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, June 28, 2017, 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*

MEMBERS ABSENT: None

PERSONS ALSO PARTICIPATING: Vice President for Finance and Treasurer Richard Cate*; Assistant Controller for Tax and Treasury Services Kathy Snell*; Assistant Controller Lindsey Donovan**; Endowment Accountant Marie Tiemann; Kathryn Stephansky*, Ali Dorf*, Evan Fitzmaurice*, and Haley Brown* of Cambridge Associates (C|A)

*Participated via phone.
**Arrived at 3:20 p.m. and participated in person.

Chair Brennan called the meeting to order at 3:02 p.m.

Meeting Minutes

Chair Brennan entertained a motion to approve the minutes from the May 25, 2017 meeting. A motion was made, seconded, and it was voted to approve the minutes as presented.

Annual Reaffirmation of Endowment Budget Policy and Endowment Administration Fee Policy

Chair Brennan directed the members to Attachment 2, of the meeting materials, and noted that the ISC annually reviews the Endowment Budget Policy and Endowment Administration Fee Policy.

Following a brief discussion, Chair Brennan presented the following resolution for approval to present to the Budget, Finance and Investment Committee at their October Board meeting:

Resolution Reaffirming the Endowment Budget Policy

RESOLVED, that the Endowment Budget Policy is reaffirmed as reads below:

BE IT RESOLVED, that the annual budget for spending from Endowment be set at 4.5 percent of the average market value for the previous thirteen quarters ending December 31 of the prior calendar year; and
BE IT FINALLY RESOLVED, that the Investment Subcommittee will review and make recommendation to the Budget, Finance and Investment Committee regarding the reaffirmation or revision of the Endowment Budget Policy each year no later than December 31.

Adopted by: Board of Trustees - May 13, 1995
Reaffirmed: Board of Trustees - September 8, 2007
Board of Trustees - September 5, 2008
Board of Trustees - October 24, 2009
Board of Trustees - October 30, 2010
Board of Trustees - October 22, 2011
Board of Trustees - November 8, 2012
Board of Trustees - October 26, 2013
Board of Trustees - October 18, 2014
Board of Trustees – October 3, 2015
Board of Trustees – October 22, 2016

Chair Brennan entertained a motion to approve the above resolution to present to the Budget, Finance and Investment Committee at the October Board meeting. The motion was made, seconded, and approved unanimously.

Chair Brennan next presented the following resolution for approval to present to the Budget, Finance and Investment Committee at their October Board meeting:

**Resolution Reaffirming Endowment Administration Fee Policy**

RESOLVED, that the *Endowment Administration Fee Policy* is reaffirmed as reads below:

BE IT RESOLVED, that the Board of Trustees hereby approves a 0.25 percent fee applied to the University endowment for FY 2017/2018 to cover reasonable costs associated with endowment administration, management and operation; and

BE IT FURTHER RESOLVED, that on a fiscal year basis, the fee will be reviewed and assessed annually as 0.25 percent of the average market value of the University endowment for the previous thirteen quarters ending December 31 of the prior calendar year; and

BE IT FINALLY RESOLVED, that the Investment Subcommittee will review and make a recommendation to the Budget, Finance and Investment Committee regarding the reaffirmation or revision of the *Endowment Administration Fee Policy* each year no later than December 31.

Adopted by: Board of Trustees - September 13, 2003
Reaffirmed: Board of Trustees - September 8, 2007
Board of Trustees - September 5, 2008
Amended: Board of Trustees - October 24, 2009
Chair Brennan entertained a motion to approve the above resolution to present to the Budget, Finance and Investment Committee at the October Board meeting. The motion was made, seconded, and approved unanimously.

**Recent Market Returns and Total Portfolio Performance Review**

Ms. Dorf directed the ISC members to the meeting materials provided by Cambridge Associates and led discussion surrounding recent Market Returns through May 31, 2017. She noted the May 2017 exhibits and commented that the Non – U.S. equities continue to outperform the U.S. stocks. She highlighted the Emerging Markets strong performance of +3.0% for the month of May and +17.3% calendar year-to-date. Ms. Dorf also mentioned that the S&P index returned +8.7% while the Natural Resources market lagged returning –2.9% year-to-date. Ms. Dorf next directed the ISC members to the exhibit displaying the Global and US Indexes spread of returns between highest and lowest strategies within a given period and highlighted the benefits of diversification. She then directed the ISC members to C|A’s review of asset class valuations and noted the Emerging Markets Equities reside in the Fairly Valued category while US Equities have moved to Very Overvalued.

Ms. Brown led discussion surrounding the Long-Term pool performance through May 31, 2017. The Long-Term pool was valued at $482.8 million at the end of May with a return of +1.0% for the month, bringing the 2017 calendar year-to-date returns to +6.4%. She further noted that the trailing 12-month performance exceeds the Target Benchmark return. The ISC members reviewed the charts indicating the endowment growth and requested that C|A include a chart that would display the components of the endowment growth relating to the addition of gifts and distributions.

**Executive Session**

At 3:15 p.m., Chair Brennan entertained a motion to enter executive session for the purposes of discussing contracts of which premature general public knowledge would clearly place the University at a substantial disadvantage. The motion was made, seconded and approved. He stated that the session would last approximately 55 minutes and that there is potential action following. The following persons were invited to remain: Richard Cate, Kathy Snell, Lindsey Donovan, Marie Tiemann, Ali Dorf, Kathryn Stephansky, Evan Fitzmaurice, and Haley Brown.

The meeting was re-opened to the public at 4:25 p.m.
Portfolio Rebalancing

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

I. $8.6 million redemption from Standard Life GARS in anticipation of investing in a new manager and to occur when the new manager is chosen and accepts investments.

II. Additional investment of $7.0 million in Vanguard Short Term Bond Index Fund to deploy cash currently held in the Endowment Pool.

The motion was made, seconded and approved unanimously.

Adjournment

There being no further business, the meeting was adjourned at 4:35 p.m.

Respectfully submitted,

Robert Brennan, Chair