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, August 13, 2014, at 8:00 a.m., at 330 Madison Avenue at 42nd Street, 32nd Floor, Room A, New York, NY. Campus location: 350B Waterman Building.

MEMBERS PRESENT: Chair Robert Brennan, Vice Chair Don McCree, and David Daigle

MEMBERS ABSENT: None

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 and Justin Atwood of Cambridge Associates (C|A).

*By means of phone.

Chair Robert Brennan called the meeting to order at 8:05 a.m.

Meeting Overview

Ms. Kent led an overview of the day’s Agenda, and oriented the attendees to the meeting materials.

June 25, 2014 Meeting Minutes

Chair Brennan presented the minutes of the June 25, 2014 meeting for approval. A motion was made and minutes were approved unanimously.

Socially Responsible Investing Advisory Council (SRIAC) Discussion

Mr. Cate led a discussion regarding the SRIAC. The SRIAC has put forth a request regarding labeling of Genetically Modified Organisms (GMO). The Subcommittee briefly discussed GMO labeling in light of those proxy topics actively monitored by the University for proxy voting. Currently, the list consists of concerns surrounding Climate Change Action(s); Tobacco restrictions; Discrimination in Employment; and Landmines - to reduce or eliminate involvement in design, manufacture or assembly. Members expressed they were not in favor of initiating a shareholder resolution regarding GMO labeling as suggested by the SRIAC, though were in favor of actively monitoring the issue via proxy voting. Chair Brennan made a motion to add GMO labeling to the proxy list for monitoring, with escalation to the Subcommittee. The motion was seconded and unanimously approved by Chair Brennan, Vice Chair McCree, and Trustee Daigle.
Market Update

Ms. Kent directed Subcommittee members to the meeting materials section concerning the market update. Discussion ensued about the tables prepared by the C|A team. ISC members discussed the merits of allocating a portion of the portfolio to treasury products.

Asset Allocation

The Subcommittee turned to the Asset Allocation section of the meeting materials. C|A brought to the ISC members’ attention that the portfolio has rebounded well beyond the 2007 peak valuations. As of the end of June, the portfolio is a little overweight in US Equities, and a little underweight in Global ex US. The Subcommittee explored the rationale behind the proposed transactions set forth in the pro forma asset allocation prepared by Cambridge Associates, deferring any decisions until after the scheduled discussion regarding contracts.

Mr. Atwood led the Subcommittee through a review of the “Hedge Fund Characteristic Matrix,” which defined certain characteristics as either diversifier, or growth engine, and reviewed the leanings of each hedge fund in the portfolio since inception of the respective fund. The Subcommittee requested seeing this same exhibit using a common time period, either ten years of history or the longest common time period for the various funds.

Fiscal Year 2014 Performance Review

Mr. Brantley referred the Subcommittee members to the fiscal year (FY) 2014 performance report, noting UVM’s performance (+15.6% for the year and 30 basis points [bps] behind the preliminary median of 15.9% for All C|A Endowments). Mr. Atwood discussed performance contribution for the portfolio in fiscal 2014, noting that no asset classes detracted from the FY performance of the portfolio.

Private Investments

Ms. Kent referred the ISC to the materials noting in particular Venture Capital’s trailing one-year performance of 28.8% as of March 31, 2014. Real Estate fund of funds have lagged a bit. Overall, C|A sees the program as progressing fine for now.

Funds Manager

At 9:17 a.m., Chair Brennan entertained a motion to enter executive session to discuss contracts of which premature general public knowledge would clearly place the University at a substantial disadvantage. Those present remained for the discussion. The meeting was reopened to the public at 2:37 p.m.

Portfolio Rebalancing

Ms. Kent and Mr. Brantley next led the discussion surrounding the rebalancing of the portfolio.
Following the discussion, Chair Brennan made a motion (1) to reduce the exposure in US Equities by approximately ratably redeeming $9 million\(^1\) in total from RhumbLine S&P 100 Index, Iridian Asset Management and DSM; (2) to redeem $10 million from Vanguard ShortTerm Bond Fund; (3) to fully redeem the position in Vanguard TIPS (approximating $3.2 million); and (4) to invest such proceeds in a long-duration government bond fund\(^2\) to be recommended by C|A. The motion was seconded and unanimously approved by Chair Brennan, Vice Chair McCree, and Trustee Daigle.

Vice Chair McCree made a motion to commit $10 million to Asia Alternatives Fund IV. The motion was seconded and unanimously approved by Chair Brennan, Vice Chair McCree, and Trustee Daigle.

**Other Business**

Mr. Brantley led a brief discussion of the calendar year 2015 meeting schedule and work plan in the meeting materials. The Subcommittee discussed the timing of meeting with hedge fund managers in light of the annual due diligence requirements, and shall consider meeting with managers in NYC at an alternative time of the year.

**Adjournment**

There being no further business, Chair Brennan adjourned the meeting at 2:37 p.m.

Respectfully submitted,

Robert Brennan, Chair

\(^1\) Redemption amounts were computed as $3.5 mm from RhumbLine S&P 100 Index, $3.0 mm from Iridian Asset Management, and $2.5 mm from DSM.

\(^2\) C|A recommended Vanguard’s Long-Term Treasury Fund, Admiral Shares (VUSUX) which has about a 15-year duration, is Treasury-only, and has a 0.10% management fee.