b>	<b>11.0%</b>	<b>4</b>	<b>7.0%</b>	<b>39</b>	<b>7.2%</b>	<b>60</b>	<b>7.8%</b>	<b>46</b>
<i>Allocation Index</i>		5.7%	32	18.9%	45	8.9%	61	6.3%	71	6.9%	71	6.8%	81
<i>Policy Index</i>		5.8%	27	19.1%	41	9.4%	38	6.8%	51	7.2%	59	7.2%	66
<i>InvMetrics All Endowment \$50mm-\$250mm Gross Median</i>		5.2%		18.2%		9.2%		6.8%		7.8%		7.6%	



## Total Fund Performance

- The Endowment returned 6.2% (gross of fees) during Q4 of 2019, ranking in the 15th percentile of the universe, outperforming both the allocation and the policy index
  - Active management added 50 bps for the quarter
- In 2019, the Endowment returned 20.0% (gross of fees), ranking in the 27th percentile of the universe and outperforming both the allocation and policy index
- Over the ten year time horizon, the portfolio ranks in the top half of peers

## Recent Decisions & Action Items

- Funded Acadian Emerging Market Equity and Stone Castle





# 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	4.5%
Inflation	2.3%
Total Return Goal	6.8%

- **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.



# DUE DILIGENCE MONITOR

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

Investment Strategy	Manager Changes/ Announcements (Recent Quarter)	NEPC Due Diligence Committee Recommendations
Boston Common	Personnel Upgrade: New CEO 01/30/20	No Action
Brandywine Global Opportunistic	Personnel Update: Co-PM Departure 02/03/20	No Action

Investment Strategy	Commentary	NEPC Rating
Boston Common	After an extensive search, Boston Common hired Ally McDonald into a newly created CEO role. Ally has previous experience at Goldman, Federated and Mainstay, and Fidelity Charitable, and has served on the board for the Morgan Stanley Global Income Funding Trust since 2014. She was a founding partner of the PaxEllevate Global Women's Leadership Fund, and is also an owner and former Global President of Ellevest Network. She has done ESG consulting for firms including Impact Assets, Calvert, and Trillium. Ally will work closely with Geeta Aiyer, Founder and President of Boston Common, on investment research and portfolio management, along with ESG research and engagement efforts. NO ACTION is recommended.	3
Brandywine Global Opportunistic	Brandywine communicated that Stephen Smith, PM and co-head of Global Fixed Income will shift into an advisory role at the end of the year. They have been making some senior hires in recent years to supplement the bench, and operate with a multi PM (three senior PMs remaining), multi-person investment strategy committee (six, not counting Stephen) all with a lot of experience and long tenure at Brandywine. We appreciate the fact that this is a long lead time announcement, and that Stephen is staying on as an advisor for an open-ended period. NO ACTION is recommended.	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**

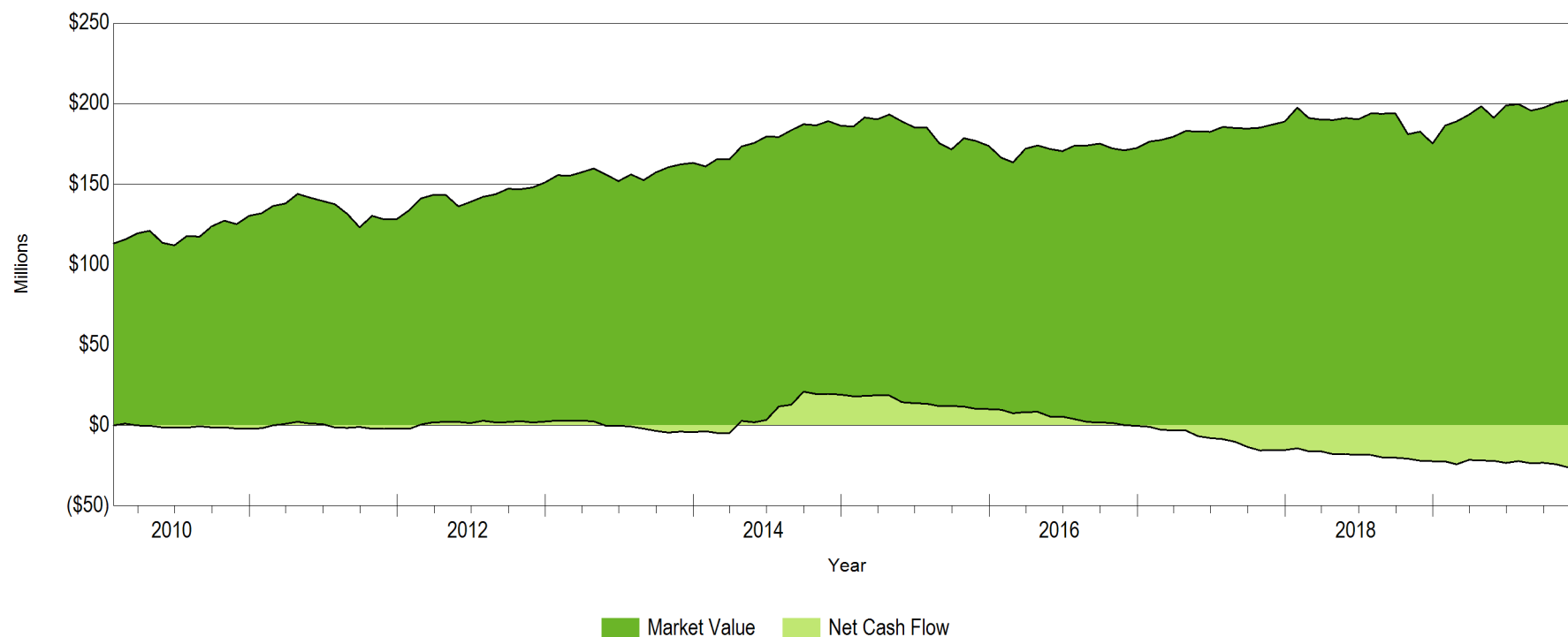
NEPC, LLC

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## Unitarian Universalist Common Endowment Fund, LLC

# TOTAL FUND ASSET GROWTH SUMMARY

10 Years Ending December 31, 2019



### Summary of Cash Flows

	Last Three Months	One Year	Three Years	Five Years	Ten Years
Beginning Market Value	\$197,342,238	\$175,148,355	\$172,356,756	\$186,165,350	\$115,602,569
Net Cash Flow	-\$2,798,250	-\$2,804,029	-\$22,193,798	-\$39,485,658	-\$17,360,665
Net Investment Change	\$12,308,399	\$34,508,061	\$56,689,430	\$60,172,695	\$108,610,483
Ending Market Value	\$206,852,387	\$206,852,387	\$206,852,387	\$206,852,387	\$206,852,387

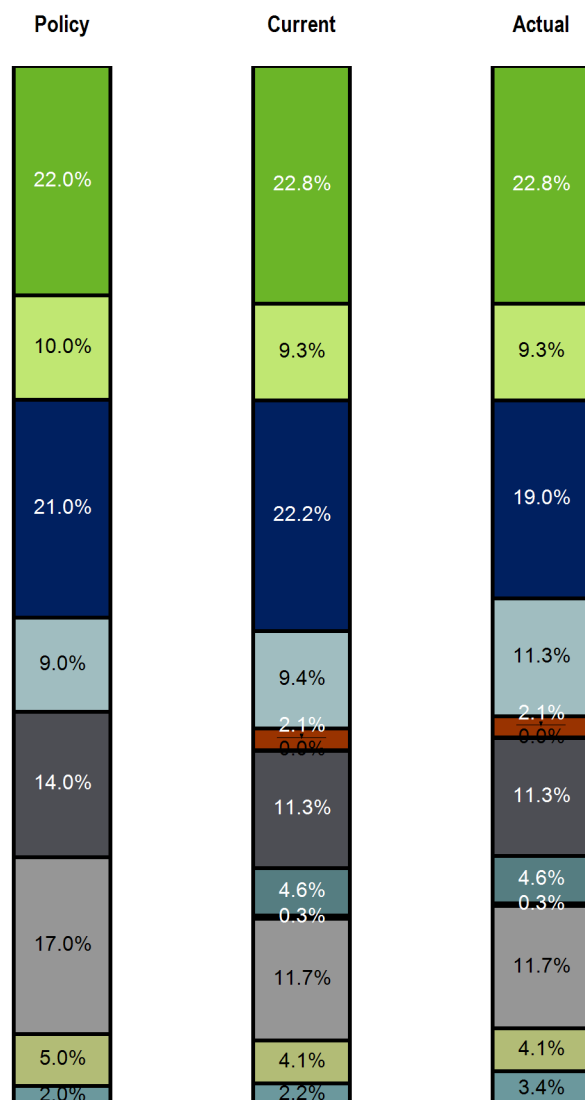


# TOTAL FUND ASSET GROWTH SUMMARY

	Quarter Ending December 31, 2019					Ending Market Value
	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Net Investment Change	
Acadian Emerging Markets Equity Fund	--	\$9,000,000	\$0	\$9,000,000	\$769,240	\$9,769,240
Baxter Street	\$11,610,902	\$0	\$0	\$0	\$709,322	\$12,320,224
Boston Common	\$14,913,269	\$0	-\$3,700,907	-\$3,700,907	\$1,497,080	\$12,709,442
Brandywine Global Opportunistic	\$10,596,359	\$1,200,000	\$0	\$1,200,000	\$471,492	\$12,267,850
Breckinridge - Corporate	\$9,235,045	\$750,000	-\$357	\$749,643	\$43,663	\$10,028,351
Breckinridge-Treasury	\$4,478,273	\$0	-\$170	-\$170	-\$184,370	\$4,293,733
Brockton Capital Fund III	\$834,147	\$317,242	\$0	\$317,242	\$55,755	\$1,207,143
Canvas Distressed Credit Fund	\$905,970	\$410,000	\$0	\$410,000	-\$16,775	\$1,299,195
Cash Account	\$1,655,308	\$8,087,554	-\$7,048,839	\$1,038,715	\$59,554	\$2,753,577
Cevian Capital II	\$5,878,701	\$0	\$0	\$0	\$547,539	\$6,426,240
Community Development	\$1,780,582	\$49,313	-\$1,123	\$48,191	\$4,193	\$1,832,966
Entrust Class X	\$547,880	\$0	\$0	\$0	-\$12,297	\$535,583
FEG Private Opportunities Fund	\$1,466,789	\$0	-\$20,000	-\$20,000	-\$44,850	\$1,401,939
Fidelity Short Term Bond Index Fund	\$13,395,622	\$0	-\$13,398,881	-\$13,398,881	\$14,107	\$10,848
Franklin Templeton GMS	\$5,544,347	\$3,800,000	\$0	\$3,800,000	\$156,139	\$9,500,486
Generation IM SS Fund III	\$226,814	\$160,000	\$0	\$160,000	-\$11,713	\$375,101
GMO Benchmark Free Allocation Fund	\$5,033,141	\$0	-\$5,134,740	-\$5,134,740	\$101,599	--
HCAP Partners IV LP	\$647,586	\$187,112	\$0	\$187,112	\$2,016	\$836,714
Loomis Multi Sector	\$11,042,798	\$800,000	\$0	\$800,000	\$166,937	\$12,009,734
Loomis Sayles Strategic Alpha	\$3,645,292	\$0	-\$3,636,931	-\$3,636,931	-\$8,361	--
MFS International Concentrated	\$15,551,920	\$0	-\$2,500,000	-\$2,500,000	\$1,351,560	\$14,403,480
OCP Orchard Landmark	\$2,346,603	\$0	\$0	\$0	-\$34,738	\$2,311,865
RBC Global Emerging Equity	\$12,912,285	\$0	-\$4,300,000	-\$4,300,000	\$1,020,200	\$9,632,485
Rhumblin	\$22,549,843	\$0	-\$874	-\$874	\$1,662,698	\$24,211,668
Sands	\$21,799,965	\$0	-\$1,216,302	-\$1,216,302	\$2,293,285	\$22,876,949
SJF Ventures	\$981,770	\$0	\$0	\$0	\$165,716	\$1,147,486
Stone Castle FICA for Impact	--	\$13,400,000	\$0	\$13,400,000	\$8,141	\$13,408,141
WCM Investment Management	\$9,006,012	\$0	-\$348	-\$348	\$871,771	\$9,877,435
Wellington SMID	\$8,755,015	\$0	\$0	\$0	\$649,498	\$9,404,513
<b>Total</b>	<b>\$197,342,238</b>	<b>\$38,161,221</b>	<b>-\$40,959,471</b>	<b>-\$2,798,250</b>	<b>\$12,308,399</b>	<b>\$206,852,387</b>



# TOTAL FUND ASSET ALLOCATION VS. POLICY



Asset Allocation vs. Target				
	Current	Policy	Current	Actual
Large Cap Equity	\$47,088,616	22.0%	22.8%	22.8%
Small/Mid Cap Equity	\$19,281,948	10.0%	9.3%	9.3%
International Equity	\$45,859,385	21.0%	22.2%	19.0%
Emerging Markets Equity	\$19,401,725	9.0%	9.4%	11.3%
Long Treasury	\$4,293,733	--	2.1%	2.1%
Short Duration Bonds	\$10,848	--	0.0%	0.0%
Gov/Credit	\$23,436,492	14.0%	11.3%	11.3%
Opportunistic Fixed Income	\$9,500,486	--	4.6%	4.6%
Opportunistic	\$535,583	--	0.3%	0.3%
Diversified Credit	\$24,277,585	17.0%	11.7%	11.7%
Private Markets	\$8,579,443	5.0%	4.1%	4.1%
Cash	\$4,586,543	2.0%	2.2%	3.4%
<b>Total</b>	<b>\$206,852,387</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

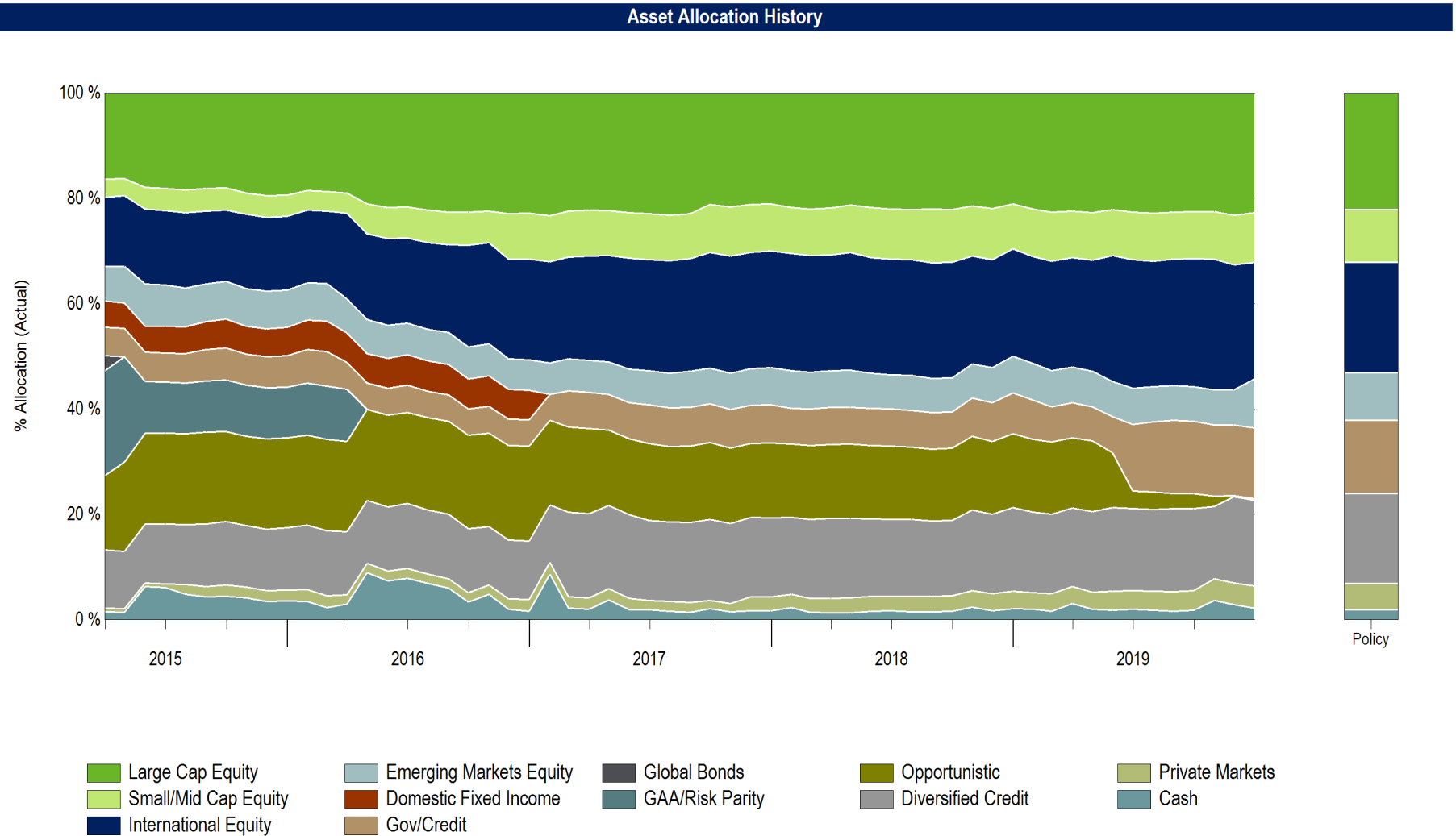
Cash allocation includes community development.

- On a look through basis, Domestic Equity is 32.1% of the fund, International Equity is 19.0% of the fund, and Emerging Market Equity is 11.3% of the fund.

- Overall Fixed Income exposure is 29.7%

Actual allocation breaks out the exposure in MFS, Boston Common, and Baxter Street.

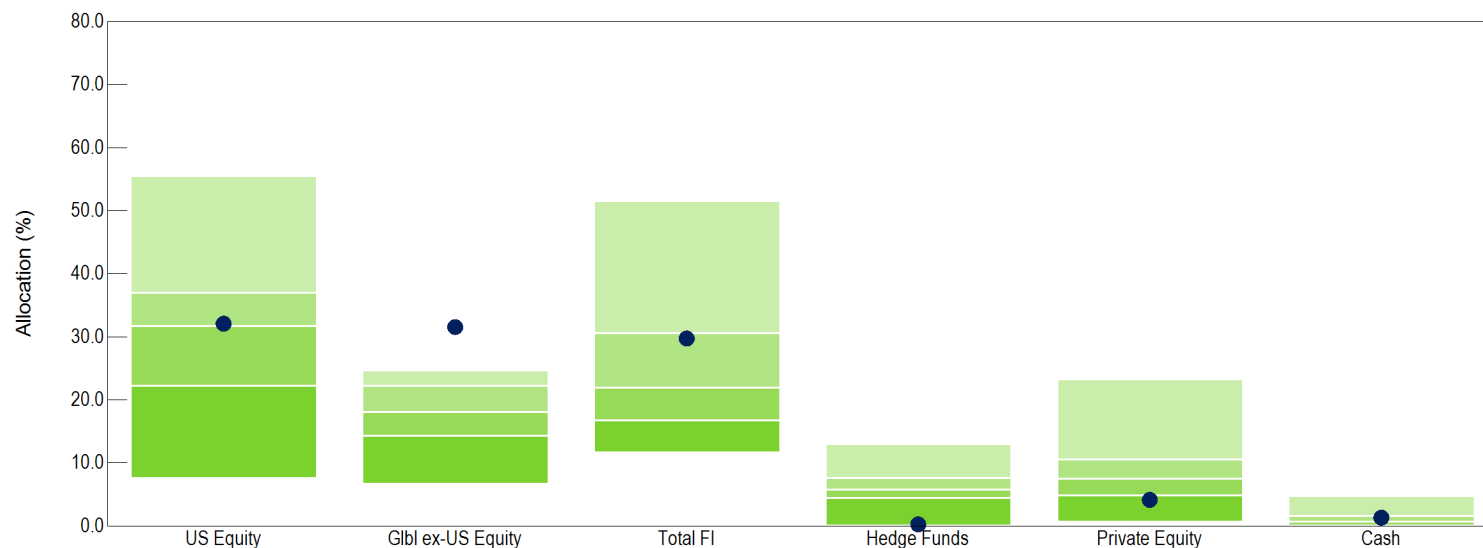
# TOTAL FUND ASSET ALLOCATION HISTORY





# TOTAL FUND ALLOCATIONS VS. PEER UNIVERSE

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



	Allocation (Rank)											
5th Percentile	55.5		24.7		51.5		13.0		23.2		4.8	
25th Percentile	37.1		22.3		30.7		7.7		10.7		1.7	
Median	31.8		18.2		22.1		5.9		7.6		0.8	
75th Percentile	22.4		14.5		16.9		4.6		5.0		0.2	
95th Percentile	7.8		6.8		11.7		0.2		0.8		0.0	
# of Portfolios	47		54		63		30		35		57	
• Composite	32.1	(48)	31.5	(1)	29.7	(28)	0.3	(94)	4.1	(83)	1.3	(38)
<b>UUA Net Asset Allocation</b>	32.1		30.3		29.7		0.3		4.1		3.4	

Above analytic does not include Community Development, whereas UUA Net Asset Allocation does.



# TOTAL FUND PERFORMANCE DETAIL - NET

	Market Value (\$)	% of Portfolio	Policy %	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Composite</b>	<b>206,852,387</b>	<b>100.0</b>	<b>100.0</b>	<b>5.9</b>	<b>18.7</b>	<b>9.7</b>	<b>5.8</b>	<b>6.1</b>	<b>6.7</b>	<b>6.3</b>	<b>Jul-02</b>
Allocation Index				5.7	18.9	8.9	6.3	6.9	6.8	6.8	Jul-02
Policy Index				5.8	19.1	9.4	6.8	7.2	7.2	--	Jul-02
<b>Domestic Equity Composite</b>	<b>66,370,564</b>	<b>32.1</b>	<b>32.0</b>	<b>8.8</b>	<b>29.8</b>	<b>16.1</b>	<b>10.7</b>	<b>14.4</b>	<b>14.3</b>	<b>10.6</b>	<b>Jul-02</b>
Russell 3000				9.1	31.0	14.6	11.2	14.4	13.4	9.4	Jul-02
<b>Large Cap Equity</b>	<b>47,088,616</b>	<b>22.8</b>	<b>22.0</b>	<b>8.9</b>	<b>30.6</b>	<b>18.2</b>	<b>11.7</b>	<b>15.0</b>	<b>--</b>	<b>14.9</b>	<b>Jul-12</b>
Russell 1000				9.0	31.4	15.0	11.5	14.6	13.5	14.5	Jul-12
Rhumblin	24,211,668	11.7	12.0	7.3	28.6	12.1	10.0	13.5	12.4	8.0	Aug-05
Russell 1000 Value				7.4	26.5	9.7	8.3	12.2	11.8	7.6	Aug-05
Sands	22,876,949	11.1	10.0	10.5	32.8	24.4	12.9	16.3	16.9	12.4	Dec-03
Russell 1000 Growth				10.6	36.4	20.5	14.6	16.9	15.2	10.4	Dec-03
<b>Small/Mid Cap Equity</b>	<b>19,281,948</b>	<b>9.3</b>	<b>10.0</b>	<b>8.4</b>	<b>27.8</b>	<b>11.1</b>	<b>8.1</b>	<b>12.6</b>	<b>--</b>	<b>12.0</b>	<b>Jul-12</b>
Russell 2000				9.9	25.5	8.6	8.2	11.6	11.8	11.9	Jul-12
Wellington SMID	9,404,513	4.5	5.0	7.2	26.9	6.0	--	--	--	9.3	Apr-16
Russell 2500 Value				7.1	23.6	6.1	7.2	10.6	11.3	10.4	Apr-16
WCM Investment Management	9,877,435	4.8	5.0	9.7	28.7	--	--	--	--	9.7	Jan-18
Russell 2000 Growth				11.4	28.5	12.5	9.3	13.1	13.0	7.9	Jan-18
<b>International Equity Composite</b>	<b>65,261,110</b>	<b>31.5</b>	<b>30.0</b>	<b>9.7</b>	<b>25.4</b>	<b>13.1</b>	<b>6.5</b>	<b>5.8</b>	<b>4.6</b>	<b>6.3</b>	<b>Jul-02</b>
MSCI ACWI ex USA				8.9	21.5	9.9	5.5	5.4	5.0	6.8	Jul-02
<b>International Equity</b>	<b>45,859,385</b>	<b>22.2</b>	<b>21.0</b>	<b>8.9</b>	<b>26.9</b>	<b>12.9</b>	<b>7.2</b>	<b>6.9</b>	<b>--</b>	<b>8.1</b>	<b>Jul-12</b>
MSCI EAFE				8.2	22.0	9.6	5.7	6.3	5.5	7.8	Jul-12
MFS International Concentrated	14,403,480	7.0	6.5	9.0	30.3	15.2	9.0	--	--	7.9	Apr-13
MSCI EAFE				8.2	22.0	9.6	5.7	6.3	5.5	5.8	Apr-13
Boston Common	12,709,442	6.1	6.5	11.0	24.7	10.9	6.2	6.6	--	6.0	May-10
MSCI EAFE				8.2	22.0	9.6	5.7	6.3	5.5	5.8	May-10
Baxter Street	12,320,224	6.0	5.0	6.1	29.2	14.0	--	--	--	12.1	Apr-16
MSCI ACWI ex USA				8.9	21.5	9.9	5.5	5.4	5.0	9.2	Apr-16
Cevian Capital II	6,426,240	3.1	3.0	9.3	17.7	5.1	--	--	--	3.4	May-15
HFRX Event Driven Index				5.4	10.0	1.1	1.3	2.2	1.8	1.0	May-15
MSCI EAFE				8.2	22.0	9.6	5.7	6.3	5.5	4.1	May-15



# TOTAL FUND PERFORMANCE DETAIL - NET

	Market Value (\$)	% of Portfolio	Policy %	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Emerging Market Equity</b>	<b>19,401,725</b>	<b>9.4</b>	<b>9.0</b>	<b>11.1</b>	<b>19.3</b>	<b>13.0</b>	<b>4.5</b>	<b>2.4</b>	<b>--</b>	<b>4.1</b>	<b>Jul-12</b>
MSCI Emerging Markets				11.8	18.4	11.6	5.6	3.3	3.7	4.8	Jul-12
RBC Global Emerging Equity	9,632,485	4.7	4.5	10.0	18.0	12.5	--	--	--	9.7	Jul-16
MSCI Emerging Markets				11.8	18.4	11.6	5.6	3.3	3.7	11.2	Jul-16
Acadian Emerging Markets Equity Fund	9,769,240	4.7	4.5								
<b>Fixed Income Composite</b>	<b>61,519,144</b>	<b>29.7</b>	<b>31.0</b>	<b>0.9</b>	<b>7.5</b>	<b>3.5</b>	<b>2.8</b>	<b>2.6</b>	<b>4.5</b>	<b>4.4</b>	<b>Jul-02</b>
BBgBarc US Aggregate TR				0.2	8.7	4.0	3.0	2.7	3.7	4.4	Jul-02
<b>High Quality Fixed Income</b>	<b>27,741,073</b>	<b>13.4</b>	<b>14.0</b>	<b>-0.4</b>	<b>8.6</b>	<b>4.1</b>	<b>3.2</b>	<b>--</b>	<b>--</b>	<b>3.1</b>	<b>Oct-14</b>
BBgBarc US Aggregate TR				0.2	8.7	4.0	3.0	2.7	3.7	3.2	Oct-14
Breckinridge-Treasury	4,293,733	2.1	2.0	-4.1	14.8	--	--	--	--	6.2	Mar-17
BBgBarc US Treasury Long TR				-4.1	14.8	6.9	4.1	4.2	7.0	6.6	Mar-17
Breckinridge - Corporate	10,028,351	4.8	5.0	0.4	7.2	3.5	2.8	--	--	2.8	Nov-14
BBgBarc US Govt/Credit Int TR				0.4	6.8	3.2	2.6	2.2	3.1	2.5	Nov-14
Fidelity Short Term Bond Index Fund	10,848	0.0	0.0	0.1	--	--	--	--	--	0.9	Jul-19
BBgBarc US Treasury 1-5 Yr TR				0.3	4.2	2.1	1.7	1.3	1.7	1.1	Jul-19
Stone Castle FICA for Impact	13,408,141	6.5	7.0								
<b>Flexible Fixed Income</b>	<b>33,778,071</b>	<b>16.3</b>	<b>17.0</b>	<b>2.3</b>	<b>7.3</b>	<b>3.4</b>	<b>2.7</b>	<b>2.5</b>	<b>--</b>	<b>3.1</b>	<b>Jul-12</b>
BBgBarc US Aggregate TR				0.2	8.7	4.0	3.0	2.7	3.7	2.8	Jul-12
Brandywine Global Opportunistic	12,267,850	5.9	6.0	4.2	9.3	--	--	--	--	4.3	Mar-17
FTSE WGBI TR				-0.4	5.9	4.1	2.0	0.8	1.9	3.9	Mar-17
Loomis Multi Sector	12,009,734	5.8	6.0	1.3	10.2	--	--	--	--	4.8	Mar-17
BBgBarc US Govt/Credit TR				0.0	9.7	4.3	3.2	2.8	4.0	4.2	Mar-17
Franklin Templeton GMS	9,500,486	4.6	5.0	1.3	0.5	--	--	--	--	0.3	Mar-17
BBgBarc Multiverse				0.6	7.1	4.4	2.5	1.5	2.7	4.0	Mar-17
<b>Opportunistic Investments</b>	<b>535,583</b>	<b>0.3</b>	<b>0.0</b>	<b>2.1</b>	<b>10.6</b>	<b>4.7</b>	<b>2.7</b>	<b>3.2</b>	<b>--</b>	<b>--</b>	<b>Jan-08</b>
CPI + 5% (Unadjusted)				1.3	7.4	7.2	6.9	6.7	6.8	6.8	Jan-08
Entrust Class X	535,583	0.3	0.0	-2.2	-5.8	-4.3	--	--	--	-4.3	Jan-17



# TOTAL FUND PERFORMANCE DETAIL - NET

	Market Value (\$)	% of Portfolio	Policy %	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Private Markets</b>	<b>8,579,443</b>	<b>4.1</b>	<b>5.0</b>	<b>1.5</b>	<b>5.5</b>	<b>9.5</b>	<b>7.4</b>	<b>--</b>	<b>--</b>	<b>7.8</b>	<b>May-14</b>
Private Markets Custom Benchmark				0.4	10.3	13.5	11.8	--	--	12.0	May-14
OCP Orchard Landmark	2,311,865	1.1		-1.5	3.2	--	--	--	--	6.9	Nov-17
JP Morgan Corporate EMBI Broad TR USD				2.0	13.2	6.5	6.2	4.8	6.3	5.4	Nov-17
FEG Private Opportunities Fund	1,401,939	0.7									
Brockton Capital Fund III	1,207,143	0.6									
SJF Ventures	1,147,486	0.6									
Canvas Distressed Credit Fund	1,299,195	0.6									
HCAP Partners IV LP	836,714	0.4									
Generation IM SS Fund III	375,101	0.2									
<b>Community Development</b>	<b>1,832,966</b>	<b>0.9</b>	<b>1.0</b>	<b>0.2</b>	<b>1.6</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>	<b>1.4</b>	<b>1.6</b>	<b>Jul-07</b>
91 Day T-Bills				0.4	2.1	1.6	1.1	0.8	0.6	0.7	Jul-07
<b>Cash and Other</b>	<b>2,753,577</b>	<b>1.3</b>	<b>1.0</b>								

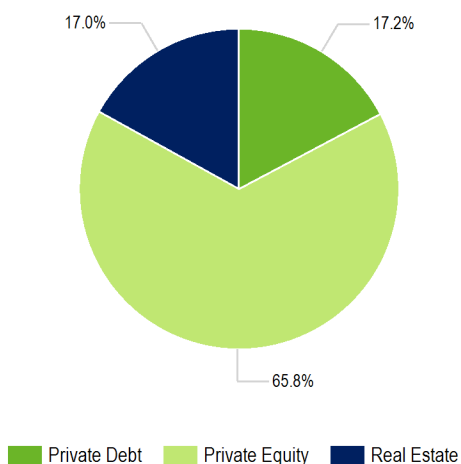
- Fiscal Year End: 6/30
- Cevian Capital II is included in the International Equity composite as of 5/1/2019.
- WCM Investment Management returns include Kennedy Capital returns from January 2018 to February 2019
- OCP Orchard performance is reported on a one month lag.
- GMO Benchmark Free Allocation Fund from May 2013 onwards; prior to May 2013, returns are for the GMO Global Balanced Fund.
- Private Markets Custom Benchmark consists of 75% Cambridge Associates US Private Equity Index & 25% Credit Suisse Leveraged Loan Index as of 9/1/2018. The benchmark consisted of Cambridge Associates Global All Private Equity Vintage Year 2013+ 1 Qtr Lag benchmark prior to 9/1/2018 and Cambridge Associates US Private Equity Index prior to 4/1/2015.
- Private equity is valued on a quarterly basis and updated as statements are received.
- Cash Market Value includes \$481,906 adjustment for pending capital additions into the UUA Endowment Fund. Cash and Other composite includes UUA SRI account.
- Net returns for the UUCEF Composite incorporates both investment management fees and UUA administrative fees/expenses.



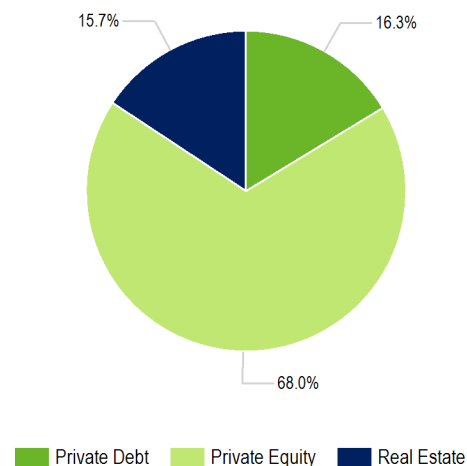
# Unitarian Universalist Common Endowment Fund, LLC

## EXECUTIVE SUMMARY

Valuation by Asset Class



Fund Exposure by Asset Class



Investments \$					Trailing Period Performance (IRR)							Multiples	
Asset Class	Commitment	Cumulative Contributions	Unfunded Commitment	Valuation	(QTR)	(YTD)	(1 YR)	(3 YRS)	(5 YRS)	(10 YRS)	SI IRR	DPI	TVPI
Total Private Debt	\$2,000,000	\$955,837	\$1,044,163	\$903,722	-6.72%	-6.00%	-4.86%				-9.08%	0.00	0.93
Total Private Equity	\$8,500,000	\$3,837,910	\$4,662,090	\$3,445,841	3.86%	4.91%	6.04%	6.97%	6.97%		7.27%	0.30	1.20
Total Real Estate	\$4,394,160	\$3,408,045	\$986,114	\$889,482	6.40%	11.14%	19.95%	17.26%			8.25%	0.88	1.14
Total	\$14,894,160	\$8,201,792	\$6,692,367	\$5,239,045	2.60%	4.40%	6.94%	9.25%	6.76%		6.96%	0.51	1.14



# Unitarian Universalist Common Endowment Fund, LLC

## RETURN SUMMARY

Investments			Trailing Period Returns (IRR) %						
Investment Name	Vintage Year	Commitment	(Qtr)	(YTD)	(1 Yr)	(3 Yrs)	(5 Yrs)	(10 Yrs)	SI IRR
<b>Private Debt</b>									
Canvas Distressed Credit Fund, L.P.	2018	\$2,000,000	-6.72%	-6.00%	-4.86%				-9.08%
<b>Total Private Debt</b>		<b>\$2,000,000</b>	<b>-6.72%</b>	<b>-6.00%</b>	<b>-4.86%</b>				<b>-9.08%</b>
<b>Private Equity</b>									
FEG Private Opportunities Fund, L.P.	2012	\$2,000,000	-2.97%	0.40%	-0.73%	8.12%	7.64%		7.86%
Generation IM Sustainable Solutions Fund III (A), L.P.	2019	\$2,000,000	0.00%						-10.95%
HCAP Partners IV, L.P.	2019	\$2,000,000	0.38%						-9.95%
SJF Ventures IV, L.P.	2016	\$2,500,000	18.05%	27.71%	36.48%				9.99%
<b>Total Private Equity</b>		<b>\$8,500,000</b>	<b>3.86%</b>	<b>4.91%</b>	<b>6.04%</b>	<b>6.97%</b>	<b>6.97%</b>		<b>7.27%</b>
<b>Real Estate</b>									
Brockton Capital Fund III, L.P.	2015	\$4,394,160	6.40%	11.14%	19.95%	17.26%			8.25%
<b>Total Real Estate</b>		<b>\$4,394,160</b>	<b>6.40%</b>	<b>11.14%</b>	<b>19.95%</b>	<b>17.26%</b>			<b>8.25%</b>
<b>Total</b>		<b>\$14,894,160</b>	<b>2.60%</b>	<b>4.40%</b>	<b>6.94%</b>	<b>9.25%</b>	<b>6.76%</b>		<b>6.96%</b>



## Unitarian Universalist Common Endowment Fund, LLC

# ANALYSIS BY FUND

Investments		Commitments		Contributions & Distributions			Valuations			Performance		
Investment Name	Vintage Year	Commitment	Unfunded Commitment	Paid In Capital	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	DPI	TVPI	IRR
<b>Private Debt</b>												
Canvas Distressed Credit Fund, L.P.	2018	\$2,000,000	\$1,044,163	\$955,837	\$17,561	\$0	\$903,722	\$903,722	-\$69,676	0.00	0.93	-9.08%
<b>Total Private Debt</b>		<b>\$2,000,000</b>	<b>\$1,044,163</b>	<b>\$955,837</b>	<b>\$17,561</b>	<b>\$0</b>	<b>\$903,722</b>	<b>\$903,722</b>	<b>-\$69,676</b>	<b>0.00</b>	<b>0.93</b>	<b>-9.08%</b>
<b>Private Equity</b>												
FEG Private Opportunities Fund, L.P.	2012	\$2,000,000	\$103,000	\$1,897,000	\$2,707	\$1,162,647	\$1,421,939	\$2,584,586	\$684,879	0.61	1.36	7.86%
Generation IM Sustainable Solutions Fund III (A), L.P.*	2019	\$2,000,000	\$1,750,000	\$250,000	\$4,712	\$0	\$226,814	\$226,814	-\$27,898	0.00	0.89	-10.95%
HCAP Partners IV, L.P.*	2019	\$2,000,000	\$1,309,090	\$690,910	\$7,108	\$0	\$649,602	\$649,602	-\$48,416	0.00	0.93	-9.95%
SJF Ventures IV, L.P.*	2016	\$2,500,000	\$1,500,000	\$1,000,000	\$0	\$0	\$1,147,486	\$1,147,486	\$147,486	0.00	1.15	9.99%
<b>Total Private Equity</b>		<b>\$8,500,000</b>	<b>\$4,662,090</b>	<b>\$3,837,910</b>	<b>\$14,527</b>	<b>\$1,162,647</b>	<b>\$3,445,841</b>	<b>\$4,608,488</b>	<b>\$756,051</b>	<b>0.30</b>	<b>1.20</b>	<b>7.27%</b>
<b>Real Estate</b>												
Brookton Capital Fund III, L.P.	2015	\$4,394,160	\$986,114	\$3,408,045	\$16,095	\$3,020,346	\$889,482	\$3,909,828	\$485,687	0.88	1.14	8.25%
<b>Total Real Estate</b>		<b>\$4,394,160</b>	<b>\$986,114</b>	<b>\$3,408,045</b>	<b>\$16,095</b>	<b>\$3,020,346</b>	<b>\$889,482</b>	<b>\$3,909,828</b>	<b>\$485,687</b>	<b>0.88</b>	<b>1.14</b>	<b>8.25%</b>
<b>Total</b>		<b>\$14,894,160</b>	<b>\$6,692,367</b>	<b>\$8,201,792</b>	<b>\$48,183</b>	<b>\$4,182,993</b>	<b>\$5,239,045</b>	<b>\$9,422,038</b>	<b>\$1,172,062</b>	<b>0.51</b>	<b>1.14</b>	<b>6.96%</b>

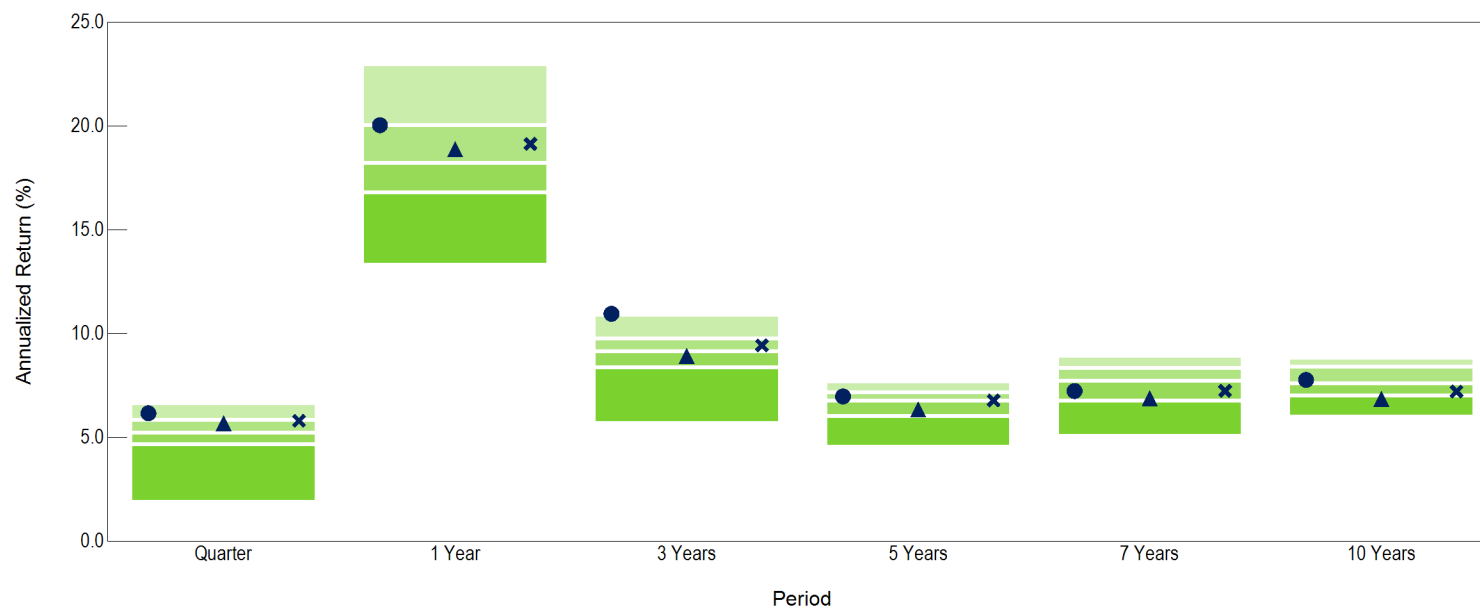
\*Impact investment

- Commitment Amount – The amount an investor has committed to invest with the General Partner
- Unfunded Commitment – The remaining amount an investor contractually has left to fund its commitment
- Paid In Capital – The amount an investor has contributed for investments and management fee
- Additional Fees – Fees that are outside the capital commitment, also includes interest paid/received due from subsequent closings of the fund
- Cumulative Distributions – The amount an investor has received from realized and partially realized investment
- Valuation – Sum of the fair market value of all investments plus cash
- Total Value – Calculated by adding Amount Distributed and Reported Value. Represents the total amount an investor should expect to receive from their investments
- Net Benefit – Calculated by subtracting Total Value by Capital to be Funded plus Additional Fee
- DPI Ratio - Calculated by dividing Amount Distributed by Amount Funded
- Total Value to Paid In Capital Ratio – Calculated by dividing Total Value by Amount Funded. Represents the multiple of the overall cash invested that an investor is expected to receive
- IRR - The calculation of the IRR (Internal Rate of Return) takes into consideration the timing of cash contributions and distributions to and from the partnerships, the length of time the investments have been held and the sum of the Reported Value



# TOTAL FUND RETURN VS PEER UNIVERSE - GROSS

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



		Return (Rank)											
5th Percentile		6.6		23.0		10.9		7.7		8.9		8.8	
25th Percentile		5.8		20.1		9.8		7.2		8.3		8.4	
Median		5.2		18.2		9.2		6.8		7.8		7.6	
75th Percentile		4.7		16.8		8.4		6.0		6.8		7.0	
95th Percentile		1.9		13.3		5.7		4.6		5.1		6.0	
# of Portfolios		68		65		63		58		48		43	
●	Composite	6.2	(15)	20.0	(27)	11.0	(4)	7.0	(39)	7.2	(60)	7.8	(46)
▲	Allocation Index	5.7	(32)	18.9	(45)	8.9	(61)	6.3	(71)	6.9	(71)	6.8	(81)
×	Policy Index	5.8	(27)	19.1	(41)	9.4	(38)	6.8	(51)	7.2	(59)	7.2	(66)



# TOTAL FUND RETURN VS PEER UNIVERSE - GROSS

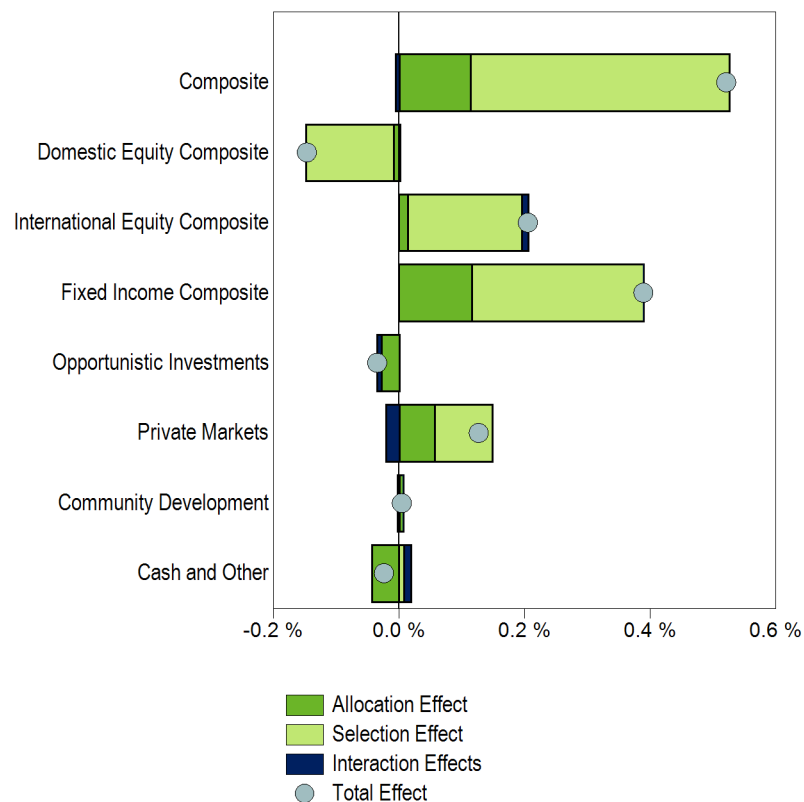
Composite vs. InvMetrics All Endowment \$50mm-\$250mm Gross



		Return (Rank)																			
5th Percentile		23.0	-1.3	18.4	10.1	0.9	7.5	19.9	14.6	3.6	14.6										
25th Percentile		20.1	-3.9	17.0	8.3	-0.3	5.5	16.9	13.4	1.3	13.7										
Median		18.2	-4.9	15.3	6.9	-1.5	4.4	15.2	12.5	-0.6	12.5										
75th Percentile		16.8	-6.2	14.2	5.7	-2.3	3.6	12.2	11.7	-1.5	11.2										
95th Percentile		13.3	-7.1	11.9	2.8	-3.9	2.0	8.4	9.4	-3.6	8.8										
# of Portfolios		65	108	76	79	80	90	81	83	82	77										
●	Composite	20.0	(27)	-4.0	(27)	18.5	(5)	5.1	(85)	-2.4	(80)	3.7	(74)	12.2	(75)	14.1	(12)	-1.4	(73)	15.2	(3)
▲	Allocation Index	18.9	(45)	-7.0	(94)	16.8	(27)	6.8	(54)	-1.4	(49)	4.5	(46)	12.1	(76)	11.7	(74)	-2.6	(88)	11.8	(65)
×	Policy Index	19.1	(41)	-5.7	(65)	16.6	(32)	7.0	(48)	-1.1	(41)	4.4	(52)	12.6	(70)	12.1	(66)	-1.6	(79)	11.6	(67)

# TOTAL FUND ATTRIBUTION ANALYSIS - GROSS

**Attribution Effects**  
3 Months Ending December 31, 2019

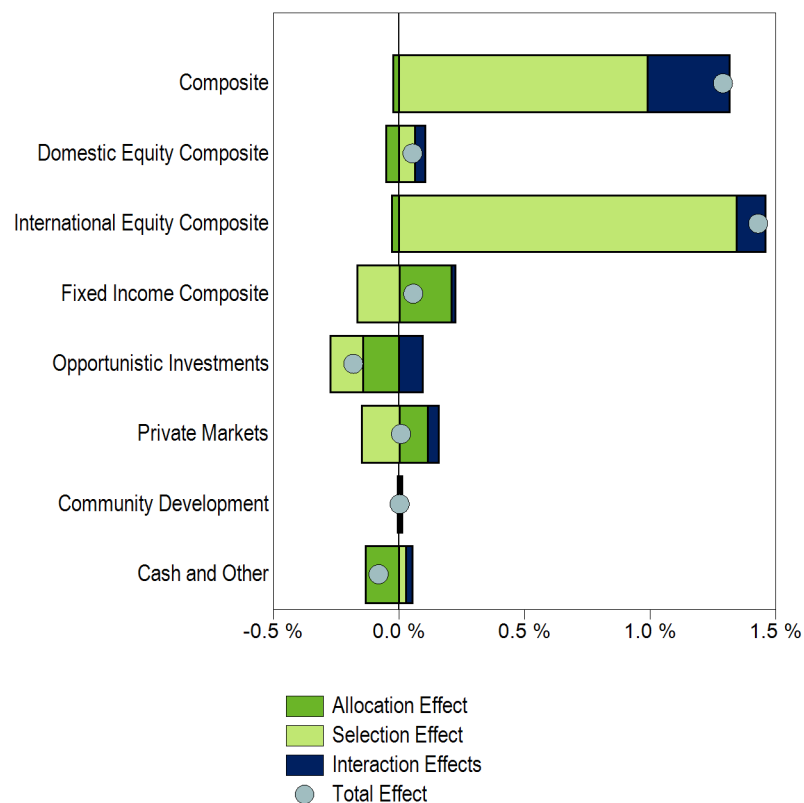


**Attribution Summary**  
3 Months Ending December 31, 2019

	Policy Weight	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Domestic Equity Composite	32.0%	8.9%	9.3%	-0.4%	-0.1%	0.0%	0.0%	-0.2%
International Equity Composite	30.0%	9.9%	9.3%	0.6%	0.2%	0.0%	0.0%	0.2%
Fixed Income Composite	31.0%	1.0%	0.2%	0.8%	0.3%	0.0%	0.0%	0.3%
Opportunistic Investments	0.0%	2.1%	4.3%	-2.2%	0.0%	0.0%	0.0%	0.0%
Private Markets	5.0%	2.1%	0.4%	1.7%	0.1%	0.1%	0.0%	0.1%
Community Development	1.0%	0.2%	0.4%	-0.2%	0.0%	0.0%	0.0%	0.0%
Cash and Other	1.0%	1.2%	0.4%	0.8%	0.0%	-0.1%	0.0%	-0.1%
<b>Total</b>	<b>100.0%</b>	<b>6.2%</b>	<b>5.8%</b>	<b>0.4%</b>	<b>0.4%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.4%</b>

# TOTAL FUND ATTRIBUTION ANALYSIS - GROSS

**Attribution Effects**  
1 Year Ending December 31, 2019

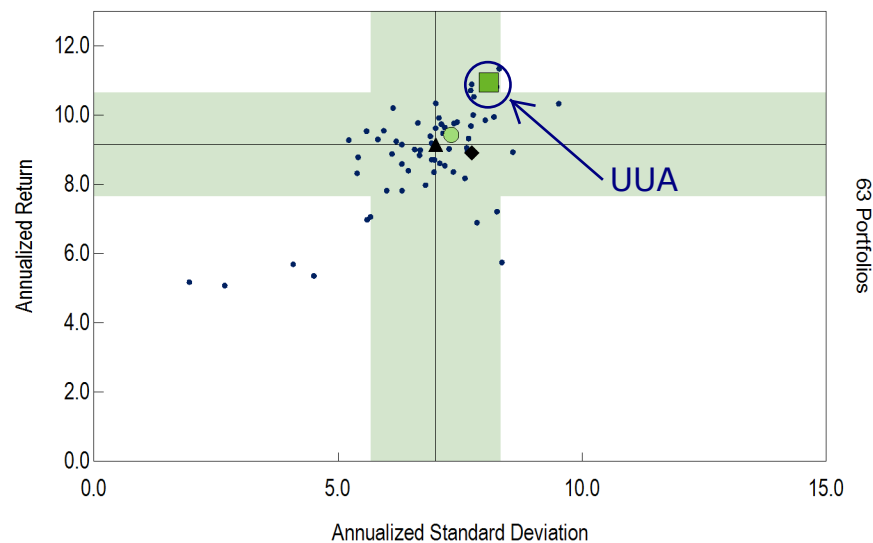


**Attribution Summary**  
1 Year Ending December 31, 2019

	Policy Weight	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Domestic Equity Composite	29.0%	30.4%	29.9%	0.5%	0.1%	0.0%	0.0%	0.1%
International Equity Composite	25.0%	26.6%	21.1%	5.4%	1.3%	-0.1%	0.1%	1.4%
Fixed Income Composite	20.0%	8.0%	8.5%	-0.5%	-0.2%	0.0%	0.0%	-0.2%
Opportunistic Investments	20.0%	11.2%	14.5%	-3.3%	-0.1%	0.0%	0.0%	-0.1%
Private Markets	5.0%	7.7%	10.3%	-2.6%	-0.1%	0.1%	0.0%	0.0%
Community Development	1.0%	1.6%	2.1%	-0.5%	0.0%	0.0%	0.0%	0.0%
Cash and Other	0.0%	5.0%	2.1%	3.0%	0.0%	-0.3%	0.0%	-0.3%
<b>Total</b>	<b>100.0%</b>	<b>20.0%</b>	<b>19.1%</b>	<b>0.9%</b>	<b>1.0%</b>	<b>-0.4%</b>	<b>0.3%</b>	<b>0.9%</b>

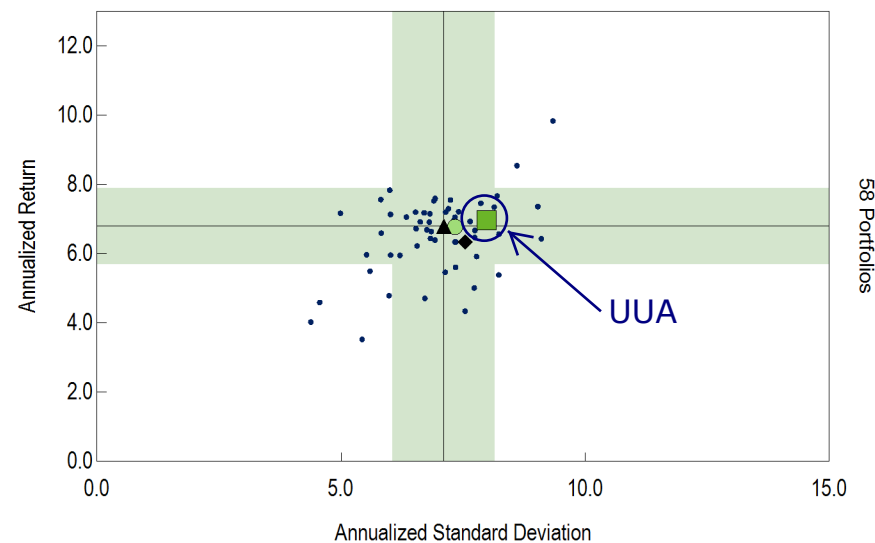
# TOTAL FUND RISK/RETURN - GROSS

3 Years Ending December 31, 2019



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

5 Years Ending December 31, 2019



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

3 Years Ending December 31, 2019

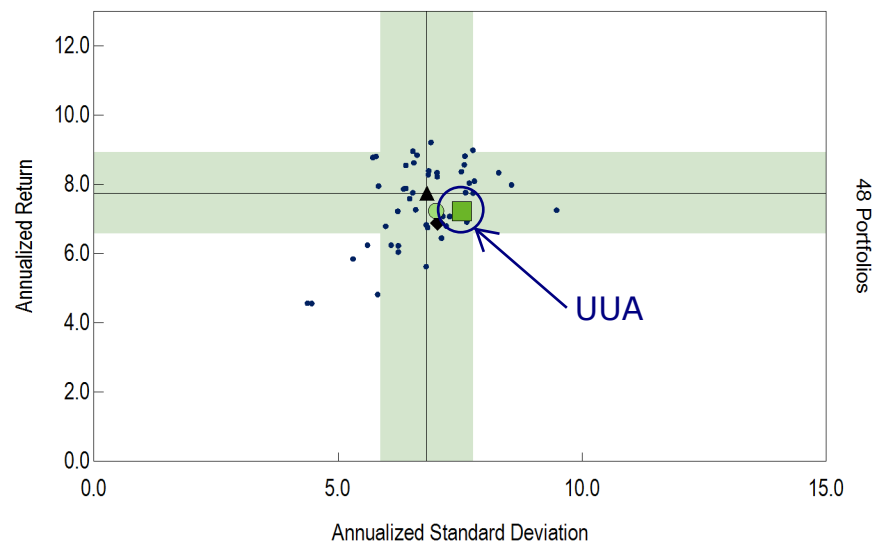
	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Info Ratio	Rank
Composite	10.95%	4	8.09%	88	1.15	32	1.53	5
Allocation Index	8.91%	61	7.74%	79	0.94	87	--	--
Policy Index	9.44%	38	7.32%	63	1.06	56	0.84	11
InvMetrics All Endowment \$50mm-\$250mm Gross Median	9.16%	--	7.00%	--	1.10	--	0.16	--

5 Years Ending December 31, 2019

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Info Ratio	Rank
Composite	6.97%	39	7.99%	86	0.74	68	0.45	23
Allocation Index	6.34%	71	7.55%	69	0.70	78	--	--
Policy Index	6.78%	51	7.34%	62	0.78	58	0.84	6
InvMetrics All Endowment \$50mm-\$250mm Gross Median	6.79%	--	7.11%	--	0.80	--	0.19	--

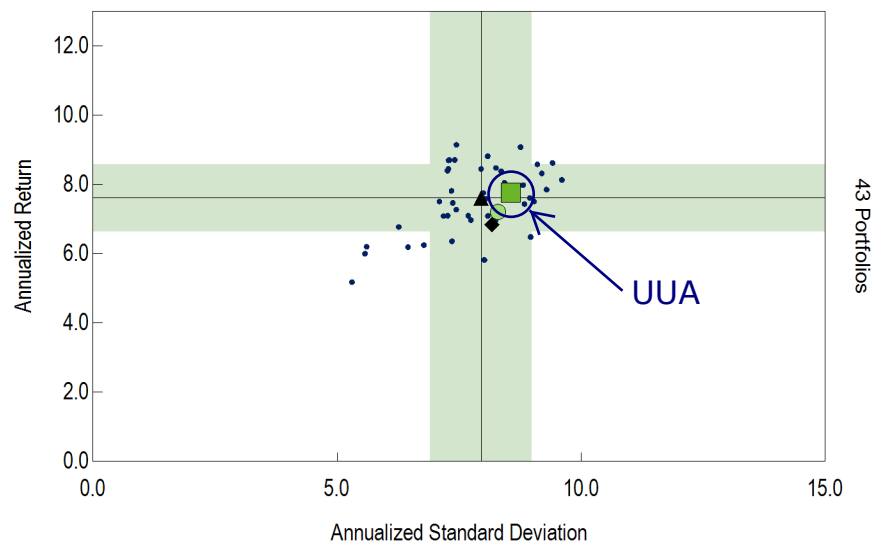
# TOTAL FUND RISK/RETURN - GROSS

7 Years Ending December 31, 2019



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

10 Years Ending December 31, 2019



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

7 Years Ending December 31, 2019

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Info Ratio	Rank
Composite	7.23%	60	7.54%	77	0.86	82	0.27	37
Allocation Index	6.89%	71	7.04%	63	0.87	77	--	--
Policy Index	7.24%	59	7.01%	60	0.92	58	0.64	5
InvMetrics All Endowment \$50mm-\$250mm Gross Median	7.76%	--	6.82%	--	0.97	--	0.09	--

10 Years Ending December 31, 2019

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Info Ratio	Rank
Composite	7.77%	46	8.56%	75	0.84	72	0.69	7
Allocation Index	6.85%	81	8.17%	64	0.77	96	--	--
Policy Index	7.21%	66	8.30%	68	0.80	80	0.59	10
InvMetrics All Endowment \$50mm-\$250mm Gross Median	7.61%	--	7.95%	--	0.89	--	0.16	--

# APPENDIX

# NEPC UPDATES

NEPC, LLC

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# HIGHLIGHTS OF 2019 FOURTH QUARTER HAPPENINGS AT NEPC

## NEPC INSIGHTS

- 2019 Third Quarter Market Thoughts
- White Paper: "The Late Stage of a Market Cycle: Been There, Done That?"
- White Paper: "Direct Investments"
- White Paper: "Family Office Best Practices"
- Market Chatter: "To the Venturesome Go the Spoils: Venture Capital Opportunities in China"
- Market Chatter: "To the Venturesome Go the Spoils: Venture Capital Opportunities in China (Part 2)"
- Market Chatter: "The Privates Drive It: Fiscal Year 2019 Mega Endowment Returns"
- Taking Stock: "The Other New Entrant in an Emerging Markets Benchmark"
- Taking Stock: "Draghi's Final Act"
- Taking Stock: "NEPC's Third Quarter Pension Monitor"
- Taking Stock: "Public Markets Dole Out a Dose of Reality"
- Taking Stock: "Is it Time to Worry about BBB Bonds?"
- NEPC's Fall 2019 Endowments & Foundations Survey Results & Infographic
- Diverse Manager Policy Infographic
- Diverse Manager Policy Press Release
- NEPC's 2019 Hedge Fund Operational Due Diligence Survey Results
- 2019 Defined Benefit Plan Trends Survey Results and Infographic
- 2019 Defined Benefit Plan Trends Survey Results and Infographic - Healthcare

## WEBINAR REPLAYS

- NEPC's 2019 Q3 Quarterly Market Thoughts Call



To download NEPC's recent insights and webinar replays, visit: [www.NEPC.com/insights](http://www.NEPC.com/insights)



# HIGHLIGHTS OF 2019 FOURTH QUARTER HAPPENINGS AT NEPC

## **FUTURE FUNDAMENTALS CAMPAIGN**

In October, we introduced the *Future Fundamentals of Investing*. Future Fundamentals is a simple phrase that highlights what we do best: staying ahead of the curve with regards to industry trends and research. While there are many concepts and ideas floating through the investment world, we believe the following will be the largest drivers of success in the coming years:

1. Sustainability
2. Diversity and Inclusion
3. Innovation

While we expect these concepts to drive investment trends for some time, we also expect these fundamentals to evolve over time. You can rely on us to identify when these fundamentals evolve or change, and to be positioning your portfolio and our business for success.

In a Wealth Management Op-Ed, the Co-Head of NEPC's Impact Investing Committee, Krissy Pelletier, defines the three pillars that will be the largest drivers of investment success. Read more here: [New Decade, New Fundamentals for Investing](#)

To learn more about the *Future Fundamentals of Investing*, visit:  
<https://futurefundamentals.nepc.com/>





# FUTURE IN FOCUS

## **NEPC's 25<sup>th</sup> Annual Investment Conference**

- Please save the date for our 25<sup>th</sup> Annual Investment Conference on Wednesday, May 20 and Thursday, May 21 at the Renaissance Boston Waterfront Hotel.
- Our theme for the conference this year is the Future in Focus. Please join us as we and our distinguished lineup of industry experts explore the potential changes and challenges facing markets in the new decade. We look forward to discussing innovative investment ideas and concepts, and new key areas of focus such as sustainability and diversity.
- We are pleased to announce that Howard Marks, Co-Chairman of Oaktree Capital Management will be our keynote speaker.
- Please reach out to Sarah Winrow: [swinrow@nepc.com](mailto:swinrow@nepc.com) if you have any questions.



# 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 X 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.



# 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.



# PACING PLAN DISCLAIMERS

- **NEPC's private markets pacing analysis projects a potential level of future assets and cash flows for a single scenario based on a series of assumptions. This analysis is intended to help estimate future exposure levels. It is not a guarantee of future cash flows, appreciation or returns.**
- **The timing and amounts of projected future cash flows and market values of investments could vary significantly from the amounts projected in this pacing analysis due to manager-specific and industry-wide macroeconomic factors.**
- **Estimates of projected cash flows and market values for existing private markets commitments were made at the Fund level and do not incorporate any underlying portfolio company projections or analysis.**
- **The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.**
- **Data used to prepare this report was obtained directly from the investment managers and other third parties. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.**
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