

Gavi Alliance Investment Committee Meeting

13 September 2023

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 14.00 Geneva time on 13 September 2023. 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 10 May 2023 meeting (Doc 01d).

2. Manager Presentation

- 2.1 Jeanne Shen, Chief Investment Officer reminded the Committee of its guidance given in the 10 May 2023 meeting to explore multi-strategy funds. She informed the Committee that the Secretariat had evaluated several fund managers and recommends one for the Committee's consideration. She then introduced the asset manager (Doc 02).
- 2.2 Senior representatives of the firm's strategy discussed the fund, team leadership, performance returns, market risks and opportunities, and its investment strategy approach.

Discussion

- The Committee asked various questions related to ownership structure, environmental, social and governance (ESG) factors in decision-making, capital allocation among teams, relative attractiveness of the various opportunity sets, and portfolio construction.

3. Investment Portfolio Review

- 3.1 Jeanne Shen, Chief Investment Officer, took the investment portfolio review material as read (Doc 03) and highlighted the request to invest US\$ 35 million into a multi-strategy fund. She invited the Committee to provide additional feedback following the manager presentation.

Discussion

- In relation to the manager presentation, the Committee noted the following:
 - An appreciation for the methodology presented, the organisation's size, and its performance in a challenging market;
 - Suggested a periodic review of the management structure so as to be aware of any shifts in continuity;
 - Given current market conditions, the importance of being aware of the possibility of lower returns;
 - Encouraged actively monitoring the investment, particularly over the first two years;
 - Encouraged deeper understanding of the fund's ESG process, the security exclusion implemented for a specific client, and the transparency of positions to ensure alignment.
- Responding to a question regarding fees and lock-up conditions, the Secretariat confirmed investment returns are net of fees, and full redemption would require three years.
- The Committee agreed to approve a US\$ 35 million investment in a multi-strategy fund.

4. Sustainable Investing Benchmarking Update

- 4.1 Jeanne Shen, Chief Investment Officer updated the Committee on the sustainable investment benchmarking strategy (Doc 04). She outlined a number of areas, including the benchmarking framework, benchmarking definitions and key activities performed to integrate sustainability into an investment portfolio.
- 4.2 Ms Shen requested guidance on the benchmark exercise and proposed next steps.

Discussion

- The Chair provided some framing remarks on evolving the overall sustainable investing framework supported by the outcomes of the benchmarking exercise and commended the Secretariat for the ongoing work and direction of travel.
- When asked about leveraging ESG benchmarking frameworks for organisations with comparable resources, as well as support in evolving Gavi's sustainable investment framework, Sebastian Grzejka, Partner, NEPC, explained that NEPC will continue to provide support and expand the ratings framework, along with supporting analysis and assessments.

- The Chair encouraged the Secretariat to leverage widely-used frameworks and integrate them into a standard Gavi framework, to help demonstrate improvements in aggregate over time. The Secretariat outlined that it will leverage the investment consultant's annual rating cycle to help enable the Committee to observe trends, and noted that any new fund managers presented to the Committee for consideration will have an assigned rating.
- Another Committee member suggested it could be helpful to utilise fund managers already prioritising ESG practices and policies. He suggested that for index fund portfolios, there are already multiple exclusion funds ascribed that could impact the overall score with minimal resource allocation. The Secretariat explained that while it has already utilised index funds, achieving the same results in the global equity strategy has been more challenging and the Secretariat agreed to explore this further.
- The Committee requested that the Secretariat work with the investment consultant on developing a holistic approach and sustainable investing framework and adding this topic to the Committee's 2024 workplan.
- Finally, the Committee acknowledged the advancements made in the ESG space and encouraged the Secretariat to be dynamically allocating part of the portfolio into this area to demonstrate conscientious effort. Notwithstanding earlier discussions, the Committee recognised the limitations within hedge funds where exclusions may not be possible.

5. Private Assets Update

- 5.1 Sebastian Grzejka, Partner, NEPC, updated the Committee on the private asset implementation strategy (Doc 05). He presented the next stage of the strategy focusing on buyout funds and outlined the rationale for the recommendation to allocate US\$ 10 million to these funds.
- 5.2 Shelly Santulli, Principal and Senior Investment Director, NEPC, outlined the current status of the real estate market. She noted the challenges and opportunities that followed the 2022 interest rate hike by the Federal Reserve Bank and detailed the focused opportunities for the immediate future.
- 5.3 The Committee was requested to provide guidance on next steps in the implementation of the real estate allocation.

Discussion

- The Committee supported proceeding with a US\$ 10 million allocation to a buyout fund. One Committee member noted the fund-raising timeline and cautioned that there could be a slower drawdown as a consequence. When

asked about any bias towards specific locations, NEPC clarified that the fund's primary focus was on North America and Canada.

- In terms of potential risks in real estate investment, Ms Santulli noted that while rentals were moderating across various property sectors, the industrial rental market, with low vacancies, continued to perform well. Despite challenges in the multi-family housing market, the student housing sector was still strong. She explained that retail was also showing signs of recovery since the COVID-19 pandemic, with a shift towards e-commerce distribution hubs, however, the industrial and traditional office market space still faced challenges.
- The Committee discussed the advantages in the real estate secondary market, which was considered to be less crowded. The Committee suggested that a mapping of the real estate market should be prepared for further discussion at its next meeting, similar to the mapping of the private equity strategy. Furthermore, the Committee suggested that the strategy funds be allocated from the first quarter of 2024.

6. Treasury Update

- 6.1 Assietou Diouf, CFO, and Fabrice Dutin, Head, Treasury Operations, updated the Committee on activities related to the short-term investment portfolio (Doc 06).
- 6.2 Ms Diouf reported that the short-term investment portfolio, excluding COVAX funds, is currently US\$ 7.4 billion, out of which US\$ 1.9 billion relates to core activity. She provided details on liquidity, money market flows, and counterparty diversification plans, and noted an estimated interest income of US\$ 180 million across core component funds.
- 6.3 Ms. Diouf noted that one counterparty had 15% of the portfolio as a result of the consolidation of the Swiss banking industry earlier in the year.
- 6.4 Ms Diouf explained that the short-term investment policy aims for flexibility, especially in light of ongoing discussions around the Pandemic Vaccine Pool and she expects there will be greater clarity on programmatic decisions and the investment horizon at the Committee's next meeting. She provided an update on the recommendation to strengthen the Treasury function with the recruitment of a treasury director expected to assume the position in December 2023.
- 6.5 She noted that two RFPs had been launched, one for the treasury manager of the COVAX funds and the other to increase the number of bank counterparties.

Discussion

- The Committee thanked the Secretariat for the presentation and commended the positive direction of the short-term portfolio. Further, the Committee emphasised the significance of risk management, especially counterparty risk, and encouraged the Secretariat to continue its efforts in this regard.

7. Any other business

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

Ms Melissa Wolfe
Secretary to the Meeting

Attachment A: Participants

Committee Members

- Yibing Wu (Chair)
- Naguib Kheraj
- Teresa Ressel

Regrets

- Sai Prasad
- Kwaku Agyeman Manu

Guests

- Josh Goldstein, President & COO, Co-Founder, Verition (Agenda Item 2)
- Sebastian Grzejka, NEPC (Agenda Items 2 - 6)
- Kyan Nafissi, Director, NEPC (Agenda Items 2 - 3)
- Nick Maounis, CEO, Co-Founder, Verition (Agenda Item 2)
- Dulari Pancholi, NEPC (Agenda Items 2 - 5)
- Lauren Pascal, Verition (Agenda Item 2)
- Kristin Reynolds, NEPC (Agenda Items 2 - 6)
- Shelly Santulli, Principal and Senior Investment Director, NEPC (Agenda Items 4 - 5)
- Stella Villares, Special Advisor to the Board Chair (Agenda Items 2 - 6)
- Stephen Zinser

Secretariat

- Cristina Cementi
- Assietou Diouf
- Fabrice Dutin
- Helen Liu
- Sandra Gonzalez Nederstigt
- Tanya Robinson
- Jeanne Shen
- Maria Thestrup
- Kimberly Villa
- Melissa Wolfe