

**BUDGET, FINANCE AND INVESTMENT COMMITTEE
BOARD OF TRUSTEES
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE**

A meeting of the Budget, Finance and Investment Committee of the Board of Trustees of the University of Vermont State and Agricultural College was held on Friday, February 8, 2013 at 10:45 a.m., in the Silver Maple Ballroom, 401 Dudley H. Davis Center.

MEMBERS PRESENT: Chair Debbie McAneny, Vice Chair Sam Bain, President Tom Sullivan, Robert Brennan*, David Daigle, Kyle DeVivo, Joan Lenex, Kesha Ram, Lisa Ventriss and Mark Young.

REPRESENTATIVES PRESENT: Faculty Representative Albert Joy, Alumni Representative Afi Ahmadi, Staff Representatives Eric Hoefel and Tobey Clark, Student Representatives Samantha Holland and Andrew Dougherty, and Graduate Student Representatives Jennifer Rousseau and Elizabeth Pope

OTHER TRUSTEES PRESENT: Trustee Harry Chen**

PERSONS ALSO PARTICIPATING: Vice President for Finance and Administration Richard Cate, University Budget Director Alberto Citarella, University Controller Claire Burlingham

ABSENT: Trustee Carolyn Branagan, Faculty Representative Donald Ross, Alumni Representative Walt Blasberg

*via conference phone

**attended afternoon session only

Chair Debbie McAneny called the meeting to order at 11:26 a.m.

Chair McAneny acknowledged outgoing members Trustee Kyle DeVivo and Alumni Representative Walt Blasberg for their service on behalf of the Budget, Finance, and Investment Committee.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the November 7th & 8th, 2012 meetings.

Net Assets Annual Review

University Controller Claire Burlingham presented the report of net assets which totaled \$175.5 million at the end of FY 2012. She explained that the summary report is grouped by fund types, by similar operations and activities and was based on the FY 2012 detailed results.

Net assets of \$140.8 million are “unrestricted” in the accounting sense and are available for general use, although much of it is targeted to specific purposes (treasury operations, loan funds, plant funds, etc.). The remaining net assets of \$34.7 million are restricted in nature and may only be used for designated purposes.

Controller Burlingham noted that academic units may accumulate unspent resources and roll them forward to meet strategic purposes, subject to approval by the Provost, such as faculty start-up requirements or specialized equipment purchases. The cumulative balance of the appropriation reserves for FY 2012 is \$23.2 million.

She further explained that the majority of approximately \$27 million of remaining net assets from general fund operations is set aside for defined purposes such as insurance reserves and working capital and \$13 million was transferred to the Energy Efficiency Revolving Loan Fund as of July 1, 2012.

Income/Expense units' (including Residential Life, Continuing Education, University Bookstore, etc.) net assets totaled \$16.3 million as of June 30, 2012.

As of June 30, 2012, there was \$43.2 million in excess limited term cash. This is in addition to the \$175.5 million net assets.

At Chair McAneny's request, the administration will present a tutorial on the University's self-insurance at a future meeting.

The administration will also provide more details on the University's unencumbered cash reserves.

Debt Policy and Ratio Annual Review

Vice President Cate explained that the University's Debt Policy states that the debt burden ratio will not be greater than 6%, and that in 2007 the Board voted to lower the ratio to 5% by 2017. The debt ratio is currently 5.05% and, if no additional debt is incurred, it will be less than 5% by 2017.

However, the University's Strategic Action Plan and the Capital Priorities Plan identify the need for new and renovated facilities and other critical investments. In recognition of these needs, Vice President Cate recommended that the committee consider rescinding the language added in 2007 allowing the debt burden ratio to remain 6%. He emphasized that there is no proposal to incur more debt, but leaving the ratio at 6% would give the University, subject to budgetary constraints, the capacity to take on some additional debt for the projects on the Capital Project Priority List that the President presented to the Board in November.

The Committee chose to table voting on the Debt Policy review to allow members an opportunity to further discuss debt capacity and refinancing risks with the University's debt advisors at a future meeting. Trustee Bain and President Sullivan agreed that it would be prudent to take advantage of current interest rates and not to delay this decision for too long.

As required by the Debt Policy, Controller Burlingham reviewed the debt burden and viability ratios. The Policy states that the University's viability ratio should be greater than .8. Due to post-retirement liability obligations the viability ratio is at .66, which is out of compliance. It was noted that this is not unusual and that other peer institutions are in similar situations. As noted earlier, the debt ratio is now 5.05%, so it is in compliance with the policy cap of 6%.

At 12:20 p.m., Chair McAneny recessed the meeting.

At 1:20 p.m., the meeting reconvened.

Report of the Investment Subcommittee (ISC)

ISC Chair Bain led the Committee through a brief discussion of Long-Term Investment Pool allocations and performance through December 31, 2012 and noted very little variance. He reviewed the Cambridge Associates report, in particular referring to Page 5 which reported on the asset and target allocations and to Page 10 which reports on the calendar year to date position of each fund manager.

The endowment ended with preliminary numbers at \$354.4 million which is back to its pre-fall 2008 value. Chair Bain is pleased with the endowment's performance, which is up 13%, and noted that it is performing in line with expectations.

The ISC is meeting in Boston on February 27th to determine new asset allocation targets. Chair Bain said that the subcommittee will be vetting the current trend of a 60/40 stock/bond split investment option.

In response to BFI Chair McAneny's question at a previous Committee of the Whole meeting regarding how well the University has done, ISC Chair Bain reported that the University has had a very good long-term performance, growing 8-9%.

Statement of Investment Policies and Objectives

ISC Chair Bain explained that the Budget, Finance and Investment Committee is charged with the periodic review of the *Statement of Investment Policies and Objectives* and that in December the Investment Subcommittee reviewed revisions to the *Statement* and is now recommending adoption of the *Statement of Investment Policies and Objectives*, revised to reflect changes to the indices used in the Target Benchmark.

He presented the following resolution as revised to the committee for approval:

(AS RECOMMENDED BY INVESTMENT SUBCOMMITTEE – December 19, 2012)

Resolution Approving Revisions to the University of Vermont Statement of Investment Policies and Objectives

WHEREAS, in February 2011, the Board adopted a *Statement of Investment Policies and Objectives* to govern the investment of UVM's Long-Term Investment Pool, including the Endowment Fund; and

WHEREAS, the Budget, Finance and Investment Committee was charged with the periodic review of the *Statement of Investment Policies and Objectives*; and

WHEREAS, on December 19, 2012, the Investment Subcommittee reviewed revisions to the *Statement of Investment Policies and Objectives*, as appended, to reflect changes to the indices used in the Target Benchmark, and the Investment Subcommittee is now recommending adoption of the *Statement of Investment Policies and Objectives*, as revised;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby adopts the Statement of Investment Policies and Objectives appearing as Appendix A to this document.

A motion was made, seconded, and it was unanimously voted to approve the resolution for recommendation to the full Board.

Revisions to the Investment Subcommittee Charge

The Board of Trustees established an Investment Subcommittee of the Committee on Budget, Finance, and Investment on February 11, 2006. The Resolution Approving Creation of Investment Subcommittee and Appointment of its Initial Members has been revised to update the Investment Subcommittee charge, in light of the Investment Management agreement between the University of Vermont and the University of Vermont Foundation, Inc.

ISC Chair Bain presented the following resolution as revised to the committee for approval:

Resolution Approving Amendments to the Investment Subcommittee Charge

RESOLVED, that Board hereby approves amendments to the Investment Subcommittee charge appearing as Appendix B to this document.

A motion was made, seconded, and it was unanimously voted to approve the resolution for recommendation to the full Board.

Socially Responsible Investing Advisory Council

As the Socially Responsible Investing Advisory Council (SRI-AC) Leader, Controller Burlingham brought the committee up to date regarding its activities. The Council has met multiple times since its new configuration was approved in November, primarily focusing on organizing its new structure and establishing operating guidelines for the first town hall meeting which will take place on February 20th. The purpose of the semi-annual town halls is to solicit comments and areas of concern from the campus community regarding the University's investment policies.

Another primary tool of communication will be the SRI-AC website which will provide up-to-date information on current issues and events. Controller Burlingham expressed her appreciation for the funding graduate fellow Liz Palchek who will be the lead in thoroughly researching issues so that the Council may make well-informed recommendations to the Vice President for Finance and Administration.

Comparator Institutions (tuition and fees) & Maximum Cost of Fees

University Budget Director Alberto Citarella reviewed revised comparison data for recent and historical tuition and fee charges for the University and its public and private peers distributed at the meeting.

The University's tuition rates continue to be on the high end in comparison to other public institutions and on the low end compared to private institutions. The rate of increase of the University's tuition over the last 10 years has been on the low end of the spectrum as compared to public institutions.

Total cost of attendance which comprises rates for room, board, required student fees, and tuition, is currently projected to grow at 3%. The maximum proposed comprehensive student fee reflects a 2.6% increase. The combined proposed room/meal rate increase is 3.3%.

Chair McAneny was interested whether peer data were available on net versus gross tuition. Both Mr. Citarella and Vice President for Enrollment Management Chris Lucier agreed that it is difficult to do so since each institution uses its own set of criteria for what is included in tuition and aid.

In order for Residential Life to enter into contracts with students prior to the formal budget approval in May, it was determined that a resolution requesting the Board to set the maximum room and meal plan rates and other fees for Fiscal Year 2014 was in order.

Vice President Cate presented the following resolution to the committee for approval:

Resolution Setting Maximum Room, Meal Plan Rates and Other Fees, Fiscal Year 2014

RESOLVED, that the Board of Trustees hereby sets the maximum room and meal plan rates and other fees for Fiscal Year 2014 as follows:

Room (Standard Double)	\$6,844
Predominate Meal Plan	\$3,558
Total Comprehensive Fee	\$1,786
UG Student Government Association (SGA) Fee	\$174
UG Inter Residence Association (IRA) Fee	\$30

A motion was made, seconded, and it was unanimously voted to approve the resolution for recommendation to the full Board.

Trustee Ram asked if the lower student enrollment will have an impact on the meal services available. Will there be fewer choices and/or locations? Associate Vice President for Student and Campus Life Annie Stevens responded by providing an overview of past and current meal plan options and explaining that the goal is to address the decreasing number by re-aligning operations and to keep the room rate lower to balance out the higher meal rate.

FY 2014 and FY 2015 Budget

President Sullivan framed the budget planning process by reviewing his strategic priorities, budget balancing principals, decision-making criteria and overall budget process which included multiple meetings amongst the Interim Provost, Vice President for Finance and Administration, himself and the academic and administrative leadership.

Vice President Cate summarized the current financial situation by pointing out the following:

- An additional \$8 million a year will be needed to cover inflationary costs of general fund expenditures. This assumes no new debt service. These costs are primarily related to compensation of faculty and staff. Revenue from current non-traditional sources must increase in

order to help fill this gap.

- The University's revenue stream from indirect cost recovery from grants has gone down 20% since FY 2011.
- The demographic decline and exit of a large graduating class will contribute to lower FY 2014 enrollment.

Vice President Cate was asked about why the gap being addressed in the FY 2014 budget proposal was only \$5 million as contrasted with \$8 million inflation number previously referenced. He explained that through utilities and facilities savings, general University budget reductions, Division of Finance and Administration budget reductions and increased revenue from Continuing Education it would be covered. He noted that academic units will be expected to take a 1.1% cut and the administration is responsible for a 4.7% budget reduction.

Chair McAneny asked President Sullivan if he felt confident that his goals are achievable. He answered by acknowledging how difficult these decisions are but they are necessary to protect the academic core.

Trustee Bain expressed concern about weakening the operational side of the University and Faculty Representative Albert Joy noted that faculty need strong staff support to be most effective.

Vice President's Report

Vice President Cate distributed a written report that included follow-up information on University Medical Education Associates, Inc. (UMEA), as well as outstanding commitments to deans resulting from employment agreements.

Adjournment

There being no further business, the meeting adjourned at 2:15 p.m.

Respectfully Submitted,

Debbie McAneny, Chair

UNIVERSITY OF VERMONT

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES

I. INTRODUCTION

This statement is issued by the Investment Subcommittee (the “ISC”) of the Board of Trustees of the University of Vermont (the “Board”). The ISC was established by the Board and the Budget, Finance and Investment Committee in late 2006 and charged with oversight of investment strategy and investment managers for the Long-Term Investment Pool, including the Endowment Fund, collectively called the “Fund”, of the University. The policy statement will be reviewed annually and modified by the ISC as conditions warrant.

II. FIDUCIARY STANDARDS

The Board, the ISC, the Treasurer and investment staff, and any third-parties (e.g., investment managers) retained to advise the Board, the ISC, the Treasurer and/or investment staff as to investment strategy and management (any and all of whom may be referred to as “Responsible Parties”) shall exercise their responsibilities with respect to the Fund’s assets in compliance with the requirements of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), enacted in the state of Vermont in 2009. In accordance with UPMIFA, key facets of the Responsible Parties’ roles include:

- Acting in good faith, with the care an ordinarily prudent person would exercise;
- Incurring only reasonable costs in investing and managing charitable funds;
- Making decisions about each asset in the context of the portfolio of investments, as part of an overall investment strategy;
- Diversifying investments unless due to special circumstances, the purposes of the Fund are better served without diversification;
- Disposing of unsuitable assets; and
- In general, developing an investment strategy appropriate for the Fund and the University.

III. RESPONSIBILITIES of INVESTMENT SUBCOMMITTEE

Responsibilities and goals of the ISC include:

- Ensuring that current and future spending requirements are supported while also preserving the real purchasing power of the Fund;
- Achieving an optimum level of return within specified risk tolerances;
- Developing a sound and consistent investment policy including asset allocation, diversification and rebalancing guidelines;
- Selecting and maintaining qualified investment managers and consultants;
- Monitoring and evaluating results to ensure that policy guidelines are being adhered to and that policy objectives are being met; and
- Taking action under appropriate circumstances to discharge an investment manager or advisor for failing to perform in terms of stated expectations.

The ISC is authorized to delegate certain responsibilities to staff to assist in properly meeting the overall responsibilities as outlined above.

IV. CONFLICT OF INTEREST POLICY

In addition to the responsibilities set forth in the Board of Trustees' Conflicts of Interest policy, it is the responsibility of the ISC members to disclose to the ISC Chair any situation in which there may be reasonably construed to be a perceived or actual conflict of interest. The ISC Chair will work with the members to determine an appropriate response.

The ISC will generally not consider investments in funds directly managed by a member of the ISC. In addition, a member of the ISC employed by an investment or other firm that provides services to the Fund will recuse him/herself from all discussions and votes on existing or potential investments or other services managed or provided by that firm. The ISC recognizes, however, that certain exceptions to this policy may be appropriate. Such exceptions will be made only upon a majority vote of the disinterested members of the ISC.

In the event that the ISC is considering an investment in an access-constrained investment opportunity, any ISC member wishing to invest for his/her own benefit in such an opportunity shall notify the ISC Chair in writing.

V. MORAL, SOCIAL AND ETHICAL CONSIDERATIONS IN INVESTMENT STRATEGY

The University's policy of fiscal prudence shall not preclude the consideration of moral, ethical and social criteria in determining companies in which to invest.

The University may take an active role on request in pursuing shareholder resolutions through proxy resolutions and other means in order to further its goal of investing in firms that produce safe and useful products in accordance with moral, ethical and social criteria. Investment managers may be asked to address various company or sector weights within their respective portfolios to help the University meet its social investing goals.

VI. FINANCIAL & INVESTMENT OBJECTIVES

The overall financial objectives of the Fund are to provide a stable and consistent level of ongoing support for the University's programs through a reasoned spending policy that is also consistent with preserving and hopefully enhancing the real (i.e., inflation-adjusted) purchasing power of the Fund over time.

The primary long-term investment objective of the Fund is to attain a real total return¹ (net of investment management fees) that exceeds the amount being distributed for spending and administration, currently set at 4.75%. This will be measured over the long term, capturing a full market cycle, as it is unlikely that the Fund's return will meet or exceed the spending rate in each individual year. Other important investment objectives are to achieve annualized returns in excess of the strategic policy portfolio blended

¹ Real total return is the sum of realized and unrealized capital appreciation (or loss) and current income in the form of dividends and interest, adjusted for inflation as measured by the Consumer Price Index.

benchmark (defined herein), measured over a full market cycle; and to outperform the median return of a pool of endowment funds with broadly similar investment objectives and policies.

VII. ASSET ALLOCATION

The policy portfolio for the Fund is a target or “normal” set of investments, based on long-term return, risk and correlation assumptions that balance the organization’s need for liquidity, preservation of purchasing power, and risk tolerance. Certain investments are made for **capital appreciation and return enhancement**: global equities, long/short hedge funds, venture capital and private equity; some are made to **protect against unanticipated inflation**: real estate, energy, timber, commodities, TIPS; and some are made to **protect against deflationary periods and to reduce volatility**: primarily, high quality intermediate bonds for the former and absolute return hedge funds for the latter. The ISC, with input and assistance from staff and external consultants, shall periodically examine the policy portfolio targets and consider adjustments to the asset allocation as may be appropriate (for example, due to a material change in the capital market assumptions). Changes to the policy portfolio targets will be reviewed and approved by the ISC and presented to the Budget, Finance and Investment Committee and the Board, as necessary.

In addition to being diversified across asset classes, the Fund will be diversified within each asset class. This will provide reasonable assurance that the performance of any single security, issuer or class of securities, or active manager will not have a disproportionate impact on the total Fund performance.

The most current asset allocation / strategic policy portfolio for the Fund is attached as **Appendix A**.

VIII. REBALANCING

The Fund's actual asset allocation will be monitored monthly and reviewed by the ISC at its regular meetings relative to established policy portfolio targets and allowable ranges. Adjustments may be constrained by practical limits with respect to liquidity and transaction costs, but rebalancing efforts will be made as practicable. Cash flow in or out of the Fund may create an opportunity to shift the allocation closer toward policy targets. The ISC may at times authorize investments in new or developing asset classes that are not part of the strategic policy portfolio at the time of their adoption, with the intention of revising the policy portfolio shortly thereafter.

IX. PERFORMANCE EVALUATION, BENCHMARKS, and ASSET CLASS CHARACTERISTICS

The performance objectives for the total Fund, each asset class and each manager are outlined below, with the purpose of establishing specific parameters for regular and ongoing review. While performance is measured over both short- and long-term periods, the focus and emphasis of performance evaluation is on longer time periods as represented by a full market cycle.

Overall Fund

There are a number of different benchmarks for assessing performance at the overall Fund level:

Undiversified Benchmark – this simple market benchmark helps the ISC evaluate the value added from a sophisticated investment program versus a portfolio that could be easily replicated through investment

in U.S. index funds. ~~This simple weighted market benchmark should reflect the broad policy allocation between equities and fixed income of the Fund.~~

Target Benchmark – this custom benchmark compares the total return of the Fund to a blended benchmark based on applying the target policy weights of each underlying asset class to the performance of the asset class benchmarks. The individual asset class benchmarks are discussed in the next section.

Current Allocation Benchmark – this benchmark is composed of the current allocations for each of the underlying composite asset classes weighted against the corresponding returns of their respective benchmarks.

Cambridge Associates’ Universe of Endowment Pool Returns – a universe of over 300 institutions, a broad peer universe against which the ISC compares the Fund’s return. In addition to this broad comparison, the ISC may also compare the Fund’s results to various subsets of this broad universe, which include institutions with similar characteristics.

Asset Classes & Managers

Each manager will be expected to outperform (net of fees) a benchmark that is appropriate based on the asset class and style of the manager, over a full market cycle. Performance results will be reviewed with the ISC at its regular meetings and in an interim period when there is a major event (personnel change, for example) at the firm. The manager will be evaluated on long-term performance so that shorter-term failure to meet the benchmark target returns is not an automatic basis for manager termination.

Due to the broad nature of the asset classes and the unique style of managers, it is important to note that the specific benchmark of the individual manager may not necessarily be the same as the benchmark for the particular asset class composite as defined below. For example, the Total U.S. Equity benchmark is the S&P 500 but small cap managers, for example, will be compared to the appropriate small cap benchmarks.

Asset Class	Market Index Used in Target Benchmark ²	Underlying Investments
U.S. Equities	S&P 500, which represents a relatively broad investable universe of U.S. stocks	Portfolios are expected to focus on investments in the U.S. equity market.
Non-U.S. Equities	MSCI All-Country World Index ex-US (ACWI)	Portfolios are expected to focus on the world’s developed and developing equity markets, excluding the U.S.
Marketable Alternatives	ML 90 day Treasury bills + 5% Hedge Fund Research Inc. (HFRF) Fund of Funds Composite Index	Investment mandates may include: multi-strategy arbitrage, event arbitrage, distressed securities, credit/capital structure arbitrage and long/short equity investments in global markets.
Venture Capital	S&P 500 + 5 3%	This asset class includes non-publicly traded securities. Market values and

² [Indices used in Target Benchmark are effective as of November 28, 2012.](#)

University of Vermont
Statement of Investment Policies and Objectives

		return information are lagged by one quarter, as the underlying investments are not readily valued at the close of the latest quarter.
Private Equity	S&P 500 + <u>53%</u>	This asset class includes non-publicly traded securities such as buyout funds, <u>secondaries</u> , and distressed debt. Market values and return information is lagged by one quarter, as the underlying investments are not readily valued at the close of the latest quarter.
Real Estate (private)	<u>CPI-U + 5% NCREIF Property Index</u>	Investments will be predominately in private real estate funds invested in various segments of the real estate market, including: office, industrial, multi-family, and retail.
Natural Resources and Timber (private)	CPI-U + 5%	Investments will be in private oil and gas transactions and in timberland, possibly including related logging operations.
<u>TIPS, and Commodities, and Natural Resource Equities</u>	<u>CPI-U + 5% Blended Benchmark of Public Real Asset Manager Specific Benchmarks, one-third each: Barclays US TIPS; DJ UBS Commodities Index; BlackRock Custom Energy Equity Benchmark, Based on Actual Weights</u>	Holdings consist of U.S.-issued <u>TIPS, and diversified commodities futures positions, and energy related equity securities</u>
Core Fixed Income	Barclays Capital Aggregate Bond Index	Holdings consist of U.S. Treasury bonds, mortgages, and corporate credit investments.
Cash and Cash Equivalents	ML 90-day Treasury-Bill index	

Individual manager accounts will be monitored for consistency of each manager’s investment philosophy and process, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. In the broadest sense, the monitoring process is intended to confirm that the reasons the manager was initially retained still hold true.

X. MANAGER GUIDELINES

Investment managers will be hired for a specific skill set, and the resulting investments will be made either through separately managed accounts or pooled vehicles. Each manager of a separate account will adhere to the firm’s stated philosophy and investment strategy. Where investments are in commingled funds, mutual funds, off-shore funds or limited partnerships, the permissible investments are governed by the appropriate fund prospectus or offering memorandum. Some of these products permit the use of derivatives for certain investment strategies and in instances where a manager has demonstrated skill in

effectively utilizing these instruments. For example, they may be used in reducing risk or replacing positions to gain flexibility and efficiency.

XI. MANAGER REPORTING

Each investment manager of marketable assets will provide monthly portfolio valuations and total return net of all commissions and fees. On a quarterly basis, managers will report current holdings at cost and at market value, and purchases and sales for the quarter. Traditional marketable managers may be required to reconcile records of holdings, transactions, and dividend/interest income with the Fund's custodian on a periodic basis. Specialty managers (who manage hedge funds and non-marketable partnerships) will report on portfolio details with as much transparency as possible. Each of these managers will provide annually their most recent audited financial statements, which include the basis of accounting and the auditor's opinion. In addition, each specialty manager will disclose its respective valuation policies and procedures on an annual basis.

Regular communication from all managers concerning investment strategy and outlook is expected. The ISC will regularly review a Watch List that is maintained to highlight managers' relative performance when it is outside the normal range or expected returns, new organizational issues, and/or any significant changes in strategy that raise concerns. Additionally, managers are required to inform the University of Vermont of any significant change in firm ownership, organizational structure, professional personnel, or fundamental investment philosophy. Managers will also send a copy of their form ADV to the University at least annually.

XII. PROXY VOTING GUIDELINES

University of Vermont's Endowment Accountant votes the shareholder proxies.

XIII. GUIDELINES FOR TRANSACTIONS

As a general guideline that should apply to all assets managed, transactions should be entered into on the basis of best execution, which is interpreted normally to mean best realized price.

Adopted by the Board of Trustees on February 5, 2011, to replace the former "Statement of Investment Objectives and Policies," as revised most recently on November 11, 2006.

Approved as revised by the Board of Trustees:

APPENDIX A

ASSET ALLOCATION POLICY TARGETS

Revised, as of January 2012

Asset Class	Target (%)	Allowable Range (%)
Equity Fund		
U.S. Equity	22.5	15-30
Global ex U.S. Equity	22.5	15-45
Developed Markets	10.5	10-25
Emerging Markets	12.0	5-20
Marketable Alternatives	22.0	15-25
Real Assets (Inflation Hedging)	14.0	10-25
Private Equity / Venture Capital	11.0	5-20
Subtotal Equity	92.0	
Fixed Income Fund		
Fixed Income	8.0	5-25
Cash & Cash Equivalents	0.0	0-5
Subtotal Fixed Income/Cash	8.0	

Appendix A Targets revised by Investment Subcommittee: January 6, 2012

UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

BOARD OF TRUSTEES

INVESTMENT SUBCOMMITTEE

Resolution Approving Creation of Investment Subcommittee and Appointment of its Initial Members

RESOLVED, that the Board of Trustees hereby establishes an Investment Subcommittee of the Committee on Budget, Finance, and Investment and charges it with the oversight of investment management decisions as set forth in the charge hereinstated between regular meetings of the full Committee and such other duties as may be delegated by the Committee.

BE IT FURTHER RESOLVED, that the initial members of this Subcommittee will be Robert Cioffi, chair; John Snow; Ian Boyce; Susan Hudson-Wilson, and Thomas Little.

Subcommittee Charge

The Subcommittee shall have responsibility for oversight, hiring, and termination of managers and advisors engaged for the investment of the University's Long-term Investment Pool, and shall report on these actions at regular meetings of the Budget, Finance, and Investment Committee ("the Committee"). The Subcommittee shall also exercise the responsibilities assigned to it with respect to investment of the Wilbur Fund under an Investment Management Agreement in effect between the University of Vermont and State Agricultural College Board and the University of Vermont Board ("UVM Board" "Investment Management Agreement") under which Wilbur Fund assets are co-invested with those of the University. In addition, the Subcommittee shall exercise the responsibilities assigned to it under an Investment Management Agreement in effect between the University and The University of Vermont Foundation under which Foundation assets are co-invested with the assets of the University.

The Subcommittee shall ~~also~~ be responsible for making adjustments to individual investment allocations to conform to the University's asset allocation policy as recommended by the Committee and approved by the Board. The Subcommittee shall also review the asset allocation policy and make recommendations to the Committee for its consideration at least once annually.

For as long as ~~the an~~ Investment Management Agreement remains in effect between the University of Vermont and State Agricultural College Board and the University of Vermont Board, at least one member of the ~~University of Vermont Board of Trustees~~ ("UVM Board") shall be appointed to this Subcommittee, (~~also~~ thus also serving as a member of the ~~Budget, Investment, and Finance~~ Committee), who shall among other

responsibilities as a member of the Subcommittee act on behalf of, and report to, the UVM Board with respect to the investment of the Wilbur Fund.

The Subcommittee shall, between meetings of the Committee, make decisions relating to investment managers and investments that are necessary in the best interests of the University. Any such decisions shall be reported to the Committee ~~and at~~ its next regular or special meeting.

The Subcommittee shall oversee the work of the University Treasurer with respect to execution of investment decisions and cash management policies in regards to the Limited-Term Investment Pool.

~~The Subcommittee will exercise its charge in a manner consistent with University governance, including the Board's reserved rights and delegations of authority.~~

As approved by the Board of Trustees: November 11, 2006.

As revised by the Board of Trustees: December 1, 2007.

As revised by the Board of Trustees: