



GAVI Alliance Investment Committee Meeting

25 February 2014
New York, NY, USA

FINAL MINUTES

1. Chair's report

- 1.1 Finding a quorum of members present, the meeting commenced at 8.30 New York time on 25 February 2014. 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); there were no additional conflicts declared. The Committee reviewed the minutes of its meeting on 15 October 2013 (Doc 1b), its action sheet (Doc 1c), and its forward workplan (Doc 1d).

Decision One

The GAVI Alliance Investment Committee:

- **Approved** the minutes of its meeting on 15 October 2013.

2. Investment portfolio review and revised Investment Policy

Investment portfolio review

- 2.1 Jeanne Shen, Chief Investment Officer, informed the Committee of the overall investment portfolio performance through December 2013 along with preliminary January 2014 results (Doc 02, Annex A). She reviewed the portfolio's major asset classes, performance to benchmarks, and risk profile.
- 2.2 She paid particular attention to an underperforming asset class and managers she had put on watch. She also updated the Committee on how the Secretariat was reducing exposure to the institution that holds the procurement account given recent internal control concerns there.

Revised Investment Policy

- 2.3 At the 15 October 2013 Committee meeting, Jeanne Shen recommended separating the Investment Policy Statement into a framework Investment Policy and a subordinate asset allocation statement. The Committee had

endorsed this approach and reported its intention to revise the policy to the Board during the November 2013 Board meeting in Cambodia. Against this framework, Ms Shen presented the revised Investment Policy (Doc 02, Annex B) and draft asset allocation statement (Annex C) for the Committee's comments.

- 2.4 Ms Shen emphasized that the purpose of the new Investment Policy was to serve as a framework for effectively managing GAVI's investment assets with an overall investment objective of providing a level of support needed to support GAVI's mission and its spending requirements. The policy includes detailed information on investment objectives and also covers investment management structure, short-term portfolio composition, long-term portfolio construction, procedures for reviewing objectives and performance, and a listing of subordinate investment policies.
- 2.5 Next, Ms Shen reviewed the proposed asset allocation statement, which would be a subordinate policy to the Investment Policy that identifies the allocation ranges for the major investment exposures described in the Investment Policy, along with risk management limits such as liquidity and concentration.
- 2.6 Kevin A. Klock, Head of Governance and Assistant Secretary, noted the new decision-making authority included in the Board-approved Investment Committee Charter. The Charter now states that the Committee shall "review and set GAVI's Investment Policy [and] asset allocation" and "report regularly to the Board on any changes in the Investment Policy prior to implementation of the Policy." He confirmed that at the November 2013 Board meeting in Cambodia, the Committee Chair "reported that the Investment Committee was moving forward with a more flexible, transparent, and strategic approach [and] noted that the Investment Committee and Chief Investment Officer would complete consultation with Board members regarding the proposed framework by the end of 2013 and that the CIO would deliver a revised Investment Policy Statement to the Investment Committee for approval in February 2014." (Board minutes of 21-22 November 2013, paragraph 5.27.)

Discussion

- The Committee noted that the new policies would place more granular portfolio oversight with the Committee, and that this was in line with the Board's desire to be more strategically-oriented. Given this, it was important that the Board continued to understand the overall investment strategy and how it fit with the Alliance's funding strategy.
- The Committee noted that the previous investment strategy (which mitigated risk through a focus on fixed income rather than diversification) had left some returns on the table. The Committee acknowledged the need to continue to remind the Board that a disproportionate focus on fixed income did not have as advantageous a risk-return profile as a more diversified portfolio. Specifically, while a fixed income focus mitigated short-term volatility, a more diversified portfolio mitigated risk better over the long-term.

- Nevertheless, the Committee acknowledged that because the new asset classes would have relatively more short-term volatility than fixed income, the permitted allocation ranges would be lower than fixed income for the time being. Also, the transition to the new asset allocation would be prudent and incremental.
- The Secretariat's investment team shared several Monte Carlo simulations of potential asset allocation mixes to frame the discussion around best-case, median, and worst-cast scenarios under the new asset allocation strategy and reported the results to the Committee. Michael Rosen from Angeles Investment Advisors noted that the risk-return profile of the new asset allocation was compelling when compared to the current allocation, but that the Committee members needed to consider GAVI's needs in making their own assessments.
- The Committee reviewed the most pertinent risks posed by the new Investment Policy and asset allocation along with the Secretariat's associated mitigation strategies.
- The Chair agreed he would confer with the Board Chair and the CEO on additional opportunities to update Board members on the portfolio transition, for example at the Berlin retreat in April 2014. He confirmed he and Jeanne Shen consulted the Bill & Melinda Gates Foundation in the past to ensure its officials understood the objectives of the new investment policy and agreed that continued consultation with its CFO and other key officials at the Foundation was essential.

Decision Two

The GAVI Alliance Investment Committee:

- **Approved** the revised Investment Policy attached as Annex B to Doc 02.
- **Approved** the Asset Allocation Statement attached as Annex C to Doc 02.

3. Review of decisions

3.1 Kevin Klock reviewed and agreed the decision language with the Committee.

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
- Wayne Berson
- Ashutosh Garg

Other Board members present

- Seth Berkley (non-voting)

Secretariat

- Edmund Fudzie
- Barry Greene
- Matthew Hallam
- Kevin A. Klock
- Alexandra Laheurte Sloyka
- Jeanne Shen

Guests

- Michael Rosen, Angeles