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, September 25, 2013, at 3:00 p.m., in Conference Room, 427A Waterman Building, Burlington, Vermont.

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

MEMBERS ABSENT: None

OTHER TRUSTEES PRESENT: Board of Trustees Chair Robert Cioffi*

PERSONS ALSO PARTICIPATING: Richard Cate, Vice President for Finance and University Treasurer; Controller Claire Burlingham; Assistant Controller for Tax and Treasury Services Kathy Snell; Endowment Accountant, Marie Tiemann; Bets Kent*, LaRoy Brantley*, and Justin Atwood* of Cambridge Associates (C|A).

*By means of phone.
**Joined via phone at 3:20 p.m.

Chair Samuel Bain called the meeting to order at 3:00 p.m.

August 8, 2013 Meeting Minutes

A motion was made, seconded and voted to approve the minutes of the August 8, 2013 meeting.

Resolution Reaffirming the Endowment Budget Policy

Chair Bain noted that the ISC annually reviews the Endowment Budget Policy and the Endowment Administration Fee Policy.

Mr. Cate presented the following resolution, for approval to present to the Budget, Finance and Investment Committee at their October Board meeting:

Resolution Reaffirming the Endowment Budget Policy

RESOLVED, that the Endowment Budget Policy is reaffirmed as reads below:

BE IT RESOLVED, that the annual budget for spending from Endowment be set at 4.5 percent of the average market value for the previous thirteen quarters ending December 31 of the prior calendar year; and

BE IT FINALLY RESOLVED, that the Investment Subcommittee will review and make recommendation to the Budget, Finance and Investment Committee regarding the reaffirmation or revision of the Endowment Budget Policy each year no later than December 31.
A motion was made, seconded and unanimously voted to approve the resolution to present to the Budget, Finance and Investment Committee at their October Board meeting.

Mr. Cate presented the following resolution, with minor edits, for approval to present to the Budget, Finance and Investment Committee at the October Board meeting:

**Resolution Reaffirming Endowment Administration Fee Policy**

RESOLVED, that the *Endowment Administration Fee Policy* is reaffirmed as reads below:

BE IT RESOLVED, that the Board of Trustees hereby approves a 0.25 percent fee applied to the University endowment for FY 2013 to cover reasonable costs associated with endowment administration, management and operation; and

BE IT FURTHER RESOLVED, that on a fiscal year basis, the fee will be reviewed and assessed annually as 0.25 percent of the average market value of the University endowment for the previous thirteen quarters ending December 31 of the prior calendar year; and

BE IT FINALLY RESOLVED, that the Investment Subcommittee will review and make a recommendation to the Budget, Finance and Investment Committee regarding the reaffirmation or revision of the *Endowment Administration Fee Policy* each year no later than December 31.

A motion was made, seconded and unanimously voted to approve the resolution to present to the Budget, Finance and Investment Committee at the October Board meeting.
Executive Session

Chair Bain entertained a motion to enter executive session to discuss contracts at 3:06 p.m. All persons in attendance were excused from the meeting with the exception of Cambridge Associates and UVM administration staff. Trustee Daigle joined the meeting at 3:20 p.m. At 4:11 p.m., the meeting was reopened to the public.

Portfolio Rebalancing

A motion was made, seconded and unanimously approved to commit $5 million to Lone Star Real Estate Fund III, subject to an expedited due diligence legal review, to meet the October close.

Recent Market Returns

Ms. Kent directed the Subcommittee to the exhibits in the meeting materials provided by Cambridge Associates. The exhibits displayed the recent performance and trends for various capital market indices as well as C|A’s view on asset class valuations through September 9, 2013. She noted that while global equities had declined in August, non US equities experienced a more modest decline. She further noted that global equities have rebounded significantly thus far in September.

Flash Report as of August 31, 2013

Ms. Kent led the discussion and directed the members to the August 2013 exhibits in the meeting materials and noted that the Total Assets for the Long-Term pool as of August 31, 2013 stood at $388.6 million. She commented that the UVM Pool was protected relatively well and returned -1.1% beating the Target Benchmark return of -1.2% by 10 basis points. Ms. Kent then noted that Real Assets were the only asset class in the black for the month (+1.0%), while the U.S. Equities (-2.1%) and Hedge Funds (-0.2%) preserved capital relatively well during the volatile month of returns. She then directed the members to the pro forma which outlined the asset allocation and noted that C/A is not recommending adjustments to allocations at this time.

Portfolio Rebalancing

Upon review and discussion of the portfolio assets the Subcommittee unanimously approved to trim the Discovery Global Opportunity Fund by redeeming $1 million. Cambridge Associates confirmed that there was a semi-annual redemption opportunity, with notification by November 1st, for receipt effective January 1st, 2014.

Diversification Discussion

Chair Bain requested to table the diversification discussion in the interest of time. Chair Bain also expressed gratitude to C|A for the Research Paper regarding diversification included in the meeting materials and asked that the Subcommittee members review it in preparation for discussion at the November meeting.
**FY2014 Work Plan**

Ms. Kent directed the members to the “Workplan” exhibit in the meeting materials and requested suggestions for additional November agenda topics. Chair Bain suggested discussions surrounding selected Equity Fund managers.

**Socially Responsible Investing Advisory Council**

Chair Bain opened the discussion by referring to the *Energy Recommendation Proposal* recently submitted to the ISC by Vice President Cate, as prepared by the Socially Responsible Investing Advisory Council (SRI-AC). Chair Bain provided an overview of socially responsible investing initiatives confirmed by the Board of Trustees at UVM. He reviewed the background surrounding the development of the current structure of the SRI-AC. Chair Bain noted that this meeting was the first opportunity the Subcommittee had to discuss the *Energy Recommendation Proposal* and report around the issue of fossil fuel divestment strategy. As a means of clarification, Chair Bain, explained that the exit from BlackRock Funds as voted on at the July ISC meeting was due to performance issues and portfolio management. The members engaged in discussion surrounding their fiduciary responsibility of the endowment portfolio and noted that the returns must be attractive to donors and to prospective contributors. It was further noted that energy covers a broad sector of the market, and has been one of the highest performing sectors. The members next moved on to discuss proxy voting measures. Chair Bain reviewed the current process based on the 2008 Board approved resolution titled “Signatory Authority – Proxy Votes on Shareholder Resolutions.” Marie Tiemann, Endowment Accountant, explained how she receives the annual proxy ballots and reviews those for voting. Following discussion the Subcommittee agreed to the following action items:

- Continue to research and analyze optimal means where the investments could have an impact on the issues and proposals being brought forward by the UVM community.
- Review the 2008 Signatory Authority – Proxy Votes resolution.
- Continue the current proxy voting strategy and report the results to the UVM community.
- Continue discussion and consideration of this topic at the November meeting.

Chair Bain requested C|A’s assistance with any information that they can provide surrounding proxy voting advocacy and its effectiveness.

**Other Business**

Ms. Kent noted the additional exhibit, “Performance Contribution Analysis,” in the meeting materials prepared in response to the request by Trustee Daigle at the August meeting. Chair Bain expressed appreciation for this valuable information.

**Adjournment**

There being no further business, the meeting was adjourned at 5:02 p.m.

Respectfully submitted,
Samuel Bain, Chair