

University Enterprises, Inc.
Investment Committee Meeting Minutes
Friday, April 27, 2018
UEI Conference Room
11:00 a.m. – 12:00 p.m.

Attendees: Mike Lee, Jim Reinhart, Craig Barth, David Bach, Jay Lee

Members Absent: Jeffrey Einhorn

Guests: Anna V. Vygodina, Ph.D.

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

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

Sand Hill Global Advisors provided a review of the current investment outlook. The U.S. economy ended 2017 on a high note as consumer spending strengthened, interest rates remained low and the synchronized global economic recovery persisted. Year-to-date, we have seen a trend towards a normalization of equity market volatility, interest rates and inflation and we expect this to continue this year as investor's shift their focus to global earnings and economic growth prospects in 2019 which will likely decelerate from 2018 levels. We expect GDP growth to pick-up and remain in the 2-2.5% range as tax and fiscal stimulus provide support to the economy this year.

The first quarter began on a very strong note as tax policy changes and strong fourth quarter corporate earnings fueled positive revisions to 2018 corporate earnings projections. However, market volatility picked up significantly in February and March as concerns over inflationary pressures as well as a potential trade war with China prevailed. This resulted in both domestic and international developed equity markets delivering a negative return for the period while emerging market equity was positive. In spite of this disappointing performance, fundamentals remain stronger than they have been at any point in this economic cycle.

As expected, the Federal Reserve raised short-term interest rates by 0.25% to a range of 1.50-1.75% during the quarter. When this was combined with inflationary concerns, interest rates rose causing bonds, as well as REITs, to deliver a negative return during the period.

The Investment Account returned -0.50% during the quarter, net of all fees, compared to -1.08% for the benchmark. From an asset allocation standpoint, the overweight to equity and underweight to fixed income was a positive contributor to performance. From a selection standpoint, active managers within small-cap equity, international equity and fixed income were also positive contributors to performance.

The Student Investment Fund (SIF) Account returned -0.27% during the quarter. Dr. Anna Vygodina attended the meeting and answered questions about the Student Investment Fund.

Craig Barth provided an update on the VEBA Account.

The meeting adjourned at 11:35 AM.