

Meeting Minutes of the Investment Committee
University of Kentucky
Thursday, June 12, 2025

The Investment Committee of the University of Kentucky (UK) Board of Trustees met on Thursday, June 12, 2025, in the Gatton Student Center Harris Ballroom.

A. Meeting Opened

Investment Committee Chair, Elizabeth McCoy, called the meeting to order at 9:01 a.m. and requested a roll call.

B. Roll Call

The following members of the Investment Committee were in attendance: Elizabeth McCoy, Ray A. Daniels, Lance Lucas, Hollie Swanson and Robert Vance.

The following Community Advisory members were in attendance: Tom Abell, William C. Britton, Kelly Craft and Kathy McMullen. Quint Tatro was not in attendance.

The University Investment Staff was represented by Chief Investment Officer Todd D. Shupp and Investment Director Nancy Rohde.

Cambridge Associates (CA) was represented by Eric Thornton and Drew Landry.

C. Approval of Minutes for February 20, 2025

Chair McCoy called for a motion to approve the minutes from the Committee meeting on February 20, 2025. The motion was moved by Trustee Swanson and seconded by Trustee Vance. The motion passed without dissent.

D. UK Staff Presentation

Mr. Todd Shupp and Ms. Nancy Rohde presented the UK Endowment Overview. Mr. Shupp began with some background including the growth in the endowment pool since its inception and a breakdown of endowment assets by type. Next, Ms. Rohde discussed UK's investment philosophy, stressing the importance of diversification and a focus on the long-term. She next conducted a review of some key activities in fiscal year 2025, with a highlight on a newly created student educational series.

Mr. Shupp noted some process enhancements including an improved rebalancing tool which provides a granular view of portfolio exposures across asset class and geography. He then discussed some fiscal year 2026 initiatives including management of the two-part summer internship program, annual investment policy statement review, preparation of investment reporting for the FY25 external audit process and the investment of an expected quasi-endowment inflow. Trustee Swanson asked about the policies around the potential liquidation of a quasi endowment, and Mr. Shupp outlined

the established procedures later in the meeting. He also noted that the aforementioned quasi inflow was approved by the Finance Committee last year.

Next, Mr. Shupp began a high-level discussion of artificial intelligence (AI), including a definition of AI and its evolution and current capabilities. Ms. Rohde provided examples of what AI can do and outlined some of the ways that the Investment Office has leveraged AI in its workflows. She walked through the AI value chain to highlight the many sub-industries involved in AI, including hardware, hyperscalers, learning models, applications and infrastructure. Lastly, Mr. Shupp linked this AI value chain to the UK portfolio, highlighting the various areas of exposure across asset classes.

Trustee Swanson drew a parallel to today's AI rise and other technological advancements of the past such as search engines. Noting the eventual outcome of just one "winning" search engine in Google and how it was not necessarily evident which product would emerge the winner, she asked how the investment office aims to identify the eventual winners of the AI revolution. Mr. Shupp acknowledged the great difficulty of correctly identifying the future winners and losers of AI. Believing that experts in the technology sector have an edge in identifying the companies or products that are best positioned to benefit from growth in AI, he noted that the endowment portfolio is allocated to active managers that are closer to the technology to make those forecasts. He added that a large part of the public equity portfolio is passively positioned, which removes the task of attempting to select the winners and losers but instead provides broad exposure to the theme.

E. CA Education Session and Risk Review

Mr. Thornton began the education session by emphasizing the importance of the annual risk review, explaining that the repetitive nature is intentional to reinforce core principles of investment risk awareness. He stressed that understanding the risks within a portfolio is arguably the most critical role of the investment office and the committee as fiduciaries. By being familiar with risks and the range of possible outcomes for the portfolio, it can be easier to stay disciplined during periods of market stress because such scenarios have already been anticipated.

He highlighted a few measures of risk and noted that many of them can be quantified, such as volatility, worst-case scenario returns and liquidity. But others are qualitative in nature, such as behavioral risk, which he summarized as the risk of reacting emotionally or irrationally. Mr. Shupp and Ms. Rohde elaborated on two common behavioral risks, overconfidence and recency bias. Through some quick exercises, they highlighted how each can lead to poor investment decisions.

Mr. Thornton pointed out that an important way to manage risk is through a well-defined investment policy, ideally developed during stable times to guide decisions when markets become volatile. He walked through the roles of the various asset classes used in the portfolio, which are combined in a way that seeks to balance risk and return. While meaningful equity exposure is required to meet long-term return goals, the policy also incorporates diversified strategies to smooth volatility, real assets to hedge inflation and

high-quality bonds to cushion deflationary shocks. In the long-term, the portfolio's expected risk remains comparable to a simple blend of 75% stocks and 25% bonds. Various scenarios were then presented to provide some context for how the portfolio may perform in stressed scenarios. He reiterated that the goal is to maximize the likelihood of meeting spending and preservation objectives, recognizing that shortfall risk – the chance that funds will not be there when needed – is one of the most critical risks to manage.

Ms. Rohde then presented a review of UK's annual stress testing of portfolio liquidity. Applying very conservative performance assumptions to simulate what may occur in a severe downturn, the most liquid assets – those that can be fully redeemed within one month – were found to cover around three years of annual spending and capital call requirements. Mr. Shupp reviewed results from a second study which also included assets that can be liquidated within one year. After applying the same conservative return assumptions, the liquid and semi-liquid assets are estimated to cover almost four years of the same cash needs on an annual basis.

Addressing the theme of the meeting, Mr. Thornton next discussed the growing frequency of AI in investment conversations. He emphasized that while AI will present massive opportunity, not all investments in the space will succeed, which highlights the importance of manager selection. Rather than viewing AI as a distinct asset class, he characterized it as a pervasive technology that will impact nearly every sector, from technology and finance to more traditional industries like mining. Trustee Swanson asked Mr. Thornton to address the potential impact of AI on the labor market. Mr. Thornton replied that there are likely to be both winners and losers in this transition, and while the labor market will eventually stabilize, it is reasonable to assume some turbulence and pain in the shorter term.

F. Endowment Manager Presentation: Tola Capital

Ms. Sheila Gulati, Managing Director and Founder of Tola Capital, presented an overview of the firm and provided a deep dive on artificial intelligence.

G. Investment Staff Report

Mr. Shupp presented the Investment Staff Report beginning with an overview of the endowment asset allocation as of April 30, 2025. He stated the portfolio is well within its targets and ranges and that there were no significant changes since the last update. Mr. Shupp highlighted net cash flows by asset category for the four-month period. Most striking were the rebalancing transactions completed as a result of recent market volatility. Additionally, he pointed to significant distribution activity in the private investments space, which almost completely offset the capital calls for the period. He concluded by summarizing a new slide focused on portfolio liquidity against policy guidelines, stating that liquidity remains well within the established target range.

Ms. Rohde discussed recent manager appointments, terminations and due diligence for the period. On the appointments side, UK committed \$15 million to Bayview MSR Fund in the diversifying strategies space and €20 million to Verdane Freya XII within

private equity. There were no terminations to report since the last meeting. Lastly, Mr. Shupp highlighted the private investments overview report. He stated that the private investment allocation is on target, well-diversified, and is seeing an increase in net cash flows as distribution activity appears to be improving.

H. Performance Review and Market Update

Mr. Drew Landry presented a performance review and market update for the calendar and fiscal year-to-date periods ending April 30, 2025. The markets overall were volatile in recent months amid US trade and policy uncertainty; in marked contrast to recent years, international equities have taken a lead over US equities in 2025. Turning to UK's performance, international equities were the strongest contributor, with active managers outperforming. Public fixed income and diversifying strategies were also positive contributors to results. Conversely, private investments in aggregate underperformed the private investments (PI) benchmark, an overweight to US small-cap stocks detracted, as did tactical exposure in public real assets.

I. Other Business

Dr. Monday reviewed the Operating Cash and Investment Report through April 30, 2025. He summarized the balances and days of cash on hand across four tiers, highlighted some return statistics, and reminded the committee of a requirement for the University to keep a large amount of cash on deposit with the Commonwealth of Kentucky. Trustee Vance asked how long the state keeps the deposited funds before they are returned to UK. Dr. Monday replied that the Treasurer's office manages near-daily movements of the cash held with the state.

Mr. Shupp reviewed the schedule of remaining 2025 Investment Committee meetings and tentative agenda items. The September meeting will include proposed changes to the Endowment Investment Policy and a fiscal year 2025 review from Cambridge Associates.

J. Meeting Adjourned

Hearing no further business, the meeting was adjourned at 11:56 a.m.

Respectfully submitted,



Kristina W. Goins
University Financial Services