

## Gavi Alliance Investment Committee Meeting

23 February 2022

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 23 February 2022. Afsaneh Beschloss, Investment Committee Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 01a). Ms Beschloss noted in the spirit of transparency that investment managers conduct periodic reviews of investment firms including her own firm.
- 1.3 The Committee noted its forward work plan (Doc 01b).

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### 2. Asset Allocation Review

- 2.1 Ms Jeanne Shen, Chief Investment Officer, introduced this topic noting that Gavi conducts an annual asset allocation and risk review to affirm Gavi's investment strategy and risk appetite. She thanked the Committee for lending input into NEPC's Total Enterprise Management survey in Autumn 2021 which informed the annual review process and thanked members for providing individual guidance as well.
- 2.2 Sebastian Grzejka, Senior Consultant, NEPC, provided an overview of portfolio goals and objectives which were identified through NEPC's Total Enterprise Management exercise. He noted the results of the exercise showed a willingness by Gavi survey respondents to take on more risk to generate a higher return.
- 2.3 He outlined NEPC's analysis of opportunities for Gavi's long-term portfolio including increasing the allocation of equities, consolidating Multi-Exposure and Tactical exposures into Diversifying Strategies, adding private investments as an asset class exposure and reducing lower quality credit.
- 2.4 He discussed three risk scenario methodologies used to build portfolio mixes that aligned with the portfolio objectives and presented two asset allocation mixes for the Committee's review. He explained both mixes have been structured to incrementally increase expected returns and moderately increase risk.
- 2.5 Mr Grzejka noted both proposed asset allocation mixes increase illiquidity while allowing continued support to Gavi's programme funding needs.

## *Discussion*

- In response to a question from a Committee member about liquidity, NEPC clarified that historical liquidity needs of the long-term portfolio were reviewed as part of the asset allocation process and sufficient liquidity is built into the investment strategy.
- The Committee supported changes in asset class categories and Mix 2 as presented in Annex A, Doc 02. The Committee suggested taking a long-term approach to the implementation timeline especially in relation to equities and private investments. The Secretariat responded that following the Committee's endorsement of the investment strategy, the Secretariat will begin working on an implementation plan.
- The Committee requested a private investment strategy discussion at its next meeting that addresses the process of how these investments will be carried out on a timely basis and the role of the Committee in the process.
- In response to a question from a Committee member on underlying assumptions in NEPC's market performance analysis, it was noted that NEPC considers multiple scenarios and correlations in its process including shock periods of disruption.
- It was noted that the Secretariat will revise the Gavi Investment Policy and Asset Allocation Statement to support changes approved by the Committee and the updated policies will be presented to the Committee at its 12 May 2022 meeting.

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### **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 highlighted risks of recession in the market outlook with inflation being a key risk factor.
- 3.3 She reported the long-term investment portfolio delivered a positive performance overall last quarter with a 4Q return of +2.0% versus +1.6% for the policy index.
- 3.4 Ms Shen reviewed the performance of the exposures as of 31 December 2021 noting the Fixed Income and Tactical allocations outperformed their respective benchmarks. She explained the month of November was a challenging month in financial markets hitting both equities and fixed income exposures.
- 3.5 She reported that diversification among strategies benefited the long-term portfolio's results allowing the return of the long-term portfolio in 2021 to exceed its policy index.

- 3.6 Ms Shen reviewed the Gavi Portfolio Allocation noting cash is available for investments.
- 3.7 She reminded the Committee that a US\$ 10 million redemption was executed in January 2022 from a systematic trading strategy.
- 3.8 Ms Shen noted the Chair had previously enquired about the process to fully liquidate the long-term portfolio from managers. She clarified that 50% of the Gavi portfolio has full liquidity of 30 days or less.
- 3.9 She provided an overview of due diligence activities noting the Secretariat is conducting due diligence on several sustainable equity investment strategies.
- 3.10 Ms Shen requested guidance on a Global Environmental Opportunities strategy and a redemption from a European focused structured Credit manager.
- 3.11 Finally, she reported the results of the Secretariat's semi-annual sustainable screening noting there were no breaches exceeding the limit based on June 2021 holdings.

#### *Discussion*

- In relation to the Gavi Portfolio Allocation, the Committee requested Donor Contributions be shown separately from the rest of the allocations within the Committee's material as the funds are managed by Gavi's treasury team in short-term liquidity instruments.
- In response to a Committee member's enquiry about the policy indices, the Secretariat clarified each exposure has its own policy benchmark and the calculation of policy index for the portfolio is based off of each exposure's targets. The Secretariat agreed to provide calculations to the Committee showing how the long-term portfolio policy index for 2021 was determined.
- A Committee member enquired if investment return is considered in Gavi's budget planning process and the Secretariat clarified a prudent estimate is included annually.
- In relation to manager due diligence activities, the Committee asked the Secretariat to revert with a recommendation on a sustainable equity investment strategy. The Committee also affirmed its support to continue with an infrastructure strategy discussed in August and November 2021, advising the Secretariat to consider leverage, risk and long-term investment return.
- The Chair requested to see quantitative data on strategies being considered by the Secretariat to help the Committee understand how strategies rate higher than others in the due diligence process, and how select strategies fit within Gavi's overall investment strategy.

- The Committee suggested reviewing risks and leverage in private equities and debts as the private investments strategy is developed. The Committee offered to provide names of specific managers to consider in building up private equity investments. One Committee member noted it may be helpful to have a separate discussion on developing the private equity allocation of the portfolio that includes asset class, geographic breakdown, managers and fundraising cycles. The Secretariat noted it will work closely with NEPC to begin developing a private equity allocation strategy that will include conducting a pacing analysis.
- The Committee **approved** the following recommendation:
  - To redeem US\$ 10 million from a European focused structured credit manager.

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#### 4. Annual Risk Rating

- 4.1 Mr Shen noted that the Investments team annually undertakes a process of assigning risk ratings to all investment managers based on a range of monitoring and due diligence activities performed throughout the year.
- 4.2 She outlined 14 characteristics that are used in the risk rating exercise noting the results of the analysis help determine the frequency of due diligence visits and performance review calls conducted by the Secretariat.
- 4.3 Ms Shen outlined the 2022 due diligence visits that will be conducted.
- 4.4 She presented two recommendations for the Committee's consideration, noting that moving the annual risk rating exercise from Q4 to Q1 will align more closely with one full calendar year coverage of activities. She further proposed revising the Sustainable Investing Definition to cover previous two screenings so the evaluation of a fund's rating is based on more recent data.

#### *Discussion*

- In response to a question on differences between due diligence visits conducted virtually or in-person, the Secretariat noted in-person visits are preferred and duty travel is scheduled to slowly resume in April which should enable more onsite visits this year.
- A Committee member enquired about implications of managers receiving higher risk ratings and the Secretariat explained the risk rating solely influences due diligence visits and there are separate quarterly meetings on manager performance.
- The Committee agreed to support the Secretariat's recommendations to move the annual risk rating exercise to Q1 in the Committee's workplan and to revise the Sustainable Investing Definition to cover previous two screenings.

## **5. Consultant RFP Update**

- 5.1 Assietou Diouf, Managing Director, Finance & Operations, provided an overview of the investment consultant RFP process since a competitive bid was launched in March 2021.
- 5.2 She reminded the Committee that the outcome of the procurement process was initially discussed on 8 September 2021 and the Committee subsequently agreed to conduct a supplementary stage of due diligence. She explained the due diligence was led by an evaluation committee to address further observations identified by Investment Committee members and noted two Committee members offered to participate in additional meetings. It was further noted that one Committee member attended all four review meetings and the Chair attended two reviews.
- 5.3 Ms Diouf reviewed the results of the process, noting reference checks and recent regulatory filing reviews are still to be completed.
- 5.4 She reported the Secretariat recommends retaining the current investment consultant and the Committee is requested to approve the Secretariat's recommendation, subject to positive outcomes of the remaining due diligence activities.

### *Discussion*

- In response to an enquiry from the Chair about incorporating her viewpoints in the final analysis, the Secretariat confirmed the Chair's comments and scores were excluded from the results due to Gavi policy requiring attendance at all reviews. The Chair commented she was unaware of this requirement.
- The Committee members who participated in the supplemental due diligence stage expressed frustration with the RFP process citing poor communication, and a lack of timeliness, transparency and clarity in the process. The Secretariat agreed to reflect on the procedures followed, identify areas for improvement and review effective board engagement practise to ensure board member expertise is utilised appropriately.

### **Decision One**

The Gavi Alliance Investment Committee **approved** the Secretariat recommendation for the appointment of Gavi's Investment Consultant.

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## **6. Annual Service Providers Performance Review**

- 6.1 Kim Villa, Senior Manager, Investments, presented the annual service providers' performance review (Doc 06).

6.2 The Committee noted the information was read and reviewed.

*Discussion*

- It was noted that a Request for Proposal for the Sustainability Consultant and Custodian will need to be considered next year.

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**7. Any other business**

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

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**8. Closed Session**

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

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Ms Melissa Wolfe  
Secretary to the Meeting

## Attachment A

### Participants

#### Committee Members

- Afsaneh Beschloss, Chair
- Naguib Kheraj
- Kwaku Agyeman Manu
- Yibing Wu

#### Regrets

- Margaret (Peggy) Hamburg

#### Observers

- Sarah Goulding
- Stella Villares
- Stephen Zinser

#### Secretariat

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

#### Guests

- Sebastian Grzejka (NEPC) - (Items 1-4)
- Kristin Reynolds (NEPC) - (Items 1-4)
- Dulari Pancholi (NEPC) - (Items 1-4)