



GAVI Alliance Investment Committee Meeting

21 September 2011

Teleconference

FINAL MINUTES

1. Chair's report

- 1.1 Finding a quorum of members present, the meeting commenced at 11.02 Washington time on 21 September 2011. George W. Welde, Jr, Investment Committee Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc #1a in the Committee pack).
- 1.3 The Committee reviewed the minutes of its meeting on 26 May 2011 (Doc #1b), noting they were approved by unanimous consent on 4 June 2011 (Doc #1c). Further, it reviewed the minutes of its meeting on 8 July 2011 (Doc #1d).
- 1.4 The Committee then reviewed its action sheet (Doc #1e) and forward workplan (Doc #1f).

Decision One

The GAVI Alliance Investment Committee:

- **Approved** the minutes of its meeting on 8 July 2011.

2. Portfolio overview

- 2.1 Jeanne Shen, Chief Investment Officer, provided an overview of the portfolio, highlighting the financial environment, risk-off environment, and the environment's impact on fixed-income investing (Doc #2). In addition, she reviewed GAVI's asset allocation, net returns, comparisons to peers, and contribution to income. She also reported on the Secretariat's evaluation of all investment managers and vendors, including the reasons why one vendor was terminated. Finally, she provided an update on Socially Responsible Investing (SRI), informing the Committee that a new SRI vendor had been hired, relaying how the competitive search process was conducted for this vendor, and providing information on the new vendor's services.

Discussion

- The Committee was aware that a promissory note was being negotiated with UNICEF for the procurement of rotavirus vaccine, and that the note may be secured with a lien on the investment portfolio. Though UNICEF does not view GAVI as a credit risk, it generally requires cash or cash equivalents be placed in escrow prior to completing deals with suppliers. Though the consequence of this structure could restrict how GAVI's portfolio is invested, it does allow GAVI to receive an attractive price for the vaccine and a firm supply commitment. Some Committee members felt that GAVI's bargaining position was hampered as a result of having only one procurement agent. The Committee noted that the Audit and Finance Committee would be consulted on the arrangement, and the Executive Committee would need to approve it.
- The Committee conferred on whether the right peer group benchmarks were being used. It was noted that there is some difficulty in finding apropos comparators given that GAVI's portfolio structure is very conservative. However, it acknowledged that investment staff and Angeles, GAVI's investment advisor, periodically evaluate the comparators.
- The Committee discussed certain investments that may have breached the SRI Policy's limits for holdings based on the screens identified in the Policy. It was noted that certain managers may, from time to time, slightly breach the limits for a short period due to market fluctuations or investor activity. The Committee instructed that the Secretariat need only report material breaches of the Policy.
- Finally, the Committee discussed the performance of two specific managers.

3. Revision to the Investment Policy

- 3.1 Jeanne Shen recommended changes to the Investment Policy, originally approved by the Board in November 2009, and the Cash Investment Policy, approved by the Board in July 2011 (Doc #3). The proposed revisions would merge the two policies, and expand GAVI's investment options to allow for greater diversification.
- 3.2 In crafting the revised policy, the Secretariat had incorporated the Committee's comments from previous meetings. Also, the Chair and Jeanne Shen consulted Seth Berkley, GAVI's new CEO. Further, the Chair noted he would consult Dagfinn Høybråten, Board Chair; Wayne Berson, Chair of the Audit and Finance Committee; and representatives of the World Bank and the Bill & Melinda Gates Foundation.

Discussion

- The Committee discussed the current and proposed asset allocations, and the rationale for the changes. The Committee also discussed the timetable for

implementation, noting that if the Board agreed to the new policy, the Secretariat would transition to the new allocations gradually.

- The Committee also considered the risk profile of the new asset allocation, noting that the proposed allocation was expected to outperform the current allocation in a wide variety of scenarios. In addition, Jeanne Shen explained how the incremental risks introduced by the new asset class would be mitigated.
- The Committee was comfortable with the overall premise of the policy changes but requested further enhancements regarding regular review of the actual asset allocation against the target allocation. Subsequently, the Secretariat should circulate a revised policy for recommendation to the Board.

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

Mr Kevin A. Klock
Assistant Secretary

Attachment A

Participants

Committee Members

- George W. Wellde, Jr, Chair
- Dwight Bush
- Abigail Robinson

Secretariat

- Debbie Adams
- Edmund Fudzie
- Barry Greene
- Kevin A. Klock
- Jeanne Shen

Guests

- Shawna Mulkerin, Angeles Investment Advisors
- Michael Rosen, Angeles Investment Advisors