

## **MINUTES OF THE MARCH 25, 2020, INVESTMENT COMMITTEE MEETING**

The Investment Committee (“Committee”) of the Board of Regents (“Board”) of the Smithsonian Institution (“Smithsonian”) conducted a meeting on Wednesday, March 25, 2020, telephonically. Participating were Committee Chair Kathryn (“Katie”) Hall, Committee Vice-Chair Roger Ferguson, Committee members Steve Case, Henry Ellenbogen, Alice Handy, J. Tomilson (“Tom”) Hill, David Rubenstein, and Michael Tennenbaum.

Participating Smithsonian staff included Chief of Staff to the Secretary Greg Bettwy; Secretary Lonnie Bunch; Chief Investment Officer Amy Chen; Investment Officer Ryan Dotson; Assistant General Counsel Danielle Fisher; Deputy Chief of Staff to the Board of Regents Kate Forester; Investment Officer Michael Giovenco; Inspector General Cathy Helm; Under Secretary for Finance and Administration Mike McCarthy; Deputy Secretary and Chief Operating Officer Meroë Park; Investment Officer Jeff Smith; Assistant Secretary for Advancement Robert Spiller; and Chief of Staff to the Regents Porter Wilkinson.

### **CALL TO ORDER / REPORT OF THE CHAIR**

Committee Chair Katie Hall called the meeting to order at 12:00 p.m. and welcomed everyone including new Deputy Secretary and Chief Operating Officer Meroë Park and offered congratulations to Mike McCarthy on his appointment as Under Secretary for Administration. Ms. Katie Hall mentioned the Investment Committee’s brief call on March 11, 2020, to discuss the recent market volatility and possible opportunities and risks. The Committee agreed that now was not a time for heroics but for incrementalism, as was presented in last year’s scenario planning entitled “Break the Glass,” a plan that provided steps to follow during market dislocations.

### **APPROVAL OF THE COMMITTEE MEETING MINUTES**

Upon motion duly made and seconded, the draft minutes of the October 9, 2019, and February 3, 2020, Committee meetings were approved with no changes.

### **PORTFOLIO REVIEW**

Chief Investment Officer Amy Chen reviewed the Endowment’s performance for the year ending December 31, 2019, of 16.1% compared to the S&P500 return of 31.5% and the policy benchmark of 12.2%. The one (16.1%), three (11.7%), five (8.5%) and ten (8.8%) year returns achieved the Endowment’s investment objective of 5.5% plus inflation (~2%) or an imputed 7.5%. Ms. Chen reviewed measures of risk, volatility, and contributions to the portfolio from both the public and private assets over multiple time periods to demonstrate the durability of the portfolio. Private managers continue to perform well as shown by the outperformance of over 2.9% against the

public market index equivalents. Last, as of December 31, 2019, the Endowment stood at \$1.7 billion and increased by \$199.7 million over the past year.

She discussed a preliminary flash report that was based on index returns, the managers' top positions and estimates through March 20, 2020. Ms. Chen noted the power of diversification, which helped to dampen the drawdown thus far. An update was given on the Endowment's marketable alternatives and staff's progress on the "Break the Glass" plan which was intended to increase allocations to attractive opportunities during the dislocation.

## **ASSET ALLOCATION AND RISK REVIEW**

Gino Reina, Portfolio Manager, and Scott Freemon, Head of Strategy and Risk, of SECOR Asset Management, LP presented the annual asset allocation and risk review. The study evaluated past pandemics, economic shocks, and the potential impact on the Endowment. It was noted that at the time the report was generated COVID-19 was already an outlier compared to previous pandemics.

## **LIQUIDITY ANALYSIS**

Chief Investment Officer Amy Chen updated the Committee on the Endowment's liquidity and commitment budget for 2020 and 2021. Investment Officer Jeff Smith reviewed the stress testing for illiquidity that was modeled on the Global Financial Crisis noting in that scenario the Endowment has sufficient liquidity to support projected capital calls. There was discussion regarding the impact of the current downturn on distributions and the potential duration as well as the pace of capital calls from venture and private equity managers.

## **ADJOURNMENT**

The meeting was adjourned at approximately 2:00 p.m., and an executive session was held.