

Kenai Peninsula Borough
 Finance Department

MEMORANDUM

TO: Brent Johnson, Assembly President
 Members, KPB Assembly

THRU: Peter A. Micciche, Borough Mayor *PM*

FROM: Brandi Harbaugh, Finance Director *BH*

DATE: September 26, 2024

RE: Resolution 2024- 040, Approving the 2025 Asset Allocation for the Land Trust Investment Fund (Mayor)

Pursuant to KPB 5.10.200(A)(2) the financial asset investments of the Land Trust Investment Fund (LTIF) are approved annually by resolution. The asset allocation plan must specify categories of investments for the fund with percentage targets that allow for reasonable fluctuations above and below the target performance. Alaska Permanent Capital Management (APCM), the KPB’s Land Trust Fund Investment Manager, is not recommending changes to the current asset allocation for calendar year 2025. The current allocation is as follows:

Asset Class	Strategic Weight	Range
Risk Control	27.00%	
US Fixed Income	18.00%	8 - 28%
TIPS	2.00%	0 - 10%
International Bonds	5.00%	0 - 10%
Cash	2.00%	0 - 10%
Risk Assets	52.00%	
High Yield	5.00%	0 - 10%
US Large Cap	22.00%	12 - 32%
US Mid Cap	10.00%	5 - 15%
US Small Cap	5.00%	0 - 10%
International Equity	6.00%	0 - 12%
Emerging Markets	4.00%	0 - 8%
Alternatives	21.00%	
Real Estate	3.00%	0 - 6%

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Infrastructure	5.00%	0 - 10%
Commodities	3.00%	0 - 6%
Alternative Beta	10.00%	0 - 15%

The portfolio is projected to return 6.7% annualized for the next ten years. The risk of the portfolio is measured in standard deviation from the expected rate of return. One standard deviation is equal to approximately 68% of all possible outcomes and two standard deviations is equal to approximately 95% of all possible outcomes. In any given one-year period, the strategic asset allocation adopted is expected to return between -3.2% and 17.5%, with an average one-year return of 7.2%. 95% (two standard deviations) of the time, the portfolio is expected to return between -11.8% and 29.1% in any given one-year period.

APCM notes that the strategic asset allocation adopted by the Assembly is a more conservative allocation compared to most perpetual time-horizon, permanent fund-type investments while maintaining strong exposure to growth. Given the allowable appropriations levels of the KPБ’s Land Trust Investment Fund, APCM further notes that remaining as conservative as possible while still exposed to growth sufficient to meet a 3.75% to 4.25% annual sustainable spending rate is the most prudent path forward for the KPБ.

Your consideration is appreciated.