



SONOMA STATE UNIVERSITY FOUNDATION

INVESTMENT COMMITTEE MINUTES

SSU Foundation Investment Committee Agenda
Wednesday August 21, 2019
Salazar Hall – Conference Room A, Administration & Finance
2:30 - 4:30 p.m.

Members Present: Ian Hannah (Co-Chair), Michael Sullivan (Co-Chair) *(tele.)*,
Gordon McDougall, Amanda Visser, Joyce Lopes, Tom Gillespie *(tele.)*, Michael
Troy, Terry Atkinson *(tele.)*

Committee Staff Present: Kyle Bishop-Gabriel

Guests Present: Todd Au, Tony Parmisano, Andrew Aviles, Jeff Stein *(tele.)* – Graystone
Consulting

Members Absent: Brent Thomas

I. OPENING COMMENTS

Meeting opened at 2:31pm.

II. APPROVAL OF THE MINUTES

(see 8.21.19 meeting packet)

Action: Unanimously approved 7/10/2019 Investment Committee minutes as presented.

III. STRATEGY DISCUSSION – PHASE IN APPROACH TO ENDOWMENT MANAGEMENT CHANGES

(see 8.21.19 meeting packet)

Hannah briefly reviewed documents showing an out-lined potential phase-in approach to gradually adjust for the newly implemented annual 1% Endowment Management Fee. He noted that there are three different levers to adjust to still meet the Endowment long term return objective of HEPI + 4.5%.

The three levers/options include:

- Agree to Graystone's revised proposal of the endowment's pooled asset allocation to meet the current return objective and spend rate.

- Phase in the new 1.0% endowment management fee over the next 2 years.
- Make adjustments in current spending policy.

Hannah noted that the options would be discussed in more detail pending the Committee's decision on the asset allocation proposal from Graystone.

IV. GRAYSTONE – POOLED ENDOWMENT INVESTMENTS

(see 8.21.2019 meeting packet)

Asset Allocation

Todd Au began conversation with Committee members addressing Graystone's Asset Allocation Proposal. Au spoke to history of the Committee's decisions regarding the Endowment's asset allocation and what led to the current portfolio make-up. Au encouraged the importance of having a good long-term perspective when making fiduciary decisions for the pooled Endowment to meet the investment policy objectives. The main objectives are to have a return in excess of rate of inflation, net of spending and to preserve purchasing power. In order to meet those objectives the pooled Endowment needs to have return objective of 6.5-7.5%. Au explained that Graystone's proposal would give a slight uptick in risk and expected increase in return to meet the objectives of the investment policy.

Recommended Asset Allocation changes were as follows:

	Current	Proposed
- Global Equity	40%	50%
- Global Fixed Income	25%	20%
- Absolute Return/ Hedge Funds	20%	15%
- Private Investments	(5% Private Equity) (10% Real Assets)	15%
- Cash	0%	0%

Au explained that the new allocation proposal could also be "phased-in" over time if the Committee felt more comfortable with that option.

In regards to SRI/ESG considerations to align with SSUF's ESG/SRI Position Statement, the University's Strategic Plan and President's Climate Commitment, Graystone has hired 3 managers so far who use an ESG approach in their investment strategies. This will be a continued approach with Graystone in future investment decisions.

Committee discussed asset allocation changes and implications.

Action: Committee approved proposed asset allocation changes and approved immediate implementation and no "phase-in" approach. Both are recommend for approval by the Board.

Quarterly Report

Parmisano presented the most recent quarter events to the Committee. He noted that earnings had a flat growth rate and that the market has been in a cyclical "Bear" market in an otherwise long-term "Bull" market.

Overall the portfolio had a fiscal year performance of nearly 4% with QTD earnings ending close to 3% as of 6.30.19.

V. TOWNHOMES UPDATE
(see 8.21.19 meeting packet)

Hannah briefly overviewed the local rental rate analysis noting the average rent based on the range of comparables. Rents showed to have stabilized this past year without any big increases. Based on analysis Hannah recommended to Committee maintaining the rental rate at \$2500 for the 2020/21 Fiscal Year.

Committee had some discussion regarding differences between the renovated townhomes and non-renovated townhomes and agreed that a premium rent should be placed on those updated given that the rental rate is below the average market rate (but still in the range of comparable market rates).

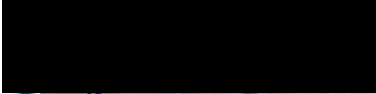
Action: Committee unanimously approved maintaining the rental rate of \$2500/month for non-renovated townhomes and a premium rental rate of \$2600 for townhomes that have been updated for the 2020/21 Fiscal Year.

Lastly discussion took place regarding the purchase and gradual transition of ownership of the townhomes to Sonoma State Enterprises as part of the University's work-force housing inventory. This approach and next steps are still being discussed.

VI. OPEN ITEMS

Meeting adjourned at 4:04pm.


Minutes Approved by:
Ian Hannah
*Chief Operating Officer &
Secretary, SSUF*


Minutes Prepared by:
Kyle Bishop-Gabriel
Advancement/Foundation Analyst, SSU