

CSUSB FOUNDATION

Building a Culture of Philanthropy

INVESTMENT MEETING

Tuesday, September 6, 2016, 2:00 p.m.
Administration Conference Room, AD-127

Minutes

Members Present: Douglas Freer, *Treasurer*
Ronald Fremont, *Executive Director*
William M. Stevenson, *Investment Committee Chair*
Ellen G. Weisser, *Chairperson*

Others Present: Monir Ahmed
Garth Flint
Karen Heifferon
Lisa Iannolo
Kim Shiner
Davina Walls

Members Absent: Alex Gutierrez
Tomás Morales, *President*
Thomas Pierce
Edward C. Teyber

A. Welcome

William Stevenson called the meeting to order at 2:04 p.m. Fremont introduced Kim Shiner, the new Interim AVP for University Development.

B. Approval of the Minutes

Motion: *The minutes of the May 12, 2016 Investment Committee meeting were reviewed with a slight modification (Weisser/Fremont/Unanimous).*

C. 2nd Quarter Portfolio Performance and Discussion

Flint began the meeting with a recap of year-to-date market performance through June 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.

For the first time in a ten-year hiatus, value has outperformed growth. Volatility is expected to be a big part of the rest of 2016, for reasons including the upcoming Presidential election, emerging market debt issues, the UK's Brexit negotiations, U.S. corporate earnings decline, unrest in oil-exporting countries, and political instability in the Middle East and Russia. Investors are moving away from Fixed Income due to low yield at dividend paying stocks.

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-August 2016 was 6.1%. Heifferon reports on the seven million in cash, and that since it is a large percentage of the overall portfolio, it will be invested in installments over time. 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%.

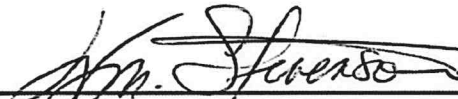
D. Investment Policy Revision Proposal

Fremont asks the committee if they should review their investment policy and strategy and whether changes would be appropriate, given the larger size of the endowment. Fremont also brings up the investments in fossil fuels, coal and tar sand, which are controversial issues for many campuses across the country. Heifferon suggests CSUSB be proactive and have the investment policy statement tied to the mission statement of the organization, rather than having students demand for divesting. She shared various options in which the Foundation could incorporate ESG (Environmental, Social and Governance) into the portfolio. For the next Investment Committee meeting, Beacon Pointe will provide an asset allocation study featuring Cal States and NACUBO in order to comparatively look and further discuss the matter of ESG investments.

Meeting adjourned at 3:55 p.m.

Signature of Minutes Approval
Investment Committee Meeting

Tuesday, September 6, 2016, 2:00 p.m.
Administration Conference Room, AD-127

Signature:  Date: 11-3-16

Print Name: WILLIAM STEVENSON

Board Position: CHAIR- INVESTMENT COMMITTEE