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, September 28, 2011, at 8:30 a.m. in the President’s Conference Room, 351 Waterman Building, Burlington, VT.

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

MEMBERS ABSENT: None

OTHER TRUSTEES PRESENT: Board of Trustee Chair Robert Cioffi*

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; LaRoy Brantley* and Christopher Warren* of Cambridge Associates (CA).

*By means of conference telephone.

Chair Samuel Bain called the meeting to order at 8:38 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the August 24, 2011 meeting.

Recent Market Returns

Mr. Brantley directed the Subcommittee to the Market Update report in the meeting materials and led the discussion surrounding the recent market returns and activity. He noted that the downward August market activity trend for global equity is continuing into September. Mr. Brantley discussed the strengths and weaknesses in the market and highlighted how well bonds and certain real asset strategies had performed calendar year-to-date through August. He further noted that, while bonds may have done very well over the last eight months, their performance equated to only a fraction of the performance that equity-related put forth. Mr. Brantley also directed the members to the current valuations summary, noting specifically the dominated presence of bonds in the ‘Overvalued/Very Overvalued’ columns on the chart while also noting that the Emerging Market Equities will move from ‘Fairly Valued’ to ‘Undervalued’ next month in light of the recent sell-off.

Flash Report as of August 31, 2011

Mr. Brantley then led the review of the performance exhibits in the meeting materials and noted that the portfolio delivered a return of -4.6% for the month of August. The total asset value of the portfolio was $330.2mm as of August 31, 2011 which was a decrease of $17mm since July 31, 2011. Mr. Brantley commented that the portfolio is overweight in Bonds and cash relative to the target allocation, but noted that Vanguard Total Bond Market was the largest positive
contributor to performance in August, returning +1.5%. It was noted that the cash is earmarked for upcoming capital calls. Mr. Brantley further commented that the Hedged Equity program outperformed its equity-linked benchmark in August and held up well during the volatile month. Discussion ensued regarding the appropriate benchmark for BlackRock All Cap Energy and Mr. Brantley acknowledged that there may be more appropriate alternatives. He then reassured the Subcommittee that he would inquire about what other institutions are using as a benchmark.

**Non-Marketable Alternative Assets/NMAA Performance Report as of June 30, 2011**

Mr. Warren directed the Subcommittee to the Private Equity section of the meeting materials and provided an overview of this sector as of June 30, 2011. He noted that the benchmarks for the program were not available at this time. He also noted the addition of TrueBridge and Garrison to the report but commented that neither manager called capital during the second quarter. He stated that the return on this asset class was 10.6% as of June 30, 2011 and highlighted key changes. The Subcommittee then discussed the scheduling of capital calls of unfunded commitments and distributions by the investment managers. The members requested for CA to provide an estimate of the timing of fulfilling the $29.5mm unfunded commitments, net of distributions. The Subcommittee mentioned that they would like to extend an invitation to a few of the private investment managers to present at an upcoming meeting. Mr. Brantley commented on the fact that the total UVM portfolio is highly liquid and should have no problems meeting an onslaught of capital calls for outstanding committed capital.

**Asset Allocation**

The Subcommittee then reviewed the asset allocation exhibit which included recommendations suggested by Cambridge Associates. It was suggested to shift funds from the Bond Index, being an Overvalued class, to Equities and Real Assets. Discussion also ensued surrounding the shifting of funds between S&P 500 & S&P 100 Equities. Following the discussion, the Subcommittee unanimously approved to transfer $7.2 million from the RhumbLine S&P 500 Index to the RhumbLine S&P 100 index, and redeem $6.4 million from the Vanguard Total Bond Index for cash purposes.

**Emerging Markets Diversification**

The Subcommittee members reviewed the exhibit provided in the meeting materials on this topic and a brief discussion ensued regarding the Emerging Market Exposure. Chair Bain requested that further discussion on this topic be postponed for a future meeting.

**Future Meeting Dates**

Chair Bain requested to defer this topic until the members gather at the October 2011 Board of Trustees meeting. Mr. Bain commented that he will keep Cambridge Associates apprised of any changes surrounding members and the schedule.
Socially Responsible Investment Work Group Report

Mr. Cate requested for a conference call meeting to be scheduled with Mr. Bain, Mr. Cioffi and Ms. Burlingham prior to the October 2011 Budget, Finance and Investment meeting to review the practices of the SRIWG.

Adjournment

There being no further business, the meeting was adjourned at 10:09 a.m.

Respectfully submitted,

Samuel Bain, Chair