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, November 19, 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*, LaRoy Brantley*, Justin Atwood* and Evan Fitzmaurice* 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 unanimously approve the minutes of the September 24, 2014 and October 24, 2014 meetings.

Annual Review of the University’s Cash Management Policy, and Statement of Investment Policies & Objectives

Chair Brennan provided a brief review of the policies as presented and noted that the Subcommittee is charged to review them annually. A motion was made and seconded, and Chair Brennan, Vice Chair McCree, and Trustee Daigle voted to approve the Cash Management Policy, as is. A motion was made and seconded, and Chair Brennan, Vice Chair McCree, and Trustee Daigle voted to approve the Statement of Investment Policies & Objectives, as is.

Approval of Resolution to Establish the James M. Jeffords Fund

Claire Burlingham referenced the Resolution distributed as Attachment 5, noting that the remaining balance amount should be reflected as $557,459.74, rather than $566,592.48 as presented.

Resolution to Establish the James M. Jeffords Fund

WHEREAS, the University received contributions to the James Jeffords Center on Educational Excellence fund between 2006 and 2007 with a remaining balance of $557,459.74, rather than $566,592.48, and
WHEREAS, the University may accept additional gifts to the James M. Jeffords fund from other donors, and

WHEREAS, the University may decide to designate assets as quasi-endowment funds to gain the benefit of the earning power of the University’s consolidated endowment pool while retaining the flexibility to be expended in whole or in part, and

WHEREAS, the Provost has requested that the James M. Jeffords Fund be established as a quasi-endowment within the University’s consolidated endowment pool;

NOW THEREFORE BE IT RESOLVED, that the Investment Subcommittee approves the creation of the James M. Jeffords Fund as a quasi-endowment within the University’s consolidated endowment pool.

Chair Brennan made a motion to approve the revised resolution which reflected the modified balance amount. The motion was seconded and the following roll-call vote was taken: Robert Brennan - Yes, Don McCree - Yes, and David Daigle - Yes. The resolution was passed as revised.

Follow-up from Previous Meeting

Chair Brennan reminded the members of the $5 million commitment made to Centerbridge Capital Partners III at the October meeting and asked that the minutes reflect his appreciation to Fran Bazluke, Richard Cate, Claire Burlingham and Kathy Snell for their collective efforts to expedite the completion of the subscription documents, line up an external review, and negotiate a side-letter, in order for the commitment to occur within a short timeframe.

Chair Brennan recapped that on October 31st, Emerging Sovereign Group LLC extended an additional $5 million capacity to UVM in its Domestic Opportunity Offshore Fund Ltd. Pursuant to the September 24, 2014 meeting, whereby the ISC authorized an investment up to $10 million, (only $5 million was offered at that time), the University subscribed for an additional $5 million investment as of December 1, 2014. Funds are to be wired on November 28, 2014 in accordance with the Subscription Agreement. Ms. Kent presented C|A’s recommendation to replenish cash this month by redeeming $4 million from Vanguard Short Term Bond Index Fund. Following a brief discussion about reducing higher risk funds rather than low-risk funds, Trustee Daigle made a motion to redeem $2 million from Rhumbline S&P 100 Index, and to redeem $2 million from Iridian Asset Management. The motion was seconded and Chair Brennan, Vice Chair McCree and Trustee Daigle voted to approve the redemption motion.

Following further discussion surrounding the merits of active management of US equities, the Subcommittee requested that C|A recommend up to three active equity managers for consideration at the next meeting.
Recent Market Returns

Mr. Brantley led the discussion on the recent Market Returns. He directed members to the exhibits in the meeting materials displaying the recent market performance and trends for various capital market indices, key macroeconomic developments, as well as C|A’s views on asset class valuation through early November 2014. Mr. Brantley noted the big rally which occurred during the second half of October following the sharp decline during the first half of the month resulting in a net +2.4% return for U.S. equities for the month. He then commented on the strong performers, noting that US corporate earnings had improved, –U.S. stocks rebounded during the second half of the month, while the Bonds remained stable and the Real Asset class struggled. Mr. Brantley noted the changes in the C|A’s valuations as of November 7, 2014, US Venture Capital shifting to very overvalued and Commodities moving from overvalued to fairly valued.

Flash Report as of October 31, 2014 and Quarterly Performance Report as of September 30, 2014

Ms. Kent referred the Subcommittee members to the Performance Review section of the meeting materials noting UVM’s performance. Ms. Kent noted the portfolio returned -0.2 during the month of October, slightly underperforming the Target Benchmark by 20 basis points. Mr. Brantley reviewed the third quarter performance through September 30th, and highlighted the strength of UVM’s relative returns as compared to other institutions in the universe of the Cambridge Associate’s median results, mostly attributed to active management in the portfolio. He also noted that the University’s final Fiscal Year 2014 performance jumped from +15.6% to +16.2% with the inclusion of the final June 30 private investments marks. As a result, UVM’s portfolio ranked above the C|A Endowment Median (+16.1%) for Fiscal Year 2014. In the interest of time, Chair Brennan requested to postpone further discussion on the Private Investments program until the next meeting.

Hedge Fund Program Review

Mr. Atwood referred the Subcommittee members to Tab III in the meeting materials, and engaged the group in a discussion about the hedge fund program.

Funds Manager

At 4:00 p.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. C|A exited the meeting at 4:26 pm. Trustee Daigle exited the meeting at 4:40. The meeting was reopened to the public at 4:44 p.m.

Portfolio Rebalancing

Chair Brennan requested a motion to fully redeem the approximately $8.6 million position invested in BlueCrest Capital Management LP’s AllBlue Limited fund. The motion was seconded, and voted by Chair Brennan and Vice Chair McCree, who approved the redemption.
Other Business

Chair Brennan recapped items for further discussion in the December meeting, requesting that the agenda include a Private Investment update, consideration of active US equity managers, and an SRIAC update.

Adjournment

There being no further business, Chair Brennan adjourned the meeting at 4:45 p.m.

Respectfully submitted,

Robert Brennan, Chair