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 Monday, November 29, 2010, at 2:00 p.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 Robe Cioffi*

PERSONS ALSO PARTICIPATING: Vice President for Finance and Administration and Treasurer, Richard Cate; Controller, Claire Burlingham; Bets Kent*, LaRoy Brantley* and Christopher Warren* of Cambridge Associates; Patrick Dooley* and Ingrid Kiefer* of Canyon Capital Advisors; Melisa Moehlman* of Mason Capital Management; Jeff Altman* and Kim Smith* of Owl Creek Asset Management.

*By means of conference telephone.

Chair Samuel Bain called the meeting to order at 2:05 p.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the October 20, 2010 meeting.

General Discussion and Flash Report

Ms. Kent led the review and discussion of the Flash Report for the month ending October 31, 2010. She directed the members to the discussion materials provided by Cambridge Associates and noted that the asset allocation percentages are all close to target and within the allowable range. She pointed out that the Emerging Market allocation is 10.3% with a target of 11%. Ms. Kent noted the externally managed investments’ performance for the month of October was +2.7% and the fiscal year to date was +12%, while the calendar year’s performance was +8.5%. Ms. Kent stated that overall the market performance for October 2010 was terrific. She further commented that the Bond Portfolio performed in line with the benchmark and the U. S. Equity Portfolio was the driver in the performance for the month. Ms. Kent then reviewed some highlights on the individual managers’ performance, and noted Iridian, DSM and Eaton Vance performed especially well for the month. She also noted that Aberdeen outperformed the benchmark in both October and the calendar year to date. Ms. Kent reported on the personnel change at Eaton Vance and mentioned that two new analysts have been hired in response to the departures of two former analysts. She also reported on the change in personnel at Siguler Guff and explained that Maria Boyazny is leaving to set up her own company, but the change is not a
significant cause for concern with the Fund 3 that UVM is invested in because the fund is already approximately 85% committed.

Ms. Hudson-Wilson noted that no new information is available for the ING Clarion sale. Ms. Kent and Ms. Hudson-Wilson will offer updated information on real assets at the December meeting.

Hedge Fund Manager Interviews

Mr. Bain briefed the Subcommittee on the three manager presentations, and referred them to the presentation books provided by each manager.

Canyon Capital Advisors
(Presenters: Patrick Dooley, Sr. Portfolio Manager; Ingrid Kiefer, Business Development)

Mr. Dooley explained the firm’s investment approach and the research process. Canyon has over 200 people in three offices globally. The key portfolio managers are Josh Friedman and Mitch Julis, who have known each other for many years and are excellent complements to each other stylistically. Patrick reviewed the structure of the company and emphasized that the team works collaboratively in their analysis and construction of their portfolio – there are no “silos”. Mr. Dooley mentioned that the portfolio construction is the key element of the investment process. He especially noted how the team meets each week to collaborate on ideas and to recalibrate the funds in the portfolio. One lesson learned from 2008 was that macro and technical forces can upend all their bottom up work, so they make sure that their world view matches up with portfolio construction. Canyon avoids the high yield market and is an opportunistic manager. Other attributes include:

- $18.3 billion in assets under management, with $12.1 billion in hedge fund assets
- Over $3 billion in assets under management within structured products
- Wide field of vision into the credit markets
- Wide breadth of asset classes
- Securitized asset portfolio allocation
- $800 million of employee and partner capital invested across the funds

Mason Capital Management
(Presenter: Melisa Moehlman, Business Development)

Ms. Moehlman opened the presentation by explaining the investment process that Mason Capital exercises in the construction of their portfolio. She noted the staff consists of generalists who all work as a team to research and analyze new opportunities in the market. Mike Martino and Ken Garshina are the key portfolio managers. Ms. Moehlman noted the team gathers their ideas from current events reported in the news. She also explained the portfolio is under continuous review and all trades must be approved by the two Principal partners. Other attributes include:

- Indifferent between being long or short within traditional event driven trades
- Seek positive optionality in corporate events from the long & short side
- Pensions, Endowments, Foundations dominate investor base
- Consistent ability to profit on short side and unique long ideas
- Ability and willingness to invest across strategies and capital structures lead to optimal asset allocation throughout all market cycles
- Assets under management of $5.8 billion including 9% from the GP and other employees

**Owl Creek Asset Management**  
(Presenter: Jeff Altman, Managing Partner; Kim Smith Business Development)

Mr. Altman presented the overview of the firm’s investment process and strategy. He explained that Owl Creek Asset Management adheres to an opportunistic and contrarian event-driven value strategy. He noted the firm uses a team approach to research investments and the final decisions rest with his approval. If an investable idea has a bad balance sheet they will invest on the debt side; if it has a good balance sheet they will invest on the equity side. The firm’s offices are located in New York, Hong Kong and London. Employees have over 90% of their net worth invested in the funds.

Other attributes include:
- The investment process follows a bottom-up opportunistic approach that focuses on preservation of capital
- Research and decisions are made through a team approach. Typically at least 3 people are responsible for each investment
- They try hard to resist pressure to have “risk on” in the current environment because their outlook is that the environment will continue to be very challenging and potentially quite disappointing.
- Assets under management are approximately $6.4 billion.

Following the presentations, the Subcommittee briefly reviewed the attributes of each manager and decided to resume their discussion at the December 15th meeting.

**January Meeting Planning**

January 21, 2011 Agenda Items: Mr. Bain noted the items for discussion at the January meeting will include:
- Benchmark Composition
- Treasury Inflation Protection Securities (TIPS)
- Tail Risk Hedging
- Asset Allocation (targets, policy)
- Roles of Different Asset Classes
- Scenario Analysis

**SRIWG Update**

Ms. Burlingham reported on the Socially Responsible Investing Work Group meeting held on November 4, 2010. She stated that the Work Group is continuing to work on the administration process for accepting and reviewing proposals. In addition the Work Group will develop
proposal evaluation criteria. The next meeting of the Work Group is scheduled for December 3rd and she will provide the Subcommittee with a full report at their next meeting.

**Other Business**

The Subcommittee members will review the presentation materials from the three Hedge Fund Manager Interviews, conduct further research and then commence their discussion for a selection at the December meeting. Chair Bain also requested that the members review the Real Asset section of the portfolio and the Manager Watch List. Ms. Hudson-Wilson will report on whether there is any activity with ING Clarion and possible open-ended real estate funds.

**Adjournment**

There being no further business, the meeting was adjourned at 4:00 p.m.

Respectfully submitted,

Samuel Bain, Chair