

**SAN FRANCISCO STATE UNIVERSITY FOUNDATION
INVESTMENT COMMITTEE MEETING MINUTES
Via Zoom
Friday, August 26, 2022 at 11:00 AM**

I. **Call to Order:** Chair Gen called the meeting of the Investment Committee to order at 11:01 AM.

Committee Members Present

Kimberly Brandon, Board Chair
Don Endo, Director
Todd Feldman, Non-Voting Member
Sheldon Gen, Committee Chair
Jeff Jackanicz, Foundation President
Neda Nobari, Vice Chair
Jeff Wilson, Director

Committee Members Absent and Excused

Leona Bridges, Director
Herb Myers, Director
Taylor Safford, Immediate Past Chair
David Serrano Sewell, Director

Others Present

Sophia Benzoni, student, SF State University
Vicky Lee, Director of Finance, SF State Foundation
Devon Parcell, Cambridge Associates
Mike Pearce, Cambridge Associates
Shannon Pinzon, Cambridge Associates
Tammie Ridgell, Associate Vice President, Auxiliary Business Services, University Corp
Amy Rodriguez, Foundation Legal Counsel, Adler Colvin
Venesia Thompson-Ramsay, Secretary & Treasurer, SF State Foundation
Wendy Walker, Cambridge Associates

II. **Review of Agenda:** The Committee reviewed the agenda.

III. **Approval of Meeting Minutes:** The Committee reviewed the minutes from the May 12, 2022 meeting. The minutes were approved, without objections.

IV. **Investment Policy Statement:** Jackanicz provided an update on the work accomplished over the summer to strengthen the Foundation's Investment Policy Statement (IPS) with metrics that would measure our progress toward investing in women and BIPOC-led firms or strategies. He reminded the Investment Committee that the board had charged management with researching ways to support investments in women and BIPOC firms that would not violate Proposition 209 but still allow us to have impact. Jackanicz said that, in partnership with Foundation legal counsel and Cambridge Associates, the Foundation was able to come up with categories/definitions to track and measure progress toward this investment goal. He

presented the revised IPS¹ to Committee members and mentioned that they were also presented to and approved by the Executive Committee the prior week. Walker said the Foundation had already made great progress towards its goals and shared a matrix of the Foundation's diversity, equity and inclusion (DEI) investments over the past two years. Jackanicz said he, Gen and Nobari were also presenting at the Intentional Endowment Network's Climate Week in New York in September and planned to share the revised IPS, assuming board approval on September 16. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee approves the revisions to the IPS and recommends full board approval.

Motioned by: Kimberly Brandon Seconded by: Neda Nobari Motion: Passed

V. Discussion Items

- a) Market Environment: Pearce provided an update on the market. He said investor sentiment soured in the second quarter, which led to steep declines across nearly all asset classes. Pearce said that global equities struggled as developed and emerging stocks fell into bear markets. He said the increased interest rates, coupled with a deteriorating global economic growth prospects, saw growth stocks trailing value stocks and large caps outperforming small caps. In addition, Pearce shared that government bonds were also under pressure because of aggressive monetary tightening and high inflation. He said that Real assets also declined (energy commodities were the lone exception as oil prices had continued to climb). Pearce shared that risk assets had rebounded in July, but bond yields dropped lower. He shared that developed markets equities surpassed its emerging markets peers by the widest margin seen since 1998. Also, at the beginning of the third quarter, growth surpassed value, while small caps outperformed large caps. Pearce said that although global bonds gained the most in two years, their year-to-date performance remained deep in the red. Finally, Pearce said that REITs helped the real asset class with some gains.
- b) Portfolio Update: Percell reported that for the fiscal year ending June 30, 2022, the main endowment returned a preliminary -12.0%, which was 120 basis points (bps) behind the policy benchmark. Diversifiers was the top performing asset class on an absolute and relative basis, returning -0.5% and leading the benchmark by 4.1%. Emerging markets stocks were the weakest performing asset class, returning -28.6%. For the fiscal year ending June 30, 2022, the Green Fund returned -17.1% or 420 bps behind the policy benchmark. Diversifiers was the top performing asset class on an absolute basis, returning -4.5%, while diversifiers and fixed income were the top performing asset classes on a relative basis, each leading their respective benchmark by 0.2%. Global stocks was the weakest performing asset class, returning -22.1%.
- c) ESG Alignment Framework: Walker said that, now that the new IPS was approved, Cambridge will provide quarterly reporting on an increased range of manager diversity metrics incorporated in the IPS. Walker said that since mid-2020, the Foundation had tilted new investments toward diverse managers, as well as strategies that were focused on diverse

¹ The revised IPS is available on the Foundation website at: [Policies & Forms | SF State Foundation \(sfsu.edu\)](https://www.sfsu.edu/policies-forms)

founders and underserved communities. Walker said she was proposing a new ESG alignment framework to assist in re-underwriting our current portfolio in line with our new IPS. She said the new ESG alignment framework would map fund managers along two dimensions: 1) Manager diversity (measure several manager diversity definitions with distinct impact objectives) and 2) Manager strategy alignment (implement a new scoring system to assess the extent to which a strategy is positively or negatively aligned with the Foundation's ESG priorities of (A) environmental sustainability and climate action or (B) social and racial justice. Walker provided the Committee with a sample of what this proposed framework would look like. The Committee discussed the framework and had no objections. Walker said her team would map all of the Foundation's managers according to this framework moving forward.

d) Rebalancing & Manager Recommendations: Pearce reviewed the portfolio allocations and presented the following recommendations to rebalance the portfolio:

- \$5 million investment in Metis World ex-US Climate-Aligned Index (Net). Pearce said this investment would be launched in either September or October. Pearce said this was an opportunity for the Foundation to seed a new passive fund, managed by a Black woman-owned and -led firm. He also said that the investment was on track to meet the goals from the Paris Agreement.
- \$3 million investment in Preserver, L.P., a Black-owned and -led alternative investment management firm that aimed to generate positive returns and to preserve capital with low volatility, beta, and correlation to public equity markets. Pearce said that Preserver LP made both direct investments and allocations to external managers, focusing on niche income-oriented opportunities, including film receivables, music royalties, and equipment loans.

In order to fund these two recommendations, Pearce proposed additional adjustments to the portfolio, as follows:

- Full redemption from Wellington Global Select Capital Appreciation (\$5.5 million).
- Full redemption from Evanston Weatherlow (\$1.8 million).
- Decrease the Breckinridge Sustainable Gov't/Credit (\$5 million).

On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee approves the recommendations to commit \$5 million to Metis and \$3 million to Preserver LP; \$5.5 million redemption from Wellington, \$1.8 million from Evanston and \$5 million from Breckinridge.

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

e) Private Investment Review & Recommendations: Walker informed the committee that the Foundation's private investment (PI) portfolio returned 0.5% as of March 31, 2022. She said the Foundation had committed \$23.7 million to 23 PI partnerships as of March 31, 2022 and

that the net asset value stood at \$14.2 million (or 8.7% of total assets). Overall, Walker said the total PI portfolio returned 27% net of all fees and expenses and represented a significant premium over the 9.6% return that would have been obtained from public market equivalents. As such, she recommended a \$500,000 commitment to Illumen II, an Impact Fund of Funds (FoF) focused primarily on investments in venture capital, growth equity, and private equity impact funds. Walker said the strategy was diversified across a range of sectors and focused on reducing implicit biases around race and gender among its managers, portfolio companies, and the industry at large. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:


MINUTE ACTION: that the Committee approves the recommendations to commit \$500,000 to Illumen II.

Motioned by: Leona Bridges Seconded by: Jeff Jackanicz Motion: Passed

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

VII. **Adjournment:** There being no further business to discuss, the Investment Committee meeting adjourned at 1:36 pm, without objection.

Respectfully submitted,

DocuSigned by:

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Sheldon Gen, Chair 10/24/2023 | 1:37 PM PDT Date