

City of Fairbanks
Permanent Fund Review Board
Quarterly Meeting Minutes
July 12, 2023

The Permanent Fund Review Board (PFRB) convened at 1:33 p.m. in the City Council Chambers to conduct a quarterly meeting.

Board Members Present: Patty Mongold
Bernard Gatewood
Dave Owen
Jennifer Imus
Council Member John Ringstad

Board Members Absent: None

Also Present: David Pruhs, Mayor
Margarita Bell, Chief Financial Officer
Brandy Niclai, Chief Investment Officer – APCM (online)
Blake Phillips, Director of Institutional Solutions - APCM

Dave Owen moved, and Bernard Gatewood seconded to approve the minutes from the April 26, 2023 meeting. The PFRB unanimously agreed.

Margarita Bell reviewed the account's performance through June 30, 2023:

- \$ 140,010,391 - Balance including accrued income
- \$ 1,447,639 - Dividends and interest earnings
- \$ 631,070 - Realized gain
- \$ 7,088,449 - Unrealized gain
- \$ (44,014) - Management and custodial fees
- \$ 9,123,144 - Earnings, net of expenses

Margarita Bell reported that the 2023 draw will be made in December 2023 in the amount of \$6,171,150 to the general fund (\$5,485,467) and capital fund (\$685,683).

John Ringstad reported that the City Council unanimously approved the increase from 15% to 20% exposure limit on BBB rated securities.

Brandy Niclai reported that the balance of the fund was over \$140 million.

Brandy Niclai presented a market review. She reported that there continue to be positive returns amidst uncertainty due to bank turmoil, high inflation, and geopolitical frictions. She also reported that earlier expectations of a recession was revised as global economy proves to be more resilient than initially expected; however, most economists expect the monetary policy tightening to lead to a slow growth in the second half of the year. The probability of a moderate recession

and eventual rate cuts (scenario two) remains high as resilient labor markets have pushed expectations for the timing of a recession further out. Bonds and stocks rallied in June. To continue bonds and stocks rally, there would have to be less inflation surprises, lower real interest rates, and no severe recession.

Brandy Niclai presented a portfolio review for the second quarter. She stated that underperformance was due to an underperformance of alternative beta compared to the strategic benchmark. The combined equity allocation returned 4.12% and the combined fixed income allocation returned -.05% for the quarter.

Portfolio Summary							
2nd Quarter		Year to Date		Prior Year		Inception to Date	
Account	Benchmark	Account	Benchmark	Account	Benchmark	Account	Benchmark
2.90%	3.30%	7.00%	7.70%	-13.26%	-13.54%	5.50%	5.30%
	0.13% ¹		0.25% ²		0.50% ³		
2.90%	3.43%	7.00%	7.95%	-13.26%	-13.04%	5.50%	5.30%

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 stated that the total effect of performance attribution is based on allocation and selection. She stated that the dynamic spending policy of the fund has allowed the distributions to remain stable and grow over time despite market volatility.

Bernard Gatewood inquired about the alternative beta funds. Brandy Niclai responded that there were three funds that were compared to APCM Strategic Mix and Wilshire Liquid Alternative Total Return Index (Wilshire Index). Bernard Gatewood inquired about the use of Wilshire Index as a benchmark. Blake Phillips provided information about the Wilshire Index and Brandy Niclai stated that most benchmarks are selected to mirror the portfolio; however, there were no other benchmarks that mirrored our portfolio.

John Ringstad inquired about the impacts of the annual draw on the portfolio when the portfolio has a significant decrease. Blake Phillips and Brandy Niclai stated that the five-year average provides stability; however, the board may want to watch the impacts in future years.

APCM report indicated that there were no compliance issues.

The next quarterly meeting will be held on October 25, 2023 in the City Council Chambers.

Mayor Pruhs thanked the board for their service and requested board members to consider continuing to serve for future terms.

The meeting was adjourned at 2:14 p.m.