

MINUTES OF THE DECEMBER 6, 2017, INVESTMENT COMMITTEE MEETING

The Investment Committee (“Committee”) of the Board of Regents of the Smithsonian Institution (“Smithsonian”) conducted a meeting on Wednesday, December 6, 2017, at Committee Chair Tim O’Neill’s office in New York City. Participating were Committee Chair Tim O’Neill, Committee members Steve Case,* Henry Ellenbogen, Alice Handy, Kathryn (“Katie”) Hall, David Rubenstein,* and Michael Tennenbaum.* Committee Vice Chair Roger W. Ferguson, Jr. and Committee member J. Tomilson (“Tom”) Hill were unable to participate.

Participating Smithsonian staff included Secretary Dr. David Skorton; Director of Investment Operations Genta Arovas;* Chief of Staff to the Secretary Greg Bettwy;* Chief Investment Officer Amy Chen; Investment Officer Ryan Dotson; Associate General Counsel Farleigh Earhart;* Investment Officer Michael Giovenco; Inspector General Cathy Helm;* Under Secretary for Finance and Administration and Chief Financial Officer Albert Horvath; and Investment Officer Jeff Smith.

CALL TO ORDER / REPORT OF THE CHAIR

Committee Chair Tim O’Neill called the meeting to order at 11:07 a.m. and welcomed everyone.

APPROVAL OF THE JUNE 6, 2017, COMMITTEE MEETING MINUTES

Upon motion duly made and seconded, the draft minutes of the June 6, 2017, Committee meeting were approved without modification.

PORTFOLIO REVIEW

Chief Investment Officer Amy Chen and Investment Officer Ryan Dotson reviewed the Portfolio Review, which was divided into two sections: the June 30, 2017, performance that included actual private fund valuations, and a preliminary portfolio preview for the period ending September 30, 2017.

June 30, 2017 – Final

Ms. Chen reported that for the period ending June 30, 2017, the Endowment returned 13.9% for the trailing one-year period against the policy benchmark of 9.6%. The final return decreased slightly by 10bps compared to the preliminary return of the total endowment as of June 30, 2017.

September 30, 2017

Investment Officer Ryan Dotson reported that the Smithsonian Endowment ended the third quarter of 2017 with assets of \$1.48 billion and the Endowment’s one-year return as of September 30, 2017 was 12.4% versus the policy benchmark of 9.9%. Mr. Dotson reviewed both

* *Participated by telephone*

the integrated risk framework and risk/return analysis for the portfolio, and he also reviewed the rankings of managers' returns and the portfolio attribution analysis. Mr. Dotson lastly introduced the top 20 positions of the total endowment requested by the Committee members at the June meeting.

OVERVIEW OF ENDOWMENT UTILIZATION

Under Secretary for Finance and Administration Al Horvath shared the FY2016 budget review to help Committee members understand the impact of the endowment payouts. Committee members noted the undersized endowment for the Smithsonian Institution and the need to focus on fundraising. Mr. Horvath intends to provide a payout recommendation for the Committee's review at the next meeting.

CO-INVESTMENT AND SECONDARY DISCUSSION

Co-Investment Strategy

Ms. Chen discussed the framework and risks of the Co-investment strategy with Committee members.

Secondary Strategy

Ms. Chen reviewed the endowment's approach to Secondary strategies and noted that staff will consider this strategy on an opportunistic basis.

PORTFOLIO IMPLEMENTATION

Investment Officer Michael Giovenco reported the asset allocation of the total Endowment during the third quarter. He also reviewed the liquidity analysis and the Watch List.

OPERATION REVIEW

Ms. Chen updated the Committee on the status of staff hiring, implementation of the digital board book, and the RFP for a hedge fund consultant.

ADJOURNMENT

The meeting was adjourned at 12:56 p.m. and an executive session was held.