

Meeting Minutes of the Investment Committee
University of Kentucky
Thursday, February 22, 2024

The Investment Committee of the University of Kentucky Board of Trustees met on Thursday, February 22, 2024, in the Gatton Student Center, Harris Ballroom.

A. Meeting Opened

Investment Committee Chair, Elizabeth McCoy, called the meeting to order at 2:00 p.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: William C. Britton, Ambassador Kelly Craft, Kathy McMullen and Quint Tatro. The following Community Advisory member was not in attendance: Tom Abell, M.D.

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 Bob Sellers.

C. Approval of Minutes for December 5, 2023

Chair McCoy called for a motion to approve the minutes from the Committee meeting on December 5, 2023. The motion was moved by Trustee Lucas and seconded by Trustee Vance. The motion passed without dissent.

D. Graduate Student Managed Investment Fund (SMIF) Presentation

Mr. Jonathan Pliszka introduced two students from the graduate Student Managed Investment Fund (SMIF) class, Sam Schroder and Jalen Williams, who presented a portfolio update. The students covered the course's investment philosophy, class structure, and investment methodology. They discussed various aspects of the portfolio makeup including holdings, recent trade history, performance, and highlighted a couple of overperformers and underperformers. They concluded by providing a macroeconomic update and related concerns.

E. Cambridge Associates Education Session: Diversifying Strategies

Mr. Bob Sellers began by outlining an agenda for the diversifying strategies discussion. He defined diversifying strategies as actively managed investment vehicles

that employ alternative strategies, primarily involving marketable securities. Mr. Sellers discussed some of the rationales for investing including a wider investment opportunity set, downside protection, diversification benefits, and return potential. Some issues for consideration include firm-specific risk, complexity, limited transparency, higher fees and liquidity and lockup provisions.

Mr. Todd Shupp spoke about the evolution of the UK diversifying strategies program. The endowment began investing in hedge funds in 2009 and has shifted and improved implementation within the asset class over time. He then provided an overview of the current structure and features of the UK diversifying strategies portfolio.

Mr. Sellers next introduced the investment philosophy that Cambridge utilizes for diversifying strategies portfolios, specifically to classify each fund as having either a “growth” or “diversifier” role. He explained that growth funds are expected to provide equity-like returns over a full market cycle, while diversifier funds are expected to provide differentiated return streams relative to other assets in the portfolio. He then provided an overview of the UK diversifying strategies portfolio across sub-strategies and risk profile.

Ms. Nancy Rohde discussed the liquidity of the UK diversifying strategies portfolio and provided a comparison of some key liquidity characteristics of the portfolio today versus several years ago. UK’s focus here has yielded significant improvements, and the investment team will continue to pay close attention to liquidity.

Mr. Sellers provided some data on the UK diversifying strategies portfolio, including risk metrics and historical performance. He concluded with a brief summary of one of the managers within the portfolio, Hudson Bay Capital Management.

F. Investment Staff Report

Mr. Shupp presented the Investment Staff Report beginning with an overview of the endowment asset allocation as of December 31, 2023. The allocation to global equity increased, driven by public stock holdings. Fixed income stayed flat, with a very modest increase in public fixed income and a modest decline in private fixed income. Real assets, both public and private, declined slightly, as commodities were an outlier in terms of negative performance. Offsetting this, infrastructure and natural resources saw a bit of a lift. Finally, the diversifying strategies allocation came down slightly as a result of a modest redemption payment received during the period.

Next, Mr. Shupp briefly discussed the cash flow activity for the same period. He concluded by stating that the portfolio remains well diversified and well within our policy ranges and also well within our liquidity guidelines. Mr. Tatro commented on the strategic move to overweight equity during the depths of the pandemic sell-off, and asked if there was any thought given to now doing the opposite after the strong run in the equity markets. Secondly, he asked how UK and Cambridge were thinking about duration risk and where we are on the curve on the fixed income side. Mr. Shupp replied that recent redemption payouts from the diversifying strategies allocation were deployed toward fixed

income rather than public equity given the latter's overweight position. Addressing the question about fixed income duration, he stated it is fair to say we are a bit long and that UK Investment Staff and Cambridge both keep a close eye on this.

Ms. Rohde discussed recent manager appointments, terminations, and due diligence for the period. On the appointments side, UK committed \$15 million to a private equity fund called Pelican Energy Partners Base Zero. On the terminations side, she stated a full redemption was made from New Horizon Opportunities Fund. Lastly, Ms. Rohde referenced manager due diligence and research during the period, noting that many of these meetings were focused on a review of 2023 and outlook on 2024.

G. 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 December 31, 2023. He began with a backdrop of UK's performance results. He stated that risk assets and core fixed income had an exceptionally strong end to 2023. Mr. Thornton briefly described the drivers contributing to both the quarter-to-date and year-to-date performance. Drivers of return for the year included public equity exposure, particularly large cap U.S. and active non-U.S. holdings, gains in diversifying strategies, and public real assets holdings that posted strong absolute and relative results. Performance was slightly held back by an overweight to small-cap within U.S. equities, private investments lagging the private investment benchmark, and a modest overweight to emerging markets. He concluded his remarks by highlighting some of the key takeaways from Cambridge Associates' 2024 Outlook.

H. Other Business

Mr. Shupp reviewed the schedule of the 2024 Investment Committee meetings and tentative agenda items. The next meeting will take place on June 13th. In addition to the regular agenda items, there will be a portfolio risk review. September's meeting will feature a presentation from PIMCO's Libby Cantrill.

I. Meeting Adjourned

Hearing no further business, the meeting was adjourned at 3:23 p.m.

Respectfully submitted,



Kristina W. Goins
University Financial Services