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, June 25, 2014, at 3:00 p.m., in Room, 351 Waterman Building, Burlington, Vermont.

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

MEMBERS ABSENT: Vice Chair Don McCree

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); Samuel Bain*, and Robert Cioffi*, Advisers

*By means of phone.

Chair Robert Brennan called the meeting to order at 3:01 p.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the May 28, 2014 meeting.

Annual Review of Asset Impairment

Ms. Burlingham advised the Subcommittee of the Asset Impairment guidelines which requires that the ISC be notified of any asset that could potentially be decreased in value at fiscal year-end. Ms. Burlingham notified the ISC of two potential Nonmarketable Assets whose market values are below the threshold of the 30% or $250,000 difference with the UVM recorded values based on the March 31, 2014 figures. Following discussion on these accounts and the methodology used, the Cambridge team offered to reach out to the managers to obtain historical information for re-evaluation.

Investment of Operating Cash in Long-Term Pool

Mr. Cate notified the Subcommittee of upcoming operating cash that could be considered for investing in the endowment pool. The members engaged in discussion on this topic and decided to explore the avenues for investment of operating cash and will continue the discussion at a later meeting.

Socially Responsible Investing Advisory Council (SRIAC) Update

Ms. Burlingham provided an update on the activities of the SRIAC during this past academic year. She noted that the SRIAC has provided a detailed report of the council activities to Vice
President Cate. Ms. Burlingham further noted proposals the SRIAC would like to present for consideration regarding Genetically Modified Organisms (GMO) labeling in Vermont. The Subcommittee members expressed their need and desire to become more informed surrounding this topic and will consider this matter at a later date.

Recent Market Returns

Mr. Brantley led discussion regarding recent market returns and directed members to the various exhibits in the meeting materials. He commented that following the slow start to 2014 for global equities, May proved to be a good month: U.S. stocks were up +2.3%, Europe up +2.2%, and Emerging Markets up +3.5%. He also noted that Japan has rebounded and that bonds continue to perform well.

Performance Report as of May 31, 2014

Mr. Brantley next directed the members to the May 2014 Performance Summary in the meeting materials. The Long-Term pool was valued at $438.3 million at the end of May, total returns were +1.3% for the month, in line with the Target Benchmark, and +13.84% fiscal year to date. Mr. Brantley highlighted the positive contributors to the performance of the portfolio which included the U.S. Equity and Hedge Fund programs while the Real Assets and Bonds programs detracted from performance. The Subcommittee expressed their pleasure with the C|A oversight of the portfolio. Cambridge then noted that the UVM has performed well relative to other Cambridge clients.

Emerging Markets Portfolio

Mr. Warren led the discussion surrounding the repositioning of capital within the Emerging markets equity program. He directed the members to the exhibits in the meeting materials and presented three potential managers with unique strategies, flexible mandates, and high return potential. Mr. Warren highlighted the various attributes and track records pertinent to each of the managers recommended for consideration.

Mr. Brantley directed the members to the asset allocation exhibit and noted the proposed recommendation in rebalancing of assets in the Emerging Market program. Following discussion, the members decided to postpone rebalancing until they meet with the potential managers who will be presenting at the August meeting.

US Small Cap

Mr. Brantley then led the discussion around the Small Cap U.S. Equity program and noted the recent C|A Research piece included in the meeting materials. He particularly noted that investors have historically benefited from the premium returns of small cap stocks relative to large caps, but that the outlook for small cap equities is not very compelling given current valuations. The Subcommittee with revisit this sector in the near future.
Other Business

Mr. Brantley directed the members to draft agenda information for the August 2014 meeting to be held in New York City. The Subcommittee members decided that invitations should be extended to two Emerging Market managers under consideration.

Adjournment

There being no further business, the meeting was adjourned at 4:35 p.m.

Respectfully submitted,

Robert Brennan, Chair