

UNIVERSITY ENTERPRISES, INC.
Investment Committee Meeting Minutes
August 23, 2016
UEI Conference Room
11:00 a.m. – 12:00 p.m.

Members Present: David Bach
Mike Huang
Mike Lee
Joni Zhou

Members Absent: Jeff Einhorn

Staff Present: Craig Barth, Chief Financial Officer
Angie Laguna, Recording Secretary
Jim Reinhart, Executive Director

Presenting: Sand Hill Global Advisors – Brian Dombkowski, Sara Craven

Mike Lee called the meeting to order at 11:00 AM.

Sand Hill Global Advisors began the meeting with a review of the current investment outlook. By most measures, U.S. economic growth picked up during the second quarter following a soft patch during late 2015 and early 2016. Estimates for 2016 GDP growth are now just under 2% as international uncertainty has become more heightened following Britain's vote to exit the E.U., commodity prices have rebounded off their lows yet remain very depressed relative to historical levels, and corporate earnings are under pressure as wage growth and a strong U.S. dollar weigh on profit margins. Meanwhile, the U.S. consumer is offsetting these slowing trends as a result of a strong employment market, wage growth and low oil prices. Additionally, the manufacturing sector appears to be recovering from its lows with the Institute for Supply Management Manufacturing report coming in above 50 for four months in a row. Trends outside of the manufacturing and energy sectors have been uneven and we are watching these closely given that, seven years into this expansion, the risk of a contraction unfolding over the next couple of years is slowly beginning to rise. Central banks in Japan and Europe have made aggressive accommodative moves, pushing interest rates into negative territory. Meanwhile, the U.S. Federal Reserve has chosen to maintain low interest rates given slowing growth and global economic uncertainty. We expect the long end of the interest rate curve to remain low for an extended period of time given the global interest rate environment and relative attractiveness of U.S. Treasury's yield and safety.

The Investment Account returned 2.15% during the quarter, net of all fees, compared to 2.67% for the benchmark. The top contributor to performance was selection of managers within the equity allocation. The top detractor to performance was an underweight to commodities.

In response to the growing anticipation for the BREXIT vote and likelihood of increased market volatility, Sand Hill reduced exposure to European equities and small cap equities. During the BREXIT related volatility that followed, SHGA added to Emerging Market Equities.

The committee reviewed a revised investment policy statement which will be reviewed with the full board at the upcoming September board meeting.

The meeting adjourned at 12:00 PM.