

City of Fairbanks
Permanent Fund Review Board
Quarterly Meeting Minutes
January 25, 2021

The Permanent Fund Review Board (PFRB) convened at 4:07 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
Patty Mongold
Bernard Gatewood
Dave Owen
Jennifer Imus

Also Present: Margarita Bell, Chief Financial Officer
Brandy Niclai, Chief Investment Officer – APCM
Blake Phillips, Director of Institutional Solutions – APCM

Bernard Gatewood moved, and Dave Owen seconded to approve the minutes from the October 21, 2020 meeting. The PFRB unanimously agreed.

Margarita Bell reviewed the account's performance through December 31, 2020:

- \$144,120,957 - Balance including accrued income
- \$ 2,610,885 - Dividend and interest earnings
- \$ 2,141,473 - Realized gain
- \$ 10,065,048 - Unrealized gain
- \$ (104,805) - Management and custodial fees
- \$ 14,712,602 - Earnings, net of expenses

The 2020 draw was made on December 22, 2020 in the amount of \$5,586,013 to the general fund (\$4,965,345) and capital fund (\$620,668).

Brandy Niclai reported that the balance of the fund was \$147,723,000 on January 22, 2021.

Brandy Niclai presented a 2021 market outlook. The outlook included early stages of a new economic cycle of growth due to widespread distribution of highly effective vaccines; stocks continuing to offer superior relative returns favoring U.S. mid and small companies; and changing return expectations due to long-term implications of collapsing interest rates.

Brandy Niclai presented a portfolio review for the fourth quarter. She stated that the underweight to fixed income provided positive allocation effects over the quarter, partially offset by profits in equities in November. She also reported that the underweight to corporate securities and

continued upward bias to high quality securities detracted from fixed income performance. The combined equity allocation returned 16.78% and the combined fixed income allocation returned 0.42% for the quarter.

Portfolio Summary							
4th Quarter		Year to Date		Last 12 Months		Inception to Date	
Account	Benchmark	Account	Benchmark	Account	Benchmark	Account	Benchmark
10.15%	10.31%	11.02%	11.57%	11.02%	11.57%	5.86%	5.68%
	0.13% ¹		0.50% ²		0.50% ³		
10.15%	10.44%	11.02%	12.07%	11.02%	12.07%	5.86%	5.68%

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 Niclai reviewed the compliance requirements with committee members. There were no compliance issues identified in the presentation.

Brandy Niclai reviewed the annual report that would be presented to Council. She stated that the annual return averaged 5.86% since inception and that the fund has evolved from two asset classes to thirteen asset classes which improved the risk adjusted return of the portfolio and increased the likelihood of meeting long-term return objectives.

Committee members requested a presentation about Private Equity and discussed Council expectations of the Permanent Fund. Mr. Gatewood stated that in the past the Council maintained a conservative stance and did not expect the portfolio to be inflation proofed. Brandy Niclai stated that APCM will provide information about Private Equity at the next committee meeting.

The next quarterly meeting will be April 28, 2021 in the City Council Chambers.

The meeting adjourned at 5:15 p.m.