

- UUA Investment Committee – Minutes
Zoom
November 7, 2024

Investment Committee Members Present: Brian Lasher, co-Chair, Eric Horvath, Vanessa Lowe, Asha Mehta, co-Chair, Pam Sparr, David Stewart, Randy Webb, Lee Meinicke

Members Absent: Amrita Sankar

NEPC: Krissy Pelletier, Alix Stewart

Guests: Rev Nancy McDonald Ladd (UUA Director of Communications and Public Ministry), Didier P Dumerjean (incoming IC member 2025)

Staff: Carey McDonald, Dave Valentine, Mathew Jensen

The session began with introductions and reflections, creating a supportive environment amid the backdrop of challenging external events. This set the tone for a collaborative and productive discussion.

Strategic Investment Focus

A major theme of the meeting was the review of the Common Endowment Fund's (CEF) performance, highlighting the portfolio's alignment with organizational values and investment benchmarks. Committee members reviewed key drivers of portfolio returns, noting a strong quarter. Specific attention was given to the differentiated approach to private markets, which prioritizes values-aligned investments over traditional asset class diversification.

The committee also explored the transition of assets from Sands and Rhumblin to Xponance, with members emphasizing the importance of completing the process promptly. This transition reflects a broader commitment to ensuring that the portfolio embodies the organization's ethical principles.

Governance and Operational Improvements

To enhance governance, the committee formalized several operational processes:

- An enhanced monthly rebalancing process was reviewed, which includes quarterly staff meetings with NEPC, and inter-quarter reviews by staff, with results and any recommended actions shared with the co-chairs.
- Future performance reporting will incorporate inflation-adjusted metrics to align with long-term purchasing power goals, addressing the need for more comprehensive evaluation criteria.

The semi-annual values alignment survey results were reviewed, identifying specific managers for monitoring and potential replacement. The committee committed to annual updates on

values alignment criteria for all separate account managers, ensuring ongoing alignment with organizational goals.

Congregational Engagement and Stakeholder Communication

A significant part of the discussion focused on understanding the relationship between the endowment and congregations. Members agreed on the need to better track and analyze congregational participation, inflows, and outflows. This information is seen as critical for identifying opportunities to scale the endowment, enhance its impact, and communicate its benefits to congregations more effectively.

Values and Mission Integration

Throughout the meeting, there was a clear emphasis on integrating the organization's values into all aspects of the investment strategy. The committee noted the importance of aligning private markets exposure with mission-driven goals and ensuring that the portfolio's composition reflects the broader priorities of the organization.

Climate Action and Communication

The IC sub-group on climate action presented their draft *Strategy and Actions for Climate Investing*. The document was well received by the IC, with recognition that the sub-group had additional questions to address on further incorporating *justice* and other issues. The sub-group was encouraged to complete the work and finalize the document before year-end, as in-part – the document can be used as source material for the *Communications Plan*, and for outreach to other related UU organizations and groups, such as UU Climate Justice and Green Sanctuary, to build beneficial relationships. The IC also noted it should be shared with the President's UU Climate Working Group. Nancy McDonald Ladd joined to review the *Communications Plan* in part related to the CEF's *Strategy and Actions*". This was also very well received by the IC. Issues of resourcing to facilitate the plan, including generating content from within the CEF staff, and potentially hiring a communications consultant for the preparation of an impact report were discussed.

Advocacy and Community Investing

The IC received an update on company advocacy efforts for the '24-35 proxy season, where the IC decided at the September meeting to focus efforts on a small number of climate finance engagements with partners like ICCR and CERES. It was noted that planning for the '25-26 proxy season will begin with the second IC meeting of '25. The IC was also updated on the status of SunWealth, who have been unresponsive to date to the IC generated due diligence questions shared with them following the September IC. No further action was prescribed, except to await their response. In addition, Vanessa raised a question around the funding of Seed Commons in the Community Investing program. The CEF's \$100,000 investment matured February 26th 2022, and was not subsequently renewed. The Co-Chairs asked CEF staff to report on why it was not renewed and return to the IC with a recommendation on if and how much to reinvest.

Finally, IC member Eric Horvath with Mathew, reviewed the CEF's Community Investment program – goals, guidelines and the current portfolio, and led a discussion on resourcing and reviewing this program going forward. The IC agreed that CI reporting should be included in future IC meeting materials. Further discussions additional resources for the program were left to staff to consider, including the potential use of an evaluation consultant (estimated to cost \$10k per “deal”), and to setup reporting on the portfolio and a process for tracking the current investments, and stage of research in an outlined due-diligence process, for new CI investments.

Reflection and Emotional Context

Members acknowledged the emotional weight of recent external events, fostering a sense of community and mutual support within the group. This created space for candid conversations about the challenges and opportunities ahead. Leadership updates further reinforced the organization's commitment to building for the future, with new roles and processes designed to ensure long-term success.

In summary, the meeting balanced technical discussions, strategic planning, and emotional grounding. It underscored the importance of values-aligned investing, robust governance, and stakeholder engagement and communications in advancing the organization's mission and long-term objectives.

Actions: the resulting actions from the meeting include:

Investment Actions

- **Complete Transition to Xponance:**
 - Ensure updated materials reflect these manager changes, including performance and values slides.
- **Review Alternative Managers:**
 - Begin a review of alternative managers for WCM and Wellington due to performance and values alignment concerns.
 - Continue monitoring other managers flagged in the values alignment survey.
- **Setup Manager Research Meetings with NEPC:**
 - Harbourview Equity Partners
 - Denali Advisors
 - Metis Global Partners
 - NEPC to connect Mathew with Ariel Investments for general connection and research
 - Consider an interim IC meeting on International Equities, possibly including a meeting with Boston Common
- **Boston Common Background Research**
 - Meet with Lucia Santini to explore the history of the BC relationship and share with co-chairs
 - Check if the 2023 IC meeting with BC was recorded and share with IC
- **Seed Commons:**
 - Staff to review and report to co-chairs on why the investment matured in 2022 without being renewed and provide a recommendation of if and for how much an investment could be reinitiated.

Governance and Reporting

- **Rebalancing Process:**
 - Share the updated rebalancing process description with the full IC.
- **Performance Reporting:**
 - Incorporate inflation-adjusted or inflation-referencing performance metrics in future reporting to align with policy goals for maintaining real purchasing power.
 - Continue to track progress toward long-term private markets allocation targets.
- **Presenting Manager Recommendations to the IC**
 - With NEPC, consider a two-step future process for introducing managers in new investment areas
 - IC education session on the area of investment
 - IC recommendation session on the manager
- **Community Investing**
 - Staff to outline a monitoring and research process for current and future Community Investments, including resource needs.
 - Research and consider the use of consultants for “deal evaluation”

Congregational Engagement:

- Consider establishing an IC sub-group for a body of “know your customer” work

- **Track Participation:**
 - Develop a system to monitor congregational participation, including inflows, outflows, and average investment levels.
 - Use the data to better understand congregational engagement.
- **Communicate Endowment Impact:**
 - Work with the UA communications team to highlight the positive impact of the CEF on congregations and their communities.
 - Share success stories and develop messaging to illustrate the benefits of participation in the Common Endowment Fund.

Process and Benchmarking

- **Explore Stone Castle Benchmarking Alternatives:**
 - Continue investigating appropriate benchmarks for Stone Castle, acknowledging the current limitations.

Strategic Planning

- **Future Asset Allocation Review:**
 - Plan for a comprehensive review of the portfolio's asset allocation strategy in 2025, particularly in private markets.
- **Consider CEF Scaling Opportunities:**
 - Explore how scaling the endowment through increased congregational participation could enhance its impact and investment opportunities.

Climate Action and Communications

- Gather the Sub-Group within weeks, including Nancy, to complete the *Climate Action Plan*, and consider next steps for communications and partnership building
- Consider hosting a "Money, Values and Impact" session at the June 2025 General Assembly
- Budget and consider employing a communications consultant to produce a first annual CEF impact report ahead of the June '25 General Assembly

Other

- Check if IASJ is still receiving payments from UUA.

Process observations

- Some agenda items ran over the allocated time, delaying subsequent discussions, while time constraints occasionally limited the depth of certain conversations.
- At the same time, members felt the meeting was long, and we should seek ways to compact its duration in the future
- The covenant was reviewed at the start of the meeting, emphasizing respect, collaboration, and shared goals.
- The emotional impact of external events was acknowledged and addressed, creating space for members to process and share reflections.

**Next meeting date:
2025 Schedule to be Established**