INVESTED FUNDS COMMITTEE

ANNUAL REPORT for JUNE 2019

It has been a busy year for the Invested Funds Committee as we educated ourselves about more Socially Responsible Investments (SRI). This is not our first foray into this area but we wanted to be more intentional in line with UU values. A brief history of our past socially responsible investing follows this report. We also have an obligation to be responsible stewards of the endowment so performance is very important. Our endowment provides approximately 1/3 of the churches operating budget. We presently take 4.5% of a balanced return. This does not provide for much growth of the portfolio with inflation. Our goal is to gradually decrease to 4% in order to continue to provide for future needs.

In the beginning of 2018, 12 to 13% of our investments were considered socially responsible. We asked our advisors at Bank of America Wealth to see what options were available to increase this. They proposed a number of possibilities. We researched these looking for a balance of good performance, reasonable fees and diversification. After much discussion, we agreed to several options including increasing our allocation to the NH Community Loan Fund in which we had already invested.

**As of April 30, 2019 our intentionally socially responsible investments have increased from 12% to 46% of the portfolio.**

Our goal is to increase our socially responsible allocation in small, mid cap and international investments as opportunities become available. At present, these areas do not offer the balance of performance and safety we seek. We continue to monitor the portfolio for performance.

We also instituted term limits for members and plan to add new members. We meet quarterly with our Bank of America advisors and at other times as needed. Our meetings are open to visitors

Current voting members are:

Joan Connacher – Chair June Haskell

Steve Ladew – Clerk Jon Lasselle

Kevin Murray – Cemetery Treasurer Bob Sampson

Kathy Grossman

Other attendees have been:

Lindsey Hedrick, Treasurer; Allison Palm, Minister; and Carol Houde, President

Special thanks go to Steve Ladew for his dedication to recording our meetings and keeping me on the straight and narrow. He is leaving the committee in June.

Sincerely, Joan Connacher

A BRIEF HISTORY OF OUR SOCIALLY RESPONSIBLE INVESTING

The Invested Funds Committee started socially responsible investing years ago when we told our advisors not to invest in companies dealing in tobacco, gambling and spirits – the so-called “sin” stocks. This is considered investing by exclusion. Several years ago, it became impossible to continue investing in individual stocks because of the relatively small size of the endowment. We transitioned to mutual funds and could not control what companies were in these funds. Socially responsible investing has had a history of lower returns in the past. That perception is now changing.

We began investing in the NH Community Loan Fund over 10 years ago. This is a non-profit organization that provides loans to low income New Hampshire individuals and groups to help buy the mobile home parks they live in as well as supporting small businesses and other causes. Our next investment was 5 years ago with a new socially responsible stock offering from the Bank of America called S2I. This fund is made up of companies that are selected by an inclusion process which looks at their rating on environmental, social and governance (ESG) criteria.

Environmental, social and governance (ESG) criteria are a set of standards for a company’s operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company’s leadership, executive pay, audits, internal controls and shareholder rights.

Both investments have performed as well or better than our comparable investments over the past few years. We were not satisfied with the 12% as we looked for options. At the present time, in a diversified portfolio, we now have all of our large cap stocks and most of our fixed income investments in socially responsible or ESG. Our allocation to mid-cap, small-cap, international and emerging markets remain in mutual funds and index exchange traded funds because alternatives had poorer performance and/or high fees. We will continue to explore options as ESG investing increases in popularity. “Doing well by doing good” is being shown to lead to more successful companies.

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| Custodian | March/April 2019 | March 2018 | % change |
| Bank of America\*  Restricted Fund  TOTAL | $3,804,373  81,742  ----------------  3,886,115 | $3,791,028  79,985  ---------------  $3,871,013 | 0.4% |
| TD Bank\*\*  Balcom Trust | $ 254,637 | $ 262,462 | (3%) |
| UUA \*\*  Boutwell Funds | $ 31,179 | $ 31,502 | (1%) |
| TOTAL | $4,171,931 | $4,164,977 | 0.16% |

\*April 2019 results; 10.2% are Nashua Cemetery co-mingled funds

\*\*March 2019 results. We do not control these funds