

SAN BRUNO

Community Foundation

Investment Committee

Tim Ross, *Chair* • Anthony Clifford, Mark Hayes, Frank Hedley, and Georganne Perkins, *Members*
Leslie Hatamiya, *Executive Director*

AGENDA

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

February 15, 2017
4:30 p.m.

Meeting Location:
San Bruno City Hall, 567 El Camino Real, Room 101, San Bruno

In compliance with the Americans with Disabilities Act, individuals requiring reasonable accommodations or appropriate alternative formats for notices, agendas, and records for this meeting should notify us 48 hours prior to meeting. Please call the City Clerk's Office at 650-616-7058.

- 1. Call to Order**
- 2. Roll Call**
- 3. Approval of Minutes:** November 16, 2016, Regular Investment Committee Meeting
- 4. Conduct of Business**
 - a. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance
- 5. Public Comment:** Individuals are allowed three minutes, groups in attendance, five minutes. If you are unable to remain at the meeting, contact the President to request that the Board consider your comments earlier. It is the Board's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Board from discussing or acting upon any matter not agendaized pursuant to State Law.
- 6. Committee Member Comments**
- 7. Adjourn**

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MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

November 16, 2016

4:30 p.m.

Meeting Location:

San Bruno City Hall, 567 El Camino Real, Room 101, San Bruno

- 1. Call to Order:** Committee Chair Tim Ross called the meeting to order at 4:33 p.m.
- 2. Roll Call:** Committee Members Ross, Clifford, Hayes, and Hedley, present; Perkins, excused.
- 3. Approval of Minutes:** August 17, 2016, Special Investment Committee Meeting: Committee Member Hedley suggested that the minutes be signed by Executive Director Leslie Hatamiya and not Chair Ross, since he was not a Committee Member at the August 17, 2016, Special Meeting, and recommended that the minutes be amended accordingly. Committee Member Clifford moved to approve the minutes of the August 17, 2016, Special Meeting, as amended, seconded by Committee Member Hayes, passed unanimously.

4. Conduct of Business

- a. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance

Kristin Sun, the Foundation's primary contact at SHGA, introduced Brenda Vingiello, SHGA's Co-Chief Investment Officer, to the Committee.

SHGA CEO Brian Dombkowski reminded the Committee that the U.S. economy is in the eighth year of economic recovery, with a moderate growth environment. He then gave an overview of the firm's current economic forecast for the fourth quarter of 2016, commenting on the recent presidential election, economic growth, interest rates, the employment market, corporate earnings, international developed markets, emerging markets, inflation, commodity markets, valuation, the housing market, and left-tail risks.

Mr. Dombkowski and Ms. Vingiello then reviewed the Foundation's Investment Dashboard for the third quarter of 2016. Ms. Vingiello explained that in August SHGA reduced the portfolio's

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exposure to REITs and added absolute return investments and that in September SGHA reduced the portfolio's exposure to large cap high-dividend stocks and increased regional bank stocks.

Ms. Sun reviewed the Committee's reporting requests at the last meeting. She first highlighted the inclusion of a custom blended benchmark for the Strategic Pool (bond index replaced with actual return of fixed income for May 31, 2016, through August 31, 2016). She next reviewed a summary of investment management fees. Finally, she provided an overview of SHGA's use of active and passive managers. She reported that active managers are used sparingly, only when SHGA believes they can add value and help beat the benchmark. Ms. Vingiello then reviewed the nine active manager SHGA currently uses in the Foundation's portfolio.

Finally, Ms. Sun explained the differences between the monthly Fidelity statements and SHGA's quarterly reports. She explained that Fidelity's numbers reflect the settlement date for trades, while SHGA reports trades as of the trade date, and as a result, there can be small differences in the numbers presented in the two types of reports.

Committee members expressed that they found these additional reports helpful and requested that SHGA provide them on an ongoing basis.

5. Public Comment: None.

6. Committee Member Comments: Chair Ross mentioned the Committee's role in evaluating SHGA and suggested adding the topic to Committee meeting agendas at a regular interval. He also expressed a desire to ensure that the Committee Members who are not Directors on the Foundation Board are regularly kept abreast of the Foundation's activities and how those activities might affect the investment portfolio.

Executive Director Hatamiya said that all Investment Committee Members receive the e-newsletter blasts that summarize the previous Board meeting and provide the agenda and link to the materials for upcoming Board meetings. She said she would also email the Investment Committee the complete Board meeting packets each month. She also suggested that a short presentation on the Foundation's annual budget be put on the agenda of the Investment Committee meeting following the Board's adoption of the budget each year (e.g., the August Committee meeting).

Committee Member Hedley asked the Executive Director to ask legal counsel whether the Brown Act allows for evaluation of the investment advisor in closed session.

Committee Member Hayes reminded the Committee that changes to the Investment Operating Plan (as opposed to the Investment Policy Statement), such as changes to asset allocation weights for the various accounts, can be made by the Board and do not require City Council approval.

7. Adjourn: Committee Member Clifford moved to adjourn the meeting at 5:58 p.m., seconded by Committee Member Hedley, approved unanimously.

SAN BRUNO

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Respectfully submitted for approval at the Regular Investment Committee Meeting of February 15, 2017, by Investment Committee Chair Tim Ross.

Tim Ross, Investment Committee Chair

SAN BRUNO

Community Foundation

Memorandum

DATE: February 10, 2017

TO: Investment Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: February 15, 2017, Investment Committee Regular Meeting

The Investment Committee of the San Bruno Community Foundation will hold its regular quarterly meeting at 4:30 p.m. on Wednesday, February 15, 2017, at San Bruno City Hall, Room 101, 567 El Camino Real, San Bruno.

1. Report from Sand Hill Global Advisors (SHGA) Regarding SHGA's Investment Outlook and SBCF's Investment Performance

Representing SHGA at the Committee meeting will be CEO Brian Dombkowski and Director of Operations Tony Craun. Senior Wealth Manager Kristin Sun is currently on maternity leave, but she is expected to attend the meeting as well. The SHGA team will give a presentation to the Committee that will cover (a) SHGA's investment outlook, (b) the performance of the Foundation's investment portfolio, and (c) a discussion of interest rate considerations.

a. SHGA's Investment Outlook

In this portion of the presentation, the SHGA team will provide an overview of SHGA's current economic forecast, particularly for the first quarter of 2017, including the firm's perspective on economic growth, interest rates, employment market, corporate earnings, international market, housing market, inflation, and commodity markets. The team will also comment on the effect of the U.S. presidential transition on the domestic and international economy.

b. SBCF's Investment Performance

The second part of SHGA's presentation will review the performance of the Foundation's investment portfolio for the fourth quarter of 2016. The SHGA team will walk the Committee through the attached Investment Dashboard for December 31, 2016, a one-page summary of the Foundation's portfolio. At the meeting, the SHGA team will also provide more detailed and up-to-date information about the Foundation's investment holdings, including performance data of underlying funds.

SAN BRUNO

Community Foundation

Memorandum

c. Interest Rate Considerations

The SHGA team will also lead a discussion of interest rate considerations, including the current interest rate environment and outlook. The Committee will discuss the implications of these interest rate considerations for the Foundation's fixed income investments, overall asset allocation, and market neutral investment options.

2. 2017 Meeting Schedule

The Investment Committee holds its quarterly meeting on the third Wednesday of the middle month of the quarter. In 2017, the Committee will meet on:

February 15, 2017
May 17, 2017
August 16, 2017
November 15, 2017

These meetings will take place at 4:30 p.m. at San Bruno City Hall, Room 101, 567 El Camino Real, San Bruno.

Attachments:

1. SBCF Investment Dashboard, as of December 31, 2016

The San Bruno Community Foundation Investment Dashboard

As of December 31, 2016

Current Outlook:

Economic Environment: As we enter a new calendar year, we expect US economic growth to pick up to 2-2.5% as oil prices stabilize, the inventory environment becomes more normalized and the services industry continues to strengthen. With a new President and a Republican majority in congress, the financial markets have anticipated a high likelihood of new pro-growth policy being implemented in 2017. While a high degree of uncertainty currently exists, we believe economic growth is likely to persist as tax rates will likely come down, fiscal spending is likely to pick up, consumers should continue to benefit from strong employment and the Federal Reserve is not pursuing a strong policy response. Additionally, corporate earnings growth is poised to accelerate as the energy sector recovers, the financial sector benefits from higher interest rates and strong trends in the consumer and technology sectors persist. We expect interest rates to rise modestly as global sovereign yields appear to have bottomed and governments are now turning their focus to fiscal stimulus efforts. Job growth has continued to remain strong and wages have been growing at a pace that exceeds the Federal Reserve's inflation target of 2%. While overall inflation has remained subdued, prices have begun to rise modestly and commodity prices have moved off of their lows, suggesting the general direction of movement will be higher. It is our view that economic growth will persist as fiscal spending is likely to pick up, consumers continue to benefit from strong employment and the Federal Reserve is not pursuing a strong policy response.

Market Environment: Domestic equity markets moved higher during the quarter and strong sector shifts led to the outperformance of companies that would stand to benefit from lower tax rates, higher interest rates and less regulation. International equity declined as the US Dollar strengthened and concerns over potential tariffs were at the forefront. Fixed income yields rose as the market anticipated a potential pick up in inflation driven by fiscal stimulus. Meanwhile, REITs and other high yielding equity sectors experienced a price correction as their yields became less attractive relative to fixed income. Commodities rose in response to an OPEC announcement of a plan to limit output.

Portfolio Response: Following a modest pull-back in the equity market, we added to energy-focused equities and also increased exposure to absolute return. These purchases were funded by a reduction of fixed income.

Performance		Quasi-Endowment Pool			Custom Blended Strategic Pool		
		Benchmark	+ / -	Benchmark	+ / -	Benchmark	+ / -
Quarterly	Q4 2016	0.67%	0.76%	-0.09%	-1.35%	-1.66%	0.31%
	Q3 2016	2.77%	2.87%	-0.10%	0.89%	0.62%	0.27%
	Q2 2016	1.41%	0.95%	0.46%	0.69%	0.55%	0.14%
Calendar	ITD	4.91%	4.57%	0.34%	0.23%	-0.22%	0.45%

Quasi-Endowment Portfolio Action	Increased	Decreased	Growth/Capital Preservation
Nov 2016	Fixed Income Reduction		60/40
	Energy-Focused Equities	Fixed Income	
	Absolute Return		
Sept 2016	Rate Cycle Pivot		58/42
	Regional Bank Stocks	Large Cap High Dividend Stocks	

Asset Allocation	Quasi-Endowment Pool	31-Dec-16	Strategic Target	Strategic Pool	31-Dec-16	Strategic Target
Large Cap Equity	\$5,465,908	35%	30%	\$6,496,667	12%	9%
SMID Cap Equity	\$1,486,676	9%	9%	\$1,289,154	2%	3%
International/EM Equity	\$1,847,700	12%	13%	\$2,486,449	5%	4%
Fixed Income	\$4,288,355	27%	30%	\$36,198,002	67%	70%
Real Assets	\$786,647	5%	8%	\$773,059	1%	2%
Market Neutral	\$1,266,478	8%	8%	\$4,880,455	9%	10%
Cash	\$595,539	4%	2%	\$1,575,894	3%	2%
Total	\$15,737,304	100%	100%	\$53,699,679	100%	100%

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q4 2016	\$15,737,304	\$53,699,679	\$918,798	\$70,355,781
Q3 2016	\$15,633,018	\$54,432,290	\$1,138,386	\$71,203,694
Q2 2016	\$15,212,293	\$53,953,732	\$1,346,903	\$70,512,928

Illiquidity as of 12/31/2016	1-Year	3-Year	Longer	Total
Account Illiquidity	0.00%	0.00%	0.00%	0.00%

Governance Checklist	OK
Asset allocation within target range: All weights are in compliance.	✓
No direct investments in any equity or debt securities of Pacific Gas & Electric	✓
No individual equity securities (stocks) will be held in any Direct Account	✓
No below investment grade allocation > 5% of portfolio value	✓
With the exception of U.S. government securities, no more than 5% at cost of the portfolio may be invested in the securities of a single issuer.	✓
Quasi-Endowment Pool can maintain up to 10% illiquidity	✓

