

**ALASKA PERMANENT FUND CORPORATION  
ANNUAL MEETING OF THE BOARD OF TRUSTEES**

**WEBEX/TELECONFERENCE**

December 9&10, 2020

8:30 a.m.

Originating at:

Alaska Permanent Fund Corporation  
801 West 10<sup>th</sup> Street  
Mendenhall Conference Room  
Juneau, Alaska 99801

**SUMMARY MINUTES**

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Trustees Present:

William Moran, Chair  
Ethan Schutt  
Lucinda Mahoney

Steve Rieger, Vice Chair  
Corri Feige  
Craig Richards

Trust Staff Present:

Angela Rodell, CEO  
Val Mertz, CFO  
Valeria Martinez  
Sebastian Vadakumcherry  
Tim Andreyka  
Chad Brown  
Jennifer Thorsteinson  
Ross Alexander  
Pauly Swanson  
Masha Skuratovskaya  
Rachel Price  
Chris LaValle

Marcus Frampton, CIO  
Steve Moseley  
Jim Parise  
Sara Race  
Tom O'Day  
Danielle Graham  
Larissa Murray  
Youlian Ninkov  
Katherine Smith  
Nellie Metcalfe  
Julia Megas

Investment Adviser:

George Zinn  
Kenneth Frier

John Skjervem

Other Participants:

Greg Allen, Callan  
Doug Woody, 350Juneau  
James Simard  
Pierre Lapeyre, Riverstone  
David Hayes, NGP Energy Capital  
Kevin Kingman, L Catterton  
Jeffrey Shields, JP Morgan  
David Peligal, Brookfield

Steve Center, Callan  
Rob Schroeder  
Michael Tobin  
David Leuschen, Riverstone  
Scott Dahnke, L Catterton  
Megan Price, Crestline, Inc.  
Emerson Tyler  
Kevin Jardell

## PROCEEDINGS

### CALL TO ORDER

CHAIR MORAN called the meeting to order and asked for a roll call.

MS. THORSTEINSON called the roll and stated there was a quorum.

CHAIR MORAN asked for a motion to approve the agenda.

**MOTION:** A motion to approve the agenda was made by TRUSTEE FEIGE; seconded by TRUSTEE RIEGER.

*There being no objection, the motion was approved.*

CHAIR MORAN asked for a motion to approve the minutes of September 3, 2020, September 23-24, 2020, and November 5, 2020.

**MOTION:** A motion to approve the minutes of the last meeting and the meetings identified in the agenda was made by TRUSTEE MAHONEY; seconded by TRUSTEE FEIGE.

*There being no objection, the motion was approved.*

### SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION

CHAIR MORAN moved to scheduled appearances and public participation.

MS. THORSTEINSON stated that public testimony was limited to two minutes and began with Mr. Woodby.

MR. WOODBY thanked all for the opportunities to comment. He continued that he is a member of 350 and stated that, over the past few years, he had stressed fiduciary risk of the climate crisis and the case for a fiduciary response has become increasingly clear. He compared the history for the fossil fuel industry to the link between smoking and cancer; the evidence on the link between burning fossil fuels and the greenhouse effect was found in the '70s and early '80s. Despite knowing all that, a disinformation campaign, which continues today, tries to cast doubt on the science. He stated that the point is that the fossil fuel industry is undergoing a financial reckoning where the majority of the \$20 trillion of carbon assets still in the ground are destined to become stranded. This indicates the beginning of the collapse of the industry. He gave the Board three suggestions: First, determine the exposure across all asset classes to include identifying investments that are not directly fossil fuel enterprises but otherwise impacted; two, conduct a climate risk analysis across all asset classes; three, move funds to less risky investments. He added that the New York Comptroller announced a very detailed plan for divestment which would serve as a blueprint for the APFC. He thanked all.

CHAIR MORAN thanked Mr. Woodby and asked if there were any additional participants.

MS. THORSTEINSON recognized Mr. Schroeder.

MR. SCHROEDER stated that he was Bob Schroeder from Juneau. He continued that he has received a yearly dividend check since the first one, and thanked all for the work managing the Permanent Fund. He has testified several times and urged the Board to get serious about evaluating climate risk on the portfolio. He talked about organizations that divested \$14 trillion in assets from fossil fuels. Lenders are increasingly unwilling to provide financial backing for oil and gas development. He thanked the Permanent Fund for providing detail on investment holdings in response to the public records requests over time. He added that he would prefer that APFC provides information on its holdings as an easily

accessible report in its meeting materials. Alaskans need to be able to see how the investments are doing over time. He thanked the trustees for their service on the Board.

MS. THORSTEINSON thanked Mr. Schroeder and recognized James Simard.

MR. SIMARD talked about the early climate-related litigation, notably the Community of Kivalina versus Exxon, and Juliana versus United States, a children's suit. Many of the lawsuits failed due to the lack of standing in Federal courts. He quoted Federal Court Judge William Smith: Climate change is expensive, and the State wants help paying for it specifically from defendants in this case who extracted, advertised and sold a substantial percentage of the fossil fuels burned globally since the 1960s. This activity has released an immense amount of greenhouse gas in the Earth's atmosphere, changing its climate, and leading to all kinds of displacement, death and destruction. Defendants understood the consequences of their activities decades ago when transitioning from fossil fuels to renewable sources of energy that would have saved the trouble: He urged the Board, when considering the risks to the investments, to consider the probability that fossil-fuel companies will be held financially liable for damages caused, knowingly, by their past and present actions. He thanked all for the opportunity to speak, and for their service.

MS. THORSTEINSON recognized Mr. Tobin.

MR. TOBIN stated that he was Michael Tobin from Juneau. He requested that the Board establish a formal method of climate risk assessment for the funds that are managed. He talked about some information out of California that its retirement plan, CalPERS, had to factor in climate-related risk to their portfolios and report progress on that and on meeting the Paris Climate Agreement goals every three years. He explained the reports and what was noted. He concluded that a formal climate risk assessment process is part of the Board's fiduciary duty. He urged the Board to institute a climate risk assessment process, and do not get caught with the assets stranded.

MS. THORSTEINSON asked for anyone else online. There being none, the scheduled appearances and public participation were concluded.

CHAIR MORAN moved to the Chief Executive Officer's Report.

#### **CHIEF EXECUTIVE OFFICER'S REPORTS**

CEO RODELL began with the human resources report on all the activity and things being tried for recruitment, which will help the Board understand how it changes from quarter to quarter. She recognized Chad Brown for his success in having an article published in Forbes this week. She moved to communications and talked about the Alaskans' Guide to the Permanent Fund, which is available on the website. It is a comprehensive guide to how the Fund works and the history. Print copies are also available. She stated that there was a bit of reorganization of the website to make things more intuitive and to help with the education efforts. She continued that incoming legislators have been invited to webinars on the Fund. There will be one-hour webinars for them in advance of the session starting so they can understand how the Fund works and ask questions.

CHAIR MORAN moved to the Chief Investment Officer's Report.

#### **CHIEF INVESTMENT OFFICER'S REPORT**

MR. FRAMPTON began by going through the key topics that are focused on from an investment perspective. He reviewed the performance to date for the quarter that ended September 30<sup>th</sup>. He stated that it was a mixed performance. He went through each asset class and continued that the largest public equities trailed slightly with the value overweight that has been discussed in the past. He continued that, from a portfolio positioning standpoint, it is running very close to the benchmark weights and the portfolio is rebalanced every two to three weeks. He moved to personnel and stated that two positions were added: a credit analyst and a real estate portfolio manager. There are five open positions being

actively recruited for: real estate, two in private equity, and two in public equity. There is good progress on recruiting for all five positions. He talked about the flexibility of investing in gold via ETFs and reported the purchase of \$200 million of IAU, one of the gold ETFs available. He then highlighted the five key strategic considerations that were tracked and focused on. He continued to describe the problem assets as international, with retail being the toughest sector and rent collection still an issue in retail, which hurt the returns. He moved to performance and reviewed each asset class. On the attribution, the key was the active managers versus their assigned benchmark which helped in the quarter. He pointed out the listing of all the investment actions taken in the quarter that ended in September.

CHAIR MORAN moved to the adviser comments.

CEO RODELL noted that John Skjervem will be available later this morning.

### **INVESTOR ADVISOR COMMENTS**

MR. ZINN stated that he would stick with the framework using his introductory comments to address an outside-in-perspective, and then his closing comments will be more of an inside-out perspective. He continued building on the comparison and the comments he made at the May meeting, drawing an analogy to the pandemic versus the global financial crisis. The pandemic represented both a global supply shock as well as a demand shock. In comparison, the central bank monetary stimulus is unprecedented to the tune of trillions of dollars, as compared to the global financial crisis. He added that another divergence is the rising industrial commodity prices; copper is up 50 percent from its 2020 lows. Tariffs and supply-chain disruptions are leading to higher transportation costs across the globe. He stated that it was unlikely that capacity can come back online given the decrease in the barrel-per-day production. He added that unless the Fed alters its stance, or the vaccines are unsuccessful, what is seen is continued dollar weakness, an increase in inflation, and an increase in long Treasury yields. He stated that in the fiduciary capacity, the DOL put out a rule regarding financial factors and selecting plan investments on October 30th. The final rule governing fiduciary investments stated the purpose was to confirm the plan, that fiduciaries must select plan investments solely based on considerations that impact the investment's economic value. This new rule discards explicit reference to environmental, social, and corporate governance due to the inability to precisely define such factors and to avoid unduly narrowing the rules' overriding goals.

CHAIR MORAN thanked Mr. Zinn and moved to Ken Frier.

MR. FRIER commended the private equity result and then remarked on the risk and the discussion on long-term expected returns. He also commended Sebastian for the excellent presentation for the deep dive on risk and recommended building on that discussion to add a couple other elements to the risk approach for the fund. He stated that the Aladdin system, with this detailed granular information about what is in the portfolio, can be used to ask portfolio engineering questions that may not have been asked before. On the risk topic, he believed that adding a long-term perspective to the risk discussion would help the board balance the short-term and the long-term. He continued that, in terms of long-term returns and equity valuations, it was a lucky year given the change in the fundamentals. He then provided some specifics on the equity valuation comment, and added that the challenge is that the expected returns on all the things that institutional investors normally would consider are just lower than normal presently.

CHAIR MORAN called a break.

(Break.)

CHAIR MORAN came back on the record and moved to the Capital Market Overview.

## **CAPITAL MARKET OVERVIEW**

MR. ALLEN stated that he liked Mr. Frampton's presentation and added that it was a bit sobering. From his perspective, they were about to come out with the capital market expectations. He calculated the median expected return for the Permanent Fund portfolio, which is about 3.4 and 3.5 percent real over the next ten years annualized. He added, that was down from the last projection last year by a fair amount. He explained that asset managers place more emphasis on valuations in their projection process, and Callan has a more muted approach, recognizing that the big clients are making long-term strategic decisions and shifting their portfolios year to year in response to changes in valuation is not wanted. He believed that a well-positioned organization like the Permanent Fund with the history, staff and the philosophy experience will be able to outperform reliably public equity with private equity. He asked Mr. Center to give a picture of what the capital markets have done and what they look like at this point.

MR. CENTER began with the capital markets and what was done through September 30<sup>th</sup>. He then updated through the end of November. He explained that the US equity market has continued to drive performance up 9 percent for the S&P 500, up 15 percent over the last year; and up positive 14 percent year to date through the end of November. He stated that the emerging market stocks have done fairly well and then explained the two Callan Periodic Table charts which showed the year-to-date performance through the end of September. He talked about the incredible dip in March: 16 trading days for the market to go down 33 percent. Then in a period of about 97 days, that full dip has been recovered, and the market is back to positive territories. He compared that to the gold financial crisis, almost 240 trading days to get down negative 30 percent, and recovery took a far longer period.

CEO RODELL stated that there is continued confusion by the headlines that say there is a recession, and bad news about the US economy, and then we have the stock market performance being what it is. She asked how those headlines versus the data perspective could be reconciled.

MR. CENTER replied that what is available to purchase in the stock market are publicly tradeable securities and that market differs from the overall GDP makeup of the US. He continued that the Fed has made it unattractive to purchase fixed income and pushed investors towards the stock market. Another thing driving the strong performance seen in the stock market, and also has an impact on valuations, is how fixed income yields are a strong predictor of future performance. The best performing sectors tend to employ far fewer workers than many of the poorly performing sectors. The poorly performing sectors actually employ more people, and that tends to be bad for the economy as a whole. He stated that these poorly performing sectors are fairly small portions of the publicly tradeable stock market. This is why the stock market performs well while there are question marks about the economy and its health going forward. He then looked at global equity where returns and the non-US equity space were broadly positive, as were emerging markets. He added that the emerging market equity recovery is driven by appetite for risk, particularly as yields come down in the fixed income space. He talked about the US dollar and explained that the key drivers will be the global recovery post pandemic, and the outcome of the US elections. He moved to the global fixed income performance, stating that central banks continue to act very aggressively in the face of the global pandemic. He stated that emerging market debt made up ground during the quarter, and real estate had quite a bit of differentiation from the sector standpoint. He continued that transaction volumes came down substantially, and Callan expects negative appreciation to continue in Q4 and into 2021. He explained some of the things available on Callan's website from a research standpoint. He transitioned to the performance report and stated that this had to do with performance for the Permanent Fund for the trailing quarter, the year to date, and historical periods, and continued his presentation with the asset class performance.

MR. ALLEN provided some industry context and added that there are more products dissolving in the database at a higher speed than ever observed. He stated that it is being driven by the concentration in capitalization-weighted indices. Across the industry, people have given up on value, on small cap, on active management, making it a difficult, tough environment. He added that it will all be fine, and to hang in there.

MR. CENTER continued on the performance of the Permanent Fund's small cap portfolio which performed fairly well, above median in the small cap universe over all standard time periods, and ahead of the benchmark, as well. He then dove deeper into the non-US and global equity structure and added that this portfolio was divided amongst dedicated non-US developed market, dedicated emerging markets, and dedicated global managers, which invest in both the US and non-US.

CHAIR MORAN called the lunch break.

(Lunch break.)

CHAIR MORAN called the meeting back to order and moved to the Risk Overview.

### **RISK OVERVIEW**

MR. VADAKUMCHERRY began with a request for a waiver that pertains to outstanding future commitments for the private assets portfolios. He explained that in the new investment policy, approved earlier this year, there was a lower and upper limit for outstanding future commitments. He stated that the lower part of that threshold was an oversight which he took responsibility for. He emphasized that the upper bounds or the yellow and red zones on the upper bounds would not be exceeded.

CEO RODELL added that this is something that will be corrected and brought back in the investment policy at a future date. She stated that the goal is to make meaningful changes to the investment policy on an annual basis and not at every meeting.

CHAIR MORAN stated that this was an action item and asked for a motion.

**MOTION:** A motion to waive the lower bound limit on future outstanding commitments relating to private assets for a period of 12 months was made by TRUSTEE RIEGER; seconded by TRUSTEE MAHONEY.

*After the roll-call vote, the Motion was Approved. (Trustee Richards, yes; Trustee Mahoney, yes; Vice Chair Rieger, yes; Trustee Schutt, yes; Trustee Feige, yes; Chair Moran, yes.)*

MR. VADAKUMCHERRY moved to the second part of the presentation which was reporting of the risk statistics for the Fund. He emphasized that it is the historical backward-looking realized volatility and the realized Fund Sharpe Ratio. He stated that it looks at a three-year window; historical and quarterly returns are used. He continued that not much changed since the last quarter. There was a small uptick in terms of a Sharpe Ratio because the deep decline was crossed from the quarter before. He went through the snapshot of the 30<sup>th</sup> of September, 2020. He also pointed out that in terms of risk parity and total fund cash, these were two new portfolios in the sense that the asset classes were added on as separate buckets. He added that it is all one standard deviation.

### **ALTERNATIVES, ASSET CLASS UPDATE**

CHAIR MORAN moved on to the alternative asset classes and recognized Mr. Moseley.

MR. MOSELEY stated that he manages alternatives and private markets for the Permanent Fund. He continued that Youlian Ninkov is responsible for the absolute return portfolio. He added that Ross Alexander will talk about private income, which includes infrastructure, private credit, and the income opportunities. He would cover private equity and special opportunities. He stated that the goal would be to describe each one of the activities in each one of the asset classes and discuss how it was organized and how it was approached.

CHAIR MORAN stated that there had been a lot of discussion at the last few meetings on volatility and valuation figured on the private assets. He asked for thoughts on how the trustees should be incorporating that in the overall risk analysis.

MR. MOSELEY asked Mr. Ninkov to cover absolute returns.

MR. NINKOV began with a bit of background and overview of the absolute return program at APFC. He stated that the focus is on completely understanding or trying to understand what it is in the manager's investment process or organization that differentiates and helps produce the uncorrelated returns. He continued that the value of the returns is significant in a portfolio. He added that the objective is to produce positive, healthy returns. He moved to the discussion on current state and performance. He continued explaining the current strategy mix in the portfolio and the correlations to the S&P or Fixed Income Agg. That correlation jumped significantly earlier this year with that dislocation in the market in the first quarter. He added that, on a month-to-month basis, the portfolio behaves quite well relative to the expectations of uncorrelated through the traditional asset classes.

MR. MOSELEY asked Mr. Alexander to jump in on private income.

MR. ALEXANDER stated that he is a portfolio manager mainly responsible for infrastructure assets at the Permanent Fund, and does work on the broader private income team with Logan Rahn; a small team to cover three different portfolios. He continued that private income is actually a composite made of three underlying portfolios: Infrastructure, private credit, and income opportunities. He added that the goal is to generate a return between public equities and fixed income, generating both current yield and some level of capital appreciation. He began with infrastructure and stated that the investment manager is responsible for sourcing and acquiring assets. They are managing the assets or building them out. He briefly explained performance. He stated that there was a lot of uncertainty in the market, which is both providing opportunities and causing a cautious approach for making new commitments. He moved to credit and stated that in the credit portfolio the investment here is for the purposes of diversification and current income, while at the same time earning a premium to liquid loans. The last piece of the private income portfolio is income opportunities, which is a flexible pool of capital that does not have any specific themes but is adjacent to the infrastructure and credit portfolios.

MR. MOSELEY moved to private equity and explained the strategy is to deploy the capital through commitments to funds. He explained that about 75 percent of the capital in private equity is deployed through funds. The other 25 percent will be invested alongside and will support their activity. He went through the history of the program and then highlighted the different managers or portfolios that have different approaches or tactics that together add up to a robust program that will continue to grow.

CEO RODELL asked how, because of COVID and not being able to do business travel and meet in person, has that affected the relationships and the access.

MR. MOSELEY replied that his view is that the work done, those road warrior days and hours, and the time and effort that preceded work at the Permanent Fund, way back in terms of relationships, some benefit has been captured from that over time.

CHAIR MORAN stated it was a great presentation and called a break.

(Break.)

CHAIR MORAN called the meeting back to order.

CEO RODELL stated that Commissioner Mahoney had to go into a meeting in the Governor's office and will not be joining right now.

CHAIR MORAN asked CEO Rodell to explain the next steps.

CEO RODELL stated that each year one of the things done is briefing the Board on the protocols for IT, both to protect the Fund, and a lot of the data that is not public information, which is why it is done in Executive Session. That gives the trustees an opportunity to really understand the safeguards that have been put in place in terms of the IT infrastructure.

CHAIR MORAN asked for a motion to go into Executive Session.

**MOTION: In accordance with Alaska's Open Meetings Act, a motion that the Board of Trustees convene in executive session to receive an update on APFC's cyber security and business continuity disaster recovery plan. This topic is appropriate for executive session because the immediate knowledge of this information could thwart the efficacy of this plan and in turn negatively impact the value of the Permanent Fund was made by TRUSTEE RIEGER; seconded by TRUSTEE FEIGE.**

*After the roll-call vote, the Motion was Approved. (Trustee Richards, yes; Trustee Mahoney, absent; Trustee Rieger, yes; Trustee Schutt, yes; Trustee Feige, yes; Trustee Moran, yes.)*

(Executive session from 3:35 p.m. until 4:52 p.m.)

CEO RODELL stated that Trustee Richards was having some technical issues and asked to please go ahead without him.

CHAIR MORAN announced that while in executive session the trustees considered only the matters mentioned in the motion and took no action. He asked for any other business.

CEO RODELL stated that there was no more business on her end.

CHAIR MORAN stated that the meeting would reconvene tomorrow morning at 8:30.

(Alaska Permanent Fund Corporation quarterly meeting recessed at 4:56 p.m.)

## **December 10, 2020**

CHAIR MORAN called the meeting back to order.

MS. THORSTEINSON noted that all the trustees were online.

CHAIR MORAN recognized CEO Rodell.

CEO RODELL stated that Steve Moseley would do the introductions for the outlook for the future of oil and gas.

### **THE FUTURE OF OIL AND GAS**

MR. MOSELEY introduced Pierre Lapeyre and David Leuschen from Riverstone, two of the Fund's investment partners. They formed the original global energy and power group at Goldman Sachs in the '80s, and then formed Riverstone in about 2000. They both are viewed in the investment industry as being among the founders of private equity investing in the energy sector. He added that it would be interesting to hear about their current thoughts on the industry and investment opportunities available.

MR. LAPEYRE stated that 2020 was a surprising year in a lot of ways for a lot of people in a lot of industries. It is a constant reminder of how volatile things are and how rapidly things change in the energy business. He stated that the COVID pandemic and everything else created a lot of general consternation. He added that it was an unbelievably tumultuous year in energy. Prices and valuations have been crushed; a lot due to the pandemic and the economic shutdowns. He continued that the relevance of energy broadly defined to the public markets has significantly declined and has hurt capital flows as a result. He explained that at the peak of demand, destruction related to the pandemic, 8 million barrels a day were lost on a sustained basis. A lot of that has worked off as gasoline and transportation demand returned and there are a variety of estimates as to how long it will take for people to become completely comfortable to get back to where normal resides. The environmental pressures or ESG pressures are moving beyond coal and natural gas to sort of all things carbon. He added that the entire US energy market cap is still significantly smaller than the market cap of Apple. He talked about the major themes dominating the energy market from his perspective. He started with the upstream E&P business, which is where everything in the way of activity starts in the industry. He stated that the industry has been crippled the past two years by low prices. In the last year, it was brought on by an overwhelming combination of simultaneous negative factors: First there was the oversupply from the Saudi-Russia battle for oil market share; then the record demand destruction through the pandemic because of lockdowns and mobility restrictions; and third, there was a significant amount of rising uncertainty in the markets over the timeline to recovery until the Pfizer vaccine was announced and increasing concern as to what future fossil fuel demand would be with the ESG, decarbonization, and a movement to electrifying everything in the energy business. That led to significant negative institutional capital flows. The fourth point is that there is a significant bifurcation both in acceptability of companies and the strategy related to scale. He added that it is all about scale which is because the larger companies can really meet the market's demand for the three key goals which is to live within the cash flow, generate excess cash, show some modest growth and return capital to shareholders. He moved to the fifth point which is that the market shifted from growth to discipline and is trying to keep from overproducing so that the market could be balanced. He continued that reduced activity and volumes that come with that have a direct impact downstream in the energy business that have a significant impact on oil field service and midstream companies. He continued going through the different points of his presentation and stated that the renewable business is moving to its next phase, which is not just wind and solar infrastructure, but more of an industrial focus on decarbonization and more of emerging companies in technologies that clean up the existing fossil fuels, providing entire new businesses that are built around decarbonizing energy. He added that this significant growth in green credit or impact credit is a large growing part of his business.

MR. LEUSCHEN stated that the larger companies are still trading at positive cash flow multiples almost in the range of where they used to trade. It is a majors play, and all the independents are disappearing. He continued that the small caps have been decimated and many are viewed as subscale, overlevered, non-free cash flow positive and having little access to capital.

MR. LAPEYRE continued that in terms of their outlook, the question is how fast is the recovery going to come and to what degree will it last before the industry reverts back to the lack of capital discipline. He noted the need to get on the other side of the COVID fog and demand recovery, which is difficult to predict even with the vaccine. He added, it is moving in the right direction. He stated that it is clear that the industry is transforming itself from an extractive

process to one that is using creative technology -- the move to electrification of everything.

MR. LEUSCHEN explained the Riverstone decarbonization target list. He talked about the new technologies and new applications to the existing conventional business that will radically change the carbon footprint over the next few years.

MR. MOSELEY thanked both for the great overview. He asked for some examples of investment opportunities in energy transition.

MR. LEUSCHEN replied that there is an entire series of hydrogen trucking companies, a whole system of the EV charging stations, agricultural opportunities. There is also mechanical carbon capping, like carbon engineering. Looking at next-generation fuels, hydrogen is everywhere. He noted that hydrogen is the one fuel that solves a lot of problems.

MR. LAPEYRE continued that the electrification of mobility has an emerging supply chain from batteries to power management systems to home-charging or commercial-charging applications. He stated that the technologies are evolving very rapidly and have margins that are much higher than the traditional fossil fuel energy business.

MR. MOSELEY thanked the friends from Riverstone and introduced David Hayes, who is a managing director at NGP which, like Riverstone, is one of the early investors in energy in the private markets and also an investment partner for Alaska Permanent Fund.

### **NGP ENERGY CAPITAL**

MR. HAYES began by looking at the current oil price environment and then the history of the last decade from a price standpoint, downward shocks. He went through the projections by multiple agencies for demand in 2025 and 2030, and stated that they are pretty conservative and showed the growth for the next decade. He focused on the Permian and went through the rig count, going back six-plus years. He talked about the impact on production: The Permian grew from about a million barrels a day over the last decade to 5 million barrels a day, which is 5 percent of world supply, and it is a big deal. He added that it was where most of the capital went as it related to upstream activity. He moved to a chart of production growth which is projected to come down dramatically, and then discussed natural gas production and growth. He continued on to mineral ownership and stated that most of it is in private hands; sometimes attached to the surface, and increasingly detached from the surface. He then focused on a mineral acquisition that one of their portfolio companies made, and about the royalty mineral market. He stated that they continue to innovate and try to bring down the costs and improve information and intel with the use of data. He continued that they have a 15-year track record of investing in energy technology, and there is a dramatic acceleration in energy transition, which is on the backs of the competitiveness of renewable, solar and wind. The reduction in cost and the complementary technology is primarily storage, which has a long way to go. He continued that the top-performing legacy energy investors are best suited to navigate that evolution that will probably continue in perpetuity. He stated that the energy transition theme, renewable energy is increasing and will continue to do so. Electrification is a big deal. The support by governmental, corporate, and individually for accelerating the pace of this has never been higher. He continued that the legacy investment platform is well positioned with capital, with good deal flow, with great teams in the field to take advantage of the absence of capital and the deals to be had in the current market which are executing well. He added that the energy transition investment opportunities are growing, and are increasingly competing for capital.

CHAIR MORAN thanked Mr. Hayes for a fantastic presentation and called a break.

(Break.)

## **SECTOR OUTLOOK – THE FUTURE OF HOSPITALITY AND TOURISM**

CHAIR MORAN called the meeting back to order and recognized Steve Moseley.

MR. MOSELEY introduced L Catterton, Scott Dahnke and Kevin Kingman. He stated that Catterton is the largest consumer-focused private equity firm in the world and is a truly global organization. He asked Scott Dahnke to begin.

MR. DAHNKE stated that the agenda for the presentation will be the consumers of today. There is fairly recent data, research on consumers, both primary and secondary research, which is conducted throughout. He continued that it is important to think about where the consumer will be spending their precious capital going forward.

MR. KINGMAN noted that they were in the business of doing research and focusing on understanding consumer behavior. He continued that the data comes from proprietary consumer surveys and interviews and research that had been done. He added that one of the effects of technological innovation is that there is more data and more access to what consumers are doing; we can follow where consumers are using their cell phones; the panel data on where money is being spent on credit cards. That behavior is more valuable than what people say on web-based surveys. Then insights from some of the leading consultancies, investment banks and the like are synthesized. He went through an index that was built to understand: Are people impacted about the economics; impacted by health effects; or not by either economically or health effects. He stated in May they talked about COVID being more of an economic crisis, and then in September, as policy makers effectively addressed some of the economic concerns and lockdowns lifted, the economic anxiety reduced. But, as the pandemic progressed, more people have been impacted directly or indirectly by the virus. This net understanding of the fact that more had a concrete experience with the health-care risks, the economic risks became more abstract. This is the most relevant way to think about the impact of the crisis. He stated that this is useful data and publicly available to anyone going online. There have been some interesting patterns created, which he explained.

He continued that the real impacts on where money was spent which was in grocery stores, and traveling stopped. More money was spent on delivery services, especially food delivery. There is also more money spent on home improvement and service providers. He talked about technological adoption and the range of technologies monitored. He continued that it was a step-function growth in trial of the technologies. Group videoconferencing was up threefold over the course of the crisis. All these new ways are being tried to fulfill needs. He added that some of the changes are permanent, but most of them are not because consumers really want to get back to the old way of living.

CEO RODELL stated that, from her perspective, this presentation was really illuminating. She appreciated the willingness to share some of the research they found. In thinking about not just the perspective from the seats here in Alaska, but just generally on recovery and investment opportunities and directionally the potential for growth and opportunity. She thanked them again.

CHAIR MORAN also thanked them and called a lunch break.

(Lunch break.)

CHAIR MORAN called the meeting back on the record and asked if John Skjervem was ready.

### **INVESTMENT ADVISOR PRESENTATION**

CEO RODELL introduced John Skjervem and stated he was currently the CEO of Alan Biller and Associates and is under contract with APFC as one of the members of the investment advisory group. She stated that one of the charter changes adopted by the Board was to ask each individual of that group to make a presentation on a topic they thought had relevance for the Board. Mr. Skjervem is presenting a topic on asset allocation.

MR. SKJERVEM stated that the title of his presentation is “Risk and Return Over Time.” The objective is to really understand why the future is going to be more challenging than the past, to really appreciate that as a thorough investigation of the past, and how we got to this unique juncture. He continued that this presentation is customized every time to reflect the organization, and he collected some data to make it custom to the Permanent Fund. It is at a high level, and yet is faithful in tracking the asset allocation of the Fund over time, and faithful in terms of the inputs and the integrity of those inputs. The goal is to quantify in some detail how we got to where we are so that the prospects of where we are going can be understood. To meet the Alaska Permanent Fund’s return expectations, APFC trustees have accepted incrementally higher levels of risk, especially in illiquid, private market strategies, as a result of ever lower rates in sovereign bond and credit markets. He concluded that the collapse in base rates makes achieving the Fund’s return objective very difficult going forward without adopting an otherwise imprudent asset allocation.

CHAIR MORAN thanked Mr. Skjervem for an excellent presentation. He asked CEO Rodell about a flexible work policy.

### **FLEXIBLE WORK POLICY**

CEO RODELL stated that Chad Brown, director of HR, and Sara Race, administrative services manager, have put a tremendous amount of work into this policy and are available to answer questions. She continued that this goes back to a goal that the Board identified going back to 2015 which is about: What are the steps that can be taken, things that can be done that may not require monetary resources but will help with recruitment retention and really continuing to build on a world-class staff at APFC. She added that the goal with this presentation is to provide information to help think about this. She moved on to the different options and stated that the first option was the addition of physical office locations, and the second was a flexible work policy. She noted that they are not mutually exclusive, but it recognizes that a remote work policy has many different implications. She began with an overview of where they are regarding the physical office. The first office would be located in Anchorage and is not an out-of-state or out-of-country office. It includes two or three private offices with a couple of associated cubicles or work spaces, a break area, and a conference room. And depending on the layout of the space, there may or may not be a reception area. The belief is that a cross-section of APFC would be located in Anchorage. She talked about the procedures in procuring the space, and then did an overview of and costs of what was available in Anchorage. She noted that there was a draft of the policy that would go into effect along with the documentation of what would have

to be done with employees that wanted to pursue this. She believed that it will not necessarily take effect immediately if the Board adopts it, but that having it in place will help the transition of getting back to a more traditional, normalized work environment.

**MOTION:** A motion to adopt an APFC flexible-work policy was made by TRUSTEE RICHARDS; seconded by TRUSTEE FEIGE.

*After the roll-call vote, the MOTION was approved. (Trustee Mahoney, yes; Trustee Rieger, yes; Trustee Feige, yes; Trustee Schutt, yes; Trustee Richards, yes; Trustee Moran, yes.)*

## **REGULATION PROJECT**

CHAIR MORAN recognized Chris Poag about the regulation project.

MR. POAG stated that the one-page cover memo provided a bit of a background on why staff is proposing changes to the real estate regulation. He talked about why the Board has regulations, the process used to adopt changes to regulations, and then why this was being brought to the Board. He explained that the language is trying to give the real estate team a bit broader authority to look at both debt and equity, to look at both core, value-added opportunistic, as well as a possibility to invest in REOCs and publicly traded real estate investments.

CHAIR MORAN asked if this will be revisited at the next February meeting.

MR. POAG replied that this was a heads-up that this is coming and would not be a surprise in February when the proposed changes and comments were presented.

CHAIR MORAN stated that he supported this moving ahead, and called a break.

(Break.)

CHAIR MORAN stated that the next order of business is the supplemental budget request, and he recognized CEO Rodell.

## **FY21 SUPPLEMENTAL BUDGET REQUEST**

CEO RODELL stated that part of the budgeting challenge every year is to forecast the budgets well in advance of a fiscal year. The investment performance for some of the managers has well exceeded the expectation when the FY21 budget was prepared. This is being brought forward because it is driven by the timing by both OMB and their need to review requests, as well as the legislative process. She asked Sara Race to continue.

MS. RACE stated that this is done at this time of year to monitor fee projections closely because this is the one opportunity to be able to determine if it would be prudent to request a supplemental appropriation to be able to fulfill the contractual obligations. This is done on the timeline of the OMB schedule. This requested action to be taken was brought before the Board today because supplemental requests are due to OMB by January 4<sup>th</sup>. She revisited some of the important points on how the fee projections were created and what they included.

**MOTION:** A motion that the Board of Trustees direct staff to submit a \$25 million supplemental budget request for the fiscal year 2021 Investment Management Fee

allocation to fund external manager fees. The Board also authorizes, under this motion, staff to adjust the supplemental request as needed as the fiscal year progresses was made by TRUSTEE RICHARDS; seconded by TRUSTEE SCHUTT.

*After the roll call vote the MOTION was approved. (Trustee Mahoney, yes; Trustee Richards, yes; Trustee Rieger, yes; Trustee Schutt, yes; Trustee Feige, yes; Trustee Moran, yes.)*

## **ADVISOR COMMENTS**

CHAIR MORAN moved to advisor comments and recognized Mr. Zinn.

MR. ZINN stated that he was super impressed and complimented staff on a tremendous performance over the COVID window, and also a great meeting. He continued that it was foreshadowed in his earlier comments and that confirmed the five-year plan with moving PE from 15 to 19 percent, and in addition to that, real estate and other illiquids essentially moving the portfolio from 37 to 46 percent supported by the trustees and largely based on Mr. Moseley's presentation enthusiastically supported. It was a terrific outcome for the day. He also touched on the recurring theme of resources and was curious if there were any possibilities of things that can be done under control, as opposed to tin-cupping with the Legislature.

CHAIR MORAN thanked Mr. Zinn and recognized Mr. Frier.

MR. FRIER congratulated all on a good meeting. He had a comment for consideration about the meeting. If he were a Board member, he would have wanted more time given to the alternatives-of-investments people. It could benefit the Board for the class heads to articulate a portfolio strategy for the period ahead, rather than having so much emphasis on the period in the past. He added that about half the slides in that section were about past performance. He stated that it was clear that there is a very strong investment team here and, if he were a Board member, he would want to know more about the thinking in the period ahead, and then being able to compare that thinking to how things actually turn out. He commented on private equity risk, and then looked at global public equity. He stated that his hesitation about the year ahead is that the prices and asset values now are dependent upon things working out well next year.

CHAIR MORAN thanked Mr. Frier and asked CEO Rodell about the calendar.

## **OTHER MATTERS**

CEO RODELL stated that one of the actions the Board takes is to adopt a two-year calendar. The Board previously adopted a 2021 calendar, but we also need adoption of a 2022 calendar. She talked about the meeting to happen in Kodiak and stated that it will be difficult to have any sort of virtual participation given the limitations within meeting areas. That will be one of the challenges with meeting in Kodiak. She added that they tried to coordinate with the Alaska Retirement Management Board to prevent any potential conflicts that some may have with that group. She stated that the Governor extended the declaration of emergency orders for public health to mid-January.

CHAIR MORAN asked if the February meeting can be put on the schedule for Juneau.

CEO RODELL stated that the schedule needed to be adopted and approved. She explained that it is a review of 2021, and both 2021 and 2022 should be approved.

**MOTION:** A motion to approve both the 2021 Board of Trustees meeting schedule and the 2022 Board of Trustees meeting schedule as presented was made by TRUSTEE FEIGE; seconded by TRUSTEE MAHONEY.

*After the roll-call vote, the MOTION was approved. (Trustee Feige, yes; Trustee Mahoney, yes; Trustee Schutt, yes; Trustee Richards, yes; Trustee Rieger, yes; Trustee Moran, yes.)*

## **TRUSTEE COMMENTS**

CHAIR MORAN moved to trustee comments.

TRUSTEE FEIGE stated that she liked what Mr. Frier had to say about a look at the strategy in the asset classes and asked about incorporating some of that discussion into future meetings, which would be very interesting.

MR. SKJERVEM stated that he had switched devices and had technical difficulties. His comment was that plenty of commentary is received on realized results from the very thorough reports from Callan. It would be more interesting to look forward and get more color on the challenges being faced, implementing in the here and now.

CHAIR MORAN asked for any additional comments.

TRUSTEE RIEGER stated that it was a really good meeting, and the investment performance numbers were really impressive. He talked about the comments and the outlook for the future. He added that it seems there are some really big discussions coming up on asset allocation for the next meeting.

TRUSTEE SCHUTT thanked the staff and the external advisers for well-put-together materials. He commented about his feelings on how it feels like they were engaged in a game, but it is imminent that something will happen.

CHAIR MORAN called a break.

(Break.)

TRUSTEE RIEGER stated he was ready to make the motion.

**MOTION:** In accord with Alaska's Open Meetings Act, a motion that the Board of Trustees convene in executive session for the purpose of discussing the annual performance evaluation of the executive director. Because this discussion could be harmful to the executive director's reputation or character, under applicable law this discussion should take place in executive session unless the executive director requests a public discussion was made by TRUSTEE RIEGER; seconded by TRUSTEE FEIGE.

*After the roll-call vote, the MOTION was approved. (Trustee Rieger, yes; Trustee Schutt, yes; Trustee Richards, yes; Trustee Mahoney, yes; Trustee Feige, yes; Trustee Moran, yes.)*

MS. THORSTEINSON stated that they will go off the record and trustees can call into executive session.

(Executive session began at 3:27 p.m. until 5:16 p.m.)

CHAIR MORAN announced that while in executive session, the trustees considered only the matters mentioned in the motion and took no action.

**MOTION: A motion to set the executive director's salary for calendar year 2021 or at least commencing 1/01/2021 be set at \$389,000 was made by TRUSTEE RIEGER; seconded by TRUSTEE RICHARDS.**

*After the roll-call vote, the MOTION was approved. (Trustee Feige, yes; Trustee Rieger, yes; Trustee Schutt, yes; Trustee Richards, yes; Trustee Mahoney, not present; Trustee Moran, yes.)*

CEO RODELL thanked all and stated her appreciation for the support and recognition.

CHAIR MORAN stated that was the end of the agenda and asked for any additional business of comments before adjournment. He thanked staff for another excellent meeting, and the two sessions today were superb. They were on point for the Permanent Fund but also for the economy of Alaska. He adjourned the meeting.

(Alaska Permanent Fund Corporation quarterly meeting adjourned at 5:20 p.m.)