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 23, 2016, 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: David Aronoff

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*, Evan Fitzmaurice*, Haley Brown* of Cambridge Associates (C|A); Sam Bain*, Adviser

*By means of phone.
**Participated by phone. Left the meeting at 3:30 p.m.

Chair Robert Brennan called the meeting to order at 3:03 p.m.

Meeting Minutes

Chair Brennan presented the minutes of the February 17, 2016 meeting for approval. A motion was made and minutes were approved unanimously.

Approval of Proposed List of Approved Managers/Funds

Ms. Burlingham directed the members to Attachment 2 indicating the proposed list of approved Managers/Fund pursuant to Cash Management and Liquidity Policy, for annual review. Following review and discussion, Chair Brennan made a motion to approve the following list of managers with the redacted language. The motion was seconded and the following roll-call vote was taken: Rob Brennan – Yes, Don McCree – Yes, David Daigle – Yes.

Proposed List of Approved Managers / Funds pursuant to Cash Management and Liquidity 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:

Edward Jones
Morgan Stanley Smith Barney
Merrill Lynch
People’s United Bank
Raymond James Financial Services
State Street Global Advisors
TD Wealth Management
UBS Financial Services
Wells Fargo Advisors

Long-term pool:

Units of the University of Vermont’s Pooled Endowment

The Subcommittee then requested a list of the holdings in the laddered bond portfolio for review at the May 25, 2016 meeting.

Follow-Up from February Meeting

In response to a request from the ISC following the February meeting, C|A provided further analysis of the equity holdings in the LT Investment Pool. Mr. Fitzmaurice directed the members to the exhibits in the meeting materials provided by C|A with reviews of the long-only managers, excluding 2 newly added managers, hedge funds and private investment vehicles. The analysis displays each manager’s holdings by sector and highlights the top ten positions in each sector. He further explained that due to insufficient data as of December 31, 2015 the top holdings were not available for the hedge funds and private investment vehicles. Following review and discussion, the Subcommittee requested that C|A ask again to obtain the top holdings on the hedge funds and private equity funds as of December 31, 2015 or on some other cut off date to provide for the Budget Finance & Investment Committee May meeting with consideration for any privacy concerns.

At 3:30 p.m., David Daigle exited the meeting.

Mr. Brantley then noted information received from Canyon regarding administrative changes and advised that C|A is not recommending any manager changes at this time.

The Subcommittee next reviewed an exhibit displaying the total portfolio exposure to China. UVM currently has 3.8% of the total portfolio invested directly in China, most of which comes from the long only equity managers. Mr. Brantley noted that the exposure is driven in large part from the investments with the dedicated Emerging Markets managers.
The Subcommittee reviewed the action items from the February meeting relating to the asset reallocations and entered discussion regarding the practice of Group Variable Annuities within a proposed investment. Chair Brennan requested that C|A do some further research on this matter.

**Peer Returns**

Mr. Atwood led the discussion surrounding the exhibit indicating the data for UVM’s endowment returns in relation to peer returns. He noted that recently the larger endowments have significantly outperformed the smaller endowments, largely due to their significant allocation to private investments. The University’s returns on the endowment portfolio place higher than the median in the Cambridge Associates’ universe of endowments for the trailing 3, 5 and 10 years.

**Commingled Funds Review**

Mr. Brantley directed the members to the exhibit of an analysis regarding the use of commingled funds and separate accounts in the Long Term Investment Pool. He reminded the members that, in a commingled fund, the investors owns units of the fund and has no control over the fund’s strategy. In a separate account, the client has direct ownership of the securities and thus has greater control over which securities are held in respective portfolios. He noted it is easier to comply with SRI mandates in the separate accounts than the commingled accounts. UVM has three investments via separate accounts which account for 19.5% of the total assets. C|A performed an analysis of a peer universe of 11 similarly sized college and universities with total portfolio of $400-$600 million. Within this peer group, the assets allocated to separate accounts averaged 7.6% of their portfolios. The exhibit further displays the list of UVM investment vehicles indicating which investments are commingled. Chair Brennan requested that this list be included in the Board materials for the full Board of Trustees meeting in May.

At 3:50 p.m., Sam Bain exited the meeting.

**Recent Market Returns**

Mr. Brantley led the discussion on recent Market Returns through February 29, 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 commented on how the market recovered during the later-half of February through challenging conditions. He noted that the emerging market and bonds were the contributors of positive returns being the while the oil industry continues to struggle. There were no changes in February to C|A’s valuations of asset classes.

**Monthly Flash Report as of February 29, 2016**

Mr. Brantley next led the discussion surrounding the performance review and Flash Report for the month ending February 29, 2016. The Long-Term pool was valued at $408.5 million at the end of February with the portfolio returning -3.8% calendar year-to-date, -0.7% during the month, and 7.7% annualized since inception. He noted the asset allocations are within a tight range of the target allocation. Bonds contributed to the positive returns while the hedge funds
detracted the most for the month. Mr. Fitzmaurice then directed the members to the exhibits in the meeting materials displaying CYTD attribution by asset class.

**Other Business**

The Subcommittee requested that C|A extend an invitation to a manager for presentation at the May 25, 2016 meeting.

**Adjournment**

There being no further business, the meeting was adjourned at 4:49 p.m.

Respectfully submitted,

Robert Brennan, Chair