



**Global Asset  
Management**

# Kenai Peninsula Borough, Alaska Portfolio Review

February 25, 2020

**Bethany Jessen**

Institutional Portfolio Manager

RBC Global Asset Management (U.S.) Inc.  
Minneapolis | Boston | Chicago  
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# Proposed Agenda

- RBC GAM Firm Overview
- Market Review and Economic Discussion
- Portfolio Review (as of December 31, 2019)
- Questions/Comments?

# RBC 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<sup>1</sup>
- Investment in our business has allowed for funding new product development, capital for key hires and strategic acquisitions

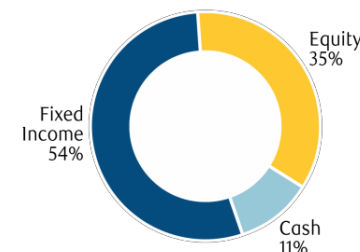
<sup>1</sup>Ratings: S&P: AA-, Moody's: Aa2. Ranked 5<sup>th</sup> largest bank in North America and 10<sup>th</sup> globally based on market capitalization (Bloomberg, 12.31.19). All other data in US dollars as of 9.30.19.

<sup>2</sup>By client location

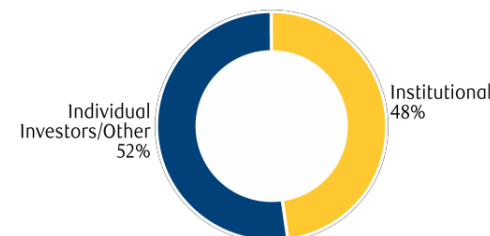
RBC Global Asset Management ("RBC GAM") is the asset management division of Royal Bank of Canada ("RBC") which includes RBC Global Asset Management (U.S.) Inc. ("RBC GAM-US") and several separate, but affiliated corporate entities. Refer to Disclosures page for more information on RBC GAM and its affiliates.

## Over \$350 billion in AUM

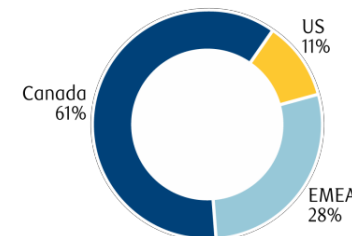
By Asset Class



By Client Type



By Geographical Location<sup>2</sup>



# Our Global Presence

## RBC Global Asset Management

**Minneapolis**  
US Fixed Income

**Boston**  
US Equities  
Impact Investing

**London**  
Emerging Markets Equities  
Global Equities  
European Equities

**Hong Kong**  
Asia Equities

**Chicago**  
US Equities

**Vancouver**  
**PH&N<sup>1</sup>**  
Canadian Equities  
Canadian Fixed Income  
High Yield Bonds

**Toronto**  
Canadian Equities  
Global Resources/  
Precious Metals

**Stamford**  
Global Credit

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

- Over 350 investment professionals
- 48% institutional assets

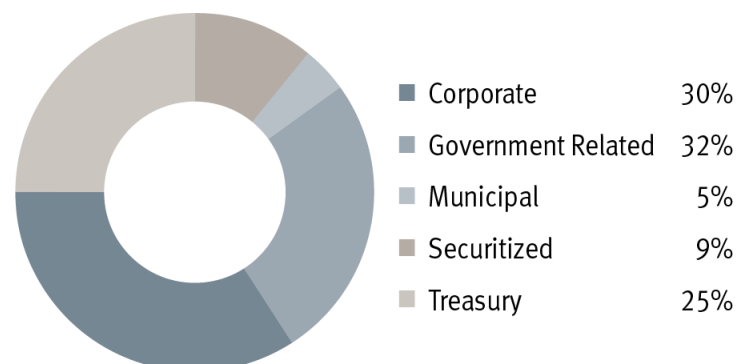
*Not all strategies are available in the US*

As of 9.30.19

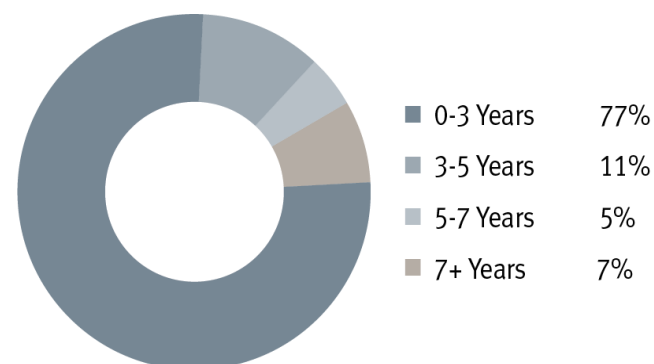
# Scale and Breadth of expertise in Short-Term Fixed Income

- Over \$23 billion in short term fixed income assets under management
- More than 36 years experience managing short term fixed income
- Long-standing client relations
  - Twelve clients with track records of 10-19 years
  - Five clients with track records of 20 years or more
- We have the scale and capabilities to effectively tailor solutions to meet clients' specific mandate goals

AUM by Sector<sup>1</sup>



AUM by Effective Duration<sup>1</sup>



As of 12.31.19. <sup>1</sup>RBC GAM-US Fixed Income AUM of \$31.3 billion  
Values may not add up to 100% due to rounding.

# The Fixed Income Team

US Fixed Income Team			
Lead Portfolio Managers		Risk Management	
Brian Svendahl, CFA Co-Head, US Fixed Income		Brandon Swensen, CFA Co-Head, US Fixed Income	
Sector Focus		Michael Hamp Vice President, Head of Investment Risk Management	
Municipal, Government & Mortgage Research		Patrick Sonmene, CFA Investment Risk Analyst	
Credit Research		Sydney Seydel Investment Risk Analyst	
Raye Kanzenbach, CFA Sr Portfolio Manager	Laurie Mount Analyst	James Weinand, CFA Portfolio Manager	John Northup, CFA Senior Analyst
Scott Kirby Sr Portfolio Manager	Valinie Dayaljee Analyst	Alexey Baskakov, CFA Associate Portfolio Manager	Matt Mueller, CFA Senior Analyst
Eric Hathaway, CFA Sr Portfolio Manager	Karen Ly Analyst	Kelly Foley Analyst	Kelsey Bosshardt Analyst
Ronald Homer Chief Strategist, US Impact Investing	Ly Hsieh Quantitative Analyst		
Institutional Portfolio Managers / Client Service			
John Utter Head of Institutional Client Service – US	Randy Harrison, CFA Institutional Portfolio Manager	Mindy Frye Institutional Portfolio Manager	Chris Boppre, CFA Associate Institutional Portfolio Manager
	Bethany Jessen Institutional Portfolio Manager	Amy Carlson Associate Institutional Portfolio Manager	
Investment Policy Compliance			
Eric Smith Director, Client Operations		Ryan Schaitberger Senior Investment Policy Analyst	Ba Vang Investment Policy Analyst

## Experience and Depth

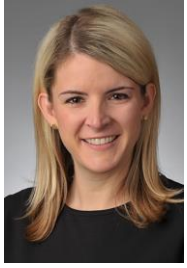
Investment team empowered to excel through research-focused, sector-team structure

Institutional Portfolio Managers provide continuous engagement and client communication

Lead Portfolio Managers and sector teams average 18 years of experience<sup>1</sup>

As of 12.31.19. <sup>1</sup>Experience updated annually.

# Professionals



## Bethany Jessen

### Institutional Portfolio Manager

Bethany Jessen is an institutional portfolio manager within our fixed income group's client service team. Bethany articulates and coordinates the firm's strategies, account positioning and performance to ensure the most appropriate investment solutions and service for each client. She specializes in fixed income accounts for public and corporate clients. Prior to her role at RBC GAM-US, Bethany was a senior research analyst on the global fixed income team at Pavilion Advisory Group (formerly Jeffrey Slocum & Associates) where she was responsible for fixed income investment manager research and due diligence. She first joined the investment industry in 2007. She earned a BS, BA in finance from Creighton University and an MBA from the University of St. Thomas.



# Economy & Market Review

# 2019 Overview

## U.S. Economy – conflicting economic indicators

- Economy was driven largely by the trade dispute between the U.S./China, and mixed signals between a strong consumer/service industry and weaker manufacturing/business investment

## Monetary Policy – a sharp and dovish turn

- The Fed took an accommodative turn and actually delivered 3 cuts, when originally it was expected to raise rates 2 more times in 2019

## Interest Rates – low rates and an inverted yield curve

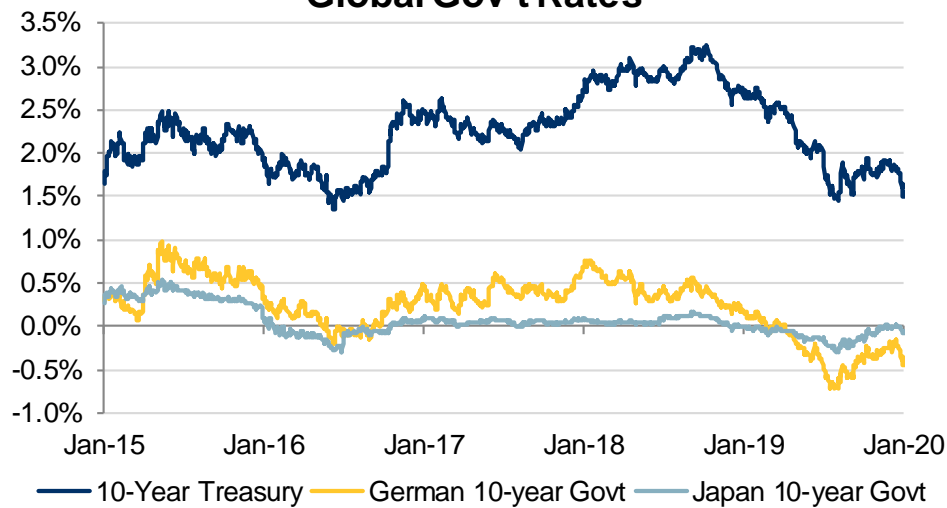
- Yields fell throughout most of the year, causing the yield curve to invert, most notably in the 2 year-10 year portion, which signals a potential recession

## Markets – the rally continued with sizable returns

- Equities and bonds produced outsized returns helped by the Fed's dovish turn, continuation of the economic expansion, and diminished downside risks by year end

# Global growth bottoming out?

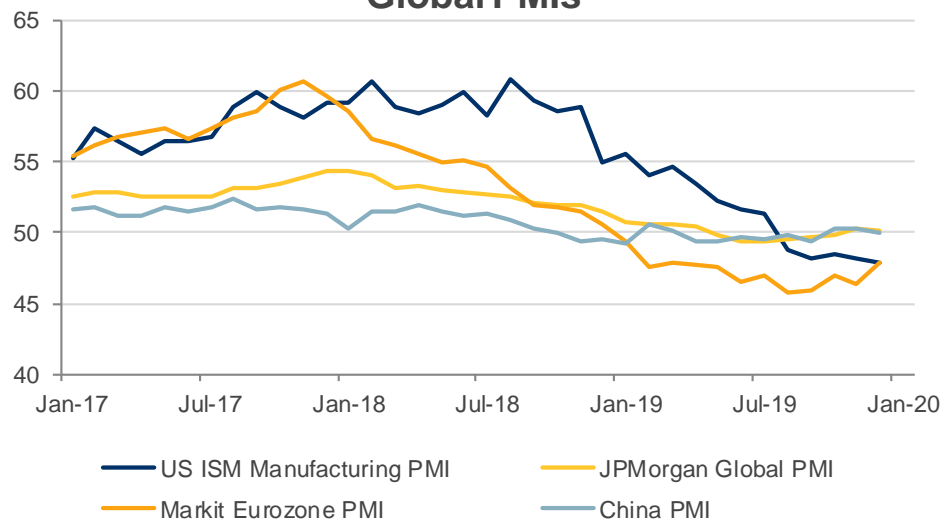
## Global Gov't Rates



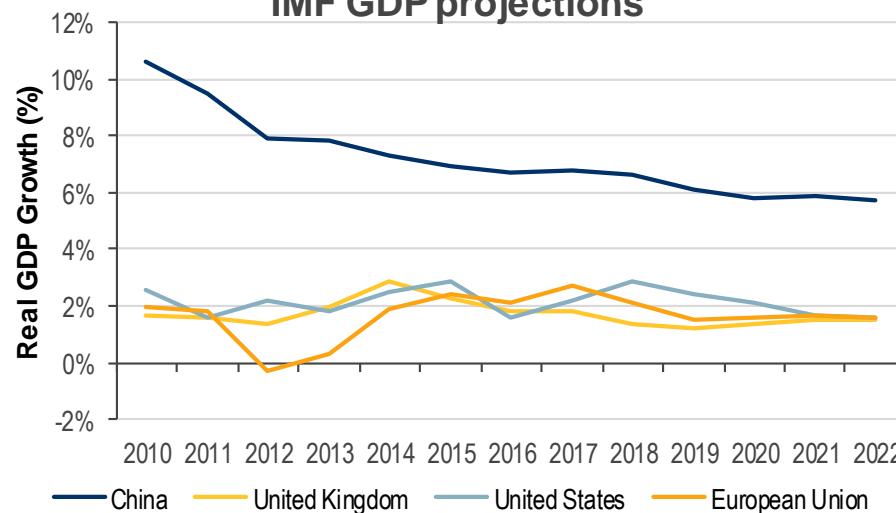
## MV of Negative Yielding Debt



## Global PMIs



## IMF GDP projections



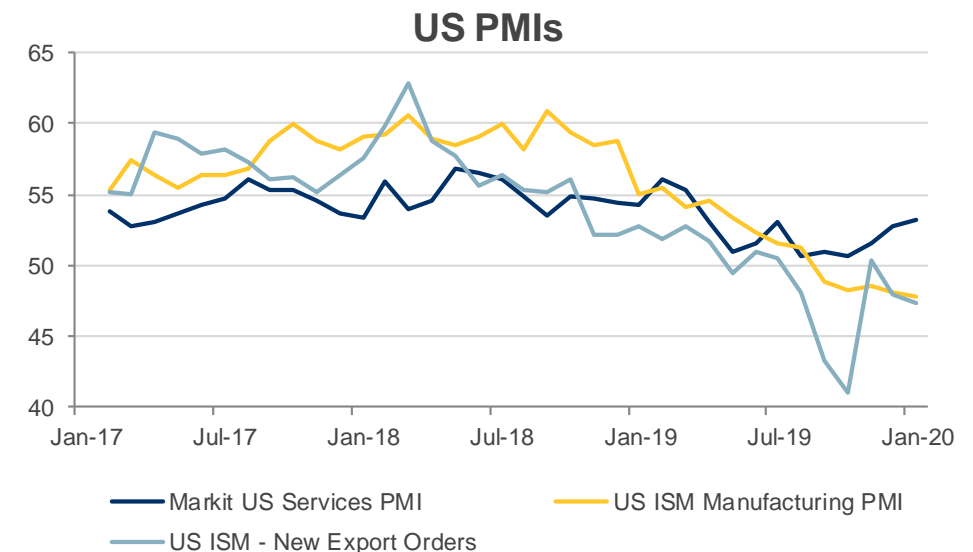
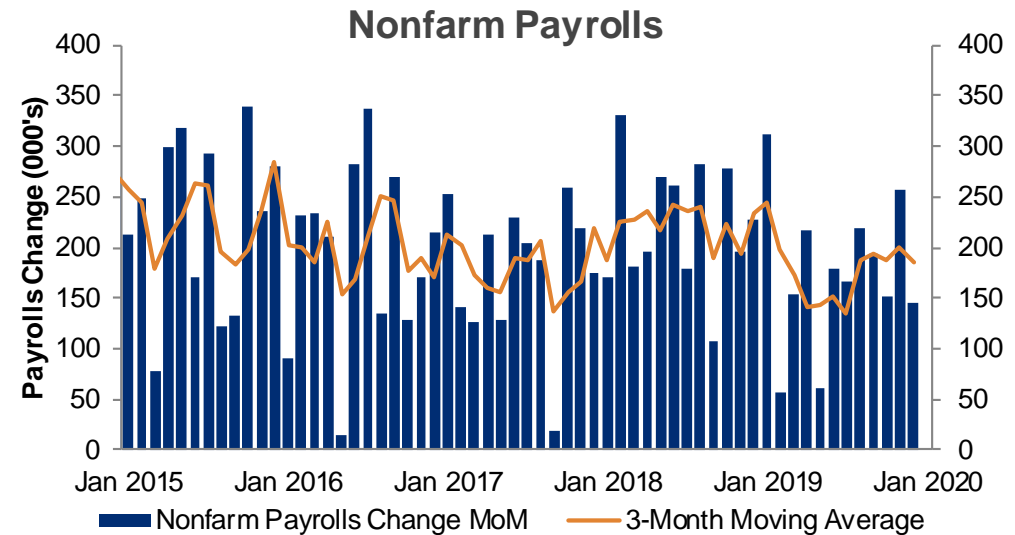
As of 1.31.20  
Source: Bloomberg, IMF

# US Economy stable in 2020 – 1.75-2% GDP

- US economy continues to show stable fundamentals with no clear excesses
- Jobs growth has been strong, but closely watched for signs of weakness
- Consumer confidence has remained high
- Manufacturing data has been impacted by global trade uncertainties
- Non-Manufacturing is still showing expansion

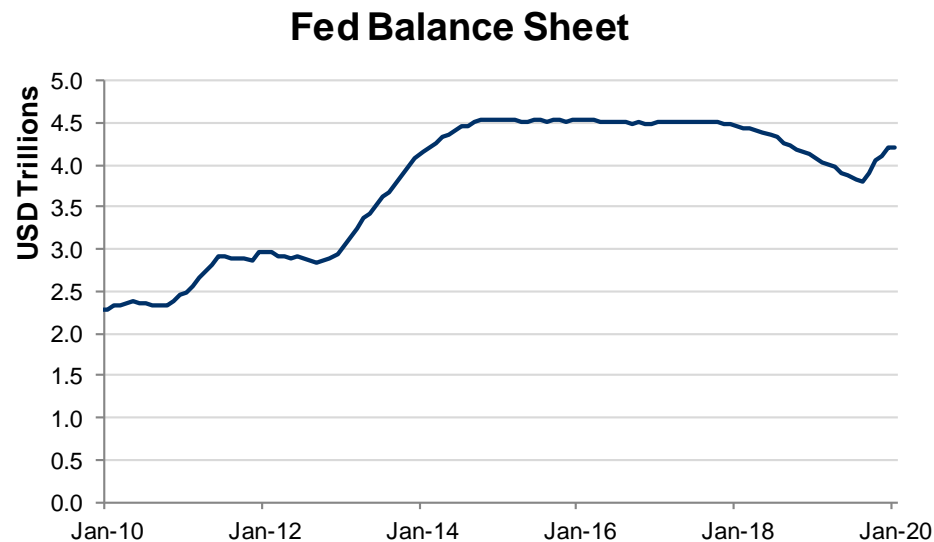


As of 1.31.20  
Source: Bloomberg



# Federal Reserve – On hold in 2020

- The Fed cut rates a total of 75bps in 2019 compelled by concerns over weak inflation, global growth and trade uncertainty
- Base case for 2020 is that Fed leaves rates unchanged
- Downside risks to rates remain strong
  - Late cycle economy / lack of fiscal stimulus
  - Inflation remains tepid
- The Fed's balance sheet is once again increasing as they take steps to stabilize demand for reserves and inject liquidity into the repo market



As of 1.31.20  
Source: Bloomberg

# U.S. Business Cycle Scorecard

U.S. is most likely “Late cycle”, with significant “end of cycle” claims

U.S. business cycle scorecard

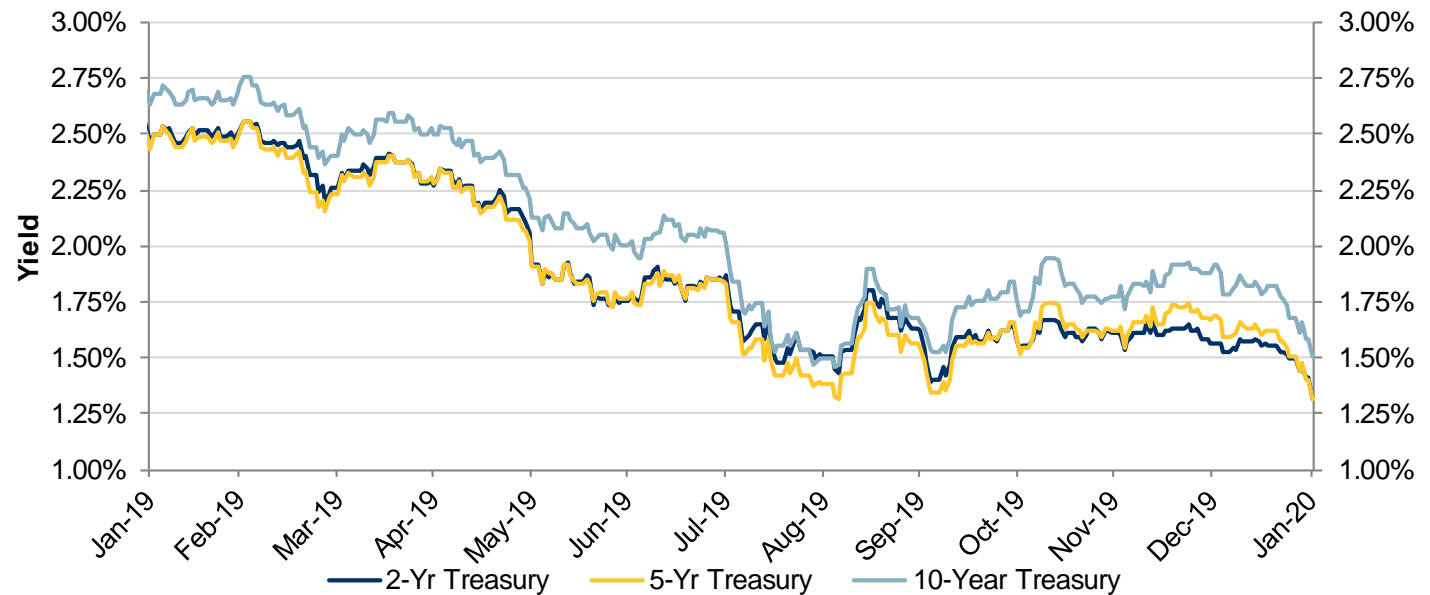
	Start of cycle	Early cycle	Mid cycle	Late cycle	End of cycle	Recession
Equities						
Volatility						
Credit						
Business investment						
Employment						
Leverage						
Inventories						
Housing						
Prices						
Consumer						
Sentiment						
Corporate profitability						
Economic trend						
Economic slack						
Cycle age						
Bonds						
Monetary policy						
<b>Allocation to each stage of cycle</b>	<b>0%</b>	<b>2%</b>	<b>14%</b>	<b>42%</b>	<b>33%</b>	<b>9%</b>

Note: As at 10/30/2019. Darkness of shading indicates the weight given by each input for each phase of the business cycle.

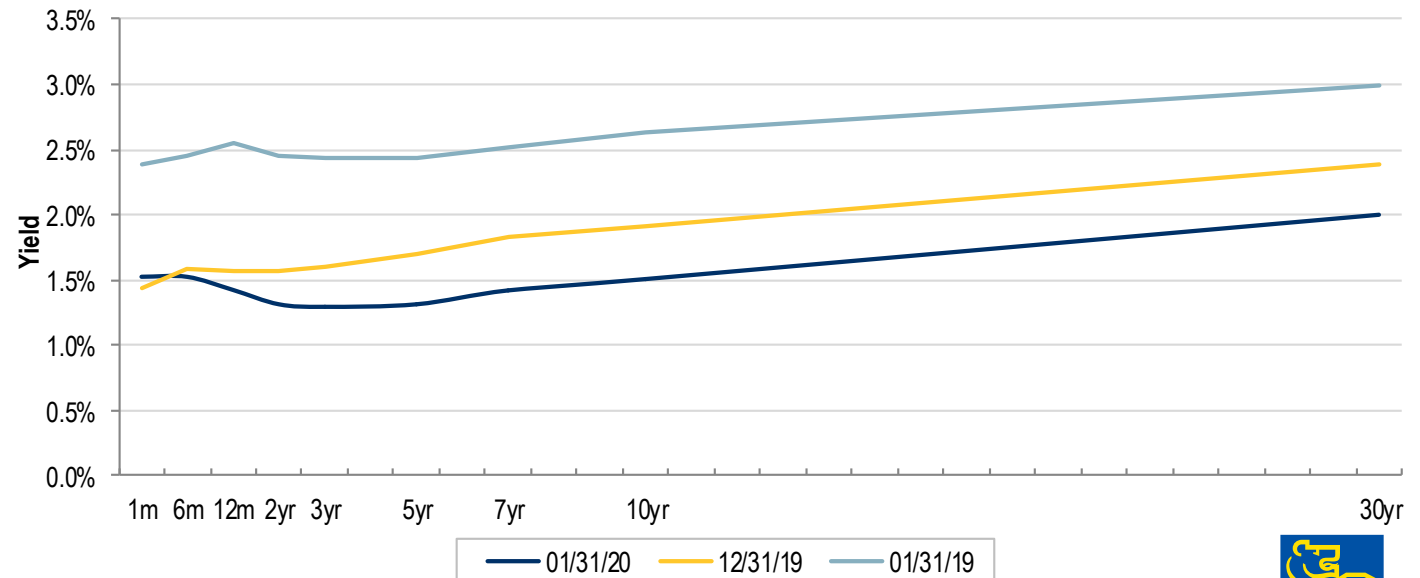
Source: RBC GAM

# U.S. Treasury Rates

- Treasury yields declined in January as concerns around the spread of the coronavirus led to a flight to quality



- The decline in rates led to an inversion of the yield curve as short end rates remain anchored by the Fed Funds rate



As of 1.31.20  
Source: Bloomberg

# 2020 Outlook

## Issues impacting growth and the US rates outlook

- Continued diminishing growth in 2020 –1.75-2% US GDP
- Key Issues in 2020:
  - Tariffs / trade war
  - Geopolitics in the Middle East
  - Presidential election / political gridlock
  - Coronavirus
  - Global growth bottoming out, but not necessarily increasing
- Federal Reserve – on hold in 2020
- Rates range bound – expect carry to drive returns
- Risk assets – valuations are rich but sustainable if economy remains healthy and the Fed remains accommodative



# Portfolio Review



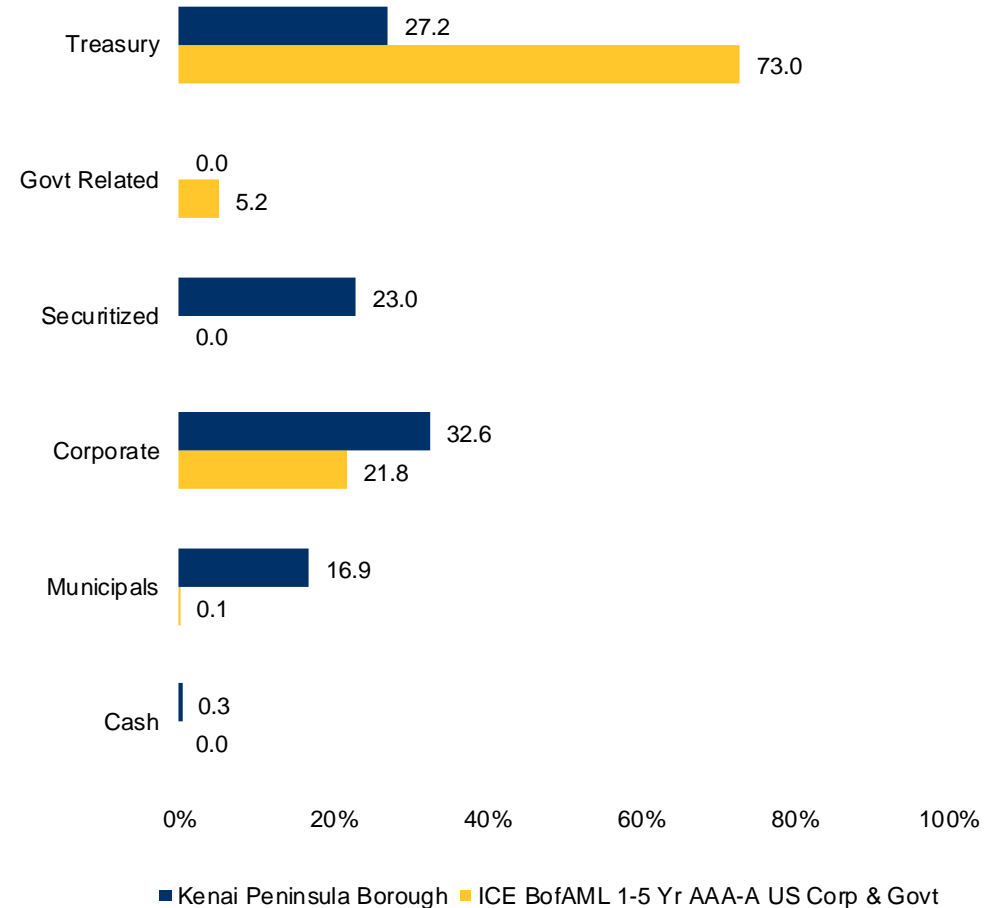
# Portfolio Characteristics

## Kenai Peninsula Borough

Market Value: \$110,422,186

Characteristics	Kenai Portfolio	BofAML 1-5 Yr AAA-A Corporate/Government
Effective Duration	2.51 years	2.58 years
Market Yield	1.83%	1.71%
Average Quality	AA+	AA+
Convexity	0.08	0.07
OAS	21 bps	9 bps
Spread Duration	1.49 years	0.68 years

### Sector Distribution

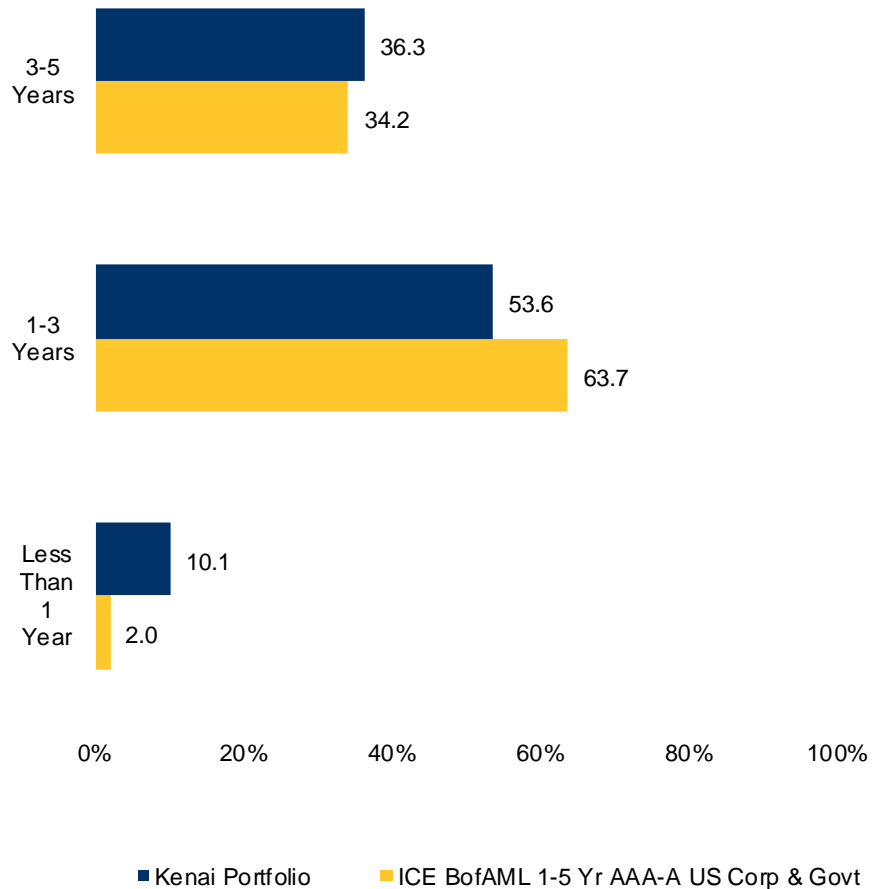


As of 12.31.19  
Source: RBC GAM-US, BofAML,

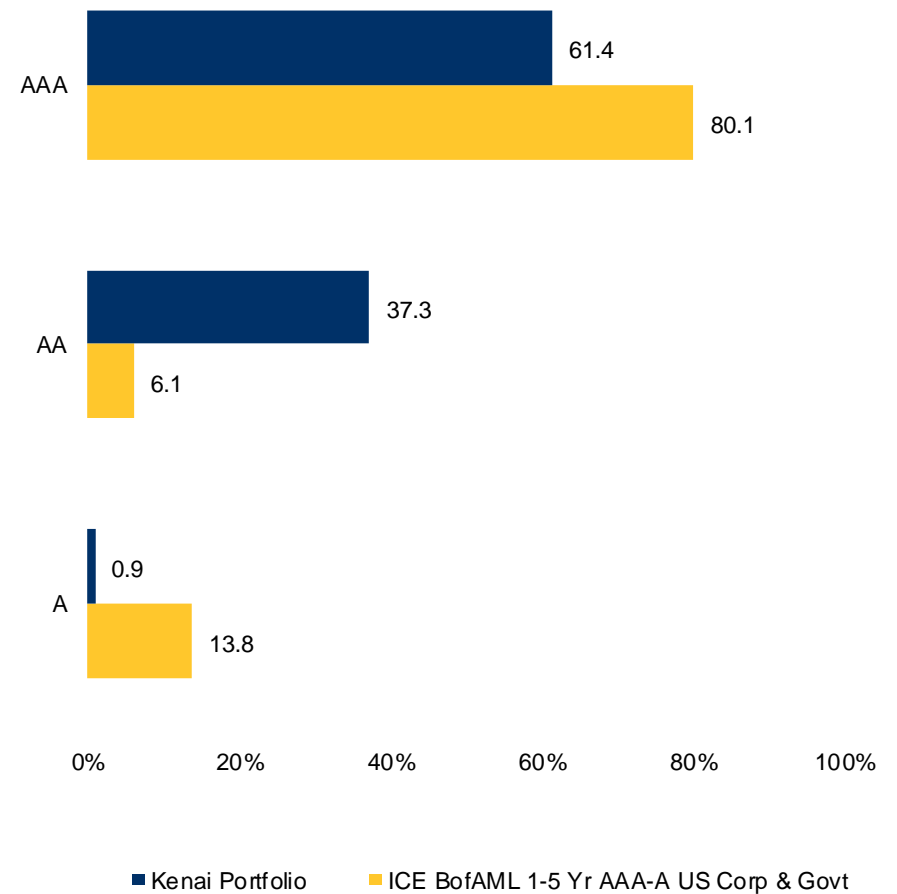
# Portfolio Characteristics

## Kenai Peninsula Borough

### Duration Distribution



### Credit Quality Distribution

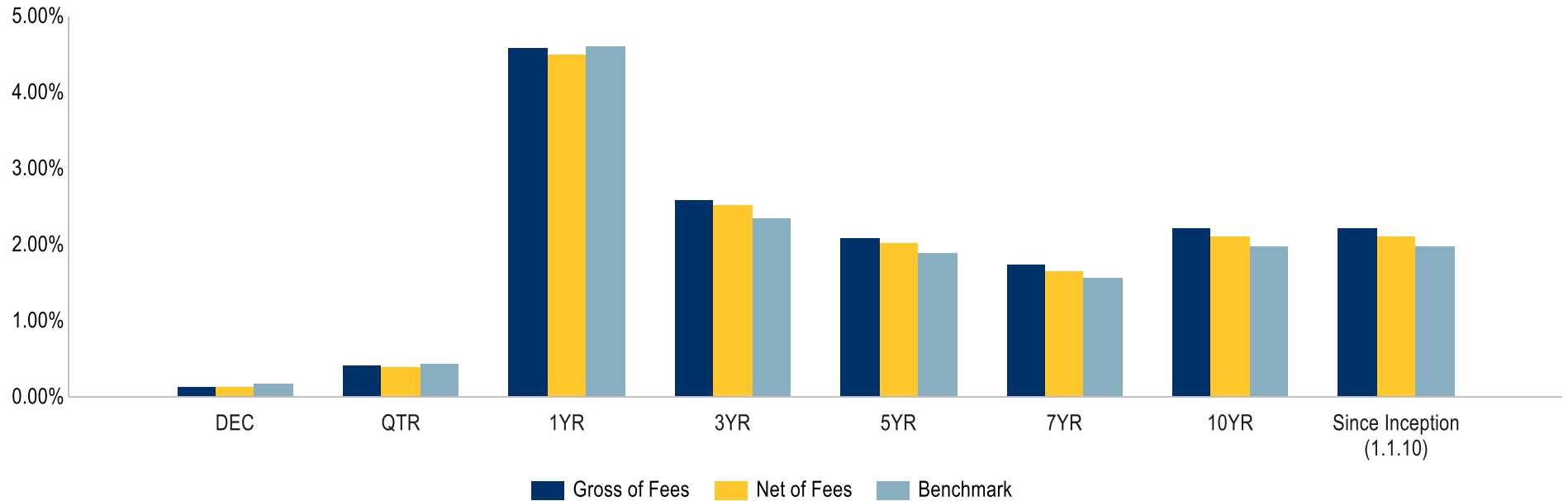


As of 12.31.19

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

# Performance

## Kenai Peninsula Borough



Returns (%)	DEC	QTR	1YR	3YR	5YR	7YR	10YR	SI
Gross of Fees	0.14	0.41	4.58	2.60	2.10	1.75	2.22	2.22
Net of Fees	0.14	0.39	4.50	2.52	2.02	1.67	2.12	2.12
Principal Return	-0.06	-0.20	2.08	0.37	0.08	-0.15	0.14	0.14
Income Return	0.21	0.61	2.45	2.22	2.02	1.91	2.08	2.08
Benchmark <sup>1</sup>	0.18	0.44	4.61	2.36	1.89	1.56	1.98	1.98

<sup>1</sup> 01/19/10-Current: ICE BofAML 1-5 Year AAA-A US Corporate & Government Index; 01/01/10-01/18/10: ICE BofAML 1-5 Year US Corporate & Government Index

# Performance

## Gross of Fees vs Net of Fees

What is the annual fee schedule for the Kenai Peninsula Borough's investment management services?

### Management Fee Schedule

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

	Basis pts	Kenai
First \$50,000,000	9 bps	\$50,000,000
Next \$50,000,000	7 bps	\$50,000,000
Over \$100,000,000	6 bps	\$10,000,000
<i>Total</i>	<i>7.8 bps</i>	<i>\$110,000,000</i>

**Effective Annual Fee based on Kenai's portfolio size of \$110 million = ~8 basis points or ~\$85,000**

In 2019, how much annual income was generated for the Kenai portfolio (before and after these fees)?

Returns (%)	QTR	YTD	1YR	3YR	5YR	7YR	SI
Gross of Fees	0.41	4.58	4.58	2.60	2.10	1.75	2.22
Net of Fees	0.39	4.50	4.50	2.52	2.02	1.67	2.12

2019 Kenai Portfolio	Returns (%)	Returns (\$)*
Gross of Fees	4.58%	\$4,839,612
- Management Fee	0.08%	-\$85,226
Net of Fees	4.50%	\$4,754,385

\*Estimated figures



Kenai Portfolio Value*	2019
January 1, 2019	\$105,668,384
+ 2019 Net Return	+ \$4,754,385
December 31, 2019	\$110,422,186

# Holdings



# Holdings

December 2019

Moody's S&P/Fitch	Quantity (Par)	Asset ID	Security Description	Coupon Maturity	Market Value	Unrealized Cost1	Gain/Loss	Accrued Income	Duration Avg Life	Book Yield Mkt Yield	% Assets
<b>Corporate</b>											
Aa3 AA-/A+	2,000,000	89236TDU6	Toyota Motor Credit Corp	1.95 4/17/20	2,000,519.32	1,999,913.09	606.23	8,016.67	0.29 0.30	1.97 1.84	1.82
Aa3 AA-/NA	1,000,000	742718FA2	Procter & Gamble Co	1.90 10/23/20	1,000,929.26	999,582.87	1,346.39	3,588.89	0.80 0.81	1.95 1.78	0.91
Aa2 AA/AA	1,225,000	931142EA7	Walmart Inc	1.90 12/15/20	1,226,863.15	1,224,469.75	2,393.40	1,034.44	0.94 0.96	1.95 1.73	1.11
Aa3 AA-/A+	1,000,000	89236TFQ3	Toyota Motor Credit Corp	3.05 1/8/21	1,012,376.28	999,711.14	12,665.14	14,656.94	0.99 1.02	3.08 1.81	0.93
Aa2 A+/AA-	2,000,000	94988J5N3	Wells Fargo Bank NA	2.60 1/15/21	2,015,194.58	1,999,639.44	15,555.14	23,977.78	1.01 1.04	2.62 1.85	1.85
Aa3 AA-/NA	2,000,000	742718EN5	Procter & Gamble Co	1.85 2/2/21	2,001,211.74	1,998,900.14	2,311.60	15,313.89	1.07 1.09	1.90 1.79	1.83
A1 AA-/AA-	500,000	90331HPA5	US Bank NA/Cincinnati OH	3.00 2/4/21	505,857.79	499,782.41	6,075.38	6,125.00	0.98 1.01	3.04 1.82	0.46
Aa2 A+/AA	1,643,000	48125LRN4	JPMorgan Chase Bank NA	3.09 4/26/21	1,648,818.19	1,643,905.31	4,912.88	9,154.70	0.32 0.33	2.91 1.93	1.50
Aa2 AA/AA	1,000,000	931142EJ8	Walmart Inc	3.13 6/23/21	1,021,381.70	999,999.22	21,382.48	694.44	1.44 1.48	3.13 1.65	0.93
Aa3 AA-/NA	1,175,000	89236TGJ8	Toyota Motor Credit Corp	1.80 10/7/21	1,175,438.83	1,174,875.34	563.49	4,935.00	1.73 1.77	1.81 1.78	1.07
A1 AA-/AA-	1,000,000	90331HNX7	US Bank NA/Cincinnati OH	3.45 11/16/21	1,029,091.44	999,147.97	29,943.47	4,312.50	1.74 1.80	3.50 1.78	0.94
Aaa AAA/NR	2,000,000	478160CD4	Johnson & Johnson	2.25 3/3/22	2,023,113.14	1,960,399.76	62,713.38	14,750.00	2.04 2.09	3.20 1.68	1.85
Aaa AA+/NA	1,000,000	30231GAJ1	Exxon Mobil Corp	2.40 3/6/22	1,012,551.92	979,735.70	32,816.22	7,657.08	1.98 2.02	3.37 1.76	0.92

# Holdings

December 2019

Moody's S&P/Fitch	Quantity (Par)	Asset ID	Security Description	Coupon Maturity	Market Value	Unrealized Cost1	Gain/Loss	Accrued Income	Duration Avg Life	Book Yield Mkt Yield	% Assets
<b>Corporate</b>											
Aa3 AA-/A+	700,000	89236TFX8	Toyota Motor Credit Corp	2.65 4/12/22	712,750.78	699,666.07	13,084.71	4,070.69	2.20 2.28	2.67 1.83	0.65
A1 AA-/AA-	2,000,000	90331HPC1	US Bank NA/Cincinnati OH	2.65 5/23/22	2,037,001.24	1,998,330.63	38,670.61	5,594.44	2.24 2.32	2.69 1.82	1.85
Aa2 A+/AA-	1,535,000	94988J5X1	Wells Fargo Bank NA	2.90 5/27/22	1,553,937.00	1,535,000.00	18,937.00	4,199.85	1.37 1.41	2.90 2.00	1.41
Aaa AA+/NA	1,250,000	30231GBB7	Exxon Mobil Corp	1.90 8/16/22	1,257,611.99	1,250,000.00	7,611.99	8,915.63	2.53 2.63	1.90 1.66	1.15
Aa1 AA+/NA	1,250,000	037833DL1	Apple Inc	1.70 9/11/22	1,249,821.43	1,249,810.71	10.72	6,493.06	2.61 2.70	1.71 1.70	1.14
Aa3 AA-/NA	3,000,000	92826CAG7	Visa Inc	2.15 9/15/22	3,033,977.73	3,007,631.39	26,346.34	18,991.67	2.55 2.63	2.05 1.70	2.76
Aa2 AA/NA	690,000	166764AB6	Chevron Corp	2.36 12/5/22	699,712.64	681,809.76	17,902.88	1,173.58	2.65 2.68	2.78 1.81	0.63
Aa2 AA/AA	1,500,000	931142DU4	Walmart Inc	2.35 12/15/22	1,526,233.64	1,530,723.86	-4,490.23	1,566.67	2.79 2.88	1.62 1.72	1.38
A1 AA-/AA-	1,075,000	90331HPF4	US Bank NA/Cincinnati OH	1.95 1/9/23	1,074,797.78	1,074,115.87	681.91	1,281.04	2.92 3.03	1.98 1.95	0.97
Aa1 AA+/NA	2,570,000	037833BU3	Apple Inc	2.85 2/23/23	2,642,435.19	2,580,219.72	62,215.47	26,042.67	2.85 2.98	2.71 1.87	2.42
Aaa AAA/AA+	750,000	594918AT1	Microsoft Corp	2.38 5/1/23	762,884.42	728,336.73	34,547.69	2,968.75	3.02 3.09	3.30 1.80	0.69
Aaa AAA/AA+	1,500,000	594918BX1	Microsoft Corp	2.88 2/6/24	1,556,699.97	1,502,325.23	54,374.74	17,369.79	3.71 3.93	2.83 1.87	1.43
<b>Subtotal</b>					<b>35,781,211.15</b>	<b>35,318,032.11</b>	<b>463,179.03</b>	<b>212,885.17</b>	<b>1.89 1.95</b>	<b>2.48 1.80</b>	<b>32.60</b>





# Holdings

December 2019

Moody's S&P/Fitch	Quantity (Par)	Asset ID	Security Description	Coupon Maturity	Market Value	Unrealized Cost1	Gain/Loss	Accrued Income	Duration Avg Life	Book Yield Mkt Yield	% Assets
<b>Municipals</b>											
A1 AA-/AA-	1,000,000	7252087V8	City of Pittsburgh PA	6.60 3/1/20	1,007,410.00	1,007,186.62	223.38	22,000.00	0.16 0.17	2.18 2.06	0.93
Aa3 AA/NA	420,000	238388QQ8	City of Davenport IA	2.00 6/1/20	420,424.20	420,608.29	-184.09	700.00	0.41 0.42	1.65 1.74	0.38
Aa1 AAA/AAA	860,000	64971QQZ9	New York City Transitional Finance Authority Future Tax Secured Revenue	2.75 11/1/20	865,968.40	867,792.25	-1,823.85	3,941.67	0.82 0.84	1.65 1.90	0.79
Aaa AAA/AAA	1,000,000	165573ZN9	County of Chester PA	3.13 2/15/21	1,013,990.00	1,012,018.95	1,971.05	11,820.67	1.09 1.13	2.04 1.86	0.93
Aaa NR/NA	1,140,000	89453PBQ1	County of Travis TX	4.21 3/1/21	1,169,982.00	1,168,328.76	1,653.24	15,998.00	1.12 1.17	2.04 1.91	1.07
Aa1 AA+/AA+	540,000	650035XS2	New York State Urban Development Corp	2.79 3/15/21	545,562.00	546,979.23	-1,417.23	4,436.10	1.17 1.21	1.70 1.92	0.50
Aa2 AA-/AA	1,200,000	13063DAC2	State of California	2.63 4/1/21	1,212,888.00	1,205,984.02	6,903.98	7,875.00	1.22 1.25	2.22 1.75	1.11
Aa2 AA-/AA	1,000,000	977100CX2	State of Wisconsin	1.62 5/1/21	996,820.00	1,000,000.00	-3,180.00	2,693.33	1.31 1.34	1.62 1.85	0.91
Aa2 AA/NA	300,000	451443ZU2	Idaho State Building Authority	2.76 9/1/21	304,389.00	300,000.00	4,389.00	2,758.00	1.61 1.67	2.76 1.86	0.28
Aa1 AA+/NA	2,000,000	914805ES1	University of Pittsburgh-of the Commonwealth System of Higher Education	2.32 9/15/21	2,013,840.00	2,000,000.00	13,840.00	13,662.22	1.66 1.71	2.32 1.90	1.84
Aa1 AAA/NA	500,000	353205BE6	County of Franklin OH	2.40 12/1/21	505,860.00	500,000.00	5,860.00	1,000.00	1.87 1.92	2.40 1.77	0.46
Aa2 AA/AA	500,000	605581HH3	State of Mississippi	2.88 12/1/21	510,160.00	505,068.30	5,091.70	1,197.92	1.86 1.92	2.33 1.79	0.46
Aa2 AA+/NA	300,000	6817124T9	City of Omaha NE	3.26 1/15/22	307,374.00	300,000.00	7,374.00	4,509.67	1.94 2.04	3.26 2.02	0.28



# Holdings

December 2019

Moody's S&P/Fitch	Quantity (Par)	Asset ID	Security Description	Coupon Maturity	Market Value	Unrealized Cost1	Gain/Loss	Accrued Income	Duration Avg Life	Book Yield Mkt Yield	% Assets
<b>Municipals</b>											
A1	1,000,000	735389YT9	Port of Seattle WA	2.43	1,007,860.00	1,000,000.00	7,860.00	4,050.00	2.25	2.43	0.92
A+/AA-				5/1/22					2.34	2.08	
Aa2	1,250,000	56052AD60	State of Maine	2.50	1,270,400.00	1,261,878.48	8,521.52	2,604.17	2.34	2.09	1.15
AA/NA				6/1/22					2.42	1.80	
Aaa	1,000,000	010878AN6	County of Alameda CA	4.00	1,054,640.00	1,028,933.21	25,706.79	16,666.67	2.42	2.83	0.97
AAA/AAA				8/1/22					2.59	1.82	
Aa2	430,000	091096NC7	Water Works Board of the City of Birmingham	2.16	430,520.30	430,000.00	520.30	903.42	2.89	2.16	0.39
AA/NA				1/1/23					3.00	2.12	
Aa2	325,000	6817124U6	City of Omaha NE	3.31	336,521.25	325,000.00	11,521.25	4,960.40	2.85	3.31	0.31
AA+/NA				1/15/23					3.04	2.10	
Aa1	1,000,000	64971XGA0	New York City Transitional Finance Authority Future Tax Secured Revenue	3.25	1,043,670.00	1,000,000.00	43,670.00	13,541.67	3.34	3.25	0.96
AAA/AAA				8/1/23					3.59	1.98	
Aa2	700,000	44244CXM4	City of Houston TX Combined Utility System Revenue	1.75	694,862.00	700,000.00	-5,138.00	1,561.70	3.72	1.75	0.63
AA/NA				11/15/23					3.88	1.94	
Aa3	320,000	783186UB3	Rutgers The State University of New Jersey	2.16	318,992.00	320,000.00	-1,008.00	1,287.00	4.10	2.16	0.29
A+/NA				5/1/24					4.34	2.24	
Aa1	1,220,000	231237N87	Cupertino Union School District	2.00	1,216,376.60	1,220,000.00	-3,623.40	3,727.78	4.34	2.00	1.10
AA+/NA				8/1/24					4.59	2.07	
Aa1	250,000	576051VX1	Massachusetts Water Resources Authority	1.86	247,202.50	250,000.00	-2,797.50	775.83	4.35	1.86	0.22
AA+/AA+				8/1/24					4.59	2.12	
<b>Subtotal</b>					<b>18,495,712.25</b>	<b>18,369,778.11</b>	<b>125,934.14</b>	<b>142,671.22</b>	<b>1.99</b>	<b>2.23</b>	<b>16.88</b>
									<b>2.09</b>	<b>1.92</b>	
<b>Securitized</b>											
Aaa	482,906	3138L9DF6	Fannie Mae Pool (AM8201)	1.70	481,407.36	482,906.41	-1,499.05	706.92	0.23	1.70	0.44
AA+/AAA				3/1/20					0.24	2.55	
Aaa	264,105	3137BMLC8	Freddie Mac Multifamily Structured Pass Through Certificates	2.57	263,780.98	264,241.60	-460.62	564.74	0.27	2.35	0.24
AA+/AAA				9/1/20					0.28	2.54	



# Holdings

December 2019

Moody's S&P/Fitch	Quantity (Par)	Asset ID	Security Description	Coupon Maturity	Market Value	Unrealized Cost1	Gain/Loss	Accrued Income	Duration Avg Life	Book Yield Mkt Yield	% Assets
<b>Securitized</b>											
Aaa	227,394	3136AJ7G5	Fannie Mae-Aces	2.68	227,672.58	227,834.27	-161.69	507.66	1.00	2.38	0.21
AA+/AAA				5/1/21					1.02	2.39	
Aaa	898,291	3137BFDQ1	Freddie Mac Multifamily Structured Pass Through Certificates	2.99	905,855.75	902,317.64	3,538.11	2,238.99	1.39	2.45	0.82
AA+/AAA				9/1/21					1.43	2.27	
Aaa	1,193,700	31381SP48	Fannie Mae Pool (469443)	3.39	1,217,615.00	1,201,513.11	16,101.89	3,484.61	1.26	2.63	1.11
AA+/AAA				10/1/21					1.30	1.70	
Aaa	456,415	3138L7VA1	Fannie Mae Pool (AM6908)	2.78	461,957.35	457,431.18	4,526.17	1,092.61	1.26	2.52	0.42
AA+/AAA				10/1/21					1.30	1.73	
Aaa	846,499	3137AJMF8	Freddie Mac Multifamily Structured Pass Through Certificates	2.97	854,318.57	849,146.66	5,171.91	2,093.39	1.49	2.61	0.78
AA+/AAA				10/1/21					1.54	2.23	
Aaa	607,804	3132WVAC8	Freddie Mac Gold Pool (WA1602)	2.85	614,067.76	610,037.14	4,030.62	1,491.65	1.84	2.46	0.56
AA+/AAA				12/1/21					1.92	2.32	
Aaa	996,627	3137APP61	Freddie Mac Multifamily Structured Pass Through Certificates	2.79	1,004,958.77	1,001,233.99	3,724.78	2,316.33	1.64	2.32	0.91
AA+/AAA				1/1/22					1.69	2.19	
Aaa	935,609	31381TRS1	Fannie Mae Pool (470397)	3.28	956,238.22	944,555.47	11,682.75	2,642.58	1.56	2.35	0.87
AA+/AAA				2/1/22					1.62	1.81	
Aaa	813,820	31381TV72	Fannie Mae Pool (470538)	3.22	831,579.95	822,095.55	9,484.40	2,256.54	1.64	2.27	0.76
AA+/AAA				3/1/22					1.70	1.84	
Aaa	1,000,000	3138L9FX5	Fannie Mae Pool (AM8281)	2.54	1,010,697.66	1,003,086.13	7,611.53	2,187.22	1.84	2.27	0.92
AA+/AAA				5/1/22					1.90	1.92	
Aaa	776,680	31381VFA8	Fannie Mae Pool (471861)	2.87	791,033.61	782,262.64	8,770.97	1,919.48	1.94	2.29	0.72
AA+/AAA				7/1/22					2.01	1.89	
Aaa	859,284	31381VKJ3	Fannie Mae Pool (471997)	2.70	871,889.94	864,148.88	7,741.06	1,997.84	1.94	2.24	0.79
AA+/AAA				7/1/22					2.01	1.91	
Aaa	566,034	3136AMM48	Fannie Mae-Aces	2.51	571,025.20	567,988.14	3,037.06	1,183.48	1.74	2.22	0.52
AA+/AAA				7/1/22					1.79	1.92	



# Holdings

December 2019

Moody's S&P/Fitch	Quantity (Par)	Asset ID	Security Description	Coupon Maturity	Market Value	Unrealized Cost1	Gain/Loss	Accrued Income	Duration Avg Life	Book Yield Mkt Yield	% Assets
<b>Securitized</b>											
Aaa AA+/AAA	1,000,000	3137AVXN2	Freddie Mac Multifamily Structured Pass Through Certificates	2.36 7/1/22	1,007,846.12	1,002,496.19	5,349.93	1,962.50	2.28 2.36	2.15 1.96	0.91
Aaa AA+/AAA	853,080	31381UE78	Fannie Mae Pool (470958)	2.56 8/1/22	863,261.48	856,248.00	7,013.48	1,880.57	2.02 2.09	2.27 1.94	0.78
Aaa AA+/AAA	993,472	3138L0MH1	Fannie Mae Pool (AM0359)	2.31 8/1/22	999,583.87	985,488.17	14,095.70	1,976.18	2.45 2.55	2.93 2.04	0.91
Aaa AA+/AAA	898,526	3138L03Q2	Fannie Mae Pool (AM0806)	2.45 11/1/22	907,867.71	895,572.48	12,295.23	1,895.64	2.23 2.32	2.36 1.96	0.82
Aaa AA+/AAA	1,101,699	3138L14P1	Fannie Mae Pool (AM1729)	2.30 1/1/23	1,108,790.81	1,080,498.65	28,292.16	2,181.98	2.94 3.07	3.61 2.04	1.01
Aaa AA+/AAA	569,254	3138L2VY0	Fannie Mae Pool (AM2430)	2.73 2/1/23	579,895.92	567,490.77	12,405.15	1,338.22	2.45 2.56	2.93 1.95	0.53
Aaa AA+/AAA	975,000	3137B36J2	Freddie Mac Multifamily Structured Pass Through Certificates	3.32 2/1/23	1,011,252.44	982,916.81	28,335.63	2,697.50	2.79 2.95	2.79 1.96	0.92
Aaa AA+/AAA	1,000,000	3138L3TA3	Fannie Mae Pool (AM3244)	2.52 5/1/23	1,014,261.99	994,069.58	20,192.41	2,170.00	2.77 2.90	2.88 2.00	0.92
Aaa AA+/AAA	1,000,000	3138LETQ4	Fannie Mae Pool (AN2358)	1.90 8/1/23	993,999.92	972,773.13	21,226.79	1,636.11	3.44 3.60	3.45 2.07	0.90
Aaa AA+/AAA	891,289	3138L42J1	Fannie Mae Pool (AM4376)	3.46 9/1/23	928,444.97	897,195.24	31,249.73	2,655.55	2.92 3.11	3.09 2.00	0.84
Aaa AA+/AAA	750,000	3137BWWD2	Freddie Mac Multifamily Structured Pass Through Certificates	3.00 1/1/24	774,285.71	762,480.31	11,805.40	1,876.25	3.55 3.78	2.17 2.07	0.70
Aaa AA+/AAA	714,959	3138LHAA2	Fannie Mae Pool (AN4500)	2.54 3/1/24	727,048.54	727,374.12	-325.58	1,563.77	3.40 3.60	1.71 2.05	0.66
Aaa AA+/AAA	1,000,000	3138LHQT4	Fannie Mae Pool (AN4965)	2.72 3/1/24	1,023,114.89	1,004,107.70	19,007.19	2,342.22	3.52 3.74	2.52 2.03	0.93



# Holdings

December 2019

Moody's S&P/Fitch	Quantity (Par)	Asset ID	Security Description	Coupon Maturity	Market Value	Unrealized Cost1	Gain/Loss	Accrued Income	Duration Avg Life	Book Yield Mkt Yield	% Assets
<b>Securitized</b>											
Aaa	1,710,000	3138LHR97	Fannie Mae Pool (AN5011)	3.09	1,774,366.02	1,736,083.13	38,282.89	4,550.03	3.57	2.37	1.61
AA+/AAA				4/1/24					3.82	2.06	
Aaa	537,000	3136AKQM8	Fannie Mae-Aces	3.06	555,670.53	552,246.15	3,424.38	1,367.56	3.78	1.66	0.50
AA+/AAA				6/1/24					4.06	2.12	
<b>Subtotal</b>					<b>25,333,789.62</b>	<b>24,997,839.24</b>	<b>335,950.38</b>	<b>58,778.12</b>	<b>2.33</b> <b>2.44</b>	<b>2.51</b> <b>2.02</b>	<b>23.00</b>
<b>Treasury</b>											
Aaa	1,600,000	912828UN8	United States Treasury Note/Bond	2.00	1,618,750.00	1,570,152.96	48,597.04	12,086.96	3.00	2.63	1.48
AA+/AAA				2/15/23					3.13	1.61	
Aaa	4,800,000	912828VB3	United States Treasury Note/Bond	1.75	4,818,750.00	4,622,986.35	195,763.65	10,846.15	3.25	2.91	4.37
AA+/AAA				5/15/23					3.38	1.63	
Aaa	6,700,000	9128284U1	United States Treasury Note/Bond	2.63	6,926,648.47	6,667,557.56	259,090.91	483.17	3.34	2.77	6.27
AA+/AAA				6/30/23					3.50	1.63	
Aaa	1,700,000	9128284X5	United States Treasury Note/Bond	2.75	1,766,671.88	1,687,327.83	79,344.05	15,797.39	3.46	2.97	1.61
AA+/AAA				8/31/23					3.67	1.64	
Aaa	4,900,000	9128286G0	United States Treasury Note/Bond	2.38	5,040,109.38	4,899,837.78	140,271.60	39,324.52	3.93	2.31	4.60
AA+/AAA				2/29/24					4.16	1.66	
Aaa	3,000,000	912828XX3	United States Treasury Note/Bond	2.00	3,041,484.39	3,038,640.33	2,844.06	164.84	4.29	1.90	2.75
AA+/AAA				6/30/24					4.50	1.68	
Aaa	4,500,000	912828Y87	United States Treasury Note/Bond	1.75	4,514,765.63	4,542,798.68	-28,033.06	32,955.16	4.36	1.53	4.12
AA+/AAA				7/31/24					4.58	1.68	
Aaa	700,000	912828YE4	United States Treasury Note/Bond	1.25	686,656.25	689,927.32	-3,271.07	2,956.73	4.50	1.57	0.62
AA+/AAA				8/31/24					4.68	1.67	
Aaa	1,500,000	912828YV6	United States Treasury Note/Bond	1.50	1,487,929.70	1,492,723.83	-4,794.14	1,967.21	4.72	1.60	1.35
AA+/AAA				11/30/24					4.92	1.67	
<b>Subtotal</b>					<b>29,901,765.70</b>	<b>29,211,952.64</b>	<b>689,813.04</b>	<b>116,582.13</b>	<b>3.76</b> <b>3.94</b>	<b>2.36</b> <b>1.65</b>	<b>27.19</b>



# Holdings

December 2019

Moody's S&P/Fitch	Quantity (Par)	Asset ID	Security Description	Coupon Maturity	Market Value	Unrealized Cost <sup>1</sup>	Gain/Loss	Accrued Income	Duration Avg Life	Book Yield Mkt Yield	% Assets
<b>Cash &amp; Equivalents</b>											
	378,791	CASHUSD	US Dollar	0.00	378,790.82	378,790.82	0.00	0.00	0.00	1.48	0.34
									0.00	1.48	
<b>Subtotal</b>					<b>378,790.82</b>	<b>378,790.82</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1.48</b>	<b>0.34</b>
									<b>0.00</b>	<b>1.48</b>	
<b>Total</b>					<b>109,891,269.54</b>	<b>108,276,392.92</b>	<b>1,614,876.59</b>	<b>530,916.64</b>	<b>2.51</b>	<b>2.41</b>	<b>100.00</b>
									<b>2.62</b>	<b>1.83</b>	

<sup>1</sup> Cost and Gain/Loss are based on Amortized Cost.



# Appendix



# Glossary of Investment Terms

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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 Policy Statement

## Kenai Peninsula Borough

### 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.

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Approved by: Brandi Harbaugh 10/11/18

Brandi Harbaugh, Finance Director Date

Concur: Charlie Pierce 10/11/18

Charlie Pierce, Kenai Peninsula Borough Mayor Date

### **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

# Investment Policy Statement

## Kenai Peninsula Borough

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 3-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

# Investment Policy Statement

## Kenai Peninsula Borough

### 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.

- 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.

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 ICE BofAML 1-5 Yr. AAA-A US Corporate & Government.

# Investment Policy Statement

## Kenai Peninsula Borough

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### III. Land Trust Investment Fund Investments (LTIF)

#### 1. General Requirements

The Finance Director provides management of the Land Trust Investment Fund (LTIF), with the financial asset investments of the LTIF approved by the Borough Assembly through resolution during the annual budgetary process, in the form of an asset allocation plan. The asset allocation plan shall have specific categories of investments of the fund with percentage targets to allow for reasonable fluctuations above and below the target percentage. The plan will establish benchmarks for evaluating the performance of each investment manager and asset classification. Investments shall be managed and adhere to the target ranges of the asset allocation plan.

The governing ordinance KPB Ordinance 2018-29 provides that the Borough retain one or more professional investment managers with experience handling institutional endowment investments to manage, design portfolio asset allocation plans, and invest funds held by the custodian in accordance with the written investment policies adopted by the Borough Assembly established in KPB Code 5.20.030.

The Borough's Code authorizes the following investments for the LTIF through KPB Code 5.10.200.B:

#### Authorized Investments:

##### A. Financial Assets - Money in the Land Trust Investment Fund shall be invested only in the following instruments and subject to the applicable limitations and requirements.

1. Investments authorized by KPB 5.10.040.
2. Bonds or other U.S. dollar denominated debt instrument of this state, its agencies, municipalities, any other state which at the time of investment have an investment grade rating by a nationally recognized rating agency. If, after purchase, these obligations are downgraded below investment grade, the obligations shall be sold in an orderly manner within ninety (90) days of downgrading.
3. Corporate obligations of investment-grade quality as recognized by a nationally recognized rating organization. If, after purchase, these obligations are downgraded below investment grade, the obligations shall be sold in an orderly manner within ninety (90) days of downgrading.
4. Domestic equities, which taken as a whole, attempt to mirror the characteristics or replicate the Standard and Poor's 500 Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).
5. Domestic equities, which taken as a whole, attempt to replicate the Standard and Poor's 400 Mid-Cap Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).
6. Domestic equities, which taken as a whole, attempt to replicate the Standard and Poor's 600 Small-Cap Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).

7. International equities, which taken as a whole, attempt to replicate the Financial Times Stock Exchange Developed ex North America Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).
8. Equities, which taken as a whole, attempt to replicate the universe of domestic real estate investment trusts as represented by the Standard and Poor's REIT composite index or another index of similar characteristics including both mutual funds and exchange traded funds (ETFs).
9. Emerging market equities, which taken as a whole, attempt to replicate the Financial Times Stock Exchange Emerging Index or another index of similar characteristics including both mutual funds and exchange traded funds (ETFs).
10. Interfund loans for land or capital improvements.
  - a) Loans shall only be for the purpose of financing the acquisition of land or capital improvements;
  - b) The rate of interest shall be the prime rate in effect on the date of ordinance approval;
  - c) The term of a loan shall not be longer than the term allowed for a land sale contract of similar size;
  - d) Payments shall be paid in equal annual installments upon adoption of each year's annual budget until the loan is paid in full; and
  - e) All such loans must be approved by the assembly by ordinance, and the assembly may add such additional terms and conditions as appropriate.

##### B. Non-Financial Assets

Land Trust Investment Fund assets may be used to supplement Land Trust Fund assets for investment in the following:

- a) Land which will be added to the inventory of land assets.
- b) Income producing assets such as improvement to borough lands.



# Disclosures

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