

**Alabama Trust Fund
Board of Trustees Meeting
August 25, 2022
RSA Union Building, Suite 683**

Pursuant to public notice, a meeting of the Alabama Trust Fund Board of Trustees was held on August 25, 2022 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. Boozer, Secretary. The roll was called by Secretary Boozer and recorded as follows with a quorum present.

Present:

Brooks McClendon, Chair Designee
Mr. Young Boozer, Secretary

Virtual:

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

Absent:

Mr. Bill Poole, Vice Chair
Ms. Linda Green
Mr. Daniel Hughes

1. Approval of Minutes

The first item on the agenda was the review and approval of the minutes of June 29, 2022. Upon a motion made by Mr. Slawson, and second by Mr. Norris, 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 June 30, 2022, indicates total assets of \$3.4 billion, a decrease of approximately \$44 million from the previous quarter end. Total capital is \$3.4 billion. The Statement of Revenues and Expenditures indicates total revenues of \$31 million and total distributions of \$72.5 million. Oil and gas receipts for the quarter were \$15.8 million. The remainder of the financial reports were reviewed and received as information.

3(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 had an overweight to fixed income and underweight to international equity. The return for the quarter was negative 11.15 percent trailing the benchmark by 80 bps. Ms. West noted the managers as a group did not add value. The one-year return was a negative 13.18 percent. Ms. West then reviewed the returns by manager.

3(b). July Flash Reports – ATF

Ms. West reviewed the flash report for July. The fund had unrealized gain of \$179 million. The fund overall is \$3.4 billion. The fund was up 5.5 percent for the month of July.

4(a). Watch List Review

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

4(b). Investment Policy Statement Update

Under decision items, Ms. West presented the updated Investment Policy to the Board. Changes were made to reflect a previous update made in the American Century Exception to the General Investment Manager Guidelines. The exposure to emerging markets securities is limited to +/- 10% relative to the emerging market weight of the MSCI AC World ex-US Small Cap Growth index. Upon a motion made by Mr. Norris and a second by Mr. Slawson the Investment Policy was unanimously approved as presented.

4(c). Algert Fee Reduction Resolution

Algert notified Treasury staff of its offer to lower the management fee by 10bps for the assets managed under its international small cap strategy for the Alabama Trust Fund and County & Municipal Government Capital Improvement Trust Fund. Mr. Boozer presented the Board with a recommended resolution to approve the fee change and execute the process. Upon a motion made by Mr. Norris and a second by Mr. McClendon the resolution was unanimously approved.

4(d). Callan LLC Contract Review

Mr. Boozer presented the Board with a recommended resolution to amend the ATF’s Investment Consulting Services Agreement with Callan LLC to reflect a two-year extension as allowed under the current agreement. The resolution extends the contract’s expiration date December 31, 2024 and directs the Secretary of the Board to execute the contract amendment. Upon a motion to approve made by Mr. Norris and second by Mr. Hornsby, the resolution to amend the Investment Consulting Services Agreement with Callan LLC was unanimously approved.

5(a). Quarterly Performance – CMT

Ms. West then reviewed the CMT fund quarterly performance. For the quarter, the fund was down 9.98 percent and beating the benchmark by 56 bps. Ms. West noted the overweight to real estate helped this quarter. The one-year number is negative 10.63 percent trailing the benchmark by 5bps.

5(b). July Flash Reports - CMT

Ms. West reviewed the flash report for July. The fund had unrealized gains of \$27 million. The fund overall is \$543 million. The fund was up 21 bps for the month of July.

6. Other Business

There being no other business, the meeting was adjourned.

Approved on _____, 2022.

Bill Poole, Vice Chair

Young Boozer, Secretary

**Consideration of Resolution of the Alabama Trust Fund Board of Trustees
at its meeting held August 25, 2022**

Topic: Algert Fee Reduction Offer

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, since 2017, the Board has had an agreement with Algert Global (“Algert”) for international small cap equity management; and

WHEREAS, on Friday, August 5, 2022, Algert notified Treasury staff of their offer to reduce the management fee by 10bps for the assets managed under their international small cap strategy for the Alabama Trust Fund (ATF) and Alabama County & Municipal Government Capital Improvement Trust Fund (CMT); and,

WHEREAS, Algert offers the fee discount in recognition to their past performance not meeting their expectations; and,

WHEREAS, the management fee is currently 80bps. The management fee shall be reduced to 70 bps effective September 1st; and,

FURTHERMORE, the Board directs the Secretary of the Board to facilitate and execute the process for the fee discount offered by Algert.

**Consideration of Resolution of the Alabama Trust Fund Board of Trustees
at its meeting held August 25, 2022**

Topic: Approval of Callan Contract Amendment

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 authority to appoint, employ and contract with such employees, agents, advisors, and consultants, including, but not limited to, attorneys, accountants, financial experts and such other advisors, consultants, and agents as may in its judgment be necessary or desirable, and to fix their compensation; and

WHEREAS, the Board has engaged and relied upon Callan LLC (herein “Callan”) to provide investment consultant services to the Board and the Alabama Trust Fund since 2001, and has done so in a fully competent and knowledgeable manner; and,

NOW, THEREFORE, BE IT RESOLVED, for and in consideration of the foregoing premises and other good and valuable consideration, the Board desires to amend the Contract to expire December 31, 2024 with all other terms and conditions of the original Contract remaining unchanged; and,

FURTHERMORE, the Board directs the Secretary of the Board to facilitate the process and to execute the Contract amendment.