



The University Corporation  
San Francisco State

Room ADM 361  
1600 Holloway Ave.  
San Francisco, CA 94132

[ucorp.sfsu.edu](http://ucorp.sfsu.edu)

## Finance Committee Meeting

Tuesday, September 12, 2023

via Zoom

Jamillah Moore(11:10am)

Ly Chau

Jason Porth

Kal Salama

Michael Goldman

Yessica Gudino

Janey Wang

### Guests

Bill Thompson, Beacon Pointe

### UCorp Staff

Tammie Ridgell

Maggie Woo

Rosa Barragan

Called to order by Kal at 11:02a

- reviewed & approved agenda
- May 16, 2023 minutes reviewed; Ly/Michael motioned/seconded; approved unanimously

Investment Portfolio Update report by Bill – 2<sup>nd</sup> Quarter Report(July Performance)

### Highlights

- S&P 500 rises 20.6% YTD, it's best performance through the first seven months
- tech-heavy Nasdaq 100(AI) surges 44.7% this year, growth out-performing value
- US market strong
- all sectors post gains, led by Energy
- Federal Reserve approves another interest rate hike
- inflation of the Personal Consumer Expenditure Price Index, the Federal Reserve preferred price gauge, slows further to 3% year-on-year
- latest macro data that includes GDP, employment and inflation data, raise the odds of a “soft-landing”
- US debt rating downgraded from AAA to AA+
- Government shutdown is still looming and it's impact is not visible yet
- Beacon Pointe continues to have the view “ potential storm coming” hard to determine outcome and hard to predict the date and time of recession
- investors nervous about situation => “choppy” markets

### UCorp YTD Performance

- portfolio value was approximately \$32 million as of July 31
- year-to-date through July 31, portfolio returned 9.3%, and outperforming it's allocation index return of 8.5%, which is largely driven by performance of alternatives
- over the trailing 1-year, portfolio returned 6.1% and outperformed the index. Since the inception the portfolio has returned 5.1% annually, largely in line with its benchmark



Action Items:

- Beacon Pointe recommends a modest rebalancing of the portfolio:
  - Reduce US Equities
  - Reinvest the proceeds in Fixed Income
- rebalance recommendation brings the US Equity allocation back in line with our cyclical target, reduces the portfolio's exposure to elevated US Equity valuations, and takes some strong equity gains off the table
- reinvesting the proceeds in high quality fixed income more closely aligns the allocation with its target.
  - Beacon Pointe believes interest rates are near their peaks and offering an attractive total return and current yield

**Kal:** commented on a strong finish for fiscal year and from the May, meeting to present and thanked Beacon Pointe for their work

**Kal:** affirmed Beacon Pointe's recommendation for rebalancing is in response to the last statement and what are the steps to be taken for this to take place?

**Bill:** responded only approval is needed from the committee and that this recommendation to rebalance is a formality

**Kal:** clarified/asked that this recommendation came-up at the end of July, which was appropriate, now it is September and are we at that same point?

**Jason:** welcomed Janey Wang to our committee and then asked Beacon Pointe: Do we need to address this level of control and authorization?

**Kal:** did not recall that we need approval for rebalancing, and that it is open to modification for authorization and has not been addressed

**Bill:** commented that it is a catalyst for concern due to unforeseen circumstances change, COVID for example and its impact on the portfolio

**Kal:** asked Bill what other clients do with giving authority to rebalance

**Bill:** replied that they are either full authority(OCIO) or request permission

**Jason:** commented that we did not want OCIO when UCorp retained Beacon Pointe

**Kal:** commented that best for UCorp is to keep it simple with Beacon Pointe and remain at "request permission"

**Janey:** asked Beacon Pointe, if there is comparative performance/risk data from other CSU campus that could give some guidance?

**Bill:** Beacon Pointe does not have that data

**Jason:** asked Tammie for her input

**Tammie:** CSU campus have data on endowments but not private/corporations (auxiliaries like UCorp)

**Kal:** suggested that universes data available to Beacon Pointe? This might give comparative data that would be of some benefit

**Bill:** responded that yes, Beacon Pointe has access and could include in future reports

**Kal:** Moving onto the reduction of APERIO Fees,

**Bill:** Not prepared to report on this item, however, the fee was reduced from 25points to 20 points.



Resolution: Approval: Beacon Point's recommendation for Rebalancing:

- Kal/Jason motioned/seconded, passed unanimously

UCorp's Report by Tammie:

- Brief update
  - o Wrapping-up the audit by September 22, 2023
- Financial data for June, 2023
  - o UCorp- April to end FY is up approx.. \$5M
  - o Investment return approx. \$2.6M
    - Substantial increase from previous FY of \$2.1M
  - Contributions down slightly as they are handled by Development Revenue
  - o shops performing well
    - INoodles space transition to Basic Needs space, has been completed

Announcement:

- o Audit update will be reported at the next Finance Committee meeting
- o Second audit is now scheduled. This is by the CSU in October, required for UCorp. Focused on business practices, policies and procedures

General discussion of Cash Balances and Alternatives for assets currently held by LAIF

**Kal:** showed LAIF current yields compared with market rates and asked what do other CSU campuses do with cash balances?

**Tammie:** other CSU campuses have more to do with endowments and not private corporations. LAIF is generally used at all campuses

**Bill:** suggested as "best practice" diversification of portfolio: portfolio can be tapped for cash as it is fully invested

**Tammie:** currently in LAIF balance can swell to \$14million and decrease to \$4million in a given year

**Bill:** suggests more risk in investment worth to revisit

**Kal:** clarified that we are discussing operating cash outside the portfolio and stated portfolio supports expenses and not used all the time, so this can be a challenge gauging risk level

**Jason:** explained how UCorp currently manages cash, coordinating WFB and LAIF; also asked if there may be a vehicle to use for pulling cash out of LAIF account and what is the vehicle? Also, Tammie, what is the number that you would feel comfortable with pulling-out for cash?

**Tammie:** stated that it is very hard to come-up with a number as circumstances change, due to payouts at the end of the year, timing is the issue as the cash amount swells from \$14million and decrease to \$3million, maybe \$3million would be a safe amount to potentially move.



**The University Corporation  
San Francisco State**

Room ADM 361  
1600 Holloway Ave.  
San Francisco, CA 94132

[ucorp.sfsu.edu](http://ucorp.sfsu.edu)

**Kal:** stated that this is an ongoing conversation.

**Jason:** affirmed that this decision does not have to be made at this point and will be ongoing discussion

**Kal** adjourned meeting at 12:19