

City of Fairbanks
Permanent Fund Review Board
Quarterly Meeting Minutes
October 18, 2022

The Permanent Fund Review Board (PFRB) convened at 1:32 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 Members Absent: None

Also Present: Margarita Bell, Chief Financial Officer
Brandy Niclai, Chief Investment Officer – APCM
Lindsey Cashman, Client Relationship Manager - APCM

Valerie Therrien moved, and Patty Mongold seconded to approve the minutes from the July 27, 2022 meeting. The PFRB unanimously agreed.

Margarita Bell reviewed the account's performance through September 30, 2022:

- \$ 127,744,006 - Balance including accrued income
- \$ 1,938,346 - Dividends and interest earnings
- \$ 1,671,000 - Realized gain
- \$ (33,317,023) - Unrealized loss
- \$ (80,102) - Management and custodial fees
- \$ (29,787,779) - Earnings, net of expenses

Margarita Bell reported that the City received \$491,106 in deposits as of September 30, 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).

Brandy Niclai reported that the balance of the fund was \$129,880,390 on October 17, 2022.

Brandy Niclai presented the market outlook. A strong labor market has prevented a recession. In Europe and United Kingdom, economic activity has faltered due to higher energy prices and commodity shortages. Growth in China is slowing due to the government's tough pandemic measures, steep property downturn, and cooling export growth. There are signs that inflation pressures are starting to ease but the tight labor market is causing inflation. Markets have been turbulent as the Federal Reserve raised interest rates by 3.0%. Bond market is anticipating another increase of 1.6% in 2023.

Brandy Niclai presented that as inflationary pressures ease, stock and bond prices could improve but volatility will remain until the Federal Reserve is no longer focused on delivering slower growth. This supports the conservative near-term positioning of the portfolio. Actual portfolio returns remain within APCM’s long-term expectations suggesting the portfolio has a high probability of achieving the desired returns over time.

Brandy Niclai presented a portfolio review for the third quarter. She stated that the negative selection effect was driven by temporary pricing factors due to the volatility of the current market for equities and overweight to energy for commodities. APCM expects .10% of relative performance will be recovered as these factors normalize. The combined equity allocation returned -6.05% and the combined fixed income allocation returned -3.65% for the quarter.

Portfolio Summary							
3rd Quarter		Year to Date		Prior Year		Inception to Date	
Account	Benchmark	Account	Benchmark	Account	Benchmark	Account	Benchmark
-5.32%	-4.97%	-18.87%	-19.06%	12.82%	12.25%	5.06%	4.86%
	0.13% ¹		0.38% ²		0.50% ³		
<u>-5.32%</u>	<u>-4.85%</u>	<u>-18.87%</u>	<u>-18.69%</u>	<u>12.82%</u>	<u>12.75%</u>	<u>5.06%</u>	<u>4.86%</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 memo was updated and that all items complied.

Dave Owen inquired about alternative beta. Brandy Niclai reported that the addition of alternative beta in the portfolio resulted in a 3.5% better return than the prior portfolio allocation.

Patty Mongold inquired about the permanent fund draw scheduled for December 2022 and the impacts to the portfolio. Margarita Bell stated that she will coordinate the draw with Blake Phillips and Brandy Niclai. Bernard Gatewood requested that Lindsey Cashman be added to the correspondence.

PFRB reviewed three proposals for Custodial Services and selected US Bank as the most responsive proposer. Margarita Bell reported that US Bank is required to obtain a city license and the Purchasing Agent believes the business will comply. Brandy Niclai requested the transition dates to ensure that APCM is connected before the start of the new contract.

The next quarterly meeting will be held on January 23, 2022 in the City Council Chambers.

The meeting adjourned at 2:15 p.m.