

Gavi Alliance Investment Committee Meeting

22 February 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 13.30 Geneva time on 22 February 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), action sheet (Doc 01c) and the minutes of the 9 November 2023 meeting (Doc 01d).

2. CEO Update

- 2.1 David Marlow, CEO (interim), provided an overview of 2024 priorities noting the importance of building on the momentum set in 2023. He highlighted strong financial performance in 2023 and ongoing work to finalise the Gavi 6.0 strategy.
- 2.2 He reported that incoming CEO Dr Sania Nishtar visited the Global Health Campus in January and the Secretariat will follow a disciplined approach to her onboarding. She is expected to start as CEO on 18 March 2024.
- 2.3 He highlighted that the African Vaccine Manufacturing Accelerator (AVMA) and Gavi's Investment Opportunity are scheduled to launch in June 2024. He explained that a treasury management aspect to AVMA will be discussed further with the Committee and the Audit & Finance Committee closer to the launch date.
- 2.4 Finally, Mr Marlow highlighted an Advance Purchase Agreement (APA) settlement announcement with Novavax which is a significant milestone. He explained that the Secretariat had worked diligently to finish all COVAX APA restructurings and this was the last one to complete.

Discussion

- A committee member suggested getting an agreed way forward on how Gavi will represent expected or forecasted investment income in the Gavi 6.0 resourcing plan. The Secretariat agreed to work with the chairs of the Audit and Finance Committee and Investment Committee on this matter.

3. Private Assets Update

- 3.1 Jeanne Shen, Chief Investment Officer, introduced this item noting the Committee had requested information on real estate opportunistic strategies in its 9 November 2023 meeting.
- 3.2 Sebastian Grzejka, Partner, NEPC, updated the Committee on the private assets implementation strategy. He noted that NEPC updated its 2024 annual capital plan for both private equity and real estate and did not recommend any changes to Gavi's asset allocation strategy.
- 3.3 He outlined progress made to advance the private assets strategy and shared an updated pacing plan for 2024. He invited Shelly Santulli, Principal, Real Assets, NEPC, to discuss real estate strategies.
- 3.4 Ms Santulli advised investing in value add strategies (such as a real estate secondaries manager) complemented with opportunistic real estate strategies to enable an appropriate balance of risk and reward. She outlined a manager recommendation explaining that a secondaries investment would also provide diversification and a focus on high quality assets.
- 3.5 Mr Grzejka noted that NEPC would bring a recommendation for an opportunistic direct strategy at a future date.

Discussion

- The Committee supported the real estate asset allocation investment approach as presented by NEPC.
- In response to various questions about the manager recommendation, NEPC responded that the fund primarily provides equity to real estate operators seeking liquidity solutions and the manager will take a controlling equity stake, working in partnership with the real estate provider to drive additional value. It was noted that there are no anticipated conflicts of interest with other funds operated by the manager, and any emerging conflicts would be disclosed and managed appropriately.
- A Committee member queried the real estate asset allocation target to which NEPC confirmed is 4%.
- A Committee member enquired about overall investment portfolio cash flows and how to ensure required resources are available to fund new investment allocations. NEPC noted a cash analysis is conducted and more detailed information would be provided in the Committee's meeting material moving forward. The Committee requested to see a spending policy framework incorporating liquidity and cash management profiles and the Secretariat agreed to revert on this framework before the 8 May meeting.

- The Committee **approved**:
 - A US\$ 20 million investment in a real estate secondaries strategy.

4. Investment Portfolio Review

- 4.1 Jeanne Shen, Chief Investment Officer, updated the Committee on the performance of the investment portfolio, manager activities, and related transactions (Doc 04).
- 4.2 She presented the portfolio allocation versus the target allocation and noted the current allocations are close to their interim targets. She highlighted that the long-term investment portfolio generated US\$ 150 million of net investment income in 2023 and achieved its fifth consecutive year of outperformance.
- 4.3 Ms Shen reported for calendar year 2023 the long-term portfolio outperformed the policy index at +13.2% versus +11.8. She reviewed the performance of the exposures as of 31 December 2023 noting the Fixed Income and Diversifiers allocations outperformed their respective benchmarks.
- 4.4 She highlighted that in relation to the Fixed Income Yield Seeking asset allocation, a manager expects it will not call its entire capital commitment as planned which is a reason the Committee has been asked to approve a new investment allocation to a credit opportunities fund in the Fixed Income Yield Seeking exposure.
- 4.5 She updated the Committee on several managers including a change of leadership and underperformance in one equity strategy.
- 4.6 Ms Shen outlined the Secretariat's overall portfolio guidance for the Committee's consideration including consolidating three Fixed Income High Quality strategies into two core funds and making a new investment in a Fixed Income Yield Seeking strategy.
- 4.7 Finally, she reported the results of the Secretariat's semi-annual sustainable screening noting there were two breaches exceeding limits based on June 2023 holdings. The Secretariat recommends continued engagement with the two firms which are UN PRI signatories. It was further noted that the Secretariat recommended reviewing and updating the Sustainable Investment Policy following the Gavi Board's approval of the Gavi 6.0 strategy in June 2024.

Discussion

- In relation to an underperforming manager that recently experienced a leadership transition, the Committee asked the Secretariat to review the

historical volatility of the strategy and revert with more information at the next meeting.

- A Committee member encouraged the Secretariat to monitor duration risk and credit spreads of Fixed Income High Quality funds to which the Secretariat agreed.
- The Committee approved increasing duration from 3.7 years to more closely mirror the Bloomberg Aggregate at 6.2 years, to mitigate potential performance headwinds from eventual interest rate cuts.
- The Chair noted that the sustainable screening exercise is conducted in the overall context of the sustainable investing framework and that the Secretariat will revert with recommended actions if sustainable screening breaches continue.
- The Committee **approved**:
 - A US\$ 25 million investment in a credit opportunities fund in Fixed Income Yield Seeking exposure.

5. Treasury Update

- 5.1 Tobias Thiessen, Director, Treasury, 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\$ 6.8 billion, out of which US\$ 1.5 billion relates to core activities and US\$ 5.3 billion is allocated to the COVAX portfolio. He reported that the Gavi core actuals are in line with the cash forecast provided in October 2023 and the COVAX AMC funds are showing higher cash than forecast in October 2023 primarily due to new donations and higher interest income due to the timing and nature of manufacturer closure deals.
- 5.3 He highlighted that as of 31 December 2023, the short-term investment portfolio YTD performance was US\$ 346 million. He commended the Treasury team for the strong performance noting monetary easing is expected in 2024 which will likely lead to lower investment income.
- 5.4 Mr Thiessen noted onboarding of three financial institutions continues at expected pace and treasury management strategies for the African Vaccine Manufacturer Accelerator and the Pandemic Vaccine Pool are under review.

- 5.5 He reported a currency hedging implementation plan will be developed ahead of the Gavi replenishment.
- 5.6 Finally, he outlined risk management strategies in relation to market, liquidity and counterparty credit risks.

6. Annual Risk Rating

- 6.1 Kimberly Villa, Senior Investment Officer, reminded the Committee that the Investments team conducts an annual risk rating exercise in which investment managers are assigned ratings based on an analysis of 13 risk criteria. She explained that the results of the analysis help determine the frequency of due diligence visits and performance review calls conducted by the Secretariat,
- 6.2 Ms Villa highlighted a clarifying amendment made to one criteria this year which considers Gavi assets as a percentage of the fund manager's assets under management in the strategy that Gavi invested in.
- 6.3 She outlined the risk rating process and the results of the analysis, and then presented the 2024 due diligence visit schedule that will be conducted.

Discussion

- In response to a question from a Committee member on how the Secretariat assesses cost-benefits of making an in-person due diligence visit, the Secretariat responded it is best practise to conduct onsite visits and welcomes Committee guidance if the Secretariat should continue scheduling in-person visits with all managers rated in a higher risk tier. The Committee supported giving management flexibility to use a judgement-oriented framework of assessing the value of onsite visits and the Secretariat agreed to revert on a proposed approach.

7. Annual Service Providers Performance Review

- 7.1 Jeanne Shen, Chief Investment Officer, presented the annual service providers' performance review (Doc 07).
- 7.2 She reminded the Committee of its responsibility to annually review the performance of Gavi's investment consultant, custodian and sustainability consultant. She explained the methodology used by the Secretariat to assess performance and updated the Committee on current service provider contracts.

Discussion

- The Committee discussed its experience with the service providers and agreed that the relationship with the investment consultant was positive and constructive. The Committee noted the investment consultant contract was renewable for up to three years and supported renewing for three years with a termination clause incorporated allowing the Secretariat flexibility to exit the contract earlier if desired.

8. Any other business

- 8.1 After determining there was no further business, the meeting was brought to a close and it then convened in closed session with the CEO (see separate notes for this discussion).

Ms Melissa Wolfe
Secretary to the Meeting

Attachment A: Participants

Committee Members

- Yibing Wu (Chair)
- Mohamed Jama (agenda items 4-8)
- Naguib Kheraj
- Sai Prasad
- Teresa Ressel

Regrets

- Kwaku Agyeman Manu

Other Board members attending

- David Marlow, Gavi CEO (interim)

Guests

- Sebastian Grzejka, NEPC (agenda items 2-7)
- Albert Gu, Temasek
- Zaeem Haq
- Shelly Santulli, NEPC (agenda items 3-6)
- Scott Tang, Temasek
- Stella Villares
- Stephen Zinser

Secretariat

- Fabrice Dutin (agenda item 5)
- Brenda Killen
- Helen Liu
- David Marlow
- Sandra Gonzalez Nederstigt
- Claire-Lise Pellaton
- Jeanne Shen
- Tobias Thiessen (agenda item 5)
- Kimberly Villa
- Melissa Wolfe