
100 Campus Center ~~~ Seaside, CA ~~~ 93955-8001

Memorandum

TO: Investment Committee

CC: Robert C. Taylor, Chair

FROM: Nancy S. Ayala via Robert C. Taylor, Chair

DATE: May 4, 2022

SUBJECT: Agenda and Read-Ahead Materials

Enclosed are the agenda and read-ahead materials for the Investment Committee meeting on Wednesday, May 11, 2022. This virtual meeting will begin at 1 p.m. via Zoom. Meeting instructions were emailed.

If you have any questions or concerns before the meeting, please feel free to contact me at nayala@csumb.edu.



100 Campus Center ~~~ Seaside, CA ~~~ 93955-8001

Auxiliary Investment Committee Meeting

Wednesday, May 11, 2022 ~~~ 1:00 p.m. – 3:00 p.m.

Virtual Meeting

AGENDA

- | | | |
|-------------|--|-----------|
| I. | Call to Order | R. Taylor |
| II. | Approval of Minutes | |
| 2 min. | Approval of February 7, 2022 meeting minutes | R. Taylor |
| III. | Public Comment | R. Taylor |
| IV. | Business | |
| 60 min. | A. Review of US Large Cap ESG options | Verus |
| 20 min. | B. Review of returns on Unleveraged Private Credit Funds | Verus |
| V. | Reports | |
| 10 min. | A. Quarterly Research Report | Verus |
| | Attachment V. A | |
| 10 min. | B. Performance Monitoring Report | Verus |
| | Attachment V. B | |
| VI. | Closed Session | |
| 10 min. | Other Topics | R. Taylor |
| VII. | Adjournment | R. Taylor |

Note: This agenda provides notice of the business to be transacted (i.e., topics for Committee discussion). Action may be taken on any item on the agenda. The italicized notations above are for guidance purposes only and the Committee may take action on any item listed on the agenda, whether action is specifically prescribed.



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Investment Committee Meeting

Monday, February 7, 2022 ~~~ 3: 00 p.m. – 4: 37 p.m.

Via Zoom

Draft, Minutes

<p><u>Committee Members Present:</u> Robert C. Taylor, Esq., Chair Gifford Lehman Bud Colligan Stephen Mackey Brian Corley, CIMA & AIF Barbara Zappas</p>	<p><u>Members Absent:</u></p>
<p><u>Staff Present:</u> Lawrence Samuels, Corporation Executive Director Starr Lee, Corporation Associate Executive Director Sherry Baggett, Corporation Controller Nancy Ayala, Gov. & Compliance Mgr.</p>	<p><u>Guests:</u> Jason Taylor, Verus Investments (Verus) John Crosbie, Verus Investments (Verus) Ethan Quaranta, CSUMB Student</p>

- I. **Call to Order:** A quorum being established, Chair Robert C. Taylor, Esq. called the meeting to order at 3:00 p.m.
- II. **Approval of Minutes:** Moved and seconded to approve the November 8, 2021 meeting minutes as presented. With no further discussion, the motion carried.
- III. **Public Comment:** Chair Taylor recognized student Ethan Quaranta and engaged in a brief discussion regarding the fossil fuel divestment topic.
- IV. **Business**
 - A. **Financial Impact of divesting in Fossil Fuel Investments ESG vs. FFF:** Verus presented the financial impacts of divesting from fossil fuel assets and investing in ESG or FFF funds. It was noted that the portfolios do not have direct investments in fossil fuel companies. All exposures are a part of a commingled or mutual fund. Each campus is chartered to divest from fossil fuel assets, and anything less of that may have backlash. It was noted that this process would take several quarterly meetings as the Committee understands what the University’s goals are and reviews different options provided by Verus. Verus will bring back an analysis specifically on US large Caps and opportunities that are either FFF or, more broadly, ESG vehicles at the next meeting. The Committee discussed definition possibilities at length, noting that perhaps an ESG approach is much more aligned with the campus culture.
In contrast, the fossil-fuel-free approach is missing a large part of social and governance. It was recommended that the ESG approach be presented to the Board for review and approval because the Committee was charged with divesting from Fossil fuel assets. Verus presented a timeline to divest from fossil fuel assets once the Committee agrees on what direction to take. Verus will bring back an analysis specifically on US large Caps and options that are either FFF or, more broadly, ESG vehicles to the next meeting.

Chair Taylor reported that in the course of the audit, auditors discovered that private credit managers TCP and Owl Rock are generating a substantial amount of unrelated business

income resulting in tax implications and, in turn, reduced the net return. The Foundation offset most of the tax with manager fees and owed approximately \$22K in taxes between the two funds. The Committee also discussed the tax implications of investing in private credit funds. For now, returns outweighed the tax implications. Verus will monitor these funds closely and bring back any concerning information at the next meeting.

Member Brian Corley departed at 4:10pm

- B. Investment Philosophy (cont.): This topic will be tabled until all committee members complete the survey sent by Verus.

V. Reports:

A. Quarterly Research Report: Verus provided a brief review of the market environment.

B. Performance Monitoring Report: At the period ending December 31, 2021, the Endowment held approximately \$37M. The Endowment portfolio returned 3.4%, underperforming the policy index by 0.3%. Over a five-year period, the endowment portfolio returned 9.5%, underperforming the policy index by 0.4%.

The Operating Fund portfolio returned 3.9%, underperforming the policy index by 0.1%. Over a five-year period, the operating fund returned 8%, underperforming the policy index by 0.3%.

VI. Closed Session: The Committee did not enter into Closed Session.

VII. Adjournment: With no further business to discuss, the meeting adjourned at 4:37 p.m.

Robert C. Taylor, Esq., Committee Chair

Date