
Subject **Investment Committee Chair Report**

Category **For Information**

Section A: Introduction

- This report provides the Board with an overview of the activities of the Investment Committee (“Committee”) since the Committee Chair last reported to the Board in December 2023. The Committee met twice in 1H 2024. Three key topics covered were (1) portfolio performance; (2) private assets implementation; and (3) sustainable investment review.
- All values are reported as of 31 March 2024. The long-term portfolio value is US\$ 1,385 million including advanced contribution and cash held at custodian, an increase of US\$ 137 million from the value last reported at the December 2023 board meeting. The long-term portfolio does not have cash inflows so the increase is solely related to performance.
- For the trailing 12 months ending 31 March, the long-term portfolio delivered +14.6% versus +11.0%, or +3.6% of excess performance. Calendar year 2023 performance was also very strong: +13.2% versus the policy index return of +11.8%. or excess performance of +1.4%. The long-term portfolio delivered five consecutive calendar years of excess performance (2019 through 2023).
- Strong performance of global financial markets has been driven by a resilient economy, consumer spending, and technological innovation. Sticky US inflation and higher-for-longer interest rates pose a potential threat to the financial markets in the second half of the year.
- Performance results were strong across the major asset classes in the long-term portfolio. For the trailing twelve months ending 31 March 2024, fixed income (37% of portfolio) was the strongest performer on a relative basis, outperforming its market benchmark by +7.0%. Diversifiers (17% of portfolio) outperformed its market benchmark by +2.3%. Equities (45% of portfolio) trailed its market benchmark by -0.5% but strong performance from the asset class on an absolute basis helped overall portfolio performance. The private assets allocation is de minimus (<1%) and its illiquidity also means performance measurement is less frequent.
- The private assets implementation that began in 2023 continues into 2024 as part of a high priority, multi-year buildout. Private assets include private equity and real estate. In 2023 the Investments team initiated the private equity allocation, making commitments to three managers. Weighing the impact of higher interest rates on real estate, the Committee’s guidance was to delay real estate implementation until 2024.

- When the Investment Committee began preparing for its private assets implementation in 2022, it articulated its risk appetite as moderate. In addition, the Committee regularly reviews in advance the commitments it wishes to make for each calendar year – also known as the pacing analysis. The opportunity set for future commitments is also another regular discussion at every Committee meeting.
- During 1H 2024, the Committee approved two managers for private equity (US\$ 25 million) and two managers for real estate (US\$ 35 million) for a total of US\$ 60 million.
- The Committee reviewed a proposed three-part framework for evaluating sustainability/environment, social and governance (“ESG”) using systematic measurement in the portfolio covering organisation, strategy and portfolio holdings.
- Gavi’s investment consultant committed to providing ESG coverage for every organisation (i.e., investment manager) and strategy in the long-term portfolio. The consultant’s coverage includes policies, processes as well as qualitative assessments. The Investments team will be responsible for the holdings evaluation which will require independent, external assessments. Vendor capabilities are under review.
- As per the Investment Committee charter, the Committee should periodically conduct an asset allocation review to ensure that the long-term portfolio construction is appropriate for organisation’s risk appetite. The Committee reaffirmed the current asset allocation.
- The Investment Committee and Audit and Finance Committee Chairs collaborated on investment income budgeting and spending policy reviews. The former will be reflected in the financial forecasts whereas the latter will require additional consultation. In addition, the Chairs initiated a review of how best to govern internal pools of capital with dedicated uses.
- The Investment Committee Chair report is attached in the form of a presentation as Annex A. There are no recommendations to the Gavi Alliance Board.

Annexes

Annex A: Investment Committee Chair report

INVESTMENT COMMITTEE CHAIR REPORT

BOARD MEETING

Yibing Wu

6-7 June 2024, Geneva, Switzerland



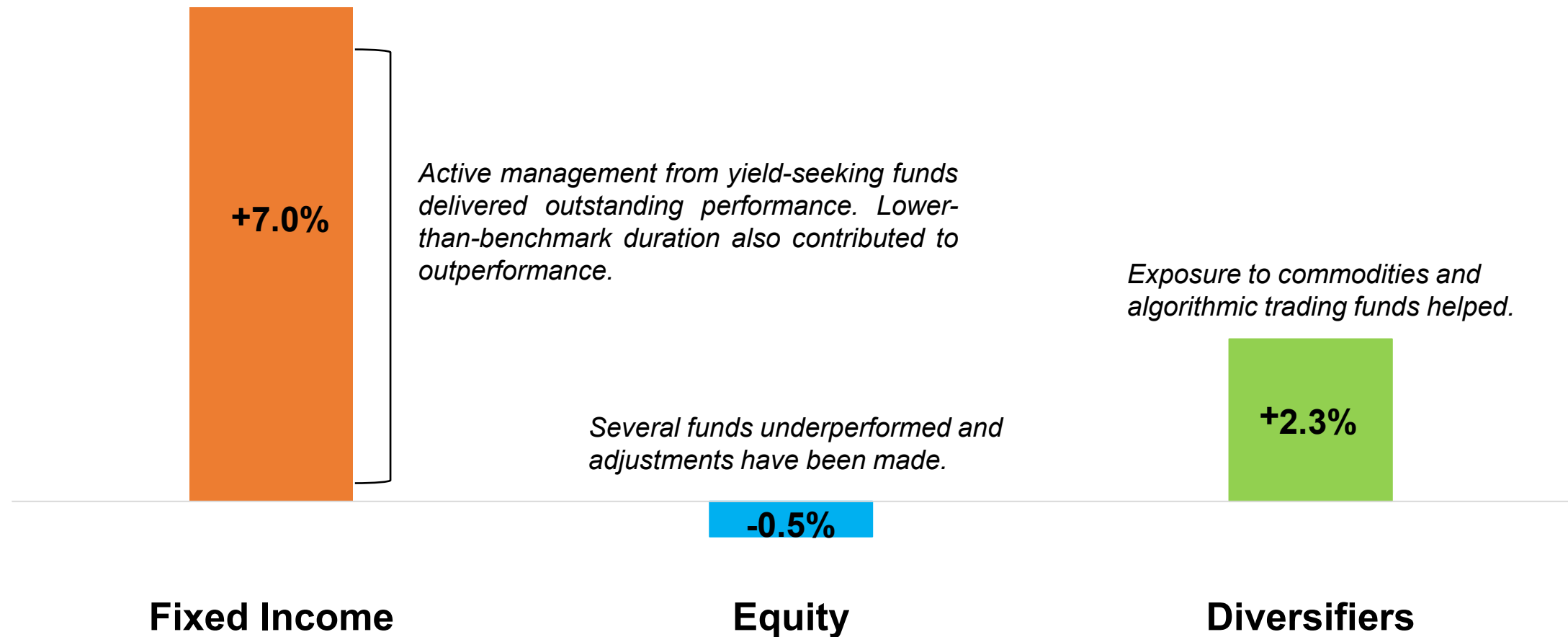
Portfolio: Consistent Outperformance

Exposure vs. Benchmark	Q1 2024	1 Yr	3 Yrs	5 Yrs
Fixed Income	1.5%	7.9%	2.2%	3.7%
High Quality	0.3%	3.5%	(0.3%)	1.8%
Yield Seeking	2.4%	12.7%	4.8%	6.6%
<i>Bloomberg Multiverse</i>	<i>(1.9%)</i>	<i>0.9%</i>	<i>(4.5%)</i>	<i>(1.0%)</i>
Equity	7.8%	22.0%	6.3%	10.3%
<i>MSCI ACWI IMI</i>	<i>7.7%</i>	<i>22.5%</i>	<i>6.3%</i>	<i>10.6%</i>
Diversifiers	2.7%	13.6%	6.9%	6.8%
<i>Credit Suisse Multi-Strategy</i>	<i>4.3%</i>	<i>11.4%</i>	<i>6.1%</i>	<i>6.1%</i>
Private Assets	N/A	1.5%	N/A	N/A
	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Long-term portfolio	4.5%	14.6%	5.3%	6.7%
<i>Policy Index</i>	<i>3.2%</i>	<i>11.0%</i>	<i>1.8%</i>	<i>4.2%</i>
Excess Performance	+1.3%	+3.6%	+3.5%	+2.5%

Data as of 31 March 2024.

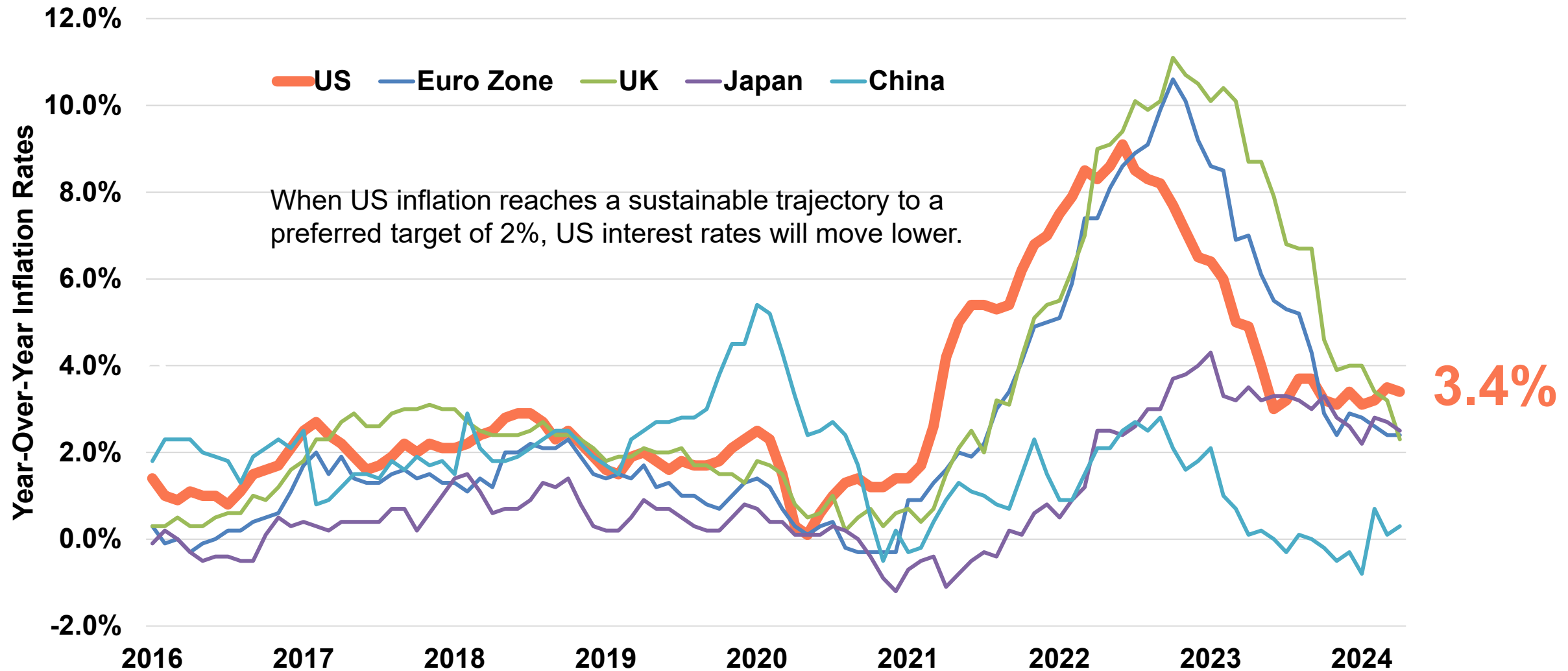
Asset Class: Trailing 12 Months' Performance

Manager selection is the primary driver of long-term portfolio outperformance.



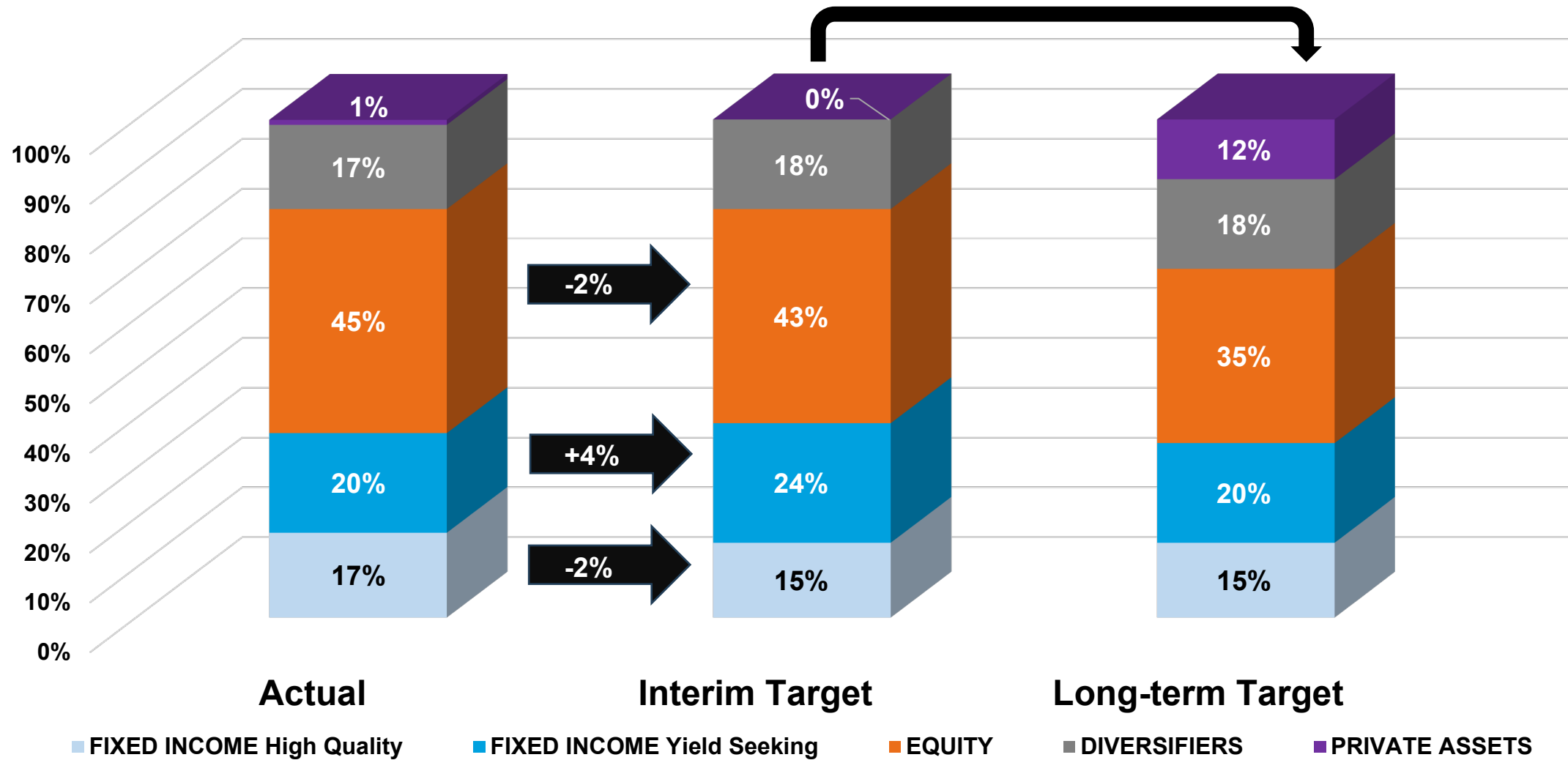
Data as of 31 March 2024.

US Inflation Lower But Sticky



Bloomberg data through April 2024

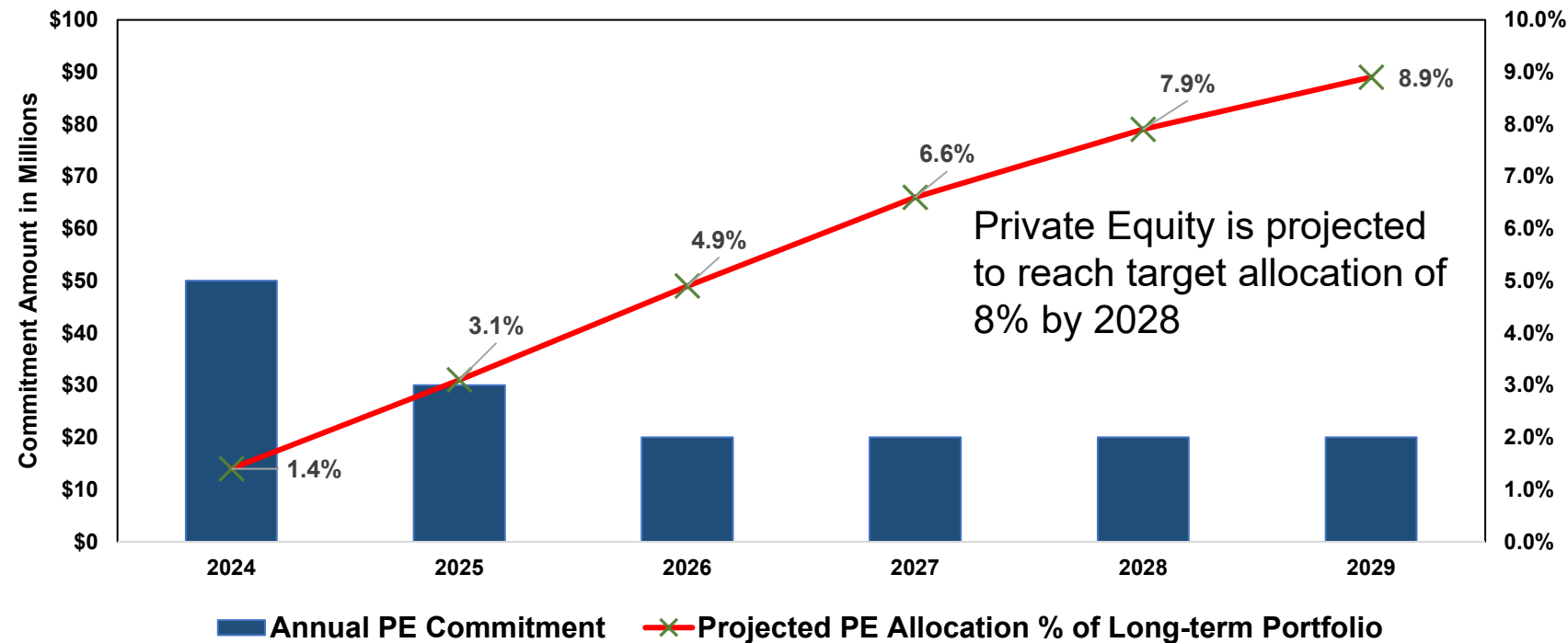
Portfolio Transition To Long-Term Target



Data as of 31 March 2024.

Private Equity Implementation

Private equity (8% target allocation): Gavi made two commitments for a total of US\$ 25 million* in 2024 out of projected commitments of US\$ 50 million.

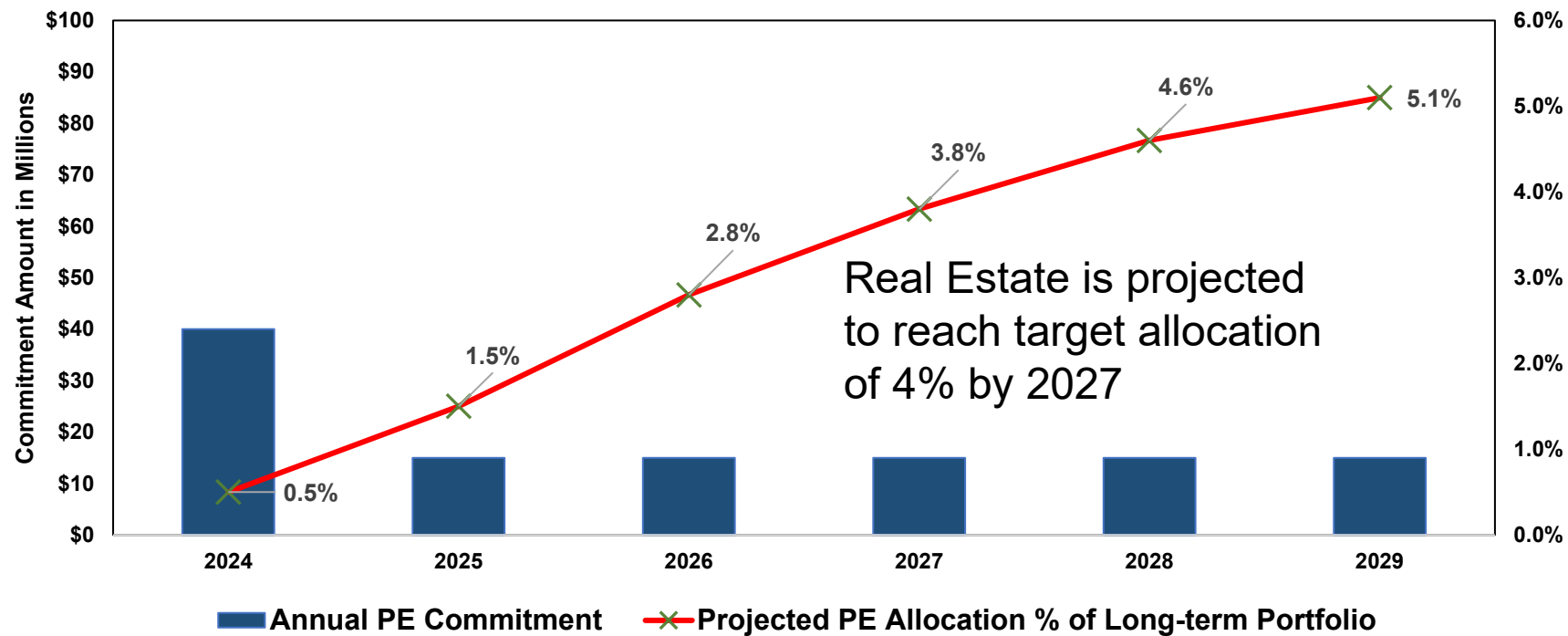


Analysis shown for illustrative purposes only

- If the strategies are oversubscribed, then Gavi will receive a lower allocation. Oversubscription is a common occurrence in private equity investing.

Real Estate Implementation

Real estate (4% target allocation): Gavi delayed implementation until 2024. Gavi made two commitments for a total of US\$ 35 million out of projected commitments of US\$ 40 million.



Analysis shown for illustrative purposes only

Near-Term Review

- ❑ **Cash:** US rates will remain elevated until inflation has a sustainable pathway to lower levels.
- ❑ **Equities:** Strong gains year-to-date have been driven by a resilient economy and excitement over artificial intelligence. The Investments team is still constructive on equities but has moderated expectations for the second half of the year.
- ❑ **Fixed Income:** Meaningful yields continue to make the asset class attractive. Within the high-quality allocation, the Investments team is slowly shifting assets away from the short-end because rates will likely ease later in the year. The yield-seeking allocation provides a solid income stream to the long-term portfolio.
- ❑ **Diversifiers:** Continue to fine tune this allocation to ensure it helps to mitigate portfolio volatility.
- ❑ **Private Assets:** Higher interest rates create a higher hurdle for manager selection. The Committee oversees a gradual implementation using a moderate risk approach. This allocation receives a dedicated session at every quarterly Investment Committee meeting.

2024 Priorities

Annex A

Continue to deliver
outperformance

- Delivered calendar year 2023 outperformance.
- Q1 2024 performance is ahead of policy benchmark.
- In accordance with IC charter, the Committee reviewed asset allocation and opted to make no changes.

Implement Private
Assets Programme

- Additional Private Equity commitment(s) in focus for 2H 2024.
- Real estate commitments for vintage year 2024 completed.

Strengthen
Collaboration with AFC

- IC and AFC Chairs agreed upon investment income budgeting and spending policy.
- In addition, they initiated a review of multiple pools of capital with the objective of identifying potential efficiencies.

Finalise Sustainable
Investment Policy

- Sustainable data vendor outreach and exploration of options are underway.
- Finalisation of revised policy may extend into 2025.

Appendix

Long-Term Portfolio Monthly Returns

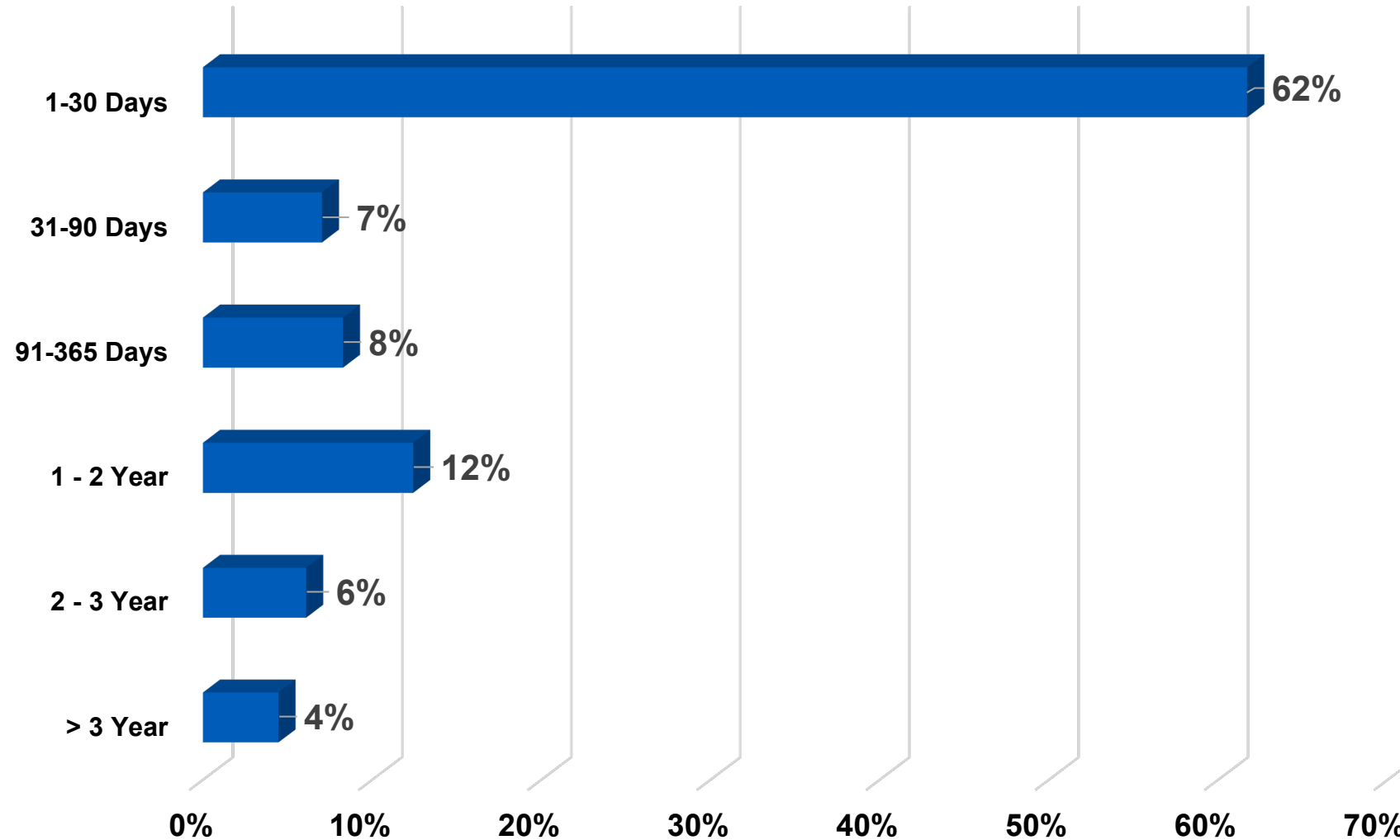
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
January	-0.14%	0.64%	-2.01%	1.47%	1.33%	2.77%	0.76%	-0.71%	-2.36%	3.13%	0.68%
February	2.10%	1.71%	-0.43%	1.41%	-1.84%	0.90%	-1.77%	0.86%	-1.75%	-0.82%	2.02%
March	0.13%	-0.08%	3.33%	0.60%	0.07%	1.33%	-9.71%	0.09%	-0.22%	0.82%	1.71%
April	0.60%	1.02%	1.24%	1.14%	-0.01%	0.88%	4.56%	1.94%	-1.90%	0.74%	
May	1.43%	0.03%	0.42%	1.04%	-0.60%	-0.14%	3.26%	1.10%	-0.47%	0.37%	
June	1.01%	-1.36%	0.17%	0.58%	-0.52%	2.43%	2.47%	1.02%	-3.20%	2.25%	
July	-0.54%	-0.07%	1.81%	1.26%	0.76%	0.69%	2.67%	0.69%	2.38%	1.71%	
August	1.29%	-2.79%	0.65%	1.00%	0.06%	-0.36%	1.84%	1.31%	-0.94%	-0.67%	
September	-1.76%	-1.76%	0.60%	0.43%	0.31%	-0.34%	-0.49%	-0.52%	-3.71%	-1.20%	
October	0.78%	2.80%	-0.21%	0.65%	-2.08%	0.87%	-0.33%	1.23%	1.23%	-1.18%	
November	0.51%	-0.28%	-0.52%	0.58%	-0.19%	0.96%	4.28%	-0.93%	2.46%	4.32%	
December	-1.20%	-1.25%	1.30%	0.96%	-0.50%	1.75%	3.23%	1.67%	-0.35%	3.12%	
Year	4.22%	-1.57%	6.35%	11.70%	-3.20%	12.42%	10.41%	7.96%	-8.60%	13.22%	4.47%
	Greater than +1.5%		Between 0% and +1.5%			Between -1.5% and 0%			Less than -1.5%		

Data as of 31 March 2024.

Long-Term Portfolio Full Redemption Liquidity

Annex A

62% of the Gavi Portfolio has full liquidity of 30 days or less



Data as of 31 March 2024.

Private Assets Implementation

	Private Equity (8%)	Real Estate (4%)
2022	<ul style="list-style-type: none"> • Agreed on core-satellite approach • Articulated private equity philosophy grid 	<ul style="list-style-type: none"> • Agreed on core-satellite approach • Articulated real estate philosophy grid
2023	<ul style="list-style-type: none"> • Prioritized effort to take advantage of market opportunities. • Made total commitments of US\$ 40 million in line with plan projections 	<ul style="list-style-type: none"> • Delayed commitments given uncertainty of rising rate environment • Prioritized review of opportunity set in November 2023
2024	<ul style="list-style-type: none"> • YTD approved two commitments with total of US\$ 25 million out of projected US\$ 50 million of commitments 	<ul style="list-style-type: none"> • YTD approved two commitments totaling US\$ 35 million out of projected US\$ 40 million of commitments.

Thank you