

Gavi Alliance Investment Committee Meeting

9 September 2022

Teleconference

1. Chair's report

- 1.1 The meeting commenced at 14.02 Geneva time on 9 September 2022. Afsaneh Beschloss, 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 work plan (Doc 01b).
- 1.4 The Chair invited comments on the 22-23 June 2022 Gavi Board meeting. Seth Berkley, CEO, noted the Board did not have an opportunity to discuss the investment committee chair report. He advised the Committee to inform the Board about the new private asset allocation in Gavi's long-term investment portfolio so the Board is aware of the diversification strategy and understands the risks and implications.
- 1.5 The Chair commented on the importance of ensuring sufficient resources are in place to support the implementation of the private asset investment strategy. She invited Jeanne Shen, Chief Investments Officer, to comment on private asset strategy resourcing. Ms Shen reported that following the Committee's agreement on 3 August 2022 to rely on internal staff and the investment consultant to guide the private assets strategy, a proposed private assets oversight structure was developed which will be presented under agenda item 03. It was noted that additional support from consultants or Fund of Funds could be considered if more resources are needed.

Discussion

- The Chair enquired about Gavi's approach to accessing top managers and ensuring there is sufficient capacity to conduct due diligence. The Secretariat explained it will work with the investment consultant and Committee members to identify prospective managers and the investment consultant will lead on conducting due diligence.
- The Chair noted operational and legal support will be time intensive. The Secretariat reported that an external legal firm will be engaged, and the expected cost of this service has been reflected in the Investment Team's 2023 budget request. The Secretariat further noted that Gavi's custodian is prepared to provide oversight of operational processes.

- The CEO invited Committee members to opine on best practise in cost effectiveness of implementing a private assets strategy. The Committee noted costs of implementation are typically expressed in the industry as a percentage of capital commitment and advised the Secretariat to set a percentage relative to investment return expectations.
- The Committee members offered access to their networks and agreed to suggest private asset managers.
- It was noted that the Committee has authority to appoint and terminate investment managers and must review and approve Secretariat recommendations for all manager appointments.

2. Private Assets Implementation Strategy

- 2.1 Sebastian Grzejka, Senior Consultant, NEPC, presented a private equity pacing plan for the Committee's consideration (Doc 02, Annex A) noting the Committee's request in May 2022 to review an accelerated pacing plan.
- 2.2 He discussed a proposed private assets investment philosophy to help guide the governance and decision-making processes. Mr Grzeika requested the Committee opine on aspects of diversification, commitment sizing, investment return expectations, Assets Under Management (AUM) threshold and duration of track record.
- 2.3 He outlined a plan to transition the portfolio to a 12% target for private assets over the next five years and asked for the Committee's guidance on a list of potential private equity managers with capital raises in the 2023-2024 period, noting the Committee is encouraged to provide additional names for consideration.

Discussion

- In relation to AUM threshold, the Committee noted its comfort with setting a high range in light of the long-term portfolio risk profile and prioritising managers within the firm and strategy AUM ranges during the initial implementation stage.
- In relation to duration of track record, the Committee noted a willingness to work with new firms while sharing caution on the level of due diligence required.
- The Committee discussed manager and strategy diversification, agreeing to the use of Secondaries and expressing caution on the use of Fund of Funds due to liquidity restrictions and longer delays in investment return distributions.
- The Committee agreed with NEPC's recommendation for commitment sizing and recommended setting a target allocation guideline for single fund exposure.

- The Secretariat noted a process will be developed for manager approvals as these decisions will likely require timely approvals outside the normal committee meeting schedule. It was further noted manager approval requests may be conducted via email or in an ad hoc meeting and in cases of email correspondence, unanimous approval or a majority approval with no objections will be sought.
- The Chair enquired about the feasibility of a subcommittee making decisions between meetings and it was noted that a subcommittee structure is not practical with the current committee size.
- The Committee supported the Transition Plan as presented by NEPC, noting real estate pipeline options will be reviewed and discussed at a later date. The Secretariat confirmed the target allocation is 8% private equity assets and 4% real estate assets.
- The Secretariat agreed to revise and share an updated Private Equity Philosophy Grid with the Committee before the 10 November 2022 meeting.

3. Investment portfolio review

- 3.1 Jeanne Shen, Chief Investment Officer, updated the Committee on the April through July 2022 performance of the investment portfolio, manager activities and related transactions (Doc 03).
- 3.2 Ms Shen highlighted turbulence in the market and rising interest rates impacting market conditions, noting challenges particularly in the fixed income and equity asset classes.
- 3.3 She presented the portfolio allocation versus the target allocation and noted the current allocations are close to their targets. She noted the target allocations in the advance material reflect the current asset allocation. She explained the Investments team has initiated the transition process for reaching the new asset allocation targets approved by the Committee earlier this year and investment reports will reflect the new targets by early 2023.
- 3.4 She highlighted the largest funds in the long-term portfolio noting the Committee will be asked to reduce exposure in some funds as part of the transition strategy to reach the new asset allocation.
- 3.5 She outlined a fund restructuring process to achieve the new asset allocation targets and noted the Secretariat recommends terminating a fixed income manager and global volatility manager.
- 3.6 Ms Shen reported on equity due diligence activities, requesting the Committee's guidance on two Global Equity strategies. She explained that if the Committee has no concerns, the Secretariat will prepare recommendations for approval at a later date.

- 3.7 She reported the Secretariat recommends approving a Global Equity Index Fund.
- 3.8 Finally, Ms Shen shared updates regarding nine managers on watch and outlined the criteria used to determine putting managers on watch.

Discussion

- In response to an enquiry from the Committee about protecting against higher inflation rates, the Secretariat noted it is assessing risks while reducing the Fixed Income allocation and moderate commodity and equity exposures should help in the long-term. NEPC further commented that private asset investments should help in the near term in an inflationary environment.
- The Committee agreed to proceed with two Global Equity strategies as presented and suggested considering additional strategies with more alpha. The Chair offered to reach out to a Global Equity Strategy identified in the equity due diligence process and encouraged the Secretariat to proceed with the two aforementioned strategies in the meantime.
- The Committee **approved** the Secretariat's recommendations to:
 - To approve a passive global equity index fund
 - To terminate a fixed income manager and a global volatility manager.

4. Any other business

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

5. Closed Session

- 5.1 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

- Afsaneh Beschloss, Chair
- Margaret (Peggy) Hamburg (Items 2-5)
- Yibing Wu

Regrets

- Naguib Kheraj
- Kwaku Agyeman Manu

Observers

- Stella Villares

Secretariat

- Seth Berkley (Items 1-2)
- Assietou Diouf
- Brenda Killen
- Helen Liu
- Ian MacTavish
- David Marlow
- Sandra Gonzalez Nderstigt
- Claire-Lise Pellaton
- Jeanne Shen
- Kimberly Villa
- Melissa Wolfe

Guests

- Sebastian Grzejka (NEPC) - (Items 2-4)
- Kristin Reynolds (NEPC) - (Items 2-4)
- Dulari Pancholi (NEPC) - (Items 2-4)