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 25, 2015, at 3:00 p.m., in Room, 351 Waterman Building, Burlington, Vermont.

MEMBERS PRESENT: Chair Robert Brennan* and Vice Chair Don McCree*

MEMBERS ABSENT: David Daigle

PERSONS ALSO PARTICIPATING: Vice President for Finance and Treasurer Richard Cate; Controller Claire Burlingham*; Assistant Controller for Tax and Treasury Services Kathy Snell; 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 approve the minutes of the February 25, 2015 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 (SRIAC).

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.

Chair Brennan made a motion to approve the resolution. The motion was seconded and the following roll-call vote was taken: Robert Brennan - Yes, Don McCree - Yes, and David Daigle - Absent. The resolution passed 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. Chair Brennan made a motion to approve the following list of managers. The motion was seconded and passed as presented.
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: TD Bank, N.A.
People’s United Bank

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

Mr. Brantley reviewed various follow-up items from the February session, including materials on the University’s Hedge Fund performance in different equity market environments, and Private Investment performance in a public market framework. Mr. Brantley directed members to exhibits in the materials that quantified differences in performance between the previous target benchmark, the target benchmark approved at the February meeting, and a third proposed benchmark that only differs from the approved benchmark in the way it measures Private Investment relative performance. This proposed benchmark compares Private Investments to a blend of the median quarterly returns for Cambridge Associates’ Private Equity Fund of Funds (2/3) and Venture Capital Fund of Funds (1/3) universe, respectively. The Subcommittee members discussed the proposed benchmark, and agreed that the 2:1 ratio reflects UVM’s historical underlying exposures within the Private Equity/Venture Capital program; further the
members agreed that the proposed benchmark provides more clarity as to how UVM’s funds are performing as compared to other similarly invested funds. The Subcommittee members determined that the existing premium-based Private Investment benchmark (S&P 500 + 3%) should remain the long-term return target to account for the illiquidity incurred by this form of investing, but no longer be reflected as a component of the Policy Benchmark as of March 1, 2015. Chair Brennan made a motion to update the Policy Benchmark for Private Investments to a blend of the median quarterly returns for C|A Private Equity Fund of Funds (2/3) and C|A Venture Capital Fund of Funds (1/3). The motion was seconded and passed as presented.

Recent Market Returns

Mr. Brantley led the discussion on recent market returns through February 28, 2015. He noted that U.S. equities and European Equities were strong, returning +5.8% and +6.1%, respectively. Gold and the 10-Year Treasury had a difficult month, returning -4.5% and -2.7%, respectively. Energy had a strong month with a 7% return, which help lift UVM’s real assets program’s results.

He then directed the members to the exhibits in the meeting materials displaying C|A’s views on asset class valuation through early March 2015. Mr. Brantley noted that the U.S. Dollar has been raised to overvalued versus other developed market currencies due to recent outperformance relative to other currencies.

Flash Report as of February 28, 2015

Mr. Brantley next led the discussion surrounding the performance review and Flash Report for the month ending February 28, 2015. Mr. Brantley noted the portfolio returned +2.4% during the month, underperforming the Target Benchmark by 70 basis points. The Long-Term pool was valued at $444.2 million at the end of February, with the portfolio returning +2.2% calendar year-to-date and +0.5% fiscal year-to-date. For the month of February, leading drivers of performance included U.S. Equity with a 6.6% gain and Public Real Assets program, up a robust +6.4%.

Public and Private Real Assets Portfolio

Mr. Atwood led a discussion regarding the Public and Private Real Assets portfolio. He directed members to exhibits in the materials that highlighted the underlying exposures within the Real Asset program. It was agreed that the Private Real Assets Program would be revisited at the next meeting.

Socially Responsible Investing Update

Ms. Burlingham, Controller, reported on the Socially Responsible Investing Advisory Council (SRIAC) and reviewed their meeting activities to date for the Spring semester. She explained that the group has been developing an educational program for the Fall semester to inform the University campus about SRIAC. Additionally, Ms. Burlingham noted that SRIAC has been working with other groups on campus to identify ways that they could partner with them to
address sustainable issues. She further noted SRIAC members would like to meet with the ISC members in the near future, in order to maintain open communication between the two groups. Ms. Burlingham reported that divestment from coal continues to be a topic of discussion and requested guidance on this issue from the Subcommittee.

**Adjournment**

There being no further business, Chair Brennan adjourned the meeting at 4:46 p.m.

Respectfully submitted,

Robert Brennan, Chair