

DRAFT - UUA Investment Committee – Minutes
Via Zoom
December 8, 2023

Investment Committee Members Present: Brian Lasher, co-Chair, Eric Horvath, Vanessa Lowe, Asha Mehta, co-Chair, Ken Redd, Amrita Sankar, Julie Skye, Pam Sparr, David Stewart, Tim Brennan, Interim CFO

Members Absent: None

NEPC: Larissa Davy, Krissy Pelletier

Staff: Carey McDonald, Executive Vice President

Private Markets Discussion – NEPC

- Energy Transition Education and Opportunities
 - 3 largest infrastructure funds represent 30% of total capital raised.
 - Deal pipeline is outpacing supply of capital.
 - Fiscal stimulus has played a large role in driving momentum.
 - There is a spectrum of risk associated with the universe depending on a what type of infrastructure the fund focuses on. Market considerations such as commodity prices, GDP sensitivity, geopolitical risk and stability as well as capital market risk play a part too.
 - When looking at new managers, ensuring they understand the worst case scenarios and can continue to perform and protect their deals against those scenarios.
 - Wind and solar dominate but other resources, such as biofuels, may have a bigger impact. Energy storage and transmission solutions are underfunded but essential.
 - Not all energy transition is impact or ESG friendly. In underwriting a manager, in addition to their due diligence process, they also take into consideration green initiatives, diversity, equity and inclusion (DEI), and workers' rights.
 - Reviewed preferred managers, and discussed NEPC recommend manager, Carlyle fund Renewable and Sustainable Energy Fund II.
 - The Carlyle fund holds 10-12 companies, diverse across geography, primarily focused on the US but will have global exposure. Is a diverse-led team but not firm, is ESG friendly, provides reports and engages in active engagement.
 - The fund is run by a boutique team within the Carlyle Group. Investing in this fund is in line with our values.
- Portfolio Pacing Plan
 - Made one investment commitment to Private Equity in 2023.
 - Not at target, need to invest 6-7 million per year in 2 to 3 investments. Less active due to being opportunistic.
 - Should be looking at opportunities at each meeting.

Motion 1: To invest \$3.5 million in the Carlyle Renewable and Sustainable Energy Fund II.
Moved: Lasher, seconded: Stewart, two members abstained, all others approved.

VOTED: That the Unitarian Universalist Common Endowment Fund, LLC, invest \$3.5 million dollars of the assets of the UUCEF, LLC into the Carlyle Renewable and Sustainable Energy Fund II, (the “Investment Fund”), on the terms set forth in the subscription agreements and offering documentation therefore submitted by the Investment Fund to Carey McDonald, Executive Vice President of the Unitarian Universalist Association, subject to such changes and amendments therein as he may determine to be appropriate; and

VOTED: To authorize the Executive Vice President, Carey McDonald, 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 Executive Vice President, Carey McDonald, has done or may do in connection with said investments.

Portfolio Review – NEPC

- Mission Alignment
 - Over the last few years, the allocation to diverse-owned firms has ticked up slightly. The composition of managers in the portfolio today does not necessarily align with the future direction outlined in the new Investment Policy Statement (IPS). While the number has ticked up slightly, the composition will likely be something to focus on in the future.
 - Thematic strategies, strategies tilted toward specific opportunities, also saw a slight uptick.
 - Not a dramatic shift in assets to DEI managers but, what shift there has been, has been predominately toward women owned/managed funds.
- Key drivers of performance
 - Have a well-structured portfolio in terms of policy targets however, the actual results have fallen flat, the most recent driver has been active management.
 - Reviewed drivers of performance over the 3 month, 1 year, and 3 year time periods. A large trend of the underperformance has been the implementation of the Large Cap Equity managers.
 - Rhumblin, being the largest allocation, when they underperform it’s very acutely felt. The drivers over the last 1 and 3 year have been the restrictions placed on holdings, specifically around energy.
 - Sands is highly concentrated and more of a big bet manager.

- Ownership is another highly concentrated manager but, from a values and alignment standpoint, work with companies to enhance and improve sustainability.
- Additional discussions need to take place regarding all three managers.
- Peer comparison and benchmarking
 - Peer comparison is done by size. Has no way to provide a comparison of peers who do mission aligned investing.
 - Wide variation on how investors are positioned within the \$250m universe. Not having Hedge Fund exposure in our portfolio was a negative as was being underweighted to private equity markets.
 - Need to be able to communicate how our values differentiate us from those in the universe.
 - Two major differences in why the allocation index is riding below the policy index were a) being underweight to private markets and b) being overweight to public equities.
 - NEPC is working with MSCI to determine what ESG related benchmarks would be most appropriate to incorporate for the performance monitoring.
 - Discussion has focused on public equity and public fixed income benchmarks that directionally align with UUA values and interests.
 - Additional work will be done over the coming months.
- Plans for future reporting
 - Will continue working to streamline the meeting materials.
 - With the new Investment Policy Statement (IPS) having been approved there could be some adjustments to consider for reporting.

Action item 1: NEPC to distribute the Knight Foundation report on the use of diverse managers and a benchmark report showing how we compare to the industry as a whole.

Action item 2: NEPC to follow-up on the review of Due Diligence 2.0 commitment and their decision to sign on or not.

Action item 3: NEPC to report on the continued efforts of MSCI benchmarking.

Action item 4: NEPC to provide a review of large cap equity exposure with a focus on terminating Sands and hiring Xponance.

Action item 5: NEPC to provide alternative active managers.

Asset Allocation Discussion, Focus on Domestic Equity – All

- Review of calls with Sands and Boston Common
 - Not impressed with Sands discussion and what stocks they feel were going to be their big picks.
 - Boston Common is more in line with our DEI goals and are a partner with us in advocacy work.
- Plan for large cap equity shifts and/or new share classes, with IC input

- As the portfolio stands now, the expected 10 year return is 6.5%. The goal for the portfolio is spending plus inflation or close to 7%.
- Recommends consolidating all large cap equity investments with Xponance in 2024. Would be a separately managed account and can overlay DEI and ESG onto a portfolio.
- Can construct a customized portfolio incorporating our values. Would be a separately managed account and can overlay DEI and ESG onto a portfolio.
- Alternatively, could conduct searches for replacement managers.
- Suggest focusing active manager research on areas of non-US equities and private markets.

2024 Workplan – Meeting and Call Dates

- Discussed the 2024 work plan by quarter and the key governance items and expectation for the portfolio based on the market.
- Add General Assembly to the 2nd quarter meeting
- Add additional meetings to the ongoing activities section of the plan.
- Reviewed 2024 committee meetings and quarterly investor meetings schedule.

Working lunch and Consent Agenda - All

- August 2023 minutes
- IPS Cover Letter
- Market Environment
- Stone Castle & Cash Report

Motion 2: To approve the minutes from the August 10, 2023 meeting and the consent agenda.
 Moved: Lowe, seconded, Sky, all approved.

Strategic Plan, Communications, Climate Plan – Lasher

- Reviewed draft of strategic planning document.
- Held meeting with communication staff who then prepared an approach for the different elements which they could help promote through UUA channels. Question remains on where the information comes from and who writes it for distribution.
- Given the amount of interest from UU's around climate issues, we need to have a clearly articulated strategy.
- An annual report detailing the various levels of decision making and how they fit into the ESG framework of the full portfolio would be extremely useful.
- The committee is free to communicate its 2024 climate strategy.
- It's clear that the faith has a broad imperative to do all it can to bring about clean energy and just decarbonization.
- The Investment Committee/UUCEF will be a key component of the Associations larger climate work.

Action item 6: Brennan to prepare a draft climate action plan for the endowment.

Action item 7: Lasher, Skye, and Sparr to work on communication regarding climate strategy.

Shareholder Advocacy, Portfolio, Human Rights and Current Efforts, Investor Advocates for Social Justice – Brennan, Wicks

- Hired Investor Advocates for Social Justice (IASJ) to continue our shareholder advocacy for 2024.
- Courtney Wicks, Executive Director of IASJ, joined the meeting and introduced herself and the company.
- The mission of IASJ is to advocate on behalf of investors whose faith-based values promote human rights, climate justice, racial equity and the common good.
- Reviewed the companies and engagements that are currently underway. Anticipate adding additional climate related engagements.

Community Investment Project – Horvath, Lowe

- Reviewed the draft roles and responsibilities chart focusing on who or what position should fill them.
- Discussed the possibility of the UUA hiring an additional associate to help implement shareholder advocacy strategy, assist with community investing, prepare reports for the committee, and communications.
- Reviewed and discussed two potential community investments, Founders First Capital Partners and the African American Alliance of CDFI CEO's (the Alliance) and their offerings.
- Both are “umbrella” organizations where we make the investment in them, and they then make loans or grants to their members.
- Having made an earlier decision to wind down the matching portion of the community investments, the plan is to close the accounts as they mature. Each congregation with a matching investment will be notified of the termination of the plan as will the company they hold the match with.
- Cornerstone Fund maybe an option for the community investment fund. They help local churches, and non-profit organizations create change within their communities. Have a variety of loan options and have implemented policies and practices that promote diversity and equity in their loan and investment processes. Offer financing solutions that support sustainable development.

Action item 8: Helbert to distribute the roles and responsibilities link to the committee. Committee is requested to review and provide feedback to Horvath by January 31st.

Action item 9: Helbert to send out a Doodle poll to determine a date to have Founders First present to the committee.

Action item 10: Lowe to invite Founders First to present to the committee once a date has been determined.

Action item 11: Lowe to send information regarding Portfolia's Green and Sustainable Fund to committee and NEPC

Action item 12: McDonald and Lowe to meet to discuss Cornerstone to determine if they could be a good fit for a potential investment.

GA & other Educational Opportunities – Lowe, Sankar, Sparr

- Use our quarterly meetings to ask investors for ideas.
- Could prepare a presentation using the voices of our investors, why were they attracted to UUCEF, what of the various SRI components do they see as providing additional benefit.
- Collaborate with other groups such as the UUSC for a potential workshop.
- UUCEF's climate justice plan highlighting some of our partners and investments.

Action Items/Assignments, Quarterly Call, Reflect on the Day

- Need explanation on why we did worse than our peers.
- Community Investments and Advocacy should always be apart of the quarterly webinar agenda.
- Putting our values where our money is 5 minute segment each webinar.
- ISJA does proxy voting – we should consider them and compare them to our current provider.
- Process observation:
 - Had difficulty keeping on time, otherwise well conducted.

Action item 13: Lasher and Redd to draft an explanation on poor performance to be prepared for Quarterly Investor Webinar.

Action item 14: Brennan to invite Courtney Wicks of IASJ to join the December 19th webinar.

Action item 15: Brennan to prepare a document detailing IASJ's proxy voting service and cost.

**Next meeting date:
Monday, February 26, 2024**