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, May 25, 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; Ali Dorf*, Justin Atwood*, Haley Brown* of Cambridge Associates (C|A)

*By means of phone.

Chair Robert Brennan called the meeting to order at 3:01 p.m.

Meeting Minutes

Chair Brennan presented the minutes of the March 23, 2016 meeting for approval. A motion was made and minutes were approved unanimously.

Review of Treasury and Taxable Fixed Income Portfolios

Following up on the ISC’s request at the March meeting, Ms. Burlingham directed the Subcommittee to Attachment 2 which exhibits the list of holdings in the laddered bond portfolio. She noted the asset allocation and returns for the investments. Ms. Burlingham explained that the accounts are managed under one umbrella by Wells Fargo at a local Burlington office which provides for a strong working relationship. Upon reviewing the attributes of the bonds, Trustee Daigle noted that bonds with BBB ratings should be carefully monitored and exposure to that class of bonds reduced.

Follow-Up from March Meeting

In response to a request from the ISC, C|A provided further detail on recent organization changes and performance of EnerVest’s fourteenth private equity energy fund. Ms. Dorf noted that the University committed $7.0 million to EnerVest XIV in March 2015. She noted that while performance has been negative (-13.4%) since the fund incepted in UVM’s portfolio, it is in line with expectations given the broad commodity selloff over this time period. The members discussed performance in the energy sector and Ms. Dorf commented that the outlook has improved into 2016 as commodity prices have rebounded. She also noted the change in administration at EnerVest XIV, and expressed that C|A shall continue to monitor the transition in leadership.
Recent Market Returns

Mr. Atwood led the discussion on recent Market Returns through April 30, 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. He mentioned the first quarter themes included the market volatility, fears of a global growth slowdown led by China, a rebound in the oil price, and the strong performance of natural resource equities in calendar 2016. Mr. Atwood mentioned that Master Limited Partnerships rose by 11% in April and highlighted that ex U.S. equities are relatively attractive based on C|A normalized earnings metrics. Most asset classes remain fairly valued to overvalued as of April month end.

Quarterly Performance Report as of March 31, 2016 and Monthly Flash Report as of April 30, 2016

Ms. Dorf next led the discussion surrounding the Quarterly Performance Report as of March 31, 2016 and Monthly Flash Report as of April 30, 2016 directing the members to the exhibits in the meeting materials. The Long-Term pool was valued at $435.5 million at the end of April with a return for the month of +1.2%, bringing calendar year-to-date returns to +1.3%. She noted that while the portfolio exhibits slight underweights to hedge funds and private equity, both asset classes should increase to target as unfunded commitments are called in the near to medium term.

Mr. Atwood next directed the members to the Comparative Performance Review in relation to benchmark comparisons. He noted the portfolio returned +0.2% for the March 31 quarter, in line with the C|A endowment median. He also noted that final calendar 2015 performance was revised from -2.4% to -2.1% due to the inclusion of final private investment marks for the December 31 quarter. The Subcommittee will continue their discussion on benchmark and median comparisons at the July meeting.

The Subcommittee was then directed to the updated UVM Peer Analysis report which indicates that the UVM Long-Term pool has outperformed the median by 20 to 40 basis points across all major time periods. Ms. Dorf emphasized the significance of the size of the Endowment pools when comparing the returns, noting the portfolio’s significant outperformance vs. the under $500 million group of endowments. She further noted the differences in investment opportunities in relation to the size of an endowment. The Subcommittee expressed its appreciation for the good performance.

Private Investment Report as of December 31, 2015

Ms. Dorf directed the members to the Private Investment Report and accompanying exhibit to facilitate the discussion on the asset allocation. The Subcommittee discussed the various positioning of the investment programs in this sector, the current environment and opportunities for future commitments.
Executive Session

Chair Brennan entertained a motion to enter executive session to discuss contracts at 3:53 p.m. Those present remained for the discussion. The Subcommittee exited executive session at 4:17 p.m.

Portfolio Rebalancing

Trustee Daigle led a discussion surrounding the Long-Term Treasury investments and noted the healthy equity market conditions and suggested a rebalancing of the LT Treasury to the Short-Term Treasuries. Chair Brennan entertained a motion to liquated the Vanguard Long-Term Treasury Fund and transfer the proceeds to the Vanguard Short-Term Bond Index Fund. The motion was seconded and Subcommittee unanimously voted in favor of the motion.

Other Business

Ms. Dorf mentioned that the C|A team will send a list of suggested managers to invite for presentations at the July meeting.

Adjournment

There being no further business, the meeting was adjourned at 4:19 p.m.

Respectfully submitted,

Robert Brennan, Chair