

**Alabama Trust Fund
Board of Trustees Meeting
May 25, 2023
RSA Union Building, Suite 683**

Pursuant to public notice, a meeting of the Alabama Trust Fund Board of Trustees was held on May 25, 2023 in the RSA Union Conference Room in Montgomery, AL, with participation also allowed by electronic means in accordance with §36-17-21, Code of Alabama, as amended.

The meeting was called to order at 10:00 AM by Mr. McClendon, Chair Designee. The roll was called by Secretary Boozer and recorded as follows with a quorum present.

Present:

Mr. Brooks McClendon, Chair Designee
Mr. Taylor Nichols, Vice Chair Designee
Mr. Young Boozer, Secretary

Virtual:

Mr. John Norris
Mr. John Hornsby
Mr. Daniel Hughes
Mr. Alvin Hope, II
Mr. Guice Slawson, Jr

Absent:

Ms. Linda Green

1. Approval of Minutes

The first item on the agenda was the review and approval of the minutes of February 23, 2023. Upon a motion made by Mr. Hughes, and second by Mr. Brooks, the reading of the minutes was dispensed and were unanimously approved as presented.

2. Quarterly Financial Reports

Mr. Boozer then reviewed the quarterly financial reports. He noted the Balance Sheet as of March 31, 2023, indicates total assets of \$3.5 billion, an increase of approximately \$120.9 million from the previous quarter end. Total capital is \$3.4 billion. The Statement of Revenues and Expenditures indicates total revenues of \$165.1 million and total distributions of \$36.4 million. Oil and gas receipts for the quarter were \$13 million. The remainder of the financial reports were reviewed and received as information.

3. Angelo Gordon Portfolio Review

Aliana Spungen, Angelo Gordon, discussed the upcoming acquisition of Angelo Gordon by TPG, Inc and a brief overview of the Trust Fund's real estate accounts. Chris Monsif, Angelo Gordon US Real Estate, then reviewed the portfolio and portfolio performance. Mr. Hughes requested a detailed review of the office real estate exposure and a broader commentary on the strategy to sell multi-family real estate while working through office real estate.

4(a). Quarterly Performance – ATF

Ms. West, Callan LLC, presented the quarterly investment performance measurement report and market overview. Asset allocation was within rebalancing ranges. The portfolio was close to target. The return for the quarter was 5.2 percent beating the benchmark by 83 bps. Ms. West noted small cap equity and international managers added value. The one-year return was a negative 5.35 percent. Ms. West then reviewed the returns by manager.

4(b) April Flash Reports – ATF

Ms. West reviewed the flash report for April. The fund had unrealized gains of \$16.6 million. The fund overall is \$3.4 billion. The fund was down 31 bps for the month of April and for the year to date the fund was up 59 bps.

5(a). Watch List Review

On the watch list, Ms. West made the recommendation for Algert, Lazard, and Vulcan Value to remain on the watch list. Upon a motion made by Mr. Hughes, and second by Mr. Norris, the watch list was unanimously approved as presented.

5(b). TSW Guideline Exemption Request

Ms. West presented the letter from TSW requesting an exception in the Investment Guidelines to purchase secondary securities for the Alabama Trust Fund (ATF) and County and Municipal Government Capital Improvement Trust Fund (CMT) portfolios. TSW requested the exception to permit the portfolios to hold privately placed, restricted, or unregistered securities of an issuer whose equity securities are traded on a foreign exchange, and that are acquired through warrants, secondary rights, or other equity-linked securities distributed by the underlying company/issuer as a result of common stock ownership in an offering to existing shareholders. Callan recommended the Board approved the exception for both the ATF and CMT but limit such instruments to 10% of the portfolio.

Mr. Boozer presented the Board with a resolution for consideration to approve the request made by TSW. Upon a motion made by Mr. Hughes and second by Mr. Hornsby, the resolution was unanimously approved with the amendment to add a limit of 10% of the portfolio for such instruments to the resolution.

6(a). Quarterly Performance – CMT

Ms. West then reviewed the CMT fund quarterly performance. For the quarter, the fund was up 5.32 percent and beating the benchmark by 84 bps. Ms. West noted the performance was driven by managers adding value. The one-year number is negative 3.4 percent and beating the benchmark by 2.27 percent.

6(b). April Flash Report – CMT

Ms. West reviewed the flash report for April. The fund had unrealized gain of \$4.6 million and the overall fund is \$538 million. The fund was up 87 bps for the month of April and for the year to date the fund was up 6.32 percent.

7. Other Business

There being no other business, the meeting was adjourned.

Approved on _____, 2023.

Bill Poole, Vice Chair

Young Boozer, Secretary

Amended
Consideration of Resolution of the Alabama Trust Fund Board of Trustees
at its meeting held May 25, 2023

Topic: TSW Investment Guideline Exception Request

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

WHEREAS, the Board has authority, pursuant to the Act, 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 engaged and relies on Callan LLC (herein “Callan”) as the investment consultant for the Alabama Trust Fund and County and Municipal Improvement Trust Fund; and,

WHEREAS, since 2014, the Board has had an agreement with Thompson, Siegel & Walmsley LLC (TSW) for international large cap equity management (“Agreement”); and

WHEREAS, the Investment Guidelines per the Agreement generally prohibits privately placed securities from being held in the Alabama Trust Fund and County and Municipal Improvement Trust Fund portfolios, with limited exceptions.; and

WHEREAS, on Friday, March 10th, 2023, TSW notified the Board of its request for an exception in the Investment Guidelines to permit their portfolios to hold privately placed, restricted, or unregistered securities of an issuer whose equity securities are traded on a foreign exchange, and that are acquired through warrants, secondary rights, or other equity-linked securities distributed by the underlying company/issuer as a result of common stock ownership in an offering to existing shareholders; and,

WHEREAS, after discussions with TSW, the Board’s Investment Consultant, Callan, recommends that the Board consent to the requested exemption on investment in secondary offerings but limit such instruments to 10% of the portfolio; and,

NOW, THEREFORE, BE IT RESOLVED, following discussions, the Board consents to the investment guideline exemption request, and directs the staff to take any necessary actions to effectuate such consent.