

DATE: Jan. 12, 2022

TO: FUS Board of Trustees

FROM: ESG Investing Committee:

Connie Beam, Kendall Harrison, Annette Hellmer, David Kuenzi, Kathy Luker, Carol Stang

RE: Environmental/Social/Governance Investing Committee Report

The Committee met in December and again in January. We discussed Nancy Metzger's presentation on Socially Responsible Investing (SRI) and our impressions of how FUS members feel about investments. We also did some research. Here's a summary of our discussions:

- 1. It is our impression that most FUS Congregants would like us to invest at least some of our resources in socially responsible funds.** The FUS Social Justice Program has active ministry teams focused on racial justice, sustainability, criminal justice reform, and housing advocacy, as well as a Sanctuary Task Force. Given these commitments, it is logical to assume that socially responsible investing would be a logical extension of our social justice commitment.
- 2. While there are many Socially Responsible and Environmental/Social/Governance (ESG) investment opportunities, many are very new, and they may not be as productive as our current asset holdings.**  
Eighty per cent of our current mix of mutual funds and bond holdings tracks the market with no regard – other than financial return – to the kinds of companies held in each. This has traditionally been referred to as “neutral” investing. However, since 2012, we have held an “ESG Fund” called iShares MSCI USA ESG Select ETF <https://www.ishares.com/us/literature/fact-sheet/susa-ishares-msci-usa-esg-select-etf-fund-fact-sheet-en-us.pdf> It trades as SUSA. This fund tracks the investment results of an index composed of US companies that have positive environmental, social and governance characteristics. The fund has done well and currently represents 20% of our portfolio. As more ESG and SR investment opportunities emerge and develop reliable track records, we will be able to identify additional SRI and ESG funds and bonds that may complement our asset balance and provide good investment returns.
- 3. Innovative new SRI and ESG opportunities are rapidly evolving.** The idea that an investor interested in SRI/ESG simply eliminates a certain group of industries from a portfolio is leaving out an important part of bringing about change in the world. In addition to ESG funds, funds that actively pursue change through shareholder activism as well as funds designed to have ESG impact are having a growing effect.
- 4. The UU Common Endowment Fund (UUCEF) is a diversified investment fund seeking current income and long-term investment returns through portfolio allocation and professional asset management with UU socially responsible investing goals.** The fund has \$270 million under management with 72% currently managed by firms that apply ESG criteria or that screen out

certain industries. Over 300 UU congregations are invested with the UUCEF. Their management fee runs around 1%. <https://uucef.org/>

### **Recommendations**

1. Monitor our current SUSA investment closely to learn more about this ESG index fund and how it compares to our benchmark.
2. Look for other ESG/SRI investment opportunities, particularly those that have a few years of data. We are particularly interested in funds like Engine #1 (VOTE). <https://etf.engine1.com/>
3. Invite a representative from the UU Common Endowment Fund to make a presentation to our board about the fund and how it works.
4. Reconvene this committee in late 2022/early 2023 to continue research and make further recommendations.