

# SAN BRUNO

## Community Foundation

Investment Committee

Tim Ross, Chair • Anthony Clifford, Mark Hayes, Frank Hedley, and John McGlothlin, Members  
Leslie Hatamiya, Executive Director

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**GOVERNOR'S EXECUTIVE ORDER N-25-20\*\*\*\*  
CORONAVIRUS COVID-19  
AND SAN MATEO COUNTY HEALTH DIRECTIVE  
FROM MARCH 14, 2020**

*On March 17, 2020, the Governor of California issued Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings telephonically or by other electronic means. Pursuant to the current Shelter-In-Place Order issued by the San Mateo County Health Officer which became effective on March 17, 2020, and which was updated and extended on April 29, 2020; the statewide Shelter-In-Place Order issued by the Governor in Executive Order N-33-20 on March 19, 2020; and the CDC's social distancing guidelines which discourage large public gatherings, San Bruno City Hall is no longer open to the public for meetings of the Investment Committee of the San Bruno Community Foundation.*

*If you would like to make a Public Comment on an item not on the agenda, or comment on a particular agenda item, please email us at [info@sbcf.org](mailto:info@sbcf.org) or at [mthurman@sanbruno.ca.gov](mailto:mthurman@sanbruno.ca.gov). The length of all emailed comments should be commensurate with the three minutes customarily allowed per speaker, which is approximately 300 words total. Emails received before the special or regular meeting start time will be forwarded to the Foundation Investment Committee; and will become part of the public record for that meeting. If emailed comments are received after the meeting start time, or after the meeting ends, they will be forwarded to the Foundation Investment Committee and filed with the agenda packet becoming part of the public record for that meeting.*

*Individuals who require special assistance of a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, agenda packet or other writings that may be distributed at the meeting, should contact Melissa Thurman, City Clerk, 48 hours prior to the meeting at (650) 619-7070 or by email at [mthurman@sanbruno.ca.gov](mailto:mthurman@sanbruno.ca.gov). Notification in advance of the meeting will enable the San Bruno Community Foundation to make reasonable arrangements to ensure accessibility to this meeting, the materials related to it, and your ability to comment.*

## AGENDA

### SAN BRUNO COMMUNITY FOUNDATION

#### Regular Meeting of the Investment Committee

**August 19, 2020**

**4:30 p.m.**

**Zoom Meeting Details:** [https://sanbruno-ca-  
gov.zoom.us/j/97233133749?pwd=Zm1sVG9JemltNVRzMXRRRem5jaHdNUT09](https://sanbruno-ca.gov.zoom.us/j/97233133749?pwd=Zm1sVG9JemltNVRzMXRRRem5jaHdNUT09)

**Webinar or Meeting ID:** 972 3313 3749 (audio only)

**Participant ID:** #

**Webinar or Meeting Password:** 012276

**Zoom Phone Line:** (669) 900-9128 (same webinar ID and password as above)

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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. Public Comment:** Individuals are allowed three minutes. It is the Committee's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Committee from discussing or acting upon any matter not agendaized pursuant to State Law.

**4. Approval of Minutes:** May 20, 2020, Regular Investment Committee Meeting

**5. Executive Director's Report**

**6. Conduct of Business**

- a. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance
- b. Discuss and Provide Direction Regarding Future Cash Flow Strategies Related to Funding of Recreation and Aquatics Center Project

**7. Committee Member Comments**

**8. Adjournment:** The next regular meeting of the Investment Committee will be held on Wednesday, November 18, 2020, at 4:30 p.m.

# SAN BRUNO

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### MINUTES

#### SAN BRUNO COMMUNITY FOUNDATION

#### Regular Meeting of the Investment Committee

May 20, 2020

4:30 p.m.

#### Meeting Conducted via Zoom

- 1. Call to Order:** Committee Chair Tim Ross called the meeting to order at 4:30 p.m.
- 2. Roll Call:** Committee Members Ross, Clifford, Hayes, Hedley, and McGlothlin, present.
- 3. Public Comment:** None.
- 4. Approval of Minutes:** February 26, 2020, Special Investment Committee Meeting: Committee Member Hedley moved to approve the minutes of the February 26, 2020, Special Meeting, seconded by Committee Member Clifford, passed unanimously.
- 5. Executive Director's Report**

Executive Director Hatamiya gave an update on the Foundation. She first focused on the Foundation's recent program highlights:

- **Crestmoor Scholarship:** The Foundation recently announced the 2020 Crestmoor Scholars, 13 impressive San Bruno students who will be honored at the June 3 Board meeting. Due to the pandemic, the meeting will be on Zoom, and no scholarship reception will be held. Scholarship awards total \$190,000 as a result of a \$70,000 donation to the program from the Joseph W Welch Jr Foundation.
- **Community Grants Fund:** The Foundation had just finished distributing the last round of grant checks when the shelter-in-place was instituted in mid-March. The Foundation has offered grantees flexibility in using their funds given the current situation; a few have requested extensions due to program cancellations this year. The fifth iteration of the Community Grants Fund will launch at the beginning of July, with late September deadline.

# SAN BRUNO

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- Strategic Grants

- Recreation and Aquatics Center: The project is on schedule and is nearing the end of its second phase – schematic design and construction documents. As part of the CEQA process, the Environmental Impact Report, along with the planning entitlements for the Architectural Review Permit and Conditional Use Permit, will be reviewed by the Planning Commission in the near future. The City's plan is to go out to bid for contractor in the fall, with construction to start at the beginning of 2021.

The Foundation recently received an updated cash flow project timeline from the City. Under the updated cash flow timeline, payments of about \$17 million will be required in fiscal year 2020-2021 and of \$29 million in fiscal year 2021-2022. Remaining payments total more than \$46M, with nearly all to be paid by January 2022. This timeline will be updated at the end of the year, once the contractor is on board.

- COVID-19 Relief Grants: In May, the SBCF Board approved a package of COVID relief grants to help San Bruno's schools and small businesses. The three recently approved grants include:
  - \$240,000 to the San Bruno Education Foundation to provide all teachers in the San Bruno Park School District with new laptops to ensure that they have up-to-date digital tools necessary to adapt to online teaching methods in a new era of distance learning;
  - \$150,000 to support small businesses in San Bruno through the San Mateo County Strong Small Business Grant Program; and
  - \$100,000 to fund the creation, by the Bay Area Entrepreneur Center of Skyline College, of the San Bruno Small Business Recovery Assistance Program. This program will provide valuable financial and technical assistance to a broad pool of San Bruno small businesses to help them develop business plans for recovery from the COVID-19 damage they have experienced. Over the next six months, San Bruno businesses will have access to no-cost financial advising, business consulting, tax preparation, translation services, business tools, virtual workshops, and a recovery symposium.

Together, with a \$10,000 grant helping to provide internet access to low-income students for distance learning in partnership with the City, the San Bruno Education Foundation, San Bruno Rotary, and the San Bruno Police Association that was approved in April, these grants represent a \$500,000 investment in two key segments of the San Bruno community struggling to deal with the significant impacts of the COVID-19 pandemic.

- Music Education Strategic Initiative: Also at its May meeting, the SBCF Board approved a one-year extension of the Music Education Strategic Initiative. The grants to SBEF and CHSAA total \$68,000 and will continue to support the music programs in the midst of what will undoubtedly be a difficult fundraising year.

# SAN BRUNO

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- Community Day 2020: Community Day was scheduled for June 7 but was canceled due to the COVID-19 pandemic.

Ms. Hatamiya explained the schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool. Transfers that have already taken place this fiscal year include: transfers of \$200,000 and \$117,510 from the Quasi-Endowment to the Liquidity Pool in December 2019 and May 2020, respectively, and transfers from the Strategic Pool to the Liquidity Pool of \$700,000 in late July 2019, \$1 million in early October 2019, \$1 million in January 2020, and \$2,081,21 in May 2020. In consultation with Treasurer Ross, she decided to move the full remaining balance in May; although only about \$640K is needed through the end of the fiscal year, the Foundation will need about \$2 million in RAC payments at the beginning of the next fiscal year and the market had recovered by the beginning of May.

Finally, Ms. Hatamiya reminded the Committee of its remaining 2020 meeting dates and that, with the current terms of Investment Committee members ending in June 2020, the Board would consider appointments to new terms at its June 3 meeting.

### **6. Conduct of Business**

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

SHGA Chief Executive Officer Brian Dombkowski, Senior Portfolio Manager Meghan DeGroot, and Senior Wealth Manager Kristin Sun represented SHGA at the meeting.

Mr. Dombkowski gave an overview of the firm's investment outlook, focusing on slowing global economic growth and concerns about trade tensions and the spread of the coronavirus. He gave a summary of the firm's current economic forecast for the first quarter of 2020, commenting on economic growth, interest rates, the employment market, corporate earnings, international developed markets, emerging markets, inflation, commodity markets, valuation, and the housing market. In particular, he highlighted the market downturn as a result of the COVID-19 pandemic, with a bottoming out on March 23, and its recovery since then. He described the downturn as an event-driven bear market and emphasized the importance staying the course with the Foundation's investment strategy.

Ms. Sun and Ms. DeGroot reviewed the Foundation's Investment Dashboard for the first quarter of 2020, including March 31, 2020, balances of \$16,171,758 for the Quasi-Endowment, \$43,477,547 for the Strategic Pool, and \$11,879,809 for the Liquidity Pool (total of \$71,529,114 in all three accounts). They noted that the portfolio had begun to recover since late March and highlighted some of the adjustments the firm made to the portfolio given market conditions.

# SAN BRUNO

## Community Foundation

Investment Committee

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b. Discuss and Provide Direction Regarding Future Cash Flow Strategies Related to Funding of Recreation and Aquatics Center Project

Ms. Hatamiya presented the cash needs timeline for the City of San Bruno's Recreation and Aquatics Center (RAC) project. She explained that to date the Foundation has paid approximately \$3 million in RAC grant payments, with the remaining \$47 million to be paid out over the next three fiscal years (\$17 million in fiscal year 2020-2021, \$29 million in fiscal year 2021-2022, and \$1 million in fiscal year 2022-2023). She also noted that the Liquidity Pool currently contains \$10.34 million specifically earmarked for the RAC, as well as \$1.41 million in funds to be rolled over at the end of fiscal year 2019-2020. She presented three options for covering the cash needs of the RAC project in fiscal year 2020-2021:

- Option 1: \$5.25 million (in combination with the \$10.34 million in Liquidity-RAC, covers the fiscal year 2020-2021 cash needs)
- Option 2: \$15.25 million (transfer full fiscal year 2020-2021 need, leaving \$10 million in Liquidity-RAC)
- Option 3: \$36.25 million (transfer remaining project cost, leaving \$30 million in Liquidity-RAC)

The Committee extensively discussed the three options. The Sand Hill team noted that the expected return on the Liquidity Pool is in the 0%-1% range, while the expected return on the Strategic Pool is in the 3%-4% range. The Committee also discussed the timing of the transfer. After thorough discussion, the Committee agreed to recommend Option 2 to the Board.

Committee Member Hedley made a motion to recommend to the Board transferring \$15.25 from Strategic to Liquidity-Operating to cover the cash needs for the RAC project in fiscal year 2020-2021, leaving \$10 million in Liquidity-RAC (Option 2), and recommending that the Executive Director execute the transfer as quickly as possible at the beginning of the fiscal year, seconded by Committee Member McGlothlin, approved unanimously by roll call vote.

c. Adopt Resolution Recommending to the SBCF Board of Directors the Quasi-Endowment Payout Rate for Fiscal Year 2020-2021

Ms. Hatamiya reminded the Committee that under the Investment Policy Statement, the Quasi-Endowment payout rate is to be determined annually by the Board, which typically receives a recommendation from the Investment Committee.

Ms. Hatamiya reported that the past three years the Committee recommended and the Board approved a Quasi-Endowment payout rate sufficient to meet the cash flow needs for the Crestmoor Scholarship and the Community Grants Fund for the upcoming fiscal year. She noted that in preparing the fiscal year 2020-2021 budget, she determined that the cash flow needs for the Crestmoor Scholarship and Community Grants Fund in the upcoming fiscal year are estimated at \$294,990 and that, with the average of the past 12 quarter-ending Quasi-Endowment values available from inception to today (Q2 2017 to Q1 2020) being \$17,392,997, a payout rate of 1.70% would result in a Quasi-Endowment payout of \$295,681, which would cover the estimated cash needs of \$294,990.

# SAN BRUNO

## Community Foundation

Investment Committee

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After discussion, the Committee decided to follow the past practice of recommending to the Board a Quasi-Endowment payout rate sufficient to meet the cash flow needs for the Crestmoor Scholarship and the Community Grants Fund for the upcoming fiscal year. This practice is consistent with the original long-term vision for the Quasi-Endowment – to fund those two programs plus support costs on an ongoing basis – and allows for some continued growth of the Quasi-Endowment, while the Foundation still has the Strategic funds to help support operational expenses. Strategic funds would cover cash needs for all strategic grants plus all support costs.

Committee Member Hedley moved to adopt the resolution recommending to the SBCF Board of Directors a Quasi-Endowment payout rate of 1.70% for fiscal year 2020-2021 (resulting in a payout of \$295,681), seconded by Committee Member Clifford, approved unanimously by roll call vote.

d. Conduct Annual Review of SBCF's Investment Policy Statement and Investment Operating Plan

The Committee also conducted its annual review of the Foundation's Investment Policy Statement and Investment Operating Plan. Ms. Hatamiya reported to the Committee that she was not recommending any adjustments to either document, as the structure of the three investment pools still serve the Foundation's purposes (as funds are needed, they can be shifted from the Strategic Pool to the Liquidity Pool, which has a more conservative risk tolerance and higher liquidity requirement). Moreover, she noted that the Investment Operating Plan also provides SHGA with asset allocation ranges that allows it to make reasonable and sufficient adjustments to the Strategic Pool to accommodate the payment schedule. In response to a question from a Committee member, Mr. Dombkowski said due to the decline in interest rates, there may come a time, when only the Quasi-Endowment and Liquidity pools remain, at which the Foundation may want to adjust the Quasi-Endowment asset allocation to be more heavily weighted to equities in order to support the annual payout rate. After discussion, the Committee declined to recommend any changes to the Investment Policy Statement or Investment Operating Plan.

**7. Committee Member Comments:** None.

**8. Adjourn:** Committee Member Hedley moved to adjourn the meeting at 6:12 p.m., seconded by Committee Member Hayes, approved unanimously.

Respectfully submitted for approval at the Special Investment Committee Meeting of August 19, 2020,  
by Investment Committee Chair Tim Ross.

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Tim Ross, Investment Committee Chair

# SAN BRUNO

## Community Foundation

### Memorandum

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**DATE:** August 13, 2020

**TO:** Investment Committee, San Bruno Community Foundation

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** August 19, 2020, Investment Committee Special Meeting

The Investment Committee of the San Bruno Community Foundation will hold its regular quarterly meeting at 4:30 p.m. on Wednesday, August 19, 2020, via Zoom.

#### 1. Executive Director's Report

At each meeting, I report on any follow-up items from the last Committee meeting as well as provide updates on the Foundation's programs and operations. Key items I will report on at the August 19 meeting include:

- Program highlights, including an update on the Community Grants Fund, the Crestmoor Neighborhood Memorial Scholarship program, and updates on strategic grant initiatives, including the design of the new Recreation and Aquatics Center and COVID-19 relief grants
- Approval by the SBCF Board of Directors and the San Bruno City Council of the Foundation's FY2020-2021 budget
- Schedule of transfers from the Quasi-Endowment, Strategic, and Liquidity-RAC Pool accounts to the Liquidity-Operating Pool account for FY2020-2021 to cover the Foundation's cash needs through June 30, 2021, consistent with the FY2020-2021 budget passed by the Foundation Board in June (\$295,681 from the Quasi-Endowment, \$15,861,933 from the Strategic Pool, and \$340,000 from Liquidity-RAC)
- A reminder of upcoming 2020 Investment Committee meetings: November 18 at 4:30 p.m. (likely via Zoom)



# SAN BRUNO

## Community Foundation

### Memorandum

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#### **2. 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, Senior Portfolio Manager Meghan DeGroot, and Senior Wealth Manager Kristin Sun. The SHGA team will give a presentation to the Committee that will cover (a) SHGA's investment outlook, and (b) the performance of the Foundation's investment portfolio.

##### 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 third quarter of 2020, including the firm's perspective on economic growth, interest rates, employment market, corporate earnings, international market, housing market, inflation, and commodity markets.

##### b. SBCF's Investment Performance

The second part of SHGA's presentation will review the performance of the Foundation's investment portfolio for the second quarter of 2020. The SHGA team will walk the Committee through the attached Investment Dashboard for June 30, 2020, 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.

The SHGA team will also briefly preview the firm's annual report to the Foundation's Board of Directors, which Mr. Dombkowski will make at the September 2, 2020, Board meeting.

#### **3. Discussion Regarding Future Cash Flow Strategies Related to Funding of Recreation and Aquatics Center Project**

Although the overall cash flow timeline for the Recreation and Aquatics Center project has not changed since the Committee's last meeting, the Committee will have the opportunity to discuss future cash flow strategies related to the project and provide direction, as appropriate, under the second business item on August 19.

#### Attachments:

1. SBCF Investment Dashboard, as of June 30, 2020

# The San Bruno Community Foundation Investment Dashboard

As of June 30, 2020

## Current Outlook:

**Economic Environment:** We recently experienced what will likely be classified as the worst global recession in history. However, with the help of significant economic stimulus, trends began to improve at a faster-than-projected pace during the months of May and June, just three months after the recession officially began. If this progress continues, this period will mark the shortest recession in history. Of course the continuation of a recovery will be dependent on the ability to manage the disease state. Furthermore, it may take many quarters or potentially years before the economy enjoys the same level of broad-based-growth we experienced earlier this year as many industries will be negatively impacted until an effective therapy or vaccine is developed. A high level of uncertainty remains regarding the ultimate trajectory of an economic recovery, but this may not impact financial markets as much as many might expect as earning projections appear to be conservative, a considerable amount of investable cash is still on the sidelines and economic stimulus measures would likely be increased and extended if the economic recovery were to stall or contract.

**Market Environment:** The stock market experienced a significant rally during the period with the S&P 500 earning back the majority of the losses incurred during the first quarter and this was primarily driven by the healthy technology and healthcare sectors. Other, more economically sensitive sectors, have continued to lag. U.S. small cap and international stocks also appreciated but were still down significantly for the year by the end of the quarter. Bonds also rallied during the period as fear of credit risk began to ease. Commodities and REITs were also positive during the period but experienced heightened levels of volatility.

**Portfolio Response:** During the quarter, we rebalanced back into small cap equity early in the quarter and took the opportunity to add a new position in a midcap ETF which served to make this part of the allocation slightly more defensive. Following a period when the price of oil briefly dropped below zero, we established a new position in an actively managed commodities fund with a higher weight to oil. We funded part of this position from our existing, passively managed commodities fund, and the remainder from absolute return.

Performance	Quasi-Endowment Pool			Custom Blended			
	Endowment Pool	Benchmark	+ / -	Strategic Pool	Benchmark	+ / -	
Quarterly	Q2 2020	14.33%	12.26%	2.07%	7.18%	5.81%	1.37%
	Q1 2020	-13.65%	-13.06%	-0.59%	-4.39%	-2.61%	-1.78%
	Q4 2019	4.72%	4.96%	-0.24%	1.54%	1.65%	-0.11%
	Q3 2019	0.43%	1.24%	-0.81%	1.33%	1.98%	-0.65%
Annual	2020 YTD	-1.28%	-2.40%	1.12%	2.48%	3.05%	-0.57%
	FY 2019	3.82%	3.71%	0.11%	5.45%	6.81%	-1.36%
	ITD	6.54%	6.95%	-0.41%	4.01%	4.76%	-0.75%

Portfolio Action	Increased	Decreased	Growth/Capital Preservation	
<b>Q2 2020</b>	<b>Added to Undervalued Asset Classes</b>		<b>64/36</b>	
	Mid Cap Stocks	Small Cap Stocks		
	Commodities	Absolute Return		
	Actively Managed REITs	Passively Managed REITs		
<b>Q1 2020</b>	<b>Took Advantage of Market Volatility</b>		<b>63/37</b>	
	Large Cap Stocks	Diversified Bonds		
	Technology Stocks	Cash		
<b>Q4 2019</b>	<b>Shifted Existing Exposures</b>		<b>57/43</b>	
	Intermediate Duration Bonds	Short Duration Bonds		
	Passively Managed EM Funds	Actively Managed EM Funds		
	U.S. Large Cap Stocks & REITs	Commodities		
<b>Balances</b>	<b>Quasi-Endowment</b>	<b>Strategic</b>	<b>Liquidity</b>	<b>Total</b>
Thru 7/31/20	\$19,098,815	\$29,907,177	\$27,681,453	<b>\$76,687,444</b>
Q2 2020	\$18,353,443	\$44,435,133	\$12,380,265	<b>\$75,168,840</b>
Q1 2020	\$16,171,758	\$43,477,547	\$11,879,809	<b>\$71,529,114</b>
Q4 2019	\$18,728,167	\$46,467,541	\$11,790,625	<b>\$76,986,333</b>

Asset Allocation	Quasi-Endowment Pool		Strategic		Strategic	
	Endowment Pool	30-Jun-20	Target	Strategic Pool	30-Jun-20	Target
Large Cap Equity	\$6,490,422	35%	30%	\$4,700,933	11%	9%
SMID Cap Equity	\$1,817,129	10%	9%	\$1,252,891	3%	3%
International/EM Equity	\$2,182,546	12%	13%	\$1,740,142	4%	4%
Fixed Income	\$5,877,921	32%	30%	\$32,717,967	74%	70%
Real Assets	\$1,141,310	6%	8%	\$1,758,580	4%	4%
Market Neutral	\$636,012	3%	8%	\$1,695,743	4%	8%
Cash	<u>\$208,101</u>	<u>1%</u>	<u>2%</u>	<u>\$568,877</u>	<u>1%</u>	<u>2%</u>
<b>Total</b>	<b>\$18,353,443</b>	<b>100%</b>	<b>100%</b>	<b>\$44,435,133</b>	<b>100%</b>	<b>100%</b>

Illiquidity as of 6/30/20	< 1 Yr	1-3 Yrs	> 3 Yr	Total
Quasi-Endowment Pool	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.	✓

