



Board of Trustees
Investment Subcommittee

2:00 p.m.
November 15, 2022

Loughman Living Room, Scanlon Hall

A live stream of the meeting for public viewing will also take place on YouTube at the following link: <https://www.westfield.ma.edu/live>

For information about Westfield State's COVID-19 procedures, visit: www.westfield.ma.edu/covid

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| 1. Called to Order | Chair Landrau |
| 2. Minutes | |
| a. July 27, 2022 | Chair Landrau |
| 3. Items for Information | |
| a. FY23 Third Quarter Update | CI Eaton Private Wealth |
| 4. Items for Discussion | |
| a. FY23 & FY24 Investment Income Withdrawal | CI Eaton Private Wealth |
| b. Investment Advisor Update | Chair Landrau/Stephen Taksar |
| c. Future Meeting Dates | Chair Landrau |
| 5. Items for Action | |
| a. None | |

Attachment(s):

- a. Minutes 7-27-22 (Draft)
- b. FY23 Third Quarter Update
- c. FY23 Third Quarter Update (Fees)



BOARD OF TRUSTEES

Investment Subcommittee

July 27, 2022

Minutes

President's Boardroom, Horace Mann Center
and via Zoom

In accordance with Massachusetts Gov. Charlie Baker's Executive Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, § 20 dated March 12, 2020.

A live stream of the meeting for public viewing also took place on YouTube.

MEMBERS PRESENT: Committee Chair Madeline Landrau and Trustee Paul Boudreau

MEMBERS PARTICIPATING REMOTELY: Trustee Ali Salehi [joined at 10:47 AM]

MEMBERS EXCUSED: Trustee Theresa Jasmin

TRUSTEE GUESTS PRESENT: Dr. Robert Martin

Also present from Westfield State University were Dr. Linda Thompson, President, Stephen Taksar, Vice President for Administration and Finance, and Lisa Freeman, Associate Vice President for Administration and Finance. Also present were Robert Quinn and Duke Laflamme from Eaton Vance WaterOak Advisors (Eaton Vance) and Westfield State Foundation Board member Sheridan Carey.

The meeting was called to order by Committee Chair Landrau at 10:35 AM and it was announced that the meeting was being livestreamed. The approval of the March 3, 2022, minutes would take place later in the meeting once a quorum was reached.

FY22 Annual Performance Overview and Quarterly Update was highlighted by Messrs. Quinn and Laflamme:

- The primary objective of the portfolio is to satisfy the University's cash flow needs and to preserve and enhance the portfolio's inflation adjusted purchasing power.
- The portfolio started with \$20 million in September 2019 and the June 30, 2022, value was \$21,916,514. The one-year return was -11.4% against a -12.2% benchmark return, showing 1.2% outperformance. The annualized return since inception is 3.6%.
- The asset allocation on June 30 was 57% equities and 43% bonds and cash compared to 68% equities and 32% bonds in December 2021.
- The equity market has been challenging with the worst first half of the year since 1970. The February 24 Russian invasion of Ukraine exacerbated supply chain issues.
- The goal allocation and portfolio standing and asset allocations of current holdings as of June 30 were shared.

- We are underweight in equities, overweight in bonds and cash, and underweight in non-US equities, a change from the beginning of the year due to deglobalization and the largest sanctions ever seen against Russia. The benchmark is 21% in international; we are at 12%.
- The quarter-to-date summary showed a decline of approximately \$2.3 million, and the one-year summary a decline of approximately \$2.8 million.
- Corporate bonds represent 53% of the fixed income holdings and 47% in treasuries. This is overweight compared to the benchmark of 65% treasuries and 35% credit. The interest rate sensitivity for the bonds held is less than half that of the index. Individual bonds are overweight in credit and underweight to duration.
- Interest rates have come down from their peak. Going forward, rates will be dictated by changes in expectations.
- As bonds mature, the funds are being reinvested into a higher interest rate environment than when purchased, resulting in increased purchasing power in the bond portfolio. [Trustee Salehi joined the meeting at this time]
- There are 41 individual stocks representing 70-75% of the portfolio with the remaining in exchange rated funds and mutual funds, creating a core satellite approach for significant diversification.
- As interest rates settle it is important for investors to feel the market is stabilizing and to be patient. Basis points increased in July.
- The latest one-year return was down 11.4% and the benchmark down 12.2%, so net of fees the portfolio was 1.2% ahead of the benchmark. The year-to-date was behind the benchmark by 1.3% because of the first quarter's underperformance. The most recent quarter went back to below the benchmark.
- It is uncommon in the markets to have a period where the equity market is selling quickly, and the bond market is down and in negative territory as in the first quarter of this year. Relative to the overall market we were in a better position because we had short durations. As bonds mature, they will be reinvested so losses are unrealized due to interest rates rising. When bonds are purchased close to maturity, we will earn a positive return. It is an anomaly to have low rates and tight credit spreads in bond market. The fear was rates would go higher, the economy would slow, and spreads widen. This is not the new normal and we are back into a more normalized behavior. Fixed income should function as a buffer.
- We are aligned with the benchmark and ahead on both the year to date and the most recent quarter.
- There has been significant damage done to the equity market and the worst six months in the bond market ever.
- Stubbornly high inflation has led to an aggressive Fed relative to past tightening cycles, having Implications across bond and equity markets. The Fed will be data dependent; if they start to see growth coming down more than expected, they will back off.
- Eaton Vance believes if we do go into a recession, it will be relatively shallow or short lived. Consumers are entering the slowdown in good financial shape. Cash and home equities are high. Corporations are in very good shape with strong balance sheets and debt service levels low. If supply chain improves, consumers and businesses coming back into the economy will turn the corner.
- Behavioral finance contributes to how emotion impacts decision making. We are at peak pessimism with consumer sentiment as low as it could get since May 1980. Historically, after 1980, the S&P 500 goes up. You want to buy when pessimism is at its lowest so for a long-term investor like Westfield State, it is a good time to stick with it. Equities will be increased in the portfolio as Eaton Vance sees more opportunities.
- It was questioned whether the significant percentage of funds in specific common stocks instead of exchange traded or mutual funds was still advisable in terms of expenses or gains over the long term. Mr. Quinn stated there is usually a strong outperformance in those stocks in a down market. Value was added to the asset allocation, and more was placed in bonds and cash than stocks, owning more U.S. than non-U.S. Once inflation stabilizes, a better performance will be seen. The long-term record in the individual stocks have outperformed except for the last nine months. Active mutual funds in the portfolio have

significantly outperformed. Large cap mutual funds have significantly underperformed their benchmark. These stabilized in the second quarter and improved in July.

- It was requested on the fee analysis to convert percentages to dollars and show the characteristics of the portfolio with yield, statistics, etc.
- Messrs. Quinn and Laflamme left the meeting at 11:14 AM.

FY23 Investment Income Allocation. Mr. Taksar provided a high-level summary of the investment goal of providing financial support to the University for strategic priorities. The following motion approves the first allocation from the investment income of \$800,000 to the University for the innovation fund. If the performance of the investments comes close to expectations, there could be an infusion of \$10 million to the University over the next ten years using the Eaton Vance calculations.

MOTION made by Trustee Salehi, seconded by Trustee Boudreau, to transfer \$800,000 from the University’s investment accounts with Eaton Vance/WhiteOak Advisors, to the University’s operating account at Berkshire Bank, consistent with the University’s Investment Policy (0430), FY23 provisional budget, and verified with the financial analysis presented today.

Discussion: The \$800,000 will be allocated by providing \$50,000 to each of the four schools (\$200,000), \$300,000 for strategic initiatives, and the remaining \$300,000 for other initiatives not yet been determined. These figures have been added to the provisional budget. President Thompson stated the purpose of the innovation fund is to encourage thinking of new program growth for return on investment. The team reviewed proposals and excitement is being generated among faculty. Funding has been provided for a new degree in bio informatics, created by multiple departments working together.

There being no further discussion, ROLL CALL VOTE taken:

Trustee Boudreau	Yes	Trustee Salehi	Yes
Trustee Jasmin	absent	Trustee Landrau	Yes

Motion passed unanimously.

MOTION made by Trustee Boudreau, seconded by Trustee Salehi, to approve the minutes of the March 3, 2022, Investment Subcommittee meeting.

There being no discussion, ROLL CALL VOTE taken:

Trustee Boudreau	Yes	Trustee Salehi	Yes
Trustee Jasmin	Absent	Trustee Landrau	Yes

Motion passed unanimously.

Future Investment Subcommittee Meetings. The best dates for future committee meetings are at least three weeks after the quarter ends. The next three committee meetings will be scheduled soon.

There being no further business, **MOTION** to adjourn made by Trustee Boudreau, seconded by Trustee Salehi.

There being no discussion, ROLL CALL VOTE taken:

Trustee Boudreau	Yes	Trustee Salehi	Yes
Trustee Jasmin	Absent	Trustee Landrau	Yes

Motion passed unanimously.

The meeting adjourned at 11:22 AM.

Attachment(s):

- a. Minutes March 3, 2022 (Draft)
- b. FY22 Annual Performance Overview (Second Quarter)
- c. Motion – FY23 Investment Income Allocation
- d. FY23 Investment Income Allocation (Overview and Goals)
- e. FY23 Investment Income Allocation (Statement of Spending Policy)
- f. FY23 Investment Income Allocation (FY23 Innovation Fund Guidelines)

Secretary's Certificate

I hereby certify that the foregoing is a true and correct copy of the approved minutes of the Westfield State University Board of Trustees Investment Subcommittee meeting held on July 27, 2022.

Theresa Jasmin, Secretary

Date

DRAFT

Westfield State University CIEPW Fee Notes

Commissions	\$0
Bond Mark-ups	\$0
Custody fees	\$0
Charge on cash	\$0
Other expenses	\$0

Westfield State University CIEPW Fee Analysis

		Market Value	% of Portfolio	Manager Ann. Fee	EVIC Ann. Fee	Total Ann. Fee
Cash		\$741,651	3.54%			0.00%
EVIC Fixed Income		\$7,831,688	37.41%		0.36%	0.135%
EVIC Managed Equities		\$8,561,800	40.89%		0.36%	0.147%
Parametric Intl Eqty-I	EIISX	\$61,928	0.30%	0.50%		0.001%
Vanguard Ftse Emerging Marke	VWO	\$523,084	2.50%	0.08%	0.36%	0.011%
Vanguard Real Estate ETF	VNQ	\$71,351	0.34%	0.12%	0.36%	0.002%
Vanguard S&P 500 ETF	VOO	\$589,298	2.81%	0.03%	0.36%	0.011%
Eaton Vance Small-Cap-I	EISGX	\$524,367	2.50%	0.96%		0.024%
Eaton Vance-Atlanta Smid-I	EISMX	\$736,642	3.52%	0.88%		0.031%
Ishares Core Msci Emerging	IEMG	\$380,158	1.82%	0.09%	0.36%	0.008%
Ishares Core Msci Eafe Etf	IEFA	\$511,162	2.44%	0.07%	0.36%	0.010%
Undisc Mgrs Behav Val-L	UBVLX	\$403,384	1.93%	0.90%	0.36%	0.024%
Total Portfolio*		\$20,936,513	100.00%	0.08%	0.31%	0.40%

*Weighted average annual fee for all funds is 0.08%.

Weighted average annual CIEPW fee 0.31%.