THE INSTITUTE FOR ADVANCED STUDY

M I N U T E S

Meeting of the Finance Committee

February 11, 1986

New York, New York

Present: Messrs. Hansmann (Chairman), Wolfensohn, Woolf; Also Mrs. Labalme and Mr. Rowe. Present by invitation were Messrs. J. Murray Logan of Rockefeller & Co., Donald Jenkins, Assistant Treasurer of the Institute and Gary Schreyer of Rosenberg Capital Management.

Absent: Mrs. Delmas, Messrs. Brown and Dilworth.

Minutes: Mr. Hansmann opened the meeting at 12:40 p.m. The minutes were approved as circulated.

Discovery Fund: Mr. Hansmann asked Mr. Logan about the Discovery Fund. About $1.5 million of Institute funds have been put into this venture capital fund which is oriented toward emerging growth companies, small and medium-sized developing companies and special situations involving the potential for significant capital appreciation.

Regional Bank Shares-Limited Partnership: Mr. Hansmann reported that, following Mr. Logan's recommendation, he had signed the consent to amend the limited partnership agreement to admit new limited partners in an amount not to exceed $50 million increasing the capital investment to $150 million. The Institute has a $2 million investment in this partnership.

Douglas Land Development: Mr. Hansmann said that U.S. Steel which owns over 60% intends to proceed with the development of the approximately 40,000 acres northwest of Phoenix, Arizona. The Institute holds a small (4%) investment.

Faculty and Portfolio: Allen Rowe inquired about showing the Institute's investment portfolio to the Faculty and since Messrs. Hansmann, Wolfensohn and Woolf all agreed to this (as had Mr. Dilworth previously), it will be done.

Placzek Estate: The list of securities in the Placzek portfolio, which will eventually come to the Institute, was circulated.

Hamilton Johnston and Co. report: The Hamilton Johnston & Co. report (dated January 31, 1986) was distributed. There is still a problem of minor discrepancy between their figures and those of the managers, but this is being worked out.

Managers: Mr. Hansmann reported that both managers have done creditably. The Institute's assets were nearing $150 million. Rockefeller & Co. managed $102 million and Rosenberg Capital Management $48 million. Operating funds are drawn proportionately from equities and fixed income.

Rockefeller & Co.: Mr. Logan reviewed the portfolio under Rockefeller & Co.'s management. He pointed out that the Total portfolio, in the period from July 1, 1985 to December 31, 1985, was up 13.6% with bonds up 14.1% (as opposed to the Shearson Lehman Long Term High Quality Bond Index of 9.8%). The 5500 Fund had not done so well as hoped for, rising only 8.8% in that same period. The ten largest holdings were heavily concentrated in major blue chip stocks. As far as outlook and strategy were concerned, Rockefeller & Co. predicted that the economy will grow in 1986 at a 3-3.5% rate and that the trade deficit appeared to be nearing its peak. Mr. Logan indicated that his firm intended to move the portfolio's equity-bond mix towards more equities, building up the technology section and stressing earnings-driven stock. Toward the end of 1985, some municipal bonds were purchased since they were attractively priced. Rockefeller intends to realize the gains on these bonds and invest the proceeds in equities. Mr. Logan thought that interest rates would remain fairly flat through 1986 and that inflation would increase in the second half of the year. He said that the small stocks represented in the 5500 Fund should perform well in 1986.

A discussion of the oil situation ensued.

Rosenberg Capital Management: Mr. Schreyer reported for Rosenberg Capital Management and discussed the performance of bonds under their management. The Institute's portfolio had outperformed the Shearson Lehman index and was in the top quartile of comparable institutions. A number of graphs were examined, showing total returns of the Institute's portfolio vs. Shearson, comparative performance and risk analysis vs. Shearson, the yield spread history, yield ratio, performance comparison and bond buyer revenue bond index as a percent of the long-term treasury yield. The portfolio distribution by sector was also examined.

Mr. Schreyer expressed his firm's optimism about the second half of 1986 and believed that the Federal Government would ease the monetary policy.

Adjournment: After some further discussion, the meeting was adjourned at 2:20 p.m.

Respectfully submitted,

Patricia H. Labalme

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Secretary