INVESTMENT SUBCOMMITTEE
BOARD OF TRUSTEES
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

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 Thursday, June 10, 2010, at 8:00 a.m. at the offices of Nixon Peabody, LLP (Pokross B Conference Room), 100 Summer Street, Boston, MA.

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

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

*By means of conference telephone.

Chair Samuel Bain called the meeting to order at 8:02 a.m.

Executive Session

At 8:03 a.m., Chair Bain entertained a motion to enter into executive session for the purpose of discussing contracts. All in attendance were excused from the meeting with the exception of Trustees and Vice President for Finance and Administration Richard Cate.

The meeting was re-opened to the public at 12:30 p.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the May 19, 2010 meeting.

Portfolio Rebalancing

The Subcommittee reviewed the short-term endowment cash flow projections and confirmed a June withdrawal from SSgA Passive Bond Fund of the 4% available liquidity. The Subcommittee agreed that investing an additional $1 million BlackRock at this time would be ideal; Ms. Kent suggested this could be accomplished without drawing on cash by moving it from Vanguard TIPS. The Subcommittee decided to withdraw $1 million from Vanguard TIPS and invest it with BlackRock. The Subcommittee requested that UVM prepare an endowment cash withdrawal schedule.

Tail Risk Hedging

Due to time constraints, the group postponed the discussion on Tail Risk Hedging until a later date. Chair Bain expressed his appreciation to Cambridge for the information that had been
compiled for the Subcommittee. Chair Bain then inquired about obtaining more information on The Clifton Group, a service provider on portfolio hedging. Ms. Kent offered to provide a PowerPoint presentation prepared by Clifton which further explains their product. Discussion ensued regarding the prudence of having an asset protection product. Ms. Kent said that one of the considerations would be the cost of an ongoing hedging program, which could be generalized as 25 – 100 basis points per year (although actual program design and costs vary widely).

**Portfolio Performance**

Cambridge Associates touched on the extreme downturn in markets during the month of May. Mr. Brantley noted that the portfolio is slightly overweight in hedge funds. He also noted that the estimated May 31, 2010 monthly return (based on index returns, not specific manager data since that is not yet finalized) was -5.3%. This incorporated an estimated 0% return for the non-marketable assets. Discussion ensued about Aberdeen’s performance, which while negative for the month of May has been strong on a relative basis over the year-to-date period.

**Other Business**

Mr. Cate gave a brief update to the Subcommittee on the University’s Operating Cash, indicating it was substantially unchanged from the previous month-end.

Chair Bain and Mr. Cate confirmed the location of the July 20th manager meeting in NYC. Chair Bain asked Cambridge Associates whether, in their capacity as current investment advisor, they had been successful in extending invitations to present to each of the four firms identified in the May meeting. Mr. Brantley responded that indeed, each of the four firms have accepted the invitation; the particular presenters from the firms will be firmed up shortly.

**Adjournment**

There being no further business, the meeting was adjourned at 12:55 p.m.

Respectfully submitted,

Samuel Bain, Chair