

**Alabama Trust Fund
Board of Trustees Meeting
August 22, 2019
State Capitol, E-317**

Pursuant to public notice, a meeting of the Alabama Trust Fund Board of Trustees was held on August 22, 2019. The meeting was called to order at 10:00 AM by Vice Chair, Kelly Butler. The roll was called by Secretary McMillan and recorded as follows with a quorum present.

Present:

Mr. John McMillan, Secretary
Mr. Kelly Butler, Vice Chair
Mr. Guice Slawson, Jr
Mr. Stacy Faison
Dr. Sandra Sims-deGraffenried

Absent:

Governor Kay Ivey, Chair
Mr. Edgar Pruitt
Mr. Daniel Hughes
Mr. John Hornsby

The first decision item was the review and approval of the minutes of May 16, 2019. Upon a motion made by Dr. Sims-deGraffenried, and a second by Mr. Faison, 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 June 30, 2019, indicates total assets of \$3.19 billion, an increase of approximately \$17 million from the previous quarter end. Total capital is \$3.0 billion. The Statement of Revenues and Expenditures indicates total revenues of \$115.4 million and total distributions of \$76.9 million. Oil and gas receipts for the quarter were \$9.2 million. The remainder of the financial reports were reviewed and received as information.

Ms. West, Callan, presented the quarterly investment performance measurement report and market overview. Asset allocation was a little out of line due to the funding of the new Hedge Fund and Multi-Asset Class managers at the end of the quarter. A new target allocation will be provided next quarter to reflect the new asset mix. The return for the quarter was a positive 4.4 percent beating the the benchmark by 1.22 percent. Ms. West noted the managers as a group added value for the quarter, specifically Small Cap and International Equity managers. The one-year return was a positive 8.22 percent. Ms. West then reviewed the returns by manager.

Ms. West reviewed the flash report for July. The fund had unrealized gains of \$13 million. The fund overall is \$3.28 billion. The fund was up 0.41 percent for the month of July and for the year to date the fund was up 14.25 percent.

Ms. West reviewed the Distribution Analysis as requested during the previous board meeting by Mr. Hughes and Mr. Hornsby. The Board requested to revisit the discussion during the next meeting when Mr. Hughes and Mr. Hornsby will be available for the discussion.

On the watch list, Ms. West made the recommendation for Invesco to remain on the watch list. Ms. West noted Invesco's performance has improved. Upon a motion made by Dr. Sims-deGraffenried and second by Mr. Faison, the decision was approved.

Ms. West reviewed the Recommendation Regarding UBS. Callan made the recommendation to terminate UBS and submit a full redemption request due to performance and begin looking at other Real Estate opportunities. Upon a motion made by Dr. Sims-deGraffenried and second by Mr. Butler, the recommendation was approved.

Ms. West then reviewed the CMT fund quarterly performance. For the quarter, the fund was up 3.72 percent and beating the benchmark by 54 bps. The one-year number is positive 6.93 percent beating the benchmark by 81 bps. Ms. West noted the International and Small Cap Equity managers added value.

The July flash report for the CMT indicates unrealized gains of \$2.6 million and the fund overall is \$505 million. The fund was up 53 bps and the total fund is up 13.0 percent for the calendar year. Mr. McMillan then reviewed the CMT distribution schedule for FY 2019.

Under other business, Mr. Butler reviewed the House Bill 540 Summary. Mr. Butler stated under HB 540 the Alabama Trust Fund is allowed to invest in the opportunity zone program. Mr. Kelly also stated it was a risky investment and the Trust Fund should, in his opinion, avoid this type of investment. Dr. Sims-deGraffenried also stated it was her in opinion to avoid this type of investment.

There being no other business the meeting was adjourned.

Approved on November 21, 2019.

John McMillan, Secretary