

## MINUTES OF THE JUNE 21, 2011, INVESTMENT COMMITTEE MEETING

The Smithsonian Investment Committee (“the Committee”), a committee of the Smithsonian Board of Regents, met at 1:00 p.m. on Tuesday, June 21, 2011, in Committee Chair David Silfen’s office in New York City. Participating were Committee Chair David Silfen, Vice Chair Roger Sant, and Committee members Afsaneh Beschloss\*, Eli Broad\*, David Rubenstein\*, and Alan Spoon\*. Committee members J. Tomilson Hill, III and Timothy O’Neill were absent. Participating staff included Investment Operations Specialist Jay Anderson\*, Chief of Staff to the Secretary Patricia Bartlett\*, Chief Investment Officer Amy Chen, Investment Analyst Ryan Dotson, Investment Officer Michael Giovenco, Chief of Staff to Regents John Lapiana\*, General Counsel Judith Leonard\*, Under Secretary for Finance and Administration Alison McNally\*, 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 March 22, 2011, Committee meeting were approved.

### Report of the Chair

The Chair reported that as of April 30, 2011, the Endowment achieved its all time high of \$1,094.9 million<sup>1</sup> from the trough of \$775.5 million on February 28, 2009 exceeding the prior peak of \$1,092.6 million.

### Portfolio Review - Performance Review

Chief Investment Officer Amy Chen reported we are making an effort to schedule next year’s Investment Committee meetings closer to the quarter end in order to provide more relevant performance data for each meeting.

### Fixed Income Strategy

Ms. Chen reviewed the history of the Endowment’s fixed income strategy. In February 2007, the Investment Committee reduced the fixed income policy weight from 15 percent to 10 percent and decided to implement a “bullet-proof” fixed income strategy with high grade risk-free securities that would guarantee future payouts for a significant period without the need to sell assets under market pressure. In October 2007, the Committee established a 5 percent strategic allocation to cash with the transfer of \$70 million from the short-term investment fund to the Endowment. The tactical cash allocation persisted throughout the financial crisis and the fixed income and cash allocation peaked at 25.7 percent in February 2009.

\* *Participated via teleconference.*

The Committee reviewed the proposal to adjust the fixed income exposure and agreed to the further implementation of the portfolio.

### **Portfolio Implementation**

Ms. Chen reported that staff had accelerated the pace of investing in the second quarter. At year end the portfolio is projected to be in line with the policy portfolio, with the exception of an approximate 1.0 percent overweight to hedge funds and a 1.0 percent underweight to private equity.

### **Revised Investment Guidelines**

Investment Officer Jeff Smith presented the revised Investment Guidelines for the Endowment to the Committee. He explained the reasons for the revisions, including implementing UPMIFA guidance and strengthening the definition of roles and responsibilities of the Committee and of the Office of Investments staff.

The Investment Committee voted to approve the proposed Investment Guidelines effective June 21, 2011.

### **Operations Update**

The update reviewed the results of the Investment Committee surveys on the annual portfolio review and video conference. Additionally a brief report on Endowment accounting, the National Campaign and a staff retreat was provided.

### **Executive Session**

Staff was dismissed at 2:15 p.m. and an executive session was held.