

UUA Investment and Socially Responsible Investment Committee
Via Zoom
May 21, 2021

Joint Investment Committee and Socially Responsible Investment Committee:

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

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

Member absent: Pat Tomaino

Staff: Tim Brennan, Susan Helbert

NEPC: Lily Fayerweather, Krissy Pelletier, Asher Watson

1. Minutes from February 21, March 24, and March 29, 2021 – Gaffney, Mulvey

Motion 1: To approve the Investment Committee minutes from the February 21st, March 24th, and March 29th meetings without amendment. Moved: Gaffney, seconded Santini-Field, all approved.

Motion 2: To approve the Socially Responsible Investing Committee minutes from the February 21st and March 24th meetings without amendment. Moved: Mulvey, seconded Lowe, all approved.

- Took a moment to review and reflect on the suggested agreements to guide our time together.
 - Lasher volunteered to be the process monitor for the meeting.
 - Agreements are a work in progress and will be on the agenda for the two-day meeting.
- Discuss August and November meetings
 - Originally, the August meeting was scheduled for two days. Considering that the August meeting will still be attended remotely, the two-day meeting has been moved to November. The August meeting will now be August 18th.

Action item 1: Helbert to send out a Doodle poll to schedule the November two-day meeting.

Action item 2: Helbert to locate and attach the GA Covenant to meeting minutes.

2. Portfolio Discussion – NEPC

- Performance Review
 - The Endowment returned 2.1% (gross of fees) during Q1 of 2021, ranking in the 88th percentile of the universe, underperforming both the allocation and the policy index.
 - For the trailing 3- and 5-year periods, performance ranks in the top quartile relative to peers.
 - Equity markets produced strong absolute returns continuing to be led by US markets.

- The upward movement in rates and inflation expectations caused fixed income classes to underperform.

Action item 3: NEPC to provide a portfolio for rising rates and inflation at the next quarterly meeting.

Action item 4: NEPC to benchmark the UUCEF's public, private, and total number of managers to comparable sized endowments.

Action item 5: NEPC to provide a peer set review to assist in determining if we are in the correct peer universe based on our size.

- Due Diligence Updates
 - NEPC has downgraded Franklin Templeton from a 1 rated/preferred strategy to a 3 rated strategy which is neutral. They have been removed from the focus placement list which is a list of preferred strategies.
 - The decision to downgrade them was threefold.
 - a) Tenuous linkage between the macro view and implementation, including the recent flip-flop on the positioning as they moved through the pandemic.
 - b) Loss of assets, along with a new semi-internal competing option from Brandywine.
 - c) Not being compensated for the volatility they generated.

Action item 6: NEPC to provide detailed attribution for Franklin Templeton, schedule a meeting with them and, to provide replacement options.

3. Private Markets Update – NEPC

- Grosvenor Capital Management
 - Discussed the meeting with Grosvenor Capital Management who presented their Advance Fund.
 - Highlights included
 - a) Fund of funds investing in diverse led firms, minimum criteria being 1/3 or more owned by women and/or minority groups.
 - b) Has a track record of investing with diverse firms in other ventures.
 - c) Is a well-resourced firm with a great network to source diverse managers.
 - d) Long life fund, 15 years plus, must wait for both the underlying funds and the fund of fund to unwind.
 - e) Will know the managers in the fund which could open doors allowing for direct investments in the future.

Action item 7: NEPC to send follow up communication to summarize the pacing plan and manager opportunities for 2021.

Motion 3: To hire Grosvenor Capital Management and invest \$2.5 million in their Advance Fund.
Moved: Lasher, seconded: Gaffney, all approved.

VOTED: That the Unitarian Universalist Common Endowment Fund, LLC, invest \$2.5 million dollars of the assets of the UUCEF, LLC into Grosvenor Advance Fund, (the “Investment Fund”), on the terms set forth in the subscription agreements and offering documentation therefore submitted by the Investment Fund to Andrew McGeorge, Treasurer of the Unitarian Universalist Association, subject to such changes and amendments therein as he may determine to be appropriate; and

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

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

4. Shareholder Advocacy Update – Brennan

- Update on SEC Regulation Changes
 - Bills have been introduced to the House and Senate invoking the Congressional Review Act (CRA); a legislative provision which allows Congress and the President to overturn regulations made within the last 60 legislative days of the previous year.
 - If the CRA is not invoked, litigation to block the rules adopted by the SEC in September 2020 will go forward.
 - The SEC has called for comments on disclosure of ESG factors by companies. This is usually preparatory for issuing new regulations. The UUA will be submitting a comment letter strongly encouraging the SEC to establish a mandatory framework for disclosures.
- Company Engagements
 - Filed at or engaged companies on a variety of issues including lobbying expenditures, political spending, sustainability metrics and executive comps, surveillance technology and privacy, climate change, GHG reduction and, racial justice.
 - Reviewed the chart of the resolutions filed and companies we are in dialogue with and the results.
 - Have been working with IT department to set up a SRI News page, anticipate it going live soon.

Action item 8 :Brennan to prepare a slide on the advocacy work for the quarterly investor call.

Action item 9: Mulvey, Brennan and Helbert to work on scheduling a meeting for the SRIC, with IC members encouraged to attend, to discuss advocacy priorities for the upcoming season.

5. Community Investing Sub-Committee – Gaffney, Lasher, Lowe, Mulvey

- Review of strategy and focus on investments in BIPOC communities
 - Team is co-creating a vision and direction for Community Investing.
 - Reviewed and discussed the Mission Aligned Investing Vision 2026 report.
 - The opportunity to invest in BIPOC led and/or focused funds seem best suited to the private investments portfolio which is being built up.
 - Clarity is needed regarding who the money is invested with versus where the invested money flows through to in identifying BIPOC investments.

- Work on the Investment Policy Statement to include a preamble statement centering UU values as well as racial justice.
- Additional resources to accomplish our commitment to anti-racism and social justice through our investments will be needed. One such option is hiring a consultant to conduct training at our two-day meeting and to provide advice on how to grow our community investment portfolio from 1% to 5%.
- Also need to develop the management of the community investment portfolio.
- Committee members were encouraged to submit comments on the draft request for proposals to forward them to the sub-committee.
- NEPC, Gaffney and Mulvey will be meeting to discuss how NEPC may be able to help with due diligence on the broader private side of the portfolio.
- Discussion on getting to 5%
 - Current market value of the community investment portfolio is \$2.8 million, target is \$11.8 million.
 - The portfolio is essentially a short-term fixed income impact strategy which generates yield and has stability. It is mission aligned, originally investing in CDFI's serving underserved communities and has a current yield of about 1.5%.
 - Now moving beyond CDFI's which may not be certified or insured but are confident they will be stable short-term investments.
 - 22% of the portfolio is coming due in 2021. This presents a good opportunity to invest in products or organizations that are BIPOC focused and led or BIPOC focused.
 - Currently average maturity is not calculated but will be working with staff to see if it can be done.
 - The goal is to streamline the portfolio, so we have fewer small investments and have larger positions with organizations that are BIPOC focused and led or BIPOC focused. An obvious source of assets is the FICA for Impact investment.
 - Reviewed and discussed various proposals to take the portfolio from the current 16.4% BIPOC focused and led investments to 50%.
 - Have a meeting set with Capital Access Lab to discuss their fund.

6. IPS Sub-Committee – Minahan, Brunsting, Redd, Santini-Field

- Update
 - Team found themselves in a policy monitoring position with the identification of Enbridge in the Breckinridge portfolio.
 - Working with NEPC to identify possible solutions to preventing unapproved companies in the portfolio. A few immediate suggestions were:
 - a) Send separate account managers notification each time a policy change is made.
 - b) Require managers to periodically attest to abiding by the policy.
 - c) Have face-to-face meetings with each separate account managers annually.
- Discussion
 - Reviewed the questions which surfaced in reviewing the many documents that govern community investing.
 - Making progress on fleshing out an increasingly detailed outline. Reviewed the short version and anticipate a fully developed outline by the August meeting.

- Continuing to discuss eliminating a numerical return goal but intend to articulate investments goals including returns strived for, acceptable risk, and the desire for growth to keep pace with inflation.
- Reviewed proposed outline with appendices.
- There is a need for information on committee recruitment, training and criteria.

Action item 10: Minahan to distribute the Investment Policy Sub-Committee Report to all members.

7. Screening Sub-Committee – McGeorge, Skye, Tomaino

- Screening Criteria
 - Reviewed the most recent ESG screening from Sustainalytics which includes newly eligible and ineligible companies.
 - The Global Standards Screening report showed the only position we hold is Wells Fargo which is held in our advocacy portfolio for engagement.
 - The Human Rights Radar report identified 10 firms with a severe overall risk assessment, we own one, Volvo AB. An additional 57 firms were identified as high overall risk, and we own four, ConocoPhillips, Ford Motor, Marathon Oil, all being engaged through our advocacy program, and Kosomos Energy.
 - Will be seeking committee approval to divest from Volvo AB. Due to time constraints, will seek this approval via email vote.

Action item 11: McGeorge to submit via email a request for votes to approve divesting from Volvo AB.

- General Assembly Report
 - Will be doing the first-year report on the 2020 GA Business Resolution on Human Rights. Discussed what will be included in the report such as the tools we have bought to help us implement the Resolution.
 - Will describe the goals we have set around implementation and the intent to engage companies through our advocacy work.

Next Meeting
August 18, 2021