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 17, 2016, 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

PERSONS ALSO PARTICIPATING: Claire Burlingham, Controller; Ali Dorf, LaRoy Brantley, Justin Atwood, Evan Fitzmaurice and Haley Brown of Cambridge Associates (C|A)

Chair Robert Brennan called the meeting to order at 8:05 a.m.

Meeting Minutes

Chair Brennan presented the minutes of the January 21, 2016 and January 28, 2016 meetings for approval. A motion was made and minutes were approved unanimously.

December Meeting Follow-Up

Mr. Atwood led a discussion regarding commodities and master limited partnerships (MLPs), specifically regarding Gresham TAP and the potential attractiveness of MLPs.

Market Update and Calendar 2015 & January 2016 Performance Review

Mr. Brantley led a discussion on recent Market Returns through December 31, 2015 and January 31, 2016. He 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 valuations. Mr. Brantley then referred the Subcommittee members to the calendar year (CY) 2015 performance report, noting UVM’s Long-Term Pool returned +1.5% for the December quarter and -2.4% for the full year, underperforming the Target Benchmark by 42 basis points, but outperforming the C|A Endowment median by 10 basis points for the year. The Hedge Fund and Fixed Income programs underperformed, while the Emerging Market Equity program protected capital nicely during the year due to its defensive bias. For the month of January, the portfolio outperformed the Target Benchmark by 40 basis points (-3.1% vs. -3.5%), led by strong gains in long treasuries within the Fixed Income program.

Asset Allocation Discussion

Ms. Dorf led the Subcommittee through a review of several exhibits, including the asset allocation and manager summary, comparative asset allocations analyses, and history of asset allocation policy targets over time.
Hedge Fund Program

Mr. Brantley led a review of the Hedge Fund Program, noting a +8.7% return since the inception of the Hedge Fund program (20.5 years). This performance was in line with the U.S. equity market but was earned with significantly less volatility.

Executive Session

Chair Brennan entertained a motion to enter executive session to discuss contracts at 10:31 a.m. Those present remained for the discussion. The committee exited executive session at 2:15 p.m.

Asset Allocation (Continued)

Chair Brennan entertained a motion to make changes to the policy benchmark weights, as follows:

- U.S. Equity: 19% (from 20%)
- Developed Equity: 11% (from 12%)
- EM Equity: 13% (unchanged)
- Hedge Funds: 21% (from 22%)
- Real Assets: 13% (from 12%)
- PE/VC: 13% (from 11%)
- Bonds: 10% (unchanged)

The motion was seconded and passed unanimously.

Portfolio Rebalancing

Chair Brennan entertained a motion to approve the following proposed transactions:

I. Full redemption from Gresham TAP
II. $4M partial redemption from Mondrian International Equity
III. $8.2M new investment in Harvest MLPs
IV. $5M commitment to HarbourVest Dover Street IX
V. $5M commitment to Madison International Real Estate Liquidity Fund VI

The motion was seconded and passed unanimously.

Adjournment

There being no further business, the meeting was adjourned at 2:20 p.m.

Respectfully submitted,

Robert Brennan, Chair