

MINUTES OF THE SEPTEMBER 21, 2011, INVESTMENT COMMITTEE MEETING

The Smithsonian Investment Committee (“the Committee”), a committee of the Smithsonian Board of Regents, met at 1:30 p.m. on Wednesday, September 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* and Eli Broad*. Committee members J. Tomilson Hill III, Timothy O’Neill, David Rubenstein, and Alan Spoon were absent. Participating staff included Chief Investment Officer Amy Chen, Investment Officer Ryan Dotson*, Associate General Counsel Farleigh Earhart*, Investment Officer Michael Giovenco, Under Secretary for Finance and Administration Alison McNally*, Investment Officer Jeff Smith, and guest of the Committee Albert Horvath*, designate Under Secretary for Finance and Administration and Chief Financial Officer.

Call to Order

Chair David Silfen called the meeting to order.

Approval of Minutes

The minutes of the June 21, 2011, Committee meeting were approved subsequent to the meeting via e-mail.

Report of the Chair

The Chair reported Committee meeting dates for 2012 were being set to better reflect when investment reports become available each quarter. This will result in a long period between meetings as the next full meeting will not be until February 2012. To compensate, there will be a shorter teleconference meeting on November 29, 2011. The Chair thanked the investment staff for the quality of material and analytics provided for the meeting. He additionally extended his gratitude to Alison McNally for her service to the Committee, as she will be leaving her position.

Portfolio Review — Performance Review

Chief Investment Officer Amy Chen reported that the Endowment had returned 18.8% for the year ending June 30, 2011, versus the policy benchmark performance of 18.3%.

Impact of Market Volatility

Investment Officer Michael Giovenco reviewed the impact of recent market volatility on the Endowment. Mr. Giovenco noted that the volatility of the markets in August 2011 had not been this high since 2008 and that it was approximately triple the 83-year historical average.

The historical beta and comparative cumulative performance of the Endowment were shown to the Committee. The chart demonstrated that the Endowment had performed closely in line with the general market until the Committee was formed in 2005 and started adding

* *participated by teleconference*

diversifying strategies to the portfolio. Those diversifying strategies helped reduce the beta of the portfolio (or the portion of portfolio return driven by the market's return). Since the Committee was formed, cumulative performance of the portfolio has exceeded the S&P 500 with a significantly reduced beta.

Portfolio Implementation

Ms. Chen reported that there had been significant changes to the Endowment investments within the calendar year. The Endowment's asset allocation was shown against the policy benchmark with its expected changes by the end of the year. On a pro-forma basis the policy allocation targets should be met at year end, including private equity.

The Watch List was reviewed.

Mr. Silfen requested that a forward-looking liquidity analysis be performed incorporating prospective capital calls.

Brazil Review

Investment Officer Jeff Smith reviewed the team's recent review of investment opportunities in Brazil, which included onsite meetings with many of the country's investment managers. Staff generally thought there were investment opportunities across asset classes that would be of interest to investigate further. Brazil has an expanding middle class, fiscal and monetary stability, and attractive natural resources that have provided for strong GDP growth. Staff maintains concerns about the volatility of the currency, as well as possible renewed inflation.

Operations Update

Ms. Chen discussed the planned hiring of a consultant to serve as a resource to staff for sourcing and monitoring hedge funds. The relationship would add capabilities with respect to back office and operational diligence.

Ryan Dotson's promotion was detailed to the Investment Committee. Ms. Chen added that staff will be conducting a search to add an analyst due to his promotion.

Executive Session

Staff was dismissed at 2:30 p.m. and an executive session was held.