



**MINUTES OF THE
FINANCE & INVESTMENT COMMITTEE**

**March 10, 2023
ZOOM TELECONFERENCE MEETING**

Members Present:

Ken Fulgham, Chair
Philip Anton
Jason Carlson
Dan Johnson
Frank Whitlatch

Members Absent:

Eden Donahue

Guests: Carin Kaltschmidt, Katie Koscielak, Stacie Lyans, Jack McGurk, Angie Petroske, Kyle Plitt, Samantha Puentes, Jamie Rich, Jen Showalter, Robin Smith, Indigo Thorson

A meeting of the Cal Poly Humboldt Foundation Finance & Investment Committee was held on Friday, March 10, 2023 at 2:30 PM via Zoom Teleconference.

1. Call to Order/Roll Call

The meeting was called to order by Finance & Investment Committee Co-Chair, Jason Carlson, at 2:30 PM.

2. Acceptance of Minutes from the September 30, 2022 Meeting

Upon motion duly made (Philip Anton), seconded (Jason Carlson), and unanimously carried, it was:

RESOLVED, that the Minutes of the September 30, 2022 meeting are accepted.

3. Closed Session: Property

The Finance & Investment Committee moved into closed session at 2:34 PM to discuss matters related to property.

Frank Whitlatch reviewed with the Committee a resolution passed on December 9, 2022 by the Executive Committee.

4. Closed Session: Property

Frank Whitlatch reviewed a property matter with the Committee.

The Committee returned to open session at 2:53 PM.

5. Public Comments

Stacie Lyans, Interim Executive Director of Development, provided photos and a summary of the inaugural 1913 Legacy Society Luncheon that was held on Thursday, March 2, 2023, at the Baywood Golf & Country Club, hosted by the Cal Poly Humboldt Foundation. The event was a celebration of those who have designated Humboldt in their estate plans. The luncheon recognized 16 donors in attendance, whose collective giving has surpassed \$5 million. There are currently 150 donors in the Society. Future outreach will include out of area luncheons and a planned giving mailer and updated website.

6. Investment Portfolio Update

Kyle Plitt, RVK Investment Manager, presented the current fiscal year-to-date performance of the Foundation's Investment Portfolio: July 1, 2022 through February 28, 2023. The Fund's estimated market value has increased from \$44.56 million (6/30/22) to \$44.97 million (2/28/23), reflecting a 4.9% return. The market value estimate is impacted by a \$1.35 million transfer out of investments in January 2023 for local real estate.

Inflation is still a national issue - households are experiencing higher costs of goods and interest rates are still high. This affects the ability to take loans including lending rates for small businesses and credit cards. However, the job market is good.

Kyle also presented an overview of RVK, Inc.'s asset allocation recommendation to the Foundation. These changes will be presented to the Finance & Investment Committee to be approved as a recommendation to the Executive Committee, and, if approved, will require a follow-up change to the Investment Policy. Changes to the Investment Policy require Board approval.

Kyle reviewed the Financial Objectives, Return Objectives, and Risk Tolerance of the Cal Poly Humboldt Foundation Investment Policy and provided a peer benchmark comparison (of endowments and foundations <\$500 million). The Foundation's asset allocation as of December 31, 2022 is skewed by an unusually high allocation to real estate. The current Policy target allocation to real estate is 18% versus a 29% allocation at year-end. Both are substantially higher than the peer median of 4%. Allocations to local real estate are expected to decline (i.e. transferred to the State), however, a new property is scheduled for investment in early 2023.

An overview of the 2022 versus 2023 Capital Market Assumptions was provided, including notes on inflation, mean reversion, and increased yields.

The bulk of today's discussion revolved around asset allocation analysis. Current observations include:

- Equities Seek Long-Term Growth (62%) - exposure to global markets, primarily in ESG strategies, *are intended to generate capital appreciations but will be the Foundation's primary source of volatility.*
- Limited Allocation Traditional Fixed Income (16%) - *these strategies look more compelling following rising interest rates.*
- Inflation Hedging Assets Remain an Important Diversifier (22%) - real estate and inflation-linked Treasuries (TIPS) have added to returns in recent quarters as annual CPI reached a 40-year high. *Increasing target to real estate is necessary if the Foundation intends to maintain local property investments.*

RVK's capital market assumptions are considered conservative and do not account for investment manager excess returns and RVK does not advocate for a change in the Foundation's distribution rate at this time. The proposed changes expect to bring a slightly lower return, but provide less volatility overall.

After discussion and upon motion duly made (Dan Johnson), seconded (Ken Fulgham), and unanimously carried, it was:

RESOLVED, the Cal Poly Humboldt Foundation Finance & Investment Committee recommends the Board of Directors accept the changes to the Allocation of Assets as discussed in this meeting, requiring changes to the Investment Policy.

7. Financial Statements

Samantha Puentes, Cal Poly Humboldt Financial Analyst in the Department of Accounting, presented the unaudited financial statements for the first two quarters of fiscal year 2022-23, ending December 31, 2022.

8. Green Investing Update

Dr. Kenneth Fulgham and Jason Carlson, Co-Chairs of the Finance & Investment Committee provided an overview of the Green Investing Review's first meeting, held on February 27, 2022 via Zoom Teleconference. The Review will present options to this Committee on avenues to increase "green" investments. The goal is to incorporate more positive screens - intentionally selecting investments in ESG (Environmental, Social, Governance), versus the Foundation's historic approach with negative screens - divesting from concerning sectors, such as fossil fuels, firearms, tobacco, etc. The Review's next meeting will be in April 2023.

9. Other Business

No other business was discussed.

10. Adjournment

Without objection, the meeting was adjourned at 4:08 PM.