

CSUSB FOUNDATION

Building a Culture of Philanthropy

Investment Committee Meeting

Friday, February 14, 2025

9:00 a.m.

Zoom

MINUTES

Members Present: Gary McBride (Chair), Robert J. Nava, Samuel Sudhakar, Monica Alejandre, Debbie Brown, Thomas Pierce, Ellen Weisser

Members Absent: Carson Fajardo, William Stevenson, Kevin Morningstar, Ed Teyber

Guests Present: Mike Breller, Bill Thompson, Maria Badulis, Ray Watts, Antonio Guijarro

I. Welcome

Investment Committee Chair, Gary McBride, called the meeting to order at 9:00 a.m.

II. Approval of November 8, 2024, minutes

Motion: The minutes for the November 8, 2024, investment meeting were approved as distributed. (Weisser/Brown/Unanimous)

III. 4th Quarter Portfolio Performance and Discussion

Bill Thompson from Beacon Pointe provided a high-level market and portfolio update, beginning with an overview of the firm's recent growth. Beacon Pointe has expanded to nearly \$40 billion in assets under management and over 500 professionals nationwide, allowing for significant reinvestment in research, technology, and client services.

Turning to the market, Thompson acknowledged the constant flow of headlines and policy developments contributing to short-term volatility. He emphasized the firm's focus on separating news-driven market reactions from meaningful, long-term impacts. While markets dipped at the end of last year due to uncertainty, they rebounded in January as policy directions became clearer.

Economic indicators suggest a more resilient environment than expected. Despite rapid interest rate hikes, the U.S. economy remains strong, led by consistent GDP growth and consumer spending. Recession risk is now considered low, and while inflation has come down, it has stalled above the Fed's 2% target. With unemployment still near historic lows, the Fed appears likely to maintain higher interest rates for longer.

In response, Beacon Pointe has made modest adjustments to its portfolio strategy—overweighting U.S. equities, underweighting fixed income and international equities, and maintaining a small allocation to alternatives. This positioning has been effective, particularly given the strong performance of major U.S. tech stocks. While client portfolios are more diversified and didn't fully capture the tech-led rally, they have performed well and carry less valuation risk.

Thompson closed by reaffirming the firm's steady approach, emphasizing that Beacon Pointe remains focused on thoughtful, risk-aware investing in a complex and rapidly evolving environment.

Nava opened by noting California's rising unemployment rate—now at 5.5%—with a particular impact on the tech sector. He raised the question of whether California's trends might signal broader national patterns.

Thompson described the current economic environment as a “no landing” scenario, where the economy remains strong but inflation has yet to reach the Fed's 2% target. Despite modest increases in unemployment, U.S. consumer strength continues to drive growth. The Fed appears poised to keep interest rates higher for longer given persistent inflation and no major economic breakdowns.

In portfolio terms, large-cap U.S. equities—especially the “Magnificent 7” tech stocks—continued to dominate returns. Beacon Pointe has leaned more heavily into U.S. equities, a move that has outperformed relative to international and small-cap exposures. While some active managers underperformed over recent periods (e.g., Fiduciary, Vaughan Nelson), their longer-term performance remains strong, and their value-oriented strategies are consistent with the committee's diversification goals. The benefits of increased passive index exposure were also discussed, especially in light of the challenges active managers face keeping pace with concentrated markets.

A significant portion of the meeting focused on fund manager performance. The committee discussed the underperformance of the MetWest Total Return Bond Fund, citing recent leadership changes and a poorly timed long-duration position. Based on Beacon Pointe's analysis, the committee acted to replace the fund:

Motion:

Thomas Pierce moved to replace the MetWest Total Return Bond Fund with PGIM (Prudential Global Investment Management).

Second: Gary McBride.

Outcome: No opposition. Motion carried unanimously.

The committee approved reallocating ~\$4.6 million from MetWest and \$2 million from Dodge & Cox totally 6.6 million allocations to PGIM. Most of this allocation is MetWest and some from Dodge and Cox.

The committee also reviewed performance of alternative investments. While private real estate returns showed muted near-term results due to valuation lag and rate sensitivity, long-term performance has been strong. The Redwood Kairos Fund, for example, has returned 2.5x on committed capital. The committee acknowledged its alternatives program is still early in its maturity cycle (the "J-curve"), with positive long-term expectations. The next proposed phase of the program will likely include increased exposure to private equity.

IV. RFP Schedule/Presentations

RFP finalist interviews were scheduled for late February, with plans for a debrief and potential recommendation at the conclusion of the RFPs. Alejandre reviewed the candidate list as well as the questions that will be posed to the candidates. Robert proposed bringing the recommendation to the Foundation Board. Ellen and Monica discussed peer CSU firm usage including Greystone/Morgan Stanley.

V. December 30 Financial Statements

Maria Badulis provided an update on the Foundation's financial position as of December 31. She noted that cash and payable balances appeared elevated due to timing—several large payments were processed in January, which significantly reduced these figures post-period. Short-term investments continued to grow as a result of ongoing gift contributions, while long-term investments rose due to both strong endowment fundraising and favorable market performance.

Reviewing the statement of activities, Maria highlighted a positive trend in contributions, which reflects continued donor support. Investment income—including both realized and unrealized gains—totaled approximately \$7 million, driven by strong performance within the endowment portfolio.

Expenses increased by around \$600,000 compared to the previous year, largely due to the Foundation's decision to begin accruing scholarship expenses consistently throughout the fiscal year rather than waiting until year-end, as was done previously.

In response to a question from Ellen Weisser, Maria confirmed that approximately \$1 million in scholarships had been awarded as of December 31, representing primarily fall semester disbursements. Monica Alejandre added that the Foundation expects total awards to reach or slightly approach \$2 million by fiscal year-end, consistent with the prior year.

VI. Open Discussion

Robert outlined retreat topics including Sacramento advocacy and a discussion with Deans on completing the campaign.

Sam provided a detailed update on the CSU system-wide budget outlook, explaining that the CSU faces a 7.95% budget cut along with deferrals of previously promised funding. He noted that CSUSB will be impacted with an \$18.2 million shortfall for the upcoming fiscal year, contributing to a projected cumulative deficit of approximately \$50 million over three years.

Samuel emphasized the importance of strategic planning and the need for continued support from the foundation to help offset these financial constraints.

Following the budget update, the committee engaged in a discussion on the implications of the CSU-wide budget cuts. Robert emphasized the need to align foundation efforts with university priorities, particularly in supporting student success, enrollment management, and retention. The group also discussed strategies for maintaining momentum with donors and board members leading into the upcoming Foundation Board retreat.

VII. Adjourn

The meeting adjourned at 10:40am

**Approval of Minutes
Investment Committee Meeting
Friday, February 14, 2025
Zoom**

Signature: Monica Alejandre
Date: 5/16/2025
Print Name: Monica Alejandre
Board Position: Secretary