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, October 26, 2011, at 8:30 a.m. in the President’s Conference Room, 351 Waterman Building, Burlington, VT.

MEMBERS PRESENT: Chair Samuel Bain*, and David Daigle*

MEMBERS ABSENT: Ian Boyce

OTHER TRUSTEES PRESENT: Board of Trustee Chair Robert Cioffi*

PERSONS ALSO PARTICIPATING: Controller Claire Burlingham*; Assistant Controller for Tax and Treasury Services Kathy Snell; Bets Kent*, LaRoy Brantley*, and Christopher Warren* of Cambridge Associates (CA).

*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 September 28, 2011 meeting.

Market Update

Ms. Kent directed the Subcommittee to the Market Update exhibits in the meeting materials and led the discussion surrounding the recent market returns and activity. She noted the S&P 500 return was -13.9% for the third quarter, but has rebounded substantially in October. Ms. Kent further noted that U.S. Treasuries and Corporate Bonds were the only positive performing asset classes during the 3rd quarter. She commented that the trends in the market are due to the uncertainty and a growth slowdown in the global market. Amongst the market update exhibits included in the discussion materials, the Subcommittee reviewed and discussed the Shiller Price/Earnings Ratio chart in relation to subsequent S&P 500 10-year returns. Based on the historical relationship between the two data series, the S&P 500 future 10-year return is forecasted at above 7%. Ms. Kent directed the members to the current valuations summary and noted the U.S. Small-Cap Equity and Commodities moved from Overvalued to Fairly Valued, while the Emerging Market Equities moved from Fairly Valued to Undervalued.

September Performance Estimate

Ms. Kent directed the Subcommittee to the September Estimate section of the meeting materials and provided an overview of the preliminary performance estimate as of September 30, 2011.
She noted the portfolio delivered an estimated return of -6.4% for the month of September and -7.2% for the calendar year to date. Based on the current positioning of the UVM portfolio and valuations of the underlying asset classes, Cambridge Associates is not proposing any rebalancing in the portfolio at this time.

**Private Investments Portfolio**

Mr. Warren led a discussion on the Private Investments sector and directed the members to the chart provided by CA which gives an overview of the 10-year historical capital commitment and capital call pace. It was noted that the uncalled capital as of June 30, 2011 was $29 million and that an average of 29% of uncalled capital has been called on an annual basis over the last 10 calendar years. The members expressed their appreciation for the information in the chart and requested to have two columns added to the exhibit: the percentage of uncalled capital to the total Long-Term Pool assets and the cash balance of this portfolio at the beginning of each calendar year. The Subcommittee will resume their discussion on this topic at the next meeting.

**Executive Session**

At 9:00 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 9:50 a.m.

**Emerging Markets Diversification**

Ms. Kent directed the members to the Emerging Market section for discussion on further diversification in the asset class. The Subcommittee reviewed the information provided on the various managers and stated that they are still interested in further diversification in Emerging Markets. Cambridge Associates will continue to gather background information for the next meeting.

**Miscellaneous**

Ms. Kent reminded the Subcommittee that Clarion split off from ING and notified them that Clarion is participating in a rights offering and is giving current investors the opportunity to buy additional shares in the Lion Fund at a 14% discount on a pro rata basis. The Subcommittee unanimously voted to move forward with the pro rata purchase. Ms. Kent then noted she will provide notes to the members on a meeting she attended with Varde regarding the changes occurring within their funds.

**Future Meeting Dates**

Chair Bain requested to defer this topic until the November meeting.
Socially Responsible Investment Work Group Report

Chair Bain requested to defer this topic until the November meeting.

Other Business

Mr. Cioffi wished Mr. Bain a Happy Birthday.

Adjournment

There being no further business, the meeting was adjourned at 10:11 a.m.

Respectfully submitted,

Samuel Bain, Chair