Minutes of the Finance Committee Meeting – Tuesday, February 23, 2021

Attendees:
Gene Chelburg (joined @ 11:25a)
Neil Cohen
Bonnie Li Victorino
Jay Orendorff (joined @ 11:41a)
Jason Porth
Kal Salama

Guests:
Mitch Hughes, Beacon Pointe
Felix Lin, Beacon Pointe

UCorp Staff:
Tammie Ridgell
Maggie Woo
Anthony Victoria

I. Called to order, via Zoom, at 11:03a, by the Chair, Kal Salama

II. Reviewed and approved agenda, including schedule of future meetings
- with modification shifting UCorp’s report from AVP of Finance and Administration to occur before Beacon Pointe’s report

III. Approval of past minutes relative to November’s & December’s meetings, as well as joint meeting with Executive committee in November
- Neil moved to approve, Bonnie, seconded, passed unanimously

IV. Report from UCorp’s AVP of Finance and Administration, Tammie Ridgell
- presented FSR as of January 31, 2021, that included budget projections for remaining fiscal year, February through June
  o Ctrl-P continues to perform over budget with Lobby Shop maintaining, and Open 24, down
  o maintaining projection relative to fiscal year-end loss
  o no significant changes in expenditures
  o investment income through end of January at around $3.6M and continues to outperform budget – a very good thing
- Kal asked if Follett’s projection through the end of the year remains reasonable
  o Tammie replied that it is challenging to respond, as we are still waiting for the results due to Spring semester
  o Jason added that even though UCorp is currently in the second year of a 3-year renewal term with Follett, consideration for the very near future needs attention as the outlook for bookstore operations does not really have an alternative
  o Neil suggests that all parties be brought together to analyze and re-engineer operations, as University needs and uses may need to be re-defined to establish the purpose of a bookstore on campus
    ▪ a plan is definitely needed to move forward and to stop the bleeding of revenues
  o Kal suggested consideration of UCorp’s board’s Bookstore committee to begin to address the issue
V. Report Beacon Pointe, Felix Lin, President
- presented results at January 31, 2021
  o total composite at almost $30M in assets
  o actual allocation relatively close to targeted allocation
  o unexpectedly up by about 14% so far for the fiscal year despite current COVID situation
  o looking at upcoming challenges for tour fixed income investments
- equity portfolio is exceeding benchmark
  o Aperio is doing well – even though small cap is underperforming, both large & mid cap are outperforming
  o Boston Common has also done well, with focus on distribution
    ▪ there is a new ownership in place and Beacon Pointe is watching closely
- fixed income portfolio is performing in-line with expectations
  o rebounded well and continuing to monitor selling activity
  o TIAA rebounded quite well
  o TIPS have done well due to increased inflation expectations
- private credit strategies are relatively new in the alternatives portfolio
  o a lot of money flowing to private credit
    ▪ it’s all about proper underwriting

VI. Update on Line of Credit, Jason Porth, Executive Director
- another, and hopefully final, discussion with Bank of SF was held
  o provided clear understanding of UCorp’s balance sheet
  o clarified UCorp’s need for funds
  o explained UCorp’s GASB compliance and difference from FASB
- Bank of SF to be submitting request and proposal for final approval
  o wanted to know about campus reopening and UCorp’s plan to restore revenues

VII. Investment Policy Statement Review and Related Analysis, Jason Porth, Executive Director
- due diligence in our review of existing policy is needed versus just making changes
  o is further clarification required? what is the work plan to be?
    ▪ at this time there is no due date
  o looking to & relying upon experts, such as Beacon Pointe and Kal for guidance
    ▪ possibly look at other universities and/or auxiliary orgs
  o current policy may seem somewhat vague, but that may be advantageous
- Kal believes that due to past board discussions on this issue, UCorp would want to invest ‘towards’ the good/positive as opposed to moving away from the bad/negative
- Felix asked what would be the focus of ESG investments, as seemingly within the industry there are more segments coming available
  o Ethics Investments, out of Boston, consults and assists in directing investments towards identified causes/concerns
  o ESG investing, though not extensive is predominant in Europe
  o it is possible to utilize screening services, such as ISS, and, Sustainalytics
    ▪ though widely used for negative screening to identify restrictions, this can also be used for positive-impact investing
    ▪ preferences can be shared with managers
  o need to decide what concerns are important or critical to overall objectives
- Jason sees the challenge in trying to determine what is of most importance
- Felix believes it will take some time to process, so as to determine and possibly identify those key topics upon which UCorp should focus (suggestion gender equality as an example)
  - Mitch stated that in getting too granular, UCorp could easily get lost
    - considering other options, such as identifying and targeting those alternatives or private investments that may be impactful
    - looking to positive investing in products/companies that advocate and foster concerns or causes, rather than outright eliminating investments
  - Jason remarked that an ongoing campus concern is racial justice
    - asked for input, in terms of what next steps should be
    - Kal suggested a few options in ensuring UCorp values are reflected in investments
      - possibly include a few specific areas of concern in policy relative to investments including assertion that managers will pursue these, or
      - possibly provide more of a generalization, less specificity of intent, including the encouragement of such pursuit
    - in looking at section VI of the investment policy, Jason suggested replacing the ‘prohibited’ connotation to encouraging progress in focusing towards ESG, and an attempt to identify 3-5 areas of concern
      - also important to ensure a strong student presence given throughout this process
        - continuing to emphasize the President’s ‘positive investing, not divesting…’
        - share ongoing consideration of proposals with ASI student board
    - Gene believes augmenting the current policy may be a good approach
      - further suggested committee members come to the next meeting with their ideas and thoughts for further discussion, so as to prepare for a subsequent presentation to the full board
      - echoes sentiment of the challenges UCorp may be facing, as the students are expected to be very passionate
  - Bonnie also stated that it is important to tie-into the University’s overall objectives, as well
  - Jason summarily proposed that a list of items be formulated
    - give to the full board and survey for their thoughts
    - cautiously seek comment from the students
      - possibly present to the Academic Senate
    - use the feedback received to reflect ESG and identify actual areas to invest
      - resulting in update of section IV in policy

Meeting adjourned by Kal at 12:06p