

# KENAI PENINSULA BOROUGH LAND TRUST INVESTMENT FUND

## STRATEGIC REVIEW

*for the period ending September 30, 2021*

### *Agenda*

- 1 Strategic Review
- 2 Portfolio Review
- 3 Market Review
- 4 Appendix



# Account Summary as of September 30, 2021

## *Kenai Peninsula Borough Land Trust Investment Fund*

Account Inception	<b>June 2019</b>
Total Contributions	<b>\$6,225,227</b>
Withdrawals <i>Does not include custodial or management fees</i>	<b>\$0</b>
Current Market Value <i>September 30, 2021</i>	<b>\$7,763,747</b>
Annualized Account Return <i>Inception– September 30, 2021; Gross of Fees</i>	<b>+10.19%</b>
Strategic Allocation	<b>45% Fixed / 47% Equity / 8% Alternatives</b>

# Strategic Review

Strategic Review

Portfolio Review

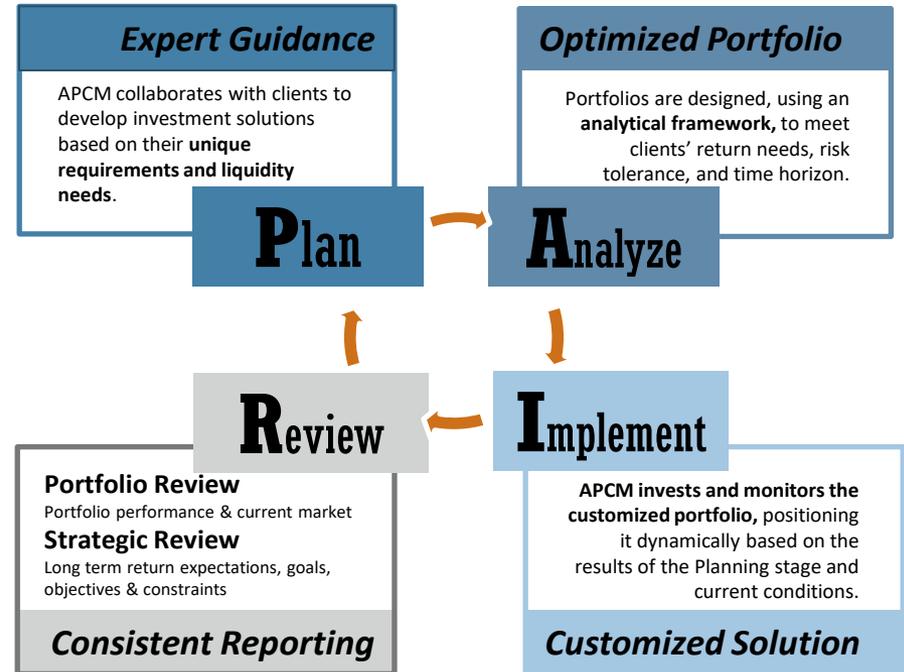
Market Review

Appendix

# Prudent Investment Management Process

*Kenai Peninsula Borough Land Trust Investment Fund*

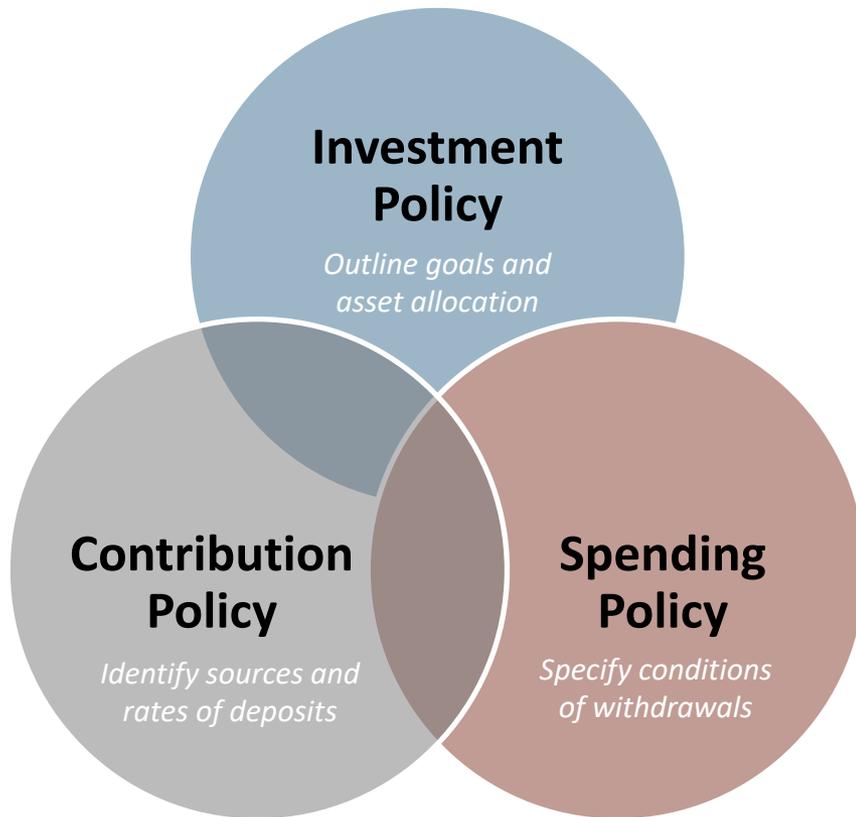
- APCM'S prudent investment process, is an integrated set of steps undertaken consistently to **create and maintain an optimal portfolio**.
- APCM designed this process to **promote and protect the Borough's interests** and continuously confirm that **each client's customized strategy achieves the highest return possible given a specified level of risk**.
- This process is perpetual and formal reviews conducted each year maintain a customized investment strategy that:
  - Prudently **evaluates new investment opportunities**.
  - Confirms the **ability of the strategic allocation(s) to meet the stated long-term investment objectives**.



# Overview of Current Policies

## *Kenai Peninsula Borough Land Trust Investment Fund*

Likelihood of Meeting Goals Increases When Policies are in Alignment



<p><b>Investment Policy</b></p>	<ul style="list-style-type: none"> <li>Preserve the value of the land assets that have been sold</li> <li>Support and supplement the operating revenue of the Land Trust Fund (LTF)</li> </ul>
<p><b>Spending Policy</b></p>	<ul style="list-style-type: none"> <li>Transfers to support operations in the Land Trust Fund or General Fund: 3.75% POMV Annual Distribution per Memorandum dated May 21, 2019</li> <li>Transfers to the LTF to invest in non-financial assets such as land or income producing investments: maximum of 10% of the market value of the LTIF in any year or 25% in any five-year period</li> <li>Support interfund loan to the LTF if fund balance falls below minimum requirement</li> </ul>
<p><b>Contribution Policy</b></p>	<ul style="list-style-type: none"> <li>The net proceeds of land sales will be transferred to the LTIF provided that the fund balance policy minimum requirements of the LTF are met</li> </ul>

# Key Policies and Unique Circumstances

## *Kenai Peninsula Borough Land Trust Investment Fund*

Factors	Kenai Peninsula Borough LTIF
<b>T</b> Time Horizon	Perpetual
<b>R</b> Risk Tolerance	Commensurate with Expected Return
<b>E</b> Expected Return	Distributions (3.75%) + Inflation (2.0%) = <b>5.75%</b>
<b>A</b> Asset Class Preference	APCM will provide a portfolio allocation with a diversified mix of up to 15 different asset classes.
<b>T</b> Tax Status	Tax-exempt

	Current		
<b>Expected Annual Return</b>	<b>5.63%</b>		
<b>Long-Term Expected Return (integrates risk)</b>	<b>5.25%</b>		
<b>Less Inflation</b>	-2.00%		
<b>Net Earnings (3.75% needed for distributions)</b>	3.00%	<b>3.25%</b>	3.52%
	Worst	<b>Base</b>	Best

Risk and return data from Windham Portfolio Advisor.

# Accept, Prepare, Adapt

## *Kenai Peninsula Borough Land Trust Investment Fund*

Bonds	Stocks	Alternatives
U.S. Fixed Income	U.S. Large, Medium, & Small Cap	Real Estate
U.S. TIPS		
International Bonds	Emerging Markets	Infrastructure
Cash	Developed Int'l	Commodities

### New Opportunities

U.S. Short-Term Bonds

U.S. Corporate High Yield

Alternative Beta

APCM has been monitoring key changes to the financial market environment, which point to **higher inflation** than the last 10 years, **Fed rate hikes** in the medium-term, and a market environment that rewards **flexibility** and **diverse return drivers**.

In response to these changes, APCM conducted exhaustive research into **new opportunities to address client needs for the future**. These opportunities meet APCM's guiding principles and adhere to our investment philosophy.

After the extensive research, the new opportunities on the left were chosen for the ability to **improve expected return, dampen sensitivity to rising interest rates and inflation, and/or increase portfolio diversification**.

# Additional Tools for the Future

## *Kenai Peninsula Borough Land Trust Investment Fund*

### High Yield Bonds

A mix of stock-like and bond-like return drivers combine to provide some of the highest yields and one of the highest long-term fixed income return expectations.

### High Yield Bonds

Though these are fixed income securities, APCM views them as risk assets like equities, though less risky when compared to increasing the portfolio's allocation to stocks.

### Short Duration Bonds

Allow APCM to more finely calibrate duration to improve return during rising rate environments.

### Short Duration Bonds

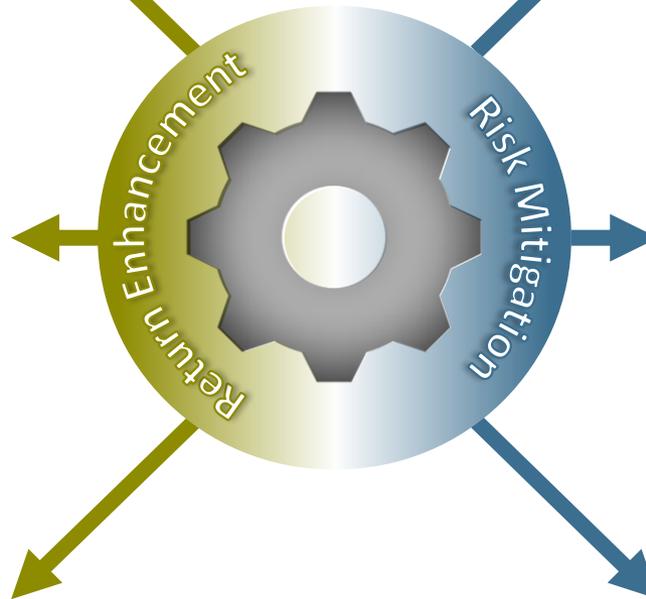
These bonds are less sensitive to interest rate movements, so volatility in returns is lower than long duration bonds.

### Alternative Beta

Implementation strategies that target unique return drivers that are expected to provide higher returns than bonds. These can generate positive returns in market environments that are challenging for other asset classes.

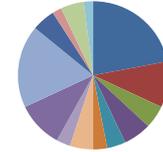
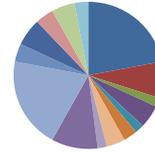
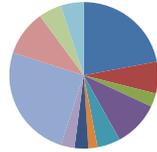
### Alternative Beta

Because these strategies isolate specific return drivers, they do not behave like stocks or bonds – a significant diversification benefit for the total portfolio.



# LTIF Portfolio Options

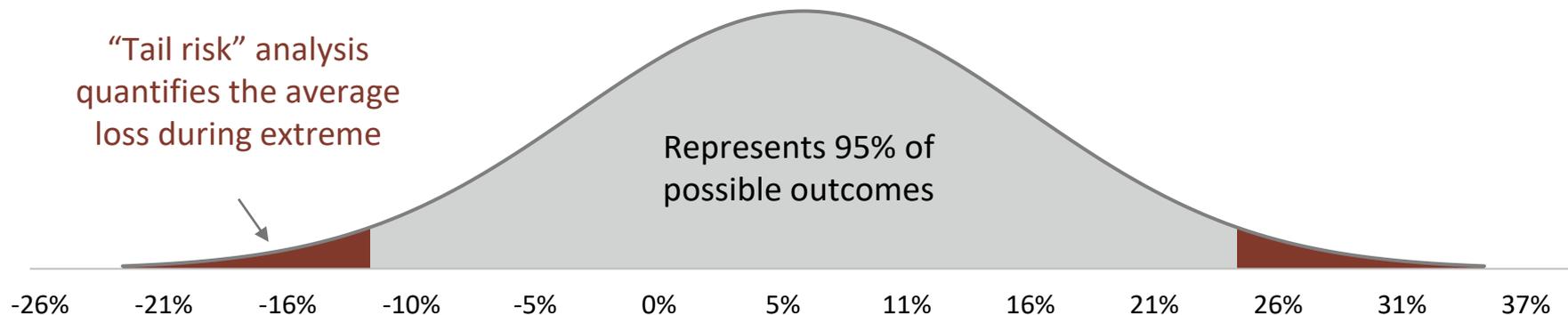
*Kenai Peninsula Borough Land Trust Investment Fund*



Asset Class	Current	Model 4	Model 5
<b>Total Equity</b>	<b>47.0%</b>	<b>39.0%</b>	<b>47.0%</b>
Large Cap Equity	22.0%	22.0%	22.0%
Mid Cap Equity	7.0%	8.0%	10.0%
Small Cap Equity	3.0%	2.0%	5.0%
International Equity	10.0%	5.0%	6.0%
Emerging Markets Equity	5.0%	2.0%	4.0%
<b>Total Alternatives</b>	<b>8.0%</b>	<b>19.0%</b>	<b>21.0%</b>
REITs	2.0%	3.0%	3.0%
Infrastructure	3.0%	4.0%	5.0%
Commodities	3.0%	2.0%	3.0%
Alternative Beta	0.0%	10.0%	10.0%
<b>Total Fixed Income</b>	<b>45.0%</b>	<b>42.0%</b>	<b>32.0%</b>
U.S. Fixed Income	25.0%	20.0%	18.0%
U.S. 1-5 Year Gov/Credit	0.0%	4.0%	0.0%
U.S. Corporate High Yield	0.0%	6.0%	5.0%
TIPS	10.0%	4.0%	2.0%
International Fixed Income	5.0%	5.0%	5.0%
Cash	5.0%	3.0%	2.0%

# Portfolio Return & Risk Characteristics

## *Kenai Peninsula Borough Land Trust Investment Fund*



Characteristics	Current		Model 4		Model 5	
	Expected	Range*	Expected	Range*	Expected	Range*
Annual Return	5.63%	-12.8% to 23.3%	5.82%	-11.3% to 22.9%	6.57%	-13.7% to 26.8%
Long-Term Return	5.25%	5.0% to 5.5%	5.48%	5.2% to 5.7%	6.09%	5.8% to 6.4%
Net Earnings (less inflation)	3.25%	3.0% to 3.5%	3.48%	3.2% to 3.7%	4.09%	3.8% to 4.4%
Average Loss in Extreme Conditions <i>Within a 1-Year Horizon</i>		-22.0%		-21.0%		-24.3%

\* Range denotes the 95% confidence interval.

Graphic is for illustrative purposes only. Risk and return data from Windham Portfolio Advisor.

# Wealth Simulations 10-Year Horizon

## *Kenai Peninsula Borough Land Trust Investment Fund*

- The simulations assumed a starting market value of \$7.95M, a deposit of \$1.20M in November 2021, and withdrawals at the 3.75% Memorandum rate based upon a 5-year average percent of market value.
- Inflation-adjusted principal of \$9.64M was calculated based upon deposits to the portfolio since inception adjusted at realized inflation rates and at APCM’s expected inflation of 2.0% thereafter.

### Monte Carlo Simulation



Distributions (\$ thousands)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>Current</b>	327	338	346	351	367	373	378	382	388	393
<b>Model 4</b>	327	339	347	352	369	376	382	388	394	402
<b>Model 5</b>	328	340	349	356	375	384	393	402	410	421

Risk and return data from Windham Portfolio Advisor.

# Decision Framework

## *Kenai Peninsula Borough Land Trust Investment Fund*

1 →

### Current Strategic Asset Allocation

- **Maintain the current allocation if the Borough can accept a lower sustainable rate and does not want to include new asset classes.**
- Keeps allowable asset classes unchanged and remains an efficient portfolio given the smaller investment universe.

2 →

### Adopt Model 4

- **Select Model 4 if the Borough can accept a lower sustainable rate and is comfortable with the new asset classes.**
- Improves upon the return expectations of the strategic asset allocation while slightly reducing risk by expanding the investment universe.
- Model 4's lower risk is preferable to Model 5 if the lower sustainable rate is acceptable because of the possibility of large withdrawals allowable by Code (up to 25% of market value over a five-year period).

3 →

### Adopt Model 5

- **Select Model 5 if the Borough must maintain the 3.75% sustainable rate and is willing to take on additional risk.**
- Improves upon the return expectations of the strategic asset allocation for a modest increase in risk.
- Risk expectations would still be close to those of the current strategic asset allocation when it was chosen in 2019 (expected annual range of -13.0% to 25.4% vs. -13.7% to 26.8%\* when the allocation was chosen).

\* Based upon information presented to the Board on May 7, 2019.

# Portfolio Review

*As of September 30, 2021*

Strategic Review

Portfolio Review

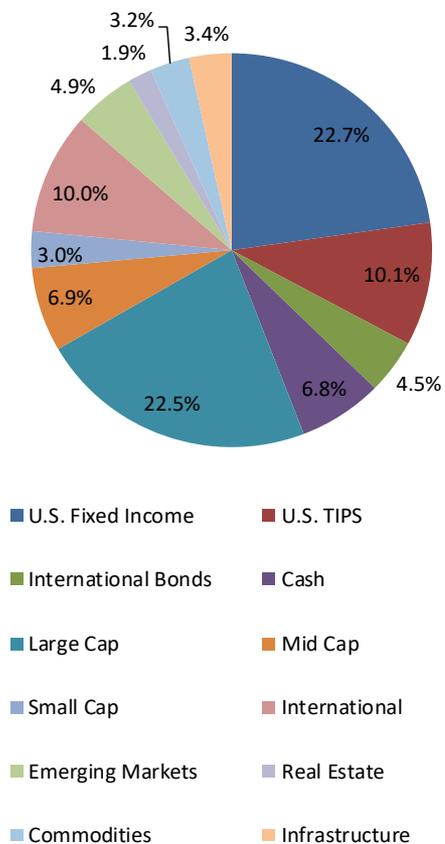
Market Review

Appendix

**PORTFOLIO  
REVIEW**

# Asset Allocation as of September 30, 2021

## *Kenai Peninsula Borough Land Trust Investment Fund*



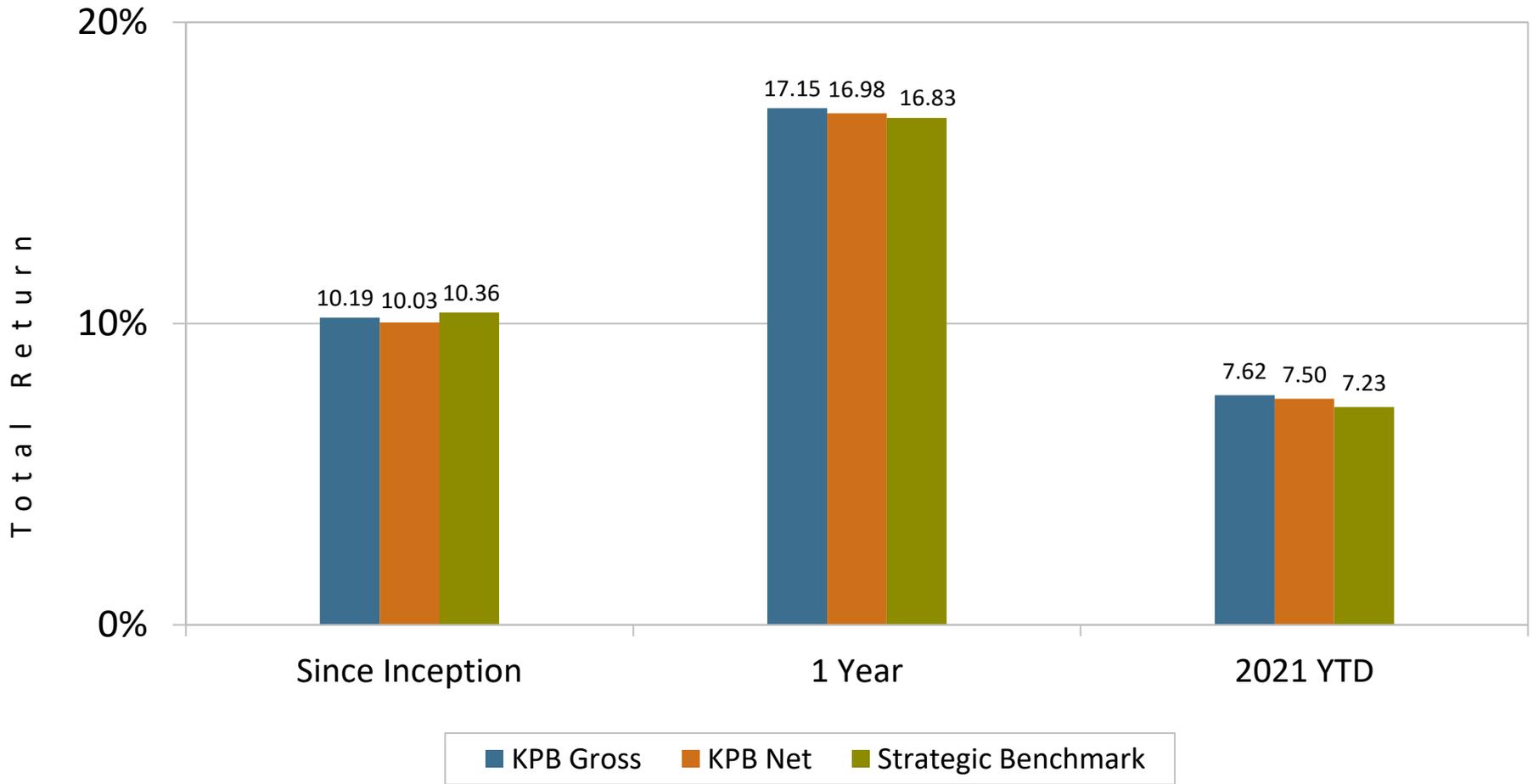
Asset Class	% Assets	Strategic Benchmark	Range	Market Value
<b>Fixed Income</b>	<b>44.1%</b>	<b>45%</b>		<b>\$3,426,738</b>
U.S. Fixed Income	22.7%	25	15-35%	\$1,765,823
U.S. TIPS	10.1%	10	5-15	\$785,861
International Bonds	4.5%	5	0-10	\$348,026
Cash	6.8%	5	0-10	\$527,028
<b>Equities</b>	<b>47.3%</b>	<b>47%</b>		<b>\$3,673,519</b>
Large Cap	22.5%	22	12-32%	\$1,745,911
Mid Cap	6.9%	7	0-15	\$536,926
Small Cap	3.0%	3	0-6	\$233,667
International	10.0%	10	5-15	\$772,868
Emerging Markets	4.9%	5	0-10	\$384,147
<b>Alternatives</b>	<b>8.5%</b>	<b>8%</b>		<b>\$663,490</b>
Real Estate	1.9%	2	0-5	\$150,498
Commodities	3.2%	3	0-6	\$247,758
Infrastructure	3.4%	3	0-6	\$265,234

**Total**

**\$7,763,747**

# Historical Account Performance as of September 30, 2021

## *Kenai Peninsula Borough Land Trust Investment Fund*



Performance is gross of fees. Portfolio inception performance is annualized and begins on 06/30/2019. Strategic benchmark is a blended return of the account's target allocation.

# Market Review

Strategic Review

Portfolio Review

Market Review

Appendix

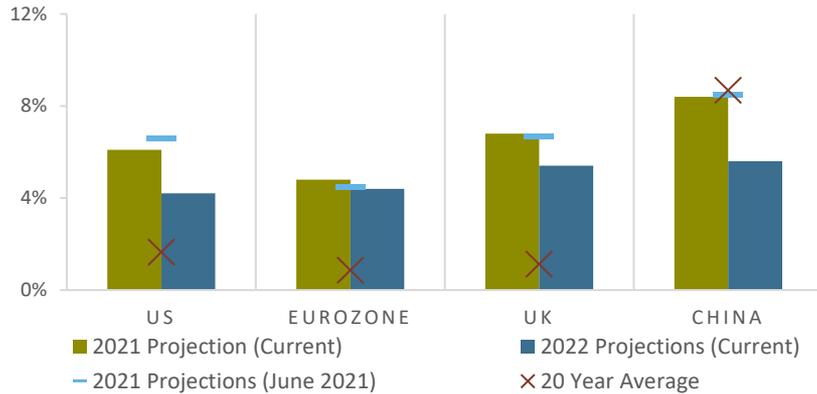
# MARKET REVIEW

# Transitioning from Recovery to Expansion

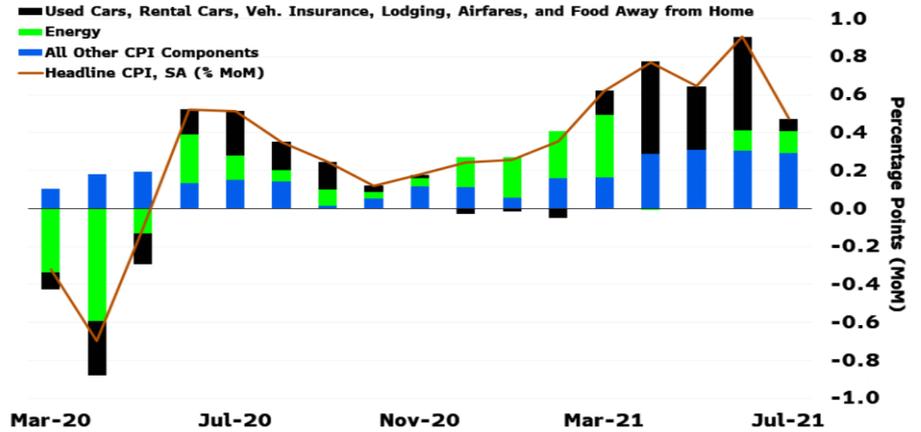
*Growth Still Above Trend, Supported by Low Rates*

## DELTA DENTS BUT DOES NOT DERAIL GROWTH

CONSENSUS PROJECTED GDP GROWTH

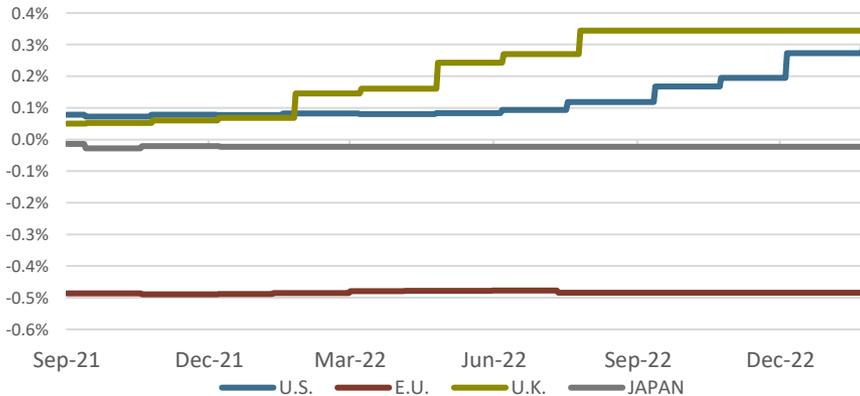


## KEY CONTRIBUTORS TO INFLATION BEGIN TO MODERATE



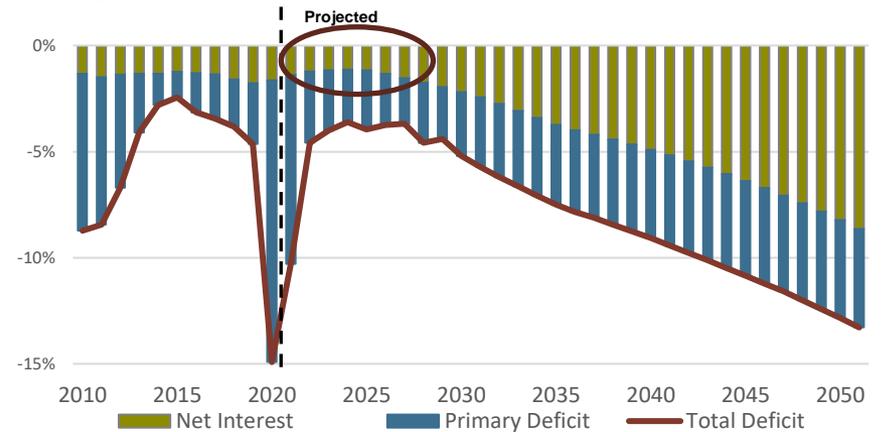
## MARKETS EXPECT CENTRAL BANKS WILL KEEP RATES LOW

FUTURES IMPLIED CENTRAL BANK POLICY RATES (%)



## INTEREST ON NATIONAL DEBT MANAGABLE THROUGH 2030

CBO Budget Projections (% of GDP)



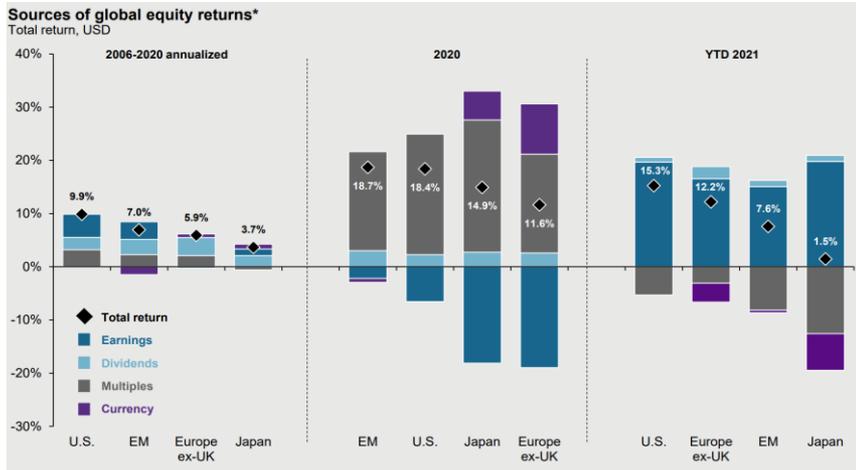
Source: Bloomberg, Congressional Budget Office

# MARKET REVIEW

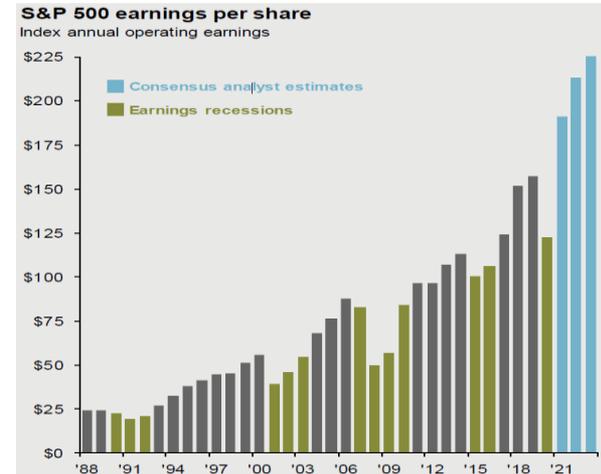
# Transitioning from Recovery to Expansion

## Strong Corporate Fundamentals Supporting Equity Markets

### EARNINGS GROWTH HAS DRIVEN RETURNS IN 2021...

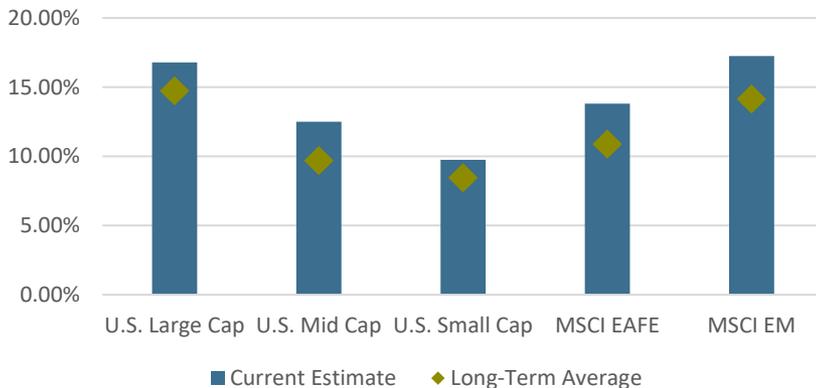


### ... AND EARNINGS ARE PROJECTED TO REMAIN STRONG

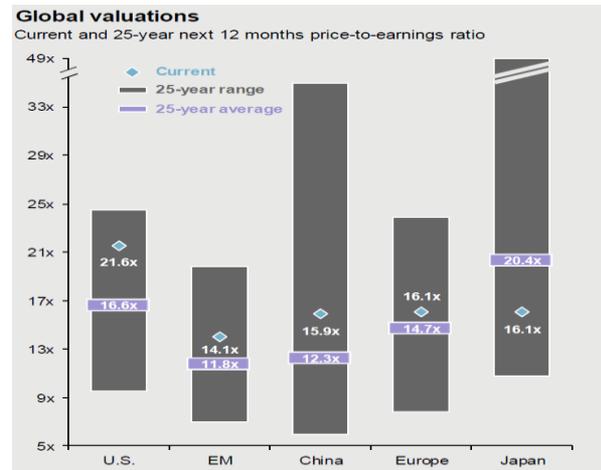


### OPERATING MARGINS ARE EXPECTED TO BE ABOVE AVERAGE

OPERATING MARGIN EXPECTATIONS 2021



### VALUATIONS REMAIN ELEVATED RELATIVE TO AVERAGES



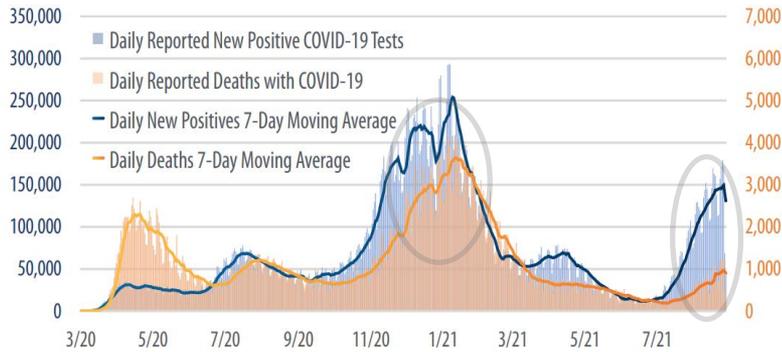
Source: JP Morgan, Factset

# Transitioning from Recovery to Expansion

## COVID, Inflation and Transitioning Policy Pose Risks

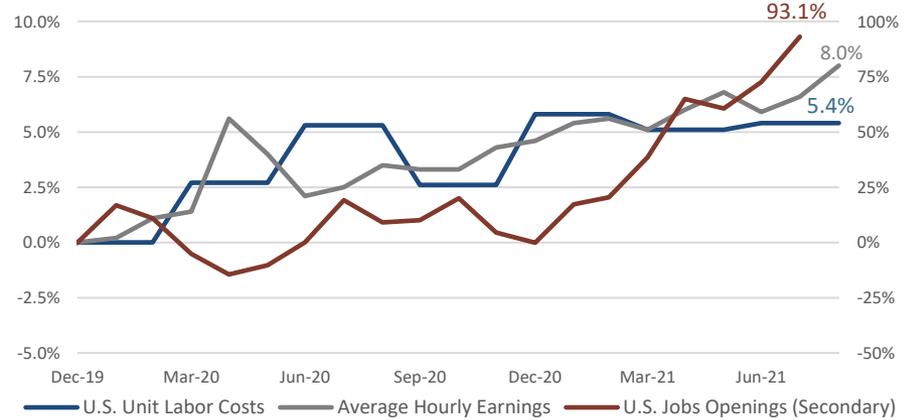
### WEAKER LINK BETWEEN CASES AND MORTALITIES

March 1, 2020 - August 29, 2021

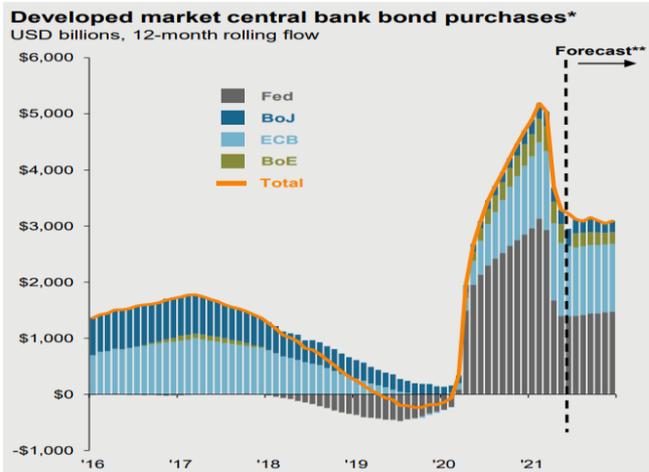


### INCREASING WAGES CAN LEAD TO PERSISTENT INFLATION

LABOR MARKET STATISTICS (CUMULATIVE CHANGE %)

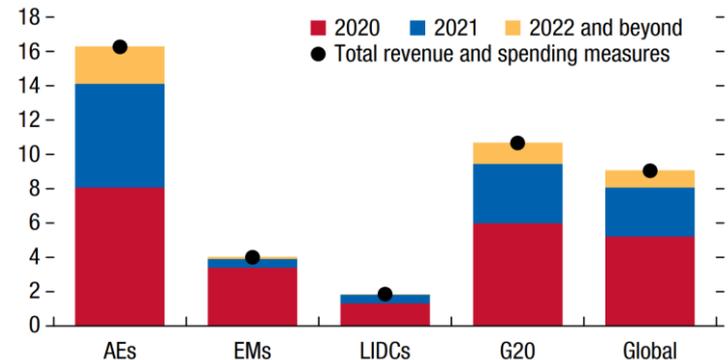


### BALANCE SHEET EXPANSION PROJECTED TO MODERATE



### ECONOMIC EFFECTS OF ENACTED FISCAL POLICY WAINING

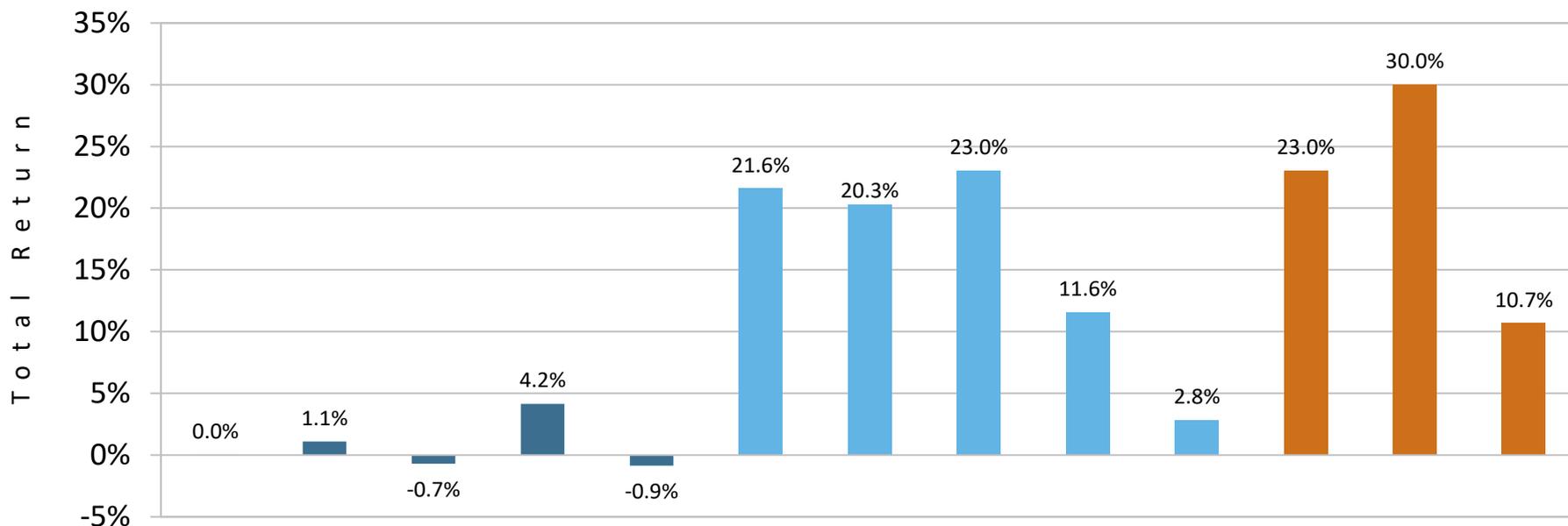
Time Horizon of Revenue and Spending Measures (Percent of 2020 GDP)



Source: First Trust Advisors, Bloomberg, JP Morgan, International Monetary Fund

# Asset Class Returns

Year-to-Date as of August 31, 2021



	RISK CONTROL					RISK ASSETS							
	FIXED INCOME					EQUITIES					REAL ASSETS		
	Cash	Municipal Bonds	U.S. Fixed Income	TIPS	Intl. Fixed Income	U.S. Large Cap	U.S. Mid Cap	U.S. Small Cap	Dev. Ex-U.S.	Emerging Markets	Comm.	Real Estate	Infra.
YTD	0.0	1.1	-0.7	4.2	-0.9	21.6	20.3	23.0	11.6	2.8	23.0	30.0	10.7
1 Year	0.1	2.5	-0.1	5.4	1.1	31.2	44.8	54.0	26.1	21.1	31.0	40.3	18.4
3 Year	1.2	4.5	5.4	4.5	4.5	18.1	12.2	9.2	9.0	9.9	5.8	11.0	10.4
5 Year	1.2	2.9	3.1	3.2	3.1	18.0	13.7	14.3	9.7	10.4	4.2	7.4	8.4

Data: Bloomberg. Asset class performance is represented by the stated index return. Returns annualized for periods greater than one year

# Appendix

Strategic Review

Portfolio Review

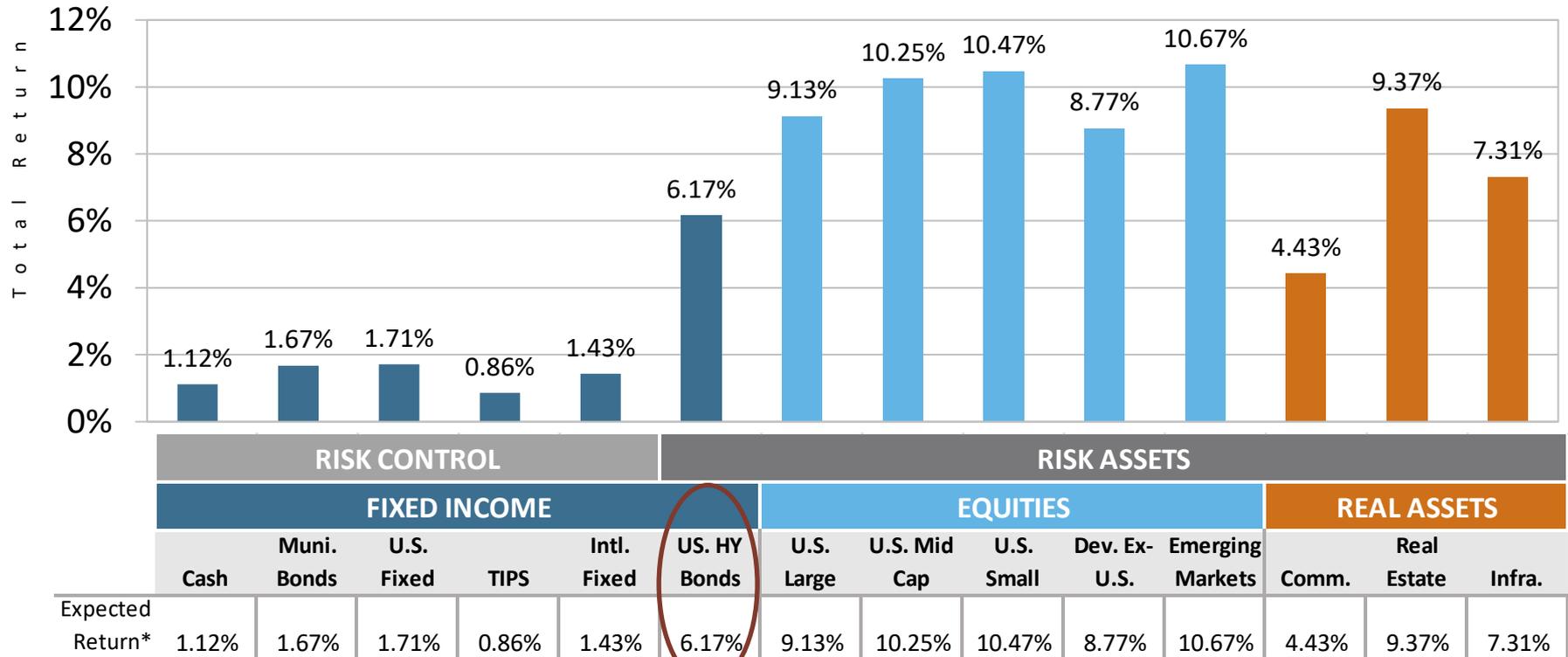
Market Review

Appendix

# The Case for High Yield Fixed Income

High yield bonds are issued by corporations with ratings below BBB- or Baa3 by established credit rating agencies.

In a company's capital structure, debt securities rank ahead of equity securities, so if a company was unable to pay all of their obligations and/or the valuation of the company dramatically declines, the **debt securities are paid back first** and are the first to capture any remaining value in the company before anything is allocated to the equity (preferred and common) holders.



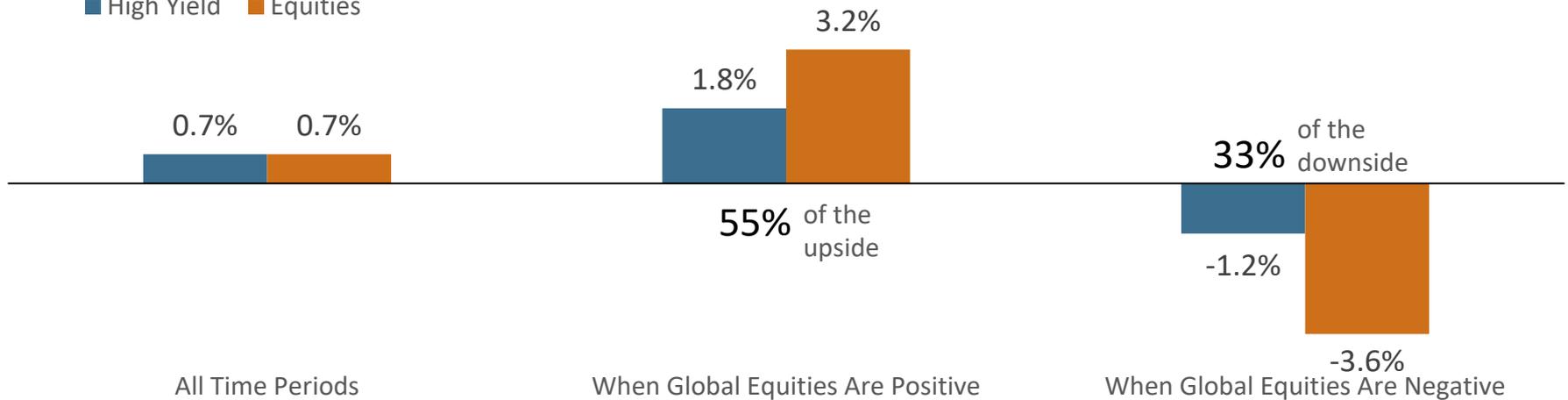
\* CMAAs are 10-year projected returns and do not represent actual returns.

# The Case for High Yield Fixed Income

An allocation to high yield has provided investors with upside participation in positive risk environments and downside protection in negative risk environments.

## Average Monthly Return

■ High Yield ■ Equities



- Since 1993, high yield has averaged a 0.7% monthly return; this is similar to global equities but with less volatility and less downside risk.

- High yield's asymmetric return profile – 55% of the upside with only 33% of the downside – makes it an attractive addition to a fully diversified multi-asset portfolio.

Source: Northern Trust Global Asset Allocation, Bloomberg. Data from 1/29/1993 to 5/29/2020. Global equities = MSCI ACWI; Global high yield = Bloomberg Barclays Global High Yield Index.

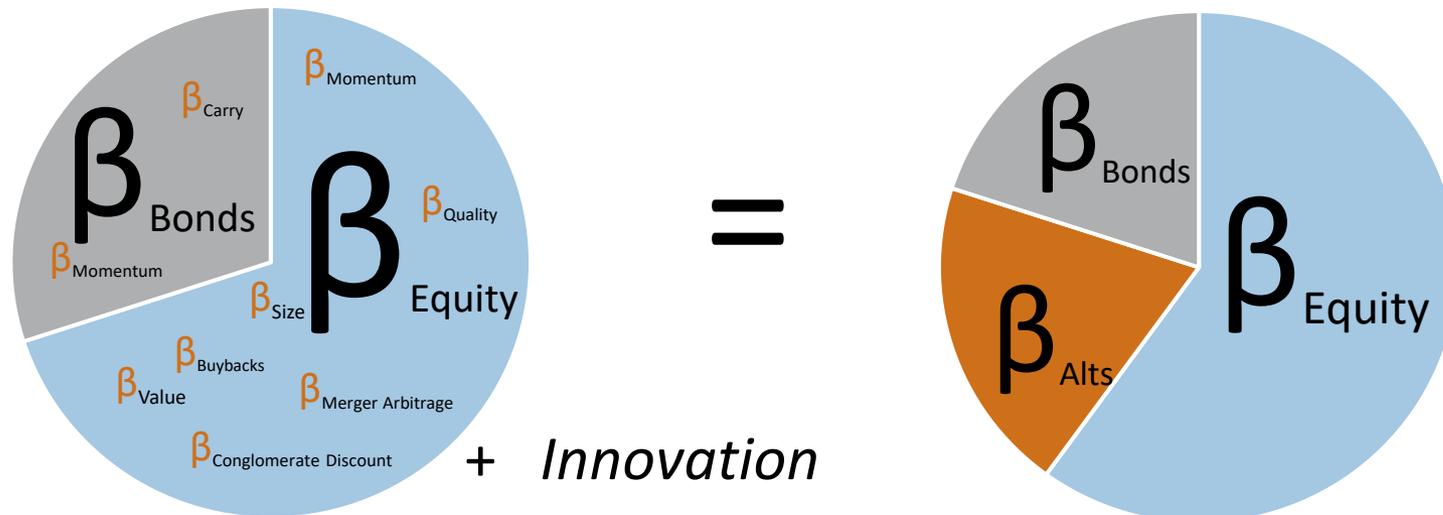
# Diversifying Benefits of Alternative Beta

Alternative beta captures sources of return that exist, but are not emphasized, in traditional stock and bond portfolios.

The *industry's broader understanding of sources of return* now allow these strategies to be accessed in a quantitative, systematic manner that *does not require a specific manager's subjective judgment*.

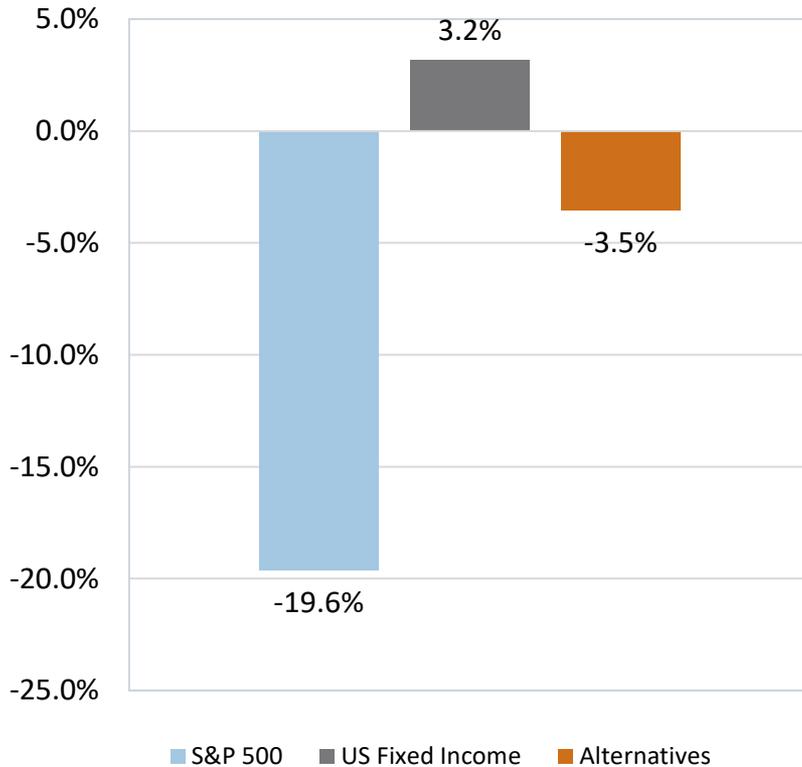
These *alternative sources of returns can further diversify a stock and bond portfolio*, but all require complex trading strategies.

The risks associated with these trading strategies *require proper risk management and controls*.



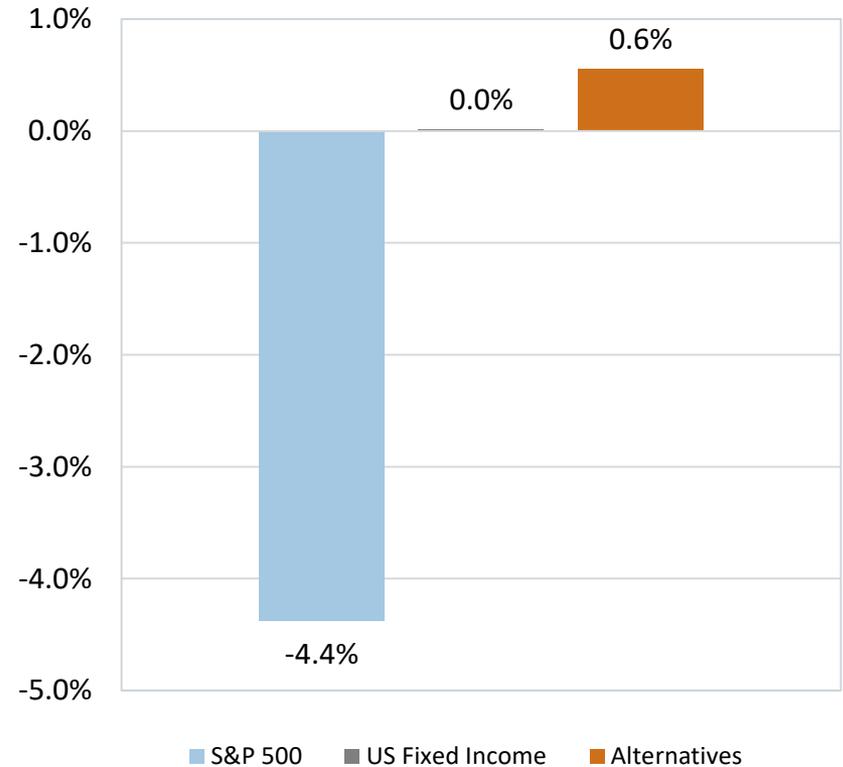
# Diversifying Benefits of Alternative Beta

Manage Equity Volatility  
First Quarter 2020 COVID Crisis



Source: Bloomberg from December 31, 2019 to March 31, 2020.  
Alternatives represented by a portfolio of 75% BIMBX 25% QAI.

Diversify Stocks and Bonds  
Calendar Year 2018



Source: Bloomberg from December 31, 2017 to December 31, 2018.  
Alternatives represented by a portfolio of 75% BIMBX 25% QAI.

# Vanguard High-Yield Corporate Fund

- APCM is utilizing a fund (ticker: VWEAX) to invest in a diversified group of high-yielding corporate bonds.
- Higher credit quality and lower return volatility relative to competitors.
- Utilizes an approach that aims to capture consistent income and minimize defaults and principal loss.
- Broadly diversified by issuer and industry sector with caps on individual issuers as well as bonds rated lower than B.
- APCM worked with Vanguard to **waive the normal \$50K minimum initial investment for all APCM clients.**

VWEAX Quick Facts as of 05/31/2020	
Inception Date	12/27/1978
Fund AUM	\$24.6 B
Expense Ratio	0.13%
# of Holdings	538
Provider	Vanguard
Fund Index	Vanguard High-Yield Corporate Composite Idx

# IQ Hedge Multi-Strategy Tracker ETF

- APCM is utilizing a fund (ticker: QAI) to **dampen some portfolio volatility while maintaining exposure to growth.**
- Transparent, low-cost exposure to six dominant hedge fund strategies **without manager-specific risk.**
- Conservative core alternative vehicle that does not wholly rely on traditional sources of risk, including interest rates and equity market beta.

## QAI Quick Facts

as of 03/31/2020

Inception Date	03/25/09
Fund AUM	\$755.55M
Expense Ratio	0.75%
# of Holdings	99
Provider	IQ by New York Life
Fund Index	IQ Hedge Multi-Strategy Index

# Systematic Multi-Strategy Fund

- APCM is utilizing a fund (ticker: BIMBX) to **dampen some portfolio volatility while maintaining exposure to growth.**
- Transparent, low-cost exposure to multiple alternative strategies including fixed income, global macro, and equity long/short – all with an emphasis on the business cycle and balance sheet strength **without manager-specific risk.**
- Conservative core alternative vehicle that does not wholly rely on traditional sources of risk, including interest rates and equity market beta.
- APCM worked with BlackRock to **waive the normal \$2M minimum initial investment for all APCM clients.**

## BIMBX Quick Facts

as of 06/29/2020

Inception Date	05/19/15
Fund AUM	\$1.5B
Expense Ratio	0.97%
# of Holdings	1,804
Provider	BlackRock
Fund Index	ICE BofAML 3-Mo. T-Bill Index

# Disclosures

## **Important Assumptions**

IMPORTANT: The projections or other information generated by Alaska Permanent Capital Management Company (APCM) regarding the likelihood of various outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. There can be no assurance that the projected or simulated results will be achieved or sustained. The charts and data only present a range of possible outcomes. Actual results will vary over time, and such results may be better or worse than the simulated scenarios. Clients should be aware that the potential for loss (or gain) may be greater than that demonstrated in the simulations. Please note that the analysis does not take into consideration all asset classes, and other asset classes not considered may have characteristics similar or superior to those being analyzed.

## **Important Legal Information**

These calculations are designed to be informational and educational only, and when used alone, do not constitute investment advice. APCM encourages investors to review their investment strategy periodically as financial circumstances do change.

Model results are provided as a rough approximation of future financial performance. Actual results could produce different outcomes (either better or worse) than those illustrated by the model, since it is not possible to anticipate every possible combination of financial market returns. APCM is not responsible for the consequences of any decisions or actions taken in reliance upon or as a result of the information provided by the results of the model.

## **Other Influences on Rates of Return**

Investment management fees: Returns are presented gross of management fees and include the reinvestment of all income. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. Actual investment advisory fees incurred by clients may vary.

Taxes: Unless noted otherwise, model results have not been adjusted for any state or federal taxes or penalties.

Inflation: Unless noted otherwise, model results do not adjust any inputs or outcomes for inflation. Inflation is assumed to be constant over the investment horizon.

## **Limitations Inherent in Model Results**

Limitations include but are not restricted to the following:

Model results do not represent actual trading and may not reflect the impact that material economic and market factors might have had on APCM's decision making if the actual client money were being managed.

Extreme market movements may occur more frequently than represented in the model.

Some asset classes have relatively limited histories. While future results for all asset classes in the model may materially differ from those assumed in APCM's calculations, the future results for asset classes with limited histories may diverge to a greater extent than the future results of asset classes with longer track records.

Market crises can cause asset classes to perform similarly over time; reducing the accuracy of the projected portfolio volatility and returns. The model is based on the long-term behavior of the asset classes and therefore is less reliable for short-term periods. This means that the model does not reflect the average periods of "bull" and "bear" markets, which can be longer than those modeled.

The model represent APCM's best view of the next 7-10 years, but is unlikely to reflect actual investment returns worldwide over this period.

# Portfolio Appraisal

## KENAI PENINSULA BOROUGH - LAND TRUST INVESTMENT FUND

September 30, 2021



ALASKA PERMANENT  
CAPITAL MANAGEMENT

Registered Investment Adviser

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
<b>DOMESTIC FIXED INCOME FUNDS/ETF</b>									
14,946	VANGUARD SHORT-TERM TIPS ETF	49.78	744,000	52.58	785,861	10.12	0		
20,665	VANGUARD TOTAL BOND MARKET ETF	83.65	1,728,625	85.45	1,765,824	22.74	NA		
			2,472,624		2,551,685	32.87			
<b>INTERNATIONAL FIXED INCOME FUNDS/ETF</b>									
6,110	VANGUARD TOTAL INTL BOND ETF	57.42	350,839	56.96	348,026	4.48	NA		
<b>DOMESTIC LARGE CAP EQUITY FUNDS/ETF</b>									
692	FLEXSHARES QUAL DIV ETF	44.51	30,801	55.65	38,510	0.50	NA		
722	ISHARES MSCI USA MIN VOLATILITY ETF	76.12	54,962	73.50	53,067	0.68	NA		
3,855	SPDR S&P 500 ETF	300.69	1,159,161	429.14	1,654,335	21.31	NA		
			1,244,923		1,745,911	22.49			
<b>DOMESTIC MID CAP EQUITY FUNDS/ETF</b>									
2,041	ISHARES CORE S&P MIDCAP 400 ETF	188.07	383,852	263.07	536,926	6.92	NA		
<b>DOMESTIC SMALL CAP EQUITY FUNDS/ETF</b>									
2,140	ISHARES S&P SMALLCAP 600 INDEX ETF	74.91	160,310	109.19	233,667	3.01	NA		
<b>INTERNATIONAL EQUITY FUNDS/ETF</b>									
10,409	ISHARES ETF CORE MSCI EAFE	67.35	701,006	74.25	772,868	9.95	NA		
<b>EMERGING MARKET FUNDS/ETF</b>									
6,220	ISHARES ETF CORE MSCI EMERGING MKTS	51.80	322,192	61.76	384,147	4.95	NA		
<b>REAL ESTATE &amp; INFRASTRUCTURE</b>									
4,755	FLEXSHAR STX GLOBAL BROAD INF ETF	51.31	243,991	55.78	265,234	3.42	NA		
1,565	JPMORGAN BETABUILDERS MSCI US REIT ETF	87.44	136,851	96.16	150,498	1.94	NA		
			380,842		415,732	5.35			
<b>COMMODITIES</b>									
4,241	ISHARES BB ROLL SELECT COMMODITY ETF	39.17	166,127	58.42	247,758	3.19	NA		
<b>CASH AND EQUIVALENTS</b>									
	DIVIDEND ACCRUAL		5,505		5,505	0.07			
	WFB PUBLIC INST BANK DEPOSIT ACCOUNT		521,522		521,522	6.72			
			527,028		527,028	6.79			
<b>TOTAL PORTFOLIO</b>			<b>6,709,742</b>		<b>7,763,747</b>	<b>100</b>	<b>0</b>	<b>0</b>	

**PERFORMANCE HISTORY  
GROSS OF FEES  
KENAI PENINSULA BOROUGH - LAND TRUST**



**ALASKA PERMANENT  
CAPITAL MANAGEMENT**

Registered Investment Adviser

**Percent Return**

**Per Period**

<b>Time Period</b>	<b>Total Account</b>	<b>BLEND</b>	<b>Fixed Income</b>	<b>BLOOMBERG AGG BENCH</b>	<b>Domestic Large Cap Equity</b>	<b>S&amp;P 500 LARGE CAPS BENCH</b>	<b>Domestic Mid Cap Equity</b>	<b>S&amp;P 400 MIDCAP BENCH</b>	<b>Domestic Small Cap Equity</b>	<b>S &amp; P 600 SMALL CAPS BENCH</b>	<b>Int'l Equity</b>	<b>MSCI EAFE Index</b>	<b>Emerging Market Equity</b>	<b>MSCI EMERGING MARKET BENCH</b>	<b>Real Estate</b>	<b>S&amp;P US REIT BENCH</b>	<b>Diversified Alternatives</b>	<b>BB COMMODITY</b>
09-30-20 to 10-31-20	-0.90	-0.87	-0.29	-0.45	-2.62	-2.66	2.09	2.17	2.37	2.58	-3.63	-3.99	1.04	2.06	-2.94	-2.57	0.45	1.41
10-31-20 to 11-30-20	6.75	6.91	0.85	0.98	10.75	10.95	14.60	14.28	18.22	18.17	14.50	15.50	9.63	9.25	9.42	10.73	3.77	3.51
11-30-20 to 12-31-20	2.90	2.81	0.33	0.14	3.71	3.84	6.46	6.52	8.24	8.32	5.11	4.65	7.11	7.35	2.98	3.36	4.71	4.97
12-31-20 to 01-31-21	-0.01	0.00	-0.44	-0.72	-1.00	-1.01	1.49	1.50	6.17	6.29	-0.76	-1.07	2.89	3.07	-1.01	0.15	1.68	2.63
01-31-21 to 02-28-21	1.61	1.44	-0.99	-1.44	2.81	2.76	6.88	6.80	7.82	7.65	2.32	2.24	1.37	0.76	1.70	3.96	6.52	6.47
02-28-21 to 03-31-21	1.74	1.46	-0.58	-1.25	4.61	4.38	4.77	4.67	3.53	3.33	2.43	2.30	-0.57	-1.51	5.03	4.43	-1.83	-2.15
03-31-21 to 04-30-21	2.80	2.75	0.64	0.79	5.27	5.34	4.41	4.50	1.93	2.04	3.15	3.01	1.72	2.49	4.82	8.04	7.97	8.29
04-30-21 to 05-31-21	1.01	0.98	0.26	0.33	0.67	0.70	0.28	0.20	2.09	2.08	3.35	3.26	1.87	2.32	1.38	0.93	3.53	2.73
05-31-21 to 06-30-21	0.62	0.61	0.52	0.70	2.20	2.33	-1.12	-1.02	0.48	0.33	-1.12	-1.13	1.37	0.17	-0.32	2.66	1.91	1.85
06-30-21 to 07-31-21	0.90	0.87	1.06	1.12	2.43	2.38	0.36	0.34	-2.41	-2.39	0.92	0.75	-5.64	-6.73	2.22	4.87	0.86	1.84
07-31-21 to 08-31-21	1.16	1.20	-0.15	-0.19	2.93	3.04	1.99	1.95	1.91	2.02	1.62	1.76	1.38	2.62	1.81	1.87	0.97	-0.30
08-31-21 to 09-30-21	-2.37	-2.24	-0.65	-0.87	-4.66	-4.65	-4.01	-3.97	-2.38	-2.43	-3.26	-2.90	-3.64	-3.97	-4.96	-5.48	3.99	4.98

**Date to Date**

09-30-20 to 09-30-21	17.15	16.83	0.56	-0.90	29.68	30.01	44.00	43.68	57.60	57.64	26.16	25.73	19.14	18.20	21.17	37.03	40.00	42.29
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Introduced by: Mayor  
 Date: 05/21/19  
 Action: Adopted  
 Vote: 9 Yes, 0 No, 0 Absent

**KENAI PENINSULA BOROUGH  
 RESOLUTION 2019-032**

**A RESOLUTION ESTABLISHING THE LAND TRUST INVESTMENT FUND (LTIF)  
 FINANCIAL ASSET ALLOCATION PLAN, APPROVING AUTHORIZED  
 INVESTMENTS, AND ESTABLISHING APPROPRIATE BENCHMARKS TO  
 MEASURE PERFORMANCE OF THE BOROUGH’S LTIF FUNDS FOR FISCAL  
 YEAR 2020**

**WHEREAS,** pursuant to KPB Code 5.10.200(A)(2), the investments, allocation of, and benchmarks of the Land Trust Investment Fund (LTIF) shall be approved by resolution annually, usually during the budgetary processes; and

**WHEREAS,** KPB 5.10.200(B) permits investment of the LTIF funds in various asset classes and establishing asset allocation criteria for these various asset classes in the best interest of the borough; and

**WHEREAS,** the annually approved Asset Allocation Plan will provide benchmarks to measure investment performance.

**BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:**

**SECTION 1.** Adopts the Asset Allocation Plan of Fiscal Year 2020 as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>
<b>FIXED INCOME</b>	<b>45%</b>		
Cash	5%	0%	10%
U.S. Fixed Income	25%	15%	35%
TIPS	10%	5%	15%
International Bonds	5%	0%	10%
<b>EQUITY</b>	<b>47%</b>		
U.S. Large-Cap Equity	22%	12%	32%
U.S. Mid-Cap Equity	7%	0%	15%
U.S. Small-Cap Equity	3%	0%	6%
International Developed Equity	10%	5%	15%
Emerging Markets Equity	5%	0%	10%
<b>ALTERNATIVES</b>	<b>8%</b>		
Real Estate	2%	0%	5%
Infrastructure	3%	0%	6%
Commodities	3%	0%	6%

**SECTION 2.** The performance of the Fund and investment managers will be measured as follows:

Performance measurement of the U.S. Fixed Income allocation will be measured against the Target weighting, using the Bloomberg Barclays US Aggregate Bond Index or a substantially similar index for the benchmark.

Performance measurement of the U.S. Large-Cap Equity allocation will be measured against the Target weighting, using the Standard & Poor's 500 Index or a substantially similar index for the benchmark.

Performance measurement of the U.S. Mid-Cap Equity allocation will be measured against the Target weighting, using the Standard & Poor's 400 Mid-Cap Index or a substantially similar index as the benchmark.

Performance measurement of the U.S. Small-Cap Equity allocation will be measured against the Target weighting, using the Standard & Poor's 600 Small-Cap Index or a substantially similar index as the benchmark.

Performance measurement of the International Developed Equity allocation will be measured against the Target weighting, using the MSCI EAFE Index or a substantially similar index for the benchmark.

Performance measurement of the Emerging Markets Equity allocation will be measured against the Target weighting, using the MSCI Emerging Markets Index or a substantially similar index as the benchmark.

Performance measurement of the Real Estate allocation will be measured against the Target weighting, using the Standard & Poor's US REIT Index or a substantially similar index as the benchmark.

Performance measurement of the US Treasury Inflation Protected Securities (TIPS) allocation will be measured against the Target weighting, using the Bloomberg Barclays 0-5 Year Treasury Inflation Protected Securities Index or a substantially similar index as the benchmark.

Performance measurement of the International Bonds allocation will be measured against the Target weighting, using the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index or a substantially similar index as the benchmark.

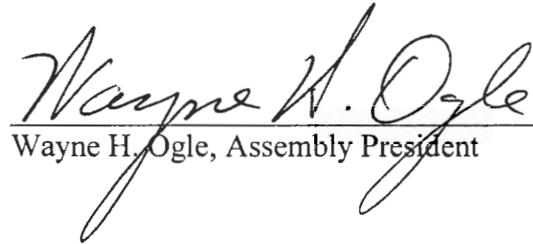
Performance measurement of the Cash allocation will be measured against the Target weighting, using the Citi Group 90 Day T-Bill Index or a substantially similar index as the benchmark.

Performance measurement of the Infrastructure allocation will be measured against the Target weighting, using STOXX Global Broad Infrastructure Index or a substantially similar index as the benchmark.

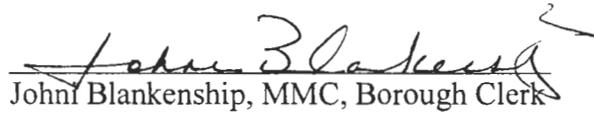
Performance measurement of the Commodity allocation will be measured against the Target weighting, using the Bloomberg Commodity Index or a substantially similar index as the benchmark.

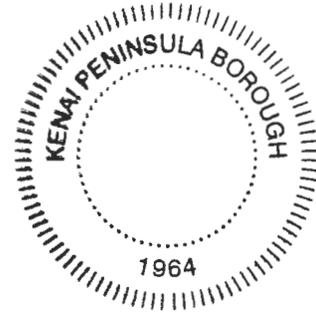
**SECTION 3.** That this resolution takes effect at 12:01 a.m., Alaska Daylight Time, on July 1, 2019.

**ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 21ST DAY OF MAY, 2019.**

  
Wayne H. Ogle, Assembly President

ATTEST:

  
John Blankenship, MMC, Borough Clerk



Yes: Bagley, Blakeley, Carpenter, Cooper, Dunne, Fischer, Hibbert, Smalley, Ogle  
No: None  
Absent: None

Kenai Peninsula Borough  
Finance Department

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**MEMORANDUM**

**TO:** Wayne Ogle, Assembly President  
Members, Kenai Peninsula Borough Assembly

**THRU:** Charlie Pierce, Mayor *CP*

**FROM:** Brandi Harbaugh, Finance Director *BH*

**DATE:** May 21, 2019

**RE:** Resolution 2019-032, Establishing the Land Trust Investment Fund (LTIF) Financial Asset Allocation Plan, Approving Authorized Investments, and Establishing Appropriate Benchmarks to Measure Performance of the Borough's LTIF Funds for Fiscal Year 2020 (Mayor)

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Pursuant to KPB Code 5.10.200(A)(2), the investments, allocation and benchmarks of the Land Trust Investment Fund (LTIF) shall be approved annually, usually during the budgetary processes.

Based on the recommendation of the Kenai Peninsula Borough's LTIF Investment Manager, Alaska Permanent Capital Management, this resolution sets the portfolio allocation at 55% equities and alternatives, and 45% fixed income, which can reasonably support a distribution rate of 3.75% of the 5-year average market values while protecting the LTIF from inflation. This resolution also provides appropriate benchmarks to measure the performance of the LTIF funds for FY2020.