

**UUA Investment Committee – Minutes**  
**Via Zoom**  
**February 26, 2024**

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

Members Absent: Amrita Sankar

NEPC: Krissy Pelletier, Alix Stewart

Staff: Susan Helbert

**NEPC Consent Agenda**

- Mission Alignment Summary
- Diversity Equity and Inclusion
- ESG Implementation & Diversity

**Motion 1:** To approve the NEPC consent agenda. Moved: Lasher, seconded: Skye, motion approved.

**Large Cap Equity Discussion**

- Large Cap equity review
  - Currently invested with Rhumblin and Sands:
    - Rhumblin: a passive screened value manager which relies on the UUA to provide the Sustainability data for screening criteria.
    - Sands: an active growth manager which has a large tracking error with big swings in both the positive and negative directions versus its benchmark.
  - Have a goal to improve ESG integration and reduce tracking error and to increase allocation to BIPOC managers within the portfolio.
- Review of call with Xpance
  - Has an impressive client list including large pension funds.
  - Two pathways' allocators have worked with them:
    - Creating custom portfolios for asset management.
    - Have run multi manager platform, creating a fund of diverse owned funds for clients.
- Discuss going active or passive in large cap equity
  - NEPC conducts an annual study of performance of active versus passive investment strategies in public markets.
  - Two tests help them to arrive at a decision for active management:
    - Look at dispersion between managers
    - Consider if the median manager outperforms their benchmark, net of fees, on a rolling 3-year basis.
  - If median is below benchmark, it's unlikely active management will provide a lot of opportunity to outperform.

- Looking at the Large Cap Equity market, active versus passive across all styles, tests show that rarely does active management outperform its benchmark. This indicates a passive approach makes more sense.
- Consider implications of potential change
  - A change in strategy will alter some of the ESG and DEI metrics along with overall fees.
  - Xponance is the only profiled manager that saves money and improves our ESG and DEI scores.
  - Xponance subscribes to Sustainalytics which could potentially provide additional cost savings to the fund by no longer needing to subscribe ourselves.
- Recommendation is to replace Rhumblin and Sands with Xponance.

**Motion 2:** Explore relationship with Xponance, as recommended, provided a group can be identified to help tailor the product. Moved: Lasher, seconded: Redd, motion approved.

- Create a sub-committee to develop the portfolio construction and determine the desired screens.
  - Sub-committee to work with Xponance will be Lasher, Skye, and Mehta. Horvath and Lowe will join when available.

**Action item 1:** NEPC to work with sub-committee to build, with Xponance, a portfolio reflective of what the committee wants.

### **Private Markets Opportunity – All**

- Overview of private markets portfolio exposures
  - Reviewed private markets model portfolios, conservative, moderate, and aggressive.
  - Comparing our portfolio to the moderate portfolio model, shows that we are overweight to Private Debt resulting in underweight to Private Equity. However, when viewing our Impact Funds, it's a very similar in allocation.
  - Current positioning within Private Equity is more aggressive tilting toward Growth and Venture.
  - Our overall allocation to Private Equity is about 7% below peers as we are still building towards the allocation goal.
- Recommendation: Grosvenor Advance Fund II
  - Goal for the first half of the year was to invest \$7 million in Private Equity, of that, \$3.5 million will be invested into the Carlyle Renewable and Sustainable Energy Fund II.
  - Grosvenor Capital management, an existing manager in the portfolio, is raising capital for their Advance Fund II. The fund is a diversity-focused, hybrid strategy, investing 60% into underlying funds and 40% being co-investments.
  - Would add another fund to the portfolio focused on advancing DEI.
  - Fund I split investments 50% to established firms and 50% to emerging firms. Fund II will have a higher allocation to emerging firms believing that is where the best opportunities are.
  - Has an average annual fee of 0.39% for those who commit early to investing.

- Being an existing investor allows us to invest below their usual minimum requirement.

**Action item 2:** NEPC to review and provide, in the client hub, Diverse Fund managers pipeline report.

**Motion 3:** To proceed with NEPC recommendation to invest \$3.5 million into the Grosvenor Advance Fund II. Moved: Lasher, seconded: Redd, motion approved.

**Action item 3:** NEPC to work with Helbert to get the Grosvenor paperwork in.

VOTED: That the Unitarian Universalist Common Endowment Fund, LLC, invest \$3.5 million dollars of the assets of the UUCEF, LLC into Grosvenor Advance 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, acting singly, 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 Performance Review**

- Performance
  - Endowment returned 9.2% in the 4<sup>th</sup> quarter of 2023.
  - Ranked in the top third of peer group.
  - Outperformed both allocation and policy indices.
  - For calendar year 2023 return was 12.2% however, results trailed the allocation and policy indices driven primarily by the underperformance of the Large Cap Equity allocation.
  - Over the last 10 years the portfolio has grown by over \$100 million dollars.
  - Need to explore options on how performance is being viewed and reported.
- Update on Benchmarking efforts – Knight Foundation, MSCI Benchmarking
  - Continuing work with MSCI to identify benchmarks that are representative of what we’re trying to accomplish in the portfolio. There are equity benchmarks that are good starting point which factor in some values and ESG elements. The challenge is on the fixed income side in finding something of similar relevance. They are working on a benchmark that mirrors what they are doing on the equity side but nothing available yet.

**Action item 4:** Continue working on benchmarking follow-ups.

**Action item 5:** NEPC to provide more detail on the screening column of the Impact Summary report.

**Action item 6:** NEPC to create a rolling graph to illustrate there have been periods where we are in line with our peers.

**Action item 7:** NEPC to provide a risk and return chart showing volatility.

### **Fossil Fuel Divestment & Our Climate Crisis Investment Strategy Memo Discussion**

- NEPC does work with a number of firms in the report, such as Xponance, Wellington, and Impax. Several Impax funds are on their preferred list of thematic equity. Wellington Global Impact is currently on the watch list due to complete team turnover. Will revisit after a couple years of performance is available.
- Careful about BlackRock products so it is an ongoing conversation held client by client.
- Some of the strategies in report are not open to the broader base of institutional investing but can certainly discuss which of those options may be worthwhile to pursue.
- Definitely some funds, where an alignment between our interests and the NEPC research team, that could work well depending on focus.
- Identify expectations of future partners; what are they doing and what reports would we want to see.
- Determine how we evaluate the existing portfolio.

**Action item 8:** NEPC to create a matrix on funds, based on the report, focusing only on climate, that you have research on, showing if they are available and if so, their NEPC rating. Then advise if there are some we should be talking about.

**Action item 9:** NEPC to contact Sustainalytics to determine if they can perform a data analysis on how the portfolio is positioned relative to climate risk.

### **Update on President's Climate Working Group**

- Have had two meetings to date.
- Found there is a lot of alignment on what everyone would like to see happen by 2030 and 2050. Need to continue educating members and offering options other than simply abolishing capitalism.

### **2024 Workplace Items**

- The next meeting will be focusing on a review of the portfolio allocation and liquidity.
- A semiannual survey of managers for values alignment.

### **Working lunch and Consent Agenda**

- December 2023 Minutes
- Stone Castle Depositor Statement

**Motion 4:** To approve the consent agenda. Moved: Lowe, seconded: Lasher, motion approved.

## **Shareholder Engagement Update – Moved out of Consent Agenda**

- Even though we didn't file as many resolutions as usual, it has still been a busy year.
- Followed up with Heartland Initiative, with whom we filed a resolution on Human Rights for at SLB, and they are very happy with the outcome. Company is now being very cooperative and is working on a Human Rights assessment.
- New York Community Bancorp still working on climate lobbying alignment report, anticipating release in second quarter of this year.
- Still engaging with Hilton on public disclosure of paid sick leave policy. Interaction has been positive, and they are committed to doing it.
- Dialogue with Bank of America has not been productive, expect resolution to go to a vote.

**Action item 10:** Brennan to modify the advocacy chart for publication in the next quarterly investor meeting book.

**Action item 11:** Brennan to prepare bullet points summarizing advocacy chart for quarterly investor meeting book.

## **Climate Plan, Strategic Plan, Communications**

- Need to develop a document which details our theory of change, defines what our cutting edge is versus others showing we're in the game.
- Create an appendix detailing the "asks" we have received and what we've done in response to them.
- Communicate what an endowment is, a long-term investment vehicle which needs to generate income for current support and future growth.
- There is room for improvement in communicating how we think about these things carefully, strategically, and holistically.

**Action item 12:** Lasher to set up a time for the working group, and others who may wish to join, to discuss the climate plan and communications.

**Action item 13:** Lasher to contact Suzanne Morse, Interim PR Director, regarding next steps in communication plan.

## **Founder's First Discussion, Community Investments & End of Matching Program**

### **Founders First:**

- Founders First in an investment fund investing in small businesses.
- Have originated 24 loans, 56% to people of color, averaging \$250,000 with a duration under two years.
- 88% of the 24 loans were made to businesses in the professional sciences and technical services.
- Third quarter report shows they have raised \$8.5 million and have called \$6 million. In quarter three they did not originate any loans.
- Offering us a 7 year investment at 7%. Years 0 to 3 are interest only payments and 4 to 7 years is full amortization of principle and interest.

**Community Investments:**

- Looking for a possible consultant to assist us with a new process has been put on hold until the new Chief Financial Officer and additional staff are in place.
- Will continue looking for new investment opportunities.

**End of Matching Program:**

- Will be sending out letter to congregations participating in the program that we are ending it but will stay with the existing commitments until maturity.
- Send similar communication to the institutions where the investments are held.
- Will advise institutions that we have outsourced evaluation of these types of investments to umbrella organizations who have processes that we believe match UU values.

**Action item 14:** Horvath to have an additional conversation with Founders First to address additional questions.

**Action item: 15:** Helbert to update Community Investing page of the quarterly investor meeting materials.

**Action item 16:** Helbert to remove matching program information from the website.

**Action item 17:** Brennan to compose an announcement post for website regarding end of matching program.

**Action item 18:** NEPC to continue discussing with the committee the Community Investments and if they can help us evaluate and source opportunities.

**GA Program Update**

- Expect to hear proposed program has been approved by the end of next week.
- Horvath and Sankar are taking the lead on this years program.
- Currently seeking program panelists.

**Action items/Assignments, Quarterly Call, Reflect on the Day****Quarterly Call:**

- Lasher will be available for the call on March 12<sup>th</sup>.

**Action items:**

- Reiterated actions items for committee members.

**Reflection on the day:**

- Process observation notes that meeting was well conducted.
- Recruiting members should be a recurring agenda item for all meetings.

**Action item 19:** Lasher to contact Grosvenor to see if they would be available to participate in the quarterly investor meeting.

**Action item 20:** Helbert to send out information on how to book a flight, how to reserve a hotel room, and how to register for General Assembly.

**Aspirational Adjournment**

**Next meeting date:  
Friday, May 10, 2024  
at  
24 Farnsworth Street  
Boston, MA 02210**