

City of Fairbanks  
Permanent Fund Review Board  
Quarterly Meeting Minutes  
May 2, 2019

The Permanent Fund Review Board (PFRB) convened at 1:30 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  
Patty Mongold  
Bernard Gatewood

Also Present: Margarita Bell, Interim Chief Financial Officer  
Brandy Nicoli, Chief Investment Officer-APCM  
Blake Phillips, Director of Institutional Sales-APCM

Bernard Gatewood moved, and Valerie Therrien seconded to approve the minutes from the February 11, 2019 meeting. The PFRB unanimously agreed.

Margarita Bell reviewed the account's performance through March 31, 2019:

- \$128,909,498 - Balance including accrued income
- \$ 1,109,716 - Dividend and interest earnings
- \$ 457,740 - Realized gain
- \$ 8,459,654 - Unrealized gain
- \$ (25,890) - Management and custodial fees
- \$ 10,001,220 - Earnings, net of expenses

Brandy Nicoli reported that the balance of the fund was \$130,672,816 on May 1, 2019.

The 2019 draw is expected to be made in December 2019. The budgeted appropriations of \$5,463,741 to the general and capital funds are shown below, respectively:

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

Portfolio Summary							
1st Quarter		Year to Date		Last 12 Months		Inception to Date	
Account	Benchmark	Account	Benchmark	Account	Benchmark	Account	Benchmark
8.02%	8.69%	8.02%	8.69%	3.55%	4.99%	5.42%	5.16%
	0.13% <sup>1</sup>		0.13% <sup>2</sup>		0.50% <sup>3</sup>		
8.02%	8.82%	8.02%	8.82%	3.55%	5.49%	5.42%	5.16%

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 presented an investment review as of March 31, 2019. Ms. Nicoli reported that equities recouped all 2018 losses and interest rates fell in response to a “dovish Fed”. She also reported that global stocks slumped at the end of the quarter, but real assets preserved gains. Due to volatility, she reported that investments were shifted from international equities to alternative beta.

Brandy Nicoli also reported that the alternative beta fund is providing expected risk reduction during times of increased volatility and the associated returns during increasing equity markets. Equities recovered after the year end sell off as monetary policy turned more supportive of growth, but the pace of returns is not expected to continue. Although the risk and return data for alternative beta in the first quarter was not favorable since initial purchase, the fund is within the expected tracking error and APCM’s near term outlook has not changed.

Brandy Nicoli reviewed the compliance report. There were no compliance issues to report during the quarter.

Brandy Nicoli recommended that the PFRB discuss long-term outlook considering risk and return analysis at the next board meeting to provide future guidance for investment strategies while preserving the fund and ensuring adequate funds for future draws.

PFRB members discussed the appointment of a Vice Chair. Valerie Therrien moved, and Bernard Gatewood seconded to approve Bernard Gatewood as the Vice Chair.

The next quarterly meeting will be July 24, 2019 in the City Council Chambers.

The meeting adjourned at 2:30 p.m.

Minutes will be placed on the July 24, 2019 agenda for approval.