

**SAN FRANCISCO STATE UNIVERSITY FOUNDATION  
INVESTMENT COMMITTEE MEETING MINUTES  
Via Zoom  
Friday, August 28, 2020 at 11:00 AM**

Sheldon Gen called the meeting of the Investment Committee to order at 11:03 AM and kicked off the meeting with introductions. He mentioned he needed to leave the meeting early and had asked Nobari to continue chairing in his absence.

Committee Members Present

Kimberly Brandon, Board Chair  
Leona Bridges, Director  
Don Endo, Director  
Sheldon Gen, Committee Chair  
Jeff Jackanicz, Foundation President  
Neda Nobari, Vice Chair  
Taylor Safford, Immediate Past Chair  
Jeff Wilson, Director

Committee Members Absent and Excused

Herb Myers, Director  
David Serrano Sewell, Director

Others Present

Vicky Lee, Director of Finance  
Tammie Ridgell, Associate Vice President (AVP), Auxiliary Business Services  
Venesia Thompson-Ramsay, Secretary & Treasurer  
Mike Pearce, Cambridge Associates  
Wendy Walker, Cambridge Associates  
Erin Figel, Cambridge Associates  
Casey Heikes, Cambridge Associates

- I. **Review of Agenda:** The Committee reviewed the agenda. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

Minute Action: that the Committee approves the agenda.

Motioned by: Taylor Safford      Seconded by: Kimberly Brandon      Motion: Passed

- II. **Approval of Meeting Minutes:** The Committee reviewed the minutes from the May 12, 2020 meeting. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

Minute Action: that the Committee approves the minutes for the May 12, 2020 meetings, as prepared.

Motioned by: Don Endo      Seconded by: Taylor Safford      Motion: Passed

### III. Discussion Items

- a. Market Environment: Pearce reported that global risk assets advanced in July, extending the prolonged market rally that began in late March. He said emerging markets equities surged and outperformed developed markets equivalents. In addition, global growth stocks trounced value, while large caps outpaced small caps. Pearce said that high-yield and investment-grade corporate bonds continued to outperform sovereigns. Real assets mostly advanced, oil prices ticked higher and precious metals surged, as gold reached all-time highs. The US dollar steeply declined in its worst month since 2010, while the euro and UK sterling broadly appreciated.
- b. Performance Update & Benchmarking: Walker reported that, for the calendar year to date, the Endowment returned -4.2%, relative to the policy benchmark return of -3.5%. Real Assets was the top performing asset class, returning 6.5%. International Stocks was the weakest performing asset class, returning -15.9%. For the calendar year to date, the Green Fund returned -1.6%, slightly underperforming the policy benchmark return of -3.2%. fixed Income and cash was the top performing asset class, returning 5.3%, which was offset by a -3.1% return for Global Stocks. Walker said they had also reviewed the components of the Foundation's policy benchmark and saw there were no reference in the Foundation's Investment Policy Statement (IPS). As such, they were recommending that the Foundation add a 2% target to cash to reflect the fact that there's a 2% strategic policy target in the investment policy statement. She also recommended replacing the current Hedge Fund benchmark with a 0.3 beta-adjusted MSCI ACWI (All Country World Index) and including a simple benchmark of 65% stocks/35% bonds, as an additional measure to hold ourselves accountable, in addition to the policy benchmark. Walker said they were not recommending any changes to the IPS at this time but was proposing adding it to our performance reports.
- c. Asset Allocation & Rebalancing: Walker reviewed our pro-forma asset allocation. She said the Endowment and Green Fund portfolios were relatively close to their policy targets and provided the following rebalancing recommendations, only for the Endowment, to bring the portfolio better in line with policy targets:
- For US Stocks - trim \$500,000 from Headlands Strategic Opportunity Fund.
  - For Emerging Markets - trim \$1 million from Acadian Emerging Markets Sustainable Fund since the Foundation's portfolio was slightly overweight in this asset class.
  - For Real Assets – trim \$1.3 million from Van Eck Gold Fund because while the price of gold had its sharpest gain since 2009, its price could be very fickle.
  - For Fixed Income & Cash - add \$2.5 million to Breckinridge with \$300,000 going to cash.

Walker led a deeper discussion on the Foundation's investment with Headlands. She said that while the Headlands Strategic Opportunity Fund seemed like a reasonable strategy with a reasonable manager, the Fund did not undergo the level of ongoing diligence that most of the other funds in the Foundation's portfolio underwent, on an ongoing basis. She said Headlands was also a very concentrated small cap, value-oriented portfolio so performance had been very difficult with the fund underperforming its benchmark for the past five or six years. After a lengthy discussion about whether to trim or remove the fund entirely, the committee decided to amend Cambridge's original recommendation to trim its holdings in Headlands to a complete termination of the Fund. Walker said this action would bring the equity exposure in our portfolio to common stock back down under the policy target. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee: 1) terminates the Foundation’s investment in the Headlands Strategic Opportunity Fund and moves the amount to fixed income and cash; and 2) approves the remaining rebalancing recommendations, as stated above.

Motioned by: Kimberly Brandon    Seconded by: Taylor Safford    Motion: Passed

Finally, Endo asked for comparative data, in the future, when making recommended changes, especially for members who are newer to the committee.

- d. Endowment Reliance: Pearce started a conversation on endowment reliance. He showed the committee an endowment radar tool that gave a sense of how much an institution was relying on its endowment. Pearce pointed out that, when compared to its peers, SF State Foundation’s reliance on its endowment was at 0.9%, which was relatively low. Pearce said this meant that the Foundation was able to assume more risk in the pool.
- e. Diversity Investing: Walker said the conversation around diversity investing was as an ongoing one and recommended having a deeper discussion at the next meeting. She announced an upcoming webinar that Cambridge was hosting for clients in the next month with Judy Belk of the California Wellness Foundation. Jackanicz proposed starting the next committee meeting with “diversity impacting” and having a deeper discussion of : 1) How our investment policy could truly reflect the Foundation’s commitment to racial diversity and racial equity, in particular and social justice, more broadly and 2) Cambridge Associates’ own internal commitment to diversity, racial diversity and gender diversity in its hiring practices.

**IV. Audit Update:** Ridgell provided a brief update on the FY 19-20 audit. She mentioned that the audit began on August 10<sup>th</sup> and that all requested PBC list items had been provided to the auditors. Ridgell said that one item regarding stocks with Jeffries came up but she was not sure if it would be an issue for the auditors. Thompson-Ramsay mentioned the investment with Jeffries was stocks in American Airlines. She said the company went out of business but the Foundation received about 12,000 shares. She said she was working with the custodian to see if the shares could be sold and would reach out to Cambridge Associates for assistance in navigating the process.

**V. Executive Session:** The Committee moved into executive session.

**VI. Adjournment:** There being no further business to discuss, the Investment Committee meeting adjourned at 1:35 pm. The motion was made by Taylor Safford and was seconded by Don Endo. All were in favor.

Respectfully submitted,

DocuSigned by:

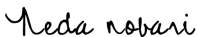


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Sheldon Gen, Chair

Date

DocuSigned by:



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Neda Nobari, Vice Chair

Date