

Kenai Peninsula Borough
Finance Department

MEMORANDUM

TO: Kelly Cooper, President
Kenai Peninsula Borough Assembly Members

THRU: Charlie Pierce, Mayor *CP*

FROM: Brandi Harbaugh, Finance Director *BA*
Marcus A. Mueller, Land Management Officer *MA*

DATE: October 16, 2019

RE: FY20-1Q Land Trust Investment Fund - Investment Report

The Land Trust Investment Fund ("LTIF") was established through Ordinance 2018-29 in September 2018. A transfer of \$5,275,000 from the Land Trust Fund established the initial principle investment in the fund. The financial assets of the Land Trust Investment Fund are essentially an endowment intended to preserve the value of land assets that are sold and to generate investment income to support and supplement the operating revenue of the Land Trust Fund and for other uses as determined by the Assembly.

Per KPB 5.20.080 (B) the net proceeds of land sales will be transferred from the Land Trust Fund ("LTF") to the "LTIF" provided that the fund balance policy minimum requirements of the "LTF" are met. The Land Trust Fund's net proceeds from land sales for fiscal year 2019 were \$285,505. The Land Trust Fund's fund balance will remain above the minimum requirements as of June 30, 2019 with a transfer of \$285,505.

KENAI PENINSULA BOROUGH

QUARTERLY REPORT

for the quarter ending September 30, 2019



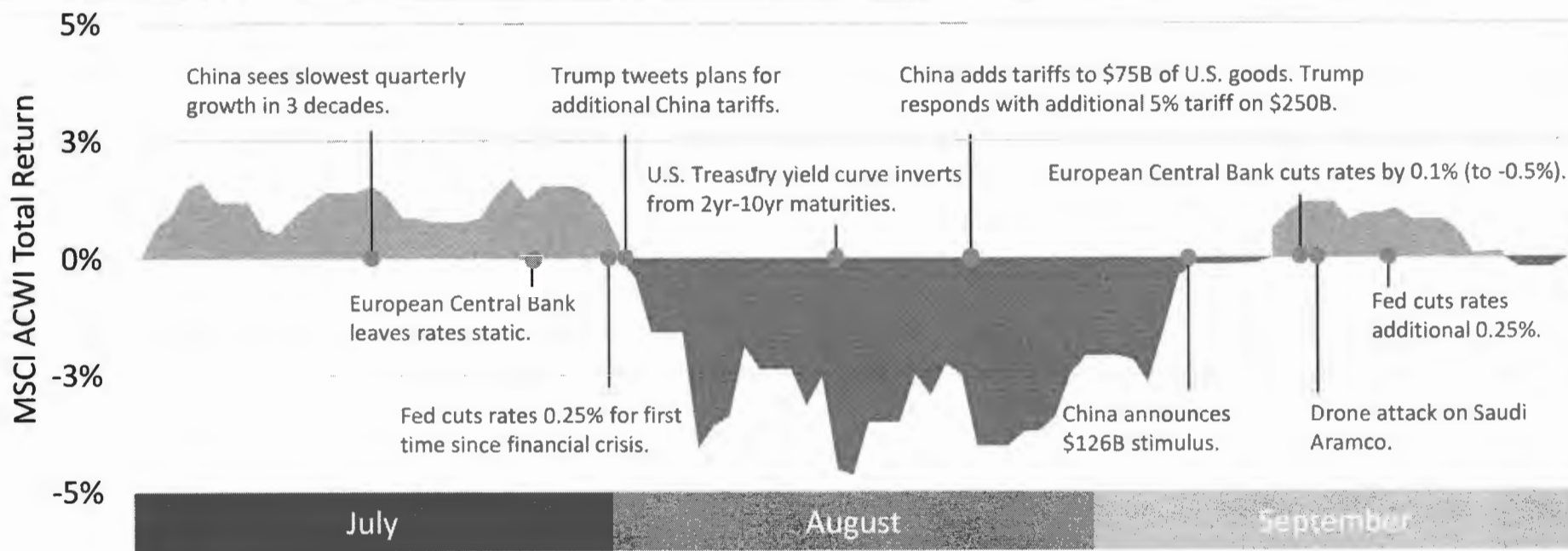
TRUSTED ADVISORS • MORE EXPERTS • BETTER ACCESS



ALASKA PERMANENT
CAPITAL MANAGEMENT
Registered Investment Adviser

Global Markets End Flat After Eventful Quarter

Third Quarter 2019



Equities: Q3 was chock full of events but overall, global equities ended the quarter essentially flat - largely supported by modest U.S. equity performance. Two rate cuts and a resilient economy (rising wages, labor force participation, and consumer confidence) in the face of trade pressures helped U.S. stocks to see a positive return for the quarter. International developed and emerging stocks, however, ended with negative returns.

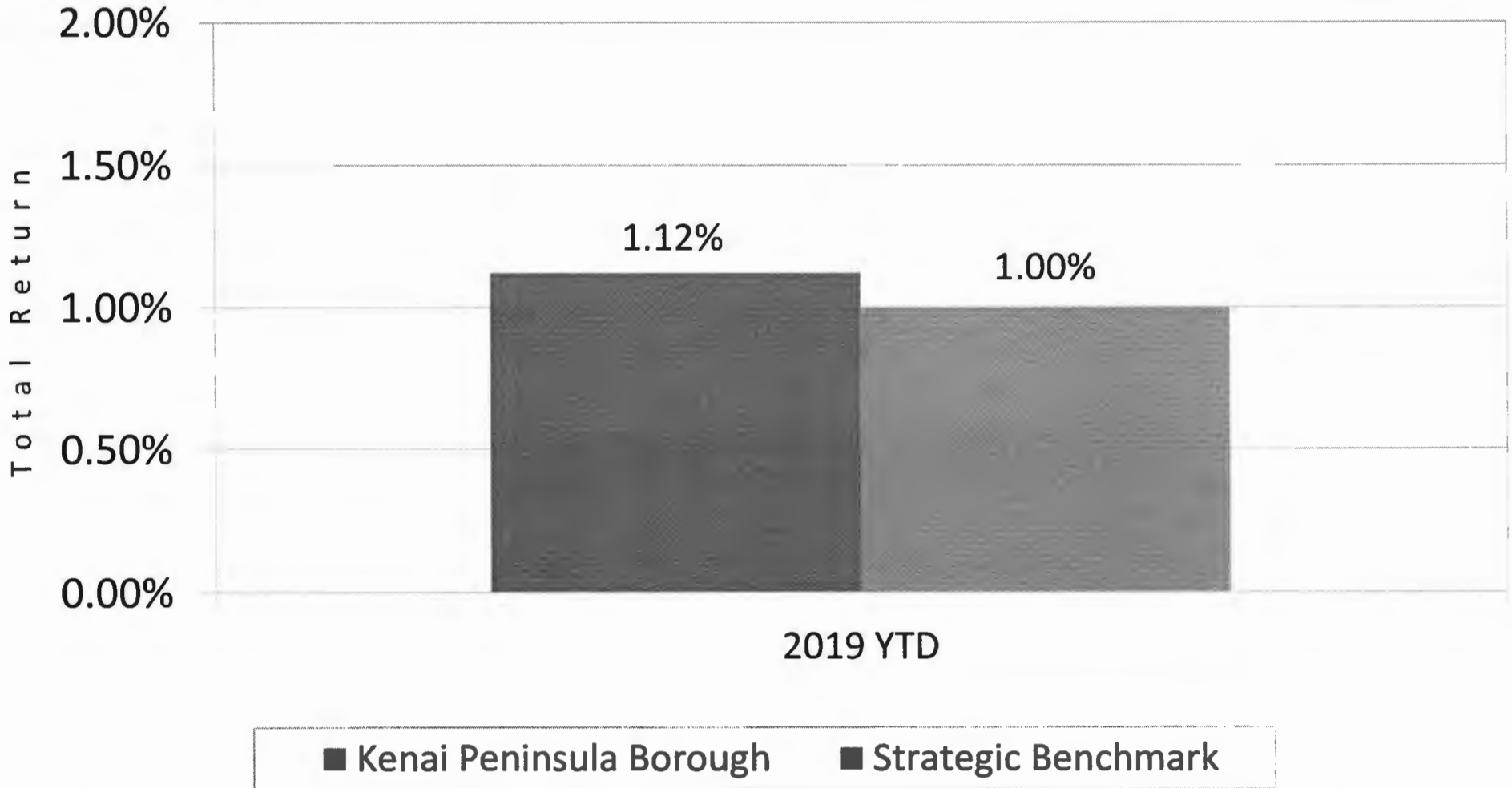
Real assets: As rates (and bond yields) decreased across the globe, real assets saw some of the best performance relative to other asset classes as investors reached for yield. U.S. real estate was the "real" MVP, gaining almost 7.5% while global infrastructure also ended with positive performance. Commodities were the exception though, as higher oil prices from the attack on Saudi Aramco proved short-lived – with gains almost completely erased within two weeks.

Interest rates: Interest rates had a wild ride this quarter. The U.S. 10-Year treasury yield, for example, finally landed at 1.66% – in the middle of its quarterly range of 1.46% - 2.14%. In short-term rates, the Fed Funds saw two cuts both at 0.25% each while the European Central Bank cut deeper into negative territory. In mid-September, the Fed Funds Rate broke out of its target range – triggering the Fed to inject \$203 billion with repurchase agreements. Although not providing as high of a yield as other assets, fixed income still had its place in portfolio diversification. Spurred on by rate declines and a move to safer investments, global bonds gained 2-3% for the quarter in addition to their already strong YTD performance.

**PORTFOLIO
REVIEW**

Account Performance as of September 30, 2019

Kenai Peninsula Borough

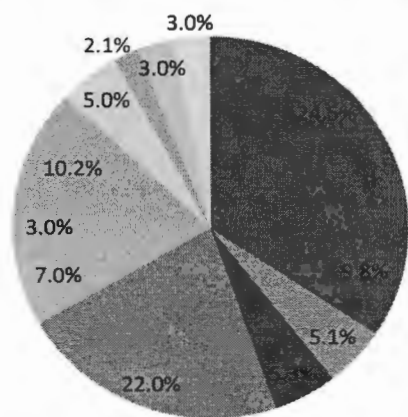


Performance is gross of fees. Inception performance begins on June 30, 2019. Strategic benchmark is a blended return of the account's target allocation.

**PORTFOLIO
REVIEW**

Asset Allocation as of September 30, 2019

Kenai Peninsula Borough



- U.S. Fixed Income ■ U.S. TIPS
- International Bonds ■ Cash
- Large Cap ■ Mid Cap
- Small Cap ■ International
- Emerging Markets ■ Real Estate Equity
- Infrastructure ■ Commodities

Asset Class	% Assets	Strategic Benchmark	Range	Market Value
Fixed Income	44.7%	45%		\$2,448,035
U.S. Fixed Income	24.5%	25	15-35%	\$1,342,860
U.S. TIPS	9.8%	10	5-15	\$537,097
International Bonds	5.1%	5	0-10	\$279,442
Cash	5.3%	5	0-10	\$288,636
Equities	47.2%	47%		\$2,583,980
Large Cap	22.0%	22	12-32%	\$1,201,521
Mid Cap	7.0%	7	0-15	\$382,595
Small Cap	3.0%	3	0-6	\$165,410
International	10.2%	10	5-15	\$559,452
Emerging Markets	5.0%	5	0-10	\$275,002
Alternative Investments	8.0%	8%		\$439,917
Real Estate Equity	2.1%	2	0-5%	\$112,587
Infrastructure	3.0%	3	0-6	\$163,240
Commodities	3.0%	3	0-6	\$164,090

Total

\$5,471,932

	<u>LTIF ITD 09/30/19</u>
Portfolio on 01/01/2019	5,275,000.00
Contributions	-
Withdrawals - fees	(1,353.00)
Change in Market Value	112,063.00
Interest Dividends	86,222.00
Portfolio on 09/30/2019	<u>5,471,932.00</u>
Yield ITD	3.73%