A meeting of the Investment Subcommittee (ISC) of the Board of Trustees of the University of Vermont State and Agricultural College was held on Friday, January 6, 2012, at 8:15 a.m., at Cambridge Associates, 100 Summer Street, Boston, Massachusetts.

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

MEMBERS ABSENT: None

OTHER TRUSTEES PRESENT: Board Chair Robert Cioffi

PERSONS ALSO PARTICIPATING: Claire Burlingham, Controller; Bets Kent and Christopher Warren of Cambridge Associates (CA).

Chair Samuel Bain called the meeting to order at 8:18 a.m.

December 21, 2011 Meeting Minutes

Chair Bain presented the minutes of the December 21, 2011 meeting for approval. A motion was made and the minutes were approved unanimously.

Follow Up Items from Prior Conference Calls

Hedge Fund Positioning

Mr. Warren led a discussion on manager exposures and cash balances as of 9/30/2011. He noted that all managers have reduced net exposure since the summer of 2011, but there is still a fair amount of variation among UVM’s hedge funds in terms of exposure and cash holdings. The Subcommittee asked about HBK’s gross exposure and requested that CA provide more analysis on this manager at the next meeting. The Subcommittee also asked how UVM’s absolute return/hedged equity allocation compares to other CA clients and Mr. Warren referred to the comparative asset allocation exhibits in section V of the materials. The Subcommittee requested that CA update the exhibit and show positioning during all quarters of calendar year 2011.

Endowment Median Performance Comparisons

Mr. Warren discussed UVM’s performance to the CA Endowment Median. The Long-Term Pool returned +23.5% during fiscal year 2011, surpassing the CA Endowment Median return of +19.9% and placing UVM in the top decile of the universe. During Q1 of fiscal year 2012, the Long-Term Pool returned -10.8%, underperforming the CA Median by 160 bps. During the first 2 months of Q2 of fiscal year 2012, the Long-Term Pool generated a +5.3% return, outperforming the preliminary CA Median’s return of +4.3%. Mr. Warren noted that the Long-
Term Pool tends to perform better than the CA Median in up markets and worse in down markets due to UVM’s relatively high equity exposure. It was also noted that manager selection has helped performance.

Emerging Markets Currency Attribution

Mr. Warren and Ms. Kent discussed currency attribution for the Long-Term Pool’s emerging markets equity managers. Mr. Warren mentioned that neither manager is actively hedging currencies. Ms. Kent shared currency attribution analysis provided by both managers and mentioned that both hold approximately 20% of their portfolios in ADR, ADS, or GDR shares (USD-denominated instruments). However, the managers account for these holding in different ways so it is difficult to compare the analyses. Mr. Daigle asked CA to reach out to the managers regarding performance attribution over the last 4-5 years.

Review of Current Managers and Manager Presentation

Chair Bain entertained a motion to enter executive session to discuss contracts at 8:56 a.m. Those present remained for the discussion. The Subcommittee voted to leave executive session at 9:55 a.m. and reopened the meeting to the public.

Asset Allocation Discussion

ISC members and CA provided their views of how the portfolio targets should be positioned looking forward and had a wide-ranging discussion regarding the market and economic environment. Concern was expressed regarding the US government’s debt levels and how the global debt problem could continue to hamper economic growth and P/E ratios. Near term, the markets could well be disappointed with the pace of fixing things in many of the countries with the biggest problems. However, there was a sense that looking forward, a 5% real return for equities was not unreasonable. The group wants to continue with its equity (and emerging markets) orientation, exposure to marketable alternatives, and real assets, and will reconsider what level of fixed income / cash exposure is appropriate. It was agreed the fixed income does not offer the prospect of great returns; although high yield is potentially interesting. The Subcommittee also briefly reviewed spending requirements and requested information on alternative spending rules.

Manager Presentation and Discussion

Chair Bain entertained a motion to enter executive session to discuss contracts at 11:20 a.m. Those present remained for the discussion. The Subcommittee voted to leave executive session at 2:08 p.m. and reopened the meeting to the public.

Asset Allocation Discussion (continued)

After continuing the earlier thorough discussion, the following changes were voted on and approved by the ISC:
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<th>Current Target (%)</th>
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<td>Global ex-US – Developed</td>
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<tr>
<td>Global ex-US – Emerging Mkts</td>
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<tr>
<td>Marketable Alternatives</td>
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The ISC voted and approved a motion to invest $3 million with Neon Liberty Emerging Markets Fund Ltd, and $6 million with Discovery Global Opportunity Fund, and to redeem $4 million from Acadian, and $4 million from Aberdeen.

Further, the ISC voted and approved a motion to trim the University’s investment with Tremblant by $2 million, and with Highline by $1 million.

**Other Business**

Ms. Kent and Ms. Burlingham led a discussion about the managers’ e-mail distribution lists and the ISC agreed that a single point of contact via email is the best approach for managing all of the monthly and quarterly correspondence from managers. Ms. Burlingham will work with the technology team to set up the email account.

The Subcommittee members thanked Ian Boyce for his dedication to the University and all his hard work on the Investment Subcommittee -- this was Ian’s last meeting and he will be missed.

**Adjournment**

There being no further business, the meeting was adjourned at 2:27 p.m.

Respectfully submitted,

Samuel Bain, Chair