

**SAN FRANCISCO STATE UNIVERSITY FOUNDATION
INVESTMENT COMMITTEE MEETING MINUTES
Offices of Cambridge Associates
Tuesday, October 30, 2018 at 11:00 AM**

Neda Nobari called the meeting of the Investment Committee to order at 11:04 AM.

Committee Members Present

Neda Nobari, Committee Chair
Robert J. Nava, President
Taylor Safford, Chair
Kimberly Brandon, Vice Chair
Phyllis Carter, Director (via phone)
Sheldon Gen, Director (via phone)

Absent and Excused

Leona Bridges, Director
Herb Myers, Director

Others Present

Venesia Thompson-Ramsay, Secretary and Treasurer
Vicky Lee, Director of Finance
Ravi Karra, Cambridge Associates
Will Wise, Cambridge Associates

- I. **Review of Agenda:** The Committee reviewed and approved the agenda.
- II. **Approval of Meeting Minutes:** The Committee reviewed the minutes from the September 6, 2018 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 September 6, 2018 committee meeting, as prepared.
Motioned by: Kimberly Brandon Seconded by: Taylor Safford Motion: Passed
- III. **Digital Currency Gift:** Nava informed the Committee that the Foundation had finalized a gift agreement for a blended gift of cash and cryptocurrency valued at \$25 million. He mentioned that the cryptocurrency would be liquidated and converted to US currency over the coming months using a market maker. Nava said the donor asked to remain anonymous.
- IV. **Student Managed Sustainable Investment Fund:** Nobari told the Committee that for several years since the inception of the SRI subcommittee, she and former board director

Phil King had been discussing the idea of a Student Managed Sustainable Investment Fund. She said that while there were many universities with student managed investment funds, not many had a “sustainable” vision. She said she felt the timing was right to revisit this idea. Nobari said the committee could have a deeper discussion at its next meeting but she would like for the program to be available to all students, not just those in the business field.

V. **Discussion Items**

- a. Market Environment: Karra said that October had been brutal, capping off the earning season with poor returns. He said interest rates were going up so we should expect volatility. Nonetheless, he said we still had a decent year with US market up 10%. He reiterated that the global financial system was very solid and the US market even better.
- b. Investment Performance: Wise reported that the Foundation’s investments had outperformed its policy benchmark as of August 31, 2018. For the cumulative trailing 1-year, the investments saw a return on the main portfolio of 5.2% and 8.5% on the Green Fund – both outperforming their policy benchmarks (4.6% and 7.4%, respectively).
- c. Asset Allocation: Karra informed the Committee that both portfolios for the main and Green Fund were reasonably close to their policy targets. He said the portfolios would be in line with their policy targets with the hire of the new custodian, US Bank.
- d. Manager Update: Karra recommended that the Committee terminate its investment in Headlands Strategic Opportunities Fund. He said the investment had outperformed its benchmark since its inception but this was due mainly to its results in 2008. He said the investment had underperformed over the last 10 years. Karra said, should the Committee decide to keep the investment, he would recommend decreasing the investment by 25% to \$1.5 million. Karra said he would also classify the investment within the US stocks allocation as that was a more appropriate classification. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee reduces the Headlands Strategic Opportunities Fund to \$1.5 million.

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

Karra reminded the Committee that it had approved the redemption of its investment in Ski Times Square (STS) Fund, a hedge fund managed by Deer Park Road Management Company, since 2012. Karra said a clerical error on the part of the manager had prevented the redemption from occurring at the end of March 2018 as planned. Karra said the Foundation had now received 95% of the investment as of August 31 and the remaining 5% holdback (roughly \$128,000) would be paid out around April 2019 following the fund’s annual audit. Karra said the Foundation

received the March 31 market value of the redemption, which was \$16,000 higher than the August 31, 2018 market value.

- e. Private Investments: Karra mentioned that the Foundation's current allocation for private investment was 1.7%, while the target was 10%. He said the Foundation would need to maintain an annual commitment of \$2 to \$4 million to achieve and maintain this allocation target. Karra reviewed recent and legacy commitments to the private investment allocation and presented the Committee with his latest recommendations - MAP 2018, LP and Accolade VII. Karra said that MAP 2018 was a renewable energy royalties fund and Accolade VII, a venture capital and growth equity fund of funds. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee commits \$0.5 million to MAP 2018 LP and \$3 million to Accolade VII.

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

VI. **Other Business**

- a) 17-18 Financial Audit: Thompson-Ramsay provided an update from the October 4th Audit Committee meeting. She said while the auditors concluded that the Foundation's financials were fairly presented in accordance with generally accepted accounting principles, they did identify a material weakness with regards to the valuation and disclosures of alternative/net asset value (NAV) investments. Thompson-Ramsay said the auditors were not satisfied with the process management used to review the fair value of the new alternative investments. Thompson-Ramsay said management had agreed to track all new assets valued at NAV in a spreadsheet and work with Cambridge Associates very early in the process to collect the valuation it performed on each asset valued at NAV to make sure fair value is correctly stated. Finally, Thompson-Ramsay said management would invite Cambridge Associates to pre-audit meetings so they were in the loop on the audit requirements and have a member of the audit committee sit on the investment committee to facilitate information exchange.
- b) Custodian Transition Update: Karra said the Investment Committee's approval of US Bank as its new custodian should take effect November 1, 2018. He said the original plan was for the custodian to just hold the Foundation's separate accounts (SMA) and for the Foundation to directly hold its investments in comingled accounts. Karra said that because of the many benefits/advantages to having even the comingled accounts with a custodian, he was recommending that US Bank be used to custody all the Foundation's assets. He said holding the additional assets would result in additional fees – minimum fee for SMA \$7,500; fee for ~\$80 million under custody \$14,000. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that US Bank custodies all the Foundation's assets.

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

VII. **Adjournment:** There being no further business to discuss, the Investment Committee meeting was adjourned, without objection, at 12:52 pm.

Respectfully submitted,

Neda Nobari, Chair

Date