



ECU Foundation Investment Committee and ECU Endowment Fund Board
Thursday, May 19, 2011, 12:00 noon, Raleigh, NC
Minutes

The ECU Foundation Investment Committee and ECU Endowment Fund board met via teleconference Thursday, May 19, 2011 at 12:00 noon in Raleigh, NC.

Attendees: ECUF Investment Committee: Chair Kel Normann, Bill Blount, Al Hutzler, Lynn Lane, VC Rick Niswander, Bill Clark, FEG consultant Bruce Benjamin, ECU Financial services staff, Jon Lancaster, Betty Whichard; ECU AA representative Carl Davis. *Absent: ECUF: Reid Fogleman, Phil Mahoney, Fielding Miller, EFB: David Brody, Bob Lucas, David Redwine, Danny Scott, Steve Showfety.*

Chair Kel Normann brought the meeting to order. Minutes of the previous meeting were noted and approved. Responsibilities for the committee were provided and discussed. Committee Participation Report was provided and discussed. A change in the Bylaws of the ECU BOT regarding Endowment Fund Board membership was discussed. Rick will follow up on this issue pertaining which changes will be implemented. The completed 2010 consultant evaluation was provided to the committee and discussed.

Consultant Bruce Benjamin gave an overview of market performances, noting stocks had a strong start and markets did well overall. He noted economic positives attributed to increase in S&P and commodities gains. Exposure to credit risk was rewarded in the bond markets. Bruce then reviewed first quarter foundation and endowment performance reports, as well as the April 30, 2011 flash reports. Overall results are increased for the quarter and YTD. Results for foundation and endowment exceeded the Balanced Index for all time periods noted. Returns from various managers were strong. Returns from investment managers were strong, exceeding benchmarks. Allocations to credit market and emerging markets proved beneficial. Portfolios are meeting performance objectives per investment policy. Portfolio ranks in the top quartile of peer universities. Executive summary style report has been posted to foundation website.

UNC Fund results were noted and committee was in agreement to continue with this investment for at least 3-5 years.

Mr. Benjamin provided the committee with a liquidity analysis and stress test to aid in determining appropriate allocations to liquid, semi-liquid and illiquid funds as a risk-management tool to avoid risks of large draw downs in portfolio market values. Worse case scenarios were discussed. The committee discussed revising the assumption, and Bruce will provide the committee with amended figures to better gauge the impact of the foundation's ability to sustain the distribution policy of 4%.

The current private capital program was discussed. No new commitments have been made since 2008. Private capital program recommendations were provided to the committee, including continuing with current strategy. Committee interest was to utilize FEG Private Opportunities fund. Due diligence will be performed, to include comparison of similar funds, and materials will be provided to the committee. *Chairman Normann suggested the committee review the materials, then call a meeting to discuss and vote for implementation.*

The committee was provided and discussed the Credit Risk language in the current ECU Investment Policy. Committee suggested revisions to show a change of "no more than 7.5% (up from 5%) of bond investments rated below 'B' and no more than 25% (up from 20%) investments rated below Baa/BBB." Also, eliminate wording of last line pertaining to intent of IC to dictate certain terms of policy. *After discussion, committee voted and approved to accept changes as noted. Bruce will revise the Credit Risk statement of the policy and send to committee. EFB representatives will need to vote on the policy change.*

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Rebalancing of the portfolio was discussed. FEG will review targets and allocations as of May 31 and recommend rebalancing to the committee if necessary. Committee was notified that alternative investments will be reviewed during foundation audit season.

There being no further business, the meeting was adjourned. The next UNC Management Fund board meeting will be held Friday, May 20, Chapel Hill, NC, 8:30 a.m. *The next investment committee meeting is scheduled for Thursday, August 11 at 3:00 p.m. via teleconference.*



Prepared by

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