

**UNIVERSITY OF LOUISVILLE FOUNDATION
FINANCE COMMITTEE MEETING AGENDA**

12 Noon, September 10, 2010
Jefferson Room, Grawemeyer Hall

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I.	Call to Order	Deutsch
	• Approval of Minutes, May 20, 2010	1
II.	Information Updates	
	• Endowment Performance & Asset Allocation	Gahlinger/ Cambridge
	Break	
III.	Market Update	Cambridge
IV.	Asia Equity Manager Interviews	Cambridge
	• First State (via conference call)	
	o Ruta Noreika, Senior Relationship Manager, Client Relations	
	• Overlook	Cambridge
V.	Rebalancing & Cash Raising Recommendations	Cambridge
VI.	Questions/Discussion	
VII.	Adjourn	

Committee Members:
Mr. Burt Deutsch, Chair
Ms. Joyce Hagen
Mr. Harry Jones
Dr. William Selvidge
Mr. Frank Weisberg
Mr. William Wilcox

Minutes of the Regular Meeting of the
University of Louisville Foundation Finance Committee

In Open Session

Members of the Finance Committee of the University of Louisville Foundation, Inc., met on Thursday, May 20, 2010, in the Alumni Board Room of the Chancey Center, Belknap Campus, with members present and absent as follows:

Present: Mr. Burt Deutsch, Chair
Ms. Joyce Hagen
Mr. Harry Jones
Mr. Robert W. Rounsavall, III
Dr. William Selvidge
Mr. Frank Weisberg
Mr. William Wilcox

Guests: Mr. John Tyler, Cambridge Associates
Ms. Letitia Johnson, Cambridge Associates
Mr. George Hasiotis, Cambridge Associates

From the University: Dr. Shirley Willinshanz, EVP and Provost
Dr. William Pierce, Interim EVP for Research
Mr. Keith Inman, Vice President for University Advancement
Mr. Mike Curtin, Vice President for Finance
Ms. Susan Ingram, Director of Budgets
Ms. Anne Rademaker, CPA, Director of Financial Reporting and Univ. Accg.
Mr. Michael Kramer, Accountant
Ms. Kathleen Smith, Assistant Secretary
Ms. Debbie Dougherty, Board Liaison

I. Call to Order

Having determined a quorum present, Chair Deutsch called the meeting to order at 12:10 p.m.

II. Approval of Minutes

Mr. Weisberg made a motion, which Mr. Wilcox seconded to approve the minutes of March 8, 2010. The motion passed.

III. Action Item: Approval of FY 2011 Operating Budget

Vice President Curtin acknowledged the experienced budget staff in his office, recognizing Susan Ingram as the budget director, with Paige Battcher as a new addition to the staff. He also acknowledged the assistance of Kathleen Smith in her capacity as assistant secretary to the board. He called on Ms. Ingram to discuss the high points of the budget.

With a Powerpoint presentation, Ms. Ingram noted the University of Louisville Foundation, Inc. is a key resource in providing such additional resources to help the University achieve its goals. For FY 2010-11, the President is requesting the Foundation provide approximately \$108.7 million in operating funds to various UofL programs. Because of the continued weakened financial market condition, this budget request is less than previous years and represents a decrease of \$6.5 million, or 5% decline, from the FY 2009-10 budget. For FY 2010-11 the proposed total operating budget for the University of Louisville Foundation, Inc. is projected at \$108,765,800. Ms. Ingram noted funding composition of the three sources. She outlined expenditures and discussed historical budget trends.

Provost Willihnganz reported the University has taken over \$100 million in state budget cuts. She thanked the Foundation for its strong support of University programs, noting these funds help provide assistance to graduate students and maintain faculty positions. As Ms. Ingram had noted the state support has either decreased or remained flat, the UofL Foundation support to the University has continued to increase.

Chair Deutsch noted that in addition to the 1.98% funding to Advancement, the Foundation also provides 1.5% funding to Advancement services. Mr. Weisberg made a motion, which Mr. Wilcox seconded, to approve the

President's recommendation that the Board of Directors approve the proposed operating budget for fiscal year 2010-11 for the University of Louisville Foundation, Inc. as specified in the attached budget document and supporting schedules; and

That the President be authorized to make adjustments for discretionary programmatic expenditures from budgeted reserves up to the balance available in the reserve.

The motion passed.

IUI. Information Updates:

Interim Financial Statements

Ms. Rademaker summarized the financial statements through March 31, 2010, noting the Foundation was in sound financial position. The Foundation has \$925 million in total assets, with liabilities of \$170million. During the first nine months of the fiscal year, the Foundation's net assets increased \$110 million to a total of \$755 million. This represents an increase of 17% compared to total net assets at June 30, 2009, and an increase of 27% compared to a total net assets at March 31, 2009.

She noted the market value of Foundation custody investments are \$679 million, an increase of approximately \$114 million, or 20%, compared to March 31, 2009. The market value of the Foundation's endowment fund is \$717 million at March 31, 2009. This represents an increase of 15% compared to the June 30, 2009 market value of \$600 million.

Ms. Rademaker noted new gifts to the Foundation totaled \$25 million, a decrease of \$13 million, or 34%, compared to the same period in fiscal year 2009. This decrease is due mainly to the \$20 million pledge from the James Graham Brown Foundation during fiscal year 2009. Net realized

and unrealized gains increased by \$335 million to a total gain of \$119 million for the first nine months of fiscal year 2009.

Ms. Rademaker noted expenses on behalf of the University of Louisville have remained steady as compared to the prior year, decreasing by 4%. Chair Deutsch thanked Ms. Rademaker for the update.

Endowment Performance and Market Value

Ms. Johnson reviewed the quarterly investment performance report. Since 1995, the Foundation's portfolio has added \$172 million more wealth compared to the Cambridge Associates and University Median, and \$172.9 million compared to the asset allocation. Ms. Johnson reviewed endowment performance by composite, market alternative performance, non-marketable performance, and summarized endowment investment performance by managers.

Update Enervest Fund XII Commitment

Mr. Tyler summarized the Foundation's current private equity program investment and potential new investments in 2010 and 2011. He noted Mr. Kyle Blackburn will discuss further during a conference call later in the meeting.

The Committee took a break.

IV. Hedge Fund Annual Review

Mr. Hasiotis reviewed the performance of hedge fund investments. The Committee heard a presentation from Bennett Offshore Fund representatives.

The Committee voted to approve

The Foundation staff and Cambridge Associates' recommendation to allocate an additional \$25 million to the MALT program. This would be funded by partial redemptions from three US equity managers. The funds will be used to hire a new MALT manager (Eton Park \$11.5 million) with the remaining cash allocated incrementally over most of the existing MALT managers.

The motion passed.

V. Small Cap Search

Via conference call, the Committee heard a presentation from Ms. Nancy Tooke, Eaton Vance presentation. Upon discussion, the Committee voted to approve the following recommendation:

That the Board of Directors approve the hiring of Eaton Vance Management as a core small cap manager. The investment will be funded by terminating the investment in EARNEST Partners (April 30, 2010 market value \$13.6 million) and transferring \$8

million of the proceeds to Eaton Vance. Remaining funds will be used to fund current year spending.

The motion passed.

Investing in Asia Discussion

Mr. Tyler discussed Cambridge's suggestion to consider investing in Asia and hiring a regionally-focused manager. The Committee authorized manager interviews at a future committee meeting.

VII. Adjournment

There being no further business to discuss, the meeting adjourned at 3:45 p.m.



C A M B R I D G E A S S O C I A T E S L L C

University of Louisville Foundation

Quarterly Investment Performance Report

Board of Directors Meeting

October 28, 2010

Endowment Performance Comparison (net returns)



	Last Quarter 4/1/2010 6/30/2010	CYTD 1/1/2010 6/30/2010	1 Year 7/1/2009 6/30/2010	3 Year 7/1/2007 6/30/2010	5 Year 7/1/2005 6/30/2010	Annual 7/1/1995- 6/30/2010
University of Louisville Endowment	-4.8 %	-2.0 %	15.2 %	-3.6 %	3.9 %	10.0 %
Asset Allocation Benchmark	-6.7 %	-3.4 %	13.7 %	-4.1 %	3.8 %	7.8 %
Cambridge Associates Endowment Median	-4.9 %	-2.1 %	12.4 %	-3.6 %	3.7 %	7.9 %
<i>Pool Size</i>	415	415	415	404	390	238
<i>Percentile</i>	47	48	8	51	44	8
CA College and University Median	-4.8 %	-1.6 %	12.4 %	-3.9 %	3.8 %	7.8 %
<i>Pool Size</i>	147	147	147	143	141	111
<i>Percentile</i>	51	56	8	44	48	9
CA College and University \$700-\$900 mm Median	-4.8 %	-1.6 %	12.9 %	-4.3 %	3.6 %	8.0 %
<i>Pool Size</i>	6	6	6	6	6	4
<i>Percentile</i>	80	80	0	20	40	0

Note: Periods of ULF Endowment outperformance in green, periods of underperformance in red.

Recent Value Changes in Endowment (in thousands)



	FY 09 Ended 6/30/09	FYTD Ended 6/30/2010
Beginning Market Value	\$ 747,049	\$ 571,794
Ending Market Value	\$ 571,794	\$ 637,761
Change	(\$ 175,255)	\$ 65,967
Net Contributions	(\$ 11,602)	(\$ 7,027)
Market Change	(\$ 163,653)	\$ 72,994

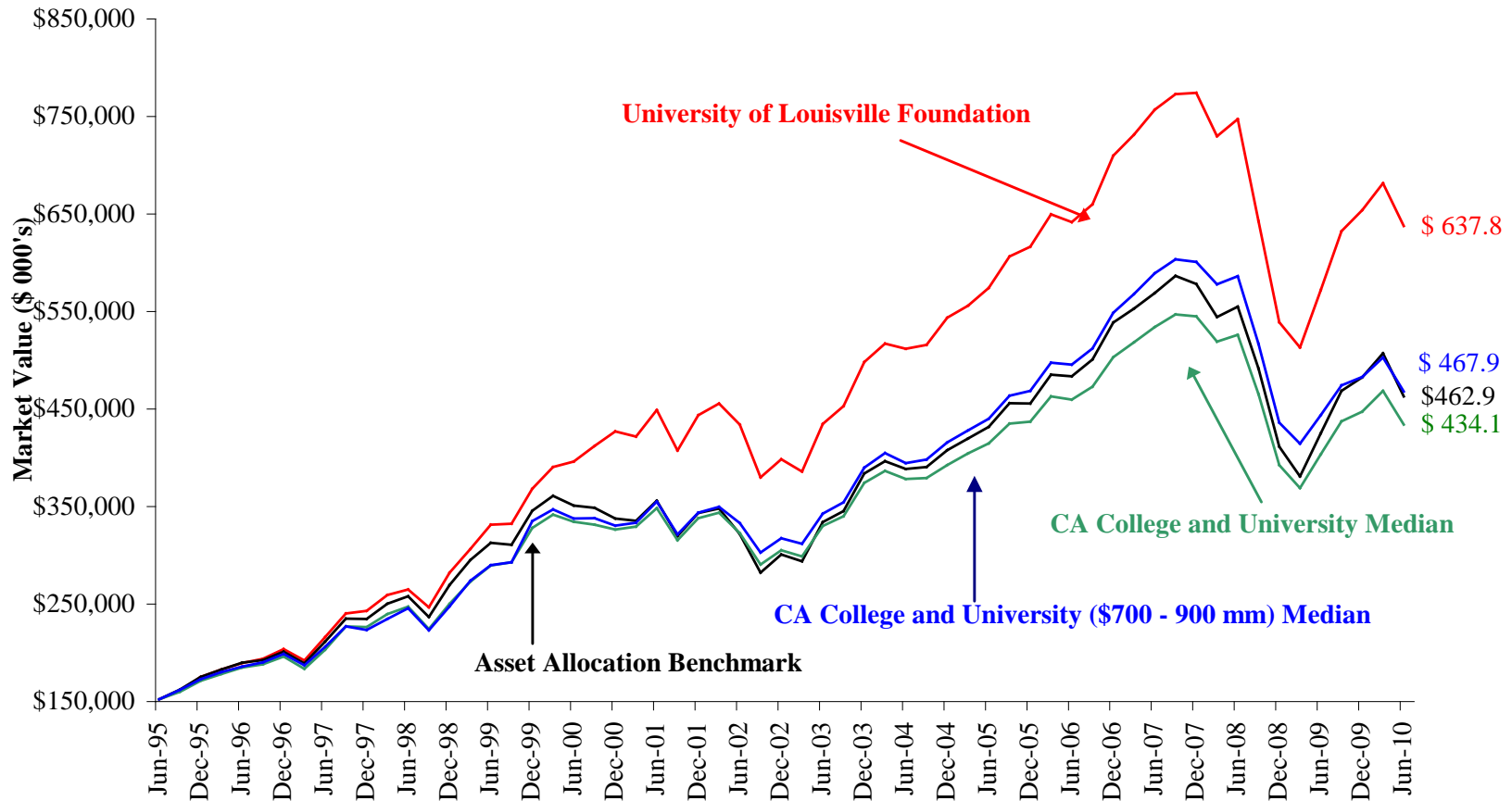
Total Return Analysis

July 1, 1995- June 30,2010



Since 1995, the Foundation's portfolio has added \$ 203.7 mm. more wealth compared to the CA College and University Median, and \$174.9 mm. compared to the Asset Allocation Benchmark.

TOTAL RETURN ANALYSIS
July 1, 1995 - June 30, 2010



Endowment Performance by Composite



<u>Asset Class</u>	<u>Market Value (\$ mm.)</u>	<u>% of Total Portfolio</u>	<u>Target Asset Allocation</u>	4/1/2010	1/1/2010	7/1/2009	7/1/2007	7/1/2005	<u>Annualized Since 1990</u>
				6/30/2010	6/30/2010	6/30/2010	6/30/2010	6/30/2010	
				<u>Latest Quarter</u>	<u>CYTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	
U.S. Equity	125.8	19.7%	18.0 %	(9.5 %)	(5.3 %)	21.3 %	(5.0 %)	1.3 %	9.8 %
Russell 3000 Index				(11.3 %)	(6.0 %)	15.7 %	(9.5 %)	(0.5 %)	7.8 %
<i>CA U.S. Equity Manager Median</i>				(10.7 %)	(4.8 %)	16.5 %	(8.6 %)	0.3 %	9.3 %
Developed Global Ex. U.S. Equity	93.6	14.7%	15.0 %	(9.0 %)	(5.4 %)	11.0 %	(8.2 %)	2.9 %	8.7 %
MSCI EAFE Index				(14.0 %)	(13.2 %)	5.9 %	(13.4 %)	0.9 %	3.5 %
<i>CA Global Ex. U.S. Equity Manager Median</i>				(12.3 %)	(10.9 %)	9.0 %	(11.9 %)	2.3 %	---
Emerging Markets Equity	43.6	6.8%	9.0 %	(6.8 %)	(4.7 %)	24.8 %	(3.2 %)	10.1 %	16.2 %
MSCI Emerging Markets Index				(8.3 %)	(6.0 %)	23.5 %	(2.2 %)	13.1 %	18.6 %
<i>CA Emerging Markets Equity Manager Median</i>				(8.3 %)	(5.7 %)	24.0 %	(3.5 %)	12.2 %	---
Fixed Income	88.9	13.9%	13.0 %	4.7 %	6.8 %	13.1 %	7.7 %	5.7 %	7.2 %
BC Agg. 65% /Citi Wld. Government 35% Blended Index				2.4 %	3.1 %	7.2 %	7.7 %	5.4 %	7.1 %
<i>CA Core Bond Manager Median</i>				3.3 %	5.3 %	10.3 %	7.8 %	5.7 %	7.1 %

Endowment Performance by Composite (cont.)



<u>Asset Class</u>	<u>Market Value (\$)</u>	<u>% of Total Portfolio</u>	<u>Target Asset</u>	<u>4/1/2010 6/30/2010 Latest Quarter</u>	<u>1/1/2010 6/30/2010 CYTD</u>	<u>7/1/2009 6/30/2010 1 Year</u>	<u>7/1/2007 6/30/2010 3 Year</u>	<u>7/1/2005 6/30/2010 5 Year</u>	<u>Annualized Since 1990</u>
Marketable Alternatives	148.3	23.2%	20.0 %	(2.9 %)	0.1 %	12.6 %	0.6 %	5.3 %	5.3 %
HFRI Fund of Funds Index				(2.6 %)	(1.2 %)	4.7 %	(4.0 %)	2.3 %	2.3 %
CA Fund of Funds Hedge Fund Manager Median				(2.6 %)	(0.2 %)	7.9 %	(1.9 %)	3.8 %	3.9 %
Real Assets	57.4	9.0%	13.0 %						
Marketable Real Assets	50.7	7.9%		(8.3 %)	(6.8 %)	22.4 %	(9.0 %)	2.3 %	---
Total Non-Marketable Real Assets	6.7	1.1%		---	1.4 %	(6.9 %)	(4.0 %)	(1.7 %)	2.9 %
Total Non-Marketable Assets ex. Real Assets	64.5	10.1%	12.0 %	---	2.0 %	9.0 %	(0.9 %)	11.5 %	24.5 %
PNC Schoen	1.4	0.2%		(13.5 %)	(11.7 %)	7.7 %	---	---	(15.7 %)
Cash Pending Placement	-9.9	-1.5%		---	---	---	---	---	---
Unitrust	4.4	0.7%		(11.6 %)	(6.5 %)	14.9 %	(9.6 %)	(0.6 %)	(0.9 %)
UHI Line of Credit	19.6	3.1%		0.8 %	1.6 %	3.3 %	---	---	3.6 %
TOTAL Assets	637.8	100.0%	100.0 %	(4.8 %)	(2.0 %)	15.2 %	(3.6 %)	3.9 %	10.1 %

GDP Deflator	0.9%	0.9%	0.4%	1.5%	2.2%	2.2%
Total Spending Rate	1.9%	1.9%	7.5%	7.0%	6.0%	6.0%
Real Growth	(6.7 %)	(3.8 %)	7.7 %	(10.7 %)	(2.1 %)	4.1 %

LAND & BUILDING HOLDINGS

Cost	Depreciation	Income
81,611,870	6,169,066	1,150,834

Marketable Alternative Performance



Asset Class	<u>Market Value</u> <u>(\$ mm.)</u>	<u>% of Total</u> <u>Portfolio</u>	<u>4/1/2010</u> <u>6/30/2010</u> <u>Latest</u> <u>Quarter</u>	<u>1/1/2010-</u> <u>6/30/2010</u> <u>CYTD</u>	<u>7/1/2009-</u> <u>6/30/2010</u> <u>1 Year</u>	<u>7/1/2007 -</u> <u>6/30/2010</u> <u>3 Year</u>	<u>7/1/2005 -</u> <u>6/30/2010</u> <u>5 Year</u>	<u>Annualized</u> <u>Since 1990</u>
<u>ABSOLUTE RETURN</u>								
Multi-Strategy Arbitrage	36.0 mm	24.3%	(2.3 %)	2.0 %	13.0 %	(0.5 %)	6.2 %	5.6 %
Event-Driven	19.5 mm	13.2%	(2.4 %)	(1.2 %)	12.5 %	1.3 %	5.3 %	5.1 %
Credit Arbitrage	1.0 mm	0.7%	(0.1 %)	1.1 %	11.1 %	10.2 %	8.6 %	8.2 %
Distressed	19.4 mm	13.1%	(0.4 %)	6.0 %	28.9 %	2.2 %	7.9 %	8.1 %
<u>LONG/ SHORT</u>								
U.S. Long/Short	30.8 mm	20.8%	(3.3 %)	1.3 %	14.6 %	0.7 %	4.7 %	5.1 %
Global/Regional Long/Short	41.6 mm	28.0%	(4.7 %)	(4.3 %)	4.9 %	(1.9 %)	3.2 %	3.2 %
TOTAL	148.3 mm	100.0%	(2.9 %)	0.1 %	12.6 %	0.6 %	5.3 %	5.3 %

Non-Marketable Performance

As of March 31, 2010



Reporting Currency: U.S. Dollars (\$), in millions

<u>Asset Classes</u>	<u>Commitment(s)</u>	<u>Paid-In Capital</u>	<u>Unfunded Commitment(s)</u>	<u>Distributions at Market</u>	<u>Current Net Asset Value (NAV)</u>	<u>Asset Class IRR</u>	<u>CA Mean</u>	<u>Total Value/ Paid In Multiple</u>
U.S. Venture Capital	40.3	33.5	6.8	37.1	14.6	36.5%	16.5%	1.5
U.S. Private Equity	17.5	11.4	6.1	6.5	8.8	11.1%	7.0%	1.3
Non-U.S. Private Equity	11.0	3.9	7.1	0.2	3.4	-4.2%	-0.9%	0.9
Opportunistic	42.5	39.8	2.7	40.4	32.0	21.6%	20.6%	1.8
Inactive/Liquidated Investments	1.0	1.0	0.0	1.9	0.0	9.6%	8.9%	1.9
Direct Investments⁹	1.2	1.2	0.0	0.0	1.2	1.4%	NA	1.0
Total NMAA ex Real Assets	113.4	90.6	22.8	86.0	60.0	23.1%	16.4%	1.6
Total Private Real Assets	23.5	14.8	8.7	5.2	10.0	1.5%	-16.6%	1.0
TOTAL PORTFOLIO	136.9	105.4	31.5	91.2	70.0	19.5%	15.0%	1.5

Paid-In Capital: Capital paid in to the partnership, which includes fees and capital for investments.

Distributions at Market: Capital distributed to an investor from the partnership.

Current Net Asset Value (NAV): The residual value of an investor's interest, which is reported by the partnership in its financial statements.

IRR: The investor's return on its investment in the partnership, net of fees, expenses, and carried interest received by the general partners.

Total Value: Total value is calculated by adding the NAV and Distributions at Market.