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Subject                      **Investment Committee Chair Report**

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Category                    **For Information**

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### **Section A: Introduction**

- The first half of 2025 marked a volatile period in financial markets and lent a strong case for portfolio diversification. The onslaught of tariff announcements put markets on edge and the uncertainty put a dent in confidence. In the U.S. equity markets dropped in the first quarter giving back some of their gains from 2024. The near-term contraction came out as a –0.5% contraction in real gross domestic product (GDP) as published by the Bureau of Economic Analysis. An increase in imports (a possible indication of forward purchases in anticipation of tariffs) and a decrease in government spending were the primary explanatory factors for the drop in GDP. In comparison, this same figure in Q4 2024 was +2.4%. On the inflation front, the U.S. Federal Reserve held rates steady in the first half of 2025, citing uncertainty on the economic impact of current policies.
- More recently the passage of the U.S. budget reconciliation bill brings more concern about fiscal discipline. Independent estimates suggest a multi-trillion dollar increase in the U.S. debt levels, although this trend has been underway since the Great Financial Crisis (GFC). In addition, it is unlikely interest rate levels will return to almost zero rates, so debt service costs will significantly increase. Ebbing confidence on the U.S.'s ability to maintain fiscal discipline will require a higher risk premium, another factor that will potentially keep rates higher and debt more expensive.
- In contrast overseas markets fared better in part because investors sought an alternative to the U.S. opportunities. European equity markets handily outperformed U.S. equity markets in 1H 2025 in U.S. dollar terms driven by the euro's appreciation. In Europe, fiscal spending also increased, driven by national defence requirements across NATO members. The enthusiasm for the defence sector drove European stocks in that sector up 50% in the Stoxx 600 index.
- Elsewhere there was an embrace of fiscal and monetary stimulus to counter the tariff and geopolitical uncertainties. Chinese leadership long followed fiscally conservative principles but broke their tradition in Q1 2025 with a fiscal stimulus package to boosting consumption, increasing infrastructure spending and recapitalising bank balance sheets. Concurrently China's central bank reduced the bank reserve requirement ratios to help inject liquidity into financial markets.
- The geopolitical challenges coincide with a weaker U.S. dollar. As questions arose U.S. exceptionalism surface, global investors seek to rebalance their portfolios, and this is especially true of investors whose liabilities are not in U.S. dollars. The Investments team initiated work on the U.S. dollar exposure as an

exercise in prudence. While Gavi's largest liabilities are in U.S. dollars, a review may showcase new risks and opportunities warranting further exploration.

- The remainder of the report provides the Board with an overview of performance and the activities of the Investment Committee ("Committee") since the Committee Chair last reported to the Board in December 2024. In 2025, the Committee met two times in the first half of the year as expected. Four key topics in focus throughout the year include: (1) long-term portfolio performance; (2) private assets (private equity and real estate) fund recommendations; (3) impact of potential outcome of Global Summit on the long-term portfolio, and (4) sustainable investment framework implementation.
- All values are reported as of 31 May 2025. The long-term portfolio value is US\$ 1,491 million including advanced contributions and cash held at the custodian, an increase of US\$ 32 million since the December 2024 board update. The long-term portfolio does not have cash inflows, so the increase is solely related to performance.
- On a year-to-date basis ending on 31 May, the long-term portfolio delivered +2.1% versus a policy benchmark return of +5.0%, or -2.9% of underperformance. Two reasons stand out for the underperformance: (1) sustained market volatility and (2) an underweight in foreign currency exposure. There was weakness across all underlying allocations, but Diversifiers and Fixed Income stand out. For historical context, the long-term portfolio delivered six consecutive calendar years of outperformance (2019 through 2024). Over the 3 years' and 5 years' annualised bases, excess performance remains strong at respectively 0.7% and 2.1%.
- Diversifiers (18% of the portfolio) underperformed its market benchmark by -8.3%. A trend-following systematic strategy contributed significantly to the underperformance as it is ill-equipped to manage frequent reversals. A commodity fund also performed poorly for similar reasons.
- Fixed Income (36% of the portfolio) underperformed its benchmark Bloomberg Multiverse by -2.6%. The rationale for selecting Bloomberg Multiverse benchmark was to have breadth in credit quality and in geographic/currency exposure. The benchmark has significant foreign currency exposure, while Gavi's Fixed Income allocation has mostly US dollar exposure. Gavi's fixed income managers performed in line with their own funds' benchmarks, but the depreciation of the US dollar over -10% in the first half of the year contributed significantly to the fixed income composite underperformance. Considering potential further US dollar depreciation, the Investments team will conduct a deeper dive to address questions around the composition of the Fixed Income allocation and appropriate composite benchmark.
- Equities (43% of the portfolio) trailed its market benchmark by -0.7% and the Investments team views this gap as manageable. Last year two investment managers with weaker performance exited the portfolio and several replacements are in place. For these reasons, the recent underperformance

has narrowed, and the Investments team will continue to monitor and improve the manager lineup.

- The private assets allocation is de minimis (<3%) and its illiquidity also means performance measurement has a quarter lag. Given the asset's longevity, it is more meaningful to report on 2024 performance: +18.6% versus +11.1%
- As noted in prior Chair updates, the Committee regularly reviews in advance the potential commitments they wish to make to private assets (i.e. private equity and real estate) each calendar year – also known as the pacing analysis. With uncertainty around the Global Summit outcome, the Committee opted to lower the private assets commitments. The originally anticipated 2025 private assets commitment dropped from US\$ 65 million to US\$ 45 million. In 2025, the Committee approved one manager in the power opportunities space for real estate in the amount of US\$ 20 million out of a US\$ 25 million allocation. The additional US\$ 5 million allocation will be rolled over to 2026.
- Going into the second half of 2025, re-visiting the asset allocation as part of a broader asset-liability study is a high priority for the Investment Committee bearing in mind the Global Summit outcome. While an asset allocation review had been discussed at the February 2025 meeting, there is new information to consider: (1) appropriate asset class benchmarks; (2) currency exposure; (3) future liquidity needs; and (4) the likelihood of sustained market volatility. Any proposed changes to target allocations and benchmarks will be reflected in the Investment Policy and its subordinate Asset Allocation Statement.
- The Investments team plans to implement a new sustainable investment framework. In terms of governance, the current Sustainable Investment Policy will be rewritten this year as a framework and subsequently subsumed into the Investment Policy so that there is increased integration and recognition of sustainability in the investment implementation process. The new framework will collate ratings for the investment firm, the strategy and the holdings (if available) into one report. One important step advancing the new framework is the selection of a new globally recognised vendor to support the holdings review. Given a high likelihood that the Investment Policy will be modified on multiple fronts, all changes will be presented together to ensure efficiency.
- The Investment Chair report is attached in the form of a presentation as Annex A. There are no recommendations to the Board at this meeting.

## **Annexes**

### **Annex A: Investment Committee Chair report**

# INVESTMENT COMMITTEE CHAIR REPORT

BOARD MEETING

**Yibing Wu**

24-25 July 2025, Geneva, Switzerland



# Portfolio Performance

Annex A

Exposure Vs. Benchmark	5 Yrs <sup>1</sup>	YTD	2024	2023	2022	2021	2020
<b>Fixed Income</b>	<b>4.9%</b>	<b>2.7%</b>	<b>6.0%</b>	<b>9.6%</b>	<b>(8.1%)</b>	<b>5.4%</b>	<b>6.5%</b>
<b>High Quality</b>	1.0%	2.4%	2.3%	5.7%	(8.7%)	1.0%	7.3%
<b>Yield Seeking</b>	8.7%	2.8%	8.8%	13.9%	(7.2%)	10.2%	9.8%
<i>Bloomberg Multiverse</i>	<i>(1.1%)</i>	<i>5.3%</i>	<i>(1.3%)</i>	<i>6.1%</i>	<i>(16.0%)</i>	<i>(4.5%)</i>	<i>9.0%</i>
<b>Equity</b>	<b>11.9%</b>	<b>4.4%</b>	<b>14.2%</b>	<b>19.7%</b>	<b>(17.7%)</b>	<b>15.6%</b>	<b>21.4%</b>
<i>MSCI ACWI IMI</i>	<i>13.1%</i>	<i>5.1%</i>	<i>16.4%</i>	<i>21.6%</i>	<i>(18.4%)</i>	<i>18.2%</i>	<i>16.3%</i>
<b>Diversifiers</b>	<b>4.7%</b>	<b>(4.4%)</b>	<b>4.2%</b>	<b>8.8%</b>	<b>3.2%</b>	<b>4.2%</b>	<b>8.0%</b>
<i>CS Multi-Strategy</i>	<i>7.6%</i>	<i>3.9%</i>	<i>8.7%</i>	<i>8.0%</i>	<i>1.3%</i>	<i>7.0%</i>	<i>5.6%</i>
<b>Private Assets</b>	N/A	<b>(1.2%)</b>	<b>23.3%</b>	<b>22.9%</b>	N/A	N/A	N/A
<i>Private Markets Benchmark</i>	<i>N/A</i>	<i>3.3%</i>	<i>11.1%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<b>Long-term portfolio</b>	<b>7.4%</b>	<b>2.1%</b>	<b>9.4%</b>	<b>13.2%</b>	<b>(8.3%)</b>	<b>7.8%</b>	<b>10.4%</b>
<b>Policy Index</b>	<b>5.3%</b>	<b>5.0%</b>	<b>7.8%</b>	<b>11.8%</b>	<b>(12.4%)</b>	<b>4.0%</b>	<b>9.9%</b>
<b>Difference</b>	<b>2.1%</b>	<b>(2.9%)</b>	<b>1.6%</b>	<b>1.4%</b>	<b>4.1%</b>	<b>3.8%</b>	<b>0.5%</b>

Data as of 31 May 2025.

(1) Annualised

# Portfolio Overview

- **Performance:** The long-term portfolio has generated 2.1% annualised alpha over its policy benchmark over the last 5 years. The outperformance is strong historically, although year-to-date performance suffered with an underperformance of -2.9% through May.
- **Portfolio Allocation:** The asset allocation of the long-term portfolio aligns closely with the benchmark targets. The Investment Committee discusses the relative asset class attractiveness, target weights, private assets pacing, and liquidity on a regular basis.
- **Performance Attribution:** Concerns about US tariffs and deficits ignited market volatility. Two strategies in the Diversifiers allocation are ill-equipped to manage sudden market reversals across a range of asset classes and due diligence on additional managers is underway. The US dollar decline also negatively impacted the Fixed Income allocation relative to its benchmark.
- **Action Plan:** The Investments team is actively conducting fund searches in global discretionary macro strategies that have expertise in trading a range of markets, including currencies. The team is also conducting due diligence on non-US fixed income and geographically diverse strategies to broaden sources of returns.

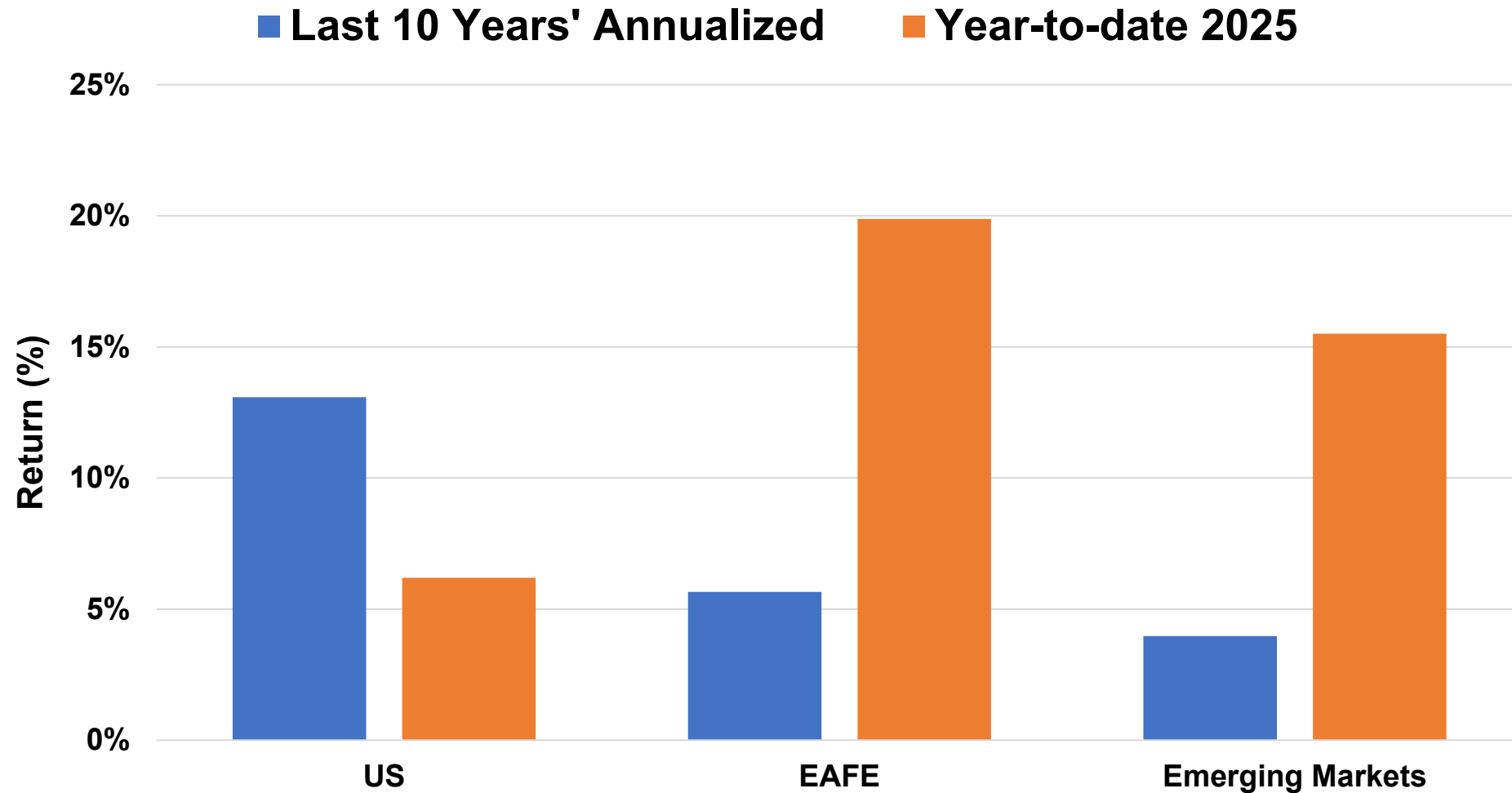
# Continued Market Volatility Ahead

- **Tariff shocks:** Uncertainty in tariff implementation keeps investors on edge. Some corporations delayed major capital expenditure plans.
- **Geopolitical flashpoints:** Non-traditional diplomacy leaves door open for a broader array of political outcomes and high stakes gamesmanship.
- **Government deficits:** Recent passage of the US budget reconciliation bill (also known as One Big Beautiful Bill Act) increases uncertainty of the magnitude of the deficit outlook.
- **Market volatility:** US equity has outperformed the rest of the world after the Great Financial Crisis (2008) until this year. US exceptionalism is rooted in technology, innovation, unprecedented fiscal stimulus and AI optimism. Global capital flows into the US provided tailwinds to US assets and the dollar. There is a reversal of global capital flows from the US amid geopolitical and macro headwinds.
- **Currency volatility:** US dollar depreciation<sup>1</sup> in the 1H2025 may continue into 2H2025.

(1) Using U.S. Dollar Index, a basket of six foreign currencies (EUR, CHF, JPY, CAD, GBP and SKK), 1H2025 depreciation was –10.7%.



# Comparative Performance: Diversification Matters



Source: Bloomberg data through 30 June 2025. EAFE is developed markets ex-North America. US is S&P 500

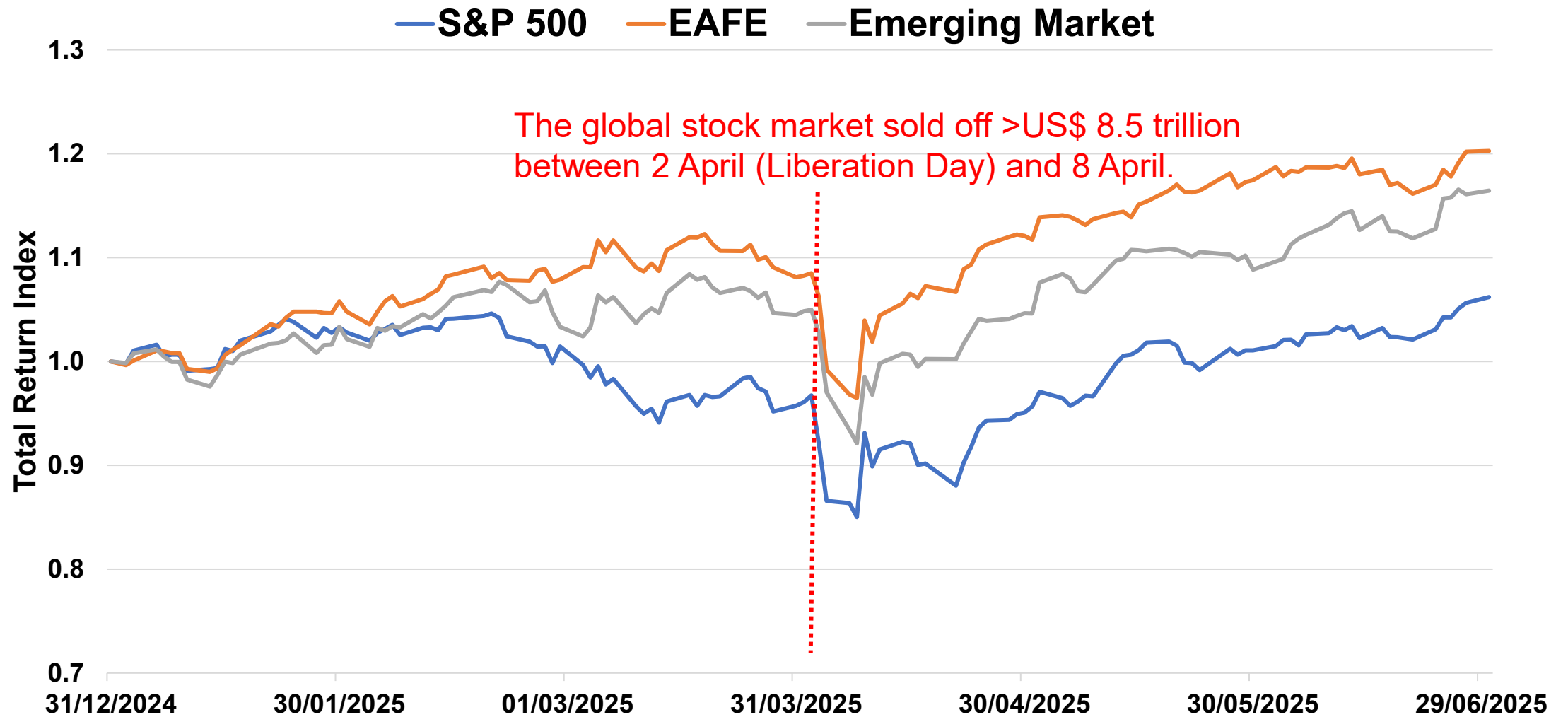


# AI Dominates Most Funded Private Companies

Company	Sector	Est. Valuation (\$ B)	Funding Raised (\$ B)
<b>OpenAI</b>	AI	324.61	46.90
<b>Databricks</b>	Data, AI	75.63	14.43
<b>Scale AI</b>	AI	29.18	14.30
<b>xAI</b>	AI	91.59	12.14
<b>Anthropic</b>	AI	64.69	11.47
<b>Stripe</b>	Financial Services	94.88	8.44
<b>Redwood Materials</b>	Energy	4.95	8.29
<b>SpaceX</b>	Space	426.47	8.17
<b>Epic Games</b>	Media, Entertainment	16.87	7.53
<b>Anduril Industries</b>	Defense	30.49	6.46

Source: Yahoo Finance. Date is as of 30 June 2025.

# Market Volatility Driven By Tariffs



Source: Bloomberg data through 30 June 2025. EAFE represents developed markets ex-North America. All data is MSCI.

# Fixed Income Allocation: Underweight Foreign Currency

The Fixed Income benchmark includes major currencies that appreciated in 2025, and Gavi's underweight hurt performance on a relative basis. After significant outperformance of US assets and recent political uncertainty, investors are rebalancing with new opportunities.

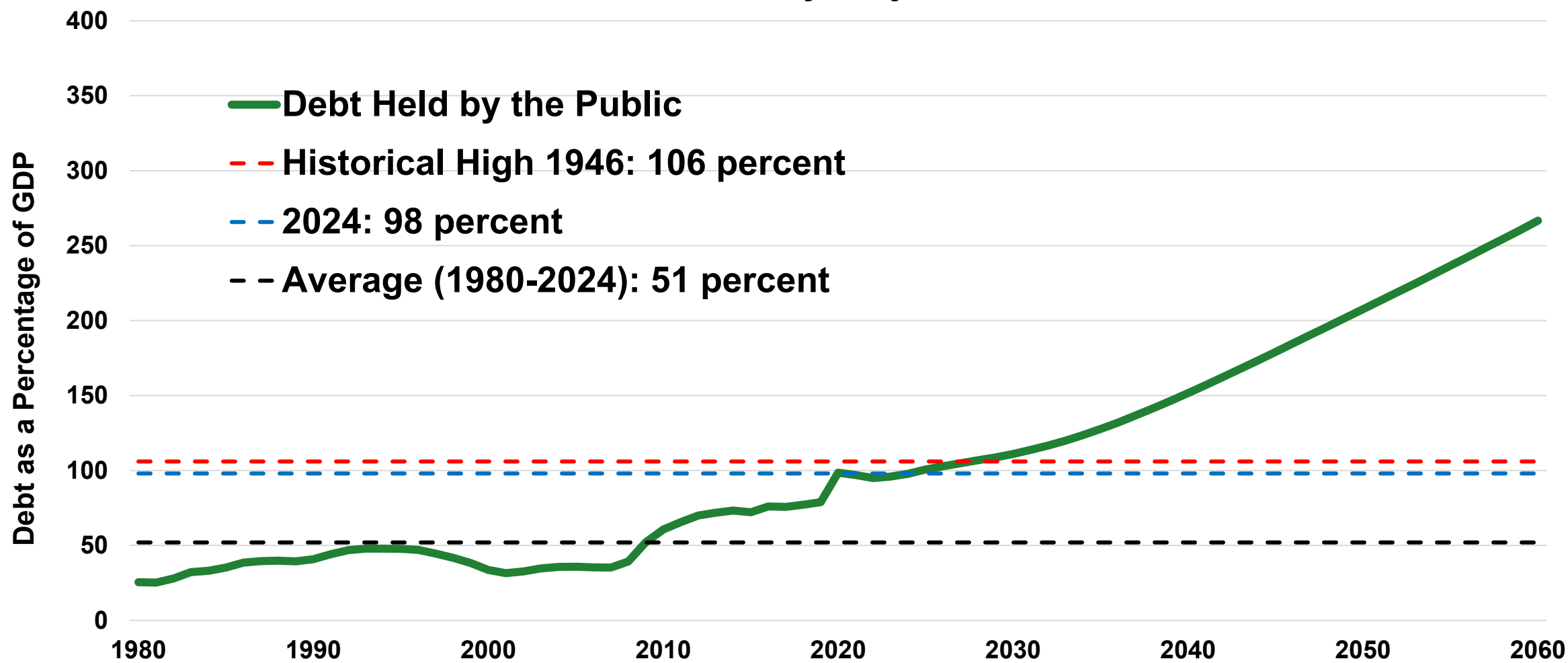
Currency Name	Bloomberg Multiverse Benchmark Weight	Fixed Income Currency Exposure	Fixed Income Active Currency Exposure
US Dollar	47%	98%	51%
European Euro	23%	0%	-23%
Japanese Yen	9%	1%	-9%
Chinese Yuan	8%	0%	-8%
Pound Sterling	4%	0%	-4%
Canadian Dollar	3%	0%	-3%
Other	5%	1%	-4%

**Underweight  
currency  
exposure**

Data as of 31 May 2025

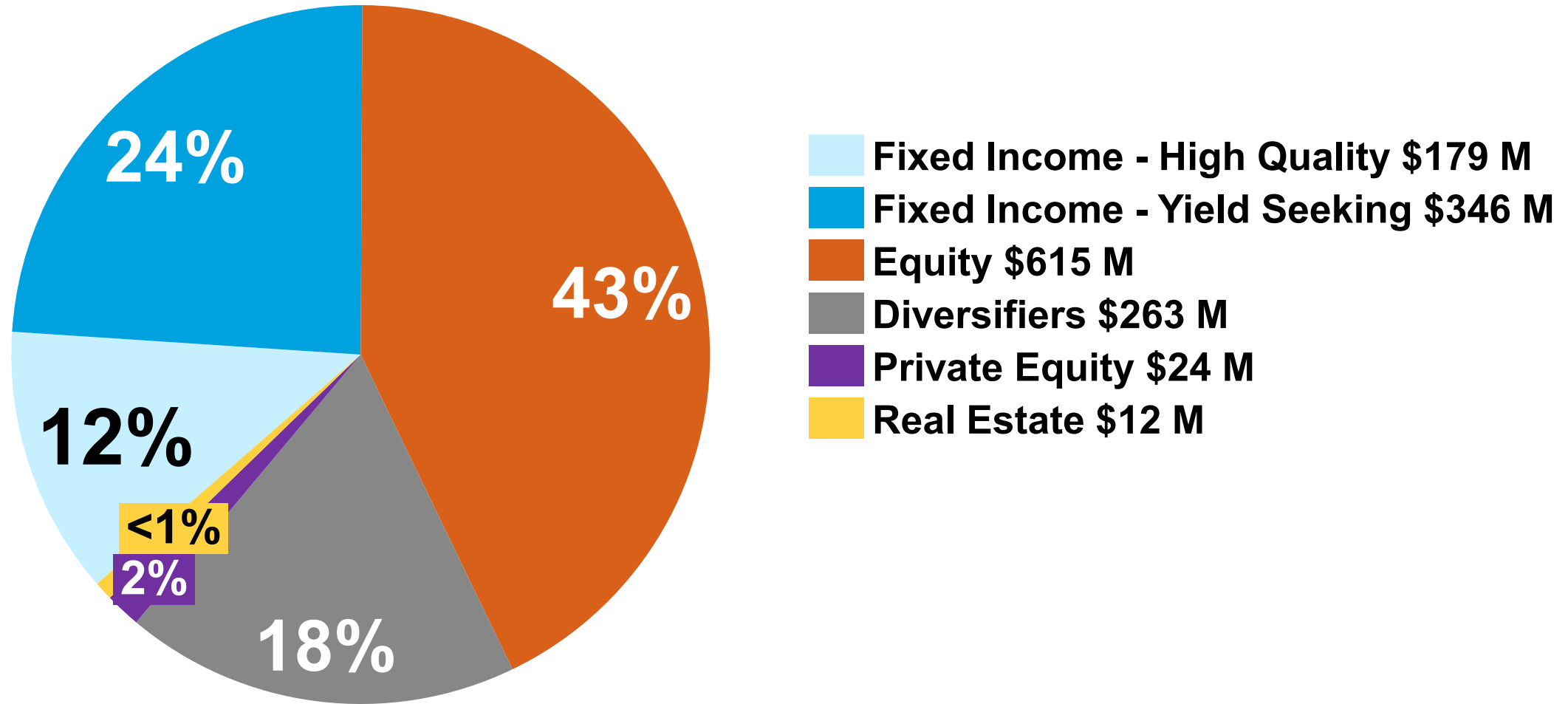
# US Debt Acceleration Is Unsustainable

## Historical and Current Policy Projections for US Debt



Source: [www.fiscal.treasury.gov](http://www.fiscal.treasury.gov)

# Gavi Portfolio Allocation (US\$ 1.5 billion)<sup>1</sup>

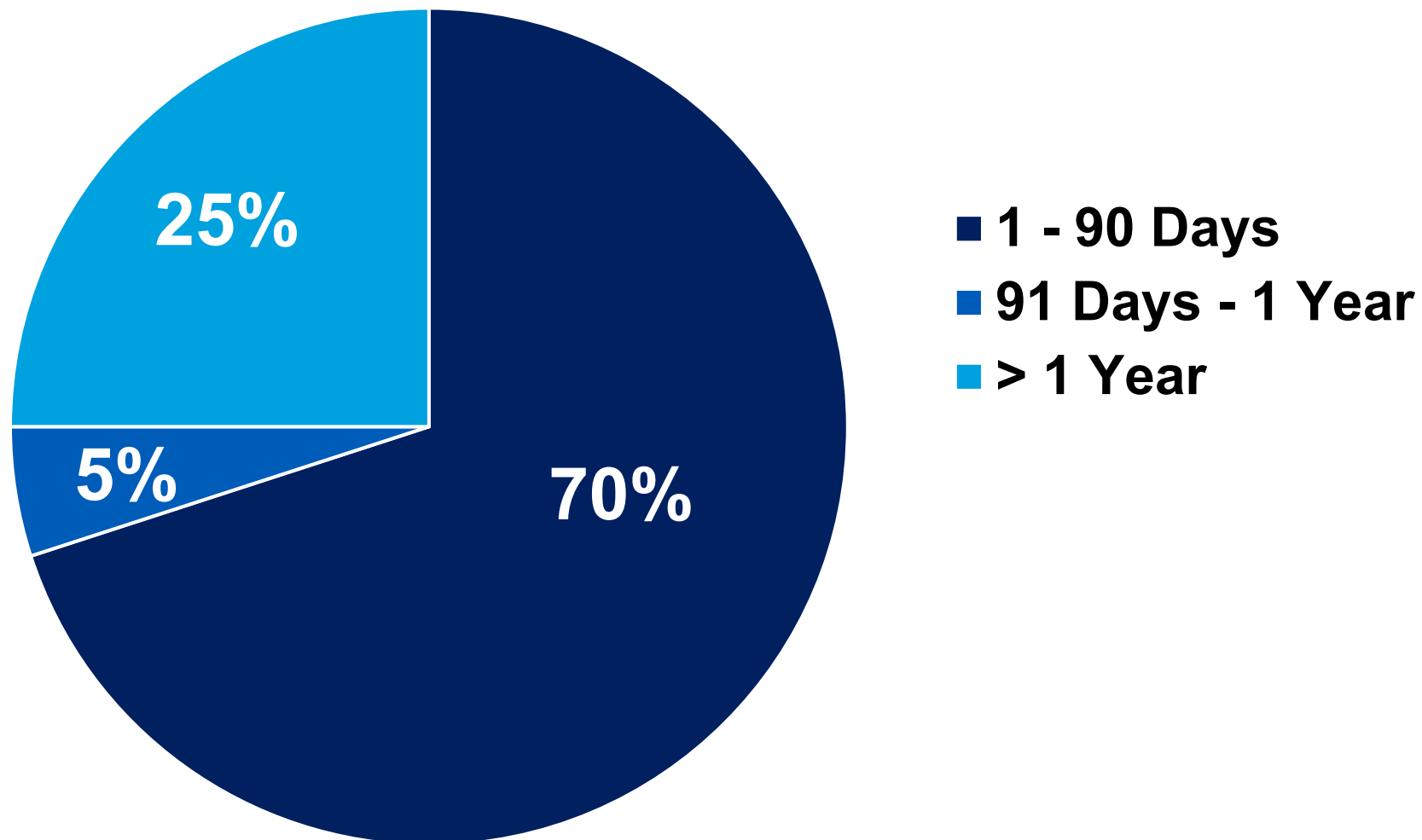


Data as of 31 May 2025.

(1) Excludes LODH cash US\$ 9 million and US\$ 43 million Advanced Contributions

# Long-Term Portfolio Liquidity (US\$ 1.5 B)

Trade off liquidity  
for a broader  
opportunity set →

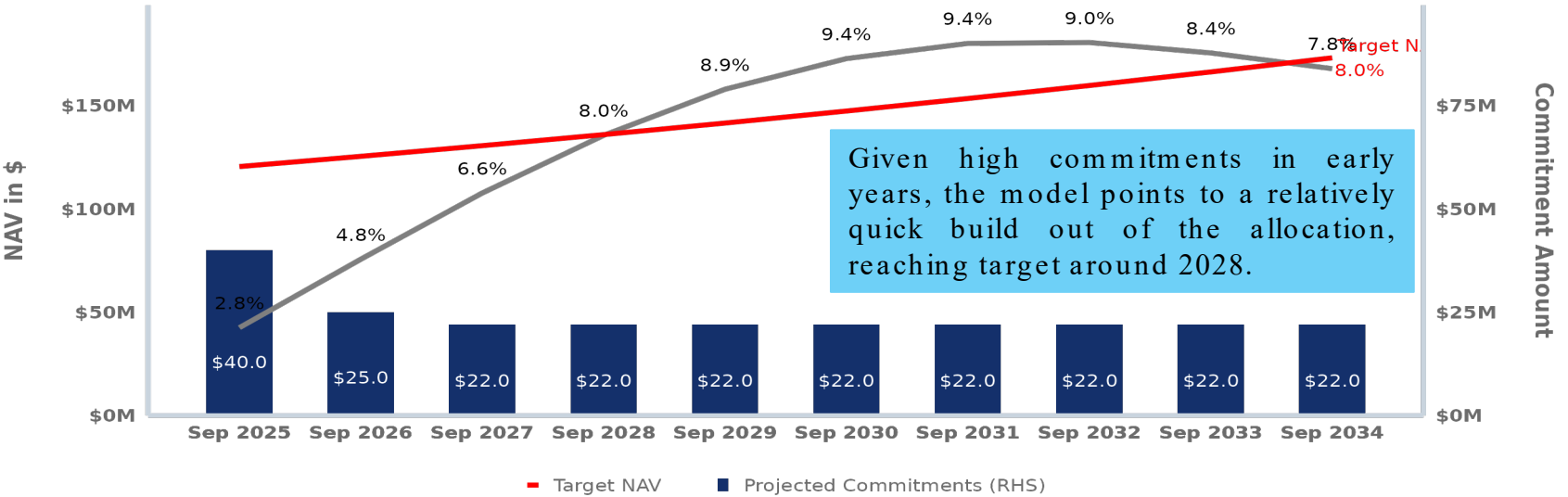


Data as of 31 May 2025.

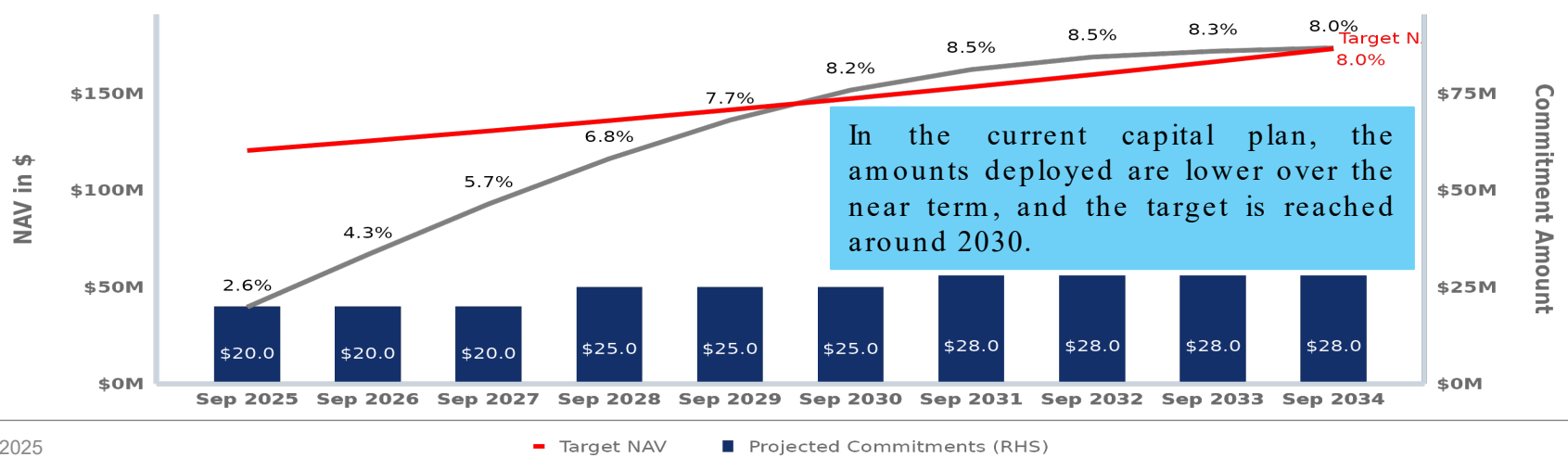
# Private Markets: More Cautious Approach

## Private Markets Commitments by Vintage

### ORIGINAL CAPITAL PACING PROJECTIONS



### CURRENT CAPITAL PACING PROJECTIONS





# Transformation Brings Opportunities and Risks

- **Major Structural Shifts Underway:** Big themes of shifting geopolitics, fiscal discipline and AI will drive where capital flows. Periods of volatility will be the norm.
- **Rapid Speed of Change:** From trough to peak U.S. equity markets recovered in 4 years from the Great Financial Crisis and in 4 months from the initial stages of the COVID-19 pandemic; market reversals are moving faster.
- **Manager Selection:** In a period of fast shifts in financial markets, investment managers will need to adapt. The Investments team will maintain and improve diversification across asset class, implementation, and geography (e.g. currency) and onboard additional managers who are skilled at tactically taking advantage of market opportunities.

**Conclusion:** Gavi should be prepared to be nimble when deploying assets. Gavi will lean into its mission to partner with best-in-class managers.

# Appendix

# 2025 Priorities

Annex A

Lean team's focus on strategic issues

- Cost of team is <0.06% for each portfolio dollar.
- Transition 4-person team to 3-person team.
- Expand use of AI and low-cost services for repetitive tasks.

Enhance long-term portfolio performance

- Broaden network of prospective managers with non-US expertise.
- Onboard tactical managers to take advantage of market opportunities.
- Increase diversification of investment strategies.

Investment policy review

- Accelerate schedule for comprehensive asset allocation review to ensure consistency with Global Summit outcomes.
- Integrate and/or simplify subordinate policies as part of Gavi's organizational policy hygiene review.

Deepen collaboration across Secretariat

- Lend market expertise and peer network across Gavi (e.g., cryptocurrency donation evaluation, government affairs contacts).
- Deliver updated gift policy with input from Resource Mobilisation and Finance stakeholders.

# Long-Term Portfolio Monthly Returns

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
January	0.64%	-2.01%	1.47%	1.33%	2.77%	0.76%	-0.71%	-2.36%	3.13%	0.68%	1.48%
February	1.71%	-0.43%	1.41%	-1.84%	0.90%	-1.77%	0.86%	-1.75%	-0.82%	2.02%	-0.02%
March	-0.08%	3.33%	0.60%	0.07%	1.33%	-9.71%	0.09%	-0.22%	0.82%	1.71%	-1.98%
April	1.02%	1.24%	1.14%	-0.01%	0.88%	4.56%	1.94%	-1.90%	0.74%	-1.46%	0.06%
May	0.03%	0.42%	1.04%	-0.60%	-0.14%	3.26%	1.10%	-0.47%	0.37%	1.83%	2.61%
June	-1.36%	0.17%	0.58%	-0.52%	2.43%	2.47%	1.02%	-3.20%	2.25%	1.00%	
July	-0.07%	1.81%	1.26%	0.76%	0.69%	2.67%	0.69%	2.38%	1.71%	1.11%	
August	-2.79%	0.65%	1.00%	0.06%	-0.36%	1.84%	1.31%	-0.94%	-0.67%	1.11%	
September	-1.76%	0.60%	0.43%	0.31%	-0.34%	-0.49%	-0.52%	-3.71%	-1.20%	1.24%	
October	2.80%	-0.21%	0.65%	-2.08%	0.87%	-0.33%	1.23%	1.23%	-1.18%	-1.31%	
November	-0.28%	-0.52%	0.58%	-0.19%	0.96%	4.28%	-0.93%	2.46%	4.32%	2.07%	
December	-1.25%	1.30%	0.96%	-0.50%	1.75%	3.23%	1.67%	-0.35%	3.12%	-1.14%	
Year	-1.57%	6.35%	11.70%	-3.20%	12.42%	10.41%	7.84%	-8.28%	13.23%	9.43%	2.09%
	Greater than +1.5%		Between 0% and +1.5%			Between -1.5% and 0%			Less than -1.5%		

Data as of 31 May 2025.

# Private Assets Implementation

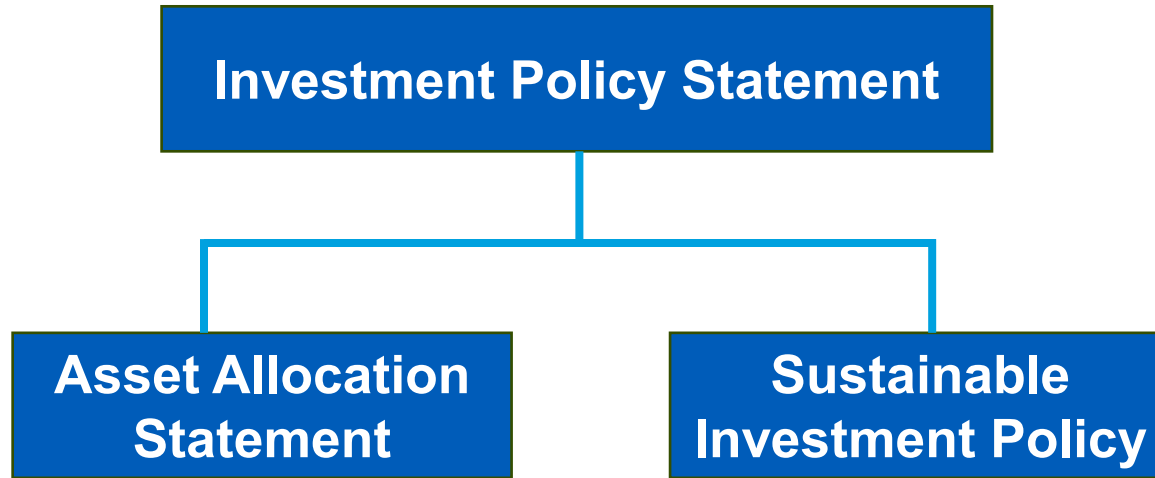
## Private Equity (8%)

## Real Estate (4%)

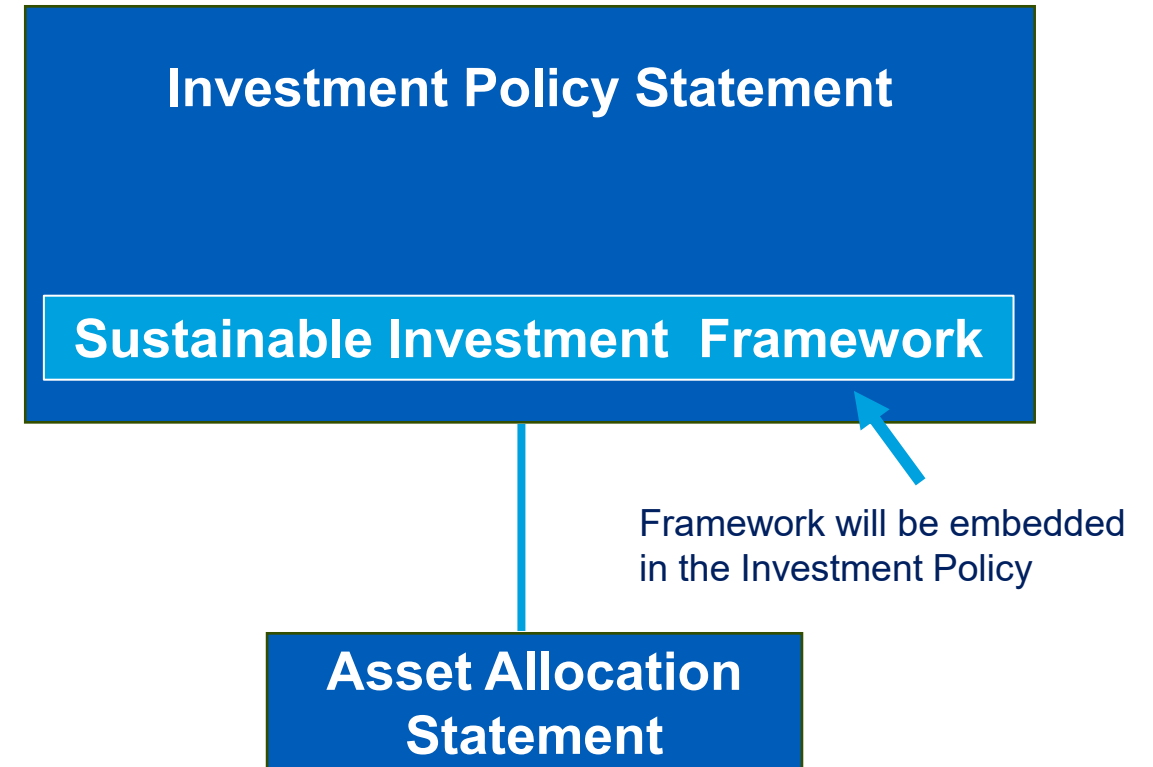
<b>2022</b>	<ul style="list-style-type: none"> <li>• Agreed on core-satellite approach</li> <li>• Articulated private equity philosophy grid</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed on core-satellite approach</li> <li>• Articulated real estate philosophy grid</li> </ul>
<b>2023</b>	<ul style="list-style-type: none"> <li>• Prioritized effort to take advantage of market opportunities.</li> <li>• Made total commitments of US\$ 40 million in line with plan projections</li> </ul>	<ul style="list-style-type: none"> <li>• Delayed commitments given uncertainty of rising rate environment</li> <li>• Prioritized review of opportunity set in November 2023</li> </ul>
<b>2024</b>	<ul style="list-style-type: none"> <li>• Approved four commitments with total of US\$ 50 million out of projected US\$ 50 million of commitments</li> </ul>	<ul style="list-style-type: none"> <li>• Approved two commitments totaling US\$ 35 million out of projected US\$ 40 million of commitments.</li> </ul>
<b>2025</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Approved one commitment of US\$ 20 million.</li> </ul>

# Proposed Investment Policy Update

## Current



## Dec 2025 <sup>1</sup>



1. Delayed per Investment Committee

# Thank you