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 State and Agricultural College was held on Wednesday, December 18, 2013, at 3:00 p.m., in Room, 427A Waterman Building, Burlington, Vermont.

MEMBERS PRESENT: Chair Samuel Bain*, David Daigle* and Robert Brennan*

MEMBERS ABSENT: None

OTHER TRUSTEES PRESENT: Kesha Ram*

PERSONS ALSO PARTICIPATING: Vice President for Finance 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 phone.

Chair Samuel Bain called the meeting to order at 3:03 p.m.

November 20, 2013 Meeting Minutes

A motion was made, seconded and voted to approve the minutes of the November 20, 2013 meeting.

Recent Market Returns

Ms. Kent led the discussion and directed members to the exhibits in the meeting materials provided by Cambridge Associates. The exhibits showed the recent performance and trends for various capital market indices as well as C|A’s views on asset class valuations through November 30, 2013. Ms. Kent commented on the overall strong returns for calendar year 2013. She noted the US equity markets were up 3% in November, outperforming most other asset classes during the month. Ms. Kent then discussed current valuations and noted that most asset classes are overvalued or fairly valued.

Executive Session

At 3:12 p.m., Chair Bain entertained a motion to enter executive session to discuss contracts. Cambridge Associates and UVM staff remained for the discussion. The meeting was reopened to the public at 3:57 p.m.
Performance

Mr. Brantley directed members to the Flash Report as of November 30, 2013 in the meeting materials. He noted the UVM portfolio returned +1.1% for the month, and +13.9% for the CYTD 2013. Mr. Brantley noted the strong performing managers in the hedge fund program and commented that the overall portfolio continues to yield great results on both an absolute and relative basis, due largely to strong manager selections.

Mr. Atwood highlighted the “Comparative Performance Review” exhibit which illustrates how UVM has performed on 10-year annualized basis as compared to the other institutional C|A clients. He noted that UVM placed above the top third of 365 peers with an 8.1% annualized return.

Portfolio Rebalancing

Mr. Brantley next led the discussion surrounding the rebalancing of the portfolio and directed the members to the C|A recommendations listed in the exhibit. Following the discussion, the Subcommittee unanimously voted to reduce the exposure in U.S. Small Cap Equity by redeeming $3 million from Eaton Vance, to invest an additional $2 million in RS Global Natural Resources, and to place the remaining $1 million redemption proceeds in cash.

Hedge Funds

Mr. Atwood directed the ISC members to the exhibits displaying the Hedge Fund program exposure. The members discussed the various positive attributes that the program has contributed to the portfolio. Chair Bain particularly commented on the positive contributions that the Absolute Return funds have had on the portfolio performance. The Subcommittee will continue their discussion on this program at the February meeting.

Private Investments

Due to the interest of time, Chair Bain requested that the Private Investment discussion be postponed until the February meeting.

Manager Watch List

Ms. Kent directed the members to the updated Manager Watch List exhibit, and noted the additional managers now on watch. C|A and the Subcommittee will continue to monitor the list.

Asset Allocation Meeting Agenda Review

Ms. Kent directed the members to the February 26, 2014 agenda draft and noted that C|A is recommending that most of the meeting stay focused on the topics of asset allocation and current market trends. She further noted that it may be a good idea to have HarbourVest present to the group on opportunities in the private investments arena. Following a review of the agenda and
brief discussion, Chair Bain requested members to contact him regarding any other managers that they would like to consider inviting to the meeting.

**Socially Responsible Investing Advisory Council (SRI-AC) Report Discussion**

Chair Bain led the continued discussion surrounding the SRI-AC report and proposal to divest from fossil fuels. He began by commenting on the status of the deliberation process on this topic. He particularly noted that the process in the deliberation has been held in open sessions and it was conducted in a consultative manner with due diligence.

Chair Bain explained that the section of the report, submitted by the SRI-AC, for the ISC to address is the divestment of fossil fuel investments from the endowment funds. Mr. Bain commented that the sections of the report which contain other recommendations in regards to the continued research on climate change is under the University administration’s purview.

Chair Bain requested a vote on the question: “Is the Investment Subcommittee in favor of advancing the proposal to divest from fossil fuels investments in the endowment funds to the Budget Finance & Investment (BFI) committee?” Mr. Daigle commented that the ISC is responsible for protecting the endowment and the proposal would place the endowment at too high of a risk by cutting out a substantial portion of the economy. Mr. Brennan agreed with Mr. Daigle’s comment and also noted that the proposal to divest is not an appropriate action as fiduciaries of the endowment. Chair Bain also commented on how hard the ISC has worked to increase the value of the endowment. Following discussion, the members unanimously agreed not to move the divestment proposal forward to the BFI.

Chair Bain expressed gratitude on behalf of the Subcommittee to the SRI-AC, the Students for Climate Culture and the University community for their valuable service in increasing the awareness on the issue of climate change, and bringing it to the forefront of discussions. He further expressed appreciation on behalf of the Subcommittee for the time and work invested in the process of developing the report.

**Adjournment**

There being no further business, the meeting was adjourned at 4:49 p.m.

Respectfully submitted,

Samuel Bain, Chair