

**SAN FRANCISCO STATE UNIVERSITY FOUNDATION  
INVESTMENT COMMITTEE MEETING MINUTES  
San Francisco State University  
Tuesday, May 7, 2019 at 11:00 AM**

Neda Nobari called the meeting of the Investment Committee to order at 11:08 AM.

Committee Members Present

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

Absent and Excused

Jeff Wilson, Director  
Herb Myers, Director

Others Present

Don Endo, Prospective Director  
Tammie Ridgell, Associate Vice President (AVP), Auxiliary Business Services  
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 February 15, 2019 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 15, 2019 meeting with a revision in section IIIA as prepared in Draft. The last sentence shall read "...he believed there was an increased chance of a recession or slow down over the next 12-24 months."

Motion by: Kimberly Brandon 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 global equities rallied to record their best quarter to start 2019 in over two decades. He said the first quarter was very strong and April continued to be so. Karra said the rebound from last quarter in 2018 was the result of a reversal of the Fed's policy to raise interest rates and tighten money supply. He said the developed markets equities outperformed emerging markets equivalents, and US stocks beat its developed ex-US

counterparts. He mentioned that in a contrast from the downturn in 4<sup>th</sup> quarter of 2018, prices for capital assets posted substantial gains in the first quarter of 2019. In the fixed income market, government bond yields continued their descent amid indications that the US economy was slowing. This had helped drive positive results for high-yield and investment-grade corporate bonds. Karra said that real assets were among the top-performing asset classes, which had experienced double-digit returns of 17%. Others such as natural resources equities and energy MLPs also posted double digit returns. However, earnings-per-share growth was estimated to decelerate sharply in 2019, especially in the US and UK, per Karra.

- b. Investment Performance: Karra reported that the main endowment portfolio returned 7.7% underperforming the benchmark's return of 8.2% by 0.5% for the first quarter of 2019. The Foundation's Global Stocks (16.6%) and US Stocks (11.9%) were the two best absolute performers. Real Assets (11.3%) and International Stocks (10.1%) also contributed to the positive returns. Despite the fact that the Green fund is less diversified and can be more volatile, the Green Fund returned 9.2%. It performed better than the main endowment portfolio and was just slightly behind the policy benchmark return of 9.4%. Similar to the main endowment portfolio, Global Stocks (17.2%) and US Stocks (13.8%) were the two best absolute performers in the Green Fund.
- c. Portfolio Update and Recommendations: Karra mentioned that our main endowment and Green Fund portfolios were reasonably close to our policy targets. He said we had completed the majority of transactions approved by the Investment Committee in November 2018 to invest the Marcus gift. Karra said, pending the full deployment of the recent cryptocurrency gifts, the portfolio was over-weighted to Fixed Income and Cash at the moment. To date, the Foundation had liquidated approximately \$14 million worth of XRPs (cryptocurrency), which accounted for 64% of the total cryptocurrency donation. Cambridge presented some recommendations to deploy the \$14 million XRP proceeds. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee approves the recommendations to invest the \$14 million in XRP proceeds according to the policy targets and the Pro-Forma Asset Allocation, as presented.

Motion by: Taylor Safford      Seconded by: Venesia T-Ramsay      Motion: Passed

Karra reported that a comparison analysis was conducted amongst US Stocks fund managers Mellon Dynamic, Blackrock and DE Shaw, per request from the Investment Committee. Karra said Mellon Dynamic dominated in terms of performance and presented a \$5 million commitment to Mellon Capital Dynamic US Equity. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee approves the recommended investment in Mellon Capital Dynamic US Equity in the amount of \$5 million.

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

- d. 3-Year Performance Review: Karra recommended conducting a performance review at least once every three years. He said the review would consist of three parts: 1) asset allocation review, 2) performance review and 3) performance reports. The Committee

briefly discussed Green Fund investment opportunity and reallocation of the Green Fund portfolio and decided to defer the discussion for the next meeting.

**IV. Recommendation to Change Spending Policy**

Karra mentioned that a change in spending policy was discussed when the Investment Committee approved the new Investment Policy Statement at the end of 2017. He recommended the payout distribution calculation to be based on a 12-quarter moving average market value as oppose to a 90-day average daily balance. Karra said the new spending policy would be consistent with what was used at the vast majority of educational institutions and would also result in a more smoothed payout over time. Tammie Ridgell, AVP of Auxiliary Business Services, presented her calculation of the estimated payout for FY19-20 in the amount of \$3.3 million, based on the new spending policy. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee approves the recommended change in spending policy of a 12-quarter moving average of the endowment market value as of December 31.  
Motion by: Taylor Safford      Seconded by: Kimberly Brandon      Motion: Passed

**V. Preparing for 2018-2019 audit:**

Thompson-Ramsay reported that the Foundation was preparing the audit for FY2018-2019. She said based on the audit finding for FY 17-18, Karra would be invited to the next Audit Committee meeting that was being planned.

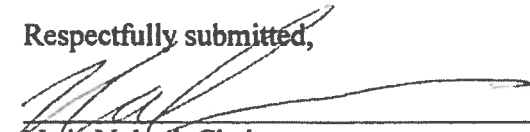
**VI. Meeting Schedule for FY19-20:**

The Investment Committee was presented with proposed meeting dates for the upcoming fiscal year. Karra recommended that the meeting duration be extended to 2 - 2 ½ hours.

**VII. 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 12:40 pm.

Respectfully submitted,

  
\_\_\_\_\_  
Neda Nobari, Chair

10.14.19  
Date