

City of Fairbanks
Permanent Fund Review Board
Quarterly Meeting Minutes
April 20, 2022

The Permanent Fund Review Board (PFRB) convened at 1:35 p.m. in the City Council Chambers to conduct a quarterly meeting.

Board Members Present: Council Member Valerie Therrien
Patty Mongold
Bernard Gatewood
Dave Owen
Jennifer Imus

Board Member Absent: None

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

Valerie Therrien moved, and Bernard Gatewood seconded to approve the minutes from the January 17, 2022 meeting. The PFRB unanimously agreed.

Margarita Bell reviewed the account's performance through March 31, 2022:

- \$ 150,721,778 - Balance including accrued income
- \$ 461,113 - Dividends and interest earnings
- \$ 2,065,535 - Realized gain
- \$ (9,221,653) - Unrealized loss
- \$ (26,959) - Management and custodial fees
- \$ (6,721,964) - Earnings, net of expenses

Brandy Niclai reported that the balance of the fund was \$147,715,682 on April 18, 2022.

Margarita Bell reported that the City received \$403,062 in deposits as of March 31, 2022.

Margarita Bell reported that the 2022 draw will be made in December 2022 in the amount of \$6,172,333 to the general fund (\$5,486,518) and capital fund (\$685,815). Bernard Gatewood inquired about the increase in distribution. Margarita Bell responded that the amount was based on a five-year average. Brandy Niclai also responded that the average offset the portfolio volatility.

Brandy Niclai presented the market outlook. The market has moved from a recovery phase to an expansion phase. During this phase the monetary policy is expected to tighten globally, uncertainty is expected to be elevated, global GDP growth is expected to be above trend, and exposure in the market will need to be more thoughtful. The Ukraine/Russia conflict will have a

modest economic impact on the global GDP; however, the indirect effects are more meaningful since Russia is a key player in global energy and Ukraine is a sizeable agricultural producer. APCM expects global economic growth to slow but remain positive while inflationary pressures prompt the acceleration of monetary policies. APCM has emphasized areas of the equity market that leverage the expected business and consumer spending, and inflation.

Brandy Niclai presented a portfolio review for the first quarter. She stated that the portfolio allocation was slightly positive over the quarter as cash outperformed fixed income; this was attributed to equity selection effects due to temporary pricing differences. An underweight to portfolio duration and corporate selection were the relative contributors to outperformance compared to the benchmark. The combined equity allocation returned -5.17% and the combined fixed income allocation returned -4.58% for the quarter.

Portfolio Summary							
1st Quarter		Year to Date		Last 12 Months		Inception to Date	
Account	Benchmark	Account	Benchmark	Account	Benchmark	Account	Benchmark
-4.25%	-4.27%	-4.25%	-4.27%	3.77%	3.84%	5.89%	5.69%
	0.13% ¹		0.13% ²		0.50% ³		
<u>-4.25%</u>	<u>-4.15%</u>	<u>-4.25%</u>	<u>-4.15%</u>	<u>3.77%</u>	<u>4.34%</u>	<u>5.89%</u>	<u>5.69%</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 Niclai reported that the compliance review will need to be updated to reflect the new asset allocation. Margarita Bell stated that she will work with the auditors to update the specific compliance questions.

PFRB and APCM received the Custodial Safekeeping Services Request for Proposal. Patty Mongold requested that committee members provide Margarita Bell with comments within the next 30 days and that Margarita Bell present the marked-up version at the next meeting. Margarita Bell requested that APCM also review the RFP since there is a working relationship between the Investment Manager and the Custodian. Jennifer Imus recused herself from this process. The RFP is scheduled to be issued on July 29, 2022.

The next quarterly meeting will be held on July 27, 2022 in the City Council Chambers.

The meeting adjourned at 2:20 p.m.