

IAC Members Attending			
Jack McGrory	IAC Chair (Absent)	Irv Rothenberg	Member
Steve Relyea	IAC Vice Chair	David Bach	Member
Robert Eaton	Member	Patrick Henning	Member
Leona Bridges	Member	Mike Lucki	Member
Staff / Other Attendees			
Ron Flatt	Director – Treasury Operations	Laura Wirick	Meketa – Investment Advisor
Scott August	Chief Investment Manager	Jordan Quaternik	Meketa – Investment Advisor
Cal Dickman	Assistant Manager, Investments	Alison Adams	Meketa – Investment Advisor
		Frank Benham	Meketa – Investment Advisor

The IAC Vice Chair called the meeting to order and established a quorum on April 12, 2024, at 11:00 am.¹

Item I: Welcome, Public Comment, Housekeeping & Approval of Minutes – Action Item

The IAC Chair asked if there were any amendments or changes to the minutes from the January 24, 2024 meeting. Upon a motion duly made and seconded, the minutes were approved as submitted. There was no public comment.

Item II: Guest Speaker – Redwheel – Emerging Markets Equity – Investing in China – Information

Item II was an information item continuing the discussion from the January 2024 IAC meeting regarding the current landscape in China and its implications for investment portfolios. The head of Redwheel’s Global Emerging Markets Equity Fund (RWCEX) and the head of Redwheel’s institutional client relationships attended the meeting to present on item II.

As of December 31, 2023, the CSU Total Return Portfolio (“TRP”) had less equity exposure to China than the TRP Policy Benchmark. (1.60% vs. 2.31%).

The TRP has a 10% target allocation to Emerging Markets Equity and Redwheel has a 10% target allocation within the TRP’s Emerging Markets Equity Allocation (or a 1% target allocation of the TRP).

Redwheel provided an overview of the firm along with its investment philosophy and process. The firm spoke to the role and investment attributes of Chinese equity positions in the overall Emerging Markets asset class and within their portfolio. Redwheel presented information and insights on China related to an overview of the market, domestic & international policy, trade restrictions, and demographics. Redwheel also discussed insights gained from their recent travels to China and their visits with company management teams in China. Redwheel presented several case studies

¹ Details on all meeting agenda items are included in the meeting materials as presented at the CSU Investment Advisory Committee (“IAC”) meeting dated April 12, 2024.

of individual Chinese equities. Finally, Redwheel concluded with a discussion of the portfolio characteristics, allocations, and thematic exposures in the Redwheel Global Emerging Markets Equity Fund.

The IAC, Meketa, and Chancellor's Office staff engaged in further discussion with Redwheel regarding Chinese equities and their role in the TRP.

Item III: TRP Quarterly Report as of December 31, 2023 – Information

Item III was an information item and is presented at each quarterly meeting. Meketa presented an Economic and Market Update as of February 29, 2024, which included updates on global economic information and financial markets, reviews of historical investment returns for various asset classes and sectors, relative valuations, and economic statistics. Meketa then presented the TRP quarterly review and evaluation report as of December 31, 2023. Information in this report included the current TRP asset allocation, an update on TRP funding contributions, overall TRP performance versus its stated benchmarks, and detailed performance and characteristics for the TRP investment managers. Additional investment manager details are provided in the resource center on Diligent each quarter. As of December 31, 2023, the TRP market value was \$2.58 billion, an increase of approximately \$232 million from the beginning of the quarter. The TRP had net cash inflows of approximately \$1.2 million for the quarter and investment gains of \$230.9 million for the quarter.

Given that the meeting occurred on April 12th, Chancellor's Staff also provided the IAC with an update on the TRP Market Value and performance as of April 10th.

Key points:

- As of December 31, 2023, all TRP asset classes complied with the Policy Ranges outlined in the TRP Investment Policy.
- As of December 31, 2023, the TRP since inception return was +6.19% compared to +5.57% for the TRP Policy Benchmark and +8.09% for the TRP Strategic Benchmark.
- The TRP since inception return as of December 31, 2023, ranks in the 60th percentile of all Endowments in excess of \$250 million as represented by the InvMetrics All Endowment > \$250 million Peer Universe.²
- The TRP returned +9.92% for the fourth quarter 2023, compared to +9.54% for the TRP Policy Benchmark and +1.46% for the TRP Strategic Benchmark.

Chancellor's Staff also presented a draft of the CSU Quarterly Investment Report to be presented to the CSU Board of Trustees at the May 2024 meeting.

The IAC, Meketa, and Chancellor's Staff also engaged in further discussion surrounding the TRP Quarterly Report, economic conditions, and market conditions.

Break

² There were 75 Endowments in the InvMetrics All Endowment > \$250 million peer universe as of December 31, 2023.

Item IV: Guest Speaker – Driehaus – Emerging Markets Equity – Investing in China – Information

Item IV was an information item continuing the discussion from Item II and the January 2024 IAC meeting regarding the current landscape in China and its implications for investment portfolios. Guest speakers included two portfolio managers from the Driehaus Emerging Markets Growth Fund (DIEMX).

The TRP has a 10% target allocation to Emerging Markets Equity and Driehaus has a 60% target allocation within the TRP's Emerging Markets Equity Allocation (or a 6% target allocation of the TRP).

Driehaus provided an overview of the firm along with its investment philosophy and process. The firm spoke to the role and investment attributes of Chinese equity positions in the overall Emerging Markets asset class and within their portfolio. Driehaus discussed economic and market conditions for the Emerging Markets sector and in particular for Chinese equities. Among topics discussed were China's structural, cyclical, and geopolitical headwinds. Driehaus also discussed portfolio positioning and performance attribution, including several case studies of individual Chinese equities. In conclusion, Driehaus stated that profitability declines for Chinese equities are showing early signs of stabilizing, and that current valuations for Chinese equities are fairly reflecting the current level of profitability and what is reasonably expected in the near future.

The IAC, Meketa, and Chancellor's Office staff engaged in further discussion with Driehaus regarding Chinese equities and their role in the TRP.

Item V: TRP Annual Asset Allocation Update – Information

The purpose of Item V was to provide an annual update for the 2024 CSU TRP Asset Allocation Expectations. The 2024 CSU TRP Asset Allocation Expectations are based on Meketa's 2024 Annual Asset Study. Meketa's 2024 Annual Asset Study uses valuations as of December 31, 2023.

Meketa provided an overview of the updated asset allocation review and risk analysis, given the TRP's Expected Average Annualized Return of Inflation + 4.5%³.

The long-term (20-year) average annualized expected return for the TRP, under the current allocation, decreased to 7.8% relative to the 2023 study expected return of 8.1%. The TRP's expected standard deviation decreased YOY from 12.4% based on the 2023 study to 11.9% based on the 2024 study. Pursuant to the plan approved by the IAC at the January 2024 meeting to implement asset allocation changes to the TRP, specifically eliminating the investment-grade fixed income, increasing equity exposure, and establishing a 10% allocation to Risk Mitigating Strategies; Meketa prepared expected return forecasts for two potential future allocations – one in which Emerging Market (EM) Equities were increased to 14% and one in which EM Equities were held at the current level in the TRP of 10%. For the model with 14% EM Equities, the 20-year average annualized expected return was 8.4%, the standard deviation was 14.3%, the Sharpe Ratio was 0.41, and the probability of achieving a 7.3% (Inflation plus 4.5%) average annualized return over 20 years was 63.2%. Holding EM Equities at 10% resulted in the same expected return and standard deviation, with an increase to the Sharpe Ratio to 0.42 and a decrease to the probability of earning an average annualized return of 7.3% over 20 years to 63.1%.

Meketa, Chancellor's Staff, and the IAC engaged in discussion regarding the presentation and analysis which included the potential EM Equities allocation models for the TRP. At the conclusion of the item, IAC members were polled as to

³ The long-term rate of inflation, as represented by U.S. Core CPI, is assumed to be approximately 2.8% per annum.

which future allocation they preferred, with a majority expressing a preference for the model holding EM Equities at 10%. However, Item V was not an Action item and no current changes are being made to the TRP's current asset allocation policy.

Item VI: Calendar 2025 IAC Meeting Dates – Information

The purpose of Item VI was to review and confirm the calendar for the proposed 2025 IAC Meeting dates and locations, as follows:

- January 22, 2025 –Southern CA – on site at a Campus (Campus TBD)
- April 9, 2025 – Chancellor's Office – Long Beach, CA
 - *Certain IAC members have conflict with the proposed meeting for April 9, 2025 and this meeting will be rescheduled for a different date.*
- August 13, 2025 – Northern CA – On site at a Campus (Campus TBD)
- October 15, 2025 – Chancellor's Office – Long Beach, CA

The next meeting is scheduled for August 7th, 2024, at 11:00 am at the Chancellor's Office. This meeting location was changed subsequent to the April 12th, 2024 meeting.

There being no further business before the IAC, the meeting adjourned at 2:00 pm.