I. Call to Order: Chair Endo called the meeting of the Investment Committee to order at 11:04 AM.

Committee Members Present
Kimberly Brandon, Immediate Past Chair
Leona Bridges, Director
Don Endo, Chair
Todd Feldman, Member (non-voting)
Sheldon Gen, Director
Jeff Jackanickz, Foundation President
Neda Nobari, Board Chair

Committee Members Absent and Excused
Dan Neumann, Director
David Serrano Sewell, Director
Jeff Wilson, Director

Others Present
Mary Campbell, Executive Assistant to VP Advancement, SF State University
Vicky Lee, Director of Finance, SF State Foundation
Deron Parcell, Cambridge Associates
Mike Pearce, Cambridge Associates
Tammy Ridgell, Associate Vice President, Auxiliary Business Services, University Corp
Venesia Thompson-Ramsay, Secretary & Treasurer, SF State Foundation
Alexis Westman, Cambridge Associates

II. Approval 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 for the November 2, 2023 meeting.
Motioned by: Taylor Safford Seconded by: Leona Bridges Motion: Passed

III. Approval of Meeting Minutes: The Committee reviewed the minutes from the August 24, 2023 meeting. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee approves the minutes from the August 24, 2023 committee meeting, as prepared.
Motioned by: Taylor Safford Seconded by: Leona Bridges Motion: Passed

IV. Discussion Items
a) Market Environment: Pearce provided an overview of the market environment. He said the story overall for 2023 was that it had been a pretty good year for equities, with modest
returns depending on the region. He said the US had led the charge year to date. In addition, Pearce said that fixed income areas such as US Treasuries had underperformed in 2022, as interest crept up leading to a near consensus that a recession was inevitable in 2023. But he said it appeared that the market was resilient (maybe too resilient) and that we might have persistent inflation. Pearce said he had seen sentiment swing, as we progressed throughout the year, that we may be post-inflation and the Federal Reserve would have to lower interest rates. However, he said there had been contradictory data stating that we might have too robust of an economy with higher wages and, as such, inflation would stick around. In referring to the war in the Middle East, Pearce said, in general, when we have these geopolitical events that remain regionally contained, global capital markets tend to look past the events, and other factors end up driving asset values. He said that from what they had seen in the investment markets, the Israeli-Hamas War had not impacted portfolio returns. He said should the war become a broader conflict pulling in more parties, we might see a bit of a flight to safety where folks would start moving their capital into things like gold, US Dollar, treasuries, etc. Pearce said US Treasury yields had hit a 16-year high.

b) Portfolio Update: Westman reported that for the quarter ending September 30, 2023, the portfolio returned a preliminary -3.2%, lagging the -2.2% return of the Policy Benchmark with public equities being the primary underperformers. She noted that Private Investment valuations were still as of June 30, 2023, given the manager reporting lag. She also mentioned that the portfolio returned a preliminary 4.9% for the calendar year to date (January 1, 2023 through September 30, 2023), compared to the Policy Benchmark return of 8.2%, with the notable detractors being emerging markets and private investments. Westman said that since the start of the Cambridge relationship in 2017, the portfolio had returned 4.8% annualized, outperforming the Policy Benchmark return of 4.6%.

a) Private Investment Review & Recommendations: Pearce reported that as of June 30, 2023, SF State University Foundation had committed $28.2 million to 28 Private Investment (PI) partnerships, with a current net asset value (NAV) of $16.9 million (or 10.8% of Total Assets). Pearce said the total PI portfolio had returned 19.7% net of all fees and expenses and represented a significant premium over the 7.4% return that would have been delivered by public market equivalents. Pearce said that while we were building this portfolio, we should expect, on a quarter-to-quarter annual perspective, that the cash flow for the PI program would be negative since we were deducting about $1.5 million quarterly to cover spending. He said at the same time, he was being thoughtful about effectively bringing down our public equity allocations so we could fund these private equity ventures gradually as part of our rebalancing. Pearce said we did not want to rush to get to the PI portfolio target because it was important to have vintage year diversification. He then made a recommendation for a new $1.5 million commitment to Ecosystem Integrity Fund V, an early-growth-stage venture fund, seeking to invest in companies that are focused on sustainable solutions addressing key threats to “ecosystem integrity” within sectors such as mobility, clean energy, efficiency, and food.

b) International Developed Equity Recommendation: Westman mentioned that the Foundation had made several changes to the manager structure within its public equity class over the past year or so. She said that as we transition the portfolio to align with the updated investment policy statement (IPS), she was recommending a new international equity strategy called
Global Alpha International Small Cap. She said this would be a $3 million initial investment or about 2.1% of total assets. Westman said Global Alpha would provide the portfolio with dedicated international small cap exposure, which was attractively valued (10 – 25 percentile) compared to other public equity regions and capitalization segments such as large cap. She also noted that Global Alpha integrated ESG into portfolio decision making and would engage directly with portfolio company management as well as vote proxies to advance various ESG initiatives. She said the fund had demonstrated strong and relatively consistent performance over the trailing 13 years, returning 7.5% annualized over that time period versus 5.9% for the EFE Small Cap Index benchmark. Finally, Westman said we would source the investment with a full redemption from Harris International Equity.

c) **Marketable Diversifiers Recommendation:** Pearce presented a recommendation for adding a new diversifier strategy called Legalist Government Obligations Fund. The initial investment would be for $3 million or about 2.1% of total assets. Pearce said what they were hoping to have in the portfolio was something that would appreciate or have a steady return profile that did not have a high correlation to equities or necessarily to fixed income but something of a diversifier. Pearce said a lot of investor portfolios in the diversifier’s allocation would have hedge funds as that was the conventional endowment 101 (hedge fund portfolio). He said his team was less enamored with hedge funds and had found that it was just a very difficult feature to add value for and felt they could get the same kind of return-risk-return profile with strategies that had a more clearly identifiable contracted cash flow that they could underwrite as opposed to kind of the hedge fund approach where one was just hoping that their portfolio manager was a great stock picker. Pearce said what they had tried to do with the Foundation’s diversify allocation was to build in strategies like Legalist Government Receivables Fund. Pearce shared that Legalist was a relatively young firm that was bringing technology enabled approach to a relatively sleepy part of the capital markets. He said Legalist targets 10-12% returns by supporting small businesses (majority diverse-owned) that had recently been awarded significant federal or state government contracts and needed short-term capital to enable the businesses to meet the obligations of the contracts. Pearce said that the credit Legalist offered was typically replaced by more traditional sources of capital (e.g., bank financing) that would come at a lower cost to the underlying businesses but was not available given strict bank underwriting requirements. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

**MINUTE ACTION:** that the Committee approves the following investment recommendations:
- $1.5 million commitment to Ecosystem Integrity Fund V,
- $3 million commitment to Global Alpha International Small Cap,
- $3 million commitment to Legalist Government Obligations Fund.

Motioned by: Taylor Safford  Seconded by: Sheldon Gen  Motion: Passed

d) **Rebalancing Recommendations:** In addition to the manager recommendations in International Developed Equity and Marketable Diversifiers, Pearce made additional recommendations to rebalance the portfolio and raise cash for annual spending. He said that, thus far, 2023 had been a very strong market for risk assets, rebounding from a difficult
2022. He recommended trimming some of the year-to-date gains in public equity, to move the portfolio back to targeted equity exposure with the following actions:

- **U.S. Equity:** Partial redemptions from Ethic Custom ESG US Equity Index ($1.5 million) and Metis US Climate-Aligned Index ($1.5 million).
- **International Developed Equity:** Full redemption from Harris International Equity ($4.8 million) to fund Global Alpha International Small Cap as well as redistribute $1.8 million towards Metis World ex US Climate-Aligned Index.
- **Marketable Diversifiers:** Full redemption from Renaissance Institutional Equities Fund ($2.9 million) to fund Legalist Government Receivables Fund.
- **Fixed Income/Cash:** Modestly increasing the fixed income portfolio with an additional $3 million to Vanguard Intermediate Term Treasury Index Fund.

On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee adopts the recommendations for rebalancing, as outlined above.
Motioned by: **Leona Bridges** Seconded by: **Sheldon Ge** Motion: **Passed**

e) **ESG/DEI Update:** Pearce presented a slide that showed ESG/DEI progress to date. With regards to assets with diverse managers, the Foundation’s progress showed an increase from 33% in 2020 to 72% as of June 2023. The slide also showed that the Foundation was also on track to meet its net zero carbon emissions goal with a decrease in Tons CO2e/million invested from 115.5 in June 2022 to 64.4 in June 2023 – just one year later. Pearce said the Foundation’s portfolio was aligned with the Paris Agreement, which evaluated a portfolio using science-based targets (SBTs). Pearce said the Foundation’s proportion of portfolio emissions with approved SBTs was 33.1%, which is 12.5% higher than the MSCI ACWI Index.

V. **Executive Session:** The Committee moved into executive session to discuss the request for proposal (RFP) for investment advisory services. Thompson-Ramsay reviewed the RFP with the Committee and discussed the tentative timeline for receiving responses and approving a consultant. Thompson-Ramsay also presented the list of 17 firms she received from the Intentional Endowment Network (IEN) based on their experience with ESG/DEI investing. She asked the Committee to approve the release of the RFP to the 17 firms. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee approves the release of the RFP for investment advisory services to the list of 17 firms presented.
Motioned by: **Neda Nobari** Seconded by: **Leona Bridges** Motion: **Passed**

VI. **Adjournment:** There being no further business to discuss, the Investment Committee meeting adjourned at 1:35 pm, without objection.

Respectfully submitted,