University Enterprises, Inc.  
Investment Committee Meeting  
August 26, 2014  
Conference Room  
10:30 a.m. to 11:30 a.m.

Members Present:  Mike Lee, Chair  
                 Joni Zhou  
                 David Bach  

Staff Present:  Jim Reinhart, Executive Director  
               Craig Barth, Chief Financial Officer  
               Arlette Barnard, Recording Secretary  

Sand Hill Global  
Investment Advisors:  Brian Dombkowski, Chief Executive Officer & Chief Investment Officer  
                    Sara Craven, Senior Wealth Manager  
                    Meghan DeGrott, Analyst  

The meeting was called to order by chair Mike Lee at 10:31 a.m.

Lee introduced David Bach, retired Investment Officer for CalPERS and Owner of The Bach Group, as a newly appointed board member, who will serve on the Investment Committee.

**Investment Environment:** Despite a weather and inventory driven setback during the first quarter, economic data improved throughout the second quarter. Economic growth is forecasted to approximate 2-3% in the second half of 2014. Short-term interest rates will likely be anchored until mid-2015 while longer-term rates experience moderate gains due to continued growth, rising inflation expectations and the end of quantitative easing.

**Market Environment:** Second quarter stock market performance was remarkably resilient. Strength was driven by a recovery in U.S. economic data as the first quarter weather and inventory drag abated. Despite geopolitical turmoil in the Ukraine, Iraq and Middle East, as well as uneven economic trends in Europe, the market held steady as U.S. fundamentals improved. Interest rates continued to stay within a relatively tight range during the quarter and interest sensitive REITs posted strong performance. Commodities were flat during the period as pricing normalized from the recent weather-related increase.

**Portfolio Response:** Exposure to alternatives was optimized during the quarter due to valuation considerations.

**Portfolio Review:** The portfolio returned 4.05% during the second quarter, outperforming the benchmark by 0.18%. Outperformance during the second quarter was mainly attributed to an overweight to equities and due to security selection within commodities. Modest underperformance for the year-to-date period is mainly attributed to an underweight to longer duration fixed income
and an underweight in real estate assets, areas that are both highly sensitive to rising interest rates.
The mid-term liquidity accounts’ performance and allocation were reviewed. The mid-term account has outperformed its benchmark for the quarter by 15 bps with a return of 0.16%. The committee received the student investment account performance and appraisal. Sand Hill has begun providing their standard performance measurement report for the student account.

**VEBA Account:** Craig Barth provided an update on the VEBA account. The allocation, upon review, was recently changed to 50% equity, 50% fixed income from 40% and 60%, respectively. Craig estimated that they are on track for funding the VEBA account with $300,000 to $550,000 per year for the next seven years to achieve the goal of funding the entire estimated liability for all vested active and retired employees.

**Other Business:** A student from the Student Investment Fund completed a 12 week internship at Sand Hill on August 22nd. Sand Hill reflected on the success of the internship and discussed the Student Investment Fund in greater detail.

Meeting adjourned at 11:30 AM.

Sara Craven
Senior Portfolio Manager
Sand Hill Global Advisors