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

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, July 27, 2011, at 8:30 a.m. at Cambridge Associates, LLC, 100 Summer Street, Boston, Massachusetts.

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

MEMBERS ABSENT: None

OTHER TRUSTEES PRESENT: Board of Trustee Chair Robert Cioffi (partial)

PERSONS ALSO PARTICIPATING: Vice President for Finance and Administration and Treasurer Richard Cate; Assistant Controller for Tax and Treasury Services Kathy Snell (partial)*; Bets Kent, LaRoy Brantley and Christopher Warren of Cambridge Associates

*By means of conference telephone.

Chair Samuel Bain called the meeting to order at 8:40 a.m.

Overview

Ms. Kent welcomed the Investment Subcommittee and provided a brief overview of the day’s agenda.

Approval of Minutes

Chair Bain requested a motion to approve the minutes of the previous meeting. A motion was made, seconded and voted to approve the minutes of the June 22, 2011 meeting.

Approval of Resolution

Mr. Cate introduced the Resolution to Establish the Lori Dunlap Fund for the Benefit of UVM Morgan Horse Farm. He noted that the allocation of the total gift between the quasi endowed fund and current operating needs was determined based on an analysis of Morgan Horse Farm’s current state. The following resolution was presented for approval:

Resolution to Establish the Lora Dunlap Fund for the Benefit of the UVM Morgan Horse Farm

WHEREAS, the University has received $854,160.74 from the estate of Lora Dunlap, designated to support the Morgan Horse Farm with no requirements for naming a fund, nor requirements for establishing an endowment, and
WHEREAS, the Dean of the College of Agriculture and Life Sciences has reviewed the current financial needs of the Morgan Horse Farm and has determined that $404,160.74 is necessary to support current operations, and

WHEREAS, the Dean of the College of Agriculture and Life Sciences has requested that the remaining balance of $450,000 be placed in a quasi-endowment that will produce approximately $18,000 per year to help fund the long term financial needs of the Morgan Horse Farm;

NOW THEREFORE BE IT RESOLVED, that the Investment Subcommittee approves the creation of the Lora Dunlap Fund for the Benefit of the UVM Morgan Horse Farm in the amount of $450,000 as a quasi-endowment within the University’s consolidated endowment pool.

A motion was made, seconded and voted to approve the Resolution to Establish the Lori Dunlap Fund for the Benefit of UVM Morgan Horse Farm.

Performance and Market Update

Ms. Kent directed the Subcommittee to performance estimates in the handout for the month ending June 30, 2011. While figures are preliminary, the portfolio returned -1.4% for the month. Ms. Kent noted that there were no outliers in the long-only portion of the portfolio. June was a poor month for commodities and real assets, and hedge funds did not hold up as one would hope in a down market. On a fiscal year-to-date basis, the preliminary estimated return on the University’s portfolio was +22.8%, well above the C|A Endowment median. The Subcommittee briefly turned its attention to a schedule prepared by Cambridge Associates comparing the University’s Asset Allocation with other colleges and universities in the $200-500 million range. Particular attention was paid to UVM’s long-only equity exposure relative to peer institutions.

Kathy Snell exited the meeting.

Executive Session

At 8:55 a.m., Chair Bain entertained a motion to enter executive session for the purpose of discussing contract negotiations. The motion was seconded and approved. Trustees Bain, Boyce, Daigle, and Cioffi; Mr. Cate; and Ms. Kent, Mr. Brantley and Mr. Warren remained for executive session.

The meeting was re-opened to the public at 10:33 a.m. Trustee Hudson-Wilson joined the meeting.

Executive Session

After a short break, at 10:36 a.m., Chair Bain entertained a motion to enter executive session for the purpose of discussing contract negotiations. The motion was seconded and approved. Trustees Bain, Boyce, Daigle, Hudson-Wilson and Cioffi; Mr. Cate; and Ms. Kent, Mr. Brantley and Mr. Warren remained for executive session.
The meeting was re-opened to the public at 11:14 a.m.

**Asset Allocation**

Chair Bain entertained a motion to invest $5 million with Invesco’s Core Real Estate product. The motion was seconded and approved. Trustee Hudson-Wilson exited the meeting.

**Executive Session**

At 11:17 a.m., Chair Bain entertained a motion to enter executive session for the purpose of discussing contract negotiations. The motion was seconded and approved. Trustees Bain, Boyce, Daigle, and Cioffi; Mr. Cate; and Ms. Kent, Mr. Brantley and Mr. Warren remained for executive session.

The meeting was re-opened to the public at 12:03 p.m.

**Emerging Markets Diversification Discussion**

During a working lunch, UVM alumna and CA Consultant, Mary Jo Palermo, Co-Author of recent research report “The Case for Diversified Emerging Markets Exposure,” led a discussion on emerging markets diversification. The Subcommittee discussed their current emerging markets exposure and the ways in which they could diversify their program away from the current equity-only approach. There was additional discussion about the investment environment as Ms. Palermo mentioned that emerging markets are no longer solely a play on commodities; instead, many developing economies are starting to show signs of true domestic demand. Moreover, there was a conversation about the attractiveness of additional investment asset classes in the emerging markets space. The Subcommittee agreed to discuss the topic further at the next meeting.

**Executive Session**

After a short break, at 1:03 p.m., Chair Bain entertained a motion to enter executive session for the purpose of discussing contract negotiations. The motion was seconded and approved. Trustees Bain, Boyce, and Daigle; Mr. Cate; and Ms. Kent, Mr. Brantley and Mr. Warren remained for executive session. Board Chair Cioffi left the meeting.

The meeting was re-opened to the public at 2:00 p.m.

**FY2012 Workplan**

Ms. Kent directed the Subcommittee members to the draft FY2012 Workplan. Chair Bain requested that the next meeting cover the following agenda items: debrief of July meeting, asset allocation, and non-marketable alternative assets. Cambridge will compose a draft workplan for future meeting dates and discuss with the Subcommittee in August.
CY2012 Proposed Meeting Dates

The Subcommittee members reviewed the 2012 calendar year proposed meeting dates. No dates were finalized, although the Subcommittee did discuss having the January meeting earlier in the month.

Derivatives/Tail Risk Hedging

Ms. Kent led a brief discussion on Derivatives and Tail Risk Hedging pricing.

Other Business

As a follow-up to the last meeting, Chair Bain requested an update from Mr. Cate regarding Asset Impairment; Mr. Cate reported that the Metropolitan RE Fund statement received in late June for the period ending 12/31/2010 reflected a market valuation of $2.2 million, compared to total paid-in capital of $3.35 million, which is in line with the NAV estimate that Metropolitan provided to Cambridge Associates in advance of the release of the 12/31 quarterly reporting.

Adjournment

There being no further business, Chair Bain adjourned the meeting at 2:25 p.m.

Respectfully submitted,

Samuel Bain, Chair