

**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 Thursday, September 17, 2020 at 8:00 a.m., via Microsoft Teams.

MEMBERS PRESENT: Chair Robert Brennan, Vice Chair Don McCree, David Aronoff¹, and Briar Alpert

OTHER TRUSTEES PRESENT: Board Chair Ron Lumbra

MEMBERS/ADVISORS ABSENT: Investment Subcommittee Advisors David Daigle and Steven Grossman

PERSONS ALSO PARTICIPATING: Investment Subcommittee Advisor Whit Wagner; Vice President for Finance & Administration Richard Cate²; Controller Claire Burlingham³; Special Assistant to the Chief of Staff Erin Dickinson; and Alexandra Dorf, Kathryn Stephansky, Jessica Kaplan, Samit Chhabra, Kenly Drake, Stephen Clarke, Katherine Swaim, and Wade O'Brien of Cambridge Associates

¹Joined the meeting at 10:30 a.m., exited the meeting at 1:10 p.m.

²Left the meeting at 11:15 a.m. and rejoined at 12:30 p.m.

³Left the meeting at 9:00 a.m. and rejoined at 11:20 a.m.

Chair Robert Brennan called the meeting to order at 8:00 a.m.

Meeting minutes

Chair Brennan presented the minutes of the August 12, 2020 meeting for approval. A motion was made, seconded and it was voted to approve the minutes as presented.

Market update with guest speaker Wade O'Brien, Cambridge Associates (CA) Capital Markets Research

Wade O'Brien of Cambridge Associates (CA) led discussion on capital market movements through August 31, 2020. Mr. O'Brien began by highlighting the strong returns in the second quarter and third quarter to date following the poor performance of equity markets throughout the first quarter. He noted that investor sentiment has improved due in part to encouraging advances in managing the COVID-19 pandemic, such as falling infection rates and vaccine developments. Mr. O'Brien then commented on the upcoming US presidential election and its implications for capital markets. He also noted the relative strength of the US equity market as compared to reported earnings, and highlighted the continued dominance of the IT sector, particularly the growth-oriented Facebook, Amazon, Apple, Microsoft, & Google (FAAMG) stocks. Mr. O'Brien concluded the discussion with comments on the state of the credit market, noting that although credit spreads have narrowed since the first quarter downturn, defaults have risen as companies face mounting economic distress.

Recent market returns and total portfolio performance review

Jessica Kaplan of CA led discussion on portfolio performance as of July 31, 2020. Ms. Kaplan noted that the University's total portfolio value stands at \$556.6M and has returned -1.4% calendar year-to-date versus the target benchmark return of -1.5%. She remarked on global asset class performance, highlighting the strength of the portfolio's US Equity and Fixed Income allocations, the latter of which was able to provide downside protection throughout the first quarter market downturn.

Executive session

At 9:02 a.m., Chair Brennan entertained a motion to enter executive session for the purposes of discussing contracts, premature general public knowledge of which would clearly place the University at a substantial disadvantage, and records exempt from disclosure under provisions of the Public Records Act. He noted that the session would last approximately four hours with action anticipated following. The following persons were invited to remain: Board Chair Ron Lumbra; Investment Subcommittee Advisor Whit Wagner; Vice President for Finance & Administration Richard Cate; Controller Claire Burlingham; Special Assistant to the Chief of Staff Erin Dickinson; and Alexandra Dorf, Kathryn Stephansky, Jessica Kaplan, Samit Chhabra, Kenly Drake, Stephen Clarke, and Katherine Swaim of Cambridge Associates

The meeting was re-opened to the public at 1:09 p.m.

Asset allocation targets

Chair Brennan entertained a motion to amend the Asset Allocation Policy Targets as shown in track changes in Appendix A.

The motion was made, seconded, and passed unanimously.

Portfolio rebalancing

Chair Brennan entertained a motion on the following proposed transactions:

- Fully redeem from Clarion Lion Properties Fund.
- Fully redeem from Invesco Core Real Estate – U.S.A Strategy Fund.

The motion was made, seconded, and passed unanimously.

Adjournment

There being no further business, the meeting adjourned at 1:15 p.m.

Respectfully submitted,

Chair Robert Brennan

APPENDIX A

ASSET ALLOCATION POLICY TARGETS

~~March 2020~~September 2020

Asset Class	Target (%)	Allowable Range (%)
Public Global Equity	45.0	30-65
Marketable Alternatives	15 <u>10.0</u>	10-20
Private Investments	25 <u>35.0</u>	15-35
Public Real Assets	5 <u>0.0</u>	0-10
Fixed Income	10.0	5-25
Cash & Cash Equivalents	0.0	0-5

Appendix A Targets last revised by Investment Subcommittee: *~~March 10~~September 17, 2020*