

SAN BRUNO

Community Foundation

Investment Committee

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

MINUTES

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

1. **Call to Order:** Committee Chair Tim Ross called the meeting to order at 4:32 p.m.
2. **Roll Call:** Committee Members Ross, Clifford, Hayes, Hedley, and Perkins, present.
3. **Approval of Minutes:** November 16, 2016, Regular Investment Committee Meeting: Committee Member Hedley moved to approve the minutes of the November 16, 2016, Regular Meeting, seconded by Committee Member Clifford, 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

SHGA CEO Brian Dombkowski, COO Tony Craun, and Senior Wealth Manager Kristin Sun represented SHGA at the meeting.

Mr. Dombkowski gave an overview of the firm's investment outlook, describing the current stage of the economic cycle as middle-to late expansion with moderate growth. He commented on SHGA's view of the financial markets since the November U.S. presidential election and the inauguration of President Trump. He then gave an overview of the firm's current economic forecast for the first quarter of 2017, 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.

Mr. Dombkowski then reviewed the Foundation's Investment Dashboard for the fourth quarter of 2016, including December 31, 2016, balances of \$15,737,304 for the Quasi-Endowment, \$53,699,679 for the Strategic Pool, and \$918,798 for the Liquidity Pool. He reported that in the fourth quarter, SHGA decreased the Foundation's Quasi-Endowment fixed income holdings and increased energy-focused equities and absolute return investments, in response to the rise in interest rates.

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San Bruno resident John Marty suggested that SHGA provide an average weight analysis of the fund fees.

Mr. Dombkowski then led a discussion on interest rate considerations. He said that the firm expects rates to rise at a gradual rate in 2017, as inflation rises and the cycle matures. He said that historically corporate bonds outperform government bonds in a rising rate environment. Following last fall's presidential election, SHGA reduced SBCF's fixed income sensitivity and exposure in the portfolio. SHGA remains cautious on government bonds.

He then provided an overview on market neutral/absolute return strategies as an alternative to fixed income ("bond substitute"). He said SHGA would be willing to propose some market neutral/absolute return strategies if SBCF is willing to accept a small amount of illiquidity.

Executive Director Hatamiya reported that the City Council recently made a decision to move forward on the building of a new recreation center/pool facility and to request \$50 million from SBCF to fund the project, and that the SBCF Board will consider this request at its next meeting. She said that the timing of the payment of this grant is uncertain and will need to be worked out in negotiations with the City. The SHGA team said that as soon as the Foundation has more visibility on the timing of the grant payments, it can plan accordingly.

Mr. Dombkowski then reviewed performance data of underlying funds in the Foundation's Quasi-Endowment, Strategic, and Liquidity pools.

5. Public Comment: Mr. Marty asked several questions of Mr. Dombkowski, including SHGA's approach to overlap analysis and whether SHGA receives any commissions from the funds.

6. Committee Member Comments: Chair Ross said that the Committee would review the Investment Policy Statement at the May meeting and at that time may want to consider adjustments to the Strategic Pool targets, given the change in time horizon for use of the Strategic funds. He also said that he would not be able to attend the Committee's Regular Meeting in August and suggested that the Committee meet instead on August 23, 2017. Executive Director Hatamiya said she would confirm the change in date with the SHGA team, which had left the meeting.

7. Adjourn: Committee Member Hedley moved to adjourn the meeting at 5:59 p.m., seconded by Committee Member Clifford, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of May 17, 2017, by Investment Committee Chair Tim Ross.



Tim Ross, Investment Committee Chair