



Minutes of the Finance and Investment Committee Meeting of the California State University, Stanislaus Foundation Board Thursday, March 16, 2023

R. Ronten called the March 16, 2023, meeting of the Finance & Investment Committee to order at 2:00.

At the request of R. Ronten, M. Hartsfield called roll.

MEMBERS PRESENT: R. McAuliffe, D. Bizzini, E. Junn, M. Lahti, R. Ronten, J. Vieira
MEMBERS ABSENT: R. Fitzpatrick
GUESTS: R. Triebsch (Board Member though non-committee member), J. Borba, D. Dores,
M. Hartsfield, R. Linderman, T. Au, A. Parmisano, E. Erickson

CONSENT AGENDA

The minutes of the September 26, 2022, meeting were approved as submitted.

MSP (DB, RR)

DISCUSSION & REPORTS

Graystone Consulting CSU Stanislaus Foundation Endowment Portfolio Review as of December 31, 2022.

Capital Markets Commentary

- Graystone first presented a review of the capital markets.
 - Review of 2022 and Q4
 - Equities saw significant downward pressure throughout 2022, mostly concentrated in the first 3 quarters as the 4th quarter saw a modest relief rally.
 - Domestic markets finished the year down more than international markets – typically in a bear market, you would expect the opposite.
 - Dollar started to weaken relative to most major currencies, serving as a tailwind to international stocks.
 - Bond returns also saw significant downward pressure last year, breaking the norm as a hedge against equities when markets are declining.
 - Hedge Funds, Real Estate and other alternatives added diversification last year as most outperformed both stocks and bonds.
 - Forward outlook
 - Expectation for some time now has been that this year would begin an economic slowdown – not a horrible recession but that this cycle would come to a close much quicker than the most recent cycles past.
 - Will likely enter a mild recession and begin the next cycle in a relatively short period of time.
 - Anticipating GDP will be modestly positive for the year but should see improvement heading into 2024.

- Inflationary pressures are modestly declining as the fed has been aggressively pursuing higher interest rates.
- Likely to see continued pressure on the banking system in the short term as the crisis in confidence will take time to resolve.
- Regarding the market, still maintain a price target on the S&P 500 that is very close to today's levels.
 - Believe the market continues to overestimate the profitability and earnings estimates for the year and needs to come down further.
 - Expect that 2024 should be a much better year as earnings and the economic cycle are expected to rebound based on today's data.
- In the fixed income markets, expect interest rate volatility to remain elevated.
 - Depends on fed activity, growth and inflation.

Portfolio Review - Endowment

- Graystone next reported that the portfolio is compliant with the investment policy guidelines and that from an asset allocation perspective, the portfolio remains very conservatively positioned.
 - Currently underweight public equities by about 7% with a corresponding overweight to fixed income.
 - All other asset classes remain very close to long term strategic targets.
- Graystone presented the returns and explained that the Endowment finished the quarter up approximately 5.91%, in line with the benchmark.
 - In sharp reversal to the first three quarters of the year, public equities rallied sharply finishing the quarter as the number one performer over the three-month time period, while most other asset classes were flat to modestly positive.
 - On a year-to-date basis, the trends of the first three quarters dominated with public equities and fixed income the biggest detractors, while the Foundation's allocation to alternative investments helped stabilize returns outperforming both stocks and bonds.
- Next Graystone took the committee through an overview of the changes made to the portfolio since the group last got together.
 - December – From an asset allocation perspective, steps were taken to make the portfolio more defensive.
 - Trimmed from public equities and added to fixed income.
 - Reflection of Graystone's cautious view for equity markets in the short term
 - Handful of modest adds and trims to existing managers within the portfolio with the manager lineup staying stable overall as managers continue to perform in line with expectations.

University Financial Reports

Foundation Cash Report (Cash and Cash Equivalents)

D. Does offered the reporting in the same format as usual noting current balances. LAIF rates were discussed and determined they were in line with regular money markets.

R. Triebsch suggested exploration of laddered CDs for surplus funds not needed in the short term. R. Linderman offered a similar structure had been utilized in the past. R. McAuliffe offered to explore options. T. Au said it would be prudent to explore CDARS (Certificate of Deposit Account Registry Service), a program that allows investment in several CDs of different banks to get around the \$250k max FDIC limit. Graystone offered to assist. Graystone will follow up with liquid short-term options. Morgan Stanley has 2 separate FDIC insured banks; you may receive double the amount of FDIC coverage (\$500,000) compared to a stand-alone bank (\$250,000).

Audited Financial Statements as of December 31, 2022

D. Dores reported the Financial Statements were positive with Increase in cash and cash equivalent year over year.

Endowment Report as of December 31, 2022

Dores reported the current value of endowed accounts at December 31, 2022 was \$17,334,411.

NACUBO Report

Dores reported that Stanislaus State, along with 688 other entities completed the NACUBO survey. T. Au commented Graystone will present a comparative study at the next meeting.

Foundation Budget Report Template 2023/24

M. Lahti thanked R. Triebisch for joining the workgroup to review the reporting format. She acknowledged the workgroup which was complimented by R. McAuliffe who credited R. Linderman, D. Dores and team for the template being presented. The workgroup worked to review existing prototypes, prepare a glossary, consider timing constraints of presented data and provide in all in an understandable format.

R. Linderman presented the quarterly template with introduced comparative data over comparable time periods, simplified descriptions, and an added glossary on the template for reference. She indicated commentary for substantial variances would be offered prior to future meetings to allow time to formulate relative questions. The format does not follow through to Financial Statements which will remain in their current format. The second template will be used for budget planning purposes. The Committee agreed for staff to move forward with the presented templates.

Philanthropic Report

M. Lahti reported philanthropic dollars for the prior year came in just shy of \$3.25M goal. She commented on the feasibility study underway with CCS whose findings will be presented at the full board meeting on March 30. Lahti reported that the bulk of the gifts recently have been for current use and the current direction is a focus on endowment gifts.

During this time, T. Au commented that other clients have expressed interest in setting up an infrastructure to accept gifts via cryptocurrency. He stated many of the younger generation are very comfortable in this market but usually want to move quickly when offering a gift. Systems must be in place to accommodate the quick turnarounds. Graystone offered to bring an overview for Committee consideration.

ACTION ITEMS/NEW BUSINESS

Endowment Payout FY 2023/2024

- Presentation was made by Dennette highlighting the 2%, 2.5%, and 3% spending policies.
- Next Todd presented an asset allocation study that was presented to the group in 2022 (new study coming soon)
 - Todd highlighted the long-term rate of return projection for the portfolio sits at 7.7%
 - Todd also highlighted that inflation is a part of the spending objective, and while inflation is high now it is likely to revert to 2-2.5% over time.
 - Todd discussed the benefit of extending the smoothing rule to 20 quarters.

Chairman Ronten called for a motion to recommend a 3% payout to the full board of the California State University. Stanislaus Foundation at its next meeting.

MSP (DB, JV)

The next meeting of the Finance and Investment Committee will occur on Thursday, May 18, 2023, 2:00pm – 4:00pm.


ADJOURNMENT

There being no further business before the Committee, R. Ronten called for a motion for adjournment at 4:02.

MSP (DB, EJ)

Recorder: 

Mary Hartsfield

Approved: 

Richard Ronten, Chair