

IAC Members Attending			
Peter Taylor	IAC Chair	Irv Rothenberg	Member/ Absent
Steve Relyea	IAC Vice Chair	David Bach	Member
Robert Eaton	Member	Tim Schaefer	Member
Leona Bridges	Member	Mike Lucki	Member
Staff / Other Attendees			
Ron Flatt	Director – Treasury Operations	Laura Wirick	Meketa – Investment Advisor
Scott August	Manager – Investments	Jonas Noack	Meketa – Investment Advisor

The IAC Chair called the meeting to order and established a quorum on January 30, 2020 at 11:00 am.¹

The IAC Chair asked if there were any amendments or changes to the minutes from the October 8, 2019, meeting. Upon a motion duly made and seconded, the minutes were approved as submitted. One member abstained.

Item II: Conflict of Interest – Annual Statement – Information Item

Chancellor’s Staff notified the IAC members that the Form 700 – Conflict of Interest Annual Statement is due to the Chancellor’s Staff by March 20, 2020. Chancellor’s Staff will deliver the Form 700 to the members prior to March 1, 2020.

Item III: RFP Update – Liquidity Portfolio (LP) and Intermediate Duration Portfolio (IDP) – Information Item

This item was an information item to the IAC members. The Chancellor’s Staff updated the IAC on the RFP process for investment managers for the Liquidity Portfolio (LP) and the Intermediate Duration Portfolio (IDP). Chancellor’s Staff has completed initial evaluations for 22 qualified proposals for the IDP and 15 qualified proposals for the LP. Chancellor’s Staff and Meketa have selected eight investment management firms for the IDP and seven investment management firms for the LP to advance to the next round. This next round will include on-site due diligence meetings at each investment management firm. Discussion was also held regarding the formation of panels to conduct finalist interviews for the LP and the IDP to be held at a later date.

Item IV: TRP Quarterly Report – Information Item

This item was an information item and is presented at each quarterly meeting. Meketa presented their Third Quarter 2019 World Markets Review, which included reviews of historical investment returns for various asset classes and sectors, relative valuations, and economic statistics. Next, Meketa presented their Capital Markets Outlook & Risk Metrics as of December 31, 2019. Finally, Meketa presented the TRP quarterly review and evaluation report as of

¹ Details on all meeting agenda items are included in the meeting materials as presented at the CSU Investment Advisory Committee (“IAC”) meeting dated January 30, 2020.

September 30, 2019. Information in this report included the current 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. As of September 30, 2019, the TRP market value was \$791.4 million, an increase of \$232.2 million from the prior quarter; \$225 million from funding contributions and \$7.2 million from investment gains.

Key points:

- As of September 30, 2019, all TRP asset classes complied with the Policy Ranges outlined in the TRP Investment Policy.
- As of September 30, 2019, the TRP since inception return was +7.46% compared to +6.63% for the TRP Strategic Benchmark and +5.75% for the TRP Policy Benchmark.
- The TRP returned +1.04% for the quarter compared to +1.62% for the TRP Strategic Benchmark and +0.87% for the TRP Policy Benchmark.
- TRP Fixed Income returned +1.65% for the quarter
 - Investment Grade Bonds and TIPS both outperformed their benchmarks for the quarter, returning +2.43% and +1.45%, respectively. High Yield Bonds returned +0.36%, but underperformed the BBgBarc U.S. High Yield index by roughly 100 basis points. Bank Loans were the strongest performer from the Credit composite, returning +1.26% and outperforming the S&P/LTSA Leveraged Loan index by roughly 30 basis points for the quarter. Finally, Emerging Markets Bonds had a down quarter, as the composite returned -0.69% and underperformed the benchmark by approximately 80 basis points.
- TRP Equity underperformed the MSCI ACWI IMI index for the quarter (-0.55% vs. -0.18%), but has outperformed for the calendar year-to-date (+15.92 vs. 15.87%). Within Equity, the US Equity composite provided the strongest performance for both the quarter and the year-to-date time periods, returning +1.09% and +20.00%, respectively.
 - The Vanguard Total Stock Market Index Fund (U.S. Equity) provided the strongest absolute performance for a third consecutive quarter, as domestic equities have continued to outperform international equities in 2019.
 - Driehaus Emerging Markets Growth Fund had a strong quarter of performance relative to peers, underperforming the MSCI Emerging Markets Growth index, but vastly outperforming the MSCI Emerging Markets index by roughly 200 basis points (-2.21% vs. -4.25%).
- TRP Real Assets composite returned +3.44% for the quarter.
 - Natural Resources and Infrastructure both outperformed their respective benchmarks, but Real Estate Investment Trusts underperformed the NAREIT Equit index by roughly 40 basis points (+7.42 vs. +7.80%) for the quarter.

Item V: Diligent Board Books Solution – Information Item

Item V was an information item updating the IAC members on the deployment of Diligent Electronic Board Books (Diligent). Diligent will serve as the IAC document management solution for all past and future meeting materials.

Item VI: Guest Speakers – Information Item

One of the TRP's emerging market debt managers, Payden & Rygel, presented.² Attendees from Payden & Rygel included the Emerging Markets Debt Team Leader, the Emerging Markets Corporate Bond Portfolio Manager, one of the team's Emerging Markets Regional Countries Analysts, and the Relationship Manager. The team provided an overview of the firm, along with their investment philosophy and process. The team also discussed economic and market conditions for Emerging Markets Debt and investment performance, and explained how ESG factors are integrated into their investment process.

Item VII: Guest Speakers – Information Item

One of the TRP's active emerging market equity managers, Driehaus Capital Management, presented.³ Two Portfolio Managers from Driehaus provided an overview of the firm, along with their investment philosophy and process. The team also discussed Emerging Market Equity economic and market conditions and investment performance, and explained how ESG factors are integrated into their investment process. Two relationship managers from Driehaus also participated in Item VII.

New Business:

TRP Market Vaule <30% of the CSU Portfolio

The IAC recommended additional language be added to the TRP Investment Policy related to Chancellor's Staff monitoring the TRP market value to ensure the TRP does not exceed 30% of the CSU Portfolio. If, due to unforeseen circumstances, the value of the TRP were to exceed 30% of the CSU Portfolio, Chancellor's Staff, in collaboration with the Investment Advisor (if any), will sell securities from the TRP to raise cash. Chancellor's Staff will then transfer the appropriate amount of cash out of the TRP and into one of the CSU portfolios other than the TRP, such that the TRP market value shall be less than 30% of the CSU Portfolio. Chancellor's Staff will propose additional language to the IAC for discussion at the April 7, 2020 IAC meeting. This additional language would serve to amend the TRP Investment Policy.

Consideration of New Investment Structure

The IAC discussed the possibility of increasing the long-term risk/return profile of the TRP given the defensive and conservative nature of the fixed income investments that would typically be held in both the Liquidity Portfolio and the Intermediate Duration Portfolio per state law. The IAC requested Chancellor's Staff and Meketa provide the IAC with a presentation at the April 7, 2020 meeting addressing potential implications of such a change, including opportunities, risks, and governance issues.

The IAC Chair indicated the next meeting, scheduled for April 7, 2020 at 11:00 am, will be held at CSU East Bay campus.

There being no further business before the IAC, the meeting adjourned at 2:30 pm.

² The Guest Speakers only attended Item VI and did not attend any other portion of the meeting.

³ The Guest Speakers only attended Item VII and did not attend any other portion of the meeting.