

City of Fairbanks
Permanent Fund Review Board
Quarterly Meeting Minutes
February 11, 2019

The Permanent Fund Review Board (PFRB) convened at 3:30 P.M. in the City Council Chambers to conduct a quarterly meeting with the following board members in attendance.

Board Members Present: Council Member Valerie Therrien
Dave Owen
Bernard Gatewood

Also Present: Carmen Randle, Chief Financial Officer
Brandy Nicoli, Chief Investment Officer-APCM
Blake Phillips, Director of Institutional Sales-APCM

The PFRB unanimously appointed Valerie Therrien as Chair of the meeting in Patty Mongold's absence.

Dave Owen moved, and Bernard Gatewood seconded to approve the minutes from the October 17, 2018 meeting. The PFRB unanimously agreed.

Carmen Randle reviewed the account's performance through December 31, 2018:

- \$118,968,224 - Balance including accrued income
- \$ 3,260,957 - Dividend and interest earnings
- \$ 4,342,473 - Realized gain
- \$ (13,989,590) - Unrealized loss
- \$ (111,746) - Management and custodial fees
- \$ (6,497,903) - Earnings, net of expenses

Brandy Nicoli reported that the balance of the fund was \$125,444,134 on February 8, 2019.

The 2019 draw is expected to be made in December 2019. The budgeted appropriations to the general and capital funds are shown below, respectively:

- 2019 \$4,856,659 and \$607,082

| Reported Performance | | | | | | | |
|----------------------|--------------------|---------------|--------------------|----------------|--------------------|-------------------|--------------|
| 4th Quarter | | Year to Date | | Last 12 Months | | Inception to Date | |
| Account | Benchmark | Account | Benchmark | Account | Benchmark | Account | Benchmark |
| -7.63% | -7.55% | -5.07% | -4.41% | -5.07% | -4.41% | 5.09% | 4.81% |
| | 0.13% ¹ | | 0.50% ² | | 0.50% ³ | | |
| <u>-7.63%</u> | <u>-7.42%</u> | <u>-5.07%</u> | <u>-3.91%</u> | <u>-5.07%</u> | <u>-3.91%</u> | <u>5.09%</u> | <u>4.81%</u> |

1 12.5 bps - per quarter rounded
2 50 bps hurdle -annual (YTD = 12.5 basis pts X# quarters)
3 50 bps hurdle codified in March, 2009. Inception performance begins January 31, 1998.

Brandy Nicoli reported that policy risks support neutral allocation. The market is currently pricing with no rate hikes in 2019 as growth is slowing. The economy is slightly above trend and 2019 global DGP growth is above the post-global financial crisis average. APCM recommends maintaining equity exposure to strategic targets as late cycle returns can still be rewarding. They favor cash relative to international bonds given risk adjusted returns and remain neutral on TIPS and U.S. bonds.

Carmen Randle and APCM both reported that the City contributed over \$113 million to the permanent fund since its inception.

The next quarterly meeting will be May 2, 2019 in the City Council Chambers.

The meeting adjourned at 3:00 p.m.

APCM's Annual Presentation to Council followed the meeting at 5:45 P.M.

Minutes will be placed on the May 2, 2019 agenda for approval.