

Gavi Alliance Investment Committee Meeting

9 November 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 09 November 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 13 September 2023 meeting (Doc 01d).

2. Investment Portfolio Review

- 2.1 Jeanne Shen, Chief Investment Officer, took the investment portfolio review material as read (Doc 02). She described the progress in the portfolio transition, noted the increased transaction capacity. She provided an overview of the fund manager watchlist, including the criteria for inclusion.
- 2.2 She outlined the guidance requested of the Committee in relation to the proposed equity index fund managers and extension of the independent environmental, social and governance (ESG) research and governance reporting vendor contract. Ms. Shen highlighted that the team focused on broad-based ESG equity index funds that align with the global equity benchmark MSCI ACWI IM used in the policy benchmark. In addition, the team focused on U.S. and Non-U.S. funds for ease of managing geographic exposure. The team found a U.S. equity index fund that integrated ESG from a manager already used in the long-term portfolio. The recommendation for a Non-U.S. equity index fund did not integrate ESG because the ESG versions of non-U.S. funds had higher fees and less compelling performance outcomes.

Discussion

- The Committee discussed the criteria for measuring fund manager performance and noted that while performance is a factor in reviewing fund managers, there is scope to include portfolio construction process. One Committee member suggested a thematic focus could be considered. The Secretariat could consider leveraging the broader review of the Sustainable Investment Policy to proposed equity index fund managers.

- The Committee requested that when presenting potential fund managers that the Secretariat provide contextual information on the selection criteria, decision-making process, and the strategy for the search process. When conducting research and analysis, the Committee advised the Secretariat to prioritise desired screening outcomes and strategy over the product itself.
- Responding to Committee questions, the Secretariat clarified that differentiating between US and non-US based ESG managers helps to accurately manage geographic exposure. In addition, there is greater availability of U.S. ESG index strategies. Additionally, fees, performance and operational procedures are key considerations.
- The Committee recognised the challenges in managing several portfolio managers. For now, they recommended the Secretariat prioritise US ESG funds and defer discussions about the broader ESG portfolio structure to a future meeting.
- The Committee agreed to extend the contract with ESG reporting vendor, recognising that as the broader ESG portfolio structure is implemented, reporting requirements may evolve.

3. Private Assets Update

- 3.1 Jeanne Shen, Chief Investment Officer, outlined the objective of the update. She reminded the Committee of its previous discussions in 2023 and its ask to prioritise private equity opportunities and focus on potential real estate opportunities at the end of the year. She noted the next step is to map out the real estate market and consider potential real estate commitments.
- 3.2 Sebastian Grzejka, Partner, NEPC, updated the Committee on the private asset implementation strategy (Doc 03). In terms of private equity, he noted the updated annual pacing for new asset class assumptions. In relation to real estate strategy implementation, he outlined the pacing analysis and the core-satellite approach. He proposed that discussions on real estate strategy implementation continue to evolve.
- 3.3 Shelley Santulli, Principal and Senior Investment Director, NEPC, outlined the defensive and opportunistic real estate strategies, and noted the areas of favourable investment opportunity.
- 3.4 The Committee was requested to provide guidance on the real estate strategy investment philosophy and the 2024 pacing analysis for the private assets programme.

Discussion

- The Committee agreed to a deliberate and measured approach of the real estate strategy implementation.
- The Committee agreed with a core satellite approach. Several committee members emphasised the significance of distinguishing between the commitment date and actual cash disbursed.
- The Committee expressed interest in exploring opportunistic real estate investment funds that would be considered satellite opportunities, and opting not to pursue funds with legacy portfolios such as core strategies in 2024.

4. Treasury Update

- 4.1 Assietou Diouf, CFO, and Fabrice Dutin, Head, Treasury Operations, updated the Committee on activities related to the short-term investment portfolio (Doc 04).
- 4.2 Mr Dutin reported that total short-term investment portfolio under management is currently US\$ 7.2 billion, out of which US\$ 1.7 billion relates to core activities and the remainder allocated to the COVAX portfolio. He noted the short-term investments strategy, liquidity and performance are aligned with market conditions.
- 4.3 He outlined the money market funding strategy, interest rates overview and counterparty risk management.
- 4.4 Mr Dutin highlighted that investments by counterparties are aligned with current policies and he explained the allocations. He also noted the onboarding of additional banks.
- 4.5 Finally, following recommendations from the Committee to provide a consolidated view of money market funds held under the same fund management, Mr Dutin highlighted specific areas for the Committee's attention.

Discussion

- The Committee thanked the Secretariat for the presentation, transparency and granularity of information.
- The Committee noted that in future presentations it would be helpful that the Secretariat provide an overview of investments by duration.

5. Any other business

- 5.1 After determining there was no further business, the meeting was brought to a close and the Committee met in Closed Session (see separate notes).

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

- Sebastian Grzejka, Partner, NEPC (Agenda Items 2 - 5)
- Dulari Pancholi, Partner, NEPC (Agenda Items 2 - 5)
- Kristin Reynolds, Partner, NEPC (Agenda Items 2 - 5)
- Marisol Reyes, Senior Consulting Analysis, NEPC (Agenda Items 2 - 5)
- Shelly Santulli, Principal and Senior Investment Director, NEPC (Agenda Item 3)
- Scott Tang, Associate Director, Temasek
- Stephen Zinser

Secretariat

- Assietou Diouf
- Fabrice Dutin
- Helen Liu
- Sandra Gonzalez Nederstigt
- David Marlow
- Claire-Lise Pellaton
- Tanya Robinson
- Jeanne Shen
- Maria Thestrup
- Kimberly Villa
- Melissa Wolfe