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, March 26, 2014, at 3:00 p.m., in Room, 351 Waterman Building, Burlington, Vermont.

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*, Christopher Warren* and Justin Atwood* of Cambridge Associates (C|A); Robert Cioffi, Adviser*

*By means of phone.

Chair Robert Brennan called the meeting to order at 3:02 p.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the February 26, 2014 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;

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 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 presented.

Approval of Proposed List of Approved Managers/Funds

Mr. Cate 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  
People’s United Bank  
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

Follow-up from February Meeting

Ms. Kent directed the members to the meeting materials provided by C|A and led the discussion on the follow-up items from the February session which under went further review. Mr. Warren noted that the C|A Business Risk Management group verified the auditing process for Iridian’s commingled vehicle and the separate account in which UVM is invested. He also reviewed how HarbourVest calculated an average 81 basis point annual fee charged to limited partners over the full life of a Dover Street fund. Ms. Kent then directed the members to the exhibit which addressed the impact of cash holdings in the pooled portfolio. Ms. Kent noted that most institutions include the cash component in the portfolio performance. Following discussion, the members agreed to incorporate cash in the future Total Assets performance reports effective July 1, 2013, with a footnote to annotate the change in the next portfolio performance report. Cambridge Assoc. next addressed the inquiry regarding potential access to Silchester International Equity Tobacco Free fund and noted that it is not open at this time. Finally, Ms. Kent noted that Centerbridge has slightly delayed the formal start of fundraising for Centerbridge Capital Partners III.
Recent Market Returns

Ms. Kent led the discussion surrounding the recent market returns and directed the members to the exhibits in the meeting materials. She particularly noted that February was a strong month recovering from the January lag with a rebound in equities as well as gold and commodities. She reviewed the current valuations summary and highlighted a new exhibit which displayed other firms’ views on asset class valuations. Ms. Kent commented that the C|A valuations of the asset classes have not changed from the previous month.

Monthly Flash Report as of February 28, 2014

Ms. Kent next directed the members to the February 2014 Performance Summary in the meeting materials and noted the UVM portfolio returned +3.3% for the month, 30 bps ahead of the Target Benchmark. She highlighted the performance of the managers, noting the high performers and those who underperformed. The Long-Term pool was valued at $427.4 million at the end of February, a gain of over $11 million since the end of January.

Robert Cioffi joined the meeting at 3:29 p.m.

Executive Session

At 3:47 p.m., Chair Brennan entertained a motion to enter executive session to discuss contracts. Cambridge Associates and UVM staff remained for the discussion. The meeting was reopened to the public at 4:36 p.m.

Portfolio Rebalancing

Mr. Warren next led the discussion surrounding the rebalancing of the portfolio and directed the members to the C|A recommendations listed in the exhibit. He noted the recommendations follow the new asset allocation targets set by the Subcommittee at the February meeting. Following the discussion, the Subcommittee unanimously voted to invest additional subscriptions of $2 million in Varde Investment Partners, Inc; $1 million in Fir Tree International Value Fund; $1 million in Canyon Balance Fund (Cayman); $2 million in Standard Life GARS; and $2 million in BlueCrest AllBlue Limited Fund. All additional subscriptions will be effective April 1, 2014, with the exception of Fir Tree. Fir Tree is currently closed to new and existing investors, but the manager anticipates being able to accept the additional $1mm on June 1, 2014 at the earliest. Cambridge will provide an update on potential funding on the May conference call. The Subcommittee also voted unanimously to commit $5 million to the True Bridge-Kauffman Fellow Endowment Fund III.

Emerging Markets Portfolio

Mr. Atwood directed the members to the Emerging Markets section of the meeting materials and highlighted the summary comments surrounding this sector of the portfolio. Due to the interest of time, the Subcommittee will address this topic at a future meeting.
Other Business

Ms. Kent commented on the planning for the August 2014 meeting to be held in person and requested that the Subcommittee members correspond with Cambridge Associates regarding investment manager invitations for that meeting.

Adjournment

There being no further business, the meeting was adjourned at 4:38 p.m.

Respectfully submitted,

Robert Brennan, Chair