

GAVI Alliance Investment Committee Meeting

11 November 2010

New York, NY, USA

FINAL MINUTES

Finding a quorum of members present¹, the meeting commenced at 10.06 New York time on 11 November 2010. George W. Wellde, Jr chaired the meeting.

1 Record of Unanimous Consent

The Committee reviewed the record of unanimous consent from 15 September 2010 (Doc #1 in the committee pack).

Decision One

The GAVI Alliance Investment Committee moved to:

Approve the record of unanimous consent from 15 September 2010 (concerning approval of the Committee's minutes from its meetings on 1 February and 26 July 2010).

2 Franklin Templeton Presentation

Brian Zeiler and Vivek Ahuja delivered a presentation on its investment outlook in developing markets, particularly in Asia. They also described some of their investment vehicles. Discussion followed after Messieurs Zeiler and Ahuja were excused from the meeting:

- GAVI's recipient countries are concentrated in Africa and Asia. The Committee felt that GAVI ought to ensure its portfolio contained an adequate investment in these markets given they are projected to have higher economic growth levels than developed markets. However, it should feel comfortable with the risk profile of these markets, the amounts invested, and the investment products themselves, ensuring they have the right risk oversight strategies, are benchmarked against the appropriate indices, and are sufficiently liquid.

3 Portfolio Review

Jeanne Shen, Senior Director of Investments provided an overview of the portfolio, highlighting asset allocation, net returns, option-adjusted spreads, sector and quality comparisons, and due diligence efforts (Doc #2). Discussion followed:

- The portfolio is GAVI's second largest "donor" in 2010 year-to-date. Given this, the Board should understand the potential downsides to dipping excessively into the portfolio's principal.

¹ Attendees are listed in Attachment A

- Further, GAVI's analysis of potential cash-like investments is hindered by unclear information about how much the portfolio may be liquidated over the next few years. As the resources available from donors become clearer in the next six to nine months, a strategy around cash-like investments should be developed.
- The Secretariat reported that a number of investment managers slightly breached the 2% socially responsible investment screens on certain investments. None of the managers breached significantly but if any of them remain above 2% after 31 December 2010, the Secretariat will need to perform an evaluation to determine next steps, which should include an analysis of whether these investments should be liquidated.
- The Committee discussed the possibility of placing some of the GAVI funds in the World Bank trust fund and reviewed its performance. IFFIm uses the World Bank as its Treasury Manager. The Secretariat will provide a report on the US dollar denominated trust funds at the Committee's next meeting. Noting some short-term underperformance relative to the GAVI Alliance portfolio (rather than to benchmark) and delays in obtaining information, the Committee noted that it would need information on how the World Bank's trust funds are invested and clarity on its risk management practices.

4 Portfolio Diversity

Ms Shen made recommendations on two investments which would provide additional diversification in one of its asset classes (Doc #3). Discussion followed:

- The transition of funds from current managers to the new managers would not meaningfully change the asset allocation of the portfolio. Therefore, the Committee focused its evaluation on the managers presented. Both managers have excellent track records but the Committee requested additional information prior to expressing an opinion.

5 AQR Capital Management Presentation

Adam Berger from AQR Capital Management delivered a presentation on strategies for diversifying portfolios based on risk allocation (Doc #4) as opposed to asset allocation. Discussion followed after Mr Berger was excused from the meeting:

- The Committee discussed different products in the marketplace and whether GAVI was in a position to take a slightly higher risk profile with the portfolio given its emerging importance as a funding source while honouring the investment policy's top priority of preserving capital. The Committee requested the Secretariat to perform some work on this and report back in due course.

There being no further business, the meeting was adjourned.

Attachment A

Participants

Committee Members

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

Secretariat

- Debbie Adams (in part)
- Barry Greene (in part)
- Kevin Klock
- Jeanne Shen

Guests

- Vivek Ahuja, Franklin Templeton (Item 2 only)
- Adam Berger, AQR Capital Management (Item 5 only)
- Michael Rosen, Angeles Investment Advisors
- Brian Zeiler, Franklin Templeton (Item 2 only)