

# SAN BRUNO

## Community Foundation

*Investment Committee*

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

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### AGENDA

#### 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**

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**1. Call to Order**

**2. Roll Call**

**3. Approval of Minutes:** August 17, 2016, Special 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

### Special Meeting of the Investment Committee

**August 17, 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 Ben Cohn called the meeting to order at 4:31 p.m.
- 2. Roll Call:** Committee Members Cohn, Clifford, Hayes, Hedley, and Perkins, present.
- 3. Introductions**
  - a. Committee Members: All Committee Members and the Executive Director introduced themselves.
  - b. Sand Hill Global Advisors, LLC (SHGA): SHGA CEO Brian Dombkowski and Wealth Manager Kristin Sun gave a brief introduction of themselves.
- 4. Conduct of Business**
  - a. Adopt Resolution Establishing the Schedule of Regular Meetings of the Investment Committee of the San Bruno Community Foundation

Chair Cohn explained that under the Brown Act, the Committee is to adopt a schedule of regular meetings. He presented a resolution under which the Committee would meet quarterly and hold its regular meetings on the third Wednesday of the middle month of each quarter (August, November, February, and May), at 4:30 p.m. at San Bruno City Hall, Room 101, 567 El Camino Real, San Bruno.

Committee Member Hedley moved to approve the resolution establishing the schedule of regular meetings of the Investment Committee of the San Bruno Community Foundation, seconded by Committee Member Perkins, passed unanimously.

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- b. Receive Report from SHGA regarding SBCF's Investment Portfolio Structure, SHGA's Investment Outlook, and SBCF's Investment Performance

Mr. Dombkowski gave a brief overview of the SHGA firm, including its mission statement, its commitment to the fiduciary standard, its investment philosophy focused on strategic asset allocation, and its rebalancing strategy.

Ms. Sun then explained the asset allocation of SBCF's portfolio into three pools: (1) Quasi-Endowment Pool, with a funding value of \$15 million, a moderately conservative risk tolerance, long-term time horizon, and capital appreciation and capital preservation as its primary objectives, (2) Strategic Pool, with a funding value of approximately \$53.6 million, a conservative risk tolerance, mid-term time horizon, and capital preservation and capital appreciation as its primary objectives, and (3) Liquidity Pool, with a funding value of \$1,345,290, a conservative risk tolerance, short-term time horizon, and capital preservation as its primary objective. She explained that the Quasi-Endowment Pool is to function like an endowment, where the corpus is preserved and only investment income is to be spent, that the Strategic Pool is to be spent down over the next 7-10 years to fund Foundation strategic initiatives and operations, and that the Liquidity Pool is equal to the 2016-2017 fiscal year budget and is to cover the Foundation's short-term cash needs.

Mr. Dombkowski gave an overview of the firm's current economic forecast for the third quarter of 2016, commenting on 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.

Finally, Mr. Dombkowski and Ms. Sun presented SBCF's Investment Dashboard, a one-page summary of the Foundation's portfolio, as well as a more detailed portfolio appraisal of the Foundation's three pools of funds. They also provided limited information on the portfolio's performance since June 30, 2016 (the end of the second quarter). They explained that the restitution funds were transferred in-kind from the City of San Bruno's custodial account, with the inherited short-term bonds transferred to the Strategic Pool. They reported that in funding the Quasi-Endowment Pool, SHGA was able to take advantage of the market response to Brexit in late June. As part of the discussion, the Committee discussed SHGA's use of active versus passive managers.

- c. Discuss Planning for Future Investment Committee Business and Meetings

The Committee requested additional reporting from SHGA, including background information on active managers, performance history on all investment products in the Foundation's portfolio, and an adjusted benchmark for the Strategic Pool to account for the investment products inherited from the City's account.

The Committee also discussed the issue of conflicts of interest for Committee Members. The Executive Director explained that the Board of Directors would soon consider adoption of a revised Conflicts of Interest Policy.

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Finally, Ms. Sun informed the Committee that she would be on maternity leave the first quarter of 2017 and that Tony Craun would be SBCF's main contact at SHGA during her absence.

**5. Public Comment:** None.

**6. Adjourn:** Committee Member Hayes moved to adjourn the meeting at 5:45 p.m., seconded by Committee Member Clifford, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of November 16, 2016, 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:** November 10, 2016

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

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** November 16, 2016, Investment Committee Special Meeting

The Investment Committee of the San Bruno Community Foundation will have its first quarterly meeting at 4:30 p.m. on Wednesday, November 16, 2016, at San Bruno City Hall, Room 101, 567 El Camino Real, San Bruno.

#### **1. New Committee Chair**

As you know, Ben Cohn resigned from the SBCF Board of Directors effective October 1, 2016. In September, the San Bruno City Council appointed Tim Ross to fill the remainder of Mr. Cohn's term on the Board. On October 5, 2016, the SBCF Board elected Board Member Ross Treasurer for the remainder of the calendar year 2016 term; the Board re-elected him Treasurer for 2017 on November 2, 2016. The SBCF Treasurer serves ex officio as the Chair of the Investment Committee. Thus, Treasurer Ross will preside over the November 16 Investment Committee meeting as Chair.

#### **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, Co-Chief Investment Officer Brenda Vingiello, and Wealth Manager Kristin Sun. Mr. Dombkowski, Ms. Vingiello, and Ms. Sun will give a two-part presentation to the Committee that will cover (a) SHGA's investment outlook and (b) the performance thus far 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 fourth quarter of 2016, 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 its views of the effect of the U.S. presidential election on the domestic and international economy.

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## Community Foundation

### Memorandum

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#### b. SBCF's Investment Performance

The second part of SHGA's presentation will review the performance of the Foundation's investment portfolio for the third quarter of 2016. The SHGA team will walk the Committee through the attached Investment Dashboard for September 30, 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 adjusted benchmarks for the Strategic Pool, fee information, overview of active managers, and additional performance data in response to Committee member requests. The Committee will have the opportunity to discuss and provide feedback on the new reports

#### Attachments:

1. SBCF Investment Dashboard, as of September 30, 2016

# The San Bruno Community Foundation Investment Dashboard

As of September 30, 2016

## Current Outlook:

**Economic Environment:** As we enter the final quarter of the year, we expect US economic growth to normalize, pushing full year GDP growth closer to the 1.5-1.7% range. A strong US dollar, declining oil prices and an inventory glut all contributed to sluggish economic growth that persisted through the early part of this year. We expect these factors to lessen, and potentially reverse, in 2017 as oil prices continue to rebound from their lows, inventory is restocked and business investment picks up following the election. Additionally, following six quarters of contraction, corporate earnings growth is poised to accelerate as the impact from oil prices and the strong US dollar lessen. While we expect the Federal Reserve will likely raise interest rates later this year in response to tightening economic slack, we do not anticipate a large move in long-term interest rates as longer-dated US Treasuries remain very attractive in the global marketplace. We do, however, expect interest rates to rise modestly as global sovereign yields appear to have bottomed post-Brexit. While recent nonfarm payroll growth has been volatile, the underlying trend remains strong and jobs are growing at a faster pace than working age population growth, leading to further improvement in the level of unemployment and the participation rate. While we are late in the economic cycle, we believe growth is likely to 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:** Equity markets orchestrated a broad-based rally with large cap, small cap and international equities all participating. Bond returns were more subdued as yields moved modestly off of their all-time lows reached earlier in the quarter. Commodities gave back some of their second quarter strength but were strong during the last month of the quarter when news of a potential OPEC agreement to cut production caused oil to rally back to \$50 per barrel. REITs were weak following strong performance earlier in the year and in response to global yields rising off of their lows.

**Portfolio Response:** Following a decline in the price of oil to \$40 a barrel, we added to commodities. As market participants continued to reach for yield in high dividend paying asset classes, it became our view that these areas were over-valued and we reduced exposure to high dividend paying large cap stocks and REITs while increasing exposure to regional banks, a sector we view as being undervalued.

Performance	Quasi-Endowment Pool				Custom Blended		
		Benchmark	+ / -		Benchmark	+ / -	
Quarterly	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	YTD 2016	4.22%	3.84%	0.38%	1.58%	1.17%	0.41%

Asset Allocation	Quasi-Endowment Pool	30-Sep-16	Strategic Target	Strategic Pool	30-Sep-16	Strategic Target
Large Cap Equity	\$4,999,311	32%	30%	\$5,266,022	10%	9%
SMID Cap Equity	\$1,354,350	9%	9%	\$1,226,959	2%	3%
International/EM Equity	\$1,970,547	13%	13%	\$2,061,521	4%	4%
Fixed Income	\$5,168,120	33%	30%	\$38,050,700	70%	70%
Real Assets	\$789,849	5%	8%	\$812,494	1%	2%
Market Neutral	\$938,795	6%	8%	\$3,818,052	7%	10%
Cash	\$412,045	3%	2%	\$3,196,543	6%	2%
<b>Total</b>	<b>\$15,633,018</b>	<b>100%</b>	<b>100%</b>	<b>\$54,432,290</b>	<b>100%</b>	<b>100%</b>

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	✓

Quasi-Endowment Portfolio Action	Increased	Decreased	Growth/Capital Preservation
Sept 2016	Rate Cycle Pivot		58/42
	Regional Bank Stocks	Large Cap High Dividend Stocks	
Aug 2016	Opportunistic Rebalance		58/42
	Commodities	REITs	
	Market Neutral	Cash	

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q3 2016	\$15,633,018	\$54,432,290	\$1,138,386	\$71,203,693
Q2 2016	\$15,212,293	\$53,953,732	\$1,346,903	\$70,512,928

Illiquidity as of 9/30/2016	1-Year	3-Year	Longer	Total
Account Illiquidity	0.00%	0.00%	0.00%	0.00%

