

MINUTES OF THE FINANCE COMMITTEE OF THE  
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

March 3, 2005

In Open Session

The Finance Committee of the University of Louisville Foundation, Inc. met in the Alumni Board Room of the Chancey Center, on Thursday, March 3, 2005, with members present and absent as follows:

Present: Mr. Burt Deutsch, Chairman  
Mr. H. Scott Davis  
Mr. Nathaniel E. Green  
Mr. Robert W. Rounsavall, III

Absent: Mr. William Wilcox

From the  
University: Mr. Mike Curtin, Vice President for Finance  
Mr. Rex Davidson, CPA, Controller's Office  
Mr. Joe Gahlinger, Controller's Office  
Mrs. Kathleen Smith, Assistant Secretary  
Mrs. Debbie Dougherty, Board Liaison

Others Present: Mr. John Tyler, Cambridge Associates

I. Convene Meeting

Having determined a quorum present, Chair Deutsch called the meeting to order at 10:20 a.m.

Action to approve minutes, December 2, 2004

Chair Deutsch requested the minutes reflect the subcommittee comprised of Scott Davis and Bill Wilcox to work with Cambridge on investments following the MALT strategy. With that revision, Mr. Green made a motion, which Mr. Davis seconded, to approve the minutes of December 2, 2004. The motion passed unanimously. Mr. Davis requested the record note that he will abstain from voting on any matters concerning the Commonfund.

II. Information Updates

Report on Investment Performance

Mr. Tyler, from Cambridge Associates, briefed the Committee on investment performance, noting the Foundation's total assets yielded 8.4% as of December 31. For 2004, the portfolio was up 14.5%, solidly ahead of the Cambridge Associates Preliminary Endowment Median return of 11.0%, and ranked the ULF at the 17<sup>th</sup> percentile of all reporting endowments (223 endowments in the universe). The Foundation's quarterly return also compared favorably to its college and university peer group by outperforming the median return of 8.0% in a universe of 84 institutions.

Chair Deutsch remarked that the Total Return Analysis chart, which highlights relative performance, illustrated the Foundation is favorable comparison to the Index and Cambridge Associates Endowment Median. Mr. Tyler also provided MALT's preliminary performance results through January 31.

Vice President Curtin and Chair Deutsch thanked Mr. Gahlinger for his work in assembling data for these financial reports.

#### Endowment Performance

Mr. Gahlinger reviewed the Investment Performance Summary and Quarterly Investment Performance Report. Vice President Curtin stated that the Faculty Senate's Planning & Budget Committee inquired about the Foundation's investment performance information. The Committee agreed the Quarterly Investment Performance Report would serve as an excellent opportunity to share investment information with the faculty. Vice President Curtin said future reports will include a separate breakdown of Foundation and ULH funds.

#### Interim Financial Statements

Mr. Davidson reviewed the Combined Statements of Financial Position as of December 31, 2004 and 2003. Assets had increased 11% over the prior year due to endowment performance and new gifts. Gift revenue totaled \$22 million. Investments were up \$43 million, mostly due to endowment performance.

Mr. Curtin reported the Foundation has received approximately \$38 million in gifts, \$15 million of which is for the cancer campaign. In response to Mr. Rounsavall's inquiry concerning matched gifts, Mr. Curtin said there was a brief time delay in receiving state-matched revenue. Of the approximately \$10 million in matched funds submitted this year to date, the Foundation has actually received about \$6.8 million.

Because the Grawemeyer Fund investments have not performed well for several years, Vice President Curtin relayed that the President would like to transfer the management of these funds to the UofL Foundation. Staff will review restrictions concerning fund investments and follow up.

### III. Presentation of Money Managers

The Committee heard presentations from Iridian Asset Management and W. P. Stewart & Company. The Committee also heard a presentation from EII via conference call.

### IV. Discussion of Presentations

Upon consultation with the money managers and Cambridge Associates, the Finance Committee moved to recommend the following actions to the Board of Directors on March 14, 2005:

**Moving the Endowment's current investment in the E.I.I. Core Real Estate Investment Trust (REIT) product into E.I.I.'s Concentrated REIT product – approximately \$13 million**

**Investing \$12.5 million in E.I.I.'s International REIT product. Funding sources will be approximately \$2 million from the E.I.I. Core REIT and \$10 million from existing small cap managers (which will help reduce the overweight in U.S. small cap stocks)**

**Investing \$10 million in three new Commonfund Capital Private Equity and Venture Capital funds, pending a final recommendation from a subcommittee of the Finance Committee. The new funds are due to close in April 2005. The allocation to the three funds would be:**

<b>Commonfund Capital International Partners V L.P.</b>	<b>\$3 million</b>
<b>Commonfund Capital Private Equity Partners VI, L.P.</b>	<b>\$3 million</b>
<b>Commonfund Capital Venture Partners VII, L.P.</b>	<b>\$4 million</b>

- 1. That the Foundation liquidate all endowment investments with National Asset Management/INVESCO (NAM/INVESCO)—aggregate market value of \$92 million as of January 31, 2005.**
- 2. That approximately \$86 million be invested with the following listed managers in the amounts indicated. These investments will be funded from the proceeds of the NAM/INVESCO liquidation with the balance coming from a reallocation from Hilliard Lyons (estimated at \$9-10 million.).**
  - Iridian Asset Management (Mid Cap Value) approximately \$26 million**
  - Sands Capital Management (Large Cap Growth) approximately \$60 million**
- 3. That the Grawemeyer Fund holdings in NAM/INVESCO be temporarily re-invested in a U.S. Equities index fund pending the cy pres filing to allow comingling the Grawemeyer Funds with the rest of the endowment. The index fund will be selected by the staff in consultation with Cambridge Associates.**

**and**

**Liquidating all holdings in ICM Asset Management, Inc (January 31, 2005 Market Value: \$19 million). Proceeds from liquidation will be primarily re-allocated to existing Small Capitalization managers EARNEST Partners and M. A. Weatherbie and to other asset classes to the extent necessary to re-balance the portfolio back to target allocations. Determination of the final re-allocation will be determined by consultation between the Investment sub-committee, Foundation Staff, and Cambridge Associates, LLC.**

The motions passed unanimously.

V. Adjournment

The meeting adjourned at 3:35 p.m.

**BOARD ACTION:**

Passed \_\_\_\_\_ X \_\_\_\_\_  
Did not pass \_\_\_\_\_  
Other \_\_\_\_\_

Asst. Secretary *Katalin M. Smith*