

Annual Report, November 2009

Paulist Center Endowment Investment Committee

The Endowment Investment Committee, appointed by the Pastoral Council, annually reports on the endowment's financial performance and the range of committee activities. Since our last report in November 2008, we note the following:

- ❖ financial returns that have started to recover and continue to outperform benchmarks for our class;
- ❖ our current efforts in shareholder activities;

We look forward to future opportunities to learn and pray with you about issues of faith and economic justice. Thank you, Endowment Investment Committee: Tim Diggins, Sonia Caus Gleason, Paul Huesing, CSP (Director), Mary Lesko (Finance Committee), Trudy MacDonald (Pastoral Council), Susan Rutkowski (Staff), Patty Simpson (Staff), George Westerman, Bill Wood. This year, Jeremy Kay joins us as a new member and Mary Lou Ruch returns to the Committee.

Financial Performance

- ❖ From 1/1/2009 – 09/30/09, **the managed portion of the endowment yielded a gain of 13.3%**. As you are well aware, the beginning of the year was a challenging time for all financial markets, but the markets began to recover over the past six months. Boston Common Asset Management (BCA), our investment manager, has met or outperformed its benchmarks; during this same period, the Dow Jones Industrial Average gained 7.5%, and the S&P 500 13.4%.
- ❖ The Pastoral Council approved a **distribution of 3% to the Center's general operating budget for FY 2009-10**. (We are responsible for annually recommending a distribution of 3-5% of the endowment's market value to the Pastoral Council based on the endowment's performance over the twelve trailing quarters.)

Community Based Investments (CBIs)

Much as we designate 5% of our weekly offerings to community groups, our investment policy specifies that **up to 5% of the endowment may be invested in organizations that will advance the Center's social justice mission**, with the understanding that these investments will have below-market returns, typically 0-4%. With research and input from the Senior High Youth Group, who used this opportunity to learn about CBIs, **we invested in 1-3 year investments with Accion, Accion International, Boston Community Capital and in a Wainwright Bank Equal Exchange CD**. For part of this year, the CBI investment represented slightly more than our 5% policy target due to falling endowment balance. To affirm our commitment to our community partners, we asked for, and received, a temporary policy exception from the Pastoral Council to maintain our investment levels in our CBIs.

Advocacy

Our investing firm, Boston Common Asset provides ongoing research and leadership on shareholder issues related to our investing principles. This affords us **opportunities to join with others in advocacy efforts through engagement with companies via dialogue and through shareholder resolutions**. Over the past year, we have endorsed:

- ❖ **PepsiCo**. Shareholders questioned water usage in communities with diminishing access to clean, safe water for all. Requested that Board of Directors create a comprehensive policy regarding the Human Right to Water (11/08). **Status**: PepsiCo crafted guidelines for global operations in support of the Human Right to Water, stated commitment to support individuals' right to access sufficient clean water in the communities where PepsiCo operates, and pledged to advocate for this right more broadly (3/09). See policy at pepsico.com
- ❖ **Cisco**: As part of ongoing dialogue, shareholders signed letter proposing the improvement of human rights policies, as it relates to technology being used to "curtail personal use of the Internet for activities displeasing to leaders in a number of countries." **Status**: Resolution on this issue filed 11/09.
- ❖ **IBM**: Shareholders proposal on executive compensation to be included in annual shareholder proxy (10/08), with presentation at annual Shareholders meeting (04/09). In absence of receiving a response, another resolution was filed (10/09). **Status**: Refiling 11/09 with larger institutional investors; this is the 3rd consecutive year of work on this issue.
- ❖ **Cummins**: Shareholders have expressed concern regarding anti-union and anti-worker rights activities of the company and its subsidiaries. Cummins has denied charges. Boston Common is setting up a meeting w/company management. **Status**: Continued participation in dialogues.

Possible Future Advocacy

We will be discerning focus areas for our advocacy. Possible new issues for us include:

- ❖ wide-spread child labor in Uzbekistan's cotton fields;
- ❖ working conditions and labor rights as it relates to manufacturing, steel acquisition, and other materials used in production in Toyota's global supply chain;
- ❖ absence of non-discrimination regarding sexual orientation policy in Engaging Energy Transfer Partnership; safety of chemical use and products, and broadened sustainability reporting;
- ❖ potential environmental risks from natural gas production in the US using hydraulic fracturing to extract gas;
- ❖ questioning use of mercury in silver/amalgam fillings of DENTSPLY.

For further information, please approach a committee member listed above. To see our investment principles, background on the committee, and our slide presentation, go to: http://www.paulistboston.com/release_details.asp?id=28. For more on our investment managers and their leadership in advocacy, go to <http://www.bostoncommonasset.com/>