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, September 28, 2016, at 3:00 p.m., in Room, 351 Waterman Building, Burlington, Vermont.

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

PERSONS ALSO PARTICIPATING: Richard Cate, Vice President for Finance and Treasurer; Controller Claire Burlingham; Assistant Controller for Tax and Treasury Services Kathy Snell; Ali Dorf*, LaRoy Brantley*, Evan Fitzmaurice*, and Haley Brown* of Cambridge Associates (C|A)

*via conference call.

Chair Robert Brennan called the meeting to order at 3:04 p.m.

Meeting Minutes

Chair Brennan presented the minutes of the July 27, 2016 meeting for approval. A motion was made, seconded, and it was voted to approve the minutes unanimously.

Resolution Approving Revised Socially Responsible Investing Advisory Council Charge

Vice President for Finance and Treasurer Richard Cate directed the members to Attachment 2 indicating the Resolution to revise the Socially Investing Advisory Council charge. Following review and discussion, Chair Brennan presented the following resolution, for approval to present to the Budget, Finance and Investment Committee at their October Board meeting:

Resolution Authorizing Amendments to the Socially Responsible Investing Advisory Council

WHEREAS, the Board on November 8, 2012, established the Socially Responsible Investing Advisory Council (SRIAC), whose charge was to consider specific investment policy proposals based on moral, ethical or social criteria; review the impact of any such proposal on current and potential University investments; solicit input on policy proposals from the campus community at large; and forward its investment policy recommendations to the Investment Subcommittee, which in turn shall report its recommendations to the Budget, Finance and Investment Committee; and

WHEREAS, the Investment Subcommittee in January 2016, instructed the administration to restructure and broaden the role of SRIAC at the University to better serve the University in its commitment to be a responsible and proactive institution; and
WHEREAS, the Socially Responsible Investing Advisory Council made a formal recommendation in July 2016 to the Vice President for Finance and Treasurer, specifically, that the Socially Responsible Investing Advisory Council broaden its role to support the Vice President for Finance and Treasurer in fulfilling his/her responsibilities related to the administrative oversight of the Clean Energy Fund, and any other issues as determined by the Vice President for Finance and Treasurer; and

WHEREAS, the Budget, Finance and Investment Committee, following a favorable recommendation from the Investment Subcommittee, recommends that the Board accept the Advisory Council’s recommendations;

THEREFORE, BE IT RESOLVED, that the Board hereby accepts the recommendation of the Socially Responsible Investment Advisory Council and delegates responsibility for the Socially Responsible Investment Advisory Council to the Vice President for Finance.

Chair Brennan offered an opportunity for final comments before seeking a motion to approve the resolution to present to the Budget, Finance and Investment Committee at the October Board meeting. The motion was made, seconded, and the resolution was unanimously approved as presented.

**July Meeting Follow Up**

Haley Brown, of Cambridge Associates (C|A), directed the members to the separate distribution provided by C|A and led discussion surrounding the July 27, 2016 meeting follow up items. She referenced the exhibit displaying UVM’s 10-year U.S. Equity performance and noted that UVM’s 10-year U.S. equity portfolio generated an annualized return of +7.6%, outperforming the S&P 500 index by 13 basis points.

Ms. Brown next provided an update on the acquisition of DSM’s mutual fund assets by Touchstone and directed the members to comments in the separate distribution, noting that the acquisition is viewed as a favorable move for investors.

LaRoy Brantley, of Cambridge Associates, reminded the members of the October 14th deadline for the exchange of Prime Mutual Funds into government sponsored funds in an attempt to manage the risk of cash being locked up.

**Fund Managers**

Chair Brennan entertained a motion to enter Executive Session for the purpose of discussing contracts. The Subcommittee voted to enter Executive Session at 3:29 p.m., with those present remaining.

The meeting was re-opened to the public at 3:45 p.m.
Recent Market Returns

Mr. Brantley led the discussion on recent Market Returns through August 31, 2016. He referenced the exhibits in the C|A materials displaying the recent market performance and trends for various capital market indices, as well as C|A’s views on asset class valuations. Mr. Brantley mentioned that while August was a quiet month in regards to risk assets, markets linked to oil industry suffered a slight correction in August and several asset class valuations shifted from undervalued to overvalued. He noted the strong monthly performance of the Emerging market equities and Hedge Funds, while the U.S. equities and commodities lagged in returns.


Mr. Brantley next led discussion surrounding the portfolio’s performance through August 31, 2016, directing the members to the exhibits in the C|A materials. The Long-Term pool was valued at $450.5 million at the end of August with a return of +0.7% for the month bringing the 2017 fiscal year-to-date returns to +3.1% and +5.0% for calendar year-to-date. The ISC members then reviewed the exhibits that illustrated the portfolio’s asset allocation and specific returns for the individual investment managers. Mr. Brantley highlighted the strong performing managers across the different asset classes.

Ali Dorf, of Cambridge Associates, next directed the members to the June 30, 2016 Quarterly Report and the Quarterly Comparative Performance Review, noting that the University’s ranking is above the C|A’s endowment median returns for the trailing year. She also referenced the UVM Peer Returns exhibit and noted that the trailing 10 year return for UVM’s endowment is above median for similarly sized institutions.

Ms. Dorf then referenced the Manager Watch List and noted the managers being monitored and that no reallocations are being recommended.

Chair Brennan requested that C|A add endowment asset allocation pie charts to the peer returns exhibit to present at the Board meeting in October.

Contract Review

Chair Brennan requested a motion to enter Executive Session for the purpose of discussing contracts. The Subcommittee voted to enter Executive Session at 4:30 p.m., at which time C|A left the meeting.

The meeting was re-opened to the public at 4:38 p.m.

Adjournment

There being no further business, the meeting was adjourned at 4:39 p.m.

Respectfully submitted,
Robert Brennan, Chair