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, March 28, 2012, at 8:30 a.m. in the President’s Conference Room, 351 Waterman Building, Burlington, VT.

MEMBERS PRESENT: Chair Samuel Bain* and Robert Brennan*

MEMBERS ABSENT: David Daigle

OTHER TRUSTEES PRESENT: Board of Trustee Chair Robert Cioffi* and Dennis Mahoney

PERSONS ALSO PARTICIPATING: Assistant Controller for Tax and Treasury Services, Kathy Snell; Bets Kent*, LaRoy Brantley*, Christopher Warren* and Justin Atwood* of Cambridge Associates.

*By means of conference telephone.

Chair Samuel Bain called the meeting to order at 8:35 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the February 22, 2012 meeting.

Market Update and Performance

Ms. Kent directed the Subcommittee to the Market Update exhibits in the meeting materials, and led the discussion surrounding the recent market performance and trends. She commented that the global equity markets have had a great start in the calendar year to date 2012 and noted that the market sectors for the S&P 500 index, which lagged in 2011, are now leading the way in the first quarter of 2012. She mentioned the U.S. equity continued a strong surge and that Emerging Markets equity rebounded and has taken the lead for global equities through the February (up 18.1%). She reviewed the historical fixed income spreads and the bond yields, and noted the exposure to the corporate bonds is attractive, but advised against treasury exposure. Ms. Kent then directed the members’ attention to the asset class valuation exhibit, one that is new to the ISC, and reviewed several of the valuations specifically.

February Flash Report and Asset Allocation

Mr. Brantley directed the Subcommittee to the Flash Report for the month ending February 29, 2012. He also reviewed the asset allocation of the portfolio in relation to the policy. He commented the Emerging Market allocation is not fully represented because emerging market exposure via UVM’s developed markets managers and the new investment with hedge fund
manager Neon Liberty were not included in this calculation. He further commented that the capital commitments to real asset managers Invesco and Garrison, which are yet to be called, will bring the exposure for that program more in line with its policy target. Mr. Brantley listed global equity as the major positive contributor to the very strong performance of the portfolio for the month of February. In February 2012, UVM returned +3.3%, outperforming the Target Benchmark return of +2.6% and bringing Total Assets for the Long-Term Pool to $340.7 million. Mr. Brantley noted that March month to date returns have U.S. equity continuing its very strong year to date start but have emerging markets, commodities and core fixed income struggling.

**Spending Policies**

Chair Bain directed the Subcommittee to the Spending Policy exhibits provided by Cambridge Associates. In response to an inquiry by the Subcommittee at the January meeting, Mr. Brantley walked the Committee through the information on spending rates, policies, and practices from more than 140 other universities and colleges as gathered by CA. In addition, CA generated exhibits, which show how different spending policies would have hypothetically impacted UVM’s portfolio via actual historical returns. Chair Bain commented that this topic is one of continual interest for the Budget, Finance & Investment Committee.

**Fund Managers**

Chair Bain requested to have this topic postponed until a later meeting when all the Subcommittee members are available to participate.

**Manager Watch List Criteria**

The Subcommittee reviewed the updated Watch List draft presented by Cambridge. Ms. Kent reviewed the information presented on the Summary chart and commented that Cambridge will continue to refine the list and charts to include Hedge Fund managers. It was noted that the information in the Watch List assists with rebalancing decisions. Mr. Brennan requested that a category for regulatory review (SEC) be included in the Qualitative Criteria.

**July Meeting Planning**

Ms. Kent led the discussion surrounding the planning for the July meeting. The Subcommittee decided that the meeting will be held in New York City on July 25, 2012. Discussion ensued regarding presentations from UVM’s existing investment managers for the meeting and the members agreed to have CA begin extending invitations to such managers. The Subcommittee will revisit the list of potential candidates at the April meeting.

**Other Business**

Chair Bain directed the members to exhibits in the Appendix of the meeting materials for thoughtful review and a brief discussion.
Adjournment

There being no further business, the meeting was adjourned at 9:58 a.m.

Respectfully submitted,

Samuel Bain, Chair