



**Global Asset
Management**

Kenai Peninsula Borough, Alaska

Quarterly Portfolio Review

February 14, 2017

Scott Cabalka

VP, Institutional Portfolio Manager

Proposed Agenda

- RBC GAM Firm Overview
- Market Review and Economic Discussion
- Portfolio Review and Forecast for 2017

RBC GAM-US Firm Overview

RBC Global Asset Management

We are single-mindedly focused on our clients

- Service mindset pervades our organization
- Different clients, unique needs, relevant solutions

Our investment teams are specialized and strengthened by global infrastructure

- Disciplined approach and accountable for delivering client performance
- Shared philosophy and a long-term focus on generating alpha

Our ownership enhances our business

- One of the highest rated and largest banks in the world*
- Investment in our business has allowed for funding new product development, capital for key hires and strategic acquisitions

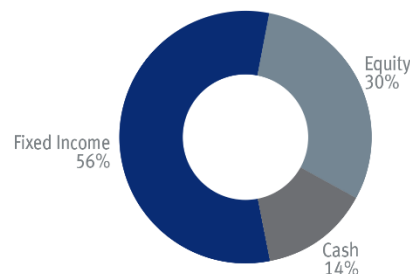
**Ratings: S&P: AA-, Moody's: Aa3 (Bloomberg, 9.30.16). Ranked 5th largest bank in North America and 11th globally based on market capitalization (Bloomberg, 9.30.16). All other data in U.S. dollars as of 9.30.16.*

***By client location*

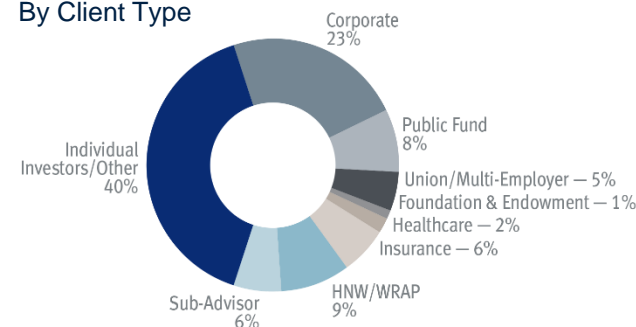
RBC Global Asset Management ("RBC GAM") is the asset management division of Royal Bank of Canada ("RBC") which includes RBC Global Asset Management (U.S.) Inc. ("RBC GAM-US") and several separate, but affiliated corporate entities. Refer to Disclosures page for more information on RBC GAM and its affiliates.

Over \$300 billion in AUM

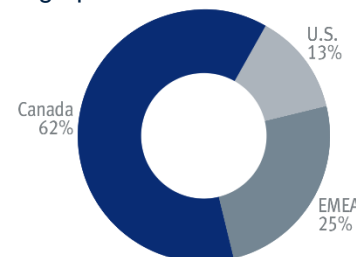
By Asset Class



By Client Type



By Geographical Location**



Our Global Presence

RBC Global Asset Management

Minneapolis
US Fixed Income

Boston
U.S. Equities
Impact Investing

Chicago
US Equities

Vancouver
PH&N
Canadian Equities
Canadian Fixed Income
High Yield Bonds

Toronto
Canadian Equities
Global Resources/
Precious Metals

BlueBay
Global Credit
Alternatives

London
Emerging Market Equities
Global Equities
European Equities

Hong Kong
Asian Equities

Not all strategies are available in the US

- 21 specialist investment teams
- Diverse and global set of investment capabilities
- Strengthened by access to global tools and resources

- Over 300 investment professionals
- 52% institutional assets

As of 9.30.16

The Fixed Income Team

Focus and Integration

Investment team empowered to excel through research-focused, sector-team structure

Institutional Portfolio Managers provide continuous review and client communication

Lead Portfolio Managers and Sector Teams average 20 years of experience

Mike Lee, CFA Chief Executive Officer, President & Chief Investment Officer			
Lead Portfolio Managers			Risk Management
Brian Svendahl, CFA Co-Head, U.S. Fixed Income		Brandon Swensen, CFA Co-Head, U.S. Fixed Income	Joshua Howard, CFA Director of Investment Risk
Sector Teams			Edith Lotterman, CFA Senior Performance Analyst Tiffany Knutson Senior Performance Analyst Michael Scheel Performance Analyst Steven Azar Senior Investment Risk Analyst Patrick Sonmene Investment Risk Analyst Sydney Seydel Investment Risk Analyst Joe Taffe Operational Risk Analyst
Municipal Research	Government & Mortgage Research	Credit Research	
Raye Kanzenbach, CFA Senior Portfolio Manager Laurie Mount Analyst	Scott Kirby Senior Portfolio Manager Eric Hathaway, CFA Portfolio Manager Valinie Dayaljee Junior Analyst	Jake Rath, CFA Portfolio Manager James Weinand, CFA Portfolio Manager Alexey Baskakov, CFA Senior Analyst John Northup, CFA Analyst Matt Mueller, CFA Analyst	
Institutional Portfolio Managers / Client Service			
John Utter Head of Institutional Client Service – U.S.	Chris Boppre Associate Portfolio Manager Scott Cabalka Institutional Portfolio Manager	Amy Carlson Associate Portfolio Manager Randy Harrison, CFA Institutional Portfolio Manager	Stacy Johnson, CFA Institutional Portfolio Manager Bridget Tompkins Client Service Manager
Investment Policy Compliance			
Eric Smith Manager, Operations	Garret McConnach Senior Investment Policy Analyst	Jennifer Sutton Senior Investment Policy Analyst	Tracy Hubert Senior Reference Data Analyst

As of 2.1.17

Market Review

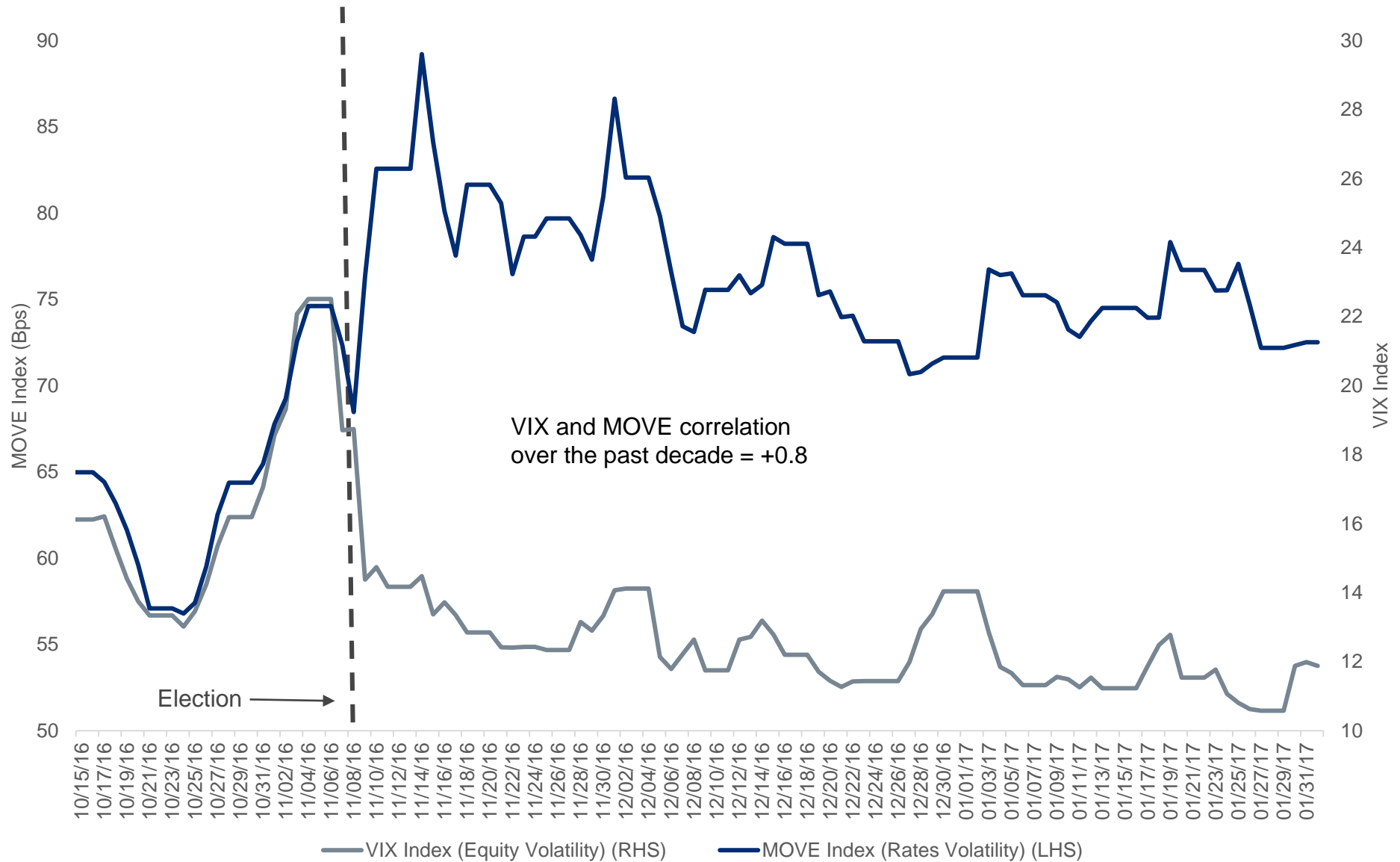
Elevated Volatility & Uncertainty - Post-Election

Issues impacting the bond market

- Lower taxes
- Lower regulations
- Infrastructure and defense spending
- Immigration reform
- Trade reform
- Federal Reserve
- Strong dollar
- Geo-political (European 2017 Elections)

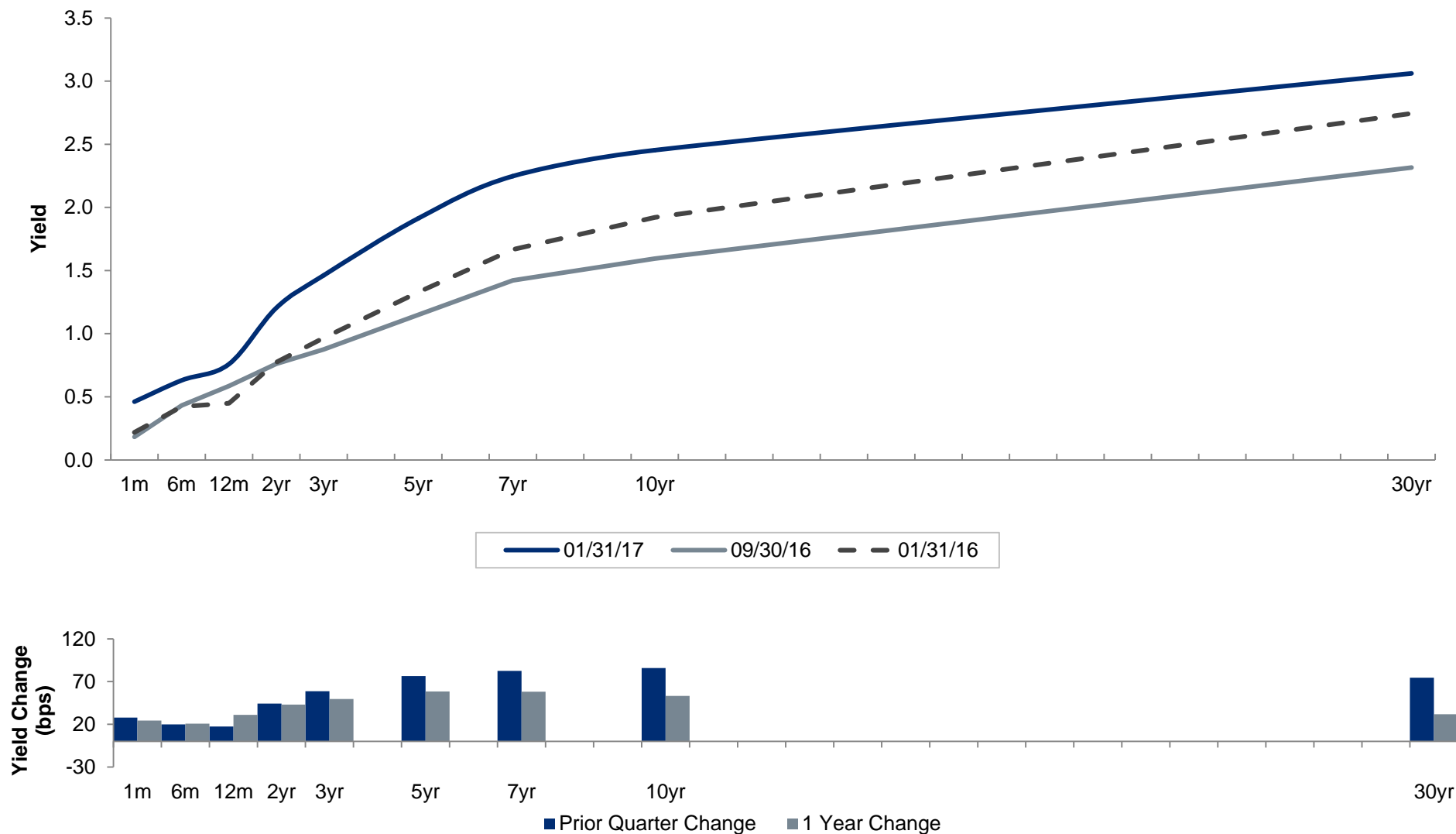
Updated as of January 2017

Volatility Indicators Diverged Post-Election



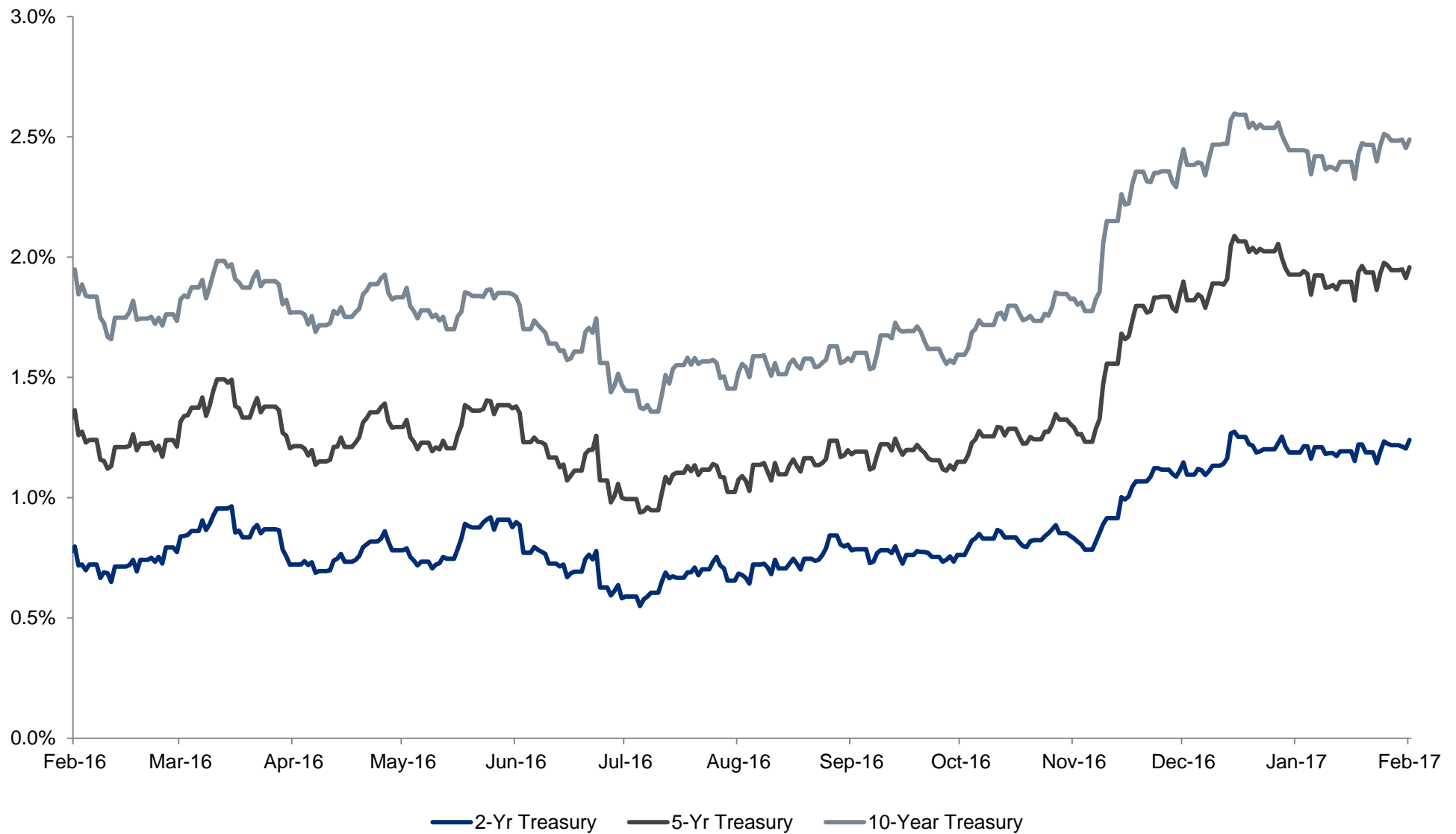
As of 1.31.17
 Source: Bloomberg, Deutsche Bank

U.S. Treasury Curve Over the Past Year



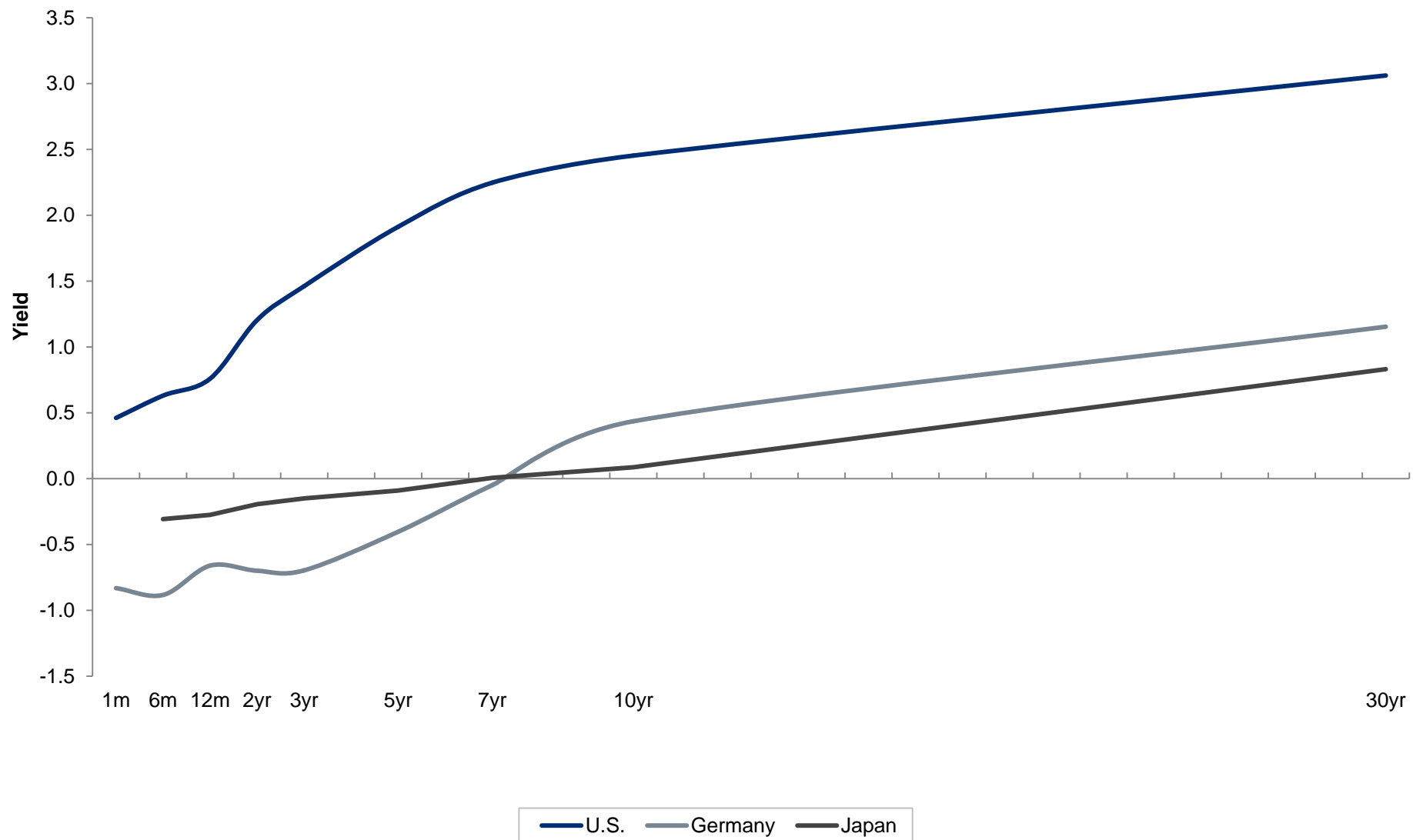
As of 1.31.17
Source: Bloomberg

2-Year/5-Year/10-Year Treasury Yields



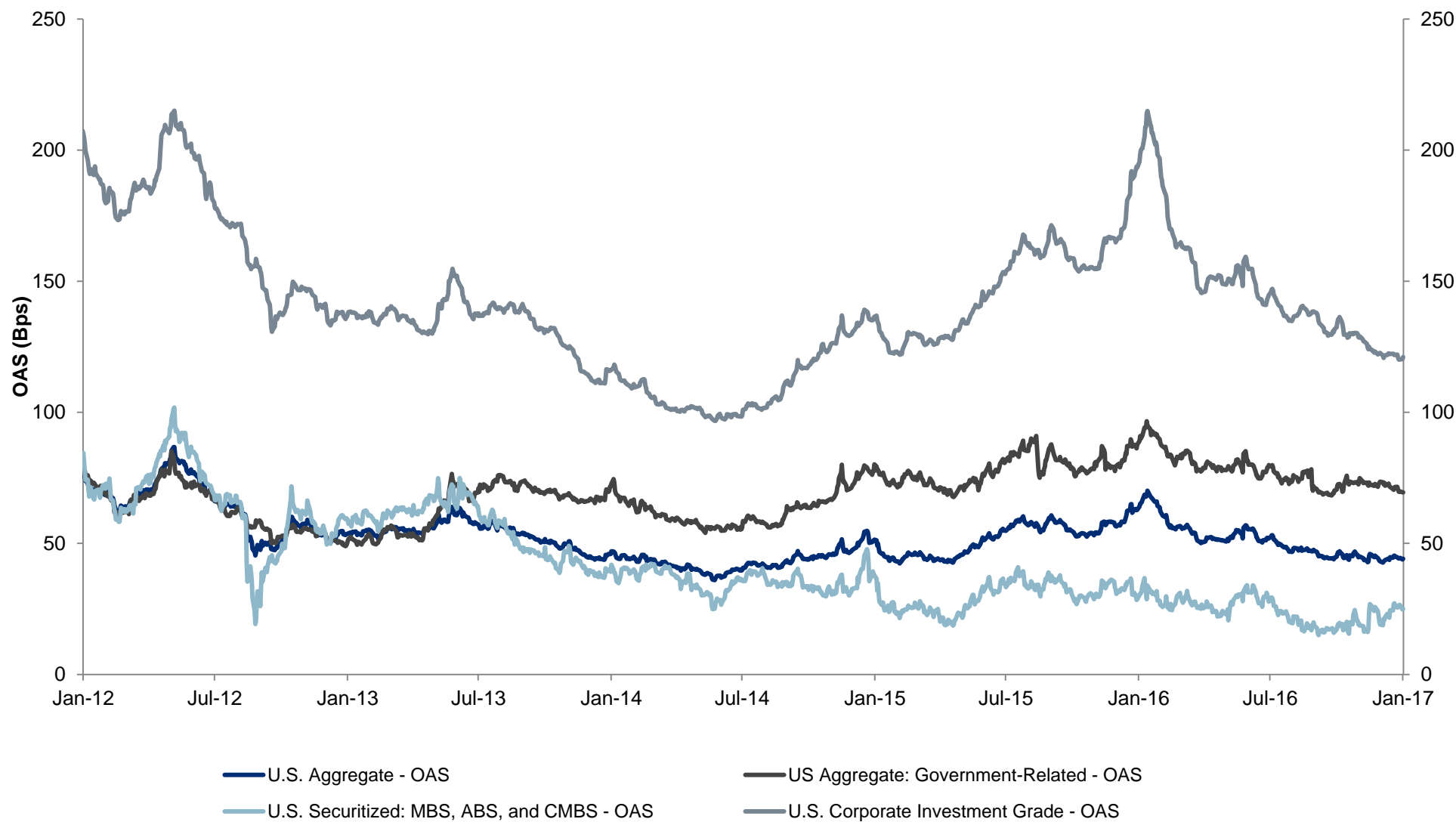
As of 1.31.17
Source: Bloomberg

Yield Curves for Debt of the U.S., Germany and Japan



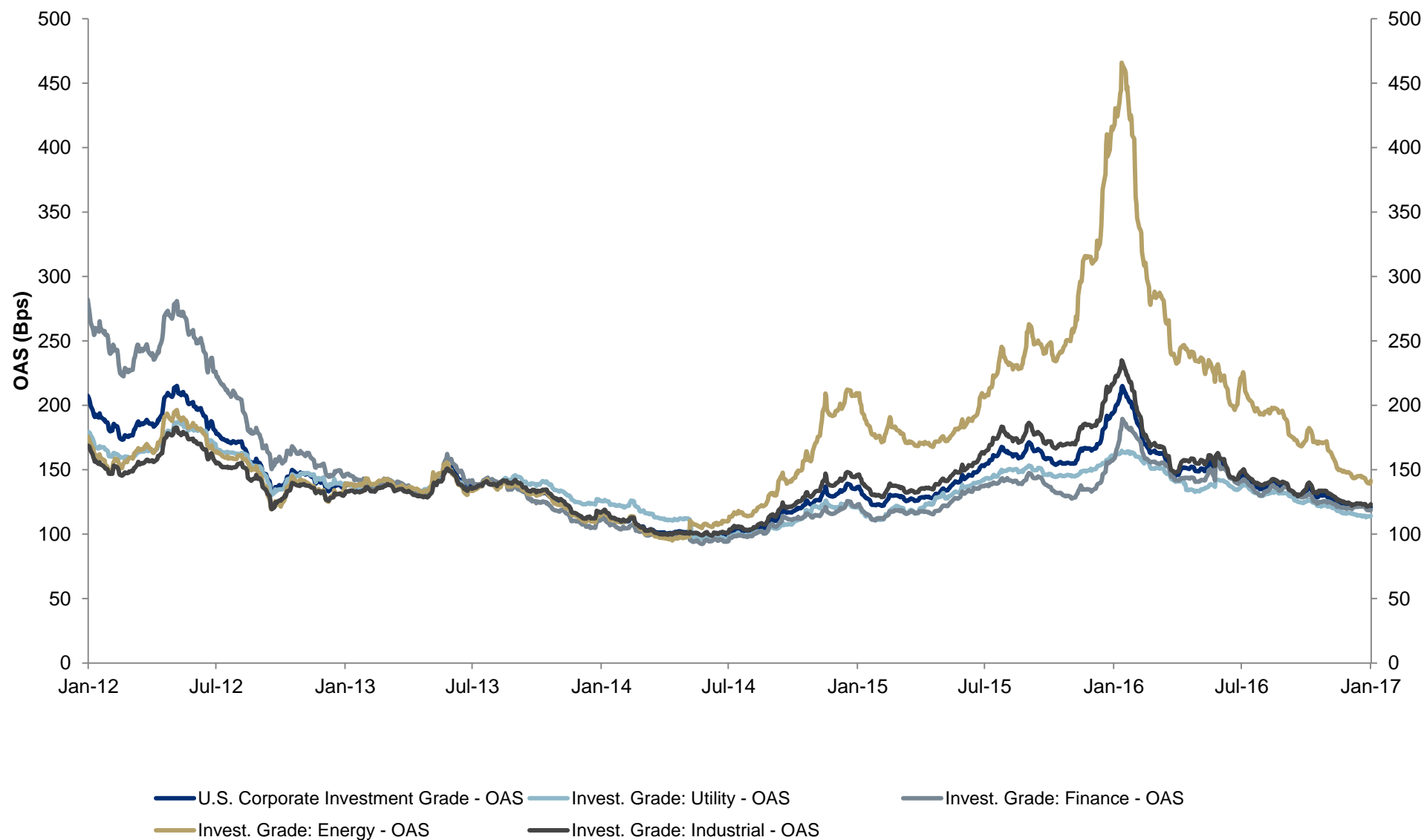
As of 1.31.17
Source: Bloomberg

U.S. Aggregate Option Adjusted Spread (bps)



As of 1.31.17
Source: Bloomberg

U.S. Corporate Investment Grade OAS (bps)



As of 1.31.17
Source: Bloomberg

Outlook for the Year Ahead - Elevated Volatility & Uncertainty

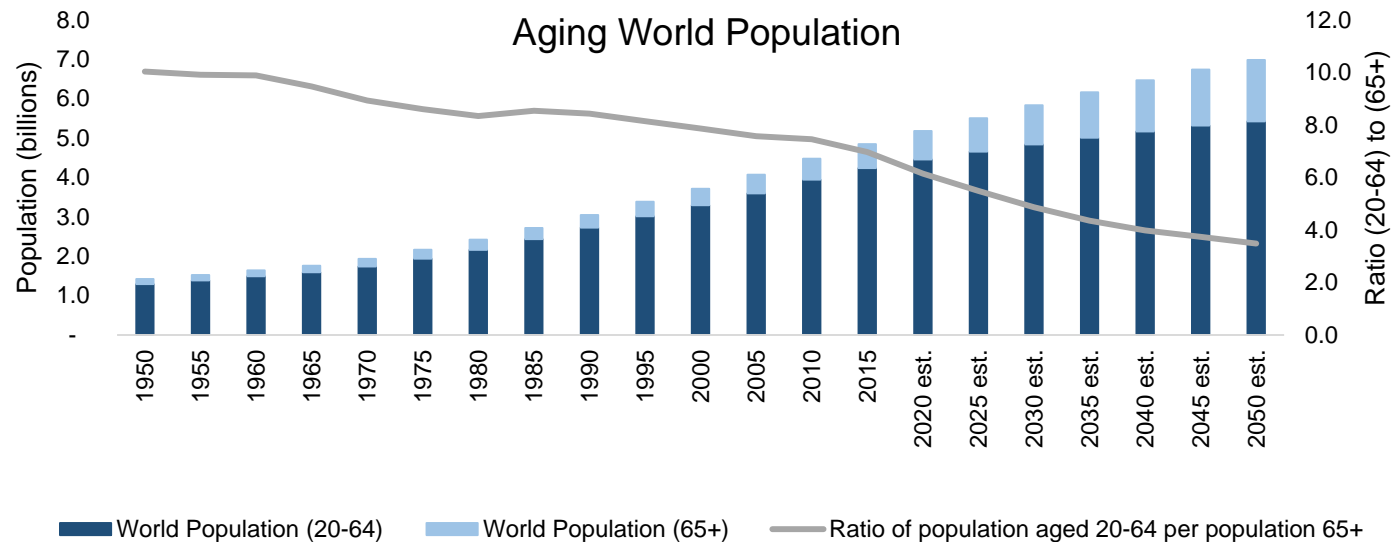
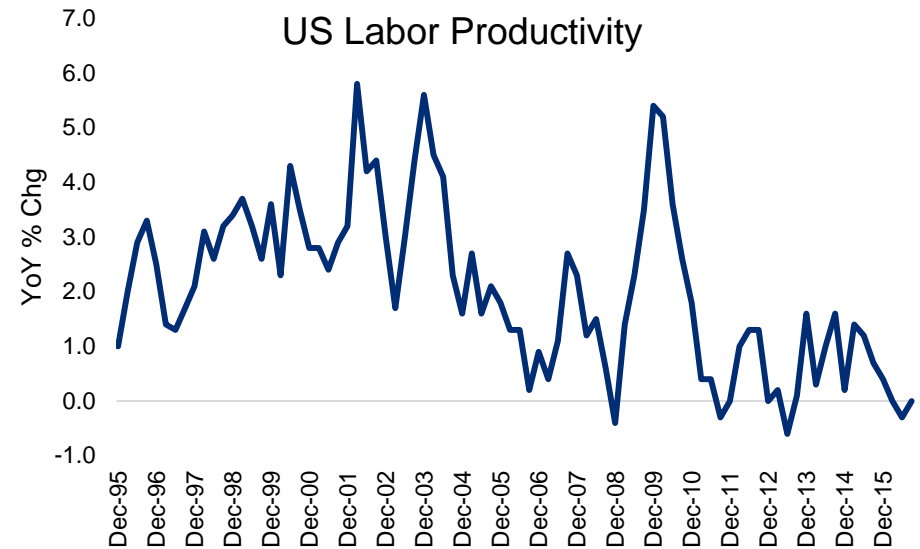
Timing and scale of these two outcomes drives the trajectory of the Fed and the pace of inflation:

- **Fiscal stimulus – positive for short-term growth**
 - *Strong congressional support to reduce corporate and individual taxes*
 - *Stimulates for growth but negative for the deficit*
 - *Implementing additional fiscal stimulus (infrastructure spending, defense, etc.) is more challenging*
- **Immigration and Trade – negative for growth**
 - *Reduced supply of labor creates wage pressure*
 - *Removes labor growth as an input to organic growth*
 - *Tariffs or other reductions in free trade are negative to growth*

Medium-Term Headwinds for Growth

The most recent increases in rates and short-term growth prospects reflect anticipated fiscal stimulus and tax reforms which will likely only benefit growth in the near-term.

Over medium-to-long-term aging demographics and decreased labor productivity are potential headwinds that will anchor rates and inhibit economic growth.



As of 12.31.16

Source: United Nations (Department of Economic and Social Affairs), US Bureau of Labor Statistics

Federal Reserve and Rate Expectations

Fed

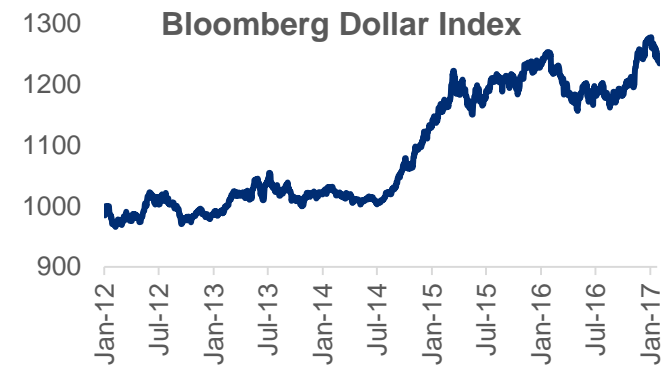
- More hawkish in tone - but it may take more time than they think
- Elevated uncertainty is a reason to be measured

Factors keeping rates low

- Strong US Dollar – functions as a monetary tightening
- Demographic headwinds
- Accommodative central banks in Europe and Asia

Factors pushing rates higher

- Growth prospects improving – Fiscal stimulus improves Fed Model
- Inflation expectations rising – 10-year Breakevens rising

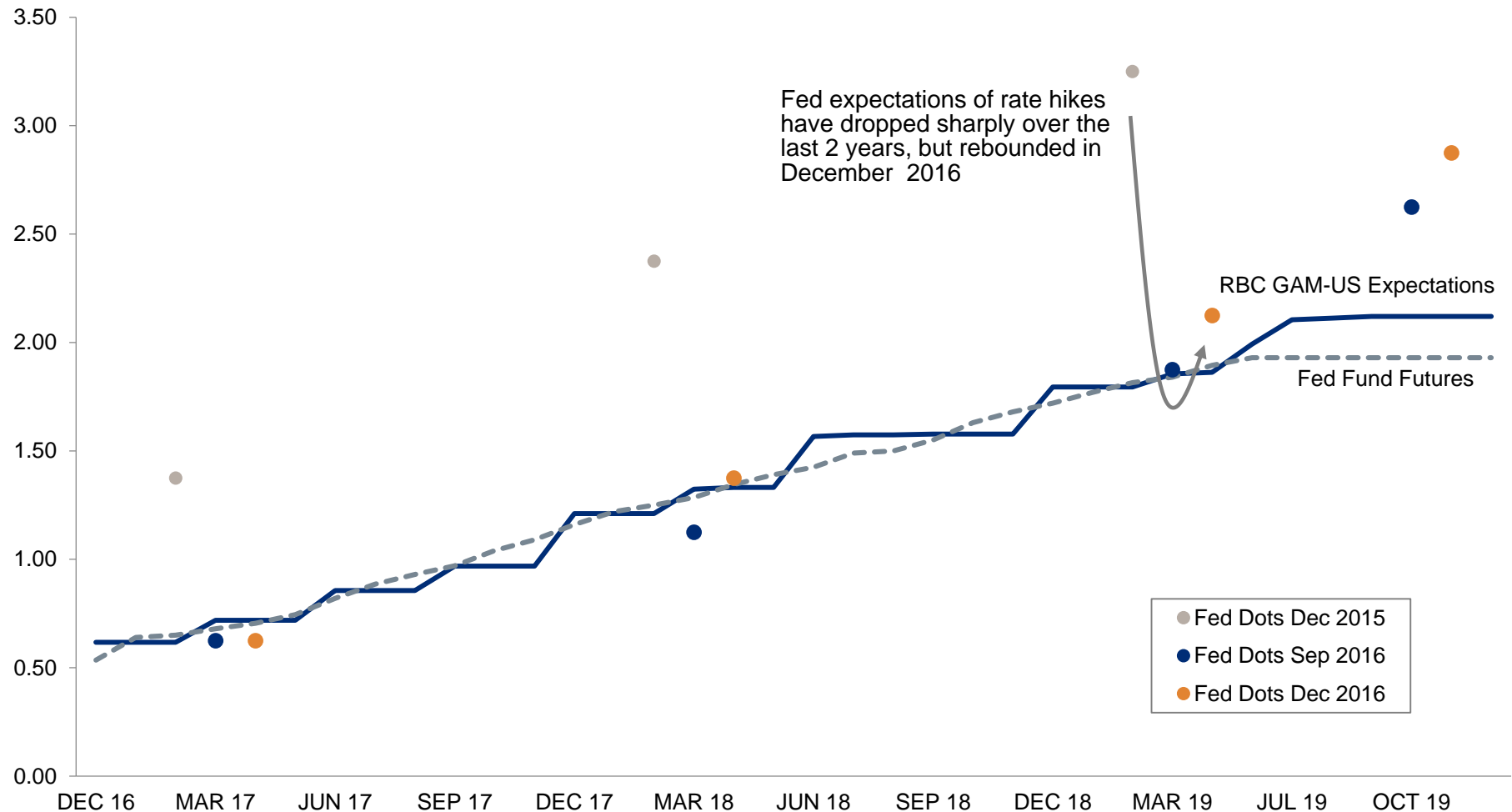


Slow Fed not off the table with strong USD and Rates headwinds coupled with high uncertainty around timing and impact of changes

As of 1.31.17

Source: RBC GAM, Bloomberg

Expected Path of Fed Funds



As of 12.31.16 Source: Bloomberg, The Federal Reserve, RBC GAM-US. Past performance is not indicative of future results.

Fed Dots: Each quarter, FOMC participants are asked to assess appropriate monetary policy. Each "blue dot" indicates the average value (rounded to the nearest 1/8 percentage point) for all FOMC participants judgment of the midpoint of the appropriate target range for the federal funds rate at the end of the specified calendar year or over the longer run. Weighted average of FOMC participant responses at the previous FOMC meeting (<http://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>).

RBC GAM-US Expectations / Model Rates are based on projected economic, geo-political and market conditions. Views of RBC Global Asset Management are as of the date of publication and are subject to change without notice. The information is not a guarantee of future rates and actual results may differ materially from those described as a result of various factors.

Post Election – Credit Market Implications

Sector	Overall Impact	Fiscal Policy	Regulations	Trade
Financials	Green	Green	Green	Yellow
Industrials	Yellow	Green	Yellow	Red
Energy	Yellow	Yellow	Green	Yellow
Health Care	Yellow	Green	Yellow	Red
Consumer	Yellow	Green	Yellow	Red
Communications	Green	Green	Green	Yellow
Technology	Yellow	Green	Yellow	Red
Utilities	Yellow	Yellow	Green	Yellow

Fiscal Policy: The majority of the benefit is from lower corporate and individual income taxes.

Regulations: Expectations are for a reduction in business regulations including:

- 1) Rolling back some of the Dodd-Frank rules on the banking sector
- 2) Lower restrictions on domestic energy production and potential for exports
- 3) Reduced oversight in telecommunications
- 4) A weaker EPA; providing more flexibility for utility companies to use coal

Trade: Talk of tariffs and altering trade deals is negative as it increases costs and reduces flexibility

Immigration and Foreign Policy are also potential factors for credit, but there is too much uncertainty to handicap

Economic Outlook

Previous outlook may be revised higher... but is contingent upon stimulus initiatives preceding geo-political or trade war event

Outlook

- *Domestic Growth:* 2.0% - 2.25% Real U.S. GDP in 2017
- *Close to Full Employment:* Jobs growth has been solid
- *Inflation:* Expectations on the rise – is it from domestic growth or a result of trade reform?
- *Monetary Policy:* USD strength and global economic outlook is limiting the Fed's ability to raise rates
- *Market Volatility:* Very high for near future

Risks to Outlook

- Deterioration of geo-political issues - Global populism rising
- Monetary policy error by the Fed (should they move too fast)
- Growth accelerates with Trump, Fed is behind and rates spike further

Updated as of January 2017

Portfolio Review

Portfolio Performance

Kenai Peninsula Borough

	YTD 2016	4Q 2016	3Q 2016	2Q 2016	1Q 2016	1 Year	3 Years	5 Years	Since Inception (1.1.10)
Total Portfolio (Gross of Fees*)	1.42	-0.99	-0.04	0.79	1.67	1.42	1.45	1.30	2.05
Total Portfolio (Net of Fees*)	1.33	-1.01	-0.06	0.77	1.64	1.33	1.36	1.21	1.95
Income Return	1.80	0.47	0.45	0.44	0.43	1.80	1.65	1.76	2.01
Principal Return	-0.37	-1.45	-0.49	0.35	1.24	-0.37	-0.20	-0.45	0.04
BofAML 1-5 Year AAA-A US Corp/Gov	1.30	-1.05	-0.07	0.87	1.56	1.30	1.26	1.17	1.82

*** Management Fees:**

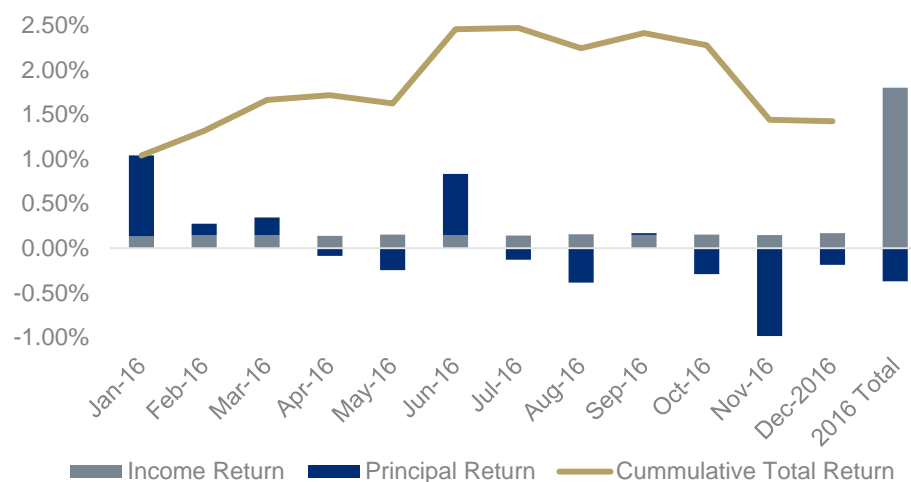
9 basis points on the first \$50 million assets under management

7 basis points on the next \$50 million assets under management

6 basis points for assets exceeding \$100 million

Current Term of Investment Agreement: 12.1.2014 through 11.30.2017.

Income vs Principal Return



As of 12.31.16

Source: RBC GAM-US, BofA Merrill Lynch

All returns for periods greater than one year are shown on an annualized basis. Past performance is not indicative of future results.

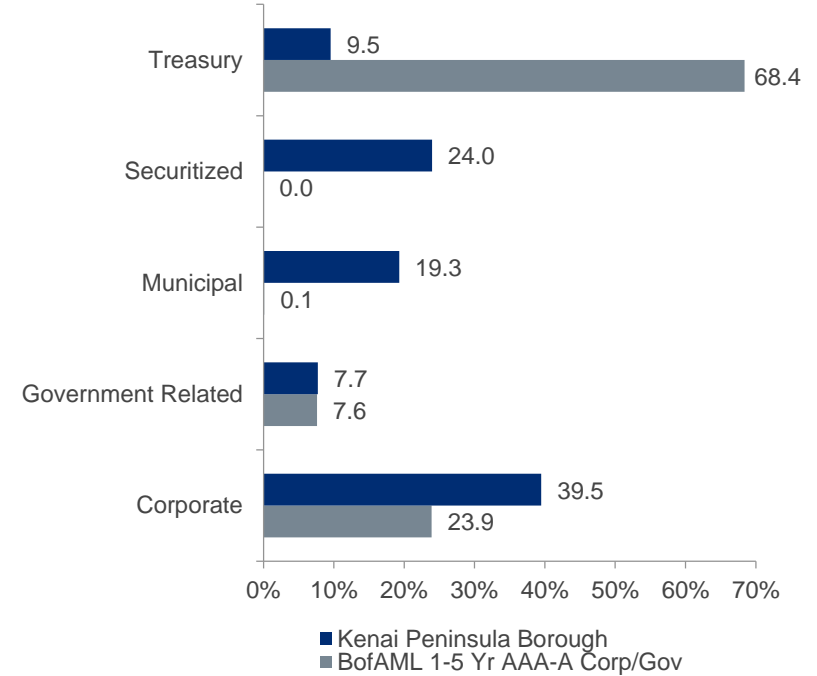
Portfolio Characteristics

Kenai Peninsula Borough

Market Value: \$102,090,509

Characteristics	Kenai Peninsula Borough	BofAML 1-5 Year AAA-A Corp/Gov
Effective Duration	2.58 years	2.62 years
Market Yield	1.75%	1.58%
Average Quality	AA+	AA+
Convexity	0.08	0.09
OAS	38	18
Spread Duration	2.43	0.81

Sector Distribution



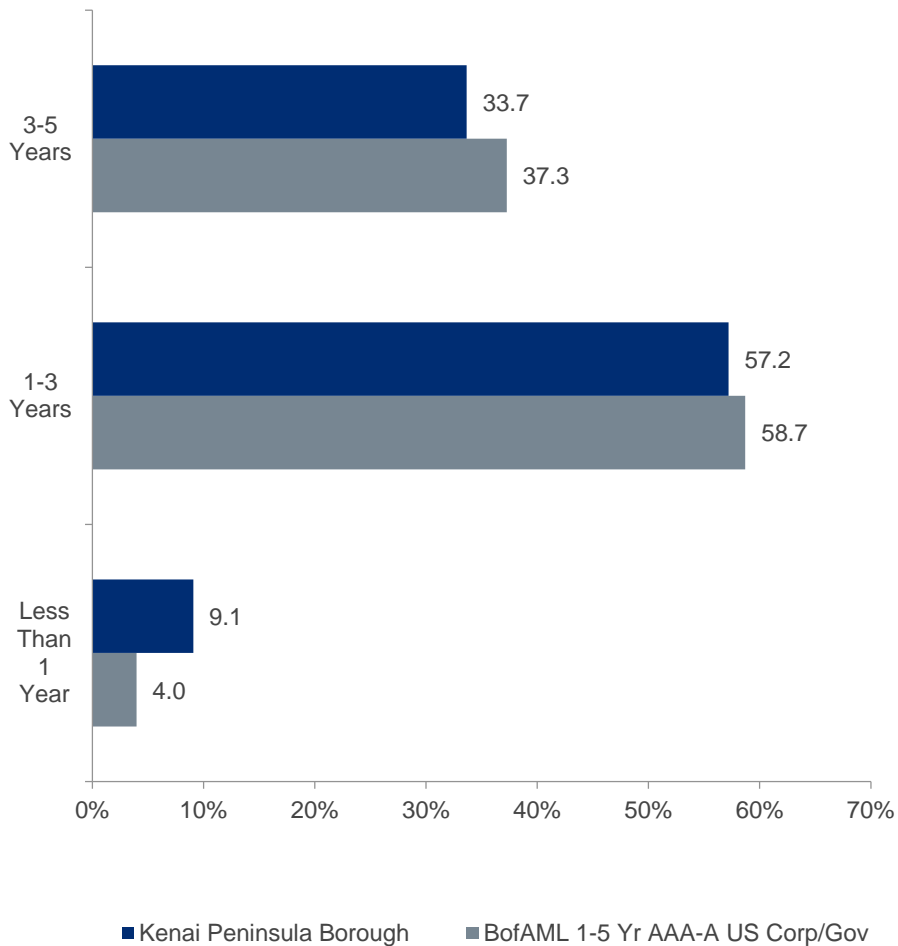
As of 12.31.16

Source: RBC GAM-US, BofA Merrill Lynch, Sector Distribution is presented ex-cash

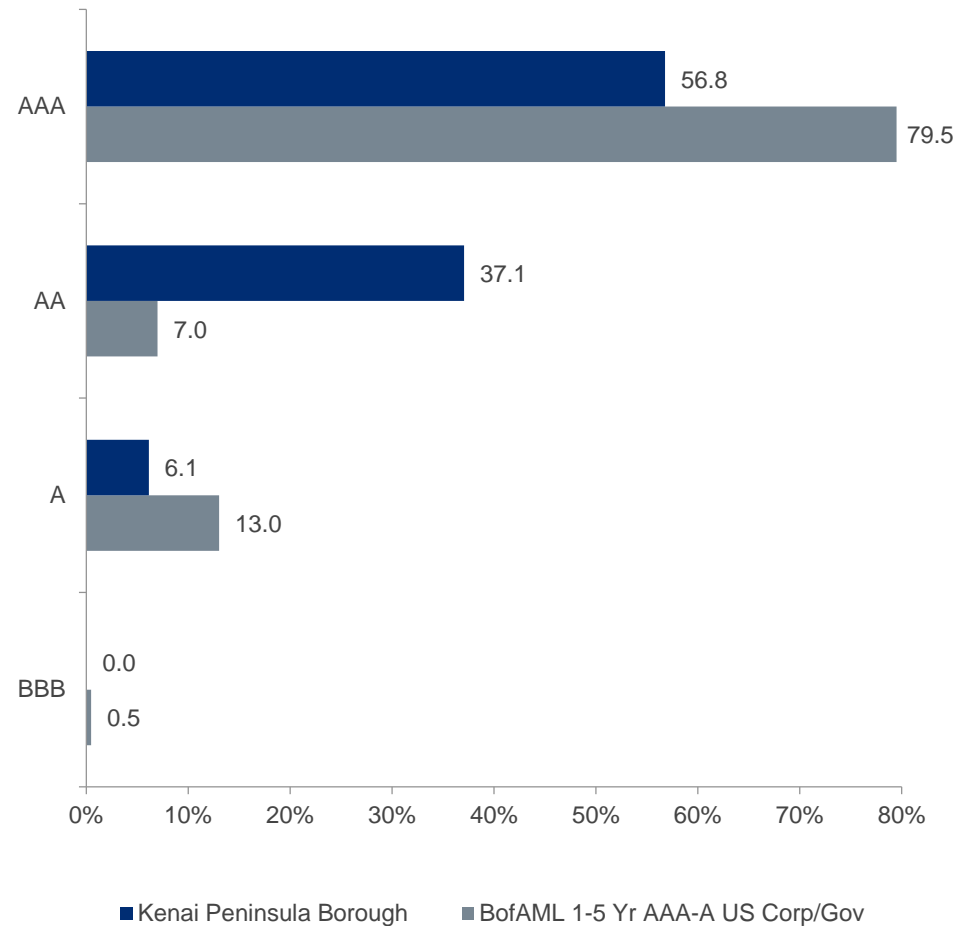
Portfolio Characteristics

Kenai Peninsula Borough

Duration Distribution



Credit Quality Distribution



As of 12.31.16

Source: RBC GAM-US, BofA Merrill Lynch, Maturity and Credit Quality distributions are presented ex-cash

Appendix

Portfolio Holdings as of December 31, 2016

Kenai Peninsula Borough

Moody's/S&P Fitch	Trade Date	Asset ID	Quantity (Par)	Security Description	Cpn	Maturity Date	Amortized Cost	Market Value	Amortized Unrealized Gain/Loss	Accrued Income	Avg Life	Dur	Mkt Yield	Pct Assets
Cash & Equivalents														
		CASHUSD	1,645,825	US DOLLARS			1,645,824.87	1,645,824.87	0.00	0.00	0.00	0.00	0.20	1.61%
Subtotal							1,645,824.87	1,645,824.87	0.00	0.00	0.00	0.00	0.20	1.61%
Corporate														
Aa3/A A+	08/13/15	842400GB3	845,000	Southern California Edison Co	1.13	05/01/17	844,927.16	845,110.70	183.54	1,584.38	0.33	0.33	1.07	0.83%
A1/AA- AA	09/08/14	90331HMH3	1,000,000	US Bank NA/Cincinnati OH Call 08/11/17	1.38	09/11/17	999,868.56	1,000,796.00	927.44	4,201.39	0.69	0.69	1.32	0.98%
Aa3/AA- A	01/07/15	89236TCA1	1,175,000	Toyota Motor Credit Corp	1.45	01/12/18	1,174,437.84	1,175,340.75	902.91	7,998.16	1.02	1.01	1.47	1.15%
Aa2/AA A+	02/10/14	084670BH0	2,000,000	Berkshire Hathaway Inc	1.55	02/09/18	2,001,929.66	2,004,032.00	2,102.34	12,227.78	1.11	1.09	1.39	1.96%
A1/AA- NA	09/14/16	17275RAU6	3,000,000	Cisco Systems Inc	1.65	06/15/18	3,022,681.95	3,009,051.00	-13,630.95	2,200.00	1.45	1.43	1.44	2.95%
Aa3/AA- A	07/08/15	89236TCP8	1,000,000	Toyota Motor Credit Corp	1.55	07/13/18	999,560.02	999,751.00	190.98	7,233.33	1.53	1.50	1.57	0.98%
A1/AA- NA	09/21/16	88579YAP6	1,210,000	3M Co	1.38	08/07/18	1,215,671.72	1,209,587.39	-6,084.33	6,655.00	1.60	1.57	1.40	1.18%
Aa3/AA- NR	10/07/15	19416QED8	2,150,000	Colgate-Palmolive Co	1.50	11/01/18	2,161,241.00	2,154,693.45	-6,547.55	5,375.00	1.84	1.80	1.38	2.11%
Aaa/AAA AA+	10/29/15	594918BF0	1,000,000	Microsoft Corp	1.30	11/03/18	999,382.14	999,201.00	-181.14	2,094.44	1.84	1.81	1.33	0.98%
Aa2/AA- NA	11/09/15	166764BA7	1,000,000	Chevron Corp	1.79	11/16/18	1,000,000.00	1,003,804.00	3,804.00	2,237.50	1.88	1.84	1.53	0.98%
Aaa/AAA AA+	12/06/13	594918AV6	2,000,000	Microsoft Corp	1.63	12/06/18	1,992,070.13	2,011,190.00	19,119.87	2,256.94	1.93	1.90	1.34	1.97%
Aa2/AA AA	02/24/16	931142CP6	2,000,000	Wal-Mart Stores Inc	4.13	02/01/19	2,114,369.59	2,100,800.00	-13,569.59	34,375.00	2.09	1.97	1.69	2.06%
Aa1/AA+ NA	02/16/16	037833BQ2	1,000,000	Apple Inc	1.70	02/22/19	999,877.59	1,001,894.00	2,016.41	6,044.44	2.14	2.09	1.61	0.98%
Aaa/AAA AAA	02/25/16	478160BR4	2,200,000	Johnson & Johnson	1.13	03/01/19	2,199,808.55	2,182,342.80	-17,465.75	8,250.00	2.16	2.13	1.50	2.14%

* Variable Rate Coupon



Portfolio Holdings as of December 31, 2016

Kenai Peninsula Borough

Moody's/S&P Fitch	Trade Date	Asset ID	Quantity (Par)	Security Description	Cpn	Maturity Date	Amortized Cost	Market Value	Amortized Unrealized Gain/Loss	Accrued Income	Avg Life	Dur	Mkt Yield	Pct Assets
Corporate														
Aa2/AA A+	03/08/16	084664CG4	1,600,000	Berkshire Hathaway Finance Corp	1.70	03/15/19	1,599,100.60	1,598,582.40	-518.20	8,008.89	2.20	2.15	1.71	1.57%
Aaa/AA+ NA	03/17/14	30231GAD4	2,000,000	Exxon Mobil Corp Call 02/15/19	1.82	03/15/19	2,000,000.00	2,003,282.00	3,282.00	10,711.89	2.20	2.13	1.70	1.96%
Aa2/AA- AA	05/25/16	94988J5D5	2,000,000	Wells Fargo Bank NA	1.75	05/24/19	1,999,301.47	1,990,330.00	-8,971.47	3,597.22	2.39	2.34	1.92	1.95%
Aa3/AA- A+	05/25/16	191216BV1	2,000,000	Coca-Cola Co/The	1.38	05/30/19	1,998,868.83	1,986,710.00	-12,158.83	2,291.67	2.41	2.37	1.63	1.95%
Aa1/AA+ NA	07/28/16	037833CB4	1,000,000	Apple Inc	1.10	08/02/19	999,133.34	985,060.00	-14,073.34	4,491.67	2.59	2.53	1.69	0.96%
Aaa/AAA AA+	08/01/16	594918BN3	1,000,000	Microsoft Corp	1.10	08/08/19	999,103.37	986,553.00	-12,550.37	4,369.44	2.60	2.55	1.65	0.97%
Aa3/A+ AA-	09/20/16	48125LRG9	3,000,000	JPMorgan Chase Bank NA	1.65	09/23/19	2,997,213.13	2,970,159.00	-27,054.13	13,475.00	2.73	2.65	1.96	2.91%
Aa3/AA- A	10/13/16	89236TDH5	1,000,000	Toyota Motor Credit Corp	1.55	10/18/19	999,533.23	987,896.00	-11,637.23	3,143.06	2.80	2.72	2.00	0.97%
Aa2/AA- AA	12/01/16	94988J5G8	2,500,000	Wells Fargo Bank NA	2.15	12/06/19	2,496,620.64	2,498,450.00	1,829.36	3,434.03	2.93	2.83	2.26	2.45%
Aaa/AA+ NA	03/12/15	30231GAG7	2,000,000	Exxon Mobil Corp Call 02/06/20	1.91	03/06/20	2,002,880.12	1,997,904.00	-4,976.12	12,215.56	3.18	3.07	1.98	1.96%
Subtotal							39,817,580.64	39,702,520.49	-115,060.15	168,471.79	2.07	2.02	1.64	38.89%
Government Related														
Aaa/AA+ AAA	09/23/16	3137EAEC9	3,000,000	Federal Home Loan Mortgage Corp	1.13	08/12/21	2,971,879.43	2,888,271.00	-83,608.43	13,031.25	4.61	4.49	1.97	2.83%
Aaa/AA+ AAA	09/20/16	3135G0N82	5,000,000	Federal National Mortgage Association	1.25	08/17/21	4,978,526.72	4,832,350.00	-146,176.72	22,916.67	4.63	4.49	2.01	4.73%
Subtotal							7,950,406.15	7,720,621.00	-229,785.15	35,947.92	4.62	4.49	2.00	7.56%
Municipal														
Aa1/AA+ AA+	09/06/12	677521HV1	500,000	State of Ohio	3.33	08/01/17	506,320.28	506,260.00	-60.28	6,933.33	0.59	0.59	0.79	0.50%

* Variable Rate Coupon



Portfolio Holdings as of December 31, 2016

Kenai Peninsula Borough

Moody's/S&P Fitch	Trade Date	Asset ID	Quantity (Par)	Security Description	Cpn	Maturity Date	Amortized Cost	Market Value	Amortized Unrealized Gain/Loss	Accrued Income	Avg Life	Dur	Mkt Yield	Pct Assets
Municipal														
A1/A+ NA	10/23/14	725209KS8	950,000	City of Pittsburgh PA	1.34	09/01/17	950,000.00	951,415.50	1,415.50	4,252.83	0.67	0.67	1.14	0.93%
Aa2/AA- NA	04/23/15	472736U54	1,000,000	Jefferson County School District R-1	1.15	12/15/17	1,000,000.00	999,930.00	-70.00	511.11	0.96	0.95	1.16	0.98%
Aa1/AAA AAA	11/05/14	64971WLY4	500,000	New York City Transitional Finance Authority Future Tax Secured Revenue	1.88	08/01/18	500,000.00	503,540.00	3,540.00	3,916.67	1.58	1.55	1.43	0.49%
Aaa/AAA NA	06/24/16	0418262B3	250,000	Arlington Independent School District/TX	1.15	02/15/19	250,000.00	248,020.00	-1,980.00	1,240.00	2.13	2.10	1.60	0.24%
Aa1/AA+ AA+	05/21/14	57582P2S8	1,600,000	Commonwealth of Massachusetts	1.88	05/01/19	1,600,000.00	1,618,096.00	18,096.00	5,013.33	2.33	2.28	1.39	1.58%
NA/AAA AAA	07/22/15	7342603Y6	1,000,000	Port Authority of Houston of Harris County Texas	5.00	10/01/19	1,079,110.56	1,082,990.00	3,879.44	12,500.00	2.75	2.57	1.89	1.06%
Aaa/AAA NA	07/30/15	172311JZ6	750,000	City of Cincinnati OH Water System Revenue	1.96	12/01/19	750,000.00	755,197.50	5,197.50	1,221.88	2.92	2.83	1.71	0.74%
Aa1/AA+ AA+	05/17/16	603790DE3	1,330,000	Minneapolis Special School District No 1	2.00	02/01/20	1,352,558.86	1,340,985.80	-11,573.06	11,083.33	3.09	2.99	1.76	1.31%
Aa1/AA+ AA+	03/18/15	882806EM0	1,500,000	Texas Tech University	2.10	02/15/20	1,500,000.00	1,510,875.00	10,875.00	11,922.67	3.13	3.00	1.86	1.48%
Aaa/AAA NA	04/24/15	89453PTY5	1,000,000	County of Travis TX	1.82	03/01/20	1,000,000.00	1,000,830.00	830.00	6,066.67	3.16	3.06	1.79	0.98%
Aaa/AAA AAA	06/29/16	88213AFV2	1,050,000	Texas A&M University	1.25	05/15/20	1,050,000.00	1,023,708.00	-26,292.00	1,677.08	3.38	3.29	2.07	1.00%
Aa3/AA- NA	06/03/16	238388QQ8	420,000	City of Davenport IA	2.00	06/01/20	424,872.36	417,051.60	-7,820.76	700.00	3.42	3.30	2.26	0.41%
Aa2/NA AA	07/23/15	438701WR1	2,000,000	City & County Honolulu HI Wastewater System Revenue	2.26	07/01/20	2,000,000.00	2,019,180.00	19,180.00	22,610.00	3.50	3.34	1.98	1.98%
Aa1/AA+ AA	04/01/16	419792KD7	1,000,000	State of Hawaii	1.51	10/01/20	1,000,000.00	984,180.00	-15,820.00	3,762.50	3.75	3.64	1.94	0.96%
Aa1/AAA AAA	06/30/16	64971QQZ9	860,000	New York City Transitional Finance Authority Future Tax Secured Revenue	2.75	11/01/20	895,000.43	870,431.80	-24,568.63	3,941.67	3.84	3.63	2.42	0.85%
Aa1/AAA AA+	07/05/16	650035XS2	540,000	New York State Urban Development Corp	2.79	03/15/21	563,781.46	545,653.80	-18,127.66	4,436.10	4.21	3.95	2.53	0.53%
Aa3/AA- AA-	08/03/16	977100CX2	1,000,000	State of Wisconsin	1.62	05/01/21	1,000,000.00	974,730.00	-25,270.00	6,060.00	4.34	4.16	2.23	0.95%

* Variable Rate Coupon



Portfolio Holdings as of December 31, 2016

Kenai Peninsula Borough

Moody's/S&P Fitch	Trade Date	Asset ID	Quantity (Par)	Security Description	Cpn	Maturity Date	Amortized Cost	Market Value	Amortized Unrealized Gain/Loss	Accrued Income	Avg Life	Dur	Mkt Yield	Pct Assets
Municipal														
Aa1/AA+ NA	12/14/16	353205BE6	500,000	County of Franklin OH	2.40	12/01/21	500,000.00	503,180.00	3,180.00	100.00	4.93	4.63	2.31	0.49%
Aa2/AA AA	12/07/16	605581HH3	500,000	State of Mississippi	2.88	12/01/21	512,491.76	512,750.00	258.24	359.38	4.93	4.59	2.50	0.50%
Aa2/AA AA	04/10/14	91412GEZ4	1,000,000	University of California Call 01/23/17	* 1.12	07/01/41	1,000,000.00	1,000,020.00	20.00	930.83	24.52	0.01	1.12	0.98%
Subtotal							19,434,135.71	19,369,025.00	-65,110.71	109,239.38	4.09	2.71	1.78	18.97%
Securitized														
Aaa/AA+ AAA	03/13/13	3136AC3C3	453,310	Fannie Mae-Aces (FNA 2013-M4 ASQ2)	1.45	02/01/18	453,520.60	453,327.13	-193.47	548.23	0.56	0.56	1.27	0.44%
Aaa/AA+ AAA	05/16/13	3136AEGM3	423,248	Fannie Mae-Aces (FNA 2013-M7 ASQ2)	1.23	03/01/18	423,493.61	420,783.22	-2,710.39	435.04	0.68	0.67	1.98	0.41%
Aaa/AA+ AAA	04/15/15	3136ANJY4	500,000	Fannie Mae-Aces (FNA 2015-M7 ASQ2)	1.55	04/01/18	500,924.46	500,128.25	-796.21	645.83	0.62	0.62	1.34	0.49%
Aaa/AA+ AAA	10/29/14	3137AEV77	987,827	Freddie Mac Multifamily Structured Pass Through Certificates (FHMS K703	2.70	05/01/18	993,739.51	1,001,758.94	8,019.43	2,221.79	1.12	1.10	1.28	0.98%
Aaa/AA+ AAA	11/25/14	31381SHQ8	725,430	Fannie Mae Pool (FN 469239)	2.69	10/01/18	731,438.60	735,597.94	4,159.34	1,626.17	1.78	1.45	1.82	0.72%
Aaa/AA+ AAA	01/09/14	3136AHUV0	746,330	Fannie Mae-Aces (FNA 2014-M1 ASQ2)	* 2.32	11/01/18	747,417.69	752,115.21	4,697.52	1,444.77	1.29	1.26	1.59	0.74%
Aaa/AA+ AAA	07/30/15	31381S2P6	923,748	Fannie Mae Pool (FN 469782)	2.49	12/01/18	932,695.10	934,989.14	2,294.04	1,916.78	1.94	1.65	1.80	0.92%
Aaa/AA+ AAA	07/11/14	3138L5RK8	939,650	Fannie Mae Pool (FN AM4989)	1.83	02/01/19	940,203.59	939,913.07	-290.52	1,432.97	2.10	1.94	1.79	0.92%
Aaa/AA+ AAA	05/09/14	3136AJ6Z4	947,307	Fannie Mae-Aces (FNA 2014-M5 ASQ2)	2.03	03/01/19	949,227.43	948,222.55	-1,004.88	1,605.69	1.34	1.31	1.86	0.93%
Aaa/AA+ AAA	08/27/15	31381UFV4	952,207	Fannie Mae Pool (FN 470980)	2.68	04/01/19	966,592.30	968,478.43	1,886.13	2,126.60	2.26	1.97	1.86	0.95%
Aaa/AA+ AAA	08/29/14	31381UPS0	913,051	Fannie Mae Pool (FN 471233)	2.19	05/01/19	916,205.59	919,234.87	3,029.28	1,666.32	2.33	2.12	1.86	0.90%
Aaa/AA+ AAA	06/09/16	3136ASPX8	950,000	Fannie Mae-Aces (FNA 2016-M6 ASQ2)	1.79	06/01/19	956,503.87	947,368.12	-9,135.75	1,413.13	0.87	0.85	1.97	0.93%

* Variable Rate Coupon

Portfolio Holdings as of December 31, 2016

Kenai Peninsula Borough

Moody's/S&P Fitch	Trade Date	Asset ID	Quantity (Par)	Security Description	Cpn	Maturity Date	Amortized Cost	Market Value	Amortized Unrealized Gain/Loss	Accrued Income	Avg Life	Dur	Mkt Yield	Pct Assets
Securitized														
Aaa/AA+ AAA	08/15/14	3137AVE86	1,075,000	Freddie Mac Multifamily Structured Pass Through Certificates (FHMS K711)	1.73	07/01/19	1,073,504.02	1,073,863.51	359.49	1,549.79	2.06	2.05	1.76	1.05%
Aaa/AA+ AAA	04/15/16	3137BNN26	2,000,000	Freddie Mac Multifamily Structured Pass Through Certificates (FHMS KP03)	1.78	07/01/19	2,012,328.03	1,992,566.80	-19,761.23	2,966.67	1.91	1.87	1.92	1.95%
Aaa/AA+ AAA	09/25/15	3138LOC41	1,050,024	Fannie Mae Pool (FN AM0090)	1.99	07/01/19	1,057,074.33	1,051,813.16	-5,261.17	1,741.29	2.49	2.29	1.89	1.03%
Aaa/AA+ AAA	08/21/14	3138L6Z50	954,007	Fannie Mae Pool (FN AM6163)	2.28	08/01/19	958,018.28	961,925.47	3,907.19	1,812.61	2.57	2.32	1.92	0.94%
Aaa/AA+ AAA	08/22/14	3138L6Z76	937,789	Fannie Mae Pool (FN AM6165)	2.28	08/01/19	941,574.73	945,572.72	3,997.99	1,781.80	2.57	2.32	1.92	0.93%
Aaa/AA+ AAA	08/21/14	3138L6Z84	954,007	Fannie Mae Pool (FN AM6166)	2.28	08/01/19	958,019.49	961,925.48	3,905.99	1,812.61	2.57	2.32	1.92	0.94%
Aaa/AA+ AAA	10/07/14	3138L6TJ7	1,000,000	Fannie Mae Pool (FN AM5952)	2.27	09/01/19	1,002,879.52	1,007,471.90	4,592.38	1,891.67	2.73	2.43	1.97	0.99%
Aaa/AA+ AAA	06/03/15	3137B2GW4	1,125,000	Freddie Mac Multifamily Structured Pass Through Certificates (FHMS K713)	2.31	03/01/20	1,133,620.02	1,136,418.41	2,798.39	2,168.44	2.71	2.61	1.88	1.11%
Aaa/AA+ AAA	10/14/15	3138L9DF6	500,000	Fannie Mae Pool (FN AM8201)	1.70	03/01/20	500,407.00	494,506.00	-5,901.00	708.33	3.19	3.04	2.05	0.48%
Aaa/AA+ AAA	10/07/15	3138L4ML4	700,000	Fannie Mae Pool (FN AM3962)	2.29	07/01/20	708,051.07	703,476.62	-4,574.45	1,335.83	3.57	3.31	2.14	0.69%
Aaa/AA+ AAA	01/15/16	3137BMLC8	700,000	Freddie Mac Multifamily Structured Pass Through Certificates (FHMS K504)	* 2.57	09/01/20	713,155.90	714,166.95	1,011.05	1,496.83	2.65	2.55	1.74	0.70%
Aaa/AA+ AAA	11/29/16	3136AJ7G5	410,000	Fannie Mae-Aces (FNA 2014-M6 A2)	* 2.68	05/01/21	418,581.11	415,220.45	-3,360.66	915.16	3.77	3.57	2.29	0.41%
Aaa/AA+ AAA	10/06/16	3138LESB8	1,700,000	Fannie Mae Pool (FN AN2313)	1.62	08/01/21	1,698,127.77	1,651,015.18	-47,112.59	2,295.00	4.65	4.40	2.28	1.62%
Aaa/AA+ AAA	12/15/16	3137AJMF8	900,000	Freddie Mac Multifamily Structured Pass Through Certificates (FHMS K016)	2.97	10/01/21	921,114.04	925,432.11	4,318.07	2,225.70	4.34	4.07	2.25	0.91%
Aaa/AA+ AAA	12/20/16	3138L7VA1	483,020	Fannie Mae Pool (FN AM6908)	2.78	10/01/21	491,877.65	492,515.32	637.67	1,119.00	4.60	4.18	2.33	0.48%
Subtotal							24,100,295.31	24,049,806.95	-50,488.36	42,904.05	2.40	2.24	1.89	23.56%
Treasury														
Aaa/AA+ AAA	05/18/16	912828N89	2,850,000	United States Treasury Note/Bond	1.38	01/31/21	2,855,848.83	2,804,465.55	-51,383.28	16,292.63	4.08	3.95	1.78	2.75%

* Variable Rate Coupon



Portfolio Holdings as of December 31, 2016

Kenai Peninsula Borough

Moody's/S&P Fitch	Trade Date	Asset ID	Quantity (Par)	Security Description	Cpn	Maturity Date	Amortized Cost	Market Value	Amortized Unrealized Gain/Loss	Accrued Income	Avg Life	Dur	Mkt Yield	Pct Assets
Treasury														
Aaa/AA+ AAA	06/06/16	912828R77	1,000,000	United States Treasury Note/Bond	1.38	05/31/21	1,006,152.84	980,117.00	-26,035.84	1,171.02	4.41	4.29	1.85	0.96%
Aaa/AA+ AAA	11/09/16	912828T67	6,000,000	United States Treasury Note/Bond	1.25	10/31/21	5,959,567.90	5,818,128.00	-141,439.90	12,638.12	4.82	4.68	1.91	5.70%
Subtotal							9,821,569.57	9,602,710.55	-218,859.02	30,101.77	4.56	4.43	1.87	9.41%
Fixed Income Total							102,769,812.25	102,090,508.86	-679,303.39	386,664.91	2.93	2.58	1.75	100.00%

* Variable Rate Coupon

Glossary of Investment Terms

Total Return	The sum of all investment income plus the changes in the capital valuation in the portfolio.
Market Value	The current face amount of the security multiplied by the market price.
Market Yield	The portfolio's overall yield, as measured by the market valuations of the portfolio holdings.
Book Yield	The yield to maturity of a security, as calculated at the time of purchase.
Duration	<p>The measure of interest rate sensitivity which estimates the price change of a security (or a portfolio of securities) resulting from a change in interest rates.</p> <p>Duration may also be considered to be a measure of the "average maturity" of a stream of payments associated with a bond. It reflects a weighted average of the lengths of time until the remaining payments are made from a bond (or portfolio).</p>
Convexity	A measure of interest rate sensitivity, used along with duration, which estimates the incremental price change resulting from the change in interest rates.
OAS	Option-Adjusted Spread (OAS) is a measure of a security's extra return over the return of a comparable risk-free security.
Spread Duration	<p>The measure of the sensitivity of a security's price to changes in spreads, relative to U.S. Treasuries (a risk-free security).</p> <p>Wider (or more narrow) spreads will cause the price of the securities to fall (rise).</p>
Amortized Cost	The price paid for the security, plus or minus adjustments for any purchase discounts of premiums associated with the purchase.
Unrealized Gain, Unrealized Loss	The gain/loss that would be recognized from selling an asset, as compared to the reported amortized cost.

INVESTMENT ADMINISTRATIVE PROCEDURES

These are specific procedures for the investment of Borough funds. Investment procedures are formulated by the Finance Director under the purview of the investment code of ordinances.

Section	Page
Policy	2
General Requirements	
Diversification	2
Safekeeping and custody	3
Minimum Ratings	4
Current Agreements/Contracts	4
Internal Controls	4
Report Format	5
Internal Investment Pool Requirements	
Bid Procedures	5
Brokers List	5
Financial Institutions List	5
Collateralization	6
Collateralization Type	5
External Investment Pool Management	
General Requirements	6
Benchmark	7

Approved by: Craig C. Chapman 12/15/14
Craig C. Chapman, Finance Director

Concur: Mike Navarre
Mike Navarre, Kenai Peninsula Borough Mayor

POLICY

It is the policy of the Kenai Peninsula Borough (KPB) to invest public funds in a manner that will best meets the objectives specified in Chapter 5.10.010 of the KPB Code of ordinances. The objectives listed in their relative order of importance are as follows:

1. Safety of principal: Investments of the borough shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. This objective will be met through diversification of the portfolio.
2. Maintaining sufficient liquidity to meet the borough cash flow requirements: The borough's investment portfolio will remain sufficiently liquid to enable the borough to meet all operating requirements that might be reasonably anticipated.
3. Achieving a reasonable market rate of return: The borough's investment portfolio shall be managed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the borough's investment risk constraints and the cash flow characteristics of the portfolio.

I. General Requirements

1. Diversification

The following is the maximum targeted level of investment in different instruments:

Type	Sector Level	Issuer Level	Maturity
• U.S. Treasury securities	100%	100%	5 yrs.
• Other obligations of the U.S. Govt., its Agencies and Instrumentalities (including mortgage backed),	100%	40%	5 yrs.
• Corporate Bonds	50%	5%	5 yrs.
• Municipal Bonds (state or political subdivisions)	25%	5%	5 yrs.
• Money Market Mutual Funds, subject to limits per KPB 5.10.040 (11)	20%	20%	N/A

The following items are only available for purchase by the internal investment pool

Type	Sector Level	Issuer Level	Maturity
• Overnight Repurchase Agreements	20%	20%	N/A
• Term Repurchase Agreements and Certificates of Deposit			
7-Day Term or shorter	25%	20%	N/A
Greater than a 7-day term	25%	10%	3 yrs.
• Bankers Acceptances	10%	5%	180 days
• Commercial Paper	25%	5%	270 days
• Alaska Municipal League Investment Pool	20%		N/A
• KPB Special Assessment Districts	\$5,000,000		10 yrs.

* Issuer means counterparty in the case of Repurchase Agreements

The Borough's internally managed portfolio will include maturities of less than 1-year and is expected to be the primary source of liquidity among the Borough's investments. The externally managed portfolio will be allowed to invest in maturities ranging out to 5-years, but will have maturities laddered across that range.

Normally, a minimum of 40% of the portfolio will be invested for one year or less. Cash flow requirements combined with market opportunities may result in actual levels below or above target maturity levels. The total portfolio will be invested based on the following target maturities:

• One Year or Less	40%
• One to Three Years	30%
• Three to Five Years	30%

2. Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by the (entity) shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Finance Director and evidenced by safekeeping receipts and in accordance with KPB 5.10.080.

3. Minimum Ratings for Corporate Bonds and Commercial Paper

Investment grade corporate bonds with the following ratings at the time of purchase may be added to the portfolio:

- 1 year or less, single "A" rated by two major rating agencies
- 1 - 2 years, double "A" rated by at least one major rating agency
- 2 - 4 years, double "A" rated by two major rating agencies
- 4 - 5 years, triple "A" rated by two major rating agencies

Investment grade corporate bonds are defined as those with a rating of triple "B" or higher by a major rating agency. In the event an issuer of corporate bond held in the portfolio having a remaining term to maturity of more than one year is downgraded to less than triple "B" by both Moody's and Standard and Poor's Corporation, the security will be liquidated in an orderly manner.

Commercial paper must be rated "A" or P1 or higher by Moody's Investor's Service, Inc., and "A" or A-1 or higher by Standard and Poor's Corporation at the time of purchase.

Municipal bonds issued by states or political subdivisions must be rated "A" or P1 or higher by Moody's and "A" or A-1 or higher by Standard and Poor's Corporation.

4. Current Agreements and Contracts Listing

Investment Safekeeping:	Wells Fargo
Collateral Safekeeping:	Wells Fargo
Banking Services:	First National Bank Alaska
Tri-Party:	First National Bank Alaska and Union Bank of California
Overnight Repurchase:	First National Bank Alaska
Investment Management:	RBC Public Fund Services

5. Internal Controls

The management of borough investments may be accomplished internally or through one or more external investment managers. The Finance Director is responsible for purchasing and selling investments that are managed internally and oversight of any funds being managed by an External Investment Portfolio Manager. In the absence of the Finance director, the Controller is authorized to act on the Borough's behalf. The Controller or Treasury/Budget Analyst is

responsible for accounting for investments. Control over securities is achieved through separation of the accounting and safekeeping functions.

Safekeeping Authority: Finance Director
Treasury/Budget Analyst

6. Report Format

A report will be prepared at least quarterly for the Assembly showing the following information:

- Name of issuer of each security held in the portfolio
- Type of investment
- Par value of each security
- Yield to maturity of each security
- Annualized yield of the portfolio
- Average term to maturity of portfolio
- Market Value of Portfolio Including Net Unrealized Gains or Losses

II. Internal Investment Pool Requirements

1. Bid Procedures

At least two bids will be received from brokers listed on the broker's list for regular investment activities. The bid selected will be based on its overall value to the portfolio. Transactions will be awarded to a broker listed on the broker's list.

2. Broker List

Brokers may be placed on the list after obtaining suitable references. No investments may be purchased from a broker not on this list.

- Paul Jarvis, Time Value Investments (877) 707-7787
- Michael Zetameyer, RBC Wealth Management (541) 654-3704
- Greg Hagen, Piper Jaffray (503) 275-3951
- Douglas Chin, Wells Fargo Brokerage Services (800) 756-8260

3. Financial Institution List

A financial institution may appear on this list based on an evaluation of their overall credit-worthiness.

- Wells Fargo
- First National Bank of Alaska

- Key Bank
- Bank of America
- Northrim Bank

4. Collateralization

A. If Borough moneys are invested in certificates of deposit or other deposits, the entire amount of principal and interest which will be payable to the borough upon maturity of the investment must be collateralized by any combination of the following securities, at the following margin requirements and maturities:

COLLATERAL TYPE	MARGIN REQUIREMENT
1. U.S. Treasury Securities with a maturity date 5 years or less from the date of the borough's investment transaction	102%
2. Actively traded U.S. Government Agency or Instrumentality Securities, except mortgage pass-through securities with a:	
a. Maturity date one year or less from the date of the borough's investment transaction	103%
b. Maturity date between 1 and 5 years from the date of the borough's investment transaction	107%
3. Government National Mortgage Association mortgage pass-through securities	120%
4. Obligations of the State of Alaska and its political subdivisions secured by the full faith, credit and taxing power thereof:	
a. Maturity date 1 year or less from the date of the borough's investment transaction	102%
b. Maturity date between 1 and 5 years from the date of borough's investment transaction	107%
5. FDIC and FSLIC Insurance	100%

B. A financial institution shall not release, assign, sell, mortgage, lease, transfer, pledge or grant a security interest in, encumber, substitute or otherwise dispose of or abandon all or any part of pledged collateral without prior written authorization of the borough.

III. External Money Management

1. General Requirements

The Finance Director with the approval of the Mayor may choose to enter into contracts with qualified firms for investment management services. The minimum qualifications are as follows:

- Respondents must be registered with the SEC as an investment advisor.
- Respondents must have experience as advisors with portfolios and municipalities of similar size to the Kenai Peninsula Borough.
- Respondents must have greater than \$500 million of government funds under management.

- Respondents must have a minimum of \$5 million in E&O or professional advisor liability coverage.

The external pool manager shall invest public funds in a manner that will best meets the objectives and authorized investments specified in Chapter 5.10.010 of the KPB Code of ordinances and further defined in items 1-6 of the General Requirements of the above policy.

Normally, a minimum of 40% of the combined internal and external portfolios will be invested for one year or less. Because the internal investment pool managed by the Borough which is mostly invested in investments having maturities of less than two years, and nearly matches the market value of the external portfolio, the recommended targets for the external investment pool are as follows:

- | | |
|-----------------------|----------------------|
| • One Year or Less | 10% to 30% |
| • One to Three Years | 30% to 45% |
| • Three to Five Years | Targeted Maximum 35% |

Cash flow requirements combined with market opportunities may result in actual levels below or above target maturity levels.

2. Benchmark

The external portfolio's reference benchmark is the Merrill Lynch Corp/Government 1 to 5 year A Rated of higher

Professionals



Scott Cabalka

Vice President, Institutional Portfolio Manager

Scott Cabalka is responsible for client service coverage of the RBC Money Market Funds, local government investment pools, and other short fixed income solutions. Scott provides guidance on investment policy and implementation for all of our short mandates. In addition, he leads our communication with clients invested in our short fixed income strategies and ensures that they receive the most appropriate solutions and service. Before joining RBC GAM-US in 1993, Scott was an account executive at Merrill Lynch, where he focused on short strategies for institutional investors. He has specialized in short fixed income since he began working in the investment industry in 1980. Scott earned a BS and an MBA in Finance from the University of Minnesota Carlson School of Management and holds a FINRA Series 7 license.

Disclosures

This document (the “Presentation”) is being provided by RBC Global Asset Management to institutional investors. This Presentation is subject to change without notice and is qualified by these disclosures and the disclosures and definitions contained, may not be reproduced in whole or part, and may not be delivered to any other person without the consent of RBC Global Asset Management. This Presentation is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any investment strategy and should not be construed as tax or legal advice.

RBC Global Asset Management is the name used in the United States for certain investment advisory subsidiaries of the Royal Bank of Canada. RBC Global Asset Management (U.S.) Inc. (“RBC Global Asset Management – US” or “RBC GAM-US”) is a federally registered investment adviser founded in 1983.

Past performance is not indicative of future results. There can be no guarantee that any investment strategy discussed in this Presentation will achieve its investment objectives. As with all investment strategies, there is a risk of loss of all or a portion of the amount invested. With respect to goals, targets, objectives, expectations and processes discussed in the presentation, there is no guarantee that such goals, targets, objectives or expectations will be achieved or that the processes will succeed. Any risk management processes discussed refer to efforts to monitor and manage risk but should not be confused with and does not imply no or low risk. The use of diversification within an investment portfolio does not assure a profit or guarantee against loss in a declining market. No chart, graph, or formula can by itself determine which securities an investor should buy or sell or which strategies should be pursued.

This Presentation contains the opinions of RBC Global Asset Management as of the date of publication and is not intended to be, and should not be interpreted as, a recommendation of any particular security, strategy or investment product. Not all products, services or investments described herein are available in all jurisdictions and some are available on a limited basis only, due to local regulatory and legal requirements. Unless otherwise indicated, all information and opinions herein are as of January 31, 2017 and are subject to change without notice.

These materials may contain information collected from independent third party sources. For purposes of providing these materials to you, neither RBC nor any of its affiliates, subsidiaries, directors, officers, or employees, has independently verified the accuracy or completeness of the third-party information contained herein.

Although RBC GAM-US is registered as an investment adviser with the SEC, such registration in no way implies that the SEC has reviewed or approved the investment portfolio and does not imply that RBC GAM-US has achieved a certain level of skill or training.

RBC Global Asset Management (“RBC GAM”) is the asset management division of Royal Bank of Canada (“RBC”) which includes RBC GAM-US, RBC Global Asset Management Inc., RBC Global Asset Management (UK) Limited, BlueBay Asset Management LLP, BlueBay Asset Management USA LLC, and the asset management division of RBC Investment Management (Asia) Limited, which are separate, but affiliated corporate entities. ®/™ Trademark(s) of Royal Bank of Canada. Used under license. © 2016 RBC Global Asset Management (U.S.) Inc.