

Meeting Minutes of the Investment Committee  
University of Kentucky  
Tuesday, December 5, 2023

The Investment Committee of the University of Kentucky Board of Trustees met on Tuesday, December 5, 2023, in the Gatton Student Center, Harris Ballroom.

A. Meeting Opened

Investment Committee Chair, Elizabeth McCoy, called the meeting to order at 8:01 a.m. and requested a roll call.

B. Roll Call

The following members of the Investment Committee were in attendance: Elizabeth McCoy, Ray A. Daniels, K. Lance Lucas, Hollie Swanson and Robert D. Vance.

The following Community Advisory members were in attendance: Tom Abell, M.D., Kathy McMullen and Quint Tatro. The following Community Advisory member was not in attendance: William C. Britton.

The University Investment Staff was represented by Chief Investment Officer Todd D. Shupp and Investment Director Nancy Rohde.

Cambridge Associates was represented by Eric Thornton and Jimmy Crivella.

C. Approval of Minutes for September 14, 2023

Chair McCoy called for a motion to approve the minutes from the Committee meeting on September 14, 2023. The motion was moved by Trustee Vance and seconded by Trustee Lucas. The motion passed without dissent.

D. Private Equity Strategy Review

Mr. Jimmy Crivella, with Cambridge Associates (Cambridge), began the private equity strategy review. He outlined three areas for the day's discussion, including an overview of the private equity market, an explanation of Cambridge's approach to helping clients allocate to private equity managers, and a prognosis for this segment of the market going forward. He defined private investments as direct ownership interests in private partnerships that are not registered for sale on public exchanges. He noted that the private equity asset class today includes many nuanced strategies beyond the traditional buyout model. For an investor to find success in this increasingly complex space, Cambridge recommends strategy diversification and a focus on specialized managers.

Turning to UK's private equity portfolio, Mr. Crivella stated that there is a long-term disciplined strategy in place with a focus on committing capital steadily each year. He

noted that despite recent declines in fundraising and deal activity within private equity, the longer-term upward trend supports a wide opportunity set that should not be ignored. He pointed to increased capital and deal activity in private markets, resulting in companies staying private longer and fewer public companies today than 25 years ago. He next addressed company valuations within private equity, highlighting industry trends over the past three years and reviewing the differences between public and private valuation processes. Bringing the discussion up to the portfolio level, UK's private equity performance has followed the broader industry in demonstrating some recent weakness but maintaining strong longer-term performance. In his concluding remarks, Mr. Crivella outlined a variety of operating metrics across both public and private companies and summarized that private companies have historically been cheaper to buy and have grown faster than public peers. These features have led to outsized returns by private markets and continue to look like a promising combination going forward.

Mr. Shupp asked Mr. Crivella if he could briefly discuss how the team develops the commitment pacing that is used to determine how many dollars are put to work each year. Mr. Crivella replied that they use a model that accounts for the expected capital flows, both capital calls and distributions, of the underlying private equity funds. This is layered onto predictions of overall portfolio asset growth and results in a current target set at 24%.

E. ICR 1 - Endowment Investment Policy Review and Approval

Mr. Todd Shupp presented ICR 1, a recommendation that the Investment Committee of the Board of Trustees approve revisions to the Endowment Investment Policy. Chair McCoy called for a motion to approve ICR 1. The motion was moved by Trustee Lucas and seconded by Trustee Swanson. The motion passed without dissent.

F. ICR 2 - Endowment Investment Custodian

Mr. Shupp presented ICR 2, authorization to establish a contract with the selected finalist in the Endowment Investment Custodian Search. The university issued a request for proposals (RFP) for an endowment investment custodian on July 14, 2023. The RFP Evaluation Committee performed several stages of due diligence after reviewing proposal documents and the finalist selected was determined to be the most advantageous to the university, providing the best overall value to perform mandatory services. Chair McCoy called for a motion to approve ICR 2. The motion was moved by Trustee Vance and seconded by Trustee Daniels. The motion passed without dissent.

G. Investment Staff Report

Mr. Shupp presented the Investment Staff Report beginning with an overview of the endowment asset allocation as of October 31, 2023. He noted that the period of time since the last update, July 31, 2023, was a very turbulent one for the market. Global equity was down for the period, driven largely by the public equity portfolio. Fixed income remained relatively flat; there was a slight decline in the public fixed income portfolio, offset by a very slight uptick in privates. The real assets portfolio was up just slightly,

driven by an increase in the private real asset space. Finally, there was a modest uptick in diversifying strategies, reflecting an addition made to a manager highlighted at the September meeting. In his concluding remarks, Mr. Shupp highlighted an inflow of \$13.4 million from the Research Challenge Trust Fund. Proceeds were reinvested in a diversified manner to steer towards UK's target allocations.

Ms. Rohde discussed recent manager appointments, terminations and due diligence for the period. On the appointments side, UK committed \$15 million to Tola Capital III, \$15 million to Elsewhere Partners III and \$15 million to Peppertree Fund X, all private investment allocations. On the terminations side, she stated no redemptions occurred since the last meeting. Lastly, Ms. Rohde referenced manager due diligence and research during the period, including several annual manager meetings taking place in the fall. She highlighted an upcoming trip to Boston to visit Cambridge headquarters as well as meet with public and private equity money managers.

#### H. Performance Review and Market Update

Mr. Eric Thornton presented a performance review and market update for the calendar and fiscal year-to-date periods ending October 31, 2023. The markets moved downward in late summer and early fall, marking a turbulent period as Israel and Hamas went to war and interest rates rose, particularly among the intermediate and long part of the curve. Focusing on UK's calendar year-to-date 2023 performance, gains in public equities, public real assets and diversifying strategies worked well for the portfolio. Additionally, managers outperformed in the international equity space. Conversely, declines in public fixed income and private real assets, and modest overweights to small-cap and emerging equity markets detracted from performance.

#### I. Other Business

Mr. Shupp reviewed the schedule of the 2024 Investment Committee meetings and tentative agenda items. The first meeting of next year will take place on Thursday, February 22<sup>nd</sup>. In addition to the regular meeting items, the agenda will include an update from the Graduate Student Managed Investment Fund (SMIF) as well as an education session from Cambridge. The annual Investment Retreat is scheduled for June.

#### J. Meeting Adjourned

Hearing no further business, the meeting was adjourned at 9:01 a.m.

Respectfully submitted,



Kristina W. Goins  
University Financial Services