

MINUTES OF THE SEPTEMBER 19, 2012, INVESTMENT COMMITTEE MEETING

The Investment Committee (“the Committee”), a committee of the Smithsonian Board of Regents, conducted a meeting on Wednesday, September 19, 2012, at 1:30 p.m. in Committee Chair David Silfen’s office in New York City. Participating were Mr. Silfen; Committee members Eli Broad*, Timothy O’Neill*, Roger Sant*, and Alan Spoon*; and Board of Regents Chair France Córdova*.

Committee Vice Chair Stephen Case and members Afsaneh Beschloss, J. Tomilson Hill III, and David Rubenstein were absent.

Participating staff included Secretary G. Wayne Clough*, Chief of Staff to the Secretary Patricia Bartlett*, 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*, General Counsel Judith Leonard*, 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 May 30, 2012, Committee meeting were approved.

PORTFOLIO REVIEW

Chief Investment Officer Amy Chen reviewed the one-year trailing return for the period ending June 30, 2012.

The Endowment’s liquidity is greater than many peer organizations and is in excess of the Smithsonian’s capital commitments and payout requirements.

FOLLOW-UP SECTION

Manager Concentration

Investment Officer Michael Giovenco reviewed peer survey data on both manager concentration and the number of investment managers per number of full-time investment staff employed at peer institutions.

* *participated by telephone*

Share Class Review

Staff reviewed the portfolio's share class holdings to assess whether other share classes held greater liquidity. Investment Officer Ryan Dotson found that the Endowment was usually invested in the most liquid classes in nearly all of its managers. After further review, staff determined that it would be advantageous to change the share class for one manager.

Euro Crisis Planning

Ms. Chen reviewed the Euro exposure in the Smithsonian's portfolio. Staff examined each manager's level of preparedness, contingency plans, and risk scenario planning. All of the firms are in constant dialog with their service providers, and staff thought the managers' planning was satisfactory.

ASSET ALLOCATION: RISKS AND OPPORTUNITIES

Ms. Chen noted the asset allocation was a reflection of the Committee's and staff's risk and return preferences, given the Smithsonian's requirements.

The Endowment is sufficiently liquid and meets the projected cash needs.

Generally the Committee felt that the asset allocation was good and that some refinement within the ranges would be desirable. Staff should have the latitude to search for good managers and revise the allocations opportunistically.

PORTFOLIO IMPLEMENTATION

Ms. Chen noted that portfolio implementation for the year has been in line with original plans and reviewed pro forma allocations for the remainder of the year.

OPERATIONS REVIEW

The Office of Investment's entire three-member summer intern class has been hired as part-time employees. Ms. Chen noted that the part-time employees were providing increased bandwidth to the staff by supporting research and preparing reports for the Committee book.

EXECUTIVE SESSION

Staff was dismissed at 3:12 p.m. and an executive session was held.