REPORT OF THE FINANCE COMMITTEE ON INVESTMENTS
Meeting
June 25, 2020

The Finance Committee on Investments met at 12:30 p.m. on June 25, 2020 via ZOOM/teleconference. Participating were Committee members: Morgan Rutman (Chair), Mike Pilot, George Hansel, Todd Black, and Catherine Provencher; Trustees: Jamie Burnett, KSC President Melinda Treadwell and PSU President Don Birx also attended.

Also in attendance: Jeff Croteau, Ryan O’Quinn, and Kate Dumas from Prime Buchholz; Jay Calhoun, Bill Janelle, Wayne Jones and Doug Bencks (UNH); Tracy Claybaugh (PSU), Susan LaPanne, Ockle Johnson, MaryBeth Lufkin (KSC), Karen Benincasa, Matt Purcell, and Lorna Jacobsen from USNH; and Samuel Karasek and Colin Rajala, journalists.

The following announcement was read by Lorna Jacobsen and attendance was taken.

This meeting is being held by electronic means in conformance with the Governor’s emergency declaration of March 13, 2020, and subsequent emergency orders, as well as the applicable provisions of the New Hampshire Right-to-Know Law, RSA 91-A. If during the conduct of this meeting, anyone has difficulty connecting or staying connected to the video or audio feed please contact Tia Miller at Tia.miller@usnh.edu or 603-862-0918.

Chairman Rutman called the meeting to order at 12:30 pm. and a quorum sufficient to conduct business was noted.

I. APPROVAL OF MINUTES (Moved by Vice Chancellor Provencher and duly seconded)

VOTED, that the minutes of the April 23, 2020 meeting be approved

(The Committee voted unanimously to approve this motion)

II. ITEMS FOR COMMITTEE DISCUSSION AND POSSIBLE ACTION

A. Endowment and Operating Cash Portfolio Review and Performance for the period ending May 31, 2020

Mr. Croteau shared portfolio performance results as of May 31, 2020. He noted that the portfolio was down about .9% for the fiscal year to date. For the month of May, Mr. Croteau said the portfolio was
up 3.1% making the calendar year to date down 6.6%. He discussed performance by sector pointing out over and under-performing managers. He noted that Prime Buchholz has been mindful of USNH liquidity concerns and accordingly has been and continues to increase the cash position in the portfolio within the current policy limits approved by the Committee. Mr. Croteau reviewed the short-term operating portfolio which at the end of May totaled $194 million. He said performance has been positive with a 2.4% return for the fiscal year to date and 1.3% for the calendar year to date. It was noted that performance exceeded the budgeted 1% return but that the 1% target continued to be appropriate for fiscal year 2021 budgeting purposes which is the Committee recommendation.

B. Investment implications of COVID-19 on asset allocation

Mr. Croteau discussed the current market and said the federal policy reaction to the pandemic was swift and significant. He described the ways in which the pandemic is creating many uncertainties and behavior changes and how that impacts the performance of certain sectors. Mr. Croteau said that while it is prudent to review portfolio positions, it is important to consider internal factors and use long term strategic thinking when considering making any shifts.

C. Summary of recent actions/activity in the portfolio

Mr. Croteau discussed actions taken by Prime Buchholz on behalf of USNH noting that they made some well-timed moves. In mid-March, $8 million was raised from the IR&M Intermediate Treasury Account and the proceeds reinvested into global equities. He reported that, a total of $3.1 million was distributed from Adamas Partners and Adamas Opportunities as the funds continue winding down. He noted a new investment was made in Baupost Value Partners for $15 million and said that was an example of the OCIO model allowing for quick action to take advantage of a top tier fund that has been historically closed to new investments.

The Committee discussed the current environment and uncertainty in the next 7 to 8 months caused by the pandemic. Given this significant uncertainty, Committee members agreed that having ten to fifteen million dollars more in liquidity within the endowment is prudent and reiterated support for Prime Buchholz approach to managing the risk.

D. Planning ahead for private commitments

Mr. Croteau reviewed the portfolio’s private capital exposure and commitments and said that he expects USNH to achieve the 15% private equity and 2% private real assets targets in three to four years.

III. Capital Items

A. First review of UNH’s Health Sciences Initiative

Vice Chancellor Provencher provided background on the Health Science Initiative at UNH noting that the State allocated $9M in Fiscal Year 2019 toward the project to increase enrollments in nursing and other health fields in the undergraduate and graduate levels. She said this is the initial review and UNH will be back in October for approval.
Provost Jones said that UNH appreciates the support of the Governor. He said UNH has seen significant increases in enrollment in these fields and the space to accommodate the growing number of students is limited. He discussed the programmatic components of the building noting that the project will create a simulation laboratory and classrooms. UNH will use $3.3 million of its own funds for a total project cost of $12.3 million.

Mr. Janelle reviewed the project scope and design, noting that it would be a solution to meet the short-term needs of medical health education enrollment demand. The building would be located on Waterworks Road near Gregg Hall and the Ocean Engineering building. He said while they are just starting design, the building will be of the light commercial type, not the typical building standard at UNH. If approved, the building would be ready for occupancy in the Fall of 2021.

Vice Chancellor Provencher said the construction of the project is funded by the State and the dollars are earmarked for this purpose.

Committee members asked questions about the short-term use of the building, the return on investment (ROI), and whether other options like repurposing an older building were considered. Mr. Bencks described the Nesmith renovation project which would be the permanent home for these programs but indicated the project is a number of years away. The Committee asked UNH to return in October with an estimate of the ROI on this project and more details on the life expectancy of the building and how it will be used when Nesmith is completed and the health programs are relocated.

Trustee Pilot suggested that it would be good to establish a threshold for ROI and a standard template on proposed projects so that trustees have an objective and consistent way of prioritizing requests and to provide continuity in decision making.

**B. Approve KSC's turf field project**

MOVED, on recommendation of the Keene State College President that the Investment Committee of the Board of Trustees approve proceeding with replacement of an artificial turf surface at Keene State College with a project budget of $1.1 million AND FURTHER, that the source of funds for the project are Keene State College unrestricted funds.

(Item deferred to Financial Affairs Committee)

President Treadwell discussed the proposed project indicating that it had been on KSC’s capital plan for some time but had been taken off in reaction to the COVID spending directives. The field is a safety concern and KSC is requesting approval now, so that play can take place in the fall. She said that if the field is not resurfaced, games will need to be held off campus which would cost approximately $200,000 with increased risks associated with travel and COVID spread. If the conference does not allow play, or KSC decides not to participate this season, the field could be put off until spring.

Committee members discussed the project and shared their views on spending the $1.1 million at this point when there is so much uncertainty with the budget and the coming academic year and in light of the efforts across the system to preserve cash. All Committee members expressed concern about keeping students safe, and accordingly noted that the risk of the surface is hard to evaluate without an
independent safety assessment. There was recognition that Athletics is important to KSC’s brand and several trustees thought that the decision should be the President’s given that under non-pandemic circumstances, this project would have been within her authority. The time sensitive nature of the project if the field is to be used in the Fall was acknowledged.

Chairman Rutman said that the project should be discussed at Financial Affairs Committee to get more input from trustees and that a safety assessment, and clarity on the fall sports season is necessary before moving forward with the project.

C. KSC Business Hub

VOTED, on recommendation of KSC President Melinda Treadwell, that the Investment (and Capital Planning) Committee hereby authorizes KSC to continue working with Monadnock Economic Development Corporation to establish financing for the development of a Business HUB to be located on Winchester Street on the KSC Campus AND FURTHER, that the applications and related documents shall be reviewed and approved by the General Counsel and the Vice Chancellor for Financial Affairs prior to execution AND FINALLY, that the KSC President shall keep the Committee appropriately informed of the status and progress of this project.

{The Committee voted unanimously in favor of this motion with Trustee Hansel abstaining}

Trustee Hansel said he would recuse himself from discussion and voting on this item because of his role as Mayor of Keene and his relationship to the Monadnock Economic Development Corporation.

President Treadwell provided background on the KSC Business Hub noting that KSC has been working with local businesses and the Monadnock Economic Development Corporation to explore the possibility of a public private partnership to develop a business hub on the KSC campus. The Hub would serve as a center for innovative programs developed by local industry and the College. Because of its location in an economic opportunity area, this project has the potential to qualify for several federal and state programs. President Treadwell said that at this time, granting agencies as well as the Community Development Entities (CDEs) need evidence that the Board of Trustees of the University System of New Hampshire endorses these applications and so KSC is requesting approval to work with Monadnock Economic Development Corporation to establish the financing for the project and submit the required grant applications. KSC’s contribution would be Monadnock Hall, which would be raised for the new building. KSC would lease the space for seven years and then would own the building again.

Vice Chancellor Provencher said that voting for this motion is not approval of the final project, it provides KSC authority to continue working on securing the financing.

There was general encouragement and approval of the project concept on the part of committee members. The project appears to be low risk for KSC while providing benefit to KSC and the Monadnock region businesses and workforce and the State.

E. Status of ongoing capital projects
Report accepted without discussion.

IV. Other Business

A. Chairman Rutman thanked Prime Buchholz for their good work and guidance.

B. Next meeting date is October 22, 2020

C. The Committee adjourned at 2:20 p.m.