

THE INSTITUTE FOR ADVANCED STUDY

M I N U T E S

Meeting of the Finance Committee

Thursday, July 31, 1986

New York, New York

- Present:** Messrs. Hansmann (Chairman), Brown, Wolfensohn, Woolf. Also Mrs. Labalme and Mr. Rowe. Present by invitation were Messrs. J. Murray Logan and William Asmundson of Rockefeller & Co. and Gary Schreyer of Rosenberg Capital Management.
- Minutes:** Mr. Hansmann opened the meeting at 12:40 p.m. The minutes of the meeting of April 26, 1986, were approved as circulated.
- Bank of New York:** Mr. Hansmann inquired as to whether the figures issued by the Bank of New York in its reports now correctly represented the figures as found by our managers. Mr. Rowe said that the June 30, 1986, report should see the previous discrepancies eliminated.
- Endowment:** The market value of the endowment was reported to be at \$166 million.
- Rockefeller & Co.:** Mr. Logan reported for Rockefeller & Co., indicating that the equities under Rockefeller's management had performed satisfactorily (compared to the S & P 500) in the twelve months prior to June 30, 1986, while the bonds did well (compared to Shearson Lehman) and the 5500 Fund not so well (compared to NASDAQ industrials). This was due to the 5500 Fund's investment in technology stocks which were highly sensitive to the market economy. In the most recent quarter, the equities had underperformed.

Among the ten largest holdings, three fine companies had not done well: IBM, Exxon and Schlumberger Ltd. There was discussion about the advisability of increasing the Schlumberger position, since the stock was at a good price now. Mr. Logan pointed out that the portfolio is already somewhat overweighted in energy, but that they were expecting a price increase in oil, and that inventories were at their lowest level in ten years. Rockefeller is assuming the market will remain strong. The portfolio is very fully invested in equities with only 1.8% of the account in fixed income and preferred securities.

Mr. Asmundson described the firm's outlook: that moderate world-wide growth would continue, that there would be a slow reemergence of the manufacturing sector, and that there would be a surge in earnings growth in 1987 or possibly in the second half of 1986. While tax reform could present a problem for the near term by slowing down capital spending, in the long term it would be a positive influence.

Rosenberg Capital
Management, Inc.:

Gary Schreyer reported that while Rosenberg's prediction of the stall-speed of the economy had been accurate, his firm, along with many others, had not foreseen the particular combination of elements which this had produced. He thought the outlook for the bond market in the near term was good, but averred that the performance of the portfolio in the first six months of 1986 had been poor, due to the disappointing situation in pass-throughs. 1985 had been a relatively good year as was the annualized performance since Rosenberg took over the bond portfolio on April 30, 1984.

Equities/Bonds
Balance:

Mr. Hansmann thanked the managers for their reports and reminded them that their performances were judged on a long-term rather than a short-term basis. He then reviewed the balance between equities and bonds. About 30% of the Institute's endowment is in fixed income securities. He queried the Committee as to whether the proportion should change, and the Committee thought the proportions should remain as they were.

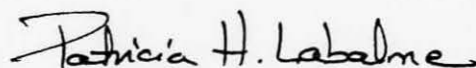
Taxes, Einstein
House:

Dr. Woolf reported to the Committee that a settlement with the town on the Housing Project taxes was in the process of being worked out, to the Institute's advantage. The Institute stood to save \$85,000 a year. He also reported that Albert Einstein's house, inhabited until recently by Einstein's stepdaughter, had now been willed to the Institute and would be used to house visiting members.

Adjournment:

There being no further business, the meeting was adjourned at 2 p.m.

Respectfully submitted,



Patricia H. Labalme
Secretary