

**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, May 18, 2018 at 1:00 p.m., in the Silver Maple Ballroom, 401 Dudley H. Davis Center.

MEMBERS PRESENT: Chair Don McCree, Vice Chair Robert Brennan*, President Thomas Sullivan, David Aronoff, John Bartholomew, Bernard Juskiewicz, Ron Lumbra, Caitlin McHugh, Ed Pagano, and Tristan Toleno**

REPRESENTATIVES PRESENT: Faculty Representative Andrew Barnaby, Foundation Representative Richard Ader*, Alumni Representative Myron Sopher, Staff Representative Joshua Tyack, Student Representatives Clark Deng and Reginah Mako, Graduate Student Representatives Michelle DiPinto and Joseph Campbell

PERSONS ALSO PARTICIPATING: Board Chair David Daigle, Vice President for Finance and Treasurer Richard Cate, University Budget Director Alberto Citarella, University Controller Claire Burlingham, UVM Foundation President & CEO Shane Jacobson, Director of Capital Planning and Management Robert Vaughan, and Chair of Plant Biology David Barrington

ABSENT: Trustee Johannah Donovan, Staff Representative Renee Berteau and Faculty Representative Timothy Higgins

*participated by conference phone

**arrived at 2:15 p.m.

Chair McCree called the meeting to order at 1:05 p.m. He started the meeting by welcoming new Committee members Caitlin McHugh, Tristan Toleno, and Joshua Tyack.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the April 9, 2018 meeting.

Report of the Investment Subcommittee (ISC)

ISC Chair Robert Brennan referred Committee members to the Cambridge Associates Performance Update (separate distribution) and the additional handout passed out at the meeting, which corrected mistakes within the Cambridge Associates update. He noted that after the spike in February of this year, the volatility in the market returned to normal.

As of March 31, 2018 the endowment balance was \$524.5 million. Chair Don McCree noted that the pooled endowment, described in the Cambridge report, does not include the real estate holdings that are also part of the endowment.

ISC Chair Brennan explained that as recommended by the Investment Subcommittee, the Committee is being asked to consider housekeeping revisions to the Statement of Investment Policies & Objectives, as shown in Appendix A of the meeting materials.

Chair McCree then presented the following resolutions for approval:

Resolution Approving Revisions to the 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 Investment Subcommittee is charged with an annual review of the Statement of Investment Policies and Objectives; and

WHEREAS, the Investment Subcommittee reviewed revisions to the Statement of Investment Policies and Objectives, as appended;

NOW, THEREFORE, BE IT RESOLVED, that the Budget, Finance & Investment Committee hereby recommends that the Board adopt the amended Statement of Investment Policies and Objectives, appearing as Appendix A to this document.

A motion was made, seconded, and the resolution was unanimously approved as presented.

Fundraising Update on Capital Projects

UVM Foundation President & CEO Shane Jacobson updated the Committee on fundraising progress on capital projects, including the Science, Technology, Engineering and Mathematic (STEM) Complex and Ifshin Hall. He began his presentation by explaining the different categories into which funding from the Comprehensive Campaign are allocated.

He noted the re-openings of the Billings Library and the Taft School will be this fall.

President and CEO Jacobson explained that the STEM Complex will be funded by a mix of private gifts and non-debt funding. As of May 17, 2018, the Foundation had already secured \$10.8 million in non-debt funding. The remaining non-debt goal is \$15.2 million.

In regard to Ifshin Hall, as of May 17, 2018, \$8.6 million of the \$11 million non-debt goal has been raised.

When asked about fundraising regarding the Multipurpose Center, he noted there is a growing pipeline for the project.

Vice President's Report

University Controller Claire Burlingham provided a brief update on the capital project pre-funding account, noting that after the approved transfer to Ifshin Hall on April 10, 2017, the balance of the account is \$0.00.

She also provided an update on the net tuition stabilization fund, noting that as of March 31, 2018, the balance of the account \$4.5 million.

FY 2019 Budget Discussion / Third-Quarter General Fund Budget to Actuals

Vice President Richard Cate opened the conversation by explaining there were no significant changes to the FY 2018 budget premise presented at the April Committee planning meeting.

University Budget Director Alberto Citarella reminded Committee members that this year there is a tuition increase of 2.7% for out-of-state students and 2.8% for those from Vermont. In the last three years, tuition increases have all been under 3.0%.

Budget Director Citarella noted the general fund revenue budget has increased to \$370 million in FY 2019. He explained that revenue is increasing by 1.4% and expenses are increasing by 2.6%.

Regarding FY 2019 General Fund Revenue, Budget Director Citarella noted:

- Net Undergraduate Tuition will end the year under budget at \$1.4 million less than budget
- Net Graduate Tuition will come in roughly \$2 million better than budget
- Non-Degree Net Tuition will come in roughly \$900,000 lower than budget
- Net Summer Tuition is projected to increase 1.8%
- Operating Investment Income is expected to come in above budget by \$800,000

Regarding General Fund Expense, Budget Director Citarella noted that most departments have spent roughly 75% of their expenditure budgets, with a few exceptions.

The Wages and Benefits budget is projected to increase by 4.7% driven primarily by an increase in the cost of health insurance, wages, and salaries.

He reminded Committee members that, as discussed the April 9 meeting, the administration is proposing the use of \$3.0 million from the \$4.5 million Net Tuition Stabilization Fund to cover the potential budget gap this year. The operating rules for the stabilization fund require that any amount borrowed must be repaid within two years.

Vice President Cate noted that the only reason the administration is proposing to use money from the Net Tuition Stabilization Fund was due to an unforeseen change in enrollment numbers. Using money from this fund would be less disruptive than requiring all units to absorb material budget reductions without time to plan them well.

Board Chair David Daigle noted that a major factor driving increases in revenue in recent years has been a mix of in- and out-of-state students.

President Thomas Sullivan added that the variance between in- and out-of-state students is largely dependent on the students who apply and the students admitted. He emphasized the University is still comprised of 30% Vermont students, even though there is a decrease in applicants from Vermont as the number of Vermont high school graduates continues to drop.

Chair McCree then presented the following resolutions for approval:

Resolution Approving Fiscal Year 2019 Budget Planning Assumptions: General Fund

RESOLVED, that the Board of Trustees hereby approves the budget planning assumptions for Fiscal Year 2019, which lead to a General Fund operating expense budget for the University of \$373,185,000, and hereby authorizes the President to proceed with detailed budget preparation in accordance with these assumptions.

Resolution Approving Tuition Charges for Fiscal Year 2019

RESOLVED, that the Board of Trustees hereby approves increases in the following tuition rates effective with the 2018-2019 academic year:

- In-state tuition from \$15,504 to \$15,936 per year, or \$664 per credit hour.
- Out-of-state tuition from \$39,120 to \$40,176 per year, or \$1,674 per credit hour.
- Medical student in-state tuition from \$35,380 to \$36,340 per year.
- Medical student out-of-state tuition from \$61,260 to \$62,910 per year.

Resolution Approving Graduate Student Senate Fee for Fiscal Year 2019

RESOLVED, that the Board of Trustees approves a continuation of the Graduate Student Senate fee in the amount of \$20 for the academic year.

Resolution Approving Graduate Continuous Registration Fee for Fiscal Year 2019

RESOLVED, that the Board of Trustees approves a continuation of a varying Graduate Continuous Registration fee, effective with the 2018-2019 academic year, as follows:

- Less than half-time, \$100 per semester
- Half to full-time, \$200 per semester
- Full-time, \$300 per semester

An opportunity for discussion was offered. There being none, a motion was made, seconded, and the four resolutions were unanimously approved as presented.

Capital Projects

Director of Capital Planning and Management Robert Vaughan was invited to present two capital project requests. He began by describing the Torrey Hall Interior Renovation Project. The estimated cost of the project is \$6.3 million, which will be funded through a combination of insurance proceeds, external grants and gift funds.

He then introduced Chair of Plant Biology David Barrington, who discussed the history of the building noting Torrey Hall serves Vermont as a valuable resource and houses the University's Pringle Herbarium and the Zadock Thompson Zoological collections.

Director Vaughan next described the 439 College Street Renovation Project. The estimated cost of the project is \$2.4 million, which will be funded entirely with gift funds. He noted the building currently houses 22 students and the renovation will replace all of the restrooms on all three floors; upgrade the student rooms; relocate the first floor kitchen; create office, flex space and gathering space on the first floor and create offices and multi-use space on the third floor.

Vice President Cate then described the capital project request for the completion of the Multipurpose Center Project design development and permitting. The estimated cost of the remainder of the design development and permitting for the Multipurpose Center Project is \$2.0 million, which will be funded with gift funds.

Chair McCree then presented the following resolutions for approval:

Resolution Approving Torrey Hall Interior Renovation Project

WHEREAS, the administration today reported on the estimated cost for the Torrey Hall Interior Renovation Project and presented a funding plan;

THEREFORE, BE IT RESOLVED, that the Committee hereby recommends to the Board that it authorize \$6,300,000 in project expenditures, to be expended in a manner consistent with the report made on this date; and

BE IT FURTHER RESOLVED, that expenditure of funds for the project is contingent upon the receipt of the anticipated \$6,300,000 of insurance proceeds, external grants and gift funds.

Resolution Approving 439 College Street Renovation Project

WHEREAS, the administration today reported on the estimated cost for the 439 College Street Renovation Project and presented a funding plan;

THEREFORE, BE IT RESOLVED, that the Committee hereby recommends to the Board that it authorize \$2,400,000 in project expenditures, to be expended in a manner consistent with the report made on this date; and

BE IT FURTHER RESOLVED, that expenditure of funds for the project is contingent upon the receipt of the anticipated \$2,400,000 of gift funds.

Resolution Authorizing Expenditures for Completion of the Multipurpose Center Project Design Development and Permitting

WHEREAS, on February 4, 2017, the Board of Trustees authorized the administration to take steps relating to an on-campus Multipurpose Center (“Project”), including initiation of, the schematic design phase and generation of a Project cost estimate and funding plan; and

WHEREAS, on October 20, 2017 the Board authorized the expenditure of \$1 million of private gift funds for the first phase of design development for the Project; and

WHEREAS, on February 3, 2018 the Board authorized the expenditure of \$1.5 million of private gift funds to fund the next phase of design development and permitting for the Project;

THEN, BE IT RESOLVED, that the Budget, Finance & Investment Committee hereby recommends to the Board that it authorize the administration to undertake the remainder of design development and permitting for the Multipurpose Center project; and

BE IT FURTHER RESOLVED, that up to \$2,000,000 of private gift funds be used to fund the remainder of design development and permitting for the Project.

An opportunity for further discussion was offered. There being none, a motion was made, seconded, and the three resolutions were unanimously approved as presented.

Contract Approvals and Lease Renewals

Vice President Cate introduced the following resolutions for approval:

Resolution Approving Contract with All Cycle Waste, Inc.

BE IT RESOLVED, that the Vice President for Finance and Treasurer, or his successor or designee, is authorized to execute a contract with All Cycle Waste, Inc. for a campus waste management system from July 1, 2018 through June 30, 2023, for a total amount not to exceed \$2,300,000.

Resolution Approving Professional Services Contract with Huron Consulting Services, LLC

BE IT RESOLVED, that the Vice President for Finance and Treasurer, or his successor or designee, is hereby authorized to execute a professional services contract with Huron Consulting Services, LLC for temporary management of UVM’s Cancer Center clinical

trial office beginning August 21, 2017 through May 31, 2018, for an amount not to exceed \$350,000.

Resolution Authorizing License Amendment with the United States Government d/b/a USDA Forest Service – Spear Street

BE IT RESOLVED, that the Vice President for Finance and Treasurer, or his successor or designee, is hereby authorized to negotiate and execute a two-year license amendment with one two-year renewal option with the United States Government d/b/a USDA Forest Service for continued use of office space in a portion of UVM's Forestry Research Science Lab located at 705 Spear Street, South Burlington, Vermont, subject to material terms and conditions reported on this date. This License Amendment will begin June 1, 2018 and end December 31, 2022, if all of the license options are exercised.

Resolution Authorizing License Amendment with the United States Government d/b/a USDA Forest Service – Carrigan Drive

BE IT RESOLVED, that the Vice President for Finance and Treasurer, or his successor or designee, is hereby authorized to negotiate and execute a two-year license amendment with one two-year renewal option with the United States Government d/b/a USDA Forest Service for continued use of office space in a portion of UVM's Aiken building located at 81 Carrigan Drive, Burlington, Vermont, subject to material terms and conditions reported on this date. This License Amendment will begin June 1, 2018 and end December 31, 2022, if all of the license options are exercised.

An opportunity for discussion was offered. There being none, a motion was made, seconded, and the four resolutions were unanimously approved as presented.

Review of Work Plan

Chair McCree reminded Committee members that once a year, the Committee reviews the work plan. He added that annual reports, policy reviews, new projects, etc. are reflected in the work plan with the goal of transparency and accountability.

Adjournment

There being no further business, the meeting adjourned at 2:40 p.m.

Respectfully Submitted,
Don McCree, 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-finance~~ staff, and any third-parties (e.g., investment managers) retained to advise the Board, the ISC, the Treasurer and/or ~~investment-finance~~ 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 appropriate risk tolerances;
- Developing a sound and consistent investment policy including asset allocation, diversification and rebalancing guidelines;
- Selecting and maintaining qualified investment managers and ~~econsultants~~advisors;
- 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 Statement of Investment Policies and Objectives requires the Board, the Investment Subcommittee (ISC) of the Board Budget, Finance and Investment Committee, the Treasurer, and third parties such as investment managers, to exercise their responsibilities with respect to the Long-Term Investment Pool, including Endowment Fund assets, in compliance with the requirements of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

In accordance with UPMIFA, key facets of the Responsible Parties' roles, as paraphrased below, 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.**

Achieving the Financial and Investment Objectives of the Fund is essential to provide resources to fulfill the institutional mission of the University. The core responsibility of the ISC is to achieve the Financial and Investment Objectives of the fund in a manner consistent with the requirements of UPMIFA and prudent fiduciary practices.

The primary objective of achieving the Financial and Investment Objectives of the Fund does not preclude consideration of moral, ethical and social criteria in selecting investments or participating in shareholder resolutions that address moral, ethical or social issues. However, the core responsibility of the Board is to steward University assets in a manner consistent with prudent fiduciary practices.

VI. FINANCIAL & INVESTMENT OBJECTIVES

The overall financial objective of the Fund is to provide a stable and consistent level of ongoing support for the University's programs through a reasoned spending policy consistent with preserving and 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 benchmark (defined herein), measured over a full market cycle; and to outperform the median return of a pool of endowment funds of similar size 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/advisors, 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.

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.

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.

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 [of similar size and](#) 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.
International Developed Equity	MSCI EAFE Index	Portfolios are expected to focus on the world's developed markets, excluding the U.S.
Emerging Markets Equity	MSCI Emerging Markets Index	Portfolios are expected to focus on the world's developing equity markets.
Marketable Alternatives	Hedge Fund Research Inc. (HFRI) 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.
Private Investments (Private Equity and Venture Capital)	2/3 C A Private Equity FOF (Fund of Funds) / 1/3 C A Venture Capital FOF	This asset class includes non-publicly traded securities such as buyout funds, secondaries, 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.
Private Real Assets	2/3 NCREIF Property Index and 1/3 C A Private Natural Resources	Investments <u>will</u> <u>may</u> be in private oil and gas transactions, private real estate funds, and in timberland, possibly including related logging operations.
Public Real Assets	Blended Benchmark of Public Real Asset Manager Specific Benchmarks, one-half each: Bloomberg Commodity Index; S&P North American Natural Resources Sector Index	Holdings <u>may</u> consist of U.S.-issued TIPS, diversified commodities futures positions, and energy related equity securities
Fixed Income	Bloomberg Barclays Aggregate Bond Index	Holdings <u>may</u> consist of U.S. Treasury bonds, mortgages, and corporate credit investments.

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

² Indices used in Target Benchmark are effective as of December 19, 2016.

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 with whom UVM is invested through a separate account 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: February 9, 2013

Approved as revised by the Board of Trustees: February 8, 2014

Approved as revised by the Board of Trustees: February 6, 2016

Approved as revised by the Board of Trustees: February 3, 2017

[Approved as revised by the Board of Trustees:](#)

APPENDIX A

ASSET ALLOCATION POLICY TARGETS

Revised, as of February 2018

Asset Class	Target (%)	Allowable Range (%)
Equity Fund		
U.S. Equity	20.0	15-30
Global ex U.S. Equity	23.00	15-45
• <i>International Developed Equity</i>	(13.0)	(10-25)
• <i>Emerging Markets Equity</i>	(10.0)	(5-20)
Marketable Alternatives	19.0	15-25
Real Assets (Inflation Hedging)	13.0	10-25
Private Equity / Venture Capital	13.0	5-20
Subtotal Equity	88.0	
Fixed Income Fund		
Fixed Income	12.0	5-25
Cash & Cash Equivalents	0.0	0-5
Subtotal Fixed Income/Cash	12.0	

Appendix A Targets last revised by Investment Subcommittee: February 14, 2018