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Subject            **Investment Committee Chair Report**

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Category           **For Information**

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### **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 June 2024. The Committee met 4 times in 2024. Three key topics in focus throughout the year include: (1) long-term portfolio performance; (2) private assets (private equity and real estate) fund recommendations; (3) sustainable investment framework revision.
- All values are reported as of 30 September 2024. The long-term portfolio value is US\$ 1,455 million including advanced contributions and cash held at the custodian, an increase of US\$ 70 million to value last reported at the June 2024 board meeting. 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 30 September, the long-term portfolio delivered +9.7% versus a policy benchmark return of +10.2%, or -0.5% of underperformance. During the year, the Investments team made recommendations to exit several investment managers with weak performance or other critical issues (e.g., operational lapse), and recommended several new investment managers to improve performance. For historical context, the long-term portfolio delivered five consecutive calendar years of outperformance (2019 through 2023). Over the 3 years’ and 5 years’ annualised bases, excess performance remains strong at respectively 2.0% and 2.2%.
- Continued strength in the U.S. economy and excitement around artificial intelligence helped buoy equity markets. Strong U.S. equity performance has been narrowly based on key technology-oriented names although the base of strength has broadened. Cooling inflation provided sufficient impetus for the U.S. Federal Reserve’s decision to start cutting rates in September 2024, an action that is supportive of risk assets. On the downside, geopolitical instability and the U.S. fiscal deficit remain counterweights to the tailwinds previously described. As a reminder, the long-term portfolio implementation is organised for balanced risk so that it can weather various economic scenarios.
- Performance results across asset classes were mixed. On a year-to-date basis ending 30 September 2024, fixed income (38% of portfolio) was the strongest performer on a relative basis, outperforming its market benchmark by +2.6%. Diversifiers (17% of portfolio) underperformed its market benchmark by -5.4%. A trend-following systematic strategy contributed significantly to the underperformance. Equities (44% of portfolio) trailed its market benchmark by -2.3% but strong performance from the asset class on an absolute basis helped overall portfolio performance. Two investment managers with weaker

performance hurt the equity portfolio, and the Investments team recommended their removal. Given their exits have been planned for Q4 2024, a potential improvement in performance will not be reflected until 2025. The private assets allocation is de minimis (<2%) and its illiquidity also means performance measurement has a quarter lag. The most recent performance measurement is for 30 June and has been independently calculated as +14.3% versus a benchmark performance of +6.7%.

- 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. The private assets managers bring strategies to market on a periodic basis so a market mapping by manager and potential size of the strategy is crucial to the planning process. In 2024, the total commitment initially discussed in the pacing analysis was US\$ 90 million and the Committee agreed to make total commitments of US\$ 85 million, with the remaining US\$ 5 million rolled over into future years. In terms of manager allocation in 2024, the Investment Committee approved 6 managers, with US\$ 10 million as the smallest allocation and US\$ 20 million, the largest.
- For 2025, the model projections in the private assets pacing analysis suggest the approximate amounts for private assets will be US\$ 65 million – US\$ 40 million for private equity and US\$ 25 million for real estate.
- Going into 2025, an asset allocation review is a high priority for the Investment Committee. The run-up in equity markets and the reduction of U.S. interest rates provide sufficient rationale to conduct a review and discuss whether any shifts in the asset allocation are warranted as well as how each asset class is implemented. For institutional investors such as Gavi, it is best practice to conduct a periodic review to re-underwrite time horizon, liability profile, and ability to withstand volatility, which together form the basis of risk appetite. Any proposed changes to target allocations will be reflected in the Asset Allocation Statement and reported to the Board.
- The Investments team plans to implement a new sustainable investment framework. In terms of governance, the current Sustainable Investment Policy will be re-written next 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. These changes will precipitate a review of the Investment Policy.
- In 2024 there was an increase in the collaboration between the Audit and Finance Committee and the Investment Committee. First, the Treasury team began delivering updates on short-term portfolio investments and the cash forecast at Investment Committee meetings. These updates will remain a regular agenda item. In addition, the Treasury team apprised the Investment Committee of the lead candidates for portfolio management of the First

Response Fund and AVMA. The Committee will lend its asset allocation expertise at the appropriate time for these two pools of assets.

- 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

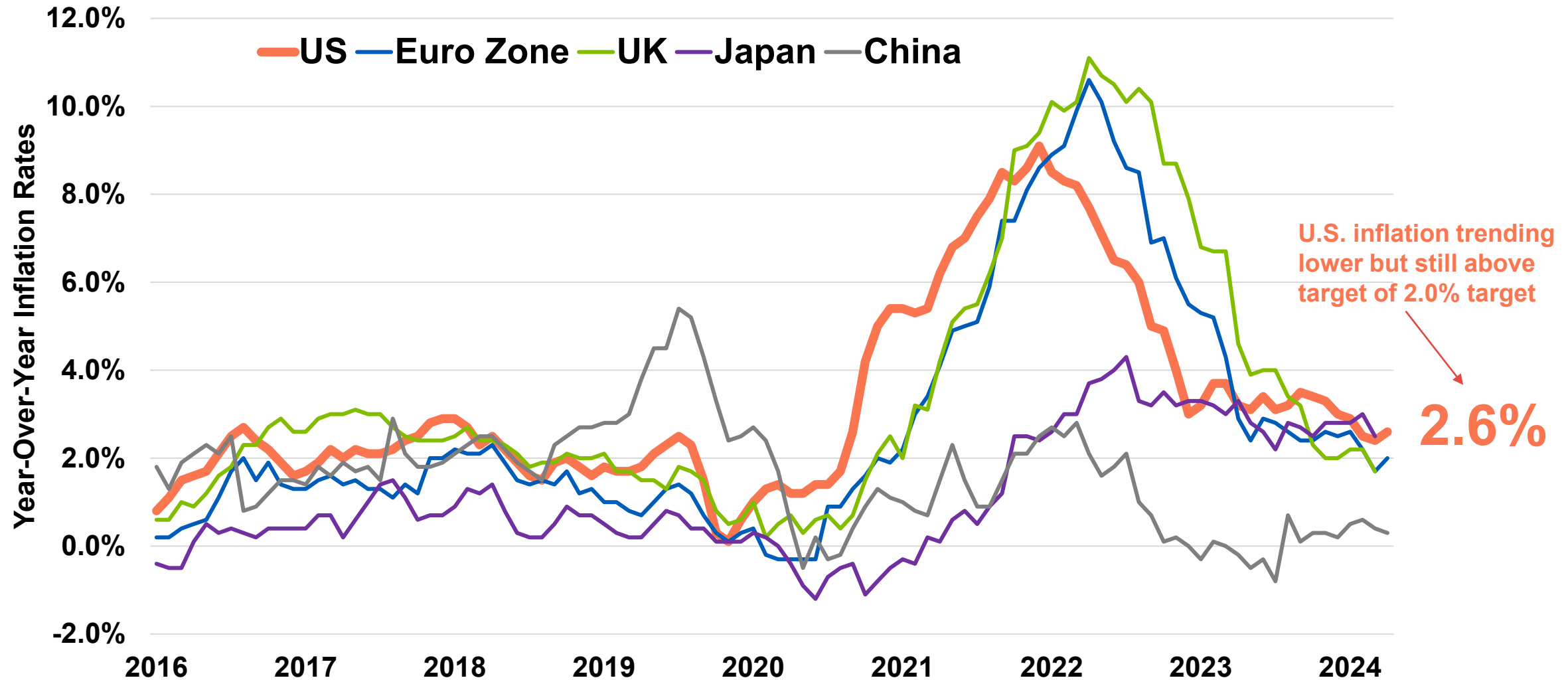
BOARD MEETING

**Yibing Wu**

4-5 December 2024, Bali, Indonesia

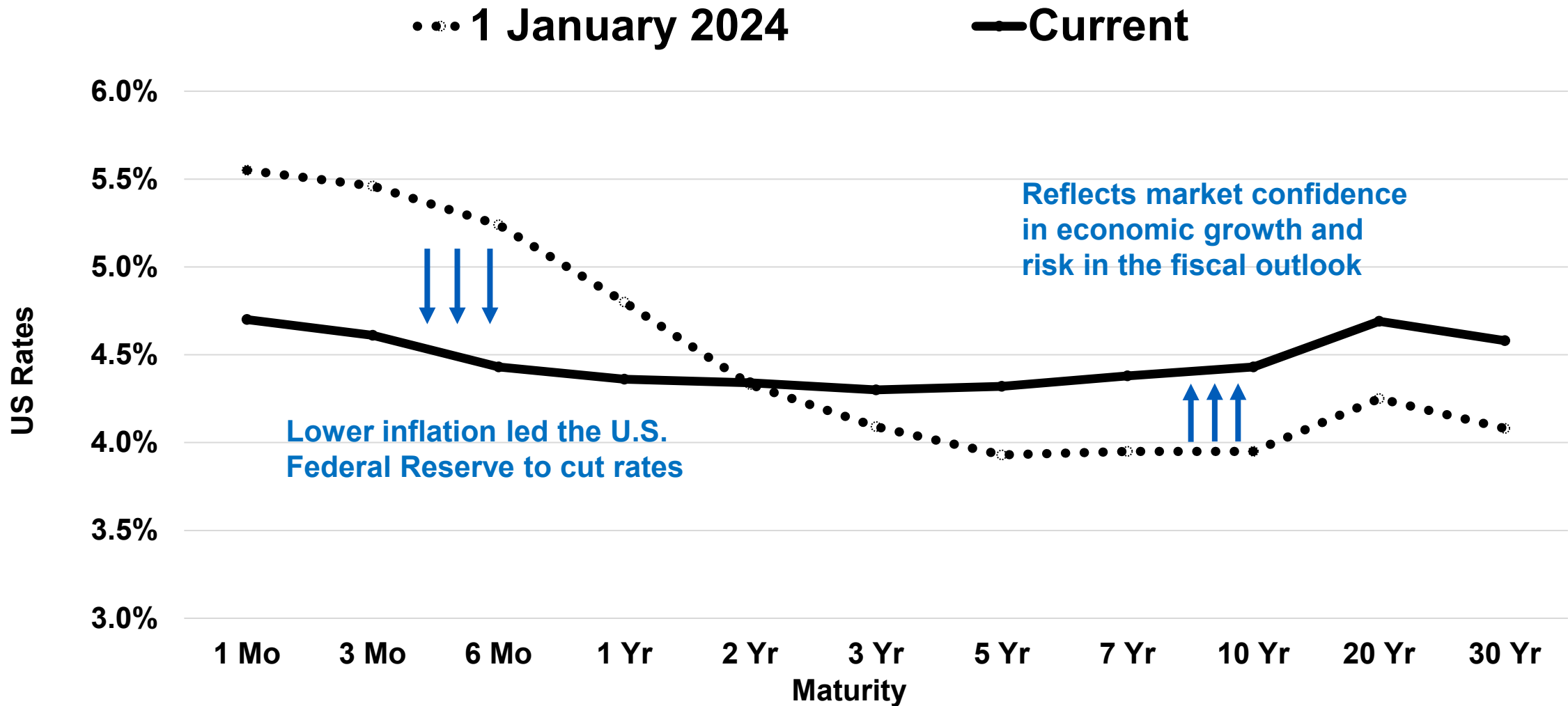


# Global Inflation Landscape



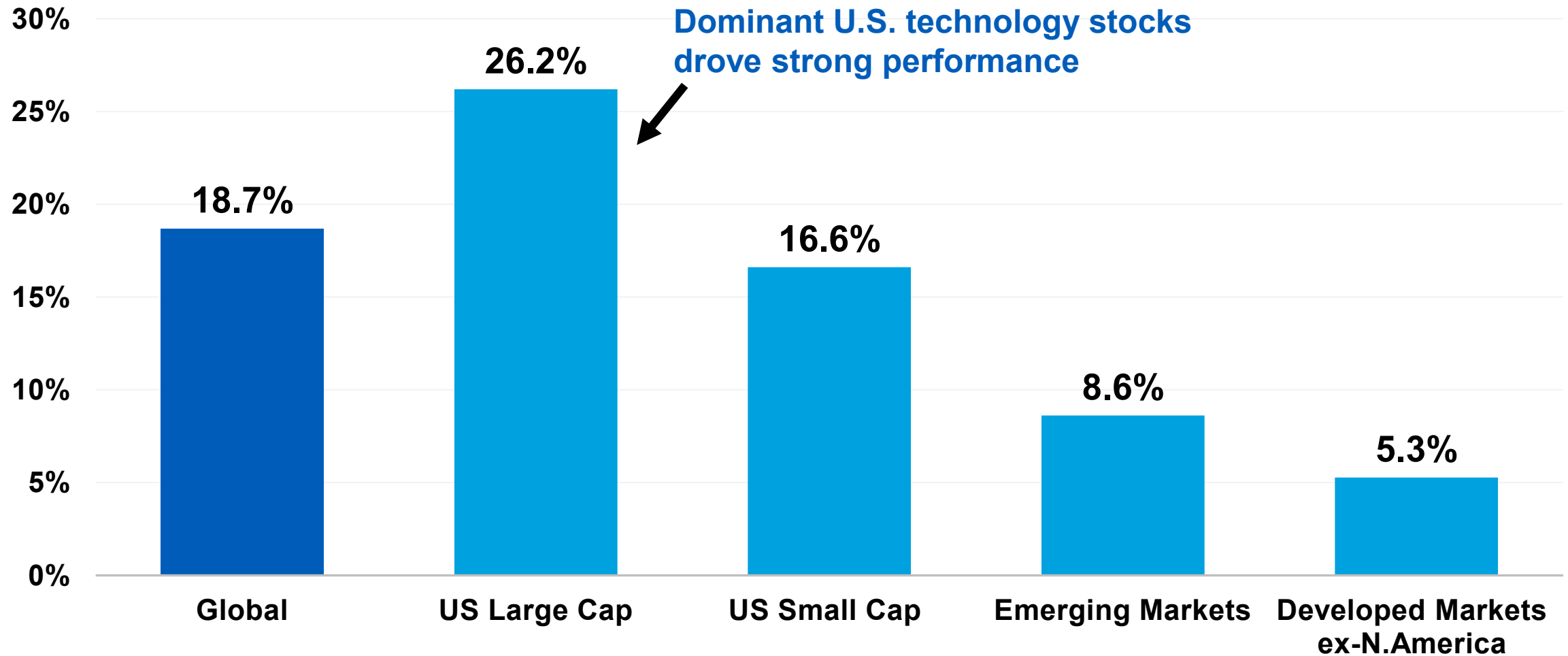
Bloomberg data as of 14 November 2024

# U.S. Yield Curve Flattens



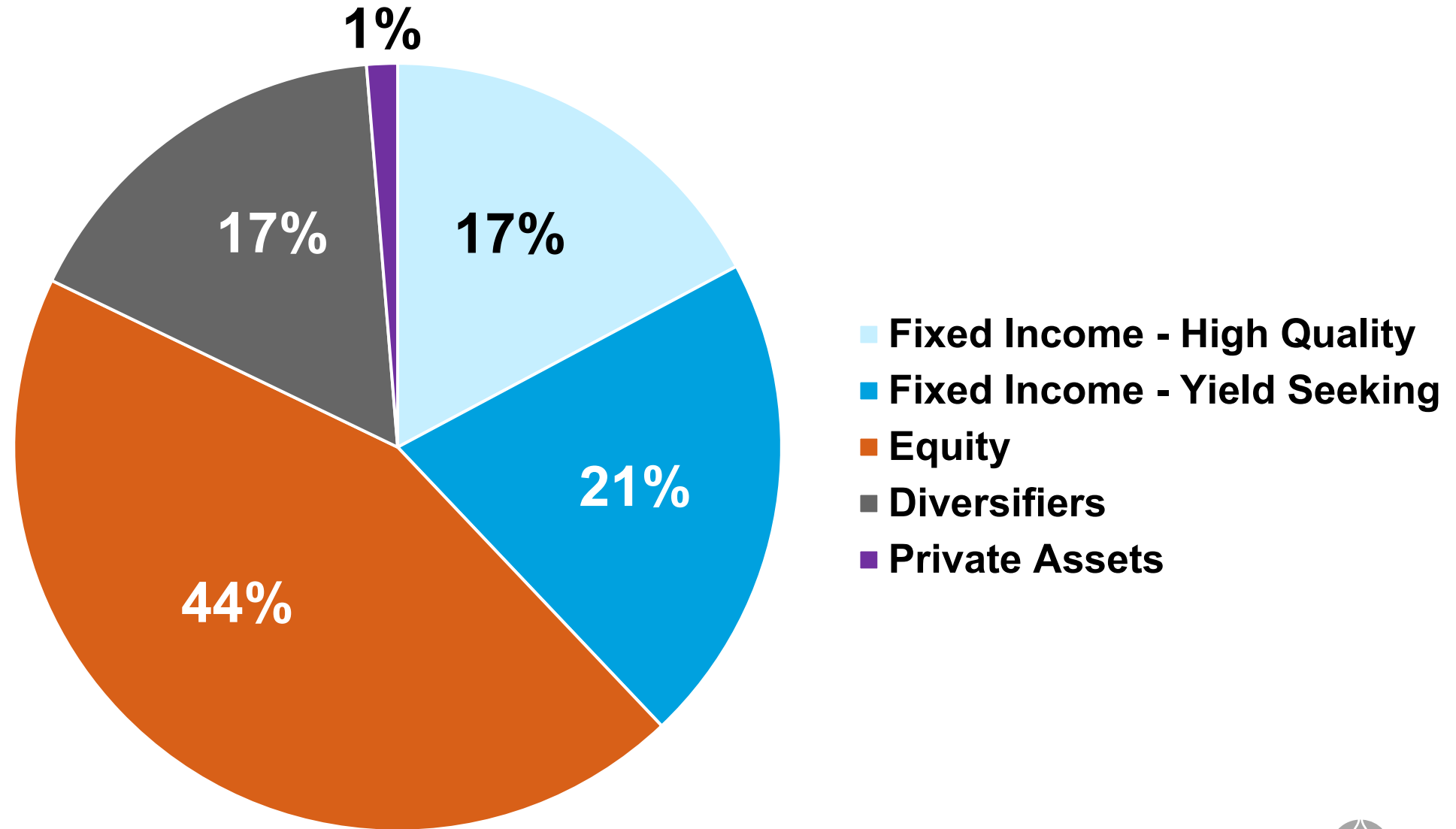
Source: Bloomberg data through 14 November 2024

# Equity Market Performance Year-To-Date



Source: Bloomberg data through 14 November 2024

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



Data as of 30 September 2024.

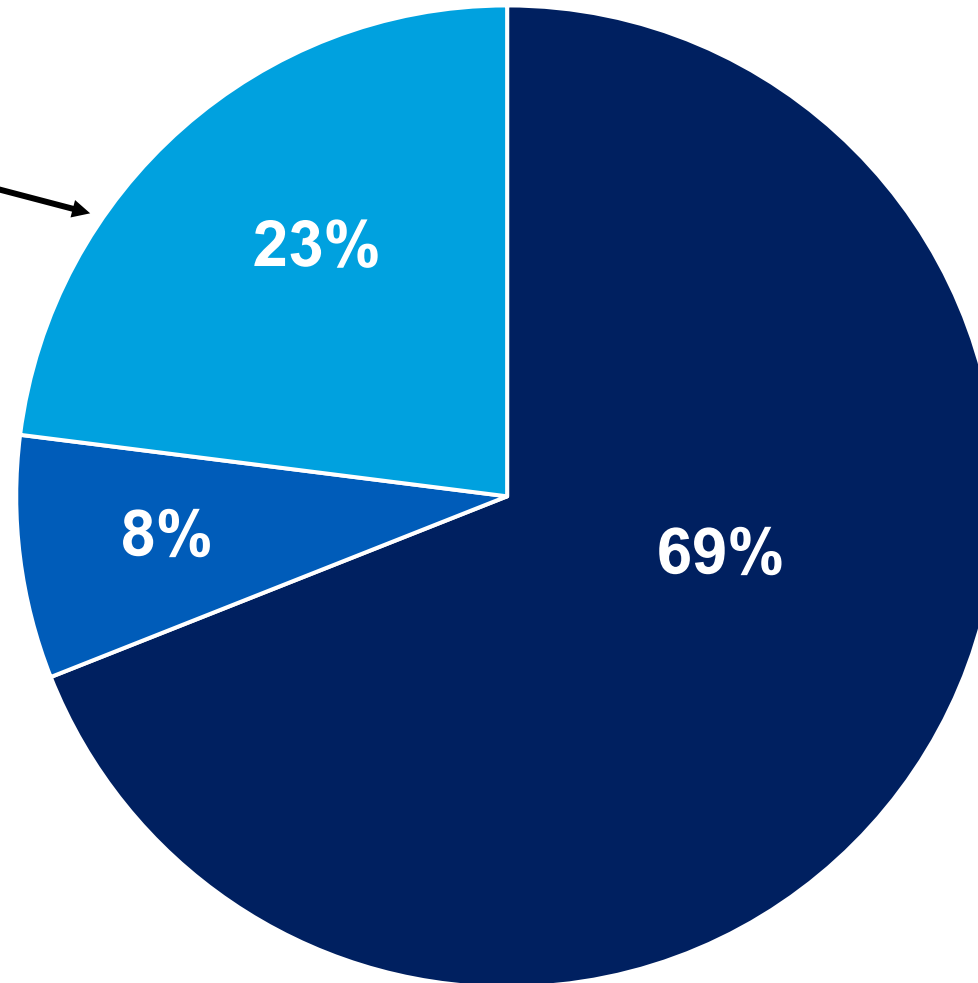
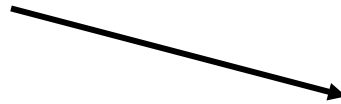
(1) Includes LODH cash US\$ 43 million.



# Long-Term Portfolio Liquidity (US\$ 1.5 billion)<sup>1</sup>

Annex A

Trade off liquidity for a broader opportunity set



- 1 - 90 Days
- 91 Days - 1 Year
- > 1 Year

Data as of 30 September 2024.

(1) Includes LODH cash US\$ 43 million.

# Portfolio Performance

Annex A

Exposure Vs. Benchmark	YTD 2024	2023	2022	2021	2020	2019
<b>Fixed Income</b>	<b>6.5%</b>	<b>9.6%</b>	<b>(8.8%)</b>	<b>5.4%</b>	<b>6.5%</b>	<b>8.2%</b>
<b>High Quality</b>	4.6%	5.7%	(8.4%)	1.0%	7.3%	6.2%
<b>Yield Seeking</b>	7.8%	13.9%	(7.5%)	10.2%	9.8%	8.4%
<i>Bloomberg Multiverse</i>	<i>3.8%</i>	<i>6.1%</i>	<i>(16.0%)</i>	<i>(4.5%)</i>	<i>9.0%</i>	<i>7.1%</i>
<b>Equity</b>	<b>15.6%</b>	<b>19.7%</b>	<b>(17.7%)</b>	<b>15.6%</b>	<b>21.4%</b>	<b>20.2%</b>
<i>MSCI ACWI IMI</i>	<i>17.8%</i>	<i>21.6%</i>	<i>(18.4%)</i>	<i>18.2%</i>	<i>16.3%</i>	<i>26.4%</i>
<b>Diversifiers</b>	<b>2.3%</b>	<b>8.8%</b>	<b>3.2%</b>	<b>4.2%</b>	<b>8.0%</b>	<b>12.4%</b>
<i>Credit Suisse Multi-Strategy</i>	<i>7.6%</i>	<i>8.0%</i>	<i>1.3%</i>	<i>7.0%</i>	<i>5.6%</i>	<i>7.3%</i>
<b>Private Assets</b>	<b>14.3%</b>	<b>22.9%</b>	N/A	N/A	N/A	N/A
<i>C/A Global All PE Vintage Yr 2023+</i>	<i>6.7%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<b>Long-term portfolio</b>	<b>9.7%</b>	<b>13.2%</b>	<b>(8.3%)</b>	<b>7.8%</b>	<b>10.4%</b>	<b>12.4%</b>
<b>Policy Index</b>	<b>10.2%</b>	<b>11.8%</b>	<b>(12.4%)</b>	<b>4.0%</b>	<b>9.9%</b>	<b>11.4%</b>
<b>Difference</b>	<b>(0.5%)</b>	<b>1.4%</b>	<b>4.1%</b>	<b>3.8%</b>	<b>0.5%</b>	<b>1.0%</b>

Data as of 30 September 2024.

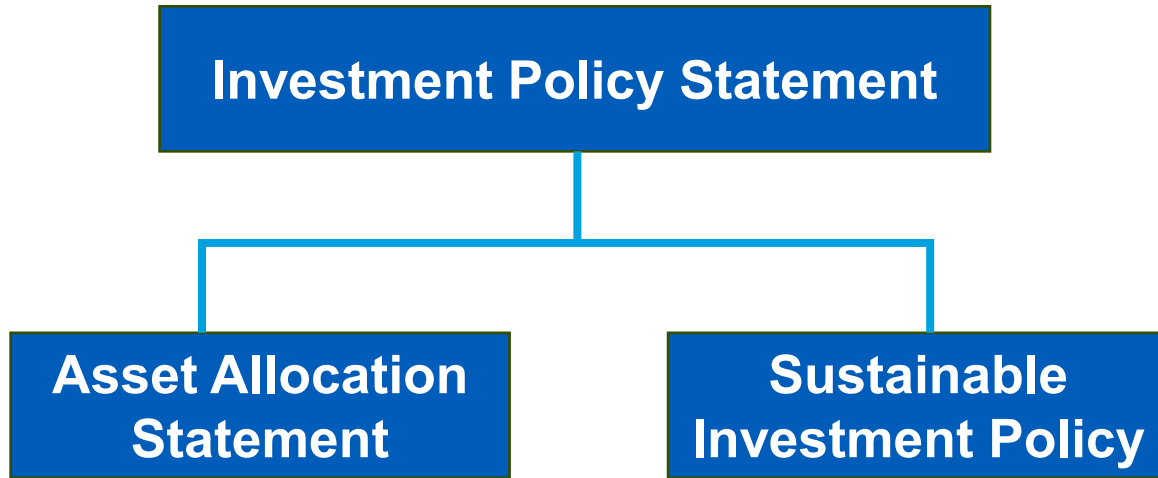
# Sustainable Investment Framework

The Investment Committee agreed to a more comprehensive framework. The aim is to execute the future framework at the same cost.

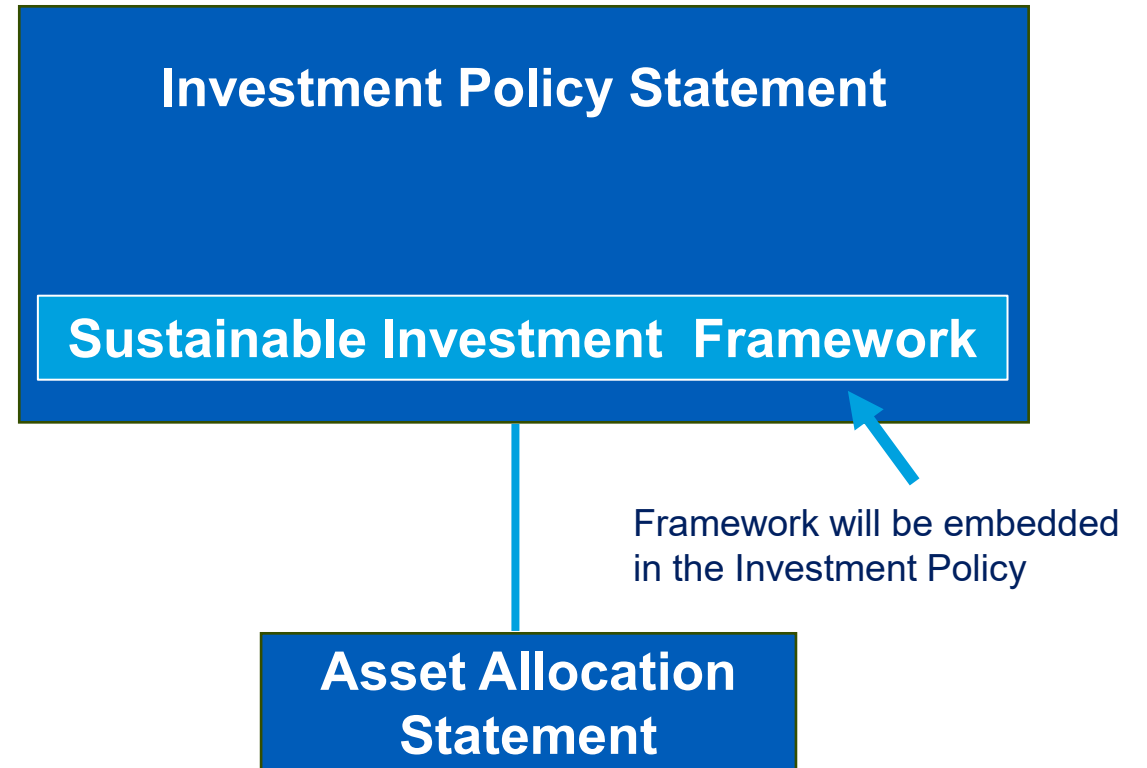
	Current	Future
<b>Implementation</b>	Negative screening	Three-tier review
<b>Frequency</b>	Semi-annual	Annual
<b>Coverage</b>	1. Holdings: behavior or industry tied to a corporate security	1. Holdings: overall rating tied to a corporate security 2. Manager: engagement policies/resource commitments 3. Strategy: integration into risk management

# Proposed Investment Policy Update

## Current



## June 2025



# Asset Class Summary

- ❑ **Equities:** New governments as a result of elections in major markets will impact the regulatory landscape, industrial policy, and subsequently, the opportunity set. We expect increased market volatility in 2025.
- ❑ **Fixed Income:** Meaningful yields continue to make the asset class attractive compared to pre-pandemic levels. The team invest in managers who deliver solid income streams and seek tactical opportunities. Managing duration risk will be a key consideration.
- ❑ **Diversifiers:** The team continues to add new managers that access diverse opportunity sets and mitigate portfolio volatility. Some existing managers will exit.
- ❑ **Private Assets:** In its second year, the team continues to build up the private assets programme toward its target allocation of 12%. The Committee remains supportive of a moderate risk approach that focuses on diversification.

# 2025 Priorities By Theme

- ❑ **Asset Allocation:** A regular review of asset valuations informs the Committee where to allocate risk in exchange for returns based on long-term expectations. In Q1 2025 the Committee will review an asset allocation study and identify a preferred option for asset class targets given Gavi's risk appetite.
- ❑ **Strong Governance:** An overall review of the Investment Policy will include a new sustainable investment framework and an updated Asset Allocation Statement. A regular review ensures that the policies and frameworks provide appropriate guardrails for the Committee's decision making and clear communication to internal and external stakeholders.
- ❑ **Collaboration with Audit & Finance Committee:** Starting in 2024, the Treasury team began delivering updates at the Investment Committee meetings. In addition, the Investment Committee will lend its expertise on asset allocation to the First Response Fund and AVMA.

# 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%	-1.46%
May	1.43%	0.03%	0.42%	1.04%	-0.60%	-0.14%	3.26%	1.10%	-0.47%	0.37%	1.83%
June	1.01%	-1.36%	0.17%	0.58%	-0.52%	2.43%	2.47%	1.02%	-3.20%	2.25%	1.00%
July	-0.54%	-0.07%	1.81%	1.26%	0.76%	0.69%	2.67%	0.69%	2.38%	1.71%	1.11%
August	1.29%	-2.79%	0.65%	1.00%	0.06%	-0.36%	1.84%	1.31%	-0.94%	-0.67%	1.11%
September	-1.76%	-1.76%	0.60%	0.43%	0.31%	-0.34%	-0.49%	-0.52%	-3.71%	-1.20%	1.24%
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%	9.70%
	Greater than +1.5%		Between 0% and +1.5%			Between -1.5% and 0%			Less than -1.5%		

Data as of 30 September 2024.



# Private Assets Implementation

## Private Equity (8%)

## Real Estate (4%)

	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>

# Thank you