

INVESTMENT MEETING

Thursday, September 3, 2015 - 2:00P.M.

Administration Conference Room, AD 127

Minutes

Members Present:	Bryce Davis Douglas Freer, <i>Treasurer</i> Ron Fremont, <i>Executive Director</i> Thomas Pierce William Stevenson, <i>Investment Committee Chair</i> Edward Teyber Ellen Weisser, <i>Chairperson</i>
Others Present:	Monir Ahmed Beth Brenner Karen Heifferon Lisa Iannolo Sarah Powell
Members Absent:	Tomás Morales, <i>President</i>

A. Welcome

Stevenson called the meeting to order at 2:05 P.M.

B. Approval of the Minutes

Motion: The minutes of the May 21, 2015 Investment Committee Meeting were reviewed and approved as written (Pierce/Freer/Unanimous).

C. 2nd Quarter Portfolio Performance and Discussion

Heifferon delivered her explanation of the portfolio performance of the CSUSB Philanthropic Foundation (CPF) during the second quarter and also through August 31, 2015, given the recent market volatility.

As of June 30, 2015, CPF's composite index was at 1.9%, which beat the allocation index of 1.7%, but is below the policy index of 2.0%. As of August 31, 2015, CPF beat both the allocation and policy indices, even while all three year-to-date returns dipped in the negative. CPF's composite year-to-date return is a -1.91%, the allocation index is -2.77%, and the policy index is -2.45%. Heifferon remarked that managers in CPF's portfolio were selected for down-market protection and that is what occurred in the 2nd quarter and beyond. She stated that the portfolio performed in line with policy and expectations and Beacon Pointe has no recommendations for change at this point. Stevenson echoed her statement and said that the down market protection built into CPF's portfolio has been demonstrated.

Heifferon pointed to Vaughan Nelson, a small cap domestic equity manager, and discussed their significant outperformance compared to the allocation index. 10% of CPF's portfolio is held with Vaughan Nelson and while the allocation index went negative at the end of the 2nd quarter and even more so at the end of August, Vaughan Nelson had positive returns. Heifferon relayed that Beacon Pointe's practice is to reach out to managers when they markedly outperform their benchmarks just as they would if they underperformed, to determine if they have altered their methodologies. Discussions held with Vaughan Nelson revealed they have stuck with their "knitting" and that their market approach has been substantiated with its recent performance. Heifferon stated that she would provide a memorandum regarding Vaughan Nelson's successful market activity.

Heifferon explained that the lagging in CPF's portfolio is due to poor activity in fixed income and alternatives. RS Global Natural Resources was in the negative due to its exposure to small and mid-cap producers of natural resources and the instability of the market. Heifferon stated that she still believes in their market approach and from a standpoint of building a diversified portfolio, it is important to have representation in alternatives. RS Global Natural Resources comprises 2.4% of CPF's portfolio.

D. Open Discussion

Pierce inquired about Voya Global Real Estate and how it has consistently not met its benchmark. Heifferon explained that the difference is slight, at about a percentage point, asserting that Voya has participated in a significant portion of the upside of the market. Freer followed up by asking at what point would a new manager be sought when they've consistently underperformed. Heifferon explained that the data points in the Quarterly Performance Review are end period dominant, and if at one quarter a manager did poorly, that will negatively skew the rest of the data. The research philosophy of Beacon Pointe is to examine a company by using data from a rolling 5-year period at any given point in time. This allows Beacon Pointe to look at the consistency of a manager's performance and if they were significantly underperforming relative to their benchmark, then they would be placed on a

watch list. Heifferon said that Voya has not given indication that it would need to be placed on the watch list, after looking at the rolling 5-year data.

Pierce commented that he is not as concerned about specific manager performance, because as he stated, that is Beacon Pointe's responsibility; but rather is more concerned with the overall portfolio and at this point, he is reasonably satisfied with the performance.

Stevenson observed that most of the poor performance in the portfolio occurred from June to August, which is when the whole market did poorly and had done well prior to that. He remarked that the portfolio has gone through a stress test and passed. Heifferon stated that this last August was the worst month for the Dow Jones since 2010.

Fremont shifted the group to the topic of CPF's exposure to fossil fuels, since that is a relevant issue among CSUs. Heifferon passed around a table that showed that fossil fuels comprise only 5% of CPF's total portfolio and that there is no exposure to guns and ammunition.

When asked if there were other points of discussion, Brenner asked Iannolo when the charitable remainder trusts would be able to join CPF's total portfolio. Iannolo answered that the date the CRTS would be able to join CPF would be July 1, 2016, since that is when the Philanthropic Foundation will have been in existence for 5 years.

Stevenson asked the group if they would be amenable to changing the start time for future investment meetings to begin at 2:00 P.M. and the group agreed.

E. Adjourn

Stevenson thanked Heifferon for her time and presentation and adjourned the meeting.

Meeting was adjourned at 3:15 P.M.

Signature of Minutes Approval

Investment Committee Meeting

Meeting Date: September 3, 2015 @ 2:00 P.M.
Administration Building Conference Room, AD-127

Signature:  Date: 11-5-2015

Print Name: William STEVENSON

Board Position: Chair- INVESTMENT COMMITTEE