

Meeting Minutes of the Investment Committee
University of Kentucky
Thursday, February 20, 2025

The Investment Committee of the University of Kentucky Board of Trustees met on Thursday, February 20, 2025, in the Gatton Student Center Harris Ballroom.

A. Meeting Opened

Investment Committee Chair, Elizabeth McCoy, called the meeting to order at 2:00 p.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, M.D., Kathy McMullen and Quint Tatro. William C. Britton and Kelly Craft were not in attendance.

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

Cambridge Associates was represented by Kyle Blackburn, Jimmy Crivella, and Eric Thornton.

C. Approval of Minutes for December 3, 2024

Chair McCoy called for a motion to approve the minutes from the Committee meeting on December 3, 2024. The motion was moved by Trustee Swanson and seconded by Trustee Lucas. The motion passed without dissent.

D. Undergraduate Student Managed Investment Fund (SMIF) Presentation

Mr. Quint Tatro introduced two students from the undergraduate Student Managed Investment Fund (SMIF) class, Samrat Gurung and Becky Veid, who presented a portfolio update. The students covered the course's structure and investment process. They discussed various aspects of the portfolio including top holdings and sector weightings and highlighted a couple of outperforming positions. They concluded by providing a macroeconomic update and related concerns. Mr. Shupp asked how the students arrived at such a large number of stocks within the industrial sector. The students cited a combination of expectations of the new administration as well as valuation and growth opportunities at the individual stock level.

E. CA Education Session – Private Equity

Mr. Jimmy Crivella began the private equity discussion with a market update. He noted the many reasons UK invests in private equity, including growth and access to next generation technologies. Cambridge believes in these assets given longer-term performance potential, and he stated that the most attractive opportunities sit in the lower middle market of private equity or earlier stages of venture. Mr. Tatro asked if Cambridge had any concerns that the private market is foreshadowing a downturn in the public markets, which could prolong a period of underperformance for privates. Mr. Crivella responded that this concern is strongest in late-stage venture given their most attractive exit opportunity is often to public markets. If those markets weaken, initial public offerings (IPOs) become more difficult. Notably, the UK portfolio has very limited exposure to this type of venture strategies. Trustee Lucas noted the increased uncertainty in the broader market and asked how it is impacting the private markets. Mr. Crivella replied that private markets are dealing with uncertainty as well. While optimism remains that regulatory and tax burdens may be lessened, tariffs could result in inflationary pressures and company-specific challenges for small private companies. Ultimately, it's tough to make a macro call and Cambridge believes that focusing on the top fund managers who have strong experience and understanding of their underlying investments in the best course of action.

Trustee Vance commented that inflation could make interest rate cuts difficult or delayed. He asked what the impact to the equity market would be if rates stay high. Eric Thornton replied that the impact of rates on the equity market is huge. If they were to increase from here, that would make equity less attractive given the lower risk and attractive relative return of fixed income assets. But predicting where interest rates will go is impossible in the short-term. This argues for a longer-term focus of 10 years, in which case equities are much more likely to outperform.

Mr. Kyle Blackburn then discussed UK's private equity portfolio. He began by noting the total private investment allocation is in-line with the policy target, with private equity the largest underlying piece. He commented on the annual commitment pace, the status of unfunded commitments and annual cash flows. He next turned to PE performance broadly, acknowledging relative weakness versus the global public market in 2023 and 2024, but pointing out attractive longer-term returns. He briefly discussed the projected cash flows over time, noting returns and exits have cooled after a banner year of returns and distribution activity in 2021. He concluded with a case study example of one of UK's private equity investments. Trustee Vance asked for confirmation of his understanding that a private equity fund will sometimes provide investors an opportunity to either leave money in a particular fund portfolio company or take their interest out and receive cash. Mr. Blackburn confirmed this understanding of a continuation vehicle was correct and provided an example.

F. Investment Staff Report

Mr. Todd Shupp presented the Investment Staff Report beginning with an overview of the endowment asset allocation as of December 31, 2024. He stated there was no change at the category level for global equities since the last update, as of October 31,

2024. The portfolio saw a bit of a decline in public equity, almost exactly offset by an uptick in private equity. Global fixed income was down slightly at the category level. Real assets were down only modestly, driven by mixed performance for the third quarter within private real assets. Diversifying strategies moved up slightly; the performance for this category were encouraging and offset outflows from redemption payouts. Mr. Shupp briefly discussed the net cash flows by asset category for the two-month period. He concluded by stating that liquidity remained well within established guidelines.

Ms. Nancy Rohde discussed recent manager appointments, terminations and due diligence for the period. On the appointments side, UK committed \$12 million to Blue Owl Digital Infrastructure Fund III, \$15 million to Lime Rock New Energy Partners II, and \$12 million to Cordillera Investment Fund IV. On the terminations side, she stated there were no redemptions since the last meeting to report. Lastly, Ms. Rohde referenced manager due diligence and research during the period. Many of these meetings were focused on a review of 2024 and outlooks for the new year.

G. Performance Review and Market Update

Mr. Eric Thornton presented a performance review and market update for the calendar and fiscal year-to-date periods ending December 31, 2024. He began with a market backdrop, stating that 2024 was a great year for equities, specifically U.S. equities, while bonds were up modestly. Turning to UK's performance, the portfolio benefitted from public equities, which were led by U.S. large cap stocks. Other drivers included public real assets and outperformance within diversifying strategies, particularly hedged equity and event driven exposure. Conversely, private investments trailed public market returns by a wide margin, non-U.S. equities lagged those in the U.S, and fixed income returns were only marginally positive. Mr. Thornton then concluded his remarks by discussing some market themes.

H. Other Business

Mr. Shupp reviewed the schedule of 2025 Investment Committee meetings and tentative agenda items. He highlighted the upcoming June Retreat which will include an asset allocation review and portfolio risk review.

I. Meeting Adjourned

Hearing no further business, the meeting was adjourned at 3:21 p.m.

Respectfully submitted,



Kristina W. Goins
University Financial Services