

SAN FRANCISCO STATE UNIVERSITY FOUNDATION
FINANCE AND INVESTMENT COMMITTEE MEETING
Delancey Street Restaurant,
600 Embarcadero @ Brannan, Southwest Room, San Francisco, CA 94107
Thursday, February 25, 2016 at 11:30 AM

Chair Kimberly Brandon started the meeting of the Finance and Investment Committee at 11:39 AM.

Committee Members Present

Kimberly Brandon, Chair
Phil King, Director (via phone)
Herb Myers, Director
Neda Nobari, Director
Taylor Safford, Vice-Chair, Board of Directors

Absent and Excused

Ron Cortez, Director
Robert J. Nava, Foundation President
Leona Bridges, Director
Laurie Pitman, Director (on leave)

Others Present

Maureen Pasag, Associate Vice President, Fiscal Affairs, SF State
Venesia Thompson-Ramsay, Secretary and Treasurer
Brian Sharpes, UBS Financial Services
Dan Tichenor, UBS Financial Services

- I. **Review of Agenda:** The Committee reviewed and accepted the agenda.
- II. **Approval of February 25, 2016 Meeting Minutes:** The Committee reviewed the minutes from the February 25, 2016 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 February 25, 2016 meeting as prepared.

Motion by: Taylor Safford Seconded by: Herb Myers Motion: Passed

III. **Investment Update**

- a) UBS Investment Report: Brian Sharpes presented the market outlook in light of the recent market volatility. He pointed out that the high volatility in the market, characterized by low returns, was causing concerns of a possible recession. He said that events over the past year

had also attributed to that fear, including crude oil reaching its peak last summer along with the turmoil in Greece, China cutting interest rates and the Federal Reserve raising the interest rate. He said that 2015 was the first negative year for diversified portfolios since 2008. He said that, nonetheless, they did not foresee a recession because of the following reasons: 1) the US dollar was continuing to strengthen; 2) US policy had started to normalize (interest rates were starting to rise); 3) banks were finally supporting the recovery as evidenced by bank lending easing; 4) inflation was beginning to inch up toward normal levels and 5) monetary policy would remain accommodative. In short, he said they view the most recent pullback as a normal correction within a maturing bull market and not the start of an emerging bear market.

With regards to the Foundation's investments, our asset allocation at December 31, 2015 was 21% US equity, 25% international equity, 21% fixed income, 28% alternative investments, and 5% cash. In terms of performance, our investments were down 2.92% for the fiscal year to date although the latest quarter showed a positive return of 1.84%. As of December 31, 2015, the market value of our endowments was \$64.9 million.

- b) Catfish Liquidation: Thompson-Ramsay provided an update on an alternative investment, Catfish Fund, which had been liquidated at the end of 2015. She said the Foundation received 90% of its investment (about \$1,128,460) and anticipated the balance by spring 2016. She said there were still two illiquid portions of the investments that had been placed in a Trust and the Foundation was working with the firm to seek clarification on when these portions would be liquidated and disbursed.
 - c) PFM Update: Thompson-Ramsay reported that, following board approval of the consulting contract between the Foundation and PFM Asset Management, LLC, PFM began its comprehensive, independent review of the Foundation's current governance structure and investment portfolio line-up. She said, since then, PFM had worked with the Foundation to obtain and review materials pertaining to the various elements of its governance structure and portfolio and had conducted in-person meetings with Foundation's staff, board members, and UBS Financial Services representatives. In addition, they had also used a variety of third-party and internal manager databases to perform a full review of the Foundation's investment managers and their strategies. She said that PFM would submit a final report of their findings, along with a "Top 5" list of the most important, actionable recommendations. Thompson-Ramsay said the analysis and report would be completed by the end of March and suggested calling a special meeting of the Finance & Investment Committee in April to review and discuss the report.
- IV. **Finance Update**: Thompson-Ramsay presented the financials for the second quarter ending December 31, 2015. She said that the University was now requesting quarterly statements from the Foundation, along with a certification memo signed by her and President Nava. She took the Committee through the budget versus actual revenue and expenditures, projecting a smaller deficit at the end of the fiscal year than was initially proposed.

V. **Other Business:**

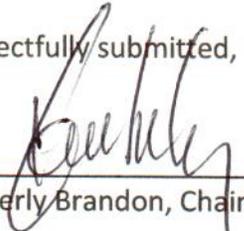
- a) Combining SRI Meetings: Thompson-Ramsay mentioned that Foundation President Robert Nava wanted to know if committee members were open to combining the SRI committee meetings with the Finance & Investment (F&I) committee meetings. She said that Nava felt this made sense since the SRI is a subcommittee of the F&I committee and all of its members were all members of the F&I committee. She said combining the two would allow for input from the entire F&I committee and reduce the number of meetings members had to attend. Nobari said that based on what she had heard at the AGB conference, SRI was increasingly being seen as an investment strategy and not just a sociopolitical one so combining the two meetings did make sense. King said his only concern was having sufficient time at the F&I meetings to discuss SRI issues. Thompson-Ramsay said she would share the committee's feedback with President Nava.

- b) SRI Update: Phil said that the SRI work was in a holding pattern until the PFM study was completed. He said he was, however, concerned that the Green Fund had not yet been established after nearly two years of discussion. He urged the committee to move forward on the Fund as soon as possible, especially since they had now identified two donors willing to direct their gifts to establish the Green Fund.

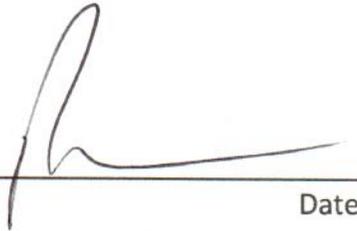
- c) SMIF: Thompson-Ramsay shared information she received at the Auxiliary Organizations Association's conference on Student Managed Investment Fund (SMIF). She said the presenters were from two CSU campuses – Fresno and Northridge. She said both had successful SMIF programs and suggested a starting amount of \$250,000 to those interested in establishing a SMIF in order to have impact. She said they strongly recommended that SMIFs be tied to a class with a dedicated faculty member as treating SMIFs as a student club would ultimately lead to failure. She said that buy-in from the college and the Foundation board was critical. Finally, she said they also encouraged incorporating a stewardship tool to engage alumni of the program.

VI. **Adjournment**: There being no further business to discuss, and with Taylor making the motion and Herb seconding the motion the Finance and Investment Committee Meeting was adjourned at 1:34 PM.

Respectfully submitted,



Kimberly Brandon, Chair



Date