

INVESTMENT COMMITTEE MINUTES

SSU Foundation Investment Committee

Tuesday October 31, 2023

2:30 - 4:30 p.m.

Hybrid meeting: Salazar 2043B or Zoom

Members Present: Brent Thomas (Chair) (z), Ian Hannah, Mario A. Perez, Amanda Visser (z), Monir Ahmed, Mike Sullivan (z, joined late), Doug Jordan

Members Absent: Tom Gillespie

Committee Staff: Alicia Hodenfield

Guests: Todd Au (z), Tony Parmisano (z), Drew Aviles (z) Calvin Roach (z) – Graystone Consulting
Ali Pourghadir (z)

I. OPENING COMMENTS

Brent Thomas opened the meeting at 2:33pm, confirming quorum had been met. Thomas welcomed Ali Pourghadir, attending today as a guest with intent to officially join this committee in the future.

Mario Perez updated the committee on the activities of the Advancement office. It's been an busy first quarter, actively recruiting new board members, and quite a bit of activity on campus.

II. APPROVAL OF THE MINUTES

(See 10/31/2023 meeting packet.)

Action: Committee unanimously approved the 8/22/23 minutes.

III. 22/23 ENDOWMENT TALKING POINTS & NACUBO-COMMONFUND STUDY OF ENDOWMENTS (NCSE) SURVEY SUBMISSION

(See 10/31/2023 meeting packet.)

Ian Hannah provided the committee an updated endowment talking points sheet based on the data submitted for the 2023 NACUBO-Commonfund Study of Endowments (NCSE).

Hannah highlighted some of the survey areas including on Endowment Market Value, Spending, Performance, Asset Allocation, continued focus on responsible investing – including diversity, equity and inclusion considerations (DEI); and noted that information on investment fees were not collected by this year's survey. Hannah identified some key take-a-ways:

- Total endowment market value = \$65.2 million as of 6/30/23 (over 90% of this with Graystone representing predominant investment philosophy).
- Cumulative distribution of over \$14 million from pooled endowment over last 10 years to campus programs and scholarships.
- SSUF endowment is meeting return objective of inflation plus 4.5% (roughly 7%) in short term but falling a bit short in the long run as asset allocation targets were historically was more conservative.

Hannah noted that comparative data will be shared with the committee once the study is finalized and released around March.

IV. CSU SYSTEMWIDE INTENTIONAL ENDOWMENTS NETWORK (IEN) MEMBERSHIP (See 10/31/2023 meeting packet.)

Hannah reported that the CSU has purchased a systemwide membership to the Intentional Endowments Network (IEN) and that he attended the 10/17/23 CSU/IEN Webinar and shared the following information:

- IEN offers peer-learning with no commitments or reporting requirements.
- Systemwide membership provides benefit of IEN member resources and discounts at IEN events.
- Helps demonstrate engagement on mission aligned investing, fulfillment of fiduciary duty and stakeholder engagement (students, alums, donors, etc.).

Todd Au, Graystone, also participated in the webinar. He has been a part of the organization for some time and encouraged our involvement, noting it also gives us the opportunity to interact with institutions outside of the CSU.

V. GRAYSTONE – POOLED ENDOWMENT INVESTMENTS (See 10/31/2023 meeting packet.)

Quarterly Update:

Todd Au provided commentary and a quarterly update on the capital markets and SSUF's portfolio to the Committee. SSUF's pooled endowment investment return for the latest quarter as of 9/30/2023 was -2%.

Au and Tony Parmisano reviewed overall market performance for equities, fixed income, hedge funds and real assets. He noted that the market correction appears to have officially started a soft landing is expected, as opposed to the recession that had been feared. Fed rate hikes appear to be done as fiscal spending is slowing and interest rates are impacting the economy. Short-term view is cautious with some opportunities. The portfolio remains diversified and has been able to reduce risk and increase return relative to risk benchmark.

Private Equity Fund Opportunities:

There are two private equity funds that Graystone would like to recommend be added to the portfolio at a \$1 million commitment each:

- McMorgan Infrastructure Fund II
 - Currently under review by SSU contracts/procurement.
 - Global large asset, heavily regulated infrastructure, not economically sensitive fund. Fund II is open ended, and some liquidity. Fee structure break since in original fund.
- Vistria Fund V
 - This has been reviewed by the SSU procurement office and mutually agreed upon contract terms.
 - Private Equity buyout strategy middle market targeting healthcare, knowledge leaning, financial services. Focusing on improvements to businesses and growth. Illiquid strategy.

Typically, private equity funded from public equity allocation. Allocation would stay within 20% illiquid allocation max of IPS; may eventually seek approval to increase to 30% policy limit.

Action: The committee endorsed the entering of these two funds, subject to the completion/acceptance by the University Procurement office for McMorgan.

VI. GALBREATH ENDOWMENT INVESTMENTS QUARTERLY REPORT

(See 10/31/2023 meeting packet)

Thomas reviewed the quarterly performance report provided by Merrill Lynch; QTD = -3.7%; market value \$1.13M and corpus of \$1.0M.

VII. FIDUCIARY OVERSIGHT OF INVESTMENT PROGRAM

Hannah reviewed the historical fiduciary duty of oversight, including review, monitoring and re-bid process of our OCIO:

- SSUF hired Commonfund as Investment Advisor after an RFP process in 2004.
- Around 2008/2009 CSU Systemwide RFP process resulted in selection of Investment Management Consultant with Graystone Consulting/Morgan Stanley and an optional program for individual campuses to participate in. Following the great recession and related fund access and performance issues at Commonfund, in 2011, SSUF Investment Committee reviewed a more customized proposal/presentation from Graystone and agreed to move forward having also negotiated a lower consultant fee than originally offered.
- In 18/19 SSUF used consulting firm RVK at the recommendation of CSU systemwide office personnel. RVK conducted an educational review to pair SSUF with the appropriate investment model/level of discretion and an OCIO relationship was encouraged. Investment Committee felt confident about our advisor (Graystone Consulting/MS) and signed OCIO contract with Graystone, remaining at same fee structure. This is the last action (review) taken.
- Graystone now investment advisor for 7 CSU campuses (including CSU Foundation) and 6 of 7 are OCIO relationship.

A year ago, Hannah was introduced to Jim Scheinberg at NorthPier through colleagues at SFSU. In 2022 Jim/NorthPier presented at an CSU AOA Philanthropy Committee meeting and Hannah liked his approach. In 2023, Hannah attended a webinar put on by Northpier. The specific timeline for an RFI, RFP or monitoring recommended is not stated in UPMIFA but a periodic review is best practice. Monir Ahmed added that periodic review of CSU service contracts are best practice but there is no required time limit.

Hannah mentioned that overall SSUF has been satisfied with Graystone's service but to be meeting our fiduciary duty we might want to consider potentially hiring an objective third-part to "trust but verify" by seeking external third-party review for additional questions and viewpoint (augment internal oversight of Investment Committee and SSUF staff/mgmt).

The committee authorized Hannah to proceed with scheduling a meeting with NorthPier to review their services and a related proposal.

VIII. OPEN ITEMS

Thomas reminded the committee of the next Board meeting, December 1, 2023, 10am – noon with lunch following.

The meeting was adjourned at 4:04pm.

Signature redacted

Minutes Approved by:

Signature redacted

Minutes Prepared by:

Ian Hannah
*Chief Operating Officer &
Secretary, SSUF*

Alicia Hodenfield
*Administrative Manager for
Advancement and
Foundation Operations, SSU*