A meeting of the Investment Subcommittee (ISC) of the Board of Trustees of the University of Vermont and State Agricultural College was held on Wednesday, February 23, 2011, 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*.

MEMBERS ABSENT: None

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 December 15, 2010 and January 21, 2011 meetings.

**Market Update and 12/31/10 Performance**

Ms. Kent directed the Subcommittee members to the exhibits provided in the discussion materials that highlighted the current market environment. She noted the emerging markets sector’s returns trailed those of the developed markets in the last quarter. The three-month period of November 1, 2010 to January 31, 2011 proved to be a solid period in terms of capital markets performance. Mr. Brantley led the review and discussion of the Performance Report for the quarter ending December 31, 2010. He noted the strong results posted by UVM on both a relative and absolute basis through December 31, 2010. U.S. equities and commodities were the largest performance drivers for the most recent quarter and all of Calendar Year 2010. Ms. Kent acknowledged that it was a disappointing year for most hedge fund managers using a long/short strategy due to the difficulty of short-selling in a rallying environment. She also commented that Cambridge currently recommends having both inflation and deflation protection assets in the portfolio.

Discussion ensued regarding UVM’s Hedged Equity and Absolute Return manager performance in relation to the respective Cambridge medians.
January 2011 Flash Report and Asset Allocation

Ms. Kent directed the Subcommittee to the Flash Report for the month ending January 31, 2011 and reminded the members the new target asset allocation percentages will be reflected in next month’s presentation. It was noted that the total Externally Managed Assets return for January 2011 was 1.0% compared to the current Cambridge Associates median return of 0.6%. Ms. Kent noted that inflation is coming to the forefront and recommended focusing on the emerging markets exposure. She commented that the existing emerging market investments are long only. The Subcommittee will review rebalancing Global ex-US between developed markets and emerging markets to the new targets at the next monthly meeting.

Manager Watch List

The Subcommittee reviewed the updated Watch List draft and accompanying performance-oriented charts presented by Cambridge. Discussion ensued surrounding the charts reflecting seven marketable equity managers who would have made the Watch List during certain quarters of the past five years based on the proposed Watch List quantitative criteria. Six of the seven reflected both quarters of outperformance and underperformance, while just one manager reflected only periods of outperformance. Ms. Kent commented that the long only managers are presented and Cambridge will continue to refine the list and charts to include Hedge Fund managers.

Non-Marketable Alternative Asset (NMAA) Performance Report

Mr. Brantley led the discussion on the NMAA Performance Report as of September 30, 2010 and noted the IRR of 9.2% lags the CA Mean (10.1%) by 90 bps. He further noted the Total Value/Paid-In Multiple is yielding a positive 1.3x.

Non-Marketable Alternative Asset Program – New Ideas

The Subcommittee members reviewed summary information presented. Following a brief discussion on Private Equity, Fund of Funds and Real Estate, the Subcommittee decided to continue the discussion at the next meeting. Ms. Kent additionally reported on the management buyout of ING Clarion.

Other Business

Chair Bain directed the members to review the liquidity schedule and noted that the next withdrawal date for some funds is March 31, 2011. No action was submitted for withdrawals. The Subcommittee will review hedge fund managers and emerging market managers in a future meeting.

Adjournment

There being no further business, the meeting was adjourned at 9:59 a.m.

Respectfully submitted,
Samuel Bain, Chair