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, March 27, 2013, at 3:00 p.m., in the President’s Conference Room, 351 Waterman Building, Burlington, Vermont.

MEMBERS PRESENT: Chair Samuel Bain*, David Daigle*

MEMBERS ABSENT: Robert Brennan

OTHER TRUSTEES PRESENT: Board Chair Robert Cioffi*

PERSONS ALSO PARTICIPATING: Richard Cate, Vice President for Finance and Administration, and Treasurer; Assistant Controller for Tax and Treasury Services Kathy Snell; Bets Kent*, Christopher Warren* and Justin Atwood*, Peter Roney* and Duane Sayre* of Cambridge Associates (C|A).

*By means of phone.

Chair Samuel Bain called the meeting to order at 3:06 p.m.

February 27, 2013 Meeting Minutes

A motion was made, seconded and voted to approve the minutes of the February 27, 2013 meeting.

Approval of Resolution to Reaffirm Divestiture from Sudan

The Subcommittee considered the following Resolution to Reaffirm Divestiture from Sudan, as put forth by the Socially Responsible Investing Advisory Council (SRI-AC).

Reaffirm Divestiture from Sudan

WHEREAS, the Board of Trustees approved a resolution for Divestment from Sudan on May 20, 2006;

WHEREAS, the resolution was amended by the Executive Committee on June 12, 2006, to include annual review and reaffirmation;

WHEREAS, the Committee on Socially Responsible Investing was dissolved as part of a new committee structure approved by the Board in September 2006 and implemented in November 2006; and
WHEREAS, the Board established a Socially Responsible Investing (SRI) Work Group in September 2008; and

WHEREAS, in November 2012 the Board dissolved the SRI Work Group and authorized the creation of the Socially Responsible Investing Advisory Council;

NOW, THEREFORE BE IT RESOLVED, that the Board of Trustees reaffirms its Resolution for Divestment from Sudan, as re-stated below;

BE IT FURTHER RESOLVED, that the Budget, Finance and Investment Committee will review this resolution on an annual basis.

Resolution for Divestment from Sudan

WHEREAS, the University’s Policy Statement on Moral, Social and Ethical Considerations in Investment and Shareholder Resolutions holds that the primary objective of investment by the University is to provide a satisfactory return on investment for the support of University operations based upon the Prudent Investor Rule; and

WHEREAS, the Policy Statement also holds, however, that the policy of fiscal prudence shall not preclude the University from considering moral, ethical, and social criteria in determining companies in which to invest; and

WHEREAS, a balanced group of the University community has been convened as the Committee on Socially Responsible Investing and has studied the issue of genocide in the Darfur region of Sudan and has made recommendations to the Investment Committee of the Board of Trustees;

THEREFORE BE IT RESOLVED, that the University adopt and implement a policy of targeted divestment from companies doing business with or otherwise aiding the governing regime of Sudan based on the model developed by the Sudan Divestment Task Force;

BE IT FURTHER RESOLVED, that the University implement its divestment policy to the fullest extent consistent with its fiduciary responsibilities; and

BE IT FURTHER RESOLVED, that the Committee on Socially Responsible Investing Advisory Council will review and, if appropriate, reaffirm this resolution on an annual basis.

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

Chair Bain further noted that ongoing research is being conducted on the conditions in Sudan.
Approval of Proposed List of Approved Managers/Funds

Mr. Cate, Vice President for Finance and Administration, directed the members to Attachment 3 indicating the proposed list of Approved Managers/Funds pursuant to Cash Management Policy, for annual review. The following list was unanimously approved by the Subcommittee members.

Proposed List of Approved Managers / Funds pursuant to Cash Management Policy (“Allowable Assets for Asset Groups”)

Short-term pool:

Demand Deposit Account
Repurchase Agreement
Certificate of Deposit
Money Market Deposit Account
Line of Credit

Intermediate-term pool:

Laddered bond portfolio,
Laddered treasury portfolio:

TD Wealth Management
Edward Jones
Morgan Stanley Smith Barney
Merrill Lynch
Raymond James Financial Services
State Street Global Advisors
UBS Financial Services
Wells Fargo Advisors

Long-term pool:

Units of the University of Vermont’s Pooled Endowment

Recent Market Returns

Ms. Kent directed the members to the Recent Market Returns and Valuations exhibits provided in the meeting materials. She reviewed the trends for the various capital market indices and noted that U.S. Equities continued their momentum while non U.S Equities and Emerging Markets Equities were down for the month of February. Ms. Kent also reviewed the valuations for asset classes and noted no major changes have occurred in the valuation statistics. She highlighted a specific report from C|A on the fixed income sector and noted that the lower quality bonds generated a higher return than the higher quality bonds.
February 2013 Performance Update

Mr. Warren led the discussion surrounding the February 2013 Flash Report. Ms. Kent noted that for the month ending February 28, 2013, UVM generated a flat return 0.0%, performing in line with the Newly Adopted Target Benchmark. As of February 28, 2013, Total Assets for the Long-Term pool stood at $365.3 million. It was noted that the positive contributors to performance included the U.S. Equity program, which returned +1.2% and performed in line with the S&P 500; and the Hedge Fund program, which generated +0.8% and beat the HFRI Fund of Funds index by 60 basis points (bps). Public Real Assets was the sole detractor from performance (energy specifically) and posted a loss of 2.8%.

Portfolio Rebalancing

Mr. Warren directed the members to the Asset Allocation and Management Summary exhibit and noted the recommendation for rebalancing of funds within the portfolio. Following review and discussion, the Subcommittee unanimously approved an additional subscription of $3 million with Neon Liberty Emerging Markets Fund as of April 1, 2013.

Agriculture Discussion

Peter Roney and Duane Sayre of Cambridge Associates joined the call at 3:30 p.m. to lead a discussion on the agriculture sector. Mr. Roney presented research on this sector, identifying the key dimensions of agriculture investing, the challenges, the farming economics, pricing, trends and the risks associated with this area of investing. He noted that investments in this sector are rather illiquid, and identified some of the opportunities and vehicles for investing in farmland and agriculture. The Subcommittee expressed their appreciation to C|A for the presentation and will continue their discussion on this investment area in later meetings.

Fund Manager

Chair Bain entertained a motion to enter executive session to discuss contracts at 4:07 p.m. Those present remained for the discussion. At 4:40 p.m., the meeting was reopened to the public.

Risk Allocation Framework

Due to the interest of time, Chair Bain tabled discussion on this topic until the May meeting.

Standard Monthly Items (Liquidity Schedule, Workplan, and Chronology)

Ms. Kent referenced the Appendix section of the meeting materials for the members to review at their leisure.
Adjournment

There being no further business, the meeting was adjourned at 4:45 p.m.

Respectfully submitted,

Samuel Bain, Chair