

Kenai Peninsula Borough
Finance Department

MEMORANDUM

TO: Ryan Tunseth, Assembly President
Members, KPB Assembly

THRU: Peter A. Micciche, Mayor *PAM*

FROM: Brandi Harbaugh, Finance Director *BH*

DATE: November 6, 2025

RE: Resolution 2025- 041 , Designating the Investment and Allocation Plan for the Borough’s Land Trust Investment Fund and Establishing Appropriate Benchmarks to Measure Performance as of December 1, 2025 and for the Calendar Year 2026 (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 2026. 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%	

Page -2-
October 6, 2025
Re: R2025-041

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

The portfolio is projected to return 6.6% 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 -3.5% and 17.8%, with an average one-year return of 7.1%. 95% (two standard deviations) of the time, the portfolio is expected to return between -14.2% and 28.4% 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 KPB’s Land Trust Investment Fund, APCM further notes that remaining as conservative as possible while still exposed to growth sufficient to meet a 3.8% to 4.4% annual sustainable spending rate is the most prudent path forward for the KPB.

Your consideration is appreciated.