



Approved on October 20, 2022

REPORT OF THE INVESTMENTS AND CAPITAL PLANNING COMMITTEE
Meeting
June 23, 2022

The Finance Committee on Investments met at 12:15 p.m. on June 23, 2022, at the Memorial Union Building at the University of New Hampshire. Committee members participating at the meeting location: Mike Pilot, Amy Begg, Todd Black, and Catherine Provencher; Committee members participating by videoconference: Morgan Rutman; Other trustees participating by teleconference: Peter Paul, Joel Nkounkou and Kevin Knarr; Other trustees participating at the meeting location: Joe Morone, Frank Edelblut, Greg Tewksbury, and President Donald Birx

Staff: present at meeting location, (PSU) Tracy Claybaugh;(KSC) Nathalie Houder and MaryBeth Lufkin; (UNH) Wayne Jones, Bill Janelle and (USNH) Lorna Jacobsen; Staff attending via teleconference (USNH) Karen Benincasa and Matt Purcell; (PSU) Robin DeRosa

Jeff Croteau from Prime Buchholz was in attendance.

I. Call to Order

Chairman Rutman called the meeting to order at 12:20 pm. and a quorum sufficient to conduct business was noted.

II. APPROVAL OF MINUTES (Moved and duly seconded)

VOTED, that the minutes of the March 3, 2022, meeting be approved.

{The Committee voted unanimously to approve this motion}

III. Update from Prime Buchholz

A. Market Environment and May 31, 2022, Executive Summary

Mr. Croteau commented on the market environment for the period ending May 31, 2022, noting that most asset categories fell into negative territory with traditional energy having positive returns. Mr. Croteau discussed the impact of inflation in the equity and bond markets and said that the Fed has been aggressive in raising rates. He said the bond market is in the midst of the worst drawdown in recent history.

Mr. Croteau shared portfolio performance results for the period ending May 31, 2022. The market value of the portfolio was \$585 million, and the portfolio had a return of a -7% for the month and was

down 1.9% for the fiscal year to date. He noted that the Private Equity valuation is done a quarter in arrears and performance may change as updates are received.

Mr. Croteau reviewed the liquidity schedule, showing amounts illiquid and those amounts available on an annual, semi-annual, quarterly, monthly, and daily basis. He noted that unfunded commitments in Private Equity are \$49 million and USNH has adequate liquidity. In response to a question, he said he is aware of the USNH's potential need for funds in the next year and described how he would go about liquidating investments in the short term if needed and following up with longer term redemptions. Chairman Rutman pointed out that the secondary market for Private Equity investments has improved in recent years if ever needed.

Mr. Croteau reviewed the short-term operating portfolio which at the end of May totaled \$210 million. He said performance for the calendar year was a negative -2.2 %. It was noted that June and July are the low points for cash with tuition payments due the first week of August. Chairman Rutman pointed out that with rising interest rates, it is likely that the short-term portfolio will outperform the 1% return assumption in the FY23 budget and we could increase the FY23 return assumption to 2% which was also supported by Mr., Croteau.

B. Recent Actions Taken and Asset Allocation

Mr. Croteau reviewed actions taken by Prime Buchholz on behalf of USNH since the last meeting reporting that two additional private capital commitments with existing managers were completed in the second quarter: \$7.0 million to Angelo Gordon Realty Value Fund XI, L.P. in April and \$7.0 million to Apax XI, L.P. in May. He said that the \$5.7 million withdrawal for the quarter was funded from FPA Crescent (\$3.0 million), Fidelity Intermediate-Term Treasury (\$1.0 million), Metro West Low Duration Bond Fund (\$1.0 million) and cash

The Committee discussed the current asset allocation targets and ranges. Mr. Croteau shared a recommendation for increasing the long-term strategic target for Private Equity by 5% from 15% to 20% and reducing the allocation to Flexible Capital by 5% to be achieved over a 3–5-year time period. He reviewed models prepared by Prime Buchholz and the Committee discussed the recommendation and asked questions. Mr. Croteau said that management has clearly communicated the need for liquidity, and those concerns have been factored into the recommendation. The committee directed the more illiquid Flexible Capital investments (6 months or greater) be used as the source to increase the Private Equity allocation over time.

VOTED, that the USNH endowment portfolio asset allocation be revised to increase the long-term strategic target for Private Equity by 5% from 15% to 20% and reduce the allocation to Flexible Capital by 5% and adjust the related ranges. to be achieved over a 3–5-year period.

{The Committee voted unanimously in favor of this motion}

The Committee requested that Prime Buchholz provide a quarterly/regular updates on redemptions and new investments made to achieve the new allocation and to continue to actively monitor liquidity.

IV. CAPITAL ITEMS

A. Approve \$9.2 million project budget for UNH Utility Distribution Project

VOTED, on recommendation of the UNH President, that a \$9.2 million project budget for the Utility Distribution Project be approved, **AND FURTHER**, that the source of funds be UNH reserves

{The Committee voted unanimously in favor of this motion}

Vice Chancellor Provencher said when the project was started it was within the president's delegated authority. The project cost has increased to \$9.2 million is over the President's authority and requires Financial Affairs Committee approval. She noted that the remaining funding required for the project is requested in the proposed FY23 capital budget.

UNH Associate Vice President for Facilities Bill Janelle reviewed the UNH Utility Distribution project. He said the existing utility tunnel is in very poor condition and in risk of failure. He said it must be completed this summer/fall to eliminate risk of losing utility services to many buildings on campus. He answered questions on the project and explained the contributing factors for the increase in project cost, including the project delivery method of construction manager at risk and scope adjustments.

Chairman Rutman requested that the capital project policy be reviewed, and a provision incorporated that would consider Committee approval for projects that do not have a firm bid and are near the threshold for requiring approval. He said he understands the need to approve this project, but the committee should not retroactively approve projects. Vice Chancellor Provencher said the capital policies are being reviewed and revised.

V. Informational Items

A. Project status report on ongoing capital projects

Received with no discussion.

VI. Other Business

A. Provost Jones made the Committee aware of another UNH project that was not included in the materials for the joint meeting later in the day. He provided information on the needs of the Morse Hall HVAC system and UNH's plans to try and repair but said there is a possibility that a more extensive project will be needed, which may require committee approval, as the building is central to UNH's research enterprise. The funding would be UNH reserves, but it might require an increase to the 1 X Depreciation parameter.

Vice Chancellor Provencher provided an update on the State Capital Budget Overview meeting testimony indicating it went well.

B. The Committee adjourned at 1:30 p.m.