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, August 22, 2012, at 8:30 a.m. in the President’s Conference Room, 351 Waterman Building, Burlington, Vermont.

MEMBERS PRESENT: Chair Samuel Bain*, Robert Brennan* 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; Bets Kent*, LaRoy Brantley*, Christopher Warren* and Justin Atwood* of Cambridge Associates (C|A).

*By means of conference telephone.

Chair Samuel Bain called the meeting to order at 8:32 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the July 26, 2012 meeting.

Resolution Authorizing the Establishment of a Socially Responsible Investing Advisory Council

Chair Bain recalled the Subcommittee’s previous conversations regarding the establishment of a Socially Responsible Investing Advisory Council. The following resolution was presented for approval to present to the Budget, Finance and Investment Committee at their November Board meeting:

WHEREAS, the Board on September 5, 2008 established the Socially Responsible Investing Work Group, whose charge was to consider specific investment policy proposals based on moral, ethical or social criteria, review the impact of any such proposal on current and potential University investments, solicit input on policy proposals from the campus community at large and forward its investment policy recommendations to the Investment Subcommittee which in turn shall report its recommendations to the Budget, Finance and Investment Committee; and

WHEREAS, the Investment Subcommittee subsequently instructed the administration to research how socially responsible investing recommendations are developed at other
universities, as well as proxy voting practices, shareholder initiatives, and the screening and monitoring of existing investment portfolio for indications of social harm; and

WHEREAS, this research concluded and the Socially Responsible Investing Work Group (“Work Group”) made formal recommendations on May 2, 2012, specifically, that the Work Group be dissolved and a Socially Responsible Investing Advisory Council be established to support the Vice President for Finance and Administration in fulfilling his/her responsibilities as liaison to the Investment Subcommittee; and

WHEREAS, the Budget, Finance and Investment Committee, following a favorable recommendation from the Investment Subcommittee, recommends that the Board accept the Work Group recommendations;

THEREFORE, BE IT RESOLVED, that the Board hereby dissolves the Work Group and authorizes the creation of the Socially Responsible Investing Advisory Council (“Council”) to be advisory to the Vice President for Finance and Administration, the Council charge to include assessment of investment issues involving ethical, moral, and socially responsible criteria using Our Common Ground, with a focus on proxy voting and shareholder advocacy.

A motion was made, seconded and unanimously voted to approve the resolution as presented.

Recent Market Returns

Ms. Kent directed the Subcommittee to the Market Update exhibits in the meeting materials provided by Cambridge Associates. She noted the recent performance trends of various capital market indices and highlighted the strong performers and underperformers. Ms. Kent commented that the overall global economy continues to be rough. She further commented that the UVM portfolio has a strong position and C/A continues to look for opportunities for enhancement.


Mr. Brantley led discussion regarding the Portfolio performance for the period ending June 30, 2012. UVM returned -3.4% for the quarter and lagged the C/A Preliminary Endowment Median return of -2.8% and the Target Benchmark return of -1.6%. As of June 30, 2012, the Total Assets for the Long-Term Pool stood at $332.8 million. He noted that the Bonds and Private Real Assets were the strongest contributors to performance and the best performing asset class relative to its benchmark was Emerging Markets Equity. Mr. Brantley further noted the Hedge Funds have preserved the capital. Mr. Brantley then directed the members attention to the Fiscal Year performance summary and noted that for the trailing 1 year, UVM posted a -2.4% return, lagging the -1.8% preliminary endowment median return and the Target Benchmark return of +2.1%.

Ms. Kent addressed the Flash Report as of July 31, 2012 and noted the UVM portfolio returned a +1.2%, outperforming the Target Benchmarks return of +0.9%. Total Assets for the long-Term
Pool stood at $336.5 million. The positive contributors to the performance include the U.S. equity program and Public Real Assets. She also commented that August has been a strong month to date.

**Private Investment Performance Report as of March 31, 2012**

Mr. Warren directed the Subcommittee to the Private Investment exhibits for their review and discussion. He noted the total commitment amount of $85 million and the paid-in capital amount of $58 million with an IRR of 10.1%. The program generated a +5.6% return for the quarter ending March 31, 2012 and the trailing 1 year return to +6.6%. The Subcommittee will continue to address this program for further opportunities at the September meeting.

**Executive Session**

At 9:05 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, Daigle, Brennan and Cioffi; Mr. Cate, Ms. Burlingham; and Ms. Kent, Mr. Brantley, Mr. Warren, and Mr. Atwood remained for the executive session. Ms. Snell exited the meeting.

The meeting was re-opened to the public at 10:00 a.m.

**Proposed Workplan/Future Meeting Dates**

Chair Bain directed the members to the meeting schedule through December 2013 and reminded all in attendance that the new meeting time is 3:00 p.m. - 4:30 p.m. beginning September 26, 2012.

**Adjournment**

There being no further business, the meeting was adjourned at 10:01 a.m.

Respectfully submitted,

Samuel Bain, Chair