

*Day 1:*

**Investment Committee members present:** Kathy Mulvey, Chair, Brian Lasher, Vanessa Lowe, Asha Mehta, Andrew McGeorge, John Minahan, Ken Redd, Julie Skye, David Stewart

**Members absent:** Eric Horvath

**NEPC:** Krissy Pelletier, Kelly Regan

**1. Survey Results and Discussion– NEPC**

- Goal of survey is to assist in the revision of the Investment Policy Statement, recognize and discuss different perspectives in managing and measuring the portfolio, and, to provide guidance to NEPC in, what they should bring forward to help fulfill what we want to achieve in the portfolio.
- Strong consensus in areas of:
  - Philosophy, Governance and Portfolio Implementation:
    - a) risk to meet return, need for additional performance measurements, and fee awareness with willingness to pay for unique strategies.
  - Mission Alignment:
    - a) Considering ESG factors when evaluating managers and moving to more proactive investments instead of focusing on ESG.
- Varied responses on time horizon and what percentage of drawdown the portfolio could withstand over a one-year period, resulted in a thorough discussion.
- Biggest variance in response was on how to measure the portfolio's performance.
- Results showed that half of the members wrote in responses focused on the committee's role ensuring that our mission is reflected in the portfolio.
- A lot of consensus on mission alignment questions, including prioritization of specific diversity indicators. Highest percentage of responses focused on Black/African American and Indigenous.
- The survey was very helpful in terms of assisting with creating the new Investment Policy Statement. The updated IPS, and strong consensus on mission alignment, will in turn help NEPC when considering new manager opportunities going forward.

**Action item 1:** NEPC to provide the 2000, 2001, 2002, and 2008 drawdown history along with investor behavior for the same periods.

**Action item 2:** NEPC, when showing peer results, to more clearly define why we out/under-perform peers when there's significant relative performance.

**Action item 3:** NEPC to determine if they can provide impact focused/interested funds, endowments, etc. in a peer comparison.

**3. Performance Update – NEPC**

- Second quarter saw a continuing decline in global markets. Factors include geopolitical tensions, high inflation, increases interest rates and continued fear over recession. The US economy also had second quarter of negative growth.
- The Endowment returned -11.4% (gross of fees) during the second quarter, ranking in the 82<sup>nd</sup> percentile, underperforming the allocation index.
- Allocation difference compared to policy targets added 60 basis points of value during the quarter.
- Longer term, the Endowment performance ranked in the bottom half relative to peers as the 2021 and 2022 results have weighted on longer-term returns.
- Sands, down roughly 50% over the last year, is concerning and the manager needs closer review.

**Action item 4:** NEPC to provide write-up on Sands to the committee.

**Action item 5:** NEPC to connect with McGeorge regarding Rhumblin ETF holding.

#### 4. Private Managers Next Steps – NEPC

- Working toward long-term target to private markets allocation of 10%. Pacing plan included investing \$8 million this calendar year, to date have committed \$4 million.
- Reviewed the MPowered Capital Access Fund 1 and Wellington Venture Investments 1, LP.
- Managers differ in two important ways; Wellington is focused on venture capital investments while Mpowered is more diversified on where/how they invest.
- MPowered:
  - Founder, Marcia Page, is a well-known investor in private markets. Has done a high volume of research around the gap in capital flow to diverse founders and availability of opportunities.
  - Have developed their own database of about 800+ opportunities.
  - The team has not invested together before.
  - Identify talented investors who have formed firms and, not only invest in the funds but also do structured transactions providing working capital to some founders to get their firms ready for institutional investors.
  - They define diverse founders as any firm that has 1/3 or greater ownership in one of the following: Black/African American, Latinx, Asian/Pacific Islander, Indigenous, Female, Disabled, Veteran, and LGBTQ+.
  - Not only are they diverse-focused, but they also have a diverse team.
  - Targeting fund size of \$250 million and the team has committed \$25 million.
- Wellington:
  - Focuses only on venture capital and have a more focused diversity target. Very transparent that they have more of a Black/African American focus.
  - Team is all Black and have come together from various other well-known investment firms becoming employees of Wellington.
  - They have not invested together as a team before.

- Will take early-stage risk on companies. Believe their (Wellington's) experience with companies in all stages of their lifecycle, can help earlier-stage companies through the process of potentially going public.
- Targeting fund size of \$150 million and Wellington has committed \$40 million.
- Neither team would consider themselves as impact strategies. Are explicit in their focus on diversity and committed to reporting on their underlying investments in terms of diversity identifiers.
- Expect fees to be above-market considering the blend of fund investments and co-investments.

**Motion 1:** To invest \$2 million into the MPowered Capital Access Fund I and \$2 million to Wellington Venture Investments I, LP. Moved: Lasher, seconded Mulvey, Redd abstained, Horvath absent, all others approved.

VOTED: That the Unitarian Universalist Common Endowment Fund, LLC, invest \$4 million dollars of the assets of the UUCEF, LLC, \$2 million into the MPowered Capital Access Fund I, and \$2 million into the Wellington Venture Investments I (the "Investment Funds"), on the terms set forth in the subscription agreements and offering documentation therefore submitted by the Investment Funds 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.

#### 5. Advocacy Priorities for 2023 and Resourcing the Work – McGeorge, Skye

- With Tim Brennan having completed his consulting service with the UUA, Julie Skye held a call with Tim Brennan, John Keenan from AFSCME, and Bruce Freed of the Center for Political Accountability to discuss how the UUA could create an engagement working group. Tim Smith of Boston Trust Walden, John Keenan and Bruce Freed have expressed interest.
- Concern was expressed as to our capacity to continue the existing level of shareholder engagement. Discussed if we should hire a consultant(s) to act as the representative of the UUA. The current UUA President, Susan Frederick-Gray, has given her support.
- Will continue to finetune the FY23 plan.

#### 6. Wrap up and Setting up Day 2 – All

- Add approving minutes from May 3, 2022.
- Add report back from GA.

**Investment Committee members present:** Kathy Mulvey, Chair, Brian Lasher, Vanessa Lowe, Asha Mehta, Andrew McGeorge, John Minahan, Ken Redd, Julie Skye, David Stewart

**Members absent:** Eric Horvath

### 1. Minutes from May 3, 2022– Mulvey

**Motion 1:** To approve the Investment and Socially Responsible Investment Committee minutes from the May 3, 2022 meeting without amendment. Moved: Lowe, seconded Skye, Stewart abstains, all others approved.

### 2. Report back from GA - Lowe

- Held two sessions:
  - Wanted: UU Common Endowment Fund Committee Members
    - a) 30 Participants (12 in person, 18 online)
    - b) Actively seeking new members for the committee.
    - c) Asking existing members to reach out to three people they know who may be interested in applying.
    - d) Currently have 8 members but can have up to 10.
    - e) Session got off agenda by questions and comments about existing investments and why they are held.
  - Advancing Racial Justice
    - a) 89 participants (all online)
    - b) Erika Seth-Davies shared the racial justice assessment she conducted with the committee.
    - c) Lena Gardner, of Black Lives of Unitarian Universalism (BLUU), attended and shared the affordable housing program they're working on in Minneapolis, MN.
- Did encounter some difficulty with the multiplatform experience such as getting into sessions and audio quality.
- General session at GA devoted time an update from the Article 2 Study Commission. Article 2 of the UUA bylaws list out the principles and purposes of the organization. The Commission is reviewing the 8<sup>th</sup> principle as part of their work.

**Action item 1:** Terms have changed from four 2-year terms to two 3-year terms. Stewart to seek guidance from the Board and appointments committee on how this applies to existing members and to send out existing member term dates to committee.

**Action item 2:** Lowe and McGeorge to have a call with Erika Seth-Davies regarding moving forward with RFP for Community Investing consultant.

**Action item 3:** McGeorge to contact UU World to discuss an article about the legacy of Lucia Santini-Field: her contributions to the committees, Board of Trustees, and the UUCEF.

### 3. Day 1 reflections – All

- Cash allocation and Community Development allocation need to be more accurately depicted.
- Impact Summary matrix is incorrect and inadequate. Matrix needs to become an item that can be distributed to congregations showing how the various managers add impact. Matrix should also include allocation of negative and positive screened funds as well as thematic impact.

- Further discussions on Sand’s continued inclusion in the portfolio and adding value to the portfolio beyond just Rhumblin is needed.
- In terms of Private Equity, need to define what is meant by “Impact”, is it funding minority managers or investing in strategies whose objective is to deliver impact?
- Number of managers is too large to be monitored as well as they should be.
- Reflection has been about operations and should be focused on governance.

**Action item 4:** Lowe, Minahan and Skye to continue discussion with NEPC regarding structure of Impact Summary matrix.

**Action item 5:** Helbert to provide a one-page, bulleted summary of survey results.

#### 4. Investment Policy Statement discussion – All

- Need to designate leadership to keep this moving forward.
- Completion of the NEPC survey can be used to guide possible next steps in the process.
- Working draft is long; a shorter summary document could be very useful.
- A preamble statement should be included.
- Once IPS is ready, will go to the Board for approval.
- Would like to wrap up the IPS in the near future.
- Should focus more on asset allocation instead of manager selection.
- Need to clearly identify the responsibilities of the committee.
- Need to separate out policy from operational guidelines.
- Not sure how the inclusion of the 8<sup>th</sup> principle in the IPS will be seen by the Board.
- Risk taken should not be predicated on a return target. Having a return goal is important.
- Having NEPC create a chart on the types of risk the portfolio has, and the allocation percentage of each, would be beneficial.
- New IPS subcommittee will be Lasher, Minahan, Redd (Chair), and Skye. Will invite Vonda Brunsting and Horvath to join.

#### 5. SRI Guideline Revisions/Next Steps - McGeorge

- Obligated to complete the revision by GA23.
- Would like a completed document for Board consideration by the end of the church year.
- McGeorge and Mulvey will co-lead this process.
- The guidelines should include our screening policies, our engagement practices, and our theory of change. Why do we believe allocating capital the way we do is consistent with social objectives.
- Will be scheduling an open meeting to discuss the revision of the guidelines for anyone who wants to attend.

#### 6. UUDivestment Discussion/Company Reports – McGeorge

- Reviewed [www.uudivestment.com](http://www.uudivestment.com) and the four issues we are being called out on, Environmental Racism, Reproductive Justice, Pandemic Profiteering, and Prison Industrial Complex.
- McGeorge covered Sustainalytics reports for Walmart, Halliburton and Schlumberger.

**Action item 6:** McGeorge to contact Sands to discuss selling the three tech holdings and for a proposal of what they would replace them with if we do sell.

**Action item 7:** McGeorge to schedule a meeting with the committee to discuss completing our divestment from the Carbon Underground 200 companies in separately managed accounts.

**7. Screening Data Vendor Discussion**

- Deferred to a future date.

**8. Quarterly Investor Call – McGeorge**

- Will announce the formation of a subcommittee working on the IPS.
- Ujima Funds to speak on the call.
- Discussion on statement format change.
- Mehta to represent the committee.

**9. Agenda items for next meeting – All**

- Planning for GA23 sessions
- Discussion with NEPC regarding Impact Summary matrix.
- Create a process to determine who will represent the committee on future investor calls.
- IPS and SRI Guidelines for review.
- Potential RFP for an advocacy and engagement consultant.
- Continued work on FY23 advocacy filings.
- Community Investment - RFP for consultant, Boston Impact Initiative note and future funding.

**Next Meeting  
November 3, 2022**