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Antioch University
Investment Committee Minutes
Indianapolis, IN
September 24, 2002

Attending were Committee members Niels Lyster, Chair; Bruce Bedford; Amy Chappell and Jeff Kasch; Glenn Watts, Vice Chancellor and CFO; and Rosalie Sturtevant, University Controller; Jennifer Kossow and Mike Birgeneau from The Consulting Group of Smith Barney and various presenters from money management firms.

The meeting was called to order at 10:00 AM.

The purpose of this special meeting was to choose a Large Cap Growth (LCG) money manager to replace Cohen, Klingenstein and Marks on recommendation of The Consulting Group, and to hear once again from K-2 Investors concerning the use of a fund-of-fund hedge fund to alleviate portfolio downside risk.

Three LCG managers were interviewed: Baird, Friess Associates and TCW Group.

Jennifer Funk of Baird explained the company's portfolio philosophy. Baird holds companies with large ($5B+) and mid range ($1-5B) in capitalization. They look for quality companies and have small turnover in the portfolio, holding no REITS. Their sell discipline activates if company valuation weakens, if it experiences a breakdown in consistent growth, or shows quality deterioration. They have selected their current investments in anticipation of an economic recovery. Their philosophy is to hold up in the down years and keep risk to a minimum. Baird feels that we are still in a healthy economy that they will be benefiting from growth stocks. Their management fee is .45%.

Christopher Long presented the information on his company, Friess Associates. Friess feels that their strength is in-depth, fundamental research on the companies in the portfolio. They strive to understand "what's the earnings driver" for each component. When a stock hits its target price, they sell. They experience around 200% stock turnover each year. Stocks are replaced in the portfolio with another that looks like a better opportunity. Competition among their individual managers keeps the combination vital. Their management fee is 1%.

Scott August represented TCW Group. TCW looks for stability in companies. They want stocks that have a unique advantage, such as strong patents, or are the low-cost provider. They confine themselves to owning the 30 best companies, which is 'conviction-weighted'. They experience a low turnover in stocks. Their sell discipline is to sell when price reflects the most optimistic outlook or becomes too large a portion of the portfolio; to take advantage of a better opportunity; or when operational expectations fail to materialize. Their management fee is .45%.

Resolution to hire Friess to replace Cohen, Klingenstein and Marks. Moved by Amy Chappell, seconded by Bruce Bedford. All approved

Resolution to also hire TCW to replace Antioch's other Large Growth manager, Roxbury. Moved by Bruce Bedford, seconded by Amy Chappell. All approved

It was felt that the combination of these two money managers and their styles and their approach to risk would add appropriate diversification to Antioch's portfolio.

The Committee next heard from Mercer Borden of K-2 Investors concerning a fund-of-fund hedge fund. This was in addition to Mercer's presentation at the June Board meeting in Seattle. There are 22 managers in the fund, 14 long/short and 8 low-volatility, which diversifies and balances the total fund. A hedge fund inclusion in Antioch's endowment investments would offer protection during market declines. K-2 charges a1.25% management fee, plus 10% on any increases over 7%.

The committee agrees that it would be prudent to include a 5% position in hedge funds in our portfolio, but this requires an amendment to the investment policy to allow these alternative investments. A suggested policy wording was presented by Smith Barney, but rejected by the Committee as overly broad. A new policy amendment is to be presented at the October meeting to be voted on, along with a resolution to move 5% ($1M) into the K-2 hedge fund-of funds.

The meeting adjourned at 3:15 PM.