



# UUCEF, LLC Investor Call

September 20, 2023  
2pm Eastern

## Presenters:

**Brian Lasher, Co-Chair, UUA Investment Committee**

**Vanessa Lowe, Member, UUA Investment Committee**

**Betty Francisco, Boston Impact Initiative**

**Tim Brennan, Interim UUA Treasurer and CFO**

Join Zoom Meeting: <https://uua.zoom.us/j/93331404039>

Or

Join by phone using any of these numbers: 1-646 558 8656

1-312 626 6799

1-206-337-9723

Meeting ID: 933 3140 4039

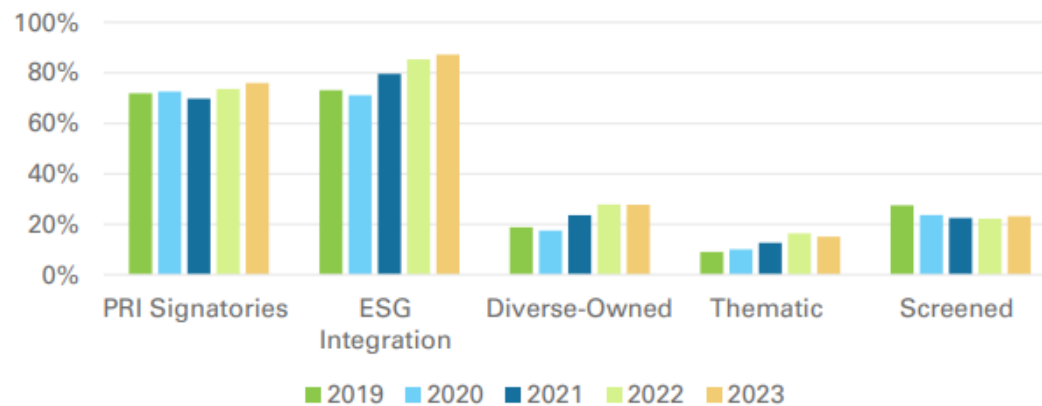


# AGENDA

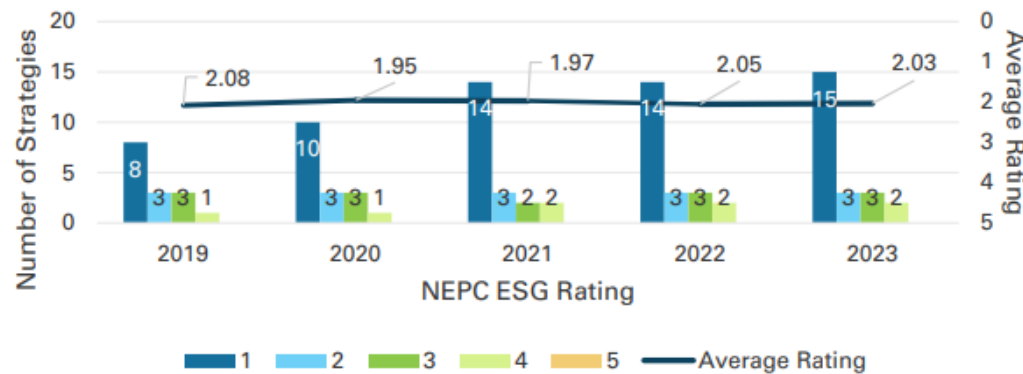
- Mission Alignment Summary
- Introduction to Boston Impact Initiative
- Shareholder Engagement Update
- General Assembly Sessions
- Business Resolution Update
- Financial Performance Review as of June 30, 2023
- Recent Changes
- Questions and Answers

# Mission Alignment Summary

Characteristics  
By % of Assets



Manager ESG Ratings

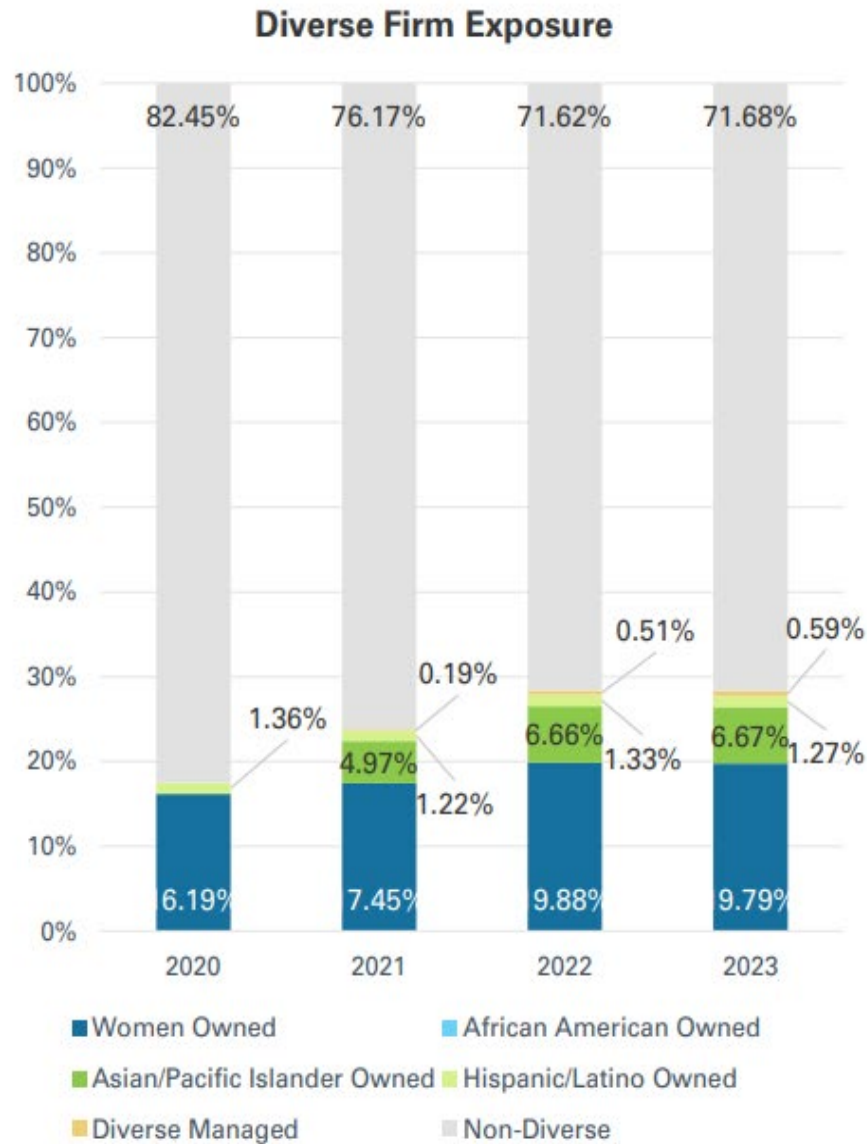


## KEY TERMS

- **PRI Signatory:** A PRI signatory is a firm that has committed to integrating ESG into their investment process according to the six principles in the UN supported Principles for Responsible Investing.
- **ESG Integration:** An investment strategy rated as a 3 or higher according to the NEPC ESG Ratings Framework (1-5 with 1 being the best) is considered to have some level of ESG integration
- **ESG Ratings:** NEPC's proprietary ESG Ratings Framework scores investment strategies based on their ESG integration at the firm and strategy level. A 5 has no integration, a 4 has limited integration, a 3 has average integration, a 2 has above average integration, and a 1 is best in class.
- **Diverse Owned:** A firm that's at least 50% owned by an under-represented group.
- **Thematic:** A strategy that prioritizes specific issues, investing in opportunities that offer solutions while also achieving financial goals.
- **Screened:** A strategy that incorporates negative screening.



# DEI & Thematic Commitments



Thematic Commitment Tracker			
Manager	Implementation Objective	Strategy	Amount
Generation IM SS Fund III	Sustainable Solutions	Private Equity	\$2,000,000
Generation IM SS Fund IV	Sustainable Solutions	Private Equity	\$4,000,000
Grosvenor Advance Fund	Diverse-Managed, Access to Capital	Private Equity	\$2,500,000
SJF Ventures	Multi impact themes (venture)	Private Equity	\$2,500,000
MPowered Capital Access Fund I, L.P.	Diverse Owned, Access to Capital	Private Equity	\$2,000,000
Wellington Venture Investments I, L.P.	Diverse Managed, Access to Capital	Private Equity	\$2,000,000
Stone Castle FICA for Impact	Community banking	Fixed Income	~\$16,000,000
HCAP Partners IV LP	Gainful jobs & Underrepresented Communities	Private Debt	\$2,000,000
HCAP Partner V LP	Gainful jobs & Underrepresented Communities	Private Debt	\$2,500,000
RRG Sustainable	Water and Agriculture	Private Real Assets	\$1,500,000
Brockton Capital Fund III	ESG/Real Estate	Private Real Estate	\$4,473,967
Community Development	Community Development		~\$2,700,000



See full presentation materials here: [BII Presentation](#)

## Shareholder Advocacy Update

- Last year the UUA partnered with the Heartland Initiative, a human rights group, in filing a resolution at **Schlumberger\***, the international oil field service company, asking them to report on their human rights due diligence process. We withdrew the resolution in exchange for dialogue about how their operations align with UN Guiding Principles on Human Rights. Those discussions continue this year.
- Also last year the UUA filed a resolution with **New York Community Bancorp** addressing the alignment between their lobbying, including through trade associations, and the goals of the Paris Agreement. With the Company's support, the resolution passed with 95% of the vote. This is highly unusual. A dialogue continues on the specifics of their report.
- For the 2023-2024 season, the UUA is partnering with **Investor Advocates for Social Justice** to strengthen its shareholder action efforts.

\* Schlumberger is a company that UUA environmental screens would normally prohibit from the portfolio, but the security is held in the Advocacy Account, which is used specifically to enable resolutions with companies that would otherwise be excluded.



# GENERAL ASSEMBLY SESSIONS

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## Make Money while Doing Good

UU Common Endowment Fund

How can we invest to enhance social justice, racial equity, diversity, and inclusion while operating within the limitations of the current financial system? The UUCEF brings together congregations seeking resources to enhance their missions locally and have a positive impact on the world. Please join us to learn how.

*Rev. Dr. John Morehouse; Nick Antione;  
Christina Cobourn Herman; Brian Lasher;  
Richard Witherspoon*



*Rev. Dr. John  
Morehouse*



*Nick Antione*



*Christina  
Cobourn  
Herman*



*Brian Lasher*



*Richard  
Witherspoon*

- UUCEF GA Panel 11-minute Intro [Video](#)
- UUCEF GA Panel 63-minute Full [Video](#)
- UUCEF GA Panel 3-minute [Video](#)

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## Money as an 8th Principle Action Tool

Ready to invest in racial justice? I'll share resources and tools like the new justice screened ETFs, Activest's bond ratings, and learning circles dedicated to reducing the racial wealth gap. Learn about local Reparations bills and church commitments. Bring your examples and questions to make this an interactive session.

*Vanessa Lowe*



*Vanessa Lowe*

## 2023 Business Resolution: [Complete Divestment from the Fossil Fuel Industry and Subsequent Reparations](#)

- The Resolution focused on approximately 40 UUCEF holdings as of 6-30-22. Many of which the [2014 Business Resolution on Fossil Fuel Divestment](#) allowed UUCEF to “retain investments in CU200 companies in which it is engaged in shareholder activism.”
- The resolution also called for about \$13 million of UUA’s endowment to be used for reparations work.
- 68.3% of delegates votes “no, do not adopt the Business Resolution as amended.”



# TOTAL FUND PERFORMANCE SUMMARY - NET

	Market Value (\$)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	15 Yrs (%)
<b>Composite</b>	<b>248,994,476</b>	<b>3.2 (53)</b>	<b>8.0 (49)</b>	<b>9.6 (48)</b>	<b>5.1 (75)</b>	<b>4.6 (75)</b>	<b>6.4 (62)</b>	<b>5.3 (76)</b>	<b>5.2 (68)</b>
<i>Allocation Index</i>		3.5 (44)	8.4 (41)	10.0 (41)	6.5 (57)	5.3 (60)	6.6 (56)	6.1 (55)	5.8 (50)
<i>Policy Index</i>		3.9 (24)	9.4 (21)	11.0 (24)	7.5 (38)	6.2 (32)	7.4 (33)	6.6 (41)	5.8 (48)
<i>InvMetrics All E&amp;F &lt; \$250mm Median</i>		3.3	7.9	9.5	6.8	5.6	6.9	6.3	5.8

## Total Fund Performance

- The endowment returned 3.2% (net of fees) during Q2 2023, ranking in the 53<sup>rd</sup> percentile of the universe, slightly underperforming both the allocation and the policy index
- Active management detracted 30 bps for the quarter
- Allocation differences from the policy detracted 40 bps for the quarter
- Over the 1-year period, portfolio performance ranked in the top half relative to peers

# Recent Changes to Investment Manager Line-up

- At the June meeting, the Investment Committee reviewed equity managers for values alignment – paying particular attention to holdings and what each manager's process allows
  - It was determined to look at alternatives to holding GQG and RBC in the portfolio, and to explore switching the Acadian investment to the Fossil Fuel Free (FFF) option
- At the August meeting, the Investment Committee reviewed NEPC's manager recommendations, keeping in mind several factors: existing relationships, cost, values alignment and portfolio fit/expectations
- The following changes are in process:
  - GQG and RBC will be terminated
    - RBC proceeds will go to Acadian, with the entire balance shifting to the Acadian Fossil Fuel Free vehicle
    - The GQG proceeds will be used to add to the investment with Generation, and rebalance other areas of the portfolio that are underweight
- This is a streamlined result that offers similar portfolio characteristics/outcomes as the existing portfolio – and the benefit of reducing the number of managers in the portfolio.

# ADDITIONAL RESOURCES



# Fund Oversight

- UUA Board of Trustees – ultimate fiduciaries
- Investment Committee – includes investment professionals
- UUA Treasurer – management, rebalancing
- Investment consultant – NEPC
- SRI analyst – Sustainalytics
- Specialized investment managers
- Custodian – US Bank
- Reporting – HWA International
- Auditors – CBIZ Tofias/Mayer, Hoffman, McCann

# Investment Objective

- With the guiding lens of Unitarian Universalist values and principles, strive to achieve consistent returns within a moderate risk tolerance over the long term, sufficient to allow Congregations to take regular distributions and maintain the value of principal after adjustment for inflation and after all expenses.

# UU Common Endowment Fund

## Key Characteristics

- Long-term investment fund
- Diversified portfolio
- Managed by specialist professional investment managers
- Managed to reflect UU values while achieving financial goals – “Risk, Return, Justice”
- Open to congregations, districts, and other UU organizations



# Portfolio Diversification

- Across Asset Classes:
  - Domestic equities: large cap, small cap, growth, value
  - International equities: developed, emerging
  - Fixed income: treasuries, core bonds, multi-sector, opportunistic
  - Opportunistic investments: hedge funds, global asset allocation
  - Private markets
- See <https://uucef.org/files/2023/09/Manager-Descriptions.pdf> managers.

# Asset Allocation Targets, eff. 11-3-21

Asset Class	Target Allocation
Domestic Equity	33%
International Equity	22%
Global Equity	12%
Fixed Income	17%
Private Markets	10%
Community Investments	5%
Cash	1%

# Manager Summary

	Screened	NEPC ESG Rating	Thematic/ Impact	Themes	Diversity Characteristics
Rhumblin	X	4			Diverse Owned, Female
Sands	X	2			
Ownership Capital		1			
Wellington SMID		2			
WCM Investment Management	X				
MFS International Concentrated		1			
Boston Common		1			Diverse Owned, Female
Baxter Street		3			
RBC Global Emerging Equity		1			
Acadian Emerging Markets Equity Fund		1			
GQG Partners Global Equity Fund		1			Diverse Owned, Asian/Pacific Islander
Lindsell Train Global Equity		4			
Generation Global Equity		1	X	Sustainability	
<b>Total Equities</b>					
Stone Castle FICA for Impact			X	Community banking	
SSGA U.S. TIPS Indx NL CTF		3			
SSGA U.S. Treasury Index NL CTP		3			
Brandywine Global Opportunistic		1			
Loomis Multi Sector		2			
<b>Total Fixed Income</b>					
HCAP Partners IV LP		1	X	Gainful Jobs & Underrepresented Communities	Diverse Owned, Hispanic & Other
HCAP Partner V LP		1	X	See above	See above
Generation IM SS Fund III		1	X	Sustainable Solutions	
Generation IM SS Fund IV		1	X	Sustainable Solutions	
SIF Ventures			X	Multi impact themes (venture)	
RRG Sustainable		1	X	Water and Agriculture	
Brockton Capital Fund III			X	ESG/Real Estate	
Canvas Distressed Credit Fund					Diverse Owned, Hispanic/Latino
FEG Private Opportunities Fund					
OCP Orchard Landmark		1			
Grosvenor Advance Fund		1	X	Diverse-Owned Multi-Manager	Diverse Managed Strategy
MPowered Capital Access Fund I, L.P.			X	DEI - Access to Capital	Diverse Owned, Female
Wellington Venture Investments I, L.P.			X	DEI - Access to Capital	Diverse Managed Strategy
<b>Total Private Markets</b>					
Community Development			X		

Note: Exhibit is in process of being reviewed and revised by NEPC, our consultant, with assistance from the Committee.



# NEPC ESG Rating Scale

Rating	Explanation
1	The firm and strategy fully integrate ESG into their processes, going above and beyond their peers. They have fully integrated ESG into their processes, both at a firm and strategy level, and have likely been doing so for an extended period of time. They have shown true commitment to ESG through their investment actions, and view ESG as part of a holistic investment process, even where a short term benefit is not available.
2	ESG has been identified as a material factor in the investment decision-making process and the firm has likely developed policies and procedures to foster ESG is integrated into its investment strategies. ESG may not be fully integrated across all strategies but the firm has established robust policies to ensure adoption over time. The strategy has likely demonstrated a detailed approach to incorporating ESG into its process supported by thorough internal analysis and/or external data.
3	The firm and/or strategy have made solid efforts to incorporate ESG and/or explicitly accepting the materiality of ESG factors. They have likely made numerous commitments to understanding ESG and formalizing its integration practices; however, they may not be fully integrated across both the firm and the strategy or are early on in its adoption. Further, they may have focused on efforts that have more immediate short-term benefits, such as meeting client demand, over the long-term role of ESG integration.
4	The firm and/or strategy have begun to make efforts to incorporate ESG. They have likely made some investments in ESG in areas that sounds impressive on the surface, but may not ultimately entail very much effort, such as signing the UN PRI, purchasing data from a third party provider, appointing ESG personnel, or creating blanket policies. The efforts may represent a true commitment, but likely have not existed long enough to truly determine the intent of the firm and strategy.
5	The firm and strategy have made no effort to incorporate ESG. Any point gained here is incidental, and should not be seen as a true effort to implement ESG.

# Responsible Committee

## Investment Committee

- Brian Lasher, co-Chair
- Asha Mehta, co-Chair
- Eric Horvath
- Vanessa Lowe
- Ken Redd
- Julie Skye
- Pam Sparr
- David Stewart, co-Financial Advisor
- Tim Brennan, Interim Treasurer

# Information Disclaimer and Reporting Methodology

## 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.



# Glossary:

## SRI – Socially Responsible Investing

- Socially responsible investing, or SRI, is ensuring that our investments are aligned with our values. For more information on the UUA's approach to SRI, see: <http://uucef.org/socially-responsible-investing/about-sri/>.

## ESG – Environmental, Social, Governance

- Incorporating ESG factors into the investment process takes investors beyond purely financial analysis and provides added insight into the quality of a company's management, culture, risk profile and other characteristics. For further details, you can review ESG definitions here: <http://www.investopedia.com/terms/e/environmental-social-and-governance-esg-criteria.asp>

# Glossary:

UN PRI – United Nation Principles for Responsible Investment

- The PRI is the world's leading proponent of responsible investment. It supports its international network of investor signatories, now with \$59 trillion in assets, in incorporating ESG factors into their investment and ownership decisions. For more information see:

<https://www.unpri.org/about>

- **Benchmark** – For each asset class, the appropriate index return against which a particular strategy can be evaluated. For example, a benchmark for large US companies is the S&P 500.
- **Allocation Index** – The average benchmark return for all of the asset classes in the portfolio weighted according to the *actual* weights of the assets in the portfolio at a given time. This measures the effect of actual allocation decisions.

= ACTUAL ASSET WEIGHTS X INDEX RETURNS

# Glossary:

- **Policy Index** – The average of the benchmark returns for all of the asset classes in the portfolio weighted according to the *target* weights of the assets in the portfolio at a given time. Measures policy allocation decisions.  
= TARGET ASSET WEIGHTS X INDEX RETURNS
- **Composite Return** – The total, blended return for the portfolio. Measures actual performance.  
= ACTUAL ASSET WEIGHTS X ACTUAL RETURNS

# Contact information

For specific questions about the UUCEF please contact:

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