

MSUF Foundation, Inc.
Board of Trustees Meeting
Minutes
12:30 PM Riggle Room
February 28, 2014

Present: Bob Albert, Perry Allen, Wayne Andrews, Bill Hesch (conference call), Steve Hicks, Jim Shaw, Cherie Rebar, Dava Rice, Steve Thieme, Brett Traver, Willi Walker, Perry Allen, Mindy Highely, Sandi Ruth and Jenna Sprangel. Special guest Alicia Parker, Keith Nunn and Clyde James.

Absent: Gerald DeMoss, Dennis Dorton, Bob Neff, Steve Pack, Jim Pruitt, Craig Preece, Buck Hinkle, Beth Patrick, Paul Stokes.

Call to Order

Steve Hicks called the Foundation Board meeting to order and asked Sandi Ruth to call roll. Steve declared a quorum and the minutes from the October 4, 2013 meeting were accepted by the Board.

Investment Report/Portfolio Summary – Dr. Bob Albert

Dr. Albert briefed the Board on the Finance and Investment committee's meeting with Rob Twitchell and Jason Brinks from Oxford. Oxford made an internal change that began in December of 2013 by choosing Fidelity to serve as custodian for the invested assets of their clients. This means that the Foundation has accounts open at Fidelity. Trading is still entered electronically by Oxford based on the direction of the Committee.

Dr. Albert referenced Tab 2, page 1 of the Board packet bringing attention to last quarter's returns of 3.8% vs. the Index returns of 4.4%. Since the Foundation's portfolio inception with Oxford in October 2009 the Foundation has experienced annual returns of 9.4% vs. a 10.0% Index return. Dr. Albert reminded the Board that the Committee is focused on experiencing increasing returns while still being protected from downside exposure.

Investment portfolio reallocation decisions were made by the Committee within the equity, fixed income and alternative asset classes to rebalance the portfolio within the FMIP target ranges while still focusing on capitalizing on anticipated market opportunities. Domestic equities will move towards passive managers. We are being forced out of Sands Capital position of \$2.4 million due to an increase in the investment floor of \$10 million. The Foundation will also exit

out of Woodley Farra, an active fund manager, to shift within domestic equities to more passive funds with downside exposure. For international equities, Oxford presented the Committee with Savile Row Frontier Opportunities which capitalizes on pricing inefficiencies. The Committee felt more information, time and discussion were necessary before agreeing to venture into this new international equity fund. Instead, increases of \$250K each were made within two current international equity positions, Matthews Asian Growth and Acadian Emerging Markets. Overall, equities will be reduced by divesting \$2.4 million with Sands and \$2 million with Woodley Farra and increased with new investments in Schwab Large Cap (\$2.4 million), Baird Mgmt. (\$1 million) and Oakmark (\$1 million) as well as increasing existing funds Acadian Emerging Markets to \$1.428 million and Matthews Asian Growth to \$1.447 million by \$250,000 each. Overall, the Committee approved a net increase in the equity position of \$450,000. 42% of the portfolio assets will be invested in equities after these changes.

Rebalancing of fixed income will move the allocation percentage from 25% to 22%. This will impact current cash reserves of \$1.7 million by deploying \$1.3 million of this cash, \$192,000 of which will remain within the fixed income class with PIMCO Unconstrained fund manager, \$650,000 to a new alternative MLP fund and \$450,000 to equities.

Alternative Investments will increase overall by \$650,000. New investment in Robeco Boston fund manager of \$1.572 million, fully divesting in Eaton Vance Global fund manager in the amount of \$1.572 million and an investment in new fund manager UBS E-TRACS MLP in the amount of \$650,000. With these changes, alternatives will comprise 36% of the investment portfolio.

Dr. Bob Albert motioned to accept the Finance and Investment Committee report as presented. Perry Allen 2nd the motion - motion passed.

Endowment Spending Allocation – Jenna Sprangel

Jenna Sprangel turned the Board's attention to Tab 2, page 4 of the Board packet. She reviewed the current three year/twelve quarter rolling average of the Endowment market value at 12.31.13 which is \$35,118,582. This is \$3.275 million more than the prior year's average. The proposed endowment spending release figure is 3.25% or \$1,141,354. The Board motioned and the motion passed to release 3.25% of the 3 year rolling average endowment market value equaling \$1,141,354.

Finance Report - Jenna Sprangel

12.31.13 Financial Statement Overview:

*Total Assets \$ 45,359,219 increase of \$4.6 million vs. 12.31.12 Total Assets

*Oxford Portfolio \$41,204,184 makes up 91% of total assets increase of \$3 million since 7.1.13

*7.48% Absolute Investment return through 12.31.13 – Absolute return was 4.76% at 12.31.12

*Operating Revenues are \$3,400,144 at 12.31.13

*Support Expenses are \$2,155,636 at 12.31.13 – an increase of \$662K vs. 12.31.12 due to the Soccer practice/intramural field and MSUF support to MSU for fundraising personnel

Motion to accept the Finance report as presented passed.

Comments from the President – Dr. Wayne Andrews

Dr. Andrews briefed the Board on the current legislative sessions in Frankfurt concerning the bi-annual budget. He thanked Board members for their involvement, support of Morehead State University and their time and effort they put forth for the Foundation.

Update by Foundation CEO – Jim Shaw

Jim Shaw gave an overview of projects the Foundation has been able to do since 2008-09, including raising \$25 million dollars for the Comprehensive Campaign, adding the new call center in the upstairs of the old KCTM building on Main street. Jim explained that as the Campaign developed and evolved, new Campaign challenges emerged. KCTM Phase II for \$2-\$3 million was identified for the Campaign as well as the McClure Pool at the AAC is being refurbished to accommodate MSU's outstanding volleyball program for \$1 million. The University has acquired the old Brass Eagle to accommodate the new Alumni-Welcome Center capital project that will cost approximately \$5 million. Lastly, a new Performing Arts and Education Center costing approximately \$50 million is in the planning stages.

New Business – Jim Shaw

*Raise awareness and Pride

*Raise money and support

*Grow resources

*Spend resources to better Morehead State University

Jim reminded members to continue to nominate prospective board members for the Board looking at skill sets and providing names to Perry Allen and the nominating committee.

Jim also outlined the Foundation's Goals and priorities:

3-5 Years

- Establish a Foundation Operating Reserve of \$2-\$3 million
- Fund Current Campaign Goals
- Increase Endowment to \$50 million

5-10 Years

- Increase the number of Development positions funded by the Foundation
- Grow the Endowment by another \$10-\$15 million
- Raise \$5 million for the Performing Art & Education Center

Long-term 20 Years

- Financial Strength/Create Operating Endowment
- Development to become and Independent unit
- \$100 million plus Endowment

Brett Traver motioned to adjourn. Perry Allen 2nd the motion. The meeting adjourned at 3:00 p.m.

Created by Sandi Ruth
Reviewed by Jenna Sprangel
Approved by Jim Shaw