

Gavi Alliance Investment Committee Meeting

8 September 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 8 September 2021. Afsaneh Beschloss, Investment Committee Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 01a in the Committee pack) and Brenda Killen, Director, Governance, reminded the Committee of Gavi's Conflict of Interest policy which denotes if a business matter presents a conflict of interest for a committee member, the member will be recused from participating in any relevant decisions.
- 1.3 The minutes of the 11 May 2021 meeting were tabled to the Committee for information (Doc 01b). The minutes had been circulated and approved by no-objection on 26 August 2021.
- 1.4 The Committee noted its forward work plan (Doc 01c). The Chair suggested that it would be helpful for the Committee to discuss investment risk and return objectives together in the coming year.

2. Manager presentation

- 2.1 Ms Jeanne Shen, Chief Investment Officer, introduced the asset manager (Doc 02) and highlighted that the Secretariat has been in discussions with the manager since 2020 to explore sustainable thematic investment opportunities.
- 2.2 Senior representatives of the firm's strategy discussed the fund, the team, the performance returns, market risks and opportunities, and its approach to sustainable investments (Annex B, Doc 02).

Discussion

- The Committee asked various questions related to environmental metrics, expected returns, company management engagement, market share, and associated risks.
- The Manager left the call; the Committee further discussed the firm and fund. The Chair enquired about the Secretariat's selection process for managers to present to the Committee. The Secretariat noted managers are often selected based on

the manager's ability to present new or different investment strategies and approaches for the Committee's consideration.

3. Investment portfolio review

- 3.1 Jeanne Shen, Chief Investment Officer, updated the Committee on the April through July 2021 performance of the investment portfolio, manager activities and related transactions (Doc 03).
- 3.2 Ms Shen discussed potential turbulence in the market and managing risk as the global economy continues to be predicated on the ability to emerge from the pandemic. She noted the long-term portfolio provides funding for Gavi programme disbursements and not IFFIm or the COVAX Advance Market Commitment.
- 3.3 Ms Shen noted the July year-to-date performance for the long-term portfolio landed at +5.1% against the policy index return of +3.8%. She highlighted that fixed income had the strongest recovery in 2Q 2021 and equities also performed well.
- 3.4 She reported Gavi has US\$ 97 million cash pending investment in the long-term portfolio.
- 3.5 Ms Shen requested guidance on executing the liquidating share class documentation for a private debt strategy and the Committee agreed to proceed.
- 3.6 She presented the portfolio allocation versus the target allocation and noted the current allocations are reasonably close to their targets.
- 3.7 She discussed key characteristics of each portfolio exposure and noted that in relation to long-term portfolio returns, the fixed income return outperformed its respective benchmark while equity, tactical and multi-exposure composite returns lagged behind their benchmarks. She noted overall the long-term portfolio year-to-date return is above its policy index.
- 3.8 Ms Shen reported that the total Gavi portfolio has generated an estimated net investment income of approximately US\$ 57 million year-to-date, and approximately US\$ 869 million since inception.
- 3.9 Ms Shen shared updates regarding four managers on watch.
- 3.10 The Committee agreed to conduct due diligence on three prospective new sustainable investment strategies to help increase Gavi's focus on sustainability. NEPC and the Secretariat agreed to conduct a comparative review of sustainable investment strategies in its due diligence and revert on a recommendation.
- 3.11 Ms Shen outlined the Principles for Responsible Investment (PRI) and shared specific manager updates as a follow-up to the Committee's discussion on

11 May 2021. She reported that the Secretariat followed up with the investment managers who were not PRI signatories and one manager signed in May 2021. It was noted that PRI announced more reporting requirements in 2021 and four managers continue to evaluate the suitability of PRI membership. Ms Shen further noted that these managers are considering Environmental, Social and Governance (“ESG”) factors in their investment processes and the Secretariat will continue to monitor ESG engagement and PRI signatory status.

3.12 Ms Shen reported the annual risk review will be postponed to February 2022 due to a recent internal reorganisation and understaffing.

3.13 To conclude, Ms Shen suggested a discussion on investment risk at the next committee meeting which would be facilitated by NEPC. NEPC discussed its process to help identify organisational risk and the implications to an organisation’s investment portfolio.

Discussion

- In response to question from the Committee about the timing of donor contributions, the Secretariat noted that Gavi has a five-year fundraising cycle and it takes time to convert pledges to signed commitments and then to cash. As a result, some assumptions are incorporated into the financial forecasting process on the timing of payments. It was clarified that donor contributions do not go into Gavi’s long-term investment portfolio.
- In response to a request from the Chair, the Secretariat agreed to provide a 3-year and 5-year view of long-term portfolio returns.
- In response to a question from the Committee on total investment return trends, NEPC confirmed that since inception, each composite has produced returns over their respective benchmarks.
- In response to a question from a Committee member about liquidity, the Secretariat noted that Gavi’s Asset Allocation Statement specifies the maximum illiquid exposure of the long-term portfolio can be up to 20% at market value.
- The Committee agreed to discuss investment risk at its November 2021 meeting, noting investment risk should align with Gavi’s risk appetite statement. The Committee supported using a survey tool to attain information from various stakeholders and assessing baseline risks and investment return objectives to help determine if Gavi’s long-term portfolio returns are sufficiently meeting Gavi needs.

4. Investment Policy review

4.1 Jeanne Shen, Chief Investment Officer, presented an updated Investment Policy for the Committee’s review and approval. She noted the version of the Investment

Policy approved by the Committee in May 2021 did not include all amendments previously approved by the Committee. She further noted a new amendment is proposed to clarify the Investments team's responsibility for portfolio re-balancing.

- 4.2 She highlighted that if approved by the Committee, the updated version of the policy will be shared with the Gavi Alliance Board in December 2021 with an effective date of 1 December 2021.

Discussion

- The Committee asked to review the Gavi Investment Policy following its risk strategy work in Q4 2021 and the asset allocation review in February 2022.

Decision One

The Gavi Alliance Investment Committee **approved** the Gavi Investment Policy as set out in Annex B, Doc 04.

5. Investment Consultant RFP update

- 5.1 Jeanne Shen, Chief Investment Officer, presented an update on the investment consultant RFP process.
- 5.2 She outlined the RFP process, noting it consisted of technical and financial evaluations and was led by an evaluation team guided by Gavi's procurement policies. She then discussed the evaluation findings, resulting scores and the candidate rankings.
- 5.3 She reported the Secretariat recommends retaining the current investment consultant and extending its existing contract to 31 December 2021 until a new two-year contract can be drafted as the current contract expires 30 September 2021.

Discussion

- The Committee discussed the evaluation scores and asked various questions about firm capabilities, fee structures, and due diligence activities conducted as part of the RFP process.
- The Chair noted strategic discussions are scheduled in the next six months and suggested that in consideration of the November 2021 investment risk review and the February 2022 asset allocation exercise, the Secretariat sign a one-year contract with the investment consultant to ensure the Committee feels the consultant remains fit for purpose upon completion of the strategic exercises. The Secretariat noted that a one-year contract would require a new RFP process beginning in March 2022 and a two-year contract is preferred given the significant level of Secretariat resources required to complete an RFP process.

- In response to an enquiry from Committee members on signing a one-year contract and conducting a less intensive exercise in 2022 that builds upon the 2021 RFP process, the Secretariat noted Gavi's procurement policies and procedures would require a formal RFP process be conducted for this scope of service.
- The Committee agreed not to start a new RFP process in 2022 and discussed implications of conducting a supplementary stage of due diligence to review technical and financial benefits in greater detail.
- The Committee supported extending the current investment consultant's contract to 31 December 2021 followed by a two-year contract that includes a termination clause with the understanding that the Secretariat will conduct a mid-term review to assess the consultant's performance after one year.

6. Any other business

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

Ms Melissa Wolfe
Secretary to the Meeting



Attachment A

Participants

Committee Members

- Afsaneh Beschloss, Chair
- Margaret Hamburg
- Naguib Kheraj
- David Sidwell
- Yibing Wu

Regrets

- Kwaku Agyeman Manu

Observers

- Stephen Zinser
- Stella Villares

Secretariat

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

Guests

- Lily Fayerweather (NEPC) - (Items 1-4)
- Sebastian Grzejka (NEPC) - (Items 1-4)
- Kristin Reynolds (NEPC) - (Items 1-4)
- Dulari Pancholi (NEPC) - (Items 1-4)
- Jordan Miller (NEPC) – (Items 1-4)
- Graeme Baker (Ninety One) - (Item 2)
- Deirdre Cooper (Ninety One) - (Item 2)