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, June 27, 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

PERSONS ALSO PARTICIPATING: 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 8:33 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the May 23, 2012 meeting.

Asset Impairment

Ms. Burlingham advised the Subcommittee of the Asset Impairment policy which requires that the ISC be notified of any assets that could potentially be decreased in value. Ms. Burlingham was pleased to report that based on the March 31, 2012 valuations, none of the assets will be written down for the Fiscal Year end June 30, 2012.

Materials Distribution

Chair Bain led the discussion surrounding public and proprietary classifications of the ISC meeting materials supplied by C|A. Mr. Bain noted that he had consulted with University General Counsel and it was determined that the monthly and quarterly performance reports are public records and shall be made available electronically to UVM in order for the University to fulfill any request for the information. The other written materials drafted and provided by C|A which are marked as ‘Trade Secrets and/or Confidential and Proprietary Information’ are not available for distribution. Following the discussion, the members requested to have a conference call with Vice President and General Counsel, Fran Bazluke, for further clarification and advisement. Chair Bain agreed to reach out to both VP Bazluke and VP Cate, and report to the Subcommittee in July; the Chair advised he would let Subcommittee members know of the call time(s) in case other trustee members wished to participate.
Pooled Investment Agreement

Ms. Burlingham reported on the status of Pooled Investment Agreement. She noted the Agreement has been fully executed by Vice President of Finance and Administration, Richard Cate, as authorized by the Board of Trustees of the University and by UVM Foundation President and CEO, Richard Bundy, on behalf of the UVM Foundation. The agreement exists to allow the UVM Foundation to invest funds in the UVM Consolidated Endowment Pool. The initial investment will occur on July 1, 2012. Discussion ensued surrounding the value of the periodic performance of the portfolio in relation to the cash inflows. Ms. Burlingham noted that the Foundation will be providing a monthly cash flow worksheet for planning purposes.

Socially Responsible Investing Update

Chair Bain led the discussion surrounding the White Paper which addresses the restructuring of the Socially Responsible Investing Work Group, drafted by Ms. Burlingham, which had been distributed to the members for their review. Mr. Bain reviewed the purposes and objectives for the restructuring. The Subcommittee gave their approval for Ms. Burlingham to move forward with seeking guidance from General Counsel on how to dissolve the Socially Responsible Investing Work Group and then to restructure as an Advisory Counsel.

July Meeting Planning

Chair Bain referred the members to the draft agenda in the meeting materials. The members reviewed the draft July agenda and requested that time be allocated for discussion of the Marketable Manager Watch List, the Private Investments Program, high yield bonds, and follow up on the UVM Foundation discussion.

Recent Market Returns

Mr. Brantley directed the Subcommittee members to the Market Update exhibits in the meeting materials and led the discussion surrounding the recent market performance and trends for various capital market indices. Mr. Brantley reviewed the first two months of the second quarter and Calendar year-to-date performance of the equity market by Country and US Sector. He noted that May was a particularly eventful month with a decline in the overall market; however, the US Equity market has outperformed non-US Equities on year-to-date basis. Mr. Brantley highlighted the risk asset returns exhibit and also noted that valuations for some risk assets have shifted to the undervalued classification.

Monthly Flash Report as of May 31, 2012

Ms. Kent led the discussion regarding the Portfolio performance for the period ending May 31, 2012. UVM returned -5.4%, underperforming the Target Benchmark return (-3.7%) by 170 basis points ("bps") and slightly lagging the C/A preliminary Median return (-4.7%) by 70 bps. As of May 31, 2012 the Total Assets for the Long-Term Pool stood at $322.1 million. Ms. Kent commented that the Hedged Equity program was the strongest contributor to the May performance while US Equities and Public Real Assets were the biggest detractors to the overall
relative performance for the month as both lagged their respective benchmarks. The return for the calendar year-to-date is +1.9%, slightly leading the Current Allocation Benchmark (+1.2%) by 70 bps. Ms. Kent mentioned that the emerging market allocation is slightly underweight and suggested revisiting this topic at the July meeting for possible rebalancing. Discussion ensued surrounding the Public Real Assets sector with particular attention to the performance. Ms. Kent stated that C/A is currently in discussions with Public Real Asset managers and suggested revisiting this topic at the August meeting.

Private Investment Report as of December 31, 2011

Due to time constraints, this topic was deferred to the next meeting.

Manager Watch List Review

Due to time constraints, this topic was deferred to the next meeting.

Executive Session

At 9:52 a.m., Chair Bain entertained a motion to enter executive session for the purpose of discussing contract negotiations. The motion was seconded and approved. Ms Burlingham remained for executive session.

The meeting was re-opened to the public at 10:02 a.m.

Adjournment

There being no further business, the meeting was adjourned at 10:03 a.m.

Respectfully submitted,

Samuel Bain, Chair