# Unitarian‑Universalist Church of Nashua, New Hampshire

**Investment Review Committee Summary Report for 2014-15**

NOTE

Because our Annual Meeting is earlier than usual this year, this report covers only the eleven months May 31, 2014 to April 30, 2015 for the Bank of America funds and April 1, 2014 to April 1, 2015 for the Balcom and Boutwell Funds. This seriously distorts many of the following figures.

OUR ENDOWMENT AND THE COMMITTEE

Our total endowment increased from $3,998,322 last year to $4,005,423 as of April 30th, 2015. In November the Committee increased our commitment to socially responsible investing (SRI) by putting an additional $317,650 into an SRI account managed by our principal investment manager, Bank of America (B of A). The account is now worth $567,297, and since last April has had total return of 14.29%.The total return on our B of A Unrestricted funds, including the SRI account, has been 6.84%, While the SRI funds have performed significantly better than our overall account, please note that the SRI account is almost exclusively invested in large capitalization U. S. stocks which have had an extraordinarily good run and further that as noted below, overall we have a balanced portfolio which implies an approximately 60% equities of various types and capitalizations and 40% fixed income securities.

Our commitment to the New Hampshire Community Loan Fund remains at $75,000, and consists of three seven year notes, paying 4% interest. Including the Loan Fund, about 14.2% of our total endowment is in SRI investments.

The endowment is managed by the Investment Review Committee, which is chartered under the Church by‑laws to monitor, subject to direction from the Board of Trustees, the performance of the Church's invested funds. It is further charged by the Board with recommending a withdrawal rate for the unrestricted and UUA-managed funds. The Committee’s members are listed at the end of this report.

The $4,005,423 figure cited above includes the Church’s restricted and unrestricted accounts as well as the Nashua Cemetery fund, which comprises 10.22% ($363,620) of the total. The Church has two types of restricted funds, one *“use* *restricted”* and the other *“manager restricted”.* Use restricted means that the money may only be used for the purposes specified by the donor, examples being the Lyon Fund for “pulpit flowers”, and the Phillip Ellis Stevens Fund for maintenance of musical instruments. Manager restricted funds have a manger specified by the donor, although the income may be used as the Church chooses .There are two such funds, the Sarah M. Balcom Fund, which is held by the TD Bank Investment Management Group as Trustee in Perpetuity for the benefit of the Unitarian‑Universalist Church of Nashua and the two Helen Willis Boutwell Funds, held in perpetuity by the Unitarian-Universalist Association for our benefit.

For a summary of investment performance over the past five and ten years, turn to page 3 of this report and for an Account Performance Summary, see the last page. The paragraphs that follow discuss our investment philosophy, with details of the funds, their composition, and their results.

OUR INVESTMENT POLICY AND RESULTS

We have and use Investment Policy Statements for both the Restricted and Unrestricted Funds to guide our thinking regarding risk, investment objectives, time horizon, distribution arrangements, investment restrictions, asset allocation, rebalancing strategy, and performance benchmarks. Copies of the statements are available from members of the Committee and from the Church Office.

As specified in our Policies, the investment objective for all our B of A funds is Balanced Return, which is defined as seeking long-term Total Return (income plus principal growth) opportunities through

investment in both equities and fixed income funds, with further allocations into large, medium and small capitalization stock funds and foreign securities funds, plus smaller positions in real estate and tangible asset funds. For both the Restricted and Unrestricted Funds, the equities portion is to be between 50% and 70% of the total invested, with 30% to 50% percentage for the fixed income portion. Real estate may be between 0.00% and 8.00%, with tangible assets between 0% and 6%. The Bank’s performance benchmark for equities is the Standard and Poor’s 500 and for fixed income, the Barclays Capital Aggregated Bond Index. Long term, we seek an 8% Total Return over several years, which many investment advisors consider reasonable for a Balanced Return account. This should allow us to draw about 4% to 4.5% of the average value of the funds over twenty quarters, leaving about 3% for inflation and about 1% for growth.

Our SRI account, which B of A calls their S21M account, holds individual stocks, although we have no say in their selection. The rest of the B of A funds are in mutual and exchange traded funds, reflecting a decision made six years ago after considerable thought and consultation.

The total of the B of A funds, including the Community Loan Fund, as of April 30th was $3,683,936 ($3,668,445 at the end May last year). The Restricted portion was worth $126,785 ($134,726 at the end of May last year), and produced $2,873 of net dividend and interest income so far this year. The Unrestricted figures are $3,557,151 ($3,533,719 at the end of May 2013), with $61,474 of net dividends and interest. **NOTE** that these income figures are not the total received by the Church, which gets the 4.5% of rolling quarters, as described above. The figures for actual receipts are in the Treasurer’s report. Included in the B of A fund figures are three seven year notes totaling $75,000 of the New Hampshire Community Loan Fund, yielding 4.0%.

The Bank’s fee schedule is as follows:

1.01% of first $1, 000,000

0.63% of next $2,000,000

0.48% of next $2,000,000

In accordance with this schedule, our fees for the year were $19,665 mutual fund charges added about $14,138 to our costs, making the total expense 0.09% of the money under management.

As noted on the previous page, we have two accounts, Balcom and Boutwell, not managed by Bank of America. The Sarah M. Balcom Fund is an irrevocable trust managed by the TD Bank Wealth Management Group for our benefit. As of April 1, 2015, the fund was worth $290,363 ($294,855 a year earlier.) We have no direct control over the investments in the fund, which under Federal regulations must annually distribute 5% of its principal. This year the net principal distribution we received was $13,351. Trustee compensation and administrative expenses of $7,573 (2.6%) were deducted from principal and income of $4,738

The two Boutwell Funds are held by the Unitarian-Universalist Association (UUA). The two funds were jointly worth $31,124 as of April 1, 2015, ($35,022 a year earlier), and gave us $1,488 of income. These funds are managed according to policies very similar to those B of A and we are following; i.e., Total Return, a 4.5% (reduced from 5.0% in previous years) draw based on thirteen rolling quarters (we use twenty), and an effort to be socially responsible. The UUA charged fees, administrative costs and in consultation with of A, the Committee has set our annual Total Return expectation for the B of A-managed funds at 8%. This Total Return will be calculated as a rolling average over the previous 20 quarterly accounting periods. The longer-term performance is shown for each account on a Total Return basis in the table below.

TOTAL RETURN HISTORY (percentages)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| FUND | 2015 | FY14 | FY13 | FY12 | FY11 |  | AVERAGES  5 yrs. 10 yrs. |
| CHURCH/CEMETERY  (11 months, May to April) | 6.84 | 12.62 | 12.36 | (1.16) | 22.12 |  | 10.56 8.73 |
|  |  |  |  |  |  |  |  |
| BALCOM  12 months,  April to April) | (0.08) | 10.13 | 5.04 | 0.07 | 8.64 |  | 4.76 4.83 |
| BOUTWELL  12 months,  April to April) | (6.88) | 29.26 | 26.95 | 1.71 | 13.68 |  | 12.94 9.19 |

For the Balcom Fund net total return is shown, and does not include the now required five percent distribution of principal. The figures for each year are computed by adding the net income received to the net capital gain or loss, and dividing by the value at the beginning of the year. These figures are then averaged over five and ten year periods. This allows all three accounts to be compared on the same basis. We do also have a time-weighted figure for the Church/Cemetery Funds only, and this is shown on the last page.

As previously mentioned, the last page shows the performance record of these accounts for the past fiscal year and also shows for the same period the change in value of the commonly followed Dow Jones Industrial Average and S & P 500 stock average, and as a measure of annual inflation, the Consumer Price Index.

CONCLUSION

It is important for each member of the Church to recognize that while the endowment can be counted on to provide substantial support for our budget, we must remember that our primary source of funding has to be the annual contributions of the Church members. By making our own individual contributions we become a constituency which is more invested in our institution and its programs than if we stand on the sidelines and wait for others to pick up the tab.

Respectfully Submitted,

**Investment Review Committee**

Former Treasurer Jon Lasselle, Treasurer of the Cemetery Association Russ Leonard, Joan Connacher, June Haskell, Kathy Grossman, Mike Ballantine, Steve Ladew and I make up the Committee. President Harry Purkhiser has attended all our meetings.

Robert G. Sampson, Chairman