

CSUSB FOUNDATION

Building a Culture of Philanthropy

Investment Committee Meeting

Friday, May 24, 2024

9:00 a.m.

Zoom

MINUTES

Members Present: Gary McBride (Chair), Monica Alejandre, Thomas Pierce, William Stevenson, Edward Teyber, Ellen Weisser

Members Absent: Carson Fajardo, Robert Nava, Samuel Sudhakar

Guests Present: Maria Badulis, Mike Breller, Estefania Vazquez

Welcome

Investment Committee Chair, Gary McBride, called the meeting to order at 9:03 a.m.

Motion: The minutes for the February 16, 2024, investment meeting was approved as distributed. (Stevenson/Pierce/Unanimous)

1st Quarter Portfolio Performance and Discussion

Mike Breller presented the 1st quarter portfolio performance, highlighting a total value of approximately \$57 million. The portfolio returned 4.8% in the fourth quarter and 14.0% over the past year. Long-term returns included 6.8% annualized over 5 years and 5.4% over 10 years. Since July 2007, the portfolio has generated an annualized return of 5.2%, resulting in over \$29 million in gains.

Breller discussed market resilience, changes in the Fed's rate cut expectations, and the potential for a "soft landing" or "no landing" scenario. He emphasized the significance of unemployment rates and GDP figures in assessing economic health.

Private equity investments, focusing on leveraged buyouts and mature business segments, were reviewed. These investments have delivered an annualized return of 13.3%, with total investments at \$3.7 million and generating \$1.1 million in returns, leading to a current total value of \$3.8 million. The emphasis was on the Internal Rate of Return (IRR) due to the impact of capital calls and distributions.

Private real estate funds were noted to have outperformed publicly traded REITs, indicating a preference for non-marketable assets. Strategies for accessing private equity funds through fund-of-funds structures were mentioned.

There was also a focus on balancing volatility with marketable alternatives like the JP Morgan hedge equity, which offers lower costs compared to traditional hedge funds. Plans to address

performance data interpretation, particularly the J curve effect impacting younger investments, were outlined.

Motion: Terminate Polen Focused Growth (Large Cap Growth manager) and reinvest the proceeds into the Schwab Large Cap Growth Index Fund (passive index fund). (Pierce/Teyber/Unanimous)

NACUBO Comparison Review

The NACUBO comparison discussion focused on public colleges and universities with endowments between \$50 and \$100 million. The data reveals a narrow performance range within 1% for this category. Over the past 5-10 years, a conservative approach influenced by asset allocation and minimal private investments has been observed. Key differences from peers include defensive equity management and variations in private equity allocations.

Peers allocate 37% of their portfolios to US equities, with a mix of 20% in active and 16% in passive investments. In contrast, the current allocation is 22% passive and 17% active, benefiting from a higher proportion of passive investments.

Overall performance is positive when compared to benchmarks and peers. The discussion highlighted how differences in private equity allocation impact long-term performance and emphasized the role of private equity holdings in comparing performance with other public colleges and universities.

Emerging Market Search

Artisan and Euro Pacific are performing well in developed markets, whereas Invesco Developing Markets has shown increased volatility and underperformance. Breller recommended transitioning from Invesco Developing Markets to Lazard Emerging Markets, citing Lazard's better alignment with benchmarks and lower tracking error. Lazard also provides superior risk management with consistent performance. GQG's performance, which is significantly influenced by non-emerging market stocks like Nvidia, shows high outperformance but is less reliable for an emerging markets strategy. Lazard consistently outperforms across various periods, with better up capture and comparable down capture relative to the market and Invesco. The emphasis is on consistent performance rather than outlier-driven results. There is a strong consensus to move away from Invesco due to its poor performance and volatility, and to replace it with Lazard for the emerging markets allocation.

Motion: Liquidate the Invesco Developing Markets fund and invest proceeds into Lazard Emerging Markets Advantage Portfolio (actively managed). (Pierce/Teyber/Unanimous)

Osher Lifelong Learning Program

Monica Alejandre informed the committee about the discontinuation of the Osher Lifelong Learning Program at the Palm Desert Campus, which was due to a structural deficit and low post-COVID enrollment. The program had been funded by a \$1 million endowment from the Osher Foundation, which had grown to approximately \$1,040,000 by the time the original gift was returned to the foundation.

The committee then discussed the next steps for the remaining investment earnings. A proposal was made to allocate \$25,000 of these earnings to the endowment payout to achieve a \$2 million endowment distribution goal.

The committee supported the reallocation of the investment earnings to assist reentry students, recognizing the potential benefits for students returning to complete their education. The committee also reflected on past practices, noting that investment earnings could be distributed across endowments when necessary.

Motion: The investment committee approved the allocation of \$25,000 from the investment earnings for the Osher Lifelong Learning Program to augment scholarship distributions for the Osher reentry program. (Weisser/Stevenson/Unanimous)

North Pier

Alejandre provided a brief update on the next steps with the consultant North Pier. The investment committee discussed the request for proposal (RFP) developed by North Pier. Alejandre also offered the committee an opportunity to review the RFP before it is finalized.

Motion: To proceed with the request for proposal (RFP) process with North Pier following their upcoming meeting with the investment committee. (Stevenson/Weisser/Unanimous)

Open Discussion

During open discussion, the committee reviewed North Pier’s feedback and addressed any concerns. Pierce and Stevenson requested for more information on CSU Endowment Performance. Alejandre indicated it would be shared for the next investment committee meeting.

The meeting adjourned at 11:01 am.

**Approval of Minutes
Investment Committee Meeting
Friday, May 24, 2024
Zoom**

Signature: Monica Alejandre

Date: 8/16/2024

Print Name: Monica Alejandre

Board Position: Secretary