



Approved June 21, 2024

Remote (r)

Governors Present: **Darryl Schoen, Chair**; Joyce Densmore-Thomas; Gayle Dilley; Tom Giustina; David Heinsen; Olena Lacy; John Morrell; Chuck Nelsen; Christina Nichols; Cathy Pleasant (r); Earl Reed; Tim Sauer; Dave Scotto; Cindy Daley, Faculty Representative; Kate Minderhoud, Student Representative **Absent:** Stuart Casillas; Jay Gilbert; David Hodson; David Hufford; Matt Ober; Braydan Young;

Ex Officio Present: Steve Perez, President; Ahmad Boura, Vice President for University Advancement (CEO); Jamie Clyde, Interim Vice President for Business and Finance (CFO)

Staff Present: Pam Hollis, Robin Carter, and Christine Ponce, University Advancement; Vance Kelly, Financial Director, Chico State Enterprises

Guests Present: Bryan Shipley and David Janec, Arnerich Massena

MINUTES

Finance and Investment Committee Chair Darryl Schoen called the meeting to order at 9:02 a.m. He asked for changes or corrections to the minutes of the October 12, 2023 meeting. There were none. The minutes were unanimously approved as presented.

Chair's Report: Darryl Schoen

Schoen introduced Denise Crosswhite and two students who gave a presentation about the Governors' Award titled AGtivate! - a welcome event and mentoring program for new students in the college of agriculture.

Jessica Dietrich also made a presentation regarding her Governors' Award project, Expanding Access to the REACH First-Year Mentoring Program. She explained how the mentoring program has a large impact on the retention of students from their first year through graduation.

Arnerich Massena Report: Bryan Shipley and David Janec

Bryan Shipley and Dave Janec joined the FIC in person to provide a full investment review and outlook for the Endowment and Strategic Reserves portfolios as of 12/31/2024. US stocks propelled the market higher with the continued outperformance of artificial intelligence stocks pulling most investable indices up with them. With a change in the Federal Reserve forward guidance, the fourth quarter experienced a broadening of markets with small cap stocks, international stocks and emerging markets all performing well. However, the 2023 story continued to be about a very narrow market dominated by the Magnificent 7. Traditional Fixed Income securities experienced strong returns in the fourth quarter accounting for all of their 2023 return and locking in the best quarter since 1989. Short duration securities had more modest returns in the fourth quarter, essentially delivering their stated yield, but were able to deliver positive real returns for the year, up 5.3%. Hedge & Diversifying investments had positive gains in both the quarter and the year, though failed to keep up with a very strong stock market.

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Janec and Shipley noted that one theme that emerged was the lack of correlation benefit with traditional stocks and bonds. However, with the addition of Hedge & Diversifying and Private Equity investments, volatility was reduced by the addition of these two asset classes relative more traditional asset class construction. Despite the excitement surrounding mega cap technology stocks, there are many opportunities that Arnerich Massena is actively exploring including small and mid cap stocks and international stocks. As large companies continue to dominate the headlines, there are many opportunities for small companies to support these mega cap stocks via supply chain support and competition. From a valuation perspective, there are far more attractive entry points in international stocks than their domestic counterparts. While many macro themes have abated (debt ceiling issues, inflation, pandemic concerns), political concerns may rise up as a tail risk with the United States as well as dozens of other countries have elections in 2024.

The Endowment portfolio finished the fourth quarter with a positive return of 6.2%, trailing the Policy Index return of 7.7%. Asset allocation decisions were additive in the quarter, with an overweight position to Global Public Equity providing the biggest boost in the quarter as growth assets continued to recover from their 2022 lows. An overweight to traditional Fixed Income also added value as the Barclays US Aggregate Bond Index experienced its largest quarterly return in over 30 years. Manager selection also was additive as all but one of the diversified global equity funds outperformed their style- specific benchmarks in the year. Less liquid investments were up slightly on an absolute basis in the quarter, but similar to fixed income, were instrumental in protecting against downside risk for 2022. As is expected in rapidly increasing markets, private investments continued to trail their public counterparts due to the lag in performance reporting and accounted for most of the underperformance in the quarter and year.

The Endowment portfolio value as of 12/31/2023 was \$87.6m. The asset allocation continues to be managed within IPS and the current positioning reflects the continued journey to a fuller allocation to private equity as expressed by an overweight to global public equity. The allocation to Cash and Low Duration is right on target and there is a modest overweight to traditional fixed income as there is a better opportunity in that space than has been seen in the last 15 years. We will continue to look for opportunities to work towards the targeted allocation to private equity and anticipate several more years before the targeted exposure is achieved.

The Strategic Reserves portfolio returned 8.3% in the fourth quarter, outperforming its Policy Index which returned 7.9%, with the primary driver of outperformance being strong manager performance and an overweight to traditional fixed income. The Strategic Reserves portfolio was \$27.5m as of 12/31/23 and is managed similarly to the Foundation account, namely a neutral exposure to growth and stability investments. The primary difference in the two portfolio is the overall risk tolerance is lower for the Strategic Reserves, and the availability of illiquid investments in the Foundation account, which in this case helped bolster returns.

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CEO's Report: Ahmad Boura

CEO Ahmad Boura reported on the foundation's budget to actual activity through January 31, 2024, showing revenues of \$1.7 million which are at 67% of budget and expenses of \$1.1 million at 45% of budget.

Boura then presented a matching opportunity to support the CIM Program Endowment. Under an initial matching program, CIM | Concrete Industry Management Patrons paid \$1 million gift pledge early - almost 2.5 years ahead of schedule. Because they paid the pledge early, Boura is ready to ask CIM for another \$1 million and wants to offer the same 20% match from the Foundation. Since the 20% match program is expired, Boura requests that the board make an exception to the program end date and allow the 20% match for this one gift. The matching funds would come from the Foundation's unrestricted funds. After some discussion, David Heinsen made a motion to approve the 20% match for this gift. Joyce Densmore-Thomas seconded the motion and it was unanimously approved.

CFO's Report: Jamie Clyde

Interim Vice President for Business and Finance Jamie Clyde gave an update on the State and University Budgets. The CSU Board of Trustees approved a 6% annual tuition increase for the next 5 years beginning Fall 2024. The enrollment outlook as of January 24, 2024 is promising. There has been a minor improvement to enrollment projections. Across the CSU system, campuses have converted their self-support summer programs to state support which adds to state enrollment numbers without changing the number of students on campus. Enrollment trends in higher education are declining overall, not just in Chico State. The college-age population and high school graduation rates are both declining. The 3% of CSU Enrollment Target and Funding pullback will be reallocated from campuses that are 10% or more below their 2023-24 enrollment target. The pullback will be 3% instead of 5% as originally expected.

In the Governor's 2024-25 budget, he is intending to honor the 5% compact increase as promised, however, he is planning to defer the investment to 2025-26. The Governor needs to address a \$58 billion budget deficit. The state is looking at deferrals that include potentially repossessing funds already given.

Clyde also presented updates on Chico State's capital projects. The new Human Identification Lab is in the planning phases. The new Behavioral and Social Sciences building is expected to be completed in spring/summer 2024. The governors will tour the new BSS building in the afternoon. A new Facilities Management building with an additional warehouse facility is currently being built on Orange Street.

University Foundation Financial Report: Vance Kelly, Chico State Enterprises

Vance Kelly gave an overview of the University Foundation financial statements to date. As of January 31, 2024, total cash and investment balances were \$122.9 million. This was a positive increase of \$12 million from 2022. Net unrestricted assets increased \$3.9 million for a total of \$17.7 million.

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BOARD OF GOVERNORS
FINANCE & INVESTMENT Committee
Bell Memorial Union, Room 203
Thursday, February 22, 2024
9:00 a.m. to 12:00 p.m.



New Business: Schoen

Schoen asked the group for any new business. There was none and Schoen adjourned the meeting at 12:10 p.m. The next meeting will be held on Thursday, June 20, 2024.

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