

**SAN FRANCISCO STATE UNIVERSITY FOUNDATION  
INVESTMENT COMMITTEE MEETING MINUTES  
Via Zoom  
Thursday, February 10, 2022 at 11:00 AM**

Sheldon Gen called the meeting of the Investment Committee to order at 11:04 AM.

Committee Members Present

Kimberly Brandon, Board Chair  
Leona Bridges, Director  
Don Endo, Director  
Todd Feldman, Non-Voting Member  
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

Herb Myers, Director  
David Serrano Sewell, Director

Others Present

Vicky Lee, Director of Finance, Foundation  
Devon Parcell, Cambridge Associates  
Mike Pearce, Cambridge Associates  
Shannon Pinzon, Cambridge Associates  
Tammie Ridgell, Associate Vice President, Auxiliary Business Services, University Corp  
Venesia Thompson-Ramsay, Secretary & Treasurer, Foundation  
Wendy Walker, 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: Don Endo      Seconded by: Kimberly Brandon      Motion: Passed

- II. **Approval of Meeting Minutes:** The Committee reviewed the minutes from the November 5, 2021 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 November 5, 2021 meeting, with correction.  
Motioned by: Leona Bridges      Seconded by: Taylor Safford      Motion: Passed

**III. Discussion Items**

- a) Market Environment: Pearce provided a snapshot for the end of January 2022, which included some reflections on 2021. He shared that 2021 was a really strong calendar year for equity asset classes in general, although in the Asian market it was dragged down by some of the regulatory actions in China. He said fixed income was a little weaker for the calendar

years as interest rates had started to pick up a bit throughout 2021. Pearce said some of the supply chain tightness had contributed to appreciation in real assets sectors. He said we also had a pretty exciting start to the 2022 calendar year with equity markets down about 5% across the board. He said because this was also being driven by an interest rate pressure, we also saw interest rates tick up a bit, leading to losses in bonds. Pearce said the only thing that had a positive return of any significance in the first month of the year was global natural resources. Pearce said there was an expectation in the market that the Federal government was going to increase interest rates as there was more inflation. He said the Feds were projecting five or six hikes of 25 basis points in the federal funds rate during calendar year 2022. He also said the CPI (due to economic growth as well as supply chain constraints) was 6% compared to before the pandemic when inflation was pushing zero percent and the CPI was negative. Pearce said Cambridge did not see a 6% CPI persisting throughout 2022, as supply chain issues were going to be reduced as the year went on and estimated it to be somewhere around 3%. Finally, Pearce said that Impact equities had, by far, the biggest exposure in our portfolio as in all real endowment and foundation type portfolios.

- b) Portfolio Update: Walker reported that total assets (main endowment plus Green Fund) was over \$180 million. She said regardless of the market downturn in January, the total portfolio was up 14.5% or 10 basis points (bps) above the policy benchmark and a couple of percentage points ahead of our real return objective of 5.25% plus inflation. She said the driver of absolute results, the strongest contributor, had been private investments, even though it was a small percentage of the portfolio. She also pointed out that the Green Fund, after several years of outperforming the main endowment, was now lagging a bit at 11.3% or 180 bps behind its policy benchmark due to the lack of private investments in the Green Fund and the Green Fund strategy (a greater growth tilt with a less diversified portfolio), among other reasons. She said Global Stocks was the top performing asset class, on an absolute basis returning 17.4%. Fixed Income and Cash was the weakest performing asset class, returning -1.2%.
- c) Rebalancing: Pearce reviewed the portfolio allocations. He said while we build out our private investments (PI) portfolio, which was at 6.7% of its 10% target, the remaining 3.3% would be allocated into public stocks during the interim (public equity targets adjusted for private investments). Pearce said, all in all, they were comfortable with the liquidity in the portfolio, the positioning and the managers and, as such, had no recommended changes. Pearce said they were also comfortable with the Green Fund as well from a positioning standpoint and did not see the need to make any changes. transactions.
- d) Private Investment Review & Recommendations: Walker started out by reviewing the Foundation's private investments (PI) holdings as of September 30, 2021. She said the Foundation had committed \$20.7 million to 19 PI partnerships with a current Net Asset Value of \$10.4 million. She said the Foundation's PI program had returned 31.2% over the trailing 5 years ending September 30, 2021 (outperforming the 15.4% return of public market equivalents). Walker said that after several years of higher contributions to these funds, 2021 was a near-record year for distributions from these funds to the SF State Foundation. So, on a net basis, our PI program in 2021 was almost cashflow neutral with distributions covering all but \$100,000 of our capital calls, which was a positive sign we were on the right path.

Walker then discussed a \$500,000 investment recommendation for Material Impact Partners (Fund III). She said it was an early-stage venture capital strategy that they found to be quite exciting. She said the company was a 50% Black-owned firm that invested under the premise that almost all disruptive innovations come from a fundamental, underlying innovation in material science, and that those material innovations had world-changing impact. Walker said that Fund III would mirror Fund I and II's strategy of investing exclusively in technology-driven companies whose products and services were derived from innovations in material science and helped address unmet societal and market needs. She said cofounder, Carmichael Roberts was selected by Bill Gates to serve as Chairman of the Investment Committee of Breakthrough Energy Coalition. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee approves a \$500,000 commitment to Material Impact III.

Motioned by: Taylor Safford      Seconded by: Neda Nobari      Motion: Passed

Walker said she planned to bring back recommendations at the May meeting for a commitment with Dover Street's secondaries fund (Dover Street Fund XI).

Pearce and Walker then provided analyses of upcoming funds from March Capital and Headlands Capital at the Committee's request. Pearce said March Capital had a very San Francisco-centric real estate approach. He said while March Capital had done very well and delivered for the Foundation, going forward with regards to real estate, they were looking for managers with more regional diversification or maybe even global in its approach. Additionally, he felt like affordable housing was compelling and aligned with the Foundation's social justice values. Pearce said they had some stuff in the works to bring to the Foundation that would be a better fit. In addition, Pearce mentioned that the March Capital Fund IV also had a bit of a premium return relative to other players but said he would recommend March Capital, if he felt the portfolio needed exposure to San Francisco real estate, in particular. Pearce said he felt the overall Foundation and university's finances already had some linkage to the Bay Area economy and that doubling down in our investment pool and that geographic exposure did not diversify risk.

Pearce said his take on Headlands Capital was similar to March Capital in that absolute returns had been reasonably strong for the fund we were in. He said that an existing fund in the Foundation's portfolio (Dover Street) had vintages of the same timeframe as Headlands Capital, and, when compared, Dover Street's performance beat Headlands Capital for those two vintages. Pearce said Headlands Capital was a team that knew the space really well as they had been in the space since secondaries really got off the ground in the mid 90s. Pearce said, ultimately, Headlands Capital seemed like a perfectly reasonable secondaries option but they had difficulty identifying their "special sauce" to earn the one or two spots in the Foundation's portfolio. Pearce said, for example, Dover Street had outperformed Headlands Capital, was much larger and had a lot more resources to handle complex transactions. In short, Pearce said that for a finite amount of capital and the Foundation's objectives and sensibilities, they could not recommend us moving forward with the new fund. After much discussion, the Committee unanimously opted not to invest in March Capital and Headlands Capital upcoming funds.

e) Sustainable Investments Discussion: Walker presented an overview of how the value alignment of the Foundation’s portfolio had evolved over time, broadening from a focus that was primarily on environmental sustainability when the Foundation started with Cambridge Associates back in 2017, to currently including social/diversity, equity and inclusion themes over the past couple years. Walker said that values-aligned managers currently represented about 40% of the Foundation’s endowment assets.

V. **IPS Working Group Update**: Gen provided an update on the work of the Investment Policy Statement (IPS) Working group. He said the process was going well after several meetings and a series of conversations, each one focusing on the issues surrounding the E (environmental), the S (social) and the G (governance) in order to articulate the Foundation’s values that we want reflected in our endowment portfolio. Gen said that he and Todd Feldman were in the process of synthesizing those discussions into a draft IPS that would be presented to the Working Group for review and refining, followed by a presentation to the board at its annual board retreat in March and then to the board in June for approval and adoption. Gen said the new IPS would look a lot different from the existing IPS where the ESG guidelines and values would be front and center in the IPS and the more structural aspects such as targets and asset allocation would be included as an appendix. Gen said he had been in sidebars with Pearce and Walker to help us think about the practical side of things, in terms of metrics and tracking our performance towards these values.

Pearce added that the Foundation got the opportunity through Intentional Endowments Network (IEN) to have a data provider called ISS run an analysis of the Foundation’s portfolio using their ESG metrics. Pearce said Cambridge Associates provided ISS with the underlying holdings in the portfolio for the analysis. Pearce said that Cambridge Associates also provided a similar analysis of the Foundation’s portfolio – measurement of the carbon emissions footprint of the total portfolio – using another data provider called MSCI. Pearce said the carbon and analytics tool from MSCI was able to gather 80.2% of Carbon Emissions Data, which was pretty similar to the ISS tool, which covered 81.65% of the Foundation’s portfolio. Pearce said the takeaway was that both data vendors had very similar outputs in that the Foundation’s public equity portfolio did not have demonstrably less emissions exposure intensity than the broad market index.

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

VII. **Adjournment**: There being no further business to discuss, the Investment Committee meeting adjourned at 1:37 pm, without objection.

Respectfully submitted,

DocuSigned by:



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Sheldon Gen, Chair

05/18/2022 | 5:33 PM PDT

Date

