

## INVESTMENT MEETING

November 3, 2016, 2:00 p.m.

Administration Conference Room, AD-127

### Minutes

Members Present:           Garth Flint  
                                  Douglas Freer, *Treasurer*  
                                  Ronald Fremont, *Executive Director*  
                                  Alex Gutierrez  
                                  Karen Heifferon  
                                  Gary McBride  
                                  Thomas Pierce  
                                  William M. Stevenson, *Investment Committee Chair*  
                                  Edward C. Teyber  
                                  Ellen G. Weisser, *Chair*

Others Present:           Michelle Cazares  
                                  Lisa Iannolo  
                                  Kim Shiner

Members Absent:           Monir Ahmed  
                                  Tomás Morales, *President*

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**A.     Welcome**

Weisser called the meeting to order at 2:04 p.m.

**B.     Approval of the Minutes**

***Motion: The minutes of the September 6, 2016 Investment Committee meeting were approved (Weisser/Teyber/Unanimous). McBride abstains.***

**C.     3<sup>rd</sup> Quarter Portfolio Performance and Discussion**

Flint began the meeting with a recap of year-to-date market performance through September 30, 2016. Flint mentions that the market continues to post positive returns on YTD, and that as long as there is not a massive interest rate increase, positive returns will most likely continue.

In the first six months, value outperformed growth. Equities exhibited strong returns during the 3<sup>rd</sup> quarter. Fed is edging towards a December rate hike, and inflation is expected to keep rising due to wage growth and increasing oil prices.

Heifferon provides an overview of the portfolio, mentioning that the U.S. had fairly anemic single digit returns for the last 12 months, from June 2015 to June 2016. Small cap really struggled in the last 12 months, as well as Emerging Markets. While the portfolio has outperformed the policy index with less risk since inception, that was not the case for the fiscal year June 2015 to June 2016, as the portfolio experienced a negative return.

The Composite Monthly Performance Analysis, for the calendar year January-June 2016, the YTD was 2.7%; the YTD for January-September 2016 was 6.3%, and for January-October 2016, the portfolio dipped to 5.8%. Iannolo shares that \$794,000 was withdrawn in October for the Annual Endowment Distribution.

Stevenson asks why despite the YTD return increasing, the 3, 5, and 7 year runs are coming back lower, to which Heifferon remarks that she will investigate as to why that is.


Weisser comments on whether the Foundation should keep the same portfolio now that the endowment is larger. Heifferon replies that the asset allocation study will allow for a better examination of the portfolio in regards to recommendations and concerns, and that now that the Foundation is past the \$25 million mark, it becomes a qualified purchaser that can handle some illiquidity. Heifferon also referenced the NACUBO study, where it showed that larger institutions will take more risks as opposed to those that are attempting to preserve capital.

In terms of changing the language for the spending rate of “up to 4%”, Heifferon comments that it would provide the Foundation with the flexibility to spend 4%, but if necessary, to spend less. Fremont notes that for the next meeting, he will provide the spending rates for each of the campuses in the CSU system, in order to compare among sister institutions. Heifferon shared the average annual effective spend rates from the NACUBO study. For Foundations under \$25 million the spend rate was 4.6 in fiscal year 2014 and decreased to 4.5 in fiscal year 2015. For those between \$25 - \$50 million spend decreased from 4.2 to 4.0. Collectively, 58% of institutions decreased their spending in the past fiscal year. Comparatively, public institutions reported an effective spend rate 3.8% while public institutions reported 4.3%.

Meeting adjourned at 3:58 p.m.

**Signature of Minutes Approval**  
**Investment Committee Meeting**

Thursday, November 6, 2016, 2:00 p.m.  
Administration Conference Room, AD-127

Signature:  Date: 3-2-17

Print Name: William STEVENSON

Board Position: Chair