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, February 26, 2014, at 8:00 a.m., at Cambridge Associates, 125 High Street, Boston, Massachusetts.

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

MEMBERS ABSENT: None

OTHER TRUSTEES PRESENT: Board Chair Robert Cioffi and Don McCree

PERSONS ALSO PARTICIPATING: Claire Burlingham, Controller; Bets Kent, LaRoy Brantley, Christopher Warren and Justin Atwood of Cambridge Associates (C|A)

Chair Samuel Bain called the meeting to order at 8:03 a.m.

Meeting Overview

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

December 18, 2013 Meeting Minutes

Chair Bain presented the minutes of the December 18, 2013 meeting for approval. A motion was made and minutes were approved unanimously.

Market Update and Calendar 2013 and January 2014 Performance Review

Mr. Brantley provided a market update, noting that developed equity markets had a particularly strong calendar 2013, with the S&P 500 returning +32.4% and MSCI EAFE returning +22.8% for the year. Mr. Brantley also noted that emerging market equities and commodities had a difficult calendar 2013, with the MSCI Emerging Markets returning -2.3% and the DJ UBS Commodity Index returning -9.5% for the year. Ms. Kent then referred the Subcommittee members to the calendar year (CY) 2013 performance report, noting UVM’s strong relative performance (+16.2%; top quartile for the year and 240 basis points [bps] ahead of the preliminary median of All C|A Endowments) in 2013. Mr. Atwood discussed performance contribution for the portfolio in calendar 2013, noting the University’s exceptional absolute performance of developed equities (U.S. Equity +35.8%; Develop Int’l Equity +21.8%) and relative performance of the Hedge Fund (+18.6%) and Fixed Income programs (+1.4%). Mr. Warren noted the portfolio returned -1.9% in January vs. a -2.0% return for the Target Benchmark.
Funds Manager

Chair Bain entertained a motion to enter executive session to discuss contracts at 9:00 a.m. Those present remained for the discussion. At 10:25 a.m., the meeting was reopened to the public.

Asset Allocation Discussion

The Subcommittee reviewed and discussed UVM’s current policy targets, roles of various asset classes, comparative data, exposures and risk analyses, and the private investments program.

Funds Manager

Chair Bain entertained a motion to enter executive session to discuss contracts at 12:10 p.m. Those present remained for the discussion. The meeting was reopened to the public at 1:15 p.m.

Asset Allocation Discussion (continued)

After continuing the earlier thorough discussion, the following changes to the policy targets were voted on and approved by the ISC:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Current Policy Target</th>
<th>New Target</th>
<th>Effective Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Equity</td>
<td>23%</td>
<td>20%</td>
<td>-3%</td>
</tr>
<tr>
<td>Global ex-US – Developed</td>
<td>11%</td>
<td>12%</td>
<td>+1%</td>
</tr>
<tr>
<td>Global ex-US – Emerging Mkts</td>
<td>13%</td>
<td>13%</td>
<td>0%</td>
</tr>
<tr>
<td>Marketable Alternatives</td>
<td>20%</td>
<td>22%</td>
<td>+2%</td>
</tr>
<tr>
<td>VC/PE</td>
<td>11%</td>
<td>11%</td>
<td>0%</td>
</tr>
<tr>
<td>Real Assets</td>
<td>14%</td>
<td>12%</td>
<td>-2%</td>
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<tr>
<td>Fixed Income</td>
<td>8%</td>
<td>10%</td>
<td>+2%</td>
</tr>
<tr>
<td>Cash</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Portfolio Rebalancing

Ms. Kent next led the discussion surrounding the rebalancing of the portfolio and directed the members to the current asset class exposures chart. Following the discussion, Chair Bain requested a motion to reduce the exposure in U.S. Equity by redeeming in full from Eaton Vance Small Cap ($10.6mm) and partially redeeming $2mm from Iridian, with both proceeds held in cash for now. Chair Bain also requested a motion to invest an additional $20.0mm into Vanguard’s Short Term Bond Fund, funded from Cash. The Subcommittee voted unanimously to make the aforementioned balance adjustments.
Adjournment

There being no further business, the meeting was adjourned at 2:30 p.m.

Respectfully submitted,

Samuel Bain, Chair