

MINUTES OF THE OCTOBER 9, 2019, INVESTMENT COMMITTEE MEETING

The Investment Committee (“Committee”) of the Board of Regents (“Board”) of the Smithsonian Institution (“Smithsonian”) conducted a meeting on Wednesday, October 9, 2019, at the Hall Capital Partners’ office in New York City. Participating were Committee Chair Kathryn (“Katie”) Hall, Committee Vice-Chair Roger Ferguson*, Committee members Steve Case*, Alice Handy*, J. Tomilson (“Tom”) Hill*, David Rubenstein, and Michael Tennenbaum*. Committee member Henry Ellenbogen was unable to participate.

Participating Smithsonian staff included Director of Investment Operations Genta Arovas; Chief of Staff to the Secretary Greg Bettwy*; Secretary Lonnie Bunch*; Chief Investment Officer Amy Chen; Investment Officer Ryan Dotson; Associate General Counsel Farleigh Earhart*; Deputy Chief of Staff to the Board of Regents Kate Forester*; Investment Officer Michael Giovenco; Inspector General Cathy Helm*; Acting Under Secretary for Finance and Administration Mike McCarthy; 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 12:03 p.m. and welcomed Secretary Lonnie Bunch and all joining the meeting. Ms. Katie Hall introduced the Agenda.

APPROVAL OF THE JUNE 19, 2019, COMMITTEE MEETING MINUTES

Upon motion duly made and seconded, the draft minutes of the June 19, 2019, Committee meeting were approved with no changes.

PORTFOLIO REVIEW

Chief Investment Officer Amy Chen reported that the Endowment ended June 30, 2019, with assets of \$1.67 billion, returning 9.9% for the year, outperforming the policy benchmark of 2.6%. The increase of \$109.4 million was primarily attributable to returns from January to June 2019 and reflects new money of \$28.3 million and payout of \$72.0 million. Ms. Chen also reported the Endowment’s strong performance over longer time periods, specifically due to investments with the top tier private equity and venture capital managers. She also reported on portfolio liquidity and the top twenty positions.

In June 2019, Office of Investments evaluated the Endowment’s exposure to “GAFT” (gaming, alcohol, firearms and tobacco) industries. Assistant Secretary for Advancement Robert Spiller shared that the Advancement Committee reviewed the gift acceptance policy and decided not to ban certain industry or companies given the robust reviewing process for gift acceptance already in place.

* *Participated by telephone*

PORTFOLIO IMPLEMENTATION

Investment Officer Ryan Dotson provided an overview of the life sciences opportunity and the due diligence undertaken by staff in the space. He reviewed the macro environment noting tailwinds including demographics, scientific advancement and a favorable regulatory environment as well as sector fundamentals emphasizing an increasing number of biotechnology companies and the high volatility often conducive to stock selection. The Investment Committee commended staff on the efforts and encouraged staff to continue to focus on manager selection.

Ms. Chen also reviewed investment activities over the last quarter

OPERATIONS REVIEW

Director of Investment Operations Genta Arovas updated the Committee on the status of the machine learning project and the office's effort to improve on efficiency. Ms. Chen announced Genta's pending departure and praised her effort and contributions to the organization. She indicated a hiring process will begin before calendar year end.

GOVERNANCE

The Committee reviewed the actions recommended by staff and upon motion duly made and seconded, approved the following motions:

VOTED that the Investment Committee approves the revised Investment Guidelines which incorporate the "enhanced delegation" model.

ADJOURNMENT

The meeting was adjourned at approximately 1:36 p.m., and the Committee moved into an executive session.