

Gavi Alliance Investment Committee Meeting

10 November 2021

Virtual meeting

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 14.00 Geneva time on 10 November 2021. Afsaneh Beschloss, 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 action sheet (Doc 01b) and the forward work plan (Doc 01c). It was noted that several activities scheduled for Q4 2021 will be discussed with the Committee in Q1 2022.
- 1.4 The Chair previewed the key discussion points and decisions for this meeting.
- 1.5 It was noted that after the 8 September 2021 meeting, the Committee identified issues for further consideration in the investment consultant RFP process. As the RFP process continues, the Committee discussed extending the current investment consultant contract through 30 June 2022 so additional due diligence could be completed.

Decision One

The Gavi Alliance Investment Committee **approved** to extend the appointment of Gavi's Investment Consultant through 30 June 2022.

2. CEO update

- 2.1 Seth Berkley, CEO, reported on activities related to COVID-19 and Gavi 5.0. He highlighted the Alliance's work on restoring, maintaining and strengthening routine immunisation, noting Gavi is leveraging resources across public sector entities and managing across Alliance partnerships more intensely than ever.
- 2.2 He recognised David Sidwell for his leadership of the Gavi Audit and Finance Committee, commenting how the Committee has strengthened Gavi's organisational risk management.
- 2.3 Dr Berkley commended the Investment Committee for its leadership and its partnership with the Secretariat, highlighting how the long-term portfolio supports Gavi's programmatic goals.

- 2.4 He noted Gavi continues to operate in a time of exceptional uncertainty and disruption and thanked the Committee for engaging in a discussion on balancing risk and investment return to help inform Gavi's investment strategy in the current working environment.

3. Investment portfolio review

- 3.1 Ms Jeanne Shen, Chief Investment Officer, updated the Committee on the performance of the investment portfolio, manager activities, and related transactions (Doc 03).
- 3.2 Ms Shen noted continued volatility in the current market environment and highlighted risks in relation to inflation and the Chinese economy. She further noted the Secretariat is monitoring these risks and regularly reviewing the long-term portfolio to ensure it has diversified risks and returns.
- 3.3 She reported the long-term portfolio delivered a +1.5% net return for the quarter, noting September was a challenging month in financial markets hitting both equities and fixed income. She further noted an increase in cash available for investments since the Committee met in September.
- 3.4 Ms Shen reviewed transactions made during Q3 2021 and upcoming prospective transactions, noting several redemptions were made in the past few months to balance the portfolio and keep exposures within target allocation ranges.
- 3.5 She reported the long-term portfolio year-to-date return is +5.9% versus a policy index return of +2.4%.
- 3.6 She reviewed the portfolio's liquidity noting a reasonable amount of liquidity is desirable to support Gavi programmatic needs and the current amount of illiquid assets is manageable.
- 3.7 She updated the Committee on several managers including a change of leadership in an infrastructure strategy.
- 3.8 Ms Shen requested guidance on a US\$ 10 million redemption from a systematic trading strategy, noting its strong year-to-date performance and its percentage allocation of the long-term portfolio.

Discussion

- In response to an enquiry about management of assets outside of the long-term portfolio such as the COVAX portfolio, the Secretariat explained these funds are invested in high quality low duration funds. A Committee member suggested looking at a technical portfolio with slightly higher risk and low duration. It was

noted that COVAX portfolio liquidity is low so asset liability management must be carefully considered.

- The Committee discussed the leadership transition of the infrastructure strategy, noting the strategy through its recent change in ownership structure is connected by reputation to a hedge fund that has been in news headlines. A Committee member expressed concerns about potential reputational risk to Gavi and offered to facilitate reference checks on the manager.
- It was noted that the annual service provider review will be discussed at the February 2022 Committee meeting to allow sufficient time for the Risk and Strategy Questionnaire discussion.
- The Committee **approved** the following recommendation:
 - To redeem US\$ 10 million from a systematic trading strategy.

4. Risk and Strategy Questionnaire Review

- 4.1 The Chair gave introductory remarks reminding the Committee of its role to help generate appropriate investment returns while taking appropriate risks.
- 4.2 Kristin Reynolds, Partner, NEPC, noted the objective of NEPC's presentation is to review the Total Enterprise Management survey results and get consensus on Gavi's long-term portfolio risk and return profile.
- 4.3 Ms Reynolds presented the survey results which included responses from internal and external stakeholders. She noted areas of agreement and dispersion, reporting strong agreement in the areas of investment philosophy, time horizon, organisational drawdown sensitivity, and Environmental Social Governance (ESG) and Diversity Equity and Inclusion (DEI) goals. Areas needing further clarification include risk tolerance, organisational flexibility and success measures.

Discussion

- The Committee discussed the findings of the Total Enterprise Management analysis and how to achieve a modest degree of growth in assets to support Gavi programmes. NEPC noted the long-term portfolio is structured to add value over time, while reducing volatility and potential drawdowns. It was noted that survey respondents indicated a willingness to take on more risk to generate a higher return; the Committee supported increasing investment return prospects.
- A Committee member commented that Gavi falls in the moderate to lower risk appetite for drawdown sensitivity but given the current working environment and Gavi's increased programmatic activities, funds may be needed in a short timeframe and Gavi needs flexibility to accommodate these needs.

- The Committee discussed creating liquidity and risk scenarios for components of Gavi's assets to enable greater granularity in the investment portfolio management approach.
- The Committee discussed setting investment return objectives in consideration of expected drawdowns and liquidity levels.
- In response to an enquiry if investment portfolio return is a factor when assessing organisational capacity to support programmatic expenditures, the Secretariat confirmed that investment return off the principle is considered in the annual financial forecasting exercise and the principle remains protected from drawdown.
- The Committee discussed investment time horizon, noting a five-year horizon aligns well to the nature of the organisation, timing of cash flows and the five-year strategic funding cycles. The Committee suggested allocating a percentage of the portfolio for a time horizon beyond the current strategic cycle to enable new opportunities for generating resources.

5. Any other business

- 5.1 After determining there was no further business, the meeting was brought to a close and it then convened in closed session.

6. Closed session for members only – Evaluation of Investments Team function

- 6.1 Members of the Secretariat left the room and the Committee proceeded with the closed session to evaluate the Investments Team function (see separate notes from the closed session).

Ms Melissa Wolfe
Secretary to the Meeting

Attachment A

Participants

Committee Members

- Afsaneh Beschloss, Chair
- Peggy Hamburg
- David Sidwell
- Yibing Wu

Regrets

- Naguib Kheraj
- Kwaku Agyeman Manu

Other Board Members

- Seth Berkley

Secretariat

- Assietou Diouf
- Brenda Killen
- Claire-Lise Pellaton
- Jeanne Shen
- Sandra Gonzalez Nderstigt
- Kimberly Villa
- Melissa Wolfe

Guests

- Sebastian Grzejka, NEPC (items 2-5)
- Dulari Pancholi, NEPC (items 2-5)
- Marisol Reyes, NEPC (items 2-5)
- Kristin Reynolds, NEPC (items 2-5)
- Stephen Zinser