

**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 16, 2023, at 3:00 p.m., in room 351 Waterman Building, via remote conferencing.

MEMBERS PRESENT: Chair Robert Brennan and Vice Chair Don McCree

MEMBERS/ADVISORS ABSENT: Trustee Susan Brengle, Advisors David Aronoff, and Steven Grossman

PERSONS ALSO PARTICIPATING: Advisor Whit Wagner; Vice President for Finance and Administration Richard Cate; Controller Claire Burlingham; Associate Controller Lindsey Donovan; Senior Staff Accountant Patty Dubie; Endowment Accountant Marie Tiemann; Vice President for Legal Affairs & General Counsel Trent Klingerman; Trustee Coordinator Corinne Thompson; and Richard Morrison, Ian MacPherson, and Zac Smith of Prime Buchholz (PB)

Chair Robert Brennan called the meeting to order at 3:05 p.m.

Meeting minutes

Chair Brennan presented the minutes of the June 21, 2023, and July 10, 2023, meetings for approval. A motion was made, seconded and it was voted to approve the minutes as presented.

Recent market and portfolio performance overview

Richard Morrison, of Prime Buchholz, led a discussion surrounding recent market and portfolio performance as of June 30, 2023. He noted that 2023 has been an interesting year in market activity and similar to the activity in 2021. He reported on June 30th year-to-date performance for the various market sectors noting the global equities and fixed income posted strong returns while the real asset exposures were negative. The S&P 500 Index equity returns were 16.9%, the Morgan Stanley Capital International and Europe, Australasia, and Far East (MSCI) returns were 11.7% while the MSCI China returns were -5.5% year-to-date. All sectors of the domestic equity generated positive returns in June, and he noted that the consumer discretionary and technology sectors produced the highest returns. Mr. Morrison commented that the Federal Reserve, after a significant tightening cycle, is close to ending the interest rate hikes. He noted that the activity in the private equity sector slowed to a low level due to inflation.

Ian MacPherson led the discussion on the long-term pooled portfolio performance noting the portfolio returns were 7.6% year-to-date and 8.4% fiscal year-to-date as of June 30, 2023, which were slightly behind the policy index. He noted that the public equity was the strongest performing sector while the private capital underperformed due to private equity inactivity. Mr. MacPherson explained that capital calls for the private sector decreased, but near-term activity has a positive outlook. He commented that July returns are estimated to be 2% and the market value for the portfolio is above \$800 million for July 2023. He reported on the peer performance

analysis with respect to endowments in the \$250 million - \$1 billion range. The University's performance ranks in the second quartile for the trailing year and first quartile for the 3-year time frame amongst our peers. He also noted that the University is continuing to gain competitive results and is moving up in the rankings.

Executive session

At 3:30 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 stated that the session would last approximately 1 hour with action anticipated following. The following persons were invited to remain: Advisor Whit Wagner; Vice President for Finance and Administration Richard Cate; Controller Claire Burlingham; Associate Controller Lindsey Donovan; Senior Staff Accountant Patty Dubie; Endowment Accountant Marie Tiemann; Vice President for Legal Affairs & General Counsel Trent Klingerman; Trustee Coordinator Corinne Thompson; and Richard Morrison, Ian MacPherson, and Zac Smith of Prime Buchholz (PB)

The meeting was re-opened to the public at 4:33 p.m.

Resolutions reaffirming the Endowment Budget Policy and approving a revision to the Endowment Administration Fee Policy

Chair Brennan presented the following resolutions for approval:

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 - September 25, 2020
Board of Trustees – October 29, 2021
Board of Trustees – October 29, 2022
Board of Trustees -

Resolution approving revision 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 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 July 1, 2024~~2022~~ and continuing through June 30, 2025~~2024~~; 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
Board of Trustees - May 15, 2020
Amended: Board of Trustees - September 25, 2020
Board of Trustees – October 29, 2021
Board of Trustees – October 29, 2022

Board of Trustees –

Chair Brennan entertained a motion to approve the resolutions. A motion was made, seconded and the resolutions were unanimously approved for referral to the Budget, Finance & Investment Committee.

Portfolio rebalancing

Chair Brennan entertained motions to approve the following transactions:

- Liquidate 100% position from the DSM Capital Partners large cap growth equity strategy fund and invest 2/3 of the proceeds to RhumbLine S&P 500 Index account and 1/3 to Greenhouse Funds LLP a long only equity fund.
- Fully liquidate the Charles-Lim Asia Global position and invest the proceeds in the Vanguard Treasury Money Market Fund.

The motions were made, seconded, and unanimously approved.

Adjournment

There being no further business, the meeting adjourned at 4:37 p.m.

Respectfully submitted,

Robert Brennan, Chair