

# INVESTMENT COMMITTEE CHAIR REPORT

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BOARD MEETING

**Afsaneh Beschloss**

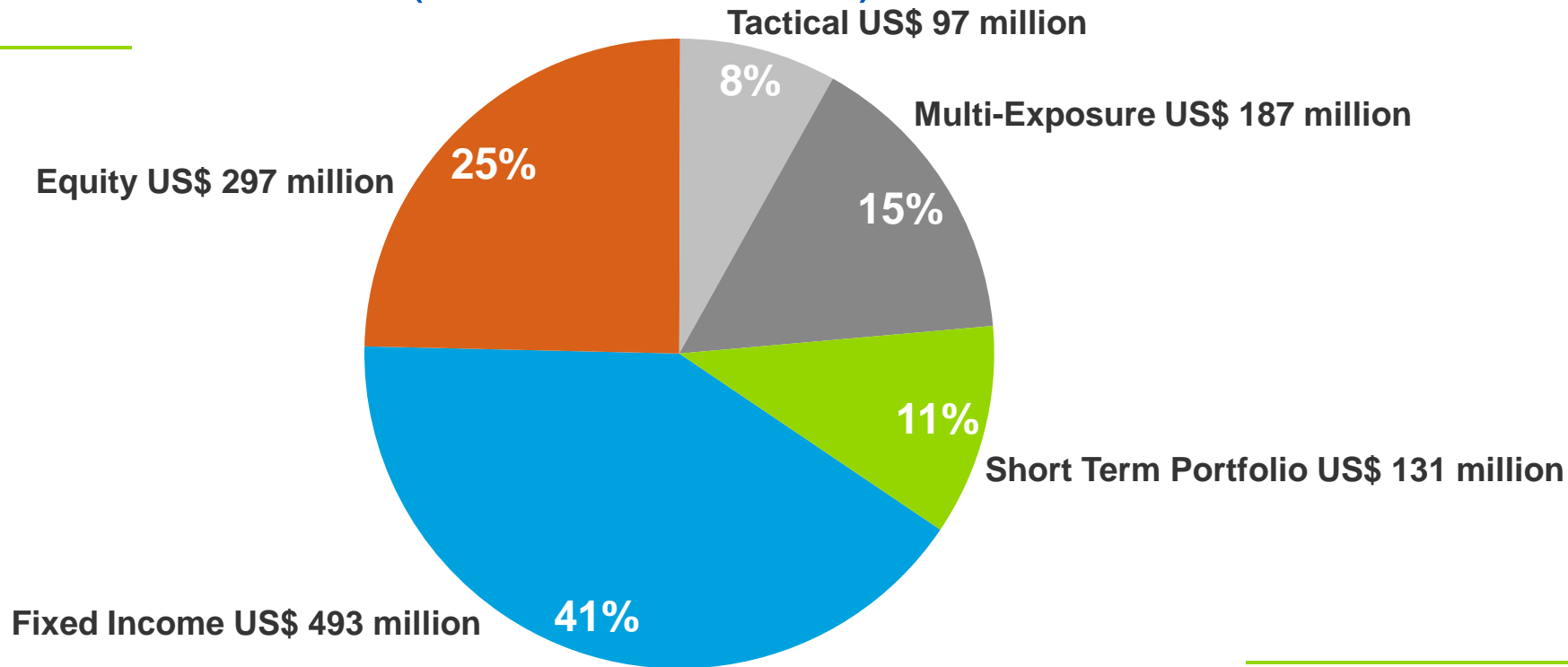
22–23 June 2022, Geneva, Switzerland



Reach every child

[www.gavi.org](http://www.gavi.org)

# Gavi Portfolios (US\$ 1.2 billion)<sup>1</sup>



Data as of 30 April 2022

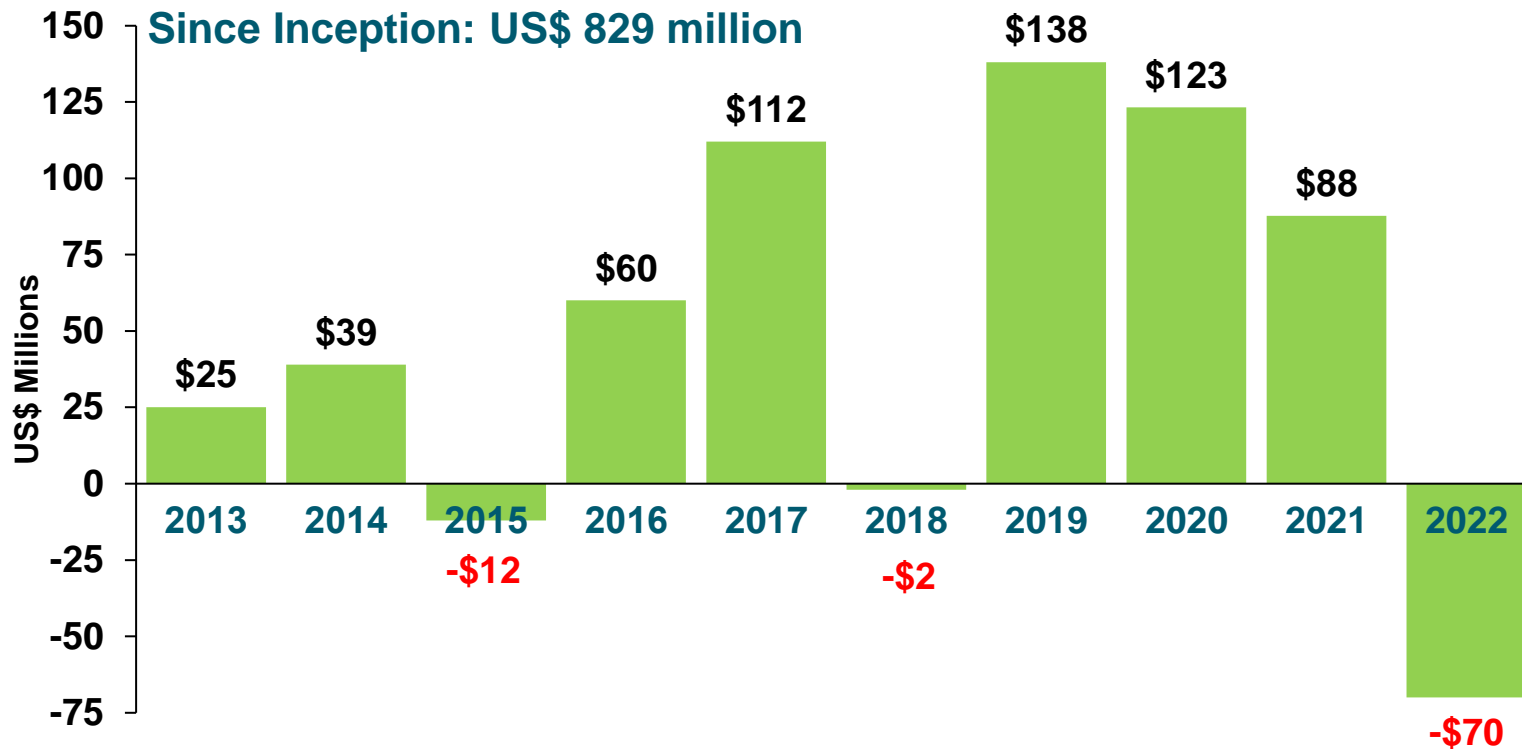
(1) Excludes UNICEF Procurement account of \$771 M, IFFIm assets, and \$106 M in operating cash.

# Long-Term Portfolio Returns

Exposure vs. Benchmark	YTD	1 Yrs	3 Yrs	5 Yrs
<b>Fixed Income</b>	<b>(6.2%)</b>	<b>0.6%</b>	<b>4.1%</b>	<b>3.6%</b>
<i>Barclays Multiverse</i>	<i>(11.2%)</i>	<i>(6.2%)</i>	<i>0.8%</i>	<i>1.8%</i>
<b>Equity</b>	<b>(11.8%)</b>	<b>6.1%</b>	<b>13.0%</b>	<b>11.0%</b>
<i>MSCI ACWI IMI</i>	<i>(13.0%)</i>	<i>6.3%</i>	<i>13.5%</i>	<i>11.4%</i>
<b>Tactical</b>	<b>3.9%</b>	<b>6.0%</b>	<b>4.9%</b>	<b>6.5%</b>
<i>ICE BofA ML 1-Year Trsy Note</i>	<i>(1.0%)</i>	<i>(0.9%)</i>	<i>1.0%</i>	<i>1.2%</i>
<b>Multi-Exposure</b>	<b>(0.4%)</b>	<b>3.5%</b>	<b>5.6%</b>	<b>6.1%</b>
<i>Credit Suisse Multi-Strategy</i>	<i>4.4%</i>	<i>8.0%</i>	<i>6.6%</i>	<i>5.1%</i>
<b>Long-term Portfolio</b>	<b>(6.1%)</b>	<b>3.1%</b>	<b>6.9%</b>	<b>6.0%</b>
<i>Policy Index</i>	<i>(8.2%)</i>	<i>0.2%</i>	<i>5.4%</i>	<i>5.4%</i>

Data as of 30 April 2022

# Contribution to Mission



# Activities Highlights

Completed **Total Enterprise Management Survey** and converged on organisational risk-return tradeoffs

Update and implement **Investment Policy** and **Asset Allocation Statement** to reflect new asset mix and performance benchmarks

Trim existing managers, begin deploying investments in private assets

1Q  
2022

2Q  
2022

3Q  
2022

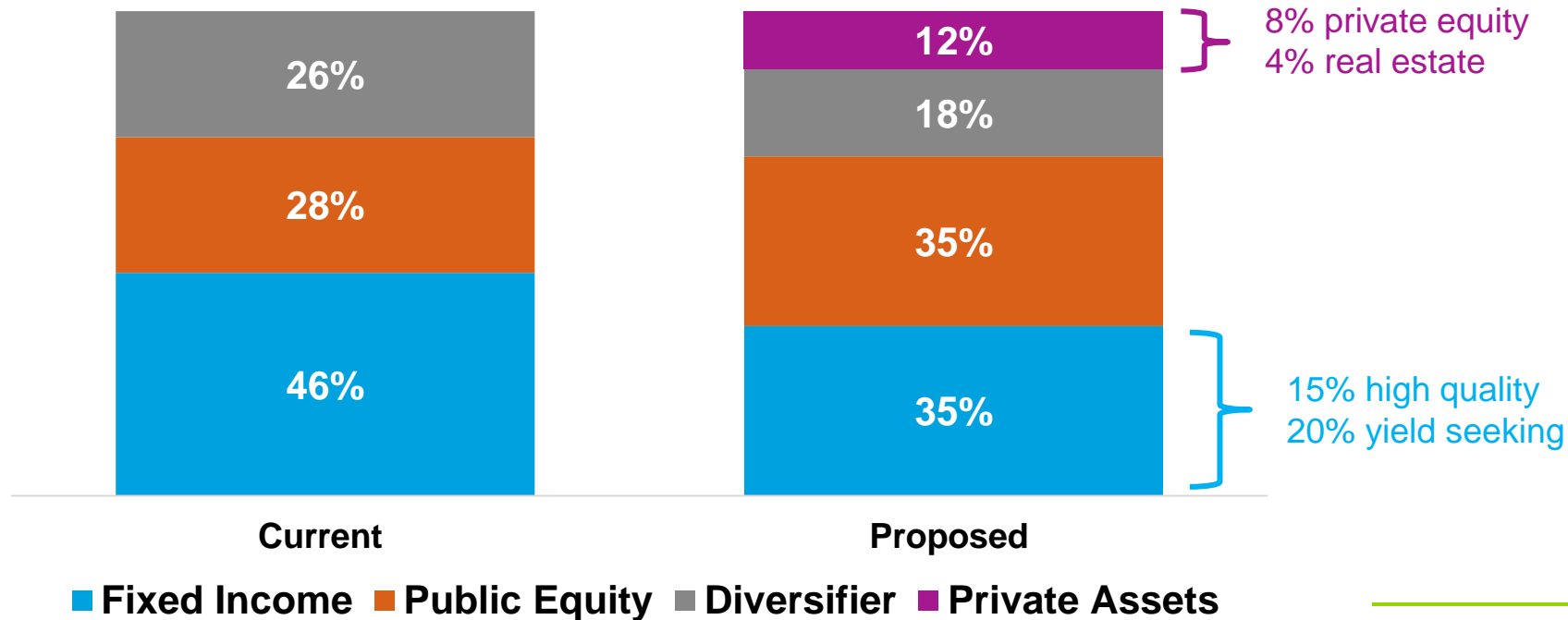
4Q  
2022

1Q  
2023

Completed Asset Allocation Study and identified an appropriate asset mix based on output of survey

Develop focused private assets manager list and initiate due diligence

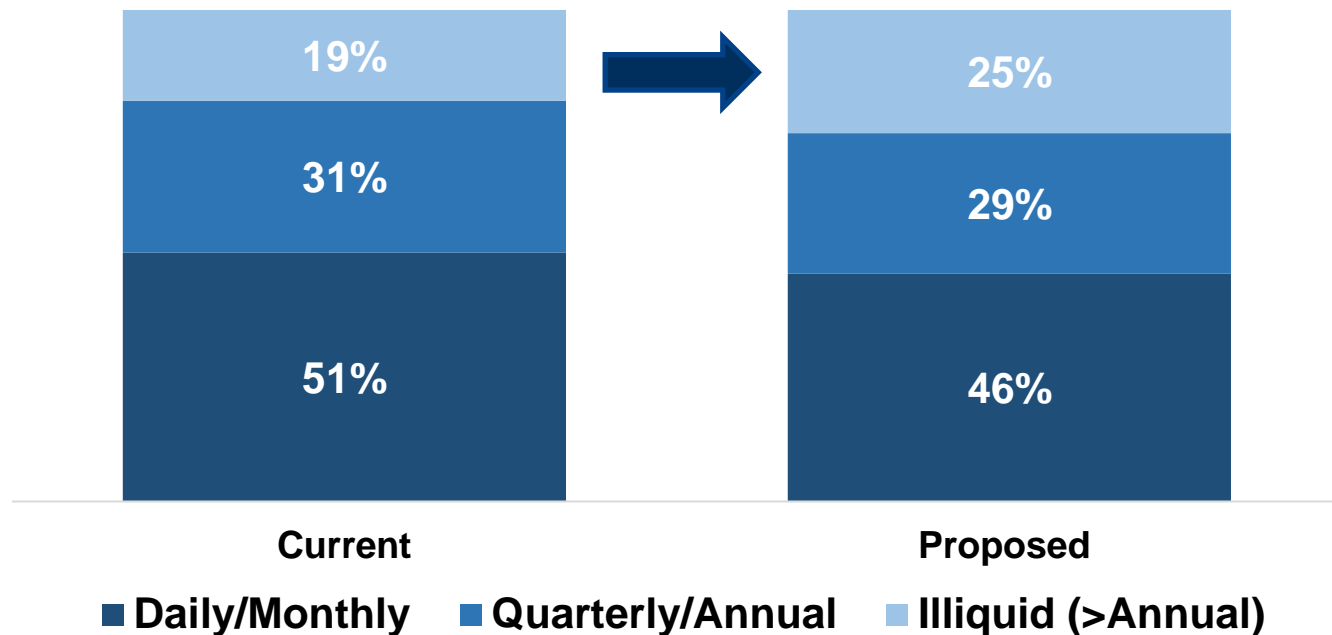
# Comparative Asset Allocation Target Weights



Note: Tactical and Multi-Exposure are merged into Diversifiers

# Limited Liquidity Impact from Private Assets

The addition of Private Assets (primarily private equity) will increase the allocation to illiquid assets.



# Potential Macro Risk Impacts

*Ideal outcome not assured*

	Stagflation <sup>1</sup>	Recession <sup>2</sup>	Soft Landing <sup>3</sup>
Fixed Income	↓	↔	↑
Public Equity	↓	↓	↑
Private Equity	↓	↓	↑
Diversifiers	↔	↔	↑
Long Term Portfolio	↓	↓	↑

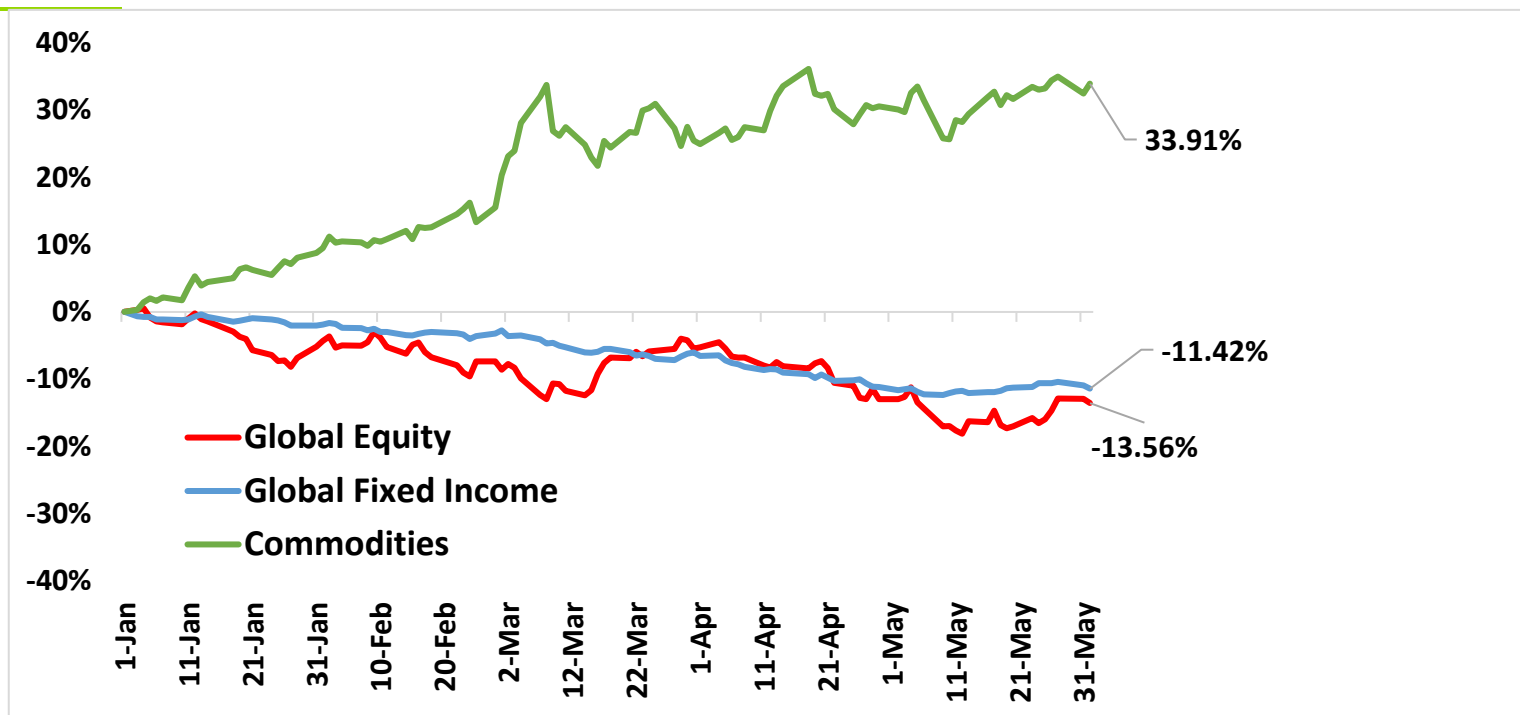
1. High inflation & slow economic growth.
2. Economy shrinks for two consecutive quarters
3. Cyclical slowdown in economy that avoids recession



# Appendix

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# Market Performance Year-to-Date Snapshot






Data as of 1 June 2022  
Global Stock: MSCI ACWI Index  
Global Fixed Income: Bloomberg Multiverse Index  
Commodities: Bloomberg Commodity Index

**Board Meeting**  
**22-23 June 2022**

# History: Oil-Induced Shocks

The current economic environment of an oil-induced shock during a period of loose monetary policy bears some resemblance to the last 3 oil-related shocks. However, an overlay of the current global supply chain disruption means the risks of tightening monetary policy to combat inflation are higher.

Date	Trigger	Macro Environment	US Central Bank Rate	Equity Market
1973	OPEC embargo	Stagflation	Below inflation	 Slow recovery
1980	Iranian revolution	Stagflation	Above inflation	 Strong recovery
1990	Persian Gulf war	Recession	Above inflation	 Strong recovery

# Long-Term Portfolio Month to Date Returns

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
January	0.56%	-0.14%	0.64%	-2.01%	1.47%	1.33%	2.77%	0.76%	-0.71%	-2.36%
February	0.05%	2.10%	1.71%	-0.43%	1.41%	-1.84%	0.90%	-1.77%	0.86%	-1.75%
March	0.68%	0.13%	-0.08%	3.33%	0.60%	0.07%	1.33%	-9.71%	0.09%	-0.22%
April	1.10%	0.60%	1.02%	1.24%	1.14%	-0.01%	0.88%	4.56%	1.94%	-1.90%
May	-1.29%	1.43%	0.03%	0.42%	1.04%	-0.60%	-0.14%	3.26%	1.10%	
June	-2.46%	1.01%	-1.36%	0.17%	0.58%	-0.52%	2.43%	2.47%	1.02%	
July	1.40%	-0.54%	-0.07%	1.81%	1.26%	0.76%	0.69%	2.67%	0.69%	
August	-0.81%	1.29%	-2.79%	0.65%	1.00%	0.06%	-0.36%	1.84%	1.31%	
September	1.83%	-1.76%	-1.76%	0.60%	0.43%	0.31%	-0.34%	-0.49%	-0.52%	
October	1.54%	0.78%	2.80%	-0.21%	0.65%	-2.08%	0.87%	-0.33%	1.23%	
November	0.14%	0.51%	-0.28%	-0.52%	0.58%	-0.19%	0.96%	4.28%	-0.93%	
December	0.20%	-1.20%	-1.25%	1.30%	0.96%	-0.50%	1.75%	3.23%	1.67%	
	Greater than +1.5%		Between 0% and +1.5%			Between -1.5% and 0%			Less than -1.5%	

Data as of 30 April 2022

# Diversification Reduces Downside Risk

- The portfolio diversification reduced downside risk; asset class and manager diversification contributed.
- The addition of Private Assets will further diversify the long-term portfolio and improve return expectations.

	Long-Term Portfolio	Fixed Income	Equities	Tactical	Multi-Exposure
<b>Year-to-date (January-April 2022)</b>	(6.1%)	(6.2%)	(11.8%)	3.9%	(0.4%)
<b>Annualised Return since June 2014 <sup>1</sup></b>	4.6%	3.2%	7.8%	6.1%	4.5%

Data source: NEPC.

1. June 2014 is when all Fixed Income, Equities, Tactical and Multi-Exposure composites were available.

# Total Enterprise Management Survey

- **7 Investment Committee members + 4 internal stakeholders participated**
- **Total Enterprise Management Survey identified a willingness to:**
  - Increase return prospects of long-term portfolio
  - Increase the investment horizon beyond a five-year planning cycle
  - Tolerate modestly higher drawdowns than current approach
  - Accept marginal increase in illiquidity

Measure	Current Policy	Recommendation
Expected Return 10 Years	4.4%	5.2%
Standard Deviation	8.8%	10.9%
Sharpe Ratio 10 Years	0.37	0.37

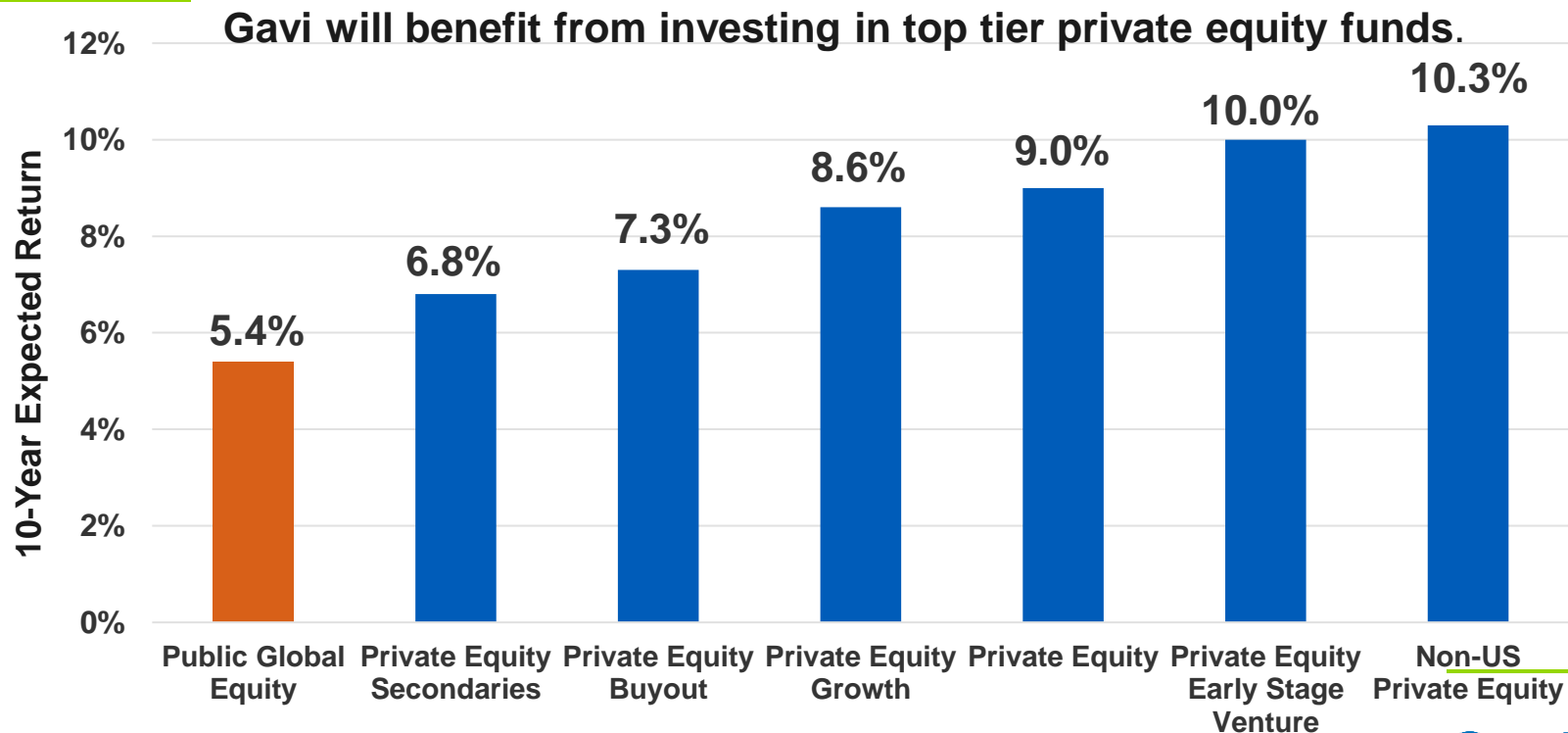
Source: NEPC Consultant data

# Key Objective in 1H2022: Revisit Asset Allocation

Building Blocks + Portfolio Construction = Asset Allocation



# Private Equity Illiquidity Offset By Higher Overall Return

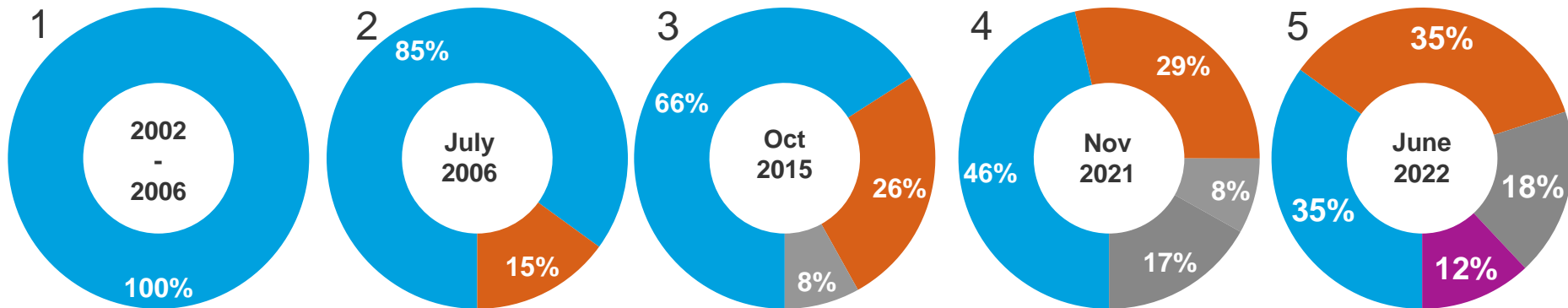


Source: NEPC



# Long-Term Portfolio Evolution

Fixed Income   Equity   Tactical   Multi-Exposure   Private Assets   Diversifiers



(1) Conservative, US centric, short-term fixed income

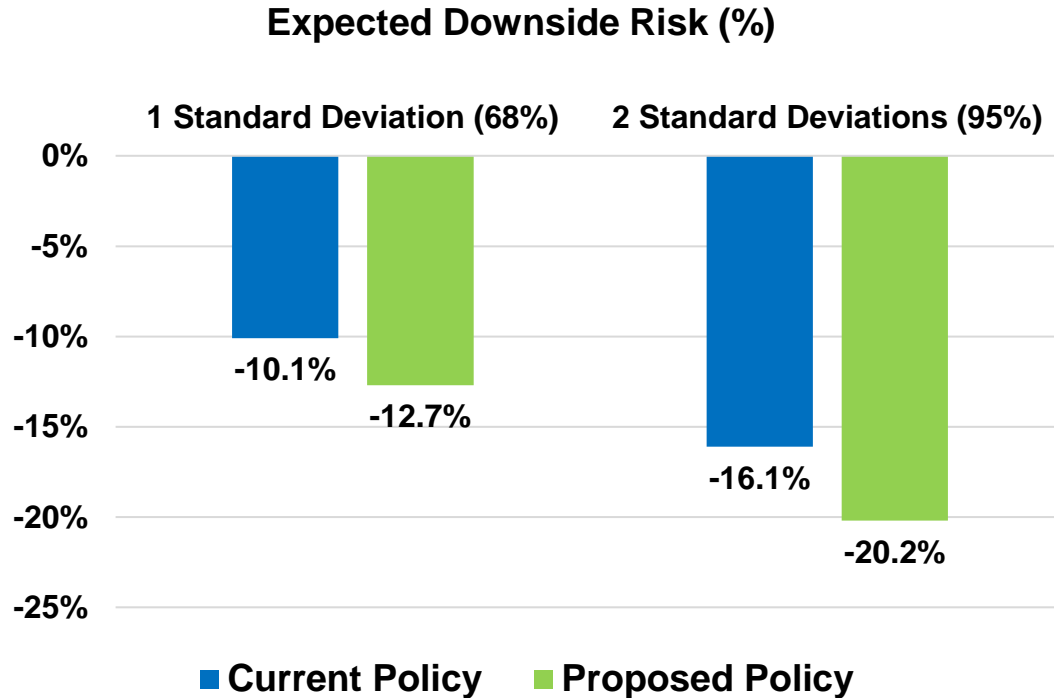
(2) Launch of IFFIm extended investment horizon; added inflation hedge assets

(3) Further diversification into less correlated assets

(4) Added multi-exposure in May 2016.

(5) Added Private Assets and merged Tactical and Multi-Exposure into Diversifiers in June 2022.

# Asset Allocation: Value at Risk (VaR)



- VaR is a probability-based measure of loss potential.
- The new asset allocation policy mix increases expected return and modestly increases risk by adding Private Assets to long term portfolio. The proposed mix remains conservative relative to other institutional investors.

# Thank you

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