INVESTMENT MEETING

Thursday, May 21, 2015 ~ 3:00P.M.

Administration Conference Room, AD 103

Minutes

Members Present:	Douglas Freer, *Treasurer* Ron Fremont, *Executive Director* Thomas Pierce Edward Teyber Ellen Weisser, *Chairperson*
Others Present:	Beth Brenner Karen Heifferon Lisa Iannolo Sarah Powell
Members Absent:	William Stevenson, *Investment Committee Chair* Michael Bracken, *Investment Committee Vice Chair* Tomás Morales, *President*

A. Welcome

Pierce acted as Chair for this meeting due to Stevenson's absence. There was a change in meeting location to Conference AD 103. Pierce called the meeting to order at 3:07 P.M.

B. Approval of the Minutes

***Motion**: The minutes of the February 19, 2015 Investment Committee Meeting were reviewed and approved as written (Teyber/Fremont/Unanimous).*

C. 1st Quarter Portfolio Performance and Discussion

Heifferon began her presentation by sharing key events that occurred at Beacon Pointe since the last meeting. She announced a recent merger with Albert Heeg Investment Management Company, which will operate as part of their Institutional Consulting Services Group. Heeg's specialty is captive insurance, adding to Beacon Pointe's offerings.

Teyber requested an organizational chart from Beacon Pointe and Heifferon agreed to do so, acknowledging the company's expanding employees.

Heifferon explained the overall market performance in the first quarter. The S&P 500, she described as "somewhat anemic" at 1.0% for the first quarter. International equities demonstrated stronger performance. Yet, when looking in the long term for 1, 3, and 5 years, the U.S. market significantly outperformed the international market, with U.S. markets reaching double-digit rates of return. Emerging markets have struggled historically, but is showing a trend toward improving. She contends that uncertainty in the market could ensue when the Fed decides to raise interest rates, which could affect commodity prices.

Heifferon then presented CSUSB Philanthropic Foundation's performance in the last quarter. In the first quarter, CPF matched the allocation index, which is a weighted average of indices based on CPF's holdings. The composite return (CPF's portfolio) was 2.1% and the Allocation Index showed a 1.9% When compared to the policy benchmark, MSCI ACWI, which had a 2.2% return at the first quarter, CPF was essentially in line as well. Over the long term, in seven years, the composite return beats both the allocation index and the policy benchmark. At March 31, 2015 the composite market value of CPF's endowments and the charitable remainder trusts, was $26,094,479.00. Heifferon says the portfolio is performing along their expectations.

She spoke of risk and indicated that the portfolio is strategically allocated for down-turn protection. A question arose if managers of funds held by CPF were prepared to protect against Fed rate increases. She affirmed that there was protection built into some of CPF's bond holdings in the form of carrying shorter duration bonds. Shorter duration bonds will lessen the impact of increases in interest rates. Incidentally, it has been suggested that if there are hikes in interest rates, it will be incremental. She also pointed out that interest rate increases can also be positive because when some bonds mature, it provides an opportunity to reinvest at a higher rate.

Heifferon circulated a graph that showed the returns versus risk profile of St. James, Provident and the S&P 500. It illustrates that St. James remains consistent in the short and long term, with lower risk and lower returns. Provident consistently outperforms St. James with a little more risk and the S&P 500 outperforms both in the short term but in the long term, provides the lowest return with a higher risk profile.

Heifferon stated that at this time, she has no tactical recommendations to change the CPF portfolio. She says that Beacon Pointe believes that the portfolio is performing in line with policy and expectations.

D. Open Discussion

Pierce asked about the underperformance of the manager, RS Global Natural Resources at the first quarter. Heifferon asserted that the reason for its underperformance is related to its exposure to small and mid-cap companies, which did not perform as well as larger cap companies. At the end of April, however, the index return was 7% while the return from RS Global Natural Resources was 15.8%. Given some of its volatility, Heifferon alleges that they are still a good a manager to have and are selective of the providers they choose to be a part of their fund.

The question arose if CPF's portfolio allocation of 13.9% to alternatives is too high. Heifferon stated that allocating 15-20% to alternatives is pretty standard for an endowment of CPF's size. Some schools allocate over 50% of their portfolio to alternatives.

Heifferon thanked the committee.

E. Adjourn

<u>Motion</u>: Meeting was adjourned at 4:09 P.M. (Pierce/Freer/Unanimous).

Minutes Approval

Signature: Douglas R F— Date: 9/3/15

Print Name: DOUGLAS R. FREER

Board Position: ASST. SECRETARY