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, May 25, 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*, and David Daigle*.

MEMBERS ABSENT: Ian Boyce

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 April 27, 2011 meeting.

Market Update

Ms. Kent led the review and discussion of capital markets activity for the month ending April 30, 2011. Ms. Kent directed the Subcommittee members to the exhibits provided in the discussion materials and highlighted the strong returns for the month of April and first 4 months of calendar year 2011. She also noted that as of this date (May 25th) global equity markets are down for the month, but expressed hope for a rebound due to the high volatility in the market. Ms. Kent also mentioned that Cambridge Associates is keeping a watchful eye on inflation, and noted that the majority of current valuations of the assets fall into the fairly valued category.

Performance and Asset Allocation

Mr. Brantley directed the Subcommittee to the Flash Report for the month ending April 30, 2011 and noted the strong return of +2.4% for the Externally Managed Assets bringing the Long-Term Pool’s market value to $352.9 million. He also noted the portfolio yielded calendar and fiscal year-to-date returns of +6.5% and +26.0%, respectively. In terms of asset allocation, Mr. Brantley noted that the Non-US Developed Market equity sector is slightly overweight while the Emerging Market sector is slightly underweight their respective policy targets. He further commented that the Public Real Assets and U.S. Equities were the strong performers on an absolute basis for the calendar-year-to-date period. In April, the Hedged Equity program established itself as a laggard in relative terms due to the run up in the equity markets and its
benchmark, the MSCI World. Mr. Brantley further noted that the portfolio held up well in what has been a very volatile market.

Ms. Kent then directed the members to the Comparative Performance Review page of the discussion materials, as of March 31, 2011, and particularly noted the quarter to date and trailing 1-year results surpass the Cambridge Endowment Median numbers by 80 and 320 basis points, respectively, and easily places UVM in the top quartile of the Cambridge universe (approximately 300 institutions) for each period.

Ms. Kent then led the discussion on the Non-Marketable Alternative Assets (NMAA) Performance Report as of December 31, 2010 and directed the Subcommittee to the meeting materials on this topic. She noted the program had a strong quarter ending December 31, 2010, returning +12.9%, which increased the Long-Term Pool’s Calendar Year 2010 performance from +13.3% to +14.7%. Mr. Warren noted that the net market value of the NMAA program increased by $7 million from the quarter ending September 30, 2010 to the quarter ending December 31, 2010.

Ms. Kent then directed the members to other exhibits in the meeting materials which displayed various investment returns. She further commented that the portfolio managers in general are doing well with no outliers. The members discussed the level of risk of the portfolio as compared to other institutions comprising the Cambridge Endowment Median universe. Cambridge team responded that the portfolio does not have an excessive risk profile as compared to other institutions.

Discussion ensued regarding an appropriate benchmark for BlackRock All Cap Energy and the members requested that Cambridge Associates review this and provide options at the next meeting.

**Executive Session**

At 9:21 a.m., Chair Bain entertained a motion to enter executive session for the purpose of discussing contract negotiations. The motion was seconded and approved. All in attendance remained for executive session.

The meeting was re-opened to the public at 9:36 a.m.

**Asset Allocation and Rebalancing**

Chair Bain entertained a motion to place $5 million with TrueBridge Capital, a venture capital fund of funds manager. The motion was seconded and unanimously approved. A motion was made to redeem $8 million total and transfer to cash: $2 million each from Iridian, Eaton Vance, Capital International and Mondrian. The motion was seconded and unanimously approved.

**July Manager Meeting Planning**

Discussion ensued surrounding the investment manager presentations for the July 2011 meeting. The members agreed to extend invitations to one or two long-only equity managers and at least
one Hedge Fund manager. The members also discussed the meeting location and decided to consider meeting in Boston.

**Hedged Equity Benchmark**

This topic was postponed for discussion at the next meeting.

**Executive Session**

At 9:57 a.m., Chair Bain entertained a motion to enter executive session for the purpose of discussing contracts. The motion was seconded and approved. 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 10:04 a.m.

**Adjournment**

There being no further business, the meeting was adjourned.

Respectfully submitted,

Samuel Bain, Chair