Investment Committee
July 12, 2010
Schulz Room, 41 Mount Vernon St.
Boston, MA

Members Present: Jim Sherblom *Chair*, Arnold Bradburd, Dan Brody, Tim Brennan, Carol McMullen, Julie Skye, Will Saunders

Special guests: Geeta Aiyer – Boston Common Asset Management, Bob Rands, Lucia Santini-Field – Walden Asset Management

NEPC: Cathy Konicki, Kevin Kondry

Others Present: David Stewart (CSRI)

1. **Minutes from meeting of May 7, 2010.**
   Motion: Minutes adopted without amendment. Moved McMullen, seconded Saunders, approved with Skye abstaining.

2. **International equity managers**
   - Brennan reported that Global Currents, the SRI manager of international equities that the Committee selected in February, has been unable to complete the documentation due to problems with legal counsel. He recommends that we cancel our offer to hire the firm and Kondry concurs.

   Motion: The Committee will rescind its decision to hire Global Currents. Further, the total target allocation to international equities will remain at 20%, and the allocation will be divided equally among Templeton, Artio, and Boston Common Asset Management. Moved Brody, seconded Bradburd, approved.

3. **Asset allocation presentation –** Cathy Konicki, Kevin Kondry
   - Konicki and Kondry presented NEPCs forecast for investment performance over the upcoming seven years and made recommendations for the UUCEF portfolio
   - The goal of their presentation was to review the UUA's strategic asset allocation; seeking to:
     i. Meet the 5% real return target while limiting projected volatility
     ii. Develop a solid risk budget
     iii. Maintain a relatively high liquidity profile
   - Market observations:
     i. Risk of long-term inflation is at highest level in nearly thirty years
     ii. Dollar expected to continue long-term weakening trend along with other developed currencies
     iii. Forward-looking expected returns have declined

- Among their recommendations: Market returns may disappoint and alpha opportunities may be higher; therefore seek active manager risk, relax constraints, size positions appropriately
- Every investment fund is in the business of taking risk, therefore, our primary focus should be the diversification of risk, not dollars
- Globalization is reducing the diversification benefits within global equity and global bond asset classes
- Alternative investments and multi-asset class strategies are a good source of risk diversification

4. **Open discussion –** Committee and guests
    - Sherblom: we should consider adding a 5% allocation to emerging markets
    - Sherblom: we should notify the congregations that long term projections do not support the 5% real return goal
    - The UUA should review its spending policy. 5% may not be realistic.
    - Because of volatility, managers should be able to add alpha

5. **Future Meetings**
    - Priorities of committee:
        i. emerging markets – Sept meeting
        ii. real assets – Dec meeting
        iii. fixed income – Dec meeting. Substitue for Seix, GMO, opportunistic debt
        iv. hedge funds – Feb or later
    - Fall Meeting date: September 14th 9 – 2
    - Next Meeting: December 14th 9 - 2