

Gavi Alliance Investment Committee Meeting

14 November 2024

Virtual

1. Chair's report

- 1.1 Noting that the meeting had been duly convened and finding a quorum of members present, the meeting commenced at 13:33 Geneva time on 14 November 2024. Mr Yibing Wu, Investment Committee Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 01a).
- 1.3 The Committee noted its forward workplan (Doc 01b) and action sheet (Doc 01c).
- 1.4 The Chair noted that this was the last meeting for committee member Teresa Ressel and wished her well in her future endeavours.

Decision 1

The Gavi Alliance Investment Committee:

Approved the minutes of its meeting on 18 September 2024.

2. Global Banking Sector: Policy and Market Review

- 2.1 Jeanne Shen, Chief Investment Officer, introduced this item and noted that the presenting manager is a current fund manager that has a global equity mandate.
- 2.2 A senior representative of the fund manager provided an overview of US, EU/UK and Asia markets. The representative examined a variety of factors including market growth, interest rates, regulatory environment, valuation and capital returns in addition to bank industry returns for 2023. The potential impact of political shifts in the US market was also discussed.

Discussion

- Committee members discussed the global interconnectedness of the banks, the potential impact of deregulation on small banks, and the potential impact of interest rate increases on the banking sector overall.

3. Private Assets Update

- 3.1 Sebastian Grzejka, Partner, NEPC, updated the Committee on the private asset implementation strategy (Doc 03). He reminded the Committee that in 2024 the Committee approved a total of US\$ 75 million private assets investments.
- 3.2 He informed the Committee that while the 2024 real estate allocation of US\$ 35 million falls short of the original plan for US\$ 40 million, no further strategies are under consideration for 2024. He noted that the remaining US\$ 5 million will be rolled over to 2025. He further noted a proposed 2025 pacing analysis for the private assets programme.
- 3.3 Mr Grzejka stated that he would like guidance on a recommendation for a US\$ 15 million investment in a core diversified secondary fund. He noted that if this was approved, the entire US\$ 50 million allocation to private equity will be fulfilled for 2024.

Discussion

- One committee member queried the interest rate split between the proposed investment manager and its acquirer, and the ability of big firms to get good deals to ensure they are not overpaying in the middle market.
- On the 2025 real estate allocation strategy, the Committee agreed that whilst private debt for real estate was attractive, it should be approached with caution due to the uncertain political environment.
- In response to comments from committee members, NEPC emphasised that a structural review of the strategy will take place at the beginning of 2025. This will take into consideration a long-term perspective and consider market opportunities and risks.
- The Chair recommended that the topic of asset allocation be revisited in the February 2025 workplan and include consideration of duration.
- The Committee supported the 2025 pacing analysis for the private assets programme as presented.

The Committee **approved**:

- A US\$ 15 million investment in a diversified secondary fund for private equity.

4. Investment Portfolio Review

- 4.1 Jeanne Shen, Chief Investment Officer, updated the Committee on the performance of the investment portfolio, key drivers of performance and manager activities (Doc 04).

- 4.2 She reported that the Gavi portfolio allocation of US\$ 1.4 billion has not substantially changed since it was last reported and that the changes discussed in the previous meeting will be implemented fully in Q1 2025.
- 4.3 On portfolio performance, she noted that Q3 fell behind the policy index due to lower rates affecting fixed income and weaknesses in equity and diversifiers. She emphasised that changes to rectify this were underway and that having beaten the benchmark from 2019 to 2023, she is confident to regain position in 2025.
- 4.4 She highlighted that in October 2024, the Secretariat adjusted the portfolio asset allocation by addressing the underweight in yield-seeking positions and will revisit the duration in the asset allocation study to be conducted in February 2025.
- 4.5 On the Manager on Watchlist criteria, she presented a recommendation to terminate one active global equity manager due to underperformance and use the proceeds to add to a US equity index fund to reduce the underweight in US equities.
- 4.6 Ms Shen discussed significant updates relating to six managers, highlighting an increase in the management fee for one fund.
- 4.7 She stated that in relation to the work on sustainability, the Secretariat is seeking a new vendor before the current vendor's contract ends in May 2025. She noted that the Secretariat plans to embed the Sustainability Framework within the Investment Policy Statement by June, aligning it with any changes discussed in February 2025.
- 4.8 Finally, she responded to queries that were raised at the last meeting in relation to two specific fund managers.

Discussion

- In response to a committee member's query on the increased management fee, the Secretariat confirmed that it was unable to negotiate the fee.

The Committee **approved**:

- To terminate a long-only active global equity fund (~US\$ 72 million)
- To allocate the proceeds from the terminated active global equity fund to the US social equity index fund (~US\$ 72 million).
- To redeem partially from a global equity index fund (US\$ 18 million).
- To subscribe to an existing multi-strategy fund (US\$ 15 million).

- To hire a diversified private equity secondary fund (US\$ 15 million).

5. Treasury Update

- 5.1 Tobias Thiessen, Director, Treasury, introduced this item and updated the Committee on activities related to the short-term investment portfolio (Doc 05).
- 5.2 Mr Thiessen reported the total short-term investment portfolio under management is US\$ 6.4 billion (excluding US\$ 0.3 billion relating to the Self-Financing Participants) and includes US\$ 3.4 billion relating to core activities and US\$ 2.6 billion relating to the COVAX Advance Market Commitment (AMC). He noted that Gavi core cash is US\$ 0.3 billion higher than it was at the end of July 2024 mainly due to the effect of ring-fenced transfers from COVAX AMC.
- 5.3 On the Treasury Investment Portfolio, he noted that the Federal Reserve cut the interest reference rate on 18 September 2024 by 50bps. He stated that it is expected that interest rates will be cut further, resulting in a steady decline on short-term returns.
- 5.4 Mr Thiessen emphasised that although there is uncertainty, the cash flow projection based on the v22 financial forecast indicates there is sufficient cash going forward and that he does not expect any impact on the long-term portfolio.
- 5.5 Finally, Mr. Thiessen reported other key updates including the recommendation presented to the Audit and Finance Committee (AFC) in October 2024 that the World Bank RAMP programme be appointed as the long-term treasury solution for both the African Vaccine Manufacturer Accelerator (AVMA) and the First Response Fund (FRF) due to cost and risk management benefits. He also noted the discussion with the AFC on the allocation of interest to Gavi-Board approved programmes.

Discussion

- The Committee noted that the choice of treasury manager for both AVMA and FRF will be discussed further at the Gavi Board meeting in December 2024.

6. Any other business

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

Ms Melissa Wolfe
Secretary to the Meeting

Attachment A: Participants

Committee Members

- Yibing Wu, Chair
- Mohamed Jama
- Sai Prasad
- Teresa Ressel
- David Sidwell
- Karen Sørensen

Regrets

- Kwaku Agyeman Manu

Guests

- Albert Gu, Temasek
- Sebastian Grzejka, Partner, NEPC
- Kristin Reynolds, Partner, NEPC
- Cyana Chilton, Capital Group, Equity Investment Analyst
- Layne Finnerty, Capital Group
- Stephen Zinser

Secretariat

- Adviya Khan
- Brenda Killen
- Helen Liu
- Sandra Gonzalez Nderstigt
- François Note
- Claire-Lise Pellaton
- Jeanne Shen
- Tobias Thiessen
- Kim Villa
- Melissa Wolfe