

Gavi Alliance Investment Committee Meeting

11 May 2021

Teleconference

1. Chair's report

- 1.1 Finding a quorum of members present, the meeting commenced at 14.00 Geneva time on 11 May 2021. Stephen Zinser, Investment Committee Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 01a). Afsaneh Beschloss noted that NEPC, one of the presenters, conducts reviews of asset managers including her own firm from time to time.
- 1.3 The minutes of the 10 February 2021 meeting were tabled to the Committee as they had been approved by no objection consent on 26 May 2021 (Doc 01b in the Committee pack).
- 1.4 The Committee noted its forward work plan (Doc 01c). The Chair recommended two additional items, noting that all managers should be PRI signatories by a defined deadline and the Committee should strategically review Gavi's long term portfolio liquidity considerations to determine the extent of Gavi's future involvement in the (generally illiquid) Impact Investing sector.
- 1.5 The Chair highlighted investment performance during Q1 2021, noting the fixed income exposure's underweight duration helped performance. He commented on recent redemptions from the long-term portfolio and the need to continually monitor Gavi's asset allocation.
- 1.6 The Chair and Jeanne Shen, Chief Investment Officer, commended George Welde as an advisor noting that he was stepping down from the committee after this meeting. Dr Seth Berkley also commended Stephen Zinser for his leadership, his longstanding relationship with Gavi and the multiple fiduciary roles he undertook at Gavi. Dr Berkley noted that Mr Zinser's term on the Gavi Alliance Board ends on 30 June 2021 but he will remain as an advisor to the Committee.

2. Investment Policies Review

- 2.1 Jeanne Shen, Chief Investment Officer, discussed proposed updates to the Gavi Investment Policy and Asset Allocation Statement.

- 2.2 Ms Shen noted minor changes in the investment policies such as consistent use of UK English and updated references to related policies. She referred the Committee to Doc 02, Annexes A-D noting clean and marked up copies of the policies for comparison. The Committee had no additional suggestions and agreed to approve the updated policies. The Chair agreed to inform the Gavi Alliance Board of the updates.

3. Investment Portfolio Review

- 3.1 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 the correlation of successful vaccine rollouts to equity market performance during this period. She also cited cryptocurrency as a potential topic for further review given its market impact but confirmed the long-term portfolio has no direct exposure.
- 3.3 Ms Shen reviewed the performance of the exposures as of 31 March 2021 noting the Fixed Income allocation continues to maintain a lower duration and higher yield relative to its benchmark, which helped it outperform the benchmark. Given fixed income is the long-term portfolio's largest exposure, she noted its relative outperformance helped the overall portfolio exceed its policy index. The equity performance lagged benchmark performance primarily due to technology exposure (which meaningfully outperformed last year). The multi-exposure segment also underperformed its benchmark, principally due to performance from one manager active in emerging markets debt and currencies.
- 3.4 Ms Shen noted that the positive absolute equity performance in Q1 2021 put the allocation slightly ahead of the upper bound of the approved range but that recent redemptions would bring the equity exposure back in line within the approved range.
- 3.5 Ms Shen reviewed the volume of transactions during Q1 2021 as well as known prospective transactions. The Chair reminded the Committee that it had previously approved in the equity bucket the pre-IPO healthcare/biotech strategy via an email recommendation.
- 3.6 Ms. Shen described the sources of redemptions to meet the US\$ 150 million redemption, which included the termination of one manager in the low duration portfolio. Ms Shen reviewed the portfolio's liquidity and affirmed that the presentation of liquidity is based on the contractual terms rather than the underlying liquidity of the assets.
- 3.7 Ms Shen requested guidance on one prospective manager active in sustainable thematic investment. She confirmed that the team reviewed a concentrated global

environmental oriented equity fund which incorporates carbon avoidance as a potential thematic investment.

- 3.8 Ms Shen reviewed requirements imposed on PRI signatories. She identified Gavi's investment managers who are not PRI signatories, and noted that there are managers who are not PRI signatories but who do integrate an Environmental, Social and Governance ("ESG") framework into their investment process.
- 3.9 Ms. Shen reviewed the racial inclusion point in the annual risk rating and noted that certain European countries prohibit the collection of racial data. She described an alternative data point which the Committee supported.

Discussion

- The Chair asked if the US\$ 150 million redemption from the long-term portfolio was a one-time request, and further inquired about a potential schedule for its return, if any. The Secretariat confirmed that the confluence of a high level of programmatic requests at the end of 2020 together with some donor contributions being delayed. The 2021 cash forecast does not have a current provision to return an equivalent of the redemption proceeds. Ms. Shen confirmed that if there were a return, the initial investment would be in a low duration fixed income fund before it would be distributed across the long-term portfolio.
- In relation to an inquiry on existing cash and relative priorities for getting each exposure to its target and within the breadth of ranges for each exposure, Ms Shen confirmed putting fixed income close to target is the highest priority. The Chair reminded the Committee that the approved impact bond fund which the Secretariat recently began funding would provide diversification without materially increasing duration risk.
- In response to an inquiry on how the portfolio would respond to inflation, Ms Shen confirmed that the inflation protected bond fund strategy (US TIPS) had the largest allocation, one that was recently increased. The Chair commented that TIPS have a duration element and that there was a lag in the correlation to inflation.
- In relation to the environmental thematic fund, the Committee discussed the tracking error relative to the benchmark. NEPC confirmed standard benchmarks are the norm and ESG is incorporated into the investment process. The Secretariat agreed to continue its due diligence and consider whether the portfolio managers of the environmental thematic fund should present at the September 2021 meeting.
- The Chair clarified which investment managers the Secretariat should approach on obtaining PRI status and noted that the focus should be on process.

4. NEPC Diversity, Equity and Inclusion

- 4.1 Sebastian Grzejka, NEPC, reminded the Committee that it discussed impact investing at its 10 February 2021 meeting and today's presentation will shift to another current topic under the sustainability rubric: diversity, equity and inclusion (DEI).
- 4.2 Sam Austin, Partner, provided an overview of NEPC's DEI effort and NEPC's philosophical approach. He cited hallmark studies that show diverse owned investment firms perform as well or better than their counterparts.
- 4.3 Mr. Austin noted NEPC's strategic initiatives include setting measurable goals to change behaviours. He also highlighted that NEPC looks at its own demographics, the work environment, and its work with investment managers.
- 4.4 He further noted that NEPC is conducting a beta test of DEI scores with a small group of managers to help NEPC understand if its measurements will yield the insights they seek. The anticipated rollout for all managers is late 2021/early 2022.
- 4.5 Finally, Mr. Austin highlighted NEPC's participation in a consultant collaboration, the Institutional Investing Diversity Collaborative with a dozen other consultants. The group is working with the data provider eVestment to develop a set of questions that can be distributed to all managers. He noted it would not be as granular as the NEPC study.

Discussion

- In response to a question about data and measurable impact, Mr. Austin confirmed that most of its activities are US-oriented and gender data is more widely available than ethnic or religious data, particularly from Europe.
- In response to a question about senior leader decision-making, Mr Austin confirmed that development of DEI scores for investment managers is underway. He underscored that in addition to ownership, other important data points include policymaking, leadership development and employee development.
- In response to a question on how DEI can be included in governance, Mr Austin noted that equity is the quality of being fair and impartial. Mr Austin pointed to various roadmaps that clients can consider embedding equity into their investment processes. He confirmed that the codification of DEI goals in a policy statement is a good start.

5. Consultant Review

- 5.1 Jeanne Shen, Chief Investment Officer, provided a status update on the consultant RFP process. She reviewed the number of consultants under consideration and the proposed schedule for completing the process.

Discussion

- In response to an inquiry about the evaluation process, the Secretariat confirmed the outline of criteria will be circulated to the Committee.
- The Committee also requested more information on the role and responsibilities of the consultant.

6. Any other business

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

Ms Brenda Killen
Secretary

Attachment A

Participants

Committee Members

- Stephen Zinser, Chair
- Afsaneh Beschloss
- William Roedy
- David Sidwell
- Peggy Hamburg
- Yibing Wu

Regrets

- Kwaku Agyeman Manu

Secretariat

- Assietou Sylla Diouf
- Brenda Killen
- Jeanne Shen
- Liron Sharon
- Sandra Gonzalez Nderstigt
- Kimberly Villa
- Melissa Wolfe

Guests

- Sam Austin (NEPC)
- Lily Fayerweather (NEPC)
- Sebastian Grzejka (NEPC)
- Dulari Pancholi (NEPC)