

**Alabama Trust Fund
Board of Trustees Meeting
May 16, 2018
State Capitol, E-317**

Pursuant to public notice, a meeting of the Alabama Trust Fund Board of Trustees was held on May 16, 2018. The meeting was called to order at 1:30 PM by Vice Chair, Clinton Carter. The roll was called by Secretary Boozer and recorded as follows with a quorum present.

Present:

Mr. Clinton Carter, Vice Chair
Mr. Young Boozer, Secretary
Mr. Edgar Pruitt
Mr. Daniel Hughes
Mr. John Hornsby
Dr. Sandra Sims-deGraffenried

Absent:

Governor Kay Ivey, Chair
Mr. Guice Slawson, Jr
Mr. Sam Upchurch

The first decision item was the review and approval of the minutes of February 15, 2018. Upon a motion made by Mr. Boozer, and a second by Dr. Sims-deGraffenried, the reading of the minutes was dispensed and the minutes were approved as presented.

Mr. Boozer then reviewed the quarterly financial reports. He noted the Balance Sheet as of March 31, 2018, indicates total assets of \$3.0 billion, an increase of approximately \$34 million from the previous quarter end. Total Capital is \$3.0 billion. The Statement of Revenues and Expenditures indicates total revenues of approximately \$74 million and total distributions of \$30 million. Oil and gas receipts for the quarter were approximately \$12 million. The remainder of the financial reports were reviewed and received as information.

Mr. Jay Kloepfer, Callan, then reviewed, by phone, the asset allocation follow-up as requested by Mr. Hornsby in the previous meeting. Mr. Kloepfer discussed various asset allocation examples of hedge funds, multi-asset class strategies, private credit strategies, and global tactical asset allocation funds. After reviewing the information, Mr. Hughes requested that Callan provide performance examples using Mellon Dynamic and Blackrock Global strategies.

Ms. West presented the quarterly investment performance measurement report and market overview. Asset allocation was within rebalancing ranges. The portfolio has a significant overweight to International Equity and an underweight to Fixed Income. The return for the quarter was a negative 0.11 percent beating the benchmark by 61 bps. Ms. West noted International Equity, Large Cap Equity, and Small Cap Equity managers outperformed the benchmark for the quarter. The one-year return was 11.05 percent. Ms. West then reviewed the returns by manager and made the recommendation to have RBC or Invesco come to the next meeting to discuss its portfolio.

On the watch list, Ms. West made the recommendation for Invesco to remain on the watch list and to start the RFP process for possible replacement of Smith Group. Upon a motion to approve made by Mr. Boozer and second by Mr. Pruitt, the recommendation passed.

Under decision items, Ms. West presented the request from American Century Investments for an exception to the Emerging Market guidelines per the Alabama Trust Fund Investment policy to allow American Century more flexibility. Ms. West made the recommendation to accept the request. Upon a motion made by Mr. Hornsby and a second made by Mr. Boozer, the guideline exception passed.

Under decision items, Mr. Boozer presented the board with a resolution requesting the Board to authorize the execution of a contract with Maynard, Cooper, and Gale PC to provide specialized legal services related to investment activities. Upon a motion by Mr. Boozer and second by Dr. Sims-deGraffenried, the approval of the contract with Maynard, Cooper, and Gale PC was approved.

Ms. West then reviewed the CMT fund quarterly performance. For the quarter, the fund was down 0.47 percent and beat the benchmark by 25 bps. The one-year number is 9.42 percent trailing the benchmark by 2 bps. Ms. West noted the portfolio has a significant overweight to International Equity and an underweight to Fixed Income this quarter.

There being no other business the meeting was adjourned.

Clinton Carter, Vice-Chairman

Young Boozer, Secretary

Proposed Resolution of the Alabama Trust Fund Board
Considered at its meeting on May 16, 2018

Topic: Legal Services

WHEREAS, Amendment 450 of the Alabama Constitution created the Alabama Trust Fund as an irrevocable, permanent trust fund under the management and control of the Board of Trustees ("Board"); and

WHEREAS, the Board has authority, pursuant to Section 3 of Amendment 450 of the Alabama Constitution to execute contracts, agreements and other instruments as may be necessary or convenient to accomplish any purpose for which the trust fund was created; and

WHEREAS, the Board has authority, pursuant to Section 3 of Amendment 450 of the Alabama Constitution to appoint, employ, and contract legal consultants as may in its judgment be necessary or desirable; and

WHEREAS, the Board has previously contracted with Maynard, Cooper and Gale PC for such services with the approval of the Board; and

NOW THEREFORE BE IT RESOLVED, based upon thoughtful consideration and the firm's prior experience with the Alabama Trust Fund, the Board is satisfied that Maynard, Cooper and Gale PC has demonstrated the requisite expertise, ability and professional skill necessary to best meet the current needs and interest of the Alabama Trust Fund; and

BE IT FURTHER RESOLVED, the Board authorizes the execution of the contract with Maynard, Cooper and Gale PC at the rate of \$195 per hour for attorney services, and \$65 per hour for paralegal services, and to receive the requisite approvals.