

MINUTES OF THE JUNE 9, 2009, INVESTMENT COMMITTEE MEETING

The Smithsonian Investment Committee (“the Committee”), a committee of the Smithsonian Board of Regents, conducted a telephonic meeting on Tuesday, June 9, 2009, at 3:00 p.m. Participating were Committee Chair David Silfen and Committee members L. Hardwick Caldwell III, J. Tomlinson Hill III, Roger Sant, and Alan Spoon; Board Chair Patricia Stonesifer also participated in the meeting. Committee members Eli Broad and Afsaneh Beschloss were unable to participate. Participating staff included Secretary G. Wayne Clough; Treasurer Sudeep Anand; Chief of Staff to the Secretary Patricia Bartlett; Chief Investment Officer Amy Chen; Investment Analyst Ryan Dotson; Associate General Counsel Farleigh Earhart; Manager of Investment Operations Rika Feng; Investment Officer Michael Giovenco; Chief of Staff to the Regents John K. Lapiana; General Counsel Judith Leonard; Chief Financial Officer Alice Maroni; and Under Secretary of Finance and Administration Alison McNally.

Call to Order

Committee 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 31 and May 13, 2009, meetings were approved.

Portfolio Review

The Endowment’s preliminary performance for the period ending May 31, 2009, was 4.8%, versus the policy benchmark of 6.7%. The recent market rally increased the Endowment’s value from \$783.7 million as of December 31, 2008, to \$815 million as of May 31, 2009. A recent survey of 20 endowments and foundations showed that the Institution’s Endowment placed in the top quartile for both first quarter 2009 and the trailing one year average.

Tactical Asset Allocation

Staff provided an update on the status of the tactical asset allocation. The advisability of maintaining the tactical asset allocation was discussed by the Committee. The Committee was in general agreement that the initial rally in riskier assets was not sufficient to make a change to the tactical asset allocation, as the economy was still exhibiting weakness.

At the time of the meeting, due to the huge market rally, emerging markets were overweight to the target. The Committee considered reducing the exposure but concluded that rebalancing was not the best course of action at the present time because the emerging markets were still positioned to be major beneficiaries of a global recovery.

Staff solicited the Committee’s views on the timeframe of the tactical asset allocation, as well as vehicle preferences (public vs. private) and lock-up periods. Although each

investment could have unique characteristics, the Committee's preference was to focus on public funds with lock-ups of two years or less.

Operational Review

Staff reported on the recent proposed update on the implementation of FAS 157, which will allow endowments to report the financial valuations of investments as reported by their fund managers, instead of requiring staff to perform independent valuations of the funds. Staff reported that they welcomed the proposed change and that they were waiting for the Financial Accounting Standards Board to adopt the update.

An exhibit was presented displaying differences in the capital account balances of the Endowment's private market portfolio between the September 30, 2008, balances adjusted for cash flows and the reported December 31, 2008, balances. The portfolio had a total unrealized loss of \$8.9 million for calendar year 2008, representing 1.1% of the total portfolio.

The Committee was updated on the status of two open investment officer positions. Due to the availability of well-qualified applicants, it was reported that the top candidate for the position of Investment Officer for Marketable Alternative Investments would likely be identified by July 2009 and that the position would be filled by the end of August 2009.

The Office of Investments also reported that it was continuing to work with the Office of the Chief Information Officer to assess the implementation of PerTrac CMS.

Executive Session

Staff was dismissed at 3:50 p.m. and an executive session was held.