

# CSUSB FOUNDATION

*Building a Culture of Philanthropy*

**Investment Committee Meeting  
May 12, 2016 ~ 2:00 – 4:00 P.M.  
Administration Conference Room, AD-127**

## **Agenda**

- A. Welcome
- B. Approval of the Minutes
  - March 3, 2016
- C. 1<sup>st</sup> Quarter Portfolio Performance and Discussion
- D. Open Discussion
- E. Adjourn

**Distribution:** Ahmed, Brenner, Cazares, Flint, Fremont, Freer, Heifferon, Iannolo, Morales, Pierce, Stevenson, Teyber, Weisser

## INVESTMENT MEETING

Thursday, March 3, 2016 - 2:00P.M.  
Administration Conference Room, AD 127

### Minutes

Members Present: Douglas Freer, *Treasurer*  
Ron Fremont, *Executive Director*  
Thomas Pierce  
William Stevenson, *Investment Committee Chair*  
Edward Teyber  
Ellen Weisser, *Chairperson*

Others Present: Beth Brenner  
Karen Heifferon  
Lisa Iannolo  
Crystal Vickery

Members Absent: Tomás Morales, *President*

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#### A. Welcome

Stevenson called the meeting to order at 2:04 P.M.

#### B. Approval of the Minutes

***Motion:*** *The minutes of the November 3, 2015 Investment Committee Meeting were reviewed and approved as written (Freer/Teyber/Unanimous).*

#### C. 4<sup>th</sup> Quarter Portfolio Performance and Discussion

Heifferon began the meeting with a recap of year-to-date market performance through Dec.31,2015. The S&P returned an anemic 1.4%. Russell 1000 Growth was positive 5.7%. The Russell 1000 Value returned -3.8%. As you can see, Large Cap Growth strongly outperformed value. For the three years prior to 12-31-2015, U.S equity markets saw annualized returns in the double digits. 2015 performance was disappointing.

The US has been very concerned about China's precipitous slowdown in commodity returns. Even though the US returned a positive 1.4% there were only five stocks that drove that growth (GE, Google, Netflix, Microsoft, Facebook). Diversification did not have a positive effect on the returns, but Beacon Pointe's recommendation is to "stick to our knitting" with our asset allocation model.

*assets*

Since inception (2007), our portfolio has outperformed the policy index and allocation index and has done so with less risk. Our inception date is July 2007. When looking at the composite, allocation index and policy benchmark; in one year total domestic equities slightly lagged and international lagged relative to the benchmark and that is 25% of the portfolio. Fixed Income also lagged which is also 25% of the portfolio. 16% of the portfolio is in alternative energy. Heifferon explained that within fixed income there is often a flight to treasuries, Pierce concurred and explained whenever there is international concern in the bond market, it drives up bond prices. The treasuries rally over the concern that other countries have about their own financial circumstances. Within Fixed income having treasuries exposure gives you more volatility.

Teyber remarked that there are parts of our portfolio that we are not trying to gain return but are trying to have stability and cannot take on a loss. Heifferon explained that if the committee would like stability, then global exposure of the portfolio needs to be scaled back. Heifferon offered to share a zephyr analysis to allow the committee to review each calendar year of activity.

The committee had a lengthy discussion regarding fixed income instability in the portfolio; Heifferon stated that if the desire of the committee is to reduce the volatility in fixed income the most prudent way to do so would be to reduce exposure via the asset allocations in Templeton. Fremont and Teyber both shared their concerns of underwater funds and the importance of portfolio stability. Heifferon will follow up with the committee on options to reduce the percentages of funds invested in fixed income.

#### **D. Open Discussion**

RS Global Natural Resources is kept at 2.4% of the portfolio and they invest mostly in oil, copper and natural gas. Weisser and Fremont both shared their dissatisfaction of the ranking and seven year benchmark of RS Global Natural Resources. Heifferon explained that RS Global Natural Resources seeks smaller cap companies and smaller cap companies have not done as well as large cap companies. Fremont suggested that the committee look to divest and remove fossil fuel exposure and acknowledged that it would be sold short with a realized loss. Committee members all shared their thoughts on pro and cons of RS Global Natural Resources and asked for Heifferon to provide options for divesting and recommendations on where to reallocate.

Heifferon reviewed the various fossil fuel divestments that other universities have begun and explained that various philosophies on divestment were attributed to campus values. For example, CSU San Francisco divested immediately from coal and tar sands companies and started a formal process to look at fully divesting from the fossil fuel industry, and CSU Bakersfield has many supporters in the fossil fuel industry and have no plans to divest. Fremont noted that fossil fuels are not the only reason campuses are divesting, it could be related to social justice issues or the location of companies as well.

#### **E. Adjourn**

Stevenson thanked Heifferon for presenting and adjourned the meeting. Heifferon will follow up with the committee on the divestment options for RS Global Resources and the reallocations option with Templeton. Meeting was adjourned at 3:15 P.M.

**Signature of Minutes Approval**

**Investment Committee Meeting**

Meeting Date: March 3, 2016 @ 2:00 P.M.

Administration Building Conference Room, AD-127

Signature:  Date: 5/12/16

Print Name: William STEVENSON

Board Position: INVESTMENT COMMITTEE CHAIR