

**Alabama Trust Fund
Board of Trustees Meeting
February 20, 2020
RSA Union Building, Suite 683**

Pursuant to public notice, a meeting of the Alabama Trust Fund Board of Trustees was held on February 20, 2020. The meeting was called to order at 10:00 AM by Vice Chair, Kelly Butler. The roll was called by Sara Jenkins, Treasurer's Office, and recorded as follows with a quorum present.

Present:

Mr. John McMillan, Secretary
Mr. Kelly Butler, Vice Chair
Mr. Daniel Hughes
Mr. John Hornsby
Mr. Stacy Faison
Mr. Edgar Pruitt

Absent:

Governor Kay Ivey, Chair
Dr. Sandra Sims-deGraffenried
Mr. Guice Slawson, Jr

The first decision item was the review and approval of the minutes of November 21, 2019. Upon a motion made by Mr. Butler, and a second by Mr. Pruitt, the reading of the minutes was dispensed and were approved as presented.

Mr. McMillan then reviewed the quarterly financial reports. He noted the Balance Sheet as of December 31, 2019, indicates total assets of \$3.20 billion, an increase of approximately \$10.8 million from the previous quarter end. Total capital is \$3.14 billion. The Statement of Revenues and Expenditures indicates total revenues of \$71.97 million and total distributions of \$61.36 million. Oil and gas receipts for the quarter were \$7.39 million. Mr. Hughes noted Forever Wild has done well over the last year since the Board diversified its asset allocation. The remainder of the financial reports were reviewed and received as information.

Ms. West, Callan LLC, presented the quarterly investment performance measurement report and market overview. Asset allocation was within rebalancing ranges. The portfolio had an overweight to Large Cap Equity and underweight to International Equity and Real Estate. The return for the quarter was 5.31 percent trailing the benchmark by 14 bps. Ms. West noted the performance was driven by managers subtracting value, particularly Large Cap and Small Cap Equity managers. The one-year return was a positive 20.63 percent. Ms. West then reviewed the returns by manager.

On the watch list, Ms. West made the recommendation to remove Invesco from the watch list and add Heitman for performance and Western Asset for organizational changes. Upon a motion made by Mr. Hughes and second by Mr. Faison, the decision was approved.

Under decision items, Sara Jenkins, Treasurer's Office, presented the Board with a memo regarding the addition of borrowers to BNY Mellon's Securities Lending Program. The Board can exclude any of the new borrowers listed in the letter. After a discussion, the Board noted they want to look further into the BNY Mellon Securities Lending contract, specifically regarding risk. Upon a motion made by Mr. Hughes and a second by Mr. Butler, the decision was made to accept the new securities lending borrowers.

Ms. West then reviewed the CMT fund quarterly performance. For the quarter, the fund was up 5.50 percent and beating the benchmark by 21 bps. The one-year number is positive 19.91 percent beating the benchmark by 1.61 percent. The report was received as informational.

There being no other business, the meeting was adjourned.

Approved on May 21, 2020.

John McMillan, Secretary

**Resolution of the Alabama Trust Fund Board of Trustees
at its meeting held February 20, 2020**

Topic: Approval of Watch List

WHEREAS, the Board of Trustees (herein the “Board”) are the trustees of the Alabama Trust Fund created in Section 3 of Amendment 450 of the Constitution of Alabama of 1901, as amended (the “Act”); and

WHEREAS, the Board has engaged and relies on Callan Associates, Inc. (herein “Callan”) as its investment consultant; and,

WHEREAS, Callan recommend to the Board that Invesco be placed on the Watch List in February 2018 due to performance. Invesco is up for a Watch List status review February 2020. Callan recommends Invesco be removed from the Watch List due to improved performance.

WHEREAS, Callan recommends Heitman be placed on the Watch List due to performance with the expected removal date of February 2021.

WHEREAS, Callan recommends Western Asset be placed on the Watch List due to organizational changes with the expected removal date of February 2021.

NOW, THEREFORE, BE IT RESOLVED, the Board has approved the watch list as presented by Callan.

**Resolution of the Alabama Trust Fund Board of Trustees
at its meeting held February 20, 2020**

Topic: Approval of Securities Lending Borrowers

WHEREAS, the Board of Trustees (herein the “Board”) are the trustees of the Alabama Trust Fund created in Section 3 of Amendment 450 of the Constitution of Alabama of 1901, as amended (the “Act”); and

WHEREAS, the Board has engaged and relies on Bank of New York Mellon (herein “BNY Mellon”) as its custodian and the Alabama Trust Fund participates in BNY Mellon’s Securities Lending Program; and,

WHEREAS, the BNY Mellon added new borrowers to its Securities Lending Program. The Board has the opportunity to exclude any of the new borrowers should the borrower have a related party relationship with the Alabama Trust Fund or if the Board has any reservation about the borrower; and,

NOW, THEREFORE, BE IT RESOLVED, the Board has accepted the new borrowers added to the BNYM Securities Lending Program.