

UUA Investment and Socially Responsible Investment Committee – Minutes
Via Zoom
March 29, 2021

Joint Investment Committee and Socially Responsible Investment Committee:

Investment Committee members present: Kathleen Gaffney (Chair), Brian Lasher, John Minahan, Andrew McGeorge, Ken Redd, Lucia Santini-Field

SRIC members present: Kathy Mulvey, Chair, Vanessa Lowe, Andrew McGeorge, Pat Tomaino, Julie Skye, Lucia Santini-Field

Member absent: None

Guest: Asha Meta

Lindsell Train: James Bullock, Betsy Palmer

Walter Scott: Jane Henderson, Laura McDonald, Francis Sempill

Staff: Susan Helbert

1. Lindsell Train Presentation – Bullock, Palmer

- Founded in 2000 by Michael Lindsell and Nick Train both with over 20 years of experience. Firm is majority owned by Lindsell and Train.
- For the first 10 years they ran the company and, in 2010, hired James Bullock. He was an unusual hire; his background is in physics and biomechanics. This was deliberate, they wanted to bring on someone who they could train in their own way of thinking about investments.
- In 2015 Mr. Bullock was named a portfolio manager, along with Mr. Lindsell and Mr. Train, for the Global Strategy and, in 2016, was invited to buy shares of the firm.
- Focused solely on managing and serving client assets.
- Half of the 20-member team are women, 4 are senior members of the firm. Also have three ethnic minorities on staff. Diversity and inclusion are specifically laid out in the employee handbook. As firm grows, it is a goal to increase diversity.
- Currently run three strategies totaling \$31,897 million and, of that total, \$17,856 million in the Global Equity Strategy.
- High conviction portfolio, very concentrated focus (hold between 20 and 30 companies) on quality stock with very low turnover.
- Strategy has a 10-year track record and returned an alpha of 4.7%, net of fees, over that time.
- Look for companies they believe will survive for long periods of time and earn above average returns. Build concentrated portfolios around these companies and take a long-term approach to owning them. Turnover in the fund has been less than 5% per annum for the last 10 years.

- Holding period is into the decades, rarely sell any holdings, therefore spend a lot of time researching companies before owning them.
- Geographically, the businesses they invest in are in the US, Western Europe, and Japan.
- Investments are focused on consumer franchises (brand owners), internet, media and software, financials and marketplaces and a small amount of healthcare.
- Do not invest in tobacco, gambling, oil, arms manufacturers, or energy stocks.
- Because they hold stocks for such a long period, they consider all factors that will impact the long-term durability and sustainability of a company.
- Believe as the world changes regarding diversity, the companies they invest in, to maintain stability, will change as well. To be a global business you must have a management team that represents those markets and the consumers they eventually sell to.
- Engage with company management where relevant and appropriate on matter relating to environmental, social and governance factors.
- Vote all resolutions and will vote against/abstain where dialogue has not proved effective.
- Working to establish an ESG Committee and, as part of their charter, will look at diversity and inclusion policies with respect to employee hiring and retention going forward.
- Fee is .53 basis points.

2. Walter Scott Presentation – Henderson, McDonald, Sempill

- Founded in 1983 by Dr. Walter Scott, Marilyn Harrison, and Ian Clark with the sole intent to manage global mandates on behalf of an institutional client base.
- Until 2001 client base was largely based in the US. From 201 forward, diversified the business into an additional 20 countries around the world.
- In 2006 was acquired by Mellon, which became BNY Mellon, and have been part of that organization for the past 14 years.
- With 70% of client base being in the US, in 2018 made the decision to open an office in the states.
- Have \$93.6 billion in AUM made up of 273 client relationships.
- Firm has changed very little since it was founded. Not an asset gatherer, a grower of client relationships. Has a 95% client retention rate, average client tenure is just over 10 years and some with them for 25-30 years.
- Primary driver of AUM has been investment returns and markets.
- Global Equity is the absolute priority. Organizationally have never had portfolio managers, invest as a team.
- Hire in the same way they build a portfolio, from the bottom up.
- Use a long-term buy and hold approach focused on sustainable compound growth. Of the 48 holdings as of 12/31/20, 23 have been held over 10 years, 7 7-10 years, 7 4-7 years, 7 2-4 years, and 4 less than 2 years.
- In building the portfolio from individual companies it results in a portfolio with very different allocations to benchmarks. Can be a difference in how the portfolio performs in the short term but over the longer term it tends to have lower volatility and higher returns than the benchmark.

- Top holdings by sector are information technology, healthcare, and consumer discretionary and by region are the US, Europe ex UK and Japan.
- Hard rule where no individual stock will exceed 5% of the portfolio.
- ESG is fully integrated into a rigorous fundamental process, embrace highly active engagement with portfolio companies and through proxy voting processes to protect and promote the interests of their clients. ESG consideration is nothing new, has long been a fundamental component of their research.
- Have remained committed to their philosophy, process and how they run the business even after being acquired.
- Careful with the number of new clients they take on each year to ensure they can manage new and current relationships well.
- Fee is .75 basis points up to \$100 million, do not arrange different fees for different clients.

3. Discussion of Presentations – all member, NEPC

- Thematically similar but allocations are different.
- Lindsell Train’s thought process on intellectual property could be helpful in an inflationary environment.
- Concentration of ownership at Lindsell Train will be interesting in succession planning, where Walter Scott has a very deep bench to draw from.
- Lindsell Train would be more complimentary to GQG who we just invested with.
- Strengths and weaknesses on both sides.
- Lindsell Train, being a smaller firm, may be more likely to work collaboratively.

Motion 1: To invest the remaining 5% allotted to Global Equity into Lindsell Train. Moved: Lasher, seconded Santini-Fields, Brunsting, Gaffney, McGeorge, and Minahan vote aye, Redd votes no. Ayes have it and the motion carries.

VOTED: That the Unitarian Universalist Common Endowment Fund, LLC, invest 5%, roughly \$12 million dollars of the assets of the UUCEF, LLC into Lindsell Train Global Equity, (the “Investment Fund”), on the terms set forth in the subscription agreements and offering documentation therefore submitted by the Investment Fund to Andrew McGeorge, Treasurer of the Unitarian Universalist Association, subject to such changes and amendments therein as he may determine to be appropriate; and

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

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

**Next Meeting
May 21, 2021**