

## Investment Funds Committee Annual Report for 2023 - 2024

The members of the Investment Funds Committee are appointed by the Board of Trustees to provide fiduciary responsibility for and oversight of the Church's invested funds.

The largest portion of the church's invested funds is managed by the Bank of America's Wealth Management Group. We receive monthly status reports and meet with the managers of our account quarterly to assure that the decisions by the Wealth Management Group are made within the values of Unitarian-Universalism as well as ensuring that investments are made in accordance with the total return principle (income plus capital gains, if any) which will allow the church to withdraw a small percentage of the funds for the current operating budget without depleting the principal.

There are actually two funds being managed by Bank of America for UUCN. The largest fund, referred to as the "general fund", is a combined fund shared with the Cemetery funds to increase meaningful diversification that the increased value can provide to both entities. Currently, 11.4% of the general fund belongs to the cemetery.

Occasionally donations to the church were made for specific purposes, and we are legally bound to utilize those funds for the specified purpose. For convenience, seven small, restricted use funds have been combined in one portfolio for investment purposes, but tracked individually by Bank of America to ensure compliance with their stated purpose. As of the end of the first quarter, March 31, the total value of this combined fund was \$101,757.93. A value currently amounting to 4.5% of each of the seven individual restricted funds is listed in the church operating budget. However, the funds are not withdrawn unless there is a specific expense that is in-line with the purpose of the donation.

In addition to the restricted funds that are managed by Bank of America, the church has three small funds over which we have no management control, although withdrawals have no restrictions as to use. The Balcom Fund is managed by TD Bank, and we are required by the IRS to withdraw 5% of the value each year. The two Boutwell funds are pooled with all of the Unitarian-Universalist Association funds. We currently withdraw 4.5% of the value of each Boutwell fund annually.

Regarding the 4.5% we currently withdraw from the principal of most of our invested funds, the "principal" of the general fund is considered to be the average value of the fund at the close of the most recent 28 quarters which is a long enough period to smooth out much of short-term volatility. The goal is for our investments to grow more than any change to the Consumer Price Index (CPI) plus the amount of our annual withdrawal so that our investments will continue to grow long term without losing purchasing power. If the average value over 28 quarters starts to trend down, this committee may recommend withdrawing less than 4.5%.

Annual 1st quarter Market Value of our funds from March 31, 2020 to March 31, 2023

Fund	March 2020	March 2021	March 2022	March 2023
Bank of America				
General Fund*	\$3,251,596	\$4,475,681	\$4,372,043	\$3,903,679
Restricted Fund	\$71,475	\$100,624	\$101,758	\$99,412
TD Bank				
Balcom Trust	\$232,189	\$274,293	\$260,404	\$228,856
UUA				
Boutwell Funds	\$27,721	\$36,396	\$34,647	\$30,858

\*Total value of the General Fund. 11.4% is cemetery commingled funds

A quick analysis of the above figures explains why we use the average of 28 quarters to calculate our withdrawal amounts. The March 2020 figures reflect a significant drop in value soon after the Covid shut-down, and the March 2021 numbers reflect the recovery that occurred from that low point over the next 12 months. Even though the market was doing quite well in early 2022, the drops in March 2022 and 2023 reflect market reaction to the war in Ukraine, anticipated rising interest rates, and fear of inflation. The changes in the Restricted Fund reflect the same market factors as well as the small amount of withdrawals that were made due to the fact that there were fewer than normal expenses, mainly because the church was closed, that matched the specified uses required by the various restricted funds.

ESG (Environmental, Social, and Governance) and SRI (Socially Responsible Investments) are an important part of our General Fund portfolio. Currently, about 54.5% of the funds invested in equities is invested in generally defined ESG and SRI investments, or about 35% of our total portfolio. Bank of America continues to research ESG and SRI investments for us to add to our portfolio. \$144,000 of our SRI investments are loans to the New Hampshire Community Loan Fund.

Current members of the committee are: Jon Lasselle, chair; June Haskell; Steve Hedges; Harry Purhiser; Bob Sampson; and Kevin Murray, Cemetery Treasurer.

Ex-officio members: Allison Palm, Minister; Cecile Bonvouloir, Church Treasurer; Brenna Woods, President of the Board of Trustees, and Lindsey Hedrick, Vice President of the Board of Trustees.