

**SAN FRANCISCO STATE UNIVERSITY FOUNDATION  
INVESTMENT COMMITTEE MEETING MINUTES  
Via Zoom  
Thursday, October 8, 2020 at 11:04 AM**

Sheldon Gen called the meeting of the Investment Committee to order at 11:03 AM.

Committee Members Present

Kimberly Brandon, Board Chair  
Leona Bridges, Director  
Sheldon Gen, Committee Chair  
Jeff Jackanicz, Foundation President  
Neda Nobari, Vice Chair  
Taylor Safford, Immediate Past Chair  
Jeff Wilson, Director

Committee Members Absent and Excused

Don Endo, Director  
Herb Myers, Director  
David Serrano Sewell, Director

Others Present

Vicky Lee, Director of Finance  
Tammie Ridgell, Associate Vice President (AVP), Auxiliary Business Services  
Venesia Thompson-Ramsay, Secretary & Treasurer  
Mike Pearce, Cambridge Associates  
Wendy Walker, Cambridge Associates  
Erin Figel, Cambridge Associates  
Madelyn Mathai, Cambridge Associates

- I. **Review 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.

Motioned by: Leona Bridges                      Seconded by: Taylor Safford                      Motion: Passed

- II. **Approval of Meeting Minutes:** The Committee reviewed the minutes from the August 28, 2020 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 August 28, 2020 meetings, as prepared.

Motedioned by: Taylor SaffordSeconded by: Neda Nobari Motion: Passed

### III. Discussion Items

- a. Diversity Investing Discussion: Walker continued the discussion on diversity investing from the last meeting. She said this was an area CA had been focusing on and hired Jasmine Richards to head its diverse manager research efforts about three years prior. Walker said the consolidation of such efforts in an intentional way had been a tremendous benefit for the teams who had been working with clients on social justice and racial equity issues on an ad hoc basis. Walker reviewed a chart, which showed an \$8 trillion benefit to the US economy, if we could close the racial earnings gap. Walker said CA published a paper back in 2018 called Social Equity Investing, which focused on three different areas where investors can lean in to address social and racial inequities: 1) the firm and leadership, 2) strategy focus (i.e. making sure we allocate capital to diverse founders, especially with private investments), and 3) products and services (investment strategies where the company's business models are to benefit diverse communities). Walker presented data from a Knight Foundation study, which highlighted some of the challenges facing diverse firms, including the fact that just over 1% of assets in the US had gone to firms that were either majority or substantially diverse owned. Walker talked about how CA was measuring ownership and strategy and said there was a recommendation later in the meeting that addressed products and services. Finally, Walker said there was also an opportunity to customize a racial equity mandate when a manager is fired or hired. She said that portfolio strategy may be revisited to see if it could be tilted towards racial equity indicators.
- b. Fixed Income Allocation: Pearce said that because the University was not heavily reliant on the Foundation's endowment, the Foundation was arguably leaving some opportunities for return on the table. He said the fixed income allocation was larger than necessary so there was room to increase equity exposure to improve chances of meeting the Foundation's target return of 5.25%. Pearce said the current fixed income allocation was implemented with managers and strategies that were lower quality (i.e. targeting high-yield bonds, non-US corporate credit) where the Foundation was taking risks that were really non-fixed income risks and not the best place to spend our active management dollars. As such, Pearce said he was recommending a reduction in the fixed income and cash target exposure from 22% to 15%. Pearce said the net result of his recommendation was fewer managers (a simpler structure), lower costs and higher quality. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the committee revises its policy targets by reducing fixed income and cash from 22% to 15%, increasing diversifiers from 5% to 10% and increasing total stocks from 58% to 60%, with the following geographic shifts: increasing global stocks from 12% to 16% and US stocks from 18% to 22% while decreasing international developed stocks from 18% to 15% and emerging markets stocks from 10% to 7%.

Motioned By: Taylor Safford      Seconded By: Leona Bridges      Motion: Passed  
Pearce mentioned that RBC Access Capital Community Investment Strategy invests primarily in mortgage-backed securities in low- and moderate-income communities. He said RBC Access was founded by Ronald Homer, an African American investor who initially served as president and is now chief strategist. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the committee fully redeems the current three managers – PIMCO, Loomis Sayles and Brandywine and invests the 13% fixed income allocation amongst the following three managers, as follows: Breckinridge (\$2.5 million addition, bringing the allocation to \$12.3 million), Vanguard (\$5 million) and RBC Access Capital (\$2 million).

Motioned By: Neda Nobari      Seconded By: Jeff Wilson      Motion: Passed

- c. Private Investments: Walker mentioned that the Foundation’s private investments currently sat at 3% so it would take several years to get to the 10% long-term target. Walker said that even in these early years, the results showed that for every dollar invested in the private investment portfolio, the Foundation had received \$1.40, which was why she was seeking to grow this portion of the allocation. Walker said our target pace of commitments was about \$6 to \$9 million every three years to maintain vintage year diversification and mitigate timing risks. Walker reviewed commitments from prior meetings and presented a new investment, Hillhouse Fund V, previously discussed but never acted upon. Walker said Hillhouse Fund V would represent our first direct fund in this private growth space (the Foundation already has Hillhouse Gaoling in its Emerging Markets Stocks allocation). Walker said she was recommending a \$1 million commitment. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the committee approves \$1 million commitment to Hillhouse Fund V.

Motioned By: Kimberly Brandon      Seconded By: Jeff Jackanicz      Motion: Passed

- d. Market Environment: Pearce reported that September was somewhat weaker but overall, the third quarter was pretty positive for risk assets. He said equity returns were flat to slightly positive for the year with US being the strongest performer and fixed income holding pretty well. Pearce said that, on the positive side, progress had been made on both therapeutics and vaccine for the coronavirus. He said the economy and equity markets had been able to survive on the massive fiscal and monetary stimulus that had been provided.
- e. Portfolio Update: Figel reported that the endowment returned 3.8% versus 4% for the benchmark through August 31 with an estimated 1.8% in September. Figel said a lot of the underperformance was driven by the fixed income allocation. Real Assets continued to be a return driver largely due to our gold position in Van Eck. Figel said the Green Fund returned 7.7% versus 5.2% for its benchmark, with an estimated return of 6.2% in September due


primarily to Global Stocks (Ownership Capital) as a key performance driver. Figel closed with an update that the US State Department and the Trump Administration had issued a letter in August warning universities of Chinese influence on campuses and suggesting that, at some point down the road, there may be a mandate to divest from China (including any Chinese companies listed on US Stock Exchange). Figel said they were recommending that their clients stay the course for now but were watching the developments closely.

**IV. Audit Update:** Ridgell reported that the audit had been completed and there were no additional findings regarding the investments. She mentioned that prior year findings had been resolved. Ridgell said there were some conflicting issues with the endowment policy and gift agreement that would need to be addressed. She said the Audit Committee meeting was scheduled for October 26<sup>th</sup> where the issues would be discussed in more details.

**V. Executive Session:** The Committee moved into executive session.

**VI. Adjournment:** There being no further business to discuss, the Investment Committee meeting adjourned at 1:26pm. The motion was made by Kimberly Brandon and was seconded by Leona Bridges. All were in favor.

Respectfully submitted,

DocuSigned by:  
  
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03/26/2021 | 12:19 PM PDT

Sheldon Gen, Chair

Date