

**SAN FRANCISCO STATE UNIVERSITY FOUNDATION
INVESTMENT COMMITTEE MEETING MINUTES
San Francisco State University
Friday, February 15, 2019 at 11:00 AM**

Neda Nobari called the meeting of the Investment Committee to order at 11:06 AM.

Committee Members Present

Neda Nobari, Committee Chair
Taylor Safford, Board Chair (via phone)
Venesia Thompson-Ramsay, President
Herb Myers, Director (via phone)
Leona Bridges, Director
Sheldon Gen, Director (via phone)

Absent and Excused

Kimberly Brandon, Board Vice Chair
Phyllis Carter, Director

Others Present

Don Endo, Director
Vicky Lee, Director of Finance
Ravi Karra, Cambridge Associates
Will Wise, Cambridge Associates
Ryan Coughlin, Cambridge Associates

- I. **Review of Agenda:** The Committee reviewed the agenda.
- II. **Approval of Meeting Minutes:** The Committee reviewed the minutes from the October 30, 2018 meeting and the November 26, 2018 special phone 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 Oct 30, 2018 meeting and the November 26, 2018 meeting, as prepared.

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

III. **Investment Update and Recommendations**

- a. Market Environment: Karra provided an overview of the current market environment. He reported that most major asset classes posted negative results in 2018, US stocks double-digit decline in the 4th quarter led to a decrease in total return for the first time since 2008. He mentioned that widening credit spreads had helped developed markets sovereign bonds to outperform riskier credits. European equities managed to better

perform than the developed markets peers in the volatile last quarter but still ended with a negative rate of -12.7%. He said that January was a good month. It was a nice rebound with a broad rally taking place across all asset classes. This was triggered by the federal announcement to slow down the pace of tightening. Karra mentioned that global equities rose 7.9% and also several previously out-of-favor segments have recovered. Finally, Karra said that GDP growth was expected to decelerate in 2019 in the US and, definitely, globally. Based on the US Treasury 10-year/2-year yield spread, he believed there was an increased chance of a recession or slow down over the next 12-24 months.

- b. Investment Performance: Karra reported that the main endowment portfolio returned -7.1% underperforming the benchmark's return of -6.2% for the year of 2018. However, fixed income return of -1.3% and alternative investments return of -1.3% held up the best during the year, though most asset classes declined significantly. The Green Fund returned -6.0%, outperforming its policy benchmark's return of -6.8% in 2018.
- c. Portfolio Update and Recommendations: Karra reported that our main endowment portfolio was relatively close to policy targets with the largest overweight being fixed income and cash (+4.5%), offsetting underweights to alternative investments (-2.5%), international stocks (-2.0%), and emerging markets stocks (-1.2%). Karra explained that we were currently in the process of implementing allocation decisions made by the Investment Committee during the November 2018 phone meeting. For the Green Fund, Karra said the asset allocation deviates significantly from targets pending the hiring of the new global stocks manager, Aperio. Karra also mentioned that the Foundation's current allocation to private investment is \$1.4 million or 2.1% of the endowment relative to its long-term target of 10%. He said it would take several years to reach the target as we were still in the building phase. He also explained that these private investments were not publicly-traded and, therefore, were not only more difficult to sell but they were very illiquid. Karra presented a \$5 million recommendation in Arrowstreet Global Equity Strategy - ACWI. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee approves the recommended investment in Arrowstreet Global Equity Strategy - ACWI at an initial subscription of \$5 million.
Motion by: Leona Bridges Seconded by: Sheldon Gen Motion: Passed

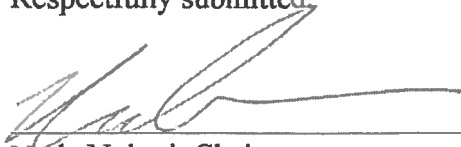
Karra also presented a \$1 million commitment to Dover Street X L.P, a global diversified secondary fund. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee approves the recommended investment in Dover Street X L.P. in the amount of \$1 million.
Motion by: Herb Myers Seconded by: Leona Bridges Motion: Passed

Finally, Karra also recommended investment in DE Shaw's Global strategy and hire Mellon Dynamic US Equity. Bridges suggested a third option of Blackrock, another global investment fund manager. Cambridge is to conduct an analysis on Blackrock, research on their performance numbers and report back on the next committee meeting.

- IV. **Cryptocurrency Gift Update:** Thompson-Ramsay gave an update on the cryptocurrency gift that the Foundation received in November 2018. She said the gift consisted of \$3 million cash and \$22 million worth of cryptocurrency from an anonymous donor. She said the name of the donor would be revealed/announced at the University's BOLD Celebration gala on April 4, 2019 at the San Francisco Masonic. Thompson-Ramsay reported that since the last committee meeting, and with help from our legal counsel, staff finalized the gift agreement between the Foundation and the donor as well as the liquidation agreement between the Foundation and the market maker, GSR. She said a "cold wallet" (storage not connected to internet) was set up to store the cryptocurrency and a Bitstamp account (a cryptocurrency exchange gateway) to convert the digital currency to USD. Thompson-Ramsay said that the cryptocurrency was being liquidated over a period of time so that it would not flood and destabilize the market. She said the donor agreed to backfill the difference if, at the end of the day, the liquidated total did not add up to \$22 million. Thompson-Ramsay reported that the current amount that had been liquidated was about \$4.5 million. There were security concerns raised but Thompson-Ramsay explained that the Executive Committee had exercised their due diligence before approving the agreements.
- V. **Student-Managed Sustainable Investment Fund (SMSIF):** Gen reported that a group of 10 faculty was working on a proposal to establish a SMSIF at SF State. He said the proposal would consist of two parts: 1) the academic curriculum and 2) management of the investment fund. Gen said there would be a course on sustainable and responsible investment in the Department of Finance. He said students who took the course could apply to be part of the small group that made investments decisions about the Fund. Gen said the goal was to complete the proposal for approval at the June 2019 board meeting. He said the course could then be offered in spring 2020 tentatively and the investment of the SMSIF could begin in the summer.
- VI. **Adjournment:** There being no further business to discuss, and with Thompson-Ramsay making the motion and Nobari seconding the motion, the Investment Committee meeting was adjourned at 12:46 pm.

Respectfully submitted,



Neda Nobari, Chair

10.16.19

Date