

## DOCUMENT ADMINISTRATION

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## **1. Introduction**

- 1.1. The purpose of the Investment Policy (“Policy”) is to assist the Investment Committee (“Committee”), the Gavi Alliance Secretariat Investments Team (“Investments Team”) and Investment Managers (the “Managers”) in effectively managing the Gavi Alliance’s investments.
- 1.2. This Policy governs the management of the Gavi Alliance’s long-term portfolio (“portfolio”) and should be read in conjunction with the Asset Allocation Statement. The Committee shall review and set this Policy in accordance with the Investment Committee charter and amend it as appropriate from time to time.<sup>1</sup>

## **2. Investment objectives**

- 2.1. The composition of the short-term portfolio will be conservative investments that retain their value over a short-term horizon. The short-term investment objectives are the following:
  - Preserve the value and safety of the principal;
  - Maintain liquidity;
  - Provide diversification of credit and market risk exposure;
  - Generate income
- 2.2. The composition of the long-term portfolio will be predicated on Gavi Alliance’s long-term financial forecasts and spending needs. Under the Committee’s oversight, the Investments Team shall ensure prudent diversification among asset classes and individual investments. The long-term investment objective should be achieved within acceptable risk levels, which shall include mitigating the risk of large short-term declines in market value.
- 2.3. The long-term investment objectives are the following:
  - Provide a prudent degree of growth in assets to support the organisational mission utilising a total return approach;
  - Generate a positive real (after inflation) return;
  - Generate income and capital appreciation;
  - Provide for prudent diversification of investments by minimising correlation among investments strategies;
  - Maintain liquidity to meet operating requirements;
  - Total portfolio volatility will be evaluated regularly as part of the asset allocation and portfolio risk reviews.
- 2.4. Gavi Alliance assets will be managed to ensure compliance at all times with applicable statutes and regulations.
- 2.5. The reporting currency of the Gavi Alliance is the US dollar.

## **3. Investment management structure**

- 3.1. The Managers will manage the Portfolio’s assets according to the investment guidelines reviewed and approved by the Investments Team under the oversight of the Committee. Each Manager has discretion to manage the assets in their particular portfolio to best achieve the investment objectives and requirements,

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<sup>1</sup> The words and expressions used in this Policy, unless the context requires otherwise, have the meaning attributed to them in the Board and Committee Operating Procedures, the Investment Committee Charter or Policy.

within the approved guidelines. Gavi's preference is to use pooled investment vehicles when possible in order to manage cost and operational complexity.

- 3.2. All Managers will be reviewed against benchmarks and a set of defined manager criteria for relative performance on a regular basis. The Investments Team shall inform the Committee of all hiring and termination recommendations prior to any binding agreement.

#### 4. Short-term portfolio composition

- 4.1. The core of the short-term portfolio will be liquid, fixed income instruments and strategies such as, low duration fixed income and short duration fixed income.
- 4.2. The following guidelines pertain to low duration and short duration fixed income mandates:
  - A minimum average credit rating of A, as measured by the composite profile of the underlying securities;
  - A maximum duration of 2.5 years;
  - Daily liquidity;
  - The general investment guidelines shall have limits for concentration, maturity and quality.
- 4.3. The low and short duration fixed income mandates may invest in:
  - Securities issued or guaranteed by the US government, its agencies, and instrumentalities;
  - Securities issued or guaranteed by US local, city and state governments and their agencies and instrumentalities;
  - US investment grade corporate debt.

#### 5. Long-term portfolio composition

- 5.1. The core of the long-term portfolio will consist of four major market exposures categorised as: Fixed Income, Equity, Diversifiers and Private Assets. The long-term portfolio has a total return focus, and the composition of the long-term portfolio will shift depending on the relative attractiveness of market exposures. As a result, the long-term portfolio has ranges for each of the major market exposures shown in the Asset Allocation Statement. The Committee shall review the ranges on a regular basis.
- 5.2. **Fixed Income:** This market exposure includes domestic (i.e., US) and international investments. There are two categories of fixed income strategies;
  - a) High quality strategies will serve as a defensive allocation and provide liquidity. In addition, they serve as an anchor during low growth and disinflationary environments. These strategies will generally invest in securities issued or guaranteed by the US government and its agencies and instrumentalities, investment grade corporate debt, and other fixed income securities that possess a liquid secondary market and collectively have an investment grade credit rating on a weighted average basis.
  - b) Yield seeking strategies will offer a differentiated return. They provide higher income and invest across a spectrum of sectors, credit quality, duration, etc. In addition, these strategies are flexible and less constrained. They have a total return focus (income plus capital appreciation).

- 5.3. **Equity:** This market exposure will be used to provide growth to the long-term portfolio and diversify returns. Equity includes both domestic (i.e., United States) and international securities (including emerging markets) and instruments, and the full range of market capitalisations.
- 5.4. **Diversifiers:** This market exposure seeks to capitalise on opportunities with lower sensitivity to broad market performance (i.e., less correlated returns), an esoteric / unique profile or a tactical assessment of current opportunities. These strategies should serve as diversifiers which are not easily replicable within equity, fixed income or private assets. Taken together these strategies will be broadly diversified. Allocations will generally be through hedge funds, macro, relative value, volatility, arbitrage and infrastructure assets.
- 5.5. **Private Assets:** This market exposure will be used to provide long-term capital appreciation. Private assets strategies generally have long lock periods and /or terms to maturity (8-12 years) and will generally be illiquid in nature. There are two categories of private assets.
  - a) Private equity strategies will be invested in various underlying partnerships. This exposure will be actively managed. The total return for private equity strategies shall be expected to post positive absolute returns over an investment cycle. In addition, private equity strategies shall be expected to post returns in excess of public equity over an investment cycle given the illiquid nature of this asset class. A strategic plan shall be developed for private equity and reviewed annually. The plan will consider diversification by vintage year and strategy.
  - b) Real estate strategies include private investments in real property and related debt investments. These strategies are expected to enhance the diversification of the long-term portfolio, generate returns through income and/or capital appreciation, and provide a hedge against unanticipated inflation. The real estate allocation will be primarily to core, core-plus and opportunistic strategies.
- 5.6. Lastly, Investments may be either long-biased, long-short, trading oriented or a blend of all strategies.

## 6. Review of objectives and performance

- 6.1. All objectives and policies are in effect until modified and approved by the Committee. These objectives and policies will be reviewed annually, or such other time as the Committee deems appropriate. Deviations from the Policy shall be brought to the attention of the next regularly scheduled Committee meeting, or earlier, if deemed significant.
- 6.2. On a monthly basis, the Investments Team shall review performance of the long-term portfolio. The Investments Team shall inform the Committee of the results relative to the objectives and appropriate benchmark indices on a regular basis.
- 6.3. Consistent with the Asset Allocation Statement, the Investments team is authorised to re-balance the long-term portfolio to ensure adherence to the asset allocation targets and ranges approved by the Investment Committee for each market exposure. The Investments team will provide timely updates to the Investments Committee of any re-balancing activities.
- 6.4. The Investments Team shall maintain regular communication with the Managers in order to ascertain key business information such as but not limited to:
  - Stability in retaining and attracting qualified investment professionals;

- Effective management of asset growth;
- Client retention;
- Adherence to relevant regulations for the investment management industry;
- Adherence to the investment style and objectives sought by Gavi Alliance;
- Effective maintenance of operational and investment risk policies;
- Effective maintenance of business continuity and disaster recovery practices.

In addition, the Investments Team will perform regular due diligence of Managers.

## **7. Sustainable Investment Principles**

- 7.1. Gavi Alliance encourages Managers to integrate sustainability into their investment process and consider how sustainability can improve the risk profile of the assets they manage and enhance returns. Gavi recognises that sustainability factors will vary across asset classes and does not mandate a specific approach. On an annual basis, Managers will be evaluated across three levels: firm, strategy and holdings. Gavi's consultant will conduct the evaluations of the firm and strategy. The Investments Team will evaluate the holdings, relying on an outside vendor's sustainability framework. In certain cases, specific line items of holdings are not available or cannot be evaluated (e.g. private assets). At a minimum, each Manager's sustainability practices will be evaluated at the firm and individual strategy.

## **8. Supplemental Investment Policies**

- 8.1. The Committee shall approve any additional subordinate policies as it deems prudent and appropriate, including but not limited to:
- Asset Allocation Statement