Meeting called to order at 10:30 AM.

**Investment Environment:** The last 12 to 15 months have resulted in slow growth domestically. Specifically, the fiscal drag carried forward from 2013 and unusually difficult weather in the first quarter slowed many areas of the economy (job growth, housing construction, etc.). Looking to the rest of 2014, Sand Hill expects global growth will accelerate which will mark the first annual acceleration since 2010. They anticipate it will be propelled by an expansionary monetary policy, a fading fiscal drag, stronger private sector demand, continued investment in housing and improvements in business and consumer confidence. Short-term interest rates will likely be anchored until late 2015 while longer-term rates continue to experience moderate gains. Revenue growth will drive gains in corporate earnings as cyclical momentum should allow earnings to advance as margins hold steady at current levels. Specifically, Sand Hill expects GDP growth to accelerate into the 2-3% moderate economic recovery growth range in 2014, against a backdrop of stable inflation and slowly rising interest rates.

**Market Environment:** First quarter stock market performance was lackluster as cold weather negatively impacted economic growth and caused a lack of clarity with regard to the true underlying growth rate of the economy. Unrest in the Ukraine and signs of slowing growth in China added to uncertainty and were partially offset by a continuation of improving trends in Western Europe. Interest rates pulled back from the highs made in the fourth quarter, resulting in a bond market rally. Commodities and precious metals in particular, rebounded as investors flocked to safety.

**Portfolio Response:** Given improving fundamentals in developed international markets, a position in global small cap equity was established. Additionally, the weight to absolute return was increased and fixed income was reduced. UEI’s bond portfolio is positioned for a modestly rising interest rate
environment, which Sand Hill sees as the most likely scenario moving forward from here, given the anticipation of a modest economic growth and modest inflationary environment.

**Portfolio Review:** Portfolios have modestly underperformed, returning 1.38% for the first quarter (UEI’s third fiscal quarter) compared to 2.0% for the blended benchmark. Underperformance was mainly attributed to their underweight to longer duration fixed income and underweight in real estate assets, areas that are both highly sensitive to rising interest rates. Both of these sectors rallied during Q1 on increased geopolitical risks abroad and unseasonably colder winter weather that caused a flight to safety.

The mid-term liquidity accounts’ performance and allocation was reviewed. The mid-term account has outperformed its benchmark for the quarter by 21 bps with a return of 0.22%. The short-term liquidity account is open but has not yet been funded. The committee received the student investment account performance and appraisal. Sand Hill has begun providing their standard performance measurement report for the student account.

**Student Investment Fund:** Three student members of the Student Investment Fund were interviewed for Sand Hill’s summer internship program. David Lopez (JR) was hired as an intern and will work for Sand Hill in Palo Alto for 12 weeks, beginning June 9th.

**VEBA Account:** The retirement account balance was reviewed. The balance of the VEBA account is now approximately $1,569,000. The allocation, upon review, was changed to 50% equity, 50% fixed income from 45% and 55%, respectively. Further adjustment may result in an allocation of 60% and 40%, respectively. Given the nature and magnitude of this off balance sheet liability, Sand Hill can work with UEI to assist with targeting levels for contributions needed to meet the expected draw rates over the next several decades.

**Other Business:** Given the success and meaningful experience provided to student members of the Student Investment Fund, the committee discussed ways in which the University can expand the experience in other ways. Discussion included providing opportunities for the student members to explore macro and micro economic conditions as overlays in their work within the fund. Interaction with members of the economics departments may provide “cross training” and sharing in a collaborative experience for students. Sand Hill offered to help via educational sessions with their team on a day that they are on campus for investment committee meetings. Jim will open the discussion with other members of the campus.

Meeting adjourned at 11:30 AM.

Sara Craven
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Sand Hill Global Advisors