

MINUTES OF THE MAY 30, 2012, INVESTMENT COMMITTEE MEETING

The Investment Committee (“the Committee”), a committee of the Smithsonian Board of Regents, conducted a meeting on Wednesday, May 30, 2012, at 12:00 p.m. Participating were Committee Chair David Silfen*, Vice Chair Stephen Case*, and Committee members Afsaneh Beschloss*, Eli Broad*, Timothy O’Neill*, and Alan Spoon*. Committee members J. Tomilson Hill III, David Rubenstein, and Roger Sant were absent. Participating staff included Chief Investment Officer Amy Chen, Investment Officer Ryan Dotson, Associate General Counsel Farleigh Earhart, Manager of Investment Operations Rika Feng, Investment Officer Michael Giovenco, Under Secretary for Finance and Administration and Chief Financial Officer Albert Horvath, Chief of Staff to the Regents John Lapiana, and Investment Officer Jeff Smith.

CALL TO ORDER

Chair David Silfen called the meeting to order.

APPROVAL OF MINUTES

After consideration and upon motion duly made, seconded, and unanimously approved, the minutes of the February 14, 2012, Committee meeting were approved.

ANNUAL PORTFOLIO REVIEW FOLLOW-UP

Chief Investment Officer Amy Chen thanked members for the feedback on the Annual Portfolio Review. The Committee indicated that the internally prepared review was better and noted that a consultant could be retained to reduce the work.

PORTFOLIO REVIEW

Ms. Chen reported on the performance of the Endowment relative to both the benchmark and the peer universe. In reviewing portfolio liquidity, Ms. Chen noted that over half of the portfolio was reported as being liquid within six months.

COMPARATIVE PERFORMANCE AND PEER ANALYSIS

Ms. Chen reviewed the Smithsonian’s performance against the Cambridge peer universe of all endowments with assets between \$750 million and \$1.5 billion as of December 31, 2011. An analysis by staff found that performance differences were mainly attributed to different asset class weights. It was noted that much of peer outperformance in private equity and real assets was due to the relative immaturity of the Smithsonian’s portfolio.

* *participated by telephone*

PRIVATE EQUITY PORTFOLIO CONSTRUCTION

Investment Officer Jeff Smith reviewed the private equity strategy and discussed the rationale relative to the number of fund relationships and size of commitments. The strategy is unique to the Smithsonian as its private equity program began fairly recently.

PORTFOLIO IMPLEMENTATION

Ms. Chen reviewed the guidance for the remainder of 2012 by asset class. The Committee was asked if the Smithsonian should consider changing its asset allocation. All agreed to maintain the current policy portfolio.

OPERATIONS REVIEW

Ms. Chen reported that the 2011 fiscal year audit was completed and that the Office of Investments received compliments by the Smithsonian's external auditor, KPMG, for its excellent work. The auditors did not identify any material weaknesses or significant deficiencies. KPMG recommended reviewing the use of background checks during due diligence.

Due to Ryan Dotson's promotion to Investment Officer, a search has been initiated for one or two research analysts to fill that vacancy. Three graduate students from The George Washington University have been selected to participate in the office's inaugural summer internship program. They will work with investment and operations staff. Staff has met with representatives from the Office of Advancement to develop both internal and external Endowment communication strategies. Staff will assist in redesigning the annual donor reports and developing an Endowment brochure.

Mr. Silfen thanked Office of Investments staff for the terrific work they have been doing.

EXECUTIVE SESSION

Staff was dismissed at 1:43 p.m. and an executive session was held.