

Gavi Alliance Investment Committee Meeting

12 February 2020

Teleconference

1. Chair's report

- 1.1 Finding a quorum of members present, the meeting commenced at 14.00 Geneva time on 12 February 2020. Stephen Zinser, Investment Committee Chair, chaired the meeting.
- 1.2 The Chair welcomed Yibing Wu as an observer, who agreed to join the Investment Committee and whose nomination will be considered by the Governance Committee during March subject to approval by the Gavi Alliance Board thereafter.
- 1.3 The Chair complimented the Investments team on both the relative and absolute investment performance in 2019.
- 1.4 Standing declarations of interest were tabled to the Committee (Doc 01a in the Committee pack).
- 1.5 The minutes of the 14 November 2019 meeting were tabled to the Committee and duly approved (Doc 01b).
- 1.6 The Committee noted its action sheet (Doc 01c) and the forward work plan (Doc 01d).

2. Manager Presentation

- 2.1 Jeanne Shen, Chief Investment Officer, reminded the Committee of Gavi's interest in investing in strategies that are primarily focused on renewable or sustainable solutions.
- 2.2 Ms Shen introduced an investment firm focused on transitioning to a more sustainable global economy (Doc 02). The firm presented an overview, noting sustainability trends and how policy and regulation changes are driving growth in this sector. The firm also presented its investment framework, market opportunities and the firm's research activities related to emerging risks, climate change mitigation and environmental issues.

Discussion

- In response to a question from a Committee member on portfolio composition, the firm shared a few examples of publicly quoted companies within the strategy and noted additional information could be provided to the Committee separately.
- The Committee asked various questions about portfolio turnover rate, the portfolio concentrations and long-term Environmental Social and Governance (ESG) portfolio performance trends.
- Following the discussion, it was requested that NEPC provide an ESG peer analysis for this firm and their competitors including historical returns against requisite benchmarks.
- The Committee agreed that the Chair and Ms Shen will have a follow-up discussion and revert to the Committee, as appropriate.

3. Investment Portfolio Review

- 3.1 Ms Shen updated the Committee on the fourth quarter (4Q) 2019 performance of the investment portfolio, provided some Manager specific news flow and outlined a suggested 2020 due diligence schedule and related transactions (Annex A, Doc 03).
- 3.2 In connection with market performance, Ms Shen highlighted that 2019 had been a stellar year for risk assets, particularly in equities and that Gavi's absolute returns had benefited from the market rally.
- 3.3 She outlined new risks in the 2020 global economic outlook, including the US elections, US-Europe trade tension, concern about the coronavirus and its impact on trade and commerce, and implications of managing climate risk. She further noted strategies have been put in place in 2019 to hopefully mitigate possible spikes in volatility in 2020.
- 3.4 Ms Shen provided an overview of the major exposures in the short-term and long-term portfolios, asset allocation ranges, key characteristics of each portfolio exposure, and performance of the total portfolio, as well as individual managers.
- 3.5 In relation to the long-term portfolio, Ms Shen noted the positive return in Q4 2019 and highlighted how the Fixed Income, Tactical and Multi-Exposure allocations provided positive attribution relative to their benchmarks, but exposure to long/short equity strategies held back equity performance relative to the long only benchmark.
- 3.6 She then reviewed the performance of certain fund managers in the long-term portfolio, noting managers with the best year-to-date performance and managers whose performance was lower than expected. In relation to one manager with sub-

par performance, Ms Shen shared that the manager will be closely watched, and the Committee will be updated accordingly.

- 3.7 She noted there is still cash to be deployed and the Investments team will provide a plan by the end of Q1 2020 for investing, subject to prevailing market conditions, US\$ 100 million.
- 3.8 Ms Shen updated the Committee on two approved re-balancing transactions placed on hold. She explained that given the relative strength of the US market, US\$ 10 million in the US equity ESG ETF was not withdrawn. She further noted a second fund manager reported that it intends to increase fund leverage to 2.4x over the next 12-18 months, and therefore a plan to invest an incremental US\$ 12 million in the fund was put on hold to allow more time for the Secretariat to evaluate the impact.
- 3.9 Ms Shen summarised recent and upcoming transactions, as well as presenting potential future managers for consideration.
- 3.10 NEPC opined about a long-short TMT equity manager that had a poor performance since the investment in the fund during 2019, although this Manager produced a stellar January 2020 return.
- 3.11 Ms Shen highlighted one long-term fixed income manager on watch due to a disappointing (but still positive) performance in 2019.

Discussion

- The Committee discussed deployment of Gavi's cash in the long-term portfolio and reducing Gavi's cash holdings.
- The Committee supported the decision not to withdraw US\$10 million from the US equity fund, also considering the need not to add further to cash holdings.
- The Committee supported investing an additional US\$ 12 million in the 2.4x share class, noting there is confidence in the manager, particularly the lower correlation to the wider market. The Committee asked the Investments team to watch the manager carefully and ensure the investment, despite the moderate increase in leverage, continues to modestly correlate to the markets.
- Following NEPC's input, the Committee discussed the risk management of a long-short TMT equity manager and the Chair expressed disappointment that the portfolio and risk management process remains seemingly unchanged following an excessively large drawdown in September 2019. It was decided to watch the fund manager in the coming months and act if required.

4. Annual Custodian and Consultants Review

- 4.1 Mr Liron Sharon, Senior Manager, Investments, explained that the Committee is required annually to review the performance of the custodian and investment consultant, and that a review of the SRI consultant was performed as well. He explained that the Investments team adopted a simple rating system of *Excellent*, *Solid* and *Poor* for seven factors that broadly apply to all vendors.
- 4.2 Mr Sharon presented the results of the annual custodian and consultants review process and indicated that, overall, the satisfaction with the vendors is high.
- 4.3 The Investments team proposed retaining the current custodian, the Investment consultant and the SRI consultant.

Discussion

- The Committee supported the proposals to retain the current custodian and consultants, recognising feedback from the Investments team on positive relationships and performance.
- The Committee asked for several proactive measures from the consultant.

5 Any other business

- 5.1 The Committee confirmed its wish to convene its next meeting on 12 May in Washington, DC.
- 5.2 There being no further business, the meeting was brought to a close.

Mr Philip Armstrong
Secretary



Attachment A

Participants

Committee Members

- Stephen Zinser, Chair
- Afsaneh Beschloss
- Margaret Hamburg
- David Sidwell

Regrets

- Matthias Reinicke
- William Roedy

Observers

- Yibing Wu

Secretariat

- Assietou Diouf (in Geneva)
- Jeanne Shen (in Washington DC)
- Lauren Cui (in Washington DC)
- Sandra Gonzalez Nderstigt (in Washington DC)
- Liron Sharon (in Washington DC)
- Melissa Wolfe (in Geneva)

Guests

- Michela Allocca (NEPC)
- Sebastian Grzejka (NEPC)
- Dulari Pancholi (NEPC)
- Andrew Petterson (NEPC)