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, December 15, 2010, at 8:30 a.m. in the President’s Conference Room, 351 Waterman Building, Burlington, VT.

MEMBERS PRESENT: Chair Samuel Bain*, Vice Chair Susan Hudson-Wilson*, Ian Boyce* and David Daigle*

OTHER TRUSTEES PRESENT: Board Chair Robert Cioffi*

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*, LaRoy Brantley* and Christopher Warren* of Cambridge Associates

*By means of conference telephone.

Chair Samuel Bain called the meeting to order at 8:34 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the November 29, 2010 meeting.

General Discussion and Flash Report

Ms. Kent led the review and discussion of the Flash Report for the month ending November 30, 2010. November was a solid month on a relative basis in terms of performance. The asset allocation percentages are all close to target with little change since October.

Ms Kent noted that the U.S. stock market was flat for the month of November while the overseas stock market indices were negative. She further noted that the performance for total externally managed assets was -0.5% for the month of November. She mentioned that although the S&P Index was flat for November, many of the active managers in the portfolio outperformed the benchmark.

Discussion then ensued surrounding the interest rates on fixed income assets and the potential impact of rising inflation. Ms. Kent noted that the UVM portfolio’s bonds are a small portion of the portfolio; and they are not recommending changes at this time. The members agreed to resume the discussion of this topic at the January meeting.
**Hedge Fund Manager Interviews**

Chair Bain recalled the Hedge Fund Manager Interview discussion from the November 29th meeting and directed the members to the summary information in the discussion materials provided by Cambridge Associates. The Subcommittee reviewed and discussed the various strategies and types of funds within the Hedge Fund Manager choices. Ms. Kent mentioned that Cambridge Associates would be comfortable with adding two new managers. The members asked for Cambridge Associates to perform a thorough analysis of the Hedge Fund. Following discussion, the Subcommittee unanimously agreed to invest $5 million with Canyon Capital Advisors in the Balanced Fund and $5 million with Owl Creek. The Subcommittee members discussed and agreed to redeem $6 million from Iridian and $4 million from RhumbLine S&P 500 to fund these new investments in early 2011.

**Non-Marketable Alternative Assets Review**

Ms. Kent led the review of the Non-Marketable Alternative Assets section in the discussion materials provided by Cambridge Associates. Discussion ensued surrounding the current environment and some perspective on historical returns. She noted that Private Equity has been a good investment while the performance of Venture Capital has been disappointing and Real Estate has lagged. The discussion materials included a summary of secondary opportunities that will be available throughout 2011. Following a discussion on investing in a fund of funds instrument, the Subcommittee requested that Cambridge Associates draft an exposure model for capital calls and distributions for the members to review the landscape in this sector.

**Manager Watch List Criteria**

The Subcommittee reviewed the Manager Watch List draft document provided by Cambridge Associates. Discussion ensued regarding possibly simplifying the criteria. The members agreed that the monthly Subcommittee meeting reports and materials provide information on the activity of the managers which acts as one of the monitoring tools. Cambridge Associates will present a revised Watch List for further review at the January meeting.

**Asset Impairment Policy**

Mr. Cate reported that KPMG’s management letter resulting from the FY10 audit strongly recommends that a formal Investment Impairment policy be developed. He explained that the nonmarketable investments are recorded at historical cost and the current investment policies do not include procedures for determining when an investment is considered impaired thus requiring a write down from its initial cost. Mr. Cate and Ms. Burlingham will develop an initial draft for Mr. Bain to review before presenting to the Subcommittee.
Other Business

January 21, 2011 Agenda Items: Mr. Bain noted the items for discussion at the January meeting will include:

- Benchmark Composition
- Treasury Inflation Protective Securities (TIPS)
- Tail Risk Hedging
- Asset Allocation and the roles of each
- Scenario Analysis
- Non-Marketable Alternative Asset opportunities
- Real Estate Opportunities for Investment

Adjournment

There being no further business, the meeting was adjourned at 10:12 a.m.

Respectfully submitted,

Samuel Bain, Chair