Changes to the Investment World During the Permanent Fund's First Two Decades and a Look into the Future.

The Trustee Papers • Volume No. 4

1996 Economic Forum
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Alaska Permanent Fund Corporation
Annual Meeting of the Board of Trustees
Thursday, September 26, 1996
Anchorage, Alaska
February 1, 1997

Dear Alaskans,

On this, the 20th anniversary year of the founding of the Permanent Fund and the first deposit of dedicated oil funds, the Fund’s Board of Trustees thought it appropriate to examine changes in the investment world over the past two decades and look forward to what we can expect in the years ahead. We asked a distinguished group of national and international financial managers to share their expertise during our annual meeting. Two well-known Alaskans - Dave Rose, the Fund’s first Executive Director, and Carl Brady, Jr., a former Trustee - added a valuable Alaska perspective to the discussion.

While the national and international discussion will be of interest to most Alaskans, two dialogues are particularly relevant to the Fund’s future. One segment discusses the pros and cons of slightly increasing our investment risk to generate additional income. The second addresses the merits of injecting social, economic and/or political factors into investment decisions.

The forum ended with an insightful look at how success in the financial markets can improve the lives of individuals. Mr. Brady and Mr. Rose take this discussion one step further by using Alaska as an example for the emerging world. As Mr. Rose states: “We could have squandered all of the money, but indeed we had the foresight to save a great deal and we have a political system that continues to save a great deal through special appropriations. Perhaps we could serve as an example of how a single economy type entity can survive in a modern world by using its head and diversifying by the means we had.”

We trust you will find this forum as provocative as we did, and will be able to use this information to further the debate ahead.

Sincerely,

Grace Berg Schaible
Chair
Changes to the Investment World During the Permanent Fund's First Two Decades and a Look into the Future.

The following is an edited transcript of an Economic Forum hosted by the Permanent Fund’s Board of Trustees on September 26, 1996. The participants included Richard Barker, chairman of the board of Capital Guardian Trust Company and Capital International Limited; Carl Brady, Jr., a former Permanent Fund Trustee and owner and chairman of the board of Brady and Company, Inc.; Dale Fritz, managing partner, Brinson Partners; Laura Luckyn-Malone, a managing director and senior vice president of Schroder Capital Management International; Bill Price, chairman of the board and chief investment officer of RCM; Dave Rose, the first Executive Director of the Alaska Permanent Fund Corporation and president of the Alaska Permanent Capital Management Company; and Jim Snyder, president and chief executive officer, Kennedy Associates.

Terry Brown, Chief Investment Officer, Alaska Permanent Fund Corporation, and Jim Kelly, Communications Director, Alaska Permanent Fund Corporation, posed the questions, along with Trustees Eric Wohlfarth, Clark Gruening and Melphine Evans, and former Trustee Peter McDowell.

Investment Outlook for 1997

On the right-hand columns of the pages ahead are excerpts from a presentation Byron L. Mallott, Executive Director, Alaska Permanent Fund Corporation, gave to the Anchorage Chamber of Commerce on December 17, 1996.
**Global economy, technology changed the investment world**

**JIM KELLY:** What have been the biggest mistakes made by institutional investors over the last 20 years, and conversely, what have been the best calls made by institutional investors?

**DALE FRITZ:** Institutional investors have not been a whole lot wiser than individual investors in terms of the psychology that drives them. As all of us are trying to make money and increase wealth, we are driven collectively by fear and greed. So, I think we have all tended to follow trends. You can see that among individuals, and you can see it among institutions.

Human nature really has not changed in financial markets over the last 20 years. Major mistakes are generally looking into the future through the rear view mirror and, as a result, tending to always be late and occasionally being whipsawed in terms of where one ought to have investments placed.

Although we have had a couple of cycles in financial markets, the fact that financial markets have done so well is the most interesting thing about the last 20 years. We are all inured and somewhat complacent about the fact that it has been pretty hard not to make money for most of the last 15 or 20 years. We think it is going to be a little bit more difficult. History teaches us that things do not grow to the sky or fall to the ground in a straight line and last forever. The environment increasingly should be a little bit more difficult than the last decade or two, which have been tremendously favorable to financial market investors.

**Way forward through open-door policies**

**LAURA LUCKYN-MALONE:** The gradual acceptance within mainstream portfolios of an international portion has been very interesting to watch over the past 20 years. I think there was a reluctance because people were looking at the world very much through U.S.-dominated eyes and perhaps not seeing the genuine shift in economic fundamentals that has been taking place over the past 20 years and what I think is inexorably taking place over the next 20 years, which underpins the case for global diversification in equity portfolios. We really do have the global economy upon us. The reason the past 20 years have provided such a benign environment for equity investment on balance has been that there has been such a shift to free trade and, most significantly, in the past seven years, the triumph of capitalism over communism and a recognition that the way forward is through open-door policies.

It is very useful to think back to what was going on in the world in 1976. China was still in the throes of its cultural revolution, and it was 1979 when Teng Hsiao-Ping came into power and made a break with the past and said, “This is not the way forward. We are going to hook ourselves into the global economy and follow the open door policy.” Who then really could see the dynamism that was going to be unleashed so that here we are, 20 years later, regarding China as increasingly one of the major powers in the making?

Similarly, in 1976, Japan was coping with the second oil shock and, for a country that has no natural resources whatsoever, was having to make major adjustments to the way it ran its economy. In fact, it was from 1976 to about 1986 that Japan shifted to assembly industries, which saw the rise of household names such as Canon for cameras, Casio for calculators, and Hitachi and Sony for televisions and then VCRs.
Underpinning all this is the fact that there was a major economic realignment taking place in the world. Look just at GDP. GDP in the U.S. has grown about 70% over the 20 years, and Mexico's has grown 360%, the Philippines has grown 180%, and Japan has grown 112%. There have been very powerful economic underpinnings supporting the reason for international diversification and I truly believe that, as we look into the future, those economic fundamentals are still very forcefully at work and continue to argue for investors really to move, as you have done, to embracing your investment program on a global scale.

**Three major markets operate around the clock**

**CARL BRADY:** Some economic factors - like inflation and the price of oil - have been difficult to predict over the past 20 years, and continue to surprise us. But the biggest single change that has occurred is probably technology. Today, we have three major markets operating virtually 24 hours a day. Our communications and systems move so rapidly, and we have such an enormous volume of money in these markets, that it is difficult for any firm to specialize in the entire arena.

**Computerization brings major breakthrough**

**DAVE ROSE:** Let me talk a little bit on the technical side. The last 20 years have seen dramatic changes in the custody business, in clearing and in settlement. The reports you get now are fast, crisp, clean, understandable and readable. While we have fails, they are not generally on the custody side. With computerization, we are able to call up the screens, look at cash positions and know exactly where we are. This is a major breakthrough, a real plus. When we look back, I sometimes wonder how we really got our business accomplished in some of those earlier days.

When we started the Permanent Fund, we built our own very sophisticated accounting system and we accounted for everything because, while we thought we had good custodians at the time, we did not think their reliability was that much. We have come a long way from that stage.

On the negative side, I continue to be disappointed in the performance measurement arena. It has always concerned me that we take a long-term fund and subject it to quarterly performance analysis. When you do that, you wind up taking a long-term, long-range fund and subject it, to some degree, to the performance measurement and short-term markets that can affect performance. I think that is a disservice to long-term funds. If I had my druthers, I would go back to the days when you looked at the long-term fund with long-term performance and you did not worry about where it was from quarter to quarter. Certainly, you want to make sure that the folks managing your money have stability and consistency, but beyond that, I think the quarterly performance thing is overdone and does not serve the long-term fund very well.

**U.S. positioned to do well**

**JIM SNYDER:** The change in the capitalistic system, and the disappearance of communism, are going to provide an enormously productive market, a global market that will benefit all equity investors. I do not mean that you can put all your money in stocks, but I do believe equities are going to continue to do very well going forward in the future.
Since I am basically a real estate guy, you are probably wondering if I have lost my marbles talking about equities in such a favorable fashion. I think that real estate will be somewhere between fixed-income and equities. It will be a better performer going forward in the future and that is because of all these changes taking place in the economy. So long as the economy remains strong, we will continue to see improvement in the yields from the real estate properties.

I think U.S. equities will perform very well in comparison and that is certainly not a widely held opinion. I think the United States is particularly well positioned to do very well for the next several years.

**Biggest “sin” one of discontinuity**

*RICHARD BARKER:* Over the past 20 years, the emphasis on financial assets as opposed to hard assets has proven to be very well founded. Within that, the emphasis on equities has also had an enormous payoff. I also share Laura’s view that institutions have done a very good job of thinking globally, particularly over the past ten years, and portfolios have benefited. I think we will see more of that in future years as other opportunities develop, such as emerging markets, third world debt and other areas of the markets that are not so aggressively picked over as U.S. equities and international large cap.

On the other side of the coin, I will address what institutional investors have not done so well. Although here I would exempt the Permanent Fund, the biggest sin I see committed out there is the sin of discontinuity. A good investment strategy is formulated and then, largely because of changes in people, there is a departure from that strategy and the end result is kind of a mish-mash as opposed to a coherent strategy. We see that particularly in the corporate sector where you have frequent changes at the plan sponsor level. You can have changes at the consultant level, you can have changes in the pension committee, and obviously the political arena has its own cycles of people going out and coming in. I think, in most cases, the public fund has done a better job of sticking to a strategy. If there is one hidden cost in management or one deduction you have to take from investment returns that does not get counted very well, it is the cost of discontinuity where you are frequently changing managers to execute a new plan. When you add up all the individual returns, you have a number that is actually lower than that and that is because of the cost of changing chairs.

**ERISA driving force in institutional investments**

*BILL PRICE:* The goal of the investment business is to anticipate change. Those who have been able to anticipate the major trends have succeeded in an unprecedented fashion over the past 20 years. Those who have made the biggest mistakes have been those who have failed to recognize change, even after it has taken place. This is just in terms of generic mistakes. I think, if you look at those trends over the last 20 years, you can start probably with our own business. It is hard to believe that only in the last 20 years has ERISA been a driving factor in the institutional investment business. Prior to that, either employees were not protected by retirement plans or they owned their own company stock. The legislation of ERISA has given rise to a whole industry, the institutional asset management business.

Second is new financial instruments, not just the much maligned derivatives, but the establishment of indices, of methods of diversifying risk and of investing in packages of securities. We cannot even calculate the impact on those every day
because it is so dynamic. It is such an increasing rate of impact in the market. From institutional investors, the mere establishment of bogies against which all of us have to perform tends to influence the patterns of our investment. Managers are benchmarked against an S&P 500, or an S&P mid-cap, or a Russell 1000 Index, which is now divided into a Russell 1000 growth or value. These never existed even ten years ago and they are a major factor in terms of driving the market.

**New options change investment patterns**

**JIM KELLY:** Is that a positive or negative impact?

**BILL PRICE:** It is a positive in terms of establishing a process of systematically and fairly measuring performance and forcing institutions to establish appropriate guidelines and benchmarks for their managers. It is a negative to the degree that it becomes the driving force and the manager loses sight of the whole purpose which is to achieve the best risk-adjusted returns. You tend to compartmentalize and limit asset management groups into actions that are not necessarily for the long-term benefit of the fund. That really has to be qualified.

If you look internally in the United States, there is a general movement of disinflation, of deregulation and the subsequent offshoots more recently of a whole new ethos in corporate America and the way corporations manage their companies, not just in response to increasing shareholder pressures, but really internally generated change. Changes are occurring such as downsizing, outsourcing, rationalizing capacity, and not holding businesses just because they have always been there, but really looking at the corporation more objectively and more aggressively and saying, “We are going to raise returns on investment. We are going to become leaner and more competitive.” That has been a very major impact on the investment scene.

Finally, probably the largest single change over the most recent part of this period has been the adoption and then the embracing of the household sector investor, the retail investor of common stocks. It is hard to believe that, in 1990, the level of common stocks as a percentage of the total financial assets of the household sector in the United States was at its lowest level in more than 40 years. To give you an idea, it had reached probably a high in 1968 of about 43.5% of financial assets; it declined to a point of somewhere between 18% and 19% in 1990 before the Gulf War, and that has turned dramatically and has, over the past five years, been the single dominant technical (supply and demand) influence in the market. A number of institutional investors who have made mistakes have made them by ignoring this tsunami of demand that has overpowered all the traditional valuation models and historical response patterns in terms of a market going too far or being fully valued. You have to back off. The thing they have not appreciated is this absolutely unprecedented move from money market instruments and very short duration assets into more aggressive common stocks. That has been a huge impact on the overall market and has all sorts of implications as we get into this later stage now of the bull market. It becomes more speculative.

**Individual investors have yet to experience a bear market**

**TERRY BROWN:** In October 1987, we had a major correction. What role will the household sector play in a future major correction, and will they jump?
BILL PRICE: I think it depends on what causes the correction. If it is an exogenous shock, something that none of us can see and a very dramatic event that causes it to go down and go down just precipitously, it will be a whole different pattern of behavior and a different response pattern on the part of the household investor. If it is more of a slow, grinding decline, that will be probably met with a different response. Finally, the magnitude of the drop itself will determine subsequent behavior.

This is a “good news, bad news” situation. Since 1987, household investors have been consistently rewarded by responding Pavlovian-like to a down market. “Oh boy, it is an opportunity to buy more stocks at lower levels.” They have done so to the bafflement often of the institutional investors. They are all standing back and saying, “Oh boy, here it comes,” and suddenly this wave of defined contribution plans and individual investors have come in and stopped the decline, and it started to go back up again. What you have done is reinforced that behavior so that now you have a whole generation of investors out there, whether indirectly through mutual funds or their 401(k) plans or whatever, who have never experienced a true bear market. We have a saying in our firm that we have to lobotomize all of the people of our ages and let the young people take over the portfolios because they have never experienced a bear market. It is that group that is now driving this retail demand for stocks.

If the market goes down and stays down, then suddenly these people are going to be traumatized into realizing there is a risk side of the reward/risk equation. Our guess is that you could then begin to unwind this massive shift to more aggressive assets and then begin to dis-invest. In that case, it is not going to bounce back like 1987. This was an anomaly driven by technical factors in the market and portfolio insurance. You could really have a market that might begin to go down and stay down longer than people think.

In terms of its impact, if it is caused by U.S. interest rates going up, it is liable to go to the rest of the world. Otherwise, if it is just a technically driven market, I think the foreign markets will benefit.

Some assume equities are risk-free

LAURA LUCKY-MALONE: There is actually an analogy in the not-so-distant past with the Tokyo stock market in the 1980s which had a wonderful steady appreciation from about 1982 until it collapsed in 1990. What was the real characteristic of the final period of that bull market was this belief that equities were a risk-free asset class. I do share Bill’s concern that retail investors have had such positive experiences from being holders of U.S. equities and international equities as well, that they have begun to assume it is a risk-free decision. Of all the factors of which I hear, it is the one about which I think one must be most concerned. The question is, “How will they respond?” Bond funds do not necessarily look that attractive and people might say, “We are not being paid enough on our cash deposits of 3%.” It is going to be a difficult bridge for investors to decide what to do if they move out of equities. Cash may be looking quite attractive.

Is Fund’s policy too conservative?

JIM KELLY: The Permanent Fund’s history over the last 20 years has been one of conservative investment. We have been a little more risk-averse than the average fund. Has that been a successful strategy? Is that a policy that the current board
and future boards should continue, or should we be moving in the direction of de-emphasizing the protection of principal perhaps in favor of maximizing total return? How do we strike the proper balance there?

CARL BRADY: There has been a very conservative approach to the way the Fund’s assets have been managed, and it was not too long ago when the majority of our assets was in fixed-income. If we had not changed that allocation, the Fund would have missed one of the biggest bull markets in the last 20 years.

Having said that, we must remember that this corporation has 600,000 shareholders who tend to be pretty conservative, in general. The Legislature also is hesitant to make major changes. In 1993, I worked very hard to convince our board to expand our asset allocation classes further. I was unsuccessful in getting this alternative investment strategy through the Legislature which tended to believe that the Fund was doing what it was supposed to do. The idea of tweaking very much the ‘Trustees’ allocation choices is - and certainly was then - a sensitive issue with the Legislature.

I am certainly not going to be critical of the performance, nor am I going to be critical of the time it has taken to shift these assets into different classes that some might view as riskier and more rewarding.

I think that the Fund has enjoyed some tremendous successes, in part because of the performance of certain classes of assets. I am still a proponent of expanding that horizontal plane as the principal grows larger and the assets increase because I do think it is a form of risk/reward modification, if you will, and increased predictability, in a sense.

**Fund closely woven into Alaska’s fiber**

DAVE ROSE: The Fund has been successful over the years because it has always recognized what it is; it is not only a quasi-investment trust, but it is also very closely interwoven into the social and political fiber of Alaska. At a crossroads, the Fund could make a decision to focus solely on investment and get the best yield, but if it leaves its constituency behind, that could totally disturb and do away with the Fund through a loss of confidence.

Alaskans are comfortable with the Permanent Fund because they understand it and because they have been slowly educated as to what the Fund is doing and where it is going. When the Fund first started with equities, it started as an index against the S&P 500, which people understood. That was sort of reasonable. We would never be embarrassed because we would be close to the national averages. That was safe for Alaskans and they appreciated that. As we grew a little bit, we decided to do separate investing - specialty management in growth, value, small cap and what have you. The people were sort of brought along to where they were going. When the Fund entered real estate, it started by getting into commingled pools. They were not very good pools, but again they were where everybody was in the industry. When comfort was developed along those lines, we went to the purchase and involvement in separate properties with partners.

The Fund has to be very careful as it moves forward into different asset classes. We must make sure we do not leave Alaskans behind because Alaskans have a tremendous focus on the Fund because of the dividend program. I know there is a debate in the Fund now about whether or not fixed-income should move to an
aggregate index. I think that you have to really think through whether you want to subject the Alaskan people to this type of volatility. When markets are pretty calm, the aggregate index is just fine, but when markets are not calm, you are going to see durations move all over the place and you are going to be faced with the situation of trying to move a huge vessel on the dime as you see durations move in and out, particularly in the mortgage area. It may well be a mistake to suddenly dump the volatility of mortgages on the Fund just to gain a bit more yield and performance.

When you go to alternate investments of any kind, whether venture capital or some of the alternate investments Carl talked about, you have to make sure that Alaskans understand what you are doing and feel comfortable with the move. If you outstrip Alaskans' comfort level, then you have problems.

There are other decisions facing the Fund, including GASB and FASB requirements to move to market value. We have always measured the Fund at cost. When you measure at cost, with a footnote to market, you have full disclosure without subjecting Alaskans to a great deal of volatility. If you mark to market, you may erode the comfort Alaskans have when they see monthly financials that show $100 million or more swings month after month. It may be fine for the accountants to say that they have a nice standard to which we have to go, but you do not want to match those standards if it erodes the confidence of the people in your Fund. We know, as we manage on a total return basis, that there are huge swings. Alaskans, to date, have been subjected to cost values that do not show those huge swings.

As you concentrate on more sophistication and more return, you cannot afford to forget that the Fund is not just a return vehicle; it is also a comfort vehicle for Alaskans. You do not want to leave Alaskans in the dust. You could be right and you could make a lot more money and be a lot more esoteric, but if they do not understand what you are doing, the first time you fumble, you are going to be in deep trouble.

Far East offers greatest growth potential

TERRY BROWN: I'll move on to an international question for Laura and Dale Fritz. If you could pick a geographical area on which to focus, what would it be, and why?

LAURA LUCKYN-MALONE: First a shorter-term view over the next 12 to 24 months and then a bigger, more strategic view. Right now, there is quite a bifurcated approach. Being a Brit, we are very skeptical about European monetary union because it was so painful for the pound to be caught up in that, but whether we like it or not, Germany and France are definitely marching down the road and taking Luxembourg, the Netherlands, Belgium and a fair number of other countries with them. Therefore, I would say, over the next couple of years, continental European equity markets could do quite well, even though the underlying economies do not look at all exciting. The disciplines of the Maastricht Treaty will result in a considerable flexibility with respect to interest rate declines on the continent, which will be very supportive of equity market valuations. At the same time, German and French companies realize there is no one to bail them out and they are beginning to restructure their enterprises, not quite as aggressively as U.S. corporations have been restructuring, but definitely taking steps down that road. So, somewhat surprisingly, and although I am a great advocate of Asia, I would say, over the next 12 to 24 months, continental Europe could be more interesting.
However, if one thinks really long-term and strategically, I still very firmly believe China and India are going to transform the global economy as we know it. We are going to find that China and India’s increasing economic clout is not always that comfortable for those in the West. An ascendant China is not necessarily a comfortable phenomenon for the western world because they play by their rules and they say, “You need our markets and, therefore, we dictate the way we will behave.”

Both China and India should form a part of a long-term investment portfolio, although you are going to take a higher degree of volatility or risk.

**Look to Europe in near term**

**DALE FRITZ:** The direction the Permanent Fund is going in terms of expanding its investment fields is the right way to go. Even having developed markets that are slower growing will periodically offer you opportunities to earn above-average returns because the game in the investment business is always just not the fundamentals of growth. Over very long-term periods of time, that will dominate. The old notion of buy the best companies and just hold them and you will do well is sometimes affected by the getting-in price. Sometimes the best are overpriced and you do not want to be in the very best, fastest growing because they are a discovered phenomenon.

Looking globally into the next decade or two decades, the greatest growth action will continue to be in the Far East and in the emerging markets. The rate of growth that the Far East has been able to deliver as an underlying growth over the past 10 to 15 years, versus the developed markets, is going to slow and narrow. That is just a function of the numbers. They came from a low base, they have grown tremendously, and I think they are going to grow faster than developed markets going forward, but the incremental growth over the developed markets is not going to be as large.

Looking at how one should invest money perhaps on a three-year basis from here, we are not that intrigued by investing in the Far Eastern markets. There does not appear to be tremendous value. I guess we would also share some of Laura’s comments that, very near-term, there may not be above-average returns in those markets. We happen to like Europe and have an over-weight in the Europe developed markets versus Asia. With hindsight, I wish we would have had a bigger over-weight in Europe than Asia because clearly Europe has done exceptionally well over the last year or so versus the Asian markets.

That is a general comment. You have to pay attention to growth, but having all the opportunities on a playing field is very important. That is clearly the direction you are going and we applaud that.

**Political investments lower financial returns**

**JIM KELLY:** Some Alaskans have asked the Fund to consider applying social or political filters to its investments. What have other public trusts done, and how successful have they been?

**BILL PRICE:** A number of public institutions are currently doing research or have had proposals - only some of which have been accepted - to direct their investment activities to the benefit of one sector or another of in-state economies. The obvious
is in real estate which traditionally has been an area of pressure. The state of California has floated several proposals to target individual California-domiciled companies and to create a fund to invest in some small, emerging companies that need interim financing.

The conflict has been universally the inability, in a political arena, to establish a hierarchy of priorities. The difficulty is whether you want to invest for the highest financial returns or for social returns. That is an area that is very slippery. State legislatures tend to do it one way with a primacy of social goals. The institutional managers, the executives, and the trustees of the Permanent Fund, for example, would tend to look more at financial returns. Investment managers, obviously, have to be told what are their guidelines and in what they should invest. There are real trade-offs and you have to adjust benchmarks. For example, during the prohibition on investing in any South Africa stocks, you had to outperform the S&P 500, but that was the S&P 500 ex- any stocks that were in South Africa. You have to make these adjustments. It is really a political question more than a financial one. The investment managers will manage according to their directives. It is the political institution that has to sort out the priorities.

Real estate investment should stand on merit

JIM KELLY: From a real estate perspective, are other pension funds promoting in-state investment, and are there opportunities in Alaska?

JIM SYNDER: We have been involved with this issue for twenty-plus years, going back prior to my tenure and actually the start of the real property firm. We manage a substantial number of Taft-Hartley accounts that are very sensitive to seeing economic activity created in their particular domicile. ERISA is a big factor in these decisions because ERISA requires that the funds be invested for the sole benefit of the beneficiaries. I think that is a very important test. It is our opinion that, in essence, if you are talking about an ERISA account, that is the standard to which you must adhere. That does not mean you cannot create collateral benefits that might be deemed to be social by some people, but the important driving factor is that you have created a viable investment for the benefit of those beneficiaries in the future. As long as you keep that in the forefront, I think you stay on an even track.

When you put public funds into the mix, and we deal with a number of them who are exploring these opportunities, including California, you do not have ERISA, but you do have some type of fiduciary standards in your contracts. I do believe it comes down to a decision that is a political decision, to some extent, that must be made by the plan sponsor or the entity that is responsible for, in essence, managing the assets. That decision has to be communicated to the manager.

Having said that, I strongly believe that when you are talking about real estate, the investments should stand on their own. I believe you can make good, solid investments without any type of subsidy being provided to make the investment work. If you look back at the history of real estate investment, particularly in the 1980s, although people did not recognize it at the time, there were huge subsidies being provided to the development community. This is what, in essence, created the subpar returns for the institutional community when those subsidies turned into losses in their portfolios.
So, I do not think it is appropriate, unless there is a conscious decision to take “X” percentage of the capital and allocate to that subsidy, to try to create a portfolio that is substandard in terms of its returns on the theory that it is going to benefit the community in general. It has not been proven, at least historically, that it benefits anyone.

**Alaska investments should offer equal returns**

**JIM KELLY:** Dave, how would you respond philosophically to the question of how much sense it makes to apply social and political filters to the Permanent Fund?

**DAVE ROSE:** Talking philosophically, I think it is clear that the Permanent Fund’s success over the years results from the fact that the choice was made to treat our investments like trust investments and not use the Fund as a development bank. I think the one clear reason for the Fund’s success is because we have looked at financial return, not social and political return. If the Fund had made the decisions between 1976 and 1980 to be a development bank, we would not be sitting around this table today. If the people of Alaska had not built into the constitutional amendment that the investments had to be income-producing, we might not be sitting around the table today.

This is not to say that, just because unequivocally we have to make the decision on financial returns, not on social and economic returns, we cannot make some accommodations as long as those returns are equal and compatible. For example, Alaska and the Permanent Fund exclusively has a CD program where we buy up to $300 million of CDs of Alaska banks. As long as those returns are safe - and they are equivalent to what we can get in the marketplace - there is nothing wrong with a fund of $18-to-$19-billion of market value buying a few Alaska bank CDs.

**Fund’s Alaska investments stand on merit**

Over the years, we have helped the Alaska Housing Finance Corporation (AHFC) by buying some of their AA taxable paper. AHFC is now so well-known that there is no need to help them out. There is a mortgage program on the books that is not currently in use in which the option exists to purchase Alaska mortgages if all things are equal. You have on the real estate side three projects that were purchased in Alaska: Port West in Ketchikan, mortgages in the Frontier Building in Anchorage and a portion of the Goldbelt Building in Juneau. In all cases, those transactions were done not just because they were Alaska projects, but they were also the kind of projects that offered a superior return. Today, the Port West and some of these other projects remain as a benchmark for Alaska.

Sure, we will do Alaska projects. All you have to do is meet the kind of returns and the kind of stability those investments have given us and Alaska investments can compete.

Let me say just one other thing about ETI, or economically targeted investments. When I was with the Fund, I met a lot of folks throughout the country, particularly the people in New York, who were always devising a special program and tried to legitimize it as something where we would buy these housing bonds or bonds of the New York Job Authority, or whatever, because we were going to help New York and it was important for local industry to be able to invest in that. I guess my reply, and I appeared in some national forums, was always, “If you are going to build a program for economically targeted investment within your state,
why do you not build a program well enough so that investment could appeal to everybody?" So, instead of New York building some kind of a housing bond program and having those housing bonds bought by New York funds, why not develop a bond that was so good and so well put together or so well secured you could sell those New York housing bonds anywhere in the country? As an investment guy, if you had offered me a AA or better bond, and it had the predictable pay-offs, the good yield, and it had the good reserve, stability, or collateral behind it, I would buy it whether I lived in Alaska, Montana or anywhere else.

As we talk about economically targeted investments for Alaska, we ought to think not just about designing a special program so that we can buy it as Alaskans for an Alaska fund, but having somebody devise programs that are so good they can stand on their own feet and be bought by anybody. If we insist on that standard then not only can Alaska buy it, but everybody else can buy it and we achieve everything we want in terms of a secondary market, in terms of competition, in terms of size and in terms of acceptance. That is where we should be.

My answer to the question, Jim, is unequivocal. You look at financial returns. You do not make social and political investments. If you can accommodate social and political investments because all things are otherwise equal, then certainly you should be able to do them. You should stimulate the development of those programs so they can stand on their own two feet.

**Fund shouldn’t compete with private enterprise**

**CRAIG BRADY:** It is not the role of this Fund or its money to compete with private enterprise. Frankly, unless things have changed dramatically recently, most of what we are talking about we are not authorized to do anyway, with the exception of the real estate portfolio. As for those three properties, I think the definition is institutional grade and I am not exactly sure they would be considered institutional grade anywhere else but here in Alaska.

When Dave speaks about leaving and continuing to nurture a comfort level of the people who are concerned about the Fund and its future, I think you would have a dramatic level of discomfort if this Fund were seen as being a competitor to any segment of the economy, even though the underlying social implications could enhance certain things overall. I think this is an area in which we need to be very careful.

When you started asking for comments on the bottom of the check and some 3,000-odd were sent back, I attempted to peruse as many as possible. It became clear to me that most people were thinking about the same and then you had some real wild and extreme investments. Maybe we should have bought the Mariners now that they are only two and one-half games behind Texas. At the time it did not look like something that was the thing to do. It was something that was not authorized anyway. When you talk about social and political investing in your state, it reminds me of the issues having to do with firearms, tobacco and South Africa. We had a lot of discussion about those sort of things and we came to the conclusion that, if we wanted to have an arms-length relationship with the managers, and be able to measure them purely on their results, it was not our role to influence their decision-making in purchasing various equities. There are people who feel very strongly about that, but I think it is still the policy of the Board that
there is an arms-length relationship there and they will be measured and invited back to the table based on their performance, not based necessarily on the nature of investments. I think that should be the case.

**Get ready for lower returns**

**TERRY BROWN:** I am going to switch from Alaska to a global question. Are we going to see the developing markets become more efficient, or is this a false notion?

**RICHARD BARKER:** I think there will be narrowing over time as markets become more globally efficient. I think there are still many areas that are under-exploited in the marketplace, particularly the emerging markets area. When you talk about economies like China and India, they are Goliath economies that are likely to see an increase in disposable income. Their growth will have a lot to do with the growth in the world. As these markets mature, we want to be a part of that process. I think, within our shop there is a unanimous opinion that is likely to be the highest returning asset category among equity alternatives over the next decade. How you participate in emerging markets is really a function of your board. Can you do it directly? We would certainly suggest that it should be taken under consideration. Can you do it by virtue of widening an international mandate to include emerging markets’ blue chips? We have had many clients that have given us that authorization. Can you do something else that might involve targeting companies that invest in emerging markets? We are working on that kind of a solution as well.

Today, as we look at the various asset categories, we would be migrating some money away from the U.S. market in recognition of its very strong performance vis-a-vis other markets. We, too, would be building up in Europe and we would be quite fully exposed in Asia, but more by over-weighting non-Japanese countries than being fully invested in Japan. We are about half-weighted in Japan.

I think we all have to get used to the concept of lower investment returns going forward than we have experienced for the last 20 years. I think we have all gotten somewhat spoiled. I do not know if we are about to see regression to the mean, but when your long-term investment return in the U.S. is between 9% and 10% and we have been in the teens, I do not think it is a good idea to get too used to that.

**World markets more closely related**

**DALE FRITZ:** In this increasingly globalized world, everything we do, both in buying goods and services, we in the U.S. are much more used to now owning international goods and services than we were ten years ago. So, intuitively we are all comfortable with the notion that the globe is becoming more interrelated. I think intuitively also, with increased knowledge and actual investment in international markets, we intuitively feel, as we have seen market cycles go up and down, that markets are going to correlate. Even going back over the last ten years when the U.S. equity market corrected in 1987, other equity markets internationally corrected and there seems to be a way of moving together. So, intuitively I think we are all comfortable with the notion that we are more globalized and that markets are more correlated.

As analysts watching the data on correlations, we do not see a trend in the data to demonstrate increased correlation on the markets. We are constantly looking at
three-year and five-year rolling correlations between markets, primarily in the
developed markets where you have some data series you can analyze. In the
emerging markets, we have to appreciate you really go back about five years to get
some data and you run out of information. So, on the data, I would be less
concerned than perhaps intuitively one might be about correlated markets.

As an investor, we at Brinson Partners would argue you are always better having
more opportunities at which to look, a bigger playing field, and more ability as
active managers, as we are, to bring our research to bear and try to capture some
type of positive return from our expertise.

Markets support new middle class

JIM KELLY: Looking ahead over the next 20 years and using your imagination,
what do you suppose it is we could do in the money business to improve the lot of
mankind?

LAURA LUCKYN-MALONE: I think the reason why the emerging markets are
so interesting is that you are actually talking about the emergence of middle classes
in what was a very poor part of the world. The statistics of pulling out of absolute
poverty of hundreds of millions of people around the world over the past ten to
fifteen years is truly staggering.

However, I think that the nature of the debate is going to shift over the next 20
years. What we have seen over the past 20 years has been really an acceptance
that, when the economic pie grows, everyone benefits. We have seen this
particularly in countries like Malaysia and Thailand and now in China and India,
which are following that path. However, what has happened with this heady
growth has been increasingly skewed income distribution statistics. This is
particularly troublesome in Latin America for historical reasons. Actually, it is
becoming an issue now in developing Asia.

One of the interesting challenges is whether the debate is going to change from
wealth creation to wealth distribution over the next 20 years. I think that what
has happened in Japan is very instructive for a developing economy. Japan,
remember in 1976 when the Permanent Fund was established, was really still
almost perceived as a developing economy. Over the 20 years, it became the
greatest creditor nation. Japan fulfilled its ambition over the last 20 years which
was to catch up with the West following its destruction at the end of World War
II. In the process it really lost much of its identity. Japan, in many ways now, is
going through an identity crisis. They are saying, “Yes, we did catch up with the
West and we are materially so much better off, but we have lost some of our
‘Japaneseness’ and we are not quite sure for what we stand.”

I think the real question is, yes, we have seen a triumph of capitalism over
communism, but is materialism really the sum of human happiness and is
economic growth and the unrelenting pursuit of high levels of economic activity
really delivering people the sort of lives they want? It may well be that dear old
continental Europe, with its sort of real problems with getting growth going, at
least manages to preserve a way of life with which people are very comfortable. I
think it is a very interesting thing upon which to dwell and I think will be an
increasing issue over the next 20 years that we have really hardly begun to think
about.
RICHARD BARKER: To the extent that growing economic interdependence creates greater trust and lessens tensions, I think all we can do to continue to propel the free market system around the world will serve to better the lot of man.

Wealth distribution could create unrest

BILL PRICE: Maldistributions of income historically have produced corresponding political tensions. The political equation or element of foreign investments might well become a more important factor to look at as you diversify the holdings and the funds become increasingly global. We tend to take for granted a period of stability as we have been in by thinking this is the normal playing field and it is relatively quiescent. Historically, this is not the case. The end result of maldistribution of income, particularly in the more volatile political economies of the emerging world, tend to create potential disruptions and explosions. Our guess is that one of the consequences of what Laura says is that there might well be periods of more dramatic political conflict that might have an impact on investment returns.

Keep trade barriers down

JIM SNYDER: One thing the financial communities can do is continue to influence the respective governments to keep down trade barriers, to keep the ability of capital to flow freely throughout the globe. I really think we have a limited ability to influence the political decisions in various countries around the world, except for this one, with respect to their attitudes and policies toward distribution of wealth. There is one thing for sure, if we continue to grow and the pie gets larger, even though those people at the lower end of the spectrum may not be getting as much as those at the top, they are still getting more. I think it is important for us to keep that in focus and to continue to keep the barriers down that would prevent capital from flowing around the globe freely to go where it is going to seek the highest return for the least risk. I think that is very important to improve the livelihood of everyone in the world.

I certainly agree with Laura that material wealth is not an end-all. It is not the sole goal. Many people in the world though are not looking at buying a Cadillac; they are looking at eating. I think, until those people have a little better existence, we are all at some risk from the standpoint of instability and all the things that can come out of the tremendous disgruntlement and unrest that exists in a large percentage of the population throughout the world.

Free markets best way to go

DALE FRITZ: As professional money managers, we probably compete in the purest, most competitive, law of the jungle free market that exists. It is intensely competitive. It has low barriers to entry. There is a daily scoreboard as to how you are doing. We are all used to, collectively, the scars and the slings and arrows of outrageous fortune by the minute.

A large majority, I think would agree that free markets are, in this imperfect world, the best answer we have come up with to improve the lot of mankind. We may disagree on how to channel resources and which way to emphasize things, but I would argue the general trend to free markets and open competition is clearly the answer for the next several years, although I do not know the path it will take and the nuances of it. I think that is the way we have been going. That is
the trend and I see no reason to expect that trend will not continue. Without being able, as with all free markets, to predict exactly what will happen, collectively somehow, the forces of the marketplace should benefit all of us, I think.

**Alaska good example for emerging world**

**CARL BRADY:** There is one perception that is even greater than reality. As you recall, one of the arguments for statehood in the 1950s was to become economically self-sufficient through resource development, both renewable and non-renewable. We succeeded, and I argue that if anybody says we have a fiscal gap, they are not adding the numbers right. At first, our revenues were almost entirely from oil production. Now it is about 50% investment production and 50% oil production. We took some resources that had a blurry future and demonstrated that with some resource development and wise management of the production revenues, we could diversify natural resources into investment income that is now nearly equivalent, and potentially will be greater than, oil revenue. That is an example of the perception that, if we do well, by example, others can do well also.

**Fund helps diversify economy**

**DAVE ROSE:** I would like to echo that. When Alaska became a state, we did not really have much more than the natural resources and even today we do not have a Ford, GM, Squibb, DOW or any other mega companies operating here in Alaska to help boost our economy. We will probably never be a manufacturing economy like many of the places in the world. Because we have chosen to take some of our natural resource wealth and convert that into the next best thing which is this pool of money that lets us through our investment own a part of the Ford and GM and all of these companies. If we cannot bring them to Alaska, at least by proxy through ownership of a small part of these companies, we do diversify our base.

I remember Alaska when 90% or more of its revenue depended on natural resources. This year, we saw through the Permanent Fund and the whole Alaska picture, about half of our revenue this year as a state came in from securities which were indeed the surrogates for all of the Fords and GMs we could not operate here in the state. We have come a long way in diversifying our revenue base and we will continue to do so as we continue to save money over the years. Right now we have perhaps $25 billion in investment capital and probably another $30 to $35 billion in natural resources that are untapped. We are fast approaching the fact where the asset base of Alaska is changing in a diversified way so that we can use it, as a people, out into the future.

We could have squandered all of the money, but indeed we had the foresight to be able to save a great deal and we have a political system that continues to save a great deal through special appropriations. Perhaps we could serve as an example how a single economy type entity can survive in a modern world by using its head and diversifying by the means we had.

**Performance measures need customization**

**ERIC WOHLFORTH:** Please comment further on how performance measurement can become a negative.

**BILL PRICE:** More and more of us on the institutional side are given discreet benchmarks against which to perform. If, for example, the Russell large-cap
growth index has, in the combination of tobacco and beverages, a 9.5% weighting in that benchmark, with Philip Morris alone being 4% to 4.5%, should a manager focus on that area in terms of relative returns by looking just at how much his or her benchmark is in that area, as opposed to what is the fundamental attractiveness of that particular area? I use Philip Morris as an example because we are all familiar with Philip Morris. It is a good news in that it is a money machine; it is phenomenally profitable; it has huge excess cash flows; it is relatively well-managed; and it is selling at a cheap price. Unfortunately, its products kill people so there are negative consequences that have to be addressed. There is an economic reality to killing people. You have legislation to dis-incent people to use your product. These are realities that ultimately affect the bottom line. I do not hear conversations about that. All I hear is conversations about whether we can afford not to own 4.5% of Philip Morris because that is what our benchmark says. One has this cognitive dissonance where we know this is not right. What we should be looking at is the quality of investments and what is good for the Permanent Fund over the longer period of time, rather than some arbitrarily decided weighting.

The same would be the case for technology. Technology is “X” percent in your benchmark, so you have to be there in technology. Well, technology means risky companies, new companies, older companies, and more and more we see actual alignment of managers protecting themselves by owning this much of this company and this much of that company because that is their benchmark as opposed to standing back and asking what makes sense over the longer term for the client.

**Benchmarks drive investment decisions**

**DAVE ROSE:** Let me just add to that on the fixed-income side. I mentioned earlier, for example, the potential choice of the Aggregate as the benchmark index for your in-house fixed-income people. Do you really want to have the Permanent Fund portfolio 30% in mortgages and the volatility they engender? I can guarantee you that if you levy the Aggregate as a benchmark, that is eventually where you will steer the investment program of the Fund. That does not necessarily bode well or ill, except that, in the history of the Fund, it has never had more than perhaps 10% mortgages or mortgage pass-thoughs. It has done very well at that level and it has been a very acceptable level in terms of my comments on a comfort zone. That is a typical example of how, if you set that kind of a benchmark, you are going to drive the investment program in an area in which you may not want it.

**Managers take signals from benchmarks**

**LAURA LUCKYN-MALONE:** It is a very important point and it is actually the reason behind the fact that our portfolio is measured against a customized benchmark rather than the more standard Morgan Stanley Pacific Ex-Japan. We felt that the Morgan Stanley Ex-Japan benchmark was a very narrow one and did not actually represent the best investment opportunity set you could make. Therefore, for us to be able to include the very exciting emerging portion of Asia, it was important explicitly to bring that into the benchmark, rather than a very narrow definition of what was an Asian portfolio.

I agree that the way the benchmark is constructed gives the manager their signal. We have always been very proactive in working with our clients, particularly when we are getting more involved in the emerging markets, to point out that you do not want to be caught in what is basically a reflection of the past and that you
want to have a benchmark that captures the opportunity for the future. It is important to talk to the client and argue for either an expansion of the benchmark or some sort of adjustment to it.

**Fund holdings can help open doors**

**CLARK GRUENING:** Alaska seems to be lagging somewhat in the national economy. It has been said we have a role in the Pacific Rim and we may have a role in bringing other types of industries to Alaska. Is there, in your experience, because of our ownership in the rest of the world now, some role the Fund can play in enhancing the economy, other than getting into the social area? Can we, by virtue of our ownership, leverage participation in the Alaska economy?

**CARL BRADY:** A number of years ago - before Windows - we talked about investing half-a-billion dollars in Bill Gates’ next development in exchange for developing the software package in Alaska and creating about 2,500 jobs. It happened to have been my idea, and I do not think it was too wild. I think those sorts of things have a lot of merit.

**DAVE ROSE:** I do not think you have hard leverage, but I think you do have leverage. Your stock ownership would probably earn you the courtesy of a meeting with members of a board, or the entire board of directors, at almost any time. They will let you in the door, but once you are in, you must have something worthwhile to sell and present. So, if Alaska does have something to sell in terms of a transportation hub or whatever, it can gain that access, but it has to sell its product once it gets in the door.

**Ownership brings its returns**

**CLARK GRUENING:** Should we increase our own percentage of any of the companies?

**DAVE ROSE:** I think the kind of ownership you now have gives you the courtesy to get in the door.

**CARL BRADY:** Five percent of anybody or anything is a significant amount.

**RICHARD BARKER:** It is the type of holder you represent, too. You are a very desirable holder of company stock today in a world where many managers actively turn over their portfolios. You are perceived as a longer-term investor, so I would echo the thought that you will get an audience, but when you get that audience, make sure you have a viable proposition or you will run out of currency fast.

**Benchmark a cooperative standard**

**MELPHINE EVANS:** Returning to the issue of benchmarks, how are we, as trustees, able to evaluate manager performance if there is no benchmark? What is the solution? What is the answer? What is the solution in terms of presenting to the Alaskan community that we are doing something that makes sense and investing in areas to bring long-term return and long-term stability for our Fund? How do you balance that problem? What do you do?

**BILL PRICE:** As fiduciaries, you unquestionably have the responsibility to establish benchmarks and measure managers according to those benchmarks. There is no question about that. I think the objective is to look more critically at the benchmarks and the appropriateness of those benchmarks in terms of your
overall interests and also in terms of how they complement your managers. Laura hit it on the head when she said they are creating a custom benchmark. To some extent, that is an interactive process with the managers to say, “Look, if you think this is too arbitrary, come to us and see how you would modify that benchmark that you think would ultimately benefit the Permanent Fund,” as opposed to being a slave to some sort of benchmark that is imposed by a consultant and really refers to some index somewhere.

There are all sorts of differences in the benchmark. I think the consultant community generally is now moving much more in this direction to look at new benchmarks and customization of benchmarks to take into account style, the make-up of the companies and risk parameters. They are forging new territory. It is really pretty exciting. I think this is very interactive. It involves you, your consultant, and your managers.

**Other agencies fill Alaska's development needs**

**PETER McDOWELL:** Some of us were involved in the discussion in the late 1970s about whether or not the Permanent Fund should be a development bank. At the time, the Permanent Fund was worth about $100 million or less. There was no discussion and, as far as I can remember, there was no forecast of ever having a Permanent Fund of this size. It might mean that we should engender another debate on the role of the Permanent Fund. We finally accepted that it should be a savings account, but that was when it was less than $1 billion, much less. It may be that this meeting could be the kick-off of a public policy debate by Alaskans to whether we should revisit some of the arguments that we presented in the late 1970s.

**DAVE ROSE:** One of the reasons I think the subject has not been revisited is because we built other institutions in Alaska to take the pressure off the Permanent Fund and off the retirement funds so that they would not be in the development area. That is one of the reasons we have a very strong Alaska Industrial Development and Export Authority; why we have a very strong Alaska Housing Finance Corporation; why we have a Bond Bank; and why we still have vestiges of the energy organization now vested in AIDEA. All of these, to some degree, served as blockers. Once the decision was made to not have the Permanent Fund become a development bank, it became incumbent upon a lot of us in the Alaska political and economic community to make sure that development need was met. Over the years, AHFC and AIDEA and some of the other alphabets have been stimulated so they will serve some of those purposes and shield the Permanent Fund from the development bank question.

If there are development needs that are not being met, they probably should not look toward the retirement funds or to the Permanent Fund, they should look to those alphabet agencies which were founded, equipped and nurtured to serve those needs.
The Panelists

Richard Barker
Richard Barker is chairman of the board of Capital Guardian Trust Company and Capital International Limited, as well as a director and member of the executive committee of the Capital Group Companies. He is also chairman of the investment committee and a portfolio manager with the Capital Guardian Trust Company with responsibility for U.S. equities. Mr. Barker received a Bachelor’s degree from Brown University. He is a member of the Financial Analysts Federation and is also a trustee of Brown University.

Carl Brady, Jr.
Carl Brady, Jr. is a former Permanent Fund Trustee who has spent the past 29 years as a principal manager and chief executive officer for several domestic insurance brokerages located in Anchorage. He is presently owner and chairman of the board of Brady and Company, Inc. He is a 1963 West Anchorage High School graduate and attended the University of Oregon and Alaska Methodist University. He is a member of the board of directors of the National Bank of Alaska, an honorary consul of Belgium in Alaska, a member of the board of directors of Hickel Investments and chairman of the board of Alaska Sales and Service. He is also a member of the Alaska State Chamber of Commerce, Anchorage Chamber of Commerce and the Rural Presidents Organization. He served as chairman of the Alaska Permanent Fund Corporation, chairman of the Alaskan of the Year Committee, president and director of the Boys and Girls Clubs of Alaska, a director of the Salvation Army, a director of the Cancer Society Board, and a charter member of the Aviation Hall of Fame.

Dale Fritz
Dale Fritz is a managing partner and the head of Brinson Partners’ portfolio coordination group. He is responsible for coordinating investment strategies and client portfolios throughout the world. He was a strategist and portfolio manager with another firm in the 1970s and served as chief investment officer of a major Wisconsin bank’s trust operation in the 1980s. He is a member of Brinson Partner’s senior investment committee, a member of the Investment Analyst Society of Chicago, and the International Society of Financial Analysts.

Laura Luckyn-Malone
Laura Luckyn-Malone is a managing director and senior vice president of Schroder Capital Management International. She is co-director of Schroder’s global emerging markets group and co-head of the Pacific Basin team. She also is chairman and president of Schroder Fund Advisors. She was vice president and portfolio manager of Scutter’s Japan Fund and the originator of Scutter’s New Age Fund. She started her investment career in 1980 at Cornell University’s endowment office where she was responsible for establishing an international diversification program. She received an MBA from Columbia University, Brighton School of Business, and a Bachelor degree with honors from the Newhampton College.
Bill Price
Bill Price joined RCM in 1977. He has been a principal since January of 1979. After graduating from Dartmouth College, he spent several years as an interpreter and cultural affairs officer for the U.S. Department of State. He became a graduate fellow and instructor of political science for the City University of New York. In 1970, he joined Donaldson Luftkin and Jenrette as an analyst and portfolio manager of its newly found subsidiary Alliance Capital Management, and managed several large state retirement system portfolios, as well as corporate, pension, and endowment funds. He joined RCM in December of 1977 as a member of the equity portfolio management team and coordinator of equity investment strategy and research. He now serves as the firm’s chief investment officer, as well as the chairman of the board and executive committee.

Dave Rose
Dave Rose holds a Bachelor of Science degree in accounting from Queens College in New York and an MBA degree from Syracuse University in Syracuse, New York. He is recognized statewide for his accomplishments in public administration, financial management and economic development. In 1992, Dave Rose founded the Alaska Permanent Capital Management Company, the first major money management firm in Alaska designed to serve Alaska’s institutional investors. In 1982, he was appointed as the first executive director of the Alaska Permanent Fund Corporation. In 1975, he was appointed as the first executive director of the Alaska Municipal Bond Bank. From 1961 to 1975, Dave worked for the U.S. Army in Alaska in a civilian capacity. He was a 1986 recipient of the Public Administrator of the Year, presented by the American Society of Public Administration, Southeast Alaska Chapter. He is a recipient of the coveted Goldenman Award in recognition for his service to youth. He served as chairman and is a member of the City of Anchorage Parks and Recreation Advisory Commission. He served as president of the Alaska Municipal League and as a member of the board of directors. He has also served as both campaign and transition team chair for the incumbent governor.

Jim Snyder
Jim Snyder is a founding principal of Kennedy Associates and has served as president and chief executive officer continuously since 1978. Mr. Snyder holds a juris doctorate degree from the University of Texas School of Law and a Bachelor of Science degree from the University of Colorado. He is a member of the Texas Bar Association and a licensed real estate broker in the state of Washington. In addition, he is co-founder and charter member of the pension real estate investment PREA and is an active member of the Urban Land Institute and the National Association of Industrial and Office Parks. He is responsible for tailoring strategic plans to fulfill specific client objectives and, as chief executive, is ultimately responsible for implementation of investment strategies for all of the accounts of the firm.