

**Harbor Branch Oceanographic Institute Foundation, Inc.**  
**Finance/Investment Committee Meeting**  
**Minutes**  
**May 30, 2014**

**COMMITTEE MEMBERS PRESENT:** Mike O'Reilly, Chair; Sherry Plymale; Karl Steene; Mike Toner

**OTHERS PRESENT:** Katha Kissman, Interim Executive Director; Ed Michelson, Atlantic Consulting Group (partial attendance)

**Call to Order**

The meeting was called to order by Chair O'Reilly at 8:35 am.

**Approval of Minutes**

The minutes of the March 28 Finance Committee Meeting were approved unanimously.

**Report on Grant Awards**

Kissman reported on the excitement and energy at Harbor Branch as a result of the recent HBOIF grant award announcements. She provided a brief update the process HBOI management is finalizing for the FY15 allocation of SLP Funds as well as the proposed grant proposal process for the HBOIF Discretionary Funds for FY15 and use of the HBO000 Discretionary Fund housed at the FAU Foundation for HBOI.

Kissman also reported per her conversation with FAU's President John Kelly, FAU will no longer be charging a 2.5% administrative processing fee on HBOIF discretionary grants to Harbor Branch.

**Investments Report**

Ed Michelson from The Atlantic Consulting Group providing an overview of market conditions (more volatility in the market; investors anticipating global impacts; the Fed continuing to taper with the new Fed Chair basically maintaining the status quo; general consensus is the marketing is mulling over what has happened and the potentials ahead, current asset allocation (overall 2% overweight in equities but still in the 5% threshold), and investments to date (up \$25 million since inception, up 7.6% this year. Up \$800K this quarter, with FY to date up 12.75% and 70 basis points ahead.)

**Investments Discussion**

Chair O'Reilly requested further background from Michelson regarding a) specific fund managers and the value of keeping certain managers and b) whether or not our investments in hedge funds are really doing what we want/expect (as a diversifier). Michelson was asked to provide recommendations to the Finance Committee at its next meeting regarding how we can save fees through a different allocation of our portfolio (e.g., should we index more with regard to our investments in hedge funds.)

Michelson concluded his remarks and left the meeting. Committee members were then asked by Chair O'Reilly to further consider how much exposure do we want to have in small cap equities? Do we want to keep Kornitzer? Might we want to put everything in Southern Sun? Is there a value in so much portfolio diversification? There was further discussion about investing with 1% fees up front and whether or not this may give us what we want longer term. Tonor commented that 1% up front translates into \$1 million over 10 years and when we make money, a manager makes more money which is less to us. Chair O'Reilly pointed out that we are currently at 65 basis points and we should have a goal to reduce that to 15-20 basis points.

Chair O'Reilly shared information from a report called "Worried About the Downside" by Richard Bernstein, former Chief Investment Officer at Merrill Lynch and based on the information presented, Committee members were asked to confirm their comfort level with risk regarding our current investment strategy of 70%/30% stock/fixed income as stated in the current investment policy. This investment strategy seeks to provide an allocation which is heavily weighted to equity securities with a modest investment in fixed-income securities for portfolio diversification. Therefore, HBOIF should have a long-term investment time horizon and be willing to take on risk in pursuit of better returns. Committee members reconfirmed their comfort with this strategy.

### **Review of Current Financials**

Kissman walked the Committee through the Balance Sheet and the Profit & Loss Budget vs. Actual reports as of April 20, 2014. Cash on hand is still good. Marine Bank accounts are being closed and PNC accounts have been better consolidated. Budget is on track for FY14 June 30 year end.

The meeting adjourned at 10:10 am.