

**Unitarian-Universalist Church of Nashua, New Hampshire  
Investment Review Committee Summary Report for Fiscal Year 2012 (corrected)**

OUR ENDOWMENT AND THE COMMITTEE

We had significant decrease in the value of our endowment during the year; \$3,298,133 versus \$3,608,928 a year ago; an 8.61% decrease.

The endowment is managed by the Investment Review Committee, which is chartered under the Church by-laws to monitor and control, subject to direction from the Board of Trustees, performance of the Church's invested funds. Former Treasurer Jon Lasselle, Treasurer of the Cemetery Association Russ Leonard, Joan Connacher, June Haskell, Kathy Grossman, John Brobst, Jack Law, and I make up the Committee.

Our endowment includes two types of restricted funds, one type of which is restricted as to use of the income, examples being the Lyon Fund for "pulpit flowers", and the Phillip Ellis Stevens Fund for maintenance of musical instruments. The second type is funds for which the donor specified a manager. These are 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. Two Helen Willis Boutwell Funds are also held in perpetuity by the Unitarian-Universalist Association for our benefit. For those funds whose donors did not specify a manager, the Committee may employ advisors to assist it, and currently uses the Bank of America (B of A) for the Church and Cemetery Trust Fund, and for the Restricted Funds (restricted as to use of income). The Church/Cemetery funds are comprised of bequests and accumulated gains, with 10.253% of the total belonging to the Cemetery.

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

OUR INVESTMENT POLICY AND RESULTS

With the considerable help of the Bank of America, Investment Policy Statements for both the Restricted and Unrestricted funds were completed and approved by the Committee and the Board of Trustees during the year. These statements cover our policies regarding risk, investment objectives, time horizon, distribution arrangements, investment restrictions, asset allocation, rebalancing strategy, and performance benchmarks. Copies are available from members of the Committee and from the Church Office.

In accordance with our decision two years ago, we now hold only mutual and exchange traded funds instead of a mix of funds and individual securities.

The total of the B of A funds as of May 31 was \$3,107,078 (\$3,294,195 a year ago). The Restricted portion was worth \$108,844, and the Unrestricted \$2,998,234. We received \$91,139 in income from the B of A funds.

As specified in our Policy, the investment objective for all our B of A funds is Balanced Return, which is defined as seeking long-term Total Return 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. The equities portion is to be between 37% and 57% of the total invested, with identical percentages for the fixed income portion. Real estate may be between 0.00% and 10.00%, with tangible assets between 0.00 and 12.00%. 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 (income plus principal growth) 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. This year, we took only \$99,000, an about 3.5% withdrawal.

The expenses of the mutual funds are included in the overall management fee we pay B of A; that is, we do not pay both mutual fund fees and B of A's fees. Forty two and one tenth (42.1%) percent of the Church/Cemetery Fund is in fixed income securities (bonds, cash, the Minister's mortgage and the Community Loan Fund note) and the remaining 57.9% is in convertible bonds, and equity mutual funds. Of the B of A managed Restricted Funds, 53.4% is fixed income, cash and equivalents, while 46.6% is in equity funds.

Our other major invested account, the Sarah M. Balcom Fund, is an irrevocable trust managed by the TD Bank Wealth Management Group for our benefit. As December 31, 2011, the fund was worth \$272,657 (\$287,440 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, with net income of \$3,515 returned to principal. Since the fund's income does not equal the capital distribution, the principal of the fund will be slowly depleted unless capital gains make up the difference (which they did not this year).

The two Boutwell Funds are held by the Unitarian-Universalist Association. The two funds were jointly worth \$27,242 as of December 31, 2011, (\$29,327 a year earlier), and gave us \$1,614 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 5.0% draw based on thirteen rolling quarters (we use twenty), and an effort to be socially responsible.

As stated above, and in consultation with Bank of America, 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	FY12	FY11	FY10	FY09	FY08	AVERAGES	
						5 yrs.	10 yrs.
CHURCH/CEMETERY	(1.16)	22.12	20.19	(18.24)	0.47	2.03	4.73
BALCOM *	0.07	8.64	22.88	(20.16)	8.29	3.94	3.95
BOUTWELL*	1.71	13.68	27.66	(25.35)	7.51	5.04	5.53

\* Figures are for calendar years. For the Balcom Fund net total return is shown, and does not include the now required five percent distribution of principal.

Several poor market years, both recently, and in the first part of the last decade, have afflicted our

averages, which are still not meeting our return objectives; over five or ten year spans.

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.

FEES

The current fee schedule charged by Bank of America is given below.

- 1.01% of first \$1, 000,000
- 0.63% of next \$2,000,000
- 0.48% of next \$2,000,000

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. From the Church/Cemetery Fund the Church received \$99,000, with \$9,673 going to the Cemetery, for a total of \$108,673. This is about 3.40% of the combined average market value of Church endowment fund during the year., and is less than would have been taken under the 4 or 4.5% 20 quarters policy we consider a prudent rate of withdrawal. But it does reflect the strong commitment you have made to not depleting our endowment and supporting the Church with your pledges.

Respectfully Submitted,

**Investment Review Committee**

Robert G. Sampson, Chairman