

**SAN FRANCISCO STATE UNIVERSITY FOUNDATION
INVESTMENT COMMITTEE MEETING MINUTES
Cambridge Associates Office, San Francisco
Tuesday, Oct 8, 2019 at 11:00 AM**

Neda Nobari called the meeting of the Investment Committee to order at 11:07 AM.

Committee Members Present

Neda Nobari, Committee Chair (via phone)
Kimberly Brandon, Board Vice Chair (via phone)
Venesia Thompson-Ramsay, President
Taylor Safford, Director
Jeff Wilson, Director (via phone)
Don Endo, Director (via phone)
Herb Myers, Director (via phone)

Absent and Excused

Leona Bridges
Sheldon Gen

Others Present

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 and approved the agenda and agreed to add the item of SSIF (Student Sustainability Investment Fund) to the agenda.

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

- II. **Approval of Meeting Minutes:** The Committee reviewed the minutes from the Aug 30, 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 Aug 30, 2019, as prepared.
Motioned by: Don Endo Seconded by: Taylor Safford Motion: Passed

III **Discussion Items**

- a. Market Environment: Karra reported that 2019 was a very good year so far with the exception of July and August for stocks. For year to date through end of August, U.S. has a very healthy return of 18.1%. He said that Global equities suffered broad drawdowns in August after posting modest returns in July. Developed markets stocks, led by US and Europe, outperformed emerging markets equivalents throughout July and August. He said that Growth equities outpaced value stocks, and large caps bested small caps. Karra also mentioned that August was a strong month for global government bonds. They outgained investment-grade corporates and high-yield bonds as yield spreads widened. For real assets, commodity futures and natural resources equities declined while REITS (real estate

investment trust) and gold prices advanced. The Trade war has taken toll on the manufacturing sector and the smaller Asian countries are actually more affected than the targeted Chinese market.

- b. Performance Update: Wise reported that for the calendar year to date through end of August, the endowment had an overall return of 9.4%, underperforming the benchmark return of 11.4%. Real Assets and Global stocks are the 2 strongest asset classes with absolute returns of 27.1% and 21.6% respectively. This is due to high performance managers like Van Eck Gold Fund (40.9%) and Ownership Capital (26%) are contributing within these classes.

Wise mentioned that the Green returned 12.4% for the same period, ahead of the policy benchmark return of 11.7%. All asset classes experienced positive performance this year to date on an absolute basis. The 2 best asset classes are Global stocks (23.2%) and US Stocks (18.5%) which are attributable to fund managers Impax (17.5%) and Ownership (26%).

- c. Portfolio Update: Karra mentioned that both the Endowment and Green Fund portfolios were relatively close to their policy targets. The Endowment is largely finished with the process of deploying the two large gifts we received. It has a small underweight to Alternative Investments and corresponding overweight to Growth Assets. Within the Green Fund, the separate account with global equity manager Aperio was opened in September, completing the Green Fund's transition of the custodian bank. With the closing of hedge fund manager Adamas Partners, Karra recommended investing the proceeds to Evanston Weatherlow and Renaissance Institutional Equities. Evanston Weatherlow Fund is a multi-strategy fund of hedge funds that is designed to have low volatility and low correlation to other asset classes. Renaissance is a quantitative long-biased equity fund that is managed to a 0.4 beta and 10% volatility. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee approves the recommendation to invest Adamas proceeds and a portion of the funds from the Parametric redemption to Evanston Weatherlow Fund and Renaissance Institutional Equities Fund as presented.

Motioned by: Kimberly Brandon Seconded by: Herb Myers Motion: Passed

Karra also made a recommendation on 2 redemptions. They are Stewart Investors Global Emerging Markets and Lazard Emerging Income. Stewart has had significant organizational changes recently including departure of senior professionals and an ownership change of the parent company. Lazard recently announced a plan to lay off 7% of its global workforce. Cambridge feels like the Lazard Emerging Income team might feel some of these layoffs given their poor recent performance and decline in assets.

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

MINUTE ACTION: that the Committee approves the recommendation to terminate Stewart Investors and Lazard Emerging Income.

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

- d. Review Asset Allocation: Karra reported that it had been two years since the initial asset allocation when Cambridge became the Foundation's OCIO. He suggested that it's time to

initiate the process of reviewing our asset allocation by performing a detailed assessment of Valuation and building a quantitative model.

IV Green Fund Discussion and Update: A review of the investment of the Green Fund indicates that it fits the stated intended purpose within the Foundation's Investment Policy Statement. It has witnessed exceptionally strong performance in recent years, particularly in 2017 and 2019 year-to-date. Over the trailing 3 year period as of June 30, 2019, it generated a 9.6% annualized return, outperforming the policy benchmark return of 7.6%. One of the contributing reasons is the heavy weight we have in our portfolio with a few outstanding fund managers like Ownership Capital and Impax Specialists. The other reason is the Green Fund usually has had relatively low exposure to non-U.S. stocks, and no dedicated exposure to emerging market stocks.

V SSIF: A proposal for the Student Sustainability Investment Fund was submitted to the Foundation Board. Karra emphasized the focus of the SSIF should be on long-term investing, not day trading. Concerns about fiduciary responsibilities and funding source were also brought up. The Committee had agreed to defer the discussion to the Executive Committee. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee approves the initial corpus to be provided for SSIF should not be more than \$250K.

Motioned by: Herb Myers

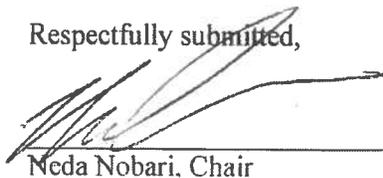
Seconded: Don Endo

Motion: Passed

VI FY 2018-2019 Audit Update: Ridgell reported that Grant Thornton, the Foundation's external auditors had completed the audit and the financial statements for FY18-19. The Foundation received an unmodified opinion. Further details of the auditor's report will be discussed at the Audit Committee meeting in 2 days on Oct 10, 2019.

VII Adjournment: There being no further business to discuss, and with Don Endo making the motion and Kimberly Brandon seconding the motion, the Investment Committee meeting was adjourned at 1:11 pm.

Respectfully submitted,


Neda Nobari, Chair

3/9/20
Date