

UUA Investment and Socially Responsible Investment Committee – Minutes  
Via Zoom  
August 18, 2021

*Joint Investment Committee and Socially Responsible Investment Committee:*

**Investment Committee members present:** Kathy Mulvey, Acting Chair, Brian Lasher, John Minahan, Andrew McGeorge, Ken Redd, Lucia Santini-Field

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

Member absent: None

Staff: Tim Brennan, Susan Frederick-Gray

Observers: Byrne Dallas Crandell, Bay Gaillard, Zoe Johnson, Rowan Pappenhagen, Alex Sherwood, Aly Tharp

NEPC: Lily Fayerweather, Krissy Pelletier, Jennifer Appel

1. Minutes from May 17<sup>th</sup> and 21<sup>st</sup>, 2021 – Mulvey

**Motion 1:** To approve the Investment Committee minutes from the May 17<sup>th</sup> meetings without amendment. Moved: Minahan, seconded Red, all approved.

**Motion 2:** To approve the Investment and Socially Responsible Investment Committee minutes from the May 21<sup>st</sup> meetings with minor amendments. Moved: Santini-Field, seconded Lasher, Tomaino abstained, all others approved.

2. IC/SRIC integration – Closed session

3. Market Review and Discussion – NEPC

• Inflation:

- In December 2020, began a deep dive on inflation review feeling that the market was pricing in a benign inflation environment over the long-term.
- Have been focusing on the fact that while their long-term view remains unchanged, the range of outcomes for inflation is wider than it has been in the past with a greater likelihood of higher inflation.
- As 2021 unfolded a real economic resurgence occurred in the U.S. powered by expansion in vaccination rates and continued stimulus, but it has been tempered by widespread inflation concerns.
- Have seen increases in market-based inflation expectations which more directly impacts asset pricing.
- In reviewing the Balanced Environment Mix it is noted that commodities and real assets are absent. There are three reasons behind that 1) real assets have the broadest and

highest inflation sensitivity, 2) real assets often are a small portion of a total portfolio and, while it can provide meaningful protection, the sizing may not be meaningful enough to have a material impact on portfolio level outcomes and, 3) have a negative strategic view of commodities futures given the negative role yield that persists in the space that detracts from total returns.

- Proposing a heavier investment to equities which still have a positive correlation to changes in inflation and have a more favorable return outlook. In theory, while equities do not have as high of an inflation beta as real assets, do believe they provide protection from inflationary shocks over the long-term.
- Recommend across their client base a 10% allocation to safe-haven fixed income, which provides down-side protection and liquidity. Also proposed a slightly higher allocation to private markets.

**Action item 1:** NEPC to provide managers who they are implementing the safe-haven investments through and information on any active TIPS managers they may have/know.

#### 4. Private Markets Recommendation –

- HCAP V:
  - In 2019 a commitment of \$2mm was made to HCAP IV. NEPC is now recommending a \$2.5mm investment in fund V.
  - Classified as an impact fund, which fits with our mission alignment. With the addition of a partner, is now a diverse owned firm. Diverse owned defined as at least 50% owned by diverse groups and diverse led as between 33% and 50% ownership.
  - Expect a lot of demand in fund V; seeing an increase in interest to the themes that HACP leans into such as workforce development, quality jobs and, financial inclusion.
  - With both funds IV and V, they sought out an SBA license. To qualify for an SBA license, they had to demonstrate that their investments are benefitting society.
  - Before investing in a company, show them their gainful jobs plan for them and get a commitment that they will follow that plan.
  - Focus on investing in companies close to where the team is located. They act as a partner for the companies and often have Board seats or observer seats on the Board. This allows them to ensure their gainful jobs approach is being implemented.
  - They use a very hands-on approach with the companies they invest in and believe this justifies the higher fee of 2% for committed capital.
  - Some concern over investments such as Lonestar Analytics which has focus areas including military and intelligence, aerospace and defense, and oil and gas.

**Action item 2:** NEPC to provide diverse owned and diverse led data across the portfolio.

**Action item 3:** NEPC to do a deep dive on Lonestar Analytics and obtain HCAP's focus on various sectors they may be considering for Fund V. Coordinate a potential vote pending the outcome.

## 5. Portfolio Performance Review – NEPC

- Performance Review
  - The Endowment returned 5.1% (gross of fees) during Q2 of 2021, ranking in the 58th percentile of the universe, outperforming both the allocation and the policy index.
  - For the trailing 3- and 5-year periods, performance ranks in the top quartile relative to peers.
  - The allocation of 10% to Global Equity was fully funded with 5% invested in GQG and 5% to Lindsell Train.
  - In a review of the number of investment managers in the UUCEF compared to our peers, the 2020 NACUBO report shows we use fewer managers overall but have a higher number of public debt managers.

## 6. Screening – McGeorge

- Next steps re: responsive resolution:
  - Reviewed and discussed the responsive resolution received in response to the progress report, on last year's business resolution presented at GA21.
  - Resolution strongly expressed belief that engagement is not working regarding emergent climate issues and that we should move divestment.
  - The resolution is asking the UUCEF to create a transparent public process which encourages the participation of UU congregations, justice organizations and individuals in the review of the SRI Guidelines. While the guidelines have been worked on to a degree, it is time to revisit them with an eye toward more clear expression on human rights.
  - The UU young adults express a strong desire to participate in the review of the guidelines. Participation is welcomed once it can be determined how to implement it.
  - Resolution also requests that the UUCEF completely and immediately divest from banks funding the Line 3 pipeline which include Wells Fargo, Bank of America, Citigroup, JP Morgan Chase and RBC.
  - Have been encouraging participation by all groups and individuals, regardless of investment in the UUCEF, in the Quarterly Investor Call. Will be offering a deeper dive conversation about the responsive resolution.
  - Discussed obtaining a list from Sustainalytics on what banks are directly funding Line 3. Will be reviewing the advocacy plan for FY22 which also may impact our response.

**Action item 4:** McGeorge to contact Sustainalytics to obtain a report on the banks funding Line 3.

**Action item 5:** McGeorge to determine how exclusion of companies is implemented by Sands and Breckinridge.

- Progress and next steps in implementing Business Resolution

- The Investor Alliance for Human Rights has been consulted on the SRI Guidelines draft. Many of the comments received were on how human rights due diligence is conducted and how it could be reflected in our guidelines.

## 7. Community Investing

- Investment in Inclusiv: SRIC recommendation to IC
  - The SRIC proposes a \$1mm investment in the Inclusiv Racial Equity and Resilience Fund. Term would be 10 years with an interest rate of 1%.
  - The fund provides secondary capital to qualified community development credit unions across the US. Provided mostly to small credit unions in areas that have large minority populations which have been underserved by the general financial community.
  - Have had a long successful relationship with Inclusiv.
  - While the investment is larger than usual, getting specialists like Inclusiv, will assist in getting to the 5% allocation of the overall portfolio.

**Action item 6:** McGeorge to contact Inclusiv to negotiate minimum draw amount, principal payment size and timing, and reporting to mirror that described in Section 16 of the Guaranty.

**Action item 7:** McGeorge to have legal counsel review the Loan Agreement, Promissory Note, and the Guaranty.

**Motion 3:** For the SRIC to approve a recommendation to the Investment Committee to invest up to \$1mm in Inclusiv. The recommendation is made pursuant to the satisfactory conclusion of negotiations with Inclusiv and legal counsel review. Moved: Lowe, Seconded Skye, all approved.

**Motion 4:** Upon satisfactory conclusion of negotiations with Inclusiv and legal counsel review, to approve the SRIC recommendation of investing up to \$1mm into the Inclusiv Racial Equity and Resilience Fund. Moved: Lasher, Seconded, Santini-Field, all approved.

VOTED: That the Unitarian Universalist Common Endowment Fund, LLC, invest up to \$1 million dollars of the assets of the UUCEF, LLC into the Inclusiv Racial Equity and Resilience 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.

- Consultant RFP: recruitment/decision-making process

- As a result of the increase in allocation to community investing (1% to 5%), the desire to strengthen out racial justice investing, additional guidance and training are needed.
- Reviewed the post that will be placed on the UUCEF website, and the RFP being used to search for a BIPOC Consultant for Racial Justice Training and Portfolio Consulting.
- Could be difficult to find one group who could do both the consulting and training. Anticipate holding a review or Q&A session for those who are interested in submitting an RFP. This type of forum could find two that may be interested in collaborating on a single proposal.

**Action item 8:** McGeorge to have the blog and RFP posted to the UUCEF website.

#### 8. Shareholder advocacy - Brennan

- Approve proposed priorities for 2022:
  - Reviewed the proposed advocacy plan containing key themes, actions and issues.
  - Next step is to identify the companies to engage with.
  - With the failure of the Congressional Review Act to revert SEC filing rules, the ICCR, of which we are a member, is working to put together a fund between \$250k and \$300k for litigation. The UUA has contributed \$5,000.00 to the fund.
  - Need to have an ability and platform to share the story of our work with congregations.

**Action item 9:** Brennan to reach out through his networks to see if anyone may be interested in working as a consultant to write articles on the advocacy work.

**Motion 5:** To accept the shareholder advocacy plan and proposed. Moved: Kathy, Seconded, Skye, all present approved, Tomaino absent.

#### 9. November retreat/meeting agenda

- Training with racial justice consultant.
- Further discussion on integration of committees and next steps.
- Discussion on implementation of business resolution.
- Action steps on responsive resolution.
- Customizing committee covenant.
- How to get our message out.
- Divestment as a strategy.
- Work plan for the year (NEPC)

Next Meeting  
November 3<sup>rd</sup> and 4<sup>th</sup>, 2021