

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

November 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:** August 23, 2017, Special Investment Committee Meeting
- 4. Executive Director's Report**
- 5. Conduct of Business**
 - a. Adopt Resolution Canceling August 15 and November 21, 2018, Regular Meetings of the Investment Committee and Scheduling Special Meetings on August 22 and November 14, 2018
 - b. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance
- 6. 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 agendized pursuant to State Law.
- 7. Committee Member Comments**
- 8. Adjourn**

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MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Special Meeting of the Investment Committee

August 23, 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 4:35 p.m.
- 2. Roll Call:** Committee Members Ross, Clifford, Hayes, and Perkins, present; Hedley excused.
- 3. Approval of Minutes:** May 17, 2017, Regular Investment Committee Meeting: Committee Member Clifford moved to approve the minutes of the May 17, 2017, Regular Meeting, seconded by Committee Member Hayes, passed unanimously.
- 4. Executive Director's Report**

Executive Director Hatamiya gave an update on the Foundation, highlighting four items. First, she reported that on June 7, 2017, the Foundation Board approved a resolution authorizing an amendment to the Foundation's Investment Operating Plan, which the Committee recommended to the Board at its May meeting. She reminded Committee members that the amendment lowered the Quasi-Endowment payout rate for fiscal year 2017-2018 from 3% to 2.25% (to cover the cash needs for the Community Grants Fund and the Crestmoor Neighborhood Memorial Scholarship), deleted the Quasi-Endowment payout rate for fiscal year 2018-2019; and changed the Quasi-Endowment payout schedule from a set schedule (1/12 of the authorized annual amount per month) to an as-needed basis to give the Treasurer and Executive Director more discretion and to maximize the time funds remain in the Quasi-Endowment. Ms. Hatamiya reported that the amendment has been executed by both the Foundation and Sand Hill Global Advisors, LLC.

Second, she reported on the Foundation's recent program highlights, including awarding eight Crestmoor Scholarships totaling \$120,000 in June, opening the second cycle of the Community

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Grants Fund this summer, and continuing discussions with the City of San Bruno regarding the grant agreement for the new recreation center/swimming pool project.

Third, Ms. Hatamiya shared with the Committee the schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account to cover the Foundation's cash needs through June 30, 2018, consistent with the fiscal year 2017-2018 budget passed by the Foundation Board in June (\$352,921 from the Quasi-Endowment and \$1,071,914 from the Strategic Pool). She noted that this schedule, with periodic transfers of funds based on cash needs, differs from last year's schedule, when the entire transfer amount was transferred to the Liquidity account at the beginning of the fiscal year, following the general principle of having the Quasi-Endowment and Strategic funds work for the Foundation in the investment accounts as long as possible. Committee members expressed support for this approach, especially in light of the relatively small magnitude of the transfers this year.

Finally, Ms. Hatamiya reported that the Foundation will issue the 2017 Annual Report, which will highlight the Foundation's activities and accomplishments over the past year and be mailed to all San Bruno addresses, in September.

5. 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 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 mid-to-late cycle. He gave a summary of the firm's current economic forecast for the third quarter of 2017, commenting on economic growth, interest rates, the employment market, corporate earnings, international developed markets, emerging markets, inflation, commodity markets, valuation, and the housing market.

Mr. Dombkowski then reviewed the Foundation's Investment Dashboard for the second quarter of 2017, including June 30, 2017, balances of \$16,618,083 for the Quasi-Endowment, \$55,279,359 for the Strategic Pool, and \$88,489 for the Liquidity Pool. He reported that in the second quarter, SHGA eliminated the European equity underweight (which was created in anticipation of BREXIT), following the first stage of the French election. The Committee discussed the ratio of international equity vs. domestic equity in the portfolio.

Mr. Dombkowski and Ms. Sun also reviewed performance data of underlying funds in the Foundation's Quasi-Endowment, Strategic, and Liquidity pools. They also briefly previewed the presentation they would give the Foundation Board on September 6.

5. Public Comment: None.

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6. Committee Member Comments: Chair Ross and Committee Member Hayes remarked that it would be helpful to revisit the benchmarks and the investment management fees periodically.

7. Adjourn: Committee Member Clifford moved to adjourn the meeting at 5:49 p.m., seconded by Committee Member Hayes, approved unanimously.

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

Tim Ross, Investment Committee Chair

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Memorandum

DATE: November 9, 2017

TO: Investment Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: November 15, 2017, Investment Committee Special Meeting

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

1. Executive Director's Report

At each meeting, I will 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 November 15 meeting include:

- Program highlights, including an update on the second cycle of the Community Grants Fund, launch of the 2018 Crestmoor Neighborhood Memorial Scholarship program, and updates on projects the City of San Bruno including the recreation center and swimming pool facility and the possibility of a new first responder effectiveness strategic initiative.
- Schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account to cover the Foundation's cash needs through June 30, 2018, consistent with the FY2017-2018 budget passed by the Foundation Board in June (\$352,921 from the Quasi-Endowment and \$1,071,914 from the Strategic Pool)

2. Resolution Canceling August 15 and November 21, 2018, Regular Meetings of the Investment Committee and Scheduling Special Meetings on August 22 and November 14, 2018

The Investment Committee's regularly meets on the third Wednesday of the middle month of each quarter of the fiscal year (August, November, February, and May) at 4:30 p.m. at San Bruno City Hall, Room 101, 567 El Camino Real, San Bruno, California. For 2018, those dates are February 21, May 16, August 15, and November 21.

Chair Tim Ross is unable to attend a meeting on August 15 due to conflicting plans, and we anticipate that the mid-August date may be problematic for other Committee Members' vacation plans. In addition, November 21 is the day before Thanksgiving,

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Memorandum

and we anticipate that many Committee Members would be unable to attend a Committee meeting that afternoon. As a result, Chair Ross and I propose canceling the August 15 and November 21, 2018, regular Committee meetings and scheduling special Committee meetings on August 22 and November 14, 2018.

I recommend that the Committee pass the attached resolution, which would formally cancel the August 15 and November 21, 2018, regular meetings and schedule special meetings on August 22 and November 14, 2018.

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

Representing SHGA at the Committee meeting will be Chief Executive Officer Brian Dombkowski, Chief Investment Officer Brenda Vingiello, and Senior 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 2017, 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 third quarter of 2017 (first quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for September 30, 2017, 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 and a review of active managers.

Attachments:

1. Resolution Canceling August 15 and November 21, 2018, Regular Meetings of the Investment Committee and Scheduling Special Meetings on August 22 and November 14, 2018
2. SBCF Investment Dashboard, as of September 30, 2017

RESOLUTION NO. 2017-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT COMMITTEE CANCELING THE AUGUST 15 AND NOVEMBER 21,
2018, REGULAR COMMITTEE MEETINGS AND SCHEDULING SPECIAL
COMMITTEE MEETINGS ON AUGUST 22 AND NOVEMBER 14, 2018**

WHEREAS, the Foundation's Investment Committee has regular meetings scheduled for August 15 and November 21, 2018; and

WHEREAS, the Committee may not have a quorum in attendance on either August 15 and November 21, 2018, due to Committee members' travel schedules.

NOW, THEREFORE, BE IT RESOLVED that the Investment Committee cancels the Regular Committee Meetings of August 15 and November 21, 2018, and schedules Special Committee Meetings at 4:30 p.m. on August 22 and November 14, 2018.

Dated: November 15, 2017

ATTEST:

Tim Ross, Investment Committee Chair

I, Tim Ross, Chair, do hereby certify that the foregoing Resolution No. 2017-__ was duly and regularly passed and adopted by the Investment Committee of the San Bruno Community Foundation on this 15th day of November, 2017, by the following vote:

AYES: Committee members:

NOES: Committee members:

ABSENT: Committee members:

The San Bruno Community Foundation Investment Dashboard

As of September 30, 2017

Current Outlook:

Economic Environment: During the third quarter, global economic growth continued to strengthen and has now been firming for four quarters in a row, supporting our view that the recent economic expansion could persist. The U.S. economy grew at a 2.1% pace during the first half of this year and we expect growth to firm up throughout the remainder of the year, culminating in a 2-2.5% growth rate for the full year. Leading economic indicators suggest the economy may accelerate above trend over the next six months as a recovery in business spending, a jump in factory orders, a strong job market, rising consumer confidence and relatively low borrowing costs propel growth forward. In the short-term, we may see some softness related to hurricane damage but we expect this to reverse in Q4 as rebuilding efforts commence. Tax reform remains a wildcard and, depending on outcomes, it could further support economic growth in 2018. Globally, corporate earnings growth has meaningfully exceeded expectations and we expect this strength to continue throughout the remainder of the year. Recent headline inflation figures have been encouraging and, if this trend persists and the Federal Reserve begins to unwind its balance sheet as planned, we expect the yield curve to begin to steepen. Global demand for oil picked up during the summer months, while supply declined. This contributed to a rise in oil prices that we expect to persist as long as OPEC continues to curb supply. As we settle into the final quarter of the year, we see an environment where the risks to economic and corporate earnings growth remain low. It is our view that this economic cycle could persist for several more years, particularly if the Federal Reserve continues to take a measured approach to tightening monetary policy.

Market Environment: Both domestic and international equity markets, as well as commodities and REITs, appreciated during the quarter as global economic and corporate earnings growth continued to strengthen. Fixed income yields declined early in the quarter, then rose as markets turned their attention to the upcoming Federal Reserve balance sheet reduction. The end result was a quarter where equity led the way, but all asset classes generated a positive return.

Portfolio Response: As economic growth in Europe continued to strengthen and valuation remained relatively attractive, we added additional weight to European equities. Beginning in January of this year, small cap stocks underperformed for a six month period, partly due to waning expectations for tax reform. Attractive valuation, along with strong fundamentals, led us to increase exposure to the asset class while reducing exposure to mid cap stocks.

Performance		Quasi-Endowment Pool			Custom Blended		
		Benchmark	+ / -	Strategic Pool	Benchmark	+ / -	
Quarterly	Q3 2017	3.22%	3.07%	0.15%	1.53%	1.50%	0.03%
	Q2 2017	2.03%	2.45%	-0.42%	1.32%	1.72%	-0.40%
Calendar	ITD	10.65%	10.53%	0.12%	3.59%	3.51%	0.08%

Asset Allocation	Quasi-Endowment Pool	30-Sep-17	Strategic Target	Strategic Pool	30-Sep-17	Strategic Target
Large Cap Equity	\$5,222,801	30%	30%	\$5,658,496	10%	9%
SMID Cap Equity	\$1,783,709	10%	9%	\$1,595,659	3%	3%
International/EM Equity	\$2,991,817	17%	13%	\$4,185,181	7%	4%
Fixed Income	\$4,350,848	25%	30%	\$36,969,611	66%	70%
Real Assets	\$1,061,709	6%	8%	\$1,311,626	2%	4%
Market Neutral	\$1,261,185	7%	8%	\$4,954,643	9%	8%
Cash	\$487,023	3%	2%	\$1,465,244	3%	2%
Total	\$17,159,092	100%	100%	\$56,140,460	100%	100%

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
Q3 2017	Shift to Attractively Valued Assets		64/36
	European Equity	Fixed Income	
	Small Cap Equity	Mid Cap Equity	
Q2 2017	Eliminating European Equity Underweight		62/38
	European Equity	Domestic Large Cap Equity	

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q3 2017	\$17,159,092	\$56,140,460	\$89,109	\$73,388,661
Q2 2017	\$16,618,083	\$55,279,359	\$88,489	\$71,985,931

Illiquidity as of 9/30/2017	1-Year	3-Year	Longer	Total
Account Illiquidity	0.00%	0.00%	0.00%	0.00%

