



GAVI Alliance Investment Committee Meeting

19 February 2013
New York, NY, USA

FINAL MINUTES

1. Chair's report

- 1.1 Finding a quorum of members present, the meeting commenced at 8.00 New York time on 19 February 2013. George W. Welde, Jr, Investment Committee Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 1a in the Committee pack). The Committee reviewed the minutes of its meeting on 2 November 2012 (Doc 1b), its action sheet (Doc 1c) and its forward workplan (Doc 1d).

Decision One

The GAVI Alliance Investment Committee:

- **Approved** the minutes of its meeting on 2 November 2012.

2. Manager presentation – Convexity

- 2.1 Jack Meyer, Mike Pradko, Pete van Amson, and Erica White from Convexity Capital delivered an informational report that provided background on their organisation and its investment approach (Doc 2).

Discussion

- The Committee discussed with the Convexity representatives its trading strategies, counterparty diversification, counterparty and broker/dealer relationships, financing and repurchase agreements, benchmarking, and management and performance fees.
- After the Convexity representatives left the meeting, the Committee discussed the firm's strategy, fee structure, management team experience and succession planning, net returns, and risk profile.

3. Investment portfolio review

- 3.1 Jeanne Shen, Chief Investment Officer, informed the Committee of the overall investment portfolio performance for the year through December 2012, and reviewed the major asset classes in GAVI's portfolio (Doc 3). She started by providing an overview of the global economic environment. She then reviewed long-term portfolio returns, asset allocation, manager allocation, credit quality, regional allocation, sector allocation, credit quality, and contribution to mission.
- 3.2 She updated the Committee on the transition to the new asset allocation, and proposed a strategy for transitioning between the asset classes and reviewed the potential new investment managers.

Discussion

- With regard to the portfolio's risk profile, Michael Rosen with Angeles Investment Advisors, the Committee and Secretariat's expert investment advisor, noted that the new asset allocation is still on the highly conservative end of the spectrum. He emphasised that while a highly conservative portfolio helps to drive down short term volatility, in the long-term it ironically increases risk since the portfolio will underperform its benchmarks in higher interest rate environments, or as credit spreads widen. It was noted that both circumstances were inevitable.
- The Committee encouraged the Secretariat to be more aggressive in transitioning to the new asset allocation. It noted that the Board had approved a more diversified portfolio in late 2011 and that in order to condition the Board to consider further diversification, the portfolio needed to be fully transitioned into the new asset allocation. It also suggested that the Secretariat consider making the new investments in larger amounts to fewer managers.
- Given the relatively little experience most Board members have in investments and portfolio management, the Chair suggested and the Committee agreed that he thank the Board during the next Board meeting for allotting the new authority, update it on the transition, and emphasise that the Committee and Secretariat will need the further authority to properly position the portfolio for when rates rise and spreads widen.
- The Committee requested an update on the management of funds under GAVI Campaign control. Jeanne Shen reported that she had designed and the Campaign board approved an investment policy. She then disclosed the asset allocation. The Committee questioned whether those assets could generate greater returns if they were managed under the Alliance strategy.

4. Review of decisions

- 4.1 Kevin A. Klock, Head of Governance and Assistant Secretary, reviewed and agreed the decision language with the Committee.

After determining there was no further business, the meeting was brought to a close.

Mr Kevin A. Klock
Assistant Secretary



Attachment A

Participants

Committee Members

- George W. Wellde, Jr, Chair
- Dwight Bush
- Ashutosh Garg

Secretariat

- Edmund Fudzie
- Kevin A. Klock
- Alexandra Laheurte Sloyka
- Jeanne Shen

Guests

- Pete van Amson, Convexity (Item 2 only)
- Jack Meyer, Convexity (Item 2 only)
- Mike Pradko, Convexity (Item 2 only)
- Michael Rosen, Angeles Investment Advisors
- Erica White, Convexity (Item 2 only)