A meeting of the Investment Subcommittee (ISC) of the Board of Trustees of the University of Vermont and State Agricultural College was held on Tuesday, March 22, 2011, at 2:30 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*.

MEMBERS ABSENT: David Daigle

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* and Christopher Warren* of Cambridge Associates (CA).

*By means of conference telephone.

Chair Samuel Bain called the meeting to order at 2:37 p.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the February 23, 2011 meeting.

Recent Market Returns

Ms. Bets Kent, of Cambridge Associates, opened the discussion and directed the Subcommittee members to the exhibits provided in the discussion materials that reported on the recent market performance. She further noted the uncertainty in the current market environment due to the natural disaster in Japan and the turmoil in the middle-eastern countries which are causing a slowdown in the overall market. The CA Team shall send to the ISC their recent research on the Japan situation and possible market opportunities. Ms. Kent also mentioned that the Developed Market sector is down by 2 to 3%, but the year to date returns have been modestly positive.

February 2011 Flash Report

Ms. Kent directed the Subcommittee to the Flash Report for the month ending February 28, 2011 and noted the report reflects the new policy target asset allocation percentages. Ms. Kent commented that the performance was driven by the U.S. Equity returns while the Global ex U.S. Equity underperformed and the Public Real Assets remain strong with a 3.5% return. She further commented that UVM’s portfolio performance is in line with similar institutions. It was noted that overall February, 2011 was a good month.

Ms. Kent mentioned that Cambridge Associates continues to meet with the various investment managers on a regular basis to evaluate their positions and gauge the pulse of the firms. She also
reported on the employee departures from Acadian and noted that the individuals who left were not involved with the emerging market transactions; therefore, it will not impact the University’s investment. Discussion ensued surrounding the benchmark assigned to the long/short or Hedged Equity managers and the Subcommittee agreed that the MSCI World index may not be an appropriate benchmark, for the short term. Cambridge Associates agreed to review this category in more detail and report on a recommendation for a more appropriate benchmark.

Asset Allocation and Rebalancing

It was noted that Capital International EuroPacific Growth Fund is offering a new F-2 asset class which will be a lower expense ratio and therefore yield a higher net return. The Investment Subcommittee instructed UVM to submit the request to American Funds to convert the A shares to F-2 shares.

The Subcommittee reviewed the Asset Allocation Summary provided by Cambridge Associates and discussed the pro forma with the new asset class policy targets. Following review and discussion of Cambridge Associate’s proposed rebalancing, the Investment Subcommittee instructed UVM to redeem $4 million from the Vanguard TIPS fund and invest an additional $3 million with Aberdeen Emerging Markets Fund, and an additional $3 million with Clarion Lion Properties Fund; $2 million of available cash will fund the difference. Vice President for Finance and Administration Richard Cate reminded the Subcommittee that the current value of the Clarion Lion Properties Fund is approximately 50% of the University’s initial investment and has been written down.

Manager Watch List

Ms. Kent directed members to the revised Manager Watch List and noted the new margins in the charts which capture the performance based on the benchmark within an allowable threshold. The Subcommittee agreed that the charts are a very helpful tool to gauge the performance of the managers and to compare each manager’s historical performance relative to the Total Portfolio. The CA Team shall do those graphs when considering a new manager for the Long Term Pool. Cambridge Associates will continue to refine the Watch List to include a broader threshold range for the Real Assets and develop the criteria for the Hedge Fund managers.

Non-Marketable Alternative Asset (NMAA) Program

Ms. Kent referred members to the discussion materials provided on the Non-Marketable Alternative Asset opportunities. The Subcommittee discussed various opportunities and strategies in this asset class and requested that Cambridge Associates line up discussions with certain managers.

Commonfund Update

Chair Bain acknowledged the section of the meeting materials reporting on the Commonfund investments and requested the members review this section for consideration.
Socially Responsible Investing Work Group (SRIWG)

University Controller Claire Burlingham reported on the open comment session held on March 17th for UVM community to present, to the SRIWG, their comments in response to the current proposal “to divest from companies contractually involved in, and directly profiting from the occupation of Palestine by supplying products or services to the Israeli military and/or Israeli settlements in Palestine” submitted by Emeritus Professor Ian Stokes. Ms. Burlingham noted that the forum was well attended and civil. Thirty-eight people presented their arguments, none of whom were neutral. Twenty-four speakers opposed the proposal and fourteen speakers were in favor. Additional comments from faculty, students, staff, parents and alumni have been received via email and more are opposed than in favor of the proposal. Ms. Burlingham noted that the Work Group will be discussing the comments and evaluate the position at their next meeting to be held March 24, 2011. She commented that the early read is that there is no consensus among the University community in regard to this proposal. Ms. Burlingham also provided an update on the process and procedures that the Work Group is continuing to establish.

Other Business

Ms. Kent made note of the liquidity schedule and work plan in the discussion materials which are ongoing items in the appendix.

Adjournment

There being no further business, the meeting was adjourned at 4:14 p.m.

Respectfully submitted,

Samuel Bain, Chair