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 25, 2015, at 8:00 a.m., at Cambridge Associates, 125 High Street, Boston, Massachusetts.

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

MEMBERS ABSENT: None

OTHER TRUSTEES PRESENT: None

PERSONS ALSO PARTICIPATING: Claire Burlingham, Controller; Bets Kent, LaRoy Brantley, Justin Atwood and Evan Fitzmaurice of Cambridge Associates (C|A); Samuel Bain, Adviser; Robert Cioffi, Adviser

Chair Robert Brennan called the meeting to order at 8:02 a.m.

Meeting Overview

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

December 17, 2014 Meeting Minutes

Chair Brennan presented the minutes of the December 17, 2014 meeting for approval. A motion was made and minutes were approved unanimously.

Manager Consent Requests

There was a brief discussion to introduce consent requests received from two managers. After due consideration, Chair Brennan asked for a motion to give consent to the request from Garrison Real Estate Fund II, and to give consent to the request from Asia Alternatives Capital Partners IV, LP. The motion was made, seconded, and passed as presented.

Market Update and Calendar 2014 and January 2015 Performance Review

Ms. Kent led discussion on recent Market Returns as of January 31, 2015. She directed the members to the exhibits in the meeting materials displaying the recent performance and trends for various capital market indices, as well as C|A’s views on asset class valuation. She highlighted the weakness in U.S. equity markets which returned -2.9% for the month, and the strong performance of the U.S. 10-Year Treasury which returned 4.6%. Mr. Brantley then referred the Subcommittee members to the calendar year (CY) 2014 performance report, noting
UVM’s Long-Term Pool returned -0.3% for the December quarter and 3.1% for the full year. In both periods the hedge fund program – the Absolute Return managers in particular – underperformed expectations. C|A’s preliminary Endowment Median return for calendar 2014 currently stands at 4.0% (234 institutions in the universe). Mr. Brantley noted that the market values and performance results for Private Investment are only through September 30th, and will be updated as the funds report over the next few weeks. The portfolio had a better relative month in January, with an overall return of -0.2% compared to the Target Benchmark return of -0.5%. The only positive absolute returns in the pool were non-U.S. Equity, where five out of the six managers outperformed, and Fixed Income, driven by the Long Treasury allocation which is up 18% cumulatively since inception last August.

**Benchmarking**

Mr. Atwood led a review of the Target and Undiversified Benchmarks, recommending changes to the composition of each to better approximate the specific risks. A thorough discussion of the existing and recommended benchmarks ensued. The Subcommittee unanimously approved to break the Global ex US Equity asset class into two more specific asset classes, Developed Equity¹ and Emerging Markets Equity, to better represent the underlying portfolio. It was also approved that Developed Equity’s Index would be the MSCI EAFE Index and Emerging Market’s benchmark would be the MSCI Emerging Markets Index. The Committee also unanimously agreed to change the Undiversified Benchmark from the current 90/10 S&P 500/Barclays Aggregate Bond to a more risk equivalent 65/35 MSCI ACWI/Barclays Aggregate Bond.

**Asset Allocation Discussion**

Ms. Kent led the Subcommittee through a review of several new exhibits, including the comparative asset allocation with other institutions’ portfolios. C|A is comfortable with the University’s existing policy targets and did not recommend any changes. The Subcommittee discussed UVM’s current policy targets, the roles of various asset classes, comparative data, exposures and risk analyses. C|A led a review of the hedge fund program and private investments. The group also discussed a “look through” of the Real Assets part of the portfolio to better understand the positioning and potential opportunities given the recent dislocations in related markets.

**Funds Manager**

Chair Brennan entertained a motion to enter executive session to discuss contracts at 11:02 a.m. Those present remained for the discussion. At 1:16 p.m., the meeting was reopened to the public.

**Asset Allocation Discussion (continued)**

After continuing the earlier discussion, the Subcommittee decided to maintain the current policy targets.

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¹ An additional amendment was discussed and endorsed following the meeting to further describe the specific asset class as International Developed Equity.
Portfolio Rebalancing

Ms. Kent & Mr. Brantley led a discussion surrounding the rebalancing of the portfolio and directed the members to the current asset class exposures chart. Following the discussion, Chair Brennan requested a motion invest in two new managers: Centerbridge Credit Partners Fund ($10.0mm) and Vanguard Energy Fund ($5.0mm). Chair Brennan also requested a motion to make additional investments in the following funds: Neon Liberty ($5.0mm), Mondrian International Equity Fund ($2.5mm), and Cap Int’l EuroPacific Growth Fund ($2.5mm). Chair Brennan requested a third motion to redeem from Vanguard Short Term Bond Index Fund ($18.0mm). The proceeds from this investment and $7.0mm from cash will be used to fund all new investments and additions. The motions were seconded and passed unanimously, with Mr. Daigle abstaining from voting on the Cap Int’l investment.

Adjournment

There being no further business, the meeting was adjourned at 2:23 p.m.

Respectfully submitted,

Robert Brennan, Chair