

Gavi Alliance Investment Committee Meeting

2 May 2017

Teleconference

1. Chair's report

- 1.1 Finding a quorum of members present, the meeting commenced at 14.03 Geneva time on 2 May 2017. Stephen Zinser, Investment Committee Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 1a in the Committee pack). The Chair declared his personal and financial interest in Roxbury Asset Management. He noted that while his majority ownership and role as CEO and co-CIO in the entity posed no conflict to his role at Gavi, he was making the declaration in the interest of completeness and consistency with the declarations made by other Committee members.
- 1.3 The Committee reviewed the minutes of its meeting on 10 February 2017 (Doc 1b), which were approved by no-objection on 24 March 2017.
- 1.4 The Chair suggested that any input on the Committee's forward workplan (Doc 1d) should be provided through email.

2. Manager presentation

- 2.1 The Chief Investment Officer and the Director of Business Development delivered an informational report on their fund's strategy and opportunity profile (Doc 02).
- 2.2 The Committee sought information from the representatives, including performance, performance measurement, financial modelling techniques and implementation, staff technical expertise, and its competitors. At the presentation's conclusion, the representatives left the meeting and the Committee discussed the presentation.

3. Investment portfolio review

- 3.1 The Chair congratulated the Investments team on the 3.5% year-to-date return of the long term portfolio for the first quarter of 2017.
- 3.2 Jeanne Shen, Chief Investment Officer, reported to the Committee on the investment portfolio, including market and strategy reviews, an overview of the major exposures in the short- and long-term portfolios, contribution to mission,

fixed income allocation, key characteristics of each portfolio exposure, asset allocation ranges and performance of the total portfolio as well as individual managers (Doc 03).

- 3.3 While reviewing the quarter, Ms Shen noted that the year-to-date equity markets had been strong, with rebounds in the European and frontier markets that were weak in 2016. Given the global exposure of the portfolio, Gavi has benefitted from this strength.
- 3.4 Ms Shen explained to the Committee that the results from fixed income have been more muted when compared to 2016 and are expected to remain so, whereas the tactical index returns have been positive, as they include market neutral commodities exposure and infrastructure.
- 3.5 Ms Shen provided a comparison of the Gavi portfolio returns against major indices and the delivered returns between that of global equity and global fixed income indices, which is appropriate for the risk and volatility characteristics of the portfolio. Ms Shen noted however that a catch-up on multi-exposure allocations and performance was still required as discussed by the Committee in the previous meeting.
- 3.6 Ms Shen provided an update on the performance of the long-term portfolio and pointed out that during the first quarter each portfolio sub-strategy had outperformed its respective benchmark in all categories of exposure. She then reviewed the short-term portfolio, commenting on the high quality and liquidity of the funds and their performance. In respect of the latter, USD rates were now rising so higher returns for this safest part of the portfolio can be expected going forward.
- 3.7 Ms Shen also reviewed, by asset class, the performance of the long-term portfolio managers. The Chair noted a global macro allocation, relative value manager's performance is still modest and that there is an opportunity cost of remaining invested in an underperforming manager. The Chair noted that the Investments team may need to consider replacing this manager in the future, which was duly noted by Ms Shen.
- 3.8 Ms Shen provided an overview to the Committee of various announcements of senior staff changes, and mergers and acquisitions made by current managers. The Committee provided the Investments team some advice on areas in which further due diligence might be required, while noting that there was no need for immediate action on these matters.
- 3.9 Sebastian Grzejka from NEPC provided input pertaining to these changes and said that NEPC would be monitoring them closely.
- 3.10 Reviewing the contribution of investment activity to the Gavi mission, Ms Shen noted that the contribution was estimated at US\$ 31.5M for the first quarter of 2017, according to the Gavi trial balance.

- 3.11 Ms Shen provided an update on asset allocation within the portfolio noting the lower than target level of the multi-exposure portfolio, and the higher than target level of the fixed income portfolio. Ms Shen noted that the Investment team is working on adjusting the asset allocation.
- 3.12 The Chair pointed to the fixed income portfolio being overweight on credit and underweight on duration, which he noted was working fine for the time being, but may require some future adjustment. Ms Shen noted that some changes were already made to address this issue, and agreed that further shifts may be required in due course.
- 3.13 Ms Shen provided an overview of portfolio allocation shifts:
- 3.13.1 Investment of US\$ 10.0M completed on 1 March 2017 in existing US mortgage derivatives manager;
 - 3.13.2 Investment of US\$ 10.0M completed on 17 March 2017 in US inflation-protected securities strategy;
 - 3.13.3 Full redemption on 31 March 2017 of ~ US\$ 48M of short duration European credit manager;
 - 3.13.4 Redemption on 12 April 2017 of ~US\$ 40M from ultra-short term bond strategy;
 - 3.13.5 Investment of US\$ 100M completed on 19 April 2017 to ultra-low duration strategy;
 - 3.13.6 Investment of US\$ 20M completed on 1 May to market neutral, non-credit US relative value strategy.
- 3.14 The Committee **approved** the following recommendations:
- 3.14.1 Terminate a US large cap growth manager, subject to identifying an alternative use for the funds.
 - 3.14.2 Terminate a global fixed-income manager, as was referenced at the Committee's meeting in February 2017. Its termination being subject to the approval of an alternate manager.
 - 3.14.3 The appointment of one of the two recommended multi-exposure managers. The Committee approved the appointment of a risk parity strategy manager, and decided not to proceed with a global macro strategy manager.
- 3.15 Ms Shen presented an update to the Committee on the fund that was in breach of Gavi's SRI policy for two consecutive screening periods. The fund was discussed during the Committee's February meeting, after which, per the Committee's suggestion, a letter from the Secretariat was sent to the fund manager regarding

the non-compliance status. During a follow-up telephone call between the Investments team and the fund manager, different examples of how other clients handled SRI issues and performance attribution of the non-compliant holdings were discussed.

- 3.16 The Committee suggested to hold off on any action until the results from the December 2016 screening becomes available. The Committee discussed various options for addressing this issue and agreed that the Investments team would give this further consideration.

4. Any other business

- 4.1 Philip Armstrong, Director, Governance, informed the Committee that following the review of Board and Committee Charters, some editorial revisions will be made to the Investment Committee Charter that was approved by the Board in December 2016.

After determining there was no further business, the meeting was brought to a close.

Mr Philip Armstrong
Secretary

Attachment A

Participants

Committee Members

- Stephen Zinser, Chair
- Yifei Li
- William Roedy
- David Sidwell

Secretariat

- Philip Armstrong
- Lauren Cui
- Barry Greene
- Mahwesh Bilal Khan
- Liron Sharon
- Jeanne Shen
- Rebecca Sorto Orellana

Guests

- Michael Brandt
- Ian Enverga
- Angela Dawson, Analyst (NEPC)
- Sebastian Grzejka, Consultant (NEPC)
- Dulari Pancholi, Research Consultant, Hedge Funds (NEPC)