A meeting of the Investment Subcommittee (the Subcommittee) of the Board of Trustees of the University of Vermont and State Agricultural College was held on Wednesday, July 22, 2009, at 9:30 a.m. in the President’s Conference Room, 351 Waterman Building, Burlington, VT.

MEMBERS PRESENT: Chair Robert Cioffi*, Co-Vice Chair Susan Hudson-Wilson* and John Snow*

MEMBERS ABSENT: Co-Vice Chair Samuel Bain

PERSONS ALSO PARTICIPATING: Vice President for Finance and Administration and Treasurer, Richard Cate, Controller, Claire Burlingham, Assistant Controller for Tax and Treasury Services, Kathy Snell, Bets Kent* and David DeVaughn* of Cambridge Associates

*By means of conference telephone.

Chair Robert Cioffi called the meeting to order at 9:34 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the June 18, 2009 meeting.

Flash Report for June 30, 2009

Ms. Kent facilitated the review of the investment portfolio in the Flash report for the month ending June 30, 2009. Ms. Kent noted that the amount of funds in the long term pool is slightly higher than $253 million. She further commented that the portfolio has had a strong rally since March, although June was not up as much as April and May. Ms. Kent directed the Subcommittee to some of the highlights in the Flash report, noting that the emerging market sector has performed very well, the US equity sector performed better than the market index, and the hedge fund managers had a 5-6% return for the quarter. They had also done a great job in preserving the market earlier in the calendar year. The Real Estate segment, which is a small portion of the portfolio, is still suffering with a negative return, and recovery is not likely in the near future. The Subcommittee members expressed their pleasure that Gresham is performing well. The Bond allocation is up 2% for the quarter.

Overall UVM’s portfolio performance is up for the quarter and down for the fiscal year. Ms. Kent commented that larger institutions are down by 25% for the fiscal year, whereas UVM is down by 19%.

Mr. Cate inquired about the sector strategy and whether the diversification should be adjusted based on the market outlook. Ms. Hudson-Wilson noted that the diversification is reviewed each year at the asset allocation meeting. The decisions are made based on a long term approach and the Subcommittee rarely makes changes based on the short term outlook of the financial
environment. Mr. Cioffi commented that much is unknown based on views of how potential inflation will be affecting the market. Mr. Snow commented that he believes one of the biggest misconceptions is that the market has fundamentally changed due to the recent economic conditions. He further stated that he does not see any evidence of a paradigm shift in capital markets with the exception of possibly sustained higher levels of volatility occurring. Ms. Kent responded that the weightings can be slightly adjusted, but a strong rationale exists for all the asset classes that we are currently invested in. She further noted that Varde’s performance has been disappointing and they are not doing as well as expected. Ms. Kent reported to the Subcommittee that the Cambridge Associates team is currently meeting with several of the hedge fund managers for the regular quarterly review. Cambridge will report any outliers to the subcommittee.

Non-Marketable Alternative Assets Report

Mr. DeVaughn led the discussion on reviewing the Non-Marketable Alternative Assets (“NMAA”) report as of December 31, 2008. He noted that the total NMAA portfolio IRR has dropped to 8.2% from 9.9% at Sept. 30. Ms. Kent commented that the high single-digit IRR is respectable, but it will probably go down again once the March numbers are reported. She noted that the return is expected to rebound from there.

Mr. Cioffi commented regarding private equities and the commitment level, noting $70 million in commitments and only $34.4 million paid in so far. It is good to be in a position with this much “dry powder”. He also noted that Dover Street VII paid-in amount seems low after two years. Ms. Kent responded that Dover is being more cautious about the underwriting. She also noted that Commonfund is fund-raising for a new Venture Capital fund and is opening it up to families and pension funds as a means of broadening the base of investors.

Ms. Kent reported that she will be researching the benchmarks further for the discussion at the September meeting.

Portfolio Rebalancing

Mr. Cioffi opened the discussion by directing the members to the executive summary. The subcommittee appreciates the details of the executive summary and then requested that the summary need only reflect the prior six months of activity. The redemptions and reinvestments are occurring on schedule.

Current Asset Category Weightings

Mr. Cioffi commented that the objective of the asset category weightings is to get the portfolio in line with the targets. Ms. Kent commented that Cambridge Associates is not recommending any changes in the US Equity and to proceed with the State Street Passive Bond Fund transfers to RhumbLine. She noted that having several months of liquidity needs available is desirable in the current environment. She further commented that the International sector is slightly overweight in emerging markets, but that is being reduced by a net of $4 million from the Rexiter redemption, and Aberdeen investment. Ms. Hudson-Wilson concurred with the comments on the cash discussion and noted that while the market is still fragile it is best to have cash readily
Mr. Snow commented that he agrees with the changes in allocations. He further noted that he believes the Private Equity commitments will require a need for more cash. Mr. Snow also recommended the rebalancing occur on a regular basis.

The motion to draw down $2 million from Templeton and $2 million from American Funds (Capital’s EuroPacific Growth Fund), which was recommended by Cambridge Associates, was unanimously approved by the Subcommittee members.

Ms. Kent recommended that the interest payments in the State Street Bond account be paid out to UVM instead of being reinvested in the account. The subcommittee directed Ms. Snell to contact Lewis Pearlson at State Street to proceed with the recommendation. Ms. Kent asked if Cambridge should be looking for cash vehicles. Mr. Cate responded that no change is needed at this time.

**Other Business**

Discussion ensued regarding the September meeting in NYC. The meeting will be held at Bessemer Trust and will be hosted by Trustee John Hilton. Ms. Kent noted that DSM and Tremblant will be 2 of the managers presenting. She recommended having 4 presentations and suggested inviting W Capital to present. Ms. Hudson-Wilson recommended inviting David Sherman from Metropolitan Real Estate to present at the meeting. Mr. Cioffi noted that he will confer with Ms. Kent to solidify the list of presenters.

Mr. Cioffi proposed eliminating the August 2009 meeting and the Subcommittee members agreed. The Subcommittee members confirmed their intention to continue to withdraw the available 4% from SSgA Passive Bond fund on a monthly basis, and to invest proceeds in RhumbLine; Ms. Snell was directed to execute such transactions through September.

Ms. Burlingham reported that HBK, Barlow and OZ have not yet responded to the audit confirmations; second requests have already been mailed.

**Adjournment**

There being no further business, the meeting was adjourned at 10:28 a.m.

Respectfully submitted,

Robert Cioffi, Chair