

**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, August 12, 2020 at 3:00 p.m., remotely via Microsoft Teams.

MEMBERS PRESENT: Chair Robert Brennan, Vice Chair Don McCree, David Aronoff and Briar Alpert<sup>1</sup>

OTHER TRUSTEES PRESENT: Board Chair Ron Lumbra<sup>1</sup>

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 Cate; Controller Claire Burlingham; Assistant Controller Lindsey Donovan; Senior Staff Accountant Patty Dubie; Endowment Accountant Marie Tiemann; Special Assistant to the Chief of Staff Erin Dickinson; and Alexandra Dorf, Kathryn Stephansky, Jessica Kaplan, Kenly Drake, and Stephen Clarke of Cambridge Associates

<sup>1</sup>Joined the meeting at 3:15 p.m.

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

**Meeting minutes**

Chair Brennan presented the minutes of the July 15, 2020 meeting for approval. A motion was made, seconded and it was voted to approve the minutes as presented.

**Resolution approving revision to the Endowment Administrative Fee Policy & approval of resolution reaffirming the Endowment Budget Policy**

Chair Brennan presented the following resolutions for approval:

**Resolution approving revisions to the Endowment Administration Fee policy**

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

BE IT FURTHER RESOLVED, that the Board of Trustees hereby approves an endowment management fee equal to 25 basis points to be applied to the University endowment from July 1, 2020 through December 31, 2020, and which shall flow to the University; and

BE IT FURTHER RESOLVED, that the Board of Trustees hereby approves that an endowment management fee equal to 100 basis points, 80 of which shall flow to the University of Vermont Foundation and 20 of which shall flow to the University, shall be applied to the University endowment beginning as of January 1, 2021 and continuing through June 30, 2022; and

BE IT FURTHER RESOLVED, that calculation of the endowment management fee will be based on 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*

*Reaffirmed: 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*

*Board of Trustees - October 21, 2017*

*Board of Trustees - January 31, 2020*

*Amended: Board of Trustees - May 15, 2020*

*Board of Trustees -*

### **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*  
*Board of Trustees - October 20, 2017*  
*Board of Trustees - October 27, 2018*  
*Board of Trustees - January 31, 2020*  
*Board of Trustees -*

Following the members review, a motion was made, seconded and it was unanimously voted to approve the resolutions as presented.

### **Recent market returns and total portfolio performance review**

Kathryn Stephansky of Cambridge Associates (CA) led discussion on market performance as of June 30, 2020. She reviewed the global asset class performance and highlighted the Standard & Poor's (S&P 500) gain of 4.4% and the All Country World Index (ACWI's) gain of 19% for the quarter. Ms. Stephansky remarked on how gold increased in value, and noted the acceleration of the global digitalization trend while the retail, travel and leisure sectors have been negatively impacted by the COVID-19 virus. She commented on how the markets are continuing to perform well following the strong rebound during the second quarter. However, market recovery remains uncertain for the near future due to the unknown pace of businesses re-opening and the timing of the vaccine development surrounding the COVID-19 pandemic.

Jessica Kaplan of CA commented on the performance for the long-term investment pool as of June 30, 2020. She stated that the portfolio assets value was \$540.1 million on June 30<sup>th</sup> with a 2% return for the month of June, a (4.4%) return for the calendar year-to-date and 0.0% for the fiscal year-to-date. She also noted the 2% June return outperformed the 1.6% benchmark and the portfolio recouped the loss of the 1<sup>st</sup> quarter of 2020. She remarked on the preliminary July increase in returns of 3.4% resulting in a -1.2% return for the calendar year-to-date and noted that July was a strong month for the portfolio. Ms. Kaplan reviewed the asset allocation and noted that the Public Equity sector is overweight and the Marketable Alternative sector is slightly underweight.

### **Executive session**

At 3:25 p.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 65 minutes 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; Assistant Controller Lindsey Donovan; Senior Staff Accountant Patty Dubie; Endowment Accountant Marie Tiemann; Special Assistant to the Chief of Staff Erin Dickinson; and Alexandra Dorf, Kathryn Stephansky, Jessica Kaplan, Kenly Drake, and Stephen Clarke of Cambridge Associates

The meeting was re-opened to the public at 4:30 p.m.

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### **Portfolio rebalancing**

Chair Brennan entertained a motion sell the entire position in Harvest MLP Fund III in keeping with the University's commitment to divest from fossil fuels investments.

The motion was made, seconded, and passed unanimously.

### **Adjournment**

There being no further business, the meeting adjourned at 4:31 p.m.

Respectfully submitted,

Chair Robert Brennan