

**Alabama Trust Fund  
Board of Trustees Meeting  
February 18, 2021  
Zoom Meeting**

Pursuant to public notice, a meeting of the Alabama Trust Fund Board of Trustees was held on February 18, 2021. The meeting was called to order at 10:00 AM by Governor Ivey, Chair. In accordance and compliance with Governor Ivey's first supplemental Statement of Emergency dated March 18, 2020, as amended, the meeting was held by video conference with access posted on the Secretary of State's meeting notice in order to allow the public to listen to, observe or participate in the meeting. The roll was called by Secretary McMillan and recorded as follows with a quorum present with all members in attendance.

**Present:**

Governor Kay Ivey, Chair  
Mr. Kelly Butler, Vice Chair  
Mr. John McMillan, Secretary  
Mr. Edgar Pruitt  
Mr. Daniel Hughes  
Mr. Stacy Faison  
Mr. John Hornsby  
Dr. Sandra Sims-deGraffenried  
Mr. Guice Slawson, Jr

**Absent:**

The first decision item on the agenda was the review of the CMT asset allocation and spending study. Mr. Kloefer, Callan, presented the Board with a summary of the review from the previous meeting. Treasurer McMillan stated that detailed presentations regarding the study had been made to representatives of the League of Municipalities and the Association of County Commissions. Both organizations prepared and submitted letters supporting the recommended change in asset allocation and spending policy. After discussion the Board voted to lower the spending policy from 5% to 4.5% and reallocate 10% from Fixed Income to 5% in Hedge Fund of Funds with Corbin Capital Partners and Lighthouse Investment Partners and 5% in Multi-Asset Class Strategy with Mellon Capital Management and Schroder Investment Management. Upon a motion made by Mr. Butler, and a second by Mr. Hughes, the recommendations were unanimously approved.

The next agenda item was the review and approval of the minutes of November 19, 2020. Upon a motion made by Dr. Sims-deGraffenried, and a second by Mr. Hughes, 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, 2020, indicates total assets of \$3.20 billion, an increase of approximately \$17.21 million from the previous quarter end. Total capital is \$3.16 billion. The Statement of Revenues and Expenditures indicates total revenues of \$67.32 million and total distributions of \$58.1 million. Oil and gas receipts for the quarter were \$5.3 million. 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 Domestic Equity and underweight to Fixed Income and Real Estate. The return for the quarter was 10.41 percent beating the benchmark by 49 bps. Ms. West noted the managers

added value this quarter. The one-year return was a positive 13.39 percent. Ms. West then reviewed the returns by manager.

Ms. West reviewed the flash report for January. The fund had unrealized loss of \$17.8 million. The fund overall is \$3.6 billion. The fund was down 0.49 bps for the month of January and for the year to date the fund was up 13.16 percent.

On the watch list, Ms. West made the recommendation for Heitman, Algert, and Intech to remain on the watch list. Ms. West also made the recommendation to remove Western Asset and add Mellon to the watch list. Upon a motion made by Dr. Sims-deGraffenried, and a second by Mr. Hughes, the recommendations were approved.

Ms. West then reviewed the Atlanta Capital Merger letter, which stated Atlanta Capital's parent company, Eaton Vance Corp., will be acquired by Morgan Stanley. Ms. West made the recommendation to approve the merger agreement. Upon a motion made by Mr. Faison, and a second by Dr. Sims-deGraffenried, the recommendation was approved.

Ms. West then reviewed the CMT fund quarterly performance. For the quarter, the fund was up 9.85 percent and beating the benchmark by 28 bps. The one-year number is positive 12.75 percent beating the benchmark by 50 bps.

The January flash report for the CMT indicated unrealized loss of \$1.98 million and the fund overall is \$573.7 million. The fund was down 34 bps for the month of January and the total fund is up 12.99 percent for the calendar year.

Under Other Business, Mr. Butler noted the Statement of Economic Interests are due April 30, 2021. Ms. Coombes and Mr. Lindbloom, Western Asset, presented the Board with an update on the ATF portfolio performance and investment outlook.

There being no other business, the meeting was adjourned.

Approved on May 27, 2021.

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Kelly Butler, Vice Chair

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John McMillan, Secretary

**Resolution of the Alabama Trust Fund Board of Trustees  
at its meeting held February 18, 2021**

**Topic: Approval of CMT Asset Allocation and Spending Study Changes**

**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 the investment consultant for the Alabama Trust Fund and the County and Municipal Improvement Trust Fund (“CMT”); and,

**WHEREAS**, on November 19, 2020, Callan LLC presented to the Board a detailed asset allocation study for the CMT and recommended that the spending policy be changed to 4.5% and its asset allocation be adjusted by lowering the allocation to fixed-income to 25% of the total portfolio and adding a 5% allocation to hedge funds and 5% to multi-asset class; and

**WHEREAS**, the Board recommended that the study be presented to the CMT Advisory Board and representatives of the League of Municipalities and the Association of County Commissions for their input; and,

**WHEREAS**, on January 5, 2021, a virtual meeting was held with Callan, the ATF Investment Committee and representatives of the Association of County Commissions; and on January 21, 2021, a similar virtual meeting was held with representatives of the League of Municipalities; and,

**WHEREAS**, Mr. Sonny Brasfield, Director of the Association of County Commissions of Alabama (ACCA), and Mr. Greg Cochran, Director of the Alabama League of Municipalities (ALM) have recommended the board accept Callan’s recommendation; and

**WHEREAS**, on February 18, 2021, Callan again presented the summary of asset allocation and spending policy recommendations for the CMT for discussion;

**NOW, THEREFORE, BE IT RESOLVED**, the Board unanimously approved lowering the spending policy from 5% to 4.5% to take effect in fiscal year 2022 and lowering the fixed-income allocation to 25% of the total portfolio and adding a 5% allocation to hedge funds and 5% to multi-asset class, effective when approved. Staff is directed to take such actions as necessary to effectuate the approved changes to the spending policy and asset allocation.

**Resolution of the Alabama Trust Fund Board of Trustees  
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**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 LLC recommends to the Board for Heitman to remain on the Watch List due to performance with the extended removal date of February 2022.

**WHEREAS**, Callan LLC recommends to the Board for Intech to remain on the Watch List due to performance with the expected removal date of May 2021.

**WHEREAS**, Callan LLC recommends the Board add Algert to the Watch List due to performance with the expected removal date of February 2022.

**WHEREAS**, Callan LLC recommends the Board add Mellon to the Watch List due to organization changes with the expected removal date of February 2022

**WHEREAS**, Callan LLC recommends the Board remove Western Asset from the Watch List as there is no evidence that the organizational changes have impeded Western Asset.

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

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**Topic: Approval of Atlanta Capital Merger Agreement**

**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 an active investment agreement between Atlanta Capital Management and the Alabama Trust Fund since February 2007; and

**WHEREAS**, the Investment Agreement between the Alabama Trust Fund and Atlanta Capital states the Agreement is not assignable in any part, manner or circumstance absent written Board approval to the contrary. Any attempted assignment is simultaneously void and shall constitute the simultaneous termination of this Agreement.

**WHEREAS**, on December 17, 2020, Atlanta Capital notified the Treasurer’s Office, by letter, of the Merger Agreement between Atlanta Capital’s parent company, Eaton Vance Corp. and Morgan Stanley; and,

**WHEREAS**, Atlanta Capital requests the Board’s consent to continue managing the Trust Fund’s portfolios prior to the close of the merger agreement transaction between Eaton Vance Corp. and Morgan Stanley.

**NOW, THEREFORE, BE IT RESOLVED**, the Board has approved the Atlanta Capital Merger Agreement.