

WINSTON-SALEM STATE UNIVERSITY

Board of Trustees Endowment Committee
Chancellor's Conference Room
Thursday, March 20, 2014

MINUTES

***ACTION ITEM**

Call to Order: Chairman Debra B. Miller called the Board of Trustees Endowment Committee meeting to order at 8:00 a.m.

Roll Call: Linda McCullough

Present: Mrs. Debra B. Miller, Chairman
Chancellor Donald Reaves
Mr. William G. Benton
Mrs. Peggy Carter
Mr. Scott Wierman
Interim Vice Chancellor Randy Mills, ex-officio
Vice Chancellor Michelle Cook, ex-officio

Absent: Mr. Tony Ebron
Mr. Harvey McIntyre

A quorum was established.

Staff Present: Mr. Frank Lord
Mr. Gordon Slade

Guest: Mr. Jonathon King, President, UNC Management Company via webcast
Ms. Janine Vanzetta, Director of Investor Communications via webcast

***Approval of the Agenda**

- Mrs. Carter moved and Mr. Wierman seconded the motion to adopt the agenda. The motion pass.

***Approval of Minutes**

- Mrs. Carter moved and Mr. Benton seconded the motion to approve the minutes of the December 5, 2013 meeting. The motion pass.

UNC Management Company Presentation

Mr. Jonathon King, President and Ms. Janine Vanzetta, Director of Investor Relations & Communications of UNC Management Company, presented the following:

- The UNC Investment Fund (UNCIF) assets are primarily managed by external, professional investment management organizations through separate accounts and commingled investment vehicles.
- All investment allocations are made in compliance with a long-term Strategic Investment Policy Portfolio (SIPP) developed by the Board of Directors of the Chapel Hill Investment Fund.
- The Investment Policy specifies target allocations for each individual asset class as well as permissible ranges around those strategic targets. The policy was developed to maintain a diversified portfolio designed to achieve the overall UNCIF goal of returning 5.5% real returns in perpetuity.
- The Endowment Fund generated a solid 2.6% return for the month of February bringing the fiscal year-to-date (8 month period) return to 10.7%. For the month, each of the Fund's seven primary asset classes generated a positive return.
- Global equity markets experienced a strong rebound in February recouping January's losses.
- The UNCIF recorded a 15.9% net return for CY 2013.
- The Fund's returns for all CY 2013 periods exceed the primary long-term objective (CPI +5.5%):
 - FYTD 6-months 9.0%
 - 3-Years 9.3%
 - 5-Years 8.0%
 - 10-Years 9.2%
- Preliminary Simple and Annualized Returns to February 28, 2014:
 - Simple Return**
 - CYTD 2014 2-months 1.6%
 - FYTD 2014 8-months 10.7%
 - Annualized Return**
 - 1 Year 14.8%
 - 3 Years 9.1%
 - 5 Years 9.5%
 - 10 Years 8.9%
- Long Term Performance to December 31, 2013:
 - 3 and 10 year returns are strong both on an absolute and relative basis
 - 5 year return improving but still lags on a relative basis
- Economic Backdrop
 - United States Gross Domestic Product (GDP) grew at an annual rate of 3.7% in the 2nd half of 2013, best since 2003.
 - China's 2013 GDP was the weakest since 1999 with further deceleration expected.
 - Europe's recovery following double-dip recession has begun though GDP for the year was marginally negative; deflation is becoming a growing concern.

- Asset Class Performance
 - CY 2013 (January 1, 2013 – December 31, 2013) 4 of 7 asset classes beat their benchmark for the calendar year.
 - The US equity market was the top performer across asset classes
- UNC Management Company continues to maintain a long-term focus with regards to the Fund's asset allocation. Protecting capital and limiting the impact of down markets on the Fund is critical to the portfolio construction process.
- A copy of the *UNC Management Company, Inc. Investment Report dated March 20, 2014* filed for reference.

Enhanced Revenue/Integrated Planning and Budgeting:

University Endowment Financial Statements Period Ending December 31, 2013

Mr. Frank Lord, University Controller, reported the following for the period ending December 31, 2013:

- WSSU Endowment Fund Fair Market Value \$24,145,999 for a gain of \$1,932,679 from the previous quarter.
- Realized loss from sale on securities (\$417,625.66) against Unrealized Gains securities held by Fiscal Agent \$1,828,817.30 for a net realized and unrealized gain of \$1,411,192.
- Cash gift receipts \$1,047,000.
- Restricted cash for spending \$3,845,377.
- Net Realized and Unrealized Gains (losses) \$1,411,192.
- Endowment principle balance invested with UNC Management trust account \$18,214,499.

Foundation Endowment Financial Statements Period Ending December 31, 2013

Mr. Gordon Slade, University Advancement Finance Director, reported the following for period ending December 31, 2013:

- Foundation Fair Market Value \$8,591,454
- Cash gift receipts \$62,264
- Unrealized gains \$759,903
- Restricted cash for spending \$277,916
- Permanently restricted cash to be invested \$82,752

Endowment Spending Rate Annual Review

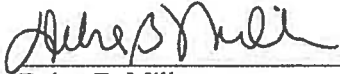
In review of the Endowment Fund spending rate for 2014-15, Interim Vice Chancellor Mills summarized a handout depicting the Fund's market value from September 2011 through December 2013 with projected market values from March through June 2014. Upon reviewing and discussing projected distributions and other specifics in accordance with the Endowment Fund Investment Policy range of 4.5% to 5.5%, the recommendation was to maintain the 5% spending rate for 2014-15. The Endowment Fund spending rate is currently set at 5% for an annual distribution of \$1,036,059 with quarterly distributions of \$259,015.

Chairman Miller called a motion to recommend a 5% Endowment Fund spending rate for approval to the full Board on Friday, March 21st. Mr. Benton moved and Mr. Wierman seconded. The motion pass.

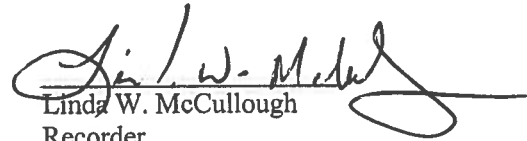
A copy of all financial statements and supporting documents are filed for reference.

Adjournment

With no other business for discussion, Chairman Miller called the meeting to adjourn at 8:41 a.m.



Debra B. Miller
Chairman, Board of Trustees



Linda W. McCullough
Recorder